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Boeing (NYSE:BA) and the U.S. Army have signed an agreement to provide up to \$6.4 billion in additional funding for the System Development and Demonstration (SDD) phase of the Future Combat Systems (FCS) program.

The modification to the existing agreement for the SDD phase and additional funding enables the FCS program to expand its scope and to accelerate delivery of FCS technologies and capabilities to current forces.

"This agreement underscores the importance of the new capabilities we are developing for the nations' warfighters," said Roger Krone, senior vice president, Boeing Army Systems. "In our role as the Lead Systems Integrator team for FCS, we will continue working closely with our defense industry partners to help the Army address current and future challenges."

The expansion of the program's SDD phase will be accomplished by adding four distinct "spirals" of capabilities for current forces. It also will fully fund the FCS network and its 18 core systems including four systems which were previously deferred. The changes to the program will allow the Army to field accelerated capabilities beginning in 2008, to add FCS capabilities to more than 30 modular brigades through 2014 and to field the first fully-equipped FCS Unit of Action in 2014.

"This is a strong endorsement of our partnership with the Army and our performance on FCS," said Dennis Muilenburg, vice president and general manager of FCS for Boeing. "Our new task requires us to get these critical capabilities to our warfighters even faster. Working closely with our FCS One Team industry partners, we have demonstrated we are ready for the challenge."

Boeing and Science Applications International Corporation (SAIC) are partnered as the Lead System Integrator (LSI) team for FCS. In this role, Boeing and SAIC function as a "general contractor" for the Army and are responsible for total system-of-systems engineering and integration, development of the core network and architecture, and identification, selection and procurement of the program's major systems and subsystems.

In May 2003, the Defense Acquisition Board approved the FCS program's entrance into the SDD phase. In December 2003, Boeing and the U.S. Army signed a definitized \$14.78 billion Other Transaction Agreement (OTA) for the SDD phase of the FCS program following six months of effort by a U.S. Army/Boeing team to complete detailed planning and establish programmatic and technical baselines. The agreement announced today sets a ceiling of \$6.4 billion for the modification of the existing OTA. Program officials expect the agreement to be definitized in early 2005.

FCS is a networked "system-of-systems" combining advanced communications and technologies to link soldiers with both manned and unmanned ground and air platforms and sensors. As the basis for the Department of Defense's visionary transformation plan, FCS will significantly increase the Army's agility and reduce logistics requirements, allowing it to go anywhere and to overcome any adversary. FCS is also designed from the ground up to enhance joint operations and coordination between U.S. and coalition forces.

A unit of The Boeing Company, Integrated Defense Systems is one of the world's largest space and defense businesses. Headquartered in St. Louis, Boeing Integrated Defense Systems is a \$27 billion business, providing systems solutions to its global military, government and commercial customers. It is a leading provider of intelligence, surveillance and reconnaissance; the world's largest military aircraft manufacturer; the world's largest satellite manufacturer and a leading provider of space-based communications; the primary systems integrator for U.S. missile defense; NASA's largest contractor; and a global leader in launch services.

SAIC is the nation's largest employee-owned research and engineering company, providing information technology, systems integration and eSolutions to commercial and government customers. SAIC engineers and scientists work to solve complex technical problems in national and homeland security, energy, the environment, space, telecommunications, healthcare, transportation and logistics. With annual revenues of \$6.7 billion, SAIC and its subsidiaries have more than 43,000 employees at offices in more than 150 cities worldwide. More information can be found at the SAIC web site.

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