BOEING CO
Form 10-Q
July 22, 2015

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

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

For the quarterly period ended June 30, 2015
or

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

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

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

Delaware	91-0425694
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 N. Riverside Plaza, Chicago, IL	60606-1596
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Large accelerated filer	ý		Accelerated filer	¨
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of July 15, 2015, there were 679,495,119 shares of common stock, $5.00 par value, issued and outstanding.

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THE BOEING COMPANY
FORM 10-Q
For the Quarter Ended June 30, 2015
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Part I. Financial Information
Item 1. Financial Statements
The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

(Dollars in millions, except per share data)	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Sales of products	$41,408	$37,542	$21,923	$19,527
Sales of services	5,284	4,968	2,620	2,518
Total revenues	46,692	42,510	24,543	22,045
Cost of products	(35,627)	(31,932)	(19,247)	(16,674)
Cost of services	(4,186)	(3,999)	(2,086)	(1,979)
Boeing Capital interest expense	(33)	(35)	(17)	(17)
Total costs and expenses	(39,846)	(35,966)	(21,350)	(18,670)
	6,846	6,544	3,193	3,375
Income from operating investments, net	129	120	50	61
General and administrative expense	(1,705)	(1,795)	(760)	(918)
Research and development expense, net	(1,569)	(1,542)	(800)	(733)
Gain on dispositions, net	1	2		2
Earnings from operations	3,702	3,329	1,683	1,787
Other income, net	3	20	15	11
Interest and debt expense	(136)	(173)	(75)	(81)
Earnings before income taxes	3,569	3,176	1,623	1,717
Income tax expense	(1,123)	(558)	(513)	(64)
Net earnings	$2,446	$2,618	$1,110	$1,653
Basic earnings per share	$3.50	$3.55	$1.61	$2.26
Diluted earnings per share	$3.46	$3.50	$1.59	$2.24
Cash dividends paid per share	$1.82	$1.46	$0.91	$0.73
Weighted average diluted shares (millions)	706.6	747.4	698.9	740.1

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions)	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Net earnings	$2,446	$2,618	$1,110	$1,653
Other comprehensive income, net of tax:				
Currency translation adjustments	(44)	38	44	21
Unrealized gain on certain investments, net of tax ($3), ($2), ($2), and ($1)	4	3	3	1
Unrealized (loss)/gain on derivative instruments:				
Unrealized (loss)/gain arising during period, net of tax of $37, ($14), ($14), and ($20)	(66)	25	25	36
Reclassification adjustment for gains/(losses) included in net earnings, net of tax of ($16), $0, ($10), and $3	28	1	16	(4)
Total unrealized (loss)/gain on derivative instruments, net of tax	(38)	26	41	32
Defined benefit pension plans and other postretirement benefits:				
Amortization of prior service cost included in net periodic pension cost, net of tax of ($11), ($6), ($6), and ($3)	19	11	9	5
Net actuarial gain arising during the period, net of tax of ($17), ($347), ($17), and ($1)	31	622	31	2
Amortization of actuarial losses included in net periodic pension cost, net of tax of ($282), ($185), ($145), and ($91)	508	333	264	164
Settlements and curtailments included in net income, net of tax of ($2), ($113), ($2), and $0	3	202	3	(1)
Total defined benefit pension plans and other postretirement benefits, net of tax	561	1,168	307	170
Other comprehensive income, net of tax	483	1,235	395	224
Comprehensive (loss)/income related to noncontrolling interests	(1)	6		3
Comprehensive income, net of tax	$2,928	$3,859	$1,505	$1,880

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)	June 30 2015	December 31 2014
Assets		
Cash and cash equivalents	$9,157	$11,733
Short-term and other investments	468	1,359
Accounts receivable, net	7,927	7,729
Current portion of customer financing, net	209	190
Deferred income taxes	17	18
Inventories, net of advances and progress billings	49,028	46,756
Total current assets	66,806	67,785
Customer financing, net	3,175	3,371
Property, plant and equipment, net of accumulated depreciation of $15,997 and $15,689	11,338	11,007
Goodwill	5,126	5,119
Acquired intangible assets, net	2,763	2,869
Deferred income taxes	6,264	6,576
Investments	1,256	1,154
Other assets, net of accumulated amortization of $419 and $479	1,374	1,317
Total assets	$98,102	$99,198
Liabilities and equity		
Accounts payable	$11,531	$10,667
Accrued liabilities	13,226	13,343
Advances and billings in excess of related costs	23,373	23,175
Deferred income taxes and income taxes payable	8,894	8,603
Short-term debt and current portion of long-term debt	112	929
Total current liabilities	57,136	56,717
Accrued retiree health care	6,777	6,802
Accrued pension plan liability, net	17,537	17,182
Non-current income taxes payable	389	358
Other long-term liabilities	1,052	1,208
Long-term debt	8,904	8,141
Shareholders’ equity:		
Common stock, par value $5.00 – 1,200,000,000 shares authorized; 1,012,261,159 shares issued	5,061	5,061
Additional paid-in capital	4,721	4,625
Treasury stock, at cost – 331,193,968 and 305,533,606 shares	(27,463)	(23,298)
Retained earnings	37,365	36,180
Accumulated other comprehensive loss	(13,420)	(13,903)
Total shareholders’ equity	6,264	8,665
Noncontrolling interests	43	125
Total equity	6,307	8,790
Total liabilities and equity	$98,102	$99,198

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)	Six months ended June 30	
	2015	2014
Cash flows – operating activities:		
Net earnings	$2,446	$2,618
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash items –		
Share-based plans expense	94	101
Depreciation and amortization	912	900
Investment/asset impairment charges, net	74	36
Customer financing valuation benefit	(5)	(26)
Gain on dispositions, net	(1)	(2)
Other charges and credits, net	140	87
Excess tax benefits from share-based payment arrangements	(124)	(97)
Changes in assets and liabilities –		
Accounts receivable	(313)	(1,286)
Inventories, net of advances and progress billings	(2,395)	(3,402)
Accounts payable	888	1,783
Accrued liabilities	(177)	(913)
Advances and billings in excess of related costs	195	1,217
Income taxes receivable, payable and deferred	482	394
Other long-term liabilities	(17)	(88)
Pension and other postretirement plans	1,244	1,118
Customer financing, net	19	466
Other	(77)	15
Net cash provided by operating activities	3,385	2,921
Cash flows – investing activities:		
Property, plant and equipment additions	(1,266)	(946)
Property, plant and equipment reductions	20	17
Acquisitions, net of cash acquired	(23)	(163)
Contributions to investments	(1,205)	(5,657)
Proceeds from investments	2,040	8,030
Other	22	
Net cash (used)/provided by investing activities	(412)	1,281
Cash flows – financing activities:		
New borrowings	761	85
Debt repayments	(846)	(854)
Repayments of distribution rights and other asset financing		(184)
Stock options exercised	276	261
Excess tax benefits from share-based payment arrangements	124	97
Employee taxes on certain share-based payment arrangements	(90)	(88)
Common shares repurchased	(4,501)	(3,998)
Dividends paid	(1,264)	(1,071)
Other		(12)
Net cash used by financing activities	(5,540)	(5,764)
Effect of exchange rate changes on cash and cash equivalents	(9)	7
Net decrease in cash and cash equivalents	(2,576)	(1,555)

Cash and cash equivalents at beginning of year	11,733	9,088
Cash and cash equivalents at end of period	$9,157	$7,533

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions, except per share data)	Boeing shareholders Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
Balance at January 1, 2014	$5,061	$4,415	($17,671)	$32,964	($9,894)	$122	$14,997
Net earnings				2,618		6	2,624
Other comprehensive income, net of tax of ($667)					1,235		1,235
Share-based compensation and related dividend equivalents		108		(10)			98
Excess tax pools		97					97
Treasury shares issued for stock options exercised, net		18	245				263
Treasury shares issued for other share-based plans, net		(114)	43				(71)
Common shares repurchased			(3,998)				(3,998)
Cash dividends declared ($1.46 per share)				(1,056)			(1,056)
Changes in noncontrolling interests						(5)	(5)
Balance at June 30, 2014	$5,061	$4,524	($21,381)	$34,516	($8,659)	$123	$14,184
Balance at January 1, 2015	$5,061	$4,625	($23,298)	$36,180	($13,903)	$125	$8,790
Net earnings				2,446		(1)	2,445
Other comprehensive income, net of tax of ($294)					483		483
Share-based compensation and related dividend equivalents		106		(13)			93
Excess tax pools		126					126
Treasury shares issued for stock options exercised, net		(11)	287				276
Treasury shares issued for other share-based plans, net		(125)	49				(76)
Common shares repurchased			(4,501)				(4,501)
Cash dividends declared ($1.82 per share)				(1,248)			(1,248)
Changes in noncontrolling interests						(81)	(81)
Balance at June 30, 2015	$5,061	$4,721	($27,463)	$37,365	($13,420)	$43	$6,307

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)	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Revenues:				
Commercial Airplanes	$32,258	$27,041	$16,877	$14,304
Defense, Space & Security:				
Boeing Military Aircraft	6,232	6,975	3,488	3,520
Network & Space Systems	3,670	3,796	1,938	1,920
Global Services & Support	4,351	4,609	2,118	2,307
Total Defense, Space & Security	14,253	15,380	7,544	7,747
Boeing Capital	201	172	115	90
Unallocated items, eliminations and other	(20)	(83)	7	(96)
Total revenues	$46,692	$42,510	$24,543	$22,045
Earnings from operations:				
Commercial Airplanes	$2,823	$3,052	$1,206	$1,550
Defense, Space & Security:				
Boeing Military Aircraft	384	496	123	164
Network & Space Systems	318	318	151	150
Global Services & Support	587	546	272	268
Total Defense, Space & Security	1,289	1,360	546	582
Boeing Capital	31	77	11	33
Unallocated items, eliminations and other	(441)	(1,160)	(80)	(378)
Earnings from operations	3,702	3,329	1,683	1,787
Other income, net	3	20	15	11
Interest and debt expense	(136)	(173)	(75)	(81)
Earnings before income taxes	3,569	3,176	1,623	1,717
Income tax expense	(1,123)	(558)	(513)	(64)
Net earnings	$2,446	$2,618	$1,110	$1,653

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

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

Note 1 – Basis of Presentation

The condensed consolidated interim financial statements included in this report have been prepared by management of The Boeing Company (herein referred to as "Boeing", the "Company", "we", "us", or "our"). In the opinion of management, al adjustments (consisting of normal recurring accruals) necessary for a fair presentation are reflected in the interim financial statements. The results of operations for the period ended June 30, 2015 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 2014 Annual Report on Form 10-K.

Standards Issued and Not Yet Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. The new standard is effective for reporting periods beginning after December 15, 2017 and early adoption is not permitted. On July 9, 2015 the FASB voted to approve a one year delay of the effective date and to permit companies to voluntarily adopt the new standard as of the original effective date. The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. Assuming issuance of a final rule delaying the effective date, for Boeing the new standard will be effective January 1, 2018 and the Company is currently evaluating the impacts of adoption and the implementation approach to be used.

Use of Estimates

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

Contract accounting is used for development and production activities predominantly by Defense, Space & Security (BDS). Contract accounting involves a judgmental process of estimating total sales and costs for each contract resulting in the development of estimated cost of sales percentages. Changes in estimated revenues, cost of sales and the related effect on operating income are recognized using a cumulative catch-up adjustment which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percent complete. For the six and three months ended June 30, 2015, net unfavorable cumulative catch-up adjustments, including reach-forward losses, across all contracts decreased Earnings from operations by $594 and $724 and diluted earnings per share by $0.58 and $0.71. For the six and three months ended June 30, 2014, net unfavorable cumulative catch-up adjustments, including reach-forward losses, across all contracts decreased Earnings from operations by $145 and $312 and diluted earnings per share by $0.16 and $0.41.

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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)	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Net earnings	$2,446	$2,618	$1,110	$1,653
Less: earnings available to participating securities	2	3		1
Net earnings available to common shareholders	$2,444	$2,615	$1,110	$1,652
Basic				
Basic weighted average shares outstanding	698.5	738.3	691.2	731.1
Less: participating securities	1.1	1.3	1.1	1.3
Basic weighted average common shares outstanding	697.4	737.0	690.1	729.8
Diluted				
Basic weighted average shares outstanding	698.5	738.3	691.2	731.1
Dilutive potential common shares[1]	8.1	9.1	7.7	9.0
Diluted weighted average shares outstanding	706.6	747.4	698.9	740.1
Less: participating securities	1.1	1.3	1.1	1.3
Diluted weighted average common shares outstanding	705.5	746.1	697.8	738.8
Net earnings per share:				
Basic	$3.50	$3.55	$1.61	$2.26
Diluted	3.46	3.50	1.59	2.24

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

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

(Shares in millions)	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Performance awards	6.0	5.6	6.0	5.1
Performance-based restricted stock units	2.3	1.3	2.3	1.3

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Note 3 – Income Taxes

Our effective income tax rates were 31.5% and 31.6% for the six and three months ended June 30, 2015 and 17.6% and 3.7% for the same periods in the prior year. The effective tax rate for the six and three months ended June 30, 2015 is higher than the comparable prior year period primarily due to the tax benefits of $524 recorded in the second quarter of 2014 related to tax basis adjustments and settlement of the 2007-2008 and 2009-2010 federal tax audits. The 2015 tax rates include a higher U.S. manufacturing activity tax benefit than in 2014.

Due to the expiration of the U.S. research and development tax credit (research tax credit) at the end of 2014, no tax benefit has been recorded in 2015. If the research tax credit is reinstated there will be a favorable impact on our 2015 effective income tax rate.

Federal income tax audits have been settled for all years prior to 2011. The years 2011-2012 are currently being examined by the IRS. We are also subject to examination in major state and international jurisdictions for the 2001-2014 tax years. We believe appropriate provisions for all outstanding tax issues have been made for all jurisdictions and all open years.

Audit outcomes and the timing of audit settlements are subject to significant uncertainty. It is reasonably possible that within the next 12 months we will resolve the matters presently under consideration for the 2011-2012 tax years with the IRS. Depending on the timing and outcome of that audit settlement, unrecognized tax benefits could decrease by up to $125 based on current estimates.

Note 4 – Accounts Receivable, net

Accounts receivable, net as of June 30, 2015, includes $112 of unbillable receivables on a long-term contract with LightSquared, LP (LightSquared) related to the construction of two commercial satellites. One of the satellites has been delivered, and the other is substantially complete but remains in Boeing's possession. On May 14, 2012, LightSquared filed for Chapter 11 bankruptcy protection. We believe that our rights in the second satellite and related ground-segment assets are sufficient to protect the value of our receivables in the event LightSquared fails to make payments as contractually required or rejects its contract with us. Given the uncertainties inherent in bankruptcy proceedings, it is reasonably possible that we could incur losses related to these receivables in connection with the LightSquared bankruptcy.

Note 5 – Inventories

Inventories consisted of the following:

	June 30 2015	December 31 2014
Long-term contracts in progress	$14,872	$13,381
Commercial aircraft programs	56,867	55,220
Commercial spare parts, used aircraft, general stock materials and other	6,585	7,421
Inventory before advances and progress billings	78,324	76,022
Less advances and progress billings	(29,296)	(29,266)
Total	$49,028	$46,756

Long-term contracts in progress includes Delta launch program inventory that is being sold at cost to United Launch Alliance (ULA) under an inventory supply agreement that terminates on March 31, 2021. At June 30, 2015, the inventory balance was $115 (net of advances of $338) and $154 (net of advances of $322) at December 31, 2014. At June 30, 2015, $227 of this inventory related to unsold launches. See Note 10.

Capitalized precontract costs of $439 and $1,281 at June 30, 2015 and December 31, 2014, are included in inventories.

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At June 30, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 787 program: $35,212 and $33,163 of work in process (including deferred production costs of $27,732 and $26,149), $2,294 and $2,257 of supplier advances, and $3,906 and $3,801 of unamortized tooling and other non-recurring costs. At June 30, 2015, $22,379 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $9,259 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

At June 30, 2015 and December 31, 2014, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,787 and $1,741 of deferred production costs, net of previously recorded reach-forward losses, and $426 and $476 of unamortized tooling costs. At June 30, 2015, $1,019 of 747 deferred production and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and $1,194 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

Commercial aircraft programs inventory included amounts credited in cash or other consideration (early issue sales consideration) to airline customers totaling $3,327 and $3,341 at June 30, 2015 and December 31, 2014.

Used aircraft in inventories at Commercial Airplanes totaled $232 and $275 at June 30, 2015 and December 31, 2014.

Note 6 – Customer Financing

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

	June 30 2015	December 31 2014
Financing receivables:		
Investment in sales-type/finance leases	$1,451	$1,535
Notes	362	370
Total financing receivables	1,813	1,905
Operating lease equipment, at cost, less accumulated depreciation of $631 and $571	1,587	1,677
Gross customer financing	3,400	3,582
Less allowance for losses on receivables	(16)	(21)
Total	$3,384	$3,561

We determine a receivable is impaired when, based on current information and events, it is probable that we will be unable to collect amounts due according to the original contractual terms. At June 30, 2015 and December 31, 2014, we individually evaluated for impairment customer financing receivables of $89 and $86 and determined that none of these were impaired.

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

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

Rating categories	June 30 2015	December 31 2014
BBB	$1,009	$1,055
B	612	633
CCC	103	131
Other	89	86
Total carrying value of financing receivables	$1,813	$1,905

At June 30, 2015, our allowance related to receivables with ratings of B and BBB. We applied default rates that averaged 15% and 2% to the exposure associated with those receivables.

Customer Financing Exposure

Customer financing is collateralized by security in the related asset. The value of the collateral is closely tied to commercial airline performance and overall market conditions and may be subject to reduced valuation with market decline. Declines in collateral values are also a significant driver of our allowance for losses. Generally, out-of-production aircraft have experienced greater collateral value declines than in-production aircraft. Our customer financing portfolio is primarily collateralized by out-of-production 717, 757 and MD-80 aircraft. The majority of customer financing carrying values are concentrated in the following aircraft models:

	June 30 2015	December 31 2014
717 Aircraft ($410 and $421 accounted for as operating leases)	$1,502	$1,562
747 Aircraft (Accounted for as operating leases)	569	601
757 Aircraft ($335 and $349 accounted for as operating leases)	339	370
MD-80 Aircraft (Accounted for as sales-type finance leases)	324	358
767 Aircraft ($73 and $47 accounted for as operating leases)	179	158
737 Aircraft ($120 and $127 accounted for as operating leases)	120	156
MD-11 Aircraft (Accounted for as operating leases)	62	114

Note 7 – Investments

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

	June 30 2015	December 31 2014
Time deposits	400	$1,295
Pledged money market funds [1]	38	38
Available-for-sale investments	14	7
Equity method investments [2]	1,208	1,114
Restricted cash [3]	29	26
Other investments	35	33
Total	$1,724	$2,513

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

(2) Dividends received were $124 and $45 for the six and three months ended June 30, 2015 and $134 and $75 during the same periods in the prior year.

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

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Note 8 – Other Assets

Sea Launch

At June 30, 2015 and December 31, 2014, Other assets included $356 of receivables related to our former investment in the Sea Launch venture which became payable by certain Sea Launch partners following Sea Launch’s bankruptcy filing in June 2009. The $356 includes $147 related to a payment made by us under a bank guarantee on behalf of Sea Launch and $209 related to loans (partner loans) we made to Sea Launch. The net amounts owed to Boeing by each of the partners are as follows: S.P. Koroley Rocket and Space Corporation Energia of Russia – $223, PO Yuzhnoye Mashinostroitelny Zavod of Ukraine – $89 and KB Yuzhnoye of Ukraine – $44.

Although each partner is contractually obligated to reimburse us for its share of the bank guarantee, the Russian and Ukrainian partners have raised defenses to enforcement and contested our claims. On October 19, 2009, we filed a Notice of Arbitration with the Stockholm Chamber of Commerce seeking reimbursement from the other Sea Launch partners of the $147 bank guarantee payment. On October 7, 2010, the arbitrator ruled that the Stockholm Chamber of Commerce lacked jurisdiction to hear the matter but did not resolve the merits of our claim. We filed a notice appealing the arbitrator’s ruling on January 11, 2011. On April 11, 2014, the appellate court entered a ruling that the decision of the arbitrator is not appealable. On May 9, 2014, we filed a brief with the Supreme Court of Sweden appealing the appellate court's April 11, 2014 ruling. On February 1, 2013, we filed an action in the United States District Court for the Central District of California seeking reimbursement from the other Sea Launch partners of the $147 bank guarantee payment and the $209 partner loan obligations. A trial in the United States District Court for the Central District of California is scheduled to commence in November 2015. We believe the partners have the financial wherewithal to pay and intend to pursue vigorously all of our rights and remedies. In the event we are unable to secure reimbursement of $147 related to our payment under the bank guarantee and $209 related to partner loans made to Sea Launch, we could incur additional charges. Our current assessment as to the collectability of these receivables takes into account the current economic conditions in Russia and Ukraine, although we will continue to monitor the situation.

Note 9 – Commitments and Contingencies

Environmental

The following table summarizes environmental remediation activity during the six months ended June 30, 2015 and 2014.

	2015	2014
Beginning balance – January 1	$601	$649
Reductions for payments made	(35)	(16)
Changes in estimates	27	16
Ending balance – June 30	$593	$649

The liabilities recorded represent our best estimate or the low end of a range of reasonably possible costs expected to be incurred to remediate sites, including operation and maintenance over periods of up to 30 years. It is reasonably possible that we may incur charges that exceed these recorded amounts because of regulatory agency orders and directives, changes in laws and/or regulations, higher than expected costs and/or the discovery of new or additional contamination. As part of our estimating process, we develop a range of reasonably possible alternate scenarios that includes the high end of a range of reasonably possible cost estimates for all remediation sites for which we have sufficient information based on our experience and existing laws and regulations. There are some potential remediation obligations where the costs of remediation cannot be reasonably estimated. At June 30, 2015 and December 31, 2014, the high end of the estimated range of reasonably possible remediation costs exceeded our recorded liabilities by $864 and $874.

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Product Warranties

The following table summarizes product warranty activity recorded during the six months ended June 30, 2015 and 2014.

	2015	2014
Beginning balance – January 1	$1,504	$1,570
Additions for current year deliveries	219	314
Reductions for payments made	(155)	(209)
Changes in estimates	(90)	45
Ending balance - June 30	$1,478	$1,720

Commercial Aircraft Commitments

In conjunction with signing definitive agreements for the sale of new aircraft (Sale Aircraft), we have entered into trade-in commitments with certain customers that give them the right to trade in used aircraft at a specified price upon the purchase of Sale Aircraft. The probability that trade-in commitments will be exercised is determined by using both quantitative information from valuation sources and qualitative information from other sources. The probability of exercise is assessed quarterly, or as events trigger a change, and takes into consideration the current economic and airline industry environments. Trade-in commitments, which can be terminated by mutual consent with the customer, may be exercised only during the period specified in the agreement, and require advance notice by the customer. Trade-in commitment agreements at June 30, 2015 have expiration dates from 2015 through 2026. At June 30, 2015, and December 31, 2014 total contractual trade-in commitments were $2,031 and $2,392. As of June 30, 2015 and December 31, 2014, we estimated that it was probable we would be obligated to perform on certain of these commitments with net amounts payable to customers totaling $407 and $446 and the fair value of the related trade-in aircraft was $407 and $446.

Financing Commitments

Financing commitments related to aircraft on order, including options and those proposed in sales campaigns, totaled $17,755 and $16,723 as of June 30, 2015 and December 31, 2014. The estimated earliest potential funding dates for these commitments as of June 30, 2015 are as follows:

	Total
July through December 2015	$998
2016	2,406
2017	3,581
2018	3,345
2019	3,666
Thereafter	3,759
	$17,755

As of June 30, 2015, $17,727 of these financing commitments related to customers we believe have less than investment-grade credit. We have concluded that no reserve for future potential losses is required for these financing commitments based upon the terms, such as collateralization and interest rates, under which funding would be provided.

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Standby Letters of Credit and Surety Bonds

We have entered into standby letters of credit and surety bonds with financial institutions primarily relating to the guarantee of our future performance on certain contracts. Contingent liabilities on outstanding letters of credit agreements and surety bonds aggregated approximately $4,074 and $3,985 as of June 30, 2015 and December 31, 2014.

Commitments to ULA

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

C-17

We plan to end production of C-17 aircraft in 2015. At June 30, 2015, one aircraft remained unsold, while our backlog includes international orders for six C-17 aircraft that are scheduled for delivery in 2015 and 2016. During the first six months of 2015 we received orders for six C-17 aircraft and we believe it is probable that we will receive an order for the remaining unsold aircraft from an international customer. Should an order not materialize we could incur charges to write-down inventory.

F/A-18

At June 30, 2015, our backlog included 48 F/A-18 aircraft under contract with the U.S. Navy. The orders in backlog, combined with anticipated orders for 15 aircraft funded in the Consolidated and Further Continuing Appropriations Act, 2015, would complete production in 2017. The President’s Fiscal Year 2016 (FY 2016) budget request submitted in February 2015 did not include F/A-18 aircraft. However, in March 2015, the Navy included 12 F/A-18s in its unfunded priorities list and subsequently all four congressional defense oversight committees have included these aircraft in their proposed FY 2016 budgets. We are also continuing to pursue additional orders from international customers. Should additional orders not materialize, it is reasonably possible that we will decide in the next twelve months to end production of the F/A-18 at a future date. We are still evaluating the full financial impact of a potential production shutdown, including any recovery that may be available from the U.S. government.

United States Government Defense Environment Overview

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

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

In addition to the risks described above, if Congress is unable to pass appropriations bills in a timely manner, a government shutdown could result which may have impacts above and beyond those resulting from budget

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

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

Fixed-price development work is inherently uncertain and subject to significant variability in estimates of the cost and time required to complete the work. BDS fixed-price contracts with significant development work include Commercial Crew, India P-8I, Saudi F-15, USAF KC-46A Tanker and commercial and military satellites. The operational and technical complexities of these contracts create financial risk, which could trigger termination provisions, order cancellations or other financially significant exposure. Changes to cost and revenue estimates could result in lower margins or material charges for reach-forward losses. For example, during the second quarter of 2015, higher estimated costs to complete the KC-46A Tanker contract for the U.S. Air Force (USAF) resulted in a reach-forward loss of $835 of which the Commercial Airplanes segment recorded $513 and the Boeing Military Aircraft segment recorded $322.

Recoverable Costs on Government Contracts

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

Russia/Ukraine

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

747 and 787 Commercial Airplane Programs

The development and initial production of new commercial airplanes and new commercial airplane derivatives, which include the 747 and 787, entail significant commitments to customers and suppliers as well as substantial investments in working capital, infrastructure and research and development. The 747 and 787 programs had gross margins that were breakeven or near breakeven during the six and three months ended June 30, 2015.

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

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

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Note 10 – Arrangements with Off-Balance Sheet Risk

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

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

	Maximum Potential Payments		Estimated Proceeds from Collateral/Recourse		Carrying Amount of Liabilities	
	June 30 2015	December 31 2014	June 30 2015	December 31 2014	June 30 2015	December 31 2014
Contingent repurchase commitments	$1,386	$1,375	$1,381	$1,364	$5	$5
Indemnifications to ULA:						
Contributed Delta program launch inventory	112	114				
Contract pricing	261	261			7	7
Other Delta contracts	231	150			5	
Other indemnifications	44	63			12	20
Credit guarantees	30	30	27	27	2	2

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

Indemnifications to ULA In 2006, we agreed to indemnify ULA through December 31, 2020 against potential non-recoverability and non-allowability of $1,360 of Boeing Delta launch program inventory included in contributed assets plus $1,860 of inventory subject to an inventory supply agreement which ends on March 31, 2021. Since inception, ULA has consumed $1,248 of the $1,360 of inventory that was contributed by us and has yet to consume $112. Under the inventory supply agreement, we have recorded revenues and cost of sales of $1,331 through June 30, 2015. ULA has made payments of $1,740 to us under the inventory supply agreement and we have made $71 of indemnification payments to ULA.

We agreed to indemnify ULA against potential losses that ULA may incur in the event ULA is unable to obtain certain additional contract pricing from the USAF for four satellite missions. We believe ULA is entitled to additional contract pricing. In December 2008, ULA submitted a claim to the USAF to re-price the contract value for two satellite missions. In March 2009, the USAF issued a denial of that claim. In June 2009, ULA filed a notice of appeal, and in October 2009, ULA filed a complaint before the Armed Services Board of Contract Appeals (ASBCA) for a contract adjustment for the price of the two satellite missions. In September 2009, the USAF exercised its option for a third satellite mission. During the third quarter of 2010, ULA submitted a claim to the USAF to re-price the contract value of the third mission. The USAF did not exercise an option for a fourth mission prior to the expiration of the contract. In March 2011, ULA filed a notice of appeal before the ASBCA, seeking to re-price the third mission. On November 20, 2013, the ASBCA denied USAF motions for summary judgment against ULA in large part, leaving ULA's claims against the USAF substantially intact. The hearing before the ASBCA concluded on December 20, 2013. The parties filed their final post-hearing briefs in May 2014. The ASBCA may now issue a decision at any time. If ULA is ultimately unsuccessful in obtaining additional pricing, we may be responsible for an indemnification payment up to $261 and may record up to $278 in pre-tax losses associated with the three missions.

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

Other Indemnifications As part of the 2004 sale agreement with General Electric Capital Corporation related to the sale of BCC's Commercial Financial Services business, BCC is involved in a loss sharing arrangement for losses on transferred portfolio assets, such as asset sales, provisions for loss or asset impairment charges offset by gains from asset sales. At June 30, 2015 and December 31, 2014, our maximum future cash exposure to losses associated with the loss sharing arrangement was $44 and our accrued liability under the loss sharing arrangement was $12 and $20.

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

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

Note 11 – Debt

On February 20, 2015, we issued $750 of fixed rate senior notes consisting of $250 due March 1, 2025 that bear an annual interest rate of 2.5%, $250 due March 1, 2035 that bear an annual interest rate of 3.3%, and $250 due March 1, 2045 that bear an annual interest rate of 3.5%. The notes are unsecured senior obligations and rank equally in right of payment with our existing and future unsecured and unsubordinated indebtedness. The net proceeds of the issuance totaled $722, after deducting underwriting discounts, commissions and offering expenses.

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Note 12 – Postretirement Plans

The components of net periodic benefit cost were as follows:

	Six months ended June 30		Three months ended June 30	
Pension Plans	2015	2014	2015	2014
Service cost	$884	$829	$442	$415
Interest cost	1,494	1,542	747	758
Expected return on plan assets	(2,016)	(2,083)	(1,008)	(1,042)
Amortization of prior service costs	98	89	49	44
Recognized net actuarial loss	792	514	396	253
Settlement/curtailment/other losses/(gains)	111	337	73	(1)
Net periodic benefit cost	$1,363	$1,228	$699	$427
Net periodic benefit cost included in Earnings from operations	$1,308	$1,728	$523	$693

	Six months ended June 30		Three months ended June 30	
Other Postretirement Benefit Plans	2015	2014	2015	2014
Service cost	$70	$64	$35	$32
Interest cost	124	144	62	72
Expected return on plan assets	(4)	(4)	(2)	(2)
Amortization of prior service credits	(68)	(72)	(34)	(36)
Recognized net actuarial loss	15	4	11	2
Settlement and curtailment loss	5		3	
Net periodic benefit cost	$142	$136	$75	$68
Net periodic benefit cost included in Earnings from operations	$161	$143	$69	$72

In the second quarter of 2015, we recorded charges of $73 related to curtailments and other benefit changes associated with certain of our defined benefit plans.

Note 13 – Share-Based Compensation and Other Compensation Arrangements

Restricted Stock Units

On February 23, 2015, we granted to our executives 590,778 restricted stock units (RSUs) as part of our long-term incentive program with a grant date fair value of $154.64 per unit. The RSUs granted under this program will vest and settle in common stock (on a one-for-one basis) on the third anniversary of the grant date.

Performance-Based Restricted Stock Units

On February 23, 2015, we granted to our executives 556,203 performance-based restricted stock units (PBRSUs) as part of our long-term incentive program with a grant date fair value of $164.26 per unit. Compensation expense for the award is recognized over the three-year performance period based upon the grant date fair value estimated using a Monte-Carlo simulation model. The model used the following assumptions: expected volatility of 20.35% based upon historical stock volatility, a risk-free interest rate of 1.03%, and no expected dividend yield because the units earn dividend equivalents.

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Performance Awards

On February 23, 2015, we granted to our executives performance awards as part of our long-term incentive program with a payout based on the achievement of financial goals for the three-year period ending December 31, 2017. At June 30, 2015, the minimum payout amount is $0 and the maximum amount we could be required to pay out is $352.

Note 14 – Shareholders' Equity

Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive income/(loss) (AOCI) by component for the six and three months ended June 30, 2015 and 2014 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, 2014	$150	($8)	($6)	($10,030)	($9,894)
Other comprehensive income/(loss) before reclassifications	38	3	25	622	688
Amounts reclassified from AOCI			1	546 [2]	547
Net current period Other comprehensive income/(loss)	38	3	26	1,168	1,235
Balance at June 30, 2014	$188	($5)	$20	($8,862)	($8,659)
Balance at January 1, 2015	$53	($8)	($136)	($13,812)	($13,903)
Other comprehensive income/(loss) before reclassifications	(44)	4	(66)	31	(75)
Amounts reclassified from AOCI			28	530 [2]	558
Net current period Other comprehensive income/(loss)	(44)	4	(38)	561	483
Balance at June 30, 2015	$9	($4)	($174)	($13,251)	($13,420)
Balance at March 31, 2014	$167	($6)	($12)	($9,032)	($8,883)
Other comprehensive income/(loss) before reclassifications	21	1	36	2	60
Amounts reclassified from AOCI			(4)	168 [2]	164
Net current period Other comprehensive income/(loss)	21	1	32	170	224
Balance at June 30, 2014	$188	($5)	$20	($8,862)	($8,659)
Balance at March 31, 2015	($35)	($7)	($215)	($13,558)	($13,815)
Other comprehensive income/(loss) before reclassifications	44	3	25	31	103
Amounts reclassified from AOCI			16	276 [2]	292
Net current period Other comprehensive income/(loss)	44	3	41	307	395
Balance at June 30, 2015	$9	($4)	($174)	($13,251)	($13,420)

(1) Net of tax.

(2) Primarily relates to amortization of actuarial gains/losses, settlements, and curtailments for the six and three months ended June 30, 2014 totaling $535 and $163 (net of tax of $(298) and $(91)) and to amortization of actuarial gains/losses for the six and three months ended June 30, 2015 totaling $511 and $267 (net of tax of $(284)

and $(147)). These are included in the net periodic pension cost of which a portion is allocated to production as inventoried costs. See Note 12.

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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 2019. We use commodity derivatives, such as swaps and fixed-price purchase commitments to hedge against potentially unfavorable price changes for items used in production. Our commodity contracts hedge forecasted transactions through 2017.

Fair Value Hedges

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

Derivative Instruments Not Receiving Hedge Accounting Treatment

We have entered into agreements to purchase and sell aluminum to address long-term strategic sourcing objectives and international business requirements. These agreements are derivative instruments for accounting purposes. The quantities of aluminum in these agreements offset and are priced at prevailing market prices. We also hold certain foreign currency forward contracts which do not qualify for hedge accounting treatment.

Notional Amounts and Fair Values

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

	Notional amounts [1]		Other assets		Accrued liabilities	
	June 30 2015	December 31 2014	June 30 2015	December 31 2014	June 30 2015	December 31 2014
Derivatives designated as hedging instruments:						
Foreign exchange contracts	$2,368	$2,586	$10	$9	($251)	($204)
Interest rate contracts	125	125	10	10		
Commodity contracts	25	31	1	1	(15)	(24)
Derivatives not receiving hedge accounting treatment:						
Foreign exchange contracts	428	319	13	21	(7)	(5)
Commodity contracts	884	3				
Total derivatives	$3,830	$3,064	34	41	(273)	(233)
Netting arrangements			(15)	(16)	15	16
Net recorded balance			$19	$25	($258)	($217)

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

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

	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Effective portion recognized in Other comprehensive income/(loss), net of taxes:				
Foreign exchange contracts	($66)	$20	$24	$32
Commodity contracts		5	1	4
Effective portion reclassified out of Accumulated other comprehensive loss into earnings, net of taxes:				
Foreign exchange contracts	(23)	7	(14)	9
Commodity contracts	(5)	(8)	(2)	(5)
Forward points recognized in Other income, net:				
Foreign exchange contracts	7	16	2	9
Undesignated derivatives recognized in Other income, net:				
Foreign exchange contracts	2	(6)	3	(2)

Based on our portfolio of cash flow hedges, we expect to reclassify losses of $131 (pre-tax) out of Accumulated other comprehensive loss into earnings during the next 12 months. Ineffectiveness related to our hedges recognized in Other income was insignificant for the six and three months ended June 30, 2015 and 2014.

We have derivative instruments with credit-risk-related contingent features. For foreign exchange contracts with original maturities of at least five years, our derivative counterparties could require settlement if we default on our five-year credit facility. For certain commodity contracts, our counterparties could require collateral posted in an amount determined by our credit ratings. The fair value of foreign exchange and commodity contracts that have credit-risk-related contingent features that are in a net liability position at June 30, 2015 was $32. At June 30, 2015, there was no collateral posted related to our derivatives.

Note 16 – Fair Value Measurements

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

	June 30, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Money market funds	$3,164	$3,164			$3,826	$3,826		
Available-for-sale investments	14	14			7	7		
Derivatives	19		$19		25		$25	
Total assets	$3,197	$3,178	$19		$3,858	$3,833	$25	
Liabilities								
Derivatives	($258)		($258)		($217)		($217)	
Total liabilities	($258)		($258)		($217)		($217)	

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

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

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

	2015		2014	
	Fair Value	Total Losses	Fair Value	Total Losses
Operating lease equipment	$84	($67)	$27	($6)
Property, plant and equipment	8	(5)	2	(10)
Total	$92	($72)	$29	($16)

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

For Level 3 assets that were measured at fair value on a nonrecurring basis during the six months ended June 30, 2015, the following table presents the fair value of those assets as of the measurement date, valuation techniques and related unobservable inputs of those assets.

	Fair Value	Valuation Technique(s)	Unobservable Input	Range Median or Average
Operating lease equipment	$84	Market approach	Aircraft value publications	$93 - $178[1] Median $156
			Aircraft condition adjustments	($75) - $3[2] Net ($72)

(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.

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Fair Value Disclosures

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

	June 30, 2015				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	$7,927	$8,000		$8,000	
Notes receivable, net	360	386		386	
Liabilities					
Debt, excluding capital lease obligations	(8,862)	(10,309)		(10,136)	(173)
	December 31, 2014				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	$7,729	$7,845		$7,845	
Notes receivable, net	366	395		395	
Liabilities					
Debt, excluding capital lease obligations	(8,909)	(10,686)		(10,480)	($206)

The fair value of Accounts receivable is based on current market rates for loans of the same risk and maturities. The fair values of our variable rate notes receivable that reprice frequently approximate their carrying amounts. The fair values of fixed rate notes receivable are estimated with discounted cash flow analysis using interest rates currently offered on loans with similar terms to borrowers of similar credit quality. The fair value of our debt that is traded in the secondary market is classified as Level 2 and is based on current market yields. For our debt that is not traded in the secondary market, the fair value is classified as Level 2 and is based on our indicative borrowing cost derived from dealer quotes or discounted cash flows. The fair values of our debt classified as Level 3 are based on discounted cash flow models using the implied yield from similar securities. With regard to other financial instruments with off-balance sheet risk, it is not practicable to estimate the fair value of our indemnifications and financing commitments because the amount and timing of those arrangements are uncertain. Items not included in the above disclosures include cash, restricted cash, time deposits and other deposits, commercial paper, money market funds, Accounts payable and long-term payables. The carrying values of those items, as reflected in the Condensed Consolidated Statements of Financial Position, approximate their fair value at June 30, 2015 and December 31, 2014. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs, with the exception of cash (Level 1).

Note 17 – Legal Proceedings

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

We are subject to various U.S. government investigations, from which civil, criminal or administrative proceedings could result or have resulted in the past. Such proceedings involve or could involve claims by the government for fines, penalties, compensatory and treble damages, restitution and/or forfeitures. Under government regulations, a company, or one or more of its operating divisions or subdivisions, can also be suspended or debarred from government contracts, or lose its export privileges, based on the results of investigations. We believe, based upon current information, that the outcome of any such government disputes and investigations will not have a material effect on our financial position, results of operations, or cash flows, except as set forth below. Where it is reasonably possible that we will incur losses in excess of

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recorded amounts in connection with any of the matters set forth below, we will disclose either the amount or range of reasonably possible losses in excess of such amounts or, where no such amount or range can be reasonably estimated, the reasons why no such estimate can be made.

Employment, Labor and Benefits Litigation

In connection with the 2005 sale of the former Wichita facility to Spirit AeroSystems, Inc. (Spirit), on February 16, 2007, an action entitled Harkness et al. v. The Boeing Company et al. was filed in the U.S. District Court for the District of Kansas, alleging collective bargaining agreement breaches and Employee Retirement Income Security Act (ERISA) violations in connection with alleged failures to provide benefits to certain former employees of the Wichita facility. During the second quarter of 2014, the plaintiffs and Boeing agreed to settle the matter subject to a fairness hearing currently scheduled for August 19, 2015. If the proposed settlement of $90 is approved by the district court, we expect that payment would be made in 2015. Spirit is obligated to indemnify Boeing for settlement of this matter and we intend to pursue full indemnification from Spirit. During the fourth quarter of 2014, Boeing filed a complaint against Spirit in Delaware Superior Court seeking to enforce our rights to indemnification and to recover from Spirit amounts incurred by Boeing for pension and retiree medical obligations. We expect to fully recover from Spirit and do not expect to incur any losses due to this settlement.

On October 13, 2006, we were named as a defendant in a lawsuit filed in the U.S. District Court for the Southern District of Illinois. Plaintiffs, seeking to represent a class of similarly situated participants and beneficiaries in The Boeing Company Voluntary Investment Plan (the VIP), alleged that fees and expenses incurred by the VIP were and are unreasonable and excessive, not incurred solely for the benefit of the VIP and its participants, and were undisclosed to participants. The plaintiffs further alleged that defendants breached their fiduciary duties in violation of §502(a)(2) of ERISA, and sought injunctive and equitable relief pursuant to §502(a)(3) of ERISA. Our motion for summary judgment was denied on December 30, 2014. We expect trial in this matter to begin in August 2015. We cannot reasonably estimate the range of loss, if any, that may result from this matter given the current procedural status of the litigation.

Note 18 – Segment Information

Our primary profitability measurements to review a segment's operating results are Earnings from operations and operating margins. See page 6 for a Summary of Business Segment Data, which is an integral part of this note. Intersegment revenues, eliminated in Unallocated items, eliminations and other, are shown in the following table.

	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Commercial Airplanes	$548	$552	$271	$278
Boeing Capital	8	11	3	4
Total	$556	$563	$274	$282

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Unallocated Items, Eliminations and other

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

	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Share-based plans	($37)	($44)	($16)	($20)
Deferred compensation	(48)	(19)	10	(26)
Amortization of previously capitalized interest	(49)	(36)	(20)	(18)
Eliminations and other unallocated items	(164)	(304)	(24)	(110)
Sub-total	(298)	(403)	(50)	(174)
Pension	(209)	(804)	(57)	(228)
Postretirement	66	47	27	24
Pension and Postretirement	(143)	(757)	(30)	(204)
Total	($441)	($1,160)	($80)	($378)

Unallocated Pension and Other Postretirement Benefit Expense

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

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Assets

Segment assets are summarized in the table below:

	June 30 2015	December 31 2014
Commercial Airplanes	$58,010	$55,149
Defense, Space & Security:		
Boeing Military Aircraft	7,170	7,229
Network & Space Systems	6,064	5,895
Global Services & Support	4,605	4,589
Total Defense, Space & Security	17,839	17,713
Boeing Capital	3,352	3,525
Unallocated items, eliminations and other	18,901	22,811
Total	$98,102	$99,198

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated statement of financial position of The Boeing Company and subsidiaries (the "Company") as of June 30, 2015, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, and the related condensed consolidated statements of cash flows and equity for the six-month periods ended June 30, 2015 and 2014. These interim financial statements are the responsibility of the Company's management.