

Boeing Announces Management and Organizational Changes

Boeing Chairman and CEO Phil Condit today announced a significant management and organizational realignment to address financial and production performance issues and to better position the company in the global aerospace industry. He said two new operating groups have been formed in addition to maintaining the existing commercial airplane organization.

Boeing Senior Vice President Alan Mulally, formerly president of the Information, Space & Defense Systems unit, has been named to replace Ron Woodard as president of the Boeing Commercial Airplane Group.

"We have experienced unsatisfactory financial performance with our commercial airplane operations. Our expectations are that commercial airplane operations produce significant, double-digit operating margins," Condit stated. "We concluded there must be significant changes in the composition of the management team at this time."

"Alan Mulally's years of experience in commercial airplanes and his success during the past year in organizing the Information, Space & Defense Systems operations of the company have been outstanding," Condit said. "I am confident Alan and his new team will bring a level of intensity and focus to commercial airplane operations that will achieve the results our employees, customers and shareholders want."

Mulally's team will include:

- Jim Jamieson, who currently leads the 737/757 Programs, will have full profit and loss responsibility for the 717, 737, 757, MD80/90 and MD-11 airplane programs. Dick Pearson, who heads the Long Beach Division, will report to Jamieson.
- Jim Morris, who currently leads the company's rotorcraft operations in Philadelphia and Mesa, Ariz., will assume profit and loss responsibility for the 747, 767 and 777 programs.
- Fred Mitchell will have responsibility for airplane components and procurement activities.
- Walt Gillette will lead engineering and product development.
- Scott Carson, who handled business resources within Information, Space & Defense Systems, will serve as the commercial group's chief financial officer.

"The excellent work during the past year of the entire Information, Defense & Space Systems management team allows us to further consolidate four operating units into two," Condit said. He announced that James F. Albaugh has been named president of the newly formed Space and Communications Group, based in Seal Beach, Calif. The group also contains the Information and Communications Systems unit headed by James W. Evatt. Michael M. Sears has been named president of the newly formed Military Aircraft and Missile Systems Group headquartered in St. Louis. He will assume the additional responsibility of leading the company's Phantom Works research and development unit, with David O. Swain continuing as executive vice president and general manager. Both Albaugh and Sears become senior vice presidents of The Boeing Company, members of the Executive Council and report to the Office of the Chairman.

Forward-Looking Information Is Subject to Risk and Uncertainty

Certain statements in this release contain "forward-looking" information that involves risk and uncertainty, including projections for earnings, cash, share repurchase and other trend projections. This forward-looking information is based upon a number of assumptions including assumptions regarding demand, internal performance, and supplier and subcontractor performance. Actual future results and trends may differ materially depending on a variety of factors, including the Company's successful execution of internal performance plans; the cyclical nature of the Company's business, volatility of the market for certain products, continued integration of McDonnell Douglas Corporation; product performance risks associated with regulatory certifications of the Company's commercial aircraft by the U.S. Government and foreign governments; other regulatory uncertainties; collective bargaining labor disputes; performance issues with key suppliers, subcontractors and customers; governmental export and import policies; factors that result in significant and prolonged disruption to air travel worldwide; global trade policies; worldwide political stability and economic conditions, particularly in Asia; price escalation trends; changing priorities or reductions in the U.S. Government defense and space budgets; termination of government contracts due to unilateral government action or failure to perform; and legal proceedings. Additional information regarding these factors is contained in the Company's Annual Report on Form 10-K for the year ended 1997 and Form 10-Q for the quarterly periods ended March 31, 1998 and June 30, 1998.

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