

BOEING CO
Form 10-Q
April 24, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2013

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
(Address of principal executive offices)

60606-1596
(Zip Code)

(312) 544-2000

(Registrant's telephone number, including area code)

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

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

Large accelerated filer 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

As of April 17, 2013, there were 758,681,225 shares of common stock, \$5.00 par value, issued and outstanding.

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THE BOEING COMPANY

FORM 10-Q

For the Quarter Ended March 31, 2013

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Part I. Financial Information

Item 1. Financial Statements

The Boeing Company and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(Dollars in millions, except per share data)

	Three months ended March	
	31	
	2013	2012
Sales of products	\$16,318	\$16,685
Sales of services	2,575	2,698
Total revenues	18,893	19,383
Cost of products	(13,728	) (13,661
Cost of services	(2,009	) (2,380
Boeing Capital interest expense	(19	) (33
Total costs and expenses	(15,756	) (16,074
	3,137	3,309
Income from operating investments, net	45	46
General and administrative expense	(971	) (955
Research and development expense, net	(705	) (835
Gain on dispositions, net	22	
Earnings from operations	1,528	1,565
Other income, net	9	12
Interest and debt expense	(99	) (114
Earnings before income taxes	1,438	1,463
Income tax expense	(332	) (539
Net earnings from continuing operations	1,106	924
Net loss on disposal of discontinued operations, net of taxes of \$0 and \$1		(1
Net earnings	\$1,106	\$923
Basic earnings per share from continuing operations	\$1.45	\$1.23
Net loss on disposal of discontinued operations, net of taxes		
Basic earnings per share	\$1.45	\$1.23
Diluted earnings per share from continuing operations	\$1.44	\$1.22
Net loss on disposal of discontinued operations, net of taxes		
Diluted earnings per share	\$1.44	\$1.22
Cash dividends paid per share	\$0.49	\$0.44
Weighted average diluted shares (millions)	768.7	759.6

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions)	Three months ended March		
	31 2013	2012	
Net earnings	\$1,106	\$923	
Other comprehensive income, net of tax:			
Currency translation adjustments	(23	) 45
Unrealized (loss)/gain on derivative instruments:			
Unrealized (loss)/gain arising during period, net of tax of \$15 and (\$11)	(26	) 18
Reclassification adjustment for loss included in net earnings, net of tax of (\$1) and \$0	2		
Total unrealized (loss)/gain on derivative instruments, net of tax	(24	) 18
Defined benefit pension plans & other postretirement benefits:			
Amortization of prior service cost included in net periodic pension cost, net of tax of (\$1) and (\$3)	3	4	
Net actuarial gain arising during the period, net of tax of (\$16) and (\$9)	30	16	
Amortization of actuarial losses included in net periodic pension cost, net of tax of (\$215) and (\$188)	378	326	
Settlements and curtailments included in net income, net of tax of (\$5) and (\$2)	9	3	
Pension and post retirement benefits related to our equity method investments, net of tax (\$1) and \$4	2	(6)
Total defined benefit pension plans & other postretirement benefits, net of tax	422	343	
Other comprehensive income, net of tax	375	406	
Comprehensive income related to noncontrolling interest	2		
Comprehensive income, net of tax	\$1,483	\$1,329	
See Notes to the Condensed Consolidated Financial Statements.			

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

(Dollars in millions, except per share data)	March 31 2013	December 31 2012
Assets		
Cash and cash equivalents	\$8,335	\$10,341
Short-term and other investments	3,518	3,217
Accounts receivable, net	6,351	5,608
Current portion of customer financing, net	460	364
Deferred income taxes	29	28
Inventories, net of advances and progress billings	40,797	37,751
Total current assets	59,490	57,309
Customer financing, net	3,910	4,056
Property, plant and equipment, net of accumulated depreciation of \$14,711 and \$14,645	9,736	9,660
Goodwill	5,049	5,035
Acquired intangible assets, net	3,075	3,111
Deferred income taxes	6,522	6,753
Investments	1,177	1,180
Other assets, net of accumulated amortization of \$539 and \$504	1,488	1,792
Total assets	\$90,447	\$88,896
Liabilities and equity		
Accounts payable	\$9,876	\$9,394
Accrued liabilities	11,530	12,995
Advances and billings in excess of related costs	18,505	16,672
Deferred income taxes and income taxes payable	4,838	4,485
Short-term debt and current portion of long-term debt	917	1,436
Total current liabilities	45,666	44,982
Accrued retiree health care	7,447	7,528
Accrued pension plan liability, net	19,878	19,651
Non-current income taxes payable	241	366
Other long-term liabilities	1,401	1,429
Long-term debt	8,254	8,973
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	4,079	4,122
Treasury stock, at cost - 253,939,815 and 256,630,628	(15,780)	(15,937)
Retained earnings	31,143	30,037
Accumulated other comprehensive loss	(17,041)	(17,416)
Total shareholders' equity	7,462	5,867
Noncontrolling interest	98	100
Total equity	7,560	5,967
Total liabilities and equity	\$90,447	\$88,896

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions)	Three months ended	
	March 31 2013	2012
Cash flows – operating activities:		
Net earnings	\$1,106	\$923
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash items –		
Share-based plans expense	58	50
Depreciation and amortization	429	426
Investment/asset impairment charges, net	26	36
Customer financing valuation benefit	(3)
Loss on disposal of discontinued operations		2
Gain on dispositions, net	(22)
Other charges and credits, net	53	150
Excess tax benefits from share-based payment arrangements	(23	) (40
Changes in assets and liabilities –		
Accounts receivable	(437	) (729
Inventories, net of advances and progress billings	(3,000	) (497
Accounts payable	654	506
Accrued liabilities	(1,133	) (1,032
Advances and billings in excess of related costs	1,833	(160
Income taxes receivable, payable and deferred	214	333
Other long-term liabilities	(73	) (45
Pension and other postretirement plans	821	724
Customer financing, net	24	196
Other	(3	) (6
Net cash provided by operating activities	524	837
Cash flows – investing activities:		
Property, plant and equipment additions	(521	) (424
Property, plant and equipment reductions	33	4
Acquisitions, net of cash acquired	(26)
Contributions to investments	(2,955	) (3,718
Proceeds from investments	2,655	1,135
Net cash used by investing activities	(814	) (3,003
Cash flows – financing activities:		
New borrowings	15	20
Debt repayments	(1,262	) (811
Repayments of distribution rights financing	(138	) (72
Stock options exercised, other	76	28
Excess tax benefits from share-based payment arrangements	23	40
Employee taxes on certain share-based payment arrangements	(52	) (64
Dividends paid	(367	) (328
Net cash used by financing activities	(1,705	) (1,187
Effect of exchange rate changes on cash and cash equivalents	(11	) 22
Net decrease in cash and cash equivalents	(2,006	) (3,331
Cash and cash equivalents at beginning of year	10,341	10,049

Cash and cash equivalents at end of period	\$8,335	\$6,718
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See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions, except per share data)	Boeing shareholders				Accumulated Other Comprehensive Loss	Non- controlling Interest	Total
	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings			
Balance January 1, 2012	\$5,061	\$4,033	(\$16,603)	\$27,524	(\$16,500)	\$93	\$3,608
Net earnings				923			923
Other comprehensive income, net of tax of (\$209)					406		406
Share-based compensation and related dividend equivalents		50					50
Excess tax pools		40					40
Treasury shares issued for stock options exercised, net		(11	) 40				29
Treasury shares issued for other share-based plans, net		(156	) 98				(58)
Treasury shares issued for 401(k) contribution		21	101				122
Balance March 31, 2012	\$5,061	\$3,977	(\$16,364)	\$28,447	(\$16,094)	\$93	\$5,120
Balance January 1, 2013	\$5,061	\$4,122	(\$15,937)	\$30,037	(\$17,416)	\$100	\$5,967
Net earnings				1,106		2	1,108
Other comprehensive income, net of tax of (\$224)					375		375
Share-based compensation and related dividend equivalents		58					58
Excess tax pools		17					17
Treasury shares issued for stock options exercised, net		(4	) 85				81
Treasury shares issued for other share-based plans, net		(114	) 72				(42)
Changes in noncontrolling interest						(4)	(4)
Balance March 31, 2013	\$5,061	\$4,079	(\$15,780)	\$31,143	(\$17,041)	\$98	\$7,560

See Notes to the Condensed Consolidated Financial Statements.

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The Boeing Company and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Summary of Business Segment Data
(Unaudited)

(Dollars in millions)	Three months ended March		
	2013	2012	
Revenues:			
Commercial Airplanes	\$10,690	\$10,937	
Defense, Space & Security:			
Boeing Military Aircraft	4,109	4,222	
Network & Space Systems	1,960	1,872	
Global Services & Support	2,041	2,139	
Total Defense, Space & Security	8,110	8,233	
Boeing Capital	105	125	
Other segment	27	24	
Unallocated items and eliminations	(39	) 64
Total revenues	\$18,893	\$19,383	
Earnings from operations:			
Commercial Airplanes	\$1,219	\$1,081	
Defense, Space & Security:			
Boeing Military Aircraft	430	399	
Network & Space Systems	156	109	
Global Services & Support	246	234	
Total Defense, Space & Security	832	742	
Boeing Capital	44	33	
Other segment	(58) (79)
Unallocated items and eliminations	(509) (212)
Earnings from operations	1,528	1,565	
Other income, net	9	12	
Interest and debt expense	(99) (114)
Earnings before income taxes	1,438	1,463	
Income tax expense	(332) (539)
Net earnings from continuing operations	1,106	924	
Net loss on disposal of discontinued operations, net of taxes of \$0 and \$1		(1)
Net earnings	\$1,106	\$923	

This information is an integral part of the Notes to the Condensed Consolidated Financial Statements. See Note 17 for further segment results.

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The Boeing Company and Subsidiaries

Notes to the Condensed Consolidated Financial Statements

(Dollars in millions, except per share data)

(Unaudited)

Note 1 – Basis of Presentation

The condensed consolidated interim financial statements included in this report have been prepared by management of The Boeing Company (herein referred to as “Boeing”, the “Company”, “we”, “us”, or “our”). In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation are reflected in the interim financial statements. The results of operations for the period ended March 31, 2013 are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, included in our 2012 Annual Report on Form 10-K. Amounts reported in prior periods as Interest and debt expense have been reclassified to Boeing Capital Interest expense to conform to the current period's presentation.

Use of Estimates

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

Contract accounting is used for development and production activities predominantly by Defense, Space & Security (BDS). Contract accounting involves a judgmental process of estimating total sales and costs for each contract resulting in the development of estimated cost of sales percentages. Changes in estimated revenues, cost of sales and the related effect on operating income are recognized using a cumulative catch-up adjustment which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percent complete. For the three months ended March 31, 2013 and 2012, net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by \$105 and \$112 and diluted earnings per share by \$0.11 and \$0.09.

Note 2 – Earnings Per Share

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