

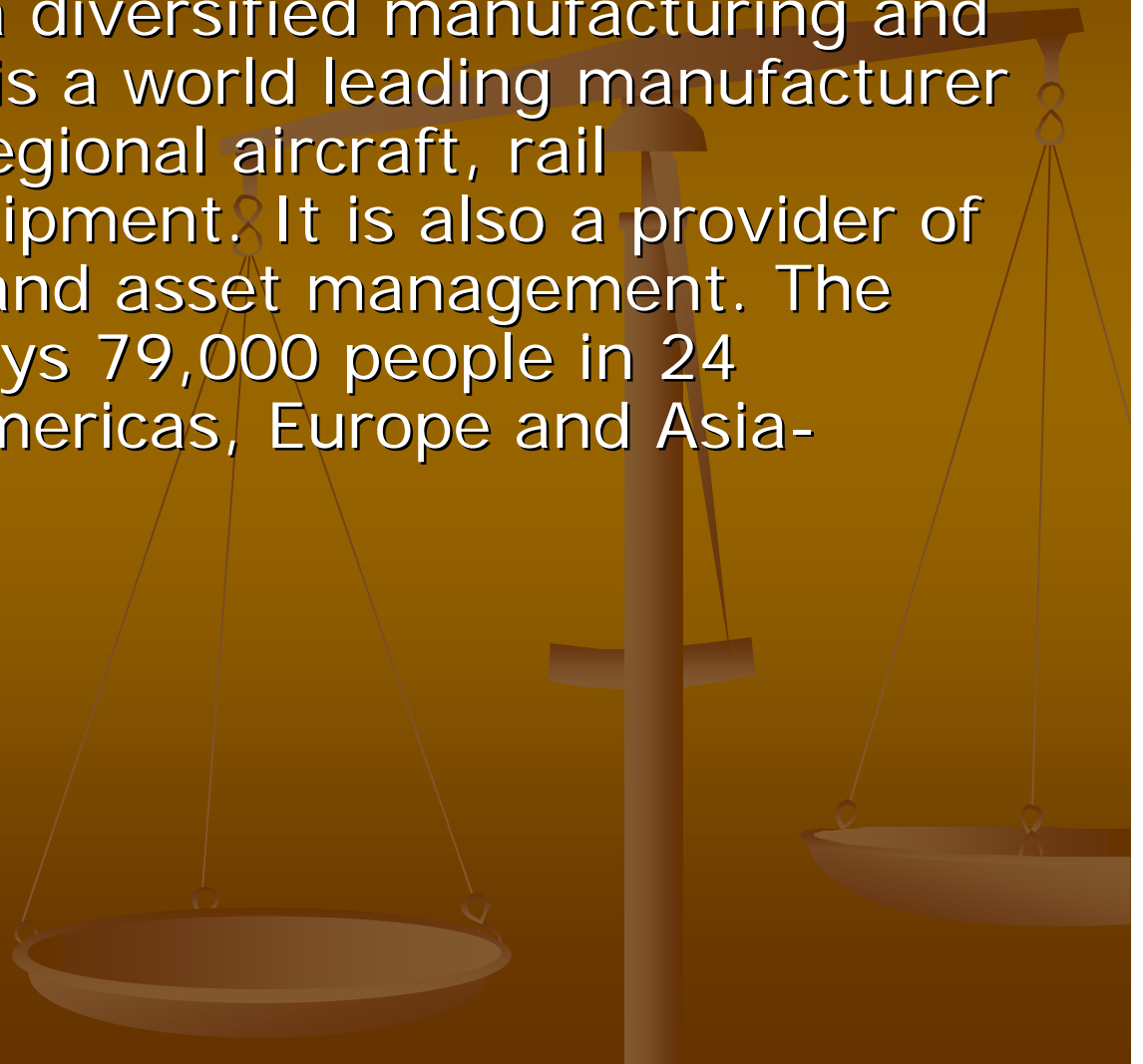
BOMBARDIER



Trevor Davies
Steve Bernier
Paul Gos
Jeff Cosentino

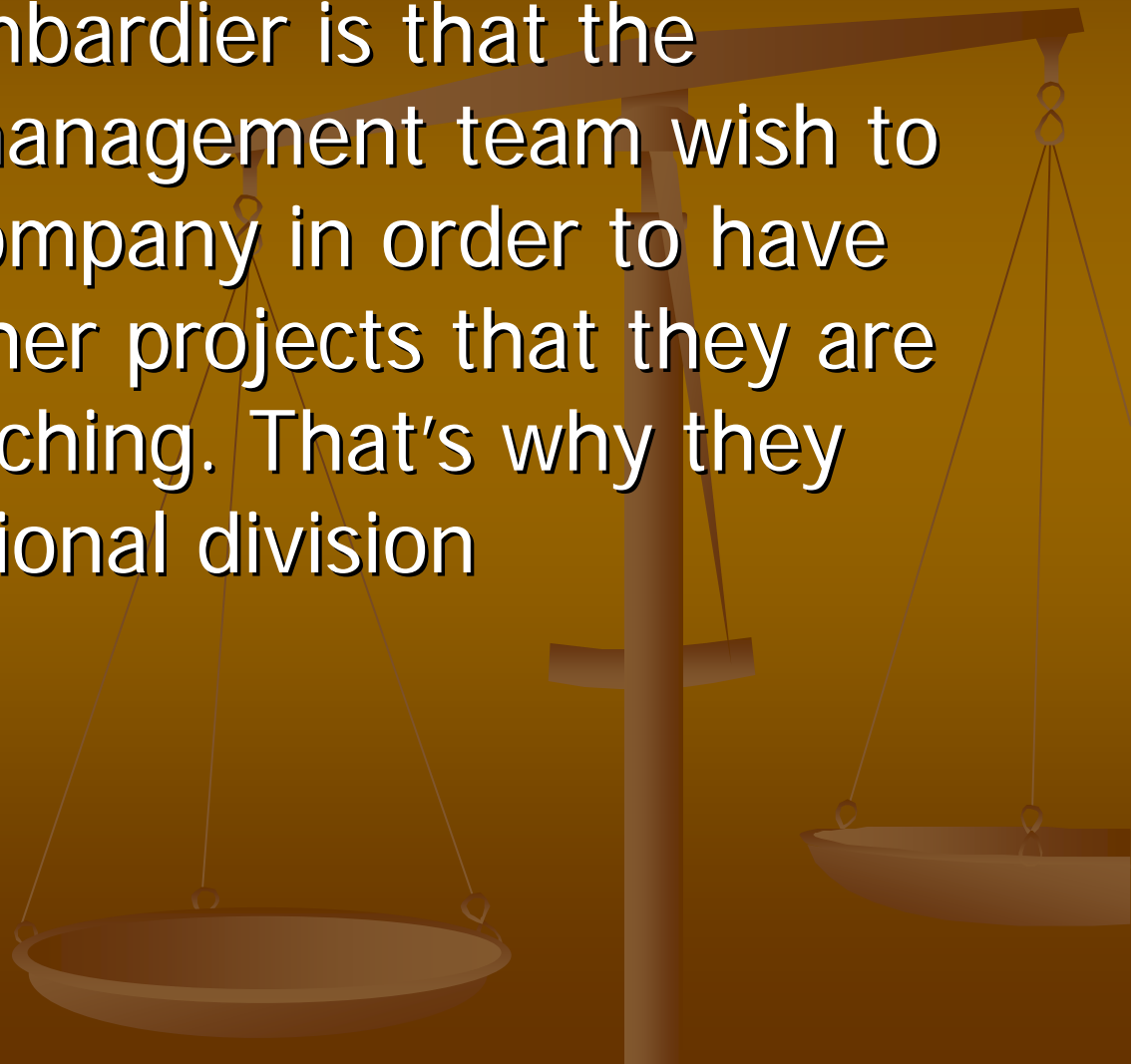
Bombardier

- Bombardier Inc., a diversified manufacturing and service company, is a world leading manufacturer of business jets, regional aircraft, rail transportation equipment. It is also a provider of financial services and asset management. The Corporation employs 79,000 people in 24 countries in the Americas, Europe and Asia-Pacific



Objective

- The goal of Bombardier is that the company and management team wish to downsize the company in order to have financing for other projects that they are currently researching. That's why they sold the recreational division (snowmobiles).

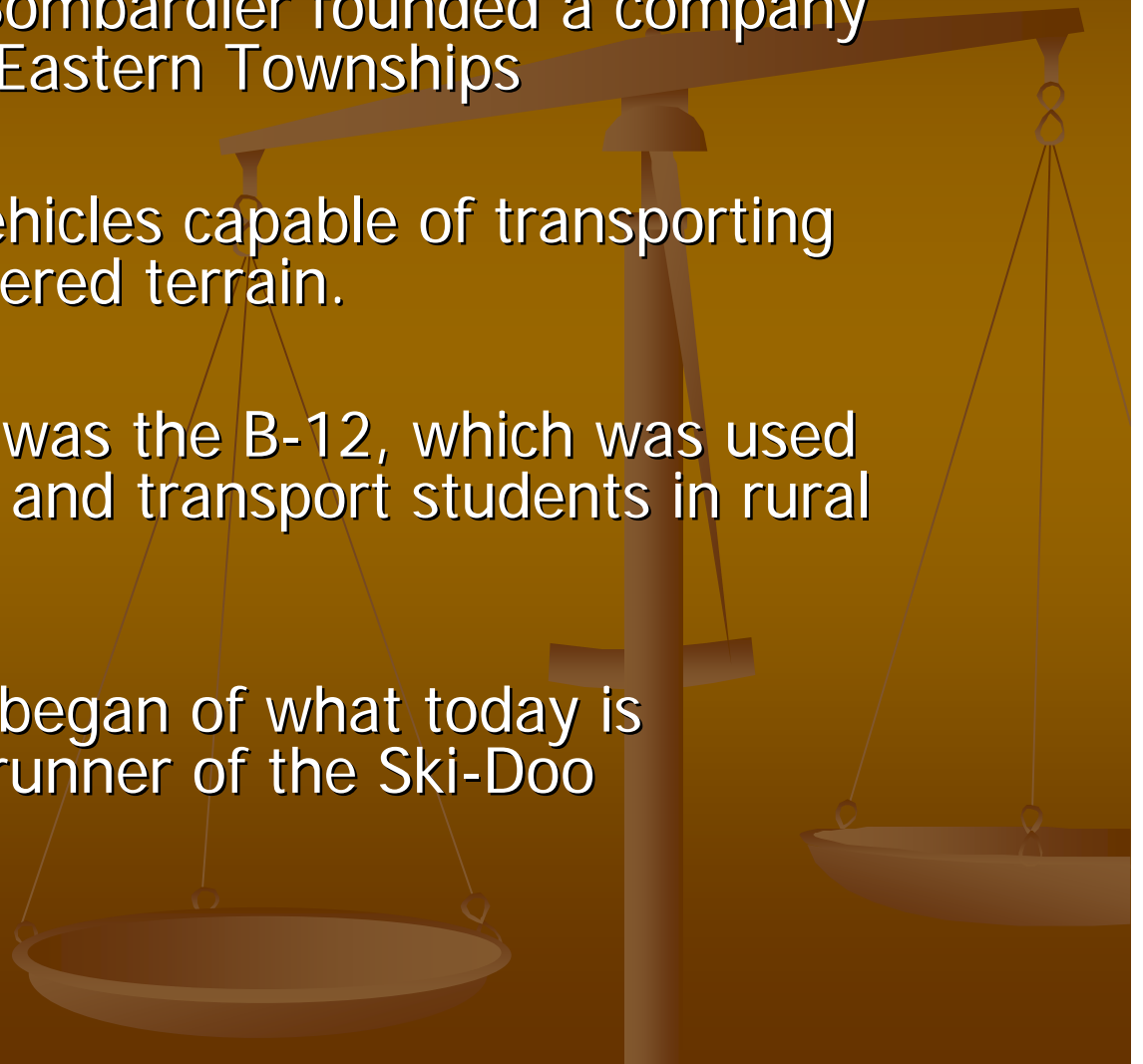


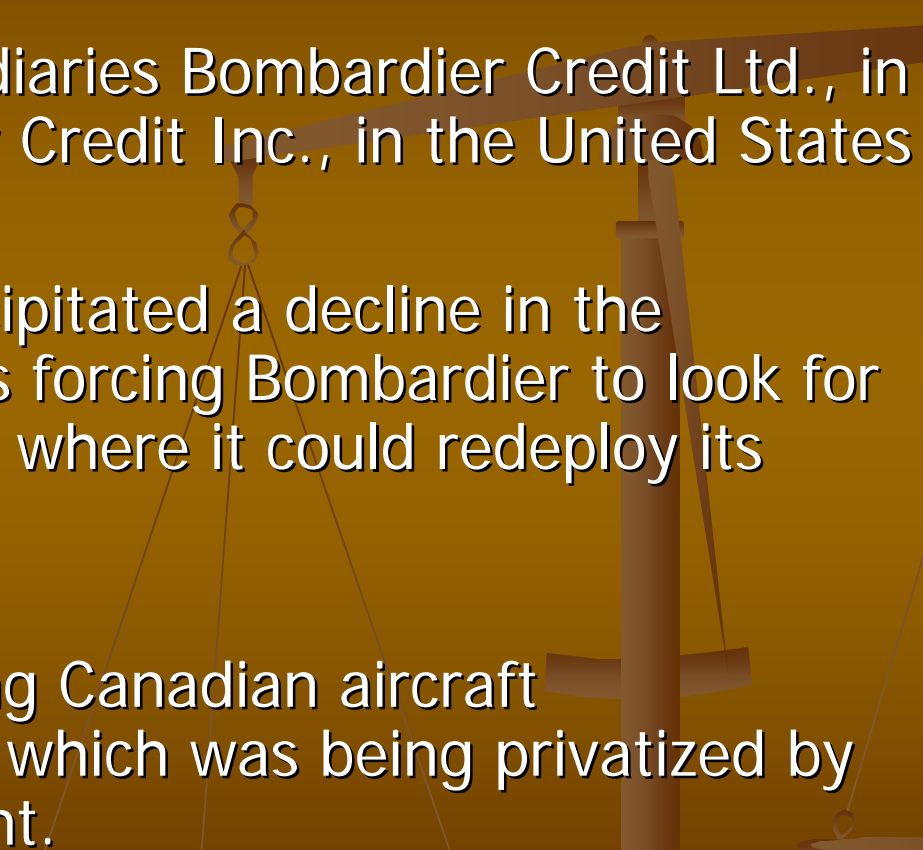
Joseph-Armand Bombardier

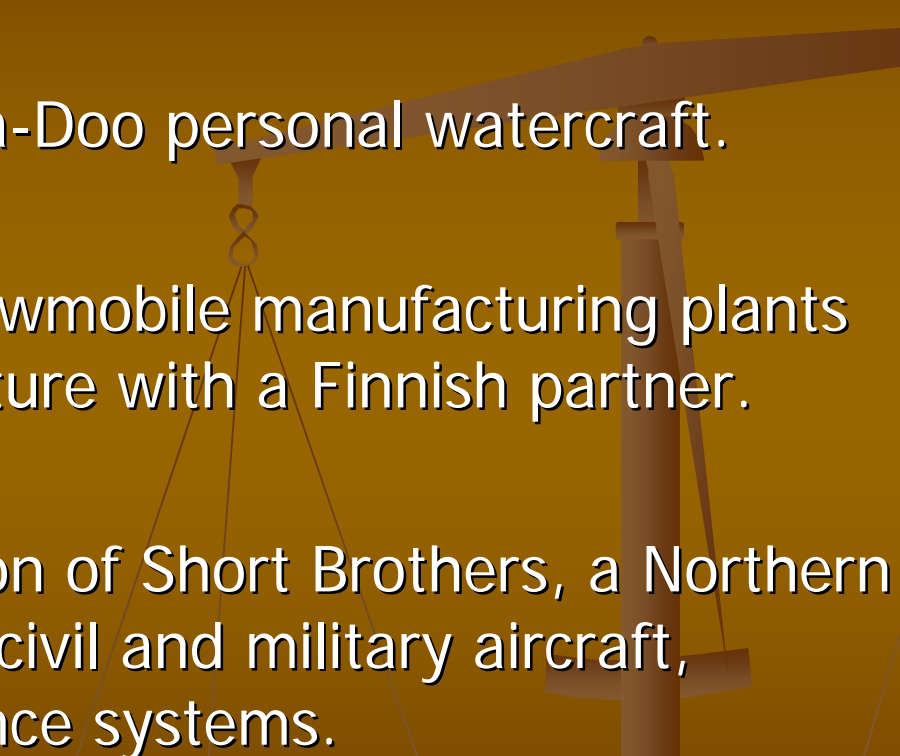


History of Bombardier

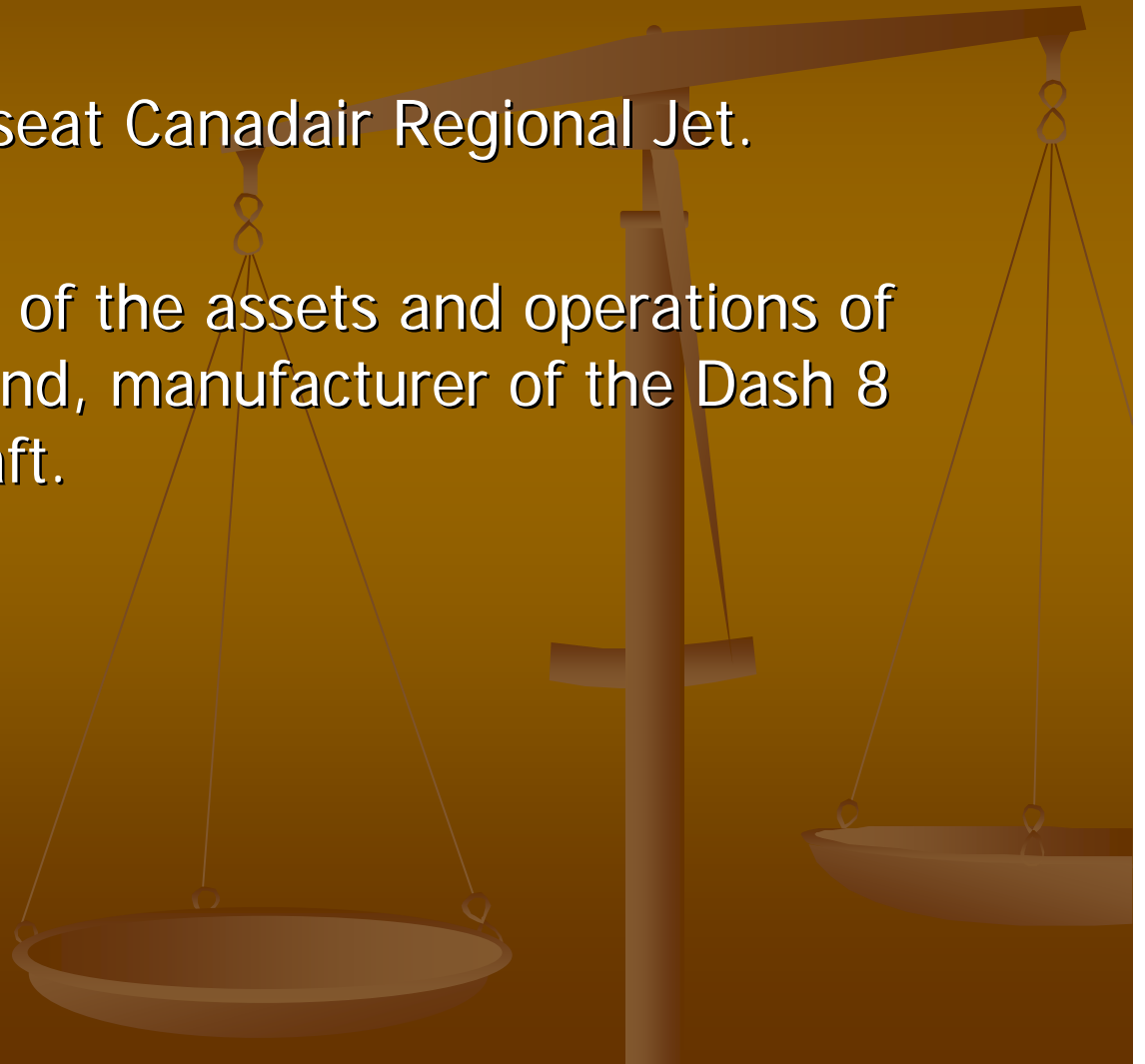
- 1942 - Joseph-Armand Bombardier founded a company in Valcourt, in Québec's Eastern Townships
- Manufactured tracked vehicles capable of transporting passengers on snow-covered terrain.
- First commercial vehicle was the B-12, which was used to haul wood, carry mail and transport students in rural areas.
- 1959 - mass-production began of what today is considered the true forerunner of the Ski-Doo snowmobile.

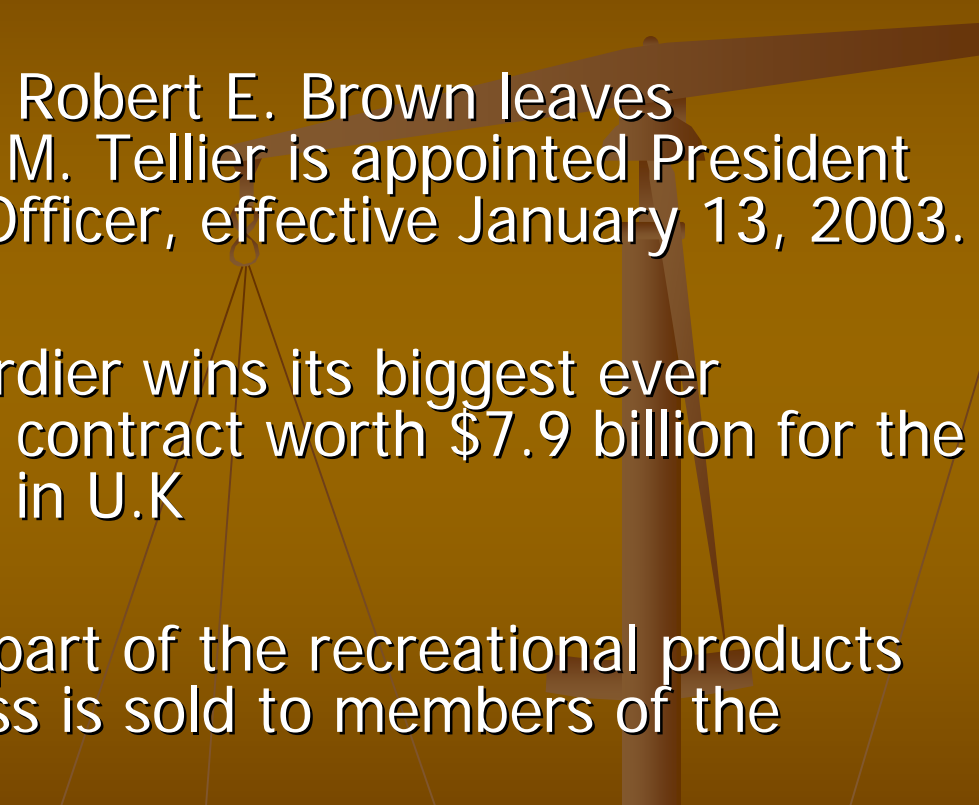


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- January 23, 1969 - listing of Bombardier stock on the Montreal and Toronto stock exchanges and public offering of two million shares.
 - 1972 - Creation of subsidiaries Bombardier Credit Ltd., in Canada, and Bombardier Credit Inc., in the United States
 - 1973 - Energy crisis precipitated a decline in the snowmobile market, thus forcing Bombardier to look for another field of activities where it could redeploy its qualified workforce.
 - 1986 - Bought the leading Canadian aircraft manufacturer, Canadair, which was being privatized by the Canadian Government.

- 
- 1987, acquisition of the railcar designs of U.S. companies Budd and Pullman.
 - 1988 - Launched the Sea-Doo personal watercraft.
 - 1988 - acquisition of snowmobile manufacturing plants in Finland, in a joint venture with a Finnish partner.
 - October 1989 - acquisition of Short Brothers, a Northern Ireland manufacturer of civil and military aircraft, aerostructures and defence systems.

- December 1989 - acquisition of ANF-Industries, France's second largest manufacturer of railway equipment.
- 1991 - launched the 50-seat Canadair Regional Jet.
- March 1992 - acquisition of the assets and operations of Ontario-based de Havilland, manufacturer of the Dash 8 turboprop regional aircraft.



- 
- August, 2000 - Bombardier signs a sale and purchase agreement with DaimlerChrysler AG of Germany to acquire its subsidiary DaimlerChrysler Rail Systems GmbH, based in Berlin.
 - December 13, 2002 - Robert E. Brown leaves Bombardier and Paul M. Tellier is appointed President and Chief Executive Officer, effective January 13, 2003.
 - April 7, 2003, Bombardier wins its biggest ever transportation supply contract worth \$7.9 billion for the London Underground in U.K
 - December 2003 - as part of the recreational products segment, this business is sold to members of the Bombardier family

- Bombardier has become the third largest civil aircraft manufacturer worldwide.
- Currently leading the business jet and regional aircraft markets worldwide as well as being the global leader in passenger railcar manufacturing.



Lear Jet & Rail Car



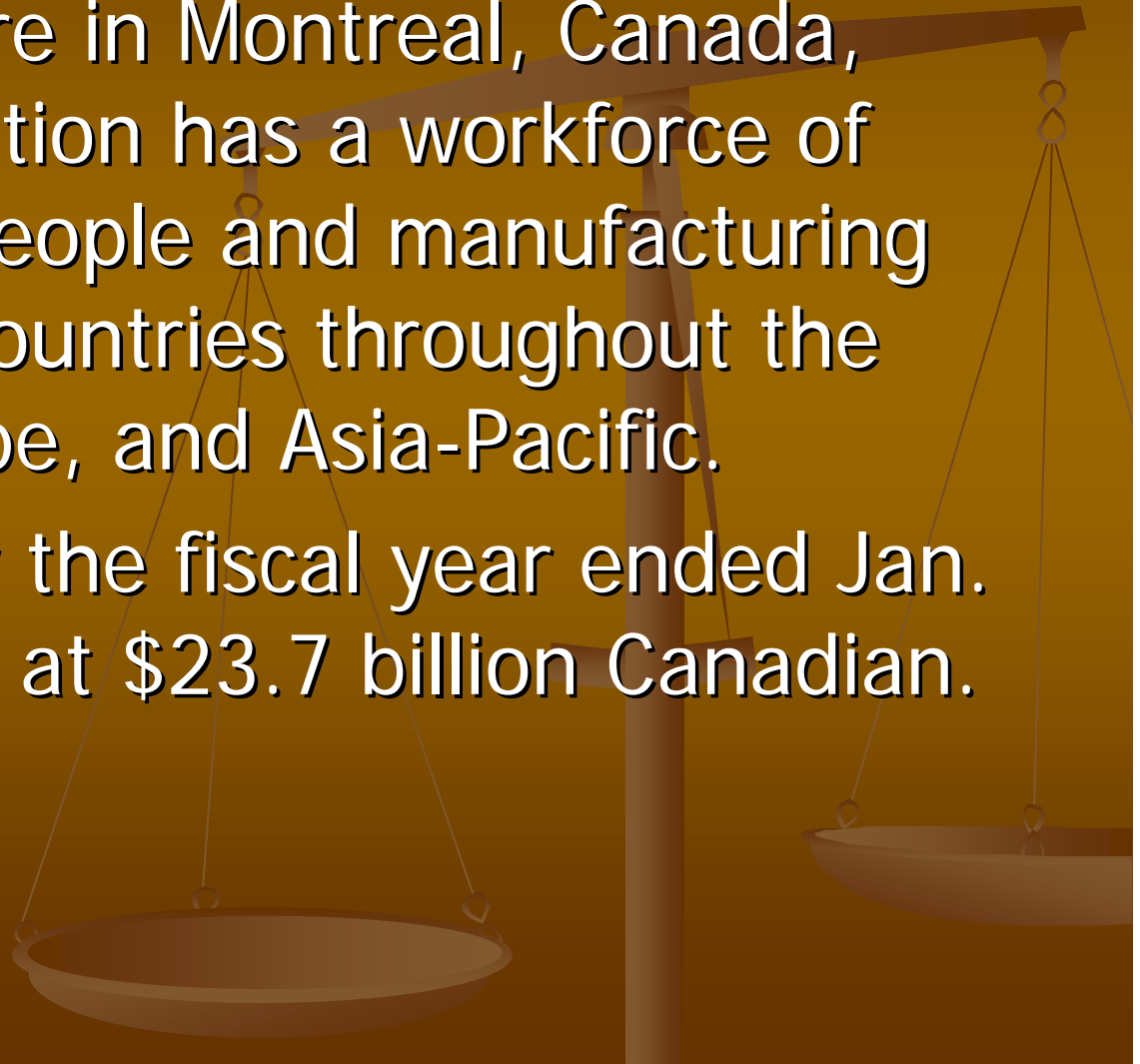
Financial Overview



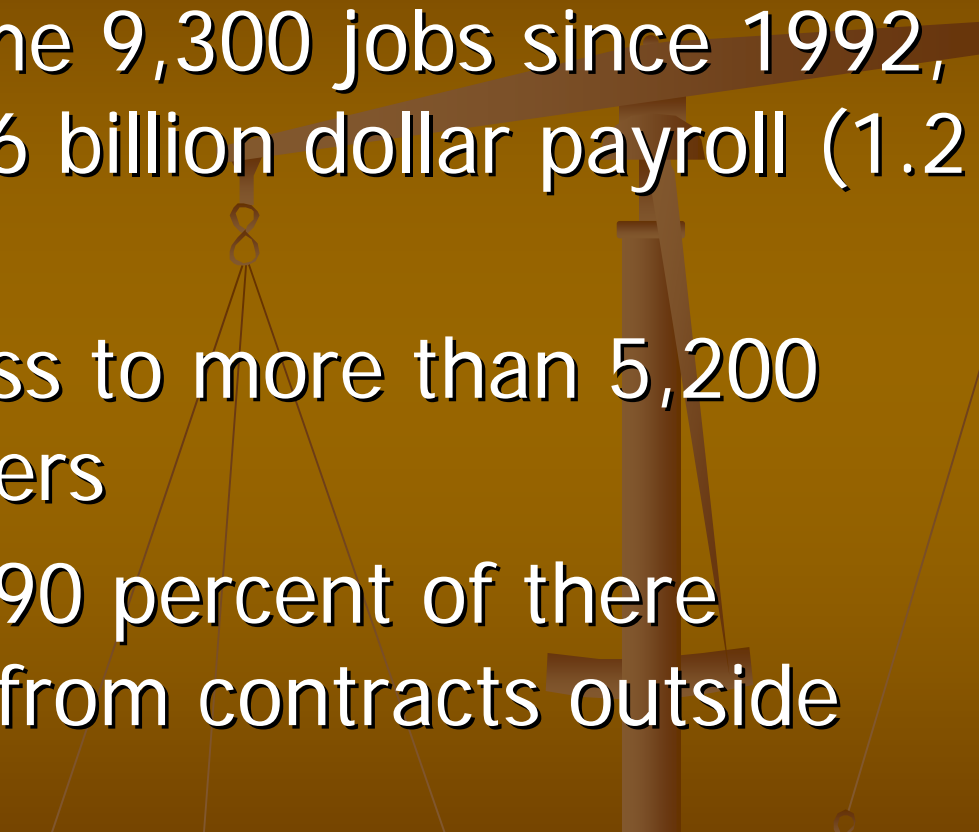
- *Revenue for Bombardier 2004:*
- -Manufacturing 17,270 million
- -Services 2,407 million
- -Financing 447 million
- -Other 1,197 million

Financial Overview (cont)


- Headquarters are in Montreal, Canada, and the corporation has a workforce of some 75, 000 people and manufacturing facilities in 25 countries throughout the Americas, Europe, and Asia-Pacific.
- Its revenues for the fiscal year ended Jan. 31, 2003, stood at \$23.7 billion Canadian.



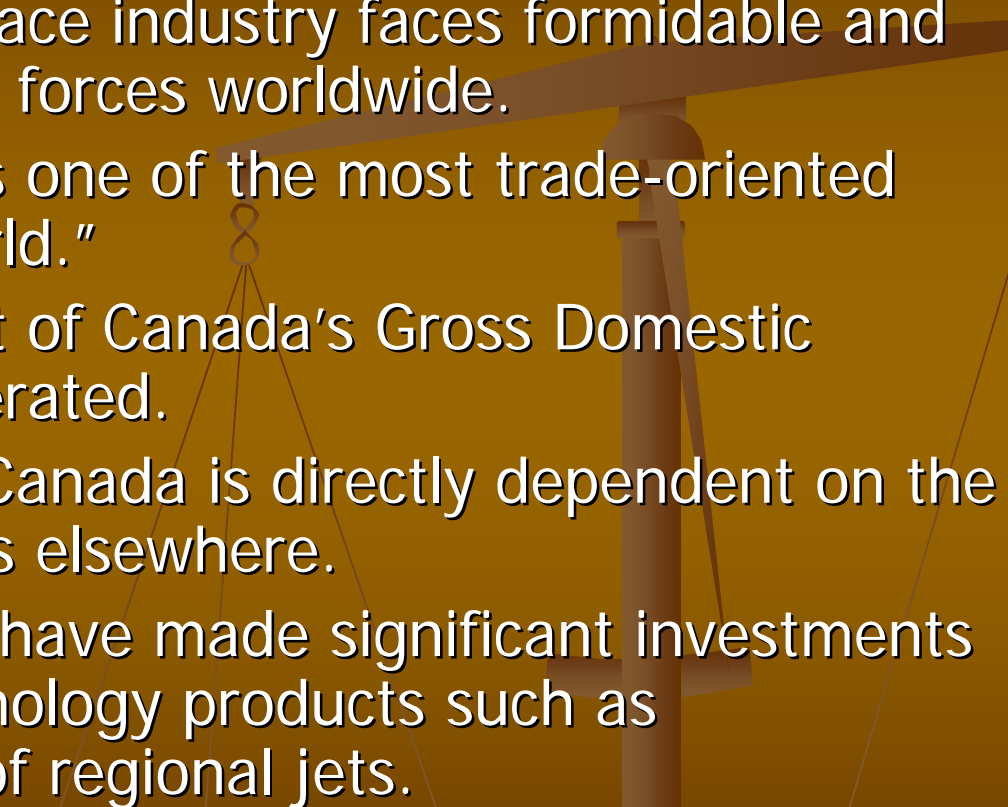
Financial Overview (cont)

- Has created some 9,300 jobs since 1992, and carries a 1.6 billion dollar payroll (1.2 billion US)
 - Provides business to more than 5,200 Canadian suppliers
 - At Bombardier, 90 percent of there revenues come from contracts outside Canada
- 

Financial Overview (cont)

- Bombardier created 9,265 jobs in Canada since 1992, to bring its current Canadian workforce to 24,495 employees.
 - The Canadian payroll represents \$1.6 billion in 2002, and Bombardier employees earn salaries well above the Canadian average.
 - Provides business to over 5,200 Canadian suppliers all across Canada, who have in turn created thousands of jobs
- 

Canadian Economy

- The Canadian aerospace industry faces formidable and ferocious competitive forces worldwide.
 - Teller said “Canada is one of the most trade-oriented economies in the world.”
 - More than 40 percent of Canada’s Gross Domestic Product is trade-generated.
 - One in three jobs in Canada is directly dependent on the ability to sell products elsewhere.
 - Canadian companies have made significant investments to develop high technology products such as Bombardier’s family of regional jets.
- 

Global Competitors

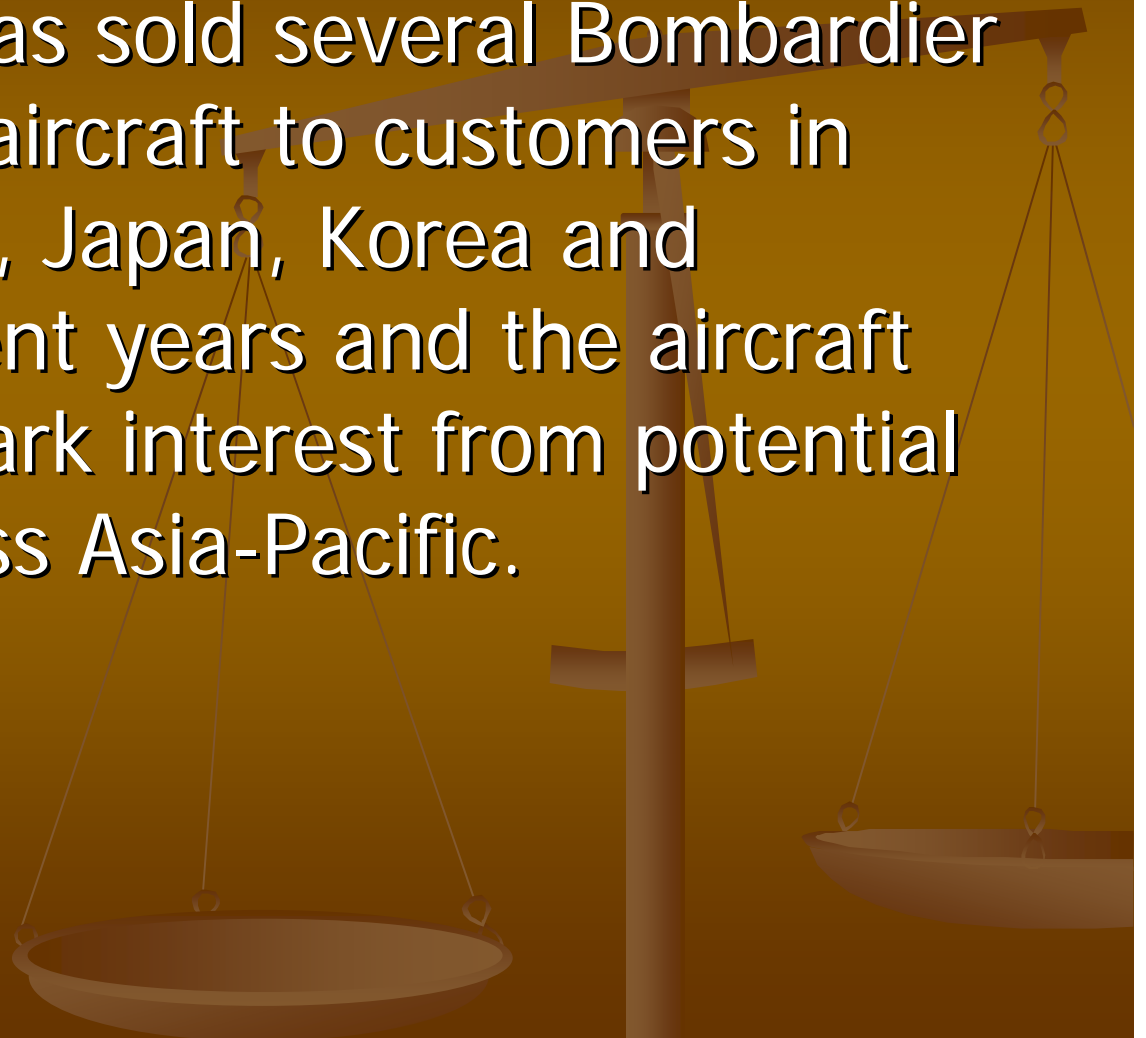
➤ *Main Direct Aerospace Competitors:*

- Embraer- Brazilian
- Airbus-UK and France
- Boeing-American



Global Market

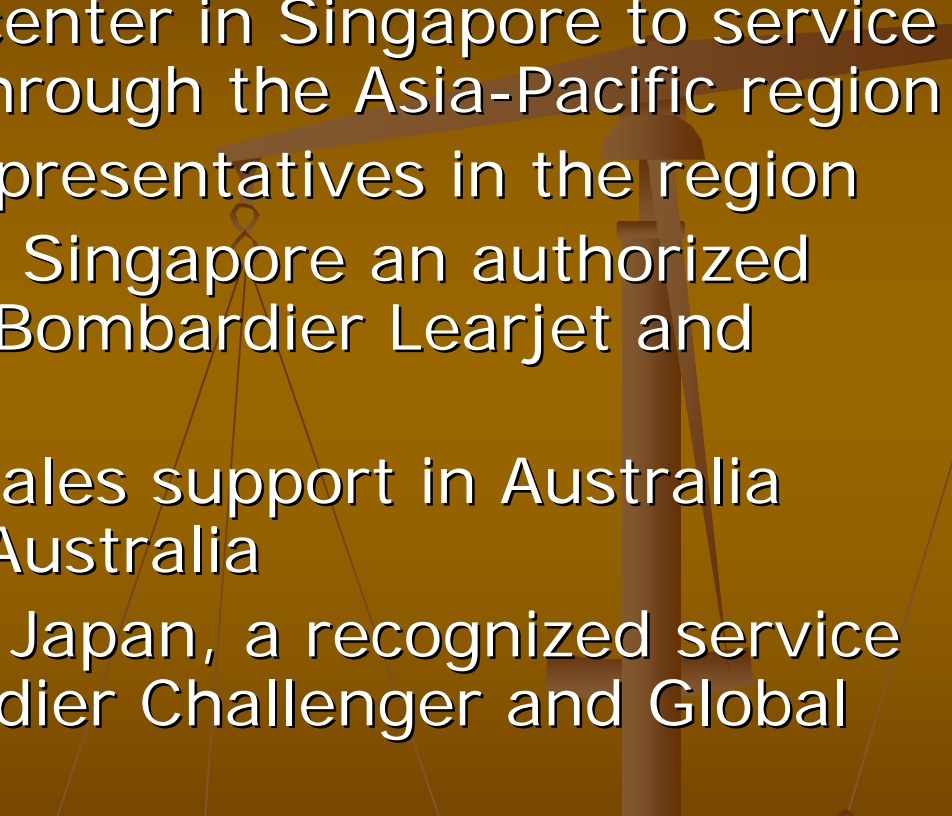
- The company has sold several Bombardier Global Express aircraft to customers in Australia, China, Japan, Korea and Malaysia in recent years and the aircraft continues to spark interest from potential customers across Asia-Pacific.



Global Market (cont)

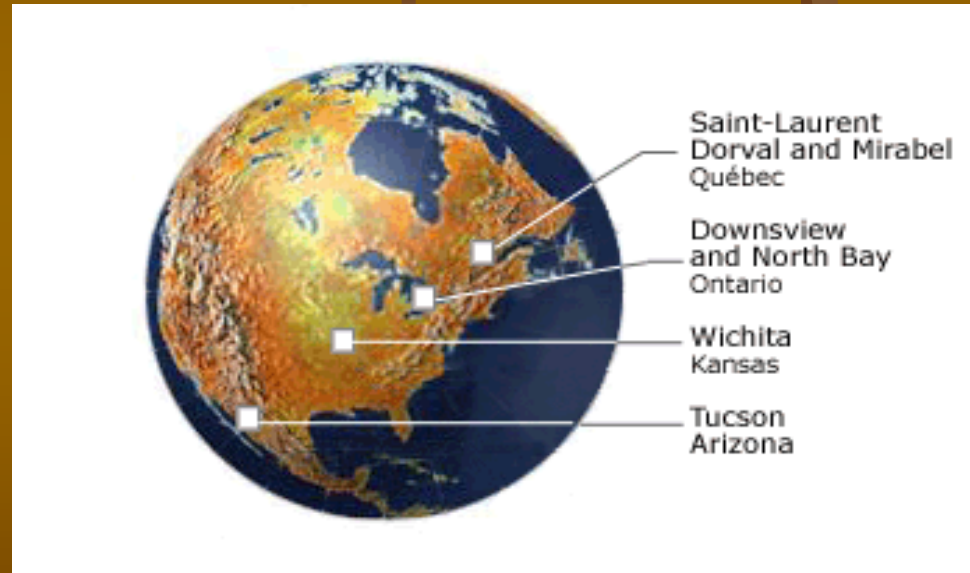
- Bombardier Aerospace has a strong sales and support network in Asia-Pacific to support its future corporate jet growth in the region. It includes:
 - Asia-Pacific headquarters for Business Aircraft sales in Hong Kong
 - Bombardier office in Beijing to serve the People's Republic of China
- 

Global Market (cont)

- Parts distribution center in Singapore to service business aircraft through the Asia-Pacific region
 - Six field service representatives in the region
 - Jet Maintenance in Singapore an authorized service facility for Bombardier Learjet and Challenger aircraft
 - Maintenance and sales support in Australia through ExecuJet Australia
 - JAMCO, in Sendai, Japan, a recognized service facility for Bombardier Challenger and Global Express aircraft.
- 

Worldwide Locations

- Aerospace Production facilities:



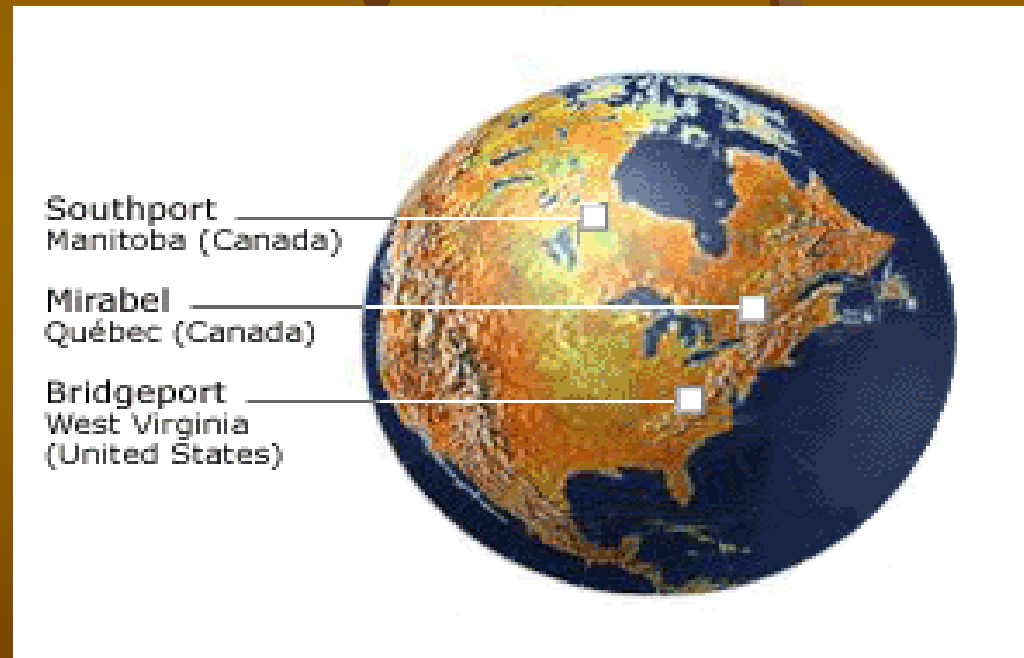
Worldwide Locations (cont)

- Aerospace Production facilities:



Worldwide Locations (cont)

- Aerospace Service facilities:



New Product

- Bombardier Aerospace launches Global Express XRS ultra long-range business jet
 - Bombardier Global family continues to set the standard for speed, and comfort
 - Bombardier Aerospace today introduced the new Bombardier Global Express, an improved version of the world's finest business jet aircraft.
 - The Bombardier Global Express XRS takes the outstanding performance of the Bombardier Global Express even further, offering greater levels of cabin comfort and technology to both passengers and crew, while connecting more cities faster than any other business jet.
- 

Bombardier Global Express



New Product (cont)

- “The Bombardier Global Express XRS, like the Bombardier Global Express, will continue to set the standard in the ultra long-range business aircraft market, combining the most versatile, stately and advanced business jet cabin with incomparable performance and technology,” said Peter Edwards, president, Bombardier Business Aircraft. “There is no compromise with this jet and it reflects, once again, Bombardier’s commitment to provide our customers with the best business jet aircraft in the world.”

New Product (cont)

- Chief among the aircraft's performance improvements are increased range at high speed, improved takeoff capabilities and a new, fast refuelling technology.
- A new zero flaps takeoff capability will allow Bombardier Global Express XRS operators to depart from "hot and high" airports at higher temperatures and with a greater fuel load, reaching more cities from more airports around the world.
- The Bombardier Global Express XRS also features a new, fast refuelling technology that significantly shortens the refuelling process. Made possible by software upgrades to the fuel computer along with some structural adjustments, Bombardier expects that refuelling the Bombardier Global Express XRS will save 15 minutes.

New Invention

- Bombardier has produced an exciting answer to the **Segway Human Transporter**. Like the Segway, Bombardier's **Embrio** concept



Bombardier-Air Canada

- Bombardier has managed to secure financing for Air Canada's order of 45 regional jets.
- The airline announced in December that it planned to spend \$2.6 billion US to buy 90 regional jets from Bombardier and Brazilian aircraft manufacturer Embraer.



American-Canadian Relations

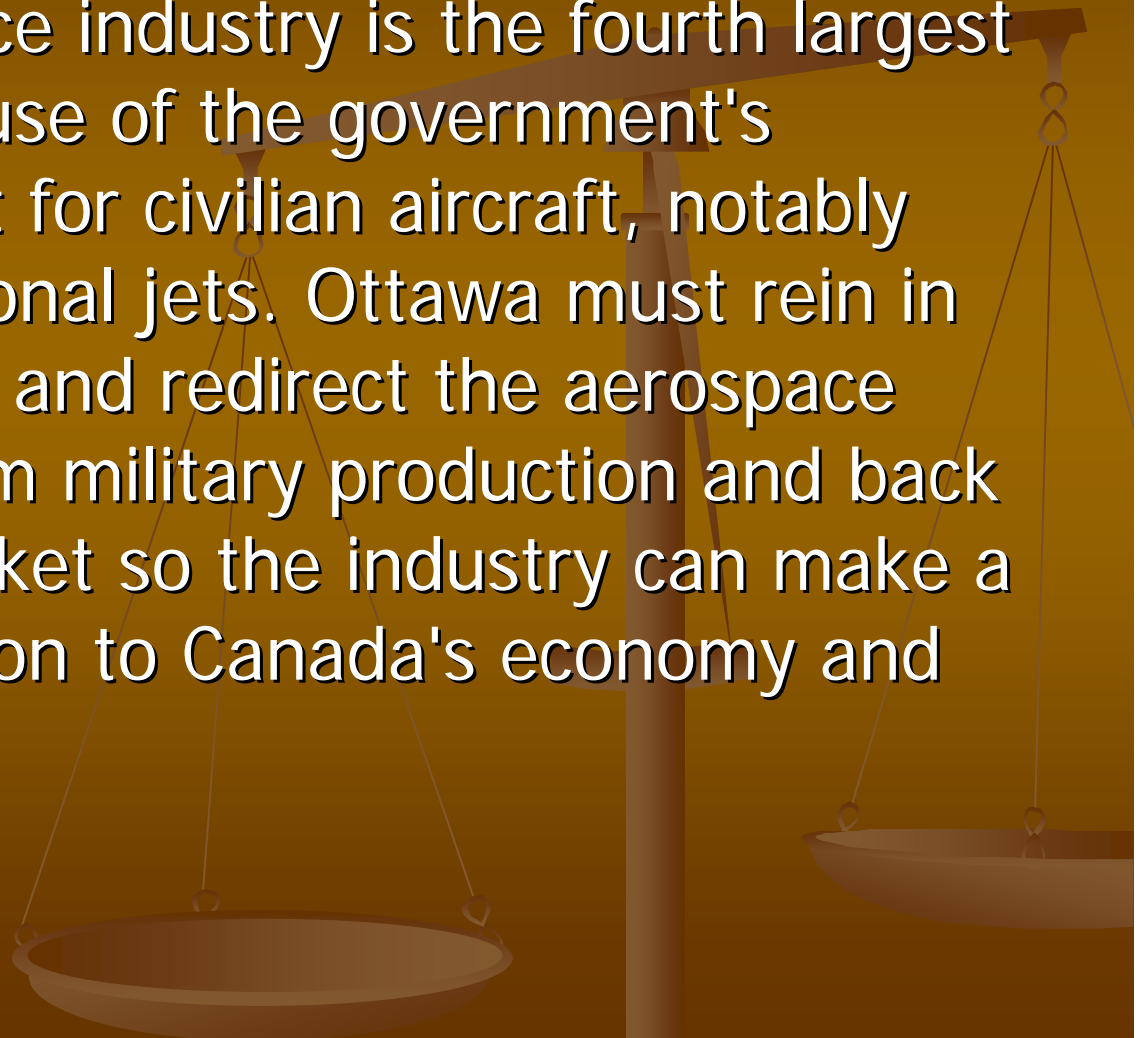
- Canada's aerospace industry, led by Bombardier, CAE, Pratt and Whitney Canada, and Bell Helicopter Textron, has mounted an intense lobby to push Ottawa for increased military spending and participation in joint weapons programs with the U.S. military to aid the industry.
- The companies scored a significant victory when the Canadian government quietly announced this year that it would ante up \$150-million (U.S.) to be part of the Pentagon's multinational Joint Strike Fighter program to develop and build 3,000 planes. Dubbed the "Jointly Spent Fortune" program by The Economist, history's largest arms contract is worth about \$200-billion. Ottawa has set of Defense, Industry and Foreign Affairs up a committee of the departments to assist Canadian companies in winning JSF contracts.

American-Canadian Relations

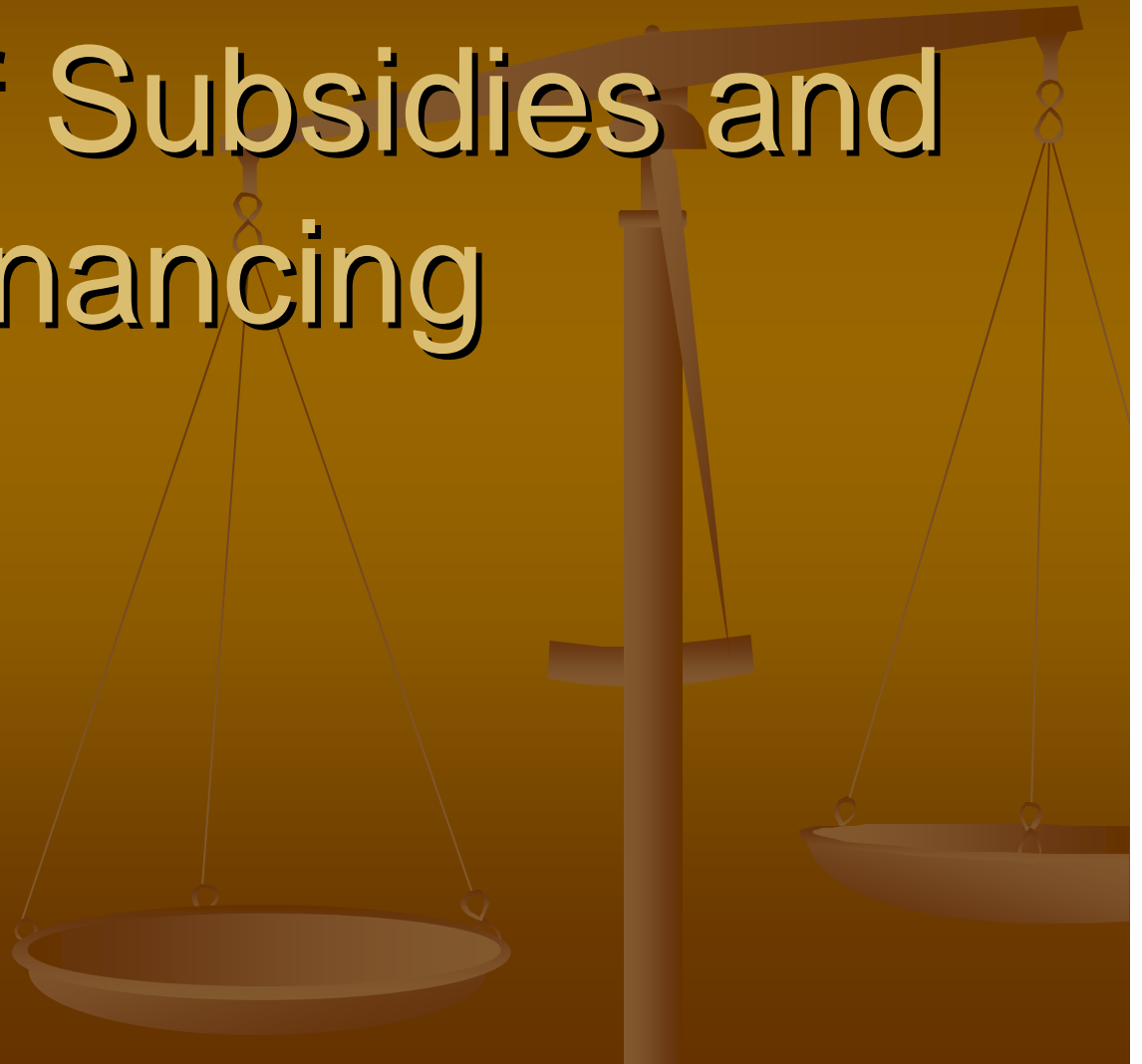
- Many Canadians are becoming concerned: Last month, members of the peace group End the Arms Race protested against a government-sponsored military aerospace trade show in Edmonton, warning that corporations are becoming dependent on government military spending. They also fear that the establishment of a powerful corporate defence lobby will undermine policy choices. Public opinion polls have shown that Canadians are opposed to a U.S. missile defence shield and are reluctant to join an expanded U.S.-led war on terrorism against Iraq. Our values will be undermined if Ottawa allows -- even encourages -- companies to profit from weapons and wars that citizens don't support.

American-Canadian Relations

- Canada's aerospace industry is the fourth largest in the world because of the government's traditional support for civilian aircraft, notably Bombardier's regional jets. Ottawa must rein in the defense lobby and redirect the aerospace industry away from military production and back to the civilian market so the industry can make a positive contribution to Canada's economy and role in the world.

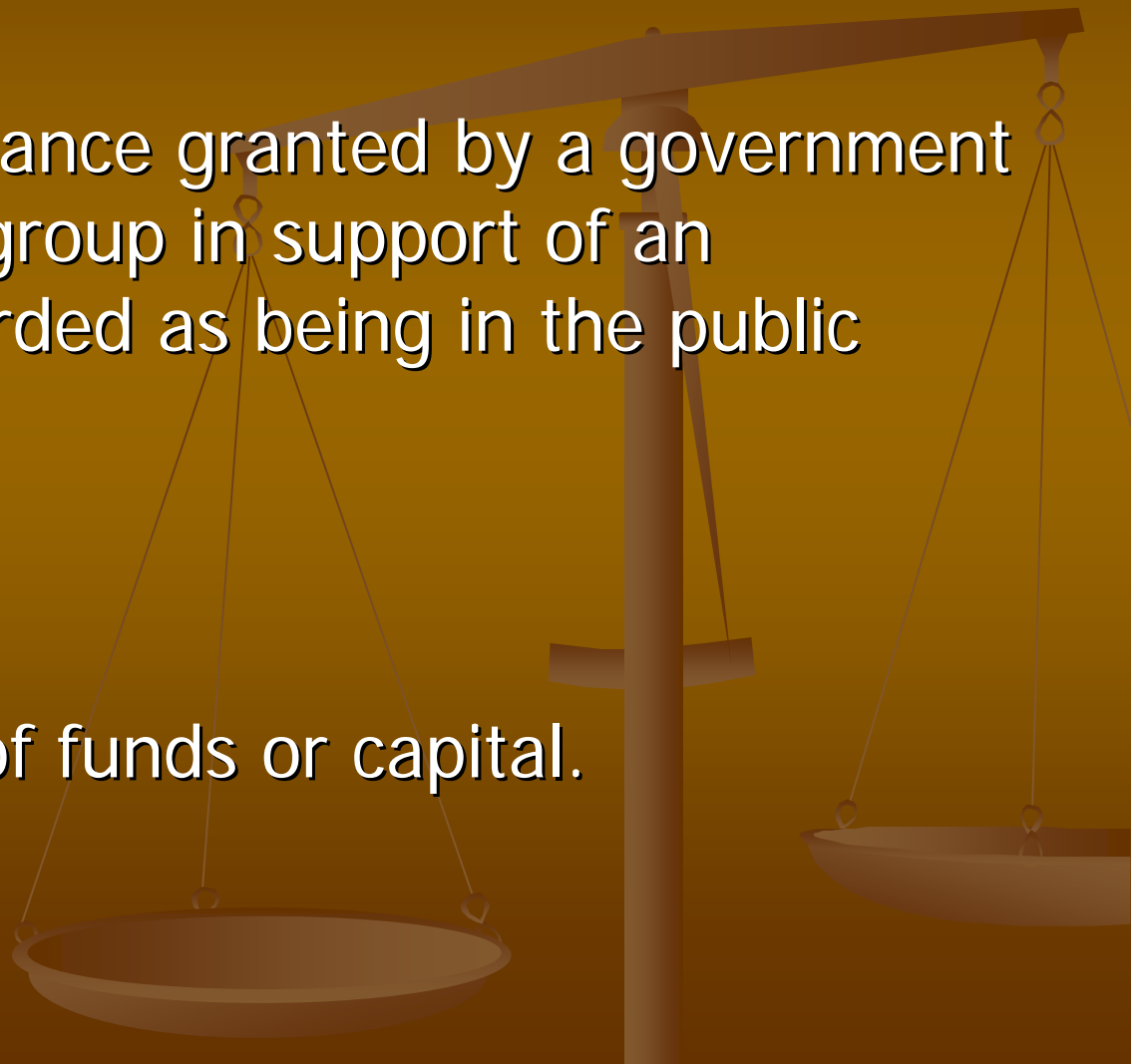


Effects of Subsidies and Financing



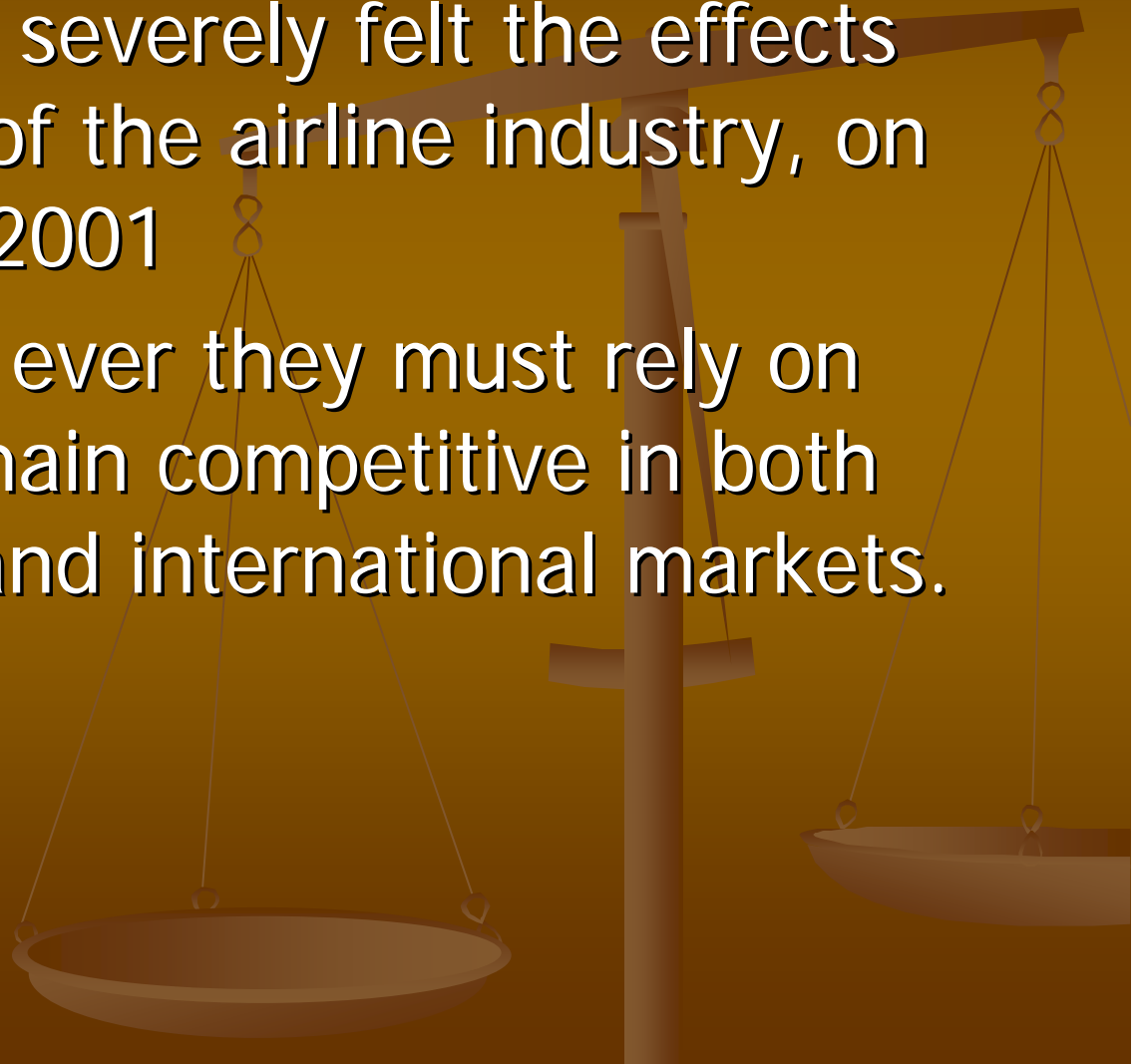
Definition

- Subsidy:
 - Monetary assistance granted by a government to a person or group in support of an enterprise regarded as being in the public interest.
- Financing:
 - The supplying of funds or capital.



Opening

- Bombardier has severely felt the effects from the crash of the airline industry, on September 11, 2001
- Now more than ever they must rely on subsidies to remain competitive in both their domestic and international markets.




Case Study

Bombardier vs. Embarer

- The governments of Canada and Brazil are locked in a battle with World Trade Organization. Each country is accusing the other of unfairly subsidizing its aerospace exports to undercut competition in the tough regional jet market.
 - **June 1996 - Canada requests establishment of WTO Panel to rule on legality of Proex.**
 - **July 1998 - Canada requests second WTO Panel to examine Proex**

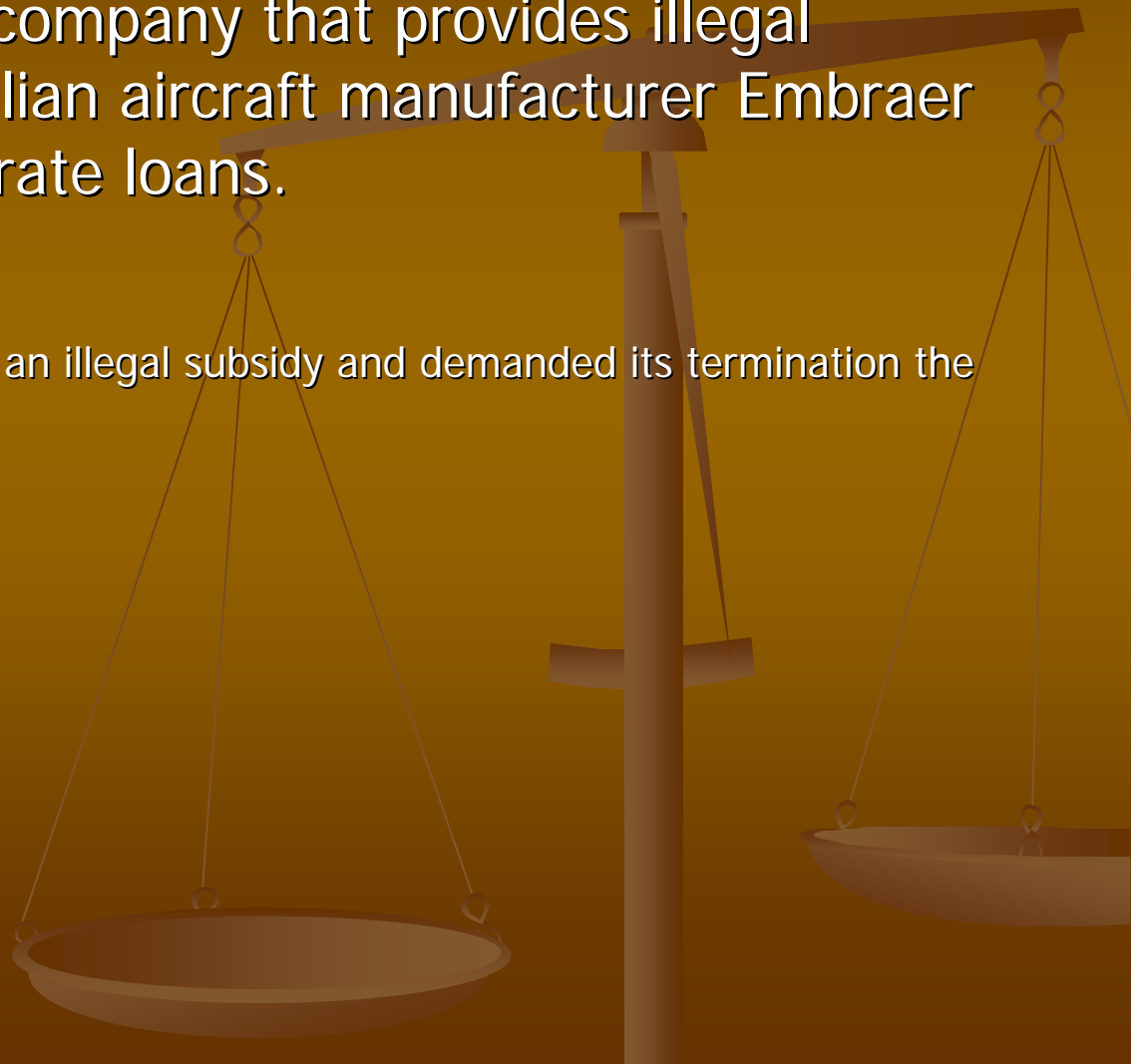
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- **March 1999 - WTO Panel declares Proex subsidy for regional aircraft a prohibited export subsidy.**
 - **March 2000 - WTO Compliance Panel confirms Brazil has not complied with the WTO rulings over Proex**
 - **August 2000 - WTO arbitration panel rules Canada can apply \$344 million per year in countermeasures against Brazil. Confirms Proex program has done significant damage to the Canadian aircraft industry**
- 

Proex

- Brazilian investment company that provides illegal subsidies to the Brazilian aircraft manufacturer Embraer through low interest rate loans.

**Proex was found to be an illegal subsidy and demanded its termination the low interest rate subsidies.



Canada's answer to Proex: Technology Partnerships Canada

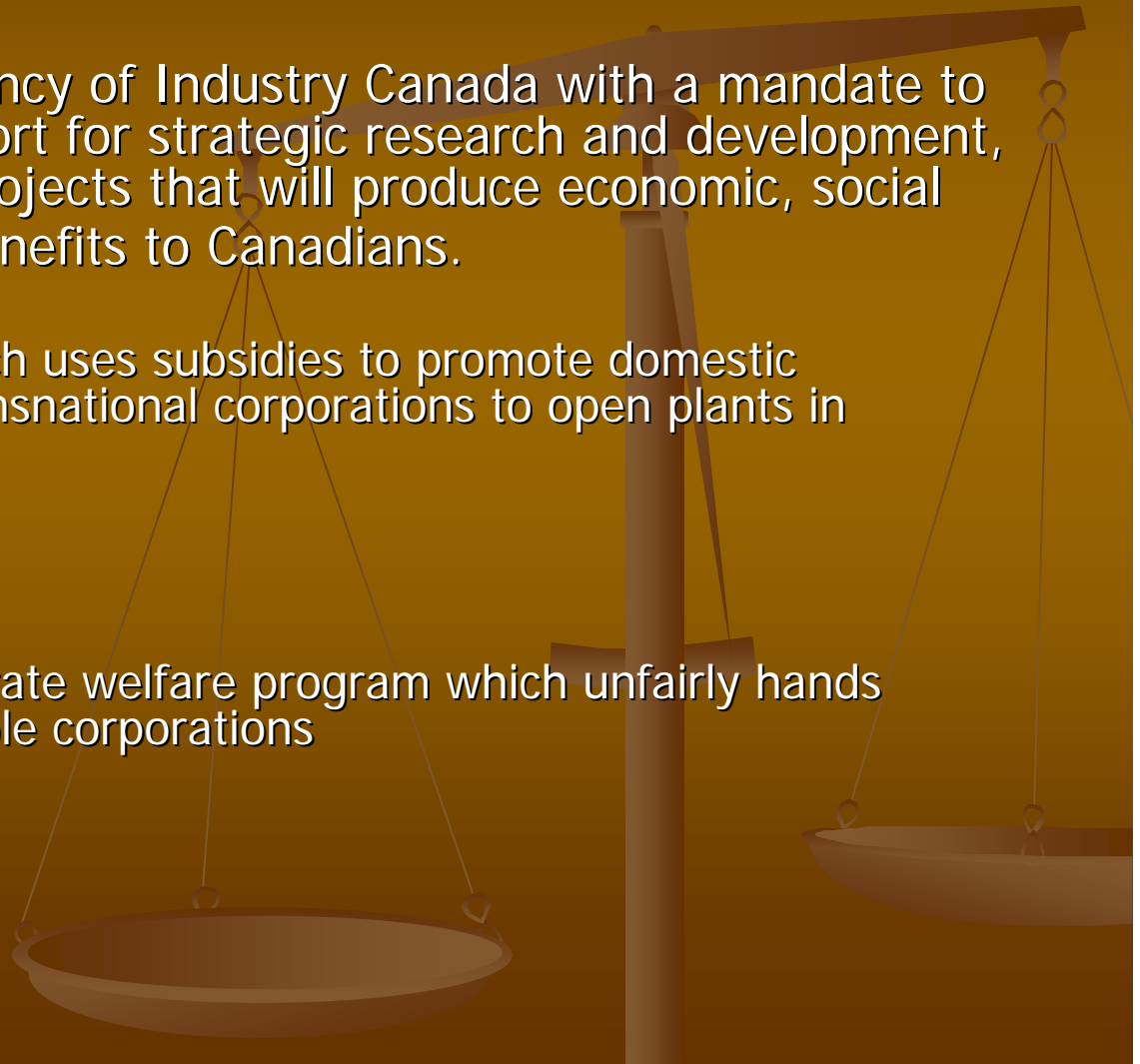
■ Mission:

- Special operating agency of Industry Canada with a mandate to provide funding support for strategic research and development, and demonstration projects that will produce economic, social and environmental benefits to Canadians.

- A job creation program which uses subsidies to promote domestic corporations and to lure transnational corporations to open plants in Canada

OR

- A \$300 million a year corporate welfare program which unfairly hands public funds over to profitable corporations



Aerospace Sectors influence on Canadian Economy

- Canadian aerospace sector employs about 62,000 people in Canada
- Source of \$9.4-billion (Canadian) in exports from 400 companies involved in the sector
- When Embraer undercuts Bombardier to win an international deal, the effects are enormous
 - Results in:
 - Job loss
 - Decreases in sales and exports
- Bombardier alone has invested \$3.5 billion in research and development in Canada since 1986, the year it entered into the industry

Government Intervention



- The federal government will give Canada's export agency an extra \$1.2 billion so it can loan international airlines money to buy regional aircraft from Bombardier.
- Export Development Canada (EDC) will administer the money, but the cash comes from Canadian taxpayers through the Canada Account.
- The money is intended to help the aircraft manufacturer bridge the current weakness in the aviation business.

Continued....

- Subsidies take many forms:
 - military spending
 - government procurement
 - research and development grants
 - tax credits
 - foreign investment performance requirements
 - regional development programs
 - public-private joint ventures
 - export financing programs

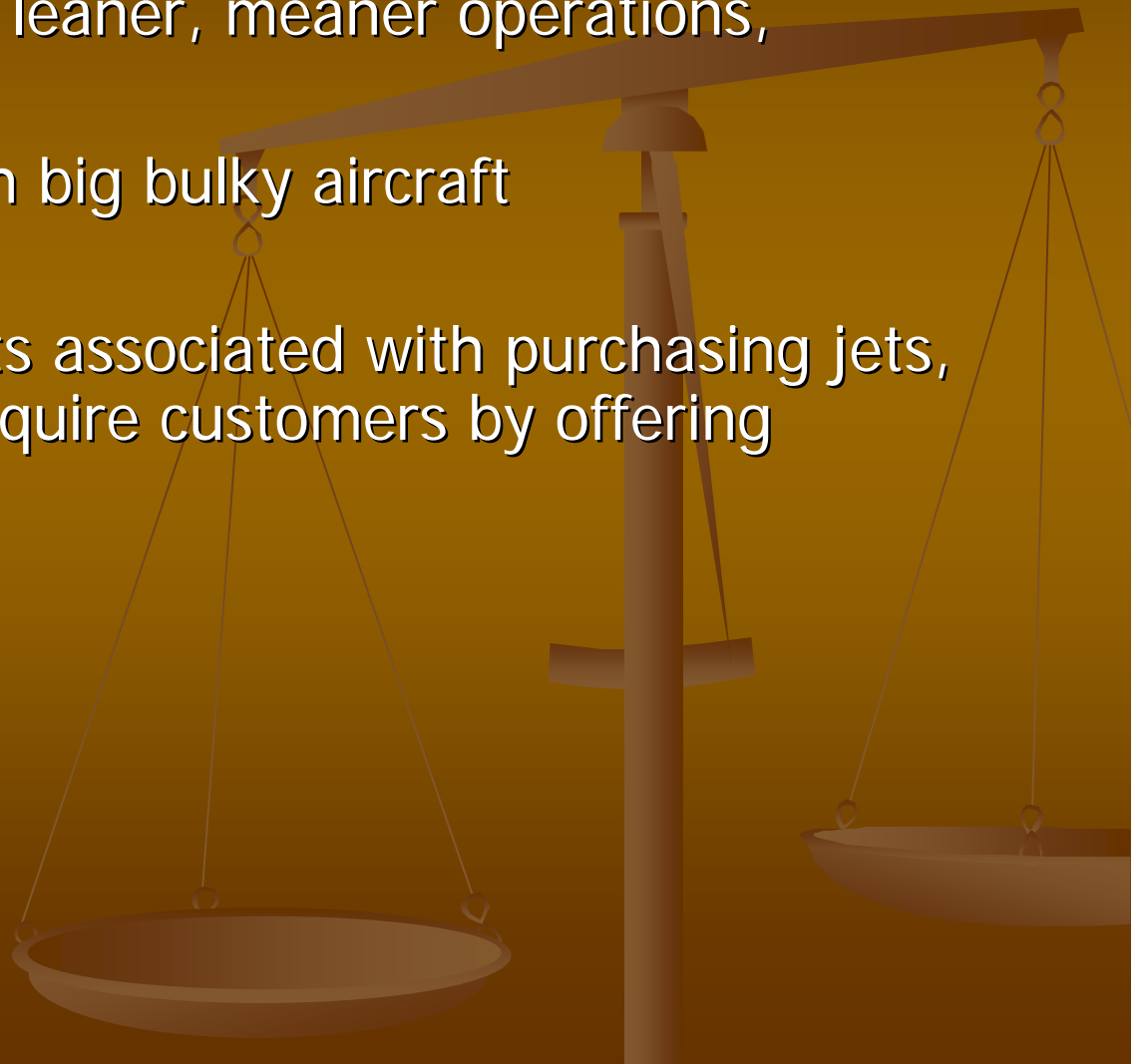


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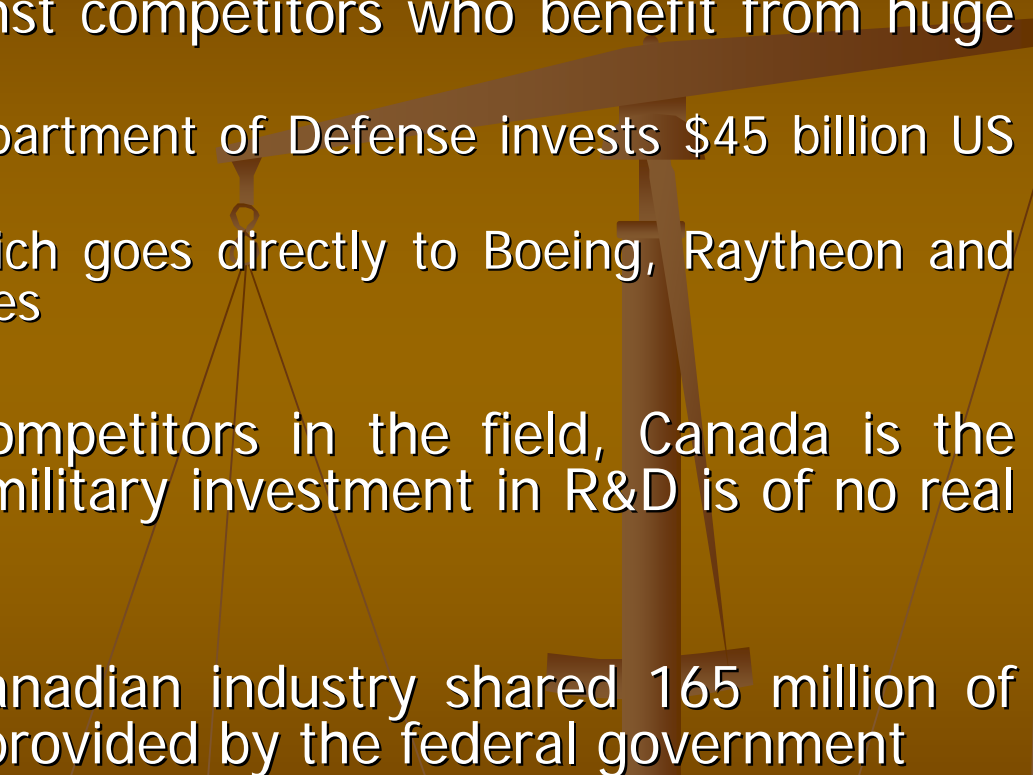
- Without massive government support, Bombardier's aerospace division cannot thrive as an independent player in an industry dominated by state-backed international rivals.
- federal government also increased the financing envelope for Canada Account loans by \$1.2 billion.
- In the last year, Bombardier's regional aircraft customers required \$4.1 billion in financing, well over two-thirds of which came from private sector sources.

Continued...

- Airlines forced to run leaner, meaner operations,
- Tough to do that with big bulky aircraft
- Because of huge costs associated with purchasing jets, Bombardier helps acquire customers by offering financing.



Challenges facing Bombardier:

- Bombardier is up against competitors who benefit from huge military R&D financing.
 - Eg. United States Department of Defense invests \$45 billion US in R&D,
 - \$6.5 billion of which goes directly to Boeing, Raytheon and United Technologies
 - Of the international competitors in the field, Canada is the only country in which military investment in R&D is of no real significance.
 - In 2001, the whole Canadian industry shared 165 million of Canadian R&D dollars provided by the federal government
- 

Continued...

- 89% of our production is exported,
 - The rising Canadian dollar will impact the industry's margins.



Outlook and Goals

- Canadian aerospace policy should include a major sales financing assistance component
 - significant because buyers are increasingly making manufacturers responsible for facilitating the financing of their aircraft purchases
- Aircraft manufacturers must count on various financial vehicles to assist in the financing of their sales.
 - Bombardier has long been working in conjunction with Export Development Canada to do this.
 - Canadian Government has a major role

Restructuring of Bombardier Inc.

- Bombardier Inc's Core Business Units:
 - Bombardier Transportation
 - Bombardier Aerospace
 - Bombardier Capital



Bombardier Transportation

- 35 production sites in 15 European countries
 - more than either of its main competitors
- global workforce of 35,600 people
 - 78% of which is based in Europe
- Major restructuring initiative for Bombardier Transportation proposed include:
 1. Global workforce reduction
 2. Sites to be closed
 3. Productivity improvement
 4. Procurement process improvements



Continued...



1. Work force reduction:

- 86% of the workforce reductions are intended to take place in Europe
- 18.5% or 6,600 employees

2. Closed sites

- 3 sites to be closed 2004 are Amadora, Portugal; and Doncaster and Derby Pride Park in the United Kingdom
- 4 sites to be closed in 2005 are Pratteln, Switzerland; Ammendorf, Germany; Kalmar, Sweden; and Wakefield in the United Kingdom

3. Productivity Improvement

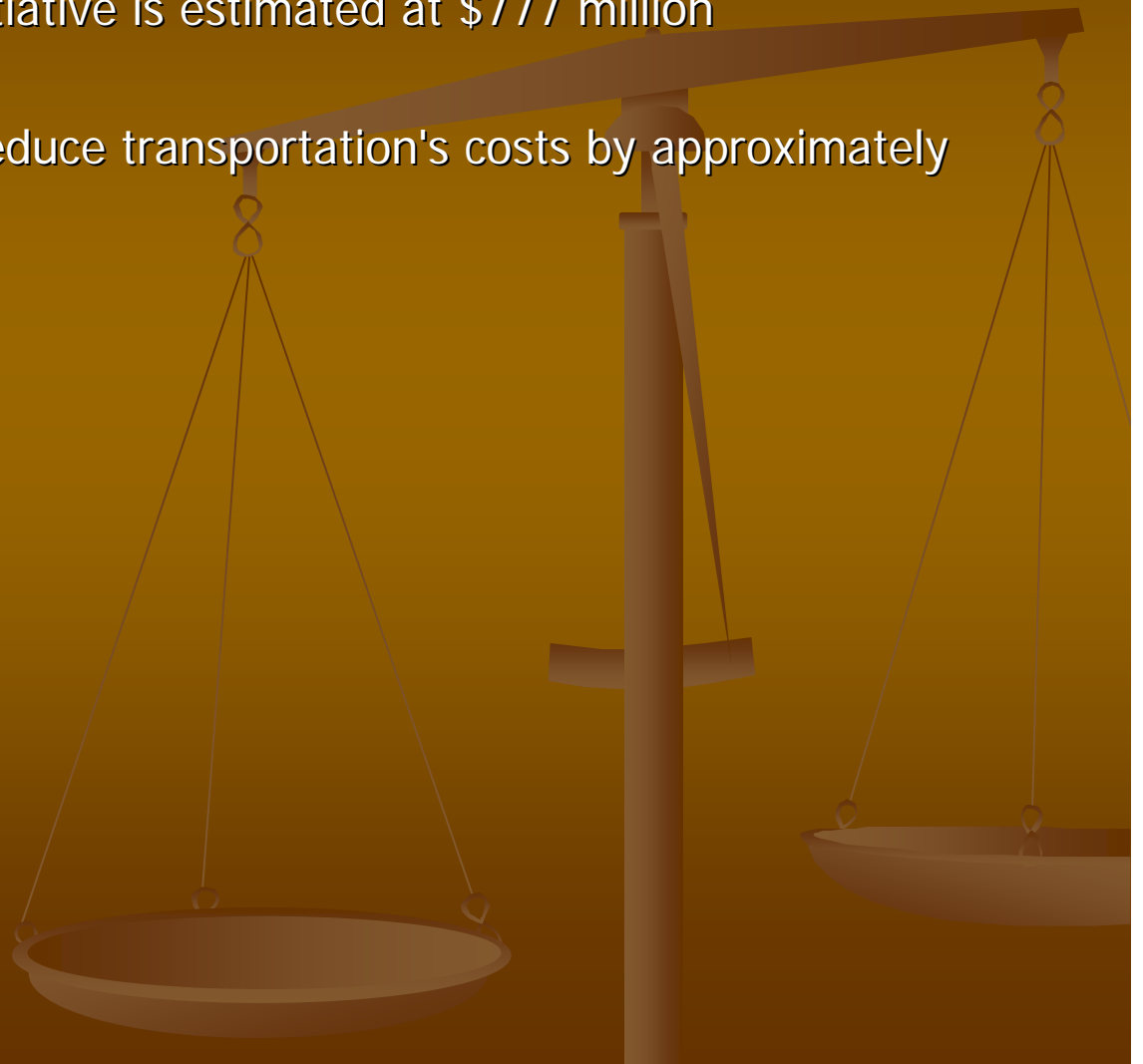
- program will focus on reducing inventory levels and production overhead, improving project management and increasing efficiency in site configuration

4. Procurement Process Improvements

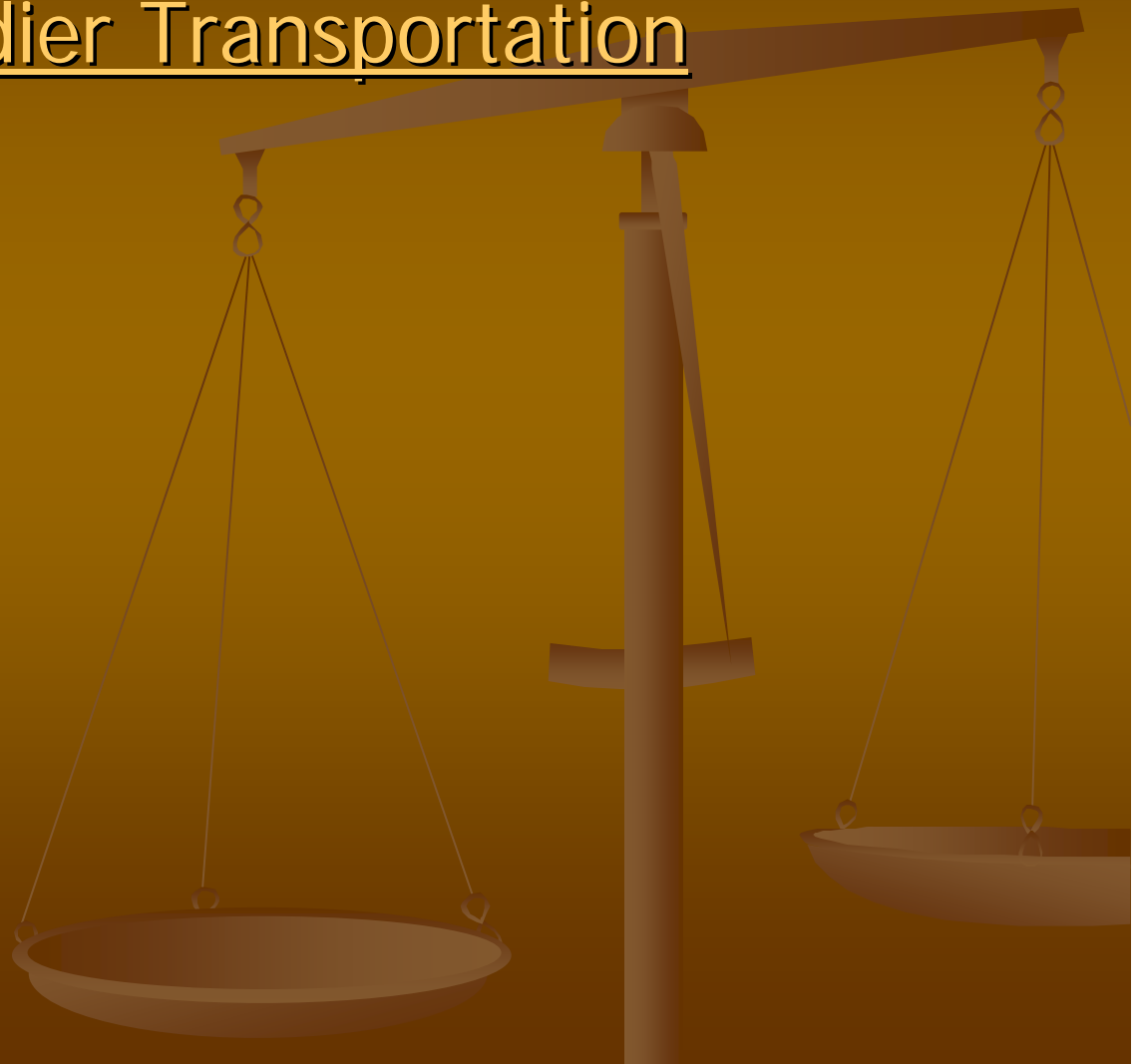
- Launched earlier in 2004, will rationalize the number of suppliers the business utilizes, increase parts standardization, and centralize negotiation processes to achieve economies of scale wherever possible

Continued...

- Cost of this restructuring initiative is estimated at \$777 million
- restructuring initiative will reduce transportation's costs by approximately \$600 million annually



- Movie- Bombardier Transportation



Bombardier Aerospace

- Production facilities
 - 9 in North America
 - 1 in UK
 - Service Facilities
 - 3 in North America
 - Operations at Clients Facilities
 - 1 in UK , 1 in Saudi Arabia, 1 in Bahrain
 - Employee Breakdown:
 - 15,000 workers in Montreal
 - 6,000 workers in Belfast, N. Ireland
 - 3,000 jobs to be eliminated over 12 months
 - 1,200 lost at component complex in Belfast, N. Ireland
 - 1,800 lost at centres in Toronto and Montreal
 - Since the terrorist attacks of Sept. 11, 2001, Bombardier Aerospace has announced 8,300 job cuts in Canada, the United States and Ireland
- 

Bombardier Capital

- Finance locations
 - 3 in Canada
 - 6 in USA
- 700 Employees
- Created in 1973
- The financial services arm of global transportation equipment manufacturer Bombardier Inc.
- Provides lending, leasing, and asset management services to:
 - Inventory financing for dealers and manufacturers of consumer durable goods, including recreational products, power sports equipment and manufactured housing in U.S. and Canada.
 - Railcar leasing and management services in U.S., Canada and Mexico.



Corporate Hierarchy

■ CORPORATE OFFICE

- **Laurent Beaudoin**
Executive Chairman of the Board
- **Paul M. Tellier**
President and
Chief Executive Officer
- **Pierre Alary**
Senior Vice President and
Chief Financial Officer
- **J.R. André Bombardier**
Vice Chairman of the Board
- **Réjean Bourque**
Vice President,
Investor Relations
- **Richard C. Bradeen**
Senior Vice President,
Corporate Audit Services and
Risk Assessment
- **Roger Carle**
Corporate Secretary
- **Michael Denham**
Senior Vice President, Strategy
- **Daniel Desjardins** Senior Vice President and
General Counsel

- **Jean-Louis Fontaine**
Vice Chairman of the Board
- **William J. Fox**
Senior Vice President,
Public Affairs
- **Moya Greene**
Senior Vice President,
Operational Effectiveness
- **François Lemarchand**
Senior Vice President and Treasurer
- **Carroll L'Italien**
Senior Vice President
- **Marie-Claire Simoneau**
Executive Assistant to the Chairman

GROUPS

- **Pierre Beaudoin**
President and
Chief Operating Officer
Bombardier Aerospace
- **Brian Peters**
President and
Chief Operating Officer
Bombardier Capital
- **André Navarri**
President
Bombardier Transportation



Conclusion

- This restructuring initiative is part of a three-year strategy to bring back improved margins and profitability to this Company. Last April, an aggressive action plan was designed to restructure the balance sheet, restore shareholder confidence, and get Bombardier back to profitability. Bombardier has made good progress on that plan and have met all of our commitments.

Conclusion (Cont)

- “We firmly believe this new organization will improve project management, improve accountability as well as customer service, reduce overhead and duplication, and simplify the organizational structure,” Bombardier president and CEO Paul Tellier.

