

## Boeing Reports Third-Quarter Results and Raises Full Year Guidance

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CHICAGO, Oct. 26, 2016 /PRNewswire/ --

- **Strong operating cash flow of \$3.2 billion; repurchased 7.6 million shares for \$1.0 billion**
- **GAAP EPS of \$3.60 and core EPS (non-GAAP)\* of \$3.51 on solid execution and tax items**
- **Revenue of \$23.9 billion on timing of aircraft deliveries**
- **Backlog remains robust at \$462 billion with more than 5,600 commercial airplane orders**
- **Cash and marketable securities of \$9.7 billion provide strong liquidity**
- **2016 revenue guidance increased \$500 million on higher deliveries**
- **2016 GAAP EPS and core EPS (non-GAAP)\* guidance increased \$0.70 for additional tax adjustment**

|                          | Third Quarter |          |           | Nine months |          |           |
|--------------------------|---------------|----------|-----------|-------------|----------|-----------|
|                          | 2016          | 2015     | Change    | 2016        | 2015     | Change    |
| Revenues                 | \$23,898      | \$25,849 | (8)%      | \$71,285    | \$72,541 | (2)%      |
| <b>GAAP</b>              |               |          |           |             |          |           |
| Earnings From Operations | \$2,282       | \$2,580  | (12)%     | \$3,651     | \$6,282  | (42)%     |
| Operating Margin         | 9.5%          | 10.0%    | (0.5) Pts | 5.1%        | 8.7%     | (3.6) Pts |
| Net Earnings             | \$2,279       | \$1,704  | 34%       | \$3,264     | \$4,150  | (21)%     |
| Earnings Per Share       | \$3.60        | \$2.47   | 46%       | \$5.04      | \$5.92   | (15)%     |
| Operating Cash Flow      | \$3,202       | \$2,859  | 12%       | \$7,667     | \$6,244  | 23%       |
| <b>Non-GAAP*</b>         |               |          |           |             |          |           |
| Core Operating Earnings  | \$2,194       | \$2,637  | (17)%     | \$3,400     | \$6,482  | (48)%     |
| Core Operating Margin    | 9.2%          | 10.2%    | (1.0) Pts | 4.8%        | 8.9%     | (4.1) Pts |
| Core Earnings Per Share  | \$3.51        | \$2.52   | 39%       | \$4.79      | \$6.11   | (22)%     |

\* Non-GAAP measures. Complete definitions of Boeing's non-GAAP measures are on page 6, "Non-GAAP Measures Disclosures."

The Boeing Company [NYSE: BA] reported third-quarter GAAP earnings per share of \$3.60 and core earnings per share (non-GAAP)\* of \$3.51 reflecting overall solid execution on production programs and services, favorable tax items (\$0.98 per share), and timing of aircraft deliveries (Table 1).

Revenue guidance has been increased \$500 million to between \$93.5 and \$95.5 billion on higher commercial deliveries. GAAP earnings per share guidance for 2016 has been increased to between \$7.10 and \$7.30 from \$6.40 and \$6.60 and core earnings per share (non-GAAP)\* guidance has been increased to between \$6.80 and \$7.00 from \$6.10 and \$6.30 to reflect a favorable \$0.70 per share tax basis adjustment. The third quarter favorable tax adjustment for a 2011-2012 tax settlement of \$0.28 per share was previously announced in the second quarter of 2016 and was reflected in prior guidance.

"Solid operating performance across our commercial and defense and space businesses in the third quarter again generated strong cash flow for Boeing, which continues to fuel investments in our future and enable us to deliver compelling returns to our shareholders," said Chairman, President and Chief Executive Officer Dennis Muilenburg. "We also captured key orders, reinforcing the strength of our large and diverse order backlog."

"We achieved key milestones on the 737 MAX, 787-10 and other development programs, including the first KC-46 production contracts. Our teams remain focused on completing these development efforts and delivering better capabilities and economics to customers around the world."

"We remain on track to deliver on our full-year commitments. At the same time, we are positioning Boeing for further growth through our intense focus on productivity, quality and safety across the company."

|   | Third Quarter  |                | Nine months    |                |
|---|----------------|----------------|----------------|----------------|
|   | 2016           | 2015           | 2016           | 2015           |
| Operating Cash Flow                           | \$3,202        | \$2,859        | \$7,667        | \$6,244        |
| Less Additions to Property, Plant & Equipment | (\$595)        | (\$561)        | (\$2,014)      | (\$1,827)      |
| <b>Free Cash Flow*</b>                        | <b>\$2,607</b> | <b>\$2,298</b> | <b>\$5,653</b> | <b>\$4,417</b> |

\* Non-GAAP measures. Complete definitions of Boeing's non-GAAP measures are on page 6, "Non-GAAP Measures Disclosures."

Operating cash flow in the quarter was \$3.2 billion, reflecting solid operating performance (Table 2). During the quarter, the company repurchased 7.6 million shares for \$1.0 billion, leaving \$7.5 billion remaining under the current repurchase authorization. The company also paid \$0.7 billion in dividends in the quarter, reflecting an approximately 20 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   |               |
|--|---------------|---------------|
|  | Q3 16         | Q2 16         |
| Cash   | \$9.0         | \$8.6         |
| Marketable Securities <sup>1</sup>                                   | \$0.7         | \$0.7         |
| <b>Total</b>   | <b>\$9.7</b>  | <b>\$9.3</b>  |
| <b>Debt Balances:</b>  |               |               |
| The Boeing Company, net of intercompany loans to BCC                 | \$8.1         | \$8.7         |
| Boeing Capital, including intercompany loans                         | \$2.4         | \$2.3         |
| <b>Total Consolidated Debt</b>                                       | <b>\$10.5</b> | <b>\$11.0</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 \$9.7 billion, up from \$9.3 billion at the beginning of the quarter. Debt was \$10.5 billion, down from the beginning of the quarter, due to repayment of debt (Table 3).

Total company backlog at quarter-end was \$462 billion, down from \$472 billion at the beginning of the quarter, and included net orders for the quarter of \$15 billion.

## Segment Results

### Commercial Airplanes

| Table 4. Commercial Airplanes<br>(Dollars in Millions) | Third Quarter |          |           | Nine months |          |           |
|--|---------------|----------|-----------|-------------|----------|-----------|
|  | 2016          | 2015     | Change    | 2016        | 2015     | Change    |
| Commercial Airplanes Deliveries                        | 188           | 199      | (6)%      | 563         | 580      | (3)%      |
| Revenues   | \$16,973      | \$17,692 | (4)%      | \$48,828    | \$49,950 | (2)%      |
| Earnings from Operations                               | \$1,597       | \$1,768  | (10)%     | \$1,657     | \$4,591  | (64)%     |
| Operating Margin                                       | 9.4%          | 10.0%    | (0.6) Pts | 3.4%        | 9.2%     | (5.8) Pts |

Commercial Airplanes third-quarter revenue decreased to \$17.0 billion on lower planned delivery volume (Table 4). Third-quarter operating margin was 9.4 percent, reflecting delivery volume and mix, partially offset by lower period costs.

During the quarter, we began production of the 500th 787 Dreamliner, completed service ready validation of the 737 MAX 8, and began production of the 737 MAX 9. The 737 program has captured more than 3,300 orders for the 737 MAX since launch and the company remains on track to raise the production rate to 47 per month in the third quarter of 2017. During the quarter, we continued to grow our services business through an agreement with Japan Airlines to provide spare parts solutions.

Commercial Airplanes booked 107 net orders during the quarter. Backlog remains strong with more than 5,600 airplanes valued at \$409 billion.

### Defense, Space & Security

| Table 5. Defense, Space & Security<br>(Dollars in Millions) | Third Quarter  |                |              | Nine months     |                 |          |
|---|----------------|----------------|--------------|-----------------|-----------------|----------|
|   | 2016           | 2015           | Change       | 2016            | 2015            | Change   |
| <b>Revenues<sup>1</sup></b>                                 |                |                |              |                 |                 |          |
| Boeing Military Aircraft                                    | \$3,260        | \$4,037        | (19)%        | \$9,898         | \$10,237        | (3)%     |
| Network & Space Systems                                     | \$1,701        | \$2,127        | (20)%        | \$5,246         | \$5,797         | (10)%    |
| Global Services & Support                                   | \$2,547        | \$2,186        | 17%          | \$7,494         | \$6,569         | 14%      |
| <b>Total BDS Revenues</b>                                   | <b>\$7,508</b> | <b>\$8,350</b> | <b>(10)%</b> | <b>\$22,638</b> | <b>\$22,603</b> | <b>—</b> |
| <b>Earnings from Operations<sup>1</sup></b>                 |                |                |              |                 |                 |          |
| Boeing Military Aircraft                                    | \$434          | \$494          | (12)%        | \$943           | \$874           | 8%       |
| Network & Space Systems                                     | \$35           | \$245          | (86)%        | \$336           | \$563           | (40)%    |

|   |              |              |                  |             |              |                  |
|---|--------------|--------------|------------------|-------------|--------------|------------------|
| Global Services & Support                 | \$315        | \$283        | 11%              | \$920       | \$874        | 5%               |
| <b>Total BDS Earnings from Operations</b> |              |              |                  |             |              |                  |
|   | \$784        | \$1,022      | (23)%            | \$2,199     | \$2,311      | (5)%             |
| <b>Operating Margin</b>                   | <b>10.4%</b> | <b>12.2%</b> | <b>(1.8) Pts</b> | <b>9.7%</b> | <b>10.2%</b> | <b>(0.5) Pts</b> |

<sup>1</sup> During the first quarter of 2016, certain programs were realigned between Boeing Military Aircraft and Global Services & Support.

Defense, Space & Security's third-quarter revenue was \$7.5 billion. Third-quarter operating margin was 10.4 percent, reflecting solid execution and the impact of the Commercial Crew program (Table 5).

Boeing Military Aircraft (BMA) third-quarter revenue was \$3.3 billion, reflecting fewer C-17 deliveries and volume on F-15. Operating margin increased to 13.3 percent, reflecting program mix. During the quarter, BMA was awarded a contract from the U.S. Air Force for low-rate initial production of 19 KC-46 Tanker aircraft and received an agreement from the U.K. Ministry of Defence to purchase 50 Apache attack helicopters and nine P-8 Poseidon aircraft.

Network & Space Systems (N&SS) third-quarter revenue decreased to \$1.7 billion with an operating margin of 2.1 percent, primarily reflecting the charge on the Commercial Crew development program. The charge includes a \$124 million reversal of cumulative pre-tax earnings recorded in prior periods and a \$38 million pre-tax reach-forward loss, and was largely driven by delays in completion of engineering and supply chain activities. During the quarter, N&SS announced an award for a 702MP satellite with a new digital payload offering twice the capacity of previous designs.

Global Services & Support (GS&S) third-quarter revenue increased to \$2.5 billion, reflecting higher volume in Aircraft Modernization & Sustainment and Training Systems & Government Services. Operating margin was 12.4 percent largely reflecting contract mix. During the quarter, GS&S was awarded contracts from the Defense Logistics Agency for F/A-18 spare parts.

Backlog at Defense, Space & Security was \$53 billion, of which 38 percent represents orders from international customers.

#### Additional Financial Information

| Table 6. Additional Financial Information<br>(Dollars in Millions) | Third Quarter |               | Nine months    |                |
|--|---------------|---------------|----------------|----------------|
|  | 2016          | 2015          | 2016           | 2015           |
| <b>Revenues</b>  |               |               |                |                |
| Boeing Capital   | \$63          | \$114         | \$211          | \$315          |
| Unallocated items, eliminations and other                          | (\$646)       | (\$307)       | (\$392)        | (\$327)        |
| <b>Earnings from Operations</b>                                    |               |               |                |                |
| Boeing Capital   | \$13          | \$10          | \$36           | \$41           |
| Unallocated pension/postretirement                                 | \$88          | (\$57)        | \$251          | (\$200)        |
| Other unallocated items and eliminations                           | (\$200)       | (\$163)       | (\$492)        | (\$461)        |
| <b>Other income/(loss), net</b>                                    | <b>\$2</b>    | <b>(\$26)</b> | <b>\$41</b>    | <b>(\$23)</b>  |
| <b>Interest and debt expense</b>                                   | <b>(\$81)</b> | <b>(\$67)</b> | <b>(\$227)</b> | <b>(\$203)</b> |
| <b>Effective tax rate</b>  | <b>(3.4)%</b> | <b>31.5%</b>  | <b>5.8%</b>    | <b>31.5%</b>   |

At quarter-end, Boeing Capital's net portfolio balance was \$3.7 billion, up from the beginning of the quarter. Total pension expense for the third quarter was \$453 million, down from \$529 million in the same period of the prior year. Other unallocated items and eliminations revenue decreased from the same period in the prior year primarily due to the elimination of intercompany revenue for three aircraft delivered under operating leases. The effective tax rate for the third quarter decreased from the same period in the prior year primarily due to the favorable \$440 million tax basis adjustment and the previously announced \$177 million for the 2011-2012 tax settlement.

#### Outlook

The company's 2016 updated financial and delivery guidance (Table 7) reflects higher commercial deliveries and the impact of the tax basis adjustment.

| Table 7. 2016 Financial Outlook<br>(Dollars in Billions, except per share data) | Current  | Prior    |
|---|----------|----------|
|   | Guidance | Guidance |

|                                      |                      |               |
|--------------------------------------|----------------------|---------------|
| <b>The Boeing Company</b>            |                      |               |
| Revenue                              | <b>\$93.5 - 95.5</b> | \$93.0 - 95.0 |
| GAAP Earnings Per Share              | <b>\$7.10 - 7.30</b> | \$6.40 - 6.60 |
| Core Earnings Per Share*             | <b>\$6.80 - 7.00</b> | \$6.10 - 6.30 |
| Operating Cash Flow                  | ~\$10.0              | ~\$10.0       |
| <b>Commercial Airplanes</b>          |                      |               |
| Deliveries                           | <b>745 - 750</b>     | 740 - 745     |
| Revenue                              | <b>\$64.5 - 65.5</b> | \$64.0 - 65.0 |
| Operating Margin                     | 4.5% - 5.0           | 4.5% - 5.0    |
| <b>Defense, Space &amp; Security</b> |                      |               |
| Revenue                              |                      |               |
| Boeing Military Aircraft             | <b>~\$12.4</b>       | ~\$12.3       |
| Network & Space Systems              | <b>~\$7.0</b>        | ~\$7.3        |
| Global Services & Support            | <b>~\$9.6</b>        | ~\$9.4        |
| Total BDS Revenue                    | \$28.5 - 29.5        | \$28.5 - 29.5 |
| Operating Margin                     |                      |               |
| Boeing Military Aircraft             | ~9.5%                | ~9.5%         |
| Network & Space Systems              | <b>~7.5%</b>         | ~9.0%         |
| Global Services & Support            | <b>~12.5%</b>        | ~12.0%        |
| Total BDS Operating Margin           | >10.0%               | >10.0%        |
| <b>Boeing Capital</b>                |                      |               |
| Portfolio Size                       | Stable               | Stable        |
| Revenue                              | ~\$0.3               | ~\$0.3        |
| Pre-Tax Earnings                     | ~\$0.05              | ~\$0.05       |
| Research & Development               | ~ \$4.8              | ~ \$4.8       |
| Capital Expenditures                 | ~ \$2.8              | ~ \$2.8       |
| Pension Expense <sup>1</sup>         | ~ \$2.1              | ~ \$2.1       |
| Effective Tax Rate                   | <b>~ 14.0%</b>       | ~ 23.0%       |

<sup>1</sup> Approximately (\$0.1) billion is expected to be recorded in unallocated items and eliminations

\* Non-GAAP measures. Complete definitions of Boeing's non-GAAP measures are on page 6, "Non-GAAP Measures Disclosures."

## **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. Pension costs, comprising service and prior service costs computed in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) are allocated to Commercial Airplanes. Pension costs allocated to BDS segments are computed in accordance with U.S. Government Cost Accounting Standards (CAS), which employ different actuarial assumptions and accounting conventions than GAAP. CAS costs are allocable to government contracts. Other postretirement benefit costs are allocated to all business segments based on CAS, which is generally based on benefits paid. 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 13.

## Free Cash Flow

Free cash flow is defined as GAAP *operating cash flow* without 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, epidemics, sanctions 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)

|  | Nine months ended |      | Three months ended |      |
|--|-------------------|------|--------------------|------|
|  | September 30      |      | September 30       |      |
| (Dollars in millions, except per share data) | 2016              | 2015 | 2016               | 2015 |

|   |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|
| Sales of products                                 | \$63,563        | \$64,408        | \$21,494        | \$23,000        |
| Sales of services                                 | 7,722           | 8,133           | 2,404           | 2,849           |
| <b>Total revenues</b>                             | <b>71,285</b>   | <b>72,541</b>   | <b>23,898</b>   | <b>25,849</b>   |
| Cost of products                                  | (55,117)        | (55,020)        | (17,907)        | (19,393)        |
| Cost of services                                  | (6,163)         | (6,377)         | (1,983)         | (2,191)         |
| Boeing Capital interest expense                   | (46)            | (49)            | (14)            | (16)            |
| <b>Total costs and expenses</b>                   | <b>(61,326)</b> | <b>(61,446)</b> | <b>(19,904)</b> | <b>(21,600)</b> |
|   | <b>9,959</b>    | <b>11,095</b>   | <b>3,994</b>    | <b>4,249</b>    |
| Income from operating investments, net            | 220             | 207             | 69              | 78              |
| General and administrative expense                | (2,617)         | (2,594)         | (923)           | (889)           |
| Research and development expense, net             | (3,901)         | (2,426)         | (857)           | (857)           |
| (Loss)/gain on dispositions, net                  | (10)            |                 | (1)             | (1)             |
| <b>Earnings from operations</b>                   | <b>3,651</b>    | <b>6,282</b>    | <b>2,282</b>    | <b>2,580</b>    |
| Other income/(loss), net                          | 41              | (23)            | 2               | (26)            |
| Interest and debt expense                         | (227)           | (203)           | (81)            | (67)            |
| <b>Earnings before income taxes</b>               | <b>3,465</b>    | <b>6,056</b>    | <b>2,203</b>    | <b>2,487</b>    |
| Income tax (expense)/benefit                      | (201)           | (1,906)         | 76              | (783)           |
| <b>Net earnings</b>                               | <b>\$3,264</b>  | <b>\$4,150</b>  | <b>\$2,279</b>  | <b>\$1,704</b>  |
| <b>Basic earnings per share</b>                   | <b>\$5.09</b>   | <b>\$5.99</b>   | <b>\$3.64</b>   | <b>\$2.50</b>   |
| <b>Diluted earnings per share</b>                 | <b>\$5.04</b>   | <b>\$5.92</b>   | <b>\$3.60</b>   | <b>\$2.47</b>   |
| <b>Cash dividends paid per share</b>              | <b>\$3.27</b>   | <b>\$2.73</b>   | <b>\$1.09</b>   | <b>\$0.91</b>   |
| <b>Weighted average diluted shares (millions)</b> | <b>647.9</b>    | <b>700.9</b>    | <b>632.7</b>    | <b>689.0</b>    |

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

|   | September 30    | December 31     |
|---|-----------------|-----------------|
|   | 2016            | 2015            |
| <i>(Dollars in millions, except per share data)</i>                                     |                 |                 |
| <b>Assets</b>   |                 |                 |
| Cash and cash equivalents   | \$8,986         | \$11,302        |
| Short-term and other investments  | 682             | 750             |
| Accounts receivable, net  | 9,524           | 8,713           |
| Current portion of customer financing, net  | 365             | 212             |
| Inventories, net of advances and progress billings                                      | 42,680          | 47,257          |
| <b>Total current assets</b>   | <b>62,237</b>   | <b>68,234</b>   |
| Customer financing, net   | 3,401           | 3,358           |
| Property, plant and equipment, net of accumulated depreciation of \$16,752 and \$16,286 | 12,713          | 12,076          |
| Goodwill  | 5,128           | 5,126           |
| Acquired intangible assets, net   | 2,488           | 2,657           |
| Deferred income taxes   | 265             | 265             |
| Investments   | 1,303           | 1,284           |
| Other assets, net of accumulated amortization of \$470 and \$451                        | 1,415           | 1,408           |
| <b>Total assets</b>   | <b>\$88,950</b> | <b>\$94,408</b> |
| <b>Liabilities and equity</b>   |                 |                 |
| Accounts payable  | \$11,968        | \$10,800        |
| Accrued liabilities   | 13,243          | 14,014          |
| Advances and billings in excess of related costs  | 22,646          | 24,364          |
| Short-term debt and current portion of long-term debt                                   | 632             | 1,234           |
| <b>Total current liabilities</b>  | <b>48,489</b>   | <b>50,412</b>   |
| Deferred income taxes   | 2,211           | 2,392           |
| Accrued retiree health care   | 6,544           | 6,616           |
| Accrued pension plan liability, net   | 18,003          | 17,783          |
| Other long-term liabilities   | 1,729           | 2,078           |
| Long-term debt  | 9,824           | 8,730           |
| 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  | 4,808           | 4,834           |
| Treasury stock, at cost - 393,301,648 and 345,637,354 shares                            | (35,763)        | (29,568)        |



|                                      |                 |                 |
|--------------------------------------|-----------------|-----------------|
| Retained earnings                    | 40,641          | 38,756          |
| Accumulated other comprehensive loss | (12,658)        | (12,748)        |
| Total shareholders' equity           | 2,089           | 6,335           |
| Noncontrolling interests             | 61              | 62              |
| <b>Total equity</b>                  | <b>2,150</b>    | <b>6,397</b>    |
| <b>Total liabilities and equity</b>  | <b>\$88,950</b> | <b>\$94,408</b> |

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

|   | Nine months ended<br>September 30 |                |
|---|-----------------------------------|----------------|
| (Dollars in millions)   | 2016                              | 2015           |
| <b>Cash flows – operating activities:</b>   |                                   |                |
| Net earnings  | \$3,264                           | \$4,150        |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                   |                |
| Non-cash items –  |                                   |                |
| Share-based plans expense   | 144                               | 141            |
| Depreciation and amortization   | 1,364                             | 1,349          |
| Investment/asset impairment charges, net  | 61                                | 124            |
| Customer financing valuation benefit  | (5)                               | (3)            |
| Loss on dispositions, net   | 10                                |                |
| Other charges and credits, net  | 219                               | 230            |
| Excess tax benefits from share-based payment arrangements                           |                                   | (139)          |
| Changes in assets and liabilities –   |                                   |                |
| Accounts receivable   | (517)                             | (1,202)        |
| Inventories, net of advances and progress billings                                  | 4,334                             | (2,186)        |
| Accounts payable  | 1,366                             | 1,058          |
| Accrued liabilities   | 82                                | (196)          |
| Advances and billings in excess of related costs                                    | (1,717)                           | 270            |
| Income taxes receivable, payable and deferred                                       | (725)                             | 824            |
| Other long-term liabilities   | (67)                              | 40             |
| Pension and other postretirement plans  | 144                               | 1,837          |
| Customer financing, net   | (195)                             | 45             |
| Other   | (95)                              | (98)           |
| <b>Net cash provided by operating activities</b>                                    | <b>7,667</b>                      | <b>6,244</b>   |
| <b>Cash flows – investing activities:</b>   |                                   |                |
| Property, plant and equipment additions   | (2,014)                           | (1,827)        |
| Property, plant and equipment reductions  | 14                                | 24             |
| Acquisitions, net of cash acquired  |                                   | (23)           |
| Contributions to investments  | (928)                             | (1,341)        |
| Proceeds from investments   | 956                               | 2,169          |
| Other   | 8                                 | 33             |
| <b>Net cash used by investing activities</b>  | <b>(1,964)</b>                    | <b>(965)</b>   |
| <b>Cash flows – financing activities:</b>   |                                   |                |
| New borrowings  | 1,323                             | 761            |
| Debt repayments   | (836)                             | (864)          |
| Stock options exercised   | 192                               | 331            |
| Excess tax benefits from share-based payment arrangements                           |                                   | 139            |
| Employee taxes on certain share-based payment arrangements                          | (83)                              | (93)           |
| Common shares repurchased   | (6,501)                           | (6,001)        |
| Dividends paid  | (2,084)                           | (1,882)        |
| Other   | (24)                              |                |
| <b>Net cash used by financing activities</b>  | <b>(8,013)</b>                    | <b>(7,609)</b> |
| Effect of exchange rate changes on cash and cash equivalents                        | (6)                               | (20)           |
| <b>Net decrease in cash and cash equivalents</b>                                    | <b>(2,316)</b>                    | <b>(2,350)</b> |
| Cash and cash equivalents at beginning of year                                      | 11,302                            | 11,733         |
| <b>Cash and cash equivalents at end of period</b>                                   | <b>\$8,986</b>                    | <b>\$9,383</b> |

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

|  | Nine months ended<br>September 30 |                 | Three months ended<br>September 30 |                 |
|--|-----------------------------------|-----------------|------------------------------------|-----------------|
| <i>(Dollars in millions)</i>                           | 2016                              | 2015            | 2016                               | 2015            |
| Revenues:  |                                   |                 |                                    |                 |
| Commercial Airplanes                                   | \$48,828                          | \$49,950        | \$16,973                           | \$17,692        |
| Defense, Space & Security:                             |                                   |                 |                                    |                 |
| Boeing Military Aircraft                               | 9,898                             | 10,237          | 3,260                              | 4,037           |
| Network & Space Systems                                | 5,246                             | 5,797           | 1,701                              | 2,127           |
| Global Services & Support                              | 7,494                             | 6,569           | 2,547                              | 2,186           |
| Total Defense, Space & Security                        | 22,638                            | 22,603          | 7,508                              | 8,350           |
| Boeing Capital   | 211                               | 315             | 63                                 | 114             |
| Unallocated items, eliminations and other              | (392)                             | (327)           | (646)                              | (307)           |
| <b>Total revenues</b>                                  | <b>\$71,285</b>                   | <b>\$72,541</b> | <b>\$23,898</b>                    | <b>\$25,849</b> |
| Earnings from operations:                              |                                   |                 |                                    |                 |
| Commercial Airplanes                                   | \$1,657                           | \$4,591         | \$1,597                            | \$1,768         |
| Defense, Space & Security:                             |                                   |                 |                                    |                 |
| Boeing Military Aircraft                               | 943                               | 874             | 434                                | 494             |
| Network & Space Systems                                | 336                               | 563             | 35                                 | 245             |
| Global Services & Support                              | 920                               | 874             | 315                                | 283             |
| Total Defense, Space & Security                        | 2,199                             | 2,311           | 784                                | 1,022           |
| Boeing Capital   | 36                                | 41              | 13                                 | 10              |
| <b>Segment operating profit</b>                        | <b>3,892</b>                      | <b>6,943</b>    | <b>2,394</b>                       | <b>2,800</b>    |
| Unallocated items, eliminations and other              | (241)                             | (661)           | (112)                              | (220)           |
| <b>Earnings from operations</b>                        | <b>3,651</b>                      | <b>6,282</b>    | <b>2,282</b>                       | <b>2,580</b>    |
| Other income/(loss), net                               | 41                                | (23)            | 2                                  | (26)            |
| Interest and debt expense                              | (227)                             | (203)           | (81)                               | (67)            |
| <b>Earnings before income taxes</b>                    | <b>3,465</b>                      | <b>6,056</b>    | <b>2,203</b>                       | <b>2,487</b>    |
| Income tax (expense)/benefit                           | (201)                             | (1,906)         | 76                                 | (783)           |
| <b>Net earnings</b>                                    | <b>\$3,264</b>                    | <b>\$4,150</b>  | <b>\$2,279</b>                     | <b>\$1,704</b>  |
| Research and development expense, net:                 |                                   |                 |                                    |                 |
| Commercial Airplanes                                   | \$3,194                           | \$1,713         | \$646                              | \$616           |
| Defense, Space & Security                              | 750                               | 715             | 229                                | 241             |
| Other  | (43)                              | (2)             | (18)                               |                 |
| <b>Total research and development expense, net</b>     | <b>\$3,901</b>                    | <b>\$2,426</b>  | <b>\$857</b>                       | <b>\$857</b>    |
| <b>Unallocated items, eliminations and other</b>       |                                   |                 |                                    |                 |
| Share-based plans                                      | (\$50)                            | (\$57)          | (\$9)                              | (\$20)          |
| Deferred compensation                                  | (38)                              | (10)            | (33)                               | 38              |
| Amortization of previously capitalized interest        | (71)                              | (70)            | (23)                               | (21)            |
| Eliminations and other unallocated items               | (333)                             | (324)           | (135)                              | (160)           |
| <b>Sub-total (included in core operating earnings)</b> | <b>(492)</b>                      | <b>(461)</b>    | <b>(200)</b>                       | <b>(163)</b>    |
| Pension  | 129                               | (293)           | 50                                 | (84)            |
| Postretirement   | 122                               | 93              | 38                                 | 27              |
| <b>Total unallocated items, eliminations and other</b> | <b>(\$241)</b>                    | <b>(\$661)</b>  | <b>(\$112)</b>                     | <b>(\$220)</b>  |

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

| Deliveries           | Nine months ended<br>September 30 |            |     | Three months ended<br>September 30 |            |     |
|----------------------|-----------------------------------|------------|-----|------------------------------------|------------|-----|
|                      | 2016                              | 2015       |     | 2016                               | 2015       |     |
| Commercial Airplanes | 368                               | 375        |     | 120                                | 126        |     |
| 737                  | 8                                 | 13         | (3) | 5                                  | 4          | (1) |
| 747                  | 10                                | 14         |     | 5                                  | 5          |     |
| 767                  | 73                                | 77         |     | 22                                 | 27         |     |
| 777                  | 104                               | 101        |     | 36                                 | 37         |     |
| 787                  | 563                               | 580        |     | 188                                | 199        |     |
| <b>Total</b>         | <b>563</b>                        | <b>580</b> |     | <b>188</b>                         | <b>199</b> |     |

Note: Deliveries under operating lease are identified by parentheses.



|                                 |    |    |    |    |
|---------------------------------|----|----|----|----|
| Defense, Space & Security       |    |    |    |    |
| Boeing Military Aircraft        |    |    |    |    |
| AH-64 Apache (New)              | 25 | 18 | 10 | 6  |
| AH-64 Apache (Remanufactured)   | 27 | 33 | 9  | 10 |
| C-17 Globemaster III            | 4  | 5  |    | 2  |
| CH-47 Chinook (New)             | 17 | 35 | 7  | 14 |
| CH-47 Chinook (Renewed)         | 23 | 6  | 7  | 1  |
| F-15 Models                     | 11 | 8  | 4  | 3  |
| F/A-18 Models                   | 20 | 28 | 6  | 8  |
| P-8 Models                      | 13 | 10 | 4  | 4  |
| Global Services & Support       |    |    |    |    |
| C-40A                           |    | 1  |    |    |
| Network & Space Systems         |    |    |    |    |
| Commercial and Civil Satellites | 3  | 1  | 2  |    |
| Military Satellites             | 2  | 1  | 1  |    |

|   | September 30   | December 31    |
|---|----------------|----------------|
| Contractual backlog (Dollars in billions) | 2016           | 2015           |
| Commercial Airplanes                      | \$408.8        | \$431.4        |
| Defense, Space & Security:                |                |                |
| Boeing Military Aircraft                  | 20.8           | 19.9           |
| Network & Space Systems                   | 6.5            | 7.4            |
| Global Services & Support                 | 12.8           | 17.9           |
| Total Defense, Space & Security           | 40.1           | 45.2           |
| <b>Total contractual backlog</b>          | <b>\$448.9</b> | <b>\$476.6</b> |
| <b>Unobligated backlog</b>                | <b>\$13.1</b>  | <b>\$12.7</b>  |
| <b>Total backlog</b>                      | <b>\$462.0</b> | <b>\$489.3</b> |
| <b>Workforce</b>                          | <b>154,700</b> | <b>161,400</b> |

**The Boeing Company and Subsidiaries**  
**Reconciliation of Non-GAAP Measures**  
(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 6 of this release for additional information on the use of these non-GAAP financial measures.

| (Dollars in millions, except per share data)                                 | Third Quarter   |                 | Nine months     |                 | Guidance               |
|--|-----------------|-----------------|-----------------|-----------------|------------------------|
|  | 2016            | 2015            | 2016            | 2015            | 2016                   |
| <b>Revenues</b>  | <b>\$23,898</b> | <b>\$25,849</b> | <b>\$71,285</b> | <b>\$72,541</b> |                        |
| <b>GAAP Earnings From Operations</b>   | <b>\$2,282</b>  | <b>\$2,580</b>  | <b>\$3,651</b>  | <b>\$6,282</b>  |                        |
| <b>Increase/(Decrease) in GAAP Earnings From Operations</b>                  | <b>(12%)</b>    |                 | <b>(42%)</b>    |                 |                        |
| <i>GAAP Operating Margin</i>   | <i>9.5%</i>     | <i>10.0%</i>    | <i>5.1%</i>     | <i>8.7%</i>     |                        |
| <b>Unallocated Pension (Income)/Expense</b>                                  | <b>(\$50)</b>   | <b>\$84</b>     | <b>(\$129)</b>  | <b>\$293</b>    |                        |
| <b>Unallocated Other Postretirement Benefit Income</b>                       | <b>(\$38)</b>   | <b>(\$27)</b>   | <b>(\$122)</b>  | <b>(\$93)</b>   |                        |
| <b>Unallocated Pension and Other Postretirement Benefit (Income)/Expense</b> | <b>(\$88)</b>   | <b>\$57</b>     | <b>(\$251)</b>  | <b>\$200</b>    | <b>~(\$300)</b>        |
| <b>Core Operating Earnings (non-GAAP)</b>                                    | <b>\$2,194</b>  | <b>\$2,637</b>  | <b>\$3,400</b>  | <b>\$6,482</b>  |                        |
| <b>Increase/(Decrease) in Core Operating Earnings (non-GAAP)</b>             | <b>(17%)</b>    |                 | <b>(48%)</b>    |                 |                        |
| <i>Core Operating Margin (non-GAAP)</i>                                      | <i>9.2%</i>     | <i>10.2%</i>    | <i>4.8%</i>     | <i>8.9%</i>     |                        |
| <b>GAAP Diluted Earnings Per Share</b>                                       | <b>\$3.60</b>   | <b>\$2.47</b>   | <b>\$5.04</b>   | <b>\$5.92</b>   | <b>\$7.10 - \$7.30</b> |
| <b>Unallocated Pension (Income)/Expense</b>                                  | <b>(\$0.08)</b> | <b>\$0.12</b>   | <b>(\$0.20)</b> | <b>\$0.42</b>   |                        |
| <b>Unallocated Postretirement Benefit (Income)/Expense</b>                   | <b>(\$0.06)</b> | <b>(\$0.04)</b> | <b>(\$0.19)</b> | <b>(\$0.13)</b> | <b>(\$0.30)</b>        |
| <b>Provision for deferred income taxes on adjustments<sup>(1)</sup></b>      | <b>\$0.05</b>   | <b>(\$0.03)</b> | <b>\$0.14</b>   | <b>(\$0.10)</b> |                        |
| <b>Core Earnings Per Share (non-GAAP)</b>                                    | <b>\$3.51</b>   | <b>\$2.52</b>   | <b>\$4.79</b>   | <b>\$6.11</b>   | <b>\$6.80 - \$7.00</b> |
| <b>Weighted Average Diluted Shares (millions)</b>                            | <b>632.7</b>    | <b>689.0</b>    | <b>647.9</b>    | <b>700.9</b>    | <b>645 - 650</b>       |

|   |     |       |
|---|-----|-------|
| Increase/(Decrease) in GAAP Earnings Per Share            | 46% | (15%) |
| Increase/(Decrease) in Core Earnings Per Share (non-GAAP) | 39% | (22%) |

<sup>(1)</sup> The income tax impact is calculated using the tax rate in effect for the non-GAAP adjustments.

SOURCE Boeing

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