**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2022**

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)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Delaware** | | | | | | | | |  | | | **91-0425694** | | |
| **(State or other jurisdiction of incorporation or organization)** | | | | | | | | |  | | | **(I.R.S. Employer Identification No.)** | | |
|  | | |  | | |  | | |  | | |  | | |
| **929 Long Bridge Drive** | | | **Arlington,** | | | **VA** | | |  | | | **22202** | | |
| **(Address of principal executive offices)** | | | | | | | | |  | | | **(Zip Code)** | | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **(703)** | | | **414-6338** | | |  | | |

**(Registrant’s telephone number, including area code)**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Large Accelerated Filer | | | ☒ | | |  | | | Accelerated filer | | | ☐ | | |
| Non-accelerated filer | | | ☐ | | |  | | | Smaller reporting company | | | ☐ | | |
| Emerging growth company | | | ☐ | | |  | | |  | | |  | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Title of each class | | |  | | | Trading Symbol(s) | | |  | | | Name of each exchange on which registered | | |
| Common Stock, $5.00 Par Value | | |  | | | BA | | |  | | | New York Stock Exchange | | |

As of October 19, 2022, there were 595,983,192 shares of common stock, $5.00 par value, issued and outstanding.

**THE BOEING COMPANY**

**FORM 10-Q**

**For the Quarter Ended September 30, 2022**

**INDEX**

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**Part I. Financial Information**

**Item 1. Financial Statements**

**The Boeing Company and Subsidiaries**

**Condensed Consolidated Statements of Operations**

(Unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| *(Dollars in millions, except per share data)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Sales of products | | | **$38,767** | |  |  | | | $39,224 | |  |  | | | **$13,331** | |  |  | | | $12,552 | |  |
| Sales of services | | | **7,861** | |  |  | | | 8,269 | |  |  | | | **2,625** | |  |  | | | 2,726 | |  |
| **Total revenues** | | | **46,628** | |  |  | | | 47,493 | |  |  | | | **15,956** | |  |  | | | 15,278 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cost of products | | | **(38,237)** | |  |  | | | (35,166) | |  |  | | | **(14,541)** | |  |  | | | (11,271) | |  |
| Cost of services | | | **(6,725)** | |  |  | | | (6,771) | |  |  | | | **(2,230)** | |  |  | | | (2,288) | |  |
| Boeing Capital interest expense | | | **(20)** | |  |  | | | (25) | |  |  | | | **(7)** | |  |  | | | (7) | |  |
| **Total costs and expenses** | | | **(44,982)** | |  |  | | | (41,962) | |  |  | | | **(16,778)** | |  |  | | | (13,566) | |  |
|  | | | **1,646** | |  |  | | | 5,531 | |  |  | | | **(822)** | |  |  | | | 1,712 | |  |
| (Loss)/income from operating investments, net | | | **(27)** | |  |  | | | 195 | |  |  | | | **(24)** | |  |  | | | 120 | |  |
| General and administrative expense | | | **(2,757)** | |  |  | | | (3,169) | |  |  | | | **(1,226)** | |  |  | | | (1,097) | |  |
| Research and development expense, net | | | **(2,058)** | |  |  | | | (1,571) | |  |  | | | **(727)** | |  |  | | | (575) | |  |
| Gain on dispositions, net | | | **2** | |  |  | | | 283 | |  |  | | |  | |  |  | | | 169 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **(Loss)/earnings from operations** | | | **(3,194)** | |  |  | | | 1,269 | |  |  | | | **(2,799)** | |  |  | | | 329 | |  |
| Other income, net | | | **722** | |  |  | | | 419 | |  |  | | | **288** | |  |  | | | 30 | |  |
| Interest and debt expense | | | **(1,901)** | |  |  | | | (2,021) | |  |  | | | **(621)** | |  |  | | | (669) | |  |
| **Loss before income taxes** | | | **(4,373)** | |  |  | | | (333) | |  |  | | | **(3,132)** | |  |  | | | (310) | |  |
| Income tax (expense)/benefit | | | **(17)** | |  |  | | | 207 | |  |  | | | **(176)** | |  |  | | | 178 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net loss** | | | **(4,390)** | |  |  | | | (126) | |  |  | | | **(3,308)** | |  |  | | | (132) | |  |
| Less: net loss attributable to noncontrolling interest | | | **(89)** | |  |  | | | (67) | |  |  | | | **(33)** | |  |  | | | (23) | |  |
| **Net loss attributable to Boeing Shareholders** | | | **($4,301)** | |  |  | | | ($59) | |  |  | | | **($3,275)** | |  |  | | | ($109) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Basic loss per share** | | | **($7.24)** | |  |  | | | ($0.10) | |  |  | | | **($5.49)** | |  |  | | | ($0.19) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Diluted loss per share** | | | **($7.24)** | |  |  | | | ($0.10) | |  |  | | | **($5.49)** | |  |  | | | ($0.19) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Weighted average diluted shares (millions)** | | | **594.0** | | |  | | | 587.3 | | |  | | | **596.3** | | |  | | | 589.0 | | |

See Notes to the Condensed Consolidated Financial Statements.

1

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**The Boeing Company and Subsidiaries**

**Condensed Consolidated Statements of Comprehensive Income**

(Unaudited)

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | |  |  | | | 2021 | |  |  | | | **2022** | |  |  | | | 2021 | |  |
| **Net loss** | | | **($4,390)** | |  |  | | | ($126) | |  |  | | | **($3,308)** | |  |  | | | ($132) | |  |
| Other comprehensive income/(loss), net of tax: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Currency translation adjustments | | | **(123)** | |  |  | | | (63) | |  |  | | | **(71)** | |  |  | | | (41) | |  |
| Unrealized loss on certain investments, net of tax of $0, $0, $0 and $0 | | | **(2)** | |  |  | | |  | | |  | | | **(2)** | |  |  | | |  | | |
| Unrealized (loss)/gain on derivative instruments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Unrealized (loss)/gain arising during period, net of tax of $46, ($18), $25 and ($1) | | | **(157)** | |  |  | | | 64 | |  |  | | | **(83)** | |  |  | | | (1) | |  |
| Reclassification adjustment for losses/(gains) included in net loss, net of tax of ($6), $2, $2 and $2 | | | **24** | |  |  | | | (6) | |  |  | | | **(6)** | |  |  | | | (4) | |  |
| Total unrealized (loss)/gain on derivative instruments, net of tax | | | **(133)** | |  |  | | | 58 | |  |  | | | **(89)** | |  |  | | | (5) | |  |
| Defined benefit pension plans and other postretirement benefits: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Amortization of prior service credits included in net periodic pension cost, net of tax of $19, $18, $7 and $6 | | | **(68)** | |  |  | | | (68) | |  |  | | | **(22)** | |  |  | | | (23) | |  |
| Net actuarial gain arising during the period, net of tax of $0, ($106), $0 and ($104) | | |  | | |  | | | 1,551 | |  |  | | |  | | |  | | | 1,544 | |  |
| Amortization of actuarial losses included in net periodic pension cost, net of tax of ($129), ($182), ($45) and ($60) | | | **469** | |  |  | | | 690 | |  |  | | | **155** | |  |  | | | 227 | |  |
| Settlements included in net loss, net of tax of $0, ($11), $0 and ($10) | | |  | | |  | | | 145 | |  |  | | |  | | |  | | | 142 | |  |
| Pension and postretirement (cost)/benefit related to our equity method investments, net of tax of $0, ($1), $0 and $0 | | | **(2)** | |  |  | | | 2 | |  |  | | | **(2)** | |  |  | | | (1) | |  |
| Total defined benefit pension plans and other postretirement benefits, net of tax | | | **399** | |  |  | | | 2,320 | |  |  | | | **131** | |  |  | | | 1,889 | |  |
| **Other comprehensive income/(loss), net of tax** | | | **141** | |  |  | | | 2,315 | |  |  | | | **(31)** | |  |  | | | 1,843 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Comprehensive (loss)/income, net of tax** | | | **(4,249)** | |  |  | | | 2,189 | |  |  | | | **(3,339)** | |  |  | | | 1,711 | |  |
| Less: Comprehensive loss related to noncontrolling interest | | | **(89)** | |  |  | | | (67) | |  |  | | | **(33)** | |  |  | | | (23) | |  |
| **Comprehensive (loss)/income attributable to Boeing Shareholders, net of tax** | | | **($4,160)** | |  |  | | | $2,256 | |  |  | | | **($3,306)** | |  |  | | | $1,734 | |  |

See Notes to the Condensed Consolidated Financial Statements.

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**The Boeing Company and Subsidiaries**

**Condensed Consolidated Statements of Financial Position**

(Unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions, except per share data)* | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| **Assets** | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | **$13,494** | |  |  | | | $8,052 | |  |
| Short-term and other investments | | | **763** | |  |  | | | 8,192 | |  |
| Accounts receivable, net | | | **2,673** | |  |  | | | 2,641 | |  |
| Unbilled receivables, net | | | **9,316** | |  |  | | | 8,620 | |  |
| Current portion of customer financing, net | | | **155** | |  |  | | | 117 | |  |
| Inventories | | | **79,777** | |  |  | | | 78,823 | |  |
| Other current assets, net | | | **3,073** | |  |  | | | 2,221 | |  |
| **Total current assets** | | | **109,251** | |  |  | | | 108,666 | |  |
| Customer financing, net | | | **1,513** | |  |  | | | 1,695 | |  |
| Property, plant and equipment, net of accumulated depreciation of $21,208 and $20,538 | | | **10,508** | |  |  | | | 10,918 | |  |
| Goodwill | | | **8,045** | |  |  | | | 8,068 | |  |
| Acquired intangible assets, net | | | **2,371** | |  |  | | | 2,562 | |  |
| Deferred income taxes | | | **77** | |  |  | | | 77 | |  |
| Investments | | | **979** | |  |  | | | 975 | |  |
| Other assets, net of accumulated amortization of $897 and $975 | | | **4,814** | |  |  | | | 5,591 | |  |
| **Total assets** | | | **$137,558** | |  |  | | | $138,552 | |  |
| **Liabilities and equity** | | |  | | |  | | |  | | |
| Accounts payable | | | **$9,793** | |  |  | | | $9,261 | |  |
| Accrued liabilities | | | **21,217** | |  |  | | | 18,455 | |  |
| Advances and progress billings | | | **53,177** | |  |  | | | 52,980 | |  |
| Short-term debt and current portion of long-term debt | | | **5,431** | |  |  | | | 1,296 | |  |
| **Total current liabilities** | | | **89,618** | |  |  | | | 81,992 | |  |
| Deferred income taxes | | | **230** | |  |  | | | 218 | |  |
| Accrued retiree health care | | | **3,356** | |  |  | | | 3,528 | |  |
| Accrued pension plan liability, net | | | **7,951** | |  |  | | | 9,104 | |  |
| Other long-term liabilities | | | **2,250** | |  |  | | | 1,750 | |  |
| Long-term debt | | | **51,788** | |  |  | | | 56,806 | |  |
| **Total liabilities** | | | **155,193** | |  |  | | | 153,398 | |  |
| 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 | | | **9,705** | |  |  | | | 9,052 | |  |
| Treasury stock, at cost - 416,639,182 and 423,343,707 shares | | | **(51,054)** | |  |  | | | (51,861) | |  |
| Retained earnings | | | **30,107** | |  |  | | | 34,408 | |  |
| Accumulated other comprehensive loss | | | **(11,518)** | |  |  | | | (11,659) | |  |
| **Total shareholders’ deficit** | | | **(17,699)** | |  |  | | | (14,999) | |  |
| Noncontrolling interests | | | **64** | |  |  | | | 153 | |  |
| **Total equity** | | | **(17,635)** | |  |  | | | (14,846) | |  |
| **Total liabilities and equity** | | | **$137,558** | |  |  | | | $138,552 | |  |

See Notes to the Condensed Consolidated Financial Statements.

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**The Boeing Company and Subsidiaries**

**Condensed Consolidated Statements of Cash Flows**

(Unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |
| **Cash flows – operating activities:** | | |  | | |  | | |  | | |
| Net loss | | | **($4,390)** | |  |  | | | ($126) | |  |
| Adjustments to reconcile net loss to net cash provided/(used) by operating activities: | | |  | | |  | | |  | | |
| Non-cash items – | | |  | | |  | | |  | | |
| Share-based plans expense | | | **528** | |  |  | | | 677 | |  |
| Treasury shares issued for 401(k) contribution | | | **928** | |  |  | | | 951 | |  |
| Depreciation and amortization | | | **1,477** | |  |  | | | 1,610 | |  |
| Investment/asset impairment charges, net | | | **78** | |  |  | | | 72 | |  |
| Customer financing valuation adjustments | | | **39** | |  |  | | | (3) | |  |
|  | | |  | | |  | | |  | | |
| Gain on dispositions, net | | | **(2)** | |  |  | | | (283) | |  |
| Other charges and credits, net | | | **388** | |  |  | | | (82) | |  |
|  | | |  | | |  | | |  | | |
| Changes in assets and liabilities – | | |  | | |  | | |  | | |
| Accounts receivable | | | **(22)** | |  |  | | | (280) | |  |
| Unbilled receivables | | | **(678)** | |  |  | | | (2,010) | |  |
| Advances and progress billings | | | **204** | |  |  | | | 781 | |  |
| Inventories | | | **(1,164)** | |  |  | | | 508 | |  |
| Other current assets | | | **(860)** | |  |  | | | 279 | |  |
| Accounts payable | | | **590** | |  |  | | | (3,565) | |  |
| Accrued liabilities | | | **2,416** | |  |  | | | (3,168) | |  |
| Income taxes receivable, payable and deferred | | | **1,382** | |  |  | | | 1,011 | |  |
| Other long-term liabilities | | | **(114)** | |  |  | | | (168) | |  |
| Pension and other postretirement plans | | | **(1,053)** | |  |  | | | (731) | |  |
| Customer financing, net | | | **76** | |  |  | | | 170 | |  |
| Other | | | **232** | |  |  | | | 225 | |  |
| **Net cash provided/(used) by operating activities** | | | **55** | |  |  | | | (4,132) | |  |
| **Cash flows – investing activities:** | | |  | | |  | | |  | | |
| Payments to acquire property, plant and equipment | | | **(896)** | |  |  | | | (758) | |  |
| Proceeds from disposals of property, plant and equipment | | | **19** | |  |  | | | 385 | |  |
| Acquisitions, net of cash acquired | | |  | | |  | | | (6) | |  |
| Contributions to investments | | | **(2,773)** | |  |  | | | (27,902) | |  |
| Proceeds from investments | | | **10,182** | |  |  | | | 35,664 | |  |
|  | | |  | | |  | | |  | | |
| Other | | | **(11)** | |  |  | | | 6 | |  |
| **Net cash provided by investing activities** | | | **6,521** | |  |  | | | 7,389 | |  |
| **Cash flows – financing activities:** | | |  | | |  | | |  | | |
| New borrowings | | | **19** | |  |  | | | 9,822 | |  |
| Debt repayments | | | **(1,038)** | |  |  | | | (11,049) | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Stock options exercised | | | **39** | |  |  | | | 36 | |  |
|  | | |  | | |  | | |  | | |
| Employee taxes on certain share-based payment arrangements | | | **(36)** | |  |  | | | (47) | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| **Net cash used by financing activities** | | | **(1,016)** | |  |  | | | (1,238) | |  |
| Effect of exchange rate changes on cash and cash equivalents | | | **(134)** | |  |  | | | (34) | |  |
| **Net increase in cash & cash equivalents, including restricted** | | | **5,426** | |  |  | | | 1,985 | |  |
| Cash & cash equivalents, including restricted, at beginning of year | | | **8,104** | |  |  | | | 7,835 | |  |
| **Cash & cash equivalents, including restricted, at end of period** | | | **13,530** | |  |  | | | 9,820 | |  |
| Less restricted cash & cash equivalents, included in Investments | | | **36** | |  |  | | | 56 | |  |
| **Cash and cash equivalents at end of period** | | | **$13,494** | |  |  | | | $9,764 | |  |

See Notes to the Condensed Consolidated Financial Statements.

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**The Boeing Company and Subsidiaries**

**Condensed Consolidated Statements of Equity**

**For the nine months ended September 30, 2022 and 2021**

(Unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Boeing shareholders | | | | | | | | | | | | | | |  | | |  | | |
| *(Dollars in millions)* | | | Common Stock | | | Additional Paid-In Capital | | | Treasury Stock | | | Retained Earnings | | | Accumulated Other Comprehensive Loss | | | Non- controlling Interests | | | Total | | |
| Balance at January 1, 2021 | | | $5,061 | |  | $7,787 | |  | ($52,641) | |  | $38,610 | |  | ($17,133) | |  | $241 | |  | ($18,075) | |  |
| Net loss | | |  | | |  | | |  | | | (59) | |  |  | | | (67) | |  | (126) | |  |
| Other comprehensive income, net of tax of ($298) | | |  | | |  | | |  | | |  | | | 2,315 | |  |  | | | 2,315 | |  |
| Share-based compensation | | |  | | | 677 | |  |  | | |  | | |  | | |  | | | 677 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Treasury shares issued for stock options exercised, net | | |  | | | (24) | |  | 60 | |  |  | | |  | | |  | | | 36 | |  |
| Treasury shares issued for other share-based plans, net | | |  | | | (85) | |  | 41 | |  |  | | |  | | |  | | | (44) | |  |
| Treasury shares issued for 401(k) contribution | | |  | | | 441 | |  | 510 | |  |  | | |  | | |  | | | 951 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance at September 30, 2021 | | | $5,061 | |  | $8,796 | |  | ($52,030) | |  | $38,551 | |  | ($14,818) | |  | $174 | |  | ($14,266) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at January 1, 2022** | | | **$5,061** | |  | **$9,052** | |  | **($51,861)** | |  | **$34,408** | |  | **($11,659)** | |  | **$153** | |  | **($14,846)** | |  |
| **Net loss** | | |  | | |  | | |  | | | **(4,301)** | |  |  | | | **(89)** | |  | **(4,390)** | |  |
| **Other comprehensive income, net of tax of ($70)** | | |  | | |  | | |  | | |  | | | **141** | |  |  | | | **141** | |  |
| **Share-based compensation** | | |  | | | **528** | |  |  | | |  | | |  | | |  | | | **528** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Treasury shares issued for stock options exercised, net** | | |  | | | **(25)** | |  | **64** | |  |  | | |  | | |  | | | **39** | |  |
| **Treasury shares issued for other share-based plans, net** | | |  | | | **(75)** | |  | **40** | |  |  | | |  | | |  | | | **(35)** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Treasury shares issued for 401(k) contribution** | | |  | | | **225** | |  | **703** | |  |  | | |  | | |  | | | **928** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at September 30, 2022** | | | **$5,061** | |  | **$9,705** | |  | **($51,054)** | |  | **$30,107** | |  | **($11,518)** | |  | **$64** | |  | **($17,635)** | |  |

See Notes to the Condensed Consolidated Financial Statements.

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**The Boeing Company and Subsidiaries**

**Condensed Consolidated Statements of Equity**

**For the three months ended September 30, 2022 and 2021**

(Unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Boeing shareholders | | | | | | | | | | | | | | |  | | |  | | |
| *(Dollars in millions, except per share data)* | | | Common Stock | | | Additional Paid-In Capital | | | Treasury Stock | | | Retained Earnings | | | Accumulated Other Comprehensive Loss | | | Non- controlling Interests | | | Total | | |
| Balance at July 1, 2021 | | | $5,061 | |  | $8,481 | |  | ($52,223) | |  | $38,660 | |  | ($16,661) | |  | $197 | |  | ($16,485) | |  |
| Net loss | | |  | | |  | | |  | | | (109) | |  |  | | | (23) | |  | (132) | |  |
| Other comprehensive income, net of tax of ($167) | | |  | | |  | | |  | | |  | | | 1,843 | |  |  | | | 1,843 | |  |
| Share-based compensation | | |  | | | 184 | |  |  | | |  | | |  | | |  | | | 184 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Treasury shares issued for stock options exercised, net | | |  | | | (5) | |  | 12 | |  |  | | |  | | |  | | | 7 | |  |
| Treasury shares issued for other share-based plans, net | | |  | | | (9) | |  | 3 | |  |  | | |  | | |  | | | (6) | |  |
| Treasury shares issued for 401(k) contribution | | |  | | | 145 | |  | 178 | |  |  | | |  | | |  | | | 323 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance at September 30, 2021 | | | $5,061 | |  | $8,796 | |  | ($52,030) | |  | $38,551 | |  | ($14,818) | |  | $174 | |  | ($14,266) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at July 1, 2022** | | | **$5,061** | |  | **$9,475** | |  | **($51,319)** | |  | **$33,382** | |  | **($11,487)** | |  | **$97** | |  | **($14,791)** | |  |
| **Net loss** | | |  | | |  | | |  | | | **(3,275)** | |  |  | | | **(33)** | |  | **(3,308)** | |  |
| **Other comprehensive loss, net of tax of ($11)** | | |  | | |  | | |  | | |  | | | **(31)** | |  |  | | | **(31)** | |  |
| **Share-based compensation** | | |  | | | **176** | |  |  | | |  | | |  | | |  | | | **176** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Treasury shares issued for stock options exercised, net** | | |  | | | **(4)** | |  | **8** | |  |  | | |  | | |  | | | **4** | |  |
| **Treasury shares issued for other share-based plans, net** | | |  | | | **(3)** | |  | **2** | |  |  | | |  | | |  | | | **(1)** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Treasury shares issued for 401(k) contribution** | | |  | | | **61** | |  | **255** | |  |  | | |  | | |  | | | **316** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at September 30, 2022** | | | **$5,061** | |  | **$9,705** | |  | **($51,054)** | |  | **$30,107** | |  | **($11,518)** | |  | **$64** | |  | **($17,635)** | |  |

See Notes to the Condensed Consolidated Financial Statements.

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**The Boeing Company and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**Summary of Business Segment Data**

(Unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenues: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial Airplanes | | | **$16,643** | |  |  | | | $14,743 | |  |  | | | **$6,263** | |  |  | | | $4,459 | |  |
| Defense, Space & Security | | | **16,981** | |  |  | | | 20,678 | |  |  | | | **5,307** | |  |  | | | 6,617 | |  |
| Global Services | | | **13,044** | |  |  | | | 12,037 | |  |  | | | **4,432** | |  |  | | | 4,221 | |  |
| Boeing Capital | | | **150** | |  |  | | | 209 | |  |  | | | **52** | |  |  | | | 71 | |  |
| Unallocated items, eliminations and other | | | **(190)** | |  |  | | | (174) | |  |  | | | **(98)** | |  |  | | | (90) | |  |
| **Total revenues** | | | **$46,628** | |  |  | | | $47,493 | |  |  | | | **$15,956** | |  |  | | | $15,278 | |  |
| (Loss)/earnings from operations: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial Airplanes | | | **($1,744)** | |  |  | | | ($2,021) | |  |  | | | **($643)** | |  |  | | | ($693) | |  |
| Defense, Space & Security | | | **(3,656)** | |  |  | | | 1,799 | |  |  | | | **(2,798)** | |  |  | | | 436 | |  |
| Global Services | | | **2,093** | |  |  | | | 1,616 | |  |  | | | **733** | |  |  | | | 644 | |  |
| Boeing Capital | | | **14** | |  |  | | | 99 | |  |  | | | **23** | |  |  | | | 42 | |  |
| Segment operating (loss)/earnings | | | **(3,293)** | |  |  | | | 1,493 | |  |  | | | **(2,685)** | |  |  | | | 429 | |  |
| Unallocated items, eliminations and other | | | **(747)** | |  |  | | | (1,032) | |  |  | | | **(393)** | |  |  | | | (370) | |  |
| FAS/CAS service cost adjustment | | | **846** | |  |  | | | 808 | |  |  | | | **279** | |  |  | | | 270 | |  |
| **(Loss)/earnings from operations** | | | **(3,194)** | |  |  | | | 1,269 | |  |  | | | **(2,799)** | |  |  | | | 329 | |  |
| Other income, net | | | **722** | |  |  | | | 419 | |  |  | | | **288** | |  |  | | | 30 | |  |
| Interest and debt expense | | | **(1,901)** | |  |  | | | (2,021) | |  |  | | | **(621)** | |  |  | | | (669) | |  |
| **Loss before income taxes** | | | **(4,373)** | |  |  | | | (333) | |  |  | | | **(3,132)** | |  |  | | | (310) | |  |
| Income tax (expense)/benefit | | | **(17)** | |  |  | | | 207 | |  |  | | | **(176)** | |  |  | | | 178 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net loss** | | | **(4,390)** | |  |  | | | (126) | |  |  | | | **(3,308)** | |  |  | | | (132) | |  |
| Less: Net loss attributable to noncontrolling interest | | | **(89)** | |  |  | | | (67) | |  |  | | | **(33)** | |  |  | | | (23) | |  |
| **Net loss attributable to Boeing Shareholders** | | | **($4,301)** | |  |  | | | ($59) | |  |  | | | **($3,275)** | |  |  | | | ($109) | |  |

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

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**The Boeing Company and Subsidiaries**

**Notes to the Condensed Consolidated Financial Statements**

(Dollars in millions, except otherwise stated)

(Unaudited)

**Note 1 – Basis of Presentation**

The condensed consolidated interim financial statements included in this report have been prepared by management of The Boeing Company (herein referred to as “Boeing”, the “Company”, “we”, “us”, or “our”). In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation are reflected in the interim financial statements. The results of operations for the period ended September 30, 2022 are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, included in our 2021 Annual Report on Form 10-K.

**Liquidity Matters**

During the first nine months of 2022, net cash provided by operating activities was $0.1 billion. Our operating cash flows continue to be impacted by lower commercial airplane deliveries. We expect a negative impact on our operating cash flows until commercial deliveries ramp up. Charges recorded on BDS fixed-price development contracts are expected to negatively impact cash flows in future periods. Our cash and short-term investment balance was $14.3 billion at September 30, 2022, down from $16.2 billion at December 31, 2021. Our debt balance of $57.2 billion at September 30, 2022 is down from $58.1 billion at December 31, 2021. Short-term debt and the current portion of long-term debt increased to $5.4 billion at September 30, 2022 from $1.3 billion at December 31, 2021. The current portion of long-term debt includes term notes of $0.3 billion maturing in the fourth quarter of 2022, $1.7 billion maturing in the first quarter of 2023, and $3.4 billion maturing in the second quarter of 2023.

As of September 30, 2022, our unused borrowing capacity is $12.0 billion, down from $14.7 billion at June 30, 2022. In August 2022, we renewed the 364-day facility for $5.8 billion, which now expires in August 2023. This 364-day facility has a one-year term out option that allows us to extend the maturity of any borrowings one additional year. We anticipate that these credit lines will remain undrawn and primarily serve as back-up liquidity to support our general corporate borrowing needs. See Note 11.

Our short-term and long-term credit ratings remained unchanged during the first nine months of 2022. There is risk for future downgrades.

At September 30, 2022 and December 31, 2021, trade payables included $2.2 billion and $2.3 billion payable to suppliers who have elected to participate in supply chain financing programs. We do not believe that future changes in the availability of supply chain financing will have a significant impact on our liquidity.

Based on our current best estimates of market demand, planned production rates, timing of cash receipts and expenditures, our ability to successfully implement further actions to improve liquidity, as well as our ability to access additional liquidity, if needed, we believe it is probable that we will be able to fund our operations for the foreseeable future.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**Long-term Contracts**

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 long-term contract’s percentage-of-completion. When the current estimates of total sales and costs for a long-term contract, and/or contractual options that are probable of exercise, indicate a loss, a provision for the entire loss is recognized.

Net cumulative catch-up adjustments to prior periods' revenue and earnings, including certain losses, across all long-term contracts were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(In millions - except per share amounts)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| (Decrease)/increase to Revenue | | | **($2,204)** | |  |  | | | $167 | |  |  | | | **($1,319)** | |  |  | | | ($63) | |  |
| Increase to (Loss)/(decrease) to earnings from operations | | | **($3,965)** | |  |  | | | ($84) | |  |  | | | **($2,424)** | |  |  | | | ($142) | |  |
| Decrease to Diluted EPS | | | **($6.70)** | |  |  | | | ($0.05) | |  |  | | | **($4.29)** | |  |  | | | ($0.10) | |  |

**Note 2 – Earnings Per Share**

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

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

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(In millions - except per share amounts)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net loss available to common shareholders | | | **($4,301)** | |  |  | | | ($59) | |  |  | | | **($3,275)** | |  |  | | | ($109) | |  |
| Basic | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic weighted average shares outstanding | | | **594.0** | |  |  | | | 587.3 | |  |  | | | **596.3** | |  |  | | | 589.0 | |  |
| Less: participating securities(1) | | | **0.3** | |  |  | | | 0.4 | |  |  | | | **0.3** | |  |  | | | 0.4 | |  |
| Basic weighted average common shares outstanding | | | **593.7** | |  |  | | | 586.9 | |  |  | | | **596.0** | |  |  | | | 588.6 | |  |
| Diluted | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Diluted weighted average shares outstanding | | | **594.0** | |  |  | | | 587.3 | |  |  | | | **596.3** | |  |  | | | 589.0 | |  |
| Less: participating securities(1) | | | **0.3** | |  |  | | | 0.4 | |  |  | | | **0.3** | |  |  | | | 0.4 | |  |
| Diluted weighted average common shares outstanding | | | **593.7** | |  |  | | | 586.9 | |  |  | | | **596.0** | |  |  | | | 588.6 | |  |
| Net loss per share: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | **($7.24)** | |  |  | | | ($0.10) | |  |  | | | **($5.49)** | |  |  | | | ($0.19) | |  |
| Diluted | | | **(7.24)** | |  |  | | | (0.10) | |  |  | | | **(5.49)** | |  |  | | | (0.19) | |  |

(1)Participating securities include certain instruments in our deferred compensation plan.

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3.2 million, 3.5 million, 2.3 million and 2.7 million potential common shares were excluded from the diluted loss per share calculation for the nine and three months ended September 30, 2022 and 2021, respectively, because the effect would have been antidilutive as a result of incurring a net loss in those periods. In addition, 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 loss per share because the effect was either antidilutive or the performance condition was not met.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Shares in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Performance awards | | | **2.1** | |  |  | | | 2.8 | |  |  | | | **2.5** | |  |  | | | 3.0 | |  |
| Performance-based restricted stock units | | | **0.4** | |  |  | | | 0.8 | |  |  | | | **0.4** | |  |  | | | 0.8 | |  |
| Restricted stock units | | | **1.3** | |  |  | | | 0.5 | |  |  | | | **1.6** | |  |  | | |  | | |
| Stock options | | | **0.7** | |  |  | | | 0.3 | |  |  | | | **0.8** | |  |  | | | 0.3 | |  |

**Note 3 – Income Taxes**

Our effective tax rate for the nine months ended September 30, 2022 was (0.4)% and primarily reflects the 21% federal tax rate and research and development tax credits which are more than offset by an increase to the valuation allowance and other permanent items. The effective tax rate for the three months ended September 30, 2022 reflects additional tax expense to adjust prior quarters' results to the annual effective tax rate.

As of September 30, 2022 and December 31, 2021, the Company had recorded valuation allowances of $3,569 and $2,423 primarily for certain federal deferred tax assets, as well as for certain federal and state net operating loss and tax credit carryforwards. The increase in the valuation allowance during 2022 is primarily due to tax credits and other carryforwards generated in 2022 that cannot be realized in 2022. To measure the valuation allowance, the Company estimated in what year each of its deferred tax assets and liabilities would reverse using systematic and logical methods to estimate the reversal patterns. Based on these methods, deferred tax liabilities are assumed to reverse and generate taxable income over the next 5 to 10 years while deferred tax assets related to pension and other postretirement benefit obligations are assumed to reverse and generate tax deductions over the next 15 to 20 years. The valuation allowance primarily results from not having sufficient income from deferred tax liability reversals in the appropriate future periods to support the realization of deferred tax assets.

Federal income tax audits have been settled for all years prior to 2018. The Internal Revenue Service (IRS) began the 2018-2019 federal tax audit in the first quarter of 2021 and added tax year 2020 to the audit in the fourth quarter of 2021. We are also subject to examination in major state and international jurisdictions for the 2008-2020 tax years. We believe appropriate provisions for all outstanding tax issues have been made for all jurisdictions and all open years.

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**Note 4 – Allowances for Losses on Financial Assets**

The changes in allowances for expected credit losses for the nine months ended September 30, 2022 and 2021 consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Accounts receivable | | | Unbilled receivables | | | Other current assets | | | Customer financing | | | Other assets | | | Total | | |
| Balance at January 1, 2021 | | | ($444) | |  | ($129) | |  | ($72) | |  | ($17) | |  | ($140) | |  | ($802) | |  |
| Changes in estimates | | | 15 | |  | 3 | |  | (3) | |  | 3 | |  | (45) | |  | (27) | |  |
| Write-offs | | | 21 | |  |  | | | 1 | |  |  | | | 13 | |  | 35 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Recoveries | | | 1 | |  |  | | |  | | |  | | |  | | | 1 | |  |
| Balance at September 30, 2021 | | | ($407) | |  | ($126) | |  | ($74) | |  | ($14) | |  | ($172) | |  | ($793) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at January 1, 2022** | | | **($390)** | |  | **($91)** | |  | **($62)** | |  | **($18)** | |  | **($186)** | |  | **($747)** | |  |
| **Changes in estimates** | | |  | | | **19** | |  | **(16)** | |  | **(38)** | |  | **(31)** | |  | **(66)** | |  |
| **Write-offs** | | | **246** | |  | **47** | |  | **1** | |  |  | | | **133** | |  | **427** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Recoveries** | | | **5** | |  |  | | |  | | |  | | |  | | | **5** | |  |
| **Balance at September 30, 2022** | | | **($139)** | |  | **($25)** | |  | **($77)** | |  | **($56)** | |  | **($84)** | |  | **($381)** | |  |

**Note 5 – Inventories**

Inventories consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| Long-term contracts in progress | | | **$488** | |  |  | | | $872 | |  |
| Commercial aircraft programs | | | **69,552** | |  |  | | | 68,106 | |  |
| Commercial spare parts, used aircraft, general stock materials and other | | | **9,737** | |  |  | | | 9,845 | |  |
| Total | | | **$79,777** | |  |  | | | $78,823 | |  |

Commercial spare parts, used aircraft, general stock materials and other includes capitalized precontract costs of $734 at September 30, 2022 and $648 at December 31, 2021 primarily related to KC-46A Tanker and Commercial Crew. See Note 9.

**Commercial Aircraft Programs**

The increase in commercial aircraft programs inventory during 2022 reflects growth in 777X inventory and continued buildup of 787 aircraft, partially offset by a decrease in 737 MAX inventory. Commercial aircraft programs inventory includes approximately 270 737 MAX aircraft and 115 787 aircraft at September 30, 2022 as compared with 335 737 MAX aircraft and 110 787 aircraft at December 31, 2021.

A number of customers have requested to defer deliveries or to cancel orders. We are currently remarketing certain aircraft and may have to remarket additional aircraft in future periods. If we are unable to successfully remarket the aircraft, determine further production rate reductions are necessary, and/or contract the program accounting quantities, future earnings may be reduced and/or additional reach-forward losses may have to be recorded.

At September 30, 2022 and December 31, 2021, commercial aircraft programs inventory included the following amounts related to the 737 program: deferred production costs of $2,387 and $1,296 and unamortized tooling and other non-recurring costs of $645 and $617. At September 30, 2022, $3,012 of 737 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 $20 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

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At September 30, 2022 and December 31, 2021, commercial aircraft programs inventory included the following amounts related to the 777X program: deferred production costs of $1,236 and $652 and $3,696 and $3,521 of unamortized tooling and other non-recurring costs. In April 2022, we decided to pause production of the 777X-9 during 2022 and 2023. The production pause is resulting in abnormal production costs that are being expensed as incurred until 777X-9 production resumes. We expensed abnormal production costs of $213 during the nine months ended September 30, 2022. The 777X program has near break-even margins at September 30, 2022. The level of profitability on the 777X program will be subject to a number of factors. These factors include continued market uncertainty, the lingering impacts of COVID-19 on our production system as well as impacts on our supply chain and customers, further production rate adjustments for the 777X or other commercial aircraft programs, any contraction of the accounting quantity and potential risks associated with the testing program and the timing of aircraft certification. One or more of these factors could result in additional reach-forward losses on the 777X program in future periods.

During the fourth quarter of 2021, we determined that estimated costs to complete the 787 program plus costs already included in 787 inventory exceeded estimated revenues from the program. The resulting reach-forward loss of $3,460 was recorded as a reduction to deferred production costs. At September 30, 2022 and December 31, 2021, commercial aircraft programs inventory included the following amounts related to the 787 program: deferred production costs of $11,868 and $11,693, $1,946 and $1,907 of supplier advances, and $1,795 and $1,815 of unamortized tooling and other non-recurring costs. At September 30, 2022, $9,015 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 $4,648 is expected to be recovered from units included in the program accounting quantity that represent expected future orders. We expensed abnormal production costs of $925 during the nine months ended September 30, 2022.

Commercial aircraft programs inventory included amounts credited in cash or other consideration (early issue sales consideration) to airline customers totaling $3,427 and $3,290 at September 30, 2022 and December 31, 2021.

**Note 6 – Contracts with Customers**

Unbilled receivables increased from $8,620 at December 31, 2021 to $9,316 at September 30, 2022, primarily driven by revenue recognized at Defense, Space & Security (BDS) and Global Services (BGS) in excess of billings.

Advances and progress billings increased from $52,980 at December 31, 2021 to $53,177 at September 30, 2022, primarily driven by advances on orders received at BDS and BGS, partially offset by revenue recognized and cash returns at Commercial Airplanes (BCA).

Revenues recognized during the nine months ended September 30, 2022 and 2021 from amounts recorded as Advances and progress billings at the beginning of each year were $9,501 and $10,131. Revenues recognized during the three months ended September 30, 2022 and 2021 from amounts recorded as Advances and progress billings at the beginning of each year were $2,687 and $2,816.

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**Note 7 – Customer Financing**

Customer financing primarily relates to the Boeing Capital (BCC) segment. Financing arrangements typically range in terms from 1 to 12 years and may include options to extend or terminate leases. Certain leases include provisions to allow the lessee to purchase the underlying aircraft at a specified price.

Customer financing consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| Financing receivables: | | |  | | |  | | |  | | |
| Investment in sales-type/finance leases | | | **$847** | |  |  | | | $944 | |  |
| Notes | | | **401** | |  |  | | | 412 | |  |
| Total financing receivables | | | **1,248** | |  |  | | | 1,356 | |  |
| Less allowance for losses on receivables | | | **56** | |  |  | | | 18 | |  |
| Financing receivables, net | | | **1,192** | |  |  | | | 1,338 | |  |
| Operating lease equipment, at cost, less accumulated depreciation of $81 and $58 | | | **477** | |  |  | | | 474 | |  |
|  | | |  | | |  | | |  | | |
| Total | | | **$1,669** | |  |  | | | $1,812 | |  |

At September 30, 2022 and December 31, 2021, $406 and $378 were determined to be uncollectible financing receivables and placed on non-accrual status. The increase in the allowance for losses on receivables during the nine months ended September 30, 2022 was primarily due to impacts of the war in Ukraine. Customer financing interest income received was $10 and $4 for the nine and three months ended September 30, 2022 and $14 and $3 for the nine and three months ended September 30, 2021.

Our financing receivable balances at September 30, 2022 by internal credit rating category and year of origination consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Rating categories | | | **Current** | | | **2021** | | | **2020** | | | **2019** | | | **2018** | | | **Prior** | | | **Total** | | |
| BBB | | |  | | |  | | |  | | |  | | |  | | | **$72** | |  | **$72** | |  |
| BB | | | **$35** | |  | **$223** | |  | **$114** | |  | **$40** | |  | **$12** | |  | **159** | |  | **583** | |  |
| B | | |  | | | **35** | |  |  | | |  | | |  | | | **166** | |  | **201** | |  |
| CCC | | |  | | |  | | |  | | | **21** | |  |  | | | **371** | |  | **392** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total carrying value of financing receivables | | | **$35** | |  | **$258** | |  | **$114** | |  | **$61** | |  | **$12** | |  | **$768** | |  | **$1,248** | |  |

At September 30, 2022, our allowance for losses related to receivables with ratings of CCC, B, BB, and BBB. We applied default rates that averaged 99.1%, 27.9%, 3.0%, and 0.1%, respectively, to the exposure associated with those receivables.

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**Customer Financing Exposure**

The majority of our customer financing portfolio is concentrated in the following aircraft models:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| 717 Aircraft ($53 and $62 accounted for as operating leases) | | | **$567** | |  |  | | | $603 | |  |
| 747-8 Aircraft (accounted for as sales-type/finance leases) | | | **394** | |  |  | | | 435 | |  |
| 737 Aircraft ($176 and $145 accounted for as operating leases) | | | **189** | |  |  | | | 163 | |  |
| 777 Aircraft ($212 and $225 accounted for as operating leases) | | | **212** | |  |  | | | 233 | |  |
| MD-80 Aircraft (accounted for as sales-type/finance leases) | | | **136** | |  |  | | | 142 | |  |
| 757 Aircraft (accounted for as sales-type/finance leases) | | | **112** | |  |  | | | 126 | |  |
| 747-400 Aircraft ($0 and $1 accounted for as operating leases) | | | **47** | |  |  | | | 50 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |

Operating lease equipment primarily includes large commercial jet aircraft.

Lease income recorded in revenue on the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2022 and 2021 included $52 and $38 from sales-type/finance leases, and $50 and $53 from operating leases, of which $6 and $6 related to variable operating lease payments. Lease income recorded in revenue on the Condensed Consolidated Statements of Operations for the three months ended September 30, 2022 and 2021 included $16 and $13 from sales-type/finance leases, and $18 and $16 from operating leases, of which $1 and $1 related to variable operating lease payments.

Profit at the commencement of sales-type leases was recorded in revenue for the nine months ended September 30, 2022 and 2021 in the amount of $16 and $57. Profit at the commencement of sales-type leases was recorded in revenue for the three months ended September 30, 2022 and 2021 in the amount of $4 and $21.

**Note 8 – Investments**

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| Equity method investments (1) | | | **$944** | |  |  | | | $930 | |  |
| Time deposits | | | **286** | |  |  | | | 7,676 | |  |
| Available for sale debt instruments | | | **440** | |  |  | | | 464 | |  |
| Equity and other investments | | | **36** | |  |  | | | 45 | |  |
| Restricted cash & cash equivalents(2) | | | **36** | |  |  | | | 52 | |  |
| Total | | | **$1,742** | |  |  | | | $9,167 | |  |

(1)Dividends received were $95 and $52 during the nine and three months ended September 30, 2022 and $52 and $9 during the same periods in the prior year. During the third quarter of 2021, Boeing and AE Industrial Partners announced a strategic partnership to establish a dedicated aerospace venture fund. This transaction resulted in the deconsolidation of HorizonX and generated a gain of $117 which is included in (Loss)/income from operating investments, net.

(2)Reflects amounts restricted in support of our property sales, workers’ compensation programs, and insurance premiums.

Allowance for losses on available for sale debt instruments are assessed quarterly. All instruments are considered investment grade and we have not recognized an allowance for credit losses as of September 30, 2022.

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**Note 9 – Commitments and Contingencies**

**737 MAX Grounding**

Over 190 countries have approved the resumption of 737 MAX operations. The 737 MAX has yet to return to service in China and a small number of other countries. The Civil Aviation Administration of China issued an airworthiness directive in the fourth quarter of 2021 outlining actions required for airlines to return to service. There is uncertainty regarding timing of return to service and resumption of deliveries in China which are still subject to final regulatory approvals. We continue to work with a small number of customers who have requested to defer deliveries or to cancel orders for 737 MAX aircraft, and we are remarketing and/or delaying deliveries of certain aircraft included within inventory.

We increased the production rate to 31 per month in 2022, and expect to implement further gradual production rate increases based on market demand and supply chain capacity. We expensed abnormal production costs of $188 during the three months ended March 31, 2022.

We have approximately 270 airplanes in inventory as of September 30, 2022. Due to ongoing uncertainties the program is facing including uncertainty regarding timing of resumption of deliveries to Chinese customers, we now anticipate delivering most of these aircraft by the end of 2024. We have approximately 140 aircraft in inventory that are designated for customers in China. We are exploring options to remarket some of these aircraft to other customers. In the event that we are unable to resume aircraft deliveries in China or remarket those aircraft and/or ramp up deliveries consistent with our assumptions, our expectation of delivery timing and our expectation regarding future gradual production rate increases could be impacted.

The following table summarizes changes in the 737 MAX customer concessions and other considerations liability during the nine months ended September 30, 2022 and 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  |
| Beginning balance – January 1 | | | **$2,940** | |  |  | | | $5,537 | |  |  |
|  | | |  | | |  | | |  | | |  |
| Reductions for payments made | | | **(959)** | |  |  | | | (2,040) | |  |  |
| Reductions for concessions and other in-kind considerations | | | **(29)** | |  |  | | | (53) | |  |  |
| Changes in estimates | | | **(16)** | |  |  | | | (1) | |  |  |
| Ending balance – September 30 | | | **$1,936** | |  |  | | | $3,443 | |  |  |

The liability balance of $1.9 billion at September 30, 2022 includes $1.6 billion of contracted customer concessions and other liabilities and $0.3 billion that remains subject to negotiation with customers. The contracted amount includes $0.9 billion expected to be liquidated by lower customer delivery payments, $0.6 billion expected to be paid in cash and $0.1 billion in other concessions. Of the cash payments to customers, we expect to pay $0.1 billion in 2023 and $0.5 billion in 2024. The type of consideration to be provided for the remaining $0.3 billion will depend on the outcomes of negotiations with customers.

**Environmental**

The following table summarizes environmental remediation activity during the nine months ended September 30, 2022 and 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |
| Beginning balance – January 1 | | | **$605** | |  |  | | | $565 | |  |
| Reductions for payments made, net of recoveries | | | **(22)** | |  |  | | | (35) | |  |
| Changes in estimates | | | **171** | |  |  | | | 99 | |  |
| Ending balance – September 30 | | | **$754** | |  |  | | | $629 | |  |

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

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of regulatory agency orders and directives, changes in laws and/or regulations, higher than expected costs and/or the discovery of new or additional contamination. As part of our estimating process, we develop a range of reasonably possible alternate scenarios that includes the high end of a range of reasonably possible cost estimates for all remediation sites for which we have sufficient information based on our experience and existing laws and regulations. There are some potential remediation obligations where the costs of remediation cannot be reasonably estimated. At September 30, 2022 and December 31, 2021, the high end of the estimated range of reasonably possible remediation costs exceeded our recorded liabilities by $1,066 and $1,094.

**Product Warranties**

The following table summarizes product warranty activity recorded during the nine months ended September 30, 2022 and 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |
| Beginning balance – January 1 | | | **$1,900** | |  |  | | | $1,527 | |  |
| Additions for current year deliveries | | | **143** | |  |  | | | 71 | |  |
| Reductions for payments made | | | **(305)** | |  |  | | | (182) | |  |
| Changes in estimates | | | **355** | |  |  | | | 439 | |  |
| Ending balance – September 30 | | | **$2,093** | |  |  | | | $1,855 | |  |

**Commercial Aircraft Commitments**

In conjunction with signing definitive agreements for the sale of new 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. The probability that trade-in commitments will be exercised is determined by using both quantitative information from valuation sources and qualitative information from other sources. The probability of exercise is assessed quarterly, or as events trigger a change, and takes into consideration the current economic and airline industry environments. Trade-in commitments, which can be terminated by mutual consent with the customer, may be exercised only during the period specified in the agreement, and require advance notice by the customer.

Trade-in commitment agreements at September 30, 2022 have expiration dates from 2022 through 2029. At September 30, 2022 and December 31, 2021 total contractual trade-in commitments were $1,262 and $612. As of September 30, 2022 and December 31, 2021, we estimated that it was probable we would be obligated to perform on certain of these commitments with net amounts payable to customers totaling $310 and $283 and the fair value of the related trade-in aircraft was $309 and $283.

**Financing Commitments**

Financing commitments related to aircraft on order, including options and those proposed in sales campaigns, and refinancing of delivered aircraft, totaled $16,495 and $12,905 as of September 30, 2022 and December 31, 2021. The estimated earliest potential funding dates for these commitments as of September 30, 2022 are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | Total | | |
| October through December 2022 | | | $829 | |  |
| 2023 | | | 3,710 | |  |
| 2024 | | | 2,510 | |  |
| 2025 | | | 3,242 | |  |
| 2026 | | | 2,374 | |  |
| Thereafter | | | 3,830 | |  |
|  | | | $16,495 | |  |

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As of September 30, 2022, all of these financing commitments relate 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.

**Funding Commitments**

We have commitments to make additional capital contributions of $265 to joint ventures over the next six years.

**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 and security agreements. Contingent liabilities on outstanding letters of credit and surety bonds aggregated approximately$4,850 and $3,634 as of September 30, 2022 and December 31, 2021.

**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.

**Fixed-Price Contracts**

Substantially all contracts at BDS and the majority of contracts at BGS Government are long-term contracts. Long-term contracts that are contracted on a fixed-price basis could result in losses in future periods. Certain of the fixed-price contracts are for the development of new products, services and related technologies. This development work scope is inherently uncertain and subject to significant variability in estimates of the cost and time required to complete the work by us and our suppliers. The operational and technical complexities of fixed-price development contracts create financial risk, which could trigger additional earnings charges, termination provisions, order cancellations, or other financially significant exposure.

**VC-25B Presidential Aircraft**

The Company’s firm fixed-price contract for the Engineering, Manufacturing, and Development (EMD) effort on the U.S. Air Force’s (USAF) VC-25B Presidential Aircraft, commonly known as Air Force One, is a $4.3 billion program to develop and modify two 747-8 commercial aircraft. During the nine and three months ended September 30, 2022, we increased the reach-forward loss on the contract by $1,452 and $766 driven by higher costs to incorporate certain technical requirements, increases to factory modification labor and support engineering, schedule delays and higher supplier costs. The increase in the third quarter of 2022 was primarily driven by increases to cost estimates associated with factory modification labor and support engineering resources due to labor shortages and inefficiencies that we now estimate will persist longer than previously anticipated, higher supplier cost estimates based on ongoing supplier negotiations and higher levels of engineering design changes due to technical requirements which are driving increased rework and schedule delays. Risk remains that we may record additional losses in future periods.

**KC-46A Tanker**

In 2011, we were awarded a contract from the USAF to design, develop, manufacture, and deliver four next generation aerial refueling tankers as well as priced options for 13 annual production lots totaling 179 aircraft. This EMD contract is a fixed-price incentive fee contract and involves highly complex designs and systems integration. Since 2016, the USAF has authorized eight low rate initial production (LRIP) lots for a total of 109 aircraft. The EMD contract and authorized LRIP lots total approximately $21 billion as of

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September 30, 2022. As of September 30, 2022, we had approximately $207 of capitalized precontract costs and $228 of potential termination liabilities to suppliers related to unexercised future lots.

During the nine and three months ended September 30, 2022, we increased the reach-forward loss on the KC-46A Tanker program by $1,374 and $1,165 primarily reflecting higher production and supply chain costs partially driven by labor shortages and supply chain disruption. The increase in the reach-forward loss in the third quarter of 2022 is primarily driven by factory unit time performance expectations that assume continued production disruption due to labor shortages and supply chain disruption. Factory unit time estimates also reflect reduced benefits from prior investments in productivity enablers and higher factory unit time to produce aircraft for the remaining life of the program. The third quarter charge also reflects increased estimated change incorporation costs for flight test aircraft as well as schedule delays to complete the Remote Vision System. Risk remains that we may record additional losses in future periods.

**MQ-25**

In the third quarter of 2018, we were awarded the MQ-25 EMD contract by the U.S. Navy. The contract is a fixed-price contract that now includes development and delivery of seven aircraft and test articles at a contract price of $890. In connection with winning the competition, we recognized a reach-forward loss of $291 in the third quarter of 2018. During the nine and three months ended September 30, 2022, we increased the MQ-25 reach-forward loss by $576 and $351 primarily driven by higher manufacturing and engineering support costs, additional testing and certification activities, supplier quality, and engineering design challenges. The increase in the third quarter of 2022 is primarily driven by higher than anticipated costs to manufacture the EMD units reflecting recent performance which is resulting in additional factory resources and increased engineering costs to address design and supplier quality issues. We also increased costs associated with flight test support this quarter. Risk remains that we may record additional losses in future periods.

**T-7A Red Hawk EMD Contract & Production Options**

In 2018, we were awarded the T-7A Red Hawk program. The EMD portion of the contract is a $860 fixed-price contract and includes five aircraft and seven simulators. During the nine and three months ended September 30, 2022, we recorded earnings charges of $203 and $100 related to the T-7A Red Hawk fixed-price EMD contract, which has a reach-forward loss at September 30, 2022, primarily due to supply chain, hardware qualification issues and schedule delays and customer testing requirements. The increase in the reach-forward loss in the third quarter of 2022 was primarily driven by delays in achieving Military Flight Release and additional cost growth to resolve technical issues and other engineering design changes that were identified during the third quarter. EMD aircraft flight testing is now estimated to start in 2023.

The production portion of the contract includes 11 production lots for aircraft and related services. In 2018, we recorded a loss of $400 associated with the 11 production lots and associated support options for 346 T-7A Red Hawk aircraft that we believe are probable of being exercised. The first production and support contract option is expected to be exercised in 2024. We increased the estimated reach-forward loss by $536 and $185 during the nine and three months ended September 30, 2022 primarily driven by ongoing supply chain negotiations (which are impacted by supply chain constraints and inflationary pressures), and design revisions. The increase in the reach-forward loss in the third quarter of 2022 was primarily driven by cost growth as a result of engineering and design changes as well as an increase in the number of expected units in the initial production lots. Risk remains that we may record additional losses in future periods.

**Commercial Crew**

National Aeronautics and Space Administration (NASA) has contracted us to design and build the CST-100 Starliner spacecraft to transport crews to the International Space Station. During the second quarter of 2022 we successfully completed the uncrewed Orbital Flight Test. A crewed flight test is now expected to be completed in 2023. During the nine and three months ended September 30, 2022, we

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increased the reach-forward loss by $288 and $195 primarily reflecting increases to estimated costs related to completing the crewed flight tests and revised schedules for both the crewed flight test and three post certification missions. The increase recorded in the third quarter of 2022 was primarily driven by timing of the three future post certification missions which are now assumed to be completed by 2026 based on NASA’s revised launch plans. We had previously assumed that the post certification missions would be completed by 2024. Risk remains that we may record additional losses in future periods.

**Note 10 – Arrangements with Off-Balance Sheet Risk**

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Maximum Potential Payments | | | | | |  | | | Estimated Proceeds from Collateral/Recourse | | | | | |  | | | Carrying Amount of  Liabilities | | | | | |
|  | | | **September 30 2022** | | | December 31 2021 | | |  | | | **September 30 2022** | | | December 31 2021 | | |  | | | **September 30 2022** | | | December 31 2021 | | |
| Contingent repurchase commitments | | | **$545** | |  | $548 | |  |  | | | **$545** | |  | $548 | |  |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit guarantees | | | **90** | |  | 90 | |  |  | | | **1** | |  | 28 | |  |  | | | **$46** | |  | $24 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

**Contingent Repurchase Commitments** The commercial aircraft 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.

**Credit Guarantees** We have issued credit guarantees where we are obligated to make payments to a guaranteed party in the event that the original lessee or debtor does not make payments or perform certain specified services. Generally, these guarantees have been extended on behalf of guaranteed parties with less than investment-grade credit and are collateralized by certain assets. We record a liability for the fair value of guarantees and the expected contingent loss amount, which is reviewed quarterly. Current outstanding credit guarantees expire through 2036.

**Other Indemnifications** In conjunction with our sales of Electron Dynamic Devices, Inc. and Rocketdyne Propulsion and Power businesses and our BCA 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 9.

**Note 11 – Debt**

As of September 30, 2022, we had $12,000 currently available under credit line agreements. In the third quarter of 2022, we entered into a $5,800 364-day revolving credit agreement expiring in August 2023, a $3,000 three-year revolving credit agreement expiring in August 2025, and amended our $3,200 five-year revolving credit agreement, which expires in October 2024, primarily to incorporate a LIBOR successor rate. The 364-day facility has a one-year term out option that allows us to extend the maturity of any borrowings one additional year. We continue to be in full compliance with all covenants contained in our debt or credit facility agreements.

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**Note 12 – Postretirement Plans**

The components of net periodic benefit (income)/cost were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
| Pension Plans | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Service cost | | | **$2** | |  |  | | | $2 | |  |  | | |  | | |  | | |  | | |
| Interest cost | | | **1,561** | |  |  | | | 1,493 | |  |  | | | **$520** | |  |  | | | $498 | |  |
| Expected return on plan assets | | | **(2,843)** | |  |  | | | (2,894) | |  |  | | | **(948)** | |  |  | | | (963) | |  |
| Amortization of prior service credits | | | **(61)** | |  |  | | | (60) | |  |  | | | **(20)** | |  |  | | | (20) | |  |
| Recognized net actuarial loss | | | **681** | |  |  | | | 924 | |  |  | | | **227** | |  |  | | | 304 | |  |
| Settlement/curtailment (gain)/loss | | | **(4)** | |  |  | | | 156 | |  |  | | | **(4)** | |  |  | | | 152 | |  |
| Net periodic benefit income | | | **($664)** | |  |  | | | ($379) | |  |  | | | **($225)** | |  |  | | | ($29) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net periodic benefit cost included in (Loss)/earnings from operations | | | **$2** | |  |  | | | $2 | |  |  | | |  | | |  | | |  | | |
| Net periodic benefit income included in Other income, net | | | **(666)** | |  |  | | | (381) | |  |  | | | **($225)** | |  |  | | | ($29) | |  |
| Net periodic benefit income included in Loss before income taxes | | | **($664)** | |  |  | | | ($379) | |  |  | | | **($225)** | |  |  | | | ($29) | |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
| Other Postretirement Plans | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Service cost | | | **$54** | |  |  | | | $66 | |  |  | | | **$18** | |  |  | | | $22 | |  |
| Interest cost | | | **73** | |  |  | | | 68 | |  |  | | | **24** | |  |  | | | 23 | |  |
| Expected return on plan assets | | | **(8)** | |  |  | | | (6) | |  |  | | | **(3)** | |  |  | | | (3) | |  |
| Amortization of prior service credits | | | **(26)** | |  |  | | | (26) | |  |  | | | **(9)** | |  |  | | | (9) | |  |
| Recognized net actuarial gain | | | **(83)** | |  |  | | | (52) | |  |  | | | **(27)** | |  |  | | | (17) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net periodic benefit cost | | | **$10** | |  |  | | | $50 | |  |  | | | **$3** | |  |  | | | $16 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net periodic benefit cost included in (Loss)/earnings from operations | | | **$59** | |  |  | | | $66 | |  |  | | | **$20** | |  |  | | | $22 | |  |
| Net periodic benefit income included in Other income, net | | | **(44)** | |  |  | | | (16) | |  |  | | | **(15)** | |  |  | | | (6) | |  |
| Net periodic benefit cost included in Loss before income taxes | | | **$15** | |  |  | | | $50 | |  |  | | | **$5** | |  |  | | | $16 | |  |

In the third quarter of 2021, we recorded a $151 settlement charge in Other income, net and remeasured assets and benefit obligations related to one of the Company’s pension plans. The remeasurement resulted in a net actuarial gain of $1,642, which is included in Other comprehensive income. The $1,642 reflects a gain of $923 primarily driven by an increase in the discount rate from approximately 2.6% at December 31, 2020 to approximately 2.8% as of the remeasurement date, as well as a gain of $719 primarily driven by asset returns in excess of expected returns.

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**Note 13 – Share-Based Compensation and Other Compensation Arrangements**

**Stock Options**

On February 16, 2022, we granted 348,769 premium-priced stock options to our executive officers as part of our long-term incentive program. These stock options have an exercise price equal to 120% of the fair market value of our stock on the date of grant. If certain performance measures are met, the exercise price is reduced to 110% of the grant date fair market value of our stock. The stock options are scheduled to vest and become exercisable three years after the grant date and expire ten years after the grant date. If an executive terminates employment because of retirement, layoff, disability, or death, the executive (or beneficiary) may receive some or all of their stock options depending on certain age and service conditions. The fair value of the stock options granted was $83.04 per unit and was estimated using a Monte-Carlo simulation model using the following assumptions: expected life 6.76 years, expected volatility 36.6%, risk free interest rate 2.0% and no expected dividend yield.

**Restricted Stock Units**

On February 16, 2022, we granted 1,804,541 restricted stock units (RSU) to our executives as part of our long-term incentive program. The RSUs granted under this program have a grant date fair value of $217.48 per unit. On July 29, 2022, we also granted 2,568,112 RSUs with a grant date fair value of $157.69 per unit as part of our long-term incentive program, accelerating awards planned for 2023 to retain executives. The RSUs granted under this program will generally 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, layoff, disability, or death, the executive (or beneficiary) may receive some or all of their stock units depending on certain age and service conditions. In all other cases, the RSUs will not vest and all rights to the stock units will terminate.

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**Note 14 – Shareholders' Equity**

**Accumulated Other Comprehensive Loss**

Changes in Accumulated other comprehensive loss (AOCI) by component for the nine and three months ended September 30, 2022 and 2021 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Currency Translation Adjustments | | |  | | | Unrealized Gains and Losses on Certain Investments | | |  | | | Unrealized Gains and Losses on Derivative Instruments | | |  | | | Defined Benefit Pension Plans & Other Postretirement Benefits | | |  | | | Total (1) | | |
| Balance at January 1, 2021 | | | ($30) | |  |  | | | $1 | |  |  | | | ($43) | |  |  | | | ($17,061) | |  |  | | | ($17,133) | |  |
| Other comprehensive (loss)/income before reclassifications | | | (63) | |  |  | | |  | | |  | | | 64 | |  |  | | | 1,553 | |  | (2) | | | 1,554 | |  |
| Amounts reclassified from AOCI | | |  | | |  | | |  | | |  | | | (6) | |  |  | | | 767 | |  | (3) | | | 761 | |  |
| Net current period Other comprehensive (loss)/income | | | (63) | |  |  | | |  | | |  | | | 58 | |  |  | | | 2,320 | |  |  | | | 2,315 | |  |
| Balance at September 30, 2021 | | | ($93) | |  |  | | | $1 | |  |  | | | $15 | |  |  | | | ($14,741) | |  |  | | | ($14,818) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at January 1, 2022** | | | **($105)** | |  |  | | | **$1** | |  |  | | | **$6** | |  |  | | | **($11,561)** | |  |  | | | **($11,659)** | |  |
| **Other comprehensive loss before reclassifications** | | | **(123)** | |  |  | | | **(2)** | |  |  | | | **(157)** | |  |  | | | **(2)** | |  |  | | | **(284)** | |  |
| **Amounts reclassified from AOCI** | | |  | | |  | | |  | | |  | | | **24** | |  | **(4)** | | | **401** | |  | **(3)** | | | **425** | |  |
| **Net current period Other comprehensive (loss)/income** | | | **(123)** | |  |  | | | **(2)** | |  |  | | | **(133)** | |  |  | | | **399** | |  |  | | | **141** | |  |
| **Balance at September 30, 2022** | | | **($228)** | |  |  | | | **($1)** | |  |  | | | **($127)** | |  |  | | | **($11,162)** | |  |  | | | **($11,518)** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance at June 30, 2021 | | | ($52) | |  |  | | | $1 | |  |  | | | $20 | |  |  | | | ($16,630) | |  |  | | | ($16,661) | |  |
| Other comprehensive (loss)/income before reclassifications | | | (41) | |  |  | | |  | | |  | | | (1) | |  |  | | | 1,543 | |  | (2) | | | 1,501 | |  |
| Amounts reclassified from AOCI | | |  | | |  | | |  | | |  | | | (4) | |  |  | | | 346 | |  | (3) | | | 342 | |  |
| Net current period Other comprehensive (loss)/income | | | (41) | |  |  | | |  | | |  | | | (5) | |  |  | | | 1,889 | |  |  | | | 1,843 | |  |
| Balance at September 30, 2021 | | | ($93) | |  |  | | | $1 | |  |  | | | $15 | |  |  | | | ($14,741) | |  |  | | | ($14,818) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at June 30, 2022** | | | **($157)** | |  |  | | | **$1** | |  |  | | | **($38)** | |  |  | | | **($11,293)** | |  |  | | | **($11,487)** | |  |
| **Other comprehensive loss before reclassifications** | | | **(71)** | |  |  | | | **(2)** | |  |  | | | **(83)** | |  |  | | | **(2)** | |  |  | | | **(158)** | |  |
| **Amounts reclassified from AOCI** | | |  | | |  | | |  | | |  | | | **(6)** | |  |  | | | **133** | |  | **(3)** | | | **127** | |  |
| **Net current period Other comprehensive (loss)/income** | | | **(71)** | |  |  | | | **(2)** | |  |  | | | **(89)** | |  |  | | | **131** | |  |  | | | **(31)** | |  |
| **Balance at September 30, 2022** | | | **($228)** | |  |  | | | **($1)** | |  |  | | | **($127)** | |  |  | | | **($11,162)** | |  |  | | | **($11,518)** | |  |

(1) Net of tax.

(2) Primarily relates to remeasurement of assets and benefit obligations related to the Company's pension plans resulting in an actuarial gain for the nine and three months ended September 30, 2021 of $1,551 and $1,544 (net of tax of ($106) and ($104)). See Note 12.

(3) Primarily relates to amortization of actuarial losses for the nine and three months ended September 30, 2022 of $469 and $155 (net of tax of ($129) and ($45)) and the nine and three months ended September 30, 2021 totaling $690 and $227 (net of tax of ($182) and ($60)). These are included in the net periodic pension cost.

(4) Includes losses of $39 (net of tax of ($11)) from cash flow hedges reclassified to Other income, net because the forecasted transactions are probable of not occurring.

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**Note 15 – 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 2031. We use commodity derivatives, such as fixed-price purchase commitments and swaps to hedge against potentially unfavorable price changes for commodities used in production. Our commodity contracts hedge forecasted transactions through 2029.

**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 non-U.S. 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 and commodity swaps which do not qualify for hedge accounting treatment.

**Notional Amounts and Fair Values**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Notional amounts (1) | | | | | | Other assets | | | | | | Accrued liabilities | | | | | |
|  | | | **September 30 2022** | | | December 31 2021 | | | **September 30 2022** | | | December 31 2021 | | | **September 30 2022** | | | December 31 2021 | | |
| Derivatives designated as hedging instruments: | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts | | | **$2,639** | |  | $2,630 | |  | **$5** | |  | $30 | |  | **($200)** | |  | ($52) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commodity contracts | | | **476** | |  | 500 | |  | **72** | |  | 88 | |  | **(20)** | |  | (18) | |  |
| Derivatives not receiving hedge accounting treatment: | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts | | | **616** | |  | 361 | |  | **26** | |  | 2 | |  | **(58)** | |  | (3) | |  |
| Commodity contracts | | | **518** | |  | 760 | |  | **6** | |  | 8 | |  | **(2)** | |  | (7) | |  |
| Total derivatives | | | **$4,249** | |  | $4,251 | |  | **$109** | |  | $128 | |  | **($280)** | |  | ($80) | |  |
| Netting arrangements | | |  | | |  | | | **(38)** | |  | (30) | |  | **38** | |  | 30 | |  |
| Net recorded balance | | |  | | |  | | | **$71** | |  | $98 | |  | **($242)** | |  | ($50) | |  |

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

Gains/(losses) associated with our hedging transactions and forward points recognized in Other comprehensive income are presented in the following table:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Recognized in Other comprehensive income/(loss), net of taxes: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign exchange contracts | | | **($186)** | |  |  | | | ($49) | |  |  | | | **($82)** | |  |  | | | ($43) | |  |
| Commodity contracts | | | **29** | |  |  | | | 113 | |  |  | | | **(1)** | |  |  | | | 42 | |  |

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Gains/(losses) associated with our hedging transactions and forward points reclassified from AOCI to earnings are presented in the following table:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Foreign exchange contracts | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenues | | | **$1** | |  |  | | |  | | |  | | | **$1** | |  |  | | |  | | |
| Costs and expenses | | | **9** | |  |  | | | $8 | |  |  | | | **(1)** | |  |  | | | $5 | |  |
| General and administrative expense | | | **(14)** | |  |  | | | 9 | |  |  | | | **(7)** | |  |  | | |  | | |
| Commodity contracts | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Costs and expenses | | | **18** | |  |  | | | (13) | |  |  | | | **11** | |  |  | | |  | | |
| General and administrative expense | | | **6** | |  |  | | | 4 | |  |  | | | **4** | |  |  | | | 1 | |  |

Losses from cash flow hedges reclassified from AOCI to Other income, net because it is probable the forecasted transactions will not occur were $50 and $0 for the nine months ended September 30, 2022 and 2021. Losses related to undesignated derivatives on foreign exchange and commodity cash flow hedging transactions recognized in Other income, net were insignificant for the nine and three months ended September 30, 2022 and 2021.

Based on our portfolio of cash flow hedges, we expect to reclassify gains of $8 (pre-tax) out of Accumulated other comprehensive loss into earnings during the next 12 months.

We have derivative instruments with credit-risk-related contingent features. If we default on our five-year credit facility, our derivative counterparties could require settlement for foreign exchange and certain commodity contracts with original maturities of at least five years. The fair value of those contracts in a net liability position at September 30, 2022 was $50. For other particular commodity contracts, our counterparties could require collateral posted in an amount determined by our credit ratings. At September 30, 2022, there was no collateral posted related to our derivatives.

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**Note 16 – 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.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | | | | |  | December 31, 2021 | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |
|  | | | **Total** | | |  | | | **Level 1** | | |  | | | **Level 2** | | |  | | |  |  | Total | | |  | | | Level 1 | | |  | | | Level 2 | | |  | | |  | | |
| **Assets** | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Money market funds | | | **$1,732** | |  |  | | | **$1,732** | |  |  | | |  | | |  | | |  |  | $1,370 | |  |  | | | $1,370 | |  |  | | |  | | |  | | |  | | |
| Available-for-sale debt investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial paper | | | **280** | |  |  | | |  | | |  | | | **$280** | |  |  | | |  |  | 225 | |  |  | | |  | | |  | | | $225 | |  |  | | |  | | |
| Corporate notes | | | **176** | |  |  | | |  | | |  | | | **176** | |  |  | | |  |  | 262 | |  |  | | |  | | |  | | | 262 | |  |  | | |  | | |
| U.S. government agencies | | | **43** | |  |  | | |  | | |  | | | **43** | | |  | | |  |  | 1 | |  |  | | |  | | |  | | | 1 | |  |  | | |  | | |
| Other equity investments | | | **10** | |  |  | | | **10** | |  |  | | |  | | |  | | |  |  | 20 | |  |  | | | 20 | |  |  | | |  | | |  | | |  | | |
| Derivatives | | | **71** | |  |  | | |  | | |  | | | **71** | |  |  | | |  |  | 98 | |  |  | | |  | | |  | | | 98 | |  |  | | |  | | |
| Total assets | | | **$2,312** | |  |  | | | **$1,742** | |  |  | | | **$570** | |  |  | | |  |  | $1,976 | |  |  | | | $1,390 | |  |  | | | $586 | |  |  | | |  | | |
| **Liabilities** | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivatives | | | **($242)** | |  |  | | |  | | |  | | | **($242)** | |  |  | | |  |  | ($50) | |  |  | | |  | | |  | | | ($50) | |  |  | | |  | | |
| Total liabilities | | | **($242)** | |  |  | | |  | | |  | | | **($242)** | |  |  | | |  |  | ($50) | |  |  | | |  | | |  | | | ($50) | |  |  | | |  | | |

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 and commodity 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.

Certain assets have been measured at fair value on a nonrecurring basis. The following table presents the nonrecurring losses recognized for the nine months ended September 30 due to long-lived asset impairment and the fair value and asset classification of the related assets as of the impairment date:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | | | | | | | | | | | | | | | | | | | |  | | | 2021 | | | | | | | | | | | | | | | | | | | | |
|  | | | **Total** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total Losses** | | |  | | | Total | | |  | | | Level 2 | | |  | | | Level 3 | | |  | | | Total Losses | | |
| Investments | | |  | |  |  | | |  | | |  | | |  | | |  | | | **($31)** | |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | | ($8) | |  |
| Customer financing assets | | | **$47** | |  |  | | |  | | |  | | | **$47** | |  |  | | | **(7)** | |  |  | | | $17 | |  |  | | |  | | |  | | | $17 | |  |  | | | (12) | |  |
| Property, plant and equipment | | |  | |  |  | | |  | | |  | | |  | | |  | | | **(19)** | |  |  | | | 103 | |  |  | | | $103 | |  |  | | |  | | |  | | | (45) | |  |
| Other Assets and Acquired intangible assets | | | **1** | |  |  | | |  | | |  | | | **1** | |  |  | | | **(21)** | |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (7) | |  |
| Total | | | **$48** | |  |  | | |  | |  |  | | | **$48** | |  |  | | | **($78)** | |  |  | | | $120 | |  |  | | | $103 | |  |  | | | $17 | |  |  | | | ($72) | |  |

Level 3 Investments, 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. Level 2 Property, plant and equipment were valued based on a third party valuation using a combination of income and market approaches that considered estimates of net operating

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income, capitalization rates and adjusted for as-is condition. The fair value of the impaired customer financing assets includes operating lease equipment and investments in sales type-leases/finance leases and 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.

For Level 3 assets that were measured at fair value on a nonrecurring basis during the period ended September 30, 2022, 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 | | |
| Customer financing assets | | | $47 | | |  | | | Market approach | | |  | | | Aircraft value publications | | |  | | | $40 - $51(1)  Median $46 | | |
|  | | |  | | | Aircraft condition adjustments | | |  | | | ($4) - $5(2)  Net $1 | | |

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

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

**Fair Value Disclosures**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | |
|  | | | **Carrying Amount** | | | **Total Fair Value** | | | **Level 1** | | | **Level 2** | | | **Level 3** | | |
| **Assets** | | |  | | |  | | |  | | |  | | |  | | |
| Notes receivable, net | | | **$401** | |  | **$417** | |  |  | | | **$417** | |  |  | | |
| **Liabilities** | | |  | | |  | | |  | | |  | | |  | | |
| Debt, excluding finance lease obligations | | | **(57,021)** | |  | **(50,734)** | |  |  | | | **(50,734)** | |  |  | | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | December 31, 2021 | | | | | | | | | | | | | | |
|  | | | Carrying Amount | | | Total Fair Value | | | Level 1 | | | Level 2 | | | Level 3 | | |
| **Assets** | | |  | | |  | | |  | | |  | | |  | | |
| Notes receivable, net | | | $412 | |  | $485 | |  |  | | | $485 | |  |  | | |
| **Liabilities** | | |  | | |  | | |  | | |  | | |  | | |
| Debt, excluding finance lease obligations | | | (57,921) | |  | (65,724) | |  |  | | | (65,724) | |  |  | | |

The fair values of 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

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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 receivable, Unbilled receivables, Other current assets, Accounts payable and long-term payables. The carrying values of those items, as reflected in the Condensed Consolidated Statements of Financial Position, approximate their fair value at September 30, 2022 and December 31, 2021. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs, with the exception of cash (Level 1).

**Note 17 – Legal Proceedings**

Various legal proceedings, claims and investigations related to products, contracts, employment and other matters are pending against us.

In addition, 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. Except as described below, we believe, based upon current information, that the outcome of any such legal proceeding, claim, or government dispute and investigation 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.

Multiple legal actions have been filed against us as a result of the October 29, 2018 accident of Lion Air Flight 610 and the March 10, 2019 accident of Ethiopian Airlines Flight 302. During the fourth quarter of 2021, we entered into a proposed settlement with plaintiffs in a shareholder derivative lawsuit. In March 2022, the court entered an order approving the proposed settlement and the Company committed to making certain governance changes. As a result of the settlement, the Company received $219 in the second quarter of 2022. In September 2022, we settled a previously disclosed investigation by the Securities and Exchange Commission related to the 737 MAX accidents and consented to a civil penalty, which resulted in an earnings charge of $200 that was paid in October 2022. Further, we are subject to, and cooperating with ongoing governmental and regulatory investigations and inquiries relating to the accidents and the 737 MAX. We cannot reasonably estimate a range of loss, if any, not covered by available insurance that may result given the current status of the pending lawsuits, investigations, and inquiries related to the accidents and the 737 MAX.

During 2019, we entered into agreements with Embraer S.A. (Embraer) to establish joint ventures that included the commercial aircraft and services operations of Embraer, of which we were expected to acquire an 80 percent ownership stake for $4,200, as well as a joint venture to promote and develop new markets for the C-390 Millennium. In 2020, we exercised our contractual right to terminate these agreements based on Embraer’s failure to meet certain required closing conditions. Embraer has disputed our right to terminate the agreements, and the dispute is currently in arbitration. We cannot reasonably estimate a range of loss, if any, that may result from the arbitration.

**Note 18 – Segment and Revenue Information**

Our primary profitability measurements to review a segment’s operating results are (Loss)/earnings from operations and operating margins. We operate in four reportable segments: BCA, BDS, BGS, and BCC. All other activities fall within Unallocated items, eliminations and other. See page 7 for the Summary of Business Segment Data, which is an integral part of this note.

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BCA develops, produces and markets commercial jet aircraft principally to the commercial airline industry worldwide. Revenue on commercial aircraft contracts is recognized at the point in time when an aircraft is completed and accepted by the customer.

BDS engages in the research, development, production and modification of the following products and related services: manned and unmanned military aircraft and weapons systems, surveillance and engagement, strategic defense and intelligence systems, satellite systems and space exploration. BDS revenue is generally recognized over the contract term (over time) as costs are incurred.

BGS provides parts, maintenance, modifications, logistics support, training, data analytics and information-based services to commercial and government customers worldwide. BGS segment revenue and costs include certain services provided to other segments. Revenue on commercial spare parts contracts is recognized at the point in time when a spare part is delivered to the customer. Revenue on other contracts is generally recognized over the contract term (over time) as costs are incurred.

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

The following tables present BCA, BDS and BGS revenues from contracts with customers disaggregated in a number of ways, such as geographic location, contract type and the method of revenue recognition. We believe these best depict how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by economic factors.

BCA revenues by customer location consist of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenue from contracts with customers: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Europe | | | **$2,833** | |  |  | | | $2,776 | |  |  | | | **$600** | |  |  | | | $1,223 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Latin America and Caribbean | | | **1,586** | |  |  | | | 958 | |  |  | | | **450** | |  |  | | | 90 | |  |
| Asia | | | **3,315** | |  |  | | | 1,958 | |  |  | | | **1,290** | |  |  | | | 186 | |  |
| Middle East | | | **1,297** | |  |  | | | 719 | |  |  | | | **209** | |  |  | | | 206 | |  |
| Other non-U.S. | | | **918** | |  |  | | | 261 | |  |  | | | **350** | |  |  | | | 130 | |  |
| Total non-U.S. revenues | | | **9,949** | |  |  | | | 6,672 | |  |  | | | **2,899** | |  |  | | | 1,835 | |  |
| United States | | | **6,607** | |  |  | | | 8,012 | |  |  | | | **3,293** | |  |  | | | 2,594 | |  |
| Estimated potential concessions and other considerations to 737 MAX customers, net | | | **16** | |  |  | | | 1 | |  |  | | | **33** | |  |  | | | (7) | |  |
| Total revenues from contracts with customers | | | **16,572** | |  |  | | | 14,685 | |  |  | | | **6,225** | |  |  | | | 4,422 | |  |
| Intersegment revenues eliminated on consolidation | | | **71** | |  |  | | | 58 | |  |  | | | **38** | |  |  | | | 37 | |  |
| Total segment revenues | | | **$16,643** | |  |  | | | $14,743 | |  |  | | | **$6,263** | |  |  | | | $4,459 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue recognized on fixed-price contracts | | | **100** | | **%** |  | | | 100 | | % |  | | | **100** | | **%** |  | | | 100 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue recognized at a point in time | | | **100** | | **%** |  | | | 100 | | % |  | | | **99** | | **%** |  | | | 99 | | % |

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BDS revenues on contracts with customers, based on the customer's location, consist of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenue from contracts with customers: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| U.S. customers | | | **$12,493** | |  |  | | | $15,464 | |  |  | | | **$3,711** | |  |  | | | $4,833 | |  |
| Non-U.S. customers(1) | | | **4,488** | |  |  | | | 5,214 | |  |  | | | **1,596** | |  |  | | | 1,784 | |  |
| Total segment revenue from contracts with customers | | | **$16,981** | |  |  | | | $20,678 | |  |  | | | **$5,307** | |  |  | | | $6,617 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue recognized over time | | | **99** | | **%** |  | | | 99 | | % |  | | | **99** | | **%** |  | | | 99 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue recognized on fixed-price contracts | | | **60** | | **%** |  | | | 68 | | % |  | | | **54** | | **%** |  | | | 67 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue from the U.S. government(1) | | | **90** | | **%** |  | | | 89 | | % |  | | | **91** | | **%** |  | | | 89 | | % |

(1)Includes revenues earned from foreign military sales through the U.S. government.

BGS revenues consist of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenue from contracts with customers: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial | | | **$7,111** | |  |  | | | $5,392 | |  |  | | | **$2,474** | |  |  | | | $1,961 | |  |
| Government | | | **5,692** | |  |  | | | 6,465 | |  |  | | | **1,882** | |  |  | | | 2,193 | |  |
| Total revenues from contracts with customers | | | **12,803** | |  |  | | | 11,857 | |  |  | | | **4,356** | |  |  | | | 4,154 | |  |
| Intersegment revenues eliminated on consolidation | | | **241** | |  |  | | | 180 | |  |  | | | **76** | |  |  | | | 67 | |  |
| Total segment revenues | | | **$13,044** | |  |  | | | $12,037 | |  |  | | | **$4,432** | |  |  | | | $4,221 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue recognized at a point in time | | | **50** | | **%** |  | | | 45 | | % |  | | | **51** | | **%** |  | | | 46 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue recognized on fixed-price contracts | | | **88** | | **%** |  | | | 87 | | % |  | | | **88** | | **%** |  | | | 87 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Revenue from the U.S. government(1) | | | **33** | | **%** |  | | | 41 | | % |  | | | **32** | | **%** |  | | | 40 | | % |

(1)Includes revenues earned from foreign military sales through the U.S. government.

**Backlog**

Our total backlog includes contracts that we and our customers are committed to perform. The value in backlog represents the estimated transaction prices on performance obligations to our customers for which work remains to be performed. Backlog is converted into revenue, primarily based on the cost incurred or at delivery and acceptance of products, depending on the applicable revenue recognition model.

Our backlog at September 30, 2022 was $381,315. We expect approximately 23% to be converted to revenue through 2023 and approximately 78% through 2026, with the remainder thereafter. There is significant uncertainty regarding the timing of when backlog will convert into revenue due to timing of 787 deliveries from inventory, timing of 737 MAX delivery resumption in China, timing of entry into service of the 777X, 737 MAX 7 and/or 737 MAX 10, and the lingering effects of the COVID-19 pandemic.

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**Unallocated Items, Eliminations and other**

Unallocated items, eliminations and other include common internal services that support Boeing’s global business operations, intercompany guarantees provided to BCC and eliminations of certain sales between segments. Such sales include airplanes sold to our BCC segment that are leased by BCC to customers and considered transferred to the BCC segment. We generally allocate costs to business segments based on the U.S. federal cost accounting standards (CAS). Components of Unallocated items, eliminations and other (expense)/income are shown in the following table.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Share-based plans | | | **($64)** | |  |  | | | ($171) | |  |  | | | **$44** | |  |  | | | ($29) | |  |
| Deferred compensation | | | **204** | |  |  | | | (86) | |  |  | | | **38** | |  |  | | | 8 | |  |
| Amortization of previously capitalized interest | | | **(71)** | |  |  | | | (66) | |  |  | | | **(24)** | |  |  | | | (22) | |  |
| Research and development expense, net | | | **(161)** | |  |  | | | (144) | |  |  | | | **(43)** | |  |  | | | (59) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Eliminations and other unallocated items | | | **(655)** | |  |  | | | (565) | |  |  | | | **(408)** | |  |  | | | (268) | |  |
| Unallocated items, eliminations and other | | | **($747)** | |  |  | | | ($1,032) | |  |  | | | **($393)** | |  |  | | | ($370) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pension FAS/CAS service cost adjustment | | | **$621** | |  |  | | | $576 | |  |  | | | **$208** | |  |  | | | $192 | |  |
| Postretirement FAS/CAS service cost adjustment | | | **225** | |  |  | | | 232 | |  |  | | | **71** | |  |  | | | 78 | |  |
| FAS/CAS service cost adjustment | | | **$846** | |  |  | | | $808 | |  |  | | | **$279** | |  |  | | | $270 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

**Pension and Other Postretirement Benefit Expense**

Pension costs, comprising GAAP service and prior service costs, are allocated to BCA and the commercial operations at BGS. Pension costs are allocated to BDS and BGS businesses supporting government customers using 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. FAS/CAS service cost adjustment represents the difference between the Financial Accounting Standards (FAS) pension and postretirement service costs calculated under GAAP and costs allocated to the business segments. Non-operating pension and postretirement expenses represent the components of net periodic benefit costs other than service cost. These expenses are included in Other income, net.

**Assets**

Segment assets are summarized in the table below:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| Commercial Airplanes | | | **$76,833** | |  |  | | | $75,863 | |  |
| Defense, Space & Security | | | **15,040** | |  |  | | | 14,974 | |  |
| Global Services | | | **16,237** | |  |  | | | 16,397 | |  |
| Boeing Capital | | | **1,591** | |  |  | | | 1,735 | |  |
| Unallocated items, eliminations and other | | | **27,857** | |  |  | | | 29,583 | |  |
| Total | | | **$137,558** | |  |  | | | $138,552 | |  |

Assets included in Unallocated items, eliminations and other primarily consist of Cash and cash equivalents, Short-term and other investments, tax assets, capitalized interest and assets managed centrally on behalf of the four principal business segments and intercompany eliminations.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

The Boeing Company

Arlington, Virginia

**Results of Review of Interim Financial Information**

We have reviewed the accompanying condensed consolidated statement of financial position of The Boeing Company and subsidiaries (the “Company”) as of September 30, 2022, the related condensed consolidated statements of operations, comprehensive income, and equity for the three-month and nine-month periods ended September 30, 2022 and 2021, and of cash flows for the nine-month periods ended September 30, 2022 and 2021, and the related notes (collectively referred to as the "condensed consolidated interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the consolidated statement of financial position of the Company as of December 31, 2021, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated January 31, 2022, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2021, is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

**Basis for Review Results**

This condensed consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

/s/ Deloitte & Touche LLP

Chicago, Illinois

October 26, 2022

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|  |  |  |  |  |  |
| **FORWARD-LOOKING STATEMENTS** | | | | | |
| This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “should,” “expects,” “intends,” “projects,” “plans,” “believes,” “estimates,” “targets,” “anticipates” and similar expressions generally 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 expectations and assumptions that we believe to be reasonable when made, but that may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties and changes in circumstances that are difficult to predict. Many factors could cause actual results to differ materially and adversely from these forward-looking statements. Among these factors are risks related to: | | | | | |
|  | | |  | | |
| (1) | | | the COVID-19 pandemic and related industry impacts, including with respect to our operations and access to suppliers, our liquidity, the health of our customers and suppliers, and future demand for our products and services; | | |
|  | | |  | | |
| (2) | | | the 737 MAX, including the timing and conditions of remaining 737 MAX regulatory approvals, lower than planned production rates and/or delivery rates, and additional considerations to customers and suppliers; | | |
|  | | |  | | |
| (3) | | | general conditions in the economy and our industry, including those due to regulatory changes; | | |
|  | | |  | | |
| (4) | | | our reliance on our commercial airline customers; | | |
|  | | |  | | |
| (5) | | | the overall health of our aircraft production system, planned commercial aircraft production rate changes, our commercial development and derivative aircraft programs, and our aircraft being subject to stringent performance and reliability standards; | | |
|  | | |  | | |
| (6) | | | changing budget and appropriation levels and acquisition priorities of the U.S. government; | | |
|  | | |  | | |
| (7) | | | our dependence on U.S. government contracts; | | |
|  | | |  | | |
| (8) | | | our reliance on fixed-price contracts; | | |
|  | | |  | | |
| (9) | | | our reliance on cost-type contracts; | | |
|  | | |  | | |
| (10) | | | uncertainties concerning contracts that include in-orbit incentive payments; | | |
|  | | |  | | |
| (11) | | | our dependence on our subcontractors and suppliers as well as the availability of raw materials; | | |
|  | | |  | | |
| (12) | | | changes in accounting estimates; | | |
|  | | |  | | |
| (13) | | | changes in the competitive landscape in our markets; | | |
|  | | |  | | |
| (14) | | | our non-U.S. operations, including sales to non-U.S. customers; | | |
|  | | |  | | |
| (15) | | | threats to the security of our, our customers' and/or our suppliers' information; | | |
|  | | |  | | |
| (16) | | | potential adverse developments in new or pending litigation and/or government investigations; | | |
|  | | |  | | |
| (17) | | | customer and aircraft concentration in our customer financing portfolio; | | |
|  | | |  | | |

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| (18) | | | changes in our ability to obtain debt financing on commercially reasonable terms and at competitive rates; | | |
|  | | |  | | |
| (19) | | | realizing the anticipated benefits of mergers, acquisitions, joint ventures, strategic alliances or divestitures; | | |
|  | | |  | | |
| (20) | | | the adequacy of our insurance coverage to cover significant risk exposures; | | |
|  | | |  | | |
| (21) | | | potential business disruptions, including those related to physical security threats, information technology or cyber attacks, epidemics, sanctions or natural disasters; | | |
|  | | |  | | |
| (22) | | | work stoppages or other labor disruptions; | | |
|  | | |  | | |
| (23) | | | substantial pension and other postretirement benefit obligations; | | |
|  | | |  | | |
| (24) | | | potential environmental liabilities; and | | |
|  | | |  | | |
| (25) | | | effects of climate change and legal, regulatory or market responses to such change. | | |
|  | | |  | | |
| Additional information concerning these and other factors can be found in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Any forward-looking information speaks only as of the date on which it is made, and we assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law. | | | | | |
|  | | |  | | |
|  | | |  | | |
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**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**Consolidated Results of Operations and Financial Condition**

**Overview**

The lingering effects of the COVID-19 pandemic, 787 production issues and associated rework, and the residual impacts of the 737 MAX grounding continue to have significant adverse impacts on our business and are expected to continue to negatively impact revenue, earnings and operating cash flow in future quarters.

We expect domestic travel to continue to recover before international travel and for the narrow-body market to follow domestic travel recovery, while the wide-body market continues to be paced by international travel recovery. The pace of the commercial market recovery remains impacted by government restrictions related to COVID-19. We are seeing a strong recovery in travel demand for our airline customers in North and South America, the Middle East, and Europe, and demand for dedicated freighters continues to be underpinned by a strong recovery in global trade.

In addition, we and our suppliers are experiencing supply chain disruptions as a result of the impacts of COVID-19, global supply chain constraints, and labor shortages. We and our suppliers are also experiencing inflationary pressures. We continue to monitor the health and stability of the supply chain as we ramp up production. These measures and disruptions have reduced overall productivity and adversely impacted our financial position, results of operations and cash flows.

Airline financial performance, which influences demand for new capacity, has been adversely impacted by the COVID-19 pandemic. According to the International Air Transport Association (IATA), net losses for the airline industry were $138 billion in 2020 and are estimated to be $42 billion in 2021. IATA also forecasts $9.7 billion of losses for the industry globally in 2022, with approximately $8.8 billion of profits in North America driven by the robust domestic market being more than offset by losses in other regions. While the outlook continues to improve, we continue to face a challenging environment in the near-to medium-term as airlines are facing increased fuel and other costs, and the global economy is experiencing high inflation. The current environment is also affecting the financial viability of some airlines.

During the first quarter of 2022, we made adjustments to our estimates regarding timing of 777X-9 entry into service. We now anticipate that the first 777X-9 delivery will be delayed until 2025, based on an updated assessment of the time required to meet certification requirements. During the first quarter of 2022, we launched the 777X-8 freighter, and we expect first delivery to be in 2027.

The 737 MAX 7 and MAX 10 models are also currently going through Federal Aviation Administration (FAA) certification activities. We are following the lead of the FAA as we work through the certification process, and currently expect the 737 MAX 7 to be certified in 2022 or 2023 and enter service in 2023, and the 737 MAX 10 to begin FAA certification flight testing in 2022 or 2023 and enter service in 2023 or 2024. However, Section 116 of the December 2020 Aircraft Certification, Safety and Accountability Act (ACSAA) prohibits the FAA from issuing a type certificate to aircraft after December 27, 2022 unless the aircraft’s flight crew alerting system meets certain specifications. With safety as our primary focus, we continue to work to meet all current regulatory requirements to support certification, and are also engaged in discussions with stakeholders concerning a possible extension to the ACSAA's December 27, 2022 deadline.

We currently have approximately 27 MAX 7 and 3 MAX 10 aircraft in inventory and approximately 250 MAX 7 and 600 MAX 10 aircraft in backlog. If the ACSAA deadline is not amended and we otherwise fail to achieve certification, we might choose to discontinue the MAX 7 and/or MAX 10, resulting in future earnings charges and other financial impacts. We may be able to partially mitigate some of these financial impacts to the extent that customers exercise substitution rights into MAX 8 and/or MAX 9 aircraft.

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Deliveries of the 737 MAX resumed in the fourth quarter of 2020, when the FAA rescinded the order that grounded 737 MAX aircraft in the U.S. Over 190 countries have approved the resumption of 737 MAX operations. The 737 MAX has yet to return to service in China and a small number of other countries. The Civil Aviation Administration of China issued an airworthiness directive in the fourth quarter of 2021 outlining actions required for airlines to return to service. There is uncertainty regarding timing of return to service and resumption of deliveries in China which are still subject to final regulatory approvals.

The long-term outlook for the industry remains positive due to the fundamental drivers of air travel demand: economic growth, increasing propensity to travel due to increased trade, globalization and improved airline services driven by liberalization of air traffic rights between countries. Our Commercial Market Outlook forecast projects a 3.8% growth rate for passenger and cargo traffic over a 20 year period. Based on long-term global economic growth projections of 2.6% in average annual gross domestic product, we project demand for approximately 41,170 new airplanes over the next 20 years. The industry remains vulnerable to exogenous developments including fuel price spikes, credit market shocks, acts of terrorism, natural disasters, conflicts, epidemics, pandemics and increased global environmental regulations.

During the third quarter, commercial services volume at Global Services (BGS) recovered to pre-pandemic levels. We expect BGS commercial revenues to remain strong in future quarters as the commercial airline industry continues to recover. The demand outlook for our government services business remains stable.

At Defense, Space & Security (BDS), we continue to see stable demand reflecting the important role our products and services have in ensuring our national security. Outside of the U.S., we are seeing similar solid demand as governments prioritize security, defense technology and global cooperation given evolving threats. We continue to experience near-term production disruptions and inefficiencies due to the lingering impacts of COVID-19, supplier disruption, labor shortages and factory performance. These factors have contributed to significant earnings charges on a number of fixed-price development programs which are expected to adversely affect cash flows in future periods.

As a result of the war in Ukraine, we recorded earnings charges totaling $212 million during the first quarter of 2022, primarily related to asset impairments. We have closed our facilities in Ukraine and Russia. We are focused on the safety of our employees and retaining the strength of our engineering talent through voluntary transfers to other countries. We have also suspended our business in Russia, including parts, maintenance and technical support for Russian airlines, and purchases from Russian suppliers. We are complying with U.S. and international sanctions and export control restrictions. We have sufficient material and parts to avoid production disruptions in the near-term, but future impacts to our production from disruptions in our supply chain are possible. The war in Ukraine continues to impact our airline and lessor customers. We continue to monitor developments and potential Boeing impacts, and take mitigating actions as appropriate.

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**Consolidated Results of Operations**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions, except per share data)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenues | | | **$46,628** | |  |  | | | $47,493 | |  |  | | | **$15,956** | |  |  | | | $15,278 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **GAAP** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| (Loss)/earnings from operations | | | **($3,194)** | |  |  | | | $1,269 | |  |  | | | **($2,799)** | |  |  | | | $329 | |  |
| Operating margins | | | **(6.8)** | | **%** |  | | | 2.7 | | % |  | | | **(17.5)** | | **%** |  | | | 2.2 | | % |
| Effective income tax rate | | | **(0.4)** | | **%** |  | | | 62.2 | | % |  | | | **(5.6)** | | **%** |  | | | 57.4 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net loss attributable to Boeing Shareholders | | | **($4,301)** | |  |  | | | ($59) | |  |  | | | **($3,275)** | |  |  | | | ($109) | |  |
| Diluted loss per share | | | **($7.24)** | |  |  | | | ($0.10) | |  |  | | | **($5.49)** | |  |  | | | ($0.19) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Non-GAAP (1)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Core operating (loss)/earnings | | | **($4,040)** | |  |  | | | $461 | |  |  | | | **($3,078)** | |  |  | | | $59 | |  |
| Core operating margins | | | **(8.7)** | | **%** |  | | | 1.0 | | % |  | | | **(19.3)** | | **%** |  | | | 0.4 | | % |
| Core loss per share | | | **($9.31)** | |  |  | | | ($1.72) | |  |  | | | **($6.18)** | |  |  | | | ($0.60) | |  |

(1)These measures exclude certain components of pension and other postretirement benefit expense. See pages 51-53 for important information about these non-GAAP measures and reconciliations to the most comparable GAAP measures.

**Revenues**

The following table summarizes Revenues:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Commercial Airplanes | | | **$16,643** | |  |  | | | $14,743 | |  |  | | | **$6,263** | |  |  | | | $4,459 | |  |
| Defense, Space & Security | | | **16,981** | |  |  | | | 20,678 | |  |  | | | **5,307** | |  |  | | | 6,617 | |  |
| Global Services | | | **13,044** | |  |  | | | 12,037 | |  |  | | | **4,432** | |  |  | | | 4,221 | |  |
| Boeing Capital | | | **150** | |  |  | | | 209 | |  |  | | | **52** | |  |  | | | 71 | |  |
| Unallocated items, eliminations and other | | | **(190)** | |  |  | | | (174) | |  |  | | | **(98)** | |  |  | | | (90) | |  |
| Total | | | **$46,628** | |  |  | | | $47,493 | |  |  | | | **$15,956** | |  |  | | | $15,278 | |  |

Revenues for the nine months ended September 30, 2022 decreased by $865 million compared with the same period in 2021 driven by lower revenues at BDS, partially offset by higher revenues at Commercial Airplanes (BCA) and BGS. BDS revenues decreased by $3,697 million primarily due to charges on development programs. BCA revenues increased by $1,900 million primarily driven higher 737 MAX deliveries. BGS revenues increased by $1,007 million primarily due to higher commercial services volume.

Revenues for the three months ended September 30, 2022 increased by $678 million compared with the same period in 2021 driven by higher revenues at BCA and BGS, partially offset by lower revenues at BDS. BCA revenues increased by $1,804 million due to the resumption of 787 deliveries and higher 737 MAX deliveries. BGS revenues increased by $211 million due to higher commercial services volume. BDS revenues decreased by $1,310 million primarily due to charges on development programs.

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Revenues will continue to be significantly impacted until the global supply chain stabilizes, labor shortages diminish, deliveries ramp up, and the commercial airline industry recovers from the lingering impacts of the COVID-19 pandemic.

**(Loss)/Earnings From Operations**

The following table summarizes (Loss)/earnings from operations:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Commercial Airplanes | | | **($1,744)** | |  |  | | | ($2,021) | |  |  | | | **($643)** | |  |  | | | ($693) | |  |
| Defense, Space & Security | | | **(3,656)** | |  |  | | | 1,799 | |  |  | | | **(2,798)** | |  |  | | | 436 | |  |
| Global Services | | | **2,093** | |  |  | | | 1,616 | |  |  | | | **733** | |  |  | | | 644 | |  |
| Boeing Capital | | | **14** | |  |  | | | 99 | |  |  | | | **23** | |  |  | | | 42 | |  |
| Segment operating (loss)/earnings | | | **(3,293)** | |  |  | | | 1,493 | |  |  | | | **(2,685)** | |  |  | | | 429 | |  |
| Pension FAS/CAS service cost adjustment | | | **621** | |  |  | | | 576 | |  |  | | | **208** | |  |  | | | 192 | |  |
| Postretirement FAS/CAS service cost adjustment | | | **225** | |  |  | | | 232 | |  |  | | | **71** | |  |  | | | 78 | |  |
| Unallocated items, eliminations and other | | | **(747)** | |  |  | | | (1,032) | |  |  | | | **(393)** | |  |  | | | (370) | |  |
| (Loss)/earnings from operations (GAAP) | | | **($3,194)** | |  |  | | | $1,269 | |  |  | | | **($2,799)** | |  |  | | | $329 | |  |
| FAS/CAS service cost adjustment \* | | | **(846)** | |  |  | | | (808) | |  |  | | | **(279)** | |  |  | | | (270) | |  |
| Core operating (loss)/earnings (Non-GAAP) \*\* | | | **($4,040)** | |  |  | | | $461 | |  |  | | | **($3,078)** | |  |  | | | $59 | |  |

\* The FAS/CAS service cost adjustment represents the difference between the FAS pension and postretirement service costs calculated under GAAP and costs allocated to the business segments.

\*\* Core operating (loss)/earnings is a Non-GAAP measure that excludes the FAS/CAS service cost adjustment. See pages 51-53.

Loss from operations for the nine months ended September 30, 2022 was $3,194 million compared with earnings of $1,269 million during the same period in 2021. BDS had a loss from operations of $3,656 million compared with earnings of $1,799 million during the same period in 2021, primarily due to charges on development programs ($4,429 million). BGS earnings from operations increased by $477 million primarily due to higher commercial services volume and favorable mix, partially offset by lower government services performance. BCA loss from operations decreased by $277 million primarily due to higher 737 MAX deliveries and lower abnormal production costs, partially offset by higher research and development spending, charges related to the war in Ukraine and other period expenses.

Loss from operations for the three months ended September 30, 2022 was $2,799 million compared with earnings of $329 million during the same period in 2021. BDS had a loss from operations of $2,798 million, compared with earnings of $436 million during the same period in 2021. The year over year change at BDS primarily reflects charges on development programs in the third quarter of 2022 of $2,762 million. Other BDS programs also recorded lower earnings during the third quarter of 2022 due to lower volumes, supplier disruption and factory performance. BGS earnings from operations increased by $89 million due to higher commercial services volume and favorable mix, partially offset by lower government services performance. BCA loss from operations decreased by $50 million reflecting higher 737 MAX deliveries and lower abnormal production costs, partially offset by higher research and development spending and other period expenses.

Core operating losses for the nine months ended September 30, 2022 were $4,040 million compared with core operating earnings of $461 million for the same period in 2021. Core operating losses for the three months ended September 30, 2022 were $3,078 million compared with core operating earnings of $59 million for the same period in 2021. The changes in core operating (loss)/earnings were primarily due to changes in Segment operating (loss)/earnings as described above.

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For discussion related to Postretirement Plans, see Note 12 to our Condensed Consolidated Financial Statements.

**Unallocated Items, Eliminations and Other**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Share-based plans | | | **($64)** | |  |  | | | ($171) | |  |  | | | **$44** | |  |  | | | ($29) | |  |
| Deferred compensation | | | **204** | |  |  | | | (86) | |  |  | | | **38** | |  |  | | | 8 | |  |
| Amortization of previously capitalized interest | | | **(71)** | |  |  | | | (66) | |  |  | | | **(24)** | |  |  | | | (22) | |  |
| Research and development expense, net | | | **(161)** | |  |  | | | (144) | |  |  | | | **(43)** | |  |  | | | (59) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Eliminations and other unallocated items | | | **(655)** | |  |  | | | (565) | |  |  | | | **(408)** | |  |  | | | (268) | |  |
| Unallocated items, eliminations and other | | | **($747)** | |  |  | | | ($1,032) | |  |  | | | **($393)** | |  |  | | | ($370) | |  |

Share-based plans expense for the nine months ended September 30, 2022 decreased by $107 million compared with the same period in 2021 due to expenses incurred in 2021 associated with a grant of restricted stock units to most employees in December 2020. The difference in share-based plans income of $44 million for the three months ended September 30, 2022 compared with expense of $29 million in the same period in 2021 is attributable to timing of corporate allocations.

Deferred compensation income of $204 million for the nine months ended September 30, 2022 compared with expense of $86 million in the same period in 2021 is primarily driven by broad market conditions and changes in our stock price. Deferred compensation income of $38 million for the three months ended September 30, 2022 compared with $8 million in the same period in 2021 is primarily driven by broad market conditions.

Unallocated research and development expense for the nine and three months ended September 30, 2022 increased by $17 million and decreased by $16 million compared with the same periods in 2021 due to spending on enterprise product development.

Eliminations and other unallocated items for the nine and three months ended September 30, 2022 increased by $90 million and $140 million compared with the same periods in 2021. The increase in the third quarter of 2022 primarily reflects a $200 million settlement with the Securities and Exchange Commission related to the 737 MAX accidents and lower income from operating investments.

**Other Earnings Items**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| (Loss)/earnings from operations | | | **($3,194)** | |  |  | | | $1,269 | |  |  | | | **($2,799)** | |  |  | | | $329 | |  |
| Other income, net | | | **722** | |  |  | | | 419 | |  |  | | | **288** | |  |  | | | 30 | |  |
| Interest and debt expense | | | **(1,901)** | |  |  | | | (2,021) | |  |  | | | **(621)** | |  |  | | | (669) | |  |
| Loss before income taxes | | | **(4,373)** | |  |  | | | (333) | |  |  | | | **(3,132)** | |  |  | | | (310) | |  |
| Income tax (expense)/benefit | | | **(17)** | |  |  | | | 207 | |  |  | | | **(176)** | |  |  | | | 178 | |  |
| Net loss from continuing operations | | | **(4,390)** | |  |  | | | (126) | |  |  | | | **(3,308)** | |  |  | | | (132) | |  |
| Less: Net loss attributable to noncontrolling interest | | | **(89)** | |  |  | | | (67) | |  |  | | | **(33)** | |  |  | | | (23) | |  |
| Net loss attributable to Boeing Shareholders | | | **($4,301)** | |  |  | | | ($59) | |  |  | | | **($3,275)** | |  |  | | | ($109) | |  |

For the nine months ended September 30, 2022 and 2021, non-operating pension income included in Other income, net was $666 million and $381 million. The increased income was primarily due to lower

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amortization of net actuarial losses and a settlement gain in 2022 compared with charges in 2021. Non-operating postretirement income included in Other income, net was $44 million and $16 million during the nine months ended September 30, 2022 and 2021. Other income, net during the nine months ended September 30, 2022 also included losses of $50 million reclassified from Accumulated other comprehensive loss in the first quarter of 2022 associated with certain cash flow hedges because it is probable the forecasted transactions will not occur.

For the three months ended September 30, 2022 and 2021, non-operating pension income included in Other income, net was $225 million and $29 million. The increased income was primarily due to a settlement loss in 2021 and lower amortization of net actuarial losses.

Interest and debt expense for the nine and three months ended September 30, 2022 was lower compared with the same period in the prior year primarily as a result of lower debt balances.

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

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

Cost of sales, for both products and services, consists primarily of raw materials, parts, sub-assemblies, labor, overhead and subcontracting costs. Our BCA segment predominantly uses program accounting to account for cost of sales. 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. For long-term contracts, the amount reported as cost of sales is recognized as incurred. Substantially all contracts at our BDS segment and certain contracts at our BGS segment are long-term contracts with the U.S. government and other customers that generally extend over several years. Costs on these contracts are recorded as incurred. Cost of sales for commercial spare parts is recorded at average cost.

The following table summarizes cost of sales:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | | | | | **Three months ended September 30** | | | | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | | Change | | | **2022** | | |  | | | 2021 | | | Change | | |
| Cost of sales | | | **$44,982** | |  |  | | | $41,962 | |  | $3,020 | |  | **$16,778** | |  |  | | | $13,566 | |  | $3,212 | |  |
| Cost of sales as a % of Revenues | | | **96.5** | | **%** |  | | | 88.4 | | % | 8.1 | | % | **105.2** | | **%** |  | | | 88.8 | | % | 16.4 | | % |

Cost of sales for the nine months ended September 30, 2022 increased by $3,020 million, or 7% compared with the same period in 2021, primarily due to charges recorded at BDS and higher revenues at BCA. Cost of sales as a percentage of Revenues increased during the nine months ended September 30, 2022 compared with the same period in 2021 primarily due to higher charges recorded at BDS in 2022 than in 2021, partially offset by lower abnormal production costs at BCA.

Cost of sales for the three months ended September 30, 2022 increased by $3,212 million, or 24% compared with the same period in 2021 primarily due to charges recorded at BDS and higher revenues at BCA. Cost of sales as a percentage of Revenues increased during the three months ended September 30, 2022 compared with the same period in 2021 primarily due to higher charges recorded at BDS in 2022 than in 2021, partially offset by lower abnormal production costs at BCA.

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**Research and Development**

Research and development expense, net is summarized in the following table:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Commercial Airplanes | | | **$1,102** | |  |  | | | $817 | |  |  | | | **$409** | |  |  | | | $293 | |  |
| Defense, Space & Security | | | **706** | |  |  | | | 530 | |  |  | | | **240** | |  |  | | | 193 | |  |
| Global Services | | | **89** | |  |  | | | 80 | |  |  | | | **35** | |  |  | | | 30 | |  |
| Other | | | **161** | |  |  | | | 144 | |  |  | | | **43** | |  |  | | | 59 | |  |
| Total | | | **$2,058** | |  |  | | | $1,571 | |  |  | | | **$727** | |  |  | | | $575 | |  |

Research and development expense increased by $487 million and $152 million during the nine and three months ended September 30, 2022 compared to the same periods in 2021. The increase at BCA primarily reflect higher 737 MAX and 777X research and product development expenditures.

**Backlog**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| Commercial Airplanes | | | **$307,168** | |  |  | | | $296,882 | |  |
| Defense, Space & Security | | | **54,740** | |  |  | | | 59,828 | |  |
| Global Services | | | **19,072** | |  |  | | | 20,496 | |  |
| Unallocated items, eliminations and other | | | **335** | |  |  | | | 293 | |  |
| **Total Backlog** | | | **$381,315** | |  |  | | | $377,499 | |  |
|  | | |  | | |  | | |  | | |
| Contractual backlog | | | **$362,926** | |  |  | | | $356,362 | |  |
| Unobligated backlog | | | **18,389** | |  |  | | | 21,137 | |  |
| **Total Backlog** | | | **$381,315** | |  |  | | | $377,499 | |  |

Contractual backlog of unfilled orders excludes purchase options, announced orders for which definitive contracts have not been executed, orders where customers have the unilateral right to terminate, and unobligated U.S. and non-U.S. government contract funding. The increase in contractual backlog at BCA during the nine months ended September 30, 2022 was partially offset by a decrease in contractual backlog at BDS and BGS. If 787 aircraft deliveries are delayed, we remain unable to deliver 737 MAX aircraft in China for an extended period of time, and/or entry into service of the 777X, 737 MAX 7 and/or 737 MAX 10 is further delayed, we may experience reductions to backlog and/or significant order cancellations.

Unobligated backlog includes U.S. and non-U.S. government definitive contracts for which funding has not been authorized. The decrease in unobligated backlog during the nine months ended September 30, 2022 was primarily due to reclassifications to contractual backlog related to BDS and BGS contracts, partially offset by contract awards.

**Additional Considerations**

**Global Trade** We continually monitor the global trade environment in response to geopolitical economic developments, as well as changes in tariffs, trade agreements, or sanctions that may impact the Company.

The current state of U.S.-China relations remains an ongoing watch item. Since 2018, the U.S. and China have imposed tariffs on each other’s imports. Certain aircraft parts and components that Boeing procures are subject to these tariffs. We are mitigating import costs through Duty Drawback Customs procedures. China is a significant market for commercial airplanes. Boeing has long-standing relationships with our

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Chinese customers, who represent a key component of our commercial airplanes backlog. Overall, the U.S.-China trade relationship remains stalled as economic and national security concerns continue to be a challenge.

Beginning in June 2018, the U.S. Government imposed tariffs on steel and aluminum imports. In response to these tariffs, several major U.S. trading partners have imposed, or announced their intention to impose, tariffs on U.S. goods. The U.S. has subsequently reached agreements with Mexico, Canada, the United Kingdom, the European Union, and Japan to ease or remove tariffs on steel and/or aluminum. We continue to monitor the potential for any extra costs that may result from the remaining global tariffs.

We are complying with all U.S. and other government export control restrictions and sanctions imposed on certain businesses and individuals in Russia. We continue to monitor and evaluate additional sanctions and export restrictions that may be imposed by the U.S. Government or other governments, as well as any responses from Russia that could affect our supply chain, business partners or customers, for any additional impacts to our business.

**Segment Results of Operations and Financial Condition**

**Commercial Airplanes**

**Business Environment and Trends**

See Overview to Management’s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the lingering impacts of COVID-19 on the airline industry environment.

**Results of Operations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenues | | | **$16,643** | |  |  | | | $14,743 | |  |  | | | **$6,263** | |  |  | | | $4,459 | |  |
| Loss from operations | | | **($1,744)** | |  |  | | | ($2,021) | |  |  | | | **($643)** | |  |  | | | ($693) | |  |
| Operating margins | | | **(10.5)** | | **%** |  | | | (13.7) | | % |  | | | **(10.3)** | | **%** |  | | | (15.5) | | % |

**Revenues**

BCA revenues increased by $1,900 million for the nine months ended September 30, 2022 compared with the same period in 2021 primarily due to higher 737 MAX deliveries, partially offset by lower wide-body deliveries. BCA revenues increased by $1,804 million for the three months ended September 30, 2022 compared with the same period in 2021 primarily due to the resumption of 787 deliveries and higher 737 MAX deliveries.

We resumed deliveries of 737 MAX aircraft in December 2020 following rescission by the FAA of its grounding order. While most non-U.S. jurisdictions have approved return to service of the 737 MAX, the 737 MAX has yet to return to service in China and deliveries have not yet resumed. We received FAA authorization to resume deliveries of 787 aircraft on July 28, 2022 and deliveries resumed in August. Revenues will continue to be impacted until deliveries of the 737 MAX and 787 further ramp up and the commercial airline industry recovers from the lingering effects of impacts of COVID-19.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | | **737** | |  | \* | | | **747** | |  |  | | | **767** | |  | \* | | | **777** | |  |  |  | | | **787** | |  |  | | | **Total** | | |
| Deliveries during the first nine months of 2022 | | | 277 | |  | (10) | | | 3 | |  |  | | | 21 | |  | (10) | | | 18 | |  |  |  | | | 9 | |  |  | | | 328 | |  |
| Deliveries during the first nine months of 2021 | | | 179 | |  | (12) | | | 4 | |  |  | | | 24 | |  | (9) | | | 20 | |  |  |  | | | 14 | |  |  | | | 241 | |  |
| Deliveries during the third quarter of 2022 | | | 88 | |  | (2) | | |  | | |  | | | 9 | |  | (3) | | | 6 | |  |  |  | | | 9 | |  |  | | | 112 | |  |
| Deliveries during the third quarter of 2021 | | | 66 | |  | (4) | | | 2 | |  |  | | | 11 | |  | (5) | | | 6 | |  |  |  | | |  | | |  | | | 85 | |  |
| Cumulative deliveries as of 9/30/2022 | | | 8,022 | |  |  | | | 1,570 | |  |  | | | 1,259 | |  |  | | | 1,695 | |  |  |  | | | 1,015 | |  |  | | |  | | |
| Cumulative deliveries as of 12/31/2021 | | | 7,745 | |  |  | | | 1,567 | |  |  | | | 1,238 | |  |  | | | 1,677 | |  |  |  | | | 1,006 | |  |  | | |  | | |

\* Intercompany deliveries identified by parentheses.

**Loss From Operations**

BCA loss from operations was $1,744 million for the nine months ended September 30, 2022 compared with $2,021 million in the same period in 2021 reflecting higher 737 MAX deliveries and lower abnormal production costs, partially offset by higher research and development spending, charges related to the war in Ukraine and other period expenses. Abnormal production costs for the nine months ended September 30, 2022 were $1,326 million including $925 million related to the 787 program, $213 million related to the 777X program and $188 million related to 737 MAX. Abnormal production costs for the nine months ended September 30, 2021 were $1,684 million, including $1,501 million related to 737 MAX and $183 million related to the 787 program.

BCA loss from operations was $643 million for the three months ended September 30, 2022 compared with $693 million in the same period in 2021 reflecting higher 737 MAX deliveries and lower abnormal production costs, partially offset by higher research and development spending and other period expenses. Abnormal production costs for the three months ended September 30, 2022 were $441 million, including $330 million related to the 787 program and $111 million related to the 777X program. Abnormal production costs for the three months ended September 30, 2021 were $601 million, including $418 million related to 737 MAX and $183 million related to the 787 program.

**Backlog**

Our total backlog represents the estimated transaction prices on unsatisfied and partially satisfied performance obligations to our customers where we believe it is probable that we will collect the consideration due and 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 customer receiving approval from its board of directors, shareholders or government or 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. Backlog excludes options and Boeing Capital (BCC) orders as well as orders where customers have the unilateral right to terminate. A number of our customers may have contractual remedies, including rights to reject individual airplane deliveries if the actual delivery date is significantly later than the contractual delivery date. We address customer claims and requests for other contractual relief as they arise. The value of orders in backlog is adjusted as changes to price and schedule are agreed to with customers and is reported in accordance with the requirements of Accounting Standards Codification (ASC) 606.

BCA total backlog increased from $296,882 million as of December 31, 2021 to $307,168 million at September 30, 2022 reflecting new orders in excess of deliveries and price escalation, offset by order cancellations and by an increase in the value of existing orders that in our assessment do not meet the accounting requirements of ASC 606 for inclusion in backlog. Aircraft order cancellations during the nine months ended September 30, 2022 totaled $8,687 million and relate to 737 MAX and 787 aircraft. The net ASC 606 adjustments for the nine months ended September 30, 2022 resulted in a decrease to backlog of $6,326 million primarily due to a net increase of 777X aircraft in the ASC 606 reserve, partially offset by net decreases in 737 MAX and 787 aircraft in the ASC 606 reserve. ASC 606 adjustments include

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consideration of aircraft orders where a customer controlled contingency may exist, as well as an assessment of whether the customer is committed to perform, impacts of geopolitical events or related sanctions, or whether it is probable that the customer will pay the full amount of consideration when it is due. If 787 aircraft deliveries are delayed, we remain unable to deliver 737 MAX aircraft in China for an extended period of time, and/or entry into service of the 777X, 737 MAX 7 and/or 737 MAX 10 is further delayed, we may experience reductions to backlog and/or significant order cancellations.

**Accounting Quantity**

The following table provides details of the accounting quantities and firm orders by program. Cumulative firm orders represent the cumulative number of commercial jet aircraft deliveries plus undelivered firm orders. Firm orders include military derivative aircraft that are not included in program accounting quantities. All revenues and costs associated with military derivative aircraft production are reported in the BDS segment.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Program** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |
| **As of 9/30/2022** | | | **737** | |  |  | | | **747** | |  |  | | | **767** | |  |  | | | **777** | |  |  | | | **777X** | | |  | | | **787** | |  | † | | |
| Program accounting quantities | | | **10,800** | |  |  | | | **1,574** | |  |  | | | **1,267** | |  |  | | | **1,790** | |  |  | | | **400** | |  |  | | | **1,500** | |  |  | | |
| Undelivered units under firm orders | | | **3,510** | |  |  | | | **3** | |  |  | | | **114** | |  |  | | | **70** | |  |  | | | **244** | |  |  | | | **413** | |  | (9) | | |
| Cumulative firm orders | | | **11,532** | |  |  | | | **1,573** | |  |  | | | **1,373** | |  |  | | | **1,765** | |  |  | | | **244** | |  |  | | | **1,428** | |  |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| As of 12/31/2021 | | | 737 | |  |  | | | 747 | |  |  | | | 767 | |  |  | | | 777 | |  |  | | | 777X | | |  | | | 787 | |  | † | | |
| Program accounting quantities | | | 10,400 | |  |  | | | 1,574 | |  |  | | | 1,243 | |  |  | | | 1,750 | |  |  | | | 350 | |  |  | | | 1,500 | |  |  | | |
| Undelivered units under firm orders | | | 3,414 | |  |  | | | 6 | |  |  | | | 108 | |  |  | | | 58 | |  |  | | | 253 | |  |  | | | 411 | |  | (14) | | |
| Cumulative firm orders | | | 11,159 | |  |  | | | 1,573 | |  |  | | | 1,346 | |  |  | | | 1,735 | |  |  | | | 253 | |  |  | | | 1,417 | |  |  | | |

† Aircraft ordered by BCC are identified in parentheses.

**Program Highlights**

**737 Program** The accounting quantity for the 737 program increased by 400 units during the three months ended March 31, 2022 due to the program's normal progress of obtaining additional orders and delivering airplanes. See further discussion of the 737 MAX in Note 9 to our Condensed Consolidated Financial Statements*.*

**747 Program** We are currently producing at a rate of 0.5 aircraft per month. We expect to complete production of the 747 in the fourth quarter of 2022. We believe that ending production of the 747 will not have a material impact on our financial position, results of operations or cash flows.

**767 Program** The accounting quantity for the 767 program increased by 24 and 12 units during the nine and three months ended September 30, 2022 due to the program's normal progress of obtaining additional orders and delivering airplanes. The 767 assembly line includes the commercial program and a derivative to support the KC-46A Tanker program. The commercial program has near break-even gross margins. We are currently producing at a rate of 3 aircraft per month.

**777 and 777X Programs** During the first quarter of 2022, we launched the 777X-8 freighter with first delivery expected in 2027. The accounting quantity for the 777X program increased by 50 units during the three months ended March 31, 2022 reflecting the launch of the 777X-8 freighter.

During the first quarter of 2022, we revised the estimated first delivery date of the 777X-9, previously expected in late 2023, and now expect it will occur in 2025, based on an updated assessment of the time required to meet certification requirements. We are working towards Type Inspection Authorization (TIA) which will enable us to begin FAA certification flight testing. The timing of TIA and certification will ultimately be determined by the regulators, and further determinations with respect to anticipated

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certification requirements could result in additional delays in entry into service and/or additional cost increases.

In April 2022, we decided to pause production of the 777X-9 during 2022 and 2023. We implemented the production pause during the second quarter of 2022, and it is expected to result in abnormal production costs of approximately $1.5 billion that are being expensed as incurred until 777X-9 production resumes.

The 777X program has near break-even gross margins at September 30, 2022. The level of profitability on the 777X program will be subject to a number of factors. These factors include continued market uncertainty, the lingering impacts of COVID-19 on our production system as well as impacts on our supply chain and customers, customer negotiations, further production rate adjustments for the 777X or other commercial aircraft programs, contraction of the accounting quantity and potential risks associated with the testing program and the timing of aircraft certification. One or more of these factors could result in additional reach-forward losses on the 777X program in future periods.

The accounting quantity for the 777 program increased by 40 units during the six months ended June 30, 2022 due to the program's normal progress of obtaining additional orders and delivering airplanes. The production rate for the combined 777/777X program increased to 3 per month in the third quarter of 2022.

**787 Program** At September 30, 2022 we have approximately 115 aircraft in inventory. We received FAA authorization to resume delivery on July 28, 2022 and deliveries resumed in August. We continue to conduct inspections and rework on undelivered aircraft. We are currently producing at low rates and expect to gradually return to 5 per month in 2023. In the third quarter of 2021, we determined that production rates below 5 per month represented abnormally low production rates and result in abnormal production costs. We also determined that the inspections and rework costs on inventoried aircraft are excessive and should also be accounted for as abnormal production costs that are required to be expensed as incurred. Cumulative abnormal costs recorded through September 30, 2022 total $1.4 billion and we continue to expect to incur approximately $2 billion of abnormal production costs on a cumulative basis with most being incurred by the end of 2023. We continue to work with customers and suppliers regarding timing of future deliveries and production rate changes. We have implemented changes in the production process designed to ensure that newly-built airplanes meet our specifications and do not require further inspections and rework.

During the fourth quarter of 2021, we recorded a loss of $3.5 billion on the program primarily due to the additional rework, as well as other actions required to resume 787 deliveries taking longer than expected. These impacts have resulted in longer than expected delivery delays and associated customer considerations.

China is a significant market for the 787 program, and if the program is unable to obtain additional orders from China in future quarters, we may be required to further adjust production rate assumptions. If we are required to further reduce the accounting quantity and/or production rates, experience further delivery delays or experience other factors that result in lower margins, the program could record additional losses and higher abnormal production costs in future periods.

**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 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, such as the 787 production issues and associated rework. In addition, the introduction of new aircraft and derivatives, such as the 777X and 737 MAX derivatives, involves increased risks associated with meeting development, production and certification schedules. These challenges include increased global regulatory scrutiny of all development aircraft in the wake of the 737 MAX accidents. 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

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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, the addition of regulatory requirements in connection with certification in one or more jurisdictions, flight test and certification schedules, costs, schedule and demand for new airplanes and derivatives and status of customer claims, supplier claims or 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 Consolidated Appropriations Act, 2022, enacted in March 2022, provided fiscal year 2022 (FY22) appropriations for government departments and agencies, including $742.3 billion for the United States Department of Defense (U.S. DoD) and $24 billion for the National Aeronautics and Space Administration (NASA). The enacted FY22 appropriations included funding for Boeing’s major programs, including the F/A-18 Super Hornet, F-15EX, CH-47 Chinook, AH-64 Apache, V-22 Osprey, KC-46A Tanker, and the Space Launch System.

In April 2022, the U.S. government released details of the President’s budget request for fiscal year 2023 (FY23), which included requests for $773 billion in funding for the U.S. DoD and $26 billion for NASA. The FY23 defense budget requests funding for many of Boeing’s programs, but does not request funding for F/A-18, CH-47F Block II, V-22, or P-8 production aircraft. These programs also continue to pursue non-U.S. sales opportunities. There is ongoing uncertainty with respect to program-level appropriations for U.S. DoD, NASA and other government agencies for FY23 and beyond. Future budget cuts or investment priority changes, including changes 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 our results of operations, financial position, and/or cash flows.

The Continuing Resolution (CR) enacted on September 30, 2022, continues federal funding at FY22 appropriated levels until December 16, 2022. Congress and the President must enact either full-year FY23 appropriations bills or an additional CR to fund government departments and agencies after December 16, 2022, or a government shutdown could result, which may impact the Company's operations.

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**Results of Operations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenues | | | **$16,981** | |  |  | | | $20,678 | |  |  | | | **$5,307** | |  |  | | | $6,617 | |  |
| (Loss)/earnings from operations | | | **($3,656)** | |  |  | | | $1,799 | |  |  | | | **($2,798)** | |  |  | | | $436 | |  |
| Operating margins | | | **(21.5** | | **%)** |  | | | 8.7 | | % |  | | | **(52.7** | | **%)** |  | | | 6.6 | | % |

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 period 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 new-build production units, including remanufactures and modifications, were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| F/A-18 Models | | | **11** | | |  | | | 15 | | |  | | | **3** | | |  | | | 4 | | |
| F-15 Models | | | **9** | | |  | | | 11 | | |  | | | **4** | | |  | | | 3 | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| CH-47 Chinook (New) | | | **10** | | |  | | | 12 | | |  | | | **1** | | |  | | | 6 | | |
| CH-47 Chinook (Renewed) | | | **6** | | |  | | | 5 | | |  | | | **2** | | |  | | | 1 | | |
| AH-64 Apache (New) | | | **20** | | |  | | | 19 | | |  | | | **7** | | |  | | | 4 | | |
| AH-64 Apache (Remanufactured) | | | **36** | | |  | | | 42 | | |  | | | **8** | | |  | | | 11 | | |
| MH-139 | | | **4** | | |  | | |  | | |  | | | **4** | | |  | | |  | | |
| P-8 Models | | | **10** | | |  | | | 11 | | |  | | | **4** | | |  | | | 5 | | |
| KC-46 Tanker | | | **9** | | |  | | | 7 | | |  | | | **1** | | |  | | | 3 | | |
| Commercial Satellites | | | **2** | | |  | | |  | | |  | | | **2** | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total | | | **117** | | |  | | | 122 | | |  | | | **36** | | |  | | | 37 | | |

**Revenues**

BDS revenues for the nine months ended September 30, 2022 decreased by $3,697 million compared with the same period in 2021 primarily due to charges on development programs. Unfavorable performance across other defense programs and lower P-8 and weapons volume also contributed to the decrease in revenue. Cumulative contract catch-up adjustments for the nine months ended September 30, 2022 were $2,249 million more unfavorable than the comparable period in the prior year largely due to charges on development programs.

BDS revenues for the three months ended September 30, 2022 decreased by $1,310 million compared with the same period in 2021, primarily due to charges on development programs. Cumulative contract catch-up adjustments were $1,231 million more unfavorable than the comparable period in the prior year largely due to charges on development programs and other program performance.

**(Loss)/Earnings From Operations**

BDS loss from operations was $3,656 million for the nine months ended September 30, 2022 compared with earnings from operations of $1,799 million in the same period in 2021 primarily due to charges on the VC-25B ($1,452 million), KC-46A Tanker ($1,374 million), MQ-25 ($576 million), T-7A Red Hawk Production Options ($536 million), T-7A Red Hawk EMD ($203 million), and Commercial Crew ($288

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million). The net unfavorable cumulative contract catch-up adjustments for the nine months ended September 30, 2022 were $3,734 million higher than the comparable period in the prior year. See further discussion of fixed-price contracts in Note 9 to our Condensed Consolidated Financial Statements.

BDS loss from operations was $2,798 million for the three months ended September 30, 2022 compared with earnings from operations of $436 million in the same period in 2021. The year over year decrease reflects a number of factors including charges in the third quarter of 2022 on KC-46A Tanker ($1,165 million), VC-25B ($766 million), MQ-25 ($351 million), Commercial Crew ($195 million), T-7A Red Hawk Production Options ($185 million) and T-7A Red Hawk EMD ($100 million). A number of other programs recorded lower earnings during the third quarter of 2022 due to lower volumes, supplier disruption and operational performance. Net unfavorable cumulative contract catch-up adjustments for the three months ended September 30, 2022 were $2,224 million higher than the comparable period in the prior year reflecting the charges and performance issues described above. See further discussion of fixed-price contracts in Note 9 to our Condensed Consolidated Financial Statements.

BDS (loss)/earnings from operations includes equity earnings of $2 million for the nine months ended September 30, 2022 and equity loss of $38 million for the three months ended September 30, 2022 compared with equity earnings of $48 million and $11 million for the same periods in 2021. Earnings from our United Launch Alliance joint venture increased during the nine and three months ended September 30, 2022. This was more than offset by losses on other operating investments.

**Backlog**

BDS backlog decreased from $59,828 million as of December 31, 2021 to $54,740 million at September 30, 2022, primarily due to revenue recognized on contracts awarded in prior periods.

**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, Proprietary and Space Launch System programs.

Some of our development programs are contracted on a fixed-price basis and BDS customers are increasingly seeking fixed-price proposals for new programs. Examples of significant fixed-price development programs include Commercial Crew, KC-46A Tanker, MQ-25, T-7A Red Hawk, VC-25B, and commercial and military satellites. New programs could also have risk for reach-forward loss upon contract award and during the period of contract performance. Many development programs have highly complex designs. As technical, quality or similar issues in the supply chain 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.

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**Global Services**

**Results of Operations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | | | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenues | | | **$13,044** | |  |  | | | $12,037 | |  |  | | | **$4,432** | |  |  | | | $4,221 | |  |
| Earnings from operations | | | **$2,093** | |  |  | | | $1,616 | |  |  | | | **$733** | |  |  | | | $644 | |  |
| Operating margins | | | **16.0** | | **%** |  | | | 13.4 | | % |  | | | **16.5** | | **%** |  | | | 15.3 | | % |

**Revenues**

BGS revenues for the nine months ended September 30, 2022 increased by $1,007 million compared with the same period in 2021 primarily due to higher commercial services volume, partially offset by lower government services volume and performance. The decrease in government services volume is partly driven by the discontinuation of an engine distribution agreement in the second quarter of 2022. The net favorable impact of cumulative contract catch-up adjustments for the nine months ended September 30, 2022 was $122 million lower than the comparable period in the prior year.

BGS revenues for the three months ended September 30, 2022 increased by $211 million compared with the same period in 2021 primarily due to higher commercial services volume, partially offset by lower government services volume. The net favorable impact of cumulative contract catch-up adjustments for the three months ended September 30, 2022 was $25 million lower than the comparable period in the prior year.

**Earnings From Operations**

BGS earnings from operations for the nine months ended September 30, 2022 increased by $477 million compared with the same period in 2021, primarily due to higher commercial services volume and favorable mix, partially offset by lower government services performance. The net favorable impact of cumulative contract catch-up adjustments for the nine months ended September 30, 2022 was $147 million lower than the comparable period in the prior year.

BGS earnings from operations for the three months ended September 30, 2022 increased by $89 million compared with the same period in 2021, primarily due to higher commercial services volume and favorable mix, partially offset by lower government services performance. The net unfavorable impact of cumulative contract catch-up adjustments for the three months ended September 30, 2022 was $58 million lower than the net favorable impact in the comparable period in the prior year.

**Backlog**

BGS backlog decreased from $20,496 million as of December 31, 2021 to $19,072 million at September 30, 2022, primarily due to revenue recognized on contracts awarded in prior years.

**Boeing Capital**

**Results of Operations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenues | | | **$150** | |  |  | | | $209 | |  |  | | | **$52** | |  |  | | | $71 | |  |
| Earnings from operations | | | **$14** | |  |  | | | $99 | |  |  | | | **$23** | |  |  | | | $42 | |  |
| Operating margins | | | **9.3** | | **%** |  | | | 47.4 | | % |  | | | **44.2** | | **%** |  | | | 59.2 | | % |

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**Revenues**

BCC segment revenues consist principally of lease income from equipment under operating lease, interest income from financing receivables and notes, and other income. BCC’s revenues for the nine and three months ended September 30, 2022 decreased by $59 million and $19 million compared with the same periods in 2021 primarily due to lower gains on re-lease of assets and lower commitment fee income.

**Earnings From Operations**

BCC’s earnings from operations is presented net of interest expense, provision for (recovery of) losses, asset impairment expense, depreciation on leased equipment and other operating expenses. For the nine months ended September 30, 2022, BCC had earnings from operations of $14 million, compared with earnings from operations of $99 million during the same period in 2021, primarily due to an increase in the allowance for losses on receivables as a result of the war in Ukraine and lower revenues. Earnings from operations during the three months ended September 30, 2022 and 2021 were $23 million and $42 million due to lower revenues.

**Financial Position**

The following table presents selected financial data for BCC:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **September 30 2022** | | |  | | | December 31 2021 | | |
| Customer financing and investment portfolio, net | | | **$1,576** | |  |  | | | $1,720 | |  |
| Other assets, primarily cash and short-term investments | | | **467** | |  |  | | | 462 | |  |
| Total assets | | | **$2,043** | |  |  | | | $2,182 | |  |
|  | | |  | | |  | | |  | | |
| Other liabilities, primarily deferred income taxes | | | **$197** | |  |  | | | $347 | |  |
| Debt, including intercompany loans | | | **1,525** | |  |  | | | 1,525 | |  |
| Equity | | | **321** | |  |  | | | 310 | |  |
| Total liabilities and equity | | | **$2,043** | |  |  | | | $2,182 | |  |
|  | | |  | | |  | | |  | | |
| Debt-to-equity ratio | | | **4.8-to-1** | | |  | | | 4.9-to-1 | | |

BCC’s customer financing and investment portfolio at September 30, 2022 decreased $144 million from December 31, 2021 primarily due to an increase in the allowance for losses and portfolio run-off, partially offset by new volume.

BCC enters into certain intercompany transactions with other Boeing segments, 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.

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**Liquidity and Capital Resources**

**Cash Flow Summary**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* | | | **Nine months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |
| Net loss | | | **($4,390)** | |  |  | | | ($126) | |  |
| Non-cash items | | | **3,436** | |  |  | | | 2,942 | |  |
| Changes in assets and liabilities | | | **1,009** | |  |  | | | (6,948) | |  |
| Net cash provided/(used) by operating activities | | | **55** | |  |  | | | (4,132) | |  |
| Net cash provided by investing activities | | | **6,521** | |  |  | | | 7,389 | |  |
| Net cash used by financing activities | | | **(1,016)** | |  |  | | | (1,238) | |  |
| Effect of exchange rate changes on cash and cash equivalents | | | **(134)** | |  |  | | | (34) | |  |
| Net increase in cash & cash equivalents, including restricted | | | **5,426** | |  |  | | | 1,985 | |  |
| Cash & cash equivalents, including restricted, at beginning of year | | | **8,104** | |  |  | | | 7,835 | |  |
| Cash & cash equivalents, including restricted, at end of period | | | **$13,530** | |  |  | | | $9,820 | |  |

**Operating Activities** Net cash provided by operating activities was $0.1 billion during the nine months ended September 30, 2022, compared with $4.1 billion of cash used by operating activities during the same period in 2021. Net loss for the nine months ended September 30, 2022 was $4.4 billion compared with net loss of $0.1 billion during the same period in 2021. The $4.3 billion year-over-year increase in the Net loss is primarily driven by losses on BDS fixed-price development contracts that are expected to adversely impact cash flows in future periods. Changes in assets and liabilities for the nine months ended September 30, 2022 improved by $8.0 billion compared with the same period in 2021 driven by changes in Accrued liabilities and Accounts payable, partially offset by growth in Inventories in 2022. The increase in Accrued Liabilities is primarily driven by the accrued losses on BDS fixed-price development programs, lower payments to 737 MAX customers in 2022, and the $0.7 billion Department of Justice payment in 2021 discussed below. Growth in Accounts Payable in 2022 is a source of cash while reductions in Accounts Payable in 2021 were a use of cash generally reflecting increases in production rates. Concessions paid to 737 MAX customers totaled $1.0 billion and $2.0 billion during the nine months ended September 30, 2022 and 2021. Additionally, in the third quarter of 2022 and 2021 we received income tax refunds of $1.5 billion and $1.3 billion. In the first quarter of 2021, we paid $0.7 billion consistent with the terms of the Deferred Prosecution Agreement between Boeing and the U.S. Department of Justice. Cash provided by Advances and progress billings was $0.2 billion in 2022, as compared with $0.8 billion of cash provided in 2021. Cash used by Inventories was $1.2 billion in 2022, as compared with $0.5 billion of cash provided in 2021 primarily reflecting growth in 777X inventory, as well as the continued build-up of 787 aircraft. We expect to continue to have a significant negative impact on our operating cash flows until 737 MAX and 787 deliveries ramp up.

Payables to suppliers who elected to participate in supply chain financing programs decreased by $0.1 billion during the nine months ended September 30, 2022 and decreased by $1 billion during the nine months ended September 30, 2021. Supply chain financing is not material to our overall liquidity.

**Investing Activities** Cash provided by investing activities was $6.5 billion during the nine months ended September 30, 2022, compared with $7.4 billion during the same period in 2021, primarily due to net proceeds from investments of $7.4 billion in 2022 compared to $7.8 billion in 2021. Lower proceeds from dispositions of property, plant and equipment in 2022 also contributed to the year-over-year variance. In the nine months ended September 30, 2022 and 2021, capital expenditures were $0.9 billion and $0.8 billion. We expect capital expenditures in 2022 to be higher than in 2021.

**Financing Activities** Cash used by financing activities was $1.0 billion during the nine months ended September 30, 2022 compared with $1.2 billion during the same period in 2021. During the nine months

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ended September 30, 2022, net repayments on our debt were $1.0 billion compared with $1.2 billion in the same period in 2021.

As of September 30, 2022 the total debt balance was $57.2 billion, down from $58.1 billion at December 31, 2021. At September 30, 2022, $5.4 billion of debt was classified as short-term. Debt, including intercompany loans, attributable to BCC totaled $1.5 billion, $0.5 billion of which was classified as short-term.

**Capital Resources** The impacts of the COVID-19 pandemic, 787 production issues and associated rework, and residual impacts of the 737 MAX grounding are having a significant negative impact on our liquidity and ongoing operations and creating significant uncertainty. We have and are continuing to take significant actions to manage and preserve our liquidity. For further discussion see Liquidity Matters in Note 1 to our Condensed Consolidated Financial Statements.

At September 30, 2022, we had $13.5 billion of cash and $0.8 billion of short-term investments. At September 30, 2022, we had $12.0 billion of unused borrowing capacity on revolving credit line agreements. In the third quarter of 2022, we entered into a $5.8 billion 364-day revolving credit agreement expiring in August 2023, a $3.0 billion three-year revolving credit agreement expiring in August 2025, and amended our $3.2 billion five-year revolving credit agreement, which expires in October 2024, primarily to incorporate a LIBOR successor rate. The 364-day facility has a one-year term out option that allows us to extend the maturity of any borrowings one additional year. We anticipate that these credit lines will remain undrawn and primarily serve as back-up liquidity to support our general corporate borrowing needs.

Any future borrowings may affect our credit ratings and are subject to various debt covenants. At September 30, 2022, 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.

Customer Financing commitments totaled $16.5 billion and $12.9 billion at September 30, 2022 and December 31, 2021. The increase relates to the addition of new financing commitments in excess of expirations. 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.

**Off-Balance Sheet Arrangements**

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

**Contingent Obligations**

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

**Legal** Various legal proceedings, claims and investigations are pending against us. Legal contingencies are discussed in Note 17 to our Condensed Consolidated Financial Statements.

**Environmental Remediation** We are involved with various environmental remediation activities and have recorded a liability of $754 million at September 30, 2022. For additional information, see Note 9 to our Condensed Consolidated Financial Statements.

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**Non-GAAP Measures**

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

Our unaudited condensed consolidated interim financial statements are prepared in accordance with 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 FAS/CAS service cost adjustment. The FAS/CAS service cost adjustment represents the difference between the Financial Accounting Standards (FAS) pension and postretirement service costs calculated under GAAP and costs allocated to the business segments. Core earnings per share excludes both the FAS/CAS service cost adjustment and non-operating pension and postretirement expenses. Non-operating pension and postretirement expenses represent the components of net periodic benefit costs other than service cost. Pension costs, comprising service and prior service costs computed in accordance with GAAP are allocated to BCA and certain BGS businesses supporting commercial customers. Pension costs allocated to BDS and BGS businesses supporting government customers are computed in accordance with U.S. Government Cost Accounting Standards (CAS), which employ different actuarial assumptions and accounting conventions than GAAP. CAS costs are allocable to government contracts. Other postretirement benefit costs are allocated to all business segments based on CAS, which is generally based on benefits paid.

The Pension FAS/CAS service cost adjustments recognized in (Loss)/earnings from operations were benefits of $621 million and $208 million for the nine and three months ended September 30, 2022, compared with benefits of $576 million and $192 million for the same periods in 2021. The higher benefits in 2022 were primarily due to increases in allocated pension cost year over year. The non-operating pension expenses included in Other income, net were benefits of $666 million and $225 million for the nine and three months ended September 30, 2022, compared with benefits of $381 million and $29 million for the same periods in 2021. The higher benefits in 2022 were primarily due to lower amortization of net actuarial losses and a settlement gain in 2022 compared to charges in 2021.

For further discussion of pension and other postretirement costs see the Management’s Discussion and Analysis on page 39 of this Form 10-Q and on page 29 of our 2021 Annual Report on Form 10-K. 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 costs primarily represent costs driven by market factors and costs not allocable to U.S. government contracts.

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**Reconciliation of GAAP Measures to Non-GAAP Measures**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions, except per share data)* | | | **Nine months ended September 30** | | | | | | | | |  | | | **Three months ended September 30** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
| Revenues | | | **$46,628** | |  |  | | | $47,493 | |  |  | | | **$15,956** | |  |  | | | $15,278 | |  |
| (Loss)/earnings from operations, as reported | | | **($3,194)** | |  |  | | | $1,269 | |  |  | | | **($2,799)** | |  |  | | | $329 | |  |
| Operating margins | | | **(6.8)** | | **%** |  | | | 2.7 | | % |  | | | **(17.5)** | | **%** |  | | | 2.2 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pension FAS/CAS service cost adjustment (1) | | | **($621)** | |  |  | | | ($576) | |  |  | | | **($208)** | |  |  | | | ($192) | |  |
| Postretirement FAS/CAS service cost adjustment (1) | | | **(225)** | |  |  | | | (232) | |  |  | | | **(71)** | |  |  | | | (78) | |  |
| FAS/CAS service cost adjustment (1) | | | **($846)** | |  |  | | | ($808) | |  |  | | | **($279)** | |  |  | | | ($270) | |  |
| Core operating (loss)/earnings (non-GAAP) | | | **($4,040)** | |  |  | | | $461 | |  |  | | | **($3,078)** | |  |  | | | $59 | |  |
| Core operating margins (non-GAAP) | | | **(8.7)** | | **%** |  | | | 1.0 | | % |  | | | **(19.3)** | | **%** |  | | | 0.4 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Diluted loss per share, as reported | | | **($7.24)** | |  |  | | | ($0.10) | |  |  | | | **($5.49)** | |  |  | | | ($0.19) | |  |
| Pension FAS/CAS service cost adjustment (1) | | | **(1.04)** | |  |  | | | (0.98) | |  |  | | | **(0.35)** | |  |  | | | (0.33) | |  |
| Postretirement FAS/CAS service cost adjustment (1) | | | **(0.38)** | |  |  | | | (0.40) | |  |  | | | **(0.12)** | |  |  | | | (0.13) | |  |
| Non-operating pension expense (2) | | | **(1.13)** | |  |  | | | (0.64) | |  |  | | | **(0.37)** | |  |  | | | (0.05) | |  |
| Non-operating postretirement expense (2) | | | **(0.07)** | |  |  | | | (0.03) | |  |  | | | **(0.03)** | |  |  | | | (0.01) | |  |
| Provision for deferred income taxes on adjustments (3) | | | **0.55** | |  |  | | | 0.43 | |  |  | | | **0.18** | |  |  | | | 0.11 | |  |
| Core loss per share (non-GAAP) | | | **($9.31)** | |  |  | | | ($1.72) | |  |  | | | **($6.18)** | |  |  | | | ($0.60) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Weighted average diluted shares (in millions) | | | **594.0** | |  |  | | | 587.3 | |  |  | | | **596.3** | |  |  | | | 589.0 | |  |

(1) FAS/CAS service cost adjustment represents the difference between the FAS pension and postretirement service costs calculated under GAAP and costs allocated to the business segments. This adjustment is excluded from Core operating earnings/(loss) (non-GAAP).

(2) Non-operating pension and postretirement expenses represent the components of net periodic benefit costs other than service cost. These expenses are included in Other income, net and are excluded from Core earnings/(loss) per share (non-GAAP).

(3) The income tax impact is calculated using the U.S. corporate statutory tax rate.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We have financial instruments that are subject to interest rate risk, principally fixed- and floating-rate debt obligations, and customer financing assets and liabilities. 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. As of September 30, 2022, we do not have any significant floating-rate debt obligations. Historically, we have not experienced material gains or losses on our customer financing assets and liabilities due to interest rate changes.

There have been no significant changes to our foreign currency exchange rate or commodity price risk since December 31, 2021.

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**Item 4. Controls and Procedures**

(a)Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of September 30, 2022 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b)Changes in Internal Control Over Financial Reporting.

There were no changes in our internal control over financial reporting that occurred during the third quarter of 2022 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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**Part II. Other Information**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

**Issuer Purchases of Equity Securities**

The following table provides information about purchases we made during the quarter ended September 30, 2022 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions, except per share data)* | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | (a) | | |  | | | (b) | | |  | | | (c) | | |  | | | (d) | | |
|  | | | Total Number  of Shares  Purchased (1) | | |  | | | Average Price Paid per Share | | |  | | | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | | |  | | | Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs | | |
| 7/1/2022 thru 7/31/2022 | | | 4,114 | |  |  | | | $135.47 | |  |  | | |  | | |  | | |  | | |
| 8/1/2022 thru 8/31/2022 | | | 3,450 | |  |  | | | 166.58 | |  |  | | |  | | |  | | |  | | |
| 9/1/2022 thru 9/30/2022 | | | 1,342 | |  |  | | | 159.04 | |  |  | | |  | | |  | | |  | | |
| Total | | | 8,906 | |  |  | | | $151.07 | |  |  | | |  | | |  | | |  | | |

(1)A total of 8,906 shares were transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period. We did not purchase any shares of our common stock in the open market pursuant to a repurchase program.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

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**Item 6. Exhibits**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 10.1 | | | [364-Day Credit Agreement, dated as of August 25, 2022, among The Boeing Company for itself and on behalf of its Subsidiaries, as a Borrower, the Lenders party hereto, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, N.A. as syndication agent and Citibank, N.A. and JPMorgan Chase Bank N.A., as joint lead arrangers and joint book managers](http://www.sec.gov/Archives/edgar/data/12927/000119312522232897/d396135dex101.htm) (Exhibit 10.1 to the Company’s Current Report on Form 8-K, dated August 25, 2022) | | |
|  | | |  | | |
| 10.2 | | | [Three-Year Credit Agreement, dated as of August 25, 2022, among The Boeing Company for itself and on behalf of its Subsidiaries, as a Borrower, the Lenders party hereto, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent and Citibank, N.A. and JPMorgan Chase Bank, N.A., as joint lead arrangers and joint book managers](http://www.sec.gov/Archives/edgar/data/12927/000119312522232897/d396135dex102.htm) (Exhibit 10.2 to the Company’s Current Report on Form 8-K, dated August 25, 2022) | | |
|  | | |  | | |
| 10.3 | | | [Amendment No. 1, dated as of August 25, 2022, to Five-Year Credit Agreement, dated as of October 30, 2019, among The Boeing Company for itself and on behalf of its Subsidiaries, as a Borrower, the Lenders party hereto, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent and Citibank N.A. and JPMorgan Chase Bank, N.A., as joint lead arrangers and joint book managers](http://www.sec.gov/Archives/edgar/data/12927/000119312522232897/d396135dex103.htm) (Exhibit 10.3 to the Company’s Current Report on Form 8-K, dated August 25, 2022) | | |
|  | | |  | | |
| 15 | | | [Letter from Independent Registered Public Accounting Firm regarding unaudited interim financial information](https://www.sec.gov/Archives/edgar/data/0000012927/000001292722000073/a202209sep3010qex15.htm) | | |
|  | | |  | | |
| 31.1 | | | [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](https://www.sec.gov/Archives/edgar/data/0000012927/000001292722000073/a202209sep3010qex311.htm) | | |
|  | | |  | | |
| 31.2 | | | [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](https://www.sec.gov/Archives/edgar/data/0000012927/000001292722000073/a202209sep3010qex312.htm) | | |
|  | | |  | | |
| 32.1 | | | [Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](https://www.sec.gov/Archives/edgar/data/0000012927/000001292722000073/a202209sep3010qex321.htm) | | |
|  | | |  | | |
| 32.2 | | | [Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](https://www.sec.gov/Archives/edgar/data/0000012927/000001292722000073/a202209sep3010qex322.htm) | | |
|  | | |  | | |
| 101.INS | | | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | |
|  | | |  | | |
| 101.SCH | | | Inline XBRL Taxonomy Extension Schema Document | | |
|  | | |  | | |
| 101.CAL | | | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | |
|  | | |  | | |
| 101.DEF | | | Inline XBRL Taxonomy Extension Definition Linkbase Document | | |
|  | | |  | | |
| 101.LAB | | | Inline XBRL Taxonomy Extension Label Linkbase Document | | |
|  | | |  | | |
| 101.PRE | | | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | |
|  | | |  | | |
| 104 | | | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | | |

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**Signature**

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | | THE BOEING COMPANY | | |
|  | | |  | | | (Registrant) | | |
|  | | |  | | |  | | |
|  | | |  | | |  | | |
|  | | |  | | |  | | |
|  | | |  | | |  | | |
| October 26, 2022 | | |  | | | /s/ Carol J. Hibbard | | |
| (Date) | | |  | | | Carol J. Hibbard | | |
|  | | |  | | | Senior Vice President and Controller | | |

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Hover over Fact for quick information. IMG_289

Auto Scrolling Position IMG_290 Selecting a fact from the Sections Menu or the Fact Menu will automatically scroll that element to the (Top, or Middle) of the viewer window. This setting will have no use on IE 10, or Safari.

Tagged Data

IMG_291

Save

Reset

Search Results

IMG_292

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Reset

Selected Fact

IMG_293

Save

Reset

Tag Shading (hover)

IMG_294

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Reset

窗体底端

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