



BENOIT TESSIER THE GAZETTE

Airbus president and chief executive Louis Gallois said the company delivered a record 434 planes in 2006, but will likely lose money as it pays for delays to the A380 superjumbo.

Airbus warning

A380 DELAY COSTLIER THAN EXPECTED: JETMAKER

Parent EADS notes plane deliveries set record in '06, but firm lost battle of the order books to Boeing

LAURENCE FROST
ASSOCIATED PRESS

PARIS — The two-year delay to the Airbus A380 is proving costlier than expected, parent company EADS said yesterday in a profit warning that sent shares lower as the aircraft maker confirmed it had lost its five-year lead in orders to Boeing Co.

Airbus won orders for 824 airliners last year, the company said — well short of Boeing's 1,050 tally and its own industry record of 1,111 in 2005 — but delivered 434 planes vs. its rival's 388.

Despite the production crisis blighting the double-decker A380, 2006 was "the best year ever in terms of deliveries and the second-best year in terms of sales," said EADS co-chief executive Louis Gallois, who also heads Airbus.

Shortly before the orders announcement, EADS said an unspecified fourth-quarter accounting charge tipped Airbus into an operating loss for 2006 and will "roughly balance" earnings before interest and tax from other divisions.

Hans Peter Ring, chief financial officer for EADS and Airbus, said the "bulk of the charges" were caused by previously disclosed loss projections that had been brought forward, including costs linked to the A380 setbacks and restructuring plans.

"We're accepting a bigger hit in 2006 to prepare a better future," Ring said, declining to provide a breakdown of the losses. The A380's problems would wipe 4.8 billion euros (\$6.2 billion U.S.) from 2006-10 profit, EADS has said.

In its statement, however, EADS also blamed the Airbus loss on new A380-related costs that were "not originally envisaged." For the first nine months of 2006, Airbus posted operating profit of 1.14 billion euros (\$1.46 billion U.S.).

Shares of European Aeronautic Defence and Space Co. closed 2.8 per cent lower at 25.01 euros (\$32.29 U.S.) in Paris

after falling as much as 4.4 per cent during the day, as analysts expressed surprise at the profit warning.

The company's credibility might suffer more damage if new A380 charges turn out to be the main factor, Paris-based Kepler Equities said.

Previous disclosures "do not explain" the full extent of the warning, said Harald Liberge, an analyst with CM-CIC Securities — which projects a \$2.2-billion (U.S.) fourth-quarter Airbus operating loss from the EADS statement. "Our impression is that there are losses that are greater than expected even by Airbus," Liberge said, citing compensation to airlines as a likely contributor.

Dubai-based Emirates, the biggest A380 customer with 43 planes on order, has said it stands to lose hundreds of millions of revenue dollars because of the delays. Airbus will have to take a "massive writeoff" to foot the bill, Emirates president Tim Clark said in an interview published yesterday.

Airbus said yesterday that it had completed the wiring on the first A380 due to enter commercial service with launch customer Singapore Airlines in October — meeting a key milestone in its recovery plan for the superjumbo program.

Meeting the first delivery deadline remains "by far our biggest challenge," Airbus chief operating officer Fabrice Bregier said. He said Airbus will learn from mistakes on the A380 as it steps up development of the A350 XWB — the midsize airliner launched last month to plug a gaping hole in the Airbus product line, which has leaked business to Boeing's 787.

While Boeing has already booked 448 orders for its fuel-efficient Dreamliner, Airbus faces the task of renegotiating most of its 102 A350 sales with customers who ordered an earlier version of the plane that has since been scrapped.

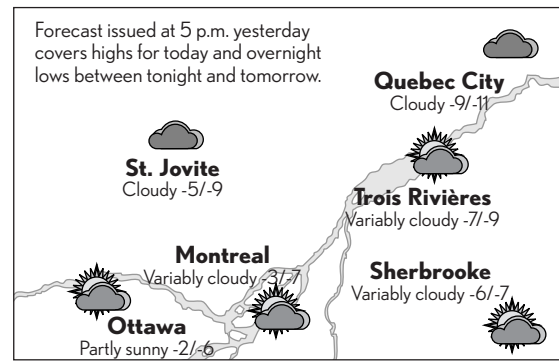
TODAY'S FORECAST

The Weather Network
Make the right call

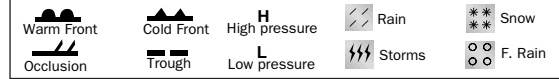
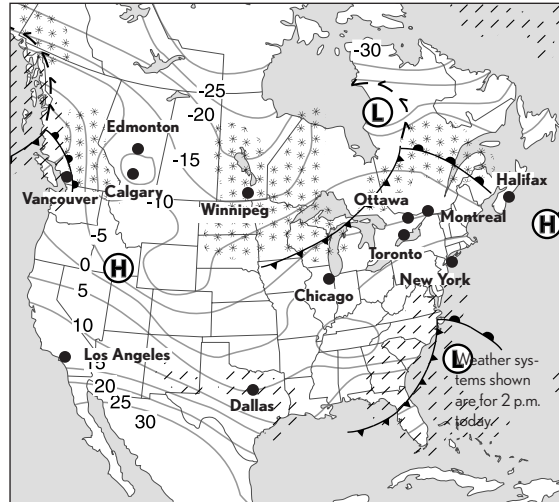
Montreal area

Today's high **-3**
Tonight's low **-7**

Variably cloudy. Winds light. Windchill -8.
Tonight, cloudy with 60% chance of light snow.

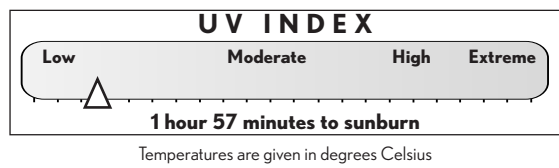


NORTH AMERICAN WEATHER SYSTEMS



TEMPERATURE CONVERSION

-25	-20	-15	-10	-5	0	5	10	15	20	25	30	35	°C
-13	-4	5	14	23	32	41	50	59	68	77	86	95	°F



ALMANAC

Today's Records	Max.	Min.	Precipitation	Heating Degree
1996	9.8	-	(to 2 p.m. yesterday)	days to 2 p.m.
1976	-	-311	(measured in mm)	Yesterday
Temperature			Yesterday	0.04
Yesterday	-16.7	-24.1	Month to date	75.6
Year ago today	5.0	-8	Month normal	72
Normal this date	-6.1	-15.5	Today's normal	18
			Oct 1 to date	1614.9

EXTENDED WEATHER:

Tomorrow	60% chance of flurries	High -2 Low -15
Saturday	Variable	High -7 Low -20
Sunday	Mainly sunny	High -12 Low -16
Monday	Cloudy	High -9 Low -18

Sun & moon

Sunrise	7:29 a.m.	Moonrise	7:34 a.m.
Sunset	4:41 p.m.	Moonset	3:56 p.m.

Canada today

City	Weather	Max.	Min.
Iqaluit	Sunny	-28	-29
Yellowknife	P.Cloudy	-22	-25
Whitehorse	Snow	-11	-14
Vancouver	Rain	5	3
Victoria	Rain	5	3
Edmonton	P.Cloudy	-5	-9
Calgary	M.Sunny	-1	-7
Saskatoon	P.Cloudy	-12	-19
Regina	P.Cloudy	-14	-21
Winnipeg	P.Cloudy	-15	-26
Thunder Bay	Cloudy	-5	-19
Sudbury	Snow	-2	-18
Toronto	Cloudy	1	-7
Fredericton	P.Cloudy	-5	-7
Halifax	P.Cloudy	-2	-6
Charlottetown	P.Sunny	-2	-6
St. John's	P.Cloudy	-9	-10

United States today

City	Weather	Max.	Min.
Atlanta	Frz rain	5	2
Boston	P.Cloudy	1	0
Chicago	Cloudy	1	-3
Dallas	Showers	6	0
Denver	Sunny	-3	-10
Las Vegas	Sunny	11	-1
Los Angeles	Sunny	18	5
New Orleans	Cloudy	13	8
New York	Cloudy	4	2
Phoenix	P.Cloudy	18	4
St. Louis	P.Cloudy	4	-3
San Francisco	Sunny	15	4
Washington	Rain/snow	3	1

Regional synopses

Abitibi-Témiscamingue
High -3. Low near -19.
Light snow

Laurentians
High -5. Low near -9.
Cloudy

Eastern Ontario
High -2. Low near -6.
Partly sunny

Southern Ontario
High 1. Low near -7.
Cloudy

Quebec City
High -9. Low near -11.
Cloudy

Eastern Townships
High -6. Low near -7.
Variably cloudy

Northern New England
High 0. Low near -3.
Partly cloudy

Gaspé
High -7. Low near -11.
Light snow

Your Morning News Update

Global QUEBEC THIS MORNING LIVE .6-9am weekdays

Right at Home Andrew Peplowski

Founders focus on service, keeping employees happy and keeping it simple

Staying out of debt helped Luxury Retreats

Luxury Retreats founders Joe and Jazz Poulin offer some ideas about what has contributed to their company's success:

Look professional: Even while still a

teenager, Joe Poulin took the time to design professional-looking letterhead and envelopes for his business. It was a small step, but an important one for a young entrepreneur trying to gain respect as a businessman.

Focus on service: Because there is no price competition in the villa rental business (prices are set by the owners), Poulin said the big difference between companies in the industry is the ser-

vice they provide to clients. Luxury Retreats takes care to match clients with the right villa, then makes arrangements with the concierges for any possible needs, from grocery shopping to restaurant reservations and helicopter tours.

Keep the employees happy: Luxury Retreats has a very low employee-turnover rate, which Poulin attributes to his company's loose work atmos-

phere, scheduling flexibility and slim hierarchy. The fact that employees are regularly sent off to travel to exotic locations and familiarize themselves with these luxury villas doesn't hurt, either.

Keep it simple: "We're villa guys," Poulin says. Though the company could move into scheduling flights and booking cruises, he says they prefer to stay in their expertly carved niche and

focus on what they do best. **Stay out of debt:** Luxury Retreats has grown without the need to borrow money from banks, which Poulin admits is an option that not all startup companies can have. Nevertheless, his company's cash flow has kept it in the black, with a three-month financial reserve in case revenues dry up unexpectedly.

STEVE FAGUY

LUXURY Opened offices in Barbados and Shanghai, bought firm in Maui

CONTINUED FROM B1

It belongs to eccentric billionaire Richard Branson of Virgin Group, and at \$45,500 a night is Luxury Retreats' most expensive property.

The 74-acre Virgin Islands paradise is expensive, but not outrageously so if you share the cost with 27 of your closest friends. "You're talking \$2,000 per person per night, all included," Poulin said during an interview at his downtown offices.

The price includes the services of the island's 50-person staff, the pools, kitchens and even a private beach. Compared with the cost of more than two dozen hotel rooms, Poulin thinks it's worth the price.

But for vacationers on a more modest budget, Luxury Retreats offers places for as little as \$200 a night.

Poulin's is a success story you can't help but be jealous of. He has a fancy

new car, fancy clothes, a high-rise corner office, and owns a company he built from scratch. He flies to exotic luxury vacation areas around the world to tour multimillion-dollar homes and claims a confidential list of celebrity clients. As well, in the history of his business career he can't think of a single major mistake he's made.

Oh, and he's 25, and his company has never had a single penny of debt. It's enough to make you sick to your stomach.

A lot of it is luck, but a quick glance at Poulin's history shows his company's success is also due to a keen business sense, some new ideas, and the ability to capitalize on a golden opportunity.

Poulin has always been passionate about business, ever since he began selling computer parts out of his bedroom at age 11. It was the early 1990s, and he was living with his parents in Pincourt, using Internet newsgroups to advertise.

As the decade went by and the World Wide Web began to explode, Poulin taught himself how to build websites and became a Web designer.

Eventually, he was approached by the owner of a luxury home in the Caribbean, who wanted to set up a website to advertise it as a villa for rent.

Renting is a common practice for people who own expensive homes in vacation areas and are travelling too much to enjoy them all the time. To recoup mortgage and maintenance costs, they rent them out for a week or two at a time.

Poulin, who at 17 had never been on a plane before and had not travelled farther than Ottawa, wanted to learn more, so he went online and searched for websites of leading firms in the industry.

He couldn't find anything. The industry existed, but nobody had developed an online presence for it.

So in 1999, Poulin started a company

called Caribbean Way, which advertised villa rentals for a fee. The business model quickly changed and he became a middleman in the transactions, taking a commission.

The business took off. From his bedroom, Poulin had enough work to allow him to drop out of CEGEP. Eventually, there was so much to do that he hired his brother, Jazz.

"The business expanded from one bedroom to two," Joe Poulin said. When it became clear that they couldn't be taken seriously as teenagers running a company out of their bedrooms, they left home.

That's when they created a second company, Luxury Retreats International, which rents villas and yachts around the world. Jazz Poulin quit his job as a sandwich artist at Subway, dropped out of a political science program at Concordia University and jumped in full-time.

But even as they set up an office and started hiring employees, Joe Poulin wasn't convinced he was invincible.

"I thought, worst-case scenario, I lose everything, move back to my dad's house," Joe Poulin said, half-joking. "Good home cooking, free rent."

That didn't happen. Instead, his company continued growing, opening offices in the Barbados and Shanghai. He also bought another company in Maui.

Despite their successes, the Poulin brothers don't live an extravagant lifestyle. Their salaries are low — they prefer to invest money back into the company — they fly economy class most of the time, and they eat fast food just like the rest of us.

But Joe Poulin did admit one thing he splurged on: his new \$64,000 Lexus GS 450 hybrid. "You have to understand, I do like cars," he said.

On the Net: www.luxuryretreats.com