BOEING CO
Form 10-K
February 10, 2016

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

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

For the fiscal year ended December 31, 2015
or

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

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

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

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

Registrant's telephone number, including area code (312) 544-2000
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $5 par value	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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

PART I
Item 1. Business
The Boeing Company, together with its subsidiaries (herein referred to as "Boeing," the "Company," "we," "us," "our"), is one of the world's major aerospace firms.
We are organized based on the products and services we offer. We operate in five principal segments:
- Commercial Airplanes;
- Our Defense, Space & Security (BDS) business comprises three segments:
- Boeing Military Aircraft (BMA),
- Network & Space Systems (N&SS) and
- Global Services & Support (GS&S); and
- Boeing Capital (BCC).

The unallocated activities of Engineering, Operations & Technology (EO&T) and Shared Services Group (SSG), Corporate and intercompany guarantees provided to BCC are included in Unallocated items, eliminations and other. EO&T provides Boeing with technical and functional capabilities, including information technology, research and development, test and evaluation, technology strategy development, environmental remediation management and intellectual property management.
Commercial Airplanes Segment
The Commercial Airplanes segment develops, produces and markets commercial jet aircraft and provides related support services, principally to the commercial airline industry worldwide. We are a leading producer of commercial aircraft and offer a family of commercial jetliners designed to meet a broad spectrum of global passenger and cargo requirements of airlines. This family of commercial jet aircraft in production includes the 737 narrow-body model and the 747, 767, 777 and 787 wide-body models. Development continues on the 787-10 and 737 MAX derivatives and the 777X programs. The Commercial Airplanes segment also offers aviation services support, aircraft modifications, spare parts, training, maintenance documents and technical advice to commercial and government customers worldwide.
Defense, Space & Security
Our BDS operations principally involve research, development, production, modification and support of the products and related systems as described below. BDS' primary customer is the United States Department of Defense (U.S. DoD) with approximately 62% of BDS 2015 revenues being derived from this customer (excluding foreign military sales through the U.S. government). Other significant BDS revenues were derived from the National Aeronautics and Space Administration (NASA), international defense markets, civil markets and commercial satellite markets. BDS consists of three capabilities-driven businesses: BMA, N&SS and GS&S. Additionally, the Phantom Works group is an integrated team that works with the three businesses via product development, rapid prototyping and customer engagement through experimentation and enterprise technology investment strategies.
Boeing Military Aircraft Segment
This segment is engaged in the research, development, production and modification of manned and unmanned military aircraft and weapons systems for global strike, including fighter aircraft and missile systems; vertical lift, including rotorcraft and tilt-rotor aircraft; autonomous systems; and mobility, surveillance and engagement, including command and control, battle management, airborne, anti-

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

Network & Space Systems Segment

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

Global Services & Support Segment

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

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

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

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

Boeing Capital Segment

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

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Financial and Other Business Information
See the Summary of Business Segment Data and Note 21 to our Consolidated Financial Statements for financial information, including revenues and earnings from operations, for each of our business segments.
Intellectual Property
We own numerous patents and have licenses for the use of patents owned by others, which relate to our products and their manufacture. In addition to owning a large portfolio of intellectual property, we also license intellectual property to and from third parties. For example, the U.S. government has licenses in our patents that are developed in performance of government contracts, and it may use or authorize others to use the inventions covered by such patents for government purposes. Unpatented research, development and engineering skills, as well as certain trademarks, trade secrets, and other intellectual property rights, also make an important contribution to our business. While our intellectual property rights in the aggregate are important to the operation of each of our businesses, we do not believe that our business would be materially affected by the expiration of any particular intellectual property right or termination of any particular intellectual property patent license agreement.
Non-U.S. Revenues
See Note 21 to our Consolidated Financial Statements for information regarding non-U.S. revenues.
Research and Development
Research and development expenditures involve experimentation, design, development and related test activities for defense systems, new and derivative jet aircraft including both commercial and military, advanced space and other company-sponsored product development. These are expensed as incurred including amounts allocable as reimbursable overhead costs on U.S. government contracts.
Our total research and development expense, net amounted to $3.3 billion, $3.0 billion and $3.1 billion in 2015, 2014 and 2013, respectively.
Research and development costs also include bid and proposal efforts related to government products and services, as well as costs incurred in excess of amounts estimated to be recoverable under cost-sharing research and development agreements. Bid and proposal costs were $286 million, $289 million and $285 million in 2015, 2014 and 2013, respectively.

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Employees

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

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

Competition

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

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

Regulatory Matters

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

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

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

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

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

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

Raw Materials, Parts, and Subassemblies

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

Suppliers

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

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Seasonality
No material portion of our business is considered to be seasonal.
Executive Officers of the Registrant
See “Item 10. Directors, Executive Officers and Corporate Governance” in Part III.
Other Information
Boeing was originally incorporated in the State of Washington in 1916 and reincorporated in Delaware in 1934. Our principal executive offices are located at 100 N. Riverside Plaza, Chicago, Illinois 60606 and our telephone number is (312) 544-2000.

General information about us can be found at www.boeing.com. The information contained on or connected to our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this or any other report filed with the Securities and Exchange Commission (SEC). Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC. These reports may also be obtained at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including Boeing.
Forward-Looking Statements
This report, as well as our Annual Report to Shareholders, quarterly reports, and other filings we make with the SEC, press releases and other written and oral communications, contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “should,” “expects,” “intends,” “projects,” “plans, “believes,” “estimates,” “targets,” “anticipates” and similar expressions are used to identify these forward-looking statements. Examples of forward-looking statements include statements relating to our future financial condition and operating results, as well as any other statement that does not directly relate to any historical or current fact.

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

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Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our BDS business generated approximately 28% of its 2015 revenues from cost-type contracting arrangements. Some of these are development programs that have complex design and technical challenges. These cost-type programs typically have award or incentive fees that are subject to uncertainty and may be earned over extended periods. In these cases the associated financial risks are primarily in reduced fees, lower profit rates or program cancellation if cost, schedule or technical performance issues arise. Programs whose contracts are primarily cost-type include GMD, Proprietary and SLS programs.

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

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

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

We rely on other companies including subcontractors and suppliers to provide and produce raw materials, integrated components and sub-assemblies, and production commodities and to perform some of the services that we provide to our customers. If one or more of our suppliers or subcontractors experiences delivery delays or other performance problems, we may be unable to meet commitments to our customers or incur additional costs. In addition, if one or more of the raw materials on which we depend (such as aluminum, titanium or composites) becomes unavailable or is available only at very high prices, we may be unable to deliver one or more of our products in a timely fashion or at budgeted costs. In some instances, we depend upon a single source of supply. Any service disruption from one of these suppliers, either due to circumstances beyond the supplier's control, such as geo-political developments, or as a result of performance problems or financial difficulties, could have a material adverse effect on our ability to meet commitments to our customers or increase our operating costs. For example, we continue to monitor political unrest involving Russia and Ukraine, where we and some of our suppliers source titanium products and/or have operations.

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

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

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

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

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Competition within our markets and with respect to the products we sell may reduce our future contracts and sales.
The markets in which we operate are highly competitive and one or more of our competitors may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas. In our Commercial Airplanes business, we anticipate increasing competition among non-U.S. aircraft manufacturers and service providers in one or more of our market segments. In our BDS business, we anticipate that the effects of defense industry consolidation, fewer large and new programs and new priorities, including near and long-term cost competitiveness, of our U.S. DoD and international customers will intensify competition for many of our products and services. Furthermore, we are facing increased international competition and cross-border consolidation of competition. There can be no assurance that we will be able to compete successfully against our current or future competitors or that the competitive pressures we face will not result in reduced revenues and market share.
We derive a significant portion of our revenues from non-U.S. sales and are subject to the risks of doing business in other countries.
In 2015, non-U.S. customers accounted for approximately 59% of our revenues. We expect that non-U.S. sales will continue to account for a significant portion of our revenues for the foreseeable future. As a result, we are subject to risks of doing business internationally, including:

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

While the impact of these factors is difficult to predict, any one or more of these factors could adversely affect our operations in the future.
The outcome of litigation and of government inquiries and investigations involving our business is unpredictable and an adverse decision in any such matter could have a material effect on our financial position and results of operations.
We are involved in a number of litigation matters. These matters may divert financial and management resources that would otherwise be used to benefit our operations. No assurances can be given that the results of these matters will be favorable to us. An adverse resolution of any of these lawsuits could have

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

Not applicable

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Item 2. Properties

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

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

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

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

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

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

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

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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

Issuer Purchases of Equity Securities

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

(Dollars in millions, except per share data)

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

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

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

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Item 6. Selected Financial Data

Five-Year Summary (Unaudited)

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

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

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

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations
Consolidated Results of Operations and Financial Condition
Overview
We are a global market leader in design, development, manufacture, sale, service and support of commercial jetliners, military aircraft, satellites, missile defense, human space flight and launch systems and services. We are one of the two major manufacturers of 100+ seat airplanes for the worldwide commercial airline industry and one of the largest defense contractors in the U.S. While our principal operations are in the U.S., we conduct operations in many countries and rely on an extensive network of international partners, key suppliers and subcontractors.
Our strategy is centered on successful execution in healthy core businesses – Commercial Airplanes and Defense, Space & Security (BDS) – supplemented and supported by Boeing Capital (BCC). Taken together, these core businesses have historically generated substantial earnings and cash flow that permit us to invest in new products and services. We focus on producing the products and providing the services that the market demands and we price our products and services to provide a fair return for our shareholders while continuing to find new ways to improve efficiency and quality. Commercial Airplanes is committed to being the leader in commercial aviation by offering airplanes and services that deliver superior design, efficiency and value to customers around the world. BDS integrates its resources in defense, intelligence, communications, security, space and services to deliver capability-driven solutions to its customers at reduced costs. Our BDS strategy is to leverage our core businesses to capture key next-generation programs while expanding our presence in adjacent and international markets, underscored by an intense focus on growth and productivity. Our strategy also benefits us as the cyclicality of commercial and defense markets sometimes offset. BCC facilitates, arranges, structures and provides selective financing solutions for our Boeing customers.
Consolidated Results of Operations
Earnings From Operations and Core Operating Earnings (Non-GAAP) The following table summarizes key indicators of consolidated results of operations:
(Dollars in millions, except per share data)

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

(1) These measures exclude certain components of pension and other postretirement benefit expense. See page 43 for important information about these non-GAAP measures and reconciliations to the most comparable GAAP measures.

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Revenues

The following table summarizes Revenues:

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

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

Earnings From Operations

The following table summarizes Earnings from operations:

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

Earnings from operations in 2015 decreased by $30 million compared with 2014 primarily reflecting a fourth quarter charge of $885 million related to the 747 program at Commercial Airplanes and higher charges of $410 million related to the USAF KC-46A Tanker recorded by Commercial Airplanes and our Boeing Military Aircraft (BMA) segment, partially offset by lower unallocated pension and other postretirement benefit expense of $1,089 million. Earnings from operations in 2014 increased by $911 million compared with 2013 primarily reflecting higher earnings at Commercial Airplanes of $616 million and lower unallocated items and eliminations of $485 million. The decrease in unallocated items is due to the A-12 litigation settlement of $406 million which was recorded in 2013 and lower 2014 deferred compensation of $194 million. The A-12 aircraft litigation settlement resulted in the Company recording a $406 million pre-tax charge in 2013, which consisted of writing-off A-12 inventory, recorded as cost of sales, and providing three EA-18G Growlers at no cost to the U.S. Navy, recorded as a reduction in revenues.

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

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

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

(Dollars in millions)

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

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

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

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

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

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

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

The increase in 2015 net periodic benefit cost related to pension is primarily due to $557 million of higher amortization of actuarial losses due to lower discount rates. The decrease in 2014 is primarily due to lower amortization of actuarial losses due to higher discount rates which more than offset higher 2014 curtailment charges. A portion of net periodic benefit cost is recognized in Earnings from operations in the period incurred and the remainder is included in inventory at the end of the reporting period and recorded in Earnings from operations in subsequent periods. Costs are allocated to the business segments as described in Note 21.

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

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

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

Other Earnings Items

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

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

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

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

Total Costs and Expenses ("Cost of Sales")

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

The following table summarizes cost of sales:

(Dollars in millions)

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

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

Cost of sales in 2014 increased by $3,484 million, or 5%, compared with the same period in 2013, primarily driven by the increase in revenue. Cost of sales at Commercial Airplanes increased by $6,265 million, or 14%, primarily driven by the 13% increase in revenues. Cost of sales at BDS decreased by $2,085 million, or 8%, primarily due to the 7% reduction in revenues.

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

(Dollars in millions)

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

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

Backlog

Our backlog at December 31 was as follows:

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

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

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

Additional Considerations

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

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

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

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

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

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

Segment Results of Operations and Financial Condition

Commercial Airplanes

Business Environment and Trends

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

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

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

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

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

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

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

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

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

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

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Results of Operations

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

Revenues

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

Commercial Airplanes deliveries as of December 31 were as follows:

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

* Intercompany deliveries identified by parentheses

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

Earnings From Operations

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

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

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

Backlog

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

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

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

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

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

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

* The accounting quantity for the 777X will be determined in the year of first airplane delivery, targeted for 2020.
** At December 31, 2015, undelivered 747 units under firm orders include a number of aircraft that are being remarketed.

Program Highlights

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

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

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

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

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

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

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

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

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

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

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Program Development The following chart summarizes the time horizon between go-ahead and planned initial delivery for major Commercial Airplanes derivatives and programs.
Reflects models in development during 2015
We launched the 787-10 in June 2013 and the 777X in November 2013.

Additional Considerations
The development and ongoing production of commercial aircraft is extremely complex, involving extensive coordination and integration with suppliers and highly-skilled labor from thousands of employees and other partners. Meeting or exceeding our performance and reliability standards, as well as those of customers and regulators, can be costly and technologically challenging. In addition, the introduction of new aircraft and derivatives, such as the 787-10, 737 MAX and 777X, involves increased risks associated with meeting development, production and certification schedules. As a result, our ability to deliver aircraft on time, satisfy performance and reliability standards and achieve or maintain, as applicable, program profitability is subject to significant risks. Factors that could result in lower margins (or a material charge if an airplane program has or is determined to have reach-forward losses) include the following: changes to the program accounting quantity, customer and model mix, production costs and rates, changes to price escalation factors due to changes in the inflation rate or other economic indicators, performance or reliability issues involving completed aircraft, capital expenditures and other costs associated with increasing or adding new production capacity, learning curve, additional change incorporation, achieving anticipated cost reductions, flight test and certification schedules, costs, schedule and demand for new airplanes and derivatives and status of customer claims, supplier assertions and other contractual negotiations. While we believe the cost and revenue estimates incorporated in the consolidated financial statements are appropriate, the technical complexity of our airplane programs creates financial risk as additional completion costs may become necessary or scheduled delivery dates could be extended, which could trigger termination provisions, order cancellations or other financially significant exposure.
Defense, Space & Security
Business Environment and Trends
United States Government Defense Environment Overview The enactment of The Bipartisan Budget Act of 2015 in November 2015 established overall defense spending levels for FY2016 and FY2017. However, uncertainty remains with respect to levels of defense spending for FY2018 and beyond, including risk of future sequestration cuts. Significant uncertainty also continues with respect to program-level appropriations for the U.S. Department of Defense (U.S. DoD) and other government agencies, including the National Aeronautics and Space Administration, within the overall budgetary framework described above. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorization and appropriations process could result in reductions, cancellations and/or delays of existing contracts or programs. Any of these impacts could have a material effect on the results of the Company’s operations, financial position and/or cash flows.
In addition to the risks described above, if Congress is unable to pass appropriations bills in a timely manner, a government shutdown could result which may have impacts above and beyond those resulting from budget cuts, sequestration impacts or program-level appropriations. For example, requirements to

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

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

Results of Operations

(Dollars in millions)

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

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

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

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

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Revenues

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

Earnings From Operations

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

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

Backlog

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

Additional Considerations

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

Some of our development programs are contracted on a fixed-price basis. Many of these programs have highly complex designs. As technical or quality issues arise during development, we may experience schedule delays and cost impacts, which could increase our estimated cost to perform the work or reduce our estimated price, either of which could result in a material charge or otherwise adversely affect our financial condition. These programs are ongoing, and while we believe the cost and fee estimates incorporated in the financial statements are appropriate, the technical complexity of these programs creates financial risk as additional completion costs may become necessary or scheduled delivery dates could be extended, which could trigger termination provisions, the loss of satellite in-orbit incentive payments, or other financially significant exposure. These programs have risk for reach-forward losses if our estimated costs exceed our estimated contract revenues. Examples of significant fixed-price development programs include Saudi F-15, USAF KC-46A Tanker, Commercial Crew and commercial and military satellites.

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Boeing Military Aircraft
Results of Operations
(Dollars in millions)

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

Revenues

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

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

Earnings From Operations

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

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

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Backlog
BMA total backlog at December 31, 2015 was $27,170 million, a decrease of 7% reflecting revenue recognized on contracts awarded in prior years, partially offset by contract awards for the F-15, Apache, C-17 and F/A-18 programs.
BMA total backlog at December 31, 2014 was $29,139 million, a decrease of 13% reflecting revenue recognized on contracts awarded in prior years, partially offset by contract awards for the F/A-18, P-8 and Apache programs.
Additional Considerations
C-17 and F/A-18 See the discussion of the C-17 and F/A-18 programs in Note 11 to our Consolidated Financial Statements.
USAF KC-46A Tanker See the discussion of the USAF KC-46A Tanker program on pages 24 – 25.
Network & Space Systems
Results of Operations
(Dollars in millions)

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

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

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

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

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Earnings From Operations

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

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

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

Backlog

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

Additional Considerations

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

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

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

Global Services & Support

Results of Operations

(Dollars in millions)

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

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Revenues

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

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

Earnings From Operations

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

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

Backlog

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

Boeing Capital

Business Environment and Trends

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

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

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

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Results of Operations

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

Revenues

BCC segment revenues consist principally of lease income from equipment under operating lease, interest income from financing receivables and notes, and other income. BCC's revenues in 2015 are consistent with 2014. BCC's revenues in 2014 increased by $8 million compared with 2013 primarily due to higher aircraft return condition payments of $60 million, partially offset by a decrease in finance lease income and lower interest income.

Earnings From Operations

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

Financial Position

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

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

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

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

Liquidity and Capital Resources

Cash Flow Summary

(Dollars in millions)

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

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

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

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

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

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

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

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

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

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

At December 31, 2015, we were in compliance with the covenants for our debt and credit facilities. The most restrictive covenants include a limitation on mortgage debt and sale and leaseback transactions as a percentage of consolidated net tangible assets (as defined in the credit agreements), and a limitation on consolidated debt as a percentage of total capital (as defined). When considering debt covenants, we continue to have substantial borrowing capacity.

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Contractual Obligations

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

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

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

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

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

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

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

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

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

Commercial Commitments

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

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

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

Contingent Obligations

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

Legal Various legal proceedings, claims and investigations are pending against us. Legal contingencies are discussed in Note 20 to our Consolidated Financial Statements.

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

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

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Off-Balance Sheet Arrangements

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

Non-GAAP Measures

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

Our Consolidated Financial Statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) which we supplement with certain non-GAAP financial information. These non-GAAP measures should not be considered in isolation or as a substitute for the related GAAP measures, and other companies may define such measures differently. We encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Core operating earnings, core operating margin and core earnings per share exclude the impact of certain pension and other postretirement benefit expenses that are not allocated to business segments - see Note 21 to our Consolidated Financial Statements. Management uses core operating earnings, core operating margin and core earnings per share for purposes of evaluating and forecasting underlying business performance. Management believes these core earnings measures provide investors additional insights into operational performance as unallocated pension and other postretirement benefit cost primarily represent costs driven by market factors and costs not allocable to U.S. government contracts.

Reconciliation of GAAP Measures to Non-GAAP Measures

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

(Dollars in millions, except per share data)

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

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

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Critical Accounting Policies

Contract Accounting

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

Due to the size, duration and nature of many of our contracts, the estimation of total sales and costs through completion is complicated and subject to many variables. Total contract sales estimates are based on negotiated contract prices and quantities, modified by our assumptions regarding contract options, change orders, incentive and award provisions associated with technical performance, and price adjustment clauses (such as inflation or index-based clauses). The majority of these contracts are with the U.S. government where the price is generally based on estimated cost to produce the product or service plus profit. Federal Acquisition Regulations provide guidance on the types of cost that will be reimbursed in establishing contract price. Total contract cost estimates are largely based on negotiated or estimated purchase contract terms, historical performance trends, business base and other economic projections. Factors that influence these estimates include inflationary trends, technical and schedule risk, internal and subcontractor performance trends, business volume assumptions, asset utilization, and anticipated labor agreements. Revenue and cost estimates for all significant contracts are reviewed and reassessed quarterly. Changes in these estimates could result in recognition of cumulative catch-up adjustments to the contract’s inception to date revenues, cost of sales and profit, in the period in which such changes are made. Changes in revenue and cost estimates could also result in a reach-forward loss or an adjustment to a reach-forward loss, which would be recorded immediately in earnings. For the year ended December 31, 2015, net unfavorable cumulative catch-up adjustments, including reach-forward losses, across all contracts decreased Earnings from operations by $224 million. For the years ended December 31, 2014 and 2013 net favorable cumulative catch-up adjustments, including reach-forward losses, across all contracts increased Earnings from operations by $100 million and $242 million.

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

Program Accounting

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

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

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

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

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

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

Goodwill and Indefinite-Lived Intangible Impairments

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

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

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

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

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

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

Pension Plans

The majority of our employees have earned benefits under defined benefit pension plans. Nonunion and the majority of union employees that had participated in defined benefit pension plans will transition to a company-funded defined contribution retirement savings plan in 2016. Accounting rules require an annual measurement of our projected obligation and plan assets. These measurements are based upon several assumptions, including the discount rate and the expected long-term rate of asset return. Future changes in assumptions or differences between actual and expected outcomes can significantly affect our future annual expense, projected benefit obligation and Shareholders’ equity. The following table shows the sensitivity of our pension plan liability and net periodic cost to a 25 basis point change in the discount rate as of December 31, 2015.

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

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

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

Other

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

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

Foreign Currency Exchange Rate Risk

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

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Item 8. Financial Statements and Supplementary Data
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The Boeing Company and Subsidiaries
Consolidated Statements of Operations
(Dollars in millions, except per share data)

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

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

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The Boeing Company and Subsidiaries
Consolidated Statements of Comprehensive Income
(Dollars in millions)

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

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

The Boeing Company and Subsidiaries
Consolidated Statements of Financial Position
(Dollars in millions, except per share data)

December 31,	2015	2014
Assets		
Cash and cash equivalents	$11,302	$11,733
Short-term and other investments	750	1,359
Accounts receivable, net	8,713	7,729
Current portion of customer financing, net	212	190
Inventories, net of advances and progress billings	47,257	46,756
Total current assets	68,234	67,767
Customer financing, net	3,358	3,371
Property, plant and equipment, net	12,076	11,007
Goodwill	5,126	5,119
Acquired intangible assets, net	2,657	2,869
Deferred income taxes	265	317
Investments	1,284	1,154
Other assets, net of accumulated amortization of $451 and $479	1,408	1,317
Total assets	$94,408	$92,921
Liabilities and equity		
Accounts payable	$10,800	$10,667
Accrued liabilities	14,014	13,462
Advances and billings in excess of related costs	24,364	23,175
Short-term debt and current portion of long-term debt	1,234	929
Total current liabilities	50,412	48,233
Deferred income taxes	2,392	2,207
Accrued retiree health care	6,616	6,802
Accrued pension plan liability, net	17,783	17,182
Other long-term liabilities	2,078	1,566
Long-term debt	8,730	8,141
Shareholders’ equity:		
Common stock, par value $5.00 – 1,200,000,000 shares authorized; 1,012,261,159 shares issued	5,061	5,061
Additional paid-in capital	4,834	4,625
Treasury stock, at cost	(29,568)	(23,298)
Retained earnings	38,756	36,180
Accumulated other comprehensive loss	(12,748)	(13,903)
Total shareholders’ equity	6,335	8,665
Noncontrolling interests	62	125
Total equity	6,397	8,790
Total liabilities and equity	$94,408	$92,921

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

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The Boeing Company and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in millions)

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

Effect of exchange rate changes on cash and cash equivalents	(28)	(87)	(29)
Net (decrease)/increase in cash and cash equivalents	(431)	2,645	(1,253)
Cash and cash equivalents at beginning of year	11,733	9,088	10,341
Cash and cash equivalents at end of year	$11,302	$11,733	$9,088

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

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The Boeing Company and Subsidiaries
Consolidated Statements of Equity

(Dollars in millions, except per share data)	Boeing shareholders Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance at January 1, 2013	$5,061	$4,122	($15,937)	$30,037	($17,416)	$100	$5,967
Net earnings				4,585		9	4,594
Other comprehensive income, net of tax of ($4,246)					7,522		7,522
Share-based compensation and related dividend equivalents		216		(16)			200
Excess tax pools		101					101
Treasury shares issued for stock options exercised, net		109	988				1,097
Treasury shares issued for other share-based plans, net		(133)	79				(54)
Common shares repurchased			(2,801)				(2,801)
Cash dividends declared ($2.185 per share)				(1,642)			(1,642)
Changes in noncontrolling interests						13	13
Balance at December 31, 2013	$5,061	$4,415	($17,671)	$32,964	($9,894)	$122	$14,997
Net earnings				5,446		10	