Boeing Extends Balanced, Competitive Contract Offer to Machinists

Company's Best and Final Offer includes:

10% pension increase to industry-leading $66 per month per year of service

$15,400 additional total wages, lump sums and incentive pay over the life of the contract for employees in Puget Sound and Portland

5.5% wage increase over the life of contract through pay raise and cost-of-living adjustment

$6,000 in lump sum payments with opportunity for added $3,000 company match

5 days extra pay annually if Boeing meets business plan; opportunity for up to 15 days pay

Choice of health care plans, two with low-cost or $0-premium options

The Boeing Company [NYSE: BA] today presented the International Association of Machinists & Aerospace Workers (IAM) union a best and final contract offer that includes significant improvements in retirement benefits, bonuses, wage increases, and a first-ever annual incentive pay program for the machinists that gives them a stake in the company's annual financial success.

"Our goal for these negotiations has been to present a contract offer that values our employees' contributions and supports our plan to grow our business and provide even more opportunity for everyone associated with Boeing," said Alan Mulally, President and CEO of Boeing Commercial Airplanes. "We're proud of this offer and we look forward to sharing the contract details with our employees and having them vote to approve it on Sept. 1."

Key features of the offer to 18,000 machinists in Seattle and Portland include:

Lump Sum Bonuses: Two $3,000 lump sums -- one payable upon ratification of the contract and one in Year 2 of the contract. The bonuses include an option that allows employees flexibility to either use the cash for immediate needs or take advantage of a company match of 50 percent to boost their financial security by investing it into Boeing's 401(k)-style savings plan. Total bonuses for employees who take full advantage of this opportunity will be $9,000.

Wages: Boeing provides competitive wages including a guaranteed wage increase of 2.5 percent in the third year of the contract and projected cost-of-living adjustments of 1 percent annually, boosting pay by a projected 5.5 percent over the duration of the contract. On average, machinists will earn about $62,500 a year by the end of the contract, excluding overtime and shift premiums.

The performance-based pay program, developed with IAM input, allows employees the potential to share in Boeing's success by offering bonus pay of 5 days wages each year if performance targets are met. The program pays 15 days, nearly 6 percent, of annual wages at the maximum.

Retirement Benefits: Retirement security was further enhanced by a substantial 10 percent increase in the pension multiplier to an industry-leading $66 a month per year of service. Since 1999, Boeing has boosted the pension multiplier by 65 percent, while maintaining its excellent match of 50 percent of employee contributions, into the 401(k)-style Voluntary Investment Plan, up to 8 percent of annual pay.

Health Care Benefits: Health care options are expanded with the introduction of the PPO+*Account* plan that features an account into which the company pays $500 annually to cover expenses -- with remaining funds available to be rolled over each year into retirement.

Boeing has worked to limit employees' share of health care costs even as the company's health care expenses rose by 30 percent to $1.7 billion between 2001 and 2004. Boeing last year paid about $8,200 per employee to provide high-quality, comprehensive medical, dental and vision care that is among the best in our communities.

Innovative subsidies called Wellness Credits will be introduced to reduce monthly premiums by $20 a month for each employee and each spouse or domestic partner, if they agree to participate in a series of wellness and health management programs.

Employee contributions to monthly premiums will be limited to between zero and 15 percent, depending on plan choice, how many dependents are covered, and if the new Wellness Credits are used. In the Puget Sound, employee contributions to monthly premiums for individuals will cost between zero and $70, depending on plan choice. Family coverage will cost between $20 and $210 a month. Contribution levels in Wichita, Kansas and Portland are similar, with some variations based on plan availability and local market rates.

Retiree Medical: All current IAM-member employees and those who may be recalled with Category 'A' recall rights will

continue to be eligible for health care coverage upon retirement. New hires will no longer be eligible for retiree medical.

Recall Rights: IAM-member employees with Category 'A' recall rights who were laid off in a specific period following 9/11 will have their recall rights extended, allowing them more opportunity to secure their seniority and benefit rights should there be an opportunity for them to rejoin the Company.

Wichita-based employee pay: Employees at the Integrated Defense Systems unit in Wichita, Kansas, retain current wage levels through life of the contract. Projected cost of living adjustments will be rolled into a $2,800 lump-sum payment due after ratification. There will be an option to place the COLA lump-sum payment into the company's 401(k)- style VIP savings plan, and receive a 50 percent company matching payment -- for a potential total of $4,200.

Boeing projects that its IAM-member employees in Wichita will still be paid a market-leading wage at the end of the contract. Wichita-based employees enjoy the same industry-leading pension and company match to the VIP savings plan as the rest of the bargaining unit.

Boeing's Best and Final Offer concludes two weeks of intensive negotiations. The IAM is expected to submit the proposed contract to its members for a vote on Sept. 1, just ahead of the 12:01 a.m. contract expiration.

Further details of the contract proposal are available online atwww.boeing.com/negotiations. Employees or families who have questions on the Best and Final Offer can also the Boeing negotiations call center at 1-877-225-2186.

###

For further information:
Chaz Bickers
office: 206-766-2918