

## Boeing Reports Second-Quarter Results and Raises 2014 EPS Guidance

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Revenue of \$22 billion reflects higher commercial deliveries

Core EPS (non-GAAP)\* increased 45 percent to \$2.42; GAAP EPS of \$2.24

Solid operating cash flow of \$1.8 billion; strong liquidity of \$11.3 billion in cash & marketable securities

Backlog remains strong at \$440 billion with over 5,200 commercial airplane orders

Repurchased 11.4 million shares for \$1.5 billion

2014 core EPS guidance increased \$0.75 to between \$7.90 and \$8.10

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| Table 1. Summary Financial Results<br>(Dollars in Millions, except per share data) | Second Quarter |          |           | First Half |          |           |
|--|----------------|----------|-----------|------------|----------|-----------|
|  | 2014           | 2013     | Change    | 2014       | 2013     | Change    |
| Revenues   | \$22,045       | \$21,815 | 1%        | \$42,510   | \$40,708 | 4%        |
| <b>Non-GAAP*</b>   |                |          |           |            |          |           |
| Core Operating Earnings  | \$1,991        | \$2,028  | (2)%      | \$4,086    | \$3,895  | 5%        |
| Core Operating Margin  | 9.0%           | 9.3%     | (0.3) Pts | 9.6%       | 9.6%     | 0.0 Pts   |
| Core Earnings Per Share  | \$2.42         | \$1.67   | 45%       | \$4.16     | \$3.40   | 22%       |
| Operating Cash Flow Before Pension Contributions                                   | \$1,809        | \$3,480  | (48)%     | \$2,921    | \$4,004  | (27)%     |
| <b>GAAP</b>  |                |          |           |            |          |           |
| Earnings From Operations   | \$1,787        | \$1,716  | 4%        | \$3,329    | \$3,244  | 3%        |
| Operating Margin   | 8.1%           | 7.9%     | 0.2 Pts   | 7.8%       | 8.0%     | (0.2) Pts |
| Net Earnings   | \$1,653        | \$1,088  | 52%       | \$2,618    | \$2,194  | 19%       |
| Earnings Per Share   | \$2.24         | \$1.41   | 59%       | \$3.50     | \$2.85   | 23%       |
| Operating Cash Flow  | \$1,809        | \$3,467  | (48)%     | \$2,921    | \$3,991  | (27)%     |

\* Non-GAAP measures (core operating earnings, core operating margin and core earnings per share) exclude certain components of pension and post retirement benefit expense that management believes are not reflective of underlying business performance. Complete definitions of Boeing's non-GAAP measures are on page 7, "Non-GAAP Measures Disclosures."

The Boeing Company [NYSE: BA] reported second-quarter core earnings per share (non-GAAP) of \$2.42, reflecting strong performance and favorable tax items (Table 1). Second-quarter 2014 results included a \$272 million after-tax charge (\$0.37 per share) on the KC-46A Tanker program reflecting the cost of additional engineering and systems installation work required to complete the Engineering and Manufacturing Development contract. Favorable tax items include the previously announced tax benefit of \$116 million for the 2007-2008 tax settlement, as well as an additional tax benefit of \$408 million in the second quarter.

Core earnings per share guidance for 2014 increased to between \$7.90 and \$8.10, from \$7.15 to \$7.35, reflecting the \$408 million tax benefits, strong operating performance and the KC-46A Tanker charge. GAAP earnings per share guidance for 2014 increased to between \$6.85 and \$7.05.

"Strong operating performance across our production programs and services businesses drove revenue and earnings-per-share growth and healthy operating cash flow, which supported \$1.5 billion in additional share repurchases in the quarter," said Boeing Chairman and Chief Executive Officer Jim McNerney. "We delivered our first 787-9 and our 8,000<sup>th</sup> 737, successfully completed a key missile defense intercept test, and delivered our 100<sup>th</sup> EA-18G Growler to the U.S. Navy."

"While challenges resolving engineering and systems installation issues on our tanker test aircraft are resulting in higher spending to maintain schedule, the issues are well understood and we remain on path to begin flight testing fully provisioned tankers the first part of next year," McNerney said.

"With 783 new commercial airplane orders to date this year and significant contracts in the quarter for military aircraft and satellites, our backlog remains large and diverse. Overall, our strong first-half financial performance, sustained focus on growth and productivity, and positive market outlook support our increased earnings guidance for the year," he said.

| Table 2. Cash Flow<br>(Millions)                  | Second Quarter |         | First Half |         |
|---|----------------|---------|------------|---------|
|   | 2014           | 2013    | 2014       | 2013    |
| Operating Cash Flow Before Pension Contributions* | \$1,809        | \$3,480 | \$2,921    | \$4,004 |

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Pension Contributions                         | (\$13)         |                | (\$13)         |                |
| <b>Operating Cash Flow</b>                    | <b>\$1,809</b> | <b>\$3,467</b> | <b>\$2,921</b> | <b>\$3,991</b> |
| Less Additions to Property, Plant & Equipment | (\$449)        | (\$455)        | (\$946)        | (\$976)        |
| <b>Free Cash Flow*</b>                        | <b>\$1,360</b> | <b>\$3,012</b> | <b>\$1,975</b> | <b>\$3,015</b> |

Operating cash flow in the quarter was \$1.8 billion, reflecting commercial airplane production rates, strong operating performance and timing of receipts and expenditures (Table 2). During the quarter, the company repurchased 11.4 million shares for \$1.5 billion, leaving \$6.8 billion remaining under the current repurchase authorization expected to be completed over approximately the next two years. The company also paid \$0.5 billion in dividends in the quarter, reflecting an approximately 50 percent increase in dividends per share compared to the same period of the prior year.

| Table 3. Cash, Marketable Securities and Debt Balances<br>(Billions) | Quarter-End   |               |
|--|---------------|---------------|
|  | Q2            | Q1            |
|  | 14            | 14            |
| <b>Cash</b>  | <b>\$7.5</b>  | <b>\$6.9</b>  |
| <b>Marketable Securities<sup>1</sup></b>                             | <b>\$3.8</b>  | <b>\$5.3</b>  |
| <b>Total</b>   | <b>\$11.3</b> | <b>\$12.2</b> |
| <b>Debt Balances:</b>  |               |               |
| The Boeing Company, net of intercompany loans to BCC                 | \$6.4         | \$6.3         |
| Boeing Capital, including intercompany loans                         | \$2.5         | \$2.6         |
| <b>Total Consolidated Debt</b>                                       | <b>\$8.9</b>  | <b>\$8.9</b>  |

<sup>1</sup> Marketable securities consists primarily of time deposits due within one year classified as "short-term investments."

Cash and investments in marketable securities totaled \$11.3 billion at quarter-end (Table 3), down from \$12.2 billion at the beginning of the quarter, primarily due to the share repurchases. Debt was \$8.9 billion, unchanged from the beginning of the quarter.

Total company backlog of \$440 billion was unchanged from the beginning of the quarter, and included net orders for the quarter of \$23 billion.

## Segment Results

### Commercial Airplanes

| Table 4. Commercial Airplanes<br>(Dollars in Millions) | Second Quarter  |                 |                | First Half      |                 |                |
|--|-----------------|-----------------|----------------|-----------------|-----------------|----------------|
|  | 2014            | 2013            | Change         | 2014            | 2013            | Change         |
| <b>Commercial Airplanes Deliveries</b>                 | <b>181</b>      | <b>169</b>      | <b>7%</b>      | <b>342</b>      | <b>306</b>      | <b>12%</b>     |
| <b>Revenues</b>  | <b>\$14,304</b> | <b>\$13,624</b> | <b>5%</b>      | <b>\$27,041</b> | <b>\$24,314</b> | <b>11%</b>     |
| <b>Earnings from Operations</b>                        | <b>\$1,550</b>  | <b>\$1,453</b>  | <b>7%</b>      | <b>\$3,052</b>  | <b>\$2,672</b>  | <b>14%</b>     |
| <b>Operating Margin</b>                                | <b>10.8%</b>    | <b>10.7%</b>    | <b>0.1 Pts</b> | <b>11.3%</b>    | <b>11.0%</b>    | <b>0.3 Pts</b> |

Commercial Airplanes second-quarter revenue increased 5 percent to \$14.3 billion on higher deliveries. Second-quarter operating margin was 10.8 percent, reflecting the delivery volume and strong performance offset by the \$238 million pre-tax charge on the KC-46A Tanker program (Table 4). During the quarter, Commercial Airplanes delivered the first 787-9 Dreamliner and the 787 program received 330-minute ETOPS certification. In July, Emirates Airline and Qatar Airways finalized orders totaling 200 777X airplanes and Monarch Airlines announced a commitment to purchase 30 737 MAX airplanes.

Commercial Airplanes booked 264 net orders during the quarter. Backlog remains strong with over 5,200 airplanes valued at a record \$377 billion.

### Defense, Space & Security

| Table 5. Defense, Space & Security<br>(Dollars in Millions) | Second Quarter |         |        | First Half |         |        |
|---|----------------|---------|--------|------------|---------|--------|
|   | 2014           | 2013    | Change | 2014       | 2013    | Change |
| <b>Revenues<sup>1</sup></b>                                 |                |         |        |            |         |        |
| Boeing Military Aircraft                                    | \$3,523        | \$3,641 | (3)%   | \$6,981    | \$7,621 | (8)%   |
| Network & Space Systems                                     | \$1,920        | \$2,049 | (6)%   | \$3,796    | \$4,009 | (5)%   |
| Global Services & Support                                   | \$2,304        | \$2,496 | (8)%   | \$4,603    | \$4,666 | (1)%   |

|   |                |                |                 |                 |                 |                 |
|---|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total BDS Revenues</b>                   | <b>\$7,747</b> | <b>\$8,186</b> | <b>(5)%</b>     | <b>\$15,380</b> | <b>\$16,296</b> | <b>(6)%</b>     |
| <b>Earnings from Operations<sup>1</sup></b> |                |                |                 |                 |                 |                 |
| Boeing Military Aircraft                    | <b>\$165</b>   | <b>\$386</b>   | <b>(57)%</b>    | <b>\$497</b>    | <b>\$813</b>    | <b>(39)%</b>    |
| Network & Space Systems                     | <b>\$150</b>   | <b>\$137</b>   | <b>9%</b>       | <b>\$318</b>    | <b>\$293</b>    | <b>9%</b>       |
| Global Services & Support                   | <b>\$267</b>   | <b>\$253</b>   | <b>6%</b>       | <b>\$545</b>    | <b>\$502</b>    | <b>9%</b>       |
| <b>Total BDS Earnings from Operations</b>   | <b>\$582</b>   | <b>\$776</b>   | <b>(25)%</b>    | <b>\$1,360</b>  | <b>\$1,608</b>  | <b>(15)%</b>    |
| <b>Operating Margin</b>                     | <b>7.5%</b>    | <b>9.5%</b>    | <b>(2.0)Pts</b> | <b>8.8%</b>     | <b>9.9%</b>     | <b>(1.1)Pts</b> |

<sup>1</sup> During the first quarter of 2014, certain programs were realigned between Boeing Military Aircraft and Global Services & Support.

Defense, Space & Security's second-quarter revenue was \$7.7 billion. Operating margin was 7.5 percent, reflecting the \$187 million pre-tax charge recorded at BMA on the KC-46A Tanker program partially offset by strong operating performance (Table 5).

Boeing Military Aircraft (BMA) second-quarter revenue was \$3.5 billion, reflecting fewer C-17 and P-8 deliveries partially offset by higher F-15 deliveries. Operating margin of 4.7 percent was impacted by the charge on the KC-46A Tanker program. During the quarter, BMA was awarded a contract for 44 E/A-18 and F/A-18 aircraft from the U.S. Navy.

Network & Space Systems (N&SS) second-quarter revenue was \$1.9 billion, reflecting lower commercial satellites volume, and operating margin increased to 7.8 percent. During the quarter, N&SS completed a successful Missile Defense System intercept in flight test.

Global Services & Support (GS&S) second-quarter revenue was \$2.3 billion, reflecting lower volume in maintenance, modifications and upgrades. Operating margin increased to 11.6 percent reflecting strong performance. During the quarter, GS&S was awarded a 5 year contract to provide support for Australia's Airborne Early Warning & Control (AEW&C) aircraft.

Backlog at Defense, Space & Security was \$63 billion, of which 36 percent represents orders with international customers.

#### Additional Financial Information

| Table 6. Additional Financial Information<br>(Dollars in Millions)                      | Second Quarter |         | First Half |         |
|---|----------------|---------|------------|---------|
|   | 2014           | 2013    | 2014       | 2013    |
| <b>Revenues</b>   |                |         |            |         |
| Boeing Capital  | \$90           | \$104   | \$172      | \$209   |
| Other segment   | \$22           | \$27    | \$42       | \$54    |
| Unallocated items and eliminations  | (\$118)        | (\$126) | (\$125)    | (\$165) |
| <b>Earnings from Operations</b>   |                |         |            |         |
| Boeing Capital  | \$33           | \$19    | \$77       | \$63    |
| Other segment income/(expense)  | (\$48)         | (\$43)  | (\$110)    | (\$101) |
| Unallocated items and eliminations excluding unallocated pension/postretirement expense | (\$126)        | (\$177) | (\$293)    | (\$347) |
| Unallocated pension/postretirement expense  | (\$204)        | (\$312) | (\$757)    | (\$651) |
| <b>Other income, net</b>  | \$11           | \$13    | \$20       | \$22    |
| <b>Interest and debt expense</b>  | (\$81)         | (\$96)  | (\$173)    | (\$195) |
| <b>Effective tax rate</b>   | 3.7%           | 33.4%   | 17.6%      | 28.6%   |

At quarter-end, Boeing Capital's net portfolio balance was \$3.4 billion down from \$3.5 billion at the beginning of the quarter.

Unallocated items and eliminations totaled \$126 million at quarter end, down from \$177 million in the same period of the prior year, primarily due to lower deferred compensation expense. Total pension expense for the second quarter was \$693 million, down from \$753 million in the same period of the prior year. The company's effective income tax rate was 3.7 percent at quarter end, down from 33.4 percent in the same period of the prior year. The second quarter 2014 effective income tax rate included a \$265 million benefit for a tax basis adjustment, \$143 million benefit for a 2009-2010 tax settlement and the previously announced benefit of \$116 million for the 2007-2008 tax settlement.

#### Outlook

The company's 2014 financial guidance (Table 7) reflects continued strong performance in both businesses.

Table 7. Financial Outlook

| (Dollars in Billions, except per share data)                            | 2014          |
|---|---------------|
| <b>The Boeing Company</b>   |               |
| Revenue   | \$87.5 - 90.5 |
| Core Earnings Per Share*  | \$7.90 - 8.10 |
| GAAP Earnings Per Share   | \$6.85 - 7.05 |
| Operating Cash Flow Before Pension Contributions*                       | ~ \$7         |
| Operating Cash Flow <sup>1</sup>  | ~ \$6.25      |
| <b>Commercial Airplanes</b>   |               |
| Deliveries <sup>2</sup>   | 715 - 725     |
| Revenue   | \$57.5 - 59.5 |
| Operating Margin  | > 10%         |
| <b>Defense, Space &amp; Security (revised for business realignment)</b> |               |
| Revenue   |               |
| Boeing Military Aircraft  | ~ \$14.2      |
| Network & Space Systems   | ~ \$7.7       |
| Global Services & Support   | ~ \$8.6       |
| Total BDS Revenue   | \$30 - 31     |
| Operating Margin  |               |
| Boeing Military Aircraft  | ~ 9.0%        |
| Network & Space Systems   | ~ 8.5%        |
| Global Services & Support   | ~ 11.0%       |
| Total BDS Operating Margin  | ~ 9.5%        |
| <b>Boeing Capital</b>   |               |
| Portfolio Size  | Lower         |
| Revenue   | ~ \$0.3       |
| Pre-Tax Earnings  | ~ \$0.05      |
| Research & Development  | ~ \$3.2       |
| Capital Expenditures  | ~ \$2.5       |
| Pension Expense <sup>3</sup>  | ~ \$3.2       |
| Effective Tax Rate <sup>4</sup>   | ~ 23%         |

<sup>1</sup> After discretionary cash pension contributions of \$0.75 billion and assuming new aircraft financings under \$0.5 billion

<sup>2</sup> Assumes approximately 110 787 deliveries

<sup>3</sup> Approximately \$1.3 billion is expected to be recorded in unallocated items and eliminations

<sup>4</sup> Assumes the extension of the research and development tax credit

\* Non-GAAP measures. Complete definitions of Boeing's non-GAAP measures are on page 7, "Non-GAAP Measures Disclosures."

Boeing's core earnings per share guidance for 2014 increased to between \$7.90 and \$8.10, from \$7.15 to \$7.35, reflecting the \$408 million tax benefits, strong operating performance and the KC-46A Tanker charge. GAAP earnings per share guidance for 2014 increased to between \$6.85 and \$7.05.

Commercial Airplanes operating margin guidance increased to greater than 10 percent on strong operating performance.

Defense, Space & Security operating margin guidance is unchanged at approximately 9.5 percent. Boeing Military Aircraft operating margin guidance is lowered to approximately 9 percent. Global Services & Support operating margin guidance increased to approximately 11 percent reflecting strong performance.

Boeing's effective tax rate is now expected to be approximately 23 percent in 2014, down from approximately 29 percent, to reflect the additional tax benefits recorded in the second quarter and continues to assume the extension of the research and development tax credit.

### **Non-GAAP Measures Disclosures**

We supplement the reporting of our financial information determined under U.S. generally accepted accounting principles (GAAP) with certain non-GAAP financial information. The non-GAAP financial information presented excludes certain significant items that may not be indicative of, or are unrelated to, results from our ongoing business operations. We believe that these non-GAAP measures provide investors with additional insight into the company's ongoing business performance. 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. The following definitions are provided:

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

Core operating earnings is defined as GAAP *earnings from operations* excluding *unallocated pension and post-retirement expense*. Core operating margin is defined as core operating earnings expressed as a percentage of revenue. Core earnings per share is defined as GAAP *diluted earnings per share* excluding the net earnings per share impact of *unallocated pension and post-retirement expense*. *Unallocated pension and post-retirement expense* represents the portion of pension and other post-retirement costs that are not recognized by business segments for segment reporting purposes. 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 they exclude unallocated pension and post-retirement costs, which primarily represent costs driven by market factors and costs not allocable to government contracts. A reconciliation between the GAAP and non-GAAP measures is provided on page 14.

#### Operating Cash Flow Before Pension Contributions

Operating cash flow before pension contributions is defined as GAAP *operating cash flow* less *pension contributions*. Management believes operating cash flow before pension contributions provides additional insights into underlying business performance. Management uses operating cash flow before pension contributions as a measure to assess both business performance and overall liquidity. Table 2 provides a reconciliation between GAAP operating cash flow and operating cash flow before pension contributions.

#### Free Cash Flow

Free cash flow is defined as GAAP *operating cash flow* less capital expenditures for *property, plant and equipment additions*. Management believes free cash flow provides investors with an important perspective on the cash available for shareholders, debt repayment, and acquisitions after making the capital investments required to support ongoing business operations and long term value creation. Free cash flow does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. Management uses free cash flow as a measure to assess both business performance and overall liquidity. Table 2 provides a reconciliation between GAAP operating cash flow and free cash flow.

#### **Caution Concerning Forward-Looking Statements**

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "may," "should," "expects," "intends," "projects," "plans," "believes," "estimates," "targets," "anticipates," and similar expressions are used to identify these forward-looking statements. Examples of forward-looking statements include statements relating to our future financial condition and operating results, as well as any other statement that does not directly relate to any historical or current fact. Forward-looking statements are based on our current expectations and assumptions, which may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties, and changes in circumstances that are difficult to predict. Many factors could cause actual results to differ materially and adversely from these forward-looking statements. Among these factors are risks related to: (1) general conditions in the economy and our industry, including those due to regulatory changes; (2) our reliance on our commercial airline customers; (3) the overall health of our aircraft production system, planned production rate increases across multiple commercial airline programs, our commercial development and derivative aircraft programs, and our aircraft being subject to stringent performance and reliability standards; (4) changing budget and appropriation levels and acquisition priorities of the U.S. government; (5) our dependence on U.S. government contracts; (6) our reliance on fixed-price contracts; (7) our reliance on cost-type contracts; (8) uncertainties concerning contracts that include in-orbit incentive payments; (9) our dependence on our subcontractors and suppliers, as well as the availability of raw materials, (10) changes in accounting estimates; (11) changes in the competitive landscape in our markets; (12) our non-U.S. operations, including sales to non-U.S. customers; (13) potential adverse developments in new or pending litigation and/or government investigations; (14) customer and aircraft concentration in Boeing Capital's customer financing portfolio; (15) changes in our ability to obtain debt on commercially reasonable terms and at competitive rates in order to fund our operations and contractual commitments; (16) realizing the anticipated benefits of mergers, acquisitions, joint ventures/strategic alliances or divestitures; (17) the adequacy of our insurance coverage to cover significant risk exposures; (18) potential business disruptions, including those related to physical security threats, information technology or cyber-attacks or natural disasters; (19) work stoppages or other labor disruptions; (20) significant changes in discount rates and actual investment return on pension assets; (21) potential environmental liabilities; and (22) threats to the security of our or our customers' information.

Additional information concerning these and other factors can be found in our filings with the Securities and Exchange Commission, including 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 statement speaks only as of the date on which it is made, and we assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law.

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**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Operations**  
(Unaudited)

|  | Six months ended<br>June 30 |                 | Three months ended<br>June 30 |                 |
|--|-----------------------------|-----------------|-------------------------------|-----------------|
| <i>(Dollars in millions, except per share data)</i>                                    | 2014                        | 2013            | 2014                          | 2013            |
| Sales of products  | \$37,542                    | \$35,556        | \$19,527                      | \$19,238        |
| Sales of services  | 4,968                       | 5,152           | 2,518                         | 2,577           |
| <b>Total revenues</b>  | <b>42,510</b>               | <b>40,708</b>   | <b>22,045</b>                 | <b>21,815</b>   |
| Cost of products   | (31,932)                    | (30,165)        | (16,674)                      | (16,437)        |
| Cost of services   | (3,999)                     | (4,004)         | (1,979)                       | (1,995)         |
| Boeing Capital interest expense  | (35)                        | (37)            | (17)                          | (18)            |
| <b>Total costs and expenses</b>  | <b>(35,966)</b>             | <b>(34,206)</b> | <b>(18,670)</b>               | <b>(18,450)</b> |
|  | <b>6,544</b>                | <b>6,502</b>    | <b>3,375</b>                  | <b>3,365</b>    |
| Income from operating investments, net   | 120                         | 88              | 61                            | 43              |
| General and administrative expense   | (1,795)                     | (1,900)         | (918)                         | (929)           |
| Research and development expense, net  | (1,542)                     | (1,468)         | (733)                         | (763)           |
| Gain on dispositions, net  | 2                           | 22              | 2                             |                 |
| <b>Earnings from operations</b>  | <b>3,329</b>                | <b>3,244</b>    | <b>1,787</b>                  | <b>1,716</b>    |
| Other income, net  | 20                          | 22              | 11                            | 13              |
| Interest and debt expense  | (173)                       | (195)           | (81)                          | (96)            |
| <b>Earnings before income taxes</b>  | <b>3,176</b>                | <b>3,071</b>    | <b>1,717</b>                  | <b>1,633</b>    |
| Income tax expense   | (558)                       | (878)           | (64)                          | (546)           |
| <b>Net earnings from continuing operations</b>   | <b>2,618</b>                | <b>2,193</b>    | <b>1,653</b>                  | <b>1,087</b>    |
| Net gain on disposal of discontinued operations, net of taxes of \$0, \$0, \$0 and \$0 |                             | 1               |                               | 1               |
| <b>Net earnings</b>  | <b>\$2,618</b>              | <b>\$2,194</b>  | <b>\$1,653</b>                | <b>\$1,088</b>  |
| <b>Basic earnings per share from continuing operations</b>                             | <b>\$3.55</b>               | <b>\$2.88</b>   | <b>\$2.26</b>                 | <b>\$1.43</b>   |
| Net gain on disposal of discontinued operations, net of taxes                          |                             |                 |                               |                 |
| <b>Basic earnings per share</b>  | <b>\$3.55</b>               | <b>\$2.88</b>   | <b>\$2.26</b>                 | <b>\$1.43</b>   |
| <b>Diluted earnings per share from continuing operations</b>                           | <b>\$3.50</b>               | <b>\$2.85</b>   | <b>\$2.24</b>                 | <b>\$1.41</b>   |
| Net gain on disposal of discontinued operations, net of taxes                          |                             |                 |                               |                 |
| <b>Diluted earnings per share</b>  | <b>\$3.50</b>               | <b>\$2.85</b>   | <b>\$2.24</b>                 | <b>\$1.41</b>   |
| <b>Cash dividends paid per share</b>   | <b>\$1.46</b>               | <b>\$0.97</b>   | <b>\$0.73</b>                 | <b>\$0.485</b>  |
| <b>Weighted average diluted shares (millions)</b>                                      | <b>747.4</b>                | <b>770.1</b>    | <b>740.1</b>                  | <b>771.8</b>    |

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

|   | June 30<br>2014 | December 31<br>2013 |
|---|-----------------|---------------------|
| <i>(Dollars in millions, except per share data)</i> |                 |                     |
| <b>Assets</b>                                       |                 |                     |
| Cash and cash equivalents                           | \$7,533         | \$9,088             |
| Short-term and other investments                    | 3,797           | 6,170               |
| Accounts receivable, net                            | 7,694           | 6,546               |
| Current portion of customer financing, net          | 237             | 344                 |
| Deferred income taxes                               | 15              | 14                  |



|   |                 |                 |
|---|-----------------|-----------------|
| Inventories, net of advances and progress billings  | 46,251          | 42,912          |
| <b>Total current assets</b>   | <b>65,527</b>   | <b>65,074</b>   |
| Customer financing, net   | 3,180           | 3,627           |
| Property, plant and equipment, net of accumulated depreciation of \$15,424 and \$15,070       | 10,449          | 10,224          |
| Goodwill  | 5,139           | 5,043           |
| Acquired intangible assets, net   | 3,004           | 3,052           |
| Deferred income taxes   | 2,664           | 2,939           |
| Investments   | 1,196           | 1,204           |
| Other assets, net of accumulated amortization of \$420 and \$448                              | 1,578           | 1,500           |
| <b>Total assets</b>   | <b>\$92,737</b> | <b>\$92,663</b> |
| <b>Liabilities and equity</b>   |                 |                 |
| Accounts payable  | \$11,060        | \$9,498         |
| Accrued liabilities   | 13,222          | 14,131          |
| Advances and billings in excess of related costs  | 21,244          | 20,027          |
| Deferred income taxes and income taxes payable  | 6,222           | 6,267           |
| Short-term debt and current portion of long-term debt   | 1,591           | 1,563           |
| <b>Total current liabilities</b>  | <b>53,339</b>   | <b>51,486</b>   |
| Accrued retiree health care   | 6,506           | 6,528           |
| Accrued pension plan liability, net   | 9,812           | 10,474          |
| Non-current income taxes payable  | 740             | 156             |
| Other long-term liabilities   | 864             | 950             |
| Long-term debt  | 7,292           | 8,072           |
| 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  | 4,524           | 4,415           |
| Treasury stock, at cost – 290,904,517 and 264,882,461 shares                                  | (21,381)        | (17,671)        |
| Retained earnings   | 34,516          | 32,964          |
| Accumulated other comprehensive loss  | (8,659)         | (9,894)         |
| Total shareholders' equity  | 14,061          | 14,875          |
| Noncontrolling interests  | 123             | 122             |
| <b>Total equity</b>   | <b>14,184</b>   | <b>14,997</b>   |
| <b>Total liabilities and equity</b>   | <b>\$92,737</b> | <b>\$92,663</b> |

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

Six months ended  
June 30

(Dollars in millions)

2014      2013

**Cash flows – operating activities:**

|   |         |         |
|---|---------|---------|
| Net earnings  | \$2,618 | \$2,194 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |         |         |
| Non-cash items –  |         |         |
| Share-based plans expense   | 101     | 107     |
| Depreciation and amortization   | 900     | 865     |
| Investment/asset impairment charges, net  | 36      | 26      |
| Customer financing valuation benefit  | (26)    | (5)     |
| Gain on disposal of discontinued operations   |         | (1)     |
| Gain on dispositions, net   | (2)     | (22)    |
| Other charges and credits, net  | 87      | 31      |
| Excess tax benefits from share-based payment arrangements                           | (97)    | (47)    |
| Changes in assets and liabilities –   |         |         |
| Accounts receivable   | (1,286) | (550)   |
| Inventories, net of advances and progress billings                                  | (3,402) | (2,614) |
| Accounts payable  | 1,783   | 848     |

|  |                |                |
|--|----------------|----------------|
| Accrued liabilities  | (913)          | (682)          |
| Advances and billings in excess of related costs             | 1,217          | 1,472          |
| Income taxes receivable, payable and deferred                | 394            | 608            |
| Other long-term liabilities                                  | (88)           | (60)           |
| Pension and other postretirement plans                       | 1,118          | 1,638          |
| Customer financing, net                                      | 466            | 188            |
| Other  | 15             | (5)            |
| <b>Net cash provided by operating activities</b>             | <b>2,921</b>   | <b>3,991</b>   |
| <b>Cash flows – investing activities:</b>                    |                |                |
| Property, plant and equipment additions                      | (946)          | (976)          |
| Property, plant and equipment reductions                     | 17             | 44             |
| Acquisitions, net of cash acquired                           | (163)          | (26)           |
| Contributions to investments                                 | (5,657)        | (7,045)        |
| Proceeds from investments                                    | 8,030          | 4,632          |
| <b>Net cash provided/(used) by investing activities</b>      | <b>1,281</b>   | <b>(3,371)</b> |
| <b>Cash flows – financing activities:</b>                    |                |                |
| New borrowings   | 85             | 531            |
| Debt repayments  | (854)          | (1,361)        |
| Payments to noncontrolling interests                         | (12)           |                |
| Repayments of distribution rights and other asset financing  | (184)          | (139)          |
| Stock options exercised, other                               | 261            | 484            |
| Excess tax benefits from share-based payment arrangements    | 97             | 47             |
| Employee taxes on certain share-based payment arrangements   | (88)           | (57)           |
| Common shares repurchased                                    | (3,998)        | (1,000)        |
| Dividends paid   | (1,071)        | (735)          |
| <b>Net cash used by financing activities</b>                 | <b>(5,764)</b> | <b>(2,230)</b> |
| Effect of exchange rate changes on cash and cash equivalents | 7              | (37)           |
| <b>Net decrease in cash and cash equivalents</b>             | <b>(1,555)</b> | <b>(1,647)</b> |
| Cash and cash equivalents at beginning of year               | 9,088          | 10,341         |
| <b>Cash and cash equivalents at end of period</b>            | <b>\$7,533</b> | <b>\$8,694</b> |

The Boeing Company and Subsidiaries  
Summary of Business Segment Data  
(Unaudited)

|                                    | Six months ended June 30 |                 | Three months ended June 30 |                 |
|------------------------------------|--------------------------|-----------------|----------------------------|-----------------|
| <i>(Dollars in millions)</i>       | 2014                     | 2013            | 2014                       | 2013            |
| Revenues:                          |                          |                 |                            |                 |
| Commercial Airplanes               | \$27,041                 | \$24,314        | \$14,304                   | \$13,624        |
| Defense, Space & Security:         |                          |                 |                            |                 |
| Boeing Military Aircraft           | 6,981                    | 7,621           | 3,523                      | 3,641           |
| Network & Space Systems            | 3,796                    | 4,009           | 1,920                      | 2,049           |
| Global Services & Support          | 4,603                    | 4,666           | 2,304                      | 2,496           |
| Total Defense, Space & Security    | 15,380                   | 16,296          | 7,747                      | 8,186           |
| Boeing Capital                     | 172                      | 209             | 90                         | 104             |
| Other segment                      | 42                       | 54              | 22                         | 27              |
| Unallocated items and eliminations | (125)                    | (165)           | (118)                      | (126)           |
| <b>Total revenues</b>              | <b>\$42,510</b>          | <b>\$40,708</b> | <b>\$22,045</b>            | <b>\$21,815</b> |
| Earnings from operations:          |                          |                 |                            |                 |
| Commercial Airplanes               | \$3,052                  | \$2,672         | \$1,550                    | \$1,453         |
| Defense, Space & Security:         |                          |                 |                            |                 |
| Boeing Military Aircraft           | 497                      | 813             | 165                        | 386             |
| Network & Space Systems            | 318                      | 293             | 150                        | 137             |
| Global Services & Support          | 545                      | 502             | 267                        | 253             |
| Total Defense, Space & Security    | 1,360                    | 1,608           | 582                        | 776             |



|  |                  |                |                |                |
|--|------------------|----------------|----------------|----------------|
| Boeing Capital   | 77               | 63             | 33             | 19             |
| Other segment  | (110)            | (101)          | (48)           | (43)           |
| Unallocated items and eliminations   | (1,050)          | (998)          | (330)          | (489)          |
| <b>Earnings from operations</b>  | <b>3,329</b>     | <b>3,244</b>   | <b>1,787</b>   | <b>1,716</b>   |
| Other income, net  | 20               | 22             | 11             | 13             |
| Interest and debt expense  | (173)            | (195)          | (81)           | (96)           |
| <b>Earnings before income taxes</b>  | <b>3,176</b>     | <b>3,071</b>   | <b>1,717</b>   | <b>1,633</b>   |
| Income tax expense   | (558)            | (878)          | (64)           | (546)          |
| <b>Net earnings from continuing operations</b>   | <b>2,618</b>     | <b>2,193</b>   | <b>1,653</b>   | <b>1,087</b>   |
| Net gain on disposal of discontinued operations, net of taxes of \$0, \$0, \$0 and \$0 |                  | 1              |                | 1              |
| <b>Net earnings</b>  | <b>\$2,618</b>   | <b>\$2,194</b> | <b>\$1,653</b> | <b>\$1,088</b> |
| Research and development expense, net:   |                  |                |                |                |
| Commercial Airplanes   | \$970            | \$865          | \$441          | \$446          |
| Defense, Space & Security  | 577              | 579            | 297            | 307            |
| Other  | (5)              | 24             | (5)            | 10             |
| <b>Total research and development expense, net</b>                                     | <b>\$1,542</b>   | <b>\$1,468</b> | <b>\$733</b>   | <b>\$763</b>   |
| Unallocated items and eliminations:  |                  |                |                |                |
| Share-based plans  | (\$44)           | (\$53)         | (\$20)         | (\$22)         |
| Deferred compensation  | (19)             | (102)          | (26)           | (46)           |
| Amortization of previously capitalized interest  | (36)             | (34)           | (18)           | (17)           |
| Eliminations and other   | (194)            | (158)          | (62)           | (92)           |
| <b>Sub-total (included in core operating earnings)</b>                                 | <b>(293)</b>     | <b>(347)</b>   | <b>(126)</b>   | <b>(177)</b>   |
| Pension  | (804)            | (689)          | (228)          | (331)          |
| Postretirement   | 47               | 38             | 24             | 19             |
| <b>Total unallocated items and eliminations</b>  | <b>(\$1,050)</b> | <b>(\$998)</b> | <b>(\$330)</b> | <b>(\$489)</b> |

The Boeing Company and Subsidiaries  
Operating and Financial Data  
(Unaudited)

| Deliveries           | Six months ended June 30 |            | Three months ended June 30 |            |
|----------------------|--------------------------|------------|----------------------------|------------|
|                      | 2014                     | 2013       | 2014                       | 2013       |
| Commercial Airplanes |                          |            |                            |            |
| 737                  | 239                      | 218        | 124                        | 116        |
| 747                  | 6                        | 12         | 2                          | 6          |
| 767                  | 1                        | 12         | 1                          | 8          |
| 777                  | 48                       | 47         | 24                         | 23         |
| 787                  | 48                       | 17 (1)     | 30                         | 16 (1)     |
| <b>Total</b>         | <b>342</b>               | <b>306</b> | <b>181</b>                 | <b>169</b> |

*Note: Deliveries under operating lease are identified by parentheses.*

|                                 |    |    |    |    |
|---------------------------------|----|----|----|----|
| Defense, Space & Security       |    |    |    |    |
| Boeing Military Aircraft        |    |    |    |    |
| F/A-18 Models                   | 23 | 24 | 12 | 12 |
| F-15E Eagle                     | 8  | 3  | 4  |    |
| C-17 Globemaster III            | 5  | 6  | 2  | 3  |
| CH-47 Chinook                   | 32 | 17 | 15 | 8  |
| AH-64 Apache                    | 19 | 20 | 9  | 5  |
| P-8 Models                      | 2  | 5  | 2  | 3  |
| Global Services & Support       |    |    |    |    |
| AEW&C                           | 2  |    | 1  |    |
| Network & Space Systems         |    |    |    |    |
| Commercial and Civil Satellites | 2  | 1  | 2  |    |

|  | June 30     | March 31    | December 31 |
|--|-------------|-------------|-------------|
| <b>Contractual backlog</b> (Dollars in billions) | <b>2014</b> | <b>2014</b> | <b>2013</b> |

|                                  |                |                |                |
|----------------------------------|----------------|----------------|----------------|
| Commercial Airplanes             | \$376.3        | \$374.0        | \$373.0        |
| Defense, Space & Security:       |                |                |                |
| Boeing Military Aircraft         | 23.8           | 23.2           | 23.6           |
| Network & Space Systems          | 9.6            | 9.4            | 9.8            |
| Global Services & Support        | 16.3           | 16.1           | 16.2           |
| Total Defense, Space & Security  | 49.7           | 48.7           | 49.6           |
| <b>Total contractual backlog</b> | <b>\$426.0</b> | <b>\$422.7</b> | <b>\$422.6</b> |
| <b>Unobligated backlog</b>       | <b>\$14.3</b>  | <b>\$17.1</b>  | <b>\$18.3</b>  |
| <b>Total backlog</b>             | <b>\$440.3</b> | <b>\$439.8</b> | <b>\$440.9</b> |
| <b>Workforce</b>                 | <b>169,300</b> | <b>169,000</b> | <b>168,400</b> |

**The Boeing Company and Subsidiaries**  
**Reconciliation of Non-GAAP Measures**  
**Core Operating Earnings, Core Operating Margin and Core Earnings Per Share**  
(Unaudited)

The tables provided below reconcile the non-GAAP financial measures core operating earnings, core operating margin and core earnings per share with the most directly comparable GAAP financial measures, earnings from operations, operating margin and diluted earnings per share. See page 7 of this release for additional information on the use of these non-GAAP financial measures.

|   | Second Quarter  |                 | First Half      |                 | Guidance               |
|---|-----------------|-----------------|-----------------|-----------------|------------------------|
|   | 2014            | 2013            | 2014            | 2013            | 2014                   |
| <b>Revenues</b>   | <b>\$22,045</b> | <b>\$21,815</b> | <b>\$42,510</b> | <b>\$40,708</b> |                        |
| <b>GAAP Earnings From Operations</b>                          | <b>\$1,787</b>  | <b>\$1,716</b>  | <b>\$3,329</b>  | <b>\$3,244</b>  |                        |
| <i>GAAP Operating Margin</i>                                  | <i>8.1%</i>     | <i>7.9%</i>     | <i>7.8%</i>     | <i>8.0%</i>     |                        |
| <b>Unallocated Pension/Postretirement Expense</b>             | <b>\$204</b>    | <b>\$312</b>    | <b>\$757</b>    | <b>\$651</b>    | <b>~ \$1,200</b>       |
| <b>Core Operating Earnings (non-GAAP)</b>                     | <b>\$1,991</b>  | <b>\$2,028</b>  | <b>\$4,086</b>  | <b>\$3,895</b>  |                        |
| <i>Core Operating Margin (non-GAAP)</i>                       | <i>9.0%</i>     | <i>9.3%</i>     | <i>9.6%</i>     | <i>9.6%</i>     |                        |
| <b>Increase/(Decrease) in GAAP Earnings From Operations</b>   | <b>4%</b>       |                 | <b>3%</b>       |                 |                        |
| <b>GAAP Diluted Earnings Per Share</b>                        | <b>\$2.24</b>   | <b>\$1.41</b>   | <b>\$3.50</b>   | <b>\$2.85</b>   | <b>\$6.85 - \$7.05</b> |
| <b>Unallocated Pension/Postretirement Expense<sup>1</sup></b> | <b>\$0.18</b>   | <b>\$0.26</b>   | <b>\$0.66</b>   | <b>\$0.55</b>   | <b>\$1.05</b>          |
| <b>Core Earnings Per Share (non-GAAP)</b>                     | <b>\$2.42</b>   | <b>\$1.67</b>   | <b>\$4.16</b>   | <b>\$3.40</b>   | <b>\$7.90 - \$8.10</b> |
| <b>Weighted Average Diluted Shares (millions)</b>             | <b>740.1</b>    | <b>771.8</b>    | <b>747.4</b>    | <b>770.1</b>    | <b>~ 740</b>           |
| <b>Increase in GAAP Earnings Per Share</b>                    | <b>59%</b>      |                 | <b>23%</b>      |                 |                        |
| <b>Increase in Core Earnings Per Share</b>                    | <b>45%</b>      |                 | <b>22%</b>      |                 |                        |

<sup>1</sup> Earnings per share impact is presented net of the federal statutory tax rate of 35.0 percent.