



BOMBARDIER AEROSPACE

AIRCRAFT INDUSTRY OUTLOOK

**WSU ECONOMIC OUTLOOK
CONFERENCE**

**JOHN DIEKER
VP STRATEGIC PROJECTS
LEARJET**

OCTOBER 11, 2012

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the evolution of mobility

ABOUT BOMBARDIER

Bombardier Inc.

Headquartered in Montréal, Canada

Revenues: \$18.3 billion

Workforce: 70,000



Aerospace

#3 manufacturer in the world

Revenues: \$8.6 billion

Workforce: 33,600



Transportation

#1 manufacturer in the world

Revenues: \$9.8 billion

Workforce: 36,200

A WORLD LEADER IN MOBILITY SOLUTIONS

Note: All information as of December, 2011; All monetary amounts are expressed in 2011 US dollars unless otherwise indicated

THE EVOLUTION OF MOBILITY

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Business Jets

Learjet, Challenger and Global



Commercial Aircraft

CRJ Series, Q-Series and C-Series



Amphibious & Specialized

Bombardier 415 and Specialized a/c



Customer Services

**Service Centers, Trainings, Parts,
Smart Services**



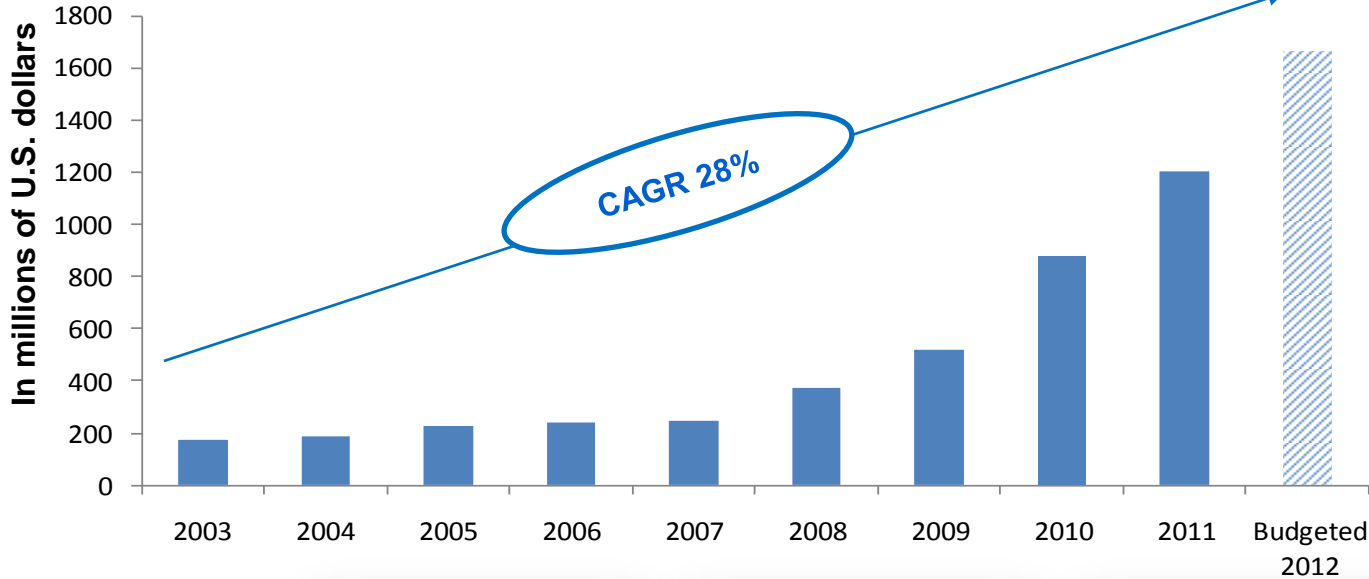
Aircraft Solutions

**Aircraft Management, Fractional
and Jet Cards (Flexjet)**

**EVERY 3 SECONDS, A BOMBARDIER AIRCRAFT TAKES
OFF OR LANDS SOMEWHERE AROUND THE GLOBE**

WE HAVE REMAINED COMMITTED TO OUR INVESTMENTS IN NEW PRODUCT DEVELOPMENT DESPITE THE DIFFICULT ECONOMIC ENVIRONMENT...

Net product development investments ¹
 (Intangible assets)
 Fiscal years ended January 31, 2004-2011
 Calendar years ended December 31, 2011-2012



CRJ1000 NEXTGEN



CS100/CS300



Global 7000/8000



Vision Flight Deck



Learjet 85

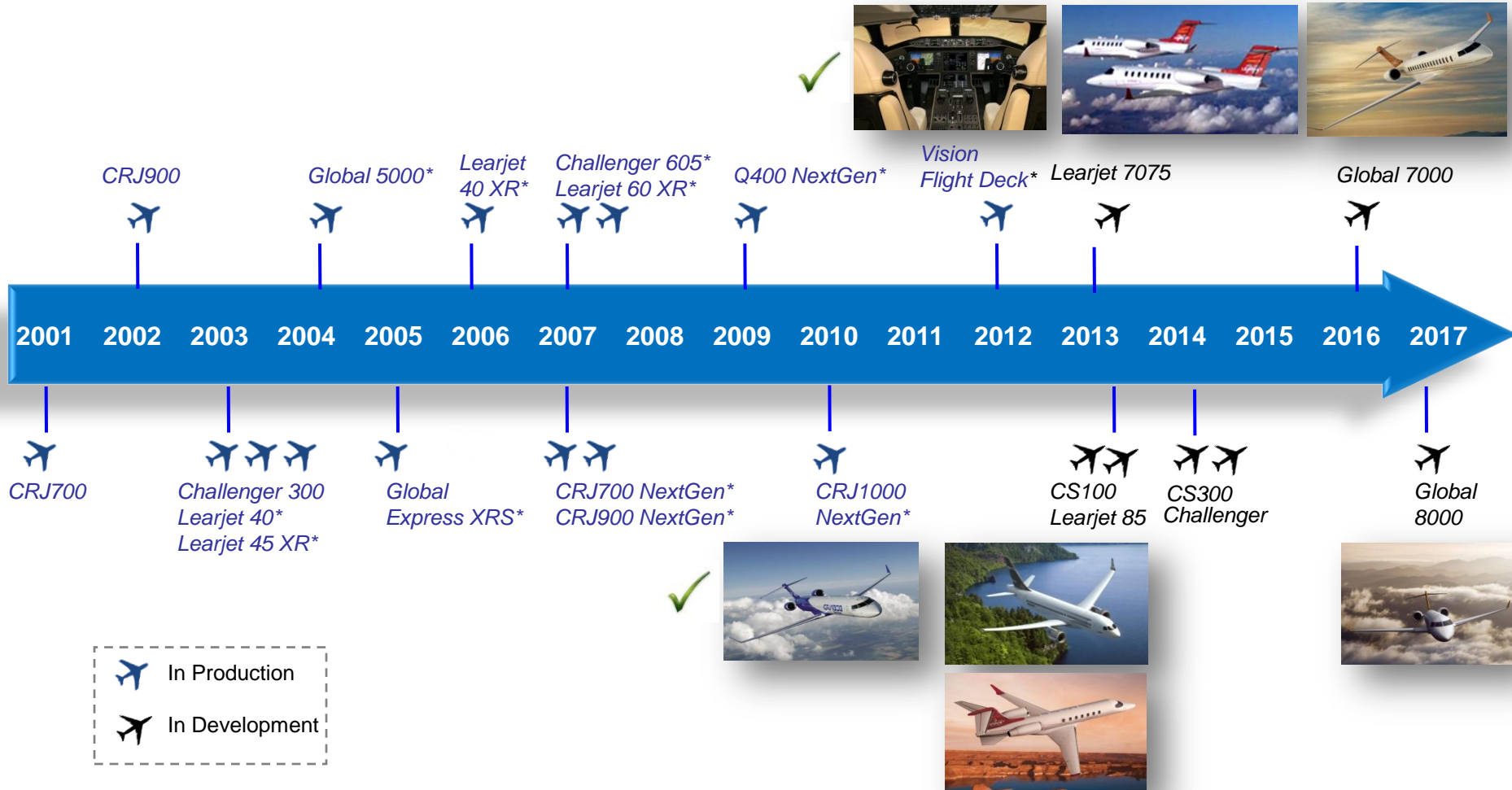


Learjet 70/75

1. Includes spend such as program tooling additions and R&D expenses

Source: 2003-2011 Annual reports and 2012 Budget

BOTTOM LINE IS: EXECUTION ON OUR NEW PROGRAMS IS KEY



* Derivatives

OUR PRIORITIES

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BOMBARDIER HAS A BROAD PORTFOLIO OF PRODUCTS

BUSINESS AIRCRAFT

LEARJET FAMILY



Learjet 40XR/70



Learjet 45XR/75



Learjet 60 XR



Learjet 85

CHALLENGER FAMILY



Challenger 300



Challenger 605



Challenger 850



Challenger 870

GLOBAL FAMILY



Global 5000



Global 6000



Global 7000



Global 8000

COMMERCIAL AIRCRAFT

Turboprops



Q400 and Q400 NextGen

Regional jets



CRJ700 NextGen



CRJ900 NextGen



CRJ1000 NextGen

Single-aisle mainline jets



CSeries CS100

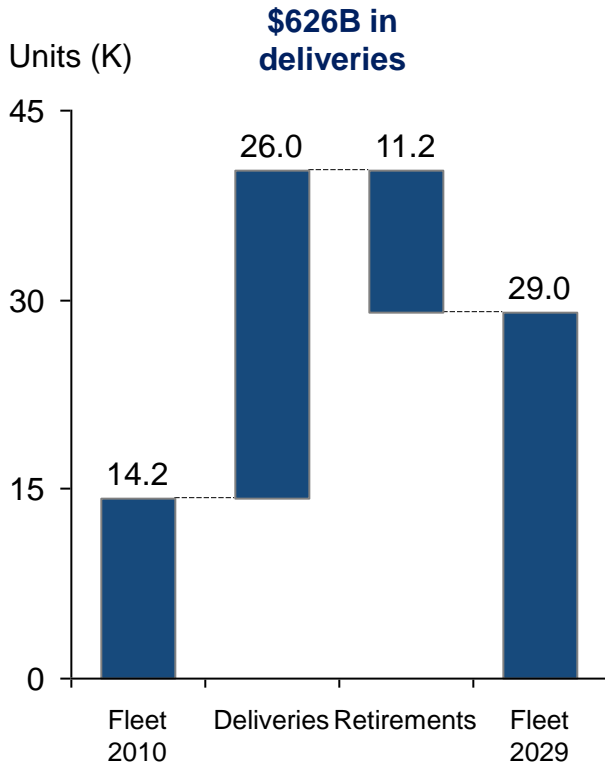


CSeries CS300

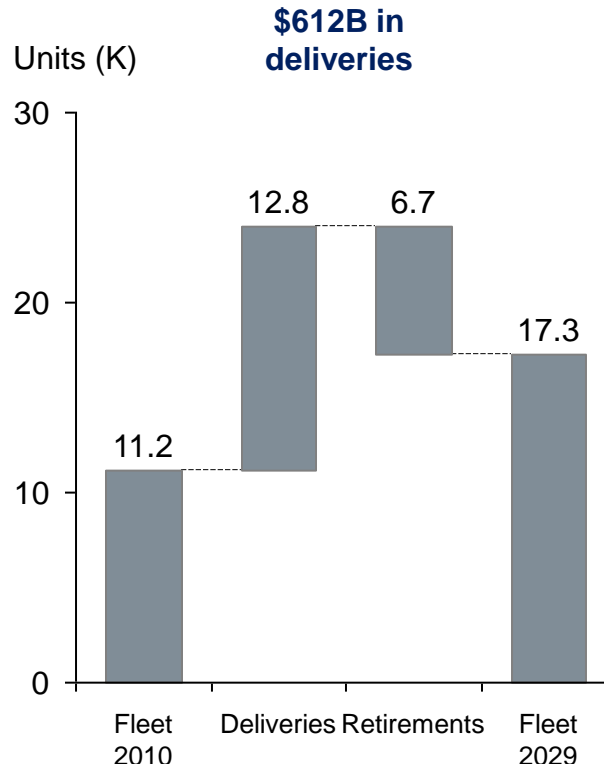
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ALL OF OUR THREE MAIN MARKET SEGMENTS ARE EXPECTED TO GROW SIGNIFICANTLY OVER THE NEXT FEW YEARS

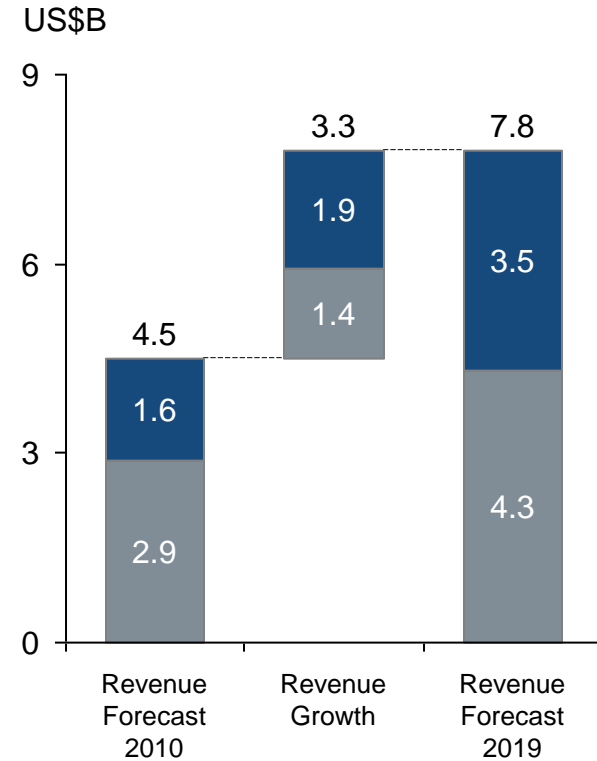
Business Aircraft Fleet



Commercial Aircraft Fleet



Maintenance, Repair, Overhaul and Training Market



■ Business Aircraft ■ Commercial Aircraft

Source: Bombardier Market Forecasts

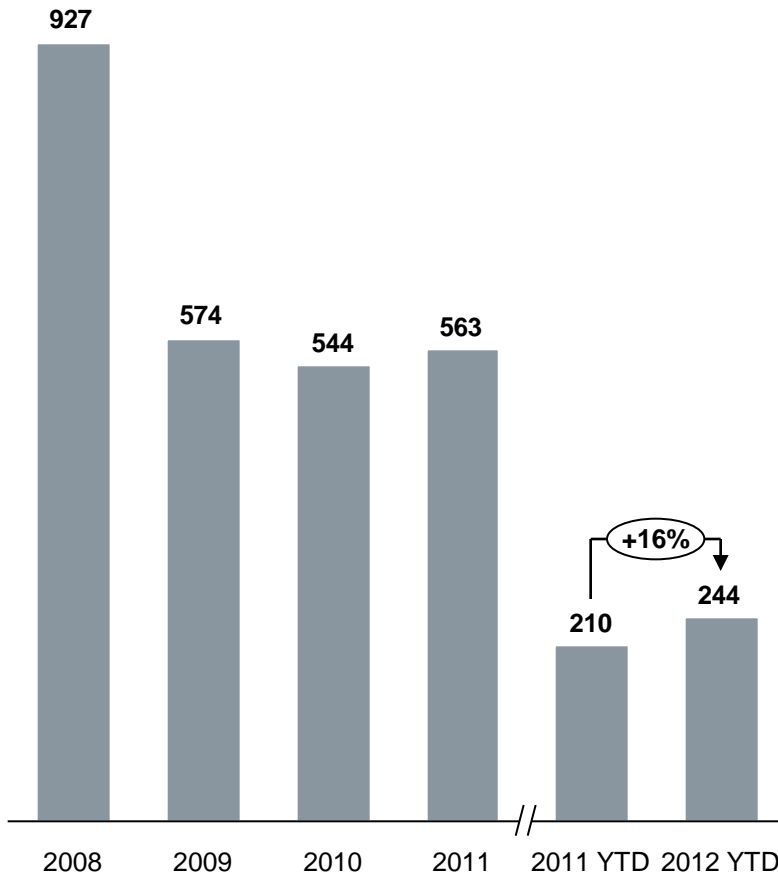
A COMPANY OF CHOICE

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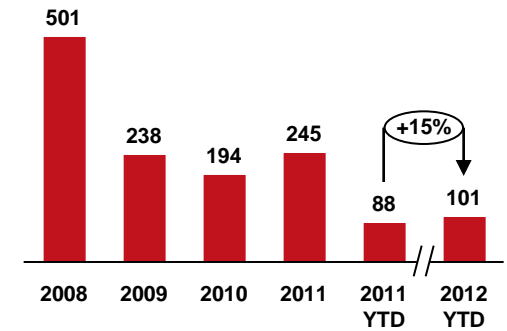
CURRENT MARKET CONDITIONS

INDUSTRY DELIVERIES IN THE FIRST HALF OF 2012 BETTER ACROSS THE BOARD VERSUS SAME PERIOD LAST YEAR

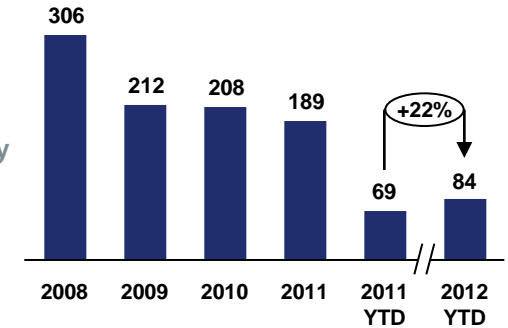
Industry Deliveries, units, 2008 to Q2-2012 (all OEMs)



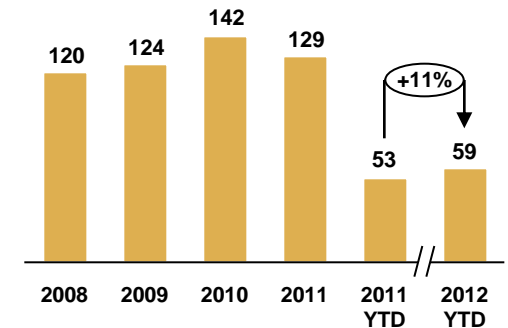
Light Category Deliveries



Medium Category Deliveries



Large Category Deliveries

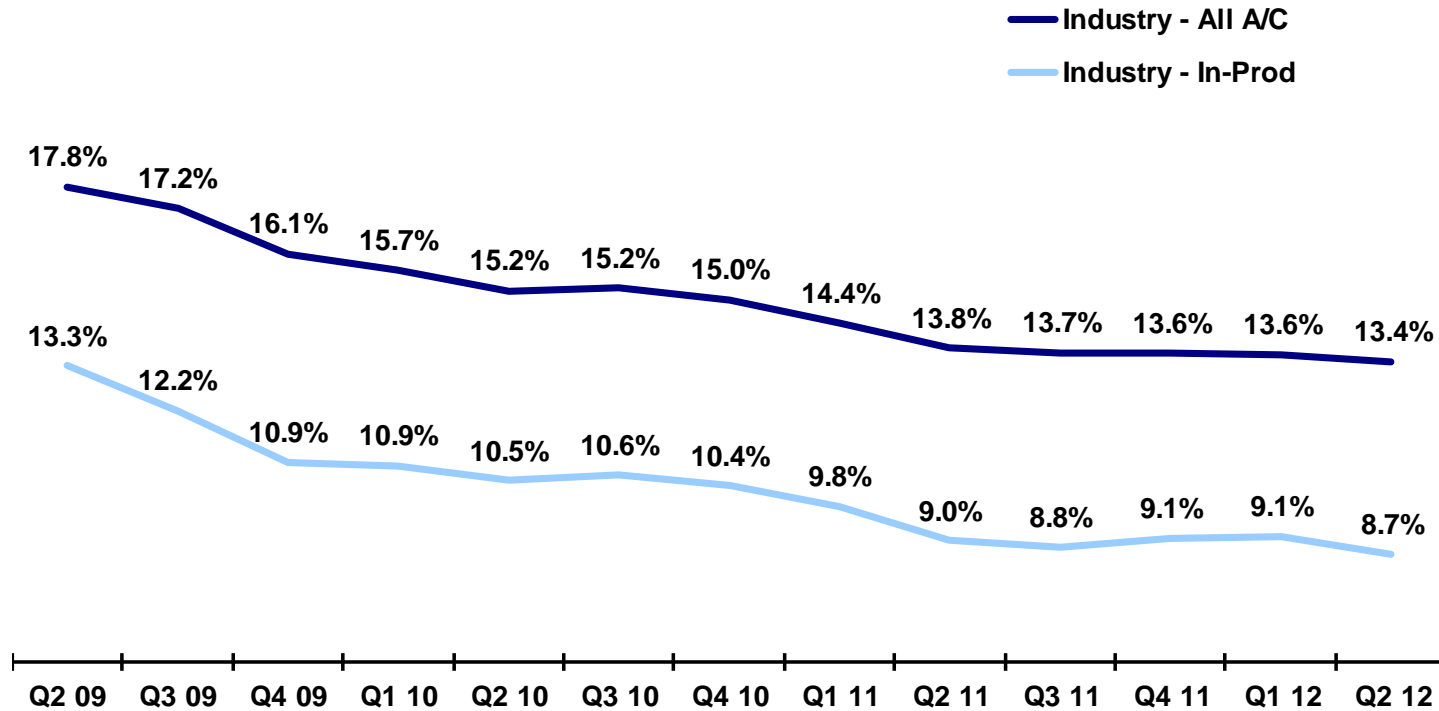


Source: GAMA; excludes very light & large corporate airliners segments.

INDUSTRY PRE-OWNED INVENTORY

Q2 INDUSTRY PRE-OWNED INVENTORY IS APPROACHING NORMAL

Percentage (%) of fleet, all aircraft



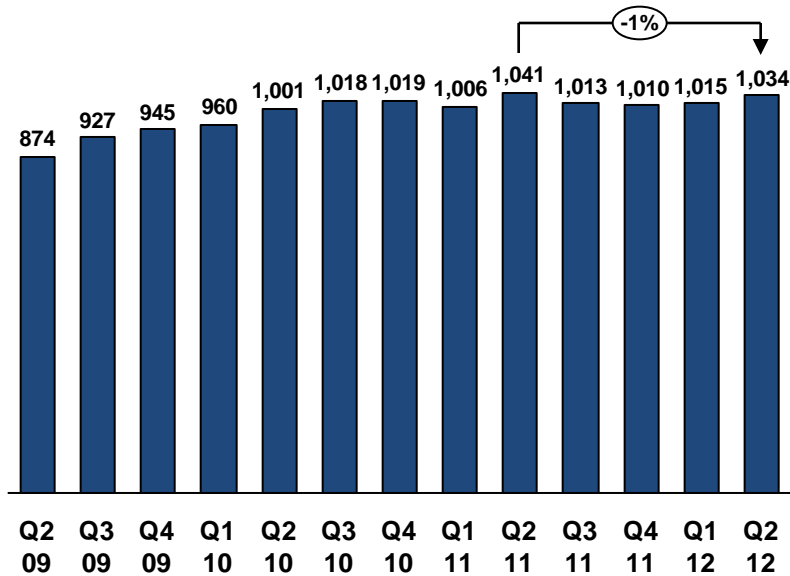
Note: Excluding VLJ & LCA

SOURCE: JETNET.

BUSINESS JET UTILIZATION

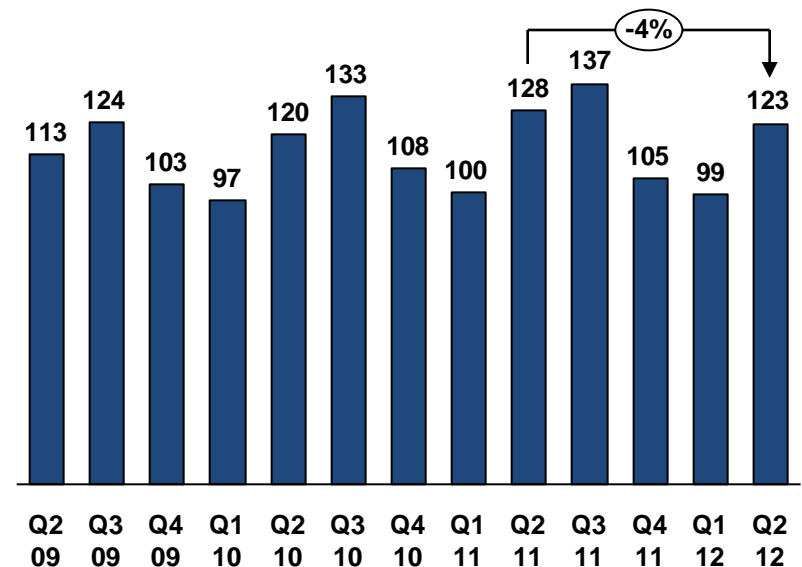
Q2 US AND EUROPEAN BUSINESS JET UTILIZATION IMPROVED VS. Q1

US Business Jet Utilization, '000s departures and landings



SOURCE: FAA.

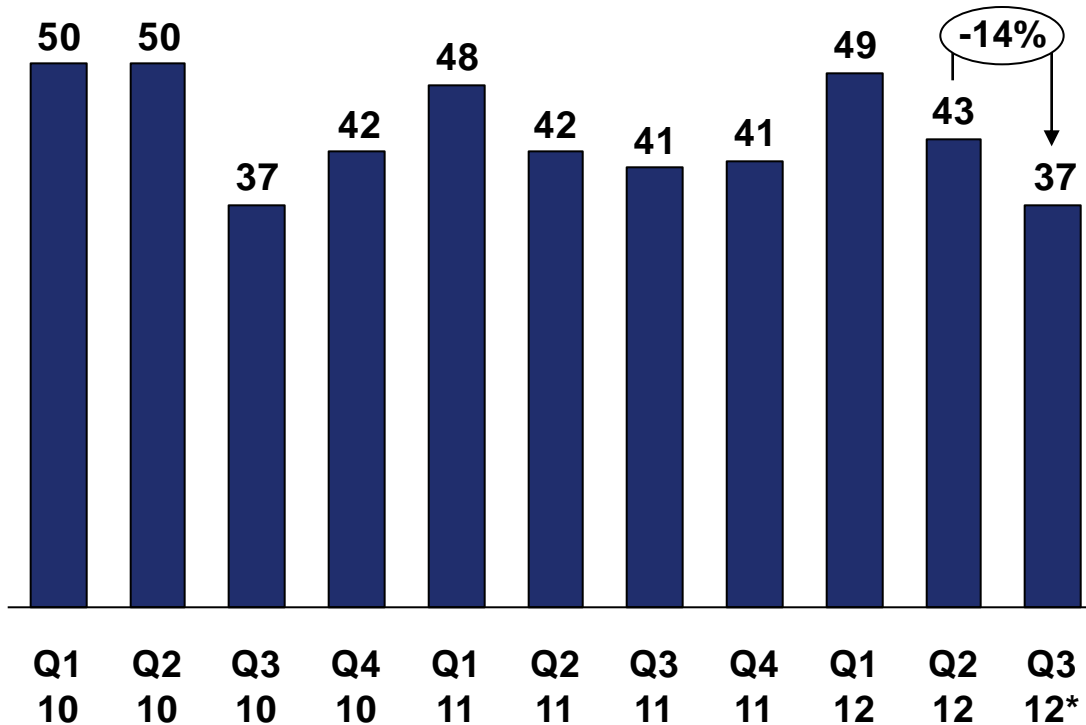
European Business Jet Utilization, '000s departures and landings



SOURCE: EUROCONTROL.

UBS BUSINESS JET MARKET INDEX

DESPITE DROP IN SURVEY, UBS BELIEVES THAT THE NORTH AMERICAN MARKET IS IMPROVING DRIVEN BY REPLACEMENT DEMAND



Declines in customer interest and willingness scores with regards to aircraft purchase intentions drove majority of the drop in the index.*

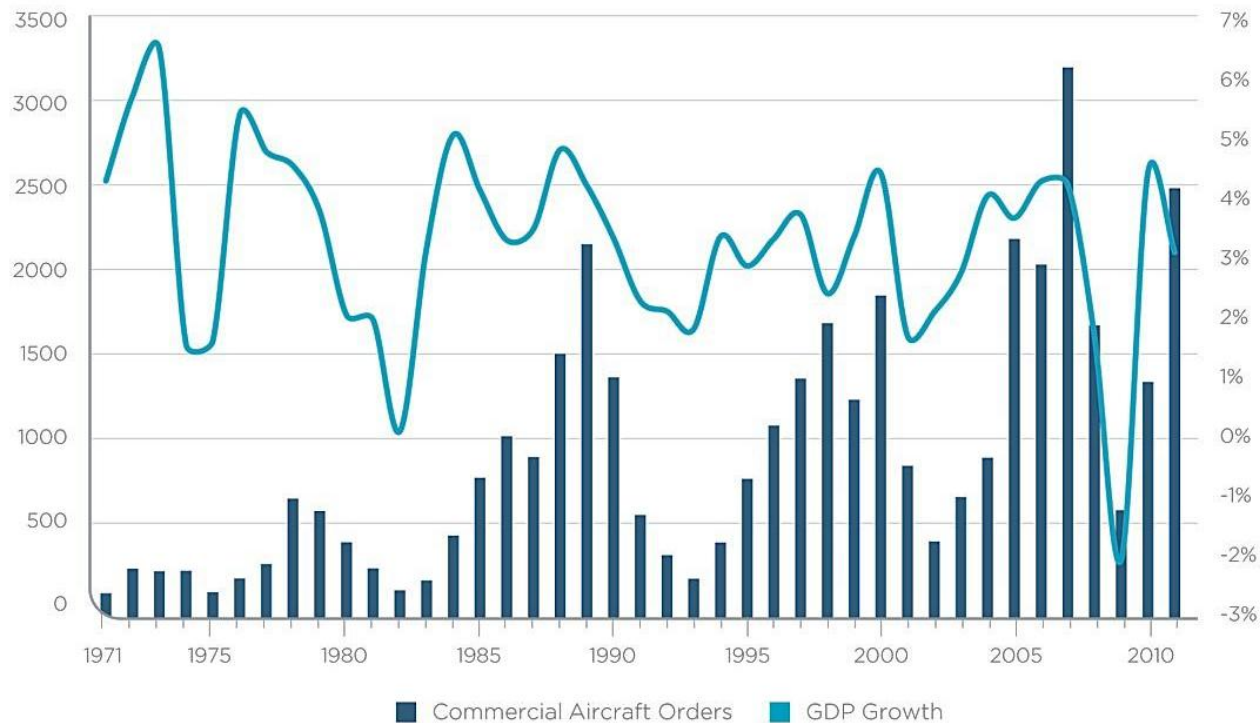
*August 15 survey

SOURCE: UBS

THE INDEX IS SCORED ON A SCALE OF ZERO TO 100, WITH 51-100 REPRESENTING INCREMENTALLY STRENGTHENING MARKET CONDITIONS, 50 INCREMENTALLY STABLE, AND 0-49 INCREMENTALLY WEAKENING MARKET CONDITIONS.

DEMAND FOR AIR TRAVEL REFLECTED IN ORDERS FOR NEW AIRCRAFT

COMMERCIAL AIRCRAFT ORDERS AND GDP GROWTH



Sources: Bombardier Analysis, OAG Aviation Solutions, IHS Global Insight

Commercial aircraft orders reflect GDP growth trends

- New aircraft order intake (20-220 seats) reached more than 2,300 units in 2011, a 314% increase vs. 2009
- Non-North American and European economies to account for 61% of GDP growth from 2012 to 2031
- New aircraft orders for the 20- to 149- seat segment to be evenly distributed between mature and emerging markets

KEY MARKET DRIVERS AND INFLUENCING ISSUES

MARKET DRIVERS OF AIR TRAVEL DEMAND



Economic Growth

- Air travel demand will be cyclical and directly related to GDP growth
- Global GDP forecast at 3.2% over the 20-year forecast period



Fuel Prices

- Forecast at \$126/bbl over the 20-year period
- Fleet mix will be affected by fuel prices



Fuel Volatility

- Increasing fuel price volatility will dampen airline profits



Replacement Demand

- Due to age, technical obsolescence and cost inefficiencies, more than half of the current aircraft fleet will be replaced in the next 20 years



Emerging Markets

- Emerging markets are expected to lead global economic growth
- Strong growth in air traffic despite the constraints of lagging aviation infrastructure



Environmental Regulations

- Increasing regulation will encourage lower per-passenger fuel burns and emissions, thereby affecting fleet mix



Environmental Fees

- Imposition of environmental and emissions fees will increase airline operating costs



Labor Trends

- Contractual restrictions on airline operations will ease over time

ENVIRONMENTAL ISSUES AND REGULATIONS INCREASINGLY IMPORTANT OVER THE FORECAST



Improvements in aircraft emissions, local air quality and community noise

- Modern aircraft achieve fuel efficiency of 3.5L / 100 passenger km → comparable to hybrid passenger cars



Goal of carbon-neutral growth over the forecast period

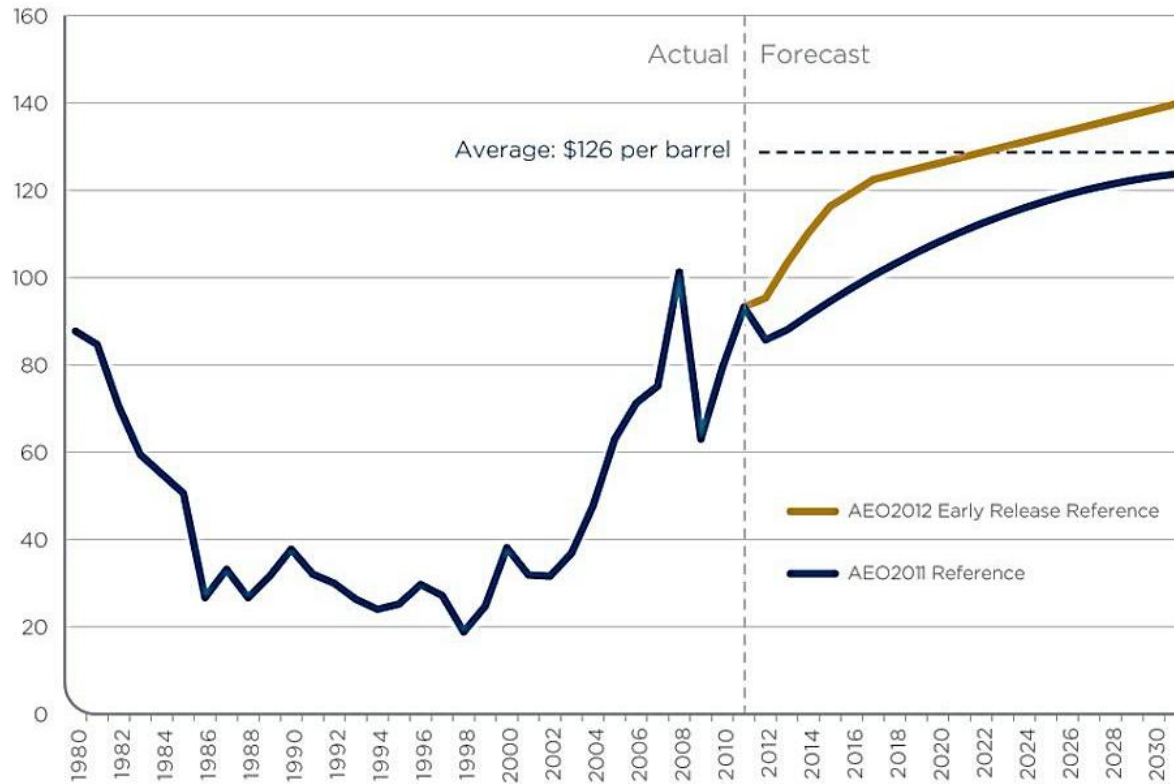
- ICAO-led industry goal of a 50% reduction in CO₂ emissions from 2005 levels by 2050



Higher demand for efficient new aircraft

- Retirement of older aircraft, fleet modernization, application of new technology

LONG-TERM OIL PRICES FORECAST TO AVERAGE \$126/BBL



Source: Annual Energy Outlook (AEO) by Energy Information Administration.

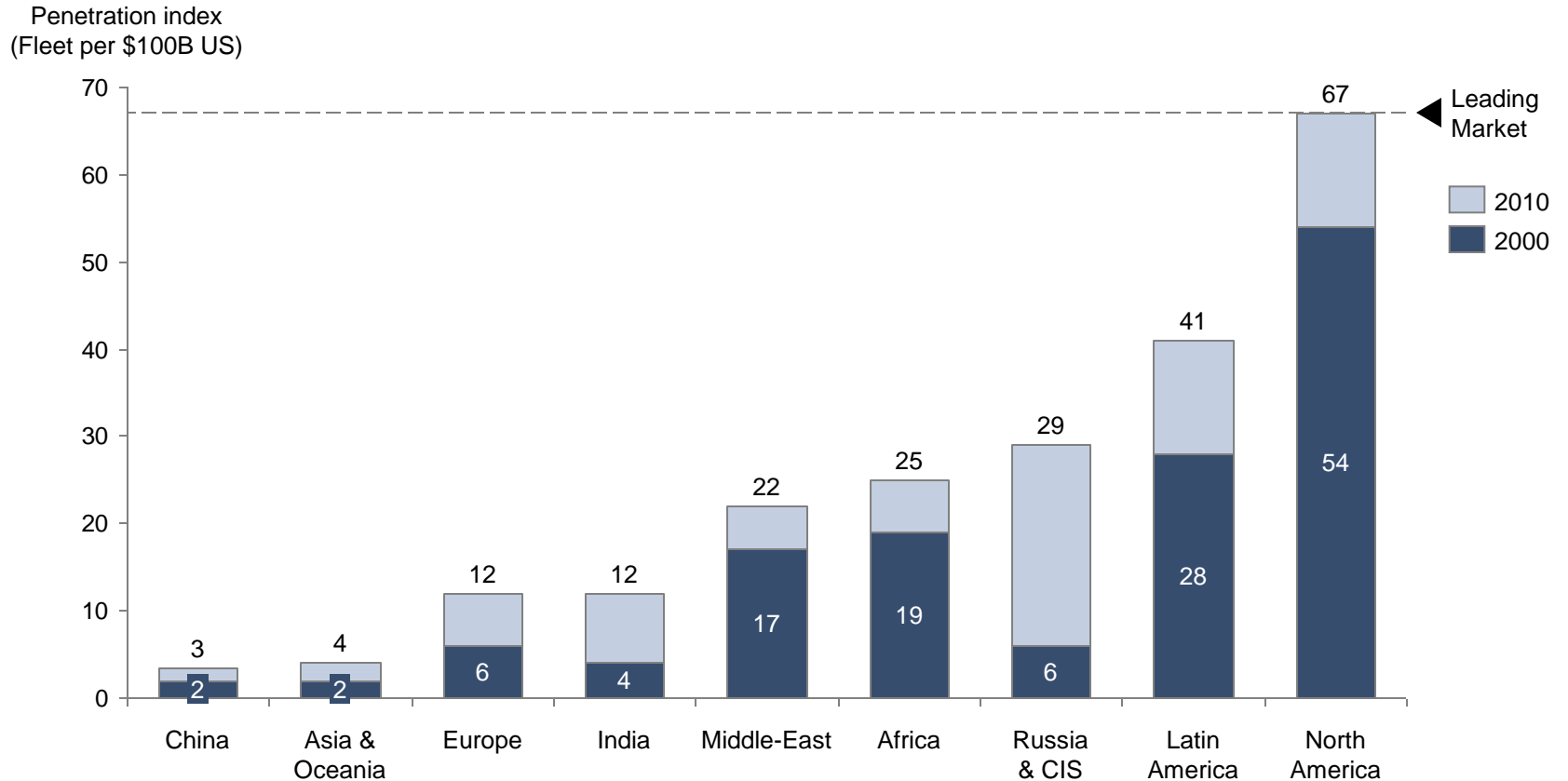
Sustained high oil prices will continue to challenge airlines' profitability

- Jet fuel accounts for an average of 34% of an airline's operating costs
- New aircraft with cost-reducing technologies will accelerate the retirement of older aircraft

**BUSINESS
AIRCRAFT
MARKET
FORECAST
2012-2031**

BUSINESS AVIATION HAS A SIGNIFICANT GROWTH RUNWAY

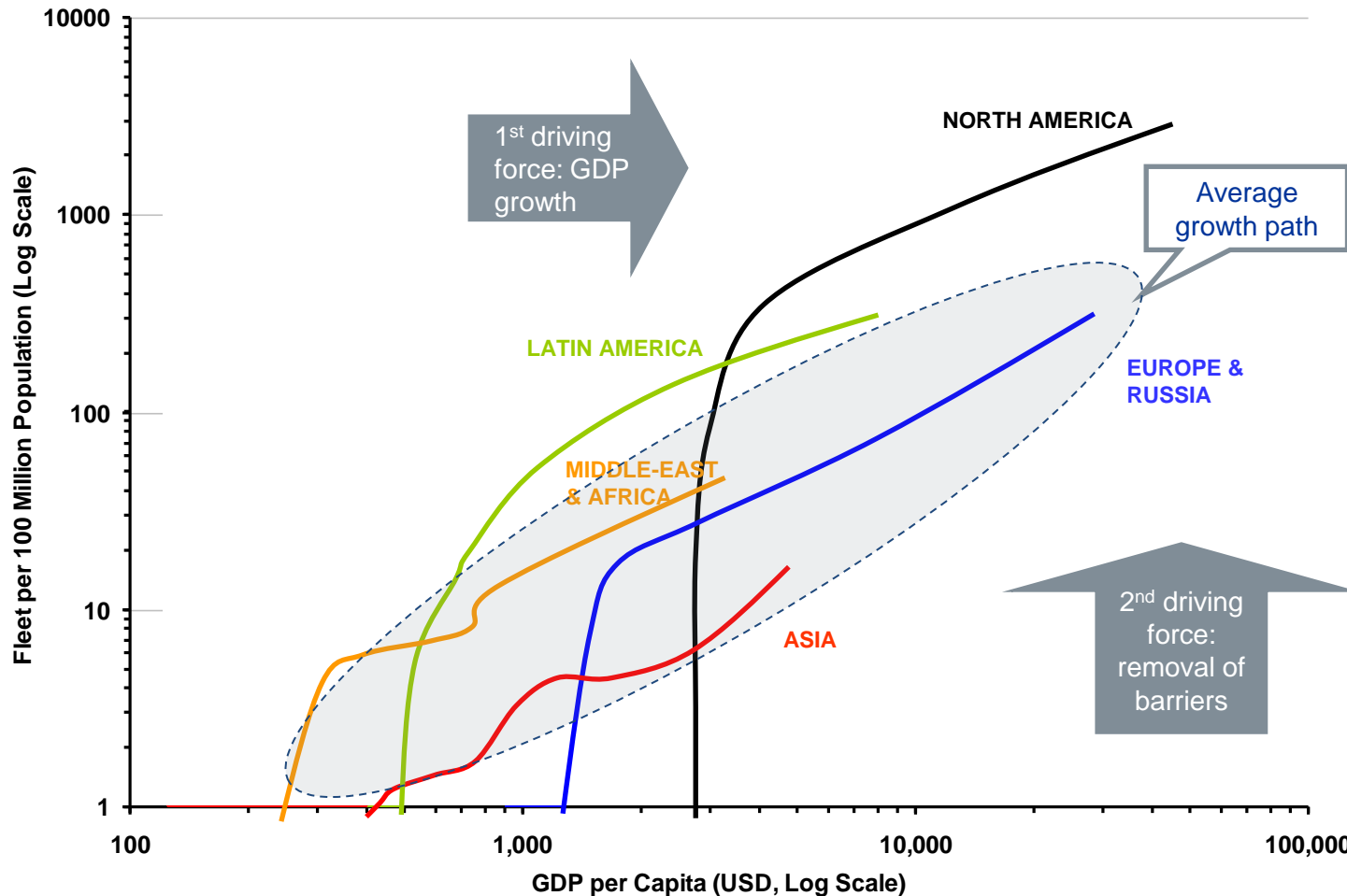
Penetration index represents the number of business aircraft per \$100B US GDP



Note: Penetration index defined as business aircraft fleet per \$100 B US of GDP. Data excludes very light jets and large corporate airliners
Source: Ascend, IHS Global Insight, 2005 constant Dollars

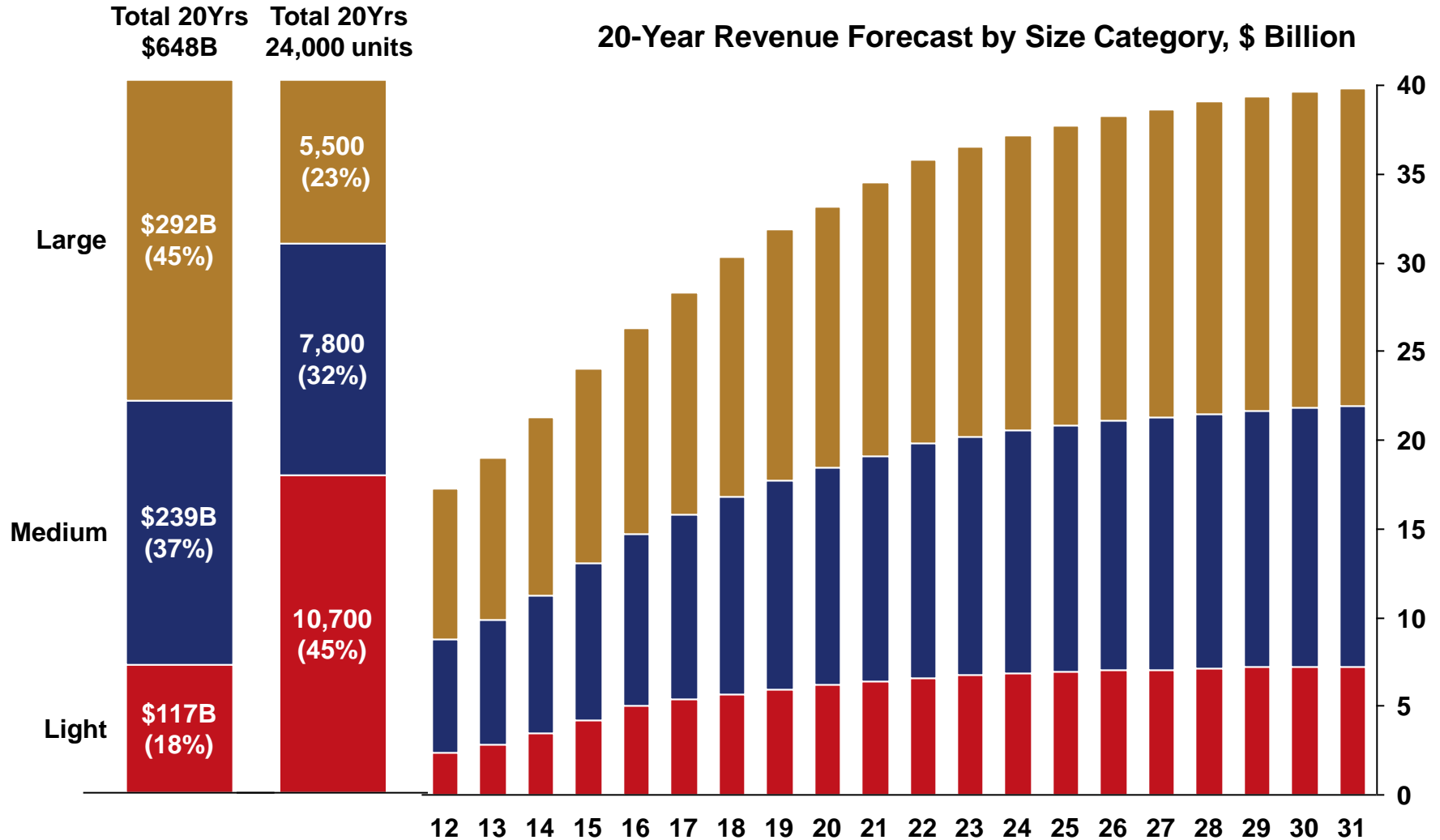
BUSINESS JETS WILL PENETRATE NEW MARKETS WORLDWIDE

1960-2031 Fleet per Capita vs. GDP per Capita



SOURCE: ASCEND, UNITED NATIONS AND IHS GLOBAL INSIGHT.

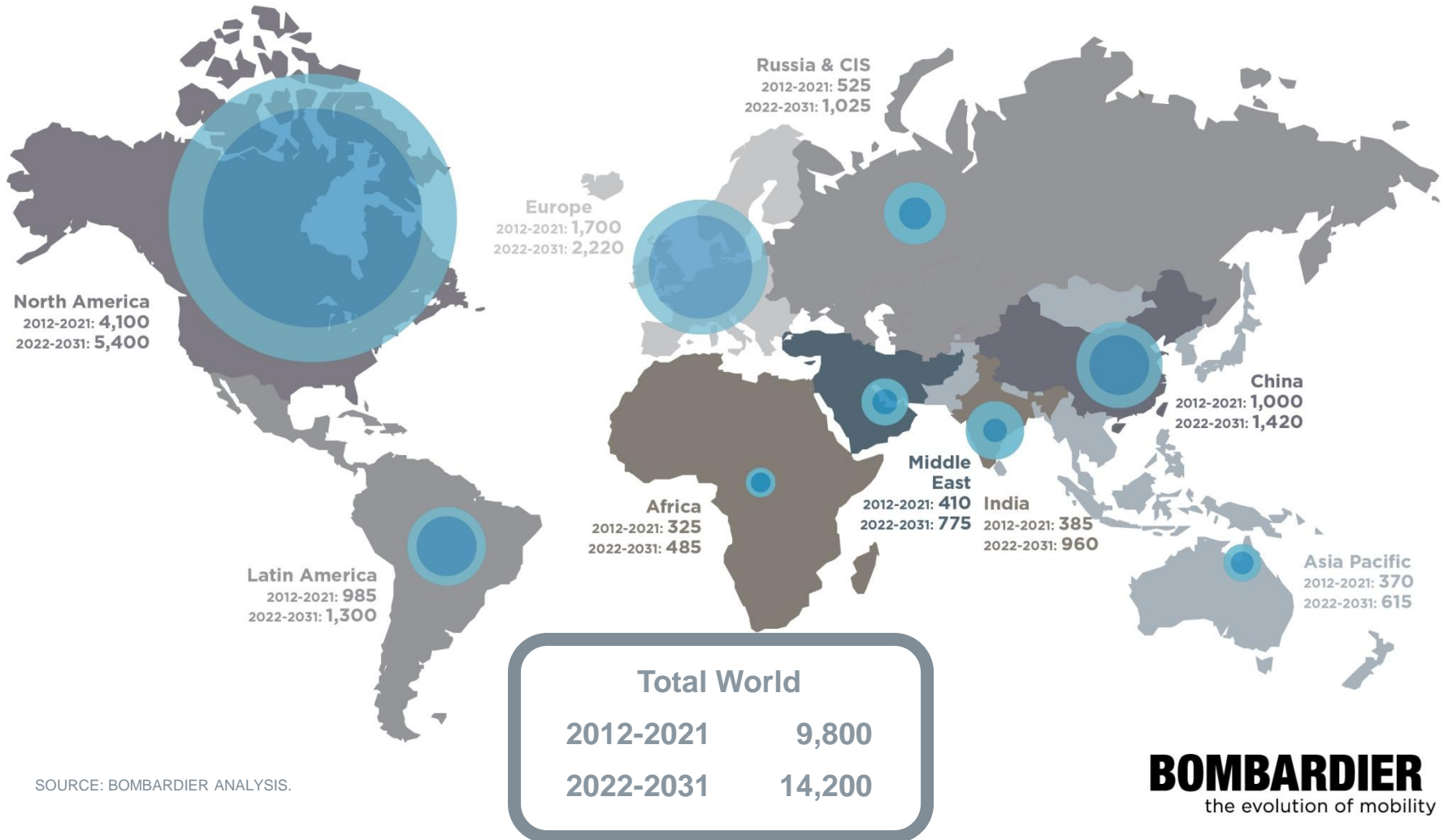
24,000 BUSINESS JET DELIVERIES WORTH \$648B OVER NEXT 20 YEARS



SOURCE: BOMBARDIER BUSINESS AIRCRAFT MARKET FORECAST, REVENUES IN CONSTANT 2011 BILLIONS \$.

NORTH AMERICA, EUROPE, CHINA WILL BE THE LARGEST MARKETS FOR BUSINESS JET DELIVERIES

Regional 10-Year and 20-Year Delivery Outlook, Units



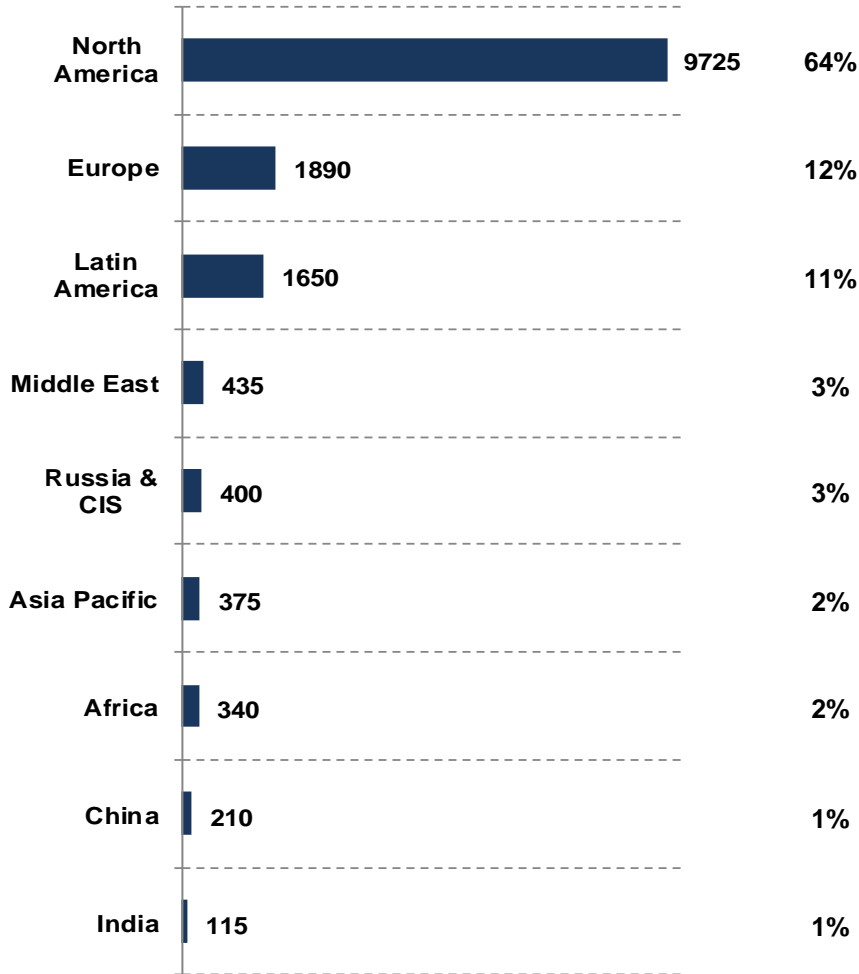
SOURCE: BOMBARDIER ANALYSIS.

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BUSINESS JET FLEET BY REGION – 2011 VS. 2031F

SIGNIFICANT FLEET ADDITIONS IN HIGH GROWTH ECONOMIES EXPECTED

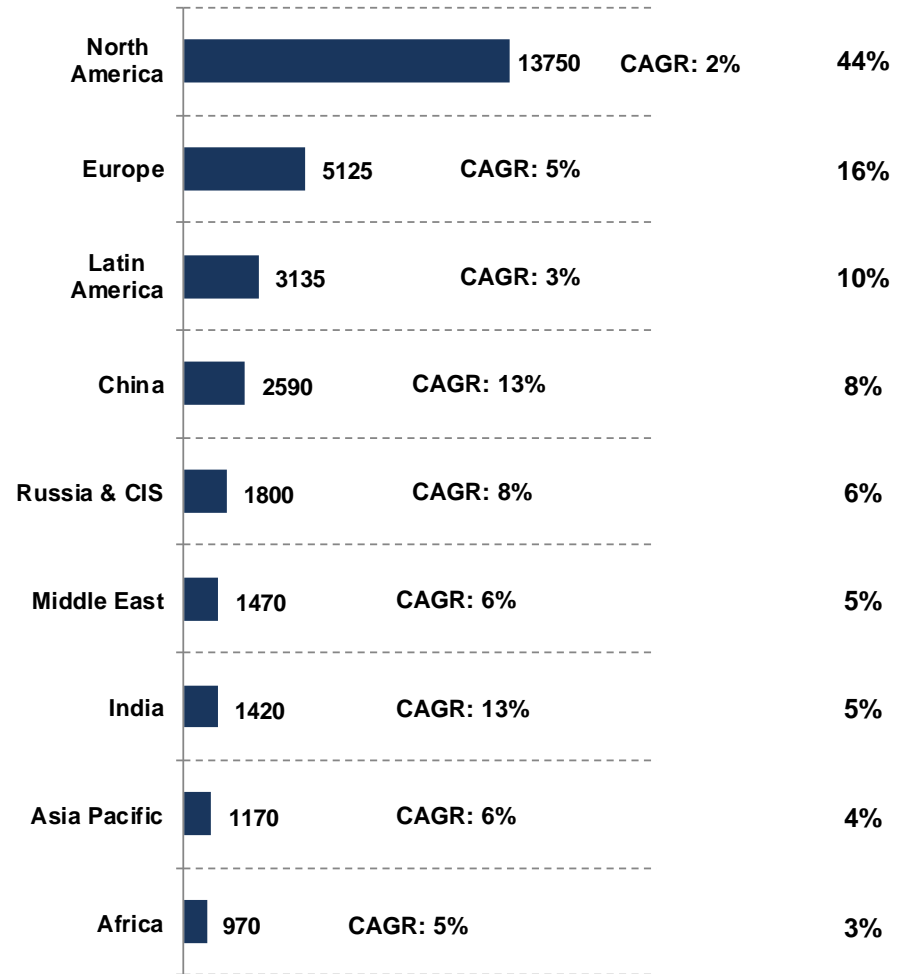
Distribution of World Fleet in 2011, units %



Total Fleet Size ~15,200

100%

Distribution of World Fleet in 2031F, units %



Total Fleet Size ~31,500

100%

**COMMERCIAL
AIRCRAFT
MARKET
FORECAST
2012-2031**

MIDDLE CLASS CONSUMER SPENDING TO EXPAND RAPIDLY IN EMERGING MARKETS

MIDDLE-CLASS CONSUMER SPENDING IN TRILLIONS USD*



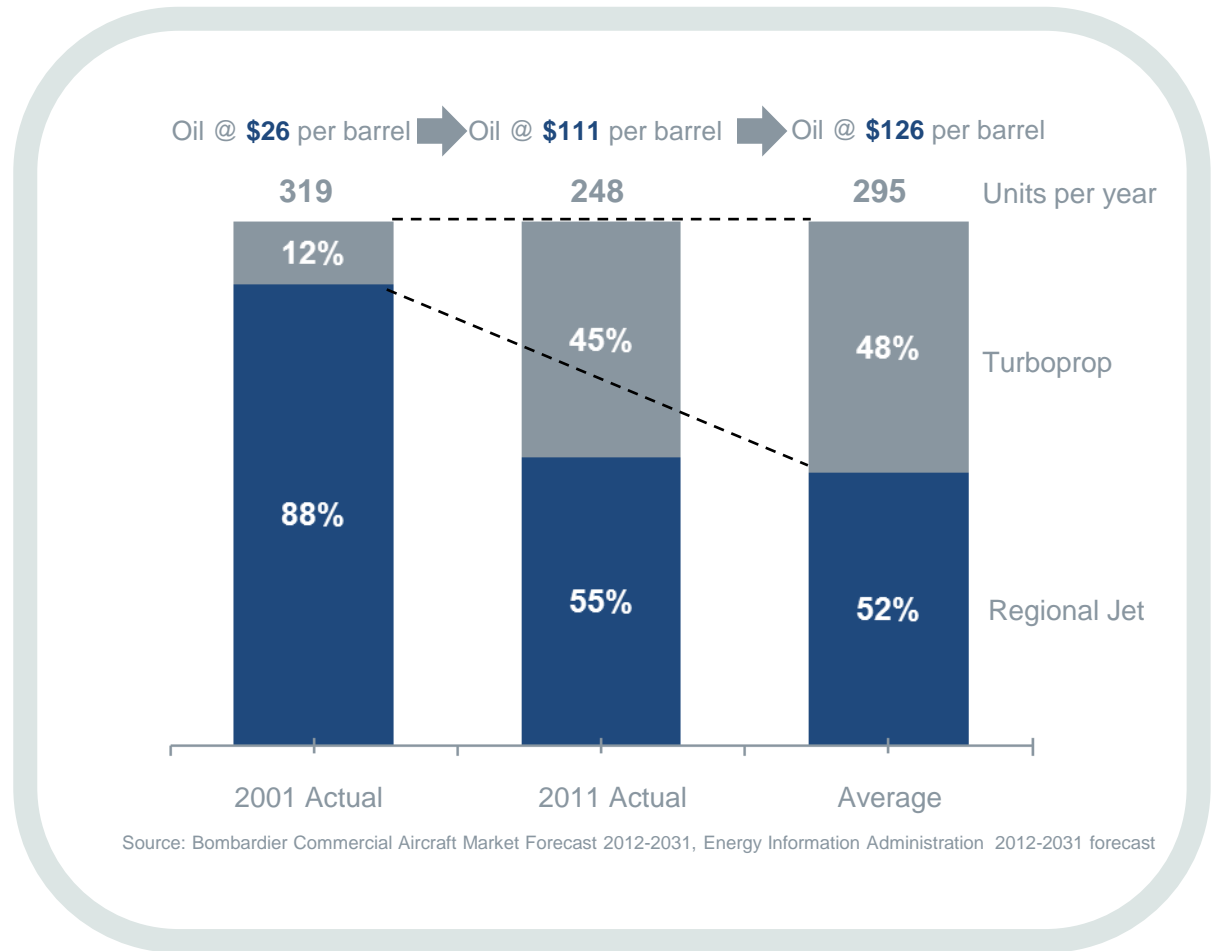
Source: OECD. * On a purchasing power parity basis.

- Asia-Pacific middle-class spending to jump to \$32.6 trillion in 2030, compared to \$5.0 trillion in 2009
- In South America, Africa and the Middle East, middle-class spending is poised to double

HIGH OIL PRICES AND ENVIRONMENTAL REGULATIONS TO DRIVE THE USE OF TURBOPROPS

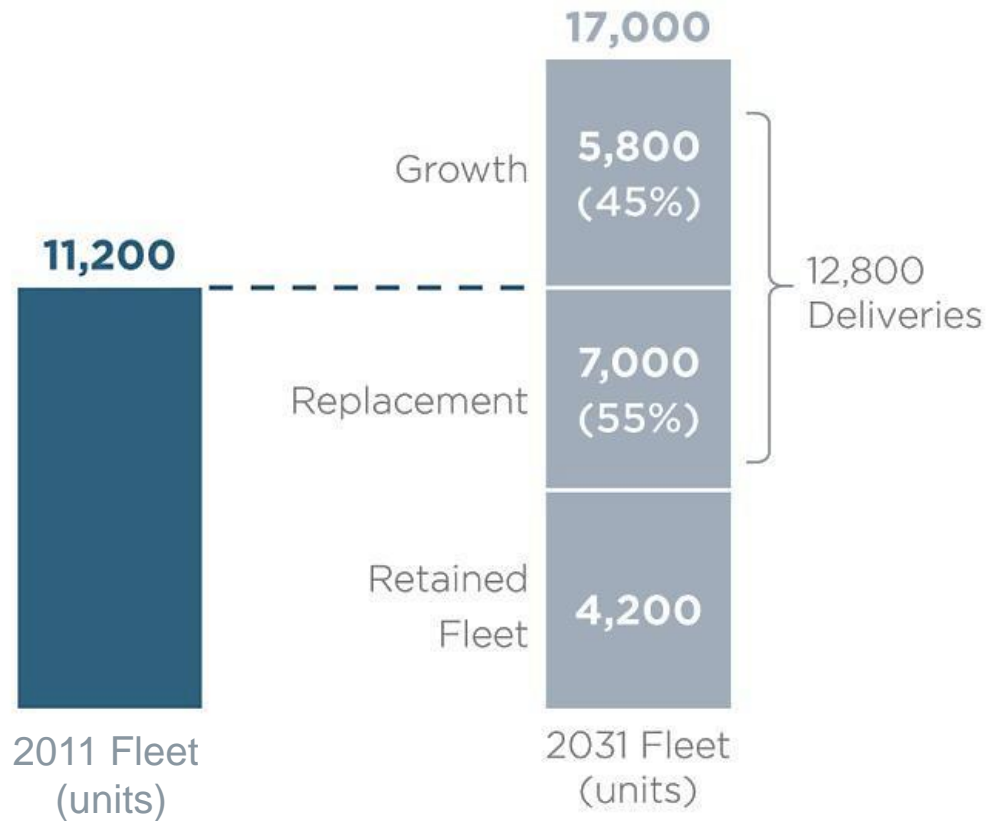
Advanced turboprops' lower fuel burn allows carriers to maintain capacity and shrink their overall environmental footprint

2,850 turboprop aircraft to be delivered from 2012 to 2031



INCREASED AIRCRAFT RETIREMENTS DUE TO COST INEFFICIENCIES AND AGE

FLEET EVOLUTION FROM 2011-2031 20- TO 149-SEAT FLEET



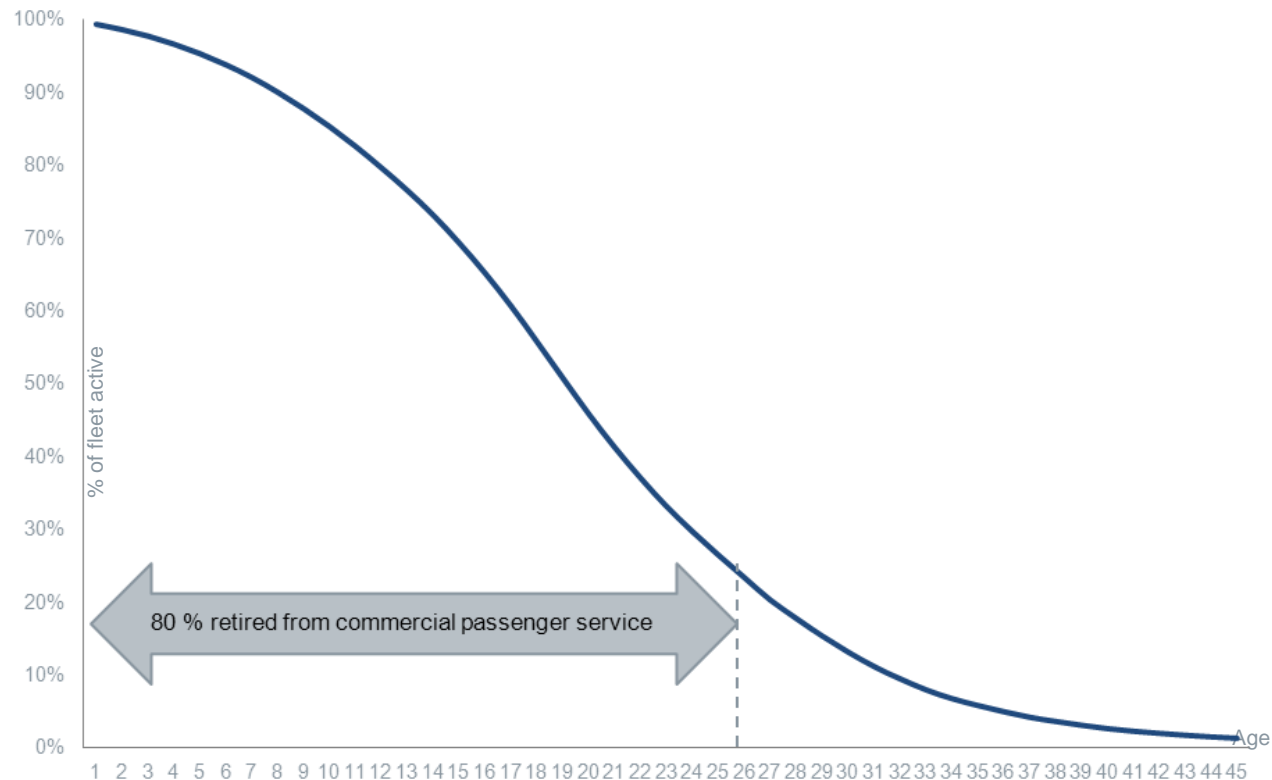
Source: Bombardier Commercial Aircraft Market Forecast 2012-2031.

PACE OF OLDER AIRCRAFT RETIREMENTS INCREASES

COMMERCIAL AIRCRAFT GENERAL RETIREMENT PROFILE

60% of current 20- to 149-seat aircraft fleet will retire by 2031: 3000 aircraft

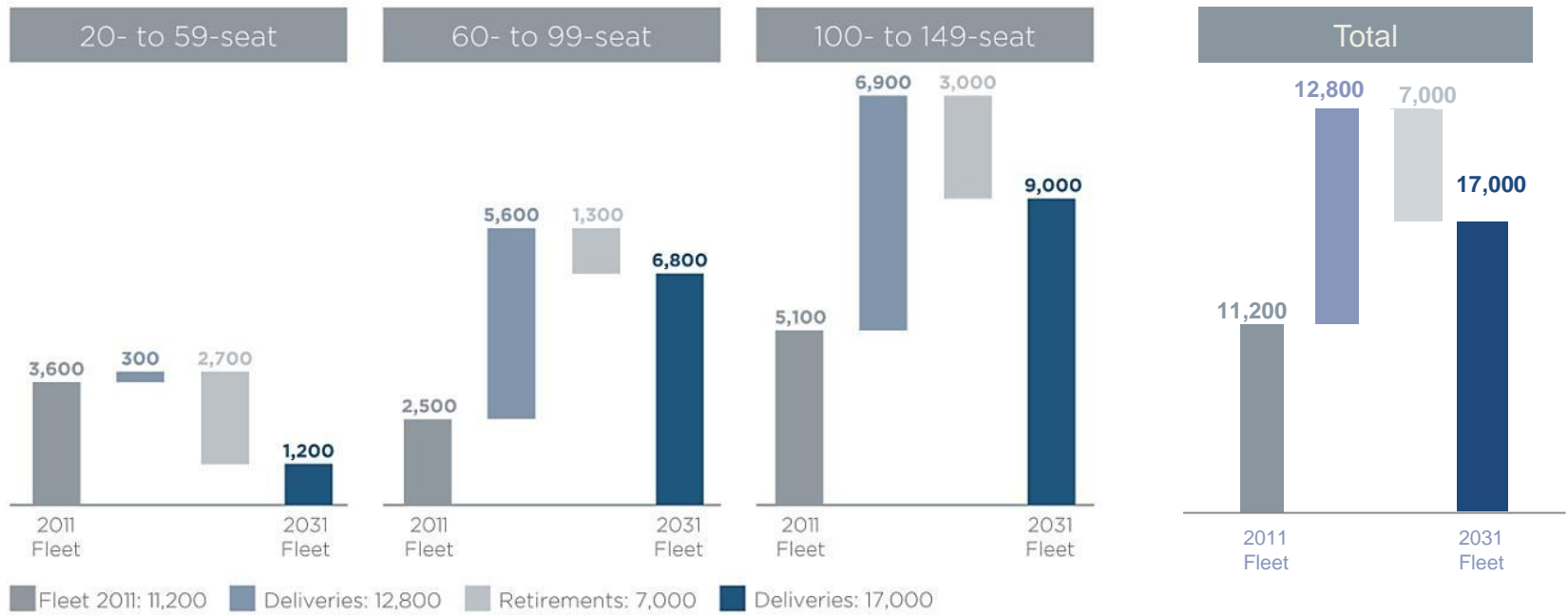
New-generation 100- to 149-seat aircraft expected to account for half of 20- to 149-seat fleet by 2031



Source: Bombardier Analysis

STRONG GROWTH IN LARGER SEAT SEGMENT FLEETS

BOMBARDIER MARKET SEGMENTATION EVOLUTION FLEET, DELIVERIES, RETIREMENT 2011-2031

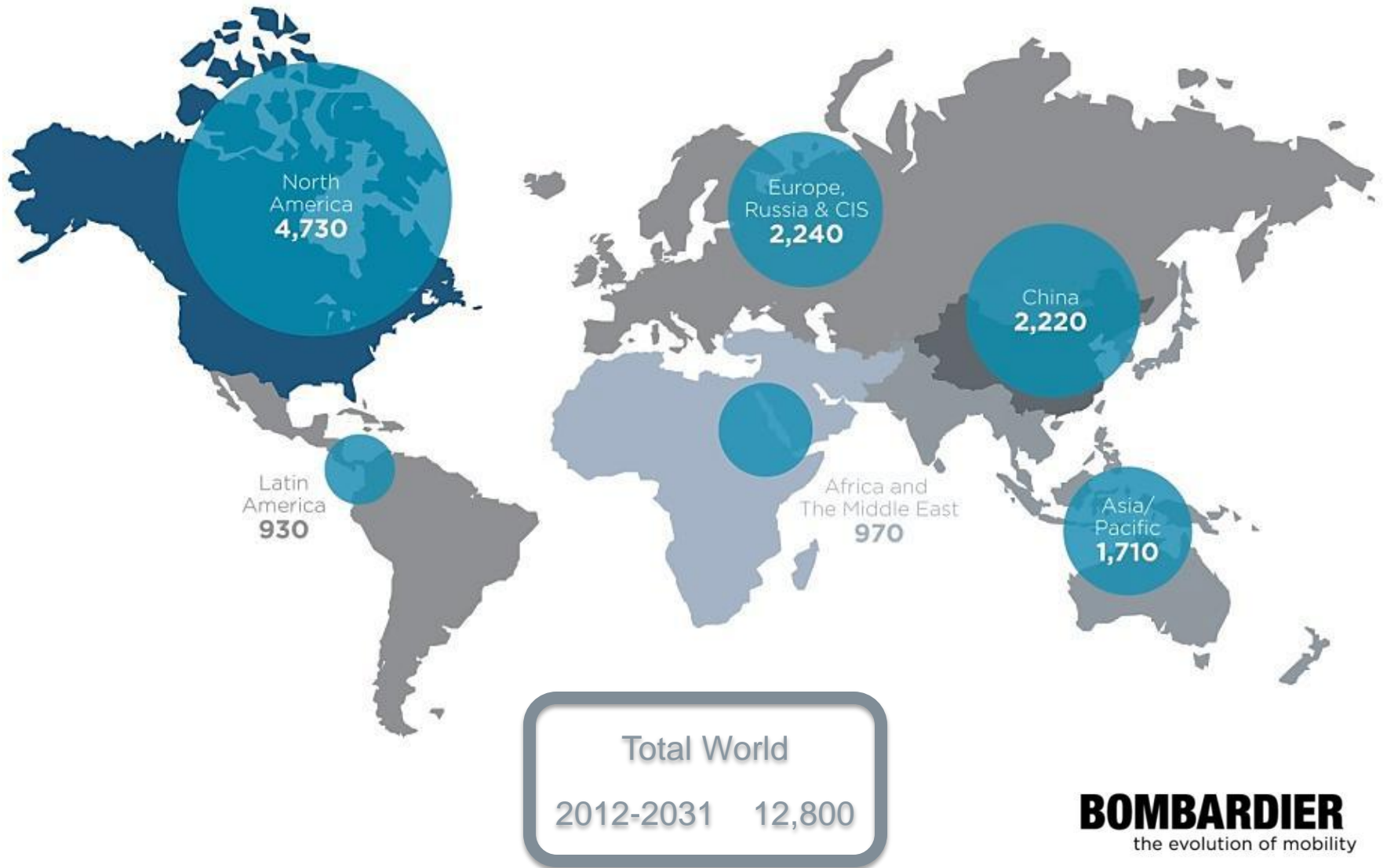


Source: Bombardier Commercial Aircraft Market Forecast 2012-2031.

Overall fleet growth of 52%, representing a compound annual growth rate of 2.1%

DEMAND FOR NEW AIRCRAFT IS SHIFTING TO EMERGING MARKETS

Regional 20-Year Delivery Outlook





CONCLUSION

- **NEW AIRCRAFT WILL BE MORE ENVIRONMENTALLY FRIENDLY AND EFFICIENT**
- **MARKET OUTLOOK REMAINS OPTIMISTIC (BUSINESS AND COMMERCIAL)**
- **EMERGING MARKETS ARE EXPECTED TO LEAD GLOBAL ECONOMIC GROWTH**

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