

Boeing Integrated Defense Systems

Our Integrated Defense Systems businesses continued strong operational performance in an increasingly dynamic environment.

Integrated Defense Systems continued to deliver industry-leading earnings from operations in 2005 on a balanced portfolio of defense, intelligence and space programs. By anticipating and adjusting to the current market environment and through our ongoing efforts to bring together the best of Boeing and global industry, we continue to maintain an \$80 billion backlog, the largest in our industry.

Key accomplishments on development programs demonstrated a strong focus

on execution. On the U.S. Army's Future Combat System program, we completed the System of Systems Functional Review last year, meeting 100 percent of more than 200 closure criteria. For the U.S. Navy, we're combining the performance and reliability of the Boeing 737 with the capabilities of our defense and electronic systems to deliver a superior surveillance aircraft, the P-8A Multi-mission Maritime Aircraft. On the EA-18G program, our Navy customer rewarded us with outstanding award fees as the program continues to make excellent progress on all performance requirements on schedule and under budget.

We are also performing well on production and support

Moderating defense budgets, and current military operations in Iraq and Afghanistan, as well as the ongoing global war on terror, are putting a premium on delivering affordable solutions to today's warfighter. We are responding to the current environment by working with our customers, partners and suppliers to drive Lean principles across current development and production programs. We are also working to develop products and services in the most effective ways possible by ensuring the right technologies and processes are on hand to deliver cost-effective solutions needed for the future.

We also expect that the U.S. Department of Defense will respond to moderating

peerless performance

programs. We delivered 42 F/A-18 Super Hornets and 16 C-17 Globemasters, and we continue to be well ahead of contract schedule on both programs. The first of 40 F-15K strike fighters were flown to the Republic of Korea, and we captured an order for 12 F-15SGs for Singapore. Working closely with our U.S. Army customer, we've returned 20 Apaches to the U.S. inventory within an average of 64 days after the aircraft returned from service in Afghanistan and Iraq.

We see three areas for future growth: networking and space systems, support and sustainment, and precision engagement and mobility.

defense budgets by selectively bringing on new systems and placing greater emphasis on supporting and sustaining today's fighting force and systems. We are working with customers and developing leaders with the skills and knowledge to leverage new and emerging networking technologies that will make existing platforms such as the F-15 Eagle, F/A-18 Hornet, C-17 Globemaster III, AH-64 Apache and CH-47 Chinook more capable and valuable in the future. Those enhancements position us well to meet the near- and mid-term precision engagement and global mobility requirements of our customers.





▲ The Future Combat System (FCS) program modified this High-Mobility Multipurpose Wheeled Vehicle (HMMWV) with integrated Command and Control components. The vehicle is demonstrating and testing the seamless integration of FCS vehicles, software and networking. ◀ Left: The C-17's ability to operate from short, austere, even dirt airstrips makes it the airlifter of choice in global mobility. ◀ Far Left: The F/A-18E/F Super Hornet is a next-generation, true multirole strike fighter that can satisfy the tactical mission requirements of any navy or air force.