

## David Calhoun's first and last addresses to Boeing shareholders have common themes, four years apart

**May 21, 2024, © Leeham News:** David Calhoun was named CEO of The Boeing Co. in December 2019. He assumed office in January 2020. He had been on the Board of Directors since 2009. His first annual shareholders meeting as CEO was the 2020 AGM, for the financial year 2019.

When Calhoun was named CEO, the 737 MAX had been grounded for nine months, following the crashes in October 2018 and March 2019 of the Lion Air and Ethiopian Airlines MAX 8s. There was no end in sight for the grounding—which ultimately lasted 21 months.

Three months after Calhoun assumed office, the global COVID-19 pandemic erupted. Global passenger traffic collapsed and so did deliveries of the widebody aircraft prevalent on international routes. Boeing Commercial Airplanes (BCA) revenues and cash flow, already emasculated by the MAX grounding, was put under further strain. Then, in October 2020, Boeing suspended all deliveries of new 787s after finding production flaws. This suspension lasted 20 months.

Following the January 5, 2024, accident involving Alaska Airlines Flight 1282, a 737-9 MAX, Boeing's safety record which came under fire in 2018-19 was again called into question. Calhoun announced his retirement effective the end of this year. Other Board level and executive changes were also announced.

The May 17, 2024, Boeing AGM was Calhoun's last as CEO. His prepared statement was reminiscent of his first as CEO. Some of the themes—notably about safety—expressed last week were eerily similar to those articulated in 2020 during his first address to shareholders.

LNA has assembled Calhoun's first and last addresses to shareholders. We've **highlighted** common themes between the two addresses, made four years apart.

### Addresses to Shareholders by Boeing CEO David Calhoun

<b>2020 Address to Shareholders</b>	<b>2024 Address to Shareholders</b>
<p><b>Annual Meeting, Virtual</b></p> <p><b>David L. Calhoun</b> President and Chief Executive Officer The Boeing Company</p> <p><b>April 27, 2020</b></p> <p>Thank you, Larry, both for the introduction and your board leadership. Let me add my welcome to all of you joining us virtually today.</p>	<p><b>Annual Meeting, Virtual</b></p> <p><b>David L. Calhoun</b> President and Chief Executive Officer The Boeing Company</p> <p><b>May 17, 2024</b></p> <p>Thank you, Steve.</p> <p>Welcome to all of you joining us today.</p>

I hope you are all staying safe and healthy during this global crisis. My sympathies go out to everyone who has a family member, friend or colleague affected by COVID-19 or who is suffering themselves.

Amid the pandemic, our first priority is to protect health and safety at our sites and in our communities. That's why we have chosen to suspend operations where necessary at certain Boeing locations and resume work only when it is safe to do so. When employees return to our sites, we have put additional precautions in place to help keep them safe, including new physical distancing tactics and voluntary temperature screenings — this in addition to enhanced cleaning efforts, telecommuting where possible and more access to health resources.

We're also proud to join the COVID-19 fight through support for the brave health care professionals in our communities. Boeing teams are 3D printing face shields at our sites across the United States and partnering with the Department of Health and Human Services and Federal Emergency Management Agency, or FEMA, to distribute them where they are needed most. We have delivered nearly 10,000 so far, and we're continuing to make more.

In addition, our company has donated tens of thousands of units of personal protective equipment to support frontline medical professionals. I am also proud we can provide our airlift capabilities — including our Dreamlifter — to help transport urgently needed supplies.

Boeing teammates are also stepping up in their communities. For example, our people in Washington state and San Antonio have donated hundreds of thousands of dollars to local food banks, and team members in St.

I would add my thanks to Larry Kellner for his service as board chair, as well as his insight, his leadership and his support over the years, the efforts he has made to recruit strong new board members over these very critical years has played an important role in Boeing's recovery. And it will continue to play an important role in the years ahead.

I'd also like to recognize Ron Williams for his unwavering dedication to Boeing and his very wise counsel.

As this is my last annual shareholder meeting. I want to share that it has been an absolute privilege to work alongside our global teammates and serve as CEO since January of 2020. Throughout the last several years, we've overcome significant challenges, some potentially existential in nature.

**After the tragic 737 MAX accidents that occurred on Oct. 29, 2018 and March 10, 2019, we made very intentional changes to reshape our company and our focus on safety. These changes included the Board of Directors, the leadership team, organizational realignment, and an absolute commitment to transparency from the top to the bottom of the company. On March 10, 2020, we held an emotional memorial service for the 346 lives lost on this flight. Our employees remember the lessons learned from those accidents, they apply them in their daily work and they will continue to remember for them in the decades to come.**

At the beginning of 2020, we had 450 grounded, 737 MAXs in inventory and 385 customer airplanes grounded and waiting to return to service. Two months later, the COVID pandemic took hold in the U.S. in the Puget Sound flight between two of our largest factories and as we all know, the pandemic wreaked havoc on our lives, businesses,

Louis have provided surplus laptops to students in need.

I am humbled, I am inspired by their personal generosity, but I'm not surprised. The way we take care of one another and our communities gets to our values and who we are as a company. It is also why Boeing and our teammates and retirees last year invested more than \$240 million and 750,000 volunteer hours where we live and work globally. We step up to help — it's what we do.

The health crisis is unlike anything we have ever experienced. With fewer people taking to the skies, global airline revenues are set to drop by \$314 billion by the end of the year. In the U.S. alone, more than 2,800 airplanes have been idled, and passenger volume is down over 95% compared to the prior year. It will be years before this returns to pre-pandemic levels.

And this has a direct effect on the products and services our customers will want and will need. Airlines are cutting back operations dramatically. As they assess their businesses, they are making difficult decisions that result in grounding fleets, deferring airplane orders, postponing acceptance of completed orders, and slowing down or stopping payments. They are also accelerating aircraft retirements and requiring fewer services. All of this adds pressure on our supply chain beyond what it is already experiencing because of the pandemic.

We are in an unpredictable and fast-changing environment, and it is difficult to estimate when the situation will stabilize. But when it does, the commercial market will be smaller, and our customers' needs will be different. We will need to balance the supply and

supply chain and the world at large. Aviation took a direct hit.

Facing these challenges, priority one for Boeing was to work with the FAA and global regulators to certify the modified 737 MAX design and safely return the airplane to service. Our next priority was ensuring all the lessons learned from the original accidents were meaningfully addressed by modifying our development processes, our assumptions and our design practices.

**Inside the company, we brought together more than 50,000 engineering teammates into a single integrated organization to focus on Engineering Excellence, including transparency, collaboration and accountability across all engineering designs and decisions. We established our first Chief Aerospace Safety Officer and introduced the Safety Management System across our company based on the FAA's established protocols with the airlines.**

Nearly every second of every day, a Boeing airplane takes off and lands somewhere around the world. Our Safety Management System is increasingly tuned in to learn from our airline customers and the airplanes themselves so we can continuously improve the maintenance of current airplanes and the development of future airplanes.

We appreciate the work of the FAA's Aircraft Certification, Safety and Accountability Expert Review (ACSA) panel and their recommendations concerning our Safety Management System and our development processes.

Today, less than 100 MAXs built prior to 2023 remain to be delivered of the original 450 grounded airplanes in inventory, and all

demand accordingly as the industry recovers.

**But I remain confident in our industry and in Boeing — we will recover. We are already preparing for the new reality.**

**For roughly the past 18 months, we have been making changes to build on our strengths, learn from our challenges and prepare for the future. This is true for the steps we are taking to protect our people and company during the pandemic, and for the work we did throughout 2019 to reshape the way we do business after the 737 MAX accidents.**

Currently, our team is focused on the best ways to keep liquidity flowing through our industry and to our supply chain until our customers are buying airplanes and related services again. Specifically, we have drawn down on a loan, reduced operating costs, suspended dividend payments, extended our existing pause on stock buybacks, de-prioritized some strategic investments, and accelerated some progress payment receipts with the help of our defense customers. Larry and I also are forgoing all pay until the end of the year.

In addition, we continue to explore funding options for our business. We applaud the administration and Congress for working together to pass the CARES Act, which will be critical to supporting the entire aerospace manufacturing sector, which comprises 17,000 suppliers and 2.5 million jobs. We expect the programs coming out of the bill and the funding options the government is putting in place will provide support to help the credit markets function again.

The recent \$25 billion support package agreed to by the airlines and the government is a pivotal step toward maintaining the aviation

of our customers have returned their MAXs to service.

Over the last few years, we've taken care not to stress our production system and we've never hesitated to slow down or halt production or to stop deliveries to take the time needed to get things right. In fact, we stopped delivering 787s for over a year to ensure that each conformed to our exacting specifications prior to delivery.

While the work we began after the first MAX accidents continues, the Alaska Airlines Flight 1282 accident was a watershed moment for us and a stark reminder that much more work remains.

**We took responsibility and we committed to transparency and then, most importantly, action.** And we continue to fully cooperate with all regulators by their respective investigations, while supporting our customers, our suppliers and our partners. This increased scrutiny, whether it comes from us, from our regulator or from third parties, will make us better. It's that simple.

We've been engaged with the FAA and immediately went to work on our 90-day quality action plan. We've completed our 30- and 60-day FAA reviews and will meet with the FAA in a couple of weeks to present our final plan. We anticipate the FAA will take whatever time is necessary to review that plan and hold us accountable to the various control parameters that are put in place as we move forward. This is more of a beginning than it is an end.

More broadly, we are taking immediate and comprehensive action to strengthen quality at Boeing and within our supply chain. We instituted additional quality controls and inspections at Boeing and specifically at our

pillar of the United States economy, even if full recovery will take years, not just months. Knowing that the U.S. airline industry has critical financial support through the pandemic allows us to plan our production and services systems for the medium- and long-term impact on air travel.

We have also been doing everything we can to keep our skilled team intact. We kept our 737 MAX team engaged with alternate work when we suspended our 737 production. We adjusted pay practices to support our employees at sites where we temporarily suspended production due to COVID-19. And we are offering a voluntary program that allows eligible employees who want to exit the company to do so with a pay and benefits package. These moves have been intended to limit the impact on our people as much as we can. And we continue to recruit in certain areas to ensure we are able to meet our customer commitments now and in the future.

**At the same time, we have been resizing, reshaping and continuously reviewing our business — starting at the top with our leadership structure. We are streamlining roles and responsibilities and preparing now for the post-pandemic industry footprint.**

**With each decision, we have kept our people and stakeholders involved and informed with a commitment to transparency — a key learning from 2019 and the 737 MAX accidents.**

Our people are tirelessly committed to the customers who purchase, fly on, and use our products and services. And we continue to feel the deepest sorrow for the loved ones and colleagues of those who died in the Lion Air Flight 610 and Ethiopian Airlines Flight 302 accidents. We have not forgotten them. We never will. The loss of life is devastating and

fuselage supplier in response to everything we learned from the Alaska Airlines accident.

We issued bulletins to all of our suppliers to strengthen the focus on conformance and reducing the risk of quality escapes. We opened our factories to 737 operators for additional direct oversight, and we appointed an expert quality advisor to conduct a comprehensive and independent review of our commercial airplane quality management system, including the supply chain, and they will remain with us for as long as it takes to implement their recommendation.

Other areas for continuous improvement include improved training, better tooling, simpler work instructions and more robust employee listening, and maybe above all, living our safety culture each and every day.

**We proactively seek the inputs of our people, as demonstrated by the active participation and suggestions of our employees during stand downs following the accident and their engagement in various channels for speaking up that are accessible to all of our people. And our policies strictly prohibit retaliation of any kind.**

**A strong culture listens to its people; it listens to its critics; it listens to its customers; and it acts on the feedback. This is the Boeing culture we have been working hard to build.**

We are using this period, as difficult as it is, to deliberately slow the system, stabilize the supply chain, fortify our factory operations and position Boeing to deliver with predictability and quality that our customers demand for the long term.

As these efforts begin to take hold, we're seeing early signs of more predictable, more

always will be. We are deeply humbled by these tragedies, and they fuel our determination to continue implementing the lessons we have learned and to uphold our commitment to safety.

To that end, **we have taken many actions, including establishing and operationalizing a new Product and Services Safety organization that reviews all aspects of product safety.** We are installing a new design practices program to further enhance the work our engineers do. And we are fortifying our Engineering team by organizing engineers into a single function reporting directly to Boeing's chief engineer. This realignment effort, which will be completed later this year, will further strengthen our engineering work and elevate the safety and quality of our products and services.

**We also launched an enhanced reporting channel for employees to speak up about safety, quality and ethics concerns. And I am determined to ensure that the accountability for modeling our culture lies with leaders — and that starts with me.**

We are able to learn and adapt to challenges thanks to the strong foundation of aerospace achievement built by generations of Boeing teams. Through good times and tough times, our people rise to the occasion. This is something I have witnessed firsthand in my initial months as president and CEO. No matter what, our people continue to deliver for our customers, providing expertly engineered products and services that improve the lives and enhance the security of people around the world.

In 2019, this included debuting two commercial airplanes, the 737 MAX 10 and the 777X. After the successful 777X first

stable and efficient factory operations and expect this will continue to improve throughout the year. There's a lot of work in front of us, but we remain fully confident in our future. While this effort is slowing our recovery timing, we are starting to see proof points that give us confidence in our future. And we remain committed to our vision for a healthy, stable and predictable Boeing in the 2025-2026 timeframe.

By the end of this year, we expect to have largely delivered our 737 MAX and 787 inventory, effectively shutting down two large shadow factories and giving us capacity to put more of our most experienced mechanics back on the assembly line to teach and support our teammates.

Our commercial business will be more stable. Our supply chain will be more synchronized, and we will have progressed on our commercial development programs, including the MAX -7 and the -10 and the 777X.

We expect our defense business will be well on its way to more historical levels of performance, with progress made on our fixed-price development programs. And our services team will continue to deliver exceptional results for our customers day in and day out.

Most importantly, we will have embedded all of the important lessons that we've learned this year. We know that when we execute and deliver to our highest standards, our products and services perform exceptionally well for our customers – and demand remains strong.

With demand high, we continue to increase our investments in our people and in our factories to ensure we're able to meet our customers' needs.

flight in January, we are rigorously testing the airplane ahead of our first delivery next year.

We keep driving toward the safe return to service of the 737 MAX while working closely with global regulatory authorities, including the U.S. Federal Aviation Administration, the FAA. We are committed to supporting their process and timeline, and our progress has continued during the pandemic.

On the defense side, we continue to see a healthy market with solid demand for our major platforms, programs and related services both domestically and internationally. We are maintaining focus on future franchises, such as the MQ-25, our aerial refueling tanker; the T-7A Red Hawk trainer for the Air Force; the MH-139A Grey Wolf helicopter; and our large-scale unmanned underwater vehicle, while continuously improving performance on our existing platforms, including the KC-46A tanker.

While that program has had delays and other challenges, with this month's agreement with the U.S. Air Force on the tanker's Remote Vision System, we will ensure the KC-46 becomes the standard by which all future refueling aircraft are measured. The men and women of the U.S. Air Force have our full commitment, and our investment in the tanker reinforces that dedication.

Our space teams completed the core stage of NASA's Space Launch System and learned key lessons from the CST-100 Starliner's Orbital Flight Test. We will re-fly this test to demonstrate the quality of the Starliner system, paving the way for future crewed flights. It's the right thing to do for our NASA customer and the astronauts who ultimately fly on it.

Since 2019, we've grown our engineering workforce by approximately 10%. Our manufacturing team by 11% and our quality staff by 25%. And all three are now exceeding pre-pandemic staffing levels when production rates were significantly higher.

We continue to prepare for the development of future airplanes, research and development spending, as well as our factory investment was nearly \$5 billion in 2023, and we're increasing these investments across the board in 2024. Our mission is to mature the essential technologies that will enable safe and sustainable flight in the years ahead.

**When it comes to the safety of Boeing's products and services, every decision and every action matters. The backbone of our success is – and always has been – our people. Their passion, their pride, their relentless pursuit of excellence and innovation – even in times of extreme adversity – inspires me every single day. Simply put, Boeing is home to some of the best and brightest minds in the world. We will measure our progress one airplane at a time.**

In closing, while I'm still in this position, I will continue to ensure we are doing all we can to get us on the right trajectory and ensure a smooth transition for my successor.

While in today's environment, I recognize that any operational event, no matter how routine, can get outsized headlines and attention. Our team is staying focused on the important work we're doing, and it's that focus across government and across industry that has ensured air travel is by far the safest form of transportation.

I am humbled to have had the opportunity to lead this great company over the past four years and its team of 170,000 impressive and

In services, our team continues to improve customer operations and drive life cycle value by expanding our digital offerings; strengthening maintenance, modification and supply chain capabilities; and leveraging our industry-leading analytics platform. We continue to achieve synergies by integrating our subsidiaries and growing our government services business in the U.S. and abroad.

Turning to Embraer, we announced Saturday that we have terminated the agreement to establish a strategic partnership between our two companies, covering both the planned commercial and defense joint ventures. We worked diligently for two years to finalize the transaction, but ultimately we could not come to a resolution around critical unsatisfied conditions for the deal under our Master Transaction Agreement. It is deeply disappointing, but we had reached a point where continued negotiation was no longer helpful, and so we exercised the rights set out in the MTA to terminate the agreement.

Looking ahead, we will continue to concentrate on what is most important across Boeing. To that end, I established six company priorities in January. They include returning the 737 MAX safely to service and earning back trust with our stakeholders. We are also committed to delivering excellence across our businesses and restoring our production health. And we are determined to invest in our future while always living our values.

During the pandemic, we are supporting our commercial and services customers where we can, even as their own businesses slow to a trickle. We are working hard to meet commitments to our defense and space customers, which have seen less of a market impact from the health crisis. And we are maintaining the stability of our supply chain

inspiring people. We have many teammates who are proud to be in their second or third generation of their family to work at our company. I know that this great team will help us overcome the challenges we face. I am immensely proud of the resilience that they continue to show and their steadfast commitment to living our core values of safety, quality and integrity in support of all those who use our products and services.

**We will remain steadfast in our commitment to transparency.**

And that concludes my report, and thank you.



so we are ready to ramp up again when the pandemic subsides.

The inability to travel in recent weeks has only reminded us of the critical role air travel plays in connecting people and places. Though the recovery will be slow, we continue to believe strongly in the future of aviation and of Boeing as the aerospace leader. That's because the underlying fundamentals that have driven the aerospace industry and doubled air travel over the past two decades remain intact. These include the need to connect the world's economies, the affordability of air travel and a growing middle class around the globe with the resources and desire to travel.

Based on what we know now, we expect it will take two to three years for travel to return to 2019 levels and an additional few years beyond that for the industry's long-term trend growth to return. This outlook is based on decades of analysis and customer insights, including how the industry has reacted to prior market shocks.

But there is no doubt people will start flying again. Our customers' operations will stabilize again. Airlines will need to continue buying and maintaining new and cleaner airplanes, and not just in response to changing traffic demands. Their important fleet-planning decisions will focus in part on our priorities as an industry, which include the environment and our industry's related targets and regulations. Airplanes that we plan to deliver this year will be 25% to 40% more fuel-efficient than the airplanes they're replacing that are now as much as two generations old. And as the industry recovers, slowly at first and then with greater vigor, we'll be ready with a diverse portfolio of products and services that our customers want and need.

While I am new to the CEO role, I am not new to Boeing, and I have long admired the business and its people. This year I have seen them at work. I have seen their dedication to our customers. And I have seen the way they uphold our values in everything they do. It's because of them I am confident that Boeing will not just emerge from the crisis but will thrive again as the leader in our industry.

History has proven Boeing is a company that rises to the toughest challenges with people who are second to none. Going forward, we will succeed by understanding, meeting and exceeding the expectations of our stakeholders.

I'm proud to be part of the Boeing team.

Thank you, and that concludes my report.