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Bombardier Business Aircraft Market Forecast 2009 - 2018

leading the way

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This presentation includes forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. By their nature, forward-looking statements require Bombardier Inc. (the “Corporation”) to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation’s actual results in future periods to differ materially from forecasted results. While the Corporation considers its assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this presentation, please refer to the respective sections of the Corporation’s aerospace segment (“Aerospace”) and the Corporation’s transportation segment (“Transportation”) in the F09 MD&A. Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, include risks associated with general economic conditions, risks associated with the Corporation’s business environment (such as the financial condition of the airline industry, government policies and priorities and competition from other businesses), operational risks (such as regulatory risks and dependence on key personnel, risks associated with doing business with partners, risks involved with developing new products and services, warranty and casualty claim losses, legal risks from legal proceedings, risks relating to the Corporation’s dependence on certain key customers and key suppliers, risks resulting from fixed-term commitments, human resource risk, and environmental risk), financing risks (such as risks resulting from reliance on government support, risks relating to financing support provided on behalf of certain customers, risks relating to liquidity and access to capital markets, risks relating to the terms of certain restrictive debt covenants and market risks (including currency, interest rate and commodity pricing risk). See the Risks and Uncertainties section in the F09 MD&A. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect the Corporation’s expectations as at the date of the F09 MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All monetary amounts are expressed in 2009 U.S. dollars unless otherwise stated.

executive summary

executive summary

The Bombardier Aerospace Business Aircraft Market Forecast reflects Bombardier's view of the business jet industry's future. In the current turbulent economic times, there is significant focus on the challenges facing this industry. Bombardier remains confident that there is strong potential for the business jet industry over the next 10 years. With a strong product portfolio, dedication to customer satisfaction and product development, Bombardier is well positioned to benefit from the expected growth in the business jet industry over the next decade and to maintain and grow our leadership position.

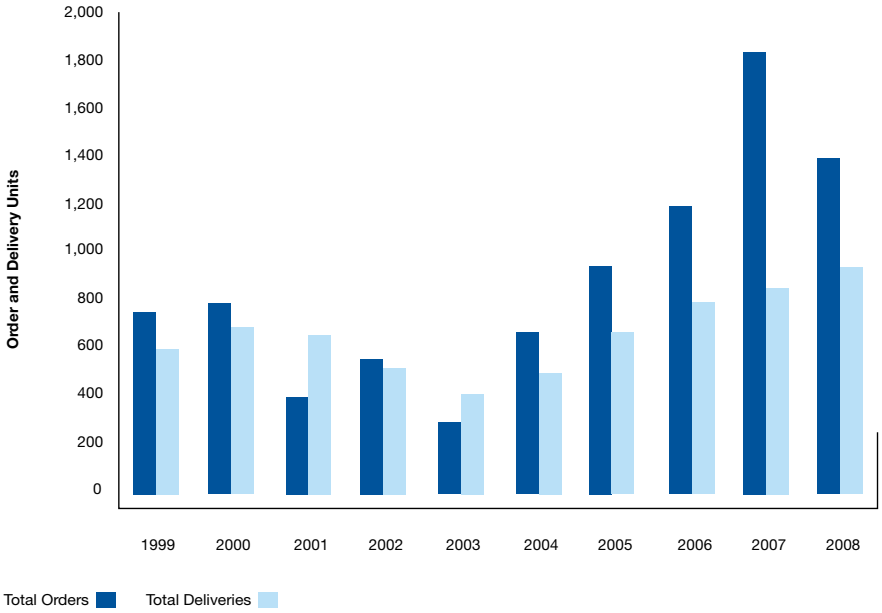
New for the 2009 Forecast

The forecast focuses on the three categories in which Bombardier competes; light, midsize and large. The very light jet segment is not included unless specifically mentioned. (See new market segmentation on p.30).

This year's forecast provides a detailed breakdown of the international markets and takes account of new market drivers such as innovation, as measured by the Herfindahl-Hirschman Index.

Industry Orders and Delivery Units

Calendar years, 1999-2008



Sources: Actual deliveries from GAMA. Orders estimated from competitive intelligence, OEM guidance. Excludes Very Light Jet segment, ACJ and BBJ.

executive summary

Another Industry Cycle

The business aircraft industry is known to be cyclical with downturns correlated to economic cycles. The last market downturn occurred from 2001-2003. Since then, there has been unprecedented growth in orders, resulting in large backlogs. Business jet manufacturers increased production levels accordingly, and as a result, the industry recorded its highest revenues ever.

The United States (U.S.) entered into recession in December 2007. About a year later, many other countries followed suit and the business jet industry experienced its next downcycle. While many aspects of the worldwide recession appear troubling, the business aviation industry fundamentals remain solid. The economic and market drivers will recover over the next 24 months, leading to a forecast for 2009-2018 of 12,550 orders resulting in 11,500 deliveries worth $256B of revenues.

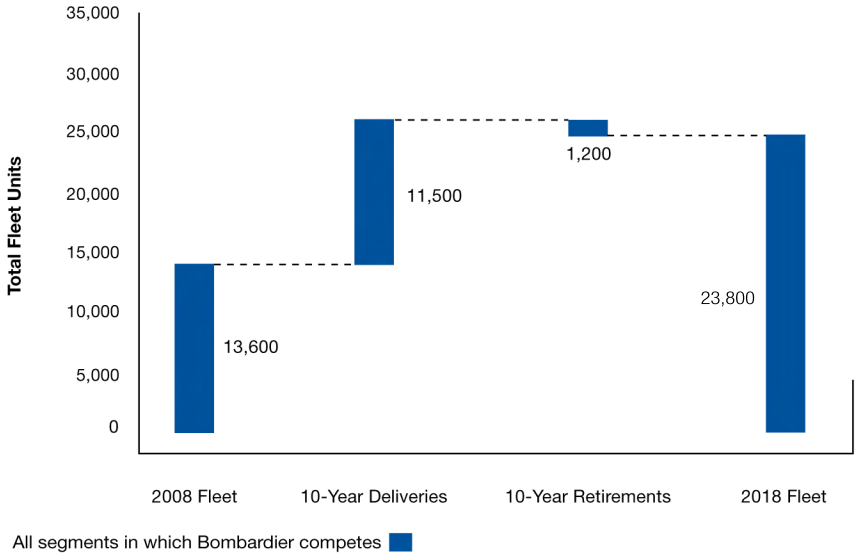
Business Jet Market History and Forecast

	1999 - 2008	2009 - 2018
Delivery Units	6,500	11,500
Revenues	$122 billion	$256 billion

Source: Bombardier Forecast Model. Excludes Very Light Jet segment, ACJ & BBJ.

Business Jet Fleet Forecast

Units, calendar years 2008-2018



Sources: Actual fleet from Airclaims database. Bombardier Forecast Model. Excludes BBJ & ACJ.

The worldwide business jet fleet included approximately 13,600 aircraft at the end of 2008. The worldwide fleet is expected to grow by a compound annual growth rate (CAGR) of approximately 6% over the forecast period to some 23,800 units after aircraft retirements.

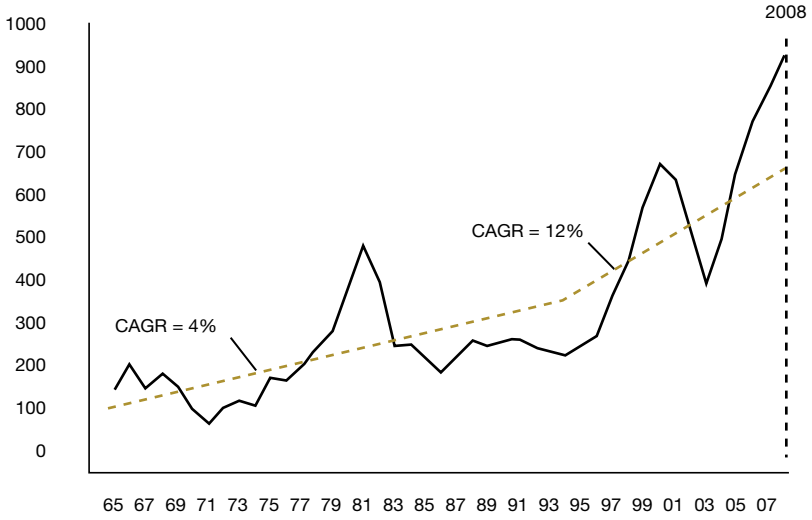
historical market performance

historical market performance

Throughout history, the business jet market has proven to be highly cyclical. Over the past 40 years, the industry has been defined by multiple up and down cycles. From 1965 to 1995, the CAGR for industry deliveries was 4%, with most of the growth coming from its main market, the United States. After 1995, the business jet industry began expanding to other regions of the world, generating much higher growth, 12% on average.

The following section describes the last historical business cycles since 2001.

Historical Business Jet Market Deliveries
Units, calendar years 1965-2008



Source: Actual deliveries from GAMA. Very Light Jets include CJ1+, CJ2+, Mustang, Phenom 100, Premier I and Eclipse 500. Excludes ACJ & BBJ.

The 2001-2003 Downturn

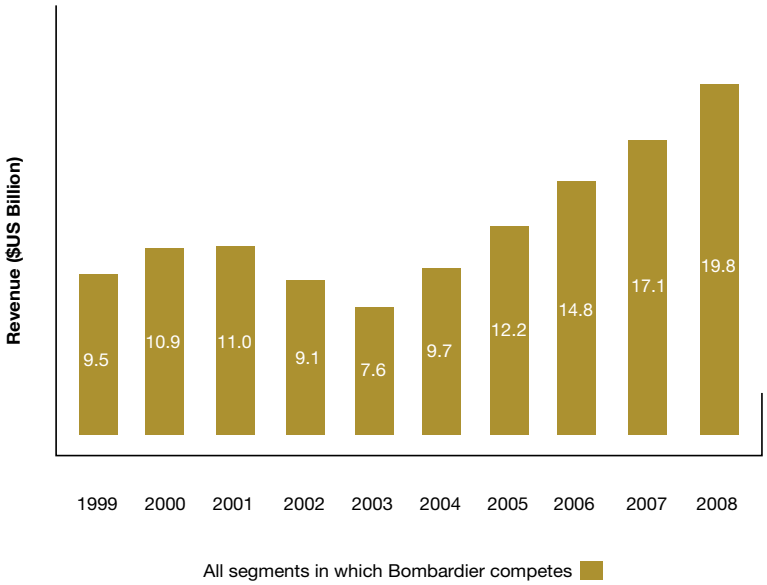
The 2001-2003 downturn was caused by various factors. The high percentage of aircraft for sale on the pre-owned market at the end of the 1990s was the first sign of a market slowdown. In the U.S., conjectural factors like the slowdown of the economy and the fall of corporate profits at the end of 2000 and in 2001 considerably reduced the demand for business jets. Business aviation suffered, to a lesser extent than commercial aviation, from the climate of uncertainty that followed 9/11. The reduction in the overall number of gross business jet orders, coupled with massive cancellations from both traditional and fractional jet businesses, forced Original Equipment Manufacturers (OEMs) to sharply reduce aircraft production.

historical market performance

The 2004 – 2008 Growth Period

The U.S. economy regained its momentum and the demand for business jets significantly rose between 2004 and 2007. Young markets such as Western Europe and previously untapped markets in Eastern Europe, Asia and the Middle East began to generate substantial demand. Moreover, OEMs launched many new models during this period, pushing orders even higher. The industry's 842-unit delivery record set in 2007 was shattered in 2008, with deliveries totalling 927 units for the year. Record sales as well as a shift in consumer interest toward larger aircraft explain the 2008 peak of $19.8 billion in industry revenues.

Historical Business Jet Market Revenues
US$B, calendar years 1999-2008



Sources: Revenues estimated from GAMA and B&CA list prices.

Since Q4 2008

The year was a turning point for the business aircraft industry. The U.S. went into recession in December 2007. Orders in the U.S. are since down and the level of pre-owned aircraft for sale increased sharply. During the first nine months of 2008, the business aircraft market continued its expansion, driven by the vigour of international sales. The collapse of the financial markets in the third quarter of 2008 precipitated a sharp downturn in business aviation. Order activity stalled in the fourth quarter. The level of pre-owned aircraft for sale remained unusually high and residual values took a significant hit. Moreover, OEMs juggled with cancellations and deferrals. These unfavourable market conditions forced all major OEMs to decrease their production plans for 2009 and 2010. At the time of publication, order activity remained low, even though encouraging signs on the pre-owned market suggest the situation should slowly improve towards the end of 2009.

current market drivers

current market drivers

The Bombardier Aerospace Business Aircraft Market Forecast is derived from an econometric model based on several market drivers.

Economic Market Drivers

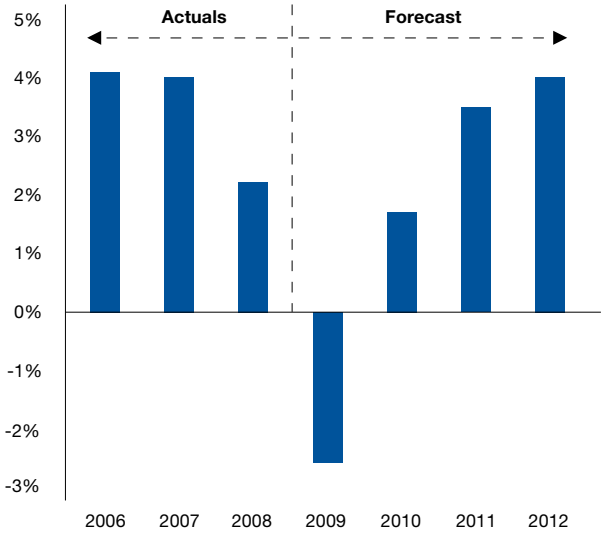
Global Economy

The state of the world economy, and that of individual countries, is a key factor in the demand for air travel. During 2008 and into 2009, the worldwide economy experienced a sharp downturn. The current recession is the result of a major financial crisis, primarily due to the collapse of mortgage-backed securities originating in the U.S. The U.S. real GDP shrank at an annual rate of over 6% in the fourth quarter of 2008 and in the first quarter of 2009. According to IHS Global Insight, world real GDP growth is forecast to shrink by 2.6% during 2009 and then resume growing by 2010.

In the longer term, the world real GDP growth is expected to stabilize on average at 3.5% per year. The significant economic downturn of 2008-09 has resulted in a major short-term reduction in the demand for business jets. In the longer term, resumption of global economic growth will result in an expected strong recovery in the demand for business jets. The strong fundamentals of the business jet industry are expected to remain unchanged.

Prospect for World GDP Growth

World real GDP growth forecast (percent change), 2006-2012



Source: IHS Global Insight, May 2009.

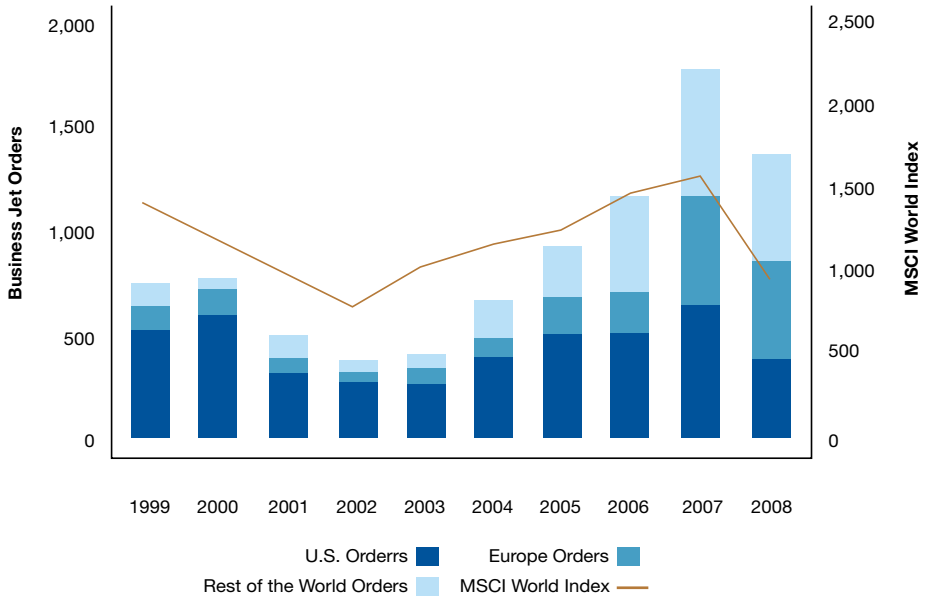
economic market drivers

Wealth Creation

Worldwide demand for business jets is highly correlated with wealth creation which, in turn, is largely driven by economic growth.

The Morgan Stanley Capital International (MSCI) index is an aggregate stock market index, based on representative securities listed in major financial centres around the world. By its nature, the MSCI index is a good estimate of wealth creation. As displayed in the following chart, world business jet orders have been highly correlated with the MSCI World index over the past 10 years.

World Business Jet Orders and the MSCI World Index
Orders (units), MSCI value, calendar years, 1999-2008



Sources: Orders estimated from competitive intelligence, OEM guidance. Excludes Very Light Jet segment, ACJ & BBJ.
MSCI World Index from MSCI-Barra.

economic market drivers

From 2002 to 2007, the MSCI World index doubled, mainly driven by the growing prices for oil, natural resources and commodities. In 2008, most of the gains of the past years were lost as the MSCI World index fell 42%. Some regions of the world experienced more acute variations; in China and India, the MSCI Index grew by a factor of 6 and 7 respectively between 2002 and 2007, before being impacted by the economic downturn. The China and India MSCI Index fell by 52% and 65% respectively from 2007 to 2008.

MSCI Index Evolution by Region

2002 = 100, Calendar years, 2002-2008

	2002 (base)	2007 (at peak)	2008
North America	100	176	107
Europe	100	245	127
Latin America	100	668	315
Russia	100	567	147
India	100	699	244
China	100	605	291
Rest of Asia & Oceania	100	250	142
Middle East and Africa*	100	593	264
World	**100**	**201**	**116**

Source: MSCI World Index, MSCI-Barra.
*Data from Middle East excluded as it was not available before 2005.

economic market drivers

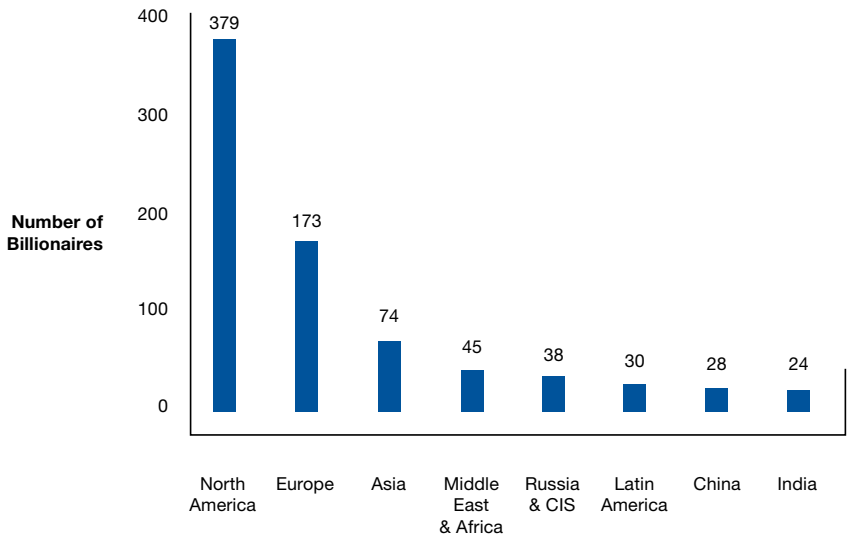
High Net Worth Individuals

Last year, Merrill Lynch and Cap Gemini estimated in their 2008 World Wealth Report that the population of High Net Worth Individuals (HNWI) (i.e., people with financial assets of $1 million or more) grew by 22.7% in India to 123,000 and by 20.3% in China to 415,000 during 2007. In 2008, HNWI accounted for 10% to 20% of business aircraft sales, and are therefore a target market. At the time of publication, the 2009 Merrill Lynch and Cap Gemini report was not available.

In March 2009, Forbes released its list of world billionaires. 70% of billionaires are located in North America and Europe. This study highlighted a 30% decrease in the number of world billionaires between 2008 and 2009.

Number of Billionaires

Unit 2008-2009



Source: Forbes.com

business jet market drivers

Business Jet Perceptions

Business jet usage suffered from considerable negative media coverage during late 2008 and into 2009, particularly in the United States. Much of the negative media was associated with companies applying for financial assistance from the U.S. Government. The resulting high profile media coverage masked the fact that for the vast majority of owners and users, business jets are vital assets for increasing company productivity and competitiveness. Business jets are as much a productivity tool as smartphones and laptop computers. Business jets enable employees and executives to travel to remote destinations and medium size cities, while saving considerable time and improving productivity.

The business aviation industry, led by the National Business Aviation Association (NBAA), the General Aviation Manufacturers Association (GAMA) and the OEMs, have responded vigorously with structured campaigns aimed at increasing the visibility of the true facts regarding business aviation. According to GAMA, in the U.S. alone, business aviation activities stimulate the economy by providing 1.2 million jobs and generating $150 billion annually.

business jet market drivers

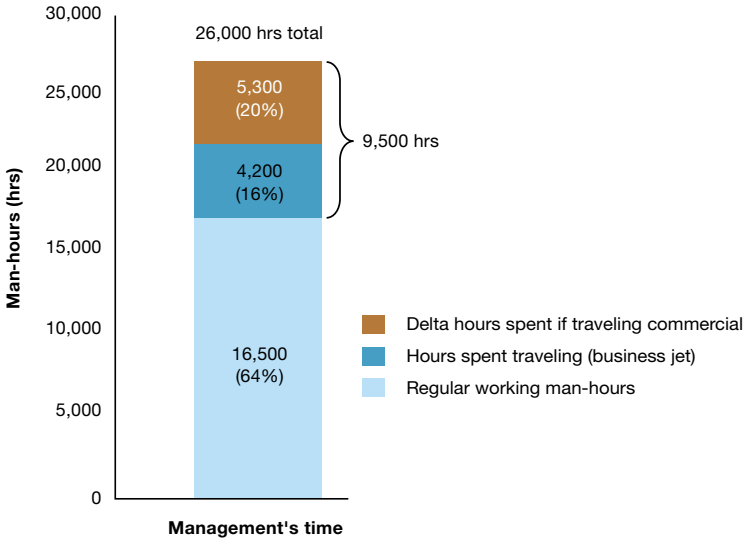
A business case created by Bombardier for a Midwestern U.S. firm showed that use of a super midsize business jet saved 20% of management's total time, when compared with the scheduled airline alternative.

In addition to the time savings and productivity benefits of using a business jet, there are other less quantifiable but equally important benefits. These include on-demand flight schedules, the ability to conduct business conversations in private during flights, access to more airports located closer to final destination, (which may not be served by a scheduled airline), and reduced stress on the company's travelers.

Bombardier believes that unwarranted negative perceptions regarding business jets (in certain regions) will no longer be an issue once the market fully re-assesses the positive benefits offered by business aviation. The Forecast accounts for the impact of this short-term issue through its effect on sales of new and used aircraft throughout 2009.

Business Travel Time Comparison

Management, Man-hours (hrs)



Source: Bombardier Analysis.

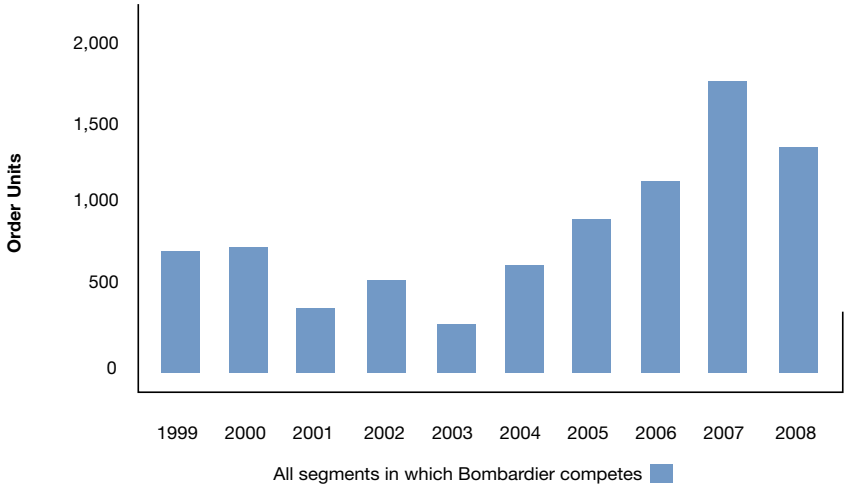
business jet market drivers

Backlogs

The term “backlog” refers to the total number of orders not yet delivered. In the business aircraft industry, the order backlog indicates potential deliveries for upcoming years. OEMs adjust their production rates based on their current backlog levels and their expectations regarding the number of net orders they can obtain in the future. Production rate changes are a costly and complex matter, due to the expenses associated with hiring or laying-off employees as well as changes to the supply chain and scheduling. Therefore, manufacturers aim to regulate their production rates to maximize deliveries while minimizing the risk of frequent production rate changes.

Business Jet Orders

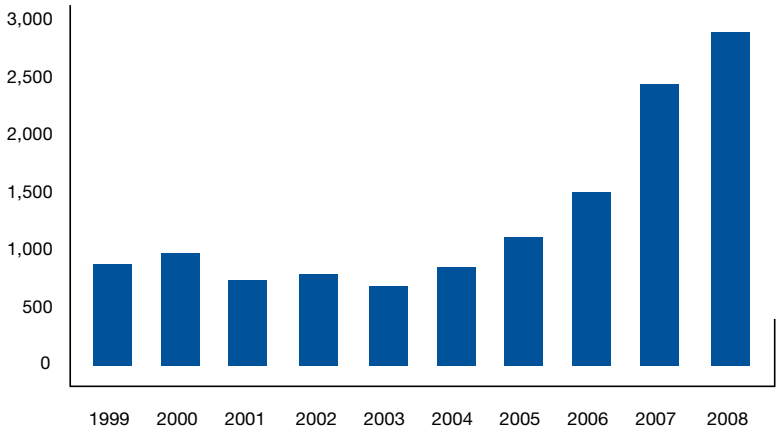
Estimated units, calendar years 1999-2008



Sources: Orders/units prices estimated from competitive intelligence, OEM guidance. Excludes Very Light Jet segment, ACJ & BBJ.

Industry Backlog

Estimated units, calendar years 1999-2008



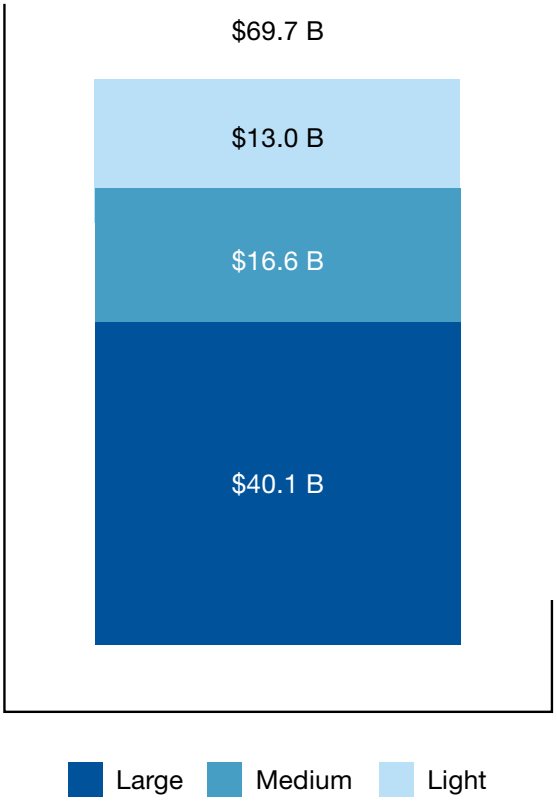
Sources: Orders estimated from competitive intelligence, OEM guidance. Excludes Very Light Jet Segment, ACJ & BBJ.

business jet market drivers

In terms of business jet industry orders, 2007 was a record year with close to 1,800 orders for the light, medium and large aircraft categories. The first half of 2008 remained strong as manufacturers recorded a large number of orders (1,375). However, in the second half of the year, the economic downturn led to an abrupt drop in orders and a significant number of cancellations. In general, the light aircraft category was most affected by cancellations. It is also the category that experienced the most important changes to production rates. The medium aircraft category was less affected, but still endured decreased production rates. The large aircraft category was only slightly affected.

In dollar terms, the industry backlog in the first quarter of 2009 was estimated at approximately $69.7 billion, down from a peak of $77.8 billion in the third quarter of 2008. Taking into account the soft order activity experienced to date in 2009, as well as the estimated level of aircraft cancellations and deferrals, the industry backlog is expected to continue shrinking in the short term.

Industry Backlog
Estimated Value ($U.S. Billion) Q1-2009



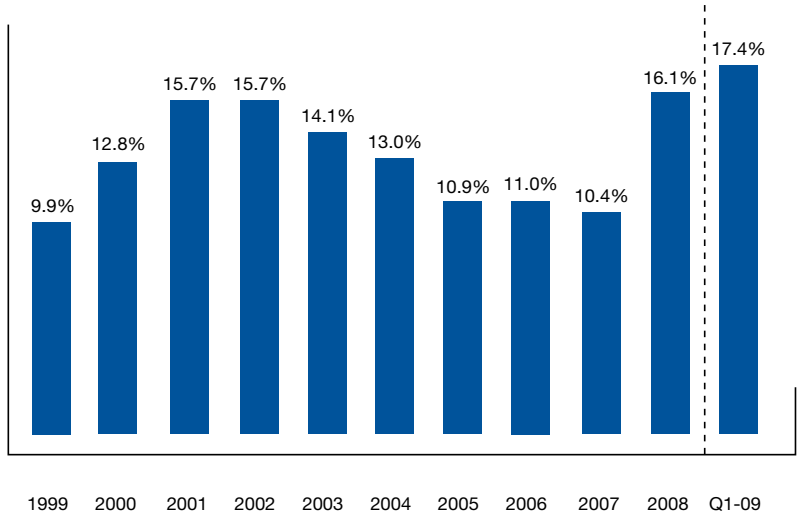
Sources: Orders estimated from competitive intelligence, OEM guidance.
List price from BC&A. Excludes Very Light Jet segment, ACJ & BBJ.

business jet market drivers

The Pre-owned Market

Over 60% of new business jet orders are replacement aircraft for current owners. The demand for new aircraft is stimulated by the conditions prevailing on the pre-owned market. The pre-owned market is considered healthy when residual values are high and when the inventory of pre-owned aircraft for sale is low. As of early 2008, the percentage of the overall business jet fleet for sale on the pre-owned market began to increase rapidly. Many aircraft owners either experienced difficulty or failed to sell their pre-owned aircraft, which, in turn, made them less likely to purchase replacement aircraft. The growing number of aircraft on the pre-owned market is a leading indicator of the business aircraft market downturn that started in the fourth quarter of 2008. Between 2002 and 2007 the pre-owned aircraft inventory, as a percentage of the fleet, decreased from 15.7% to 10.4%. From early 2008 to the first quarter of 2009, the level rose from 16.1% to 17.4%. This increase was significant, especially in the second half of the year, when manufacturers' new order intake levels slowed dramatically. Looking forward, Bombardier expects the level of pre-owned inventory to start declining in 2010 and return to historical levels of 10% - 13%.

Pre-Owned Aircraft Inventory as a % of the Fleet
%, calendar years 1999–Q1 2009



Sources: Aircraft Inventory and fleet from JETNET. Excludes Very Light Jet segment.

business jet market drivers

New Aircraft Programs

When compared to older aircraft models, new models tend to offer more cabin volume, increased range and better performance for a comparable price. The launch of new aircraft programs reflects OEMs' confidence in the market going forward as manufacturers expect sustained deliveries in the first years after entry into service. The required investments in design, development and technology as well as market timing are crucial to the success of business aircraft programs. New aircraft programs can either be derivative or clean-sheet designs. A derivative is a new aircraft based on an existing design that has been upgraded, whereas a clean-sheet design is a brand new conceptualized aircraft. There are significantly higher costs involved in designing, building and certifying a clean-sheet design aircraft compared to modifying an existing platform.

Therefore, the trend has been for manufacturers to plan aircraft families based on platforms from which derivatives of the clean-sheet design allow for a distribution of the design costs over more than one model.

Several clean-sheet and derivative business jet programs were launched during the last up-cycle and are now approaching entry into service. In 2009, three new aircraft programs are expected to enter into service and generate a significant number of deliveries during the next years.

Entry Into Service of New Programs

Entry into service by model, calendar years 2009-2013

2009	2010	2011	2012	2013
Falcon 2000LX Lineage 1000 Phenom 300	CJ4 Falcon 900LX Hawker 450XP Premier II*	G250 Honda Jet*	G650 Global Vision Legacy 500	Learjet 85 Legacy 450

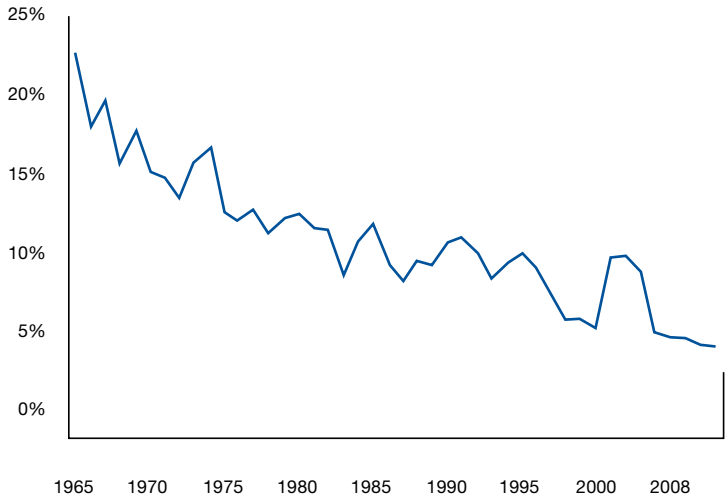
Sources: Dates of entry from competitors' press releases and trade media coverage. *Very Light Jets.

business jet market drivers

The number of models in service plays a role on the total market demand. The Herfindahl-Hirschman Index (HHI) was adapted to quantify the level of competition and innovation in the industry. The HHI measures competitiveness in a particular market by taking the sum of the squares of the market shares of all aircraft models, resulting in a score between 0% and 100%. A score of 0% represents a market with pure competition, while a score of 100% represents a monopolistic market. When applying the HHI to the business aircraft market, all aircraft are assumed to be competing in the same market. Over the past 40 years, the increased level of competition in the business aircraft industry led to the development of a significant number of aircraft models, driving an increasing level of orders. As a result, the HHI has been decreasing over the last 40 years.

Herfindahl Hirschman Index (HHI)

%, 1965 - 2008



Source: Bombardier analysis.

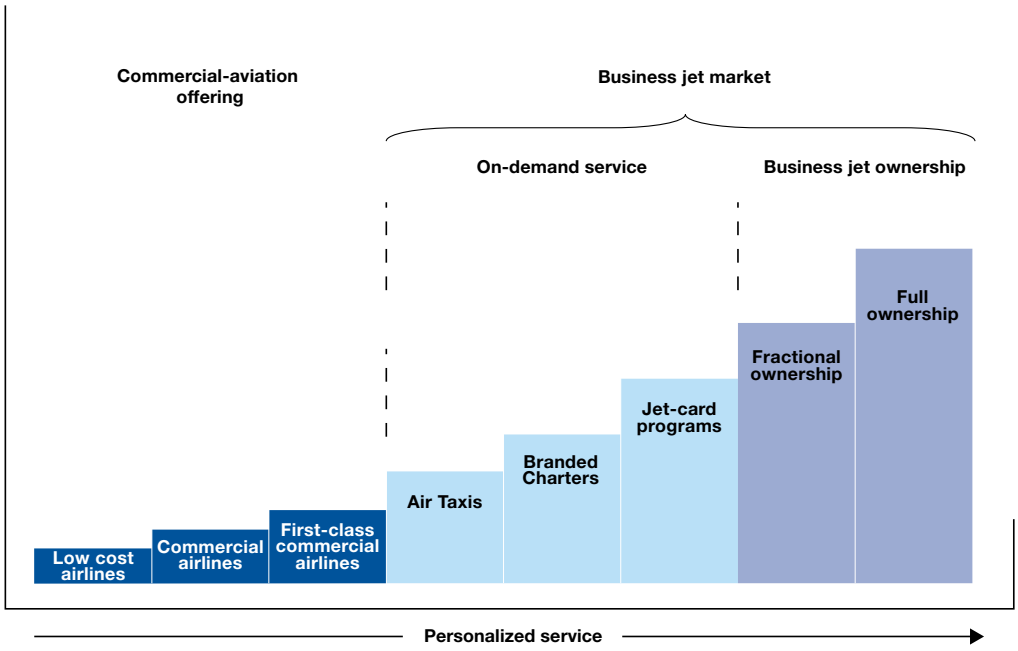
Named after economists Orris C. Herfindahl and Albert O. Hirschman, HHI is an economic concept often used in competition law and antitrust proceedings. The U.S. Department of Justice uses it to evaluate competition in different markets.

business jet market drivers

Fractional and Branded Charter Demand

Fractional ownership (where several owners own a fraction of a given aircraft) has existed since the mid-1990's and has accounted for, on average, 14% of industry deliveries over the last 10 years. Subsequent variations include fractional card or jet card programs where customers can access on-demand use of a business jet by committing to a certain number of hours of usage per year but without the obligation to purchase shares in an aircraft.

Air Travel Options



Source: Bombardier.

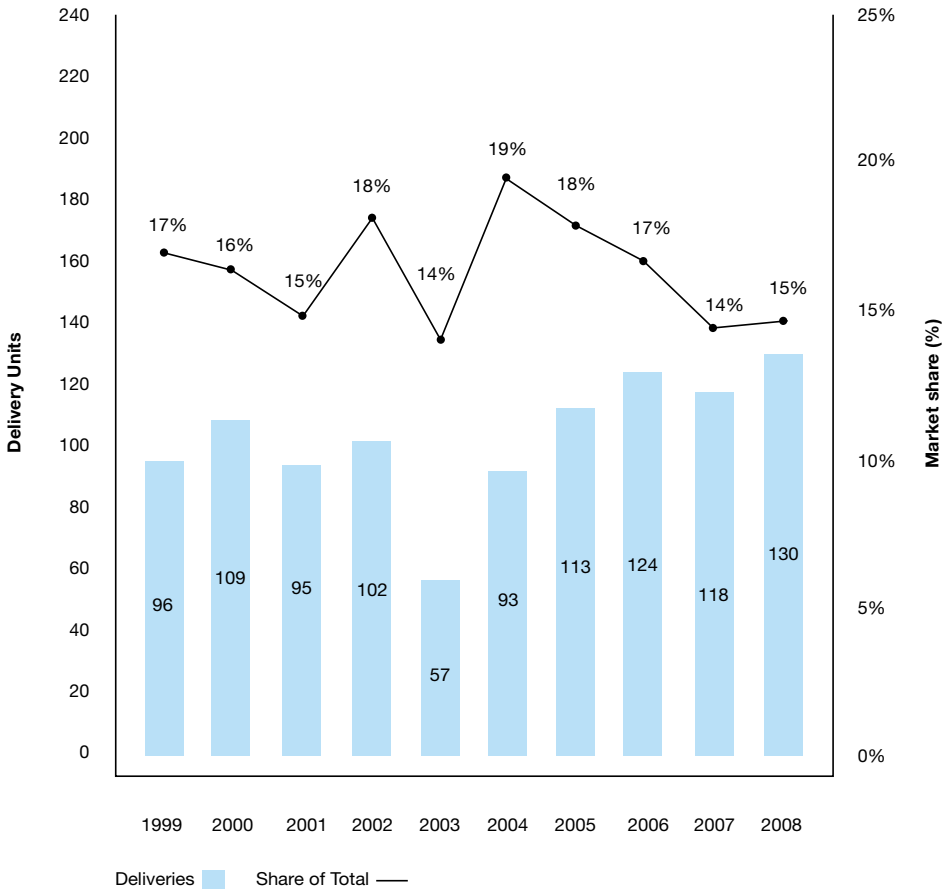
business jet market drivers

The emergence of charter and branded charter operators is a recent trend. These operators offer on-demand and tailored services with identifiable, competitive trip-specific pricing, and no obligation to purchase shares in an aircraft. Branded charter operators are characterized by volume purchases of a fleet of aircraft, sophisticated operations infrastructure, and a greater use of airline-style scheduling practices in order to minimize deadhead costs. In 2008, branded charter operator orders represented approximately 20% to 30% of total business jet orders.

Multiple volume orders from both fractional and branded charter operators have helped increase industry orders in recent years. Over the next 10 years, the forecast projects that approximately 15% to 20% of industry orders are expected to come from fractional and branded charter operators.

Business Jet Fractional Delivery Units

Units and share (%) of total deliveries, calendar years, 1999-2008



Source: Airclaims database. Excludes Very Light Jet Segment, ACJ & BBJ.

the forecast

the forecast

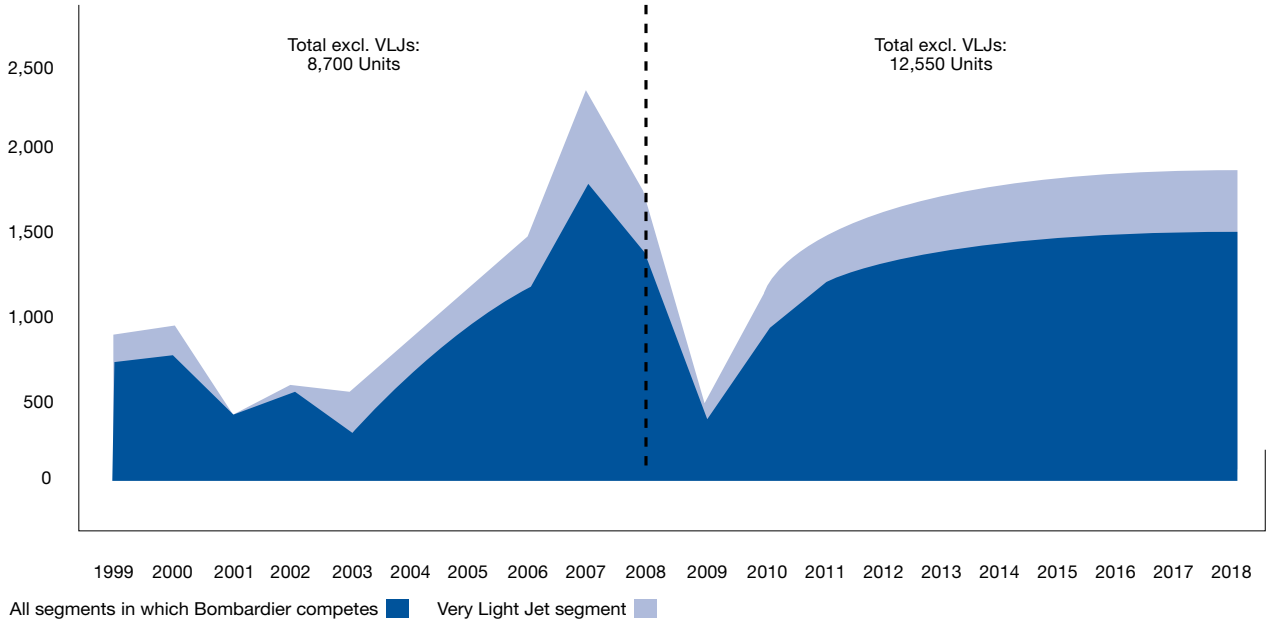
Orders, Deliveries and Revenues

As the economy recovers from the current downturn, orders for business aircraft will increase, which should sustain deliveries of new business jets over the next 10 years.

The sharp contraction of the U.S. economy and ensuing worldwide recession during 2008-2009 is expected to cause a significant reduction in the near term demand for business jets. Many OEMs have and will likely continue to record negative orders in early 2009 due to a significant number of cancellations. Order intake is forecast to reach a low of 375 units in 2009 and is expected to improve by the end of the year, reaching 2008 levels of approximately 1,400 units per year by 2013.

Business Jet Industry 10-Year Orders Outlook

Orders (units), calendar years, 1999-2018



Source: Bombardier Forecasting Model. Very Light Jets include CJ1+, CJ2+, Mustang, Premier I, Phenom 100 and Eclipse 500. Excludes ACJ & BBJ.

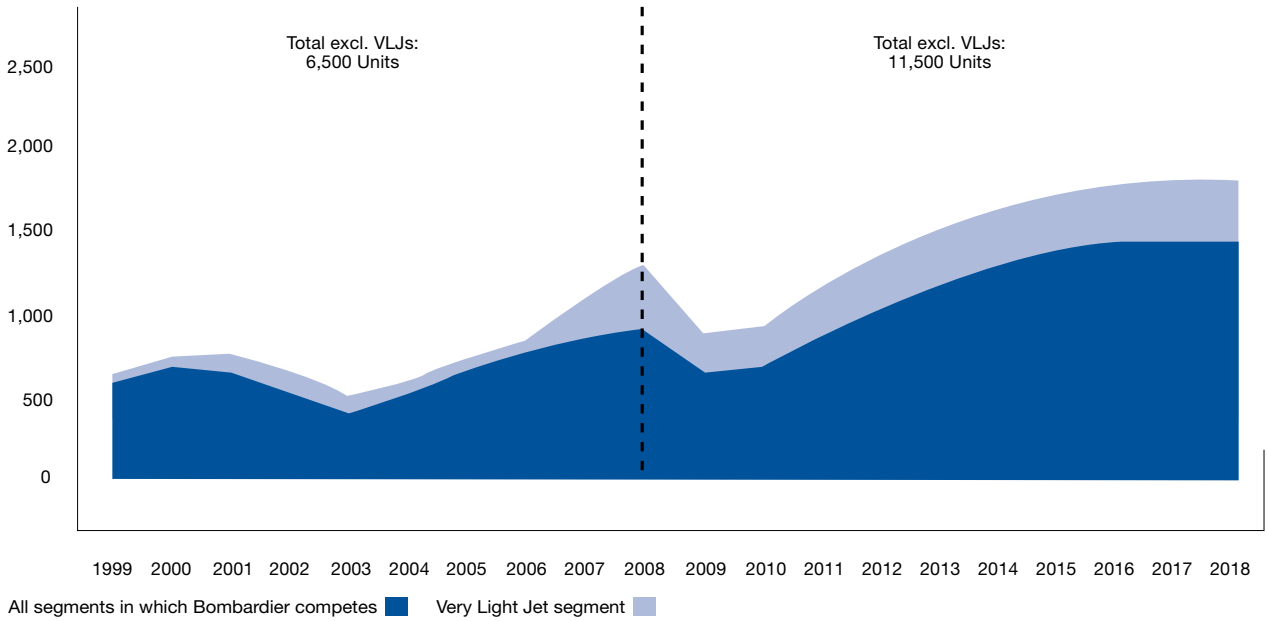
the forecast

The delivery forecast shows demand for 11,500 aircraft that will generate $256 billion in total revenue in the light to large aircraft categories over the 2009-2018 period, compared to 6,500 aircraft and $122 billion in total revenue between 1999 and 2008.

Industry deliveries are expected to recover from a low of 650 deliveries per year in 2009-2010, gradually increasing to approximately 1,400 industry deliveries per year by the end of the forecast period in 2018. Existing backlogs heading into the downturn of 2008-2009 will result in near term higher deliveries compared to orders.

Business Jet Industry 10-Year Deliveries Outlook

Deliveries (units), calendar years, 1999-2018



Source: Bombardier Forecasting Model. Very Light Jets include CJ1+, CJ2+, Mustang, Premier I, Phenom 100 and Eclipse 500. Excludes ACJ & BBJ.

regional details

The Forecast is grouped into three geographic regions: North America, Europe and the Rest of the World. Orders from each region are driven by the previously mentioned economic and market drivers.

The North American Market (United States and Canada)

Business aviation started in North America in the 1960s. The region has always been the most important in terms of business jet sales. The North American business jet installed base was 9,400 aircraft at the end of 2008, or approximately 70% of the worldwide business jet installed base. The well developed infrastructure in North America can accommodate a continuously renewing demand of business aircraft.

Business aviation also has strong roots in North America, from manufacturing to servicing and maintenance. In 2008, approximately 75% of business jets delivered were assembled in North America.

The recession that began in the U.S. in December 2007 has significantly affected demand. The business jet market slowdown started in early 2008. Other regions followed the downward spiral as of the fourth quarter of 2008. The negative press associated with business jet usage among U.S. corporations has also contributed to the record pre-owned inventory levels and the unusual number of cancellations.

The U.S. is expected to be among the first of the major economies to recover from the recession, with positive economic growth expected to return in late 2009. The expected recovery will be fueled by significant fiscal and monetary stimulus measures by the U.S. Government and increasing customer confidence. This should positively impact wealth creation.

regional details

As the most dynamic and diversified economy around the world, the U.S. should continue to generate wealth and sustain the development of its business aircraft industry in the long term. In May 2009, Moody's decided to maintain the credit rating of the U.S. because it has "a diverse and resilient economy, strong government institutions, high per-capita income, and a central position in the global economy".

While Canadian financial institutions have proven to be stable throughout the recent crisis, Canada has experienced economic decline in 2009, although to a smaller extent when compared to the U.S. According to the latest IHS Global Insight forecast published in May 2009, both countries real GDP are expected to show positive growth in the first half of 2010.

North America is forecast to receive the greatest number of business jet deliveries between 2009 and 2018 with 5,400 units. The 2008 fleet of 9,400 business jets will grow to 14,100 aircraft in 2018, resulting in a CAGR of approximately 4%.

Europe

In recent years, Europe has emerged as a strong market for business jet orders. Buoyed by the strong Euro – relative to the U.S. dollar – strong economic growth generated by the expanding European Union and the emergence of branded charter business jet operators, Europe accounted for an estimated 34% of worldwide business jet orders in 2008; compared with 29% for North America.

The Euro-area economy entered into recession approximately one year later than the U.S. The GDP is expected to decline by 4.3% in 2009, however orders are expected to recover once economic growth resumes, which should occur within 12 months after the U.S.

The growing European business jet installed base will create a significant replacement market in coming years, ensuring that this region will continue to be a major source of demand for business aircraft.

Europe will receive the second largest number of business jet deliveries with over 3,000 units in the period from 2009 to 2018. The 2008 fleet of 1,700 business jets will grow to 4,500 aircraft by 2018 with a fleet growth CAGR of approximately 10%.

regional details

The Rest of the World

The forecast region containing the Rest of the World includes Latin America, the Middle East and Africa, Russia and the Commonwealth of Independent States (CIS), and Asia and Australasia. There is significant discussion regarding the potential for China and India to become larger markets in the business aircraft industry. As a result, they have been treated separately from Asia and Australasia.

Combined, the Rest of the World regions have continued to experience economic growth through the current downturn, however growth has slowed versus recent years. As discussed in the MSCI section, stock markets in regions like Russia, India or China have been tremendously devaluated in 2008. This wealth destruction will likely prevent these regions from providing significant demand for business jets in the next 24 months.

However, over the next 10 years, we believe the Rest of the World business jet installed base will grow by an impressive 8% per year on average. The Middle East and Africa, Latin America and Russia and the CIS will represent almost two-thirds of the deliveries to the rest of the world due to their solid interest for business jets, their aviation infrastructures and the strong potential of their oil and natural resources driven economies.

To date, there have been few orders from China and India, however there is enormous potential for these countries once certain infrastructure and regulatory obstacles are removed. Over the 10-year period, China and India are expected to have the highest CAGR (respectively 16% and 14%) due to their relatively small current fleet and their huge potential for growth.

The fleet in the Rest of the World was approximately 2,400 aircraft at the end of 2008. We forecast additional deliveries of 3,100 units over the next 10 years.

Business Jet 10 Year Outlook

Units & %, calendar years, 2009-2018

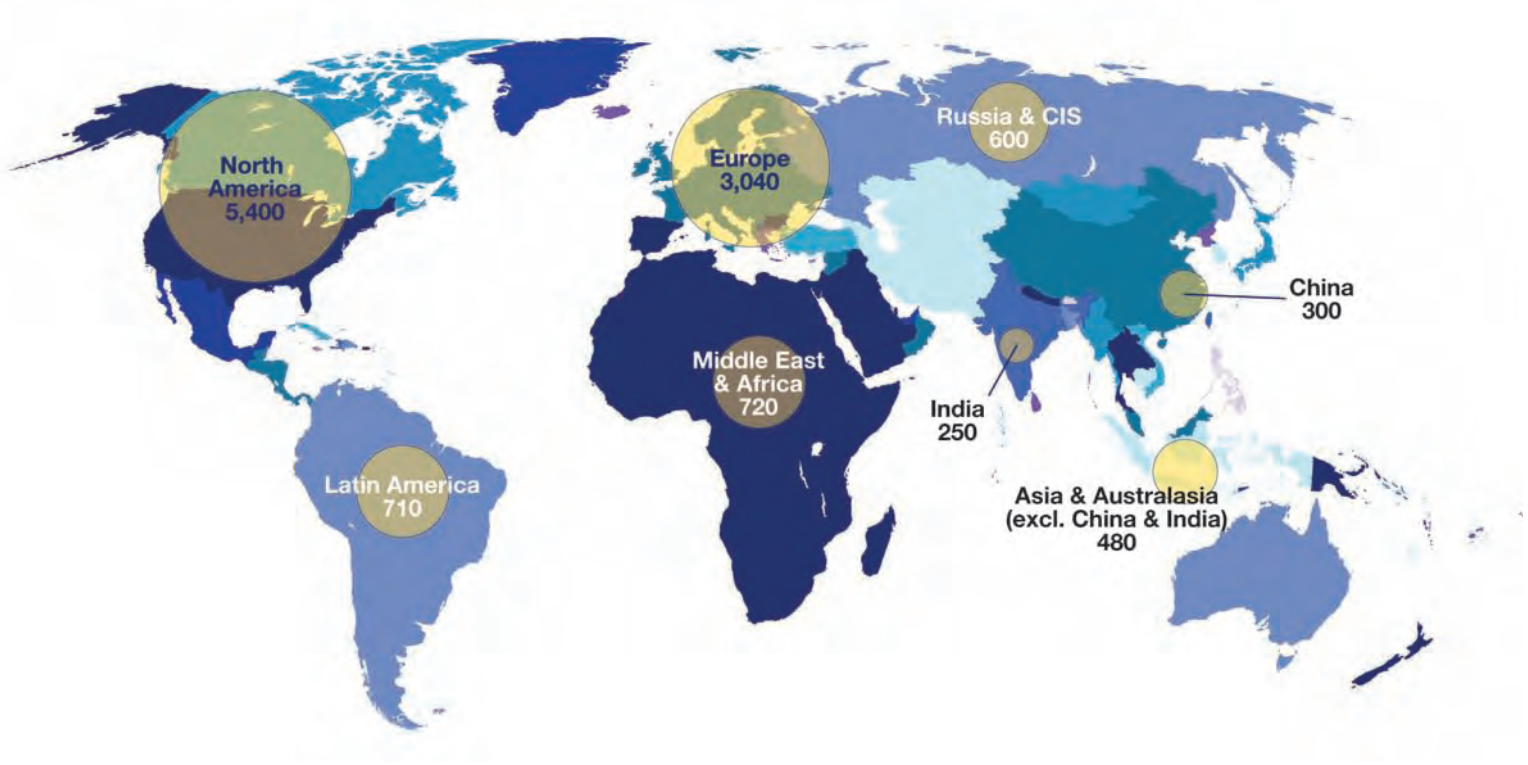
	Fleet (2008)	Fleet (2018)	Fleet CAGR (2009-2018)	Orders (2009-2018)	Deliveries (2009-2018)
North America	9,400	14,100	4.1%	5,900	5,400
Europe	1,700	4,500	10.2%	3,200	3,040
Latin America	1,160	1,780	4.3%	770	710
Middle East & Africa	530	1,190	8.4%	750	720
Russia & CIS	270	820	11.7%	670	600
China	90	370	15.6%	360	300
India	90	320	13.8%	320	250
Asia & Australasia (excl. China & India)	270	720	10.2%	580	480

Source: Bombardier Forecasting Model. Excludes Very Light Jet, ACJ & BBJ. Fleet from CASE.

regional details

Regional 10 Year Deliveries Outlook

Units, calendar years, 2009-2018



Source: Bombardier Forecasting Model. Excludes Very Light Jet, ACJ & BBJ.

segment details

The following segmentation helps to differentiate the various aircraft offered on the business jet market. It is based on a combination of price and performance specifications, primarily cabin volume, speed, range and takeoff field length.

Business Jet Market Segmentation

	Very Light Jet	LIGHT JETS			MEDIUM JETS		LARGE JETS	
		Light Jet	Super Light Jet	Midsize Jet	Super Midsize Jet	Large Jet	Super Large Jet	Ultra Long-Range Jet
Bombardier		L40XR	L45XR	L60XR	CL-300	CL-605	G5000	GEX-XRS
				L85		CL-850		
Cessna	Mustang	CJ3	XLS+	Sovereign	CX			
	CJ1+	CJ4						
	CJ2+	Encore+						
Dassault						F2000DX	F900DX	F7X
						F2000EX/ LX	F900EX/ LX	
Gulfstream				G150	G200	G350	G450	G500
					G250			G550
								G650
Hawker Beechcraft	Premier 1A/II	H400XP/ 450XP	H750	H850XP	H4000			
				H900XP				
Embraer	Phenom 100	Phenom 300	Legacy 450	Legacy 500	Legacy 600		Lineage 1000	
Others	HondaJet	SJ30-2						

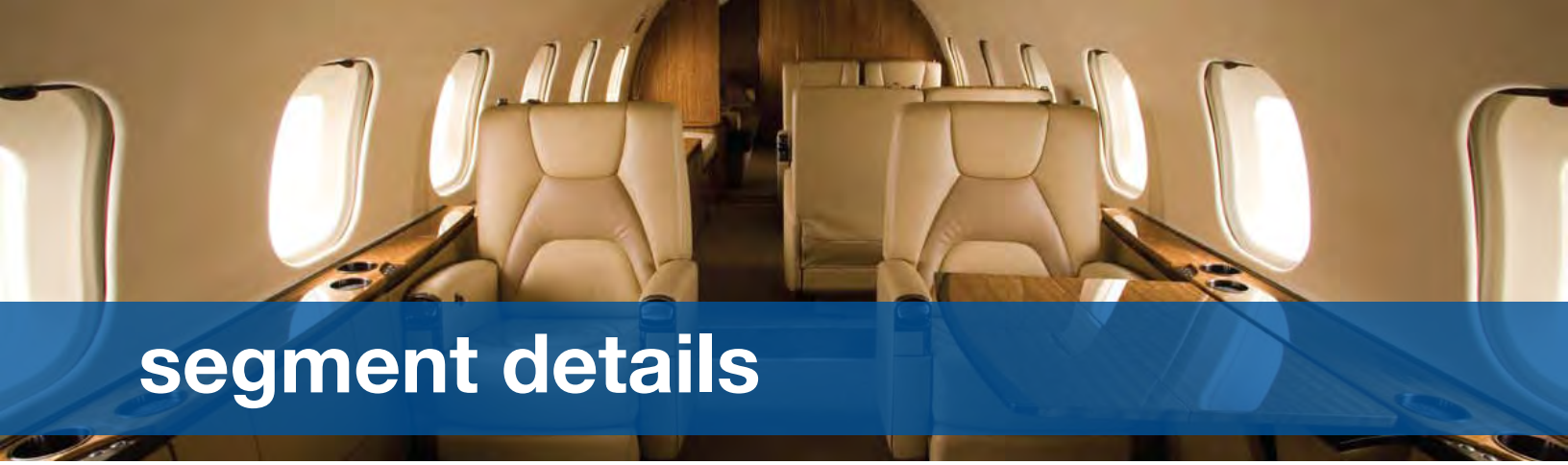
36 In production 13 In development

Source: Bombardier's internal research department.
*Segmentation is largely determined by a combination of cabin volume, range and price.

Light Category

The light aircraft category encompasses light to midsize aircraft segments. When compared to other business jet market categories, the light category value proposition relies on relatively low prices and low operating costs combined with sufficient range for short-haul missions. The Learjet 40 XR, the Learjet 45 XR, the Learjet 60 XR and the in-development Learjet 85 aircraft are all part of this category. The Learjet 85 aircraft has been reaching all its development milestones, and Bombardier is committed to its entry into service in 2013.

The light aircraft category is expected to take the longest time to recover after the downturn due to the large number of aircraft (18.1% of fleet) for sale in the first quarter of 2009 on the pre-owned market. We expect the light category to generate a total of 6,000 deliveries over the next 10 years, representing $69 billion.



segment details

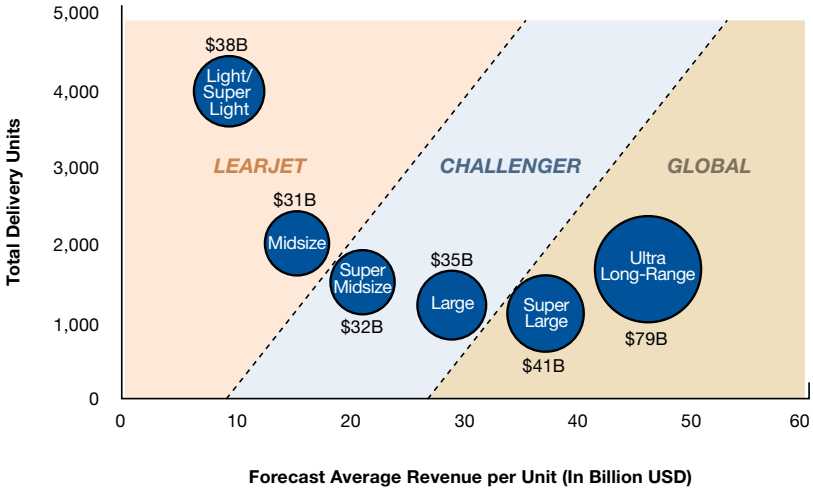
Midsize Category

The midsize category features the super midsize and large segments. The midsize category value proposition relies on enhanced cabin comfort and superior range versus the light category. It is the category of business jets often preferred by corporations. Bombardier successfully developed the midsize category with the Challenger 600 series. Bombardier has 3 strong products in the midsize category: the Challenger 300, the Challenger 605 and the Challenger 850 jets.

The midsize aircraft category is expected to recover more quickly than the light category as there are fewer pre-owned aircraft for sale (16.5% of fleet). The midsize category is expected to account for a total of 2,700 deliveries over the next 10 years, representing $67 billion in revenue.

Business Jet Forecast by Segment

Delivery units, avg. revenue per unit, total market revenue (US$B), constant 2008 $, calendar years 2009-2018



Sources: Bombardier analysis. Revenues estimated from GAMA and B&CA list prices.

segment details

Large Category

The large category features the super large and ultra long-range segments. The large category aircraft offer the most capabilities in terms of range, speed, and cabin comfort. With the Global 5000 and the Global Express XRS, Bombardier has the most advanced product line in the industry for this market category.

Both aircraft will feature the new Global Vision flight deck, which pairs the latest technological advancements in avionics with enhanced and synthetic vision systems to provide pilots with an unprecedented level of situational awareness. It is on schedule for first flight in summer 2009.

The large category is expected to expand faster than the other categories. The recent shift in demand towards more international customers has driven sales of larger aircraft. Contrary to U.S. customers, who generally enter the market from the bottom and then trade up, most international customers purchase their first aircraft within the large category.

Customers in the large aircraft category are more willing to pay for additional comfort and technology than they were in the past.

Although no category will come out of the downturn unaffected, we expect deliveries in the large category to expand the most rapidly after the downturn. Total 2009-2018 deliveries are forecast to be 2,800 units for a value of $120 billion.

A Note on the Very Light Jet Segment

The very light jet segment differs from the rest of business aviation in that the majority of purchasers are owner-operators.

Although the very light jet segment could become the largest segment in terms of unit deliveries with an average of 320 deliveries per year forecast between 2009 and 2018, it represents a comparatively small portion of industry revenues.

The very light jet segment has been significantly weakened by the economic downturn. The future of this segment will depend on the capacity of the many manufacturers entering this market to deliver on their plans as well as on the questionable success of Air Taxi business models.

conclusion

conclusion

In a Few Words

The cyclical nature of the business jet industry can easily lead to pessimistic views which generally subside once the market recovers. OEMs face a tough short-term period due to the lack of available credit, numerous order cancellations and reduction of production rates. However, future perspectives remain solid. We strongly believe that the current industry challenges such as negative perceptions and the high level of pre-owned aircraft inventory will fade in the short-term. Medium to long-term growth in the industry will be fuelled by manufacturers continuing to design and market new aircraft to drive value to customers. In particular, we expect significant demand to come from U.S. customers replacing their current aircraft and international customers from regions such as the Middle East & Africa, Latin America, and Eastern Europe entering the market. Business jets will be used by corporations as globalization trends continue to increase in the future.

The business jet market should continue to experience strong growth over the 2009-2018 period, with 12,550 orders yielding deliveries of 11,500 aircraft, worth $256 billion of revenues. The large aircraft market category is expected to expand faster than the other categories. The manpower needed to manufacture these aircraft and the revenues associated with them will create significant economic value.

Leading the way

The business aircraft industry will likely face new challenges going forward. As fuel prices and environmental concerns rise, the green wave is expected to modify customers' actions and perceptions in the future. Bombardier is being proactive to address environmental concerns through corporate social responsibility initiatives, such as being the first OEM to offer business aircraft customers a fully managed carbon-offset program to offset their aircraft's average carbon emissions. OEMs may have to contribute towards developing worldwide infrastructure to support the regional development of business aviation. Bombardier is ready to address the new challenges on the horizon so that the industry can continue to flourish in the long-run.

sources

sources

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For electronic copies of the Bombardier Aerospace Business Aircraft Market Forecast 2009-2018 visit the company's website at www.bombardier.com.