

**BOMBARDIER**

**Speaking notes for**

**André Navarri  
President, Bombardier Transport  
Executive Vice President, Bombardier Inc.**

**Annual Meeting of Shareholders**

**Hyatt Regency Hotel  
Montréal**

**June 4, 2008**

*Check against delivery*

Thank you Laurent.

Good morning ladies and gentlemen.

Increasing public concern over environmental issues, population growth, urbanization, urban development, highway congestion and fuel costs is creating a favourable climate for trains—which are considered to be the most environmentally-efficient form of transportation for passengers and goods.

Bombardier Transportation is staying on track after reporting very good results for fiscal year 2007. In spite of intense competition, we have improved our profitability in fiscal year 2008 and strengthened our number-one ranking by increasing our share of the global market from 20% to 23%.

We have posted solid results and achieved 18% growth, while our sales reached \$7.8 billion. We won over \$11 billion in new orders for the second year in a row, resulting in a book-to-bill ratio of 1.5—a good indicator of long-term growth. These orders involve our entire extended portfolio of innovative products and services and are coming in from every region of the world. At the end of January 2008, our backlog stood at \$30.9 billion—the highest level in the rail industry.

Not only have our activities been increasing in volume, they are becoming increasingly profitable. The turnaround program, launched in fiscal year 2005 to achieve ongoing improvement of key business processes at Bombardier Transportation, continues to bear results year after year. Thanks to the efforts made and the cost savings realized throughout the organization in areas such as procurement, we have increased our margin before special items from 3.9% to 4.4%. Meanwhile, free cash flow generated by our operations soared from \$95 million to \$688 million.

We have no intention of resting on our laurels. Our strategic objectives are clear: to consolidate our leadership on the world market and continue to increase profitability to bring our margin to 6% by fiscal year 2010. We intend to reach this goal by focusing on four priorities: fulfilling orders flawlessly, ensuring profitable growth, offering value-based solutions, and increasing our focus on higher return activities.

Our first priority is to ensure we have the means required to ensure impeccable execution of our solid backlog. To do this, we recruited more than 2,400 new employees during the year, notably in project management and engineering so we can deliver our products on time and on-budget to the customer's complete satisfaction.

The second priority consists of creating conditions for profitable growth. By capitalizing on worldwide growth in transportation infrastructure spending, we have continued to develop our activities in the traditional European and North American markets, while vigorously increasing our penetration of the most promising emerging markets such as China, India and Russia.

Bombardier began its business relationship with Russia over 50 years ago. More recently, we began developing a close relationship with Transmashholding—Russia’s largest rail technology manufacturer—with whom we created in May 2007 two joint ventures in the field of propulsion technology, a key locomotive component. We also recently announced the establishment of a third joint venture with Transmashholding to develop a new family of complete locomotives. We are committed to creating a long-term industrial partnership with Russia and continue to explore growth opportunities in this strategic emerging market.

Moreover, we have had success in our efforts aiming at the long-term development of the Chinese and Indian markets, which yielded our biggest contracts this year.

- We have already three joint ventures in China and won major orders with our Chinese partners this year for a variety of products, including a historic order to supply 40 high-speed trains using our *ZEFIRO* technology—the largest single order for rail passenger cars placed at one time in Chinese rail history.
- In India, Bombardier Transportation made a major breakthrough by winning contracts to supply *MOVIA* cars and a signalling system for the New Delhi metro. We are very proud of this achievement as we are one of the first private firms chosen to build complete rail vehicles in this country. The new vehicles will be built in Savli in South Gujarat, where Bombardier is setting up a facility to build and assemble coaches and bogies.

At the same time, we have improved the quality of our backlog by implementing more efficient and selective bidding processes that enabled us to win more orders and more profitable ones. Our backlog margin has shown a 1.5-percentage-point improvement in 12 months—a sure sign we are heading in the right direction.

Our third priority consists of offering value-based solutions that meet our customers’ current and constantly evolving needs. We have thus successfully applied numerous innovative solutions this year to help operators attract new users and provide high-quality, cost-effective service. I will mention three examples:

- Our latest-generation *TALENT 2* electric train offers operators unequalled modularity. A major framework agreement for up to 321 trains and two firm contracts that have since been signed with Germany’s Deutsche Bahn speaks volume about the value this new generation of train brings to its operations.

- Our hybrid AGC—a world’s first—opens the door to unlimited travel across the entire French railway network. This innovative solution combines operating functions that allow energy savings and reduced CO<sub>2</sub> emissions, while eliminating infrastructure constraints since it runs seamlessly on both non-electric and electric tracks, whether powered by 1,500 or 25,000V.
- Finally, our unparalleled real-time *ORBITA* predictive maintenance monitoring system enables operators to identify and correct potential equipment problems before they impact service.

We have defined our fourth priority as concentrating our resources on areas with the highest potential return—by carefully selecting which calls for tenders to respond to and by focusing on activities with the highest rate of return.

Let’s now turn to our first quarter results for the current fiscal year. Our revenues increased by 41% to reach \$2.4 billion. Earnings before financing income, financing expense and income taxes (EBIT) totalled \$115 million, which translates into a margin of 4.8%. New orders of \$2.4 billion brought our backlog to \$31.4 billion as at April 30, 2008. Finally, free cash flow considerably improved to reach \$258 million, a \$426-million increase over the same period last fiscal year.

### **Conclusion**

Ladies and gentlemen, the rail industry is booming and as the world leader, Bombardier Transportation is ideally positioned to take full advantage of this growth. This is why we look to the future with confidence and are staying the course—bringing our EBIT to 6% for fiscal year 2010.

As an organization’s performance depends on its employees, I would like to thank everyone at Bombardier Transportation for their passion and dedication.

Thank you for your attention. I now give the floor to Pierre Beaudoin.

---

*MOVIA*, *ORBITA*, *TALENT* and *ZEFIRO* are trademarks of Bombardier Inc. or its subsidiaries.