

unidentified contamination. Although not considered probable, should we incur remediation charges at the high level of the range of potential exposure, the additional charges would be less than 2% of historical annual revenues.

As part of the 2004 purchase and sale agreement with General Electric Capital Corporation related to the sale of BCC's Commercial Financial Services business, we are involved in a loss sharing arrangement for losses that may exist at the end of the initial financing terms of transferred portfolio assets, or, in some instances, prior to the end of the financing term, such as certain events of default and repossession. The maximum exposure to loss associated with the loss sharing arrangement is \$218. As of December 31, 2006 and 2005, the accrued liability under the loss sharing arrangement was \$78 and \$81.

Due to lack of demand for the 717 and 757 airplanes, we have concluded production of these airplanes. The last 717 and 757 airplanes were delivered in the second quarter of 2006 and 2005, respectively. The following table summarizes the termination liability remaining in Accounts payable and other liabilities.

Termination liability	December 31, 2005	Payments	Change in Estimate	Other*	December 31, 2006
Supplier termination	\$239	\$(190)	\$(4)		\$45
Production disruption and shutdown related	3				3
Pension/ postretirement related	43		4	\$(47)	
Severance	19	(11)	1		9
<b>Total</b>	<b>\$304</b>	<b>\$(201)</b>	<b>\$ 1</b>	<b>\$(47)</b>	<b>\$57</b>

\*Represents transfer to prepaid pension expense.

The above liability was determined based on available information and we make revisions to our estimates accordingly as new information becomes available.

The Boeing-built NSS-8 satellite was declared a total loss due to an anomaly during launch on January 30, 2007. The NSS-8 satellite was insured for \$200. We believe the NSS-8 loss was the result of an insured event and have so notified our insurance carriers.

As of December 31, 2006, we have delivered 159 of the 190 C-17s ordered by the USAF, with final deliveries scheduled for 2009. Despite pending orders, which would extend deliveries of the C-17 to mid-2009, it is reasonably possible that we will decide in 2007 to suspend work on long-lead items from suppliers and/or to complete production of the C-17 if further orders are not received. We are still evaluating the full financial impact of a production shutdown, including any recovery that would be available from the government.

We have entered into standby letters of credit agreements and surety bonds with financial institutions primarily relating to the guarantee of future performance on certain contracts. Contingent liabilities on outstanding letters of credit agreements and surety bonds aggregated approximately \$4,368 as of December 31, 2006 and approximately \$3,957 at December 31, 2005.

#### Note 24 – Segment Information

We operate in five principal segments: Commercial Airplanes; Precision Engagement and Mobility Systems, Network and Space Systems, and Support Systems, collectively IDS; and BCC. All other activities fall within the Other segment, principally made up of Engineering, Operations and Technology (formerly, Boeing Technology), Connexion by Boeing<sup>SM</sup> and our Shared Services Group. On August 17, 2006, we announced that we would exit the Connexion by Boeing<sup>SM</sup> high speed broadband communications business having completed a detailed business and market analysis. (See Note 9). Our primary profitability measurements to review a segment's operating results are earnings from operations and operating margins. See page 45 for Summary of Business Segment Data, which is an integral part of this Note.

Our Commercial Airplanes operation principally involves development, production and marketing of commercial jet aircraft and providing related support services, principally to the commercial airline industry worldwide.

Our IDS operations principally involve research, development, production, modification and support of the following products and related systems: military aircraft, both land-based and aircraft-carrier-based, including fighter, transport and attack aircraft with wide mission capability, and vertical/short takeoff and landing capability; helicopters and missiles, space systems, missile defense systems, satellites and satellite launching vehicles, and information and battle management systems. Although some IDS products are contracted in the commercial environment, the primary customer is the U.S. Government.

In 2006, we realigned IDS into three capabilities-driven businesses: Precision Engagement and Mobility Systems, Network and Space Systems, and Support Systems. As part of the realignment, certain advanced systems and research and development activities previously included in the Other segment transferred to the new IDS segments. Business segment data for all periods presented has been adjusted to reflect the new segments.

**Precision Engagement and Mobility Systems**

Programs in this segment include AH-64 Apache, CH-47 Chinook, C-17, EA-18G, F/A-18E/F, F-15, F-22A, Joint Direct Attack Munition, P-8A Poseidon, formerly Multi-mission Maritime Aircraft, Small Diameter Bomb, V-22 Osprey, 737 AEW&C, and 767 Tanker.

**Network and Space Systems**

Programs in this segment include Future Combat Systems, Joint Tactical Radio System, and Family of Beyond Line-of-Sight Terminals, which are helping our military customers transform their operations to be network-centric; launch exploration and satellite products and services including the Space Shuttle, International Space Station, and Delta launch services; and missile defense programs including Ground-based Midcourse Defense and Airborne Laser. Also included are military satellite programs and Proprietary programs.

**Support Systems**

Program areas in this segment include Integrated Logistics (AH-64 Apache, C-17, CH-47 Chinook, E-6, F/A-18), Maintenance, Modifications and Upgrades (B-52, C-130 Avionics Modernization Program, KC-10, KC-135, T-38), and Training Systems and Services (AH-64 Apache, C-17, F/A-18, F-15, T-45).

Our BCC segment is primarily engaged in supporting our major operating units by facilitating, arranging, structuring and providing selective financing solutions to our customers and managing our overall financial exposures.

Engineering, Operations and Technology is an advanced research and development organization focused on innovative technologies, improved processes and the creation of new products. Financing activities other than BCC, consisting principally of four C-17 transport aircraft under lease to the UKRAF, are included within the Other segment classification.

While our principal operations are in the United States, Canada, and Australia, some key suppliers and subcontractors are located in Europe and Japan. Revenues by geographic area consisted of the following:

Year ended December 31,	2006	2005	2004
Asia, other than China	\$10,663	\$ 5,554	\$ 6,068
China	2,659	3,154	1,720
Europe	5,445	3,312	4,204
Oceania	1,206	1,283	932
Africa	967	961	604
Canada	660	748	582
Latin America, Caribbean and other	1,431	629	680
	<b>23,031</b>	15,641	14,790
United States	38,499	37,980	36,610
Total revenues	<b>\$61,530</b>	\$53,621	\$51,400

Commercial Airplanes segment revenues were approximately 73%, 76%, and 75% of total revenues in Europe and approximately 78%, 77% and 90% of total revenues in Asia, excluding China, for 2006, 2005 and 2004, respectively. IDS revenues were approximately 22%, 20% and 21% of total revenues in Europe and approximately 21%, 22% and 8% of total revenues in Asia, excluding China, for 2006, 2005 and 2004, respectively. Exclusive of these amounts, IDS revenues were principally to the U.S. Government and represented 46%, 51% and 56% of consolidated revenues for 2006, 2005 and 2004. Approximately 10% of operating assets are located outside the United States.

The information in the following tables is derived directly from the segments' internal financial reporting used for corporate management purposes.

**Research and Development Expense**

Year ended December 31,	2006	2005	2004
Commercial Airplanes	\$2,390	\$1,302	\$ 941
Integrated Defense Systems:			
Precision Engagement and Mobility Systems	404	440	420
Network and Space Systems	301	334	357
Support Systems	86	81	57
Total Integrated Defense Systems	791	855	834
Other	76	48	104
	<b>\$3,257</b>	\$2,205	\$1,879

**Depreciation and Amortization**

Year ended December 31,	2006	2005	2004
Commercial Airplanes	\$ 263	\$ 396	\$ 460
Integrated Defense Systems:			
Precision Engagement and Mobility Systems	141	161	145
Network and Space Systems	231	283	277
Support Systems	38	24	23
Total Integrated Defense Systems	410	468	445
Boeing Capital Corporation	247	257	226
Other	60	40	51
Unallocated	579	365	342
	<b>\$1,559</b>	\$1,526	\$1,524

We recorded earnings from operations associated with our equity method investments of \$50, \$0, and \$8 in our Commercial Airplanes segment and \$96, \$88, and \$85 primarily in our N&SS segment for the years ended December 31, 2006, 2005 and 2004, respectively.

## Notes to Consolidated Financial Statements

For segment reporting purposes, we record Commercial Airplanes segment revenues and cost of sales for airplanes transferred to other segments. Such transfers may include airplanes accounted for as operating leases and considered transferred to the BCC segment and airplanes transferred to the IDS segment for further modification prior to delivery to the customer. The revenues and cost of sales for these transfers are eliminated in the Accounting differences/eliminations caption. In the event an airplane accounted for as an operating lease is subsequently sold, the 'Accounting differences/eliminations' caption would reflect the recognition of revenue and cost of sales on the consolidated financial statements. For segment reporting purposes, we record IDS revenues and cost of sales for the modification performed on airplanes received from Commercial Airplanes when the airplane is delivered to the customer or at the attainment of performance milestones.

Intersegment revenues, eliminated in Accounting differences/eliminations are shown in the following table.

Year ended December 31,	2006	2005	2004
Commercial Airplanes	\$826	\$640	\$638
Boeing Capital Corporation	131	57	33
Other	5	3	9
<b>Total</b>	<b>\$962</b>	<b>\$700</b>	<b>\$680</b>

### Unallocated Expense

Unallocated expense includes costs not attributable to business segments. Unallocated expense also includes the impact of cost measurement differences between GAAP and federal cost accounting standards as well as intercompany profit eliminations. The most significant items not allocated to segments are shown in the following table.

Year ended December 31,	2006	2005	2004
Share-based plans expense	\$ (680)	\$ (999)	\$ (627)
Deferred compensation expense	(211)	(186)	(54)
Pension	(369)	(846)	27
Postretirement	(103)	(5)	(285)
Capitalized interest	(48)	(47)	(48)
Other	(322)	(324)	(324)
<b>Total</b>	<b>\$(1,733)</b>	<b>\$(2,407)</b>	<b>\$(1,311)</b>

Unallocated assets primarily consist of cash and investments, prepaid pension expense, net deferred tax assets, capitalized interest and assets held by our Shared Services Group as well as intercompany eliminations. Unallocated liabilities include various accrued employee compensation and benefit liabilities, including accrued retiree health care, net deferred tax liabilities and income taxes payable. Debentures and notes payable are not allocated to other business segments except for the portion related to BCC. Unallocated capital expenditures relate primarily to Shared Services Group assets and segment assets managed by Shared Services Group, primarily IDS.

Segment assets, liabilities, capital expenditures and backlog are summarized in the tables below.

### Assets

As of December 31,	2006	2005	2004
Commercial Airplanes	\$10,296	\$ 7,145	\$ 7,343
Integrated Defense Systems:			
Precision Engagement and			
Mobility Systems	4,769	4,759	3,880
Network and Space Systems	7,206	8,953	8,888
Support Systems	2,696	1,875	1,482
<b>Total Integrated Defense Systems</b>	<b>14,671</b>	<b>15,587</b>	<b>14,250</b>
Boeing Capital Corporation	7,987	9,216	9,678
Other	6,923	6,501	7,250
Unallocated	11,917	21,547	17,703
<b>Total</b>	<b>\$51,794</b>	<b>\$59,996</b>	<b>\$56,224</b>

### Liabilities

As of December 31,	2006	2005	2004
Commercial Airplanes	\$13,109	\$10,979	\$ 6,932
Integrated Defense Systems:			
Precision Engagement and			
Mobility Systems	3,879	3,888	3,577
Network and Space Systems	1,571	2,992	3,227
Support Systems	1,359	1,013	883
<b>Total Integrated Defense Systems</b>	<b>6,809</b>	<b>7,893</b>	<b>7,687</b>
Boeing Capital Corporation	6,082	6,859	7,509
Other	368	385	761
Unallocated	20,687	22,821	22,049
<b>Total</b>	<b>\$47,055</b>	<b>\$48,937</b>	<b>\$44,938</b>

### Capital Expenditures

Year ended December 31,	2006	2005	2004
Commercial Airplanes	\$ 838	\$ 622	\$ 374
Integrated Defense Systems:			
Precision Engagement and			
Mobility Systems	201	237	176
Network and Space Systems	70	174	230
Support Systems	38	30	31
<b>Total Integrated Defense Systems</b>	<b>309</b>	<b>441</b>	<b>437</b>
Boeing Capital Corporation			
Other	58	65	68
Unallocated	476	419	367
<b>Total</b>	<b>\$1,681</b>	<b>\$1,547</b>	<b>\$1,246</b>

### Contractual Backlog (Unaudited)

Year ended December 31,	2006	2005	2004
Commercial Airplanes	\$174,276	\$124,132	\$ 65,482
Integrated Defense Systems:			
Precision Engagement and			
Mobility Systems	24,988	21,815	21,539
Network and Space Systems	8,001	6,324	10,923
Support Systems	9,302	8,366	6,834
<b>Total Integrated Defense Systems</b>	<b>42,291</b>	<b>36,505</b>	<b>39,296</b>
<b>Total</b>	<b>\$216,567</b>	<b>\$160,637</b>	<b>\$104,778</b>