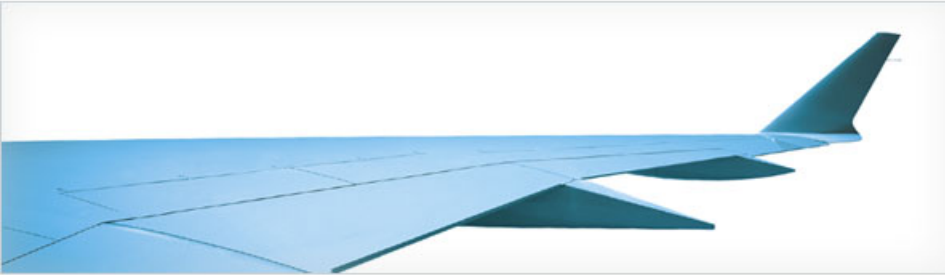


# BOMBARDIER IN CHINA



September 10, 2007  
Beijing, China

**BOMBARDIER**

## Forward-looking statements

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”, “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 F07 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 F07 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 this presentation 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.

## **Jianwei Zhang**

### **President & Chief Country Representative**

### **Bombardier China**



**Mr. Jianwei Zhang was appointed Chief Country Representative of Bombardier China in September 2005. In addition to his current duties as President and Chief Country Representative, Bombardier Transportation, China, Mr. Zhang's responsibilities will be extended to Bombardier Aerospace and include providing advice, coordination and leadership in the management of our relationships with various Chinese government entities, as well as strategic support for management of relations with other key jurisdictions.**

**Mr. Zhang was appointed Vice President of Bombardier Transportation, China in 1998. As such he is responsible for developing new business and for coordinating all of Bombardier Transportation's activities in China. This includes assisting the management of three manufacturing joint ventures as well as one WFOE (Wholly Foreign Owned Enterprise) and working across the various product divisions to ensure a coordinated strategic approach to the business in China.**

**Mr. Zhang started his career with Bombardier as a project manager in 1995. Since then he has held a variety of positions with rapidly increasing responsibility. He was promoted Director, Projects and Business Development in 1997 and to VP, Business Development, China at the end of 1998.**

**Prior to coming to Bombardier, Mr. Zhang held several academic appointments, as a Teaching Assistant and as an Assistant Professor. In addition, he was a senior government officer at the municipal level in China from 1975 - 1982.**

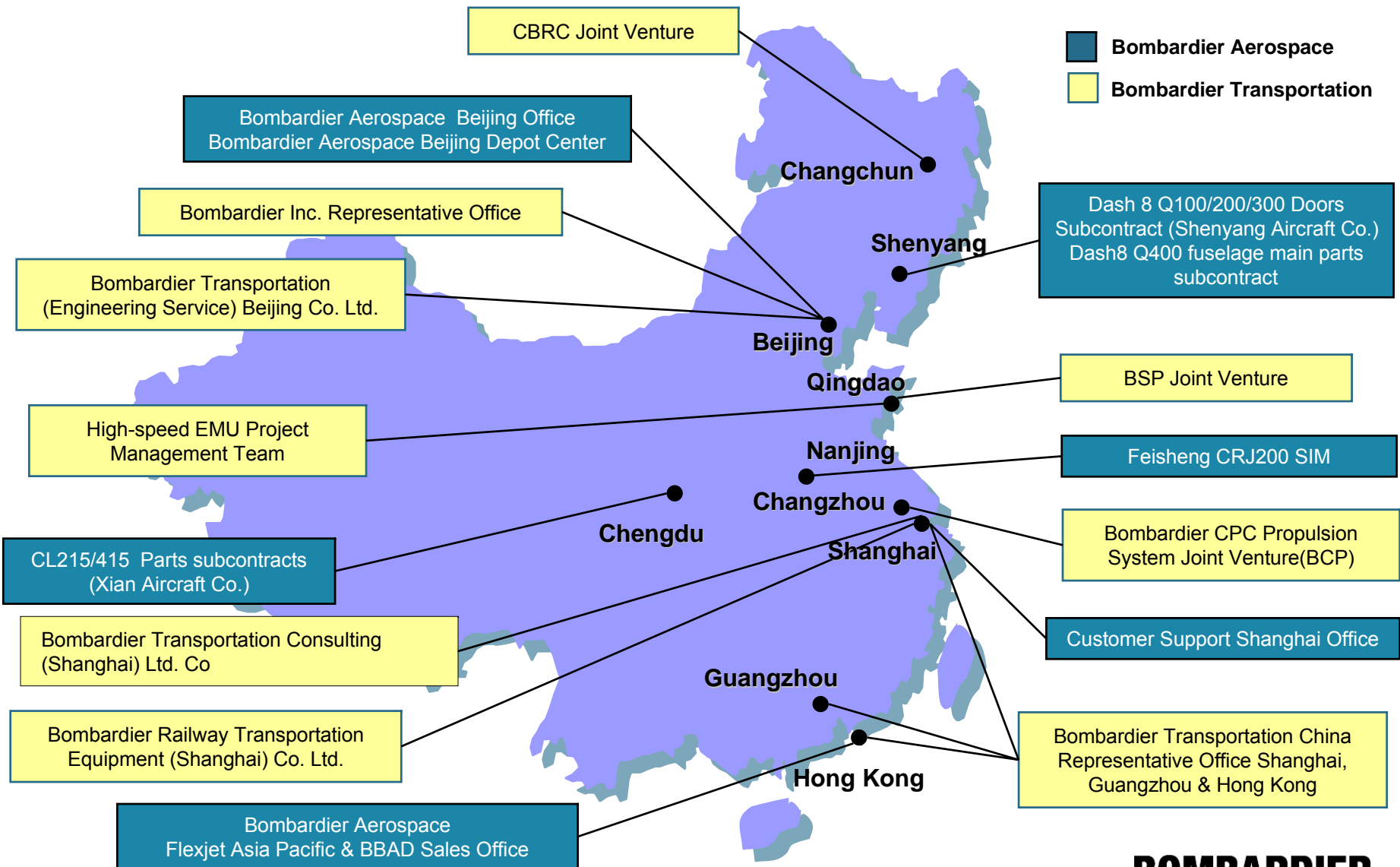
**Mr. Zhang graduated from Tianjin University in 1982 with an engineering degree (internal combustion engines). He received his MBA from Montreal University in 1991 and his Doctorate in Administration from Montreal University in 1996. His specialization was enterprise strategy. In addition to his Doctoral Dissertation he is the author of several articles on management science published in Canada and France. Mr. Zhang sits on several standing committees of professional magazines as well as several Boards of Directors and advisory committees.**

# Content

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- **Bombardier presence in China**
- **China in Brief**
- **Bombardier Transportation in China**
  - Location & Products
  - Contracts in Execution
  - Operating Companies
- **Bombardier Aerospace in China**

# Physical presence of Bombardier in China





# China in Brief



# China in Brief - Social

**Administrative divisions**

23 provinces, 5 autonomous regions, 4 municipalities directly under the Central Government

**National Day**

October 1<sup>st</sup>

**Population**

1.328 billion est. July 2007

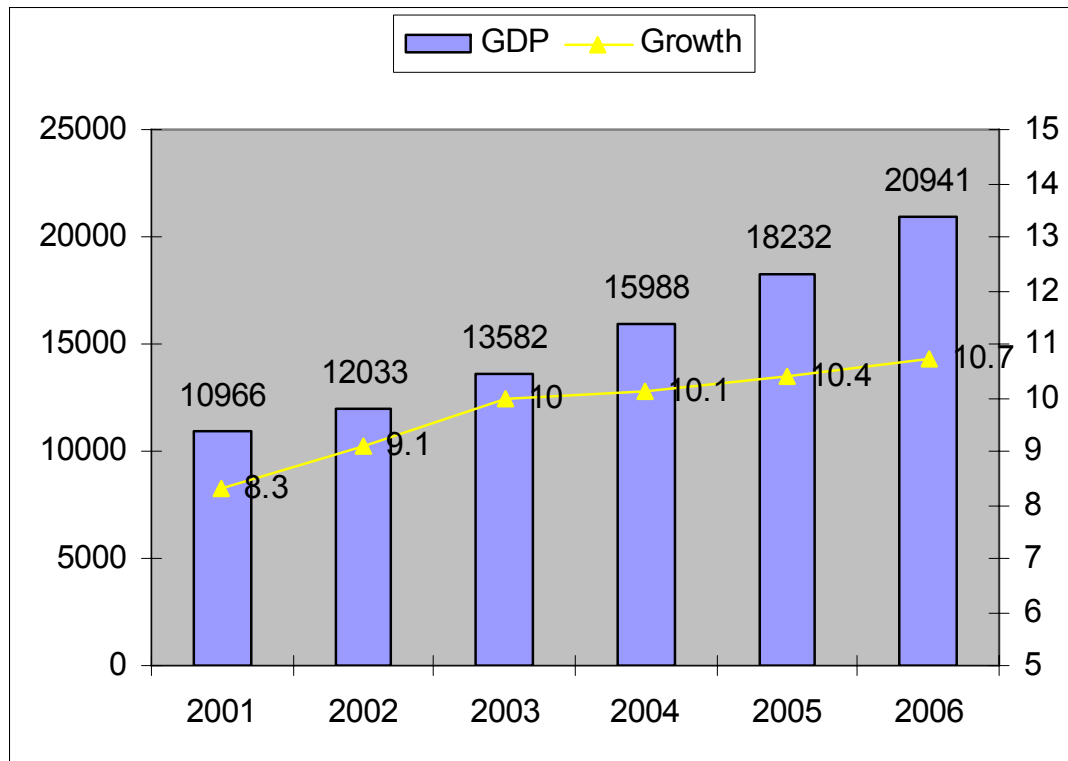
**Territory Area**

9.6 million km<sup>2</sup>, the 3<sup>rd</sup> largest in the world



# China in Brief – Economy and Trade (1)

Year	2001	2002	2003*	2004*	2005	2006
RMB Billions	10966	12033	13582	15988	18232	20941
Annual Growth(%)	8.3	9.1	10	10.1	10.4	10.7





## China in Brief – Economy and Trade (2)

---

- **China is now the World's 4th largest economy (GDP) (2006)**
    - After the USA, Japan, Germany
    - Largest current account balance in World – 180 billion USD

**IMF – World Bank**
  
  - **Plans an estimated 45% increase in GDP 2006 - 2010**

**11<sup>th</sup> Five Year Plan**
  
  - **China is the World's 2<sup>nd</sup> largest economy (ppp basis) 2006**
    - Though 10% still fall below the international poverty line

**World Fact Book**

    - Consumes
      - 40% world's concrete (2004)
      - 90% growth in global steel production and 27% of total consumption (2004)

**Economist**

    - Imports of crude oil up 17% 2005 – 2006 may import 50% by 2007

**Xinhua**

  - 100 million internet users by end 2005
- World Fact Book**
- 
- **Fears that China's economy are overheating are exaggerated**
  - Labor productivity rose 20%

**Economist/HSBC**

# China - a Unique Business Environment

- **Importance of the Central Government**
  - State sector is still important
  - Political purchasing decisions
- **Specific Terms and Conditions**
  - Foundations of the legal system distinct from those in the West – requires us to adapt
- **Cultural differences**
  - Personal relationships (“Guan Xi”) remain very important
- **Opportunities**
  - Very strong economic growth
  - Installed industrial base
  - “Mid and long term railway network program” and 11th Five-Year Plan were launched
    - Around Euro 20 billion will be invested in China’s railway (mainline) by 2010

**A Challenging but Promising Market for BBD**

# 迈向新世纪的 中国铁道



# Chinese Railway

中华人民共和国铁道部

# Chinese Railways – at a glance

---

## ■ Playing an Important Role in National Economy

- ❑ Absolute value of traffic volume and turnover increases
- ❑ Obvious advantage in long distance passenger traffic
- ❑ Freight in bulk mainly moved by the railway

## ■ Facing Severe Challenge

- ❑ Limited investment in infrastructure
- ❑ Traditional system and management know-how
- ❑ Development of other modes of transport, especially highway

## ■ Having Great Opportunity

- ❑ “Mid and long term railway network program” and 11<sup>th</sup> Five-Year Plan were launched. Around RMB 1.25 trillion will be invested in China’s railway by 2010.

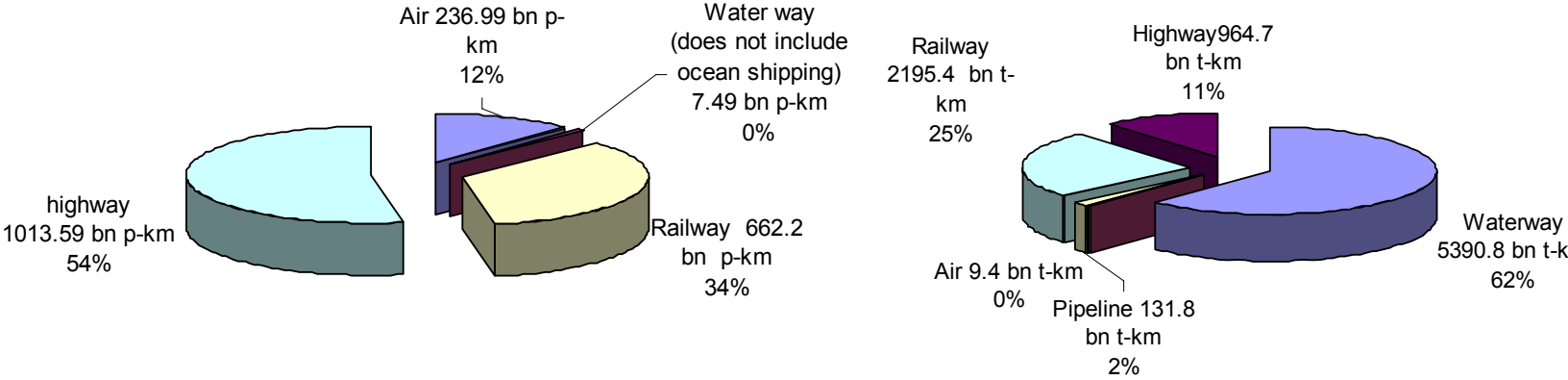
# Historical market evolution

## Chinese Railways – railway facts in 2006

Category \ Year	2005	2006	% change
Route Length	75438 km	77000km	2.0%
of Which: Double Track	25566 km	26400 km	3.2%
Electrified Route	20151 km	24400 km	21.1%
Passengers Originated	1.16 bn p	1.26 bn p	8.7%
Passenger km	606.2 bn p-km	662.2 bn p-km	9.2%
Freight Originated	2.69 bn t	2.87 bn t	7.0%
Freight km	2072.6 bn t-km	2195.4 bn t-km	5.9%
Capital Construction Investment	RMB88.92 bn	RMB155.28 bn*	75.5%
Investment in Locomotive and Rolling Stock	RMB26.38 bn	RMB33.18 bn	25.8%

\* For the first time, the infrastructure investment is over 150 bn RMB, in fact, 2,13 bn more than investments of the prior 10 years (7<sup>th</sup> and 8<sup>th</sup> Five-Year) execution

# Chinese Railways – market share of railways in transportation



Passenger – km in 2006

Freight – km in 2006

**Railway has 34% of the passenger market and 25% of the freight market.**

# Chinese Railways – Development Focus (2006 -2010)

- **Transportation volume is growing and will reach by 2010:**
  - 1.5 bn rail passengers up 119% over 2006
  - 3.5 bn tons freight up 121% over 2006
- **The implementation of the Chinese Railway 11<sup>th</sup> Five-year Plan (2006-2010)**
  - **Investment:**
    - Total RMB 1.25tn (US\$ 157.26bn EUR 122.79bn). By 2010, the locomotive fleet will reach up to about 19,000 sets. 1000 EMU trains will be available and the freight car fleet will reach up to 700,000 (including 100,000 private cars).
    - The demand of rail infrastructure in the country during 2006 is projected to expand year-on-year to RMB 89bn from RMB 50bn, and is to reach an average of RMB 140bn to RMB 150bn during 2007-2010.
  - **Infrastructure developments**
    - New track laid = 17,000 km, of which 7,000 km = dedicated passenger lines (200 km/h+)
    - Rapid passenger-dedicated railway lines  $\geq$  20,000 km (160 km/h)
    - Railway operation mileage = 90,000km - 45% double tracks and electrified lines
- **Metro market is growing fast and should represent:**
  - 1,500 km of lines for a total investment (Infrastructure and vehicles) of BEUR 60

**Great Opportunities for Rail Manufacturers**

# Market View Summary

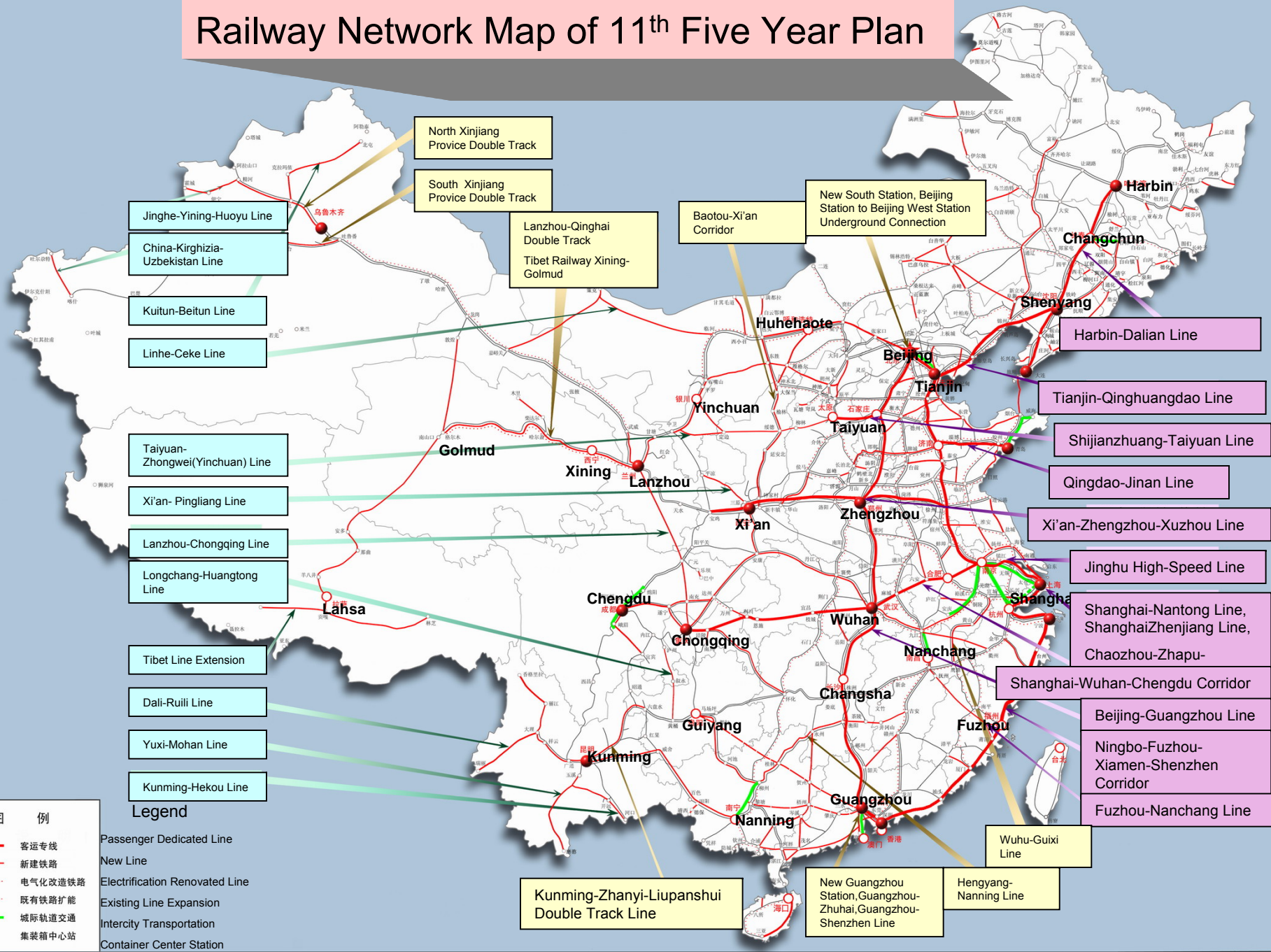
- **Huge market although challenging competitive environment**
  - State controlled manufacturers,
  - Control technology transfer
  - Pressure on pricing
  - Localisation
  
- **Opportunities exist:**
  - **Biggest urban mass transit market in the world with rapid economic growth**
    - BT has a well established position on the mass transit market, although competitors are becoming very aggressive
  - China needs about 1,500 cars per year for MLN - the portion of 160-200km/h will be increased
  - In addition to Beijing-Shanghai VHS line, there will be several others
  - Freight and Passenger electrical loco requirements
  - Signaling especially in mass transit



## Market View Summary (cont.)

- **RCS's major competitors are ahead of us in both Mainline and Mass Transit but we are making inroads by signing one breakthrough new contract this year for the National Key Project Very High Speed Wu Guang Line**
- **MOR, basically the only customer for mainline business, splits the market between different suppliers (local companies and their foreign partners)**
- **BT position strong with BSP - the only JV in the field of MLN ROS manufacturing**
- **Local players are becoming even stronger**

# Railway Network Map of 11<sup>th</sup> Five Year Plan



Jinghe-Yining-Huoyu Line  
 China-Kirghizia-Uzbekistan Line  
 Kuitun-Beitun Line  
 Linhe-Ceke Line

Taiyuan-Zhongwei(Yinchuan) Line  
 Xi'an- Pingliang Line  
 Lanzhou-Chongqing Line  
 Longchang-Huangtong Line

Tibet Line Extension  
 Dali-Ruilu Line  
 Yuxi-Mohan Line  
 Kunming-Hekou Line

North Xinjiang Province Double Track  
 South Xinjiang Province Double Track  
 Lanzhou-Qinghai Double Track  
 Tibet Railway Xining-Golmud

Baotou-Xi'an Corridor  
 New South Station, Beijing Station to Beijing West Station Underground Connection

Harbin-Dalian Line  
 Tianjin-Qinghuangdao Line  
 Shijianzhuang-Taiyuan Line  
 Qingdao-Jinan Line  
 Xi'an-Zhengzhou-Xuzhou Line

Jinghu High-Speed Line  
 Shanghai-Nantong Line, ShanghaiZhenjiang Line, Chaozhou-Zhapu-  
 Shanghai-Wuhan-Chengdu Corridor  
 Beijing-Guangzhou Line  
 Ningbo-Fuzhou-Xiamen-Shenzhen Corridor  
 Fuzhou-Nanchang Line

Kunming-Zhanyi-Liupanshui Double Track Line  
 New Guangzhou Station, Guangzhou-Zhuhai, Guangzhou-Shenzhen Line  
 Hengyang-Nanning Line  
 Wuhu-Guixi Line

- 图例 Legend
- 客运专线 Passenger Dedicated Line
  - 新建铁路 New Line
  - 电气化改造铁路 Electrification Renovated Line
  - 既有铁路扩能 Existing Line Expansion
  - 城际轨道交通 Intercity Transportation
  - 集装箱中心站 Container Center Station

# Medium and Long Term Dedicated Passenger Network

Xuzhou – Lanzhou  
(1400km)

Qingdao – Taiyuan  
(770km)

Beijing – Harbin/Dalian  
(1860km)

Beijing – Shanghai  
(1300km)

Intercity Transport Systems  
(2000km)

Beijing – Shenzhen  
(2230km)

Hangzhou – Shezhen (1600km)

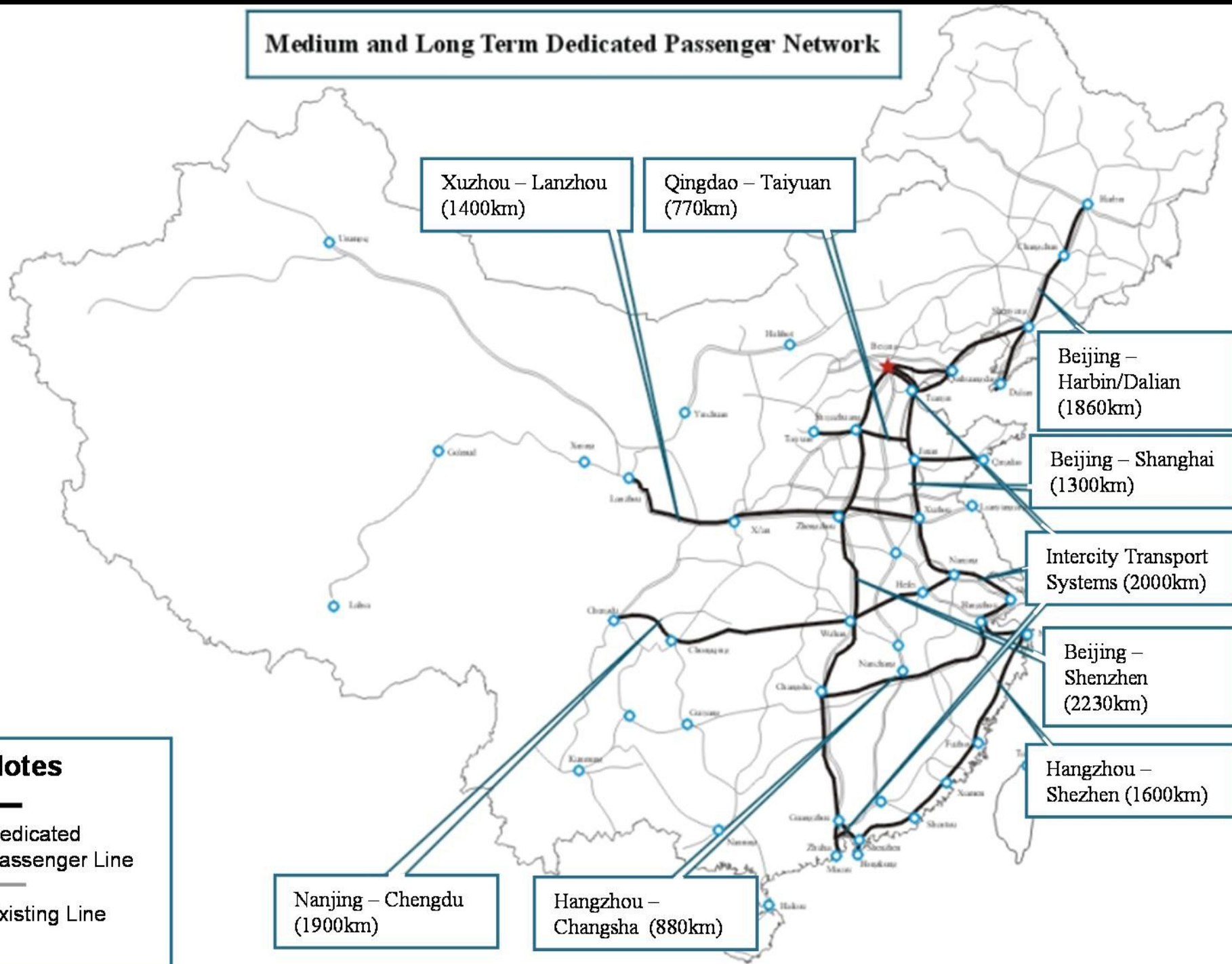
Nanjing – Chengdu  
(1900km)

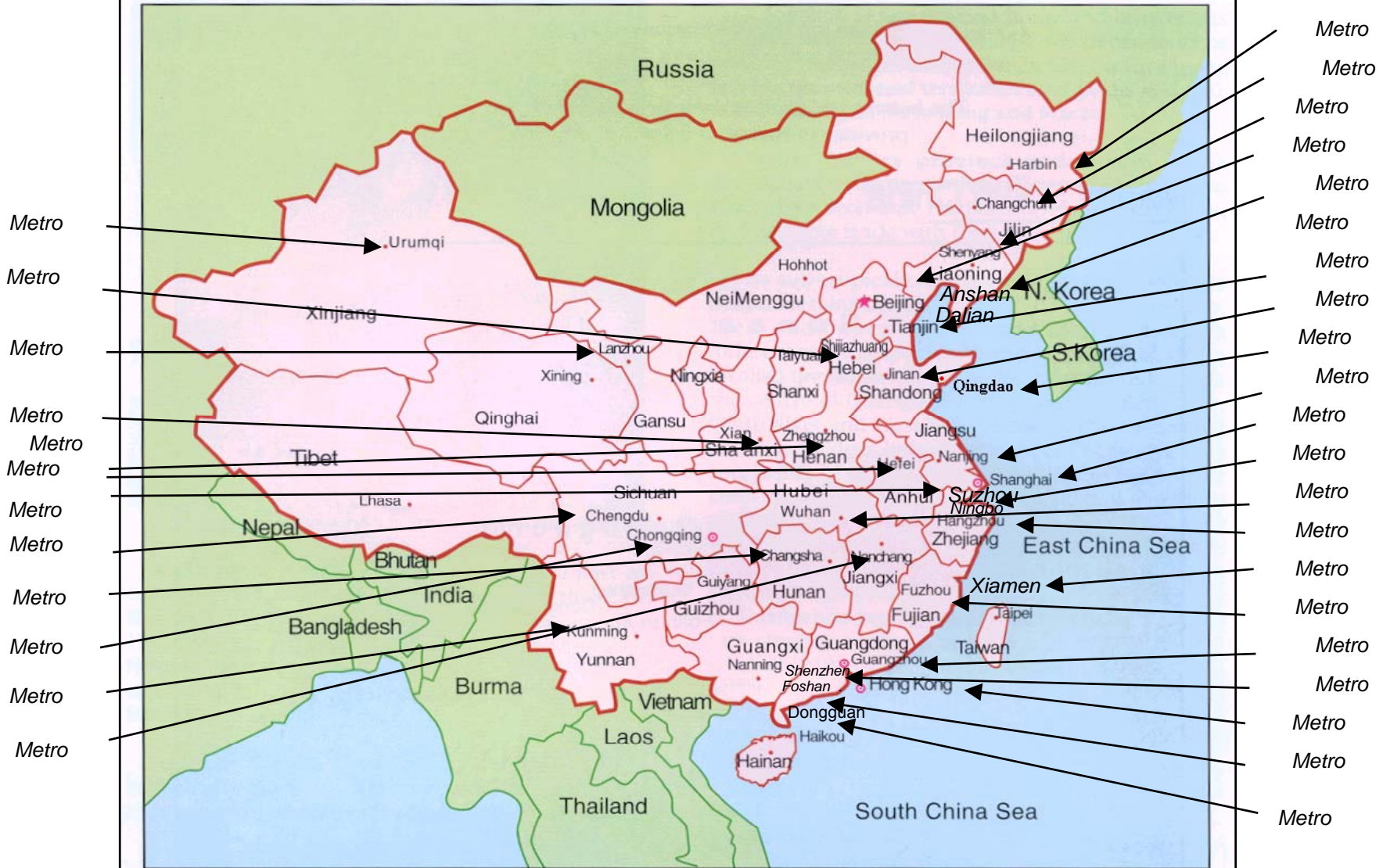
Hangzhou – Changsha (880km)

## Notes

—  
Dedicated Passenger Line

—  
Existing Line





- **Biggest mass transit market of the world**
- **43 cities have populations over 1 million**
- **10 cities already have metro systems; the total length reaches 586km**
- **33 cities have plans to build new mass transit network**

# China Metro Market Prospect

- By end of 2006, total length of mass transit lines in China reached over 585.83 km with 4500 cars.
- About 600 billion yuan (US\$78 billion) is expected to be invested in building metros and light rails before 2010, when the total length of subway lines will surpass 1,500 kilometers  
(Zhou Yimin, Vice Director of the Urban Rail Transit Committee )
- Planned extension and new systems may add additional 5,000 ~ 6,000 cars in 10 years  
(Modern Urban Transit Feb 2006 Edition)

City	Start Year	Lines			Vehicles		
		Existing	Construction	Planned	Existing	On Order	Future Procurements
Beijing	1969	114	28	210	959	210	1300
HongKong	1979	87	3		1050		
Tianjin	1980	72	19	146	124	156	1200
Shanghai	1995	148	142	345	660	128	700
Guangzhou	1999	59	73	81	282	420	600
Shenzhen	2005	22	48	100	132	132	900
Nanjing	2005	22	17	15	120	120	100
Dalian		49			60		100
Wuhan		10		16	72		100
Changchun		15			78		100



(China City and Mass Transit Development and Planning Sep 2006 Edition)



# Bombardier Transportation China

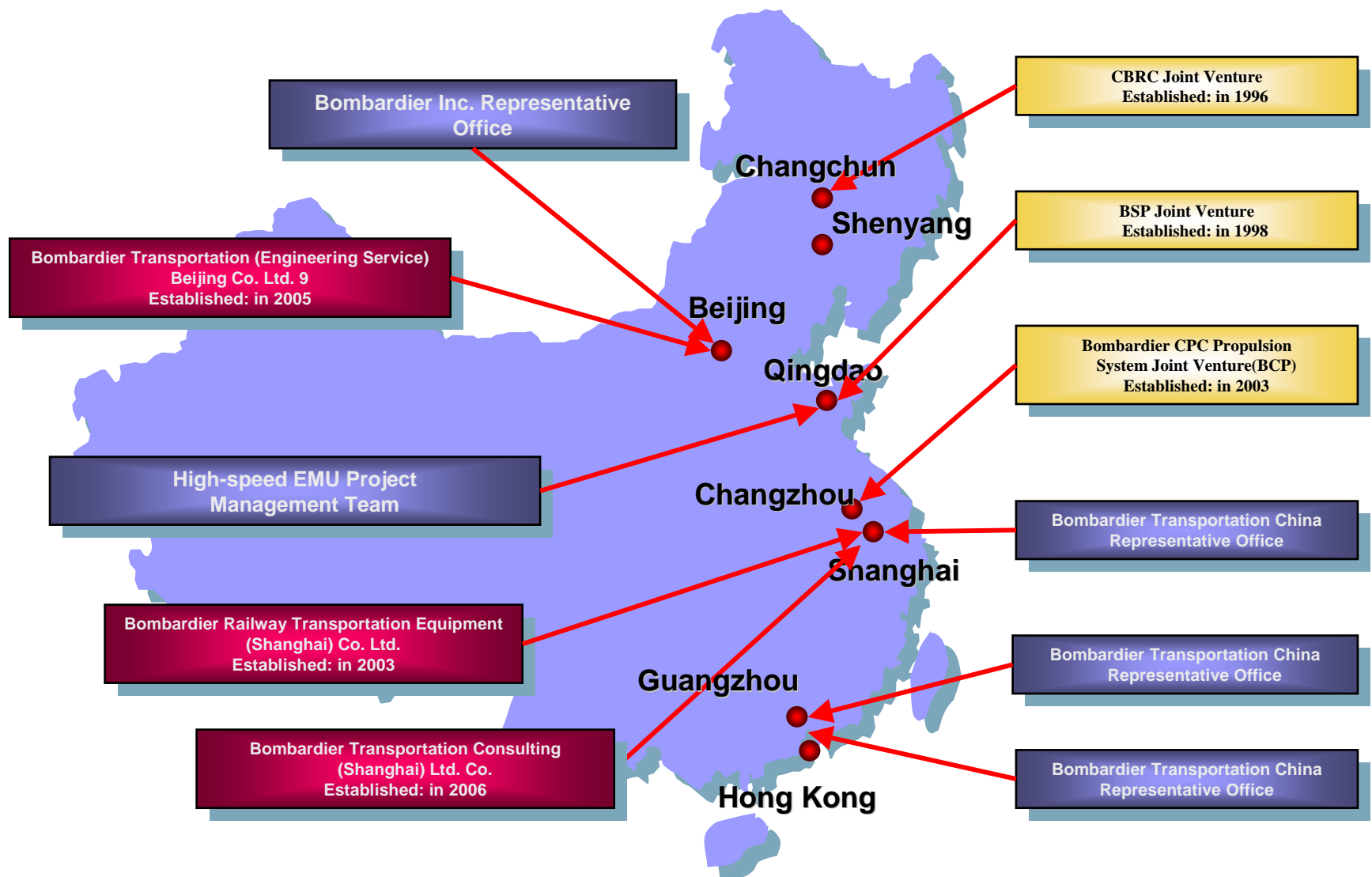


# BT Current Projects Status

- **EMU China: under execution (40 trains, 320 cars)**
  - EMU trains in production.
  - 11 trains have been delivered, and in service on Guangzhou–Shenzhen Line.
- **EMU maintenance center: under execution**
  - Finalizing the layout jointly with MOR
- **High altitude passenger rail cars: additional trains**
  - Completed the first train order delivery
  - Nine additional cars in production
- **Beijing International Airport APM: under execution**
  - Project execution going well
  - Finalizing an additional 2-year O&M contract
- **Beijing Airport Link ART – under execution**
  - Project execution going well
- **E-Locomotives: 500 e-locos under execution**
  - Project execution going well
- **Shanghai Metro Line 9 (306 metro cars)**
  - Project execution going well
- **Shanghai Metro Line 7 (192 metro cars)**
  - Project execution going well
- **Guangzhou APM Project : under execution**
- **Wuguang Signaling: under execution**
  - ERTMS 2 signaling equipment

**Bombardier is Key High Performance Player in the Market**

# Bombardier Transportation in China - Locations and Employees (around 2,500)





# Bombardier Transportation: Presence in China

> 2400 cars ordered  
and 500 e-loco on order

The map highlights the following cities: Harbin, Shenyang, Beijing, Zhengzhou, Shanghai, Guangzhou, Shenzhen, and Hong Kong. Images of Bombardier products are linked to these locations:

- Harbin: High-speed train
- Shenyang: High-speed train
- Beijing: High-speed train
- Zhengzhou: High-speed train
- Shanghai: High-speed train
- Guangzhou: High-speed train
- Shenzhen: High-speed train
- Hong Kong: Light rail vehicle

# Bombardier Transportation in China - Milestones in the Past Decades

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- 50's      Start of selling more than 2000 freight cars, engine crew vehicles, passenger coaches, luggage cars and dining cars
- 80's      Selling the license of UK passenger coaches  
Electric and traction system for Hong Kong LRVs  
Order of Metro Shanghai Line 1
- 90's      **1994** 126 six-car metro train for Guangzhou Line 1  
**1995** 96 eight-car trains for Hong Kong Airport Express Line and 88 eight-car trains for Tung Chung Line  
**1996** 222 six car metro trains for Shanghai Line 2; Xinshisu tilting train (1 power head and six trailers) for GSRC  
1998 AC propulsion for 10 locomotives for Zhuzhou Electric Locomotive Works; Harbin-Dalian Electrification Project  
1999 300 high grade intercity cars for MOR; 290 bogies AM-96 for BSP high grade railway passenger car; Computer Interlock System for Baiziwan Station and Tianjin Metro
- 2000**      Order of Metro Guangzhou Line 2, Propulsion for Qishuyan Diesel Locomotive

# Bombardier Transportation in China - Milestones in the New Century

---

- 2001** Order of Metro Shenzhen Phase I
- 2002** Propulsion for Blue Arrow Locomotives
- 2002** Selling of AM-96 bogies, LRV converters, spare parts of Xinshisu Guangzhou metro and Shanghai metro cars, Hubner diaphragm.
- 2002** Technical assistance for Xinshisu
- 2002** Order for ten-year train fleet overhaul for Shanghai Metro Line 1
- 2002** Order of additional metro cars for Shanghai Metro Line 1
- 2003** Establishing Propulsion & Control JV
- 2003** Order of additional High-Grade cars
- 2003** Order of propulsion and control system
- 2004** Order of 160 high-speed trainsets from Ministry of Railways
- 2004** Order for 48 additional metro cars
- 2005** Order of a total 600 bogies for Guangzhou Lines 4&5
- 2005** Order for 361 specialized (high altitude) cars for the Tibet Line
- 2005** Automated People Mover system for Beijing Capital International Airport
- 2005** Additional 160 high-speed trainsets order from Ministry of Railway

# Bombardier Transportation in China - Milestones in the New Century

- 2006** A 20-year EMU support contract with MOR
- 2006** 40ART MK II cars for Beijing Capital International Airport Link
- 2006** Propulsion & Control system to Beijing Metro Line 4
- 2006** 306 Metro Cars for Shanghai Metro Line 9
- 2006** Propulsion system for Shanghai Metro Line 9
- 2007** Contract with Dalian for the design and technical support as well as supplying MITRAC propulsion and control system for 500 Freight Electric Locomotives to MOR
- 2007** 192 Metro Cars for Shanghai Metro Line 7
- 2007** 14 CX-100 Automated People Mover cars and system for Guangzhou
- 2007** Contract with CRSC for signaling equipment of Wuguang Line to MOR

# Operating Companies



**BOMBARDIER**

# Bombardier Transportation in China - Operating Company – BSP (1)

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- BSP covers an area of 151,038m<sup>2</sup>, including 73,123m<sup>2</sup> plant building.
- BSP realizes 1 car / 1 day (250 cars / year) and can reach up to 350 coaches and up to 400 assembly of EMU cars per year.



# Bombardier Transportation in China - Operating Company – BSP (2)

---

- **Fully integrated facility:**
  - Engineering
  - Procurement
  - Production Engineering
  - Marketing
  - From detail fabrication to assembly and testing
  
- **Operate according to SMB**
  
- **Qualified DLE Site:**
  - Qualified supplier of metro vehicle to Chinese customers approved by the State Development and Reform Commission of China
  
- **ISO 9001 certified.**
  
- **H&S indicators equal to Bombardier.**

# Bombardier Transportation in China - Operating Company – BSP (3)

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- **Products:** for Chinese and overseas market



High-grade passenger railway cars



EMU 200 km/h



High-altitude passenger cars for Tibet Line



# Bombardier Transportation in China - Operating Company – CBRC (1)

## ■ Facts and figures:

- Annual capacity: 240 metro vehicles
- Will increase to 500 cars in 2008
- Location: Changchun
- Total Area: 72,388 m<sup>2</sup>
- Production area 25,000 M<sup>2</sup>

## ■ Shareholders:

- Bombardier Inc.
- Changchun Railway Vehicles Co., Ltd.
- Power Corporation of Canada

## ■ Qualified DLE Site:

- Qualified supplier of metro vehicle to Chinese customers approved by the State Development and Reform Commission of China



# Bombardier Transportation in China - Operating Company – CBRC (2)

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**Products:** Metro vehicles for the Chinese market



**Guangzhou Metro Line 2**



**Shanghai Metro Line 1**



**Shenzhen Metro Phase I**



**Shanghai Metro Line 9** 34

**BOMBARDIER**

# Bombardier Transportation in China - Operating Company – BCP

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## Facts and figures:

- Annual capacity: 700 converters (domestic & overseas market)
- Location: Changzhou
- Total Area: 8,000 m<sup>2</sup>

## Shareholders:

- Bombardier Inc.
- CPC Railcar Propulsion Engineering R&D Center
- Power Corporation of Canada

## Qualified DLE Site:

- Qualified supplier of propulsion and control systems to Chinese customers
- Approved by the National Development and Reform Commission of China



# Bombardier Transportation in China - Operating Company – Bombardier Transportation (Engineering Service) Beijing Co., Ltd.

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- **Established in August 2005**
- **On-going Project: Beijing APM System**



# Bombardier Transportation in China - Operating Company – BRTE Business Overview

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- **BRTE - Bombardier Railway Transportation Equipment (Shanghai) Co. Ltd.**
  - Established in 2003 as a Distribution Wholly Foreign Owned Enterprises (WFOE) located in the Waigaoqiao Free Trade Zone near Shanghai.
  
- **Material Supply & Support to Chinese customers**
  - Support of existing BT customers: Shanghai, Guangzhou, Shenzhen, Beijing & GSRC
    - Consumable
    - Rotable
    - Maintenance kits
      - “Know How in a Box”
  
- **Material Service Agreements**

# Bombardier Transportation in China - Operating Company – Bombardier Transportation Consulting (Shanghai) Ltd. Co.

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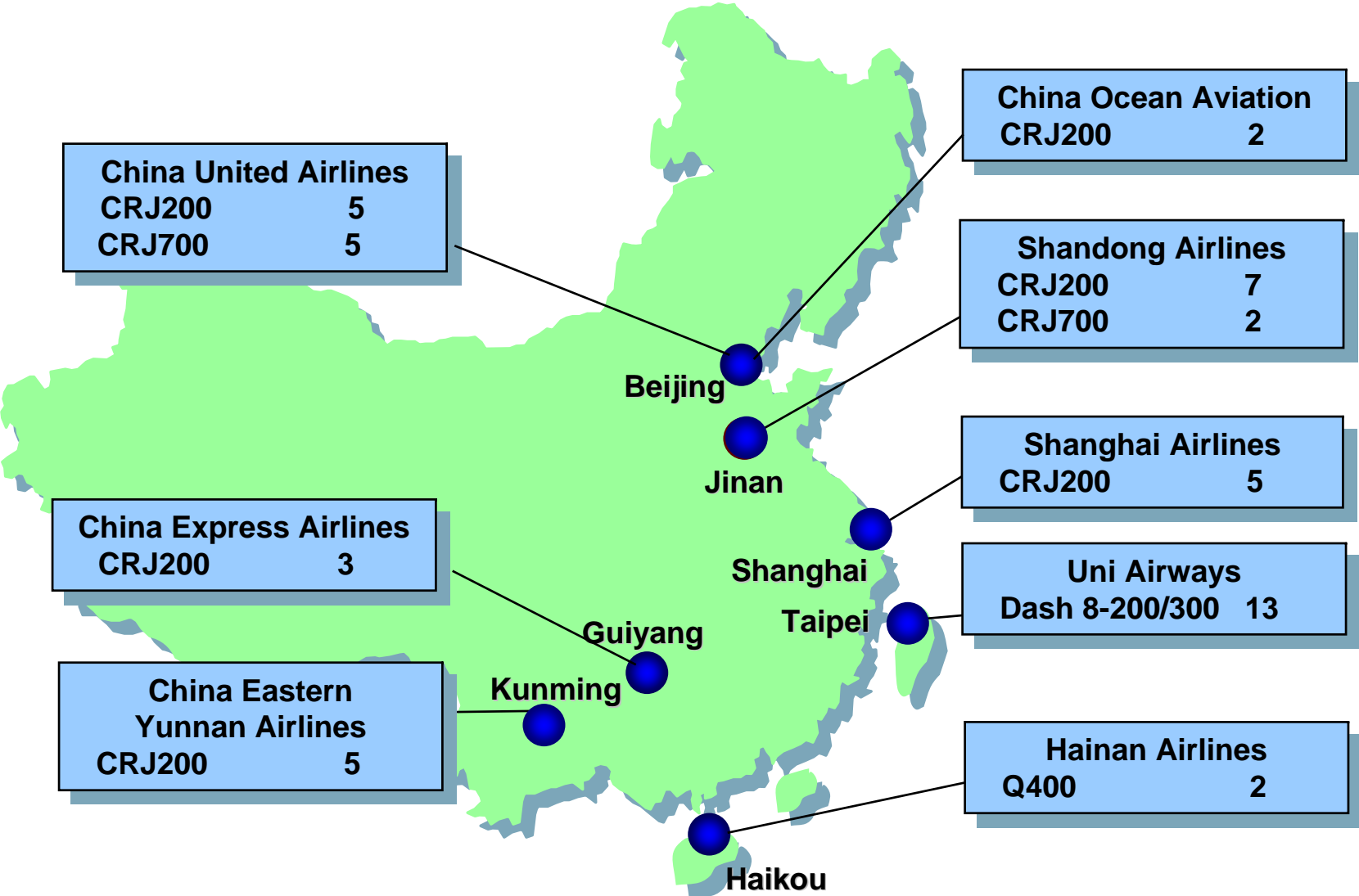
- **Established in August 2006**
  
- **Responsibilities:**
  - Supplier Research
  - Supplier Assessment through BT Process
  - Supplier Development
  - RFQ Process: Checking, Issuing, Following Up
  - Quotation Process: Initial Evaluation and Queries
  - Contract Negotiation
  - Supplier Management
  - First Article Inspection Support
  - Production Follow Up
  - Technical Support and Liaison with Bombardier Transportation Global Sites

# Bombardier Aerospace in China



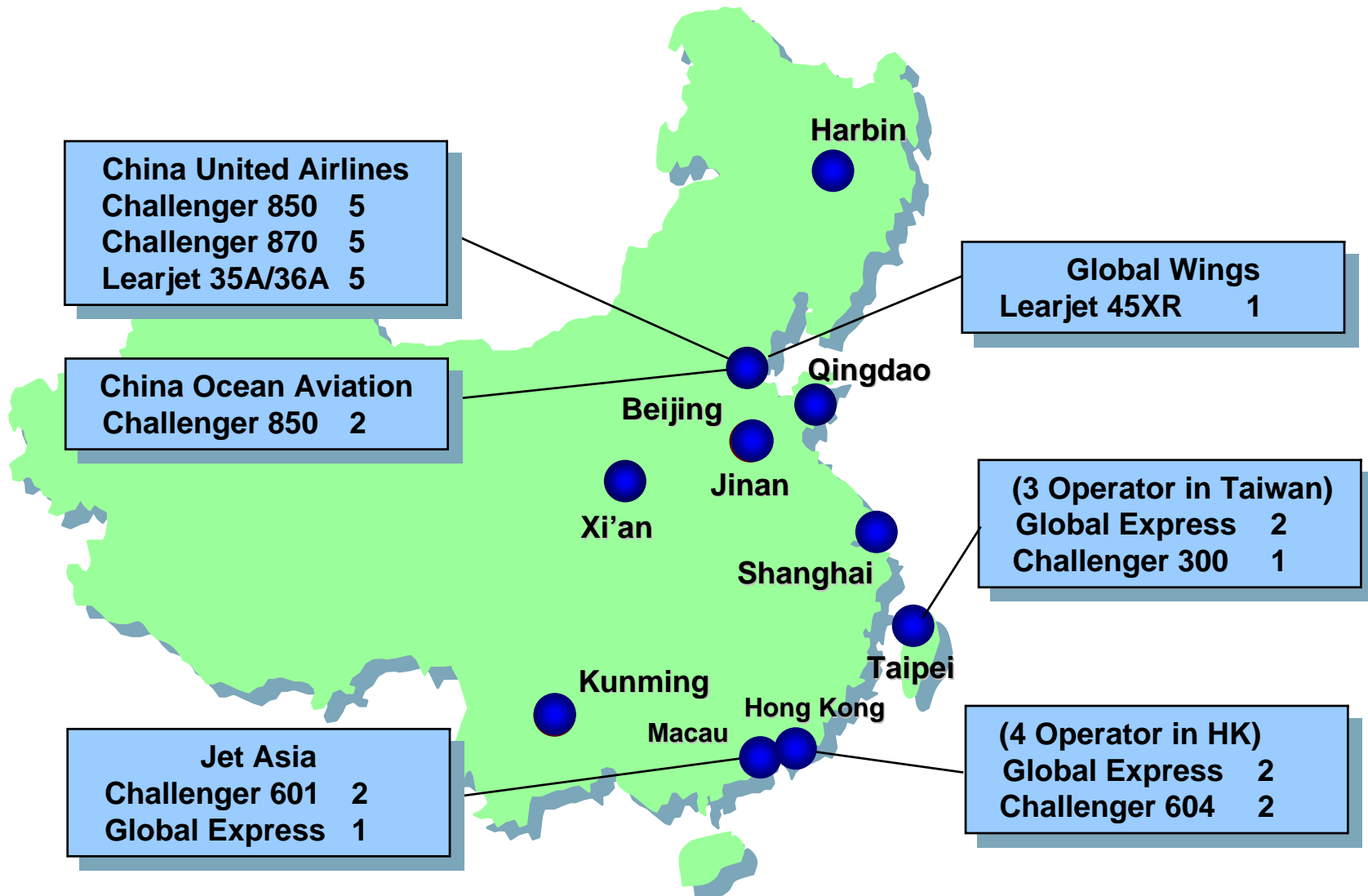
**BOMBARDIER**

# Major Bombardier Regional Aircraft operators fleets in Greater China ( total of 49 aircraft )





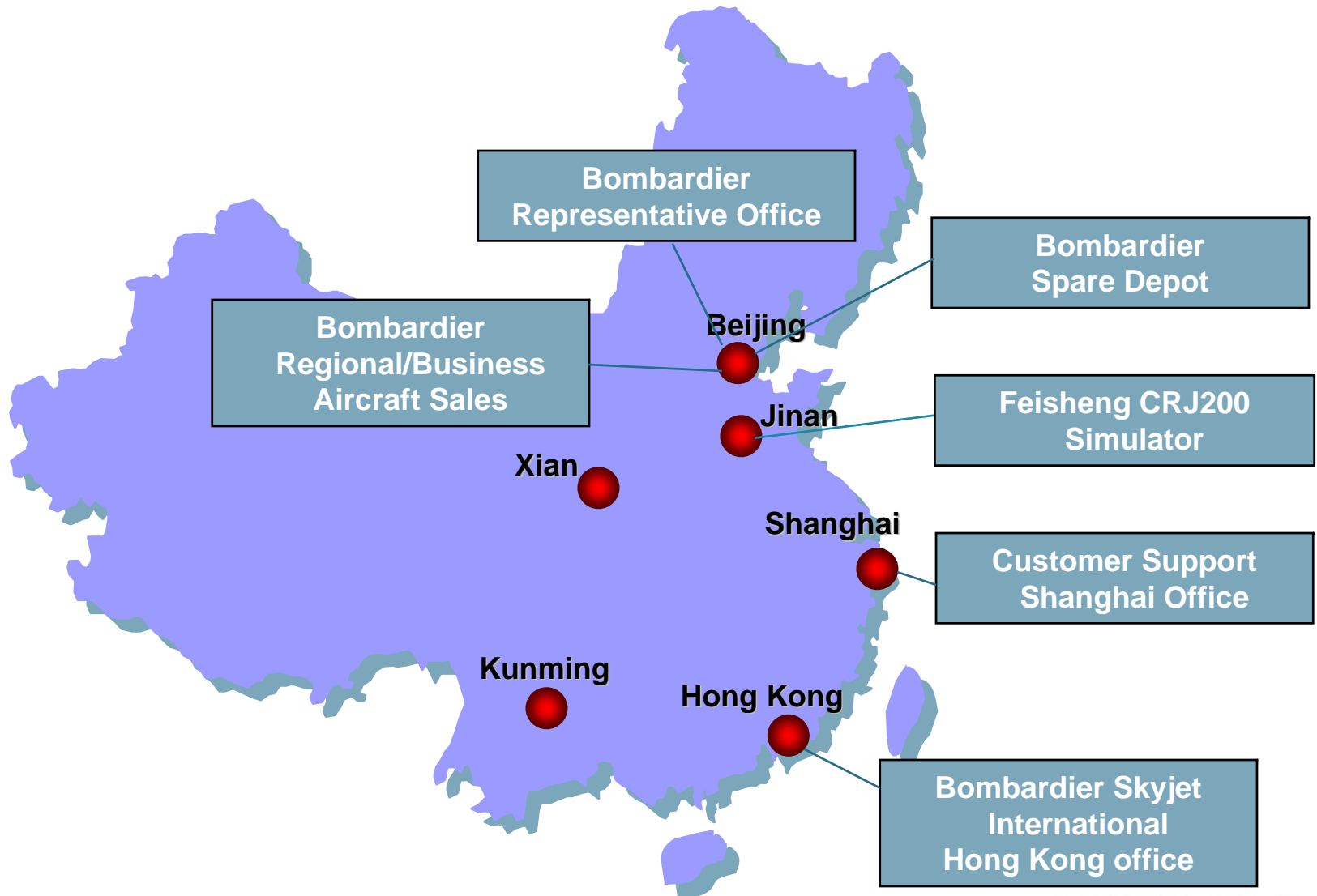
# Bombardier Business Aircraft: 28 units in Greater China



Bombardier China

Numbers include aircraft in service, on firm order, or leased from third party.  
NDRC approved orders only

# Bombardier Aerospace Presence in China



# Cooperation with China Aerospace Industry

- June 2007 Long term strategic cooperation agreement with AVIC1 on ARJ21-900 and *C Series* Projects.
- July 2006 Agreement with AVIC1 SAC to supply main parts of fuselage for *Dash 8 - Q400* turboprop.
- Since 1980 Several subcontract work with XAC and SAC for various parts for different aircraft