

Look to EDO

2006 Summary Annual Report



EDO Corporation designs and manufactures a diverse range of products for aerospace, defense, intelligence, and commercial markets, and provides related engineering and professional services. We serve all branches of the military, as well as international markets. Our advanced systems are at the core of the transformation to lighter, faster, and smarter defense capabilities.

EDO has a market-driven organizational structure, focused on six key markets that we believe will provide above-average growth. These are market sectors in which the company has industry-leading technology, a solid foundation of products . . . coupled with long and trusted relationships . . . across multiple customers, and a high potential for further development.

We have aligned these six market sectors into two reporting segments:

Reporting Segment: Engineered Systems and Services

Market Sectors

- Professional and Engineering Services
- Integrated Systems and Structures
- Undersea Warfare

Reporting Segment: Electronic Systems and Communications

Market Sectors

- C4 (Command, Control, Communications and Computers)
- Electronic Warfare
- Intelligence and Information Warfare

This Summary Annual Report describes examples of our diverse base of engineering-driven products and introduces some of the individuals responsible for our past success and our confidence in the future.

EDO Corporation was founded in 1925 and employs 4,000 people.

About the Cover

EDO has made substantial investments in recent years to upgrade facilities and install the sophisticated equipment needed to produce high-performance products. A typical example is this autoclave used in the production of composite structures for modern aircraft. The decision to purchase this autoclave opens the door to a number of potential programs.

Pictured are (left to right) Team Leader Bob Smith, Structures Product Supervisor Jeff Mabey, and Manager of Engineering Liz Davis. They are moving a large aircraft-component mold into the autoclave, where the product will be cured under pressure.

Financial Highlights

	2006	2005	2004	2003	2002	2001
Net Sales:						
Electronic Systems and Communications	\$ 388,712	408,217	273,306	221,554	163,193	118,907
Engineered Systems and Services	\$ 326,485	240,265	262,867	239,113	165,683	141,054
Total	\$ 715,197	648,482	536,173	460,667	328,876	259,961
Operating Earnings	\$ 20,848	53,279	52,801	30,928	29,385	27,076
Net Interest Expense	\$ (9,496)	(7,120)	(7,848)	(8,152)	(4,956)	(2,216)
Net Earnings Available for Common Shares	\$ 11,577	26,269	29,068	14,809	10,629	14,758
Capital Expenditures	\$ 18,946	23,718	14,206	8,865	7,093	14,298
Company Funded R&D Expense	\$ 14,029	17,122	11,620	8,594	8,492	8,750
Funded Backlog	\$ 804,427	558,685	474,605	462,327	375,029	294,812
Shareholders' Equity	\$ 274,916	239,893	211,928	190,332	168,273	174,498
EBITDA, as adjusted*	\$ 52,387	78,060	75,035	66,807	51,184	37,037
Cash Flow from Operations	\$ 13,244	44,823	25,687	17,574	31,917	14,097
Average Common Shares - Diluted**	18,645	23,001	22,377	17,561	17,379	14,254
Earnings per Diluted Common Share:						
Continuing Operations	\$ 0.62	1.33	1.49	0.76	0.81	1.09
Discontinued Operations	-	-	-	0.08	-	0.02
Cumulative Effect of a Change in Accounting Principle	-	-	-	-	(0.20)	-
Net Earnings per Diluted Common Share	\$ <u>0.62</u>	<u>1.33</u>	<u>1.49</u>	<u>0.84</u>	<u>0.61</u>	<u>1.11</u>
Cash Dividends per Common Share	\$ <u>0.12</u>	<u>0.12</u>	<u>0.12</u>	<u>0.12</u>	<u>0.12</u>	<u>0.12</u>

* Excludes non-cash pension, ESOP, and acquisition-related retention expenses.

** The "Average Common Shares - Diluted" does not represent the actual number of shares outstanding. Rather, it represents the number of shares used to calculate diluted earnings per share under Generally Accepted Accounting Principles (GAAP).

To Our Shareholders

EDO Corporation is a rapidly growing business enterprise. As we approach the \$1 billion milestone in 2007, we will have increased our revenue base ten-fold since early 2000 when the company was transformed by the merger with AIL Technologies. This transformation is not without its growing pains, and some of them were evident in 2006.

Although we continued to achieve strong revenue growth, earnings were below our expectations due partly to externally-driven events but also to operational issues. We have addressed the operational issues, and we look forward to significant improvements in 2007.

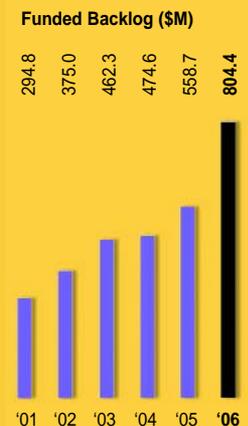
In spite of the disappointing earnings, it was a year of tremendous progress in our goal of building a major presence in the aerospace and defense industry. We acquired two excellent companies, made technological breakthroughs in developing new products, opened three new facilities, and both strengthened and streamlined our management team. We have a significantly larger and more diverse customer base than ever in our history.

A Review of 2006

Our 10.3 percent increase in revenue was achieved through a combination of acquisitions and organic growth. However, much of this progress was offset by a decline in sales of electronic-force-protection systems. Revenue from this product line was \$30 million in 2006, versus \$144 million in 2005. This revenue decline resulted in a reduction in operating earnings of approximately \$22 million, due to unabsorbed overhead, and labor and severance costs. This was the most significant reason for the company's overall earnings decline in 2006 compared to 2005.

Organic Growth

Excluding electronic-force-protection systems, organic revenue growth for all other business in 2006 was 13 percent. This far exceeded our target range of eight to ten percent. The strongest contributor was our growing line of battlefield-communications products.



Investing for the Future

It was also a year of substantial investment for the future. While some of our investment decisions tend to reduce profit margins in the short term, they are the primary source of long-term production contracts. Unanticipated costs on certain large development projects reduced earnings by about \$12 million.

For example, we have invested significant resources into the development of an industry-leading sonar system known as ALOFTS. We want to maintain the core intellectual property created for this system, so its development costs have been absorbed by EDO. However, we now have technology that we believe will be in great demand against the growing threat of ultra-quiet new submarines.

And in the field of electronic force protection, we continue to have leading technology, not withstanding the severe fluctuations in order volumes that we have experienced over the past three years. Clearly, protection against remotely-controlled explosive devices will remain a high priority for the foreseeable future. We are investing financial and engineering resources to maintain our leading capabilities in this area.

The project with the greatest potential for future revenue is the aircraft-armament system that we are developing for the F-35 Lightning II. There is potential for more than \$2 billion in revenue for EDO over the aircraft's expected production lifetime. Furthermore, we have been winning additional content on the F-35, including antenna systems and composite structures.

Strategic Partners

Other long-term development efforts include the integration of advanced composite structures and armament systems for unmanned aerial vehicles, such as our work with General Atomics on the MQ-9 Predator B. Like so many of EDO's early-stage development contracts, this offers an opportunity for long-term production on a promising platform of the future.

We are working with a number of other strategic partners as well. In 2006, we joined forces with the Danish firm Terma A/S to develop Enhanced Smart Triple Ejector Racks. The ESTER program upgrades existing Triple Ejector Racks by adding the capability to carry modern "smart" weapons that operate on the F-16 Fighting Falcon. The F-16 has been in production by Lockheed Martin for more than 25 years and is used in at least 24 countries. Over 4,000 aircraft have been produced, offering the EDO/Terma team a substantial potential market for upgrading to ESTER. We believe the investment made in 2006 will be repaid many times over in the years ahead.

Modern Facilities

Our investments also included the opening of three modern facilities to accommodate business expansion. The largest of these was in Charleston, SC, where we opened a new 50,000 square foot facility, replacing two smaller plants. We are now in full production under our \$240 million Transition Switch Module (TSM) program, a key component of the Marine Corps network-centric battlefield-communications strategy. We also produce the Joint Enhanced Core Communication System (JECCS), a mobile telecommunications “central office”, mounted on a Humvee. JECCS links with the Defense Information Systems Network (DISN) to give Marines full access to deployed communications networks.

In August, we opened a new facility that will support the Naval Surface Warfare Center in Panama City, FL. The 32,000 square-foot facility is located near this customer, allowing us to more effectively support existing mine-countermeasure systems as well as develop new technology. This facility has already generated more than \$68 million in new contracts from the Navy.



Pictured left to right:

Matt Miller
Director of Operations, Panama City
EDO Corporation

James M. Smith
Chairman, President and CEO
EDO Corporation

Congressman Allen Boyd

Mayor Lauren DeGeorge
Panama City, Florida

Commander Captain Vito Jimenez
Naval Surface Warfare Center

In early 2006, we upgraded our operations in Pennsylvania to a new 26,000 square-foot facility to accommodate the growth in electronic control systems, especially for our “smart rack” components on fighter jets. These include the BRU-55 bomb-release unit for the F-18 and the BRU-57 for the F-16.

The company now operates 45 facilities in 20 states across the country and in the U.K. We have modern, efficient operations that will support the continued growth that we expect in the years ahead.

Acquisitions

Perhaps the most significant accomplishment of 2006 was the acquisition of two companies that are adding about \$250 million in annual revenue and have become the foundation for two of our six business sectors.

CAS, Inc is a professional and engineering services company headquartered in Huntsville, Alabama. With CAS, we have tripled the size of our service revenues and substantially increased our scope of work with the Army.

For example, CAS provides system engineering and analysis support for theater missile defense, air defense, aviation, and land-combat missile systems, such as the PATRIOT missile program. The current PATRIOT support contract, valued at up to \$377 million, was awarded in October 2003 and extends until October 2008.

The second acquisition, IMPACT Science & Technology, provides data collection and storage systems, software products, and systems engineering and analysis services for the intelligence community. IST also provides advanced radar countermeasures, electronic attack and information warfare systems for the DoD and other government agencies.

These companies are excellent examples of the acquisitions that we are seeking. They are technology leaders, run by strong management teams that share our corporate culture and want to continue to grow their businesses. We will continue to seek out high-quality companies like CAS and IST.

Key Organizational Changes

In last year's Annual Report, I introduced our new management structure, based on five market-driven "sectors." As a result of our recent acquisitions, we added a sixth sector in 2006 – Intelligence and Information Warfare. It consists of IMPACT Science & Technology, acquired in September, and EVI and NexGen, acquired in 2005. These combined businesses give us a very strong position with customers in the intelligence community, which is a priority that was established through our strategic planning process.

Standing left to right:

Eduardo Palacio
Sector Vice President
Electronic Warfare

John Vollmer
Sector Vice President
C4

William Arnold
Sector Vice President
Undersea Warfare

Seated left to right:

Warren Murrin
Sector Vice President
Intelligence & Information Warfare

James Barber
Sector Vice President
Integrated Systems & Structures

Charles Vaughn
Sector Vice President
Professional & Engineering Services



We have also substantially strengthened our Professional and Engineering Services (PES) sector with the acquisition of CAS, Inc, also completed in September. PES is now under the leadership of the proven CAS senior management team.

EDO's other four operating sectors are: Integrated Systems and Structures; Electronic Warfare; C4 (Command, Control, Communications and Computers); and Undersea Warfare. These are all market sectors in which the company has advanced technology, a solid foundation of products across multiple customers, and a high potential for further development. Examples of each sector are illustrated in this Annual Report.

Profit Margins

As a result of the investments, operational improvements, and new products added in 2006, we anticipate a substantial improvement in revenue and earnings in the years ahead.

Also, many of the events that reduced earnings in 2006 have been addressed and are not expected to recur. These include two legal matters that reduced earnings by \$5 million, and a \$1.5 million write-off of intangible assets for our rugged computer product line.

In terms of EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization, adjusted for non-cash ESOP, pension, and acquisition-related retention expense), which is a common industry metric for evaluating our basic profitability, we are forecasting margins of approximately 10.5 to 11.5 percent in 2007.

Net income was affected by the increased debt related to our acquisitions. However, we are working intently on increasing free cash flow, and as a result expect to make substantial progress on debt reduction in 2007.

Look To EDO

In 2006, we launched a company-wide advertising campaign urging customers to "Look to EDO" for engineering excellence. Having completed 11 acquisitions since early 2000, each with different brand names, the opportunity to leverage a strong, unified brand was clear.

Our new campaign for the first time created a consistent theme across all company advertisements, highlighted by dramatic product images and concise, clear messages. The campaign has also been an inspiration for this Annual Report.

EBITDA, as adj. (\$M)



Earnings Per Share



Corporate Governance

EDO is committed to the highest standards of corporate governance, and we remain one of the highest ranked companies by Institutional Shareholder Services. With the exception of myself as Chairman, all of our directors are independent of management, and all board committees are composed solely of independent directors. Each director stands for election annually, giving shareholders the opportunity to judge our performance each year.

Our board members collectively bring a diversity of background and perspective – and each brings dedication to improving shareholder value. I believe that we have a very strong and capable board, and I thank them for their service.

We have recently added a new dimension to the expertise of our board, with the appointment of General (U.S. Air Force, Retired) John A. Gordon. John has an extensive background in areas of strategic importance to EDO, especially in relation to the intelligence community.

Finally, I would like to add a special thank you to Dennis Blair, who has made a personal decision to leave the board in 2006. Dennis has been instrumental in guiding our development and has served us with the highest standards of personal integrity. We will miss his valued counsel.

Looking Ahead

Each year in these pages we feature a few of our many talented employees. When you look at our pictures, I hope you can sense the special commitment to excellence that we share – one that transcends the normal desire to do a good job. We are all very much aware that lives depend on the work we do. We are firmly committed to providing our military personnel with the best possible technology. We are equally committed to succeed together, as a company, in this competitive business.

I thank you for your past support and invite you to “Look to EDO” for profitable growth in the years ahead.

James M. Smith
Chairman, President and Chief Executive Officer

March 9, 2007

Board of Directors



James M. Smith
Chairman, President and CEO
EDO Corporation



Robert E. Allen
Managing Director
Redding Consultants, Inc



Robert Alvine
Chairman, President and CEO
i-Ten Management Corp



John A. Gordon
General
U.S. Air Force (Ret.)



Robert M. Hanisee
Former Managing Director
Trust Company of the West



Michael J. Hegarty
Director
Flushing Financial Corporation



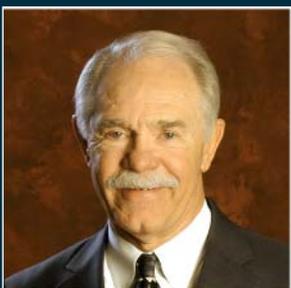
Leslie F. Kenne
Lieutenant General
U.S. Air Force (Ret.)



Paul J. Kern
General
U.S. Army (Ret.)



Ronald L. Leach
Former Vice President, Accounting
Eaton Corporation



James Roth
Former President and CEO
GRC International Inc.



Robert S. Tyrer
President and COO
The Cohen Group



Robert Walmsley
Vice Admiral
Royal Navy (Ret.)

Senior Management Team



James M. Smith
Chairman, President
and CEO



Jon A. Anderson
Senior Vice President
Washington Operations



Frederic B. Bassett
Senior Vice President
Finance, CFO and Treasurer



Patricia D. Comiskey
Senior Vice President
Human Resources



Milo W. Hyde
Vice President
Business Development



Greg Kudla
Corporate Controller



Frank W. Otto
Senior Vice President
Strategic Development



Lisa M. Palumbo
Senior Vice President
General Counsel and Secretary

William Bender
Vice President, Corporate Contracts

H. Lee Buchanan, Ph.D.
Vice President, Advanced Concepts

Roy R. Byrd
Vice President, USMC Relations

George P. Fox, Jr.
Vice President, Special Projects

Gayle Lombardi
Vice President, Corporate Tax

Robert J. Lukachinski
Vice President and
Chief Technical Advisor to the CEO

William A. Walkowiak, CFA
Vice President, Investor Relations
and Corporate Communications

Scott M. Weiner
Vice President, Mergers & Acquisitions,
and Corporate Financial Analysis



For Professional and Engineering Services

LOOK TO EDO





For Professional and Eng

EDO provides Professional and Engineering Services to all branches of the military, including the Army, Navy, Air Force, Marines, and Coast Guard.

With the acquisition of CAS Inc., PES is projected to be EDO's largest business sector in 2007.



Core Competencies:

- Systems engineering
- Systems analysis
- Simulation and modeling
- Software development, testing, and evaluation
- Systems integration
- Program acquisition management
- Logistics management
- Information technology
- Life-cycle engineering
- Space and missile defense analysis
- Force protection programs
- Joint exercises and training
- Prototype development/fabrication
- Foreign military sales
- Economic decision support
- Electronic test sets



A photograph of two men in a control room. The man on the left, David Counts, is wearing a red vest over a light blue shirt and is looking towards the camera. The man on the right, Shannon Thurston, is wearing a light-colored shirt and is interacting with a large, circular monitor that displays a complex graphical interface. The room is filled with various pieces of equipment and control panels.

Simulating Perfection

Sophisticated weapons systems require extensive testing under every likely battlefield scenario. The only practical way to thoroughly test such systems is by simulation techniques, an area where EDO excels.

Systems Analysts David Counts (left) and Shannon Thurston are responsible for simulation and performance analysis of the Patriot missile system. "Threats are evolving to counter the Patriot system," explains David. "Our job is to keep ahead of them."

David and his team develop simulations as a proof of principle before modifying the physical systems. "The most exciting part is then going to the actual flight test to verify the accuracy of our simulations," he adds. And how were the results? "Perfect!"

Putting it all on the line

Keith Nichols is an EDO division manager supporting the Army's C-RAM/FAAD program (Counter - Rocket, Artillery, Mortar/Forward Area Air Defense).

"We support the program office that is responsible for force protection of forward operating bases," explains Keith. He supervises a team that is providing this support "in theater." In fact, when this picture was taken, Keith was preparing to leave for Iraq himself. "All of us volunteer, because we want to make sure that the force protection systems are installed and operated properly."





Combat Support

Rebecca Thomas is a logistics analyst supporting the Project Management Office for Close Combat Weapon Systems. This PMO manages a number of anti-armor missile and target acquisition systems, including those mounted on Bradley A3 fighting vehicles, such as the one shown here.

Among other projects, Rebecca helps manage the refurbishment and upgrade of target acquisition systems under the Bradley RESET process. The RESET process takes used vehicles apart, inspects the parts, then replaces any defective items and refurbishes the equipment to like-new condition. It takes place when the vehicles return from the front lines in Iraq where sand damage and increased wear have taken their toll. There are more than 6,600 Bradley vehicles in the U.S. Army fleet.

“Our customer has come to expect exceptional technical support for a myriad of tasks,” said Rebecca. “We take great pride in our professionalism and knowledge of logistics needed to field high-quality weapon systems to the U.S. Army.”



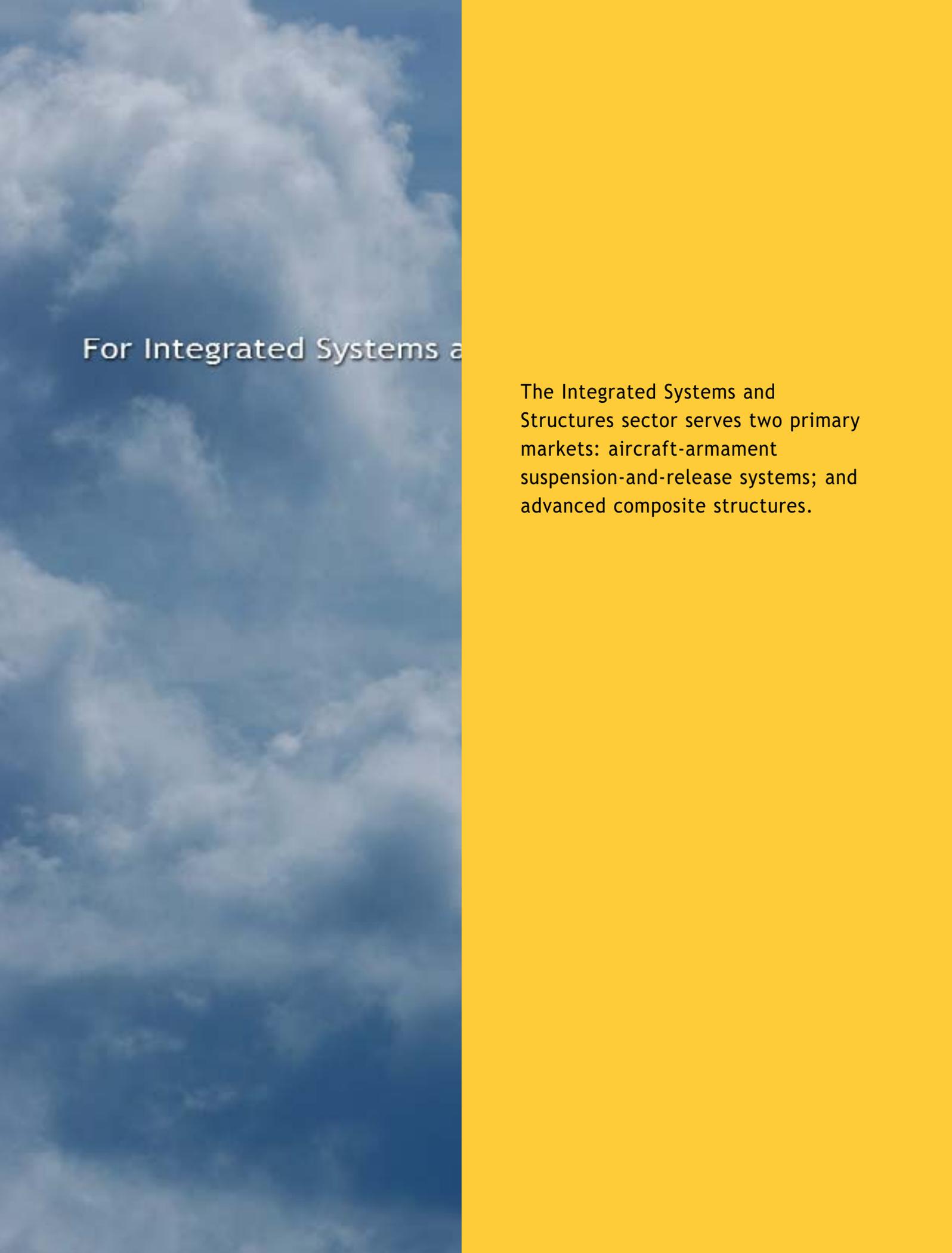


A photograph of a bright blue sky filled with numerous white, fluffy cumulus clouds. The clouds are scattered across the frame, with some appearing larger and more detailed than others. The overall scene is bright and clear.

For Integrated Systems and Structures

A full-page background image of a bright blue sky filled with numerous white, fluffy cumulus clouds. The clouds are scattered across the frame, with some appearing more prominent and closer to the viewer than others. The overall tone is bright and airy.

LOOK TO EDO

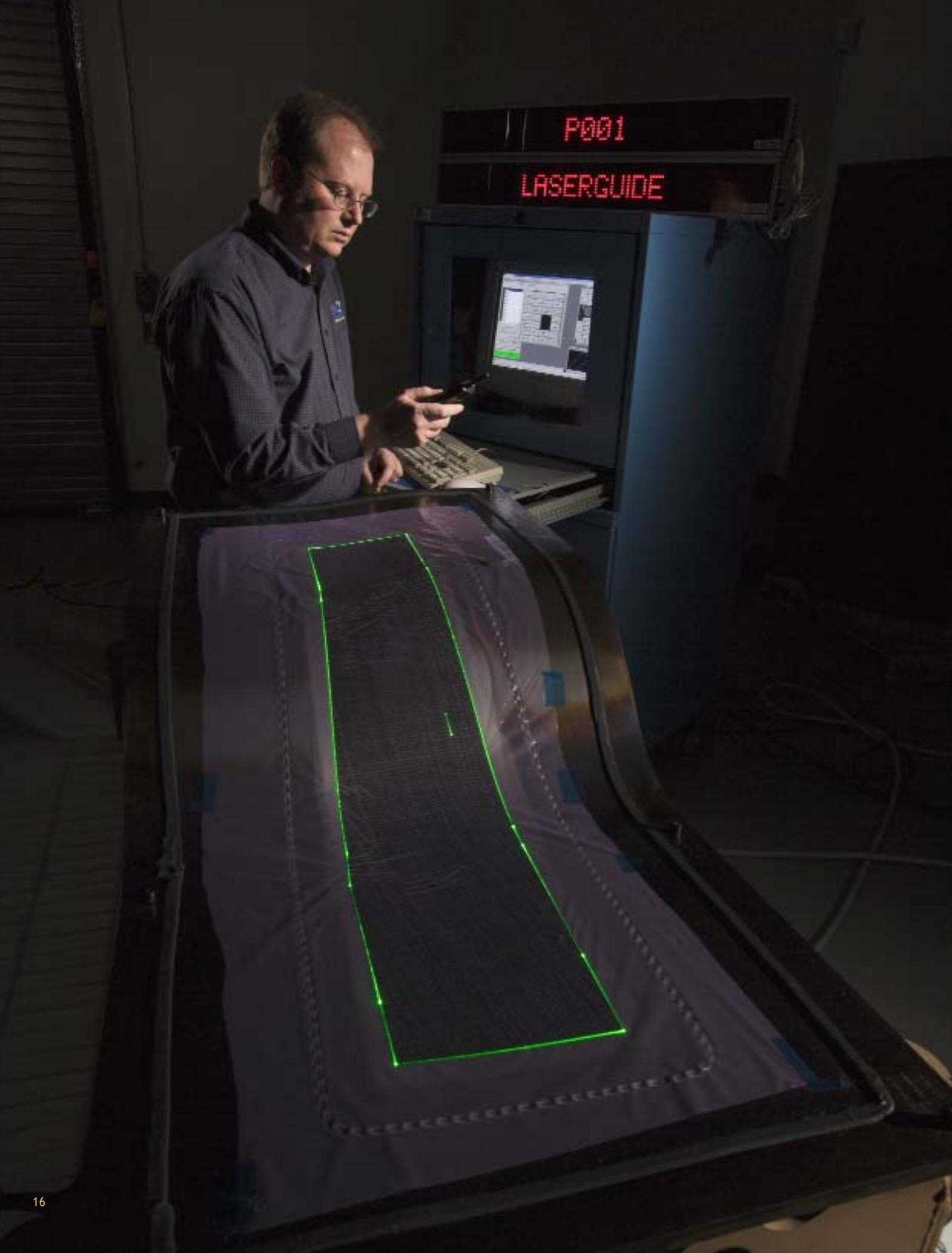


For Integrated Systems and

The Integrated Systems and Structures sector serves two primary markets: aircraft-armament suspension-and-release systems; and advanced composite structures.

ISS Primary Products:

- Systems engineering
- Systems analysis
- Aircraft missile-launching systems
- Bomb-release units
- Electronic interfacing systems used to target and release modern “smart” weapons
- Specialty electronic assemblies
- Composite aircraft components
- Resin Transfer Molding (RTM) and Vacuum assisted RTM (VaRTM) of composite structures
- Fiberbond® advanced composite piping systems





Precision Products

EDO is providing high-precision, integrated systems and structures for the most advanced fighter aircraft in the world, including the F-22 Raptor and the future F-35 Lightning II. Such precision is necessary to achieve breakthroughs in maneuverability at sustained high speeds and the stealth properties that make the aircraft difficult to detect.

On the left, Manufacturing Engineer Jay Schmidt is programming a laser-guided system used to apply layers of composite materials to form specialized sections of the F-35 structure. "Every component on the F-35 is being built to very strict tolerances,"

Jay explains. "To meet these requirements, we have invested in high-precision equipment, operated in a clean-room environment."

On the right, Quality Technician Orlando Ortiz is responsible for assuring that the Advanced Vertical Eject Launchers (AVEL) that we produce for the F-22 are within the customer's very tight specifications. "I perform a 'free-play' test on every unit to verify that the missile will not move beyond engineered limits during the launching sequence. Every test is witnessed by our customer, Lockheed Martin."



Tanks Guys

EDO people work behind the scenes on many complex systems and structures that the average person will never see, but will rely upon whenever they fly. An example is the pressurized waste-water and fresh-water tanks we produce for every Boeing commercial plane in production.

As you can see, they come in all shapes and sizes, but each is a high-precision product that we fabricate from composite materials using specialized techniques. These techniques have been honed over the years by a very experienced team of experts in the field of composite structures.

Pictured here from left to right are Lead Repair Technician Angel Hernandez, with 28 years at EDO, Director of Operations Kent Anderson, with 19 years of service, and Lead Assembler John Monson, with 22 years of service. All are modest when describing their accomplishments, but the quality of their work speaks for itself. At the end of 2006, Boeing renewed our contract for another five years.

So next time you use facilities at 35,000 feet, perhaps you may consider how they are made possible, and say "Thanks guys."





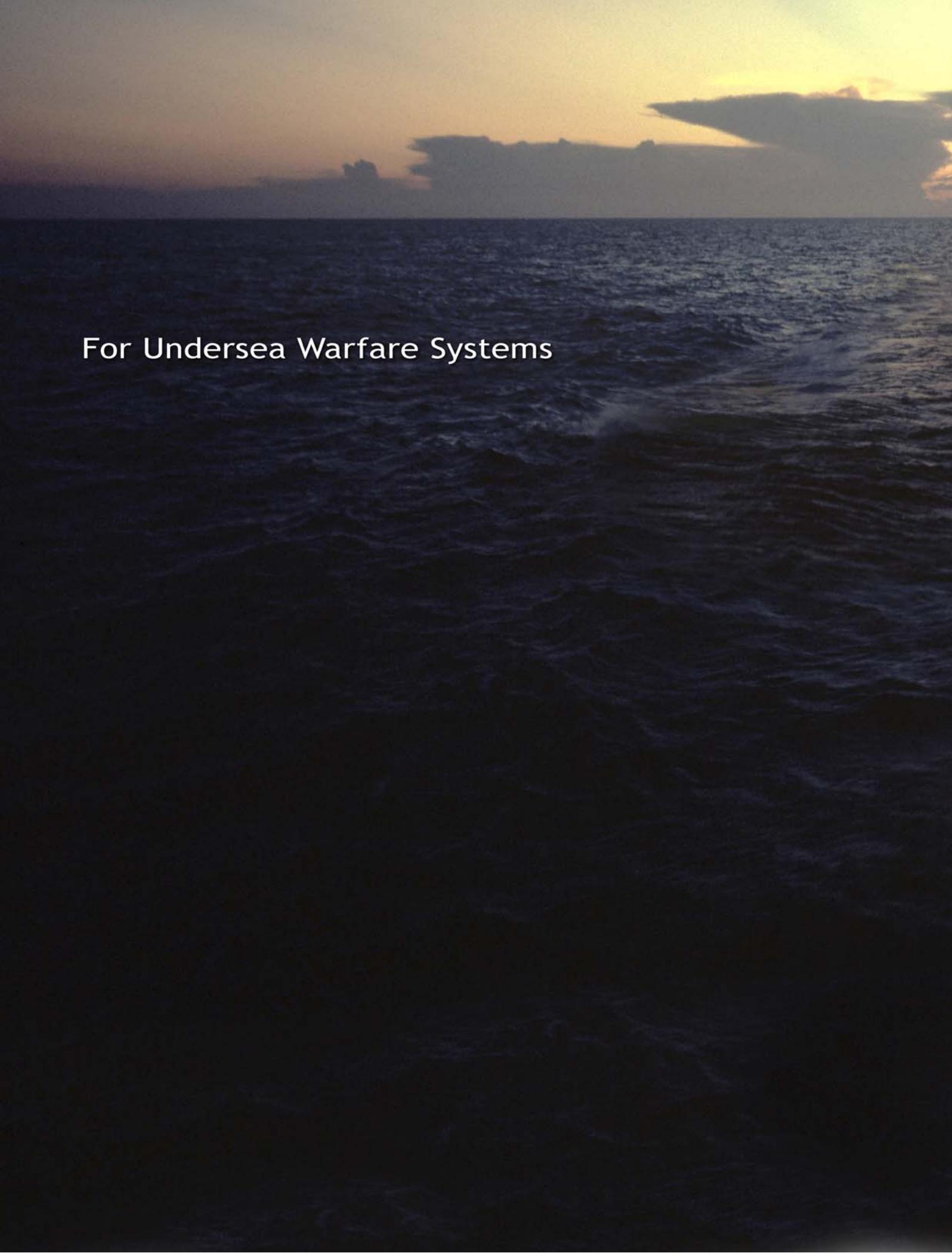
High-Performance Structures that Measure Up

Pictured here are examples of EDO composite structures that are integrated into high-performance products. They offer substantial benefits over metal alloys in terms of weight, strength, flexibility, durability (metal fatigue), and ease of maintenance.

On the left, Supervisor Jim Roberts is inspecting newly-arrived tooling that will be used for helicopter rotor-blade components. Like all elements of production, even tools supplied by customers must go through a rigorous inspection. As Jim puts it, "Once I put these tools into production, I'm married to them for a long time."

On the right is a structure being made for Orbital Sciences Corporation that will be used in the process of releasing satellites into space. The stresses involved in this process call for a high strength-to-weight ratio, exactly the properties that our advanced composite structures can provide. Left to right are Machinist Rich Neal, Senior Manufacturing Engineer Gene Kartchner, and Program Manager Charlie Baca. They are preparing the structure for the machining process that will produce the tight tolerances needed for flawless performance.



A wide-angle photograph of the ocean at dusk or dawn. The sky is a mix of orange, yellow, and grey, with a large, dark, horizontal cloud formation near the horizon. The water is dark blue and textured with small waves. The text "For Undersea Warfare Systems" is overlaid in white on the left side of the image.

For Undersea Warfare Systems

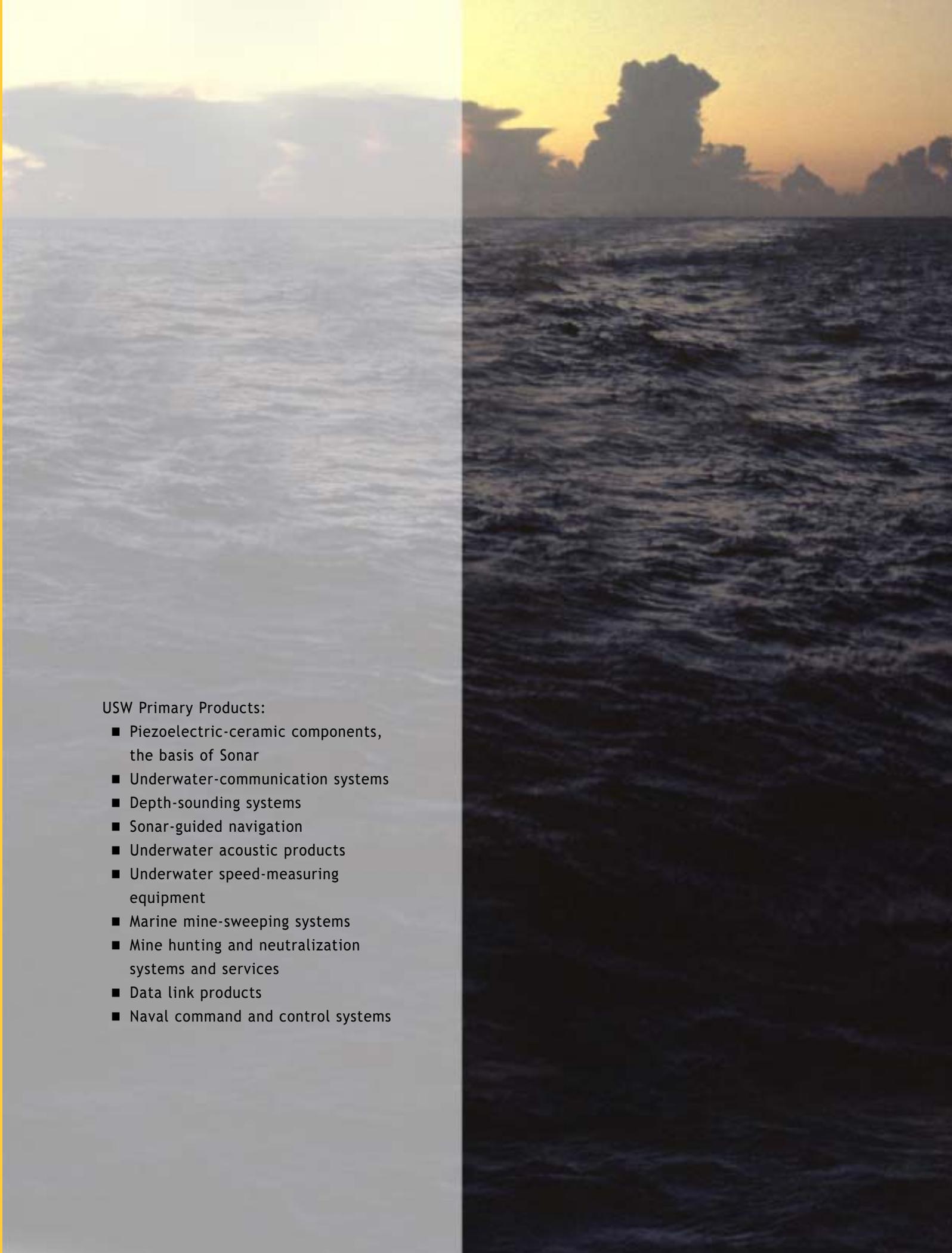
A photograph of a sunset over the ocean. The sky is a mix of orange, yellow, and blue, with dark, silhouetted clouds. The water is dark blue with small, rhythmic waves. The text "LOOK TO EDO" is centered in the upper half of the image in a white, sans-serif font.

LOOK TO EDO



For Undersea Warfare Sys

The Undersea Warfare sector addresses two major markets: sonar and mine countermeasures.



USW Primary Products:

- Piezoelectric-ceramic components, the basis of Sonar
- Underwater-communication systems
- Depth-sounding systems
- Sonar-guided navigation
- Underwater acoustic products
- Underwater speed-measuring equipment
- Marine mine-sweeping systems
- Mine hunting and neutralization systems and services
- Data link products
- Naval command and control systems

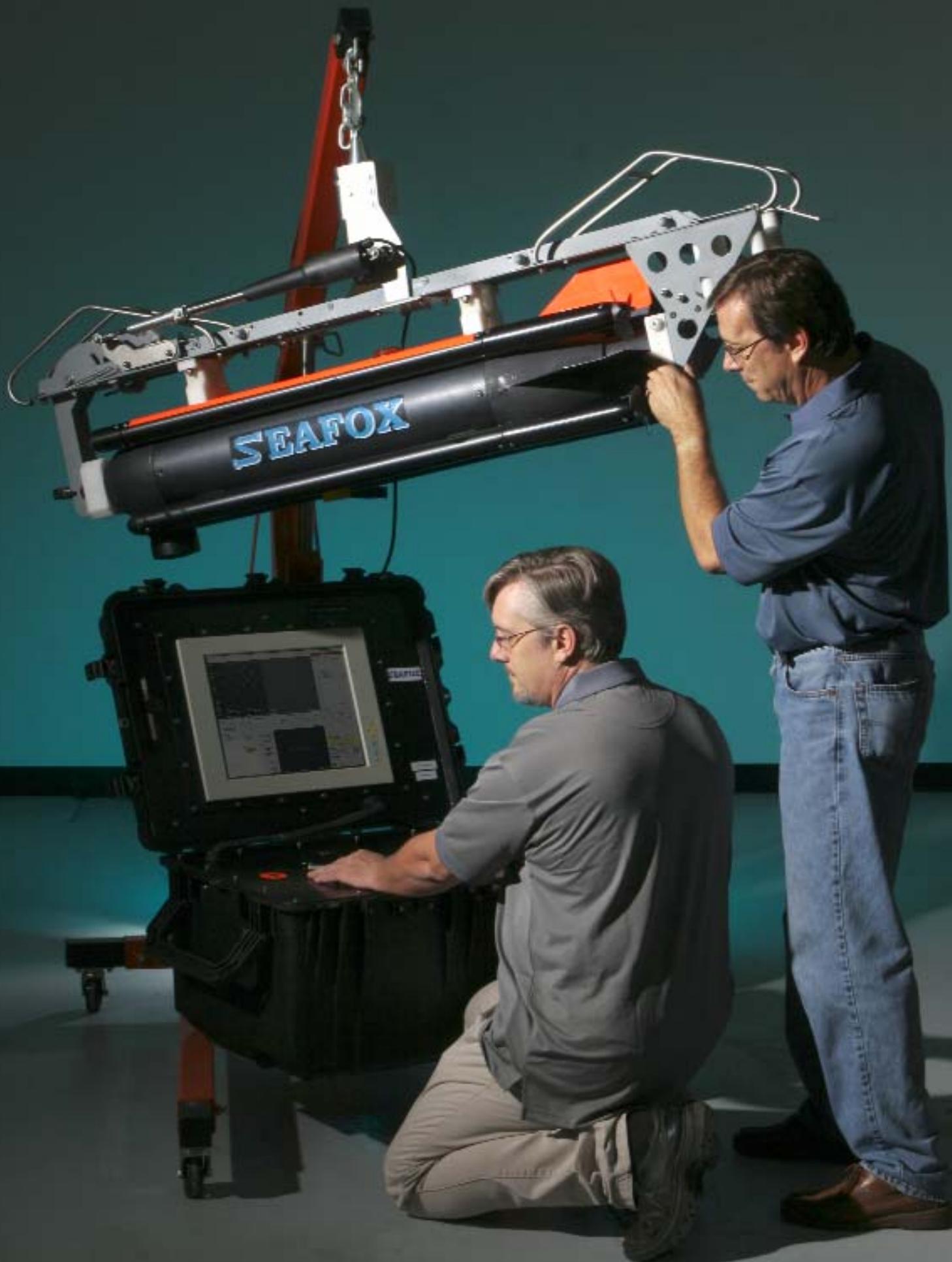


Helping Submarines “See”

How do submarines avoid hitting the ground when they are underwater? With systems such as EDO’s BQN-17A depth sounders.

“Depth sounders are another application of our sonar technology,” explains Production Supervisor David Hogue. “In addition to the piezoelectric ceramics, we build all the electronics and provide this entire system. Our depth sounders are a key part of the submarine’s obstacle avoidance and navigation system.”

Dave also devotes much of his time to finding other potential applications for piezoelectric ceramics. He is working with a number of partners on research into commercial and healthcare products based on EDO’s ceramic expertise.





EDO – A Leader in Mine Countermeasures

We are the preeminent supplier of airborne naval-minesweeping equipment in the world. The development of our MK 105 (shown above) helicopter-towed system began in 1967.

Andy Anderson is an EDO technician who helps maintain the MK 105 mine sweeper, which is still in service today. It has been used in Navy

minesweeping actions as far back as the Vietnam era and as recently as Operation Iraqi Freedom.

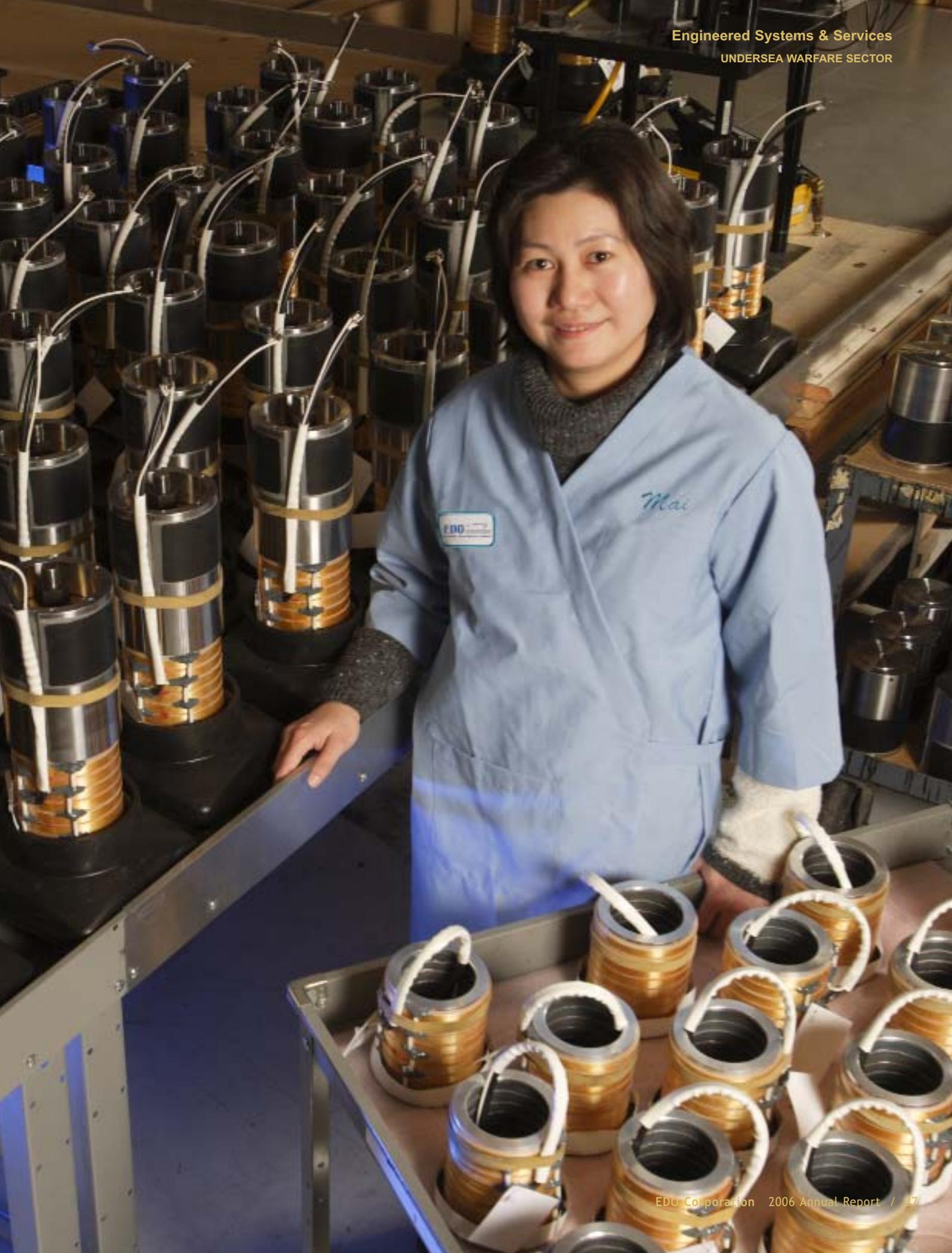
In 2006, we opened a new facility in Panama City supporting the Naval Surface Warfare Center. Mechanical design engineer Nels Neumann (kneeling) and lead engineer Michael Crowder are working on systems to neutralize mines in shallow water.

Piezoelectric Ceramics – The Essence of Sonar

EDO is the leading producer of high-quality piezoelectric ceramics. These complex ceramic shapes convert sound waves into electrical signals - the essential function of any sonar system. Piezo comes from the Greek word for pressure.

For 14 years, Mai Mieu has been working to ensure the quality of every EDO sonar product. Here she has her work cut out for her, inspecting dozens of ceramic stacks. These will be assembled into sonar arrays and installed on warships.

According to Building Supervisor Hak Yong Kim, Mai can do almost any job on the shop floor. "She has learned the entire process, and often gets involved to help solve problems. She has earned the respect of all of our engineers."





Turning “Dirt” into Piezoelectric Ceramics

EDO has been refining and perfecting the complex ceramic-making process for more than 50 years. As a result, we produce the highest-quality, precision-tuned piezoelectric ceramic components in the world.

The process starts with the careful blending of various metal oxides and carbonate powders that look much like dirt when mixed together. After forming the parts, they then go through a sequence of firing and grinding steps such as those seen here. On the left,

Derek Gailey is removing ceramics from crucibles after a sinter-firing in the kiln behind him.

In the grinding steps, Ivan Rodriguez is completing the fine grinding of a batch of small ceramic rings. He is responsible for assuring that each piece is within the very tight tolerances required by the customer.

EDO produces ceramics in hundreds of shapes and sizes, depending on the electrical requirements as well as the specified physical shape of the end use product.



For Battlefield Communications



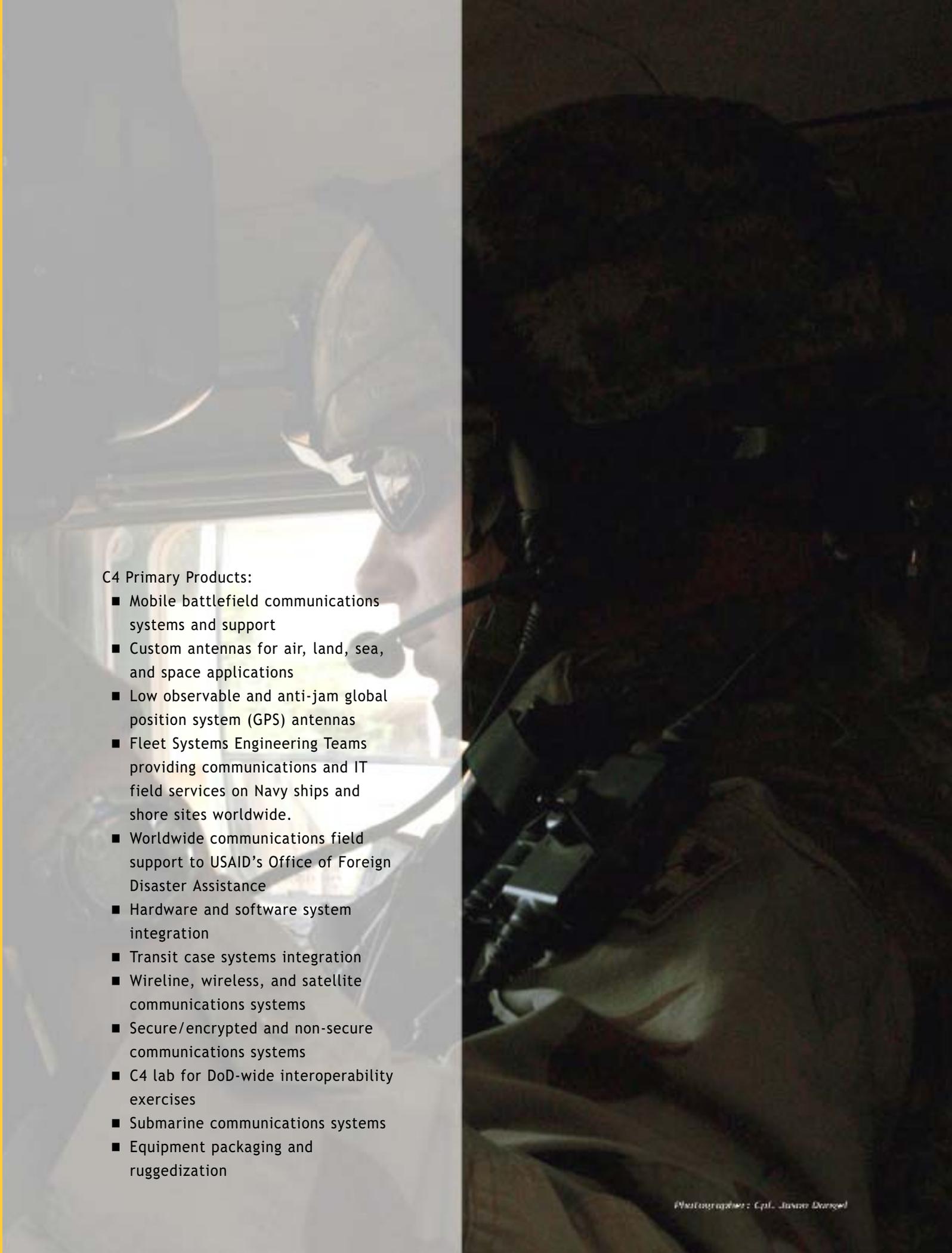
LOOK TO EDO



For Battlefield Communi

The C4 sector serves the markets for: military communications systems and support; networking and information-technology (IT) equipment; and commercial and military antenna products.

C4 was EDO's fastest growing business sector in 2006.



C4 Primary Products:

- Mobile battlefield communications systems and support
- Custom antennas for air, land, sea, and space applications
- Low observable and anti-jam global position system (GPS) antennas
- Fleet Systems Engineering Teams providing communications and IT field services on Navy ships and shore sites worldwide.
- Worldwide communications field support to USAID's Office of Foreign Disaster Assistance
- Hardware and software system integration
- Transit case systems integration
- Wireline, wireless, and satellite communications systems
- Secure/encrypted and non-secure communications systems
- C4 lab for DoD-wide interoperability exercises
- Submarine communications systems
- Equipment packaging and ruggedization





Marines helping Marines

EDO is building state-of-the-art battlefield-communications systems for the Marine Corps. This requires assembling hundreds of modular switching units such as these Transition Switch Module (TSM) components. Left to right are assemblers Phillip Tautolo, Justin Anderson, James Lloyd (back to the camera), Brooks Douan, and Kendrith "Kenny" Roper. All are Marine Corps veterans except Kenny, who served in the Army and therefore takes a lot of kidding from the rest of the team.

Justin and James recently completed their tours in Iraq and were looking for work. The local Marine Corps Reserve office in Charleston directed them to EDO and they jumped at the opportunity. "Working at a job where we can help fellow Marines still under fire is very motivating," said Justin, and all agreed. "We are always looking for ways to improve - to give them an edge. What we send them is the best there is."

Shipping Out

Electronics Technician Chris Logsdon is responsible for final wiring before shipping our battlefield-communications products to the Marine Corps. Seen here with a row of Transition Switch Module (TSM) components, Chris handles special-purpose cables and other specialty wiring.

"I know that this equipment is headed directly to Marines in combat," said Chris. "Someone's life could depend on us, so we are very serious about doing it right."

Keeping on the leading edge of this rapidly changing technology is also a big motivator for Chris. As he puts it, "if you don't learn something new every day, you aren't really trying."









Antennas – Part of the Wireless Revolution

Antennas are essential for all wireless communications and EDO produces more than 40,000 of them each year. We make hundreds of shapes and sizes, depending on their function.

Two very different shapes are shown above. Senior Engineer Arthur Leone is holding a multi-element anti-jam GPS antenna used to receive navigation signals. He and Shop Manager Craig Odenthal are standing in front of a row of monopole-antenna elements being fabricated for ship communications. The antenna elements are then encased in fiberglass to protect them against the rigorous shipboard environment.

Arthur enjoys the challenge of designing new antenna structures. "The most important step is to

understand the customer's requirements. From there, we create a design and then build a prototype to test the concept. We have had many breakthrough products that are now industry standards."

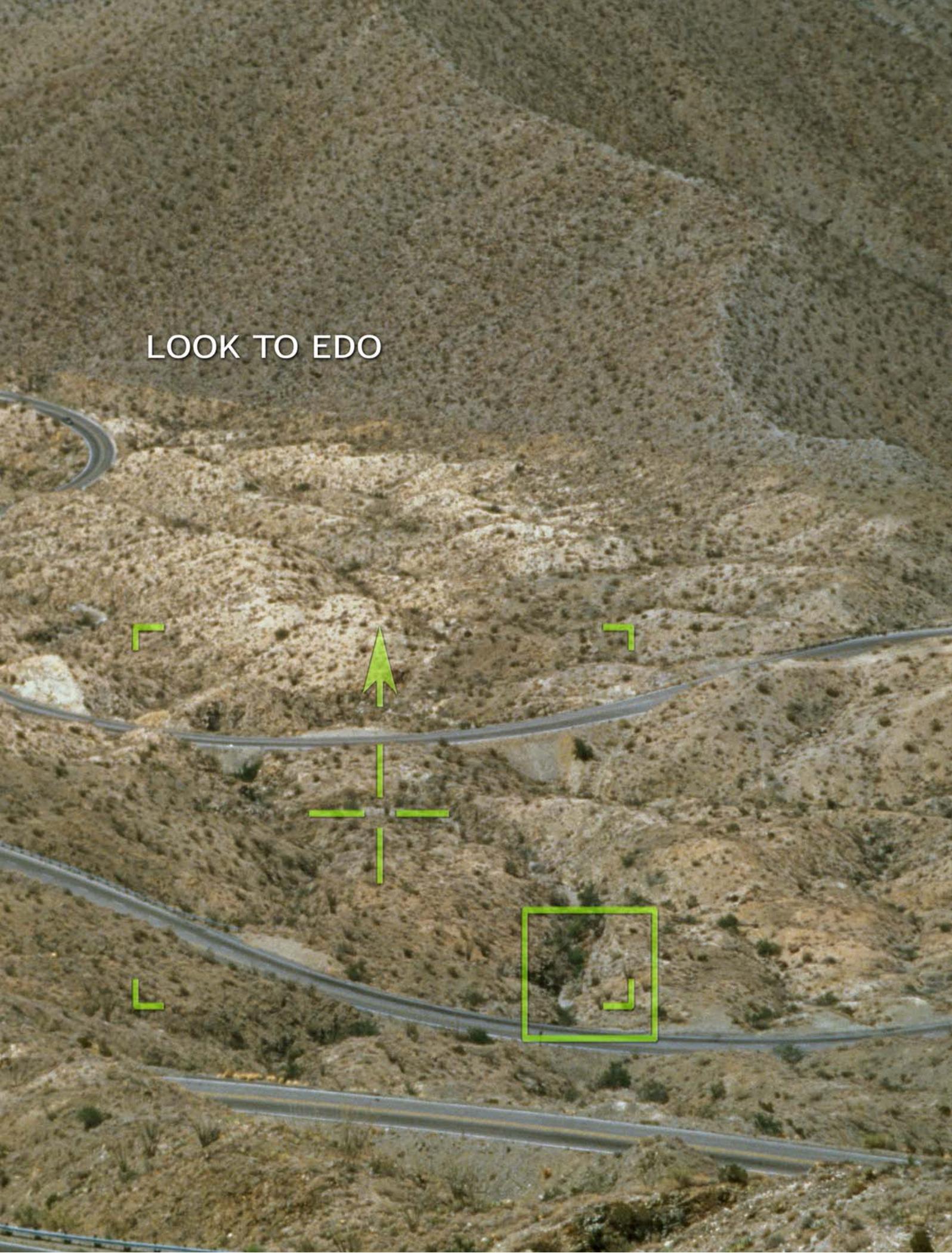
At the left is our AN/TSQ-231 Joint Enhanced Core Communications System (JECCS) being assembled by Justin Pittman. Incorporating wireless and satellite technologies, JECCS is a mobile switching center that could rival any modern telephone office.

"The unique thing is that we have designed this entire system to fit on a Humvee, so the Marines can take it to any remote part of the world and deploy it in less than an hour," explains Justin.

An aerial photograph of a winding asphalt road through a dry, hilly desert landscape. The terrain is brown and rocky with sparse, low-lying vegetation. The road curves through the hills, with several sharp turns and a small interchange visible in the upper left. The overall scene is arid and rugged.

For Electronic Warfare Systems

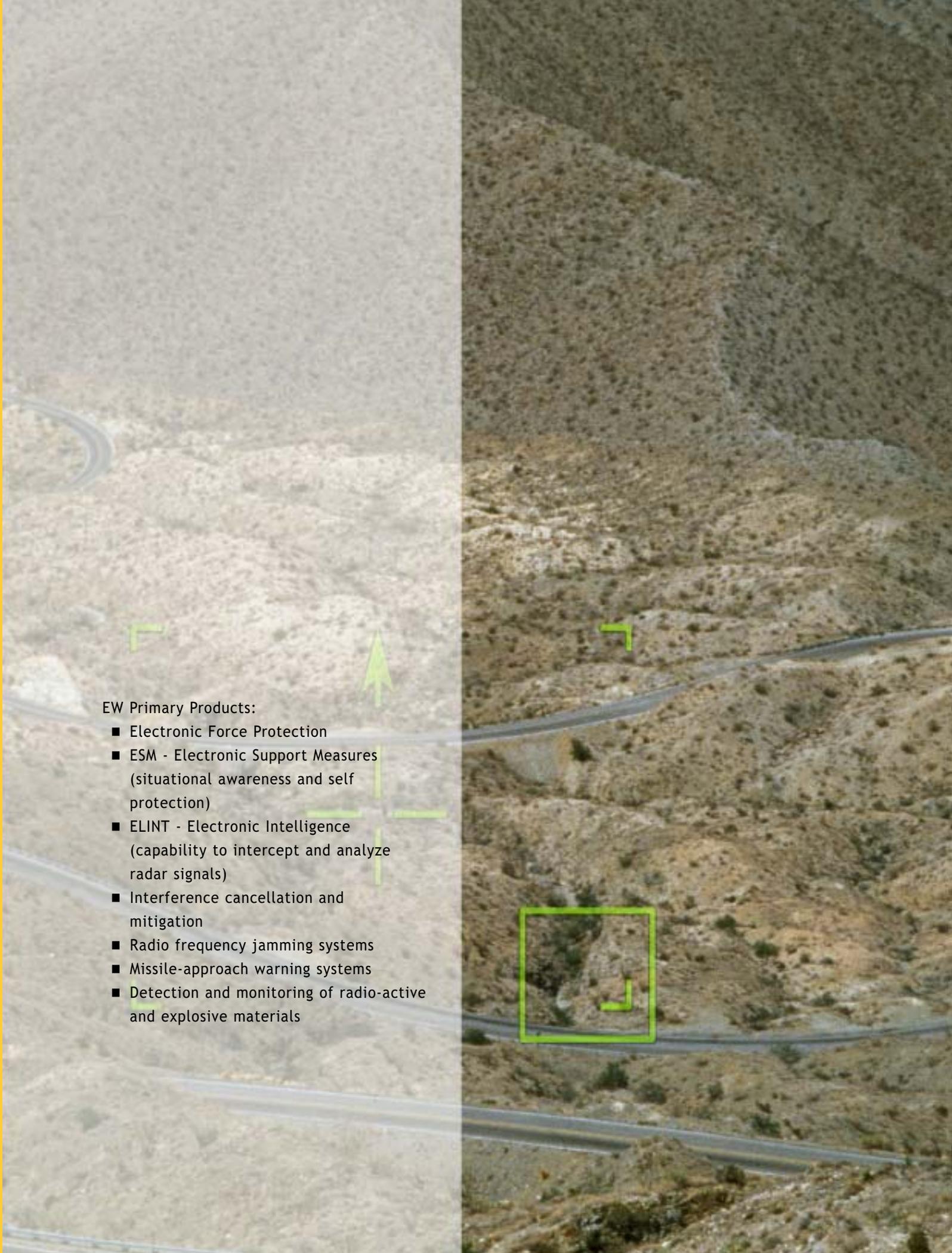
LOOK TO EDO



An aerial photograph of a desert landscape with a winding road. The terrain is arid and brown, with sparse vegetation. The road curves through the hills, and the text 'For Electronic Warfare S' is overlaid on the image.

For Electronic Warfare S

The Electronic Warfare sector primarily serves the markets for electronic protection systems. This includes a wide range of radio frequency jamming products, as well as anti-jamming technology.

An aerial photograph of a desert landscape with a winding road. The image is split vertically into two panels. The left panel is semi-transparent and contains a list of EW Primary Products. The right panel shows the same landscape with several green annotations: a crosshair, a square box, and several L-shaped corner markers. The annotations are placed over various features in the landscape, including a road intersection and a rocky outcrop.

EW Primary Products:

- Electronic Force Protection
- ESM - Electronic Support Measures (situational awareness and self protection)
- ELINT - Electronic Intelligence (capability to intercept and analyze radar signals)
- Interference cancellation and mitigation
- Radio frequency jamming systems
- Missile-approach warning systems
- Detection and monitoring of radio-active and explosive materials

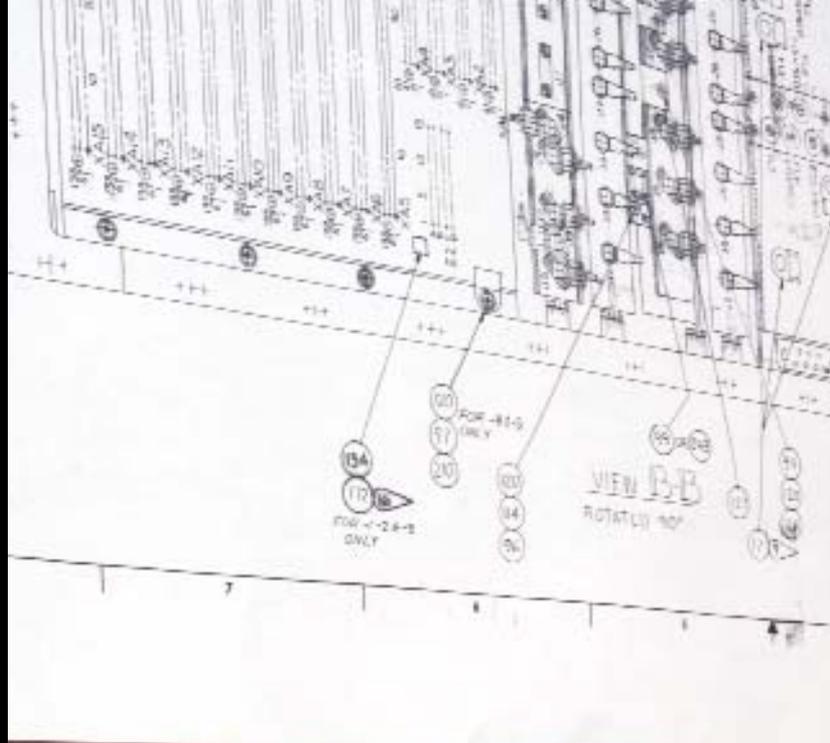
Unsurpassed Electronic Defense

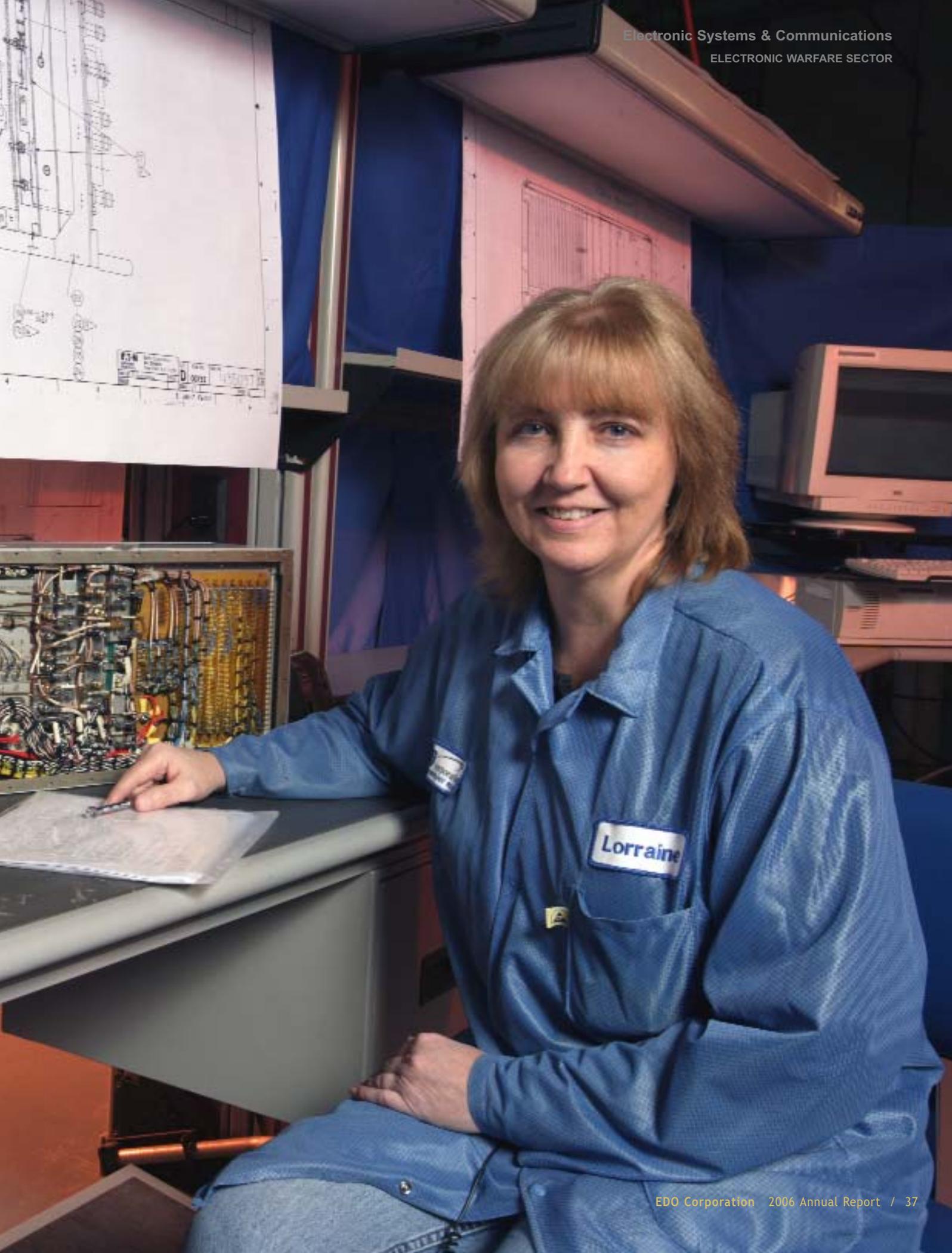
Our AN/ALQ-161A defensive avionics suite is one of the most comprehensive electronic counter-measure packages ever built. Since installing this defensive suite on all 100 B-1B aircraft in the mid-1980s, we have continuously maintained and upgraded the equipment.

With 25 years service, Foreperson Lorraine Scanlon originally assembled many of the system's modules. Now she supervises their repair and upgrade when they are returned to EDO for service or technical enhancements.

"It's interesting to open equipment that I assembled 20 years ago," says Lorraine. "I think the original design concepts were very advanced, because we can upgrade obsolete components without needing major redesign."

"We also tend to get the worst cases, such as modules that have been cannibalized for parts, so we never know what we will find. But no matter how damaged, we send them back to the field as good as new . . . actually, better."









Super Vision

Breaking the boundaries for miniaturized, multifunctional assemblies on complex radar technology is everyday work for Microspecialist Patricia Vine-Wladyka (left photo). Here, she is using high-magnification x-ray equipment on parts too small to be seen with the naked eye. Like having a superhero's x-ray vision, Pat can actually look inside the module to verify that attachments of components to the substrate are perfect.

In another radar project, we help improve the Coast Guard's "vision". Our high-resolution, maritime-patrol radar shown above will be installed on HC-130J aircraft being upgraded by Lockheed Martin as part of the Integrated Deepwater System.

Design Engineer Jeffrey Price (second from left) explains that unlike a camera, which is similar to looking through a straw, radar can give a much wider surveillance from long distances. Coast Guard personnel can use this super vision to quickly identify objects that require closer investigation.

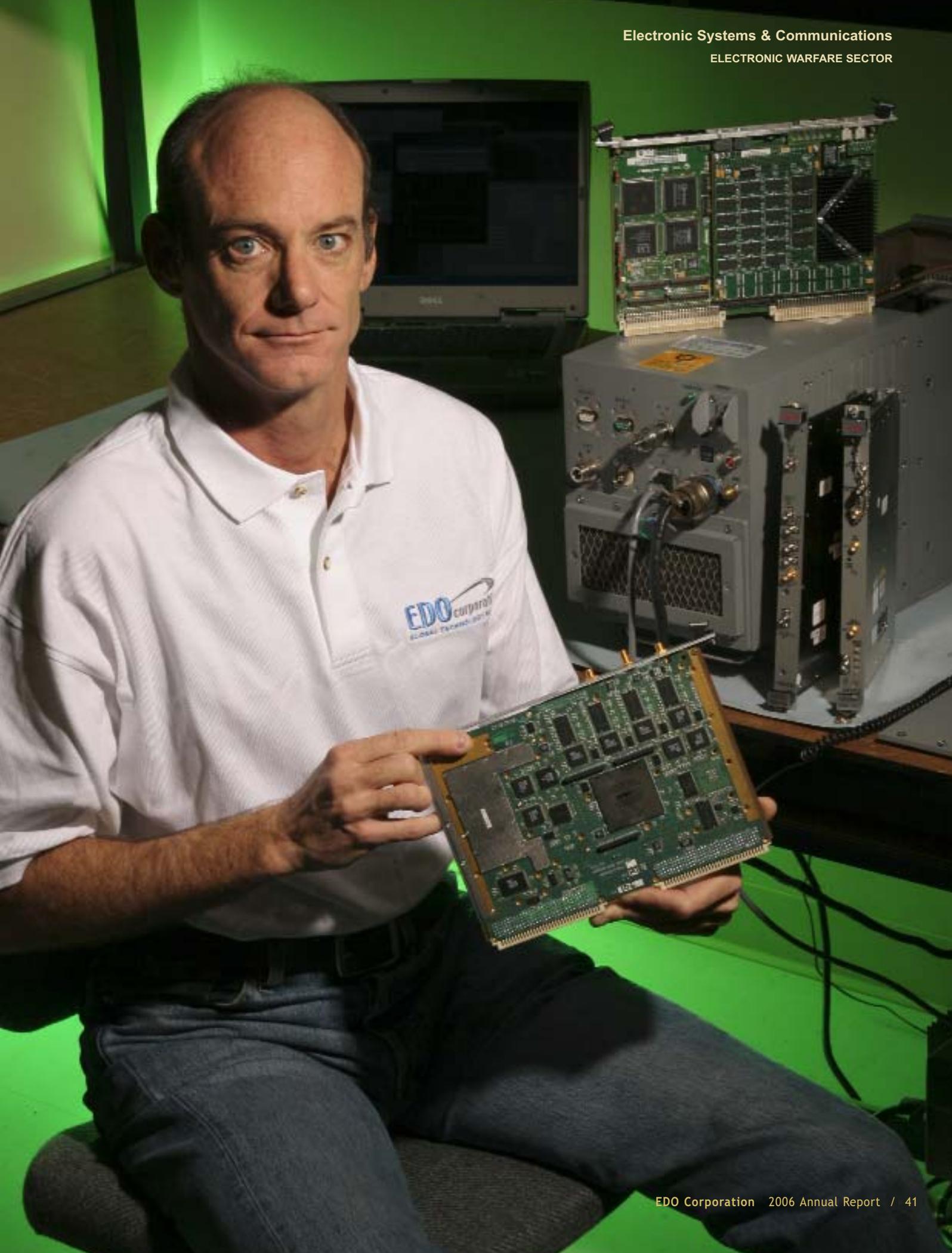
Also pictured are (left to right): Senior Engineering Associate Ronald Smith, standing next to the antenna system, Production Test Manager Charles Casarona, on the table containing radar modules, and Program Manager Robert Punzi in front of a unit that tests the equipment.



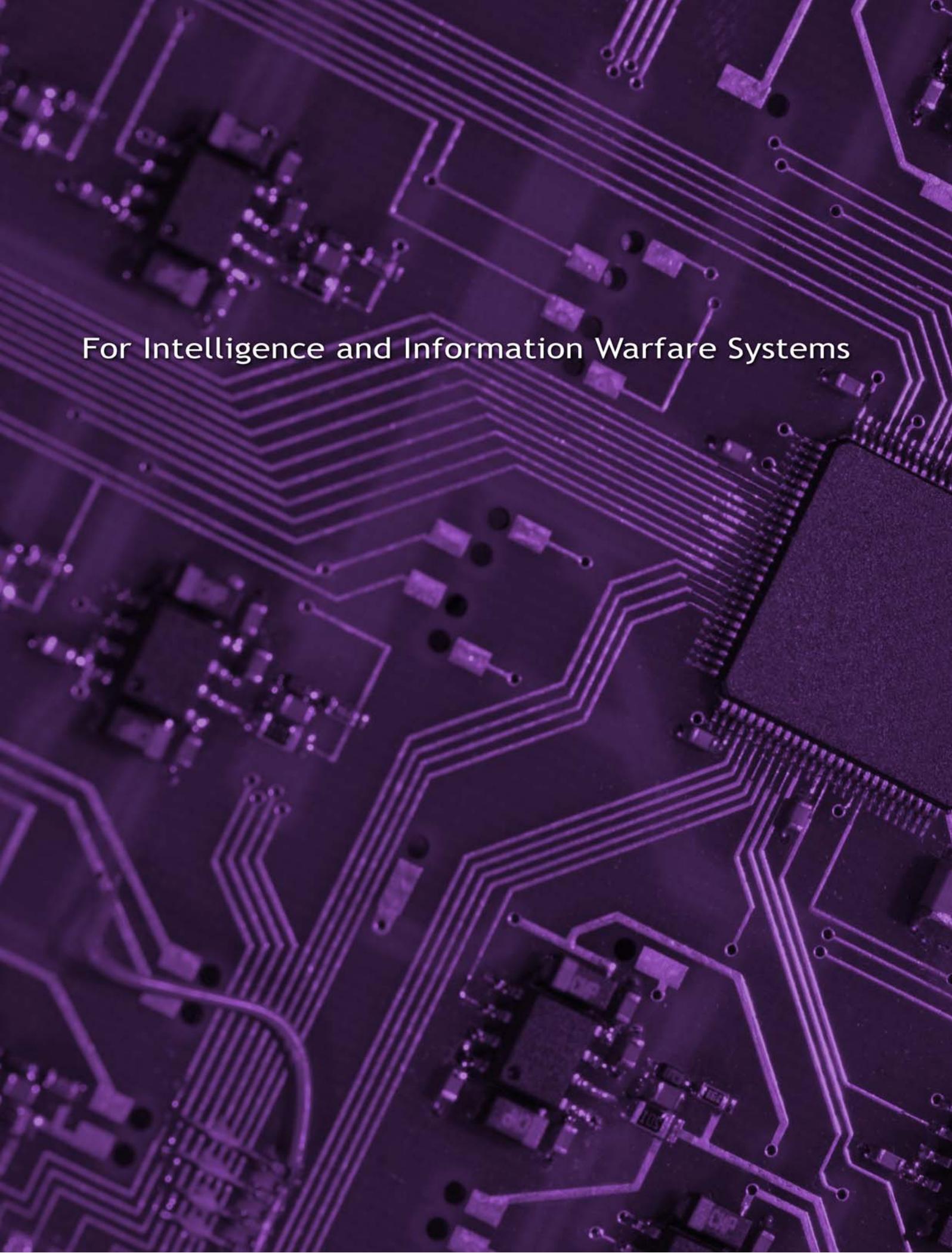
Electronics - From Engineering to Production

Once an EDO design moves to production, other specialists get involved. Steve Lacey (holding work orders) is a manufacturing program manager in our EW Sector who handles much of the coordination between engineering and manufacturing. Ruben Beltran, a production planner, covers nearly all phases of production. This includes developing schedules, ordering materials, and generating work orders. When asked what he enjoys the most, Ruben has a simple answer: "Everything is interesting!"

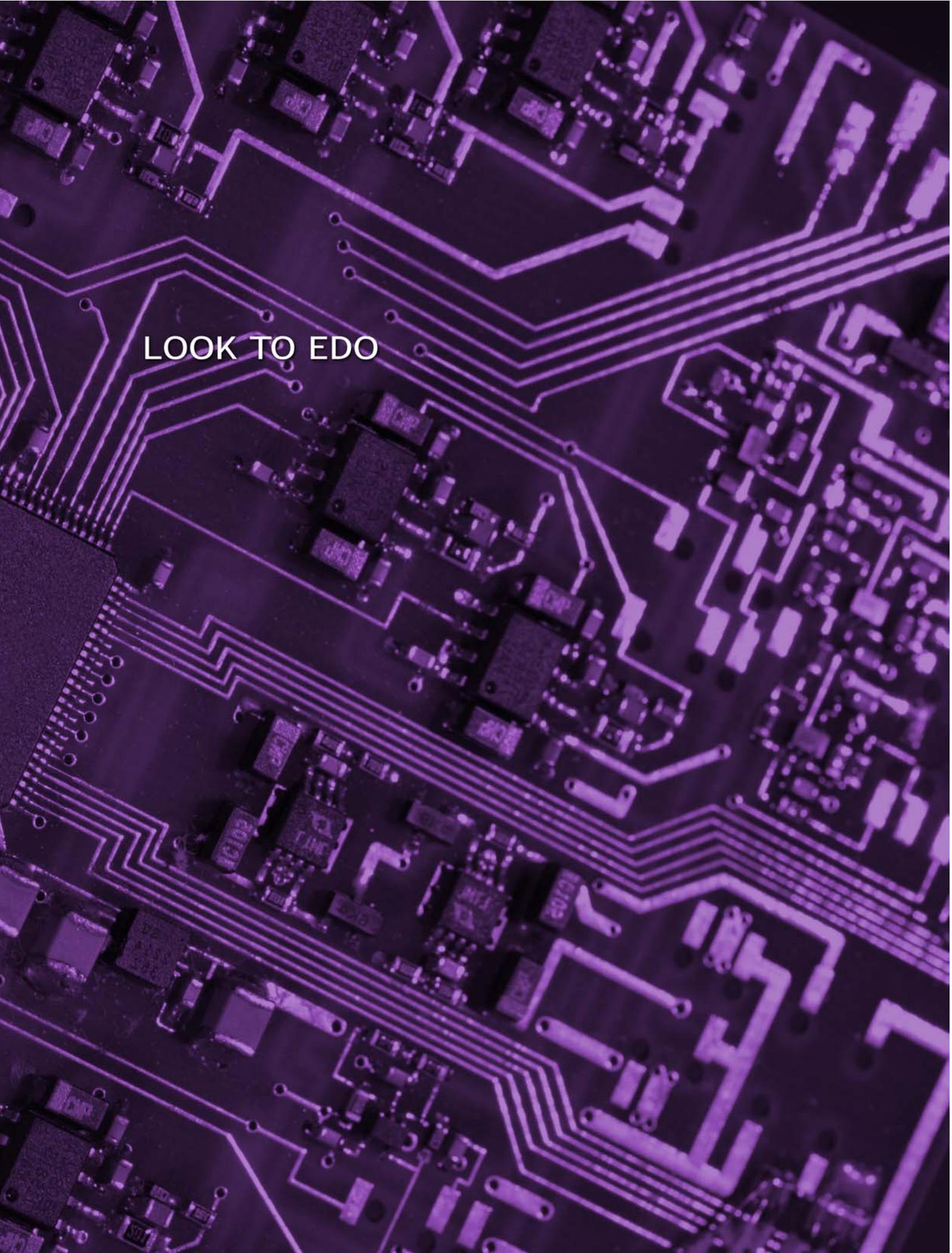
For 25 years, Senior Systems Engineer Scott Case (right) has been on the forefront of signal-processing technology, which is at the heart of all ESM (Electronic Support Measure) systems. ESM systems help protect ships and aircraft by warning of enemy targeting threats. "We are driving our ESM products to all digital technology," says Scott. "EDO leads the industry in many areas of signal-processing technology. Our focused research and development is what keeps us ahead."



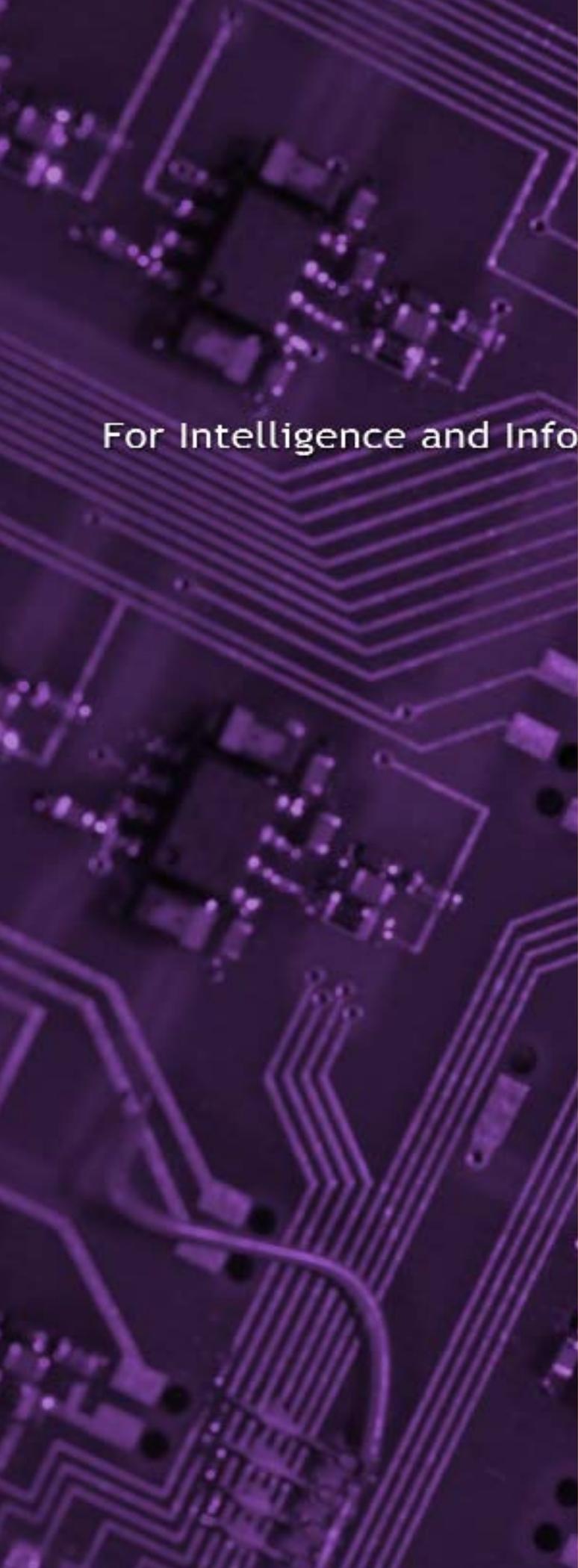
EDO Corporation
GLOBAL TECHNOLOGIES



For Intelligence and Information Warfare Systems



LOOK TO EDO



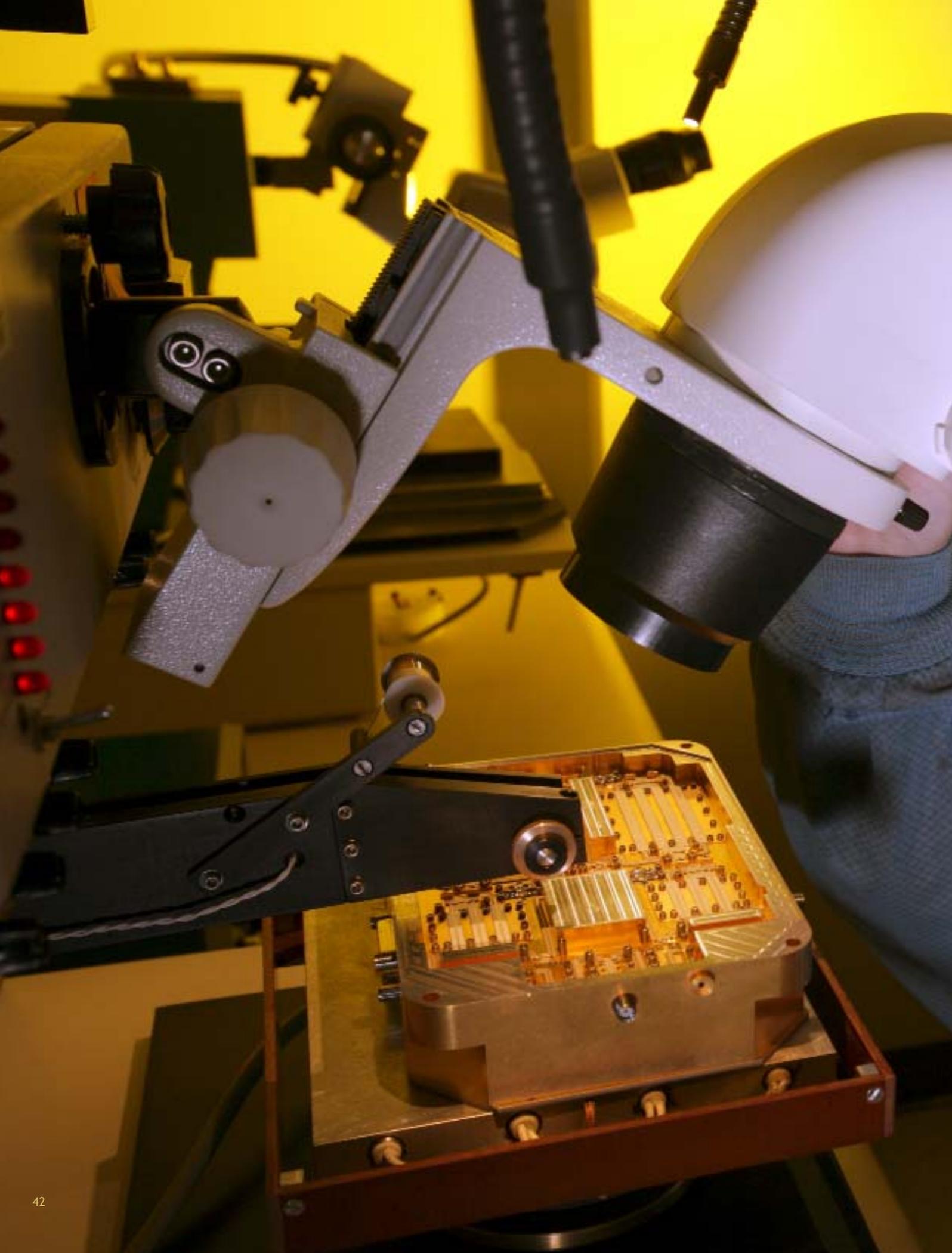
For Intelligence and Info

The Intelligence and Information Warfare sector serves the intelligence, law-enforcement and special operations markets with specialized communications and electronics systems. Most of the work done for these customers is classified.



IIW Primary Products:

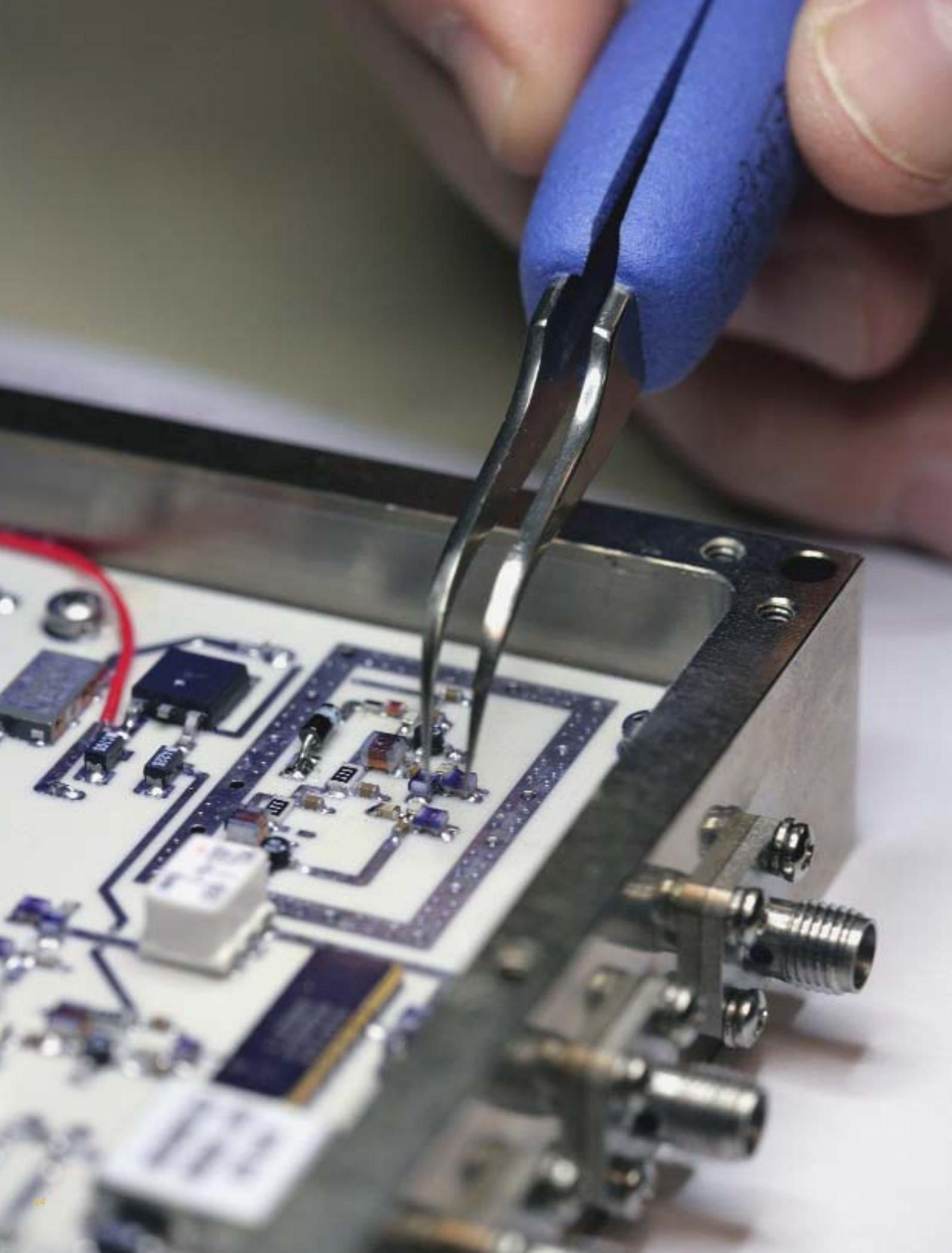
- ELINT - Electronic Intelligence
- COMINT - Communications Intelligence
- SIGINT - Signal intelligence systems and analysis
- Multi-band information-warfare solutions
- Data acquisition and high-volume storage capabilities
- Wireless surveillance and communications systems
- Specialty electronic prototypes and products



Making Work an Adventure

Senior Assembler Lindsey Monahan is called upon for the most complex wire-bonding jobs. "Sometimes we have custom work that challenges us to take novel approaches to these miniaturized electronic circuits," said Lindsey. "It's not just a job to me, it's an adventure."

"We do engineering prototypes, which are often for experimental new products. I read the blueprint and schematic and make it real. It's that kind of variety that really makes the job interesting."





Cool Stuff

"Our products are so cool, we keep them in the refrigerator," jokes Engineer Phil Joseph (left). All joking aside, EDO's products must withstand extremely severe battle conditions, thus requiring rigorous tests in thermal chambers such as this one.

Dr. Joseph has developed a number of analytical and computational models in our extensive efforts to protect troops from improvised explosive devices. He then applies these techniques to

improve the effectiveness of our electronic-jamming products.

With Phil is Stephan Searles, an EDO production technician who is responsible for testing such sophisticated electronic systems to verify that they meet specifications. While perhaps not comfortable in front of the camera, Stephan is extremely comfortable working behind the scenes assuring that no product is delivered to our troops unless it is in perfect working order.

Processing Petabytes

Analyzing information is one of EDO's specialties. Featured behind Manager Debbie Dech and Principal Engineer Steve Pratte are units that can store and retrieve massive amounts of information. Debbie configures the equipment to optimize its operation as an integrated system.

"We have now reached the 'petabyte' level in counting the amounts of data that we can process," says Steve.

A petabyte, or quadrillion bytes, is equivalent to one million gigabytes. Anyway you say it, this is a lot of data to analyze and transmit. Is such a capability useful? Well, the fictional character *Data* on the television series *Star Trek* is purported to have a "positronic net" containing 88 petabytes of processing capacity. Like *Data*, customers look to EDO to make sense of it all.





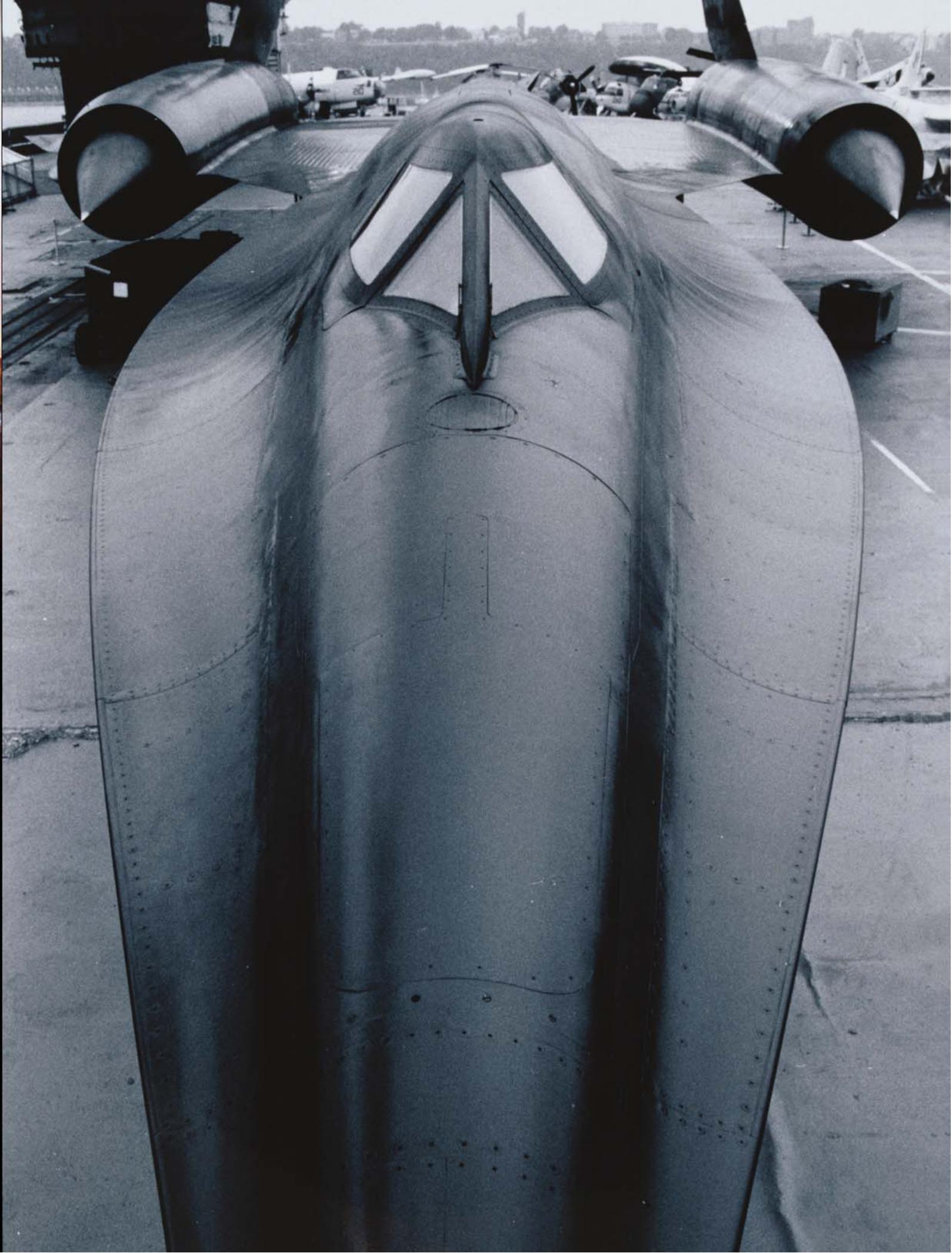


EDO: A History of Engineering Excellence

EDO has grown ten-fold since the beginning of 2000. As we grow, the depth and breadth of our engineering talent similarly expands. Robert Lukachinski is the company's senior technical advisor, who is working to successfully employ each area of expertise.

When asked about our long history as an engineering-driven company, Bob cited the example of our top-secret work on the famous spy plane known as the SR-71 Blackbird.







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Engineers at Airborne Instruments Laboratory (AIL), which is now part of EDO, built the Electronic Intelligence (ELINT) system that collected and processed reconnaissance signals with very high precision. Code-named the "1912 Program," for the position of the letters AIL in the alphabet, the company's role was kept secret for many years.



The Blackbird was capable of flying faster than 2,000 mph, more than 70,000 feet above ground – at the edge of the atmosphere. At this speed and altitude, it could perform reconnaissance anywhere in the world unchallenged by interceptor aircraft or anti-aircraft missiles of the time. Over two decades, the SR-71 Blackbird and our specialized on-board reconnaissance sensors demonstrated unparalleled performance in the service of our country's national security.

The SR-71 was built by Lockheed in the 1960s. It is an example of the long working relationship among Lockheed Martin and EDO engineers that is still thriving today on projects like the F-22 Raptor and the F-35 Lightning II.

Shareholder Information

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Forward-Looking Statement

Certain statements made in this annual report, including statements about future revenues and long-term organic revenue growth, as well as annual revenue expectations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections about the Company's business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including those described above and the following: changes in demand for the Company's products, product mix, the timing of customer orders and deliveries, changes in the government's funding priorities, the impact of competitive products and pricing, difficulties encountered in the integration of acquired businesses and other risks discussed from time to time in the Company's Securities and Exchange Commission filings and reports. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made, and the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this annual report.

NYSE Annual Report Disclosure Requirements

Pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the company discloses that it submitted to the NYSE in 2007 a Section 12(a) Annual CEO Certification and filed with the SEC the CEO and CFO certifications required under Section 302 of the Sarbanes-Oxley Act in 2007 as an exhibit to its 10-K.

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