Boeing Realigns Defense, Intelligence and Space Businesses

Forms $23 billion Integrated Defense Systems business

Jim Albaugh to head St. Louis-based unit

Concentrates on integrated solutions and network-centric markets

Organizes to be customer-facing

Boeing (NYSE: BA) announced the creation of Integrated Defense Systems, a $23 billion business merging the company's total space, defense, government, intelligence and communications capabilities into one business unit. Jim Albaugh, 52, has been named president and CEO of Boeing Integrated Defense Systems. The new organization will be headquartered in St. Louis, with 78,600 employees worldwide.

"Integrated solutions -- joining network-centric information with integrated military air, land, sea and space-based platforms -- is the direction modern defense systems are moving," said Boeing Chairman and CEO Phil Condit. "The platforms our government customers are buying today will be more and more integrated in the future.

"Therefore, we are changing our internal structure to bring together those who work on integrated systems and those who design and build platforms. In simple terms, we are aligning our business today with the way we believe future systems are going to be designed, acquired and maintained," Condit said. "We will also strengthen our customer-driven focus, capitalize on our broad-based capabilities and better target advanced marketing and R&D opportunities."

"As the head of our former Space and Communications unit, Jim Albaugh led our teams in recent wins for the U.S. Army's Future Combat System and Joint Tactical Radio System programs. These wins validated our network-centric strategy of integrating the various elements of the battlespace to provide real-time connectivity and situational awareness," Condit said. "In this new organization we have assembled the necessary communications, intelligence, surveillance and reconnaissance capabilities as well as platform knowledge to be the preeminent government systems company in the world."

Organization

Concurrent with the announcement of the new organization , a new series of top-level leaders within the new Integrated Defense Systems unit were named:

- John Lockard, 58, vice president and general manager, Navy Systems, St. Louis
- George Muellner, 59, vice president and general manager, Air Force Systems, Long Beach, Calif.
- Jim Albaugh, (Acting) vice president and general manager, Army Systems, (location to be named later)
- Mike Mott, 52, vice president and general manager, Human Space Flight, Houston
- Jim Evatt, 61, vice president and general manager, Missile Defense Systems, Washington, DC
- Rick Stephens, 49, vice president and general manager, Homeland Defense, Seal Beach, Calif.
- Roger Roberts, 55, vice president and general manager, Space and Intelligence Systems, Seal Beach, Calif.
- Bill Collopy, 52, vice president and general manager, Commercial Space Systems, Seal Beach, Calif.
- David Spong, 62, vice president and general manager, Aerospace Support, St. Louis

In order to ensure integration across the customer-facing businesses, two integrating organizations have been established:

- Carl O'Berry, 66, vice president, Strategic Architecture
- Ron Prosser, 55, vice president, Advanced Integrated Defense Systems. Prosser will report also to the president of Phantom Works.

Boeing also announced the promotion of Bob Krieger to president of Phantom Works, Boeing's internal technology and advanced research and development organization. He replaces George Muellner, who is becoming Integrated Defense Systems' vice president and general manager of Air Force Programs.

Performance

Although these changes will be effective immediately, there will a transition period as the integration of this organization takes place. "Our foremost focus must be, and will be, to continue performing in an outstanding manner on our current government programs as we align for the future," Condit said. "We have a strongly held belief that to be a great company, you must have a strong, robust strategy and superb execution. This strategic alignment does not change our dedication to both."

Leadership

The creation of Integrated Defense Systems combines all the capabilities and programs formerly under Military Aircraft and

Missile Systems, headquartered in St. Louis, with Space and Communications, headquartered in Seal Beach. The new unit will have concentrated operations in St. Louis; Southern California; Seattle; Houston; Huntsville, Ala.; the Space Coast of Florida; San Antonio, Texas; and Washington, D.C.

Jerry Daniels, the president and CEO of Military Aircraft and Missile Systems since May 2000, has elected to retire and will assist Albaugh in the merger transition. "We are grateful for Jerry's 23 years of service to McDonnell Douglas and Boeing," Condit said. "As the former program manager for the F/A-18 Super Hornet, he brought this new carrier jet into U.S. Navy service on time and under budget. Under his leadership the Military Aircraft and Missile Systems unit has established a world class reputation for lean manufacturing and demonstrated strong financial performance."

Albaugh has led Boeing's Space and Communications unit since April 1998. A former president of Rocketdyne, Rockwell's rocket engine unit, he joined Boeing when the Rockwell aerospace and defense businesses were acquired in 1996. Under his leadership, Space and Communications has grown to be the world leader in several key markets -- including commercial and government communication satellites, airborne surveillance and reconnaissance, human space flight and missile defense -- with a significant position in launch services and classified programs.

Capabilities

Boeing Integrated Defense Systems will be a provider of integrated battlespace solutions for military services around the world. It will continue to expand its leadership role in providing system-of-systems solutions to customers by closely aligning its platform business with its network-centric activities. By doing so, Integrated Defense Systems can design into product offerings the capability to link to the network and as a result provides greater value to its customers.

The unit will design, produce, modify and support a wide range of fighters, transports, aerial tankers, bombers, rotorcraft, surveillance and sensor platforms, missiles and munitions. Along with the F-15, F/A-18, C-17 and various helicopters, Boeing is already flying an experimental unmanned combat air vehicle and sees a wide range of applications for this technology in the future.

The extraordinary range of Boeing Integrated Defense Systems' related products and services includes missile defense, the National Reconnaissance Office's Future Imagery Architecture program, airborne lasers, battlefield management and several advanced intelligence, surveillance and reconnaissance programs. The unit is NASA's largest supplier and the systems integrator of the International Space Station. It produces a variety of satellites, provides human space flight and launch services support, builds and launches a family of Delta rocket vehicles, is a partner in Sea Launch, and produces advanced rocket propulsion systems.

Boeing Integrated Defense Systems will also serve commercial satellite and launch customers, and will be closely aligned with Phantom Works.

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