

Boeing has accelerated F-15K aircraft deliveries to the Republic of Korea. To date, 18 F-15Ks have been delivered — six more than the original contract called for — leaving 22 aircraft to be delivered through 2008 and illustrating both commitment to our customers and growth opportunities for IDS in the international marketplace.

With a marriage of innovation and forward thinking, Boeing has become one of the world's largest and best-performing defense businesses.

We grew this business by 50 percent during the past six years, having booked \$190 billion in orders during that time. Strong performance continued to be the hallmark across our diverse portfolio in 2006; we received positive customer reviews on the C-17, F/A-18E/F, F-15, Apache, Chinook and other weapons systems. We also achieved significant milestones during the year on development efforts, including Future Combat Systems, Ground-Based Midcourse Defense, Airborne Laser and various military satellite programs. Revenues grew four percent to \$32.4 billion, with operating earnings of \$3 billion.

A decade into the strategic evolution that shaped our defense and space sector, Boeing continues to address changing global markets and shifting customer requirements. This adaptability has created new opportunities, including an increased customer emphasis on network-centric capabilities and less reliance on sheer numbers of planes, ships and tanks.

Boeing Integrated Defense Systems is built upon delivering capabilities that are focused on meeting customer needs. We have been entrusted with and are successfully developing advanced, integrated systems like the U.S. Army's Future Combat Systems, the U.S. Navy's P-8A Poseidon multi-mission maritime patrol aircraft and the U.S. Air Force's next-generation communications satellite constellation.

We are also now providing optimal, low-risk and time-sensitive solutions while remaining intensely focused on execution and productivity.

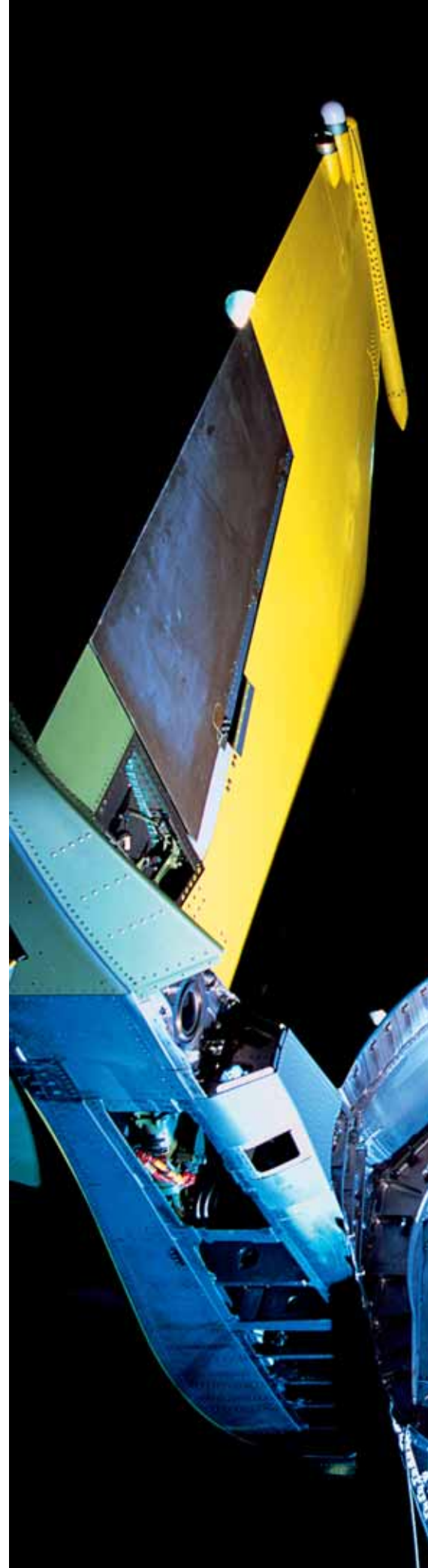
This approach led to the U.S. Air Force's selection in 2006 of the HH-47 Chinook for the Combat Search and Rescue Helicopter program. It also led to Boeing entering the global border-security market by winning the U.S. Department of Homeland Security Secure Border Initiative technology development program.

In today's volatile geopolitical and budget environments, industry leadership means anticipating customer needs and rapidly developing and deploying next-generation systems.

The proof of our success can be found in several cases, including two major milestones achieved with our customers and industry partners in 2006. Less than three years after contract award, the first operational Small Diameter Bomb was fielded by the U.S. Air Force, and the first two EA-18G electronic warfare aircraft were delivered to the U.S. Navy for testing.

Boeing is also evolving its support business from providing spares and repairs to providing operational readiness through enhanced capabilities, training and performance-based logistics.

Continued long-term growth will come from executing our backlog and working with our customers to evolve the benefits of network-centric operations, where we are helping them move beyond the ability to rapidly deploy and respond to threats, to anticipating and preventing threats from developing.



Integrated Defense Systems

