

Boeing Capital develops discriminating customer finance solutions and aggressively manages finance exposures.

Today's business environment requires greater and more complex customer financing solutions to win business. While we prefer to use third-party financing, there are times Boeing Capital funding is necessary. In those situations, we prudently manage the investment and resulting Boeing Capital portfolio risk. To allow us to efficiently utilize the capital markets, we maintain our present conservative financial profile and deliver appropriate financial returns.

2004 was a year of dramatic change and accomplishment, as our mission evolved to delivering value through business unit support and heightened risk management.

Boeing Capital's overall financial performance was solid, with revenues of \$959 million and pretax earnings of \$183 million. Our balance sheet remains strong, with debt reduced by \$2.2 billion, a 5x leverage and an excellent liquidity position—all evidenced by premier A debt ratings. To better align Boeing Capital's operations with Boeing's core businesses, we sold our commercial finance business to GE Capital Corporation for more than \$2 billion and consolidated our Southern California infrastructure to the Puget Sound region of Washington state.

We supported more than 50 percent of Boeing Commercial Airplanes' 2004 deliveries, as well as new airline campaigns and key defense and space programs. We also initiated programs to help re-energize the capital markets, develop new funding sources and improve the international regulatory and legal framework for financing aircraft. For example, we led industry efforts supporting ratification of the Cape Town Treaty, which provides a global legal system for asset-based financing of aircraft. To significantly strengthen our risk management capabilities, we implemented new systems and processes to better define, manage and mitigate current and new business financial exposures within our \$10 billion aircraft portfolio.

Boeing Capital's role will expand strategically, as Boeing businesses grow and as financial markets transition to more nontraditional funding sources.

Continuing financial pressure on Boeing's airline customers will present unique customer financing challenges. Today's solutions may not be sufficient; consequently, new funding models may be required. As a result, it becomes absolutely essential for us to maintain the appropriate financial strength, capability and vital management skills. Strategically, we must continue to evolve, developing those next-generation solutions that will be key to Boeing's ability to capture new business and grow.

“Our mandate is simple:
help customers finance their
purchase of Boeing products.”

Walter E. Skowronski
President, Boeing Capital Corporation

