Boeing Capital Corporation

**Aircraft Financial Services**
Provides aircraft leasing and secured lending to airlines worldwide

**Commercial Financial Services**
Asset-backed lender provides financing to users of capital equipment

**Space and Defense Financial Services**
Arranges, structures, and provides financing for defense and space-based products
Customer Diversity
As of December 31, 2002

Aircraft
Financial Services
$9.1 Billion

197 Customers
23%

83 Customers
44%

23%

10%
9%
5%
5%
4%

United
AirTran
Boeing
American Trans Air
Hawaiian Airlines
Other AFS Customers
CFS

77%

Commercial
Financial Services
$2.5 Billion

Excludes held-for-sale or lease
Market Outlook and Airplane Residual Values

Randy Tinseth
Director, Product and Services Marketing
Boeing Commercial Airplanes
ELA Large Ticket Conference
Irving, Texas, April 2003
Agenda

• Experiences of the past year
• Our Long Term Forecast
• How Boeing affects airplane residual values
Unprecedented Times Of Uncertainty

- Terrorism, Iraq, SARS, oil prices, security and capital markets
- Cycle deeper and longer?
  - Asia…SARS effect
  - Europe…sluggish economy
  - U.S….sluggish economy…bankruptcy risks remain
- Industry restructuring
  - New business models
  - Reduced capacity to match demand
  - Simplification and consolidation

Slower Recovery
World Economic Outlook Is Slowly Improving

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP, Billions U.S. Dollars</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro Area</td>
<td></td>
<td>2.2%</td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td>1.6%</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td>0.8%</td>
</tr>
<tr>
<td>Other Asia*</td>
<td></td>
<td>4.0%</td>
</tr>
<tr>
<td>South America*</td>
<td></td>
<td>1.6%</td>
</tr>
<tr>
<td>Britain</td>
<td></td>
<td>1.9%</td>
</tr>
<tr>
<td>China* (mainland)</td>
<td></td>
<td>7.4%</td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td>2.8%</td>
</tr>
<tr>
<td>Russia*</td>
<td></td>
<td>4.1%</td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td>3.0%</td>
</tr>
<tr>
<td>India*</td>
<td></td>
<td>5.7%</td>
</tr>
<tr>
<td>Mexico*</td>
<td></td>
<td>3.2%</td>
</tr>
<tr>
<td>Eastern Europe*</td>
<td></td>
<td>3.0%</td>
</tr>
</tbody>
</table>

* All Markets based on The Economist consensus forecasts. Major markets updated monthly; emerging markets quarterly.

World Growth: 2002 1.6% 2003 2.0%
World Air Travel has Recovered To Revised Trend

- Long-Term Trend
- Experienced Trend
- Future Trend

Billions RPKs

4.9% annual growth

1998 1999 2000 2001 2002 2003
About 2,000 Airplanes Are Parked But Only 450 Are Expected To Return

Number of Parked Airplanes (Worldwide)

- **In production** + MD11, 737 classic, MD80/90
- 727, 737-1/2, 747-1/2/3, DC9/10, A300
- 707, DC8
- Withdrawn from service

Percent of Fleet

- **1,965 Airplanes (11.8% of Fleet)**

Western-built, commercial jet fleet. Source: Airclaims Ltd. (through April 11, 2003).
Nearly 4,000 Aircraft are Closing in on Retirement

**Period I**
- In Service: 100
- Parked: 100
- Scrapped: 1,200

1,400 Airplanes

- e.g. 707, DC-8
- Three flight crew
- Stage I noise
- Turbojets, early turbofans
- 4-engines
- High Fuel Burn

**Period II**
- In Service: 2,470
- Parked: 1,180
- Scrapped: 2,150

5,800 Airplanes

- e.g. 727, 737-100/200, 747-100/200/300, DC-9, DC-10, A300
- Two/Three flight crew
- Stage II noise (later hushkits)
- Early turbofans
- Tri-jets, short-haul twins
- ~30% lower fuel burn

**Period III**
- In Service: 12,070
- Parked: 700
- Scrapped: 130

12,900 Airplanes

- e.g. ALL in-production models plus MD-11, MD-80, 737 Classic
- Two flight crew
- Stage III noise and quieter
- High-efficiency turbofans
- Twinjets dominate
- ~70% lower fuel burn

Source: Airclaims Ltd. (through April 11, 2003)
Multiple Forces Drive Our Industry

- Regulatory Environment
- Airline and Industry Strategies
- Airplane and Aerospace Capabilities
Passengers Drive Airline Strategies

- Safe & Reliable Service
- Nonstop Service
- Lower Fares

Regulatory Environment

Airline and Industry Strategies

Airplane and Aerospace Capabilities
Air Travel Growth Has Been Met By Increased Frequencies And Non-Stops

Index 1980=100


Air Travel Growth
Frequency Growth
Non-stop Markets
Average Airplane Size
Few Choices Prior To Liberalization

1984 Chicago Gateway
1 U.S. flight Daily | Trans World | 747
Liberalization Has Led To More Frequencies And Non-Stops
Increased Frequencies And Non-Stops Meet North Atlantic Air Travelers’ Demands

Index 1980=100

Frequency Growth
Air Travel Growth
Non-stop Markets
Average Airplane Size

In the European Market Liberalization Stimulated Frequencies and Non-stop Flights

- Regulated Market
- 1987 First Package
- 1990 Second Package
- 1993 Third Package
- 1997 Single Aviation Market
- Frequency Growth
- Non-stop Markets
- Average Airplane Size
- Air Travel Growth

- In 1980, the Index was set to 100.
- From 1980 to 2000, the Index for Air Travel Growth shows a significant increase.
- The Frequency Growth line also shows an increase over the years.
- Non-stop Markets show a steady growth in the index.
- Average Airplane Size remains relatively constant throughout the years.

The graph illustrates the impact of market liberalization on air travel frequencies and non-stop flights in the European market from 1980 to 2000.
Frequency Growth Has Exceeded Air Travel Growth On The Asia-Europe Market
777 Is Fragmenting The North Pacific
As 767 Did the North Atlantic
The Use Of Intermediate-Size Airplanes Is Increasing In The Tokyo-U.S. Market

Feb 1997 - Just Prior to Signing New Bilateral
Feb 2001 - After Signing of Japanese - U.S. Bilateral
Trans-Pacific Air Travel Growth Has Been Met With Increased Frequencies And More Non-Stops
Very Large Airplanes Will Not Reduce Airport Congestion

- Flights by seat size at London-Heathrow airport
- OAG August 2002
- All scheduled passenger service

Daily departures

Seat size category

100 or less | 101-150 | 151-200 | 201-250 | 251-300 | 301-350 | 350-401 | 401-450 | Over 450

0 | 50 | 100 | 150 | 200 | 250 | 300 | 350 | 400

Boeing
In a downturn, smaller airplanes provide less risk. In an upturn, smaller airplanes provide more frequencies and non-stops.
Air Travel Growth Varies By Region

Added traffic, 2002 - 2021

<table>
<thead>
<tr>
<th>Region</th>
<th>2001 traffic (billions)</th>
<th>2002-2021 growth</th>
<th>Annual growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. America</td>
<td>500</td>
<td>5.0</td>
<td>3.5%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>600</td>
<td>5.5</td>
<td>6.2%</td>
</tr>
<tr>
<td>Europe</td>
<td>1,000</td>
<td>4.9</td>
<td>4.7%</td>
</tr>
<tr>
<td>No. Atlantic</td>
<td>1,000</td>
<td>7.9</td>
<td>5.4%</td>
</tr>
<tr>
<td>Europe - Asia</td>
<td>1,000</td>
<td>5.5</td>
<td>5.5%</td>
</tr>
<tr>
<td>Transpacific</td>
<td>1,000</td>
<td>4.8</td>
<td>5.2%</td>
</tr>
<tr>
<td>Latin America</td>
<td>1,000</td>
<td>4.9</td>
<td>7.9%</td>
</tr>
<tr>
<td>No. Amer. - L. Amer.</td>
<td>1,000</td>
<td>5.2</td>
<td>4.9%</td>
</tr>
<tr>
<td>Europe - L. Amer.</td>
<td>1,000</td>
<td>4.8</td>
<td>4.9%</td>
</tr>
<tr>
<td>Africa - Europe</td>
<td>1,000</td>
<td>4.7</td>
<td>4.9%</td>
</tr>
<tr>
<td>Europe-Mid-East</td>
<td>1,000</td>
<td>4.7</td>
<td>4.9%</td>
</tr>
</tbody>
</table>
Regional Market Evolution Shapes Fleet Requirements
2002 - 2021
Long-Term Demand For New Airplanes Remains Strong

- Retained Fleet: 8,566 planes in 2001, 6,705 replacements, growing to 17,224 growth airplanes by 2021.

**Graph:**
- Y-axis: Units from 0 to 40,000
- X-axis: Year 2001 to 2021
- Data points showing growth in demand from retained fleet, replacements, and growth airplanes.

**Legend:**
- Blue: Retained Fleet: 8,566
- Yellow: Replacements: 6,705
- Green: Growth Airplanes: 17,224

**Other Details:**
- Units in thousands.
- Boeing logo in the bottom right corner.
Airlines Will Need Nearly 24,000 New Airplanes

2002-2021

- Smaller regional jets: 4%
- Single-aisle: 21%
- Twin-aisle: 18%
- 747 and larger: 57%

23,929 Airplanes

1.8 Trillion Delivery Dollars*

* In year 2001 dollars
Freighter Fleet Will Almost Double
70 Percent Will Be Modified Airplanes

- Smaller (<30 tons)
- Medium standard-body (30-50 tons)
- Medium widebody (40-65 tons)
- Large (>65 tons)

2001
- Smaller (<30 tons): 22%
- Medium standard-body (30-50 tons): 39%
- Medium widebody (40-65 tons): 17%
- Large (>65 tons): 22%
- Total: 1,775 Freighters

2021
- Smaller (<30 tons): 26%
- Medium standard-body (30-50 tons): 29%
- Medium widebody (40-65 tons): 11%
- Large (>65 tons): 34%
- Total: 3,078 Freighters
Same Traffic Projection, Different Fleet Solutions

2001–2020 Forecast: Excludes small and intermediate regional jets
Sharply Different Views Of Future Airplane Size

Historic World Passenger Growth: (1972 - 2000)
6.1%

World Passenger Growth Forecast:
Airbus - 4.7% per Year
Boeing - 4.7% per year

- Based on 2001-2020 forecast
How Airplane Manufacturers affect airplane residual values

• Supply and demand determines airplane values

• Airplanes are still good investments

• Especially an airplane that is:
  – less sensitive to business cycles
  – more adaptable to evolutionary industry changes
Aircraft Residual Value Checklist

- Market Acceptance
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment

Diverse and Healthy Customer Base
Serves Multiple Market Segments
Right Sized with the Right Mix of Low Trip Costs and Seat-mile Costs
Maintaining and Adding Value
Aircraft Residual Value Checklist: 737

- Market Acceptance
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment
737NG Market Acceptance After 5 Years

Number of Operators

200

150

100

50

0

Number of Airplanes Delivered

0 500 1000 1500 2000

737 NG

737 Classic

A320 Series

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Launched</th>
<th>First Delivery</th>
<th>Since 737NG EIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>737 NG</td>
<td>11/93</td>
<td>12/97</td>
<td>1,228</td>
</tr>
<tr>
<td>A320 Series</td>
<td>3/84</td>
<td>4/88</td>
<td>1,112</td>
</tr>
</tbody>
</table>
737 Flies More People to More Places

4,379 737’s flown by 395 operators
Aircraft Residual Value Checklist: 737

- Market Acceptance: Outstanding
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment
Aircraft Residual Value Checklist: 737

- ✔ Market Acceptance
- ❑ Mission Flexibility
- ❑ Operating Economics
- ❑ Manufacturer Commitment

Market Segments

- ✔ Low Fare
- Global Network
- ✔ Short Range/Domestic
- ✔ Intra-Regional
- ❑ Long Haul International
- ✔ Charter/Inclusive Tours
- ✔ Cargo
Aircraft Residual Value Checklist: 737

- ✔ Market Acceptance
- ✔ Mission Flexibility
- ❏ Operating Economics
- ❏ Manufacturer Commitment

Outstanding
Unmatched Flexibility
737 Has A More Efficient Structure

OEW/seat – Lbs per seat

Operating Empty Weight (OEW) - Lbs

9% Lower (60 Lbs per seat)
New 737 Design Technology Provides Lower Operating Costs

Seat-mile cost, %

Trip cost, %

-30 -20 -10 0 10 20 30

A318
A319
A320-200
A321-200

4% to 10% Lower!

Lower operator costs

737-600
737-700
737-800
737-900

A318
A319
Aircraft Residual Value Checklist: 737

- Market Acceptance: Outstanding
- Mission Flexibility: Unmatched Flexibility
- Operating Economics: Designed for Lower Costs
- Manufacturer Commitment: Uncheck
Aircraft Residual Value Checklist: 737

- Market Acceptance
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment

Product Innovation and Improvement

- Introduced New 737 Family
- Four Family Members
- Operational Commonality with Classics
- Winglets, Head-Up Display (HUD) and other Flight Deck innovations
Aircraft Residual Value Checklist: 737

- Market Acceptance: Outstanding
- Mission Flexibility: Unmatched Flexibility
- Operating Economics: Designed for Lower Costs
- Manufacturer Commitment: Maintaining Marketplace Value

Manufacturers can also harm residual values by destructive pricing and oversupply.
Airbus Continues to Over Supply the Market using Destructive Pricing

A320s Available for Sale Have Almost Doubled

Parked A320s Continue to be at High Levels

“The A320 lease rate is half what it was 18 months ago”
Glenn Hickerson, Advisory Board Chairman of GATX Air, Airline Business 4/1/03
Aircraft Residual Value Checklist: 777

- Market Acceptance
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment
777 Market Acceptance After 7 Years

<table>
<thead>
<tr>
<th>Model</th>
<th>Launched</th>
<th>First Delivery</th>
<th>Since 777 EIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>777</td>
<td>10/90</td>
<td>5/95</td>
<td>423</td>
</tr>
<tr>
<td>A330-300</td>
<td>6/87</td>
<td>12/93</td>
<td>100</td>
</tr>
<tr>
<td>A340</td>
<td>6/87</td>
<td>12/93</td>
<td>172</td>
</tr>
</tbody>
</table>

Number of Airplanes Delivered

Number of Operators

0 25 50 75 100 250 500 750 1000
777 Serves the World’s Airlines

423 In-Service 777s and 30 operators
Aircraft Residual Value Checklist: 777

- Market Acceptance: Exceptional
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment
Aircraft Residual Value Checklist: 777

Market Segments

- Low Fare
- Global Network
- Short Range/Domestic
- Intra-Regional
- Long Haul International
- Charter/Inclusive Tours
- Cargo

Market Acceptance
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment
The Versatile 777 is Used Around the World
Allowing Airlines to Use the Most Efficient Airplane to Meet Market Demands

<table>
<thead>
<tr>
<th>Market</th>
<th>777</th>
<th>A340</th>
<th>A330-300</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Domestic</td>
<td>168</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Intra-Asia</td>
<td>1,402</td>
<td>215</td>
<td>793</td>
</tr>
<tr>
<td>Transatlantic</td>
<td>567</td>
<td>224</td>
<td>150</td>
</tr>
<tr>
<td>Europe-Asia</td>
<td>91</td>
<td>114</td>
<td>0</td>
</tr>
<tr>
<td>Transpacific</td>
<td>170</td>
<td>40</td>
<td>0</td>
</tr>
</tbody>
</table>

August 2002 OAG data
Aircraft Residual Value Checklist: 777

- Market Acceptance
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment

Exceptional
Most Flexible Wide-body Ever
777 has a More Efficient Structure

- **Operating Empty Weight (OEW) - Lbs**

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>OEW/seat – Lbs per seat</th>
</tr>
</thead>
<tbody>
<tr>
<td>A340-200</td>
<td>900</td>
</tr>
<tr>
<td>A340-300</td>
<td>1000</td>
</tr>
<tr>
<td>A340-500</td>
<td>1100</td>
</tr>
<tr>
<td>A340-600</td>
<td>1200</td>
</tr>
<tr>
<td>A330-300</td>
<td>1300</td>
</tr>
<tr>
<td>777-200</td>
<td>1400</td>
</tr>
<tr>
<td>777-200ER</td>
<td>(230 Lbs per seat, almost 27,000 Lbs total!)</td>
</tr>
<tr>
<td>777-300</td>
<td>~ 17% lower,</td>
</tr>
<tr>
<td>777-300ER</td>
<td></td>
</tr>
<tr>
<td>777-200LR</td>
<td></td>
</tr>
</tbody>
</table>

Better Structural Efficiency
777 Design Technology Provides Lower Operating Costs

- 15%
- 10%
- 5%
 0
 5
10
15
20
Seat-mile cost, %

Trip cost, %

A330-300
A340-300
A340-500
A340-600
777-200ER
777-200LR
777-300ER
777-300
747-400

Lower operator costs

~ 15% lower
### Cabin Area Dictates Relative Seating Capacity

| Seating Cabin Area (sq. M) | Boeing Seat counts | Boeing Seat Density (seats/sq. M) | Airbus Seat Density (seats/sq. M) | Airbus Seatcounts | *Calculated based on Airbus seat density of 1.6*
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>747-400/-400ER</strong></td>
<td>310</td>
<td>416</td>
<td>1.34</td>
<td>1.33</td>
<td>413 / 496 *</td>
</tr>
<tr>
<td><strong>777-300/-300ER</strong></td>
<td>264</td>
<td>365</td>
<td>1.38</td>
<td>1.43</td>
<td>378 / 422 *</td>
</tr>
<tr>
<td><strong>A340-600</strong></td>
<td>237</td>
<td>323</td>
<td>1.36</td>
<td>1.60</td>
<td>380</td>
</tr>
<tr>
<td><strong>777-200/-200ER/-200LR</strong></td>
<td>219</td>
<td>301</td>
<td>1.38</td>
<td>1.39</td>
<td>304 / 350 *</td>
</tr>
<tr>
<td><strong>A340-500</strong></td>
<td>199</td>
<td>280</td>
<td>1.41</td>
<td>1.57</td>
<td>313</td>
</tr>
<tr>
<td><strong>A340-300</strong></td>
<td>195</td>
<td>262</td>
<td>1.34</td>
<td>1.51</td>
<td>295</td>
</tr>
</tbody>
</table>

* Three-class seating
Aircraft Residual Value Checklist: 777

- ✔ Market Acceptance
- ✔ Mission Flexibility
- ✔ Operating Economics
- ☐ Manufacturer Commitment

Exceptional
Most Flexible Widebody Ever
Unmatched Economics
Aircraft Residual Value Checklist: 777

☑ Market Acceptance
☑ Mission Flexibility
☑ Operating Economics
☐ Manufacturer Commitment

Product Innovation and Improvement
☑ New Ultra-Long Range 777-200LR & 777-300ER
☑ Flight Crew Commonality
☑ Space Utilization
Aircraft Residual Value Checklist:

- Market Acceptance
- Mission Flexibility
- Operating Economics
- Manufacturer Commitment

Exceptional
Most Flexible Widebody Ever
Unmatched Economics
More Range, Space and Value
All Boeing Airplanes Score Well on the Aircraft Residual Value Checklist

Number of Operators

200

150

100

50

0

Number of Airplanes Delivered

0 500 1000 1500 2000

All Data through Nov

737 Classic

737 NG

767

757

A320

A300-600

A300

A310

A340

747-400

777

717
New Opportunities For Passengers And Airlines

Where they want to go
When they want to go
How The 7E7 Uses Sonic Cruiser Technology

![Graph showing relative fuel burn per seat (%) for A330-200 (base), A340-500, Sonic Cruiser, and 7E7. The 7E7 is marked as "Really Fast and Efficient" and "Super Efficient and Fast".]
Sonic Cruiser Technology Applied to the 7E7

- Configuration
- Materials
- Manufacturing
- Systems
- Environmental
- Propulsion
Middle Of The Market Opportunities

- A big market segment, quiet for now
- 2000 to 3000 airplane market
How Can The 7E7 Serve The Middle Of The Market?
Medium and long-haul international routes

- Increased point-to-point travel and more frequency choices
- Speed, Range and Comfort of the 777 in a smaller size

New International Medium & Long-Haul City-Pairs & Frequencies
How Can The 7E7 Serve The Middle Of The Market?
Domestic and intra-regional and medium-haul routes

- Increased capacity for dense single-aisle city pairs
- Large airplane seat economics with smaller airplane trip costs
What Is The Future Demand And Timing For The Middle Of The Market

- Large opportunities for fleet replacement.
- By 2008, 42 percent of the fleet will be more than 20 years old.
- By 2015, the number climbs to 74 percent.
- 2,000 to 3,000 airplane market, replacement and growth.
Summary

• Economic growth will return and traffic growth will rebound to long-term trend

• Passengers’ demands for shorter trip times, non-stop flights and more frequency choices will drive airline strategies and airplane selection

• Manufacturers can and do affect residual values through design, support, supply and pricing decisions

• Boeing is committed to maintaining its competitive edge in the aviation industry