



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2015  
or

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

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

**THE BOEING COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**

State or other jurisdiction of  
incorporation or organization

**91-0425694**

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

**100 N. Riverside Plaza, Chicago, IL**

(Address of principal executive offices)

**60606-1596**

(Zip Code)

**Registrant's telephone number, including area code (312) 544-2000**

**Securities registered pursuant to Section 12(b) of the Act:**

**Common Stock, \$5 par value**

(Title of each class)

**New York Stock Exchange**

(Name of each exchange on which registered)

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, 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.

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

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

As of June 30, 2015, there were 681,067,191 common shares outstanding held by nonaffiliates of the registrant, and the aggregate market value of the common shares (based upon the closing price of these shares on the New York Stock Exchange) was approximately \$94.5 billion.

The number of shares of the registrant's common stock outstanding as of February 4, 2016 was 662,503,822.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates information by reference to the registrant's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2015.

**THE BOEING COMPANY**  
**Index to the Form 10-K**  
**For the Fiscal Year Ended December 31, 2015**

<b><u>PART I</u></b>		<b><i>Page</i></b>
	<a href="#"><u>Item 1. Business</u></a>	<a href="#"><u>1</u></a>
	<a href="#"><u>Item 1A. Risk Factors</u></a>	<a href="#"><u>7</u></a>
	<a href="#"><u>Item 1B. Unresolved Staff Comments</u></a>	<a href="#"><u>15</u></a>
	<a href="#"><u>Item 2. Properties</u></a>	<a href="#"><u>16</u></a>
	<a href="#"><u>Item 3. Legal Proceedings</u></a>	<a href="#"><u>16</u></a>
	<a href="#"><u>Item 4. Mine Safety Disclosures</u></a>	<a href="#"><u>16</u></a>
<b><u>PART II</u></b>		
	<a href="#"><u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u></a>	<a href="#"><u>17</u></a>
	<a href="#"><u>Item 6. Selected Financial Data</u></a>	<a href="#"><u>18</u></a>
	<a href="#"><u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<a href="#"><u>19</u></a>
	<a href="#"><u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u></a>	<a href="#"><u>47</u></a>
	<a href="#"><u>Item 8. Financial Statements and Supplementary Data</u></a>	<a href="#"><u>48</u></a>
	<a href="#"><u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u></a>	<a href="#"><u>112</u></a>
	<a href="#"><u>Item 9A. Controls and Procedures</u></a>	<a href="#"><u>112</u></a>
	<a href="#"><u>Item 9B. Other Information</u></a>	<a href="#"><u>112</u></a>
<b><u>PART III</u></b>		
	<a href="#"><u>Item 10. Directors, Executive Officers and Corporate Governance</u></a>	<a href="#"><u>113</u></a>
	<a href="#"><u>Item 11. Executive Compensation</u></a>	<a href="#"><u>115</u></a>
	<a href="#"><u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u></a>	<a href="#"><u>116</u></a>
	<a href="#"><u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u></a>	<a href="#"><u>116</u></a>
	<a href="#"><u>Item 14. Principal Accounting Fees and Services</u></a>	<a href="#"><u>116</u></a>
<b><u>PART IV</u></b>		
	<a href="#"><u>Item 15. Exhibits, Financial Statement Schedules</u></a>	<a href="#"><u>117</u></a>
	<a href="#"><u>Signatures</u></a>	<a href="#"><u>121</u></a>

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## PART I

### Item 1. Business

The Boeing Company, together with its subsidiaries (herein referred to as “Boeing,” the “Company,” “we,” “us,” “our”), is one of the world’s major aerospace firms.

We are organized based on the products and services we offer. We operate in five principal segments:

- Commercial Airplanes;
- Our Defense, Space & Security ( BDS ) business comprises three segments:
  - Boeing Military Aircraft ( BMA ),
  - Network & Space Systems ( N&SS ) and
  - Global Services & Support ( GS&S ); and
- Boeing Capital ( BCC ).

The unallocated activities of Engineering, Operations & Technology ( EO&T ) and Shared Services Group ( SSG ), Corporate and intercompany guarantees provided to BCC are included in Unallocated items, eliminations and other. EO&T provides Boeing with technical and functional capabilities, including information technology, research and development, test and evaluation, technology strategy development, environmental remediation management and intellectual property management.

#### Commercial Airplanes Segment

The Commercial Airplanes segment develops, produces and markets commercial jet aircraft and provides related support services, principally to the commercial airline industry worldwide. We are a leading producer of commercial aircraft and offer a family of commercial jetliners designed to meet a broad spectrum of global passenger and cargo requirements of airlines. This family of commercial jet aircraft in production includes the 737 narrow-body model and the 747, 767, 777 and 787 wide-body models. Development continues on the 787-10 and 737 MAX derivatives and the 777X programs. The Commercial Airplanes segment also offers aviation services support, aircraft modifications, spare parts, training, maintenance documents and technical advice to commercial and government customers worldwide.

#### Defense, Space & Security

Our BDS operations principally involve research, development, production, modification and support of the products and related systems as described below. BDS' primary customer is the United States Department of Defense ( U.S. DoD ) with approximately 62% of BDS 2015 revenues being derived from this customer (excluding foreign military sales through the U.S. government). Other significant BDS revenues were derived from the National Aeronautics and Space Administration (NASA), international defense markets, civil markets and commercial satellite markets. BDS consists of three capabilities-driven businesses: BMA, N&SS and GS&S. Additionally, the Phantom Works group is an integrated team that works with the three businesses via product development, rapid prototyping and customer engagement through experimentation and enterprise technology investment strategies.

#### Boeing Military Aircraft Segment

This segment is engaged in the research, development, production and modification of manned and unmanned military aircraft and weapons systems for global strike, including fighter aircraft and missile systems; vertical lift, including rotorcraft and tilt-rotor aircraft; autonomous systems; and mobility, surveillance and engagement, including command and control, battle management, airborne, anti-

submarine, transport and tanker aircraft. The major programs in this segment include for global strike: EA-18G Growler Airborne Electronic Attack, F/A-18E/F Super Hornet, F-15 Strike Eagle and Joint Direct Attack Munition; for vertical lift: CH-47 Chinook, AH-64 Apache, and V-22 Osprey; for autonomous systems: ScanEagle and Integrator; and for mobility, surveillance and engagement: C-17 Globemaster III, P-8 programs, and KC-46A Tanker. C-17 Globemaster III production ended in 2015.

### **Network & Space Systems Segment**

This segment is engaged in the research, development, production and modification of the following products and related services: electronics and information solutions, including command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR), cyber and information solutions, and intelligence systems; strategic missile and defense systems; space and intelligence systems, including satellites and commercial satellite launch vehicles; and space exploration. The major programs in this segment include for strategic missile and defense systems: Ground-based Midcourse Defense ( GMD ); for space and intelligence systems: commercial, civil and military satellites; and for space exploration: Space Launch System ( SLS ), Commercial Crew and International Space Station. This segment also includes our joint venture operations related to United Launch Alliance .

### **Global Services & Support Segment**

This segment provides customers with mission readiness through total support solutions. Our global services business sustains aircraft and systems with a full spectrum of products and services through integrated logistics, including supply chain management and engineering support; maintenance, modification and upgrades for aircraft; and training systems and government services, including pilot and maintenance training. GS&S international operations include Boeing Defence U.K. Ltd., and Boeing Defence Australia, as well as Alsalam Aircraft Company, Aviation Training International, Ltd and Boeing Sikorsky International Services LLC, joint ventures.

Integrated logistics comprises an integrated array of services that address the complete life cycle of aircraft and systems. Major programs supported include the F/A-18E/F, F-15, AH-64 Apache and CH-47 Chinook for domestic and international customers.

Aircraft modernization and sustainment is performed at centers throughout the United States and around the world, providing rapid cycle time and aircraft services for military customers on a wide variety of BDS and non- BDS platforms. Major support is performed as part of the C-17 Globemaster III Integrated Sustainment Program. Aircraft programs include the Airborne Early Warning and Control ( AEW&C ) Peace Eagle contract with Turkey and Airborne Warning and Control Systems ( AWACS ) program. We delivered the final AEW&C aircraft to Turkey in 2015.

Training systems and government services comprise a full range of training capabilities for domestic and international customers, including the design and development of trainers for multiple aircraft platforms and logistics and asset management solutions.

### **Boeing Capital Segment**

BCC seeks to ensure that Boeing customers have the financing they need to buy and take delivery of their Boeing product and manages overall financing exposure. BCC 's portfolio consists of equipment under operating leases, finance leases, notes and other receivables, assets held for sale or re-lease and investments.

## **Financial and Other Business Information**

See the Summary of Business Segment Data and Note 21 to our Consolidated Financial Statements for financial information, including revenues and earnings from operations, for each of our business segments.

### **Intellectual Property**

We own numerous patents and have licenses for the use of patents owned by others, which relate to our products and their manufacture. In addition to owning a large portfolio of intellectual property, we also license intellectual property to and from third parties. For example, the U.S. government has licenses in our patents that are developed in performance of government contracts, and it may use or authorize others to use the inventions covered by such patents for government purposes. Unpatented research, development and engineering skills, as well as certain trademarks, trade secrets, and other intellectual property rights, also make an important contribution to our business. While our intellectual property rights in the aggregate are important to the operation of each of our businesses, we do not believe that our business would be materially affected by the expiration of any particular intellectual property right or termination of any particular intellectual property patent license agreement.

### **Non-U.S. Revenues**

See Note 21 to our Consolidated Financial Statements for information regarding non-U.S. revenues.

### **Research and Development**

Research and development expenditures involve experimentation, design, development and related test activities for defense systems, new and derivative jet aircraft including both commercial and military, advanced space and other company-sponsored product development. These are expensed as incurred including amounts allocable as reimbursable overhead costs on U.S. government contracts.

Our total research and development expense, net amounted to \$3.3 billion , \$3.0 billion and \$3.1 billion in 2015, 2014 and 2013 , respectively.

Research and development costs also include bid and proposal efforts related to government products and services, as well as costs incurred in excess of amounts estimated to be recoverable under cost-sharing research and development agreements. Bid and proposal costs were \$286 million , \$289 million and \$285 million in 2015, 2014 and 2013 , respectively.

## Employees

Total workforce level at December 31, 2015 was approximately 161,400 . As of December 31, 2015 , our principal collective bargaining agreements were with the following unions:

Union	Percent of our Employees Represented	Status of the Agreements with Major Union
The International Association of Machinists and Aerospace Workers (IAM)	22%	We have two major agreements; one expiring in June 2022 and one in September 2024.
The Society of Professional Engineering Employees in Aerospace (SPEEA)	13%	We have two major agreements expiring in October 2016.
The United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)	1%	We have one major agreement expiring in October 2022.

## Competition

The commercial jet aircraft market and the airline industry remain extremely competitive. We face aggressive international competitors who are intent on increasing their market share, such as Airbus, Embraer and Bombardier, and other entrants from Russia, China and Japan. We are focused on improving our processes and continuing cost reduction efforts. We intend to continue to compete with other airplane manufacturers by providing customers with greater value products, services, and support. We continue to leverage our extensive customer support services network which spans the life cycle of the airplane: aircraft acquisition, readying for service, maintenance and engineering, enhancing and upgrading, and transitioning to the next model - as well as the daily cycle of gate-to-gate operations. This enables us to provide a high level of customer satisfaction and productivity.

BDS faces strong competition in all market segments, primarily from Lockheed Martin Corporation, Northrop Grumman Corporation, Raytheon Company and General Dynamics Corporation. Non-U.S. companies such as BAE Systems and Airbus Group, continue to build a strategic presence in the U.S. market by strengthening their North American operations and partnering with U.S. defense companies. In addition, certain competitors have occasionally formed teams with other competitors to address specific customer requirements. BDS expects the trend of strong competition to continue into 2016 .

## Regulatory Matters

Our businesses are heavily regulated in most of our markets. We deal with numerous U.S. government agencies and entities, including but not limited to all of the branches of the U.S. military, NASA, the Federal Aviation Administration (FAA) and the Department of Homeland Security. Similar government authorities exist in our international markets.

**Government Contracts.** The U.S. government, and other governments, may terminate any of our government contracts at their convenience, as well as for default, based on our failure to meet specified performance requirements. If any of our U.S. government contracts were to be terminated for convenience, we generally would be entitled to receive payment for work completed and allowable termination or cancellation costs. If any of our government contracts were to be terminated for default, generally the U.S. government would pay only for the work that has been accepted and could require us to pay the difference between the original contract price and the cost to re-procure the contract items, net of the work accepted from the original contract. The U.S. government can also hold us liable for damages resulting from the default.

*Commercial Aircraft.* In the U.S., our commercial aircraft products are required to comply with FAA regulations governing production and quality systems, airworthiness and installation approvals, repair procedures and continuing operational safety. Internationally, similar requirements exist for airworthiness, installation and operational approvals. These requirements are generally administered by the national aviation authorities of each country and, in the case of Europe, coordinated by the European Joint Aviation Authorities.

*Environmental.* We are subject to various federal, state, local and non-U.S. laws and regulations relating to environmental protection, including the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. We continually assess our compliance status and management of environmental matters to ensure our operations are in substantial compliance with all applicable environmental laws and regulations. Investigation, remediation, and operation and maintenance costs associated with environmental compliance and management of sites are a normal, recurring part of our operations. These costs often are allowable costs under our contracts with the U.S. government. It is reasonably possible that costs incurred to ensure continued environmental compliance could have a material impact on our results of operations, financial condition or cash flows if additional work requirements or more stringent clean-up standards are imposed by regulators, new areas of soil, air and groundwater contamination are discovered and/or expansions of work scope are prompted by the results of investigations.

A Potentially Responsible Party (PRP) has joint and several liability under existing U.S. environmental laws. Where we have been designated a PRP by the Environmental Protection Agency or a state environmental agency, we are potentially liable to the government or third parties for the full cost of remediating contamination at our facilities or former facilities or at third-party sites. If we were required to fully fund the remediation of a site for which we were originally assigned a partial share, the statutory framework would allow us to pursue rights to contribution from other PRPs. For additional information relating to environmental contingencies, see Note 11 to our Consolidated Financial Statements.

*International.* Our international sales are subject to U.S. and non-U.S. governmental regulations and procurement policies and practices, including regulations relating to import-export control, investment, exchange controls and repatriation of earnings. International sales are also subject to varying currency, political and economic risks.

### **Raw Materials, Parts, and Subassemblies**

We are highly dependent on the availability of essential materials, parts and subassemblies from our suppliers and subcontractors. The most important raw materials required for our aerospace products are aluminum (sheet, plate, forgings and extrusions), titanium (sheet, plate, forgings and extrusions) and composites (including carbon and boron). Although alternative sources generally exist for these raw materials, qualification of the sources could take one year or more. Many major components and product equipment items are procured or subcontracted on a sole-source basis with a number of companies.

### **Suppliers**

We are dependent upon the ability of a large number of suppliers and subcontractors to meet performance specifications, quality standards and delivery schedules at our anticipated costs. While we maintain an extensive qualification and performance surveillance system to control risk associated with such reliance on third parties, failure of suppliers or subcontractors to meet commitments could adversely affect production schedules and program/contract profitability, thereby jeopardizing our ability to fulfill commitments to our customers. We are also dependent on the availability of energy sources, such as electricity, at affordable prices.

## **Seasonality**

No material portion of our business is considered to be seasonal.

## **Executive Officers of the Registrant**

See “Item 10. Directors, Executive Officers and Corporate Governance” in Part III.

## **Other Information**

Boeing was originally incorporated in the State of Washington in 1916 and reincorporated in Delaware in 1934. Our principal executive offices are located at 100 N. Riverside Plaza, Chicago, Illinois 60606 and our telephone number is (312) 544-2000.

General information about us can be found at [www.boeing.com](http://www.boeing.com). The information contained on or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this or any other report filed with the Securities and Exchange Commission (SEC). Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC. These reports may also be obtained at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding SEC registrants, including Boeing.

## **Forward-Looking Statements**

This report, as well as our Annual Report to Shareholders, quarterly reports, and other filings we make with the SEC, press releases and other written and oral communications, contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “should,” “expects,” “intends,” “projects,” “plans,” “believes,” “estimates,” “targets,” “anticipates” and similar expressions are used to identify these forward-looking statements. Examples of forward-looking statements include statements relating to our future financial condition and operating results, as well as any other statement that does not directly relate to any historical or current fact.

Forward-looking statements are based on our current expectations and assumptions, which may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties and changes in circumstances that are difficult to predict. Many factors, including those set forth in the “Risk Factors” section below could cause actual results to differ materially and adversely from these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we assume no obligation to update or revise any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law.



## Item 1A. Risk Factors

An investment in our common stock or debt securities involves risks and uncertainties and our actual results and future trends may differ materially from our past or projected future performance. We urge investors to consider carefully the risk factors described below in evaluating the information contained in this report.

### ***Our Commercial Airplanes business depends heavily on commercial airlines, and is subject to unique risks.***

*Market conditions have a significant impact on demand for our commercial aircraft.* The commercial aircraft market is predominantly driven by long-term trends in airline passenger and cargo traffic. The principal factors underlying long-term traffic growth are sustained economic growth and political stability both in developed and emerging markets. Demand for our commercial aircraft is further influenced by airline profitability, availability of aircraft financing, world trade policies, government-to-government relations, technological changes, price and other competitive factors, fuel prices, terrorism, epidemics and environmental regulations. Traditionally, the airline industry has been cyclical and very competitive and has experienced significant profit swings and constant challenges to be more cost competitive. In addition, availability of financing to non-U.S. customers depends in part on the Export-Import Bank of the United States. Significant deterioration in the global economic environment, the airline industry generally, or in the financial stability of one or more of our major customers could result in fewer new orders for aircraft or could cause customers to seek to postpone or cancel contractual orders and/or payments to us, which could result in lower revenues, profitability and cash flows and a reduction in our contractual backlog. In addition, because our commercial aircraft backlog consists of aircraft scheduled for delivery over a period of several years, any of these macroeconomic, industry or customer impacts could unexpectedly affect deliveries over a long period.

*We enter into firm fixed-price aircraft sales contracts with indexed price escalation clauses which could subject us to losses if we have cost overruns or if increases in our costs exceed the applicable escalation rate.* Commercial aircraft sales contracts are often entered into years before the aircraft are delivered. In order to account for economic fluctuations between the contract date and delivery date, aircraft pricing generally consists of a fixed amount as modified by price escalation formulas derived from labor, commodity and other price indices. Our revenue estimates are based on current expectations with respect to these escalation formulas, but the actual escalation amounts are outside of our control. Escalation factors can fluctuate significantly from period to period. Changes in escalation amounts can significantly impact revenues and operating margins in our Commercial Airplanes business.

*We derive a significant portion of our revenues from a limited number of commercial airlines.* We can make no assurance that any customer will exercise purchase options, fulfill existing purchase commitments or purchase additional products or services from us. In addition, fleet decisions, airline consolidations or financial challenges involving any of our major commercial airline customers could significantly reduce our revenues and limit our opportunity to generate profits from those customers.

### ***Our Commercial Airplanes business depends on our ability to maintain a healthy production system, achieve planned production rate targets, successfully develop new aircraft or new derivative aircraft, and meet or exceed stringent performance and reliability standards.***

The commercial aircraft business is extremely complex, involving extensive coordination and integration with U.S and non-U.S. suppliers, highly-skilled labor from thousands of employees and other partners, and stringent regulatory requirements and performance and reliability standards. In addition, the introduction of new aircraft programs and/or derivatives, such as the 787-10, 737 MAX and 777X, involves increased risks associated with meeting development, testing, production and certification schedules. As

a result, our ability to deliver aircraft on time, satisfy regulatory and customer requirements, and achieve or maintain, as applicable, program profitability is subject to significant risks.

*We must meet planned production rate and productivity improvement targets in order to satisfy customer demand and maintain our profitability.* We continue to increase production rates for the 737, 767 and 787 programs, while at the same time engaging in significant ongoing development of the 787-10, 737 MAX and 777X aircraft. In addition, we continue to seek opportunities to reduce the costs of building our aircraft, including working with our suppliers to reduce supplier costs, identifying and implementing productivity improvements, and optimizing how we manage inventory. If production rate ramp-up efforts at any of our commercial aircraft assembly facilities are delayed or if our suppliers cannot timely deliver components to us at the cost and rates necessary to achieve our targets, we may be unable to meet delivery schedules and the financial performance of one or more of our programs may suffer.

*Operational challenges impacting the production system for one or more of our commercial aircraft programs could result in production delays and/or failure to meet customer demand for new aircraft, either of which would negatively impact our revenues and operating margins.* Our commercial aircraft production system is extremely complex. Operational issues, including delays or defects in supplier components, failure to meet internal performance plans, or delays or failures to achieve required regulatory certifications, could result in significant out-of-sequence work and increased production costs, as well as delayed deliveries to customers, impacts to aircraft performance and/or increased warranty or fleet support costs. Further, if we cannot efficiently and cost-effectively incorporate design changes into early build 787 aircraft, we may face further profitability pressures on this program.

*If our commercial airplanes fail to satisfy performance and reliability requirements, we could face additional costs and/or lower revenues.* Developing and manufacturing commercial aircraft that meet or exceed our performance and reliability standards, as well as those of customers and regulatory agencies, can be costly and technologically challenging. These challenges are particularly significant with newer aircraft programs. Any failure of any Boeing aircraft to satisfy performance or reliability requirements could result in disruption to our operations, higher costs and/or lower revenues.

***Changes in levels of U.S. government defense spending or overall acquisition priorities could negatively impact our financial position and results of operations.***

We derive a substantial portion of our revenue from the U.S. government, primarily from defense related programs with the U.S. DoD . Levels of U.S. defense spending in future periods are very difficult to predict and subject to significant risks. In addition, significant budgetary delays and constraints have already resulted in reduced spending levels, and additional reductions may be forthcoming. In August 2011, the Budget Control Act (The Act) established limits on U.S. government discretionary spending, including a reduction of defense spending by approximately \$490 billion between the 2012 and 2021 U.S. government fiscal years. The Act also provided that the defense budget would face “sequestration” cuts of up to an additional \$500 billion during that same period to the extent that discretionary spending limits are exceeded. The impact of sequestration cuts has been reduced with respect to FY2016 and FY2017 following the enactment of The Bipartisan Budget Act of 2015 in November 2015. However, long-term uncertainty remains with respect to overall levels of defense spending and it is likely that U.S. government discretionary spending levels will continue to be subject to significant pressure, including risk of future sequestration cuts.

In addition, there continues to be significant uncertainty with respect to program-level appropriations for the U.S. DoD and other government agencies (including NASA) within the overall budgetary framework described above. While the FY2016 appropriations enacted December 2015 included funding for Boeing’s major programs, such as F/A-18, CH-47 Chinook, AH-64 Apache, KC-46A Tanker and P-8 programs, uncertainty remains about how defense budgets in FY2017 and beyond will affect Boeing’s programs. We also expect that ongoing concerns regarding the U.S. national debt will continue to place downward

pressure on U.S. DoD spending levels. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorizations and appropriations process could result in reductions, cancellations, and/or delays of existing contracts or programs. Any of these impacts could have a material effect on the results of the Company's operations, financial position and/or cash flows.

In addition, as a result of the significant ongoing uncertainty with respect to both U.S. defense spending levels and the nature of the threat environment, we expect the U.S. DoD to continue to emphasize cost-cutting and other efficiency initiatives in its procurement processes. If we can no longer adjust successfully to these changing acquisition priorities and/or fail to meet affordability targets set by the U.S. DoD customer, our revenues and market share would be further impacted.

***We conduct a significant portion of our business pursuant to U.S. government contracts, which are subject to unique risks.***

In 2015, 27% of our revenues were earned pursuant to U.S. government contracts, which include foreign military sales through the U.S. government. Business conducted pursuant to such contracts is subject to extensive procurement regulations and other unique risks.

*Our sales to the U.S. government are subject to extensive procurement regulations, and changes to those regulations could increase our costs.* New procurement regulations, or changes to existing requirements, could increase our compliance costs or otherwise have a material impact on the operating margins of our BDS business. These requirements may result in increased compliance costs, and we could be subject to additional costs in the form of withheld payments and/or reduced future business if we fail to comply with these requirements in the future. Compliance costs attributable to current and potential future procurement regulations such as these could negatively impact our financial condition and operating results.

*The U.S. government may modify, curtail or terminate one or more of our contracts.* The U.S. government contracting party may modify, curtail or terminate its contracts and subcontracts with us, without prior notice and either at its convenience or for default based on performance. In addition, funding pursuant to our U.S. government contracts may be reduced or withheld as part of the U.S. Congressional appropriations process due to fiscal constraints, changes in U.S. national security strategy and/or priorities or other reasons. Further uncertainty with respect to ongoing programs could also result in the event that the U.S. government finances its operations through temporary funding measures such as "continuing resolutions" rather than full-year appropriations. Any loss or anticipated loss or reduction of expected funding and/or modification, curtailment, or termination of one or more large programs could have a material adverse effect on our earnings, cash flow and/or financial position.

*We are subject to U.S. government inquiries and investigations, including periodic audits of costs that we determine are reimbursable under U.S. government contracts.* U.S. government agencies, including the Defense Contract Audit Agency and the Defense Contract Management Agency, routinely audit government contractors. These agencies review our performance under contracts, cost structure and compliance with applicable laws, regulations, and standards, as well as the adequacy of and our compliance with our internal control systems and policies. Any costs found to be misclassified or inaccurately allocated to a specific contract will be deemed non-reimbursable, and to the extent already reimbursed, must be refunded. Any inadequacies in our systems and policies could result in withholds on billed receivables, penalties and reduced future business. Furthermore, if any audit, inquiry or investigation uncovers improper or illegal activities, we could be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with the U.S. government. We also could suffer reputational harm if allegations of impropriety were made against us, even if such allegations are later determined to be false.

***We enter into fixed-price contracts which could subject us to losses if we have cost overruns.***

Our BDS business generated approximately 72% of its 2015 revenues from fixed-price contracts. While fixed-price contracts enable us to benefit from performance improvements, cost reductions and efficiencies, they also subject us to the risk of reduced margins or incurring losses if we are unable to achieve estimated costs and revenues. If our estimated costs exceed our estimated price, we recognize reach-forward losses which can significantly affect our reported results. For example, during the second quarter of 2015, we recorded a reach-forward loss of \$835 million on the USAF KC-46A Tanker contract, primarily driven by additional costs attributable to design changes, testing and manufacturing complexity. The long term nature of many of our contracts makes the process of estimating costs and revenues on fixed-price contracts inherently risky. Fixed-price contracts often contain price incentives and penalties tied to performance which can be difficult to estimate and have significant impacts on margins. In addition, some of our contracts have specific provisions relating to cost, schedule and performance.

Fixed-price development contracts are generally subject to more uncertainty than fixed-price production contracts. Many of these development programs have highly complex designs. In addition, technical or quality issues that arise during development could lead to schedule delays and higher costs to complete, which could result in a material charge or otherwise adversely affect our financial condition. Examples of significant BDS fixed-price development contracts include Commercial Crew, Saudi F-15, USAF KC-46A Tanker , and commercial and military satellites.

***We enter into cost-type contracts which also carry risks.***

Our BDS business generated approximately 28% of its 2015 revenues from cost-type contracting arrangements. Some of these are development programs that have complex design and technical challenges. These cost-type programs typically have award or incentive fees that are subject to uncertainty and may be earned over extended periods. 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. Programs whose contracts are primarily cost-type include GMD , Proprietary and SLS programs.

***We enter into contracts that include in-orbit incentive payments that subject us to risks.***

Contracts in the commercial satellite industry and certain government satellite contracts include in-orbit incentive payments. These in-orbit payments may be paid over time after final satellite acceptance or paid in full prior to final satellite acceptance. In both cases, the in-orbit incentive payment is at risk if the satellite does not perform to specifications for up to 15 years after acceptance. The net present value of in-orbit incentive fees we ultimately expect to realize is recognized as revenue in the construction period. If the satellite fails to meet contractual performance criteria, customers will not be obligated to continue making in-orbit payments and/or we may be required to provide refunds to the customer and incur significant charges.

***Our ability to deliver products and services that satisfy customer requirements is heavily dependent on the performance of our subcontractors and suppliers, as well as on the availability of raw materials and other components.***

We rely on other companies including subcontractors and suppliers to provide and produce raw materials, integrated components and sub-assemblies, and production commodities and to perform some of the services that we provide to our customers. If one or more of our suppliers or subcontractors experiences delivery delays or other performance problems, we may be unable to meet commitments to our customers or incur additional costs. In addition, if one or more of the raw materials on which we depend (such as aluminum, titanium or composites) becomes unavailable or is available only at very high prices, we may be unable to deliver one or more of our products in a timely fashion or at budgeted costs. In some instances,

we depend upon a single source of supply. Any service disruption from one of these suppliers, either due to circumstances beyond the supplier's control, such as geo-political developments, or as a result of performance problems or financial difficulties, could have a material adverse effect on our ability to meet commitments to our customers or increase our operating costs. For example, we continue to monitor political unrest involving Russia and Ukraine, where we and some of our suppliers source titanium products and/or have operations.

***We use estimates in accounting for many contracts and programs. Changes in our estimates could adversely affect our future financial results.***

Contract and program accounting require judgment relative to assessing risks, estimating revenues and costs and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts and programs, the estimation of total revenues and cost at completion is complicated and subject to many variables. Assumptions have to be made regarding the length of time to complete the contract or program because costs also include expected increases in wages and employee benefits, material prices and allocated fixed costs. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for us to assess anticipated performance. Suppliers' assertions are also assessed and considered in estimating costs and profit rates. Estimates of award fees are also used in sales and profit rates based on actual and anticipated awards.

With respect to each of our commercial aircraft programs, inventoriable production costs (including overhead), program tooling and other non-recurring costs and routine warranty costs are accumulated and charged as cost of sales by program instead of by individual units or contracts. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts limited by the ability to make reasonably dependable estimates. To establish the relationship of sales to cost of sales, program accounting requires estimates of (a) the number of units to be produced and sold in a program, (b) the period over which the units can reasonably be expected to be produced and (c) the units' expected sales prices, production costs, program tooling and other non-recurring costs, and routine warranty costs for the total program. Several factors determine accounting quantity, including firm orders, letters of intent from prospective customers and market studies. Changes to customer or model mix, production costs and rates, learning curve, changes to price escalation indices, costs of derivative aircraft, supplier performance, customer and supplier negotiations/settlements, supplier claims and/or certification issues can impact these estimates. Any such change in estimates relating to program accounting may adversely affect future financial performance.

Because of the significance of the judgments and estimation processes described above, materially different sales and profit amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect future period financial performance. For additional information on our accounting policies for recognizing sales and profits, see our discussion under "Management's Discussion and Analysis – Critical Accounting Policies – Contract Accounting/Program Accounting" on pages 44 – 45 and Note 1 to our Consolidated Financial Statements on pages 55 – 66 of this Form 10-K.

***Competition within our markets and with respect to the products we sell may reduce our future contracts and sales.***

The markets in which we operate are highly competitive and one or more of our competitors may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas. In our Commercial Airplanes business, we anticipate increasing competition among non-U.S. aircraft manufacturers and service providers in one or more of our market segments. In our BDS business, we anticipate that the effects of defense industry consolidation, fewer large and new programs and new priorities, including near and long-term cost competitiveness, of our U.S. DoD and international customers will intensify competition for many of our products and services. Furthermore, we are facing increased international competition and cross-border consolidation of competition. There can be no assurance that we will be able to compete successfully against our current or future competitors or that the competitive pressures we face will not result in reduced revenues and market share.

***We derive a significant portion of our revenues from non-U.S. sales and are subject to the risks of doing business in other countries.***

In 2015, non-U.S. customers accounted for approximately 59% of our revenues. We expect that non-U.S. sales will continue to account for a significant portion of our revenues for the foreseeable future. As a result, we are subject to risks of doing business internationally, including:

- changes in regulatory requirements;
- domestic and international government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation or participation requirements;
- fluctuations in international currency exchange rates;
- volatility in international political and economic environments and changes in non-U.S. national priorities and budgets, which can lead to delays or fluctuations in orders;
- the complexity and necessity of using non-U.S. representatives and consultants;
- the uncertainty of the ability of non-U.S. customers to finance purchases, including the availability of financing from the Export-Import Bank of the United States;
- uncertainties and restrictions concerning the availability of funding credit or guarantees;
- imposition of domestic and international taxes, export controls, tariffs, embargoes, sanctions and other trade restrictions;
- the difficulty of management and operation of an enterprise spread over many countries;
- compliance with a variety of international laws, as well as U.S. laws affecting the activities of U.S. companies abroad; and
- unforeseen developments and conditions, including terrorism, war, epidemics and international conflicts.

While the impact of these factors is difficult to predict, any one or more of these factors could adversely affect our operations in the future.

***The outcome of litigation and of government inquiries and investigations involving our business is unpredictable and an adverse decision in any such matter could have a material effect on our financial position and results of operations.***

We are involved in a number of litigation matters. These matters may divert financial and management resources that would otherwise be used to benefit our operations. No assurances can be given that the results of these matters will be favorable to us. An adverse resolution of any of these lawsuits could have

a material impact on our financial position and results of operations. In addition, we are subject to extensive regulation under the laws of the United States and its various states, as well as other jurisdictions in which we operate. As a result, we are sometimes subject to government inquiries and investigations of our business due, among other things, to our business relationships with the U.S. government, the heavily regulated nature of our industry, and in the case of environmental proceedings, our current or past ownership of certain property. Any such inquiry or investigation could potentially result in an adverse ruling against us, which could have a material impact on our financial position and results of operations.

***A significant portion of our customer financing portfolio is concentrated among certain customers based in the United States, and in certain types of Boeing aircraft, which exposes us to concentration risks.***

A significant portion of our customer financing portfolio is concentrated among certain customers and in distinct geographic regions, particularly in the United States. Our portfolio is also concentrated by varying degrees across Boeing aircraft product types, most notably 717 and 747-8F aircraft. If one or more customers holding a significant portion of our portfolio assets experiences financial difficulties or otherwise defaults on or does not renew its leases with us at their expiration, and we are unable to redeploy the aircraft on reasonable terms, or if the types of aircraft that are concentrated in our portfolio suffer greater than expected declines in value, our earnings, cash flows and/or financial position could be materially adversely affected.

***We may be unable to obtain debt to fund our operations and contractual commitments at competitive rates, on commercially reasonable terms or in sufficient amounts.***

We depend, in part, upon the issuance of debt to fund our operations and contractual commitments. As of December 31, 2015 and 2014, our airplane financing commitments totaled \$16,283 million and \$16,723 million. If we require additional funding in order to fund outstanding financing commitments or meet other business requirements, our market liquidity may not be sufficient. A number of factors could cause us to incur increased borrowing costs and to have greater difficulty accessing public and private markets for debt. These factors include disruptions or declines in the global capital markets and/or a decline in our financial performance, outlook or credit ratings. The occurrence of any or all of these events may adversely affect our ability to fund our operations and contractual or financing commitments.

***We may not realize the anticipated benefits of mergers, acquisitions, joint ventures/strategic alliances or divestitures.***

As part of our business strategy, we may merge with or acquire businesses and/or form joint ventures and strategic alliances. Whether we realize the anticipated benefits from these acquisitions and related activities depends, in part, upon our ability to integrate the operations of the acquired business, the performance of the underlying product and service portfolio, and the performance of the management team and other personnel of the acquired operations. Accordingly, our financial results could be adversely affected by unanticipated performance issues, legacy liabilities, transaction-related charges, amortization of expenses related to intangibles, charges for impairment of long-term assets, credit guarantees, partner performance and indemnifications. Consolidations of joint ventures could also impact our reported results of operations or financial position. While we believe that we have established appropriate and adequate procedures and processes to mitigate these risks, there is no assurance that these transactions will be successful. We also may make strategic divestitures from time to time. These transactions may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the transaction. Nonperformance by those divested businesses could affect our future financial results through additional payment obligations, higher costs or asset write-downs.



***Our insurance coverage may be inadequate to cover all significant risk exposures.***

We are exposed to liabilities that are unique to the products and services we provide. We maintain insurance for certain risks and, in some circumstances, we may receive indemnification from the U.S. government. The amount of our insurance coverage may not cover all claims or liabilities and we may be forced to bear substantial costs. For example, liabilities arising from the use of certain of our products, such as aircraft technologies, missile systems, border security systems, anti-terrorism technologies, and/or air traffic management systems may not be insurable on commercially reasonable terms. While some of these products are shielded from liability within the U.S. under the SAFETY Act provisions of the 2002 Homeland Security Act, no such protection is available outside the U.S., potentially resulting in significant liabilities. The amount of insurance coverage we maintain may be inadequate to cover these or other claims or liabilities.

***Business disruptions could seriously affect our future sales and financial condition or increase our costs and expenses.***

Our business may be impacted by disruptions including threats to physical security, information technology or cyber-attacks or failures, damaging weather or other acts of nature and pandemics or other public health crises. Any of these disruptions could affect our internal operations or our ability to deliver products and services to our customers. Any significant production delays, or any destruction, manipulation or improper use of our data, information systems or networks could impact our sales, increase our expenses and/or have an adverse effect on the reputation of Boeing and of our products and services.

***Some of our and our suppliers' workforces are represented by labor unions, which may lead to work stoppages.***

Approximately 61,000 employees, which constitute 38% of our total workforce, were union represented as of December 31, 2015. We experienced a work stoppage in 2008 when a labor strike halted commercial aircraft and certain BMA program production. We may experience additional work stoppages in the future, which could adversely affect our business. We cannot predict how stable our relationships, currently with 11 U.S. labor organizations and 6 non-U.S. labor organizations, will be or whether we will be able to meet the unions' requirements without impacting our financial condition. The unions may also limit our flexibility in dealing with our workforce. Union actions at suppliers can also affect us. Work stoppages and instability in our union relationships could delay the production and/or development of our products, which could strain relationships with customers and cause a loss of revenues which would adversely affect our operations.

***We have substantial pension and other postretirement benefit obligations, which have a material impact on our earnings, shareholders' equity and cash flows from operations and could have significant adverse impacts in future periods.***

We have qualified defined benefit pension plans that cover the majority of our employees. Potential pension contributions include both mandatory amounts required under the Employee Retirement Income Security Act and discretionary contributions to improve the plans' funded status. The extent of future contributions depends heavily on market factors such as the discount rate and the actual return on plan assets. We estimate future contributions to these plans using assumptions with respect to these and other items. Changes to those assumptions could have a significant effect on future contributions as well as on our annual pension costs and/or result in a significant change to shareholders' equity. For U.S. government contracts, we allocate pension costs to individual contracts based on U.S. Cost Accounting Standards which can also affect contract profitability. We also provide other postretirement benefits to certain of our employees, consisting principally of health care coverage for eligible retirees and qualifying dependents. Our estimates of future costs associated with these benefits are also subject to assumptions, including



estimates of the level of medical cost increases. For a discussion regarding how our financial statements can be affected by pension and other postretirement plan accounting policies, see “ Management ’ s Discussion and Analysis - Critical Accounting Policies - Pension Plans ” on pages 46 – 47 of this Form 10-K. Although GAAP expense and pension or other postretirement benefit contributions are not directly related, the key economic factors that affect GAAP expense would also likely affect the amount of cash or stock we would contribute to our plans.

***Our operations expose us to the risk of material environmental liabilities.***

We are subject to various federal, state, local and non-U.S. laws and regulations related to environmental protection, including the discharge, treatment, storage, disposal and remediation of hazardous substances and wastes. We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, as well as third-party claims for property damage or personal injury, if we were to violate or become liable under environmental laws or regulations. In some cases, we may be subject to such costs due to environmental impacts attributable to our current or past manufacturing operations or the operations of companies we have acquired. In other cases, we may become subject to such costs due to an indemnification agreement between us and a third party relating to such environmental liabilities. In addition, new laws and regulations, more stringent enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new remediation requirements could result in additional costs. For additional information relating to environmental contingencies, see Note 11 to our Consolidated Financial Statements.

***Unauthorized access to our or our customers’ information and systems could negatively impact our business.***

We face certain security threats, including threats to the confidentiality, availability and integrity of our data and systems. We maintain an extensive network of technical security controls, policy enforcement mechanisms, monitoring systems and management oversight in order to address these threats. While these measures are designed to prevent, detect and respond to unauthorized activity in our systems, certain types of attacks, including cyber-attacks, could result in significant financial or information losses and/or reputational harm. In addition, we manage information technology systems for certain customers. Many of these customers face similar security threats. If we cannot prevent the unauthorized access, release and/or corruption of our customers’ confidential, classified or personally identifiable information, our reputation could be damaged, and/or we could face financial losses.

**Item 1B. Unresolved Staff Comments**

Not applicable

## Item 2. Properties

We occupied approximately 83 million square feet of floor space on December 31, 2015 for manufacturing, warehousing, engineering, administration and other productive uses, of which approximately 96% was located in the United States. The following table provides a summary of the floor space by business as of December 31, 2015 :

<i>(Square feet in thousands)</i>	Owned	Leased	Government Owned <sup>(1)</sup>	Total
Commercial Airplanes	39,761	5,806		45,567
Defense, Space & Security	26,047	8,091		34,138
Other <sup>(2)</sup>	2,400	643	318	3,361
Total	68,208	14,540	318	83,066

<sup>(1)</sup> Excludes rent-free space furnished by U.S. government landlord of 272 square feet.

<sup>(2)</sup> Other includes BCC; EO&T; SSG; and our Corporate Headquarters.

At December 31, 2015 , we occupied in excess of 75.3 million square feet of floor space at the following major locations:

- Commercial Airplanes – Greater Seattle, WA; Greater Charleston, SC; Portland, OR; Greater Los Angeles, CA; Greater Salt Lake City, UT; Australia; and Canada
- Defense, Space & Security – Greater St. Louis, MO; Greater Los Angeles, CA; Greater Seattle, WA; Philadelphia, PA; Mesa, AZ; San Antonio, TX; Huntsville, AL; Greater Washington, DC; Oklahoma City, OK; and Houston, TX
- Other – Chicago, IL and Greater Seattle, WA

Most runways and taxiways that we use are located on airport properties owned by others and are used jointly with others. Our rights to use such facilities are provided for under long-term leases with municipal, county or other government authorities. In addition, the U.S. government furnishes us certain office space, installations and equipment at U.S. government bases for use in connection with various contract activities.

We believe that our major properties are adequate for our present needs and, as supplemented by planned improvements and construction, expect them to remain adequate for the foreseeable future.

## Item 3. Legal Proceedings

Currently, we are involved in a number of legal proceedings. For a discussion of contingencies related to legal proceedings, see Note 20 to our Consolidated Financial Statements, which is hereby incorporated by reference.

## Item 4. Mine Safety Disclosures

Not applicable

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The principal market for our common stock is the New York Stock Exchange where it trades under the symbol BA. As of February 4, 2016, there were 123,824 shareholders of record. Additional information required by this item is incorporated by reference from Note 22 to our Consolidated Financial Statements.

**Issuer Purchases of Equity Securities**

The following table provides information about purchases of our common stock we made during the quarter ended December 31, 2015 :

*(Dollars in millions, except per share data)*

	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs <sup>(2)</sup>
10/1/2015 thru 10/31/2015	3,582,002	\$139.77	3,577,758	\$5,500
11/1/2015 thru 11/30/2015	1,718,412	145.83	1,714,600	5,250
12/1/2015 thru 12/31/2015	10,579	146.09		14,000
<b>Total</b>	<b>5,310,993</b>	<b>\$141.74</b>	<b>5,292,358</b>	

<sup>(1)</sup> We purchased an aggregate of 5,292,358 shares of our common stock in the open market pursuant to our repurchase plan and 18,349 shares transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period. We purchased 286 shares in swap transactions.

<sup>(2)</sup> On December 14, 2015, we announced a new repurchase plan for up to \$14 billion of common stock, replacing the plan previously authorized in 2014.

## Item 6. Selected Financial Data

### Five-Year Summary (Unaudited)

(Dollars in millions, except per share data)

	2015	2014	2013	2012	2011
<b>Operations</b>					
Revenues:					
Commercial Airplanes	\$66,048	\$59,990	\$52,981	\$49,127	\$36,171
Defense, Space & Security:					
Boeing Military Aircraft	13,482	13,500	15,275	15,373	14,100
Network & Space Systems	7,751	8,003	8,512	7,911	8,964
Global Services & Support	9,155	9,378	9,410	9,323	8,912
Total Defense, Space & Security	30,388	30,881	33,197	32,607	31,976
Boeing Capital	413	416	408	468	547
Unallocated items, eliminations, and other	(735)	(525)	37	(504)	41
Total revenues	\$96,114	\$90,762	\$86,623	\$81,698	\$68,735
General and administrative expense	3,525	3,767	3,956	3,717	3,408
Research and development expense	3,331	3,047	3,071	3,298	3,918
Other (loss)/income, net	(13)	(3)	56	62	47
Net earnings from continuing operations	\$5,176	\$5,446	\$4,586	\$3,903	\$4,011
Net (loss)/gain on disposal of discontinued operations, net of tax			(1)	(3)	7
Net earnings	\$5,176	\$5,446	\$4,585	\$3,900	\$4,018
Basic earnings per share from continuing operations	7.52	7.47	6.03	5.15	5.38
Diluted earnings per share from continuing operations	7.44	7.38	5.96	5.11	5.33
Cash dividends declared	\$2,575	\$2,210	\$1,642	\$1,360	\$1,263
Per share	3.82	3.10	2.185	1.81	1.70
Additions to Property, plant and equipment	2,450	2,236	2,098	1,703	1,713
Depreciation of Property, plant and equipment	1,357	1,414	1,338	1,248	1,119
Year-end workforce	161,400	165,500	168,400	174,400	171,700
<b>Financial position at December 31</b>					
Total assets <sup>(1)</sup>	\$94,408	\$92,921	\$90,014	\$84,528	\$77,206
Working capital <sup>(1)</sup>	17,822	19,534	19,830	16,667	11,287
Property, plant and equipment, net	12,076	11,007	10,224	9,660	9,313
Cash and cash equivalents	11,302	11,733	9,088	10,341	10,049
Short-term and other investments	750	1,359	6,170	3,217	1,223
Total debt	9,964	9,070	9,635	10,409	12,371
Customer financing assets	3,570	3,561	3,971	4,420	4,772
Shareholders' equity	6,335	8,665	14,875	5,867	3,515
Common shares outstanding (in millions)	666.6	706.7	747.4	755.6	744.7
Contractual Backlog:					
Commercial Airplanes	\$431,408	\$440,118	\$372,980	\$317,287	\$293,303
Defense, Space & Security:					
Boeing Military Aircraft	20,019	21,119	23,580	27,878	22,091
Network & Space Systems	7,368	8,935	9,832	10,078	9,429
Global Services & Support	17,800	16,920	16,269	17,112	14,834
Total Defense, Space & Security	45,187	46,974	49,681	55,068	46,354
Total contractual backlog	\$476,595	\$487,092	\$422,661	\$372,355	\$339,657

Cash dividends have been paid on common stock every year since 1942.

<sup>(1)</sup> Prior year balances of deferred tax assets/(liabilities) have been revised to reflect current year presentation. See Note 4 to our Consolidated Financial Statements.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Consolidated Results of Operations and Financial Condition

#### Overview

We are a global market leader in design, development, manufacture, sale, service and support of commercial jetliners, military aircraft, satellites, missile defense, human space flight and launch systems and services. We are one of the two major manufacturers of 100+ seat airplanes for the worldwide commercial airline industry and one of the largest defense contractors in the U.S. While our principal operations are in the U.S., we conduct operations in many countries and rely on an extensive network of international partners, key suppliers and subcontractors.

Our strategy is centered on successful execution in healthy core businesses – Commercial Airplanes and Defense, Space & Security ( BDS ) – supplemented and supported by Boeing Capital ( BCC ). Taken together, these core businesses have historically generated substantial earnings and cash flow that permit us to invest in new products and services. We focus on producing the products and providing the services that the market demands and we price our products and services to provide a fair return for our shareholders while continuing to find new ways to improve efficiency and quality. Commercial Airplanes is committed to being the leader in commercial aviation by offering airplanes and services that deliver superior design, efficiency and value to customers around the world. BDS integrates its resources in defense, intelligence, communications, security, space and services to deliver capability-driven solutions to its customers at reduced costs. Our BDS strategy is to leverage our core businesses to capture key next-generation programs while expanding our presence in adjacent and international markets, underscored by an intense focus on growth and productivity. Our strategy also benefits us as the cyclical nature of commercial and defense markets sometimes offset. BCC facilitates, arranges, structures and provides selective financing solutions for our Boeing customers.

#### Consolidated Results of Operations

**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)*

Years ended December 31,	2015	2014	2013
Revenues	\$96,114	\$90,762	\$86,623
<b>GAAP</b>			
Earnings from operations	7,443	7,473	6,562
Operating margins	7.7%	8.2%	7.6%
Effective income tax rate	27.7%	23.7%	26.4%
Net earnings	\$5,176	\$5,446	\$4,585
Diluted earnings per share	\$7.44	\$7.38	\$5.96
<b>Non-GAAP <sup>(1)</sup></b>			
Core operating earnings	\$7,741	\$8,860	\$7,876
Core operating margin	8.1%	9.8%	9.1%
Core earnings per share	\$7.72	\$8.60	\$7.07

<sup>(1)</sup> These measures exclude certain components of pension and other postretirement benefit expense. See page 43 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)*

Years ended December 31,	2015	2014	2013
Commercial Airplanes	\$66,048	\$59,990	\$52,981
Defense, Space & Security	30,388	30,881	33,197
Boeing Capital	413	416	408
Unallocated items, eliminations and other	(735)	(525)	37
<b>Total</b>	<b>\$96,114</b>	<b>\$90,762</b>	<b>\$86,623</b>

Revenues in 2015 increased by \$5,352 million or 6% compared with 2014 . Commercial Airplanes revenues increased by \$6,058 million or 10% due to higher new airplane deliveries and mix . BDS revenues decreased by \$493 million or 2% due to lower revenues in all three segments. Revenues in 2014 increased by \$4,139 million or 5% compared with 2013. Commercial Airplanes revenues increased by \$7,009 million primarily due to higher new airplane deliveries. BDS revenues decreased by \$2,316 million due to lower revenues in all three segments. The changes in unallocated items, eliminations and other in 2015 , 2014 and 2013 primarily reflect the timing of eliminations for intercompany aircraft deliveries.

## Earnings From Operations

The following table summarizes Earnings from operations:

*(Dollars in millions)*

Years ended December 31,	2015	2014	2013
Commercial Airplanes	\$5,157	\$6,411	\$5,795
Defense, Space & Security	3,274	3,133	3,235
Boeing Capital	50	92	107
Unallocated pension and other postretirement benefit expense	(298)	(1,387)	(1,314)
Other unallocated items and eliminations	(740)	(776)	(1,261)
<b>Earnings from operations (GAAP)</b>	<b>\$7,443</b>	<b>\$7,473</b>	<b>\$6,562</b>
Unallocated pension and other postretirement benefit expense	298	1,387	1,314
<b>Core operating earnings (Non-GAAP)</b>	<b>\$7,741</b>	<b>\$8,860</b>	<b>\$7,876</b>

Earnings from operations in 2015 decreased by \$30 million compared with 2014 primarily reflecting a fourth quarter charge of \$885 million related to the 747 program at Commercial Airplanes and higher charges of \$410 million related to the USAF KC-46A Tanker recorded by Commercial Airplanes and our Boeing Military Aircraft ( BMA ) segment, partially offset by lower unallocated pension and other postretirement benefit expense of \$1,089 million .

Earnings from operations in 2014 increased by \$911 million compared with 2013 primarily reflecting higher earnings at Commercial Airplanes of \$616 million and lower unallocated items and eliminations of \$485 million. The decrease in unallocated items is due to the A-12 litigation settlement of \$406 million which was recorded in 2013 and lower 2014 deferred compensation of \$194 million. The A-12 aircraft litigation settlement resulted in the Company recording a \$406 million pre-tax charge in 2013, which consisted of writing-off A-12 inventory, recorded as cost of sales, and providing three EA-18G Growlers at no cost to the U.S. Navy, recorded as a reduction in revenues.

During the second quarter of 2015 and of 2014 , we recorded reach-forward losses of \$835 million and \$425 million on the USAF KC-46A Tanker contract. \$513 million of the 2015 charge was recorded at Commercial Airplanes and \$322 million at our BMA segment. \$238 million of the 2014 charge was recorded at Commercial Airplanes and \$187 million at our BMA segment.

Core operating earnings in 2015 decreased by \$1,119 million compared with 2014 primarily due to the 2015 747 charge and higher USAF KC-46A Tanker charges. Core operating earnings in 2014 increased by \$984 million compared with 2013 primarily reflecting higher earnings at Commercial Airplanes and the 2013 A-12 charge.

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

*(Dollars in millions)*

Years ended December 31,	2015	2014	2013
Share-based plans	(\$76)	(\$67)	(\$95)
Deferred compensation	(63)	(44)	(238)
Eliminations and other	(601)	(665)	(522)
Litigation settlements			(406)
Sub-total (included in core operating earnings*)	(740)	(776)	(1,261)
Pension	(421)	(1,469)	(1,374)
Postretirement	123	82	60
Pension and other postretirement benefit expense (excluded from core operating earnings*)	(298)	(1,387)	(1,314)
Total unallocated items, eliminations and other	(\$1,038)	(\$2,163)	(\$2,575)

\* Core operating earnings is a Non-GAAP measure that excludes certain components of pension and other postretirement benefit expense. See page 43 .

Deferred compensation expense increased by \$19 million in 2015 and decreased by \$194 million in 2014, primarily driven by changes in broad stock market conditions and our stock price.

Eliminations and other unallocated expense decreased by \$64 million in 2015 primarily due to the timing of the elimination of profit on intercompany aircraft deliveries and expense allocations. The increase of \$143 million in 2014 was primarily due to insurance recoveries which were recorded in the third quarter of 2013.

Litigation settlements include the 2013 charge of \$406 million related to the settlement of the A-12 litigation.

Net periodic benefit cost related to pension totaled \$2,786 million , \$2,208 million and \$3,449 million in 2015, 2014 and 2013 , respectively. The components of net periodic benefit cost are shown in the following table:

Years ended December 31,	Pension		
	2015	2014	2013
Service cost	\$1,764	\$1,661	\$1,886
Interest cost	2,990	3,058	2,906
Expected return on plan assets	(4,031)	(4,169)	(3,874)
Amortization of prior service costs	196	177	196
Recognized net actuarial loss	1,577	1,020	2,231
Settlement/curtailment/other losses	290	461	104
Net periodic benefit cost	\$2,786	\$2,208	\$3,449

The increase in 2015 net periodic benefit cost related to pension is primarily due to \$557 million of higher amortization of actuarial losses due to lower discount rates. The decrease in 2014 is primarily due to lower amortization of actuarial losses due to higher discount rates which more than offset higher 2014 curtailment charges.

A portion of net periodic benefit cost is recognized 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 21 .

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

Years ended December 31,	Pension		
	2015	2014	2013
Allocated to business segments	(\$1,945)	(\$1,746)	(\$1,662)
Unallocated items, eliminations and other	(421)	(1,469)	(1,374)
Total	(\$2,366)	(\$3,215)	(\$3,036)

Unallocated pension expense recognized in earnings decreased by \$1,048 million in 2015 primarily due to lower amortization of pension costs capitalized as inventory in prior years and lower curtailment charges in 2015. Unallocated pension expense in 2014 reflects pension charges of \$395 million, primarily for pension curtailment costs.

## Other Earnings Items

(Dollars in millions)

Years ended December 31,	2015	2014	2013
<b>Earnings from operations</b>	<b>\$7,443</b>	<b>\$7,473</b>	<b>\$6,562</b>
Other (loss)/income, net	(13)	(3)	56
Interest and debt expense	(275)	(333)	(386)
<b>Earnings before income taxes</b>	<b>7,155</b>	<b>7,137</b>	<b>6,232</b>
Income tax expense	(1,979)	(1,691)	(1,646)
<b>Net earnings from continuing operations</b>	<b>\$5,176</b>	<b>\$5,446</b>	<b>\$4,586</b>



Interest and debt expense decreased by \$58 million in 2015 as a result of higher interest capitalized on construction in progress. Interest and debt expense decreased by \$53 million in 2014 as a result of lower weighted average debt balances.

Our effective income tax rates were 27.7% , 23.7% and 26.4% for the years ended December 31, 2015, 2014 and 2013 , respectively. Our 2015 effective tax rate was higher than 2014 primarily due to tax benefits of \$524 million recorded in the second quarter of 2014 related to tax basis adjustments and settlement of the 2007 - 2010 federal tax audits. Our 2014 effective tax rate was lower than 2013 primarily due to the tax benefits of \$524 million recorded in the second quarter of 2014.

For additional discussion related to Income Taxes, see Note 4 to our Consolidated Financial Statements.

### Total Costs and Expenses (“Cost of Sales”)

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

The following table summarizes cost of sales:

*(Dollars in millions)*

Years ended December 31,	2015	2014	Change	2014	2013	Change
Cost of sales	<b>\$82,088</b>	\$76,752	\$5,336	\$76,752	\$73,268	\$3,484
Cost of sales as a % of revenues	<b>85.4%</b>	84.6%	0.8%	84.6%	84.6%	0.0%

Cost of sales in 2015 increased by \$5,336 million , or 7% , compared with the same period in 2014 , primarily driven by the \$5,352 million , or 6% , increase in revenues. Cost of sales at Commercial Airplanes increased by \$6,846 million , or 14% , primarily driven by the 10% increase in revenues. Cost of sales at BDS decreased by \$252 million , or 1% , primarily due to the 2% reduction in revenues. Cost of sales as a percentage of revenue was approximately 85.4% in 2015 compared with 84.6% in 2014 primarily driven by the 2015 747 charge and higher KC-46A Tanker charges. Cost of sales in 2014 increased by \$3,484 million , or 5% , compared with the same period in 2013, primarily driven by the increase in revenue. Cost of sales at Commercial Airplanes increased by \$6,265 million , or 14% , primarily driven by the 13% increase in revenues. Cost of sales at BDS decreased by \$2,085 million , or 8% , primarily due to the 7% reduction in revenues.

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

*(Dollars in millions)*

Years ended December 31,	2015	2014	2013
Commercial Airplanes	<b>\$2,340</b>	\$1,881	\$1,807
Defense, Space & Security	<b>986</b>	1,158	1,215
Other	<b>5</b>	8	49
Total	<b>\$3,331</b>	\$3,047	\$3,071

Research and development expense in 2015 increased by \$284 million compared to 2014 primarily due to higher 777X spending at Commercial Airplanes which more than offset lower spending at BDS. Research and development expense in 2014 decreased by \$24 million compared to 2013. In 2014, Commercial Airplanes spending increased on 777X, 787-10 and 737 MAX, partially offset by lower spending on the 787-9.

## Backlog

Our backlog at December 31 was as follows:

<i>(Dollars in millions)</i>	2015	2014	2013
<b>Contractual Backlog:</b>			
Commercial Airplanes	<b>\$431,408</b>	\$440,118	\$372,980
<b>Defense, Space &amp; Security:</b>			
Boeing Military Aircraft	<b>20,019</b>	21,119	23,580
Network & Space Systems	<b>7,368</b>	8,935	9,832
Global Services & Support	<b>17,800</b>	16,920	16,269
<b>Total Defense, Space &amp; Security</b>	<b>45,187</b>	46,974	49,681
<b>Total contractual backlog</b>	<b>\$476,595</b>	\$487,092	\$422,661
<b>Unobligated backlog</b>	<b>\$12,704</b>	\$15,299	\$18,267

Contractual backlog of unfilled orders excludes purchase options, announced orders for which definitive contracts have not been executed, and unobligated U.S. and non-U.S. government contract funding. The decrease in contractual backlog at December 31, 2015 compared with December 31, 2014 was primarily due to deliveries in excess of net orders. The increase in contractual backlog at December 31, 2014 compared with December 31, 2013 was primarily due to commercial airplane orders and reclassifications from unobligated backlog related to incremental funding. The increase was partially offset by commercial airplane deliveries and revenues recognized on awarded contracts.

Unobligated backlog includes U.S. and non-U.S. government definitive contracts for which funding has not been authorized. The decreases in unobligated backlog in 2015 and 2014 were primarily due to reclassifications to contractual backlog related to incremental funding for BDS contracts, partially offset by contract awards.

## Additional Considerations

**KC-46A Tanker** In 2011, we were awarded a contract from the U.S. Air Force ( USAF ) to design, develop, manufacture and deliver four next generation aerial refueling tankers. The KC-46A Tanker is a derivative of our 767 commercial aircraft. This Engineering, Manufacturing and Development ( EMD ) contract is a fixed-price incentive fee contract valued at \$4.9 billion and involves highly complex designs and systems integration. We have also begun work on low rate initial production ( LRIP ) aircraft for the USAF. The USAF is expected to authorize two low rate initial production lots in 2016 for a total of 19 aircraft, subject to satisfactory progress being made on the EMD contract.

In second quarter 2014, we recorded a reach-forward loss of \$425 million on the EMD contract. In second quarter 2015, we recorded an additional reach-forward loss of \$835 million. \$513 million of this loss was recorded at our Commercial Airplanes segment and the remaining \$322 million was recorded in our BMA segment. The \$835 million loss includes \$670 million related to the EMD contract and \$165 million related to LRIP aircraft. The reach-forward loss on the EMD contract was driven primarily by design changes required in the aircraft fuels and aerial refueling systems which were identified as we prepared for and conducted ground and flight testing. Other costs include additional qualification and certification testing as well as investments that will enable us to meet our delivery commitments in 2017. The reach-forward

loss related to LRIP aircraft was primarily driven by increased manufacturing complexity resulting from design changes. As with any development program, this program remains subject to additional reach-forward losses if we experience technical or quality issues, schedule delays or increased costs.

We continue to expect to meet our commitment to deliver 18 fully operational aircraft to the customer by August 2017. The contract contains production options for both LRIP aircraft and full rate production aircraft. If all options under the contract are exercised, we expect to deliver 179 aircraft for a total expected contract value of approximately \$30 billion.

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

**Export-Import Bank of the United States** Many of our non-U.S. customers finance purchases through the Export-Import Bank of the United States. Following the expiration of the bank's charter on June 30, 2015, the bank's charter was reauthorized in December 2015. The bank is now authorized through September 30, 2019. However, until the U.S. Senate confirms members sufficient to reconstitute a quorum of the bank's board of directors, the bank will not be able to approve any transaction totaling more than \$10 million. As a result, we may fund additional commitments and/or enter into new financing arrangements with customers. Certain of our non-U.S. customers also may seek to delay purchases if they cannot obtain financing at reasonable costs, and there may be further impacts with respect to future sales campaigns involving non-U.S. customers. We continue to work with our customers to mitigate risks associated with the lack of a quorum of the bank's board of directors and assist with alternative third party financing sources.

## **Segment Results of Operations and Financial Condition**

### **Commercial Airplanes**

#### **Business Environment and Trends**

**Airline Industry Environment** Global economic activity and global trade, which are the primary drivers of the demand for air travel, grew below the long-term average for the fourth year in a row in 2015. Despite this, passenger traffic continued to grow more than 5%, as it has every year since 2010, and accelerated to more than 6% in 2015. While growth was strong across all major world regions, there continues to be significant variation between regions and airline business models. Airlines operating in the Middle East and Asia Pacific regions as well as low-cost-carriers globally are currently leading passenger growth.

Air cargo traffic grew at 5% in the first quarter and 3% in the second quarter of 2015 compared with the same periods in 2014. However, weaker global industrial production and world trade resulted in little to no cargo traffic growth during the remainder of the year. The slowing air cargo market recovery has resulted in reduced orders and demand for new freighter aircraft and freighter conversions, and in January 2016, we announced plans to further reduce production rates on the 747 program.

Airline financial performance also plays a role in the demand for new capacity. Airlines continue to focus on increasing revenue through alliances, partnerships, new marketing initiatives, and effective leveraging of ancillary services and related revenues. Airlines are also relentlessly focusing on reducing costs by renewing fleets to leverage more efficient airplanes and in 2015 benefited significantly from lower fuel costs. Net profits for the global airline industry are estimated to total \$33 billion in 2015 compared to \$17 billion in 2014. We expect airline profits to continue to grow in 2016, driven by strong passenger demand and relatively low oil prices.

The long-term outlook for the industry continues to remain positive due to the fundamental drivers of air travel growth: economic growth and the increasing propensity to travel due to increased trade, globalization, and improved airline services driven by liberalization of air traffic rights between countries. Our 20-year forecast projects a long-term average growth rate of 4.9% per year for passenger traffic and 4.2% for cargo traffic. Based on long-term global economic growth projections of 3.1% average annual GDP growth, and factoring in increased utilization of the worldwide airplane fleet and requirements to replace older airplanes, we project a \$5.6 trillion market for approximately 38,000 new airplanes over the next 20 years.

The industry remains vulnerable to near-term exogenous developments including fuel price spikes, credit market shocks, terrorism, natural disasters, conflicts, epidemics and increased global environmental regulations.

**Industry Competitiveness** The commercial jet airplane market and the airline industry remain extremely competitive. Market liberalization in Europe and Asia is enabling low-cost airlines to continue gaining market share. These airlines are increasing the pressure on airfares. This results in continued cost pressures for all airlines and price pressure on our products. Major productivity gains are essential to ensure a favorable market position at acceptable profit margins.

Continued access to global markets remains vital to our ability to fully realize our sales potential and long-term investment returns. Approximately 11% of Commercial Airplanes' contractual backlog, in dollar terms, is with U.S. airlines, including cargo carriers.

We face aggressive international competitors who are intent on increasing their market share. They offer competitive products and have access to most of the same customers and suppliers. With government support, Airbus has historically invested heavily to create a family of products to compete with ours. Regional jet makers Embraer and Bombardier, coming from the less than 100-seat commercial jet market, continue to develop larger and increasingly capable airplanes. Additionally, other competitors from Russia, China and Japan are developing commercial jet aircraft in the market above 90 seats. Many of these competitors have historically enjoyed access to government-provided financial support, including "launch aid," which greatly reduces the commercial risks associated with airplane development activities and enables airplanes to be brought to market more quickly than otherwise possible. This market environment has resulted in intense pressures on pricing and other competitive factors, and we expect these pressures to continue or intensify in the coming years.

Worldwide, airplane sales are generally conducted in U.S. dollars. Fluctuating exchange rates affect the profit potential of our major competitors, all of whom have significant costs in other currencies. Changes in value of the U.S. dollar relative to their local currencies impact competitors' revenues and profits. Many competitors are expected to benefit from the strong U.S. dollar experienced in 2015 and ongoing improvements in efficiency, which may result in funding product development, gaining market share through pricing and/or improving earnings.

We are focused on improving our processes and continuing cost-reduction efforts. We continue to leverage our extensive customer support services network which includes aviation support, spare parts, training, maintenance documents and technical advice for airlines throughout the world. This enables us to provide a high level of customer satisfaction and productivity. These efforts enhance our ability to pursue pricing strategies that enable us to price competitively.

## Results of Operations

(Dollars in millions)

Years ended December 31,	2015	2014	2013
Revenues	\$66,048	\$59,990	\$52,981
% of total company revenues	69%	66%	61%
Earnings from operations	\$5,157	\$6,411	\$5,795
Operating margins	7.8%	10.7%	10.9%
Research and development	\$2,340	\$1,881	\$1,807
Contractual backlog	\$431,408	\$440,118	\$372,980
Unobligated backlog	\$216	\$360	\$660

### Revenues

Commercial Airplanes revenues increased by \$6,058 million or 10% in 2015 compared with 2014 and by \$7,009 million or 13% in 2014 compared with 2013 primarily due to higher new airplane deliveries and mix.

Commercial Airplanes deliveries as of December 31 were as follows:

	737 *	747 †	767	777	787 †	Total
<b>2015</b>						
Cumulative deliveries	5,713	1,519	1,083	1,361	363	
Deliveries	495 <sup>(15)</sup>	18 <sup>(3)</sup>	16	98	135	762
<b>2014</b>						
Cumulative deliveries	5,218	1,501	1,067	1,263	228	
Deliveries	485 <sup>(15)</sup>	19 <sup>(3)</sup>	6	99	114	723
<b>2013</b>						
Cumulative deliveries	4,733	1,482	1,061	1,164	114	
Deliveries	440 <sup>(8)</sup>	24	21	98	65 <sup>(1)</sup>	648

\* Intercompany deliveries identified by parentheses

† Aircraft accounted for as revenues by Commercial Airplanes and as operating leases in consolidation identified by parentheses

### Earnings From Operations

Earnings from operations in 2015 decreased by \$1,254 million or 20% compared with 2014 primarily due to higher reach-forward losses of \$1,160 million and higher research and development spending of \$459 million, largely on the 777X, which more than offset higher new airplane deliveries and mix. During the fourth quarter of 2015 we recorded a charge of \$885 million to recognize a reach-forward loss on the 747 program. In addition, we recorded reach-forward losses on the USAF KC-46A Tanker contract of \$513 million in the second quarter of 2015 and \$238 million in the second quarter of 2014. Operating margins in 2015 decreased primarily due to additional reach-forward losses, higher research and development expense and the dilutive impact of 787 volume and mix.

Earnings from operations in 2014 increased by \$616 million or 11% compared with 2013. The increase in earnings is primarily due to higher earnings of \$947 million driven by higher new airplane deliveries and commercial aviation services revenue growth. This earnings increase was partially offset by a reach-

forward loss of \$238 million recorded in the second quarter of 2014 related to the USAF KC-46A Tanker contract and higher research and development expense of \$74 million. The increase in research and development reflects higher spending on the 777X, 787-10 and 737 MAX, which more than offset lower 787-9 spending. Operating margins decreased from 10.9% in 2013 to 10.7% in 2014 primarily due to the dilutive impact of 747 and 787 deliveries and the USAF KC-46A Tanker reach-forward loss.

## **Backlog**

Firm backlog represents orders for products and services where no contingencies remain before we and the customer are required to perform. Backlog does not include prospective orders where customer controlled contingencies remain, such as the customers receiving approval from their Board of Directors, shareholders or government and completing financing arrangements. All such contingencies must be satisfied or have expired prior to recording a new firm order even if satisfying such conditions is highly certain. Firm orders exclude options. A number of our customers may have contractual remedies that may be implicated by program delays. We continue to address customer claims and requests for other contractual relief as they arise. However, once orders are included in firm backlog, orders 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.

The decrease in contractual backlog during 2015 was due to deliveries in excess of net orders. The increase in contractual backlog during 2014 was due to net orders in excess of deliveries. The decrease in unobligated backlog during 2015 and 2014 was primarily due to the reclassification from unobligated to contractual backlog related to incremental funding of the existing multi-year contract for Commercial Airplanes' share of the USAF KC-46A Tanker contract.

**Accounting Quantity** The accounting quantity is our estimate of the quantity of airplanes that will be produced for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. It is a key determinant of the gross margins we recognize on sales of individual airplanes throughout a program's life. Estimation of each program's accounting quantity takes into account several factors that are indicative of the demand for that program, including firm orders, letters of intent from prospective customers and market studies. We review our program accounting quantities quarterly.

The accounting quantity for each program may include units that have been delivered, undelivered units under contract, and units anticipated to be under contract in the reasonable future (anticipated orders). In developing total program estimates, all of these items within the accounting quantity must be considered.

The following table provides details of the accounting quantities and firm orders by program as of December 31. Cumulative firm orders represent the cumulative number of commercial jet aircraft deliveries plus undelivered firm orders.

	Program					
	737	747**	767	777	777X	787
<b>2015</b>						
Program accounting quantities	8,400	1,574	1,147	1,650	*	1,300
Undelivered units under firm orders	4,392	20	80	218	306	779
Cumulative firm orders	10,105	1,539	1,163	1,579	306	1,142
<b>2014</b>						
Program accounting quantities	7,800	1,574	1,113	1,600	*	1,300
Undelivered units under firm orders	4,299	36	47	278	286	843
Cumulative firm orders	9,517	1,537	1,114	1,541	286	1,071
<b>2013</b>						
Program accounting quantities	7,000	1,574	1,113	1,550	*	1,300
Undelivered units under firm orders	3,680	55	49	314	66	916
Cumulative firm orders	8,413	1,537	1,110	1,478	66	1,030

\* The accounting quantity for the 777X will be determined in the year of first airplane delivery, targeted for 2020.

\*\* At December 31, 2015, undelivered 747 units under firm orders include a number of aircraft that are being remarketed.

### Program Highlights

**737 Program** The accounting quantity for the 737 program increased by 600 units during 2015 due to the program's normal progress of obtaining additional orders and delivering airplanes. We are currently producing at a rate of 42 per month and plan an additional increase to 47 per month in 2017. We plan to further increase the rate to 52 per month in 2018 and to 57 per month in 2019. First delivery of the 737 MAX is expected in 2017.

**747 Program** Lower-than-expected demand for large commercial passenger and freighter aircraft and slower-than-expected growth of global freight traffic have resulted in market uncertainties, ongoing pricing pressures and fewer orders than anticipated. During the second half of 2015, the cargo market recovery slowed, and in January 2016, we announced a plan to further reduce the production rate to 0.5 per month as well as recognize a reach-forward loss of \$885 million on the program. The charge, which was recorded during the fourth quarter of 2015, is primarily related to lower anticipated revenues reflecting ongoing pricing and market pressures, as well as higher estimated costs due to the reduced production rate. We are currently producing at a rate of 1.3 per month with plans to reduce the rate to 1.0 per month in March 2016, further reduce the rate to 0.5 per month in September 2016 and then return to 1.0 per month in 2019. We have a number of completed aircraft in inventory as well as unsold production positions and we remain focused on obtaining additional orders and implementing cost-reduction efforts. If we are unable to obtain sufficient orders in 2016 and/or market, production and other risks cannot be mitigated, the program could face an additional reach-forward loss that may be material.

**767 Program** The accounting quantity for the 767 program increased by 34 units during 2015 due to the program's progress of obtaining additional orders and delivering airplanes. The 767 assembly line includes a 767 derivative to support the tanker program. We are currently producing at a combined tanker and

commercial production rate of 1.5 per month and plan to increase to 2 per month in 2016. We plan to further increase the rate to 2.5 per month in the fourth quarter of 2017.

**777 Program** The accounting quantity for the 777 program increased by 50 units during 2015 due to the program's normal progress of obtaining additional orders and delivering airplanes. We are currently producing at a rate of 8.3 per month and plan to reduce the rate to 7 per month in 2017. In the fourth quarter of 2013, we launched the 777X, which features a new composite wing, new engines and folding wing-tips. The 777X will have a separate program accounting quantity, which will be determined in the year of first airplane delivery, targeted for 2020.

**787 Program** We continue to produce at a rate of 10 per month and plan for rate increases to 12 per month in 2016 and 14 per month by the end of the decade. First delivery of the 787-10 derivative aircraft is targeted for 2018. The accounting quantity of 1,300 units remains unchanged.

We remain focused on increasing the production rate to 12 per month in 2016 and improving productivity. We continue to monitor and address challenges associated with aircraft production and assembly for both the 787-8 and 787-9, including management of our manufacturing operations and extended global supply chain, completion and integration of traveled work, as well as completing and delivering early build aircraft. In addition, we continue to work with our customers and suppliers to assess the specific impacts of schedule changes, including requests for contractual relief related to delivery delays and supplier assertions.

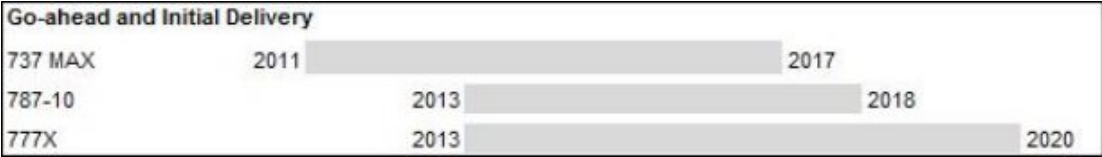
During 2009, we concluded that the first three flight-test 787 aircraft could not be sold as previously anticipated due to the inordinate amount of rework and unique and extensive modifications made to those aircraft. As a result, costs associated with these airplanes were included in research and development expense. Based on sales activity and market interest we continue to believe that the remaining 787 flight-test aircraft are commercially saleable and we continue to include costs related to these aircraft in program inventory. However, there is risk that we may be unable to sell these aircraft. If we determine that any of the remaining flight-test aircraft cannot be sold, we would incur additional material charges related to the reclassification of costs associated with those aircraft to research and development expense.

The combination of production challenges, change incorporation on early build aircraft, schedule delays, customer and supplier impacts and changes to price escalation factors has created significant pressure on program profitability and we continue to have near breakeven gross margins. If risks related to these challenges, together with risks associated with planned production rate increases, or introducing or manufacturing the 787-10 derivative as scheduled cannot be mitigated, the program could face additional customer claims and/or supplier assertions, 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.

**Fleet Support** We provide the operators of our commercial airplanes with assistance and services to facilitate efficient and safe airplane operation. Collectively known as fleet support services, these activities and services begin prior to airplane delivery and continue throughout the operational life of the airplane. They include flight and maintenance training, field service support, engineering services, information services and systems and technical data and documents. The costs for fleet support are expensed as incurred and have historically been approximately 1.5% of total consolidated costs of products and services.



**Program Development** The following chart summarizes the time horizon between go-ahead and planned initial delivery for major Commercial Airplanes derivatives and programs.



Reflects models in development during 2015

We launched the 787-10 in June 2013 and the 777X in November 2013.

**Additional Considerations**

The development and ongoing production of commercial aircraft is extremely complex, involving extensive coordination and integration with suppliers and highly-skilled labor from thousands of employees and other partners. Meeting or exceeding our performance and reliability standards, as well as those of customers and regulators, can be costly and technologically challenging. In addition, the introduction of new aircraft and derivatives, such as the 787-10, 737 MAX and 777X, involves increased risks associated with meeting development, production and certification schedules. As a result, our ability to deliver aircraft on time, satisfy performance and reliability standards and achieve or maintain, as applicable, program profitability is subject to significant risks. Factors that could result in lower margins (or a material charge if an airplane program has or is determined to have reach-forward losses) include the following: changes to the program accounting quantity, customer and model mix, production costs and rates, changes to price escalation factors due to changes in the inflation rate or other economic indicators, 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, achieving anticipated cost reductions, flight test and certification schedules, costs, schedule and demand for new airplanes and derivatives and status of customer claims, supplier assertions and other contractual negotiations. While we believe the cost and revenue estimates incorporated in the consolidated financial statements are appropriate, the technical complexity of our airplane programs creates financial risk as additional completion costs may become necessary or scheduled delivery dates could be extended, which could trigger termination provisions, order cancellations or other financially significant exposure.

**Defense, Space & Security**

**Business Environment and Trends**

**United States Government Defense Environment Overview** The enactment of The Bipartisan Budget Act of 2015 in November 2015 established overall defense spending levels for FY2016 and FY2017. However, uncertainty remains with respect to levels of defense spending for FY2018 and beyond, including risk of future sequestration cuts. Significant uncertainty also continues with respect to program-level appropriations for the U.S. Department of Defense ( U.S. DoD ) and other government agencies, including the National Aeronautics and Space Administration, within the overall budgetary framework described above. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorization and appropriations process could result in reductions, cancellations and/or delays of existing contracts or programs. Any of these impacts could have a material effect on the results of the Company's operations, financial position and/or cash flows.

In addition to the risks described above, if Congress is unable to pass appropriations bills in a timely manner, a government shutdown could result which may have impacts above and beyond those resulting from budget cuts, sequestration impacts or program-level appropriations. For example, requirements to

furlough employees in the U.S. DoD or other government agencies could result in payment delays, impair our ability to perform work on existing contracts, and/or negatively impact future orders.

**International Environment Overview** The international market continues to be driven by complex and evolving security challenges and the need to modernize aging equipment and inventories. BDS expects that it will continue to have a wide range of international opportunities across Asia, Europe and the Middle East given the diverse regional threats.

## Results of Operations

(Dollars in millions)

Years ended December 31,	2015	2014	2013
Revenues	\$30,388	\$30,881	\$33,197
% of total company revenues	32%	34%	38%
Earnings from operations	\$3,274	\$3,133	\$3,235
Operating margins	10.8%	10.1%	9.7%
Contractual backlog	\$45,187	\$46,974	\$49,681
Unobligated backlog	\$12,488	\$14,939	\$17,607

Since our operating cycle is long-term and involves many different types of development and production contracts with varying delivery and milestone schedules, the operating results of a particular year, or year-to-year comparisons of revenues, earnings and backlog may not be indicative of future operating results. In addition, depending on the customer and their funding sources, our orders might be structured as annual follow-on contracts, or as one large multi-year order or long-term award. As a result, period-to-period comparisons of backlog are not necessarily indicative of future workloads. The following discussions of comparative results among periods should be viewed in this context.

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

Years ended December 31,	2015	2014	2013
F/A-18 Models	35	44	48
F-15 Models	12	14	14
C-17 Globemaster III	5	7	10
CH-47 Chinook (New)	41	54	44
CH-47 Chinook (Renewed)	16		14
AH-64 Apache (New)	23	45	37
AH-64 Apache (Remanufactured)	38	37	45
P-8 Models	14	11	11
AEW&C	1	3	
C-40A	1	1	
Total	186	216	223

## Revenues

BDS revenues in 2015 decreased by \$493 million compared with 2014 due to lower revenues in all three segments. BDS revenues in 2014 decreased by \$2,316 million compared with 2013 primarily due to lower revenues of \$1,775 million in the BMA segment and lower revenues of \$509 million in the Network & Space Systems ( N&SS ) segment.

## Earnings From Operations

BDS earnings from operations in 2015 increased by \$141 million compared with 2014 due to higher earnings in all three segments. Included above are net favorable cumulative contract catch-up adjustments, which were \$49 million lower in 2015 compared with 2014 , primarily reflecting higher charges of \$135 million on the USAF KC-46A Tanker contract recorded at BMA which more than offset higher favorable adjustments in the Global Services & Support ( GS&S ) segment.

BDS earnings from operations in 2014 decreased by \$102 million compared with 2013 due to lower earnings of \$200 million and \$21 million in the BMA and N&SS segments, partially offset by higher earnings of \$119 million in the GS&S segment. Included above are net favorable cumulative contract catch-up adjustments, which were \$96 million higher in 2014 compared with 2013, primarily reflecting higher favorable adjustments in the GS&S segment.

## Backlog

Total backlog is comprised of contractual backlog, which represents work we are on contract to perform for which we have received funding, and unobligated backlog, which represents work we are on contract to perform for which funding has not yet been authorized and appropriated. BDS total backlog was \$57,675 million at December 31, 2015 , reflecting a decrease of 7% from December 31, 2014 . BDS total backlog was \$61,913 million at December 31, 2014, reflecting a decrease of 8% from December 31, 2013. For further details on the changes between periods, refer to the discussions of the individual segments below.

## Additional Considerations

Our BDS business includes a variety of development programs which have complex design and technical challenges. Many of these programs have cost-type contracting arrangements. In these cases, the associated financial risks are primarily in reduced fees, lower profit rates or program cancellation if cost, schedule or technical performance issues arise. Examples of these programs include Ground-based Midcourse Defense ( GMD ), Proprietary and Space Launch System ( SLS ) 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 Saudi F-15, USAF KC-46A Tanker, Commercial Crew and commercial and military satellites.

## Boeing Military Aircraft

### Results of Operations

(Dollars in millions)

Years ended December 31,	2015	2014	2013
Revenues	<b>\$13,482</b>	\$13,500	\$15,275
% of total company revenues	<b>14%</b>	15%	18%
Earnings from operations	<b>\$1,318</b>	\$1,301	\$1,501
Operating margins	<b>9.8%</b>	9.6%	9.8%
Contractual backlog	<b>\$20,019</b>	\$21,119	\$23,580
Unobligated backlog	<b>\$7,151</b>	\$8,020	\$10,064

#### Revenues

BMA revenues in 2015 decreased by \$18 million compared with 2014 primarily due to lower revenues of \$1,083 million from fewer deliveries and mix on the F/A-18, Apache and V-22 programs, partially offset by higher revenues related to a cumulative catch-up adjustment recorded in the third quarter of 2015 on the F-15 program due to contract negotiations and higher milestone revenue on the USAF KC-46A Tanker program.

BMA revenues in 2014 decreased by \$1,775 million, or 12%, compared with 2013 primarily due to a reduction of revenue of \$1,730 million related to F-15 and USAF KC-46A Tanker milestones, fewer C-17 aircraft deliveries and delivery mix on the P-8 program.

#### Earnings From Operations

BMA earnings from operations in 2015 increased by \$17 million compared with 2014 primarily due to lower C-17 charges, higher Chinook deliveries and higher earnings on the F-15 program, primarily due to a cumulative catch-up adjustment recorded in the third quarter of 2015. These increases were partially offset by higher charges of \$135 million on the USAF KC-46A Tanker contract and lower earnings on proprietary programs. BMA recorded charges of \$322 million in the second quarter of 2015 and \$187 million in the second quarter of 2014 related to the USAF KC-46A Tanker contract. In addition, BMA recorded a charge of \$48 million in the first quarter of 2014 to write-off inventory and accrue termination liabilities as a result of our decision to produce three fewer C-17 aircraft in 2015 than previously planned. Net favorable cumulative contract catch-up adjustments were \$96 million lower in 2015 than in 2014 primarily driven by the USAF KC-46A Tanker charges and lower favorable F/A-18 adjustments, partially offset by higher favorable F-15 program adjustments.

BMA earnings from operations in 2014 decreased by \$200 million, or 13%, compared with 2013 primarily due to 2014 charges of \$235 million and lower earnings of \$73 million related to fewer deliveries on the C-17 program. The charges recorded in 2014 included \$187 million related to the USAF KC-46A Tanker contract and \$48 million to write off inventory and accrue termination liabilities as a result of our 2014 decision to produce three fewer C-17 aircraft in 2015 than previously planned. See Note 11 to our Consolidated Financial Statements. These decreases were partially offset by higher earnings of \$65 million related to improved performance on the F/A-18 program. In addition, in 2013, we recorded a charge of \$64 million to write off inventory and accrue termination liabilities as a result of the Republic of Korea's announcement to restart its F-X fighter aircraft competition. Net favorable cumulative contract catch-up adjustments were \$39 million lower in 2014 than in 2013 primarily driven by the reach-forward loss on the USAF KC-46A Tanker contract, partially offset by higher favorable adjustments to the F/A-18 and F-15 programs.

## Backlog

BMA total backlog at December 31, 2015 was \$27,170 million, a decrease of 7% reflecting revenue recognized on contracts awarded in prior years, partially offset by contract awards for the F-15, Apache, C-17 and F/A-18 programs. BMA total backlog at December 31, 2014 was \$29,139 million, a decrease of 13% reflecting revenue recognized on contracts awarded in prior years, partially offset by contract awards for the F/A-18, P-8 and Apache programs.

## Additional Considerations

**C-17 and F/A-18** See the discussion of the C-17 and F/A-18 programs in Note 11 to our Consolidated Financial Statements.

**USAF KC-46A Tanker** See the discussion of the USAF KC-46A Tanker program on pages 24 – 25 .

## Network & Space Systems

## Results of Operations

(Dollars in millions)

Years ended December 31,	2015	2014	2013
Revenues	\$7,751	\$8,003	\$8,512
% of total company revenues	8%	9%	10%
Earnings from operations	\$726	\$698	\$719
Operating margins	9.4%	8.7%	8.4%
Contractual backlog	\$7,368	\$8,935	\$9,832
Unobligated backlog	\$4,979	\$5,987	\$6,076

## Revenues

N&SS revenues in 2015 decreased by \$252 million compared with 2014 primarily due to lower revenue of \$1,061 million, primarily on satellite and proprietary programs and volume and mix of sales to our United Launch Alliance ( ULA ) joint venture, partially offset by higher volume on the Commercial Crew program.

N&SS revenues in 2014 decreased by \$509 million compared with 2013 primarily due to a reduction of \$812 million related to lower volume on several government satellite, Electronic and Information Solutions (E&IS) and proprietary programs, partially offset by \$257 million related to higher volume on the Commercial Crew and SLS programs.

New-build satellite deliveries were as follows:

Years ended December 31,	2015	2014	2013
Commercial and civil satellites	3	5	3
Military satellites	1		4

## Earnings From Operations

N&SS earnings from operations in 2015 increased by \$28 million compared with 2014 primarily due to higher earnings of \$83 million from improved performance on several E&IS programs partially offset by lower performance on a development program. Net favorable cumulative contract catch-up adjustments were \$10 million lower in 2015 than in 2014 primarily due to higher unfavorable adjustments on commercial satellite programs.

N&SS earnings from operations in 2014 decreased by \$21 million compared with 2013 primarily due to lower earnings of \$84 million on several commercial satellite programs related to lower milestone volume, partially offset by higher earnings of \$68 million due to improved performance on several government satellite programs and our ULA joint venture as well as higher volume on Commercial Crew during the initial performance period. Net favorable cumulative contract catch-up adjustments were \$12 million higher in 2014 than in 2013.

N&SS earnings from operations include equity earnings of \$183 million , \$211 million and \$171 million primarily from our ULA joint venture in 2015, 2014 and 2013 , respectively.

## Backlog

N&SS total backlog was \$12,347 million at December 31, 2015 , reflecting a decrease of 17% from December 31, 2014 primarily due to revenue recognized on contracts awarded in prior years, partially offset by current year contract awards including orders from NASA for International Space Station engineering support and Post Certification Mission 1 on the Commercial Crew program. N&SS total backlog was \$14,922 million at December 31, 2014, reflecting a decrease of 6% from December 31, 2013 primarily due to revenue recognized on contracts awarded in prior years, partially offset by current year contract awards for the Commercial Crew, commercial satellite and missile defense system programs.

## Additional Considerations

**United Launch Alliance** See the discussion of Indemnifications to ULA and Financing Commitments in Notes 6 , 11 , and 12 to our Consolidated Financial Statements.

**Sea Launch** See the discussion of the Sea Launch receivables in Note 10 to our Consolidated Financial Statements.

**LightSquared** See the discussion of the LightSquared receivables in Note 5 to our Consolidated Financial Statements.

## Global Services & Support

## Results of Operations

*(Dollars in millions)*

Years ended December 31,	2015	2014	2013
Revenues	<b>\$9,155</b>	\$9,378	\$9,410
% of total company revenues	<b>10%</b>	10%	11%
Earnings from operations	<b>\$1,230</b>	\$1,134	\$1,015
Operating margins	<b>13.4%</b>	12.1%	10.8%
Contractual backlog	<b>\$17,800</b>	\$16,920	\$16,269
Unobligated backlog	<b>\$358</b>	\$932	\$1,467

## Revenues

GS&S revenues in 2015 decreased by \$223 million compared with 2014 primarily due to final AEW&C deliveries and lower volume in several Training Systems & Government Services ( TSGS ) programs, partially offset by higher volume on several Integrated Logistics ( IL ) programs.

GS&S revenues in 2014 decreased by \$32 million compared with 2013 primarily due to lower volume of \$277 million in IL and TSGS programs. These decreases were partially offset by higher Aircraft Modernization & Sustainment ( AM&S ) revenues of \$245 million primarily related to deliveries of three AEW&C Peace Eagle to Turkey in 2014.

## Earnings From Operations

GS&S earnings from operations in 2015 increased by \$96 million compared with 2014 primarily due to improved performance across the segment. Net favorable cumulative contract catch-up adjustments were \$57 million higher in 2015 than in 2014 primarily due to favorable F-15 program adjustments.

GS&S earnings from operations in 2014 increased by \$119 million, or 12%, compared with 2013 primarily due to an increase of \$145 million related to improved performance in several MM&U programs, most notably the AEW&C Peace Eagle contract. Net favorable cumulative contract catch-up adjustments were \$123 million higher in 2014 than in 2013 primarily due to unfavorable adjustments on the AEW&C Peace Eagle contract in 2013.

## Backlog

GS&S total backlog at December 31, 2015 was \$18,158 million , an increase of 2% reflecting current year contract awards, including C-17 support programs, Advanced Surveillance Command and Control and F-15 support programs, partially offset by revenue recognized on contracts awarded in prior years. GS&S total backlog at December 31, 2014 was \$17,852 million , which was largely unchanged from backlog of \$17,736 million at December 31, 2013.

## Boeing Capital

### Business Environment and Trends

BCC's gross customer financing and investment portfolio at December 31, 2015 totaled \$3,459 million . A substantial portion of BCC's portfolio is concentrated among certain U.S. commercial airline customers. BCC's portfolio is also concentrated by varying degrees across Boeing aircraft product types, most notably 717 and 747-8F aircraft.

BCC provided customer financing of \$586 million and \$489 million during 2015 and 2014 . While we may be required to fund a number of new aircraft deliveries in 2016, we expect alternative financing will be available at reasonable prices from broad and globally diverse sources.

Aircraft values and lease rates are impacted by the number and type of aircraft that are currently out of service. Approximately 2,300 western-built commercial jet aircraft ( 9.5% of current world fleet) were parked at the end of 2015 , including both in-production and out-of-production aircraft types. Of these parked aircraft, approximately 11% are not expected to return to service. At the end of 2014 and 2013 , 9.8% and 9.2% of the western-built commercial jet aircraft were parked. Aircraft valuations could decline if significant numbers of additional aircraft, particularly types with relatively few operators, are placed out of service.

## Results of Operations

(Dollars in millions)

Years ended December 31,	2015	2014	2013
Revenues	\$413	\$416	\$408
Earnings from operations	\$50	\$92	\$107
Operating margins	12%	22%	26%

### 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 in 2015 are consistent with 2014. BCC 's revenues in 2014 increased by \$8 million compared with 2013 primarily due to higher aircraft return condition payments of \$60 million, partially offset by a decrease in finance lease income and lower interest income.

### Earnings From Operations

BCC's earnings from operations are presented net of interest expense, provision for (recovery of) losses, asset impairment expense, depreciation on leased equipment and other operating expenses. Earnings from operations in 2015 decreased by \$42 million compared with 2014 primarily due to higher asset impairment expense. Earnings from operations in 2014 decreased by \$15 million compared with 2013 due to \$60 million increase in asset impairment expense, partially offset by a reduction in the provision for losses on receivables, driven by a change to a customer credit rating recorded in the first quarter of 2014, in addition to lower depreciation and interest expense.

### Financial Position

The following table presents selected financial data for BCC as of December 31:

(Dollars in millions)	2015	2014
Customer financing and investment portfolio, net	\$3,449	\$3,493
Other assets, primarily cash and short-term investments	480	615
<b>Total assets</b>	<b>\$3,929</b>	<b>\$4,108</b>
Other liabilities, primarily deferred income taxes	\$1,099	\$1,212
Debt, including intercompany loans	2,355	2,412
Equity	475	484
<b>Total liabilities and equity</b>	<b>\$3,929</b>	<b>\$4,108</b>
<b>Debt-to-equity ratio</b>	<b>5.0-to-1</b>	<b>5.0-to-1</b>

BCC's customer financing and investment portfolio at December 31, 2015 decreased from December 31, 2014 primarily due to normal portfolio run-off, impairments and dispositions, partially offset by the increased volume of \$586 million . At December 31, 2015 and 2014 , BCC had \$49 million and \$48 million of assets that were held for sale or re-lease, of which \$15 million in 2015 had either signed preliminary agreements with deposits or firm contracts to be sold or placed on lease. Additionally, aircraft subject to leases with a carrying value of approximately \$111 million are scheduled to be returned off lease during 2016 . We are seeking to remarket these aircraft or have the leases extended.



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

## Liquidity and Capital Resources

### Cash Flow Summary

(Dollars in millions)

Years ended December 31,	2015	2014	2013
Net earnings	\$5,176	\$5,446	\$4,585
Non-cash items	2,392	2,515	2,516
Changes in working capital	1,795	897	1,078
Net cash provided by operating activities	9,363	8,858	8,179
Net cash (used)/provided by investing activities	(1,846)	2,467	(5,154)
Net cash used by financing activities	(7,920)	(8,593)	(4,249)
Effect of exchange rate changes on cash and cash equivalents	(28)	(87)	(29)
Net (decrease)/increase in cash and cash equivalents	(431)	2,645	(1,253)
Cash and cash equivalents at beginning of year	11,733	9,088	10,341
Cash and cash equivalents at end of period	\$11,302	\$11,733	\$9,088

**Operating Activities** Net cash provided by operating activities was \$9.4 billion during 2015 , compared with \$8.9 billion during 2014 and \$8.2 billion in 2013 . The increase of \$0.5 billion in 2015 was primarily due to lower inventory growth, partially offset by lower receipts of advances and progress billings. The increase of \$0.7 billion in 2014 was primarily due to higher customer advances which more than offset higher gross inventory. Our investment in gross inventories decreased by \$0.3 billion in 2015 primarily in our BDS business, largely driven by ending production of C-17 aircraft, which more than offset continued investment in commercial airplane program inventory. Our investment in gross inventories increased \$7.6 billion in 2014 and \$5.7 billion in 2013 , largely driven by continued investment in commercial airplane program inventory, primarily 787 inventory. Advances and progress billings increased by \$0.4 billion in 2015 , \$6.9 billion in 2014 and \$3.9 billion in 2013 , primarily due to payments from Commercial Airplane customers. Discretionary contributions to our pension plans were insignificant in 2015 compared with \$0.8 billion in 2014 and \$1.5 billion in 2013 .

**Investing Activities** Cash used by investing activities was \$1.8 billion during 2015 compared with \$2.5 billion provided during 2014 and \$5.2 billion used during 2013 , largely due to changes in investments in time deposits. Net proceeds from investments were \$0.6 billion in 2015 compared with \$4.8 billion in 2014 and net contributions to investments of \$2.9 billion in 2013 . In 2015 , capital expenditures totaled \$2.5 billion , up from \$2.2 billion in 2014 and \$2.1 billion in 2013 . We expect capital expenditures in 2016 to be consistent with 2015 due to continued investment to support growth.

**Financing Activities** Cash used by financing activities was \$7.9 billion during 2015 , a decrease of \$0.7 billion compared with 2014 primarily due to higher new borrowings of \$0.8 billion and lower repayments of debt and distribution rights of \$0.9 billion in 2015 , which more than offset higher share repurchases of \$0.8 billion and higher dividend payments of \$0.4 billion in 2015 . Cash used by financing activities was \$8.6 billion during 2014, an increase of \$4.3 billion compared with 2013 primarily due to higher share repurchases of \$3.2 billion, higher dividends paid of \$0.6 billion and a decrease in proceeds from stock options exercised of \$0.8 billion in 2014, partially offset by higher new borrowings of \$0.4 billion in 2014.

During 2015 , we issued \$1.7 billion and repaid \$0.9 billion of debt. At December 31, 2015 and 2014 the recorded balance of debt was \$10.0 billion and \$9.1 billion of which \$1.2 billion and \$0.9 billion was classified as short-term. At December 31, 2015 and 2014 this includes \$2.4 billion of debt attributable to BCC , of which \$0.5 billion and \$0.1 billion was classified as short-term.

During 2015 and 2014 we repurchased 46.7 million and 46.6 million shares totaling \$6.8 billion and \$6.0 billion through our open market share repurchase program. In 2015 and 2014 , we had 0.7 million shares transferred to us from employees for tax withholdings. At December 31, 2015 , the amount available under the share repurchase plan, announced on December 14, 2015, totaled \$14 billion .

**Capital Resources** We have substantial borrowing capacity. Any future borrowings may affect our credit ratings and are subject to various debt covenants as described below. We have a commercial paper program that continues to serve as a significant potential source of short-term liquidity. Throughout 2015 and at December 31, 2015 , we had no commercial paper borrowings outstanding. Currently, we have \$5.0 billion of unused borrowing capacity on revolving credit line agreements. We anticipate that these credit lines will primarily serve as backup liquidity to support our general corporate borrowing needs.

Financing commitments totaled \$16.3 billion and \$16.7 billion at December 31, 2015 and 2014 . We anticipate that we will not be required to fund a significant portion of our financing commitments as we continue to work with third party financiers to provide alternative financing to customers. Historically, we have not been required to fund significant amounts of outstanding commitments. However, there can be no assurances that we will not be required to fund greater amounts than historically required. In addition, many of our non-U.S. customers finance aircraft purchases through the Export-Import Bank of the United States. Following the expiration of the bank's charter on June 30, 2015, the bank's charter was reauthorized in December 2015. The bank is now authorized through September 30, 2019. However, until the U.S. Senate confirms members sufficient to reconstitute a quorum of the bank's board of directors, the bank will not be able to approve any transaction totaling more than \$10 million. As a result, we may fund additional commitments and/or enter into new financing arrangements with customers.

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

At December 31, 2015 and 2014 , our pension plans were \$17.9 billion and \$17.3 billion underfunded as measured under GAAP. On an Employee Retirement Income Security Act ( ERISA ) basis our plans are more than 100% funded at December 31, 2015 with minimal required contributions in 2016 . We expect to make contributions to our plans of approximately \$0.1 billion in 2016 . We may be required to make higher contributions to our pension plans in future years.

At December 31, 2015 , 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.

## Contractual Obligations

The following table summarizes our known obligations to make future payments pursuant to certain contracts as of December 31, 2015, and the estimated timing thereof.

<i>(Dollars in millions)</i>	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt (including current portion)	\$9,922	\$1,186	\$996	\$2,358	\$5,382
Interest on debt <sup>(1)</sup>	5,580	459	849	718	3,554
Pension and other postretirement cash requirements	14,146	640	1,718	4,222	7,566
Capital lease obligations	157	55	76	16	10
Operating lease obligations	1,529	244	405	277	603
Purchase obligations not recorded on the Consolidated Statements of Financial Position	123,100	43,471	31,741	24,465	23,423
Purchase obligations recorded on the Consolidated Statements of Financial Position	16,580	15,358	824	125	273
Total contractual obligations <sup>(2)</sup>	\$171,014	\$61,413	\$36,609	\$32,181	\$40,811

<sup>(1)</sup> Includes interest on variable rate debt calculated based on interest rates at December 31, 2015. Variable rate debt was 3% of our total debt at December 31, 2015.

<sup>(2)</sup> Excludes income tax matters. As of December 31, 2015, our net liability for income taxes payable, including uncertain tax positions, was \$1,177 million. We are not able to reasonably estimate the timing of future cash flows related to uncertain tax positions.

**Pension and Other Postretirement Benefits** Pension cash requirements are based on an estimate of our minimum funding requirements, pursuant to ERISA regulations, although we may make additional discretionary contributions. Estimates of other postretirement benefits are based on both our estimated future benefit payments and the estimated contributions to plans that are funded through trusts.

**Purchase Obligations** Purchase obligations represent contractual agreements to purchase goods or services that are legally binding; specify a fixed, minimum or range of quantities; specify a fixed, minimum, variable, or indexed price provision; and specify approximate timing of the transaction. Purchase obligations include amounts recorded as well as amounts that are not recorded on the Consolidated Statements of Financial Position.

**Purchase Obligations Not Recorded on the Consolidated Statements of Financial Position** Production related purchase obligations not recorded on the Consolidated Statements of Financial Position include agreements for inventory procurement, tooling costs, electricity and natural gas contracts, property, plant and equipment, and other miscellaneous production related obligations. The most significant obligation relates to inventory procurement contracts. We have entered into certain significant inventory procurement contracts that specify determinable prices and quantities, and long-term delivery timeframes. In addition, we purchase raw materials on behalf of our suppliers. These agreements require suppliers and vendors to be prepared to build and deliver items in sufficient time to meet our production schedules. The need for such arrangements with suppliers and vendors arises from the extended production planning horizon for many of our products. A significant portion of these inventory commitments is supported by firm contracts and/or has historically resulted in settlement through reimbursement from customers for penalty payments to the supplier should the customer not take delivery. These amounts are also included in our forecasts of costs for program and contract accounting. Some inventory procurement contracts may include escalation adjustments. In these limited cases, we have included our best estimate of the effect of the escalation adjustment in the amounts disclosed in the table above.

**Purchase Obligations Recorded on the Consolidated Statements of Financial Position** Purchase obligations recorded on the Consolidated Statements of Financial Position primarily include accounts payable and certain other current and long-term liabilities including accrued compensation.

**Industrial Participation Agreements** We have entered into various industrial participation agreements with certain customers outside of the U.S. to facilitate economic flow back and/or technology transfer to their businesses or government agencies as the result of their procurement of goods and/or services from us. These commitments may be satisfied by our placement of direct work or vendor orders for supplies, opportunities to bid on supply contracts, transfer of technology or other forms of assistance. However, in certain cases, our commitments may be satisfied through other parties (such as our vendors) who purchase supplies from our non-U.S. customers. We do not commit to industrial participation agreements unless a contract for sale of our products or services is signed. In certain cases, penalties could be imposed if we do not meet our industrial participation commitments. During 2015, we incurred no such penalties. As of December 31, 2015, we have outstanding industrial participation agreements totaling \$18.4 billion that extend through 2030. Purchase order commitments associated with industrial participation agreements are included in purchase obligations in the table above. To be eligible for such a purchase order commitment from us, a foreign supplier must have sufficient capability to meet our requirements and must be competitive in cost, quality and schedule.

## Commercial Commitments

The following table summarizes our commercial commitments outstanding as of December 31, 2015.

<i>(Dollars in millions)</i>	Total Amounts Committed/Maximum Amount of Loss	Less than 1 year	1-3 years	4-5 years	After 5 years
Standby letters of credit and surety bonds	\$4,968	\$3,127	\$1,355	\$182	\$304
Commercial aircraft financing commitments	16,283	2,897	6,899	4,205	2,282
<b>Total commercial commitments</b>	<b>\$21,251</b>	<b>\$6,024</b>	<b>\$8,254</b>	<b>\$4,387</b>	<b>\$2,586</b>

Commercial aircraft financing commitments include commitments to provide financing related to aircraft on order, under option for deliveries or proposed as part of sales campaigns based on estimated earliest potential funding dates. Based on historical experience, we anticipate that we will not be required to fund a significant portion of our financing commitments. However, there can be no assurances that we will not be required to fund greater amounts than historically required. See Note 11 to our 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 20 to our Consolidated Financial Statements.

**Environmental Remediation** We are involved with various environmental remediation activities and have recorded a liability of \$566 million at December 31, 2015. For additional information, see Note 11 to our Consolidated Financial Statements.

**Income Taxes** We have \$1,617 million of unrecognized tax benefits at December 31, 2015 for uncertain tax positions. For further discussion of income taxes, see Note 4 to our Consolidated Financial Statements.

## Off-Balance Sheet Arrangements

We are a party to certain off-balance sheet arrangements including certain guarantees. For discussion of these arrangements, see Note 12 to our Consolidated Financial Statements.

## Non-GAAP Measures

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

Our Consolidated Financial Statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ( 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 certain pension and other postretirement benefit expenses that are not allocated to business segments - see Note 21 to our Consolidated Financial Statements. Management uses core operating earnings, core operating margin and core earnings per share for purposes of evaluating and forecasting underlying business performance. Management believes these core earnings measures provide investors additional insights into operational performance as unallocated pension and other postretirement benefit cost primarily represent costs driven by market factors and costs not allocable to U.S. government contracts.

### Reconciliation of GAAP Measures to Non-GAAP Measures

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

(Dollars in millions, except per share data)

Years ended December 31,	2015	2014	2013
Revenues	<b>\$96,114</b>	\$90,762	\$86,623
Earnings from operations, as reported	<b>\$7,443</b>	\$7,473	\$6,562
Operating margins	<b>7.7%</b>	8.2%	7.6%
Unallocated pension and other postretirement benefit expense	<b>\$298</b>	\$1,387	\$1,314
Core operating earnings (non-GAAP)	<b>\$7,741</b>	\$8,860	\$7,876
Core operating margins (non-GAAP)	<b>8.1%</b>	9.8%	9.1%
Diluted earnings per share, as reported	<b>\$7.44</b>	\$7.38	\$5.96
Unallocated pension and other postretirement benefit expense <sup>(1)</sup>	<b>\$0.28</b>	\$1.22	\$1.11
Core earnings per share (non-GAAP)	<b>\$7.72</b>	\$8.60	\$7.07
Weighted average diluted shares (in millions)	<b>696.1</b>	738.0	769.5

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

## **Critical Accounting Policies**

### **Contract Accounting**

Contract accounting is used to determine revenue, cost of sales, and profit predominantly by our BDS business. Contract accounting involves a judgmental process of estimating the total sales and costs for each contract, which results in the development of estimated cost of sales percentages. For each contract, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage to the amount of revenue recognized.

Due to the size, duration and nature of many of our contracts, the estimation of total sales and costs through completion is complicated and subject to many variables. Total contract sales estimates are based on negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with technical performance, and price adjustment clauses (such as inflation or index-based clauses). The majority of these contracts are with the U.S. government where the price is generally based on estimated cost to produce the product or service plus profit. Federal Acquisition Regulations provide guidance on the types of cost that will be reimbursed in establishing contract price. Total contract cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, business base and other economic projections. Factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements.

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 year ended December 31, 2015, net unfavorable cumulative catch-up adjustments, including reach-forward losses, across all contracts decreased Earnings from operations by \$224 million. For the years ended December 31, 2014 and 2013 net favorable cumulative catch-up adjustments, including reach-forward losses, across all contracts increased Earnings from operations by \$100 million and \$242 million.

Due to the significance of judgment in the estimation process described above, it is likely that materially different cost of sales amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions/estimates, supplier performance, or circumstances may adversely or positively affect financial performance in future periods. If the combined gross margin for all contracts in BDS for all of 2015 had been estimated to be higher or lower by 1%, it would have increased or decreased pre-tax income for the year by approximately \$304 million. In addition, a number of our fixed price development contracts are in a reach-forward loss position. Changes to estimated losses are recorded immediately in earnings.

### **Program Accounting**

Program accounting requires the demonstrated ability to reliably estimate the relationship of sales to costs for the defined program accounting quantity. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. For each program, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage for the total remaining program to the amount of sales recognized for airplanes delivered and accepted by the customer.

Factors that must be estimated include program accounting quantity, sales price, labor and employee benefit costs, material costs, procured part costs, major component costs, overhead costs, program tooling and other non-recurring costs, and warranty costs. Estimation of the accounting quantity for each program takes into account several factors that are indicative of the demand for the particular program, such as firm orders, letters of intent from prospective customers, and market studies. Total estimated program sales are determined by estimating the model mix and sales price for all unsold units within the accounting quantity, added together with the sales prices for all undelivered units under contract. The sales prices for all undelivered units within the accounting quantity include an escalation adjustment for inflation that is updated quarterly. Cost estimates are based largely on negotiated and anticipated contracts with suppliers, historical performance trends, and business base and other economic projections. Factors that influence these estimates include production rates, internal and subcontractor performance trends, customer and/or supplier claims or assertions, asset utilization, anticipated labor agreements, and inflationary or deflationary trends.

To ensure reliability in our estimates, we employ a rigorous estimating process that is reviewed and updated on a quarterly basis. Changes in estimates are normally recognized on a prospective basis; when estimated costs to complete a program exceed estimated revenues from undelivered units in the accounting quantity, a loss provision is recorded in the current period for the estimated loss on all undelivered units in the accounting quantity.

The program method of accounting allocates tooling and other non-recurring and production costs over the accounting quantity for each program. Because of the higher unit production costs experienced at the beginning of a new program and substantial investment required for initial tooling and other non-recurring costs, new commercial aircraft programs, such as the 787 program, typically have lower initial margins than established programs. In addition, actual costs incurred for earlier units in excess of the estimated average cost of all units in the program accounting quantity are included within program inventory as deferred production costs. Deferred production, unamortized tooling and other non-recurring costs are expected to be fully recovered when all units in the accounting quantity are delivered as the expected unit cost for later deliveries is below the estimated average cost as learning curve and other improvements are realized.

Due to the significance of judgment in the estimation process described above, it is reasonably possible that changes in underlying circumstances or assumptions could have a material effect on program gross margins. If the combined gross margin percentages for our commercial airplane programs had been estimated to be 1% higher or lower it would have a similar effect on the Commercial Airplane segment's operating margins. For the year-ended December 31, 2015, a 1% increase or decrease in operating margins for our Commercial Airplane segment would have a \$650 million impact on operating earnings.

The 747 is in a reach-forward loss position at December 31, 2015 while the 787 program had near breakeven margins during 2015. Absent changes in estimated revenues or costs, subsequent 747 deliveries are recorded at zero margin. Reductions to the estimated loss in subsequent periods are spread over all undelivered units in the accounting quantity, whereas increases to the estimated loss are recorded immediately as an additional reach-forward loss. If we are unable to mitigate risks associated with the 747 and 787 programs, or if we are required to change one or more of our pricing, cost or other assumptions related to these programs, we could be required to record additional reach-forward losses which could have a material effect on our reported results.

#### **Goodwill and Indefinite-Lived Intangible Impairments**

We test goodwill for impairment by performing a qualitative assessment or using a two-step impairment process. If we choose to perform a qualitative assessment, we evaluate economic, industry and company-specific factors as an initial step in assessing the fair value of operations. If we determine it is more likely than not that the carrying value of the net assets is more than the fair value of the related operations, the

two-step impairment process is then performed; otherwise, no further testing is required. For operations where the two-step impairment process is used, we first compare the book value of net assets to the fair value of the related operations. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the fair value below carrying value represents the amount of goodwill impairment.

We estimate the fair values of the related operations using discounted cash flows. Forecasts of future cash flows are based on our best estimate of future sales and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor agreements and general market conditions. Changes in these forecasts could significantly change the amount of impairment recorded, if any.

The cash flow forecasts are adjusted by an appropriate discount rate derived from our market capitalization plus a suitable control premium at the date of evaluation. Therefore, changes in the stock price may also affect the amount of impairment recorded, if any.

We completed our assessment of goodwill as of April 1, 2015 and determined that there is no impairment of goodwill. As of December 31, 2015, we estimated that the fair value of each reporting unit significantly exceeded its corresponding carrying value. Changes in our forecasts, or decreases in the value of our common stock could cause book values of certain operations to exceed their fair values which may result in goodwill impairment charges in future periods.

As of December 31, 2015 and 2014, we had \$490 million of indefinite-lived intangible assets related to the Jeppesen and Aviall brand and trade names acquired in business combinations. We test these intangibles for impairment by comparing their carrying value to current projections of discounted cash flows attributable to the brand and trade names. Any excess carrying value over the amount of discounted cash flows represents the amount of the impairment. A 10% decrease in the discounted cash flows would not impact the carrying value of these indefinite-lived intangible assets.

### Pension Plans

The majority of our employees have earned benefits under defined benefit pension plans. Nonunion and the majority of union employees that had participated in defined benefit pension plans will transition to a company-funded defined contribution retirement savings plan in 2016. Accounting rules require an annual measurement of our projected obligation and plan assets. These measurements are based upon several assumptions, including the discount rate and the expected long-term rate of asset return. Future changes in assumptions or differences between actual and expected outcomes can significantly affect our future annual expense, projected benefit obligation and Shareholders' equity.

The following table shows the sensitivity of our pension plan liability and net periodic cost to a 25 basis point change in the discount rate as of December 31, 2015.

<i>(Dollars in millions)</i>	Change in discount rate Increase 25 bps	Change in discount rate Decrease 25 bps
Pension plans		
Projected benefit obligation	(\$2,128)	\$2,648
Net periodic pension cost	(129)	152

Pension expense is also sensitive to changes in the expected long-term rate of asset return. A decrease or increase of 25 basis points in the expected long-term rate of asset return would have increased or decreased 2015 net periodic pension expense by \$148 million. We expect 2016 net periodic pension cost



to decrease by approximately \$2,119 million and the portion recognized in earnings to decrease by approximately \$378 million primarily due to lower service cost and amortization of actuarial losses.

## **Other**

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Securities Exchange Act of 1934, as amended (the “Act”), require disclosure of certain activities, transactions or dealings relating to Iran that occurred during the period covered by this report. Disclosure is required even if the activities, transactions or dealings were conducted in compliance with applicable law. We have disclosed such activities in our Quarterly Report on Form 10-Q for the second quarter of 2015 and such disclosure is incorporated herein by reference. During the fourth quarter of 2015, we agreed to sell aircraft maintenance manuals to Iran Air Tours. We generated no revenues or net profits during the fourth quarter of 2015 from these activities. These sales were authorized by a license from the U.S. Office of Foreign Assets Control (“OFAC”). Boeing applied for the OFAC license consistent with guidance from the U.S. government in connection with ongoing negotiations between the “P5+1” nations and Iran related to, among other things, the safety of Iran’s civil aviation industry. We may engage in additional activities pursuant to this license, which sales may require additional disclosure pursuant to Section 13(r) of the Act.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

### **Interest Rate Risk**

We have financial instruments that are subject to interest rate risk, principally fixed-rate debt obligations, and customer financing assets and liabilities. Additionally, BCC uses interest rate swaps with certain debt obligations to manage exposure to interest rate changes. Historically, we have not experienced material gains or losses on our customer financing assets and liabilities due to interest rate changes. As of December 31, 2015, the impact over the next 12 months of a 100 basis point rise in interest rates to our pre-tax earnings would not be significant. The investors in our fixed-rate debt obligations do not generally have the right to demand we pay off these obligations prior to maturity. Therefore, exposure to interest rate risk is not believed to be material for our fixed-rate debt.

### **Foreign Currency Exchange Rate Risk**

We are subject to foreign currency exchange rate risk relating to receipts from customers and payments to suppliers in foreign currencies. We use foreign currency forward contracts to hedge the price risk associated with firmly committed and forecasted foreign denominated payments and receipts related to our ongoing business. Foreign currency forward contracts are sensitive to changes in foreign currency exchange rates. At December 31, 2015, a 10% increase or decrease in the exchange rate in our portfolio of foreign currency contracts would have increased or decreased our unrealized losses by \$229 million. Consistent with the use of these contracts to neutralize the effect of exchange rate fluctuations, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions being hedged. When taken together, these forward currency contracts and the offsetting underlying commitments do not create material market risk.

**Item 8. Financial Statements and Supplementary Data**

**Index to the Consolidated Financial Statements**

	<b><i>Page</i></b>
<a href="#">Consolidated Statements of Operations</a>	<a href="#">49</a>
<a href="#">Consolidated Statements of Comprehensive Income</a>	<a href="#">50</a>
<a href="#">Consolidated Statements of Financial Position</a>	<a href="#">51</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">52</a>
<a href="#">Consolidated Statements of Equity</a>	<a href="#">53</a>
<a href="#">Summary of Business Segment Data</a>	<a href="#">54</a>
<a href="#">Note 1 – Summary of Significant Accounting Policies</a>	<a href="#">55</a>
<a href="#">Note 2 - Goodwill and Acquired Intangibles</a>	<a href="#">66</a>
<a href="#">Note 3 - Earnings Per Share</a>	<a href="#">67</a>
<a href="#">Note 4 - Income Taxes</a>	<a href="#">68</a>
<a href="#">Note 5 - Accounts Receivable</a>	<a href="#">71</a>
<a href="#">Note 6 - Inventories</a>	<a href="#">72</a>
<a href="#">Note 7 - Customer Financing</a>	<a href="#">73</a>
<a href="#">Note 8 - Property, Plant and Equipment</a>	<a href="#">76</a>
<a href="#">Note 9 - Investments</a>	<a href="#">77</a>
<a href="#">Note 10 - Other Assets</a>	<a href="#">77</a>
<a href="#">Note 11 - Liabilities, Commitments and Contingencies</a>	<a href="#">78</a>
<a href="#">Note 12 - Arrangements with Off-Balance Sheet Risk</a>	<a href="#">83</a>
<a href="#">Note 13 - Debt</a>	<a href="#">85</a>
<a href="#">Note 14 - Postretirement Plans</a>	<a href="#">87</a>
<a href="#">Note 15 - Share-Based Compensation and Other Compensation Arrangements</a>	<a href="#">95</a>
<a href="#">Note 16 - Shareholders' Equity</a>	<a href="#">99</a>
<a href="#">Note 17 - Derivative Financial Instruments</a>	<a href="#">100</a>
<a href="#">Note 18 - Significant Group Concentrations of Risk</a>	<a href="#">102</a>
<a href="#">Note 19 - Fair Value Measurements</a>	<a href="#">102</a>
<a href="#">Note 20 - Legal Proceedings</a>	<a href="#">104</a>
<a href="#">Note 21 - Segment Information</a>	<a href="#">105</a>
<a href="#">Note 22 - Quarterly Financial Data</a>	<a href="#">109</a>
 <a href="#">Reports of Independent Registered Public Accounting Firm</a>	 <a href="#">110</a>

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Operations**

*(Dollars in millions, except per share data)*

Years ended December 31,	2015	2014	2013
Sales of products	<b>\$85,255</b>	\$80,688	\$76,792
Sales of services	<b>10,859</b>	10,074	9,831
<b>Total revenues</b>	<b>96,114</b>	90,762	86,623
Cost of products	<b>(73,446)</b>	(68,551)	(65,640)
Cost of services	<b>(8,578)</b>	(8,132)	(7,553)
Boeing Capital interest expense	<b>(64)</b>	(69)	(75)
<b>Total costs and expenses</b>	<b>(82,088)</b>	(76,752)	(73,268)
	<b>14,026</b>	14,010	13,355
Income from operating investments, net	<b>274</b>	287	214
General and administrative expense	<b>(3,525)</b>	(3,767)	(3,956)
Research and development expense, net	<b>(3,331)</b>	(3,047)	(3,071)
(Loss)/gain on dispositions, net	<b>(1)</b>	(10)	20
<b>Earnings from operations</b>	<b>7,443</b>	7,473	6,562
Other (loss)/income, net	<b>(13)</b>	(3)	56
Interest and debt expense	<b>(275)</b>	(333)	(386)
<b>Earnings before income taxes</b>	<b>7,155</b>	7,137	6,232
Income tax expense	<b>(1,979)</b>	(1,691)	(1,646)
<b>Net earnings from continuing operations</b>	<b>5,176</b>	5,446	4,586
Net loss on disposal of discontinued operations, net of taxes of \$0, \$0, \$0			(1)
<b>Net earnings</b>	<b>\$5,176</b>	\$5,446	\$4,585
<b>Basic earnings per share</b>	<b>\$7.52</b>	\$7.47	\$6.03
<b>Diluted earnings per share</b>	<b>\$7.44</b>	\$7.38	\$5.96

See Notes to the Consolidated Financial Statements on pages 54 – 109 .

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

(Dollars in millions)

Years ended December 31,	2015	2014	2013
Net earnings	<b>\$5,176</b>	\$5,446	\$4,585
Other comprehensive income/(loss), net of tax:			
Currency translation adjustments	(92)	(97)	(64)
Unrealized gains on certain investments, net of tax of (\$5), \$0 and \$0	8		
Unrealized (loss)/gain on derivative instruments:			
Unrealized (loss) arising during period, net of tax of \$77, \$77, and \$42	(140)	(137)	(75)
Reclassification adjustment for loss/(gain) included in net earnings, net of tax of (\$43), (\$4), and \$9	79	7	(17)
Total unrealized loss on derivative instruments, net of tax	(61)	(130)	(92)
Defined benefit pension plans & other postretirement benefits:			
Net actuarial gain/(loss) arising during the period, net of tax of \$402, \$2,588, and (\$3,437)	(732)	(4,612)	6,143
Amortization of actuarial losses included in net periodic pension cost, net of tax of (\$570), (\$367), and (\$849)	1,038	661	1,516
Settlements and curtailments included in net income, net of tax of (\$27), (\$101), and (\$33)	51	180	59
Pension and postretirement benefit/(cost) related to our equity method investments, net of tax (\$2), \$15, and (\$13)	3	(27)	24
Amortization of prior service cost included in net periodic pension cost, net of tax of (\$22), (\$12), and (\$6)	38	21	10
Prior service cost arising during the period, net of tax of (\$496), \$3, and \$41	902	(5)	(74)
Total defined benefit pension plans & other postretirement benefits, net of tax	1,300	(3,782)	7,678
<b>Other comprehensive income/(loss), net of tax</b>	<b>1,155</b>	(4,009)	7,522
<b>Comprehensive (loss)/income related to noncontrolling interests</b>	<b>(3)</b>	10	9
<b>Comprehensive income, net of tax</b>	<b>\$6,328</b>	<b>\$1,447</b>	<b>\$12,116</b>

See Notes to the Consolidated Financial Statements on pages 54 – 109 .

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Financial Position**

(Dollars in millions, except per share data)

December 31,	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$11,302	\$11,733
Short-term and other investments	750	1,359
Accounts receivable, net	8,713	7,729
Current portion of customer financing, net	212	190
Inventories, net of advances and progress billings	47,257	46,756
<b>Total current assets</b>	<b>68,234</b>	<b>67,767</b>
Customer financing, net	3,358	3,371
Property, plant and equipment, net	12,076	11,007
Goodwill	5,126	5,119
Acquired intangible assets, net	2,657	2,869
Deferred income taxes	265	317
Investments	1,284	1,154
Other assets, net of accumulated amortization of \$451 and \$479	1,408	1,317
<b>Total assets</b>	<b>\$94,408</b>	<b>\$92,921</b>
<b>Liabilities and equity</b>		
Accounts payable	\$10,800	\$10,667
Accrued liabilities	14,014	13,462
Advances and billings in excess of related costs	24,364	23,175
Short-term debt and current portion of long-term debt	1,234	929
<b>Total current liabilities</b>	<b>50,412</b>	<b>48,233</b>
Deferred income taxes	2,392	2,207
Accrued retiree health care	6,616	6,802
Accrued pension plan liability, net	17,783	17,182
Other long-term liabilities	2,078	1,566
Long-term debt	8,730	8,141
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	4,834	4,625
Treasury stock, at cost	(29,568)	(23,298)
Retained earnings	38,756	36,180
Accumulated other comprehensive loss	(12,748)	(13,903)
Total shareholders' equity	<b>6,335</b>	<b>8,665</b>
Noncontrolling interests	62	125
<b>Total equity</b>	<b>6,397</b>	<b>8,790</b>
<b>Total liabilities and equity</b>	<b>\$94,408</b>	<b>\$92,921</b>

See Notes to the Consolidated Financial Statements on pages 54 – 109 .

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Cash Flows**

(Dollars in millions)

Years ended December 31,	2015	2014	2013
<b>Cash flows – operating activities:</b>			
Net earnings	\$5,176	\$5,446	\$4,585
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Non-cash items –			
Share-based plans expense	189	195	206
Depreciation and amortization	1,833	1,906	1,844
Investment/asset impairment charges, net	167	229	96
Customer financing valuation benefit	(5)	(28)	(11)
Loss on disposal of discontinued operations			1
Loss/(gain) on dispositions, net	1	10	(20)
Other charges and credits, net	364	317	528
Excess tax benefits from share-based payment arrangements	(157)	(114)	(128)
Changes in assets and liabilities –			
Accounts receivable	(1,069)	(1,328)	(879)
Inventories, net of advances and progress billings	(1,110)	(4,330)	(5,562)
Accounts payable	(238)	1,339	(298)
Accrued liabilities	2	(1,088)	883
Advances and billings in excess of related costs	1,192	3,145	3,353
Income taxes receivable, payable and deferred	477	1,325	1,445
Other long-term liabilities	46	36	2
Pension and other postretirement plans	2,470	1,186	1,720
Customer financing, net	167	578	391
Other	(142)	34	23
<b>Net cash provided by operating activities</b>	<b>9,363</b>	<b>8,858</b>	<b>8,179</b>
<b>Cash flows – investing activities:</b>			
Property, plant and equipment additions	(2,450)	(2,236)	(2,098)
Property, plant and equipment reductions	42	34	51
Acquisitions, net of cash acquired	(31)	(163)	(26)
Contributions to investments	(2,036)	(8,617)	(15,394)
Proceeds from investments	2,590	13,416	12,453
Purchase of distribution rights			(140)
Other	39	33	
<b>Net cash (used)/provided by investing activities</b>	<b>(1,846)</b>	<b>2,467</b>	<b>(5,154)</b>
<b>Cash flows – financing activities:</b>			
New borrowings	1,746	962	571
Debt repayments	(885)	(1,601)	(1,434)
Repayments of distribution rights and other asset financing		(185)	(280)
Stock options exercised	399	343	1,097
Excess tax benefits from share-based payment arrangements	157	114	128
Employee taxes on certain share-based payment arrangements	(96)	(98)	(63)
Common shares repurchased	(6,751)	(6,001)	(2,801)
Dividends paid	(2,490)	(2,115)	(1,467)
Other		(12)	
<b>Net cash used by financing activities</b>	<b>(7,920)</b>	<b>(8,593)</b>	<b>(4,249)</b>
Effect of exchange rate changes on cash and cash equivalents	(28)	(87)	(29)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(431)</b>	<b>2,645</b>	<b>(1,253)</b>
Cash and cash equivalents at beginning of year	11,733	9,088	10,341
<b>Cash and cash equivalents at end of year</b>	<b>\$11,302</b>	<b>\$11,733</b>	<b>\$9,088</b>

See Notes to the Consolidated Financial Statements on pages 54 – 109 .



**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Equity**

	Boeing shareholders						
	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total
(Dollars in millions, except per share data)							
Balance at January 1, 2013	\$5,061	\$4,122	(\$15,937)	\$30,037	(\$17,416)	\$100	\$5,967
Net earnings				4,585		9	4,594
Other comprehensive income, net of tax of (\$4,246)					7,522		7,522
Share-based compensation and related dividend equivalents		216		(16)			200
Excess tax pools		101					101
Treasury shares issued for stock options exercised, net		109	988				1,097
Treasury shares issued for other share-based plans, net		(133)	79				(54)
Common shares repurchased			(2,801)				(2,801)
Cash dividends declared (\$2.185 per share)				(1,642)			(1,642)
Changes in noncontrolling interests						13	13
Balance at December 31, 2013	\$5,061	\$4,415	(\$17,671)	\$32,964	(\$9,894)	\$122	\$14,997
Net earnings				5,446		10	5,456
Other comprehensive loss, net of tax of \$2,199					(4,009)		(4,009)
Share-based compensation and related dividend equivalents		208		(20)			188
Excess tax pools		114					114
Treasury shares issued for stock options exercised, net		17	326				343
Treasury shares issued for other share-based plans, net		(129)	48				(81)
Common shares repurchased			(6,001)				(6,001)
Cash dividends declared (\$3.10 per share)				(2,210)			(2,210)
Changes in noncontrolling interests						(7)	(7)
Balance at December 31, 2014	\$5,061	\$4,625	(\$23,298)	\$36,180	(\$13,903)	\$125	\$8,790
Net earnings				5,176		(3)	5,173
Other comprehensive loss, net of tax of (\$686)					1,155		1,155
Share-based compensation and related dividend equivalents		214		(25)			189
Excess tax pools		158					158
Treasury shares issued for stock options exercised, net		(29)	428				399
Treasury shares issued for other share-based plans, net		(134)	53				(81)
Common shares repurchased			(6,751)				(6,751)
Cash dividends declared (\$3.82 per share)				(2,575)			(2,575)
Changes in noncontrolling interests						(60)	(60)
Balance at December 31, 2015	\$5,061	\$4,834	(\$29,568)	\$38,756	(\$12,748)	\$62	\$6,397

See Notes to the Consolidated Financial Statements on pages 54 – 109 .



**The Boeing Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**Summary of Business Segment Data**

(Dollars in millions)

Years ended December 31,	2015	2014	2013
<b>Revenues:</b>			
Commercial Airplanes	\$66,048	\$59,990	\$52,981
Defense, Space & Security:			
Boeing Military Aircraft	13,482	13,500	15,275
Network & Space Systems	7,751	8,003	8,512
Global Services & Support	9,155	9,378	9,410
Total Defense, Space & Security	30,388	30,881	33,197
Boeing Capital	413	416	408
Unallocated items, eliminations and other	(735)	(525)	37
<b>Total revenues</b>	<b>\$96,114</b>	<b>\$90,762</b>	<b>\$86,623</b>
<b>Earnings from operations:</b>			
Commercial Airplanes	\$5,157	\$6,411	\$5,795
Defense, Space & Security:			
Boeing Military Aircraft	1,318	1,301	1,501
Network & Space Systems	726	698	719
Global Services & Support	1,230	1,134	1,015
Total Defense, Space & Security	3,274	3,133	3,235
Boeing Capital	50	92	107
Unallocated items, eliminations and other	(1,038)	(2,163)	(2,575)
<b>Earnings from operations</b>	<b>\$7,443</b>	<b>\$7,473</b>	<b>\$6,562</b>
Other (loss)/income, net	(13)	(3)	56
Interest and debt expense	(275)	(333)	(386)
<b>Earnings before income taxes</b>	<b>7,155</b>	<b>7,137</b>	<b>6,232</b>
Income tax expense	(1,979)	(1,691)	(1,646)
<b>Net earnings from continuing operations</b>	<b>5,176</b>	<b>5,446</b>	<b>4,586</b>
Net loss on disposal of discontinued operations, net of taxes of \$0, \$0, \$0			(1)
<b>Net earnings</b>	<b>\$5,176</b>	<b>\$5,446</b>	<b>\$4,585</b>

This information is an integral part of the Notes to the Consolidated Financial Statements. See Note 21 for further segment results.

**The Boeing Company and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2015, 2014 and 2013**  
*(Dollars in millions, except per share data)*

**Note 1 – Summary of Significant Accounting Policies**

**Principles of Consolidation and Basis of Presentation**

The Consolidated 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”). These statements include the accounts of all majority-owned subsidiaries and variable interest entities that are required to be consolidated. All significant intercompany accounts and transactions have been eliminated. Certain amounts have been reclassified to conform to the current year presentation.

During 2015 we adopted FASB Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Income Taxes*, which requires that the Consolidated Statements of Financial Position reflect all deferred income tax assets and liabilities as non-current. The Company elected to retrospectively apply the provisions of this standard and prior year balances have been revised to reflect the current year presentation.

**Standards Issued and Not Yet Implemented**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. The new standard was originally effective for reporting periods beginning after December 15, 2016 and early adoption was not permitted. On August 12, 2015, the FASB approved a one year delay of the effective date to reporting periods beginning after December 15, 2017, while permitting companies to voluntarily adopt the new standard as of the original effective date. The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The Company is currently evaluating when to adopt the new standard, the impacts of adoption and the implementation approach to be used.

**Use of Estimates**

Management makes assumptions and estimates to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Those assumptions and estimates directly affect the amounts reported in the 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 Consolidated Financial Statements.

**Operating Cycle**

For classification of certain current assets and liabilities, we use the duration of the related contract or program as our operating cycle, which is generally longer than one year.

## Revenue and Related Cost Recognition

**Contract Accounting** Contract accounting is used for development and production activities predominantly by Defense, Space & Security ( BDS ). The majority of business conducted by BDS is performed under contracts with the U.S. government and other customers that extend over several years. 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. For each contract, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage to the amount of revenue recognized. When the current estimates of total sales and costs for a contract indicate a loss, a provision for the entire loss on the contract is recognized.

Changes in estimated revenues, cost of sales and the related effect on operating income are recognized using a cumulative catch-up adjustment which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percent complete. In 2015 , net unfavorable cumulative catch-up adjustments, including reach-forward losses, across all contracts decreased Earnings from operations by \$224 and diluted EPS by \$0.23 . In 2014 and 2013 net favorable cumulative catch-up adjustments, including reach-forward losses, across all contracts increased Earnings from operations by \$100 and \$242 and diluted EPS by \$0.10 and \$0.23 . Significant adjustments during the three years ended December 31, 2015 included reach-forward losses of \$835 and \$425 on the USAF KC-46A Tanker contract recorded during 2015 and 2014 .

We combine contracts for accounting purposes when they are negotiated as a package with an overall profit margin objective. These essentially represent an agreement to do a single project for a single customer, involve interrelated construction activities with substantial common costs, and are performed concurrently or sequentially. When a group of contracts is combined, revenue and profit are earned uniformly over the performance of the combined contracts. Similarly, we may segment a single contract or group of contracts when a clear economic decision has been made during contract negotiations that would produce different rates of profitability for each element or phase of the contract.

Sales related to fixed-price contracts are recognized as deliveries are made, except for certain fixed-price contracts that require substantial performance over an extended period before deliveries begin, for which sales are recorded based on the attainment of performance milestones. Sales related to contracts in which we are reimbursed for costs incurred plus an agreed upon profit are recorded as costs are incurred. The Federal Acquisition Regulations provide guidance on the types of cost that will be reimbursed in establishing contract price. Contracts may contain provisions to earn incentive and award fees if specified targets are achieved. Incentive and award fees that can be reasonably estimated and are probable are recorded over the performance period of the contract. Incentive and award fees that cannot be reasonably estimated are recorded when awarded.

**Program Accounting** Our Commercial Airplanes segment predominantly uses program accounting to account for cost of sales related to its programs. Program accounting is applicable to products manufactured for delivery under production-type contracts where profitability is realized over multiple contracts and years. Under program accounting, inventoriable production costs, program tooling and other non-recurring costs, and warranty costs are accumulated and charged to cost of sales by program instead of by individual units or contracts. A program consists of the estimated number of units (accounting quantity) of a product to be produced in a continuing, long-term production effort for delivery under existing and anticipated contracts. The determination of the accounting quantity is limited by the ability to make reasonably dependable estimates of the revenue and cost of existing and anticipated contracts. To establish the relationship of sales to cost of sales, program accounting requires estimates of (a) the number of units to be produced and sold in a program, (b) the period over which the units can reasonably be expected to be produced, and (c) the units' expected sales prices, production costs, program tooling and other non-recurring costs, and routine warranty costs for the total program.

We recognize sales for commercial airplane deliveries as each unit is completed and accepted by the customer. Sales recognized represent the price negotiated with the customer, adjusted by an escalation formula as specified in the customer agreement. The amount reported as cost of sales is determined by applying the estimated cost of sales percentage for the total remaining program to the amount of sales recognized for airplanes delivered and accepted by the customer. Changes in estimated revenues, cost of sales and the related effects on program margins are recognized prospectively except in cases where the program is determined to have a reach-forward loss in which case the loss is recognized in the current period. See Note 11 .

**Concession Sharing Arrangements** We account for sales concessions to our customers in consideration of their purchase of products and services as a reduction to revenue when the related products and services are delivered. The sales concessions incurred may be partially reimbursed by certain suppliers in accordance with concession sharing arrangements. We record these reimbursements, which are presumed to represent reductions in the price of the vendor's products or services, as a reduction in Cost of products.

**Spare Parts Revenue** We recognize sales of spare parts upon delivery and the amount reported as cost of sales is recorded at average cost.

**Service Revenue** Service revenue is recognized when the service is performed with the exception of U.S. government service agreements, which are accounted for using contract accounting. Service activities primarily include: support agreements associated with military aircraft and helicopter contracts, space travel on Commercial Crew, ongoing maintenance of International Space Station, and technical and flight operation services for commercial aircraft. Service revenue and associated cost of sales from pay-in-advance subscription fees are deferred and recognized as services are rendered.

**Financial Services Revenue** We record financial services revenue associated with sales-type/finance leases, operating leases, and notes receivable.

Lease and financing revenue arrangements are included in Sales of services on the Consolidated Statements of Operations. For sales-type/finance leases, we record an asset at lease inception. This asset is recorded at the aggregate future minimum lease payments, estimated residual value of the leased equipment, and deferred incremental direct costs less unearned income. Income is recognized over the life of the lease to approximate a level rate of return on the net investment. Residual values, which are reviewed periodically, represent the estimated amount we expect to receive at lease termination from the disposition of the leased equipment. Actual residual values realized could differ from these estimates. Declines in estimated residual value that are deemed other-than-temporary are recognized in the period in which the declines occur.

For operating leases, revenue on leased aircraft and equipment is recorded on a straight-line basis over the term of the lease. Operating lease assets, included in Customer financing, are recorded at cost and depreciated over the period that we project we will hold the asset to an estimated residual value, using the straight-line method. We periodically review our estimates of residual value and recognize forecasted changes by prospectively adjusting depreciation expense.

For notes receivable, notes are recorded net of any unamortized discounts and deferred incremental direct costs. Interest income and amortization of any discounts are recorded ratably over the related term of the note.

**Reinsurance Revenue** Our wholly-owned insurance subsidiary, Astro Ltd., participates in a reinsurance pool for workers' compensation. The member agreements and practices of the reinsurance pool minimize any participating members' individual risk. Reinsurance revenues were \$136 , \$135 and \$160 during 2015 , 2014 and 2013 , respectively. Reinsurance costs related to premiums and claims paid to the reinsurance pool were \$132 , \$144 and \$147 during 2015 , 2014 and 2013 , respectively. Revenues and costs are presented net in Cost of sales in the Consolidated Statements of Operations.

## **Fleet Support**

We provide assistance and services to facilitate efficient and safe aircraft operation to the operators of all our commercial airplane models. Collectively known as fleet support services, these activities and services include flight and maintenance training, field service support, engineering services, and technical data and documents. Fleet support activity begins prior to aircraft delivery as the customer receives training, manuals, and technical consulting support. This activity continues throughout the aircraft's operational life. Services provided after delivery include field service support, consulting on maintenance, repair, and operational issues brought forth by the customer or regulators, updating manuals and engineering data, and the issuance of service bulletins that impact the entire model's fleet. Field service support involves our personnel located at customer facilities providing and coordinating fleet support activities and requests. The costs for fleet support are expensed as incurred as Cost of services.

## **Research and Development**

Research and development includes costs incurred for experimentation, design, and testing, as well as bid and proposal efforts related to government products and services which are expensed as incurred unless the costs are related to certain contractual arrangements with customers. Costs that are incurred pursuant to such contractual arrangements are recorded over the period that revenue is recognized, consistent with our contract accounting policy. We have certain research and development arrangements that meet the requirement for best efforts research and development accounting. Accordingly, the amounts funded by the customer are recognized as an offset to our research and development expense rather than as contract revenues. Research and development expense included bid and proposal costs of \$286 , \$289 and \$285 in 2015 , 2014 and 2013 , respectively.

We have established cost sharing arrangements with some suppliers for the 787 program. Our cost sharing arrangements state that the supplier contributions are for reimbursements of costs we incur for experimentation, basic design, and testing activities during the 787 development. In each arrangement, we retain substantial rights to the 787 part or component covered by the arrangement. The amounts received from these cost sharing arrangements are recorded as a reduction to research and development expenses since we have no obligation to refund any amounts received per the arrangements regardless of the outcome of the development efforts. Specifically, under the terms of each agreement, payments received from suppliers for their share of the costs are typically based on milestones and are recognized as earned when we achieve the milestone events and no ongoing obligation on our part exists. In the event we receive a milestone payment prior to the completion of the milestone, the amount is classified in Accrued liabilities until earned.

## **Share-Based Compensation**

We provide various forms of share-based compensation to our employees. For awards settled in shares, we measure compensation expense based on the grant-date fair value net of estimated forfeitures. For awards settled in cash, or that may be settled in cash, we measure compensation expense based on the fair value at each reporting date net of estimated forfeitures. The expense is recognized over the requisite service period, which is generally the vesting period of the award.

## **Income Taxes**

Provisions for federal, state, and non-U.S. income taxes are calculated on reported Earnings before income taxes based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions.

The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. We record a liability for the difference between the benefit recognized and measured for financial statement purposes and the tax position taken or expected to be taken on our tax return. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. Tax-related interest and penalties are classified as a component of Income tax expense.

## **Postretirement Plans**

The majority of our employees have earned benefits under defined benefit pension plans. Nonunion and the majority of union employees that had participated in defined benefit pension plans will transition to a company-funded defined contribution retirement savings plan in 2016. We also provide postretirement benefit plans other than pensions, consisting principally of health care coverage to eligible retirees and qualifying dependents. Benefits under the pension and other postretirement benefit plans are generally based on age at retirement and years of service and, for some pension plans, benefits are also based on the employee's annual earnings. The net periodic cost of our pension and other postretirement plans is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate, the long-term rate of asset return, and medical trend (rate of growth for medical costs). A portion of net periodic pension and other postretirement income or expense is not recognized in net earnings in the year incurred because it is allocated to production as product costs, and reflected in inventory at the end of a reporting period. Actuarial gains and losses, which occur when actual experience differs from actuarial assumptions, are reflected in Shareholders' equity (net of taxes). If actuarial gains and losses exceed ten percent of the greater of plan assets or plan liabilities we amortize them over the average future service period of employees. The funded status of our pension and postretirement plans is reflected on the Consolidated Statements of Financial Position.

## **Postemployment Plans**

We record a liability for postemployment benefits, such as severance or job training, when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated.

## **Environmental Remediation**

We are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. We routinely assess, based on in-depth studies, expert analyses and legal reviews, our contingencies, obligations, and commitments for remediation of contaminated sites, including assessments of ranges and probabilities of recoveries from other responsible parties and/or insurance carriers. Our policy is to accrue and charge to current expense identified exposures related to environmental remediation sites when it is probable that a liability has been incurred and the amount can be reasonably estimated. The amount of the liability is based on our best estimate or the low end of a range of reasonably possible exposure for investigation, cleanup, and monitoring costs to be incurred. Estimated remediation costs are not discounted to present value as the timing of payments cannot be reasonably estimated. We may be able to recover a portion of the remediation costs from insurers or other third parties. Such recoveries are recorded when realization of the claim for recovery is deemed probable.

## **Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid instruments, such as commercial paper, time deposits, and other money market instruments, which have original maturities of three months or less. We aggregate our cash balances by bank where conditions for right of set-off are met, and reclassify any negative balances, consisting mainly of uncleared checks, to Accounts payable. Negative balances reclassified to Accounts payable were \$163 and \$241 at December 31, 2015 and 2014 .

## **Inventories**

Inventoried costs on commercial aircraft programs and long-term contracts include direct engineering, production and tooling and other non-recurring costs, and applicable overhead, which includes fringe benefits, production related indirect and plant management salaries and plant services, not in excess of estimated net realizable value. To the extent a material amount of such costs are related to an abnormal event or are fixed costs not appropriately attributable to our programs or contracts, they are expensed in the current period rather than inventoried. Inventoried costs include amounts relating to programs and contracts with long-term production cycles, a portion of which is not expected to be realized within one year. Included in inventory for federal government contracts is an allocation of allowable costs related to manufacturing process reengineering.

Commercial aircraft programs inventory includes deferred production costs and supplier advances. Deferred production costs represent actual costs incurred for production of early units that exceed the estimated average cost of all units in the program accounting quantity. Higher production costs are experienced at the beginning of a new or derivative airplane program. Units produced early in a program require substantially more effort (labor and other resources) than units produced later in a program because of volume efficiencies and the effects of learning. We expect that these deferred costs will be fully recovered when all units included in the accounting quantity are delivered as the expected unit cost for later deliveries is below the estimated average cost of all units in the program. Supplier advances represent payments for parts we have contracted to receive from suppliers in the future. As parts are received, supplier advances are amortized to work in process.

The determination of net realizable value of long-term contract costs is based upon quarterly reviews that estimate costs to be incurred to complete all contract requirements. When actual contract costs and the estimate to complete exceed total estimated contract revenues, a loss provision is recorded. The determination of net realizable value of commercial aircraft program costs is based upon quarterly program reviews that estimate revenue and cost to be incurred to complete the program accounting quantity. When estimated costs to complete exceed estimated program revenues to go, a program loss provision is recorded in the current period for the estimated loss on all undelivered units in the accounting quantity.

Used aircraft purchased by the Commercial Airplanes segment and general stock materials are stated at cost not in excess of net realizable value. See 'Aircraft Valuation' within this Note for a discussion of our valuation of used aircraft. Spare parts inventory is stated at lower of average unit cost or net realizable value. We review our commercial spare parts and general stock materials quarterly to identify impaired inventory, including excess or obsolete inventory, based on historical sales trends, expected production usage, and the size and age of the aircraft fleet using the part. Impaired inventories are charged to Cost of products in the period the impairment occurs.

Included in inventory for commercial aircraft programs are amounts paid or credited in cash, or other consideration to certain airline customers, that are referred to as early issue sales consideration. Early issue sales consideration is recognized as a reduction to revenue when the delivery of the aircraft under contract occurs. If an airline customer does not perform and take delivery of the contracted aircraft, we believe that we would have the ability to recover amounts paid. However, to the extent early issue sales consideration exceeds advances and is not considered to be otherwise recoverable, it would be written off in the current period.

We net advances and progress billings on long-term contracts against inventory in the Consolidated Statements of Financial Position. Advances and progress billings in excess of related inventory are reported in Advances and billings in excess of related costs.

### **Precontract Costs**

We may, from time to time, incur costs in excess of the amounts required for existing contracts. If we determine the costs are probable of recovery from future orders, then we capitalize the precontract costs we incur, excluding start-up costs which are expensed as incurred. Capitalized precontract costs are included in Inventories, net of advances and progress billings, in the accompanying Consolidated Statements of Financial Position. Should future orders not materialize or we determine the costs are no longer probable of recovery, the capitalized costs would be written off.

### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost, including applicable construction-period interest, less accumulated depreciation and are depreciated principally over the following estimated useful lives: new buildings and land improvements, from 10 to 40 years; and new machinery and equipment, from 4 to 20 years. The principal methods of depreciation are as follows: buildings and land improvements, 150% declining balance; and machinery and equipment, sum-of-the-years' digits. Capitalized internal use software is included in Other assets and amortized using the straight line method over 5 years. We periodically evaluate the appropriateness of remaining depreciable lives assigned to long-lived assets, including assets that may be subject to a management plan for disposition.

Long-lived assets held for sale are stated at the lower of cost or fair value less cost to sell. Long-lived assets held for use are subject to an impairment assessment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value is no longer recoverable based upon the undiscounted future cash flows of the asset, the amount of the impairment is the difference between the carrying amount and the fair value of the asset.

### **Asset Retirement Obligations**

We record all known asset retirement obligations for which the liability's fair value can be reasonably estimated, including certain asbestos removal, asset decommissioning and contractual lease restoration obligations. Recorded amounts are not material.



We also have known conditional asset retirement obligations, such as certain asbestos remediation and asset decommissioning activities to be performed in the future, that are not reasonably estimable due to insufficient information about the timing and method of settlement of the obligation. Accordingly, these obligations have not been recorded in the Consolidated Financial Statements. A liability for these obligations will be recorded in the period when sufficient information regarding timing and method of settlement becomes available to make a reasonable estimate of the liability's fair value. In addition, there may be conditional asset retirement obligations that we have not yet discovered (e.g. asbestos may exist in certain buildings but we have not become aware of it through the normal course of business), and therefore, these obligations also have not been included in the Consolidated Financial Statements.

### **Goodwill and Other Acquired Intangibles**

Goodwill and other acquired intangible assets with indefinite lives are not amortized, but are tested for impairment annually and when an event occurs or circumstances change such that it is more likely than not that an impairment may exist. Our annual testing date is April 1.

We test goodwill for impairment by performing a qualitative assessment or using a two-step impairment process. If we choose to perform a qualitative assessment and determine it is more likely than not that the carrying value of the net assets is more than the fair value of the related operations, the two-step impairment process is then performed; otherwise, no further testing is required. For operations where the two-step impairment process is used, we first compare the carrying value of net assets to the fair value of the related operations. If the fair value is determined to be less than carrying value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the fair value below carrying value represents the amount of goodwill impairment.

Indefinite-lived intangibles consist of brand and trade names acquired in business combinations. We test these intangibles for impairment by comparing their carrying value to current projections of discounted cash flows attributable to the brand and trade names. Any excess carrying value over the amount of discounted cash flows represents the amount of the impairment.

Our finite-lived acquired intangible assets are amortized on a straight-line basis over their estimated useful lives as follows: developed technology, from 5 to 14 years; product know-how, from 6 to 30 years; customer base, from 3 to 19 years; distribution rights, from 3 to 27 years; and other, from 3 to 32 years. We evaluate the potential impairment of finite-lived acquired intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value is no longer recoverable based upon the undiscounted future cash flows of the asset, the amount of the impairment is the difference between the carrying amount and the fair value of the asset.

## Investments

Time deposits are held-to-maturity investments that are carried at cost.

Available-for-sale securities include commercial paper, U.S. government agency securities, and corporate debt securities. Available-for-sale securities are recorded at fair value, and unrealized gains and losses are recorded, net of tax, as a component of accumulated other comprehensive income. Realized gains and losses on available-for-sale securities are recognized based on the specific identification method. Available-for-sale securities are assessed for impairment quarterly.

The equity method of accounting is used to account for investments for which we have the ability to exercise significant influence, but not control, over an investee. Significant influence is generally deemed to exist if we have an ownership interest in the voting stock of an investee of between 20% and 50% .

We classify investment income and loss on our Consolidated Statements of Operations based on whether the investment is operating or non-operating in nature. Operating investments align strategically and are integrated with our operations. Earnings from operating investments, including our share of income or loss from equity method investments, dividend income from certain cost method investments, and any impairments or gain/loss on the disposition of these investments, are recorded in Income from operating investments, net. Non-operating investments are those we hold for non-strategic purposes. Earnings from non-operating investments, including interest and dividends on marketable securities, and any impairments or gain/loss on the disposition of these investments are recorded in Other income/(expense), net.

## Derivatives

All derivative instruments are recognized in the financial statements and measured at fair value regardless of the purpose or intent of holding them. We use derivative instruments to principally manage a variety of market risks. For derivatives designated as hedges of the exposure to changes in fair value of the recognized asset or liability or a firm commitment (referred to as fair value hedges), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to include in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. For our cash flow hedges, the effective portion of the derivative's gain or loss is initially reported in comprehensive income and is subsequently reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The ineffective portion of the gain or loss of a cash flow hedge is reported in earnings immediately. We have agreements to purchase and sell aluminum to address long-term strategic sourcing objectives and international business requirements. These agreements are derivatives for accounting purposes but are not designated for hedge accounting treatment. We also hold certain derivative instruments for economic purposes that are not designated for hedge accounting treatment. For these aluminum agreements and for other derivative instruments not designated for hedge accounting treatment, the changes in their fair value are recorded in earnings immediately.

## Aircraft Valuation

**Used aircraft under trade-in commitments and aircraft under repurchase commitments** In conjunction with signing a definitive agreement 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. Additionally, we have entered into contingent repurchase commitments with certain customers wherein we agree to repurchase the Sale Aircraft at a specified price, generally 10 to 15 years after delivery of the Sale Aircraft. Our repurchase of the Sale Aircraft is contingent upon a future, mutually acceptable agreement for the sale of additional new aircraft. If we execute an agreement for the sale of additional new aircraft, and if the customer exercises its right to sell the Sale

Aircraft to us, a contingent repurchase commitment would become a trade-in commitment. Our historical experience is that contingent repurchase commitments infrequently become trade-in commitments.

Exposure related to trade-in commitments may take the form of:

- (1) adjustments to revenue for the difference between the contractual trade-in price in the definitive agreement and our best estimate of the fair value of the trade-in aircraft as of the date of such agreement, which would be recognized upon delivery of the Sale Aircraft, and/or
- (2) charges to cost of products for adverse changes in the fair value of trade-in aircraft that occur subsequent to signing of a definitive agreement for Sale Aircraft but prior to the purchase of the used trade-in aircraft. Estimates based on current aircraft values would be included in Accrued liabilities.

The fair value of trade-in aircraft is determined using aircraft-specific data such as model, age and condition, market conditions for specific aircraft and similar models, and multiple valuation sources. This process uses our assessment of the market for each trade-in aircraft, which in most instances begins years before the return of the aircraft. There are several possible markets in which we continually pursue opportunities to place used aircraft. These markets include, but are not limited to, the resale market, which could potentially include the cost of long-term storage; the leasing market, with the potential for refurbishment costs to meet the leasing customer's requirements; or the scrap market. Trade-in aircraft valuation varies significantly depending on which market we determine is most likely for each aircraft. On a quarterly basis, we update our valuation analysis based on the actual activities associated with placing each aircraft into a market or using current published third-party aircraft valuations based on the type and age of the aircraft, adjusted for individual attributes and known conditions.

Used aircraft acquired by the Commercial Airplanes segment are included in Inventories at the lower of cost or net realizable value as it is our intent to sell these assets. To mitigate costs and enhance marketability, aircraft may be placed on operating lease. While on operating lease, the assets are included in Customer financing.

**Customer financing** Customer financing includes operating lease equipment, notes receivable, and sales-type/finance leases. Sales-type/finance leases are treated as receivables, and allowances for losses are established as necessary.

We assess the fair value of the assets we own, including equipment under operating leases, assets held for sale or re-lease, and collateral underlying receivables, to determine if their fair values are less than the related assets' carrying values. Differences between carrying values and fair values of sales-type/finance leases and notes and other receivables, as determined by collateral value, are considered in determining the allowance for losses on receivables.

We use a median calculated from published collateral values from multiple third-party aircraft value publications based on the type and age of the aircraft to determine the fair value of aircraft. Under certain circumstances, we apply judgment based on the attributes 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 outside publications.

**Impairment review for assets under operating leases and held for sale or re-lease** We evaluate for impairment assets under operating lease or assets held for sale or re-lease when events or changes in circumstances indicate that the expected undiscounted cash flow from the asset may be less than the carrying value. We use various assumptions when determining the expected undiscounted cash flow, including our intentions for how long we will hold an asset subject to operating lease before it is sold, the expected future lease rates, lease terms, residual value of the asset, periods in which the asset may be held in preparation for a follow-on lease, maintenance costs, remarketing costs and the remaining economic

life of the asset. We record assets held for sale at the lower of carrying value or fair value less costs to sell.

When we determine that impairment is indicated for an asset, the amount of impairment expense recorded is the excess of the carrying value over the fair value of the asset.

**Allowance for losses on customer financing receivables** We record the potential impairment of customer financing receivables in a valuation account, the balance of which is an accounting estimate of probable but unconfirmed losses. The allowance for losses on receivables relates to two components of receivables: (a) receivables that are evaluated individually for impairment and (b) all other receivables.

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 of the receivable agreement, without regard to any subsequent restructurings. Factors considered in assessing collectability include, but are not limited to, a customer's extended delinquency, requests for restructuring and filings for bankruptcy. We determine a specific impairment allowance based on the difference between the carrying value of the receivable and the estimated fair value of the related collateral we would expect to realize.

We review the adequacy of the allowance attributable to the remaining receivables (after excluding receivables subject to a specific impairment allowance) by assessing both the collateral exposure and the applicable cumulative default rate. Collateral exposure for a particular receivable is the excess of the carrying value of the receivable over the fair value of the related collateral. A receivable with an estimated fair value in excess of the carrying value is considered to have no collateral exposure. The applicable cumulative default rate is determined using two components: customer credit ratings and weighted average remaining contract term. Internally assigned credit ratings, our credit quality indicator, are determined for each customer in the portfolio. Those ratings are updated based upon public information and information obtained directly from our customers.

We have entered into agreements with certain customers that would entitle us to look beyond the specific collateral underlying the receivable for purposes of determining the collateral exposure as described above. Should the proceeds from the sale of the underlying collateral asset resulting from a default condition be insufficient to cover the carrying value of our receivable (creating a shortfall condition), these agreements would, for example, permit us to take the actions necessary to sell or retain certain other assets in which the customer has an equity interest and use the proceeds to cover the shortfall.

Each quarter we review customer credit ratings, published historical credit default rates for different rating categories, and multiple third-party aircraft value publications as a basis to validate the reasonableness of the allowance for losses on receivables. There can be no assurance that actual results will not differ from estimates or that the consideration of these factors in the future will not result in an increase or decrease to the allowance for losses on receivables.

## **Warranties**

In conjunction with certain product sales, we provide warranties that cover factors such as non-conformance to specifications and defects in material and design. The majority of our warranties are issued by our Commercial Airplanes segment. Generally, aircraft sales are accompanied by a three to four -year standard warranty for systems, accessories, equipment, parts, and software manufactured by us or manufactured to certain standards under our authorization. These warranties are included in the programs' estimate at completion. On occasion we have made commitments beyond the standard warranty obligation to correct fleet-wide major issues of a particular model, resulting in additional accrued warranty expense. Warranties issued by our BDS segments principally relate to sales of military aircraft and weapons hardware and are included in the contract cost estimates. These sales are generally accompanied by a six month to two -year warranty period and cover systems, accessories, equipment, parts, and software manufactured by us to certain contractual specifications. Estimated costs related to standard warranties are recorded in the

period in which the related product sales occur. The warranty liability recorded at each balance sheet date reflects the estimated number of months of warranty coverage outstanding for products delivered times the average of historical monthly warranty payments, as well as additional amounts for certain major warranty issues that exceed a normal claims level. Estimated costs of these additional warranty issues are considered changes to the initial liability estimate.

We provide guarantees to certain commercial airplane customers which include compensation provisions for failure to meet specified aircraft performance targets. We account for these performance guarantees as warranties. The estimated liability for these warranties is based on known and anticipated operational characteristics and forecasted customer operation of the aircraft relative to contractually specified performance targets, and anticipated settlements when contractual remedies are not specified. Estimated payments are recorded as a reduction of revenue at delivery of the related aircraft. We have agreements that require certain suppliers to compensate us for amounts paid to customers for failure of supplied equipment to meet specified performance targets. Claims against suppliers under these agreements are included in Inventories and recorded as a reduction in Cost of products at delivery of the related aircraft. These performance warranties and claims against suppliers are included in the programs' estimate at completion.

### Supplier Penalties

We record an accrual for supplier penalties when an event occurs that makes it probable that a supplier penalty will be incurred and the amount is reasonably estimable. Until an event occurs, we fully anticipate accepting all products procured under production-related contracts.

### Guarantees

We record a liability in Accrued liabilities for the fair value of guarantees that are issued or modified after December 31, 2002. For a residual value guarantee where we received a cash premium, the liability is equal to the cash premium received at the guarantee's inception. For credit guarantees, the liability is equal to the present value of the expected loss. We determine the expected loss by multiplying the creditor's default rate by the guarantee amount reduced by the expected recovery, if applicable, for each future period the credit guarantee will be outstanding. If at inception of a guarantee, we determine there is a probable related contingent loss, we will recognize a liability for the greater of (a) the fair value of the guarantee as described above or (b) the probable contingent loss amount.

### Note 2 – Goodwill and Acquired Intangibles

Changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2015 and 2014 were as follows:

	Commercial Airplanes	Boeing Military Aircraft	Network & Space Systems	Global Services & Support	Total
Balance at January 1, 2014	\$2,108	\$964	\$1,513	\$458	\$5,043
Acquisitions	45		57		102
Goodwill adjustments	(22)		(4)		(26)
Balance at December 31, 2014	\$2,131	\$964	\$1,566	\$458	\$5,119
Acquisitions	6	15			21
Goodwill adjustments	(14)				(14)
Balance at December 31, 2015	\$2,123	\$979	\$1,566	\$458	\$5,126

As of December 31, 2015 and 2014 , we had indefinite-lived intangible assets with carrying amounts of \$490 relating to trade names.

The gross carrying amounts and accumulated amortization of our acquired finite-lived intangible assets were as follows at December 31:

	2015		2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Distribution rights	\$2,245	\$673	\$2,245	\$550
Product know-how	503	244	494	216
Customer base	600	403	619	381
Developed technology	455	357	500	386
Other	198	157	202	148
Total	\$4,001	\$1,834	\$4,060	\$1,681

Amortization expense for acquired finite-lived intangible assets for the years ended December 31, 2015 and 2014 was \$224 and \$227 . Estimated amortization expense for the five succeeding years is as follows:

	2016	2017	2018	2019	2020
Estimated amortization expense	\$211	\$204	\$185	\$154	\$145

During 2015 and 2014 we acquired \$15 and \$87 of finite-lived intangible assets, of which \$0 and \$24 related to non-cash investing and financing transactions.

### Note 3 – Earnings Per Share

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

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

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

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

*(In millions - except per share amounts)*

Years ended December 31,	2015	2014	2013
Net earnings	\$5,176	\$5,446	\$4,585
Less: earnings available to participating securities	4	6	7
Net earnings available to common shareholders	\$5,172	\$5,440	\$4,578
<b>Basic</b>			
Basic weighted average shares outstanding	688.0	728.9	760.8
Less: participating securities	1.1	1.3	1.9
Basic weighted average common shares outstanding	686.9	727.6	758.9
<b>Diluted</b>			
Basic weighted average shares outstanding	688.0	728.9	760.8
Dilutive potential common shares <sup>(1)</sup>	8.1	9.1	8.7
Diluted weighted average shares outstanding	696.1	738.0	769.5
Less: participating securities	1.1	1.3	1.9
Diluted weighted average common shares outstanding	695.0	736.7	767.6
<b>Net earnings per share:</b>			
Basic	\$7.52	\$7.47	\$6.03
Diluted	7.44	7.38	5.96

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

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

*(Shares in millions)*

Years ended December 31,	2015	2014	2013
Stock options			4.8
Performance awards	5.6	5.1	4.2
Performance-based restricted stock units	2.3	1.3	

#### Note 4 – Income Taxes

The components of earnings before income taxes were:

Years ended December 31,	2015	2014	2013
U.S.	\$6,828	\$6,829	\$5,946
Non-U.S.	327	308	286
Total	\$7,155	\$7,137	\$6,232

Income tax expense/(benefit) consisted of the following:

Years ended December 31,	2015	2014	2013
<b>Current tax expense</b>			
U.S. federal	<b>\$2,102</b>	\$676	(\$82)
Non-U.S.	<b>122</b>	91	76
U.S. state	<b>21</b>	69	11
<b>Total current</b>	<b>2,245</b>	836	5
<b>Deferred tax expense</b>			
U.S. federal	<b>(297)</b>	828	1,531
Non-U.S.	<b>4</b>	34	41
U.S. state	<b>27</b>	(7)	69
<b>Total deferred</b>	<b>(266)</b>	855	1,641
<b>Total income tax expense</b>	<b>\$1,979</b>	\$1,691	\$1,646

Net income tax payments were \$1,490 , \$355 and \$209 in 2015, 2014 and 2013 , respectively.

The following is a reconciliation of the U.S. federal statutory tax rate of 35% to our effective income tax rates:

Years ended December 31,	2015	2014	2013
U.S. federal statutory tax	<b>35.0 %</b>	35.0 %	35.0 %
Research and development credits <sup>(1)</sup>	<b>(3.4)</b>	(2.9)	(4.9)
Amendments to the R&E regulations <sup>(2)</sup>			(3.4)
Tax basis adjustment <sup>(3)</sup>		(3.6)	
U.S. manufacturing activity tax benefit	<b>(2.9)</b>	(1.2)	(0.6)
Tax on international activities	<b>(0.6)</b>	(0.2)	(0.1)
Federal audit settlements <sup>(4)</sup>		(3.6)	
Other provision adjustments	<b>(0.4)</b>	0.2	0.4
<b>Effective income tax rate</b>	<b>27.7 %</b>	23.7 %	26.4 %

<sup>(1)</sup> In the fourth quarter of 2015 and 2014, we recorded tax benefits of \$235 and \$ 188 , respectively related to the reinstatement of the research tax credit. Research tax credits for the 2013 and 2012 tax years were both recorded in 2013.

<sup>(2)</sup> In 2013, we recorded \$212 for the issuance of favorable regulations related to research and experimental (R&E) expenditures.

<sup>(3)</sup> In the second quarter of 2014 we recorded an incremental tax benefit of \$265 related to the application of a 2012 Federal Court of Claims decision which held that the tax basis in certain assets could be increased and realized upon the assets' disposition (tax basis adjustment).

<sup>(4)</sup> In the second quarter of 2014, tax benefits of \$116 and \$143 were recorded as a result of the 2007-2008 and 2009-2010 federal tax audit settlements.

Federal income tax audits have been settled for all years prior to 2011. The years 2011-2012 are currently being examined by the IRS. We are also subject to examination in major state and international jurisdictions for the 2001-2015 tax years. We believe appropriate provisions for all outstanding tax issues have been made for all jurisdictions and all open years.



[Table of Contents](#)

Prior year balances of deferred tax (liabilities)/assets have been revised to reflect current year presentation. Significant components of our deferred tax (liabilities)/assets at December 31 were as follows:

	2015	2014
Inventory and long-term contract methods of income recognition	(10,401)	(10,156)
Pension benefits	6,303	6,145
Retiree health care benefits	2,513	2,572
Fixed assets, intangibles and goodwill (net of valuation allowance \$16 and \$18)	(1,837)	(1,782)
Other employee benefits	1,339	1,477
Customer and commercial financing	(777)	(853)
Accrued expenses and reserves	609	733
Net operating loss, credit and capital loss carryovers (net of valuation allowance of \$89 and \$63) <sup>(1)</sup>	216	266
Other	(92)	(292)
Net deferred tax (liabilities)/assets <sup>(2)</sup>	(\$2,127)	(\$1,890)

<sup>(1)</sup> Of the deferred tax asset for net operating loss and credit carryovers, \$208 expires in years ending from December 31, 2016 through December 31, 2035 and \$8 may be carried over indefinitely.

<sup>(2)</sup> Included in the net deferred tax (liabilities)/assets as of December 31, 2015 and 2014 are deferred tax assets in the amounts of \$7,277 and \$8,007 related to Accumulated other comprehensive loss.

Net deferred tax (liabilities)/assets at December 31 were as follows:

	2015	2014
Deferred tax assets	\$13,128	\$14,219
Deferred tax liabilities	(15,150)	(16,028)
Valuation allowance	(105)	(81)
Net deferred tax (liabilities)/assets	(\$2,127)	(\$1,890)

The measurement of deferred tax assets is reduced by a valuation allowance if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

As discussed in Note 1, during the year ended December 31, 2015, the Company retrospectively adopted ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. The effects of the accounting change on the December 31, 2014 Statement of Financial Position were as follows:

	2014	
	Revised	As Reported
Current deferred tax asset		\$18
Non-current deferred tax asset	317	6,576
Current deferred tax liability		(8,484)
Non-current deferred tax liability	(2,207)	
Net deferred tax (liabilities)/assets	(\$1,890)	(\$1,890)

We have provided for U.S. deferred income taxes and foreign withholding tax in the amount of \$35 on undistributed earnings not considered indefinitely reinvested in our non-U.S. subsidiaries. We have not provided for U.S. deferred income taxes or foreign withholding tax on the remainder of undistributed earnings from our non-U.S. subsidiaries of approximately \$700 because such earnings are considered to

be indefinitely reinvested and it is not practicable to estimate the amount of tax that may be payable upon distribution.

As of December 31, 2015 and 2014, the amounts accrued for the payment of income tax-related interest and penalties included in the Consolidated Statements of Financial Position were not significant. The amounts of interest benefit included in the Consolidated Statements of Operations were not significant for the years ended December 31, 2015, 2014 and 2013.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2015	2014	2013
Unrecognized tax benefits – January 1	<b>\$1,312</b>	\$1,141	\$1,055
Gross increases – tax positions in prior periods	<b>38</b>	403	10
Gross decreases – tax positions in prior periods	<b>(25)</b>	(251)	(125)
Gross increases – current-period tax positions	<b>292</b>	217	202
Gross decreases – current-period tax positions			(1)
Settlements		(197)	
Lapse of statute of limitations		(1)	
Unrecognized tax benefits – December 31	<b>\$1,617</b>	\$1,312	\$1,141

As of December 31, 2015, 2014 and 2013, the total amount of unrecognized tax benefits was \$1,617, \$1,312 and \$1,141, respectively, of which \$1,479, \$1,180 and \$1,018 would affect the effective tax rate, if recognized. As of December 31, 2015, these amounts are primarily associated with U.S. federal tax issues such as the amount of research tax credits claimed, the U.S. manufacturing activity tax benefit, tax basis adjustments and U.S. taxation of foreign earnings. Also included in these amounts are accruals for domestic state tax issues such as the allocation of income among various state tax jurisdictions and the amount of state tax credits claimed.

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 2011-2012 tax years with the IRS. Depending on the timing and outcome of that audit settlement, unrecognized tax benefits could decrease by up to \$115 based on current estimates.

#### Note 5 – Accounts Receivable, net

Accounts receivable at December 31 consisted of the following:

	2015	2014
U.S. government contracts	<b>\$4,864</b>	\$4,281
Commercial Airplanes	<b>2,250</b>	1,749
Defense, Space & Security customers <sup>(1)</sup>	<b>889</b>	1,018
Reinsurance receivables	<b>550</b>	512
Other	<b>254</b>	296
Less valuation allowance	<b>(94)</b>	(127)
Total	<b>\$8,713</b>	\$7,729

<sup>(1)</sup> Excludes U.S. government contracts

[Table of Contents](#)

The following table summarizes our accounts receivable under long-term contracts that were unbillable or related to outstanding claims as of December 31 :

	Unbillable		Claims	
	2015	2014	2015	2014
Current	<b>\$2,024</b>	\$2,306		\$29
Expected to be collected after one year	<b>2,001</b>	1,408	<b>\$70</b>	73
Total	<b>\$4,025</b>	\$3,714	<b>\$70</b>	\$102

Under contract accounting unbillable receivables on long-term contracts arise when the sales or revenues based on performance attainment, though appropriately recognized, cannot be billed yet under terms of the contract as of the balance sheet date. Any adjustment for the credit quality of unbillable receivables, if required, would be recorded as a direct reduction of revenue. Factors considered in assessing the collectability of unbillable receivables include, but are not limited to, a customer's extended delinquency, requests for restructuring and filings for bankruptcy. Unbillable receivables related to commercial customers expected to be collected after one year were \$178 and \$172 at December 31, 2015 and 2014 . Accounts receivable related to claims are items that we believe are earned, but are subject to uncertainty concerning their determination or ultimate realization.

Accounts receivable as of December 31, 2015 , includes \$104 of unbillable receivables on a long-term contract with New LightSquared, LLC (LightSquared) related to the construction of two commercial satellites. One of the satellites has launched and has been accepted by the customer, and the other is substantially complete but remains in Boeing's possession. On May 14, 2012, LightSquared filed for Chapter 11 bankruptcy protection. On December 7, 2015, LightSquared exited Chapter 11 bankruptcy protection and fully assumed the Boeing contract. We do not expect to incur losses on these receivables.

Accounts receivable, other than those described above, expected to be collected after one year are not material.

## Note 6 – Inventories

Inventories at December 31 consisted of the following:

	2015	2014
Long-term contracts in progress	<b>\$13,858</b>	\$13,381
Commercial aircraft programs	<b>55,230</b>	55,220
Commercial spare parts, used aircraft, general stock materials and other	<b>6,673</b>	7,421
Inventory before advances and progress billings	<b>75,761</b>	76,022
Less advances and progress billings	<b>(28,504)</b>	(29,266)
Total	<b>\$47,257</b>	\$46,756

## 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 December 31, 2015 and 2014 , the inventory balance was \$120 (net of advances of \$310 ) and \$154 (net of advances of \$322 ). At December 31, 2015 , \$176 of this inventory related to unsold launches. See Note 12 .

Included in inventories are capitalized precontract costs of \$732 at December 31, 2015 , primarily related to KC-46A Tanker and \$1,281 at December 31, 2014 , primarily related to C-17. See Note 11 .

### Commercial Aircraft Programs

At December 31, 2015 and 2014 , commercial aircraft programs inventory included the following amounts related to the 787 program: \$34,656 and \$33,163 of work in process (including deferred production costs of \$28,510 and \$26,149 ), \$2,551 and \$2,257 of supplier advances, and \$3,890 and \$3,801 of unamortized tooling and other non-recurring costs. At December 31, 2015 , \$23,721 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 \$8,679 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

At December 31, 2015 and 2014 , commercial aircraft programs inventory included the following amounts related to the 747 program: \$942 and \$1,741 of deferred production costs, net of reach-forward losses, and \$377 and \$476 of unamortized tooling costs. At December 31, 2015 , \$342 of 747 deferred production and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and \$977 is expected to be recovered from units included in the program accounting quantity that represent expected future orders. At December 31, 2015 we have a number of completed 747 aircraft in work in process inventory that we expect to recover from future orders.

Commercial aircraft programs inventory included amounts credited in cash or other consideration (early issue sales consideration) to airline customers totaling \$3,166 and \$3,341 at December 31, 2015 and 2014 .

Used aircraft in inventories at Commercial Airplanes totaled \$267 and \$275 at December 31, 2015 and 2014 .

### Note 7 – Customer Financing

Customer financing primarily relates to the Boeing Capital (BCC) segment and consisted of the following at December 31:

	2015	2014
Financing receivables:		
Investment in sales-type/finance leases	\$1,620	\$1,535
Notes	256	370
Total financing receivables	1,876	1,905
Operating lease equipment, at cost, less accumulated depreciation of \$338 and \$571	1,710	1,677
Gross customer financing	3,586	3,582
Less allowance for losses on receivables	(16)	(21)
Total	\$3,570	\$3,561

The components of investment in sales-type/finance leases at December 31 were as follows:

	2015	2014
Minimum lease payments receivable	\$1,537	\$1,475
Estimated residual value of leased assets	530	521
Unearned income	(447)	(461)
Total	\$1,620	\$1,535

[Table of Contents](#)

Operating lease equipment primarily includes large commercial jet aircraft and regional jet aircraft. At December 31, 2015 and 2014 , operating lease equipment included \$49 and \$48 available for sale or re-lease. At December 31, 2015 and 2014 , we had firm lease commitments for \$15 and \$0 of this equipment.

Financing receivable balances evaluated for impairment at December 31 were as follows:

	2015	2014
Individually evaluated for impairment	<b>\$86</b>	\$86
Collectively evaluated for impairment	<b>1,790</b>	1,819
<b>Total financing receivables</b>	<b>\$1,876</b>	<b>\$1,905</b>

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. As of December 31, 2015 and 2014 , we had no material receivables that were greater than 30 days past due and we had no impaired customer financing receivables during 2015 and 2014.

Income recognition is generally suspended for financing receivables at the date full recovery of income and principal becomes not probable. Income is recognized when financing receivables become contractually current and performance is demonstrated by the customer. For the year ended December 31, 2013, interest income recognized on such receivables was \$30 , and the average recorded investment in impaired financing receivables was \$376 .

The change in the allowance for losses on financing receivables for the years ended December 31, 2015, 2014 and 2013 , consisted of the following:

	2015	2014	2013
Beginning balance - January 1	<b>(\$21)</b>	(\$49)	(\$60)
Customer financing valuation benefit	<b>5</b>	28	11
<b>Ending balance - December 31</b>	<b>(\$16)</b>	<b>(\$21)</b>	<b>(\$49)</b>
Collectively evaluated for impairment	<b>(\$16)</b>	(\$21)	(\$49)

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

Our financing receivable balances at December 31 by internal credit rating category are shown below:

Rating categories	2015	2014
BBB	<b>\$973</b>	\$1,055
BB	<b>536</b>	
B	<b>258</b>	633
CCC	<b>23</b>	131
Other	<b>86</b>	86
<b>Total carrying value of financing receivables</b>	<b>\$1,876</b>	<b>\$1,905</b>

At December 31, 2015 , our allowance related to receivables with ratings of B, BB and BBB. We applied default rates that averaged 16% , 10% and 2% to the exposure associated with those receivables.

## Customer Financing Exposure

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

Our customer financing portfolio is primarily collateralized by out-of-production aircraft. The majority of customer financing carrying values are concentrated in the following aircraft models at December 31:

	2015	2014
717 Aircraft (\$372 and \$421 accounted for as operating leases)	<b>\$1,415</b>	\$1,562
747 Aircraft (Accounted for as operating leases)	<b>1,038</b>	601
MD-80 Aircraft (Accounted for as sales-type finance leases)	<b>314</b>	358
757 Aircraft (\$48 and \$349 accounted for as operating leases)	<b>270</b>	370
767 Aircraft (\$84 and \$47 accounted for as operating leases)	<b>185</b>	158
737 Aircraft (\$115 and \$127 accounted for as operating leases)	<b>115</b>	156
MD-11 Aircraft (Accounted for as operating leases)	<b>35</b>	114

Charges related to customer financing asset impairment for the years ended December 31 were as follows:

	2015	2014	2013
Boeing Capital	<b>\$162</b>	\$139	\$67
Other Boeing		45	14
Total	<b>\$162</b>	\$184	\$81

Scheduled receipts on customer financing are as follows:

Year	2016	2017	2018	2019	2020	Beyond 2020
Principal payments on notes receivable	\$54	\$38	\$104	\$56	\$4	
Sales-type/finance lease payments receivable	255	231	220	207	174	\$450
Operating lease equipment payments receivable	593	120	100	86	71	357

## Note 8 – Property, Plant and Equipment

Property, plant and equipment at December 31 consisted of the following:

	2015	2014
Land	\$536	\$560
Buildings and land improvements	12,397	11,767
Machinery and equipment	13,187	12,867
Construction in progress	2,242	1,502
Gross property, plant and equipment	28,362	26,696
Less accumulated depreciation	(16,286)	(15,689)
Total	\$12,076	\$11,007

Depreciation expense was \$1,357 , \$1,414 and \$1,338 for the years ended December 31, 2015, 2014 and 2013 , respectively. Interest capitalized during the years ended December 31, 2015, 2014 and 2013 totaled \$158 , \$102 and \$87 , respectively.

Rental expense for leased properties was \$267 , \$277 and \$287 , for the years ended December 31, 2015, 2014 and 2013 , respectively. At December 31, 2015 , minimum rental payments under capital leases aggregated \$157 . Minimum rental payments under operating leases with initial or remaining terms of one year or more aggregated \$1,515 , net of sublease payments of \$13 at December 31, 2015 . Payments due under operating and capital leases net of sublease amounts and non-cancellable future rentals during the next five years are as follows:

	2016	2017	2018	2019	2020
Minimum operating lease payments, net of sublease amounts	\$240	\$217	\$182	\$157	\$117
Minimum capital lease payments	55	47	29	12	4

Accounts payable related to purchases of property, plant and equipment were \$502 and \$299 for the years ended December 31, 2015 and 2014 .

## Note 9 – Investments

Our investments, which are recorded in Short-term and other investments or Investments, consisted of the following at December 31:

	2015	2014
Time deposits	<b>\$456</b>	\$1,295
Pledged money market funds <sup>(1)</sup>	<b>38</b>	38
Available-for-sale investments	<b>244</b>	7
Equity method investments <sup>(2)</sup>	<b>1,230</b>	1,114
Restricted cash <sup>(3)</sup>	<b>31</b>	26
Other investments	<b>35</b>	33
<b>Total</b>	<b>\$2,034</b>	<b>\$2,513</b>

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

<sup>(2)</sup> Dividends received were \$239 and \$293 during 2015 and 2014 . Retained earnings at December 31, 2015 include undistributed earnings from our equity method investments of \$251 .

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

## Equity Method Investments

Our equity method investments consisted of the following as of December 31:

Segment		Ownership Percentages	Investment Balance	
			2015	2014
United Launch Alliance	Network & Space Systems (N&SS)	50%	<b>\$908</b>	\$916
Other	Commercial Airplanes, N&SS and Global Services & Support (GS&S)		<b>322</b>	198
<b>Total equity method investments</b>			<b>\$1,230</b>	<b>\$1,114</b>

## Note 10 – Other Assets

### Sea Launch

At December 31, 2015 and 2014 , 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 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. On September 28, 2015, the district court granted summary judgment in



Boeing's favor on all claims against the other partners. Further proceedings will determine the final damage amount, including potential interest payments. If the partners decide to appeal or seek reconsideration of the district court's ruling additional proceedings would ensue. Prior to these proceedings, we had filed a Notice of Arbitration with the Stockholm Chamber of Commerce seeking reimbursement from the other partners for a portion of these amounts. In 2010, the arbitrator ruled that the Stockholm Chamber of Commerce lacked jurisdiction to hear the matter, which ruling has been on appeal in the Swedish appellate courts since mid-2014. During the fourth quarter of 2015, the Supreme Court of Sweden confirmed our right to pursue this appeal in the Swedish appellate courts. 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 charges. Our current assessment as to the collectability of these receivables takes into account the current economic conditions in Russia and Ukraine, although we will continue to monitor the situation.

### Spirit AeroSystems

As of December 31, 2015, Other assets included \$140 of receivables related to an indemnification from Spirit AeroSystems, Inc. (Spirit), for costs incurred related to pension and retiree medical obligations of former Boeing employees that were subsequently employed by Spirit. During the fourth quarter of 2014, Boeing filed a complaint against Spirit in Delaware Superior Court seeking to enforce our rights to indemnification and to recover from Spirit amounts incurred by Boeing for pension and retiree medical obligations. We expect to fully recover from Spirit and do not expect to incur any losses.

## Note 11 – Liabilities, Commitments and Contingencies

### Accrued Liabilities

Accrued liabilities at December 31 consisted of the following:

	2015	2014
Accrued compensation and employee benefit costs	\$5,624	\$5,868
Environmental	566	601
Product warranties	1,485	1,504
Forward loss recognition	757	414
Dividends payable	721	637
Income Taxes Payable	262	119
Other	4,599	4,319
Total	\$14,014	\$13,462

### Environmental

The following table summarizes environmental remediation activity during the years ended December 31, 2015 and 2014.

	2015	2014
Beginning balance – January 1	\$601	\$649
Reductions for payments made	(78)	(89)
Changes in estimates	43	41
Ending balance – December 31	\$566	\$601

The liabilities recorded represent our best estimate or the low end of a range of reasonably possible costs expected to be incurred to remediate sites, including operation and maintenance over periods of up to 30 years. It is reasonably possible that we may incur charges that exceed these recorded amounts because of regulatory agency orders and directives, changes in laws and/or regulations, higher than expected costs and/or the discovery of new or additional contamination. As part of our estimating process, we develop a range of reasonably possible alternate scenarios that includes the high end of a range of reasonably possible cost estimates for all remediation sites for which we have sufficient information based on our experience and existing laws and regulations. There are some potential remediation obligations where the costs of remediation cannot be reasonably estimated. At December 31, 2015 and 2014, the high end of the estimated range of reasonably possible remediation costs exceeded our recorded liabilities by \$853 and \$874.

### Product Warranties

The following table summarizes product warranty activity recorded during the years ended December 31, 2015 and 2014.

	2015	2014
Beginning balance – January 1	\$1,504	\$1,570
Additions for current year deliveries	421	566
Reductions for payments made	(323)	(432)
Changes in estimates	(117)	(200)
Ending balance - December 31	\$1,485	\$1,504

### 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 December 31, 2015 have expiration dates from 2016 through 2026. At December 31, 2015 and 2014, total contractual trade-in commitments were \$1,585 and \$2,392. As of December 31, 2015 and 2014, we estimated that it was probable we would be obligated to perform on certain of these commitments with net amounts payable to customers totaling \$240 and \$446 and the fair value of the related trade-in aircraft was \$240 and \$446.

**Financing Commitments**

Financing commitments related to aircraft on order, including options and those proposed in sales campaigns, totaled \$16,283 and \$16,723 as of December 31, 2015 and 2014 . The estimated earliest potential funding dates for these commitments as of December 31, 2015 are as follows:

	Total
2016	\$2,897
2017	3,664
2018	3,235
2019	2,884
2020	1,321
Thereafter	2,282
	<b>\$16,283</b>

As of December 31, 2015 , \$15,919 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 \$4,968 and \$3,985 as of December 31, 2015 and 2014 .

**Commitments to ULA**

We and Lockheed Martin Corporation have each committed to provide ULA with additional capital contributions in the event ULA does not have sufficient funds to make a required payment to us under an inventory supply agreement. As of December 31, 2015 , ULA's total remaining obligation to Boeing under the inventory supply agreement was \$120 . See Note 6 .

**C-17**

Production of the C-17 aircraft ended in the fourth quarter of 2015. At December 31, 2015 , one aircraft remained unsold, while our backlog includes international orders for four C-17 aircraft that are scheduled for delivery in 2016. During 2015 we received orders for six C-17 aircraft and we believe it is probable that we will receive an order for the remaining unsold aircraft from an international customer. Should an order not materialize we could incur charges to write down inventory.

**F/A-18**

At December 31, 2015 , our backlog included 48 F/A-18 aircraft under contract with the U.S. Navy. The orders in backlog include an order for 15 aircraft finalized in October 2015. The Consolidated Appropriations Act, 2016, passed in December 2015, funds 12 additional F/A-18 aircraft that, combined with the orders in backlog, would complete production in mid-2018. The President's Fiscal Year 2017 Budget request submitted in February 2016 includes funding for two additional F/A-18 aircraft. We are continuing to work with our U.S. customers as well as international customers to secure additional orders that would extend the program beyond 2018.

Should additional orders not materialize, it is reasonably possible that we will decide to end production of the F/A-18 in 2018. We are still evaluating the full financial impact of a potential production shutdown, including any recovery that may be available from the U.S. government.

#### **KC-46A Tanker**

We have also begun work on low rate initial production aircraft for the U.S. Air Force ( USAF ). The USAF is expected to authorize two low rate initial production lots in 2016 for a total of 19 aircraft, subject to satisfactory progress being made on the Engineering, Manufacturing and Development contract. At December 31, 2015, we had approximately \$429 of capitalized precontract costs and \$1,589 of potential termination liabilities to suppliers associated with the KC-46A Tanker.

#### **Company Owned Life Insurance**

McDonnell Douglas Corporation insured its executives with Company Owned Life Insurance (COLI), which are life insurance policies with a cash surrender value. Although we do not use COLI currently, these obligations from the merger with McDonnell Douglas are still a commitment at this time. We have loans in place to cover costs paid or incurred to carry the underlying life insurance policies. As of December 31, 2015 and 2014 , the cash surrender value was \$487 and \$466 and the total loans were \$456 and \$439 . As we have the right to offset the loans against the cash surrender value of the policies, we present the net asset in Other assets on the Consolidated Statements of Financial Position as of December 31, 2015 and 2014 .

#### **United States Government Defense Environment Overview**

The enactment of The Bipartisan Budget Act of 2015 in November 2015 established overall defense spending levels for FY2016 and FY2017. However, uncertainty remains with respect to levels of defense spending for FY2018 and beyond, including risk of future sequestration cuts. Significant uncertainty also continues with respect to program-level appropriations for the U.S. Department of Defense (U.S. DoD) and other government agencies, including the National Aeronautics and Space Administration, within the overall budgetary framework described above. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorization and appropriations process could result in reductions, cancellations and/or delays of existing contracts or programs. Any of these impacts could have a material effect on the results of the Company's operations, financial position and/or cash flows.

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

#### **KC-46A Tanker and BDS Fixed-Price Development Contracts**

Fixed-price development work is inherently uncertain and subject to significant variability in estimates of the cost and time required to complete the work. BDS fixed-price contracts with significant development work include Commercial Crew, Saudi F-15, USAF KC-46A Tanker and commercial and military satellites. The operational and technical complexities of these contracts create financial risk, which could trigger termination provisions, order cancellations or other financially significant exposure. Changes to cost and revenue estimates could result in lower margins or material charges for reach-forward losses. For example, during the second quarter of 2015, higher estimated costs to complete the KC-46A Tanker contract for the USAF resulted in a reach-forward loss of \$835 .

## **Recoverable Costs on Government Contracts**

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

## **Russia/Ukraine**

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

## **747 Program**

During the fourth quarter of 2015, we recorded a charge of \$885 to recognize a reach-forward loss on the 747 program primarily due to slower than expected growth in global cargo markets, resulting in market and pricing pressures and fewer orders than anticipated driving reductions in our planned production rates. The charge is primarily related to lower anticipated revenues reflecting ongoing pricing and market pressures as well as higher estimated costs due to the reduction in the production rate from 1.0 per month to 0.5 per month in September 2016. We currently plan to return to a rate of 1.0 per month in 2019. We have a number of completed aircraft in inventory as well as unsold production positions and we remain focused on obtaining additional orders and implementing cost-reduction efforts. If we are unable to obtain sufficient orders in 2016 and/or market, production and other risks cannot be mitigated, the program could face an additional reach-forward loss that may be material.

## **787 Program**

During 2015 the 787 program continued to have near breakeven gross margins. The combination of production challenges, change incorporation on early build aircraft, schedule delays, customer and supplier impacts and changes to price escalation factors has created significant pressure on program profitability. If risks related to this program, including risks associated with planned production rate increases or introducing and manufacturing the 787-10 derivative 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 12 – 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	
December 31,	2015	2014	2015	2014	2015	2014
Contingent repurchase commitments	<b>\$1,529</b>	\$1,375	<b>\$1,510</b>	\$1,364	<b>\$7</b>	\$5
Indemnifications to ULA:						
Contributed Delta program launch inventory	<b>107</b>	114				
Contract pricing	<b>261</b>	261			<b>7</b>	7
Other Delta contracts	<b>231</b>	150			<b>5</b>	
Other indemnifications		63				20
Credit guarantees	<b>30</b>	30	<b>27</b>	27	<b>2</b>	2

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

**Indemnifications to ULA** In 2006, we agreed to indemnify ULA through December 31, 2020 against potential non-recoverability and non-allowability of \$1,360 of Boeing Delta launch program inventory included in contributed assets plus \$1,860 of inventory subject to an inventory supply agreement which ends on March 31, 2021. Since inception, ULA has consumed \$1,253 of the \$1,360 of inventory that was contributed by us and has yet to consume \$107. Under the inventory supply agreement, we have recorded revenues and cost of sales of \$1,367 through December 31, 2015. ULA has made payments of \$1,740 to us under the inventory supply agreement and we have made \$71 of indemnification payments to ULA.

We agreed to indemnify ULA against potential losses that ULA may incur in the event ULA is unable to obtain certain additional contract pricing from the USAF for four satellite missions. We believe ULA is entitled to additional contract pricing. In December 2008, ULA submitted a claim to the USAF to re-price the contract value for two satellite missions. In March 2009, the USAF issued a denial of that claim. In June 2009, ULA filed a notice of appeal, and in October 2009, ULA filed a complaint before the Armed Services Board of Contract Appeals (ASBCA) for a contract adjustment for the price of the two satellite missions. In September 2009, the USAF exercised its option for a third satellite mission. During the third quarter of 2010, ULA submitted a claim to the USAF to re-price the contract value of the third mission. The USAF did not exercise an option for a fourth mission prior to the expiration of the contract. In March 2011, ULA filed a notice of appeal before the ASBCA, seeking to re-price the third mission. On November 20, 2013, the ASBCA denied USAF motions for summary judgment against ULA in large part, leaving ULA's claims against the USAF substantially intact. The hearing before the ASBCA concluded on December 20, 2013. The parties filed their final post-hearing briefs in May 2014. The ASBCA may now issue a decision at any time. If ULA is ultimately unsuccessful in obtaining additional pricing, we may be responsible for an

indemnification payment up to \$261 and may record up to \$277 in pre-tax losses associated with the three missions.

Potential payments for Other Delta contracts include \$85 related to deferred support costs and \$91 related to deferred production costs. In June 2011, the Defense Contract Management Agency (DCMA) notified ULA that it had determined that \$271 of deferred support costs are not recoverable under government contracts. In December 2011, the DCMA notified ULA of the potential non-recoverability of an additional \$114 of deferred production costs. ULA and Boeing believe that all costs are recoverable and in November 2011, ULA filed a certified claim with the USAF for collection of deferred support and production costs. The USAF issued a final decision denying ULA's certified claim in May 2012. On June 14, 2012, Boeing and ULA filed a suit in the Court of Federal Claims seeking recovery of the deferred support and production costs from the U.S. government. On November 9, 2012, the U.S. government filed an answer to our claim and asserted a counterclaim for credits that it alleges were offset by deferred support cost invoices. We believe that the U.S. government's counterclaim is without merit, and have filed an answer challenging it on multiple grounds. The litigation is in the discovery phase and the Court has not yet set a trial date. If, contrary to our belief, it is determined that some or all of the deferred support or production costs are not recoverable, we could be required to record pre-tax losses and make indemnification payments to ULA for up to \$317 of the costs questioned by the DCMA.

**Other Indemnifications** 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. We are unable 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 11 .

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

#### **Industrial Revenue Bonds**

Industrial Revenue Bonds (IRB) issued by the City of Wichita and St. Louis County were used to finance the purchase and/or construction of real and personal property at our Wichita and St. Louis sites. Tax benefits associated with IRBs include a ten-year property tax abatement and a sales tax exemption from the Kansas Department of Revenue, and a twelve-year property tax abatement and sales tax exemption from St. Louis County. We record these properties on our Consolidated Statements of Financial Position, along with capital lease obligations to repay the proceeds of the IRBs. We have also purchased the IRBs and therefore are the bondholders as well as the borrower/lessee of the properties purchased with the IRB proceeds.

The capital lease obligations and IRB assets are recorded net in the Consolidated Statements of Financial Position. As of December 31, 2015 and 2014 , the assets and liabilities associated with the City of Wichita and St. Louis County IRBs were \$584 and \$638 .

**Note 13 – Debt**

On February 20, 2015, we issued \$750 of fixed rate senior notes consisting of \$250 due March 1, 2025 that bear an annual interest rate of 2.5%, \$250 due March 1, 2035 that bear an annual interest rate of 3.3%, and \$250 due March 1, 2045 that bear an annual interest rate of 3.5%. 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 totaled \$722, after deducting underwriting discounts, commissions and offering expenses.

On October 29, 2015, we issued \$900 of fixed rate senior notes consisting of \$350 due October 30, 2020 that bear an annual interest rate of 1.65%, \$250 due October 30, 2022 that bear interest at the rate of 2.2%, and \$300 due October 30, 2025 that bear interest at the rate of 2.6%. 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 totaled \$881, after deducting underwriting discounts, commissions and offering expenses.

Interest incurred, including amounts capitalized, was \$497, \$504 and \$548 for the years ended December 31, 2015, 2014 and 2013, respectively. Interest expense recorded by BCC is reflected as Boeing Capital interest expense on our Consolidated Statements of Operations. Total Company interest payments were \$488, \$511 and \$551 for the years ended December 31, 2015, 2014 and 2013, respectively.

We have \$4,980 currently available under credit line agreements, of which \$2,465 is a 364-day revolving credit facility expiring in November 2016 and \$2,365 expires in November 2020, \$90 in November 2019, and \$60 in November 2017. The 364-day credit facility has a one-year term out option which allows us to extend the maturity of any borrowings one year beyond the aforementioned expiration date. We continue to be in full compliance with all covenants contained in our debt or credit facility agreements.

Short-term debt and current portion of long-term debt at December 31 consisted of the following:

	2015	2014
Unsecured debt securities	\$1,004	\$755
Non-recourse debt and notes	36	38
Capital lease obligations	53	64
Other notes	141	72
<b>Total</b>	<b>\$1,234</b>	<b>\$929</b>



Debt at December 31 consisted of the following:

	2015	2014
<b>Unsecured debt securities</b>		
Variable rate: 3-month USD LIBOR plus 12.5 basis points due 2017	\$250	\$250
0.95% - 4.88% due through 2045	5,075	4,223
5.88% - 6.88% due through 2043	2,381	2,394
7.25% - 8.75% due through 2043	1,645	1,657
<b>Non-recourse debt and notes</b>		
6.98% - 7.38% notes due through 2021	163	201
Capital lease obligations due through 2024	150	161
Other notes	300	184
<b>Total debt</b>	<b>\$9,964</b>	<b>\$9,070</b>

Total debt is attributable to:

	2015	2014
BCC	\$2,355	\$2,412
Other Boeing	7,609	6,658
<b>Total debt</b>	<b>\$9,964</b>	<b>\$9,070</b>

At December 31, 2015, \$163 of debt (non-recourse debt, notes and capital lease obligations) was collateralized by customer financing assets totaling \$295.

Scheduled principal payments for debt and minimum capital lease obligations for the next five years are as follows:

	2016	2017	2018	2019	2020
Scheduled principal payments	\$1,242	\$368	\$703	\$1,248	\$1,126

#### Note 14 – Postretirement Plans

The majority of our employees have earned benefits under defined benefit pension plans. Nonunion and the majority of union employees that had participated in defined benefit pension plans will transition to a company-funded defined contribution retirement savings plan in 2016.

We fund our major pension plans through trusts. Pension assets are placed in trust solely for the benefit of the plans' participants, and are structured to maintain liquidity that is sufficient to pay benefit obligations as well as to keep pace over the long-term with the growth of obligations for future benefit payments.

We also have other postretirement benefits (OPB) other than pensions which consist principally of health care coverage for eligible retirees and qualifying dependents, and to a lesser extent, life insurance to certain groups of retirees. Retiree health care is provided principally until age 65 for approximately half those retirees who are eligible for health care coverage. Certain employee groups, including employees covered by most United Auto Workers bargaining agreements, are provided lifetime health care coverage. The funded status of the plans is measured as the difference between the plan assets at fair value and the projected benefit obligation (PBO). We have recognized the aggregate of all overfunded plans in Other assets, and the aggregate of all underfunded plans in either Accrued retiree health care or Accrued pension plan liability, net. The portion of the amount by which the actuarial present value of benefits included in the PBO exceeds the fair value of plan assets, payable in the next 12 months, is reflected in Accrued liabilities.

The components of net periodic benefit cost were as follows:

Years ended December 31,	Pension			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013
Service cost	<b>\$1,764</b>	\$1,661	\$1,886	<b>\$140</b>	\$129	\$148
Interest cost	<b>2,990</b>	3,058	2,906	<b>248</b>	289	263
Expected return on plan assets	<b>(4,031)</b>	(4,169)	(3,874)	<b>(8)</b>	(8)	(6)
Amortization of prior service costs/(credits)	<b>196</b>	177	196	<b>(136)</b>	(144)	(180)
Recognized net actuarial loss	<b>1,577</b>	1,020	2,231	<b>31</b>	8	95
Settlement/curtailment/other losses	<b>290</b>	461	104	<b>10</b>	1	
Net periodic benefit cost	<b>\$2,786</b>	\$2,208	\$3,449	<b>\$285</b>	\$275	\$320
Net periodic benefit cost included in Earnings from operations	<b>\$2,366</b>	\$3,215	\$3,036	<b>\$288</b>	\$287	\$353

In 2015, we recorded charges of \$290 related to curtailments and other benefit changes associated with certain of our defined benefit plans.

[Table of Contents](#)

The following tables show changes in the benefit obligation, plan assets and funded status of both pensions and OPB for the years ended December 31, 2015 and 2014. Benefit obligation balances presented below reflect the PBO for our pension plans, and accumulated postretirement benefit obligations (APBO) for our OPB plans.

	Pension		Other Postretirement Benefits	
	2015	2014	2015	2014
<b>Change in benefit obligation</b>				
Beginning balance	\$78,391	\$68,625	\$7,306	\$7,008
Service cost	1,764	1,661	140	129
Interest cost	2,990	3,058	248	289
Plan participants' contributions	5	6		
Amendments	(1,379)	51	(19)	(43)
Actuarial (gain)/loss	(3,505)	10,655	(89)	334
Settlement/curtailment/other	(457)	(2,518)	10	7
Gross benefits paid	(3,382)	(3,126)	(486)	(449)
Subsidies			43	39
Exchange rate adjustment	(39)	(21)	(15)	(8)
Ending balance	\$74,388	\$78,391	\$7,138	\$7,306
<b>Change in plan assets</b>				
Beginning balance at fair value	\$61,119	\$58,131	\$141	\$140
Actual return/(loss) on plan assets	(701)	5,893	1	10
Company contribution	59	784	5	8
Plan participants' contributions	5	6	5	2
Settlement payments	(649)	(640)		
Benefits paid	(3,284)	(3,039)	(20)	(19)
Exchange rate adjustment	(35)	(16)		
Ending balance at fair value	\$56,514	\$61,119	\$132	\$141
<b>Amounts recognized in statement of financial position at December 31 consist of:</b>				
Other assets	\$10	\$3		
Other accrued liabilities	(101)	(93)	(\$390)	(\$363)
Accrued retiree health care			(6,616)	(6,802)
Accrued pension plan liability, net	(17,783)	(17,182)		
Net amount recognized	(\$17,874)	(\$17,272)	(\$7,006)	(\$7,165)

Amounts recognized in Accumulated other comprehensive loss at December 31 were as follows:

	Pension		Other Postretirement Benefits	
	2015	2014	2015	2014
Net actuarial loss	\$20,871	\$21,321	\$781	\$877
Prior service costs/(credits)	(1,195)	385	(397)	(512)
Total recognized in Accumulated other comprehensive loss	\$19,676	\$21,706	\$384	\$365

The estimated amount that will be amortized from Accumulated other comprehensive loss into net periodic benefit cost during the year ending December 31, 2016 is as follows:

	Pension	Other Postretirement Benefits
Recognized net actuarial loss	\$787	\$22
Amortization of prior service costs/(credits)	38	(126)
<b>Total</b>	<b>\$825</b>	<b>(\$104)</b>

The accumulated benefit obligation (ABO) for all pension plans was \$72,330 and \$75,655 at December 31, 2015 and 2014. Key information for our plans with ABO in excess of plan assets as of December 31 was as follows:

	2015	2014
Projected benefit obligation	<b>\$74,188</b>	\$78,358
Accumulated benefit obligation	<b>72,121</b>	75,622
Fair value of plan assets	<b>56,306</b>	61,082

### Assumptions

The following assumptions, which are the weighted average for all plans, are used to calculate the benefit obligation at December 31 of each year and the net periodic benefit cost for the subsequent year.

December 31,	2015	2014	2013
Discount rate:			
Pension	<b>4.20%</b>	3.90%	4.80%
Other postretirement benefits	<b>3.80%</b>	3.50%	4.20%
Expected return on plan assets	<b>7.00%</b>	7.00%	7.50%
Rate of compensation increase	<b>4.00%</b>	3.80%	4.00%

The discount rate for each plan is determined based on the plans' expected future benefit payments using a yield curve developed from high quality bonds that are rated as Aa or better by at least half of the four rating agencies utilized as of the measurement date. The yield curve is fitted to yields developed from bonds at various maturity points. Bonds with the ten percent highest and the ten percent lowest yields are omitted. A portfolio of about 400 bonds is used to construct the yield curve. Since corporate bond yields are generally not available at maturities beyond 30 years, it is assumed that spot rates will remain level beyond that 30-year point. The present value of each plan's benefits is calculated by applying the discount rates to projected benefit cash flows. All bonds are U.S. issues, with a minimum outstanding of \$50.

The pension fund's expected return on plan assets assumption is derived from a review of actual historical returns achieved by the pension trust and anticipated future long-term performance of individual asset classes. While consideration is given to recent trust performance and historical returns, the assumption represents a long-term, prospective return. The expected return on plan assets component of the net periodic benefit cost for the upcoming plan year is determined based on the expected return on plan assets assumption and the market-related value of plan assets (MRVA). Since our adoption of the accounting standard for pensions in 1987, we have determined the MRVA based on a five-year moving average of plan assets. As of December 31, 2015, the MRVA was approximately \$2,731 greater than the fair market value of assets.

Assumed health care cost trend rates were as follows:

December 31,	2015	2014	2013
Health care cost trend rate assumed next year	6.50%	7.00%	7.00%
Ultimate trend rate	5.00%	5.00%	5.00%
Year that trend reached ultimate rate	2021	2018	2018

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. To determine the health care cost trend rates we look at a combination of information including ongoing claims cost monitoring, annual statistical analyses of claims data, reconciliation of forecast claims against actual claims, review of trend assumptions of other plan sponsors and national health trends, and adjustments for plan design changes, workforce changes, and changes in plan participant behavior. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	Increase	Decrease
Effect on total of service and interest cost	\$54	(\$44)
Effect on postretirement benefit obligation	647	(551)

## Plan Assets

**Investment Strategy** The overall objective of our pension assets is to earn a rate of return over time to satisfy the benefit obligations of the pension plans and to maintain sufficient liquidity to pay benefits and address other cash requirements of the pension fund. Specific investment objectives for our long-term investment strategy include reducing the volatility of pension assets relative to pension liabilities, achieving a competitive total investment return, achieving diversification between and within asset classes and managing other risks. Investment objectives for each asset class are determined based on specific risks and investment opportunities identified.

We periodically update our long-term, strategic asset allocations. We use various analytics to determine the optimal asset mix and consider plan liability characteristics, liquidity characteristics, funding requirements, expected rates of return and the distribution of returns. We identify investment benchmarks for the asset classes in the strategic asset allocation that are market-based and investable where possible.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy changes, market value fluctuations, the length of time it takes to fully implement investment allocation positions, and the timing of benefit payments and contributions. Short-term investments and exchange-traded derivatives are used to rebalance the actual asset allocation to the target asset allocation. The asset allocation is monitored and rebalanced on a monthly basis.

The actual and target allocations by asset class for the pension assets at December 31 were as follows:

Asset Class	Actual Allocations		Target Allocations	
	2015	2014	2015	2014
Fixed income	48%	48%	47%	47%
Global equity	28	29	29	26
Private equity	5	5	5	6
Real estate and real assets	9	9	9	11
Hedge funds <sup>(1)</sup>	10	9	10	10
Total	100%	100%	100%	100%

<sup>(1)</sup> As of January 1, 2015 the global strategies asset class was consolidated with the hedge funds asset class.

Fixed income securities are invested primarily in a diversified portfolio of long duration instruments. Global equity securities are invested in a diversified portfolio of U.S. and non-U.S. companies, across various industries and market capitalizations.

Real estate and real assets include global private investments that may be held through an investment in a limited partnership (LP) or other fund structures and publicly traded investments (such as Real Estate Investment Trusts (REITs) in the case of real estate). Real estate includes, but is not limited to, investments in office, retail, apartment and industrial properties. Real assets include, but are not limited to, investments in natural resources (such as energy, farmland and timber), commodities and infrastructure. Private equity investment vehicles are primarily limited partnerships (LPs) and fund-of-funds that mainly invest in U.S. and non-U.S. leveraged buyout, venture capital and special situation strategies.

Hedge fund investments seek to capitalize on inefficiencies identified across and within different asset classes or markets. Hedge fund strategy types include, but are not limited to directional, event driven, relative value, long-short and multi-strategy.

Investment managers are retained for explicit investment roles specified by contractual investment guidelines. Certain investment managers are authorized to use derivatives, such as equity or bond futures, swaps, options and currency futures or forwards. Derivatives are used to achieve the desired market exposure of a security or an index, transfer value-added performance between asset classes, achieve the desired currency exposure, adjust portfolio duration or rebalance the total portfolio to the target asset allocation.

As a percentage of total pension plan assets, derivative net notional amounts were 13.1% and 3.5% for fixed income, including to-be-announced mortgage-backed securities and treasury forwards, and 4.0% and 2.0% for global equity and commodities at December 31, 2015 and 2014 .

**Risk Management** In managing the plan assets, we review and manage risk associated with funded status risk, interest rate risk, market risk, counterparty risk, liquidity risk and operational risk. Liability matching and asset class diversification are central to our risk management approach and are integral to the overall investment strategy. Further, asset classes are constructed to achieve diversification by investment strategy, by investment manager, by industry or sector and by holding. Investment manager guidelines for publicly traded assets are specified and are monitored regularly through the custodian. Credit parameters for counterparties have been established for managers permitted to trade over-the-counter derivatives. Valuation is governed through several types of procedures, including reviews of manager valuation policies, custodian valuation processes, pricing vendor practices, pricing reconciliation, and periodic, security-specific valuation testing .

**Fair Value Measurements** The following table presents our plan assets using the fair value hierarchy as of December 31, 2015 and 2014 . 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. We have retrospectively adopted ASU No. 2015-07, *Disclosures for Investments in Certain Entities that calculate Net Asset Value Per Share* . The fair value hierarchy now excludes certain investments which are valued using Net Asset Value (NAVs) as a practical expedient.

	December 31, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Fixed income securities:								
Corporate	\$16,339		\$16,336	\$3	\$17,488		\$17,486	\$2
U.S. government and agencies	4,801		4,800	1	5,224		5,224	
Mortgage backed and asset backed	830		382	448	1,207		596	611
Municipal	1,475		1,475		1,636		1,636	
Sovereign	907		907		1,073		1,073	
Other	83	9	74		246	9	237	
Derivatives:								
Assets	25		25		49		49	
Liabilities	(67)		(67)		(66)		(66)	
Cash equivalents and other short-term investments	1,015		1,015		792		792	
Equity securities:								
U.S. common and preferred stock <sup>(1)</sup>	5,165	5,164		1	7,605	7,605		
Non-U.S. common and preferred stock	5,712	5,710		2	7,151	7,139	11	1
Derivatives:								
Assets	11		11		9		9	
Liabilities	(3)		(3)		(5)		(5)	
Private equity <sup>(1)</sup>	3			3	3			3
Real estate and real assets:								
Real estate	447	447			500	500		
Real assets	632	351	275	6	743	369	370	4
Derivatives:								
Assets	3		3		2		2	
Liabilities	(2)		(2)		(11)		(11)	
<b>Total</b>	<b>\$37,376</b>	<b>\$11,681</b>	<b>\$25,231</b>	<b>\$464</b>	<b>\$43,646</b>	<b>\$15,622</b>	<b>\$27,403</b>	<b>\$621</b>
Fixed income common/collective/pooled funds								
	\$1,753				\$2,127			
Fixed income other	247				252			
Equity common/collective pooled funds	4,948				2,658			
Private equity	2,611				2,924			
Real estate and real assets	3,637				3,523			
Hedge funds	5,478				5,620			
Total investments measured at NAV as a practical expedient	\$18,674				\$17,104			
Cash	\$162				\$115			
Receivables	435				447			
Payables	(133)				(193)			
<b>Total</b>	<b>\$56,514</b>				<b>\$61,119</b>			

<sup>(1)</sup> Level 1 private equity securities have been reclassified to U.S. common and preferred stock. These are publicly traded equities that were distributed from private equity LPs.

Fixed income securities are primarily valued upon a market approach, using matrix pricing and considering a security's relationship to other securities for which quoted prices in an active market may be available, or an income approach, converting future cash flows to a single present value amount. Inputs used in developing fair value estimates include reported trades, broker quotes, benchmark yields, and base spreads.

Common/collective/pooled funds are typically common or collective trusts valued at their NAVs that are calculated by the investment manager or sponsor of the fund and have daily or monthly liquidity. Derivatives included in the table above are over-the-counter and are primarily valued using an income approach with inputs that include benchmark yields, swap curves, cash flow analysis, rating agency data and interdealer broker rates. Exchange-traded derivative positions are reported in accordance with changes in daily variation margin which is settled daily and therefore reflected in the payables and receivables portion of the table.

Cash equivalents and other short-term investments (which are used to pay benefits) are held in a separate account which consists of a commingled fund (with daily liquidity) and separately held short-term securities and cash equivalents. All of the investments in this cash vehicle are valued daily using a market approach with inputs that include quoted market prices for similar instruments. In the event a market price is not available for instruments with an original maturity of one year or less, amortized cost is used as a proxy for fair value. Common and preferred stock equity securities are primarily valued using a market approach based on the quoted market prices of identical instruments.

Private equity and private debt NAV valuations are based on the valuation of the underlying investments, which include inputs such as cost, operating results, discounted future cash flows and market based comparable data. For those investments reported on a one-quarter lagged basis (primarily LPs) we use NAVs, adjusted for subsequent cash flows and significant events.

Real estate and real asset NAV valuations are based on valuation of the underlying investments, which include inputs such as cost, discounted future cash flows, independent appraisals and market based comparable data. For those investments reported on a one-quarter lagged basis (primarily LPs) NAVs are adjusted for subsequent cash flows and significant events. Publicly traded REITs and infrastructure stocks are valued using a market approach based on quoted market prices of identical instruments. Exchange-traded commodities futures positions are reported in accordance with changes in daily variation margin which is settled daily and therefore reflected in the payables and receivables portion of the table.

Hedge funds consist of direct hedge funds and fund-of-fund limited liability company (LLC) structures. For direct hedge funds the NAVs are generally based on valuation of the underlying investments. This is primarily done by applying a market or income valuation methodology depending on the specific type of security or instrument held. The NAVs of the fund-of-funds are based on the NAVs of the underlying hedge funds as well as any cash and accruals held at the fund-of-fund level. Redemptions in hedge funds are based on specific terms and conditions of the individual funds.

Investments in private equity, private debt, real estate, real assets, and hedge funds are primarily calculated and reported by the General Partner (GP), fund manager or third party administrator. Additionally, some investments in fixed income and equity are made via commingled vehicles and are valued in a similar fashion. Pension assets invested in commingled and limited partnership structures rely on the NAV of these investments as the practical expedient for the valuations.



[Table of Contents](#)

The following tables present a reconciliation of Level 3 assets (excluding investments which are valued using NAVs as a practical expedient) held during the years ended December 31, 2015 and 2014. Transfers into and out of Level 3 are reported at the beginning-of-year values.

	January 1 2015 Balance	Net Realized and Unrealized (Losses)	Net Purchases, Issuances and Settlements	Net Transfers Into Level 3	December 31 2015 Balance
<b>Fixed income securities:</b>					
Corporate <sup>(1)</sup>	\$1		\$1	\$1	\$3
U.S. government and agencies <sup>(1)</sup>	1				1
Mortgage backed and asset backed <sup>(1)</sup>	611	(\$9)	(157)	3	448
Other		(3)	3		
<b>Equity securities:</b>					
U.S. common and preferred stock				1	1
Non-U.S. common and preferred stock	1		(2)	3	2
Private equity	3				3
Real assets	4		2		6
<b>Total</b>	<b>\$621</b>	<b>(\$12)</b>	<b>(\$153)</b>	<b>\$8</b>	<b>\$464</b>

	January 1 2014 Balance	Net Realized and Unrealized Gains	Net Purchases, Issuances and Settlements	Net Transfers Into/(Out of) Level 3	December 31 2014 Balance
<b>Fixed income securities:</b>					
Corporate <sup>(2)</sup>	\$19		(\$7)	(\$10)	\$2
Mortgage backed and asset backed <sup>(2)</sup>	554	\$14	10	33	611
<b>Equity securities:</b>					
Non-U.S. common and preferred stock	1		(1)	1	1
Private equity	3				3
Real assets			4		4
<b>Total</b>	<b>\$577</b>	<b>\$14</b>	<b>\$6</b>	<b>\$24</b>	<b>\$621</b>

<sup>(1)</sup> Certain fixed income securities were reclassified from corporate and mortgage backed and asset backed to U.S. government and agencies on January 1, 2015.

<sup>(2)</sup> Certain fixed income securities were reclassified from corporate to mortgage backed and asset backed on January 1, 2014.

The changes in unrealized (losses)/gains for Level 3 mortgage backed and asset backed fixed income securities still held at December 31, 2015 and 2014 were (\$10) and \$8.

**OPB Plan Assets** The majority of OPB plan assets are invested in a balanced index fund which is comprised of approximately 60% equities and 40% debt securities. The index fund is valued using a market approach based on the quoted market price of an identical instrument (Level 1). The expected rate of return on these assets does not have a material effect on the net periodic benefit cost.

**Cash Flows**

**Contributions** Required pension contributions under the Employee Retirement Income Security Act ( ERISA ), as well as rules governing funding of our non-U.S. pension plans, are expected to be minimal in 2016 . In 2016 we expect to make contributions to our pension plans of approximately \$100 .

**Estimated Future Benefit Payments** The table below reflects the total pension benefits expected to be paid from the plans or from our assets, including both our share of the benefit cost and the participants' share of the cost, which is funded by participant contributions. OPB payments reflect our portion only.

Year(s)	2016	2017	2018	2019	2020	2021-2025
Pensions	\$4,311	\$4,419	\$4,479	\$4,451	\$4,488	\$22,724
Other postretirement benefits:						
Gross benefits paid	521	546	574	595	626	3,139
Subsidies	(38)	(38)	(38)	(37)	(37)	(177)
Net other postretirement benefits	\$483	\$508	\$536	\$558	\$589	\$2,962

**Termination Provisions**

Certain of the pension plans provide that, in the event there is a change in control of the Company which is not approved by the Board of Directors and the plans are terminated within five years thereafter, the assets in the plan first will be used to provide the level of retirement benefits required by ERISA , and then any surplus will be used to fund a trust to continue present and future payments under the postretirement medical and life insurance benefits in our group insurance benefit programs.

We have an agreement with the U.S. government with respect to certain pension plans. Under the agreement, should we terminate any of the plans under conditions in which the plan's assets exceed that plan's obligations, the U.S. government will be entitled to a fair allocation of any of the plan's assets based on plan contributions that were reimbursed under U.S. government contracts.

**Defined Contribution Plans**

We provide certain defined contribution plans to all eligible employees. The principal plans are the Company-sponsored 401(k) plans. The expense for these defined contribution plans was \$768 , \$764 and \$742 in 2015, 2014 and 2013 , respectively.

**Note 15 – Share-Based Compensation and Other Compensation Arrangements****Share-Based Compensation**

Our 2003 Incentive Stock Plan, as amended and restated, permits awards of incentive and non-qualified stock options, stock appreciation rights, restricted stock or units, performance shares, performance restricted stock or units, performance units and other stock and cash-based awards to our employees, officers, directors, consultants, and independent contractors. The aggregate number of shares of our stock authorized for issuance under the plan is 87,000,000 .

Shares issued as a result of stock option exercises or conversion of stock unit awards will be funded out of treasury shares, except to the extent there are insufficient treasury shares, in which case new shares will be issued. We believe we currently have adequate treasury shares to satisfy these issuances during 2016 .

Share-based plans expense is primarily included in General and administrative expense since it is incentive compensation issued primarily to our executives. The share-based plans expense and related income tax benefit were as follows:

Years ended December 31,	2015	2014	2013
Stock options	\$30	\$62	\$93
Restricted stock units and other awards	160	133	113
Share-based plans expense	\$190	\$195	\$206
Income tax benefit	\$68	\$70	\$76

### Stock Options

In February 2013, we granted to our executives 6,591,968 options. The options have been granted with an exercise price equal to the fair market value of our stock on the date of grant and expire ten 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. If an executive terminates employment for any reason, the non-vested portion of the stock option will not vest and all rights to the non-vested portion will terminate. We discontinued granting options in 2014, replacing them with performance-based restricted stock units.

Stock option activity for the year ended December 31, 2015 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Number of shares under option:				
Outstanding at beginning of year	18,504,645	\$73.75		
Exercised	(5,369,947)	74.40		
Forfeited	(206,433)	76.14		
Expired	(2,321)	77.95		
Outstanding at end of year	12,925,944	\$73.44	5.23	\$920
Exercisable at end of year	11,249,575	\$72.94	4.93	\$806

The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was \$385 , \$250 and \$546 , respectively. Cash received from options exercised during the years ended December 31, 2015, 2014 and 2013 was \$399 , \$343 and \$1,097 with a related tax benefit of \$135 , \$87 and \$190 , respectively, derived from the compensation deductions resulting from these option exercises. At December 31, 2015 , there was \$4 of total unrecognized compensation cost related to our stock option plan which is expected to be recognized over a weighted average period of two months . The grant date fair value of stock options vested during the years ended December 31, 2015, 2014 and 2013 was \$56 , \$87 and \$89 , respectively.

The stock options granted in February 2013 had a fair value of \$15.85 which was estimated using the Black-Scholes option-pricing model with the following assumptions: expected life of 6 years , expected volatility of 29.0% based upon our historical stock volatility, risk-free interest rates of 1.0% , and expected dividend yield of 2.6% .

The expected volatility of the stock options is based on a combination of our historical stock volatility and the volatility levels implied on the grant date by actively traded option contracts on our common stock. We determined the expected term of the stock option grants to be six years, calculated using the “simplified”

method in accordance with the SEC Staff Accounting Bulletin 110. We use the “simplified” method since we changed the vesting terms, tax treatment and the recipients of our stock options beginning in 2006 such that we believe our historical data prior to 2006 does not provide a reasonable basis upon which to estimate expected term and we do not have enough option exercise data from our grants issued subsequent to 2006 to support our own estimate as a result of vesting terms and changes in the stock price.

### Restricted Stock Units

In February 2015, 2014 and 2013, we granted to our executives 590,778, 695,651 and 1,375,414 restricted stock units (RSUs) as part of our long-term incentive program with grant date fair values of \$154.64, \$129.58 and \$75.97 per unit, respectively. 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. If an executive terminates employment because of retirement, involuntary layoff, disability, or death, the employee (or beneficiary) will receive a proration of stock units based on active employment during the three-year service period. In all other cases, the RSUs will not vest and all rights to the stock units will terminate. In addition to RSUs awarded under our long-term incentive program, we grant RSUs to certain executives and employees to encourage retention or to reward various achievements. These RSUs are labeled other RSUs in the table below. The fair values of all RSUs are estimated using the average of the high and low stock prices on the date of grant.

RSU activity for the year ended December 31, 2015 was as follows:

	Long-Term Incentive Program	Other
Number of units:		
Outstanding at beginning of year	3,032,539	1,147,098
Granted	634,960	223,282
Dividends	64,705	28,849
Forfeited	(128,628)	(64,542)
Distributed	(1,256,936)	(213,686)
Outstanding at end of year	2,346,640	1,121,001
Unrecognized compensation cost	\$92	\$43
Weighted average remaining contractual life (years)	1.8	2.0

The number of vested but undistributed RSUs at December 31, 2015 was not significant.

### Performance-Based Restricted Stock Units

Performance-Based Restricted Stock Units (PBRsUs) are stock units that pay out based on the Company’s total shareholder return as compared to a group of peer companies over a three-year period. The award payout can range from 0% to 200% of the initial PBRsU grant, but will not exceed 400% of the initial value (excluding dividend equivalent credits). The PBRsUs granted under this program will vest at the payout amount and settle in common stock (on a one-for-one basis) on the third anniversary of the grant date. If an executive terminates employment because of retirement, involuntary layoff, disability, or death, the employee (or beneficiary) remains eligible under the award and, if the award is earned, will receive a proration of stock units based on active employment during the three-year service period. In all other cases, the PBRsUs will not vest and all rights to the stock units will terminate.

In February 2015 and 2014, we granted to our executives 556,203 and 662,215 PBRsUs as part of our long-term incentive program with grant date fair values of \$164.26 and \$136.12 per unit. Compensation expense for the award is recognized over the three-year performance period based upon the grant date fair value estimated using a Monte-Carlo simulation model. The model used the following assumptions in 2015 and 2014: expected volatility of 20.35% and 24.2% based upon our historical stock volatility, risk-free interest rates of 1.03% and 0.72% , and no expected dividend yield because the units earn dividend equivalents.

PBRsU activity for the year ended December 31, 2015 was as follows:

	Long-Term Incentive Program
Number of units:	
Outstanding at beginning of year	623,102
Granted	556,203
Dividends	25,887
Forfeited	(82,157)
Outstanding at end of year	1,123,035
Unrecognized compensation cost	\$82
Weighted average remaining contractual life (years)	1.8

## Other Compensation Arrangements

### Performance Awards

Performance Awards are cash units that pay out based on the achievement of long-term financial goals at the end of a three-year period. Each unit has an initial value of \$100 dollars. The amount payable at the end of the three-year performance period may be anywhere from \$0 to \$200 dollars per unit, depending on the Company's performance against plan for a three-year period. The Compensation Committee has the discretion to pay these awards in cash, stock, or a combination of both after the three-year performance period. Compensation expense, based on the estimated performance payout, is recognized ratably over the performance period.

During 2015, 2014 and 2013 , we granted Performance Awards to our executives with the payout based on the achievement of financial goals for each three -year period following the grant date. The minimum payout amount is \$0 and the maximum amount we could be required to pay out for the 2015, 2014 and 2013 Performance Awards is \$349 , \$327 and \$255 , respectively. The 2013 grant is expected to be paid out in cash in March 2016 .

### Deferred Compensation

The Company has a deferred compensation plan which permits executives to defer receipt of a portion of their salary, bonus, and certain other incentive awards. Participants can diversify deferred compensation among 23 investment funds including a Boeing stock unit account.

Total expense related to deferred compensation was \$63 , \$44 and \$238 in 2015, 2014 and 2013 , respectively. As of December 31, 2015 and 2014 , the deferred compensation liability which is being marked to market was \$1,191 and \$1,234 .

**Note 16 – Shareholders' Equity**

On December 14, 2015, the Board approved a new repurchase plan for up to \$ 14,000 of common stock, replacing the previously authorized program. The program will expire when we have used all authorized funds or is otherwise terminated.

As of December 31, 2015 and 2014 , there were 1,200,000,000 shares of common stock and 20,000,000 shares of preferred stock authorized. No preferred stock has been issued.

**Changes in Share Balances**

The following table shows changes in each class of shares:

	Common Stock	Treasury Stock
Balance at January 1, 2013	1,012,261,159	256,630,628
Issued		(17,903,704)
Acquired		26,155,537
Balance at December 31, 2013	1,012,261,159	264,882,461
Issued		(6,719,270)
Acquired		47,370,415
Balance at December 31, 2014	1,012,261,159	305,533,606
Issued		(7,288,113)
Acquired		47,391,861
Balance at December 31, 2015	<b>1,012,261,159</b>	<b>345,637,354</b>

## Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive income/(loss) (AOCI) by component for the years ended December 31, 2015 , 2014 and 2013 were as follows:

	Currency Translation Adjustments	Unrealized Gains and Losses on Certain Investments	Unrealized Gains and Losses on Derivative Instruments	Defined Benefit Pension Plans & Other Postretirement Benefits	Total <sup>(1)</sup>
Balance at January 1, 2013	\$214	(\$8)	\$86	(\$17,708)	(\$17,416)
Other comprehensive income/(loss) before reclassifications	(64)		(75)	6,093	5,954
Amounts reclassified from AOCI			(17)	1,585 <sup>(2)</sup>	1,568
Net current period Other comprehensive loss	(64)		(92)	7,678	7,522
Balance at December 31, 2013	\$150	(\$8)	(\$6)	(\$10,030)	(\$9,894)
Other comprehensive income/(loss) before reclassifications	(97)		(137)	(4,644)	(4,878)
Amounts reclassified from AOCI			7	862 <sup>(2)</sup>	869
Net current period Other comprehensive income/(loss)	(97)		(130)	(3,782)	(4,009)
Balance at December 31, 2014	\$53	(\$8)	(\$136)	(\$13,812)	(\$13,903)
Other comprehensive income/(loss) before reclassifications	(92)	\$8	(140)	173	(51)
Amounts reclassified from AOCI			79	1,127 <sup>(2)</sup>	1,206
Net current period Other comprehensive income/(loss)	(92)	8	(61)	1,300	1,155
Balance at December 31, 2015	(\$39)		(\$197)	(\$12,512)	(\$12,748)

<sup>(1)</sup> Net of tax.

<sup>(2)</sup> Primarily relates to amortization of actuarial losses for the years ended December 31, 2015 , 2014 , and 2013 totaling \$1,038 , \$661 , and \$1,516 (net of tax of (\$570) , (\$367) , and (\$849) ), respectively. These are included in the net periodic pension cost of which a portion is allocated to production as inventoried costs. See Note 14 .

## Note 17 – Derivative Financial Instruments

### Cash Flow Hedges

Our cash flow hedges include foreign currency forward contracts, commodity swaps, and commodity purchase contracts. We use foreign currency forward contracts to manage currency risk associated with certain transactions, specifically forecasted sales and purchases made in foreign currencies. Our foreign currency contracts hedge forecasted transactions through 2021 . 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 2020 .

### 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 have entered into agreements to purchase and sell aluminum to address long-term strategic sourcing objectives and international business requirements. These agreements are derivative instruments for

accounting purposes. The quantities of aluminum in these agreements offset and are priced at prevailing market prices. We also hold certain foreign currency forward contracts which do not qualify for hedge accounting treatment.

### Notional Amounts and Fair Values

The notional amounts and fair values of derivative instruments in the Consolidated Statements of Financial Position as of December 31 were as follows:

	Notional amounts <sup>(1)</sup>		Other assets		Accrued liabilities	
	2015	2014	2015	2014	2015	2014
Derivatives designated as hedging instruments:						
Foreign exchange contracts	\$2,727	\$2,586	\$23	\$9	(\$304)	(\$204)
Interest rate contracts	125	125	9	10		
Commodity contracts	40	31	2	1	(13)	(24)
Derivatives not receiving hedge accounting treatment:						
Foreign exchange contracts	436	319	4	21	(11)	(5)
Commodity contracts	725	3				
Total derivatives	\$4,053	\$3,064	38	41	(328)	(233)
Netting arrangements			(23)	(16)	23	16
Net recorded balance			\$15	\$25	(\$305)	(\$217)

<sup>(1)</sup> 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:

Years ended December 31,	2015	2014
Effective portion recognized in Other comprehensive income/(loss), net of taxes:		
Foreign exchange contracts	(\$136)	(\$135)
Commodity contracts	(4)	(2)
Effective portion reclassified out of Accumulated other comprehensive loss into earnings, net of taxes:		
Foreign exchange contracts	(67)	6
Commodity contracts	(12)	(13)
Forward points recognized in Other income, net:		
Foreign exchange contracts	12	28
Undesignated derivatives recognized in Other income, net:		
Foreign exchange contracts	(1)	(7)

Based on our portfolio of cash flow hedges, we expect to reclassify losses of \$156 (pre-tax) out of Accumulated other comprehensive loss into earnings during the next 12 months. Ineffectiveness related to our hedges recognized in Other income was insignificant for the years ended December 31, 2015 and 2014 .

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 certain 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 December 31, 2015 was \$51 . At December 31, 2015 , there was no collateral posted related to our derivatives.

## Note 18 – Significant Group Concentrations of Risk

### Credit Risk

Financial instruments involving potential credit risk are predominantly with commercial aircraft customers and the U.S. government. Of the \$12,393 in gross accounts receivable and gross customer financing included in the Consolidated Statements of Financial Position as of December 31, 2015 , \$5,633 related predominantly to commercial aircraft customers ( \$2,096 of accounts receivable and \$3,537 of customer financing) and \$4,864 related to the U.S. government.

Of the \$3,586 in gross customer financing, \$2,487 related to customers we believe have less than investment-grade credit including Silk Way Airlines, AirBridgeCargo Airlines and American Airlines who were associated with 13% , 13% and 9% , respectively, of our financing portfolio. Financing for aircraft is collateralized by security in the related asset and in some instances security in other assets as well.

### Other Risk

As of December 31, 2015 , approximately 38% of our total workforce was represented by collective bargaining agreements and approximately 13% of our total workforce was represented by agreements expiring in 2016.

## Note 19 – Fair Value Measurements

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. 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.

	December 31, 2015			December 31, 2014		
	Total	Level 1	Level 2	Total	Level 1	Level 2
<b>Assets</b>						
Money market funds	\$4,504	\$4,504		\$3,826	\$3,826	
Available-for-sale investments:						
Commercial paper	87		87			
Corporate notes	79		79			
U.S. government agencies	83		83			
Other	20	20		7	7	
Derivatives	15		15	25		\$25
<b>Total assets</b>	<b>\$4,788</b>	<b>\$4,524</b>	<b>\$264</b>	<b>\$3,858</b>	<b>\$3,833</b>	<b>\$25</b>
<b>Liabilities</b>						
Derivatives	(\$305)		(\$305)	(\$217)		(\$217)
<b>Total liabilities</b>	<b>(\$305)</b>		<b>(\$305)</b>	<b>(\$217)</b>		<b>(\$217)</b>

Money market funds, available-for-sale debt investments and equity securities are valued using a market approach based on the quoted market prices or broker/dealer quotes of identical or comparable instruments.

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 years ended December 31 due to long-lived asset impairment, and the fair value and asset classification of the related assets as of the impairment date:

	2015		2014	
	Fair Value	Total Losses	Fair Value	Total Losses
Operating lease equipment	\$270	(\$159)	\$187	(\$170)
Property, plant and equipment	8	(6)	19	(15)
Other assets and Acquired intangible assets				(17)
Total	\$278	(\$165)	\$206	(\$202)

The fair value of the impaired operating lease equipment is derived by calculating a median collateral value from a consistent group of third party aircraft value publications. The values provided by the third party aircraft publications are derived from their knowledge of market trades and other market factors. Management reviews the publications quarterly to assess the continued appropriateness and consistency with market trends. Under certain circumstances, we adjust values based on the attributes and condition of the specific aircraft or equipment, usually when the features or use of the aircraft vary significantly from the more generic aircraft attributes covered by third party publications, or on the expected net sales price for the aircraft. Property, plant and equipment, Other assets and Acquired intangible assets were 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 year ended December 31, 2015, 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	\$270	Market approach	Aircraft value publications Aircraft condition adjustments	\$226 - \$394 <sup>(1)</sup> Median \$343 (\$112) - \$39 <sup>(2)</sup> Net (\$73)

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 Consolidated Statements of Financial Position at December 31 were as follows:

December 31, 2015					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>					
Accounts receivable, net	\$8,713	\$8,705		\$8,705	
Notes receivable, net	255	273		273	
<b>Liabilities</b>					
Debt, excluding capital lease obligations	(9,814)	(11,292)		(11,123)	(\$169)
December 31, 2014					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>					
Accounts receivable, net	\$7,729	\$7,845		\$7,845	
Notes receivable, net	366	395		395	
<b>Liabilities</b>					
Debt, excluding capital lease obligations	(8,909)	(10,686)		(10,480)	(\$206)

The fair value of Accounts receivable is based on current market rates for loans of the same risk and maturities. The fair values of our variable rate notes receivable that reprice frequently approximate their carrying amounts. The fair values of fixed rate notes receivable are estimated with discounted cash flow analysis using interest rates currently offered on loans with similar terms to borrowers of similar credit quality. The fair value of our debt that is traded in the secondary market is classified as Level 2 and is based on current market yields. For our debt that is not traded in the secondary market, the fair value is classified as Level 2 and is based on our indicative borrowing cost derived from dealer quotes or discounted cash flows. The fair values of our debt classified as Level 3 are based on discounted cash flow models using the implied yield from similar securities. With regard to other financial instruments with off-balance sheet risk, it is not practicable to estimate the fair value of our indemnifications and financing commitments because the amount and timing of those arrangements are uncertain. Items not included in the above disclosures include cash, restricted cash, time deposits and other deposits, commercial paper, money market funds, Accounts payable and long-term payables. The carrying values of those items, as reflected in the Consolidated Statements of Financial Position, approximate their fair value at December 31, 2015 and 2014. 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 20 – Legal Proceedings

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

We are subject to various U.S. government inquiries and 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. Where it is reasonably possible that we will incur losses in excess of recorded amounts in connection with any of the matters set forth below, we will disclose either the amount or range of reasonably possible losses in excess of such amounts or, where no such amount or range can be reasonably estimated, the reasons why no such estimate can be made.

### **Employment, Labor and Benefits Litigation**

In the second quarter of 2014, Boeing agreed to a \$90 settlement with plaintiffs in the Harkness case with respect to litigation initiated by former Boeing employees in 2007 upon the sale of the Wichita facility to Spirit AeroSystems, Inc. (Spirit) in 2005. The settlement was approved by the district court in a fairness hearing in September 2015. The payment was made in the fourth quarter and the indemnification receivable from Spirit is included in Other Assets at December 31, 2015.

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. The parties reached a provisional settlement on August 26, 2015, subject to a fairness hearing currently scheduled for March 2016. We do not expect this matter or the associated settlement to have a material effect on our financial position, results of operations or cash flows.

### **Note 21 – Segment Information**

We operate in five principal segments: Commercial Airplanes; Boeing Military Aircraft ( BMA ), Network & Space Systems ( N&SS ), and Global Services & Support ( GS&S ), collectively Defense, Space & Security ; and Boeing Capital . All other activities fall within Unallocated items, eliminations and other. See page 54 for the Summary of Business Segment Data, which is an integral part of this note.

The Commercial Airplanes segment develops, produces and markets commercial jet aircraft and provides related support services, principally to the commercial airline industry worldwide.

Our BMA segment is engaged in the research, development, production and modification of manned and unmanned military aircraft and weapons systems for global strike, including fighter aircraft and missile systems; vertical lift including rotorcraft and tilt-rotor aircraft; mobility, surveillance and engagement, including battle management, airborne, anti-submarine, transport and tanker aircraft.

Our N&SS segment is engaged in the research, development, production and modification of the following products and related services: electronics and information solutions, including command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR), cyber and information solutions, and intelligence systems; strategic missile and defense systems; space and intelligence systems, including satellites and commercial satellite launch vehicles; and space exploration.

Our GS&S segment provides customers with mission readiness through total support solutions. Our global services business sustains aircraft and systems with a full spectrum of products and services through integrated logistics, including supply chain management and engineering support; aircraft modernization and sustainment; and training systems and government services, including pilot and maintenance training. In addition, our GS&S segment is engaged in the research, development, production and modification of airborne surveillance command and control aircraft. GS&S international operations include Boeing Defence U.K. Ltd., Boeing Defence Australia, and Alsalam Aircraft Company, a joint venture.

Our BCC segment facilitates, arranges, structures and provides selective financing solutions for our Boeing customers.

The unallocated activities of Engineering, Operations & Technology ( EO&T ) and Shared Services Group (SSG), Corporate and intercompany guarantees provided to BCC are included in Unallocated items, eliminations and other. EO&T provides Boeing with technical and functional capabilities, including information technology, research and development, test and evaluation, technology strategy development, environmental remediation management and intellectual property management.

While our principal operations are in the United States, Canada and Australia, some key suppliers and subcontractors are located in Europe and Japan. Revenues, including foreign military sales, are reported by customer location and consisted of the following:

Years ended December 31,	2015	2014	2013
Asia, other than China	<b>\$13,433</b>	\$11,900	\$12,200
Europe	<b>12,248</b>	11,898	10,622
China	<b>12,556</b>	11,029	10,555
Middle East	<b>10,846</b>	9,243	9,165
Oceania	<b>2,601</b>	1,757	1,657
Canada	<b>1,870</b>	1,901	1,486
Africa	<b>1,398</b>	2,596	621
Latin America, Caribbean and other	<b>1,875</b>	2,596	2,725
Total non-U.S. revenues	<b>56,827</b>	52,920	49,031
United States	<b>39,287</b>	37,842	37,592
Total revenues	<b>\$96,114</b>	\$90,762	\$86,623

Revenues from the U.S. government (including foreign military sales through the U.S. government), primarily recorded at BDS, represented 27% , 30% and 34% of consolidated revenues for 2015 , 2014 and 2013 , respectively. Approximately 4% and 3% of operating assets were located outside the United States as of December 31, 2015 and 2014 . The information in the following tables is derived directly from the segments' internal financial reporting used for corporate management purposes.

#### Depreciation and Amortization

Years ended December 31,	2015	2014	2013
Commercial Airplanes	<b>\$625</b>	\$674	\$632
Defense, Space & Security:			
Boeing Military Aircraft	<b>142</b>	164	131
Network & Space Systems	<b>106</b>	114	120
Global Services & Support	<b>80</b>	75	69
Total Defense, Space & Security	<b>328</b>	353	320
Boeing Capital Corporation	<b>87</b>	97	110
Unallocated items, eliminations and other	<b>793</b>	782	782
Total	<b>\$1,833</b>	\$1,906	\$1,844

## Capital Expenditures

Years ended December 31,	2015	2014	2013
Commercial Airplanes	\$889	\$698	\$694
Defense, Space & Security:			
Boeing Military Aircraft	128	175	186
Network & Space Systems	98	93	96
Global Services & Support	62	68	48
Total Defense, Space & Security	288	336	330
Unallocated items, eliminations and other	1,273	1,202	1,074
Total	\$2,450	\$2,236	\$2,098

Unallocated capital expenditures relate primarily to assets managed by SSG on behalf of the five principal segments.

We recorded Earnings from operations associated with our cost and equity method investments of \$64 , \$58 and \$25 in our Commercial Airplanes segment and \$210 , \$229 and \$203 in BDS, primarily in our N&SS segment, for the years ended December 31, 2015 , 2014 and 2013 , respectively.

For segment reporting purposes, we record Commercial Airplanes segment revenues and cost of sales for airplanes transferred to other segments. Such transfers may include airplanes accounted for as operating leases and considered transferred to the BCC segment and airplanes transferred to the BDS segment for further modification prior to delivery to the customer. The revenues and cost of sales for these transfers are eliminated in the Unallocated items and eliminations caption. For segment reporting purposes, we record BDS revenues and cost of sales for the modification performed on airplanes received from Commercial Airplanes when the airplane is delivered to the customer or at the attainment of performance milestones.

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

Years ended December 31,	2015	2014	2013
Commercial Airplanes	\$1,831	\$1,822	\$879
Boeing Capital	15	19	29
Total	\$1,846	\$1,841	\$908

### Unallocated Items, Eliminations and other

Unallocated items, eliminations and other includes costs not attributable to business segments as well as intercompany profit eliminations. We generally allocate costs to business segments based on the U.S. federal cost accounting standards. Components of Unallocated items, eliminations and other are shown in the following table.

Years ended December 31,	2015	2014	2013
Share-based plans	(\$76)	(\$67)	(\$95)
Deferred compensation	(63)	(44)	(238)
Amortization of previously capitalized interest	(90)	(72)	(69)
Eliminations and other unallocated items	(511)	(593)	(859)
Sub-total	(740)	(776)	(1,261)
Pension	(421)	(1,469)	(1,374)
Postretirement	123	82	60
Pension and Postretirement	(298)	(1,387)	(1,314)
Total	(\$1,038)	(\$2,163)	(\$2,575)

### Unallocated Pension and Other Postretirement Benefit Expense

Unallocated pension and other postretirement benefit expense represents the portion of pension and other postretirement benefit costs that are not recognized by business segments for segment reporting purposes. Pension costs, comprising Generally Accepted Accounting Principles in the United States of America ( GAAP ) service and prior service costs, are allocated to Commercial Airplanes. Pension costs are allocated to BDS using U.S. Government Cost Accounting Standards ( CAS ), which employ different actuarial assumptions and accounting conventions than GAAP . These costs are allocable to government contracts. Other postretirement benefit costs are allocated to business segments based on CAS , which is generally based on benefits paid.

### Assets

Segment assets are summarized in the table below.

December 31,	2015	2014
Commercial Airplanes	\$57,253	\$55,149
Defense, Space & Security:		
Boeing Military Aircraft	6,811	7,229
Network & Space Systems	6,307	5,895
Global Services & Support	4,549	4,589
Total Defense, Space & Security	17,667	17,713
Boeing Capital	3,492	3,525
Unallocated items, eliminations and other	15,996	16,534
Total	\$94,408	\$92,921

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

**Note 22 – Quarterly Financial Data (Unaudited)**

	2015				2014			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Total revenues	\$23,573	\$25,849	\$24,543	\$22,149	\$24,468	\$23,784	\$22,045	\$20,465
Total costs and expenses	(20,642)	(21,600)	(21,350)	(18,496)	(20,711)	(20,075)	(18,670)	(17,296)
Earnings from operations	1,161	2,580	1,683	2,019	2,025	2,119	1,787	1,542
Net earnings	1,026	1,704	1,110	1,336	1,466	1,362	1,653	965
Basic earnings per share	1.52	2.50	1.61	1.89	2.05	1.88	2.26	1.30
Diluted earnings per share	1.51	2.47	1.59	1.87	2.02	1.86	2.24	1.28
Cash dividends declared per share	2.00		1.82		1.64		1.46	
Common stock sales price per share:								
High	150.59	149.18	155.50	158.83	135.78	130.58	138.39	144.57
Low	128.56	115.14	138.44	126.18	116.32	117.87	121.92	118.77
Quarter end	144.59	130.95	138.72	150.08	129.98	127.38	127.23	125.49

Gross profit is calculated as Total revenues minus Total costs and expenses. Total costs and expenses includes Cost of products, Cost of services and Boeing Capital interest expense.

During the fourth quarter of 2015, we recorded a reach-forward loss of \$885 on the 747 program.

During the second quarter of 2015 and 2014, higher estimated costs to complete the KC-46A Tanker contract for the U.S. Air Force resulted in reach-forward losses of \$835 and \$425 .

In the fourth quarter of 2015 and 2014, we recorded income tax benefits of \$235 and \$188 related to the reinstatement of the research tax credit for 2015 and 2014.

During the second quarter of 2014, we recorded an incremental tax benefit of \$265 that related to the application of a 2012 Federal Court of Claims decision. We also recorded tax benefits of \$116 and \$143 as a result of the 2007-2008 and 2009-2010 federal tax audit settlements.

We recorded charges related to defined benefit pension plan changes of \$334 in the first quarter of 2014.

We increased our quarterly dividend from \$0.73 to \$0.91 in December 2014 and to \$1.09 in December 2015.



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated statements of financial position of The Boeing Company and subsidiaries (the "Company") as of December 31, 2015 and 2014 , and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015 . The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Boeing Company and subsidiaries as of December 31, 2015 and 2014 , and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 , in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015 , based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 10, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
February 10, 2016

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the internal control over financial reporting of The Boeing Company and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Company and our report dated February 10, 2016 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Chicago, Illinois  
February 10, 2016

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. 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 December 31, 2015 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) Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2015 .

Our internal control over financial reporting as of December 31, 2015 , has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this report and is incorporated by reference herein.

(c) Changes in Internal Controls Over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**Item 9B. Other Information**

None.

**Part III****Item 10. Directors, Executive Officers and Corporate Governance**

Our executive officers and their ages as of February 10, 2016 , are as follows:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation or Employment/Other Business Affiliations</b>
Bertrand-Marc Allen	42	Senior Vice President, President of Boeing International since February 2015. Mr. Allen previously served as President of Boeing Capital Corporation from March 2014 to February 2015; Corporate Vice President, Boeing International and Chairman and President of Boeing (China) Co., Ltd. from March 2011 to March 2014; and Vice President, Global Law Affairs from May 2007 to March 2011.
Heidi B. Capozzi	46	Effective March 1, 2016, Ms. Capozzi will serve as Senior Vice President, Human Resources. Ms. Capozzi currently serves as Vice President of Leadership Development, Talent Management and Organization Effectiveness since April 2013. She previously served as Director of Human Resources for the Airplane Programs division of Commercial Airplanes from April 2011 to April 2013; and Director of Human Resources for the Surveillance and Engagement division of Boeing Military Aircraft from May 2009 to April 2011.
Christopher M. Chadwick	55	Executive Vice President, President and Chief Executive Officer of Boeing Defense, Space & Security since December 2013. Mr. Chadwick joined Boeing in 1982, and his previous positions include President of Boeing Military Aircraft from March 2009 to December 2013; President of Precise Engagement and Mobility Systems from February 2008 to February 2009; Vice President and General Manager, Global Strike Systems from January 2006 to January 2008; and Vice President of F/A-18 from January 2004 to December 2005.
Raymond L. Conner	60	Vice Chairman, President and Chief Executive Officer of Commercial Airplanes since December 2013. Mr. Conner joined Boeing in 1977, and his previous positions include Executive Vice President, President and Chief Executive Officer of Commercial Airplanes from June 2012 to December 2013; Senior Vice President of Sales and Customer Support of Commercial Airplanes from August 2011 to June 2012; Vice President and General Manager, Supply Chain Management and Operations of Commercial Airplanes from December 2008 to August 2011; Vice President of Sales, Commercial Airplanes from December 2007 to December 2008; and Vice President and General Manager of the 777 Program. Mr. Conner serves on the board of Johnson Controls, Inc.
Thomas J. Downey	51	Senior Vice President, Communications since January 2007. Mr. Downey joined Boeing in 1986, and his prior positions include Vice President, Corporate Communications; Vice President, Commercial Airplanes Communications; Corporate Vice President, Internal and Executive Communications; and General Manager of Communications and Community Relations for Military Aircraft and Missile Systems unit.

Name	Age	Principal Occupation or Employment/Other Business Affiliations
Timothy J. Keating	54	Senior Vice President, Government Operations since joining Boeing in June 2008. Mr. Keating served as Senior Vice President, Global Government Relations at Honeywell International Inc. from October 2002 to May 2008. Prior thereto, Mr. Keating was Chairman of the Board and Managing Partner of Timmons and Company (a Washington, D.C. lobbying firm).
J. Michael Luttig	61	Executive Vice President, General Counsel since April 2009. Mr. Luttig joined Boeing in May 2006 as Senior Vice President, General Counsel. From October 1991 to May 2006, he served on the United States Court of Appeals for the Fourth Circuit. Mr. Luttig previously served as Assistant Attorney General of the United States, Counselor to the Attorney General at the Department of Justice and Principal Deputy Assistant Attorney General at the Department of Justice and was associated with Davis Polk & Wardwell LLP. Mr. Luttig serves as Director, Franklin Templeton Mutual Funds.
Dennis A. Muilenburg	52	President and Chief Executive Officer and a member of the Board of Directors since July 2015. Mr. Muilenburg joined Boeing in 1985, and his previous positions include Vice Chairman, President and Chief Operating Officer from December 2013 to July 2015; Executive Vice President, President and Chief Executive Officer of BDS from September 2009 to December 2013; President of Global Services & Support from February 2008 to August 2009; Vice President and General Manager of Combat Systems from May 2006 to February 2008; and Vice President and Program Manager for Future Combat Systems. Mr. Muilenburg also serves on the board of Caterpillar Inc.
Anthony M. Parasida	60	Senior Vice President, Human Resources and Administration since April 2013. Mr. Parasida joined Boeing in 1978, and his previous positions include Senior Vice President from October 2012 to April 2013; President of Global Services & Support from September 2009 to October 2012; Vice President and General Manager of Surveillance and Engagement Systems from January 2006 to September 2009; and Vice President of P-8; and Vice President of F/A-18. Effective March 1, 2016, Mr. Parasida will cease to serve as Senior Vice President, Human Resources and Administration. He will remain a Senior Vice President of the Company until May 1, 2016 when he will retire from the Company.
Diana L. Sands	50	Senior Vice President, Office of Internal Governance since April 2014. Effective March 1, 2016, Ms. Sands will serve as Senior Vice President, Office of Internal Governance and Administration. Ms. Sands previously served as Vice President of Finance and Corporate Controller from February 2012 to April 2014 and Vice President of Investor Relations, Financial Planning & Analysis from February 2010 to February 2012. Prior to that, she held positions in Investor Relations, Financial Planning and in Corporate Treasury.

Name	Age	Principal Occupation or Employment/Other Business Affiliations
Gregory D. Smith	49	Chief Financial Officer, Executive Vice President, Business Development and Strategy since February 2015. Mr. Smith previously served as Executive Vice President, Chief Financial Officer from February 2012 to February 2015; Vice President of Finance and Corporate Controller from February 2010 to February 2012; and Vice President of Financial Planning & Analysis from June 2008 to February 2010. From August 2004 until June 2008, he served as Vice President of Global Investor Relations at Raytheon Company. Prior to that, he held a number of positions at Boeing including CFO, Shared Services Group; Controller, Shared Services Group; Senior Director, Internal Audit; and leadership roles in supply chain, factory operations and program management.
John J. Tracy	61	Chief Technology Officer and Senior Vice President, Engineering, Operations & Technology since October 2006. Dr. Tracy joined Boeing in 1981, and his previous positions include Vice President of Engineering and Mission Assurance for BDS; Vice President of Structural Technologies, Prototyping, and Quality for Phantom Works; and General Manager of Engineering for Military Aircraft and Missiles.

Information relating to our directors and nominees will be included under the caption “Election of Directors” in the 2016 Proxy Statement for our Annual Shareholders Meeting scheduled to be held on May 2, 2016 and is incorporated by reference herein. The information required by Items 405, 407(d)(4) and 407(d)(5) of Regulation S-K will be included under the captions “Stock Ownership Information – Section 16(a) Beneficial Ownership Reporting Compliance” and “Board Committees” in the 2016 Proxy Statement, and that information is incorporated by reference herein.

*Codes of Ethics.* We have adopted (1) The Boeing Company Code of Ethical Business Conduct for the Board of Directors; (2) The Boeing Company Code of Conduct for Finance Employees which is applicable to our Chief Executive Officer (CEO), Chief Financial Officer (CFO), Controller and all finance employees; and (3) The Boeing Code of Conduct that applies to all employees, including our CEO (collectively, the Codes of Conduct). The Codes of Conduct are posted on our website, [www.boeing.com](http://www.boeing.com), and printed copies may be obtained, without charge, by contacting the Office of Internal Governance, The Boeing Company, 100 N. Riverside Plaza, Chicago, IL 60606. We intend to disclose promptly on our website any amendments to, or waivers of, the Codes of Conduct covering our CEO, CFO and/or Controller.

No family relationships exist among any of the executive officers, directors or director nominees.

#### Item 11. Executive Compensation

The information required by Item 402 of Regulation S-K will be included under the captions “Compensation Discussion and Analysis,” “Compensation of Executive Officers,” and “Compensation of Directors” in the 2016 Proxy Statement, and that information is incorporated by reference herein. The information required by Item 407(e)(4) and 407(e)(5) of Regulation S-K will be included under the captions “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in the 2016 Proxy Statement, and that information is incorporated by reference herein.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 403 of Regulation S-K will be included under the caption “Stock Ownership Information” in the 2016 Proxy Statement, and that information is incorporated by reference herein.

### Equity Compensation Plan Information

We currently maintain two equity compensation plans that provide for the issuance of common stock to officers and other employees, directors and consultants. Each of these compensation plans was approved by our shareholders. The following table sets forth information regarding outstanding options and shares available for future issuance under these plans as of December 31, 2015 :

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by shareholders			
Stock options	12,925,944	\$73.44	
Deferred compensation	2,979,943		
Other stock units <sup>(1)</sup>	5,713,711		
Equity compensation plans not approved by shareholders	None	None	None
Total <sup>(2)</sup>	21,619,598	\$73.44	16,894,098

<sup>(1)</sup> Includes 2,246,070 shares issuable in respect of PBRsUs subject to the satisfaction of performance criteria and assumes payout at maximum levels.

<sup>(2)</sup> Excludes the potential performance awards which the Compensation Committee has the discretion to pay in cash, stock or a combination of both after the three-year performance periods which end in 2015 , 2016 and 2017 .

For further information, see Note 15 to our Consolidated Financial Statements.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 404 of Regulation S-K will be included under the caption “Related Person Transactions” in the 2016 Proxy Statement, and that information is incorporated by reference herein.

The information required by Item 407(a) of Regulation S-K will be included under the caption “Director Independence” in the 2016 Proxy Statement, and that information is incorporated by reference herein.

## Item 14. Principal Accounting Fees and Services

The information required by this Item will be included under the caption “Principal Accountant Fees and Services” in the 2016 Proxy Statement, and that information is incorporated by reference herein.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

(a) List of documents filed as part of this report:

#### 1. Financial Statements

Our consolidated financial statements are as set forth under Item 8 of this report on Form 10-K.

#### 2. Financial Statement Schedules

All schedules are omitted because they are not applicable, not required, or the information is included in the consolidated financial statements.

#### 3. Exhibits

(3) Articles of Incorporation and By-Laws.

- (i) Amended and Restated Certificate of Incorporation of The Boeing Company dated May 5, 2006 (Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 1, 2006).
- (ii) By-Laws of The Boeing Company, as amended and restated December 14, 2015 (Exhibit 3.2 to the Company's Current Report on Form 8-K dated December 15, 2015).

(10) Material Contracts.

##### Bank Credit Agreements

- (i) 364-Day Credit Agreement, dated as of November 4, 2015, among The Boeing Company, the Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC as joint lead arrangers and joint book managers, JPMorgan Chase Bank, N.A. as syndication agent and Citibank, N.A. as administrative agent (Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 4, 2015).
- (ii) Five-Year Credit Agreement, dated as of November 10, 2011, among The Boeing Company, the Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC as joint lead arrangers and joint book managers, JPMorgan Chase Bank, N.A. as syndication agent and Citibank, N.A. as administrative agent (Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 10, 2011).
- (iii) Amendment No. 1 dated as of October 9, 2014 to the Five-Year Credit Agreement, dated as of November 10, 2011, among The Boeing Company, the Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC as joint lead arrangers and joint book managers, JPMorgan Chase Bank, N.A. as syndication agent and Citibank, N.A. as administrative agent (Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 14, 2014).
- (iv) Amendment No. 2 dated as of November 4, 2015 to the Five-Year Credit Agreement, dated as of November 10, 2011, among The Boeing Company, the Lenders party thereto, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC as joint lead arrangers and joint book managers, JPMorgan Chase Bank, N.A. as syndication agent and Citibank, N.A. as administrative agent (Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 4, 2015).



Business Acquisition Agreements

- (v) Joint Venture Master Agreement, dated as of May 2, 2005, by and among Lockheed Martin Corporation, The Boeing Company and United Launch Alliance, L.L.C. (Exhibit (10)(i) to the Company's Form 10-Q for the quarter ended June 30, 2005).
- (vi) Delta Inventory Supply Agreement, dated as of December 1, 2006, by and between United Launch Alliance, L.L.C. and The Boeing Company (Exhibit (10)(vi) to the Company's Form 10-K for the year ended December 31, 2006).

Management Contracts and Compensatory Plans

- (vii) Summary of Non-Employee Director Compensation (Exhibit 10(i) to the Company's Form 10-Q for the quarter ended September 30, 2014).
- (viii) Deferred Compensation Plan for Directors of The Boeing Company, as amended and restated effective January 1, 2008 (Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 28, 2007).
- (ix) Deferred Compensation Plan for Employees of The Boeing Company, as amended and restated on January 1, 2008 (Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 28, 2007).
- (x) Incentive Compensation Plan for Employees of The Boeing Company and Subsidiaries, as amended and restated April 27, 2015 (Exhibit 10.5 to the Company's Form 10-Q for the quarter ended June 30, 2015).
- (xi) The Boeing Company Elected Officer Annual Incentive Plan, as amended and restated effective April 27, 2015 (Exhibit 10.4 to the Company's Form 10-Q for the quarter ended June 30, 2015).
- (xii) The Boeing Company 1997 Incentive Stock Plan, as amended effective May 1, 2000 and further amended effective January 1, 2008 (Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 28, 2007).
- (xiii) Transition and Retirement Agreement dated June 22, 2015 (Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 22, 2015).
- (xiv) Supplemental Pension Agreement between The Boeing Company and J. Michael Luttig dated January 25, 2007, as amended on November 14, 2007 (Exhibit (10)(xxx) to the Company's Form 10-K for the year ended December 31, 2007).
- (xv) Supplemental Benefit Plan for Employees of The Boeing Company, as amended and restated on August 25, 2014, effective March 1, 2014 (Exhibit 10(ii) to the Company's Form 10-Q for the quarter ended September 30, 2014).
- (xvi) Supplemental Executive Retirement Plan for Employees of The Boeing Company, as amended and restated as of January 1, 2016.
- (xvii) The Boeing Company Executive Layoff Benefits Plan, as amended and restated effective January 1, 2010 (Exhibit (10)(xxix) to the Company's Annual Report on Form 10-K for the year ended December 31, 2009).
- (xviii) The Boeing Company 2003 Incentive Stock Plan.
  - (a) Plan, as amended and restated effective April 27, 2015 (Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 2015).
  - (b) Form of Non-Qualified Stock Option Grant Notice of Terms (Exhibit (10)(xvii)(b) to the Company's Form 10-K for the year ended December 31, 2010).
  - (c) Form of Notice of Terms of Performance-Based Restricted Stock Units.

- (d) Form of Performance Award Notice.
  - (e) Form of Notice of Terms of Restricted Stock Units.
  - (f) Form of Notice of Terms of Restricted Stock Units dated February 27, 2012 (Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 27, 2012).
  - (g) Form of Notice of Terms of Restricted Stock Units dated December 17, 2012 (Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 17, 2012).
  - (h) Form of Notice of Terms of Restricted Stock Units dated February 24, 2014 (Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 24, 2014).
  - (i) Form of Notice of Terms of Restricted Stock Units dated February 23, 2015.
  - (j) Notice of Terms of Restricted Stock Units (Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 22, 2015).
- (12) Computation of Ratio of Earnings to Fixed Charges.
- (14) Codes of Ethics.
- (i) The Boeing Company Code of Ethical Business Conduct for Members of the Board of Directors ([www.boeing.com/resources/boeingdotcom/company/general\\_info/pdf/conduct\\_for\\_directors.pdf](http://www.boeing.com/resources/boeingdotcom/company/general_info/pdf/conduct_for_directors.pdf)).
  - (ii) The Boeing Company Code of Conduct for Finance Employees ([www.boeing.com/resources/boeingdotcom/company/general\\_info/pdf/code-of-conduct-for-finance.pdf](http://www.boeing.com/resources/boeingdotcom/company/general_info/pdf/code-of-conduct-for-finance.pdf)).
  - (iii) The Boeing Company Code of Conduct ([www.boeing.com/resources/boeingdotcom/principles/ethics\\_and\\_compliance/pdf/english.pdf](http://www.boeing.com/resources/boeingdotcom/principles/ethics_and_compliance/pdf/english.pdf)).
- (21) List of Company Subsidiaries.
- (23) Consent of Independent Registered Public Accounting Firm.
- (31) Section 302 Certifications.
- (i) Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
  - (ii) Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- (32) Section 906 Certifications.
- (i) Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
  - (ii) Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(99) Additional Exhibits.

(i) Commercial Program Method of Accounting (Exhibit (99)(i) to the 1997 Form 10-K).

(101) Interactive Data Files.

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

### Signatures

Pursuant to the requirements of Section 13 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, on February 10, 2016 .

**THE BOEING COMPANY**

(Registrant)

/s/ Robert E. Verbeck

By:

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Robert E. Verbeck – Senior Vice President, Finance and Corporate  
Controller

[Table of Contents](#)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 10, 2016 .

/s/ Dennis A. Muilenburg

Dennis A. Muilenburg – President, Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ Edmund P. Giambastiani, Jr.

Edmund P. Giambastiani, Jr. – Director

/s/ Gregory D. Smith

Gregory D. Smith – Chief Financial Officer and Executive Vice  
President, Business Development and Strategy  
(Principal Financial Officer)

/s/ Lynn J. Good

Lynn J. Good – Director

/s/ Robert E. Verbeck

Robert E. Verbeck – Senior Vice President, Finance and Corporate  
Controller  
(Principal Accounting Officer)

/s/ Lawrence W. Kellner

Lawrence W. Kellner – Director

/s/ W. James McNerney, Jr.

W. James McNerney, Jr. – Chairman

/s/ Edward M. Liddy

Edward M. Liddy – Director

/s/ David L. Calhoun

David L. Calhoun – Director

/s/ Susan C. Schwab

Susan C. Schwab – Director

/s/ Arthur D. Collins, Jr.

Arthur D. Collins, Jr. – Director

/s/ Ronald A. Williams

Ronald A. Williams – Director

/s/ Kenneth M. Duberstein

Kenneth M. Duberstein – Director

/s/ Mike S. Zafirovski

Mike S. Zafirovski – Director

**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN  
FOR EMPLOYEES OF THE BOEING COMPANY  
(As Amended and Restated as of January 1, 2016)**

**SECTION 1. PURPOSE OF THE PLAN**

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

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

The Plan was restated effective January 1, 2008 to comply with section 409A of the Internal Revenue Code of 1986, as amended. The Plan was restated effective January 1, 2009 to make additional clarifying changes. The Plan was restated effective as of May 1, 2013 to make Designated Domestic Partners and same sex Spouses eligible for pre-commencement survivor benefits and optional forms of benefit with a survivor annuity under the Plan. These Designated Domestic Partner benefits will be available to Participants whose Commencement Date (or pre-commencement death) occurs on or after May 1, 2013 and before January 1, 2017.

Notwithstanding any provision in the Plan to the contrary, effective December 31, 2015, benefits will cease to accrue under the Pension Value Plan (other than the allocation of Interest Credits to the extent required under Section 4.2 of the Pension Value Plan). To reflect this change, benefits will cease to accrue under this Plan as of December 31, 2015 (other than as attributable to such Interest Credits).

**SECTION 2. DEFINITIONS**

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

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

- (a) For purposes of calculating a lump sum, the Actuarial Equivalent will be determined on the basis of the interest and mortality assumptions used to calculate lump sum benefits under the PVP, as it shall be amended from time to time.
- (b) For purposes of calculating a Surviving Spouse Option or Domestic Partner Option, the Actuarial Equivalent will be determined on the basis of a 6% interest rate and the RP-2000 mortality table, mixed collar, projected to 2015 using Scale AA, with a 50/50 male/female blend.

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

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

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

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

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

**Committee** – means the Employee Benefit Plans Committee.

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

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

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

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

**Excess Benefit** – means the benefits provided by Section 5 of this Plan. Effective as of December 31, 2015, the Excess Benefit will cease to accrue under this Plan (other than as attributable to the allocation of Interest Credits under the PVP).

**Final Average Pay** – means the greater of the following:

- (a) the highest five completed consecutive calendar years of Compensation divided by five, or
- (b) the daily Compensation received during the last 1,825 days before the Participant's Termination of Employment, divided by 1,825 and multiplied by 365 or, if a Participant has less than 1,825 days between his or her Employment Commencement Date and his or her Termination of Employment, the Compensation received during that period divided by the number of days in that period and multiplied by 365. For purposes of this calculation, February 29 and March 1 of any leap year shall be treated as one day.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

**PVP or Pension Value Plan** – means The Pension Value Plan for Employees of The Boeing Company (formerly known as The Boeing Company Pension Value Plan for Heritage MDC Employees and The Boeing Company Pension Value Plan), as amended from time to time. Effective as of December 31, 2015, benefits will cease to accrue under the PVP (other than the allocation of Interest Credits to the extent required under Section 4.2 of the PVP).

**Plan** – means the Supplemental Executive Retirement Plan for Employees of The Boeing Company as herein set forth, together with any amendments that may be adopted. Effective as of December 31, 2015, benefits will cease to accrue under this Plan (other than as attributable to the allocation of Interest Credits under the PVP).

**Plan Year** – means the calendar year.

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

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

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

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

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

Effective as of December 31, 2015, the SERP Benefit will cease to accrue under this Plan (other than as attributable to the allocation of Interest Credits under the PVP).

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

**Supplemental Benefit** – means the benefits provided by Section 4 of this Plan. Effective as of December 31, 2015, the Supplemental Benefit will cease to accrue under this Plan.

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

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

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

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

### **SECTION 3. THE SERP BENEFIT**

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

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

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

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

Effective as of December 31, 2015, benefits will cease to accrue under this Plan. No Supplemental Benefit or Excess Benefit will accrue for any Participant after this date (other than as attributable to the allocation of Interest Credits under the PVP).

#### **A. Special Bridging Rules for Early Retirement Benefits**

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

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

1. The Participant Separated from Service (including deemed Separations from Service) in a manner (such as layoff) that permits the accrual of additional vesting service credit toward early retirement eligibility following such separation.
2. The Participant is described in one of the following categories as of his or her Separation from Service:
  - (a) The Participant has attained age 54 or older with 9 or more years of Vesting Service (but has not yet attained both age 55 and 10 years of Vesting Service), or
  - (b) The Participant has a Heritage MDC Benefit and has attained age 54 or older with 29 or more years of Accumulated Benefit Service (but has not yet reached an MDC 50/30 Date).

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

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

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

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

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

**C. Forfeiture**

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

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

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

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

#### **D. Participants Rehired After Commencement Date**

The SERP Benefit of a Participant who is rehired (or who returns from an Authorized Period of Absence or a period of a reduced level of services that constitutes a deemed Separation from Service under Code section 409A) after his or her Commencement Date will be determined under this Section 3.D.

##### **1. Calculation and Payment of Old SERP Benefit**

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

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

##### **2. Calculation and Payment of New SERP Benefit**

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

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

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

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

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

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

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

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

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

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



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

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

**(c) Rehires Who Retired Prior to 2008**

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

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

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

**E. Participants Rehired Before Commencement Date**

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

**1. Calculation and Payment of Old SERP Benefit**

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

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

For purposes of calculating the Participant's Supplemental Benefit, his or her Target Benefit will equal the amount determined under Section 4.B., taking account of the Participant's Benefit Service and Total Average Compensation as of the prior Separation from Service (or as of the end of an

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

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

## **2. Calculation and Payment of New SERP Benefit**

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

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

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

total SERP Benefit described above, minus (ii) the Old SERP Benefit defined in Section 3.E.1. No Supplemental Benefit will be payable.

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

#### **F. Pilot Early Leave**

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

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

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

## **SECTION 4. THE SUPPLEMENTAL BENEFIT**

### **A. Eligibility and Participation**

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

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

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

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

Effective as of December 31, 2015, benefits will cease to accrue under this Plan. No Supplemental Benefit will accrue for any Participant after this date.

### **B. Amount of Supplemental Benefit**

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

(1) The greater of the following:

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

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

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

- (2) The Offset Benefit – a monthly amount equal to the benefits payable (or which would have been payable but for a Participant's or Beneficiary's receipt of a lump sum distribution) to or on account of the Participant under the PVP, adjusted to reflect payment at the Participant's Commencement Date as a Single Life Annuity according to the provisions of the PVP.

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

Effective as of December 31, 2015, benefits will cease to accrue under this Plan. No Supplemental Benefit will accrue for any Participant after this date.

### **C. Early Retirement Benefits and Vested Terminated Retirement Benefits**

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

#### **1. Early Retirement Benefits**

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

#### **2. Vested Terminated Retirement Benefits**

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

### **D. Disability Retirement Benefits**

A Participant who was on an approved medical leave of absence on or before April 1, 2003 and who otherwise met the eligibility requirements for a Disability Retirement Date under the PVP on or before December 1, 2004 would be entitled to a disability retirement benefit equal to his unreduced Supplemental Benefit in accordance with the provisions of the PVP governing disability retirement benefits. Disability benefits were payable under this Plan only when and to the extent that the

Participant received disability retirement benefits under the PVP. This Section 4.D. applies only to benefits that accrued and commenced payment before December 31, 2004, and it has no application after that date.

#### **E. Vesting**

No Supplemental Benefit shall be payable to a Participant until such Participant is vested in such Supplemental Benefit. A Participant will vest 100% in his Supplemental Benefit at the later of the following: (1) the date the Participant vests 100% in retirement benefits provided under the PVP, or (2) the date the Participant has been on the E-Series Payroll for a period of 36 consecutive months. For these purposes, an Authorized Period of Absence from the E-Series Payroll will count as a period on the E-Series Payroll. If an Employee ceases to be on the E-Series Payroll for any reason other than an Authorized Period of Absence, and the Employee later returns to the E-Series Payroll, periods of service on E-Series Payroll will not be aggregated for purpose of determining whether the 36-consecutive month requirement has been met.

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

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

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

If a Participant Separates from Service *after* becoming vested in the Supplemental Benefit, and the Participant is subsequently rehired or returns from an Authorized Period of Absence, the

Supplemental Benefit accrued after rehire and return will be 100% vested (even if the Participant fails to be on the E-Series Payroll for 36 consecutive months following rehire or return).

## **F. Transfers**

Effective January 1, 1999, certain participants in certain of the qualified plans sponsored by the Company and its Affiliates or Subsidiaries were transferred from those qualified plans to the PVP. In addition, effective July 1, 1999, certain participants in the Boeing North American Retirement Plan were transferred from that plan to the PVP. In conjunction with the transfer to the PVP, those participants were also transferred from various non-qualified plans in which they participated into this Plan. As of October 5, 2000, certain participants in The Times Mirror Pension Plan became participants in the PVP.

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

### **1. Final Average Pay**

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

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

### **2. Final Average Incentive Pay**

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

- (a) For Heritage Boeing Participants, the portion of Final Average Monthly Total Earnings as defined in the Supplemental Retirement Plan for Executives of The Boeing Company, determined by reference to awards under the Incentive Compensation Plan, multiplied by twelve;

- (b) For Heritage MDC Participants, the portion of Average Monthly Salary as defined in the Employee Retirement Income Plan of McDonnell Douglas Corporation, Salaried Plan determined by reference to incentive compensation awards of such Participants, multiplied by twelve.

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

### **3. Frozen Benefit**

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

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

### **4. Times Mirror Indexing Benefit**

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



## **SECTION 5. THE EXCESS BENEFITS**

### **A. Eligibility**

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

Effective as of December 31, 2015, benefits will cease to accrue under the PVP (other than the allocation of Interest Credits to the extent required under Section 4.2 of the PVP). Accordingly, benefits will cease to accrue under this Plan (other than as attributable to such Interest Credits). No Excess Benefit will accrue for any Participant after this date (other than as attributable to the allocation of Interest Credits under the PVP).

### **B. Amount of Excess Benefits**

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

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

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

Effective as of December 31, 2015, benefits will cease to accrue under the PVP (other than the allocation of Interest Credits to the extent required under Section 4.2 of the PVP). Accordingly, benefits will cease to accrue under this Plan (other than as attributable to such Interest Credits). No Excess Benefit will accrue for any Participant after this date (other than as attributable to the allocation of Interest Credits under the PVP).

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

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

However, where a Participant's Commencement Date occurs after January 1, 2008, and after April 1<sup>st</sup> of the Plan Year following the Plan Year in which he or she attains age 70½, his or her Excess

Benefit will be calculated as if the Participant's benefit under the PVP had not previously commenced.

**D. Vesting**

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

## **SECTION 6. PAYMENT OF BENEFITS**

### **A. Payment of Benefits**

#### **1. Form of Payment**

In general, a Participant who is eligible to receive a SERP Benefit will be paid in the form of a Single Life Annuity. An eligible Participant may elect prior to the Commencement Date to receive the SERP Benefit in the form of either (i) a Single Life Annuity, (ii) an Actuarially Equivalent Surviving Spouse Option (with a 50%, 75%, or 100% survivor benefit payable to the Spouse), or (iii) solely for Commencement Dates on or after May 1, 2013 and before January 1, 2017, an Actuarially Equivalent Domestic Partner Option (with a 50%, 75% or 100% survivor benefit payable to the Designated Domestic Partner). An election made under this Section will be irrevocable after the Commencement Date.

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

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

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

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

## **2. Timing of Payment**

### **(a) General Rule**

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

- (i) The Participant's attainment of age 55.
- (ii) The Participant's Separation from Service.

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

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

### **(b) Participants Working Past Age 70½**

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

### **(c) Specified Employees**

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

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

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

## **B. Death Benefits**

### **1. Death Before Commencement of Benefits**

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

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

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

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

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

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

If a Participant dies on or after May 1, 2013 and before January 1, 2017 with no surviving Spouse, the Participant's Designated Domestic Partner, if any, will be eligible for the death benefit otherwise payable to a Spouse under this Section. No benefit will be payable to a Designated Domestic Partner in

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

If a Participant dies on or after January 1, 2017 with no surviving Spouse, then no death benefit will be payable under the Plan.

## **2. Death After Commencement of Benefits**

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

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

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

## **C. Delays in Payment**

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

## **D. Involuntary Inclusion in Income**

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

## **SECTION 7. NONASSIGNABILITY**

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

## **SECTION 8. UNFUNDED STATUS OF PLAN**

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

## **SECTION 9. ADMINISTRATION**

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

## **SECTION 10. AMENDMENT AND TERMINATION**

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

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

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

#### **SECTION 11. DISTINCT STATUS OF PLANS**

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

#### **SECTION 12. EMPLOYMENT RIGHTS**

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

#### **SECTION 13. CLAIMS PROCEDURE**

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

#### **SECTION 14. COMPLIANCE WITH CODE SECTION 409A**

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

#### **SECTION 15. CONSTRUCTION**

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



## **SECTION 16. LEGAL ACTION**

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

## Notice of Terms of Performance-Based Restricted Stock Units

«Grant\_Date»

To: «Name»  
BEMSID: «BEMS\_ID»

As part of its executive compensation program, The Boeing Company (the “Company”) has awarded you a Performance - Based Restricted Stock Unit award effective «Grant\_Date» (the “Grant Date”). The terms and conditions of the award are as follows:

1. **PBRSU Award.** You have been awarded «PBRSU\_Units» Performance - Based Restricted Stock Units. Each Performance - Based Restricted Stock Unit (“PBRSU”) corresponds to one share of Boeing Common Stock. Your PBRsUs are awarded pursuant to The Boeing Company 2003 Incentive Stock Plan, as amended and restated from time to time (the “Plan”) and the award is subject to the terms of the Plan, including the maximum award provisions. If there is any inconsistency between the terms of this notice and the terms of the Plan, the Plan’s terms will control. A summary of the Plan accompanies this notice.
2. **PBRSU Account.** The Company will maintain a record of the number of awarded PBRsUs in an account established in your name.
3. **Vesting Provisions:**

**3.1 General.** Subject to your continued employment or other service with the Company or its subsidiaries through «Vesting Date» (the “Vesting Date”) (except as otherwise provided herein), the Award shall become vested based upon the Company’s “Relative Total Shareholder Return” in terms of percentile ranking as compared to the Peer Companies (as defined in Exhibit A) over the period beginning immediately after the Grant Date and ending immediately prior to the Vesting Date (the “Measurement Period”) in accordance with the following:

<u>Relative Total Shareholder Return Ranking over Measurement Period</u>	<u>Payout % Level</u>
91 <sup>st</sup> Percentile or Higher	200%
81 <sup>st</sup> - 90 <sup>th</sup> Percentile	175%
71 <sup>st</sup> - 80 <sup>th</sup> Percentile	150%
61 <sup>st</sup> - 70 <sup>th</sup> Percentile	125%
51 <sup>st</sup> - 60 <sup>th</sup> Percentile	100%
41 <sup>st</sup> - 50 <sup>th</sup> Percentile	75%
31 <sup>st</sup> - 40 <sup>th</sup> Percentile	50%
21 <sup>st</sup> - 30 <sup>th</sup> Percentile	25%
0 - 20 <sup>th</sup> Percentile	0%

In the event of a payout percentage level above 100%, you will be awarded additional PBRsUs so that the total number of PBRsUs which vest as of the Vesting Date (excluding dividend equivalent PBRsUs) equals the original PBRSU award amount multiplied by the payout percentage level. In the event of a payout percentage level below 100%, your PBRsUs awarded under Section 1 will be forfeited to the extent necessary to provide that the total number of PBRsUs which vest as of the Vesting Date (excluding dividend equivalent PBRsUs) equals the original PBRSU award amount multiplied by the payout percentage level.

**3.2 Payout Limits.** In no event shall the value of your PBRUS award as of the Vesting Date exceed 400% of the Target PBRUS Award Amount on the Grant Date. The 400% cap will be adjusted downward proportionately in the event of your retirement, layoff, disability, death or leave of absence during the Measurement Period. Any dividend equivalent PBRUSs (as defined in Section 4) earned throughout the Measurement Period will not count toward the 400% cap.

The Target PBRUS Award Amount on the Grant Date is defined as the product of your base salary (as of December 31 of the year prior to the award) and your target PBRUS multiple (based on your E - series grade as of March 1 of the year of the award).

**4. Dividend Equivalents Credited on Your PBRUSs.**

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

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

**4.3** Dividend equivalent PBRUSs will vest at the same time and in the same manner as the PBRUSs with which they are associated. Dividend equivalent PBRUSs will be adjusted in accordance with the payout level percentage determined under Section 3.1 in the same manner as the PBRUSs with which they are associated. Accumulated dividend equivalent PBRUSs will be multiplied by the same payout percentage level and dividend equivalent PBRUSs will be added or forfeited, as necessary, so that the total dividend equivalent PBRUSs which vest as of the Vesting Date will equal the dividend equivalent PBRUSs which accumulate during the Measurement Period multiplied by the payout percentage level.

**5. Adjustment in Number of PBRUSs.** The number of PBRUSs in your account will be adjusted proportionately for any increase or decrease in the number of issued shares of Boeing stock resulting from any stock split, combination or exchange of shares, consolidation, spin - off or recapitalization of shares, or any similar capital adjustment or the payment of any stock dividend.

**6. Termination due to Retirement, Layoff, Disability, or Death.** In the event your employment is terminated by reason of retirement, layoff, disability, or death, your PBRUS payout, including any dividend equivalent PBRUSs, will be prorated based on the number of full and partial calendar months you spent on the active payroll during the Measurement Period (beginning with the first full calendar month after the Grant Date). Payout for the award will be made at the same time as payment would have been made had you not had a termination of employment and will in all respects be subject to the Company’s actual Relative Total Shareholder Return achievement for the full Measurement Period. For purposes of this award, “retirement” means retirement under the conditions that satisfy the terms of the Company’s or subsidiary’s defined benefit pension plan in which you participate. If you are not a participant in such a defined benefit pension plan, “retirement” means termination of employment voluntarily by you after you have attained either (i) age 55 with 10 years of service, or (ii) age 62 with one year of service. For purposes of this award, “disability” means a disability entitling you to benefits under the long - term disability policy sponsored by the Company or one of its subsidiaries that applies to you.

**7. Forfeiture Upon Other Terminations.** In the event your employment is terminated prior to the Vesting Date for any reason (including for cause and resignation) other than those reasons described in Section 6, all unvested PBRUSs (and all associated dividend equivalent PBRUSs) granted hereunder shall immediately be forfeited by you and canceled.

**8. Leave of Absence.** Unless otherwise required by law, in the event you have an authorized leave of absence at any time during the Measurement Period which absence extends beyond three full calendar months (including any absence that began before the Grant Date), your PBRUS payout, including any dividend equivalent PBRUSs, will be prorated based on the number of full and partial calendar months you spent on the active payroll during the

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Measurement Period (beginning with the first full calendar month after the Grant Date). Payout for the award will be made at the same time as payment would have been made without regard to any leave of absence, and will in all respects be subject to the Company's actual Relative Total Shareholder Return achievement for the full Measurement Period.

**9. PBRSU Award Payable in Stock.**

**9.1** Distribution from your PBRSU account will be made as soon as reasonably possible after the Vesting Date, but not later than 60 days after the Vesting Date. Distribution will be in whole shares of Boeing stock, provided that in the event you are on an International payroll as of the distribution date, your distribution will be paid in cash. The number of shares distributed will be equal to the number of whole vested PBRSUs in your account, subject to deductions described in Section 9.2. Fractional share values will be applied to income tax withholding.

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

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

**11. Clawback Policy.** These PBRSU Awards are subject to the Clawback Policy adopted by the Company's Board of Directors, as amended from time to time, which currently provides as follows:

The Board shall, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment to an executive officer where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Board determines the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (3) a lower payment would have been made to the executive based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this policy, the term "executive officer" means any officer who has been designated an executive officer by the Board.

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**The Boeing Company**  
**Performance-Based Restricted Stock Unit**  
**Exhibit A - Calculation of Relative Total Shareholder Return**

- “Relative Total Shareholder Return” means the Company’s TSR relative to the TSR of the Peer Companies. Relative Total Shareholder Return will be determined by ranking the Company and the Peer Companies from highest to lowest according to their respective TSRs. After this ranking, the percentile performance of the Company relative to the Peer Companies will be determined as follows:

$$P = 1 - \frac{R - 1}{N - 1}$$

where: “P” represents the percentile performance which will be rounded, if necessary, to the nearest whole percentile by application of regular rounding.

“N” represents the number of Peer Companies as of the Vesting Date, plus the Company.

“R” represents Company’s ranking among the Peer Companies.

**Example:** If there are 23 Peer Companies, and the Company ranked 8<sup>th</sup>, the performance would be at the 70<sup>th</sup> percentile:  $.70 = 1 - ((8-1)/(24-1))$ .

Relative Total Shareholder Return shall be calculated by the Compensation Committee of the Board of Directors of the Company based on the terms set forth in this Exhibit A subject to the Compensation Committee’s sole and absolute discretion, provided that in no event shall the Compensation Committee take any action that would constitute “positive discretion” with respect to awards intended to qualify as “performance - based compensation” under Section 162(m) of the Internal Revenue Code.

- “TSR” means, for the Company and each of the Peer Companies, the company’s total shareholder return, expressed as a percentage, which will be calculated by dividing (i) the Closing Average Share Value by (ii) the Opening Average Share Value and subtracting one from the quotient.

**Example :** An illustrative example of a TSR calculation is attached at the end of this Exhibit.

- “Opening Average Share Value” means the average Share Value over the trading days in the Opening Average Period.
- “Opening Average Period” means the 20 trading days immediately following the Grant Date.
- “Accumulated Shares” means, for a given trading day, the sum of (i) one (1) share and (ii) the cumulative number of shares of the company’s common stock purchasable with dividends declared on the company’s common stock to that point during the Measurement Period, assuming same day reinvestment of such dividends at the closing price on the ex-dividend date.
- “Closing Average Share Value” means the average Share Value over the trading days in the Closing Average Period.
- “Closing Average Period” means the 20 trading days immediately preceding the Vesting Date.
- “Share Value” means, with respect to a given trading day, the closing price of the company’s common stock multiplied by the Accumulated Shares for such trading day.
- “Peer Companies” means the following companies:

3M	Ford	Johnson Controls
AT&T	General Dynamics	Lockheed Martin
Caterpillar	General Electric	Northrop Grumman
Chevron	Honeywell	Procter & Gamble
Cisco Systems	IBM	Raytheon
E. I. du Pont de Nemours	Intel	United Parcel Services
EADS (Airbus)	Johnson & Johnson	United Technologies
Exxon Mobil		Verizon Communications

The Peer Companies may be changed as follows:

- (i) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company.
  - (ii) In the event of a merger of a Peer Company with an entity that is not a Peer Company, or the acquisition or business combination transaction by or with a Peer Company, or with an entity that is not a Peer Company, in each case where the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company.
  - (iii) In the event of a merger or acquisition or business combination transaction of a Peer Company by or with an entity that is not a Peer Company, a “going private” transaction involving a Peer Company or the liquidation of a Peer Company, where the Peer Company is not the surviving entity or is otherwise no longer publicly traded, the company shall no longer be a Peer Company.
  - (iv) In the event of a bankruptcy of a Peer Company, such company shall remain a Peer Company.
  - (v) In the event of a stock distribution from a Peer Company consisting of the shares of a new publicly-traded company (a “spin-off”), the Peer Company shall remain a Peer Company and the stock distribution shall be treated as a dividend from the Peer Company based on the closing price of the shares of the spun-off company on its first day of trading. The performance of the shares of the spun-off company shall not thereafter be tracked for purposes of calculating TSR.
- Each Peer Company’s “common stock” shall mean that series of common stock that is publicly traded on a registered U.S. exchange or, in the case of a non-U.S. company, an equivalent non-U.S. exchange. For purposes of calculating TSR, the value on any given trading day of any Peer Company shares traded on a foreign exchange will be converted to U.S. dollars.
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- The following example illustrates the calculation of TSR for Boeing with Grant Date of January 1, 2012 and Vesting Date of January 1, 2015.

Opening Average Share Value (1/3/2012 - 1/31/2012)      \$74.84  
 Closing Average Share Value (12/3/2014 - 12/31/2014)    \$137.02  
 TSR (expressed as percentage)                                      83.10%

Opening Average					Closing Average				
Date	Close	Ex- Div.	Accum. Shares	Share Value	Date	Close	Ex- Div.	Accum. Shares	Share Value
1/31/2012	\$74.18	\$0.00	1.00	\$74.18	12/31/2014	\$129.98	\$0.00	1.069367	\$139.00
1/30/2012	\$74.16	\$0.00	1.00	\$74.16	12/30/2014	\$131.83	\$0.00	1.069367	\$140.97
1/27/2012	\$74.55	\$0.00	1.00	\$74.55	12/29/2014	\$132.29	\$0.00	1.069367	\$141.47
1/26/2012	\$75.31	\$0.00	1.00	\$75.31	12/26/2014	\$131.63	\$0.00	1.069367	\$140.76
1/25/2012	\$75.82	\$0.00	1.00	\$75.82	12/24/2014	\$131.24	\$0.00	1.069367	\$140.34
1/24/2012	\$75.36	\$0.00	1.00	\$75.36	12/23/2014	\$130.03	\$0.00	1.069367	\$139.05
1/23/2012	\$75.51	\$0.00	1.00	\$75.51	12/22/2014	\$128.22	\$0.00	1.069367	\$137.11
1/20/2012	\$75.52	\$0.00	1.00	\$75.52	12/19/2014	\$126.23	\$0.00	1.069367	\$134.99
1/19/2012	\$75.56	\$0.00	1.00	\$75.56	12/18/2014	\$125.67	\$0.00	1.069367	\$134.39
1/18/2012	\$75.06	\$0.00	1.00	\$75.06	12/17/2014	\$125.06	\$0.00	1.069367	\$133.74
1/17/2012	\$75.24	\$0.00	1.00	\$75.24	12/16/2014	\$124.25	\$0.00	1.069367	\$132.87
1/13/2012	\$74.60	\$0.00	1.00	\$74.60	12/15/2014	\$122.08	\$0.00	1.069367	\$130.55
1/12/2012	\$75.51	\$0.00	1.00	\$75.51	12/12/2014	\$120.77	\$0.00	1.069367	\$129.15
1/11/2012	\$74.74	\$0.00	1.00	\$74.74	12/11/2014	\$123.37	\$0.00	1.069367	\$131.93
1/10/2012	\$75.00	\$0.00	1.00	\$75.00	12/10/2014	\$124.64	\$0.00	1.069367	\$133.29
1/9/2012	\$74.53	\$0.00	1.00	\$74.53	12/9/2014	\$129.66	\$0.00	1.069367	\$138.65
1/6/2012	\$73.98	\$0.00	1.00	\$73.98	12/8/2014	\$130.28	\$0.00	1.069367	\$139.32
1/5/2012	\$73.53	\$0.00	1.00	\$73.53	12/5/2014	\$132.21	\$0.00	1.069367	\$141.38
1/4/2012	\$74.33	\$0.00	1.00	\$74.33	12/4/2014	\$131.32	\$0.00	1.069367	\$140.43
1/3/2012	\$74.22	\$0.00	1.00	\$74.22	12/3/2014	\$131.97	\$0.00	1.069367	\$141.12

## The Boeing Company Performance Award Notice

**To:** «Name»

**BEMS ID:** «BEMS\_ID»

This Performance Award consists of units that will be paid in either cash or Boeing stock, subject to the Compensation Committee's (the "Committee") discretion, if earned at the end of a three-year performance period. Your Performance Award is granted pursuant to The Boeing Company 2003 Incentive Stock Plan, as amended and restated from time to time (the "Plan"), and the award is subject to the terms and conditions of the Plan. If there is any inconsistency between the terms of this notice and the terms of the Plan, the Plan's terms shall control. A copy of the Plan Summary has been included with this notice.

### Overview of Your 2015 Performance Award Grant

**Grant Date:** «Grant Date»

**Number of Units Granted:** «Performance Award Units»

**Performance Period:** «Three Year Performance Period»

- 1. Target Value of Performance Awards.** The Performance Award target value (or "initial value") will be based on a multiple of your salary as of December 31, 20XX, with the multiple determined by your executive grade. The target value will be expressed as a number of units (rounded to the nearest unit), each of which has an initial value equal to \$100.
- 2. Performance Measure .** For the 20XX-20XX Performance Period, the performance measure will be three-year cumulative Economic Profit based on the 20XX Long-Range Business Plan. The Compensation Committee retains discretion in calculating actual performance to exclude the impact of extraordinary and/or non-recurring items deemed not reflective of the Company's core operating performance. Such non-recurring items may include, but are not limited to, exogenous events, acquisitions, divestitures, changes in accounting principles, or "extraordinary items" determined under generally accepted accounting principles (GAAP).
- 3. Final Award Determination.** Final amounts payable will be determined following the end of the Performance Period. The amount payable may be anywhere from \$0 to \$200 per unit, depending on the Company's performance against plan for the period ending on December 31, 20XX. The final award will range from 0% to a maximum of 200% of the Performance Award target value, as outlined below. There will be straight-line interpolation to determine payouts between minimum and target, and target and maximum.

Level of Performance	Final Performance Award Unit Value	EP Achievement (% of Plan)	Payout Factor (% of Target Award)
Maximum	\$200	___%	200%
Target	\$100	Plan	100%
Minimum	\$0	___%	0%



4. **Continued Employment.** Subject to the terms and conditions outlined under section 5, this Performance Award is granted on the condition that you remain employed by the Company from the date of grant through the entire performance period. You will not have any right to payment of any award unless and until all terms, conditions, and provisions of the Performance Award program that affect you have been complied with as specified herein. Your Performance Awards, however, shall not impose upon the Company any obligation to retain you in its employ for any given period or upon any specific terms of employment .
5. **Termination due to Retirement, Layoff, Disability, or Death.** In the event your employment is terminated by reason of retirement, layoff, disability, or death, you shall continue to be eligible to participate in the performance period, provided you were on the active payroll on the grant date. Your Performance Award payout will be prorated based on the number of full and partial months spent on the active executive payroll during the three-year performance period. Payment for the award will be made at the same time as payment would have been made had you not had a termination of employment. The term “retirement” means retirement under the conditions that satisfy the terms of the Company’s or subsidiary’s defined benefit pension plan in which you participate. If you are an executive who is not eligible to participate in a defined benefit pension plan, “retirement” means termination of employment voluntarily by you after you have attained either (i) age 55 with 10 years of service, or (ii) age 62 with one year of service. “Disability” here means a disability entitling you to benefits under the long-term disability policy sponsored by the Company or one of its subsidiaries that applies to you.
6. **Other Terminations.** In the event your employment is terminated prior to payment of the Performance Award for reasons other than those described in section 5, the Performance Award granted hereunder shall immediately be forfeited by you and canceled. This includes termination for cause and resignation.
7. **Leave of Absence.** Unless otherwise required by law, in the event you have an authorized leave of absence at any time during the performance period which absence extends beyond three full calendar months (including any absence that began before the grant date), your Performance Award payout will be prorated based on the number of full and partial months spent on the active payroll.
8. **Form and Timing of Payment of Performance Awards.** Any payment of the Performance Awards shall be made in either cash or shares of Boeing stock, at the Compensation Committee’s discretion. The Performance Award payment shall be made within a reasonable time following the end of the performance period. For certain eligible participants, amounts to be paid in connection with Performance Awards may be deferred in accordance with the Company’s deferred compensation plan then in place.

The Company will deduct from your Performance Award distribution any withholding or other taxes required by law and may deduct any amounts due from you to the Company or to any Company subsidiary. In the event of a stock distribution, shares will be in a number equal to the whole number of shares that could be purchased with the total Performance Award cash payout, based on the average of the high and low per share trading prices for the common stock of the Company as reported for the “New York Stock Exchange - Composite Transactions” on the date of distribution, after reduction to pay the applicable withholding amounts. Fractional share values will be applied to Federal tax withholding.

9. **Beneficiaries.** A participant may designate one or more beneficiaries to receive Performance Award distributions upon the death of the participant. If no beneficiary has been designated, all such amounts shall be paid to the personal representative of the participant. The form of beneficiary designation shall be determined by the Committee.
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- 10. Transferability.** This Performance Award is not transferable by you, whether voluntarily or involuntarily, by operation of law or otherwise, except as provided in the Plan. If any assignment, pledge, transfer, or other disposition, voluntary or involuntary, of this Performance Award shall be made, or if any attachment, execution, garnishment, or lien shall be issued against or placed upon the Performance Award, then your right to the Performance Award shall immediately cease and terminate and you shall promptly forfeit to the Company the Performance Award awarded under this notice.
- 11. Successors.** All obligations of the Company under the Performance Award program shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, or consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.
- 12. Amendment, Modification and Termination .** The Board of Directors (or its delegate) has the authority to amend, modify, or terminate the Performance Award program. No termination, amendment, or modification may adversely affect in any material way any Performance Award previously granted without the written consent of the participant involved.
- 13. Clawback Policy .** This Performance Award is subject to the Clawback Policy adopted by the Company’s Board of Directors, as amended from time to time, which currently provides as follows:

The Board shall, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment to an executive officer where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Board determines the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (3) a lower payment would have been made to the executive based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive’s incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this policy, the term “executive officer” means any officer who has been designated an executive officer by the Board.

## Notice of Terms of Restricted Stock Units

«Grant Date»

To: «Name»  
BEMSID: «BEMS\_ID»

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

1. **RSU Award.** You have been awarded «RSU Units» Restricted Stock Units. Each Restricted Stock Unit (RSU) has the potential to become one share of Boeing stock. Your RSUs are awarded pursuant to The Boeing Company 2003 Incentive Stock Plan, as amended and restated from time to time (the “Plan”) and the award is subject to the terms of the Plan. If there is any inconsistency between the terms of this notice and the terms of the Plan, the Plan’s terms will control. A summary of the Plan accompanies this notice.
  2. **RSU Account.** The Company will maintain a record of the number of awarded RSUs in an account established in your name.
  3. **Vesting of RSUs.** Your RSUs will vest «Three Years From Grant Date» or, if earlier, on the date your employment with the Company terminates because of retirement, layoff, disability, or death.
  4. **Stock Issuance at Vesting.** At the time your RSUs vest, the Company will issue to you shares of Boeing stock equal in number to the vested number of whole RSUs in your account, after deduction of shares to cover appropriate taxes and other charges as described in paragraph 12.2.
  5. **Dividends Credited on Your RSUs.**
    - 5.1 While RSUs are in your account, they will earn dividend equivalents in the form of additional RSUs. Specifically, as of each dividend payment date for Boeing stock, your RSU account will be credited with additional RSUs (“dividend equivalent RSUs”) equal in number to the number of shares of Boeing stock that could be bought with the cash dividends that would be paid on the RSUs in your account if each RSU were a share of Boeing stock. The number of RSUs that results from the calculation will be to two decimal places.
    - 5.2 The number of shares of Boeing stock that could be bought with the cash dividends will be calculated based on the “Fair Market Value” of Boeing stock on the applicable dividend payment date. “Fair Market Value” here means the average of the high and the low per share trading prices for Boeing stock as reported in *The Wall Street Journal* for the specific dividend payment date, or in such other source as the Company deems reliable.
    - 5.3 Dividend equivalent RSUs will vest at the same time as the RSUs with which they are associated.
  6. **Adjustment in Number of RSUs.** The number of RSUs in your account will be adjusted proportionately for any increase or decrease in the number of issued shares of Boeing stock resulting from any stock split, combination or exchange of shares, consolidation, spin-off or recapitalization of shares, or any similar capital adjustment or the payment of any stock dividend.
  7. **Termination due to Retirement, Layoff, Disability, or Death.** In the event your employment is terminated by reason of retirement, layoff, disability, or death, your RSU payout, including any dividend equivalent RSUs, will be prorated based on the number of full and partial calendar months you spent on the active payroll during the three-year performance period (beginning with the first full calendar month after the date of grant). Payment for this award will be made as soon as administratively possible, but not later than 60 days after your termination of employment. The term “retirement” means retirement under the conditions that satisfy the terms of the Company’s
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or subsidiary's defined benefit pension plan in which you participate. If you are an executive who is not eligible to participate in a defined benefit pension plan, "retirement" means termination of employment voluntarily by you after you have attained either (i) age 55 with 10 years of service, or (ii) age 62 with one year of service. "Disability" here means a disability entitling you to benefits under the long-term disability policy sponsored by the Company or one of its subsidiaries that applies to you.

8. **Other Terminations.** In the event your employment is terminated prior to payment of the RSUs for reasons other than those described in paragraph 7, all RSUs granted hereunder shall immediately be forfeited by you and canceled. This includes termination for cause and resignation.
  9. **Specified Employees.** However, for anyone who is a Specified Employee (as defined in the Deferred Compensation Plan for Employees of The Boeing Company) at the time of vesting, and who was eligible for retirement (as defined in paragraph 7) at the date of this grant or who became so eligible between the grant date and the vesting date described in paragraph 3 above, distributions upon vesting due to retirement, layoff or disability (as defined in paragraph 7) will be delayed until six months after the date of vesting based on Internal Revenue Code Section 409A.
  10. **Leave of Absence.** Unless otherwise required by law, in the event you have an authorized leave of absence at any time during the vesting period which absence extends beyond three full calendar months (including any absence that began before the grant date), your RSU payout, including any dividend equivalent RSUs, will be prorated based on the number of full and partial months spent on the active payroll (beginning with the first full calendar month after the date of grant).
  11. **Forfeiture of Non-Vested RSUs.** If your employment with the Company and all subsidiaries of the Company terminates before the expiration of the vesting date of the award for any reason other than retirement (as defined in paragraph 7), layoff, disability (as defined in paragraph 7), or death, your nonvested RSUs will be forfeited and canceled. Dividend equivalent RSUs will be forfeited and canceled along with the RSUs with which they are associated.
  12. **RSU Award Payable in Stock.**
    - 12.1 Distribution from your RSU account will be made as soon as reasonably possible after the vesting of your RSUs, but not later than 60 days after the applicable vesting date. Distribution will be in whole shares of Boeing stock. The number of shares distributed will be equal to the number of whole vested RSUs in your account, subject to deductions described in paragraph 12.2. Fractional share values will be applied to income tax withholding.
    - 12.2 The Company will deduct from the distribution of your vested RSUs any withholding or other taxes required by law and may deduct any amounts due from you to the Company or to a subsidiary of the Company.
    - 12.3 In the event you transfer from the US based payroll to an International payroll, your distribution will be paid in cash to comply with certain international security trading regulations.
  13. **Transfer.** RSUs are not transferable except by will or applicable laws of descent and distribution.
  14. **Clawback Policy.** These RSU Awards are subject to the Clawback Policy adopted by the Company's Board of Directors, as amended from time to time, which currently provides as follows:

The Board shall, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment to an executive officer where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Board determines the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (3) a lower payment would have been made to the executive based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which the
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individual executive's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this policy, the term "executive officer" means any officer who has been designated an executive officer by the Board.

## Notice of Terms of Restricted Stock Units

February 23, 2015

To:  
BEMSID:

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

1. RSU Award. You have been awarded \_\_\_\_\_ Restricted Stock Units. Each Restricted Stock Unit (RSU) has the potential to become one share of Boeing stock. Your RSUs are awarded pursuant to “The Boeing Company 2003 Incentive Stock Plan for Employees” (the “Plan”) and the award is subject to the terms of the Plan. A summary of the Plan accompanies this notice.
  2. RSU Account. The Company will maintain a record of the number of awarded RSUs in an account established in your name.
  3. Vesting of RSUs. \_\_\_\_\_ of the RSUs along with the related dividend equivalents (as defined in paragraph 5.1) will vest on \_\_\_\_\_. The remainder of the RSUs along with the related dividend equivalents will vest on \_\_\_\_\_. You must be employed by the Company or one of its subsidiaries on the vesting date, in order for the RSUs to vest. Notwithstanding the foregoing, if your employment with the Company terminates before a vesting date because of involuntary layoff, disability, or death, all of the RSUs will vest.  
  
"Disability" here means a disability entitling a participant to benefits under a long-term disability policy sponsored by the Company or one of its subsidiaries.
  4. Stock Issuance at Vesting. At the time your RSUs vest, the Company will issue to you shares of Boeing stock equal in number to the vested number of whole RSUs in your account, after deduction of shares to cover appropriate taxes and other charges as described in paragraph 9.2.
  5. Dividends Credited on Your RSUs.  
  
5.1 While RSUs are in your account, they will earn dividend equivalents in the form of additional RSUs. Specifically, as of each dividend payment date for Boeing stock, your RSU account will be credited with additional RSUs (“dividend equivalent RSUs”) equal in number to the number of shares of Boeing stock that could be bought with the cash dividends that would be paid on the RSUs in your account if each RSU were a share of Boeing stock. The number of RSUs that results from the calculation will be to two decimal places.  
  
5.2 The number of shares of Boeing stock that could be bought with such cash dividends will be calculated based on the “Fair Market Value” of Boeing stock on the applicable dividend payment date. “Fair Market Value” here means the average of the high and the low per share trading prices for Boeing stock as reported in *The Wall Street Journal* for the specific dividend payment date, or in such other source as the Company deems reliable.  
  
5.3 Dividend equivalent RSUs will vest at the same time as the RSUs with which they are associated.
  6. Adjustment in Number of RSUs. The number of RSUs in your account will be adjusted proportionately for any increase or decrease in the number of issued shares of Boeing stock resulting from any stock split, combination or exchange of shares, consolidation, spin-off or recapitalization of shares, or any similar capital adjustment or the payment of any stock dividend.
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7. Termination due to Layoff, Disability, or Death. In the event your employment is terminated by reason of layoff, disability, or death, your RSU payout, including any dividend equivalent RSUs, will vest after termination of employment. Payment for such awards will be made as soon as administratively possible, but not later than 60 days after your termination of employment.
8. Forfeiture of Non-Vested RSUs. If your employment with the Company or a subsidiary of the Company terminates before a vesting date for the award for any reason other than layoff, disability (as defined in paragraph 3), or death, your nonvested RSUs will be forfeited and canceled. Dividend equivalent RSUs will be forfeited and canceled along with the RSUs with which they are associated.
9. RSU Award Payable in Stock.
  - 9.1 Distribution from your RSU account will be made as soon as reasonably possible after the vesting of your RSUs, but not later than 60 days after the applicable vesting date. Distribution will be in whole shares of Boeing stock. The number of shares distributed will be equal to the number of whole vested RSUs in your account, subject to deductions described in paragraph 9.2. Fractional share values will be applied to income tax withholding.
  - 9.2 The Company will deduct from the distribution of your vested RSUs any withholding or other taxes required by law and may deduct any amounts due from you to the Company or to a subsidiary of the Company.
10. Transfer. RSUs are not transferable except by will or applicable laws of descent and distribution.
11. Clawback Policy. These RSU Awards are subject to the Clawback Policy adopted by the Company's Board of Directors, as amended from time to time, which currently provides as follows:

The Board shall, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment to an executive officer where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a substantial restatement of Company financial statements filed with the Securities and Exchange Commission; (2) the Board determines the executive engaged in intentional misconduct that caused or substantially caused the need for the substantial restatement; and (3) a lower payment would have been made to the executive based upon the restated financial results. In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results. For purposes of this policy, the term "executive officer" means any officer who has been designated an executive officer by the Board.

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

	Years ended December 31,				
	2015	2014	2013	2012	2011
Earnings before income taxes	\$ 7,155	\$ 7,137	\$ 6,232	\$ 5,910	\$ 5,393
Fixed charges excluding capitalized interest	391	455	514	603	677
Amortization of previously capitalized interest	90	72	74	75	64
Net adjustment for earnings from affiliates	(34)	7	13	69	(38)
Earnings available for fixed charges	\$7,602	\$7,671	\$6,833	\$6,657	\$6,096
Fixed charges:					
Interest and debt expense <sup>(1)</sup>	\$339	\$402	\$461	\$551	\$626
Interest capitalized during the period	158	102	87	74	57
Rentals deemed representative of an interest factor	52	53	53	52	51
Total fixed charges	\$549	\$557	\$601	\$677	\$734
Ratio of earnings to fixed charges	13.8	13.8	11.4	9.8	8.3

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



## The Boeing Company Subsidiaries

Name	Place of Incorporation
Astro Limited	Bermuda
Aviall Services, Inc.	Delaware
Aviall UK, Inc.	Delaware
Aviall, Inc.	Delaware
BCC Equipment Leasing Corporation	Delaware
Boeing Aerospace Operations, Inc.	Delaware
Boeing Aerostructures Australia Pty Ltd.	Australia
Boeing Aircraft Holding Company	Delaware
Boeing Australia Holdings Proprietary Limited	Australia
Boeing Canada Operations Ltd.	Canada
Boeing Capital Corporation	Delaware
Boeing CAS Holding GmbH	Germany
Boeing Commercial Aviation Services Europe Limited	United Kingdom
Boeing Defence Australia Ltd	Australia
Boeing Global Holdings Corporation	Delaware
Boeing Intellectual Property Licensing Company	Delaware
Boeing International B.V. & Co. Holding KGaA	Germany
Boeing International Logistics Spares, Inc.	Delaware
Boeing Logistics Spares, Inc.	Delaware
Boeing Netherlands B.V.	Netherlands
Boeing Operations International, Incorporated	Delaware
Boeing US Training and Flight Services L.L.C.	Delaware
Insitu, Inc.	Washington
Jeppesen DataPlan, Inc.	Delaware
Jeppesen GmbH	Germany
Jeppesen Sanderson, Inc.	Delaware

In accordance with Item 601(b)(21) of Regulation S-K, the company has omitted from this Exhibit the names of its subsidiaries which, considered in the aggregate or as a single subsidiary, do not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 33-25332, 33-31434, 33-43854, 33-58798, 33-52773, 333-16363, 333-26867, 333-32461, 333-32491, 333-32499, 333-32567, 333-41920, 333-54234, 333-73252, 333-107677, 333-140837, 333-156403, 333-160752, 333-163637, and 333-195777 on Form S-8 and Registration Statement No. 333-202311 on Form S-3 of our reports dated February 10, 2016 , relating to the consolidated financial statements of The Boeing Company and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company, for the year ended December 31, 2015 .

/s/ Deloitte & Touche LLP

Chicago, Illinois

February 10, 2016

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

I, Dennis A. Muilenburg , certify that:

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

Date: February 10, 2016

/s/ Dennis A. Muilenburg

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Dennis A. Muilenburg  
President, Chief Executive Officer and Director

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

I, Gregory D. Smith, certify that:

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

Date: February 10, 2016

/s/ Gregory D. Smith

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Gregory D. Smith

Chief Financial Officer and Executive Vice President, Business Development and Strategy

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

In connection with the Annual Report of The Boeing Company (the "Company") on Form 10-K for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis A. Muilenburg, President, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Dennis A. Muilenburg

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Dennis A. Muilenburg  
President, Chief Executive Officer and Director

February 10, 2016

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

In connection with the Annual Report of The Boeing Company (the "Company") on Form 10-K for the period ending December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory D. Smith, Chief Financial Officer and Executive Vice President, Business Development and Strategy of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Gregory D. Smith

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Gregory D. Smith  
Chief Financial Officer and Executive Vice President, Business Development and Strategy

February 10, 2016