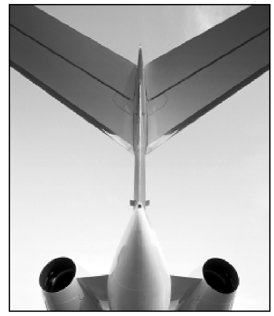
BOMBARDIER




SECOND QUARTERLY REPORT

Six-month period ended July 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts in this report are in U.S. dollars and tabular figures are in millions of U.S. dollars, unless otherwise indicated.

Forward-looking statements

This Management's Discussion and Analysis ("MD&A") includes forward-looking statements that are subject to risks and uncertainties. For information identifying legislative or regulatory, economic, currency, technological, competitive and other important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, see Bombardier's annual report for fiscal year 2005 under the heading Risks and uncertainties in the MD&A section. Unless otherwise required by applicable securities laws, Bombardier Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

This MD&A is based on reported earnings in accordance with Canadian generally accepted accounting principles ("GAAP") and on the following non-GAAP financial measures:

EBITDA before special items:	Earnings (loss) before net interest, income taxes, depreciation and amortization and special items
EBIT before special items:	Earnings (loss) before net interest, income taxes and special items
EBT before special items:	Earnings (loss) before income taxes and special items
Free cash flow:	Cash flows from operating activities less net additions to property, plant and equipment

These non-GAAP measures are directly derived from the interim consolidated financial statements, but do not have a standardized meaning prescribed by GAAP; therefore, others using these terms may calculate them differently.

Management believes that a significant portion of the users of its interim consolidated financial statements and MD&A analyze the Corporation's results based on these performance measures and that this presentation is consistent with industry practice. Special items are viewed by Management as items that do not arise as part of the normal day-to-day business operations or that could potentially distort the analysis of trends.

Highlights of the quarter

- EBT from continuing operations before special items of $59 million (or $0.02 per share), compared to $42 million (or $0.01 per share).
- Net income of $117 million, compared to $23 million.
- Closing of a $1.1-billion new unsecured North American syndicated credit facility.
- Cash and cash equivalents of $2.3 billion as at July 31, 2005.
- Completion of the sale of Bombardier Capital's ("BC") inventory finance and on-balance sheet manufactured housing operations for proceeds of $1.4 billion.

Aerospace

- Improvement in EBIT of $23 million to $65 million and in EBIT percentage of 1.1% to 3.3%.
- 41 business aircraft deliveries, an increase of 41%.
- 49 net orders for business aircraft, an increase of 63%.
- Reduction of the production rate for the *CRJ200* aircraft to 18 aircraft per year, effective at the beginning of next fiscal year.

Transportation

- Stable level of EBIT percentage before special items for the last five quarters.
- $1.6 billion in new orders, an increase of $300 million.
- Successful ongoing execution of restructuring activities.

Basis of presentation

In April 2005, the Corporation entered into an agreement to sell BC's inventory finance operations. The sale was completed on May 31, 2005. In addition, on July 25, 2005, the Corporation completed the sale of BC's on-balance sheet manufactured housing operations. The results of operations of the inventory finance and on-balance sheet manufactured housing operations have been segregated in the consolidated statements of income and reported as discontinued operations for all periods presented. The related assets and liabilities were reported as "Assets held for sale" and "Liabilities related to assets held for sale" in the consolidated balance sheet as at January 31, 2005.

Consolidated results

Consolidated results of operations were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Revenues	**$ 3,678**	$ 3,847	**$ 7,479**	$ 7,344
Cost of sales	**3,174**	3,382	**6,490**	6,589
Margin	**504**	465	**989**	755
Operating expenses(1)	**266**	247	**524**	488
Amortization	**129**	137	**262**	282
Interest expense, net	**50**	39	**96**	79
EBT from continuing operations before special items	**59**	42	**107**	(94)
Special items	**(34)**	(5)	**(26)**	(91)
EBT from continuing operations	**25**	37	**81**	(185)
Income tax expense (recovery)	**15**	19	**23**	(21)
Income (loss) from continuing operations	**10**	18	**58**	(164)
Income from discontinued operations, net of tax(2)	**107**	5	**114**	13
Net income (loss)	**$ 117**	$ 23	**$ 172**	$ (151)
Basic and diluted earnings (loss) per share (in dollars)				
From continuing operations	**$ -**	$ 0.01	**$ 0.03**	$ (0.10)
Net income (loss)	**$ 0.06**	$ 0.01	**$ 0.09**	$ (0.09)
(as a percentage of total revenues)				
Margin	**13.7%**	12.1%	**13.2%**	10.3%
EBT from continuing operations before special items	**1.6%**	1.1%	**1.4%**	(1.3)%
EBT from continuing operations	**0.7%**	1.0%	**1.1%**	(2.5)%

(1) Comprised of selling, general and administrative, and research and development expenses.
(2) Represents the result of operations of BC's inventory finance and on-balance sheet manufactured housing operations as well as the net after-tax gain recorded on the sale of these operations.

Revenues
The $169-million decrease for the three-month period reflects lower revenues in the transportation segment resulting mainly from decreased mainline revenues in the United Kingdom ("U.K.") and Germany due to a lower level of activities in these markets.

The $135-million increase for the six-month period mainly reflects higher revenues in the aerospace segment resulting from increased deliveries and a favourable mix of business aircraft. This increase was partially offset by lower revenues in the transportation segment.

Margin percentage
The margin percentage increased by 1.6% and 2.9% for the three- and six-month periods. These increases reflect higher margins in the aerospace segment, as a result of increased volume and a favourable mix of business aircraft deliveries, partially offset by lower volume of *CRJ200* aircraft deliveries and higher sales incentive costs for regional aircraft. In addition, the margin percentage increase for the six-month period reflects higher margins in the transportation segment, mainly as a result of the negative impact of contract adjustments recorded in the first quarter of last fiscal year.

Operating expenses
The $19-million and $36-million increases for the three- and six-month periods are mainly due to higher costs relating to the *CSeries* aircraft feasibility study and to higher marketing expenses in the aerospace segment as a result of increased business aircraft activities.

Amortization
The $8-million and $20-million decreases for the three- and six-month periods are mainly due to the continued reduction in assets under operating leases in the BC segment and to lower amortization in the transportation segment. These decreases were partially offset by higher amortization in the aerospace segment.

Net interest expense (excluding BC's interest expense, which is classified as cost of sales)
The $11-million and $17-million increases for the three- and six-month periods are mainly due to interest expense on long-term debt of consolidated variable interest entities (VIEs). The consolidation of these VIEs began in the fourth quarter of fiscal year 2005. In addition, the increase for the six-month period is due to the issuance, in April 2004, of $750 million of notes.

Special items
The special items relate to the restructuring plan in the transportation segment.

Income taxes
The effective income tax rate was 60.0% for the three-month period ended July 31, 2005, compared to 51.4% for the same period last fiscal year. The combined statutory income tax rate was 31.9% for both periods. For the three-month period ended July 31, 2005, the higher effective income tax rate compared to the statutory income tax rate is mainly due to the non-recognition of income tax benefits related to the restructuring plan in the transportation segment. For the three-month period ended July 31, 2004, the higher effective income tax rate compared to the statutory income tax rate is mainly due to the non-recognition of income tax benefits related to operating losses in certain jurisdictions of the transportation segment.

The effective income tax rate was 28.4% for the six-month period ended July 31, 2005, compared to 11.4% for the same period last fiscal year. The combined statutory income tax rate was 31.9% for both periods. For the six-month period ended July 31, 2005, the non-taxable gains on sale of land and buildings, included in special items in the transportation segment, were offset by the non-recognition of income tax benefits related to the restructuring plan in the transportation segment. For the six-month period ended July 31, 2004, the lower effective income tax recovery rate compared to the statutory income tax rate is mainly due to the non-recognition of income tax benefits related to the restructuring plan and operating losses in certain jurisdictions of the transportation segment.

Discontinued operations

Income from discontinued operations was as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Income from discontinued operations – net of tax before the following:	**$ 4**	$ 5	**$ 11**	$ 13
Gain on sale of inventory finance operations – net of tax	**121**	-	**121**	-
Loss on sale of on-balance sheet manufactured housing operations – net of tax	**(18)**	-	**(18)**	-
Income from discontinued operations	**$ 107**	$ 5	**$ 114**	$ 13

Income from discontinued operations, before the net after-tax gain on the sale of discontinued operations, for the three- and six-month periods remained essentially unchanged compared to the same periods last fiscal year, as income from inventory finance operations offset losses from the on-balance sheet manufactured housing operations.

Order backlog

The order backlog decreased to $30.6 billion as at July 31, 2005 from $31.5 billion as at January 31, 2005. This reduction is mainly due to the negative impact of the weakening of the euro and sterling pound compared to the U.S. dollar, amounting to approximately $660 million, on the order backlog of the transportation segment.

AEROSPACE

OVERVIEW

Aircraft deliveries

Total aircraft deliveries were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Business aircraft (including those of the fractional ownership program[1])	**41**	29	**82**	53
Regional aircraft	**39**	52	**79**	99
Amphibious aircraft	**1**	-	**1**	-
	81	81	**162**	152

[1] Effective the second quarter of fiscal year 2006, an aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model have been sold to external customers. Previously, an aircraft delivery was included when more than 50% of the fractional shares of an aircraft had been sold to external customers. The change from the previous method resulted in two fewer deliveries for the three-month period ended July 31, 2005. This change has no impact on revenue recognition.

Total aircraft deliveries remained unchanged for the three-month period and were higher for the six-month period as increased deliveries of business aircraft have offset lower deliveries of *CRJ200* aircraft.

Analysis of results

Bombardier Aerospace's results were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Segmented revenues				
Manufacturing				
Regional aircraft	**$ 755**	$ 959	**$ 1,525**	$ 1,791
Business aircraft	**717**	456	**1,370**	791
Other	**80**	53	**144**	105
Total manufacturing revenues	**1,552**	1,468	**3,039**	2,687
Services[1]	**276**	272	**569**	572
Other[2]	**131**	212	**285**	452
Total segmented revenues	**1,959**	1,952	**3,893**	3,711
Cost of sales	**1,677**	1,726	**3,351**	3,269
Margin	**282**	226	**542**	442
Operating expenses[3]	**120**	97	**229**	191
EBITDA	**162**	129	**313**	251
Amortization	**97**	87	**196**	182
EBIT	**$ 65**	$ 42	**$ 117**	$ 69
(as a percentage of total revenues)				
Margin	**14.4%**	11.6%	**13.9%**	11.9%
EBITDA	**8.3%**	6.6%	**8.0%**	6.8%
EBIT	**3.3%**	2.2%	**3.0%**	1.9%

(1) Includes revenues from spare parts, *Flexjet* program's service activities, product support activities and Defence Services.
(2) Includes mainly sales of pre-owned aircraft.
(3) Comprised of selling, general and administrative, and research and development expenses.

Segmented revenues

Manufacturing revenues – The $84-million and $352-million increases for the three- and six-month periods are mainly due to:

- increased deliveries and a favourable mix of business aircraft;
- increased deliveries of wide-body business aircraft interiors; and
- the sale of an amphibious aircraft.

Partially offset by:

- lower deliveries of *CRJ200* aircraft.

Other revenues – The $81-million and $167-million decreases for the three- and six-month periods are mainly due to the mix and lower volume of pre-owned business aircraft sold.

Margin percentage

The 2.8% and 2.0% increases for the three- and six-month periods are mainly due to:

- significant increased volume and a favourable mix of business aircraft deliveries; and
- lower severance and other involuntary termination costs.

Partially offset by:

- lower volume of *CRJ200* aircraft deliveries; and
- higher sales incentive costs, mainly due to the continuing difficult environment for regional aircraft financing.

Operating expenses

The $23-million and $38-million increases for the three- and six-month periods are mainly due to higher costs relating to the *CSeries* aircraft feasibility study and to higher marketing expenses due to increased business aircraft activities.

Amortization
The amortization of tooling costs amounted to $66 million and $130 million for the three- and six-month periods compared to $65 million and $127 million for the same periods last fiscal year.

Order backlog

Bombardier Aerospace's order backlog was as follows as at:

(in billions of dollars)	**July 31, 2005**	January 31, 2005
Aircraft programs	**$ 9.1**	$ 9.1
Defence Services	**1.1**	1.1
	$ 10.2	$ 10.2

Workforce and production rate reduction

In November 2004, Bombardier Aerospace began a workforce reduction program due to a realignment of the production rate of the *CRJ Series* aircraft in order to meet market demand. This program contemplated a reduction of 2,000 employees at facilities in Belfast and Montréal.

In response to the continued weakness in demand for the 50-passenger regional jets, the production rate of the 50-passenger *CRJ200* aircraft will be further adjusted to 18 aircraft per year, effective at the beginning of next fiscal year.

As a result of the positive effect of the ramp-up in production of business aircraft and the reduction of the production rate, the employee workforce reduction, initially estimated at 2,000 employees, is now anticipated to be 1,135 employees, of which 475 employees were terminated as at July 31, 2005. The additional 660 employees will be laid off from Bombardier's Montréal-area facilities and Belfast site over a 10-month period starting in September 2005.

A workforce reduction charge of $19 million was recorded in fiscal year 2005 (nil recorded in fiscal year 2006). The net effect of the above events will not give rise to additional charges.

BUSINESS AIRCRAFT

Aircraft deliveries

Business aircraft deliveries were as follows for the three-month periods ended July 31:

			2005			2004
		Flexjet **[(1)]**	**Total**		*Flexjet* [(1)]	Total
Narrow body						
Learjet 40	**3**	**-**	**3**	3	1	4
Learjet 45	**8**	**-**	**8**	6	-	6
Learjet 60	**5**	**-**	**5**	2	-	2
Wide body						
Challenger 300	**9**	**-**	**9**	4	2	6
Challenger 604	**10**	**-**	**10**	6	-	6
Bombardier Global 5000	**3**	**-**	**3**	-	-	-
Global Express	**3**	**-**	**3**	5	-	5
	41	**-**	**41**	26	3	29

(1) Effective the second quarter of fiscal year 2006, an aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model have been sold to external customers. Previously, an aircraft delivery was included when more than 50% of the fractional shares of an aircraft had been sold to external customers. The change from the previous method resulted in two fewer deliveries for the three-month period ended July 31, 2005. This change had no impact on revenue recognition.

Business aircraft deliveries were as follows for the six-month periods ended July 31:

			2005			2004
		Flexjet **[1]**	**Total**		*Flexjet* [1]	Total
Narrow body						
Learjet 40	**8**	**1**	**9**	6	2	8
Learjet 45	**13**	**-**	**13**	11	-	11
Learjet 60	**7**	**-**	**7**	3	-	3
Wide body						
Challenger 300	**20**	**3**	**23**	7	4	11
Challenger 604	**17**	**-**	**17**	13	-	13
Bombardier Global 5000	**7**	**-**	**7**	-	-	-
Global Express	**6**	**-**	**6**	7	-	7
	78	**4**	**82**	47	6	53

[1] Effective the second quarter of fiscal year 2006, an aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model have been sold to external customers. Previously, an aircraft delivery was included when more than 50% of the fractional shares of an aircraft had been sold to external customers. The change from the previous method resulted in two fewer deliveries for the six-month period ended July 31, 2005. This change had no impact on revenue recognition.

The 41% and 55% increases for the three- and six-month periods mainly resulted from the continued strength of the business aircraft market and the success of recently-launched models.

Net orders

Bombardier received 49 and 88 net orders during the three- and six-month periods ended July 31, 2005, respectively, compared to 30 and 60 net orders during the same periods last fiscal year. These increases reflect the continued strength of the business aircraft market.

REGIONAL AIRCRAFT

Aircraft deliveries

Regional aircraft deliveries were as follows:

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2005	2004	**2005**	2004
Jets				
CRJ200	**12**	26	**29**	55
CRJ700	**9**	14	**22**	25
CRJ705	**9**	-	**9**	-
CRJ900	**3**	5	**10**	11
Turboprops				
Q200	**1**	1	**1**	1
Q300	**1**	2	**1**	3
Q400	**4**	4	**7**	4
	39	52	**79**	99

The 25% and 20% decreases for the three- and six-month periods are mainly due to lower deliveries of *CRJ200* aircraft. These decreases are consistent with current market analysis, which indicates a reduction in the demand for 50-passenger regional jets.

The first *CRJ705* aircraft was delivered to Air Canada Jazz during the three-month period ended July 31, 2005.

Orders and backlog

Bombardier Aerospace received the following significant orders during the six-month period ended July 31, 2005:

Customer	Aircraft	Number
SkyWest Airlines	*CRJ700*	20
Northwest Airlines	*CRJ200*	15
GoJet Airlines	*CRJ700*	10
Jeju Air	*Q400*	5
FlyBE	*Q400*	4

Regional aircraft orders were as follows for the three-month periods ended July 31:

				2005	2004
	Orders	**Swaps**	**Cancellations**	**Net orders**	Net orders
Jets					
CRJ200	**2**	**-**	**-**	**2**	(1)
CRJ700	**-**	**-**	**-**	**-**	22
Turboprops					
Q200	**1**	**-**	**-**	**1**	-
Q300	**1**	**-**	**-**	**1**	-
Q400	**9**	**-**	**-**	**9**	6
	13	**-**	**-**	**13**	27

Regional aircraft orders were as follows for the six-month periods ended July 31:

				2005	2004
	Orders	**Swaps**	**Cancellations**	**Net orders**	Net orders
Jets					
CRJ200	**17**	**(4)**	**(3)**	**10**	32
CRJ700	**30**	**4**	**-**	**34**	23
CRJ900	**-**	**-**	**-**	**-**	6
Turboprops					
Q200	**1**	**-**	**-**	**1**	1
Q300	**2**	**-**	**-**	**2**	(2)
Q400	**9**	**-**	**-**	**9**	11
	59	**-**	**(3)**	**56**	71

The order backlog, options and conditional orders consisted of the following as at July 31, 2005:

	Aircraft on firm order	**Options and conditional orders**	**Total**
Jets			
CRJ200	57	514	571
CRJ700	69	440	509
CRJ705	6	15	21
CRJ900	8	26	34
Turboprops			
Q100/200	1	1	2
Q300	24	10	34
Q400	48	83	131
	213	1,089	1,302

CSERIES AIRCRAFT

In March 2005, the Board of Directors of the Corporation approved an authority to offer ("ATO") whereby Bombardier will offer the new *CSeries* family of aircraft to customers. This ATO is an important step in the process that could lead to the aircraft program launch. Prior to launch, Bombardier will seek firm commitments from potential customers, suppliers and government partners. The Corporation is expected to decide on whether to proceed with the manufacturing of the *CSeries* aircraft in the second half of fiscal year 2006.

On May 12, 2005, letters of intent relating to the funding of research and development costs of the *CSeries* family of aircraft were signed with the governments of Canada, Québec and the U.K. Bombardier has chosen Mirabel as the location for its final assembly site. Bombardier's Belfast plant in Northern Ireland has been chosen as the site for the development of the wing, engine nacelles, and empennage, including horizontal and vertical stabilizers. Bombardier has entered into discussions with Pratt & Whitney Canada for the development of a new centerline engine for the *CSeries* aircraft.

AIRCRAFT SERVICES

The number of customers owning shares of aircraft or with an hourly flight time entitlement, excluding customers serviced by Delta AirElite Business Jets, were as follows as at:

	July 31, 2005	January 31, 2005
Customers owning shares of aircraft	**600**	593
Customers with an hourly flight time entitlement	**242**	219

The net increase of 30 customers is mainly due to the growing demand for business jet travel.

The North American *Flexjet* program had 77 aircraft in service as at July 31, 2005, compared to 79 aircraft as at January 31, 2005.

TRANSPORTATION

OVERVIEW

Analysis of results

The results of operations of the transportation segment using a functional currency other than the U.S. dollar, mainly the euro, the sterling pound and other western European currencies, are translated into U.S. dollars using the average exchange rates for the relevant periods. Mainly due to the strengthening of the euro compared to the U.S. dollar ("currency impact"), the results of operations have been positively impacted (see the "Effect of currency fluctuations" section of this MD&A for the average exchange rates used to translate revenues and expenses).

Bombardier Transportation's results were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Segmented revenues				
Rolling stock[(1)]	**$ 1,075**	$ 1,331	**$ 2,391**	$ 2,611
Services[(2)]	**324**	318	**655**	600
Other[(3)]	**276**	198	**454**	325
Total segmented revenues	**1,675**	1,847	**3,500**	3,536
Cost of sales	**1,468**	1,629	**3,084**	3,266
Margin	**207**	218	**416**	270
Operating expenses[(4)]	**138**	139	**275**	272
EBITDA before special items	**69**	79	**141**	(2)
Amortization	**26**	36	**54**	70
EBIT before special items	**43**	43	**87**	(72)
Special items	**(34)**	(5)	**(26)**	(91)
EBIT	**$ 9**	$ 38	**$ 61**	$ (163)
(as a percentage of total revenues)				
Margin	**12.4%**	11.8%	**11.9%**	7.6 %
EBITDA before special items	**4.1%**	4.3%	**4.0%**	(0.1)%
EBITDA	**2.1%**	4.0%	**3.3%**	(2.6)%
EBIT before special items	**2.6%**	2.3%	**2.5%**	(2.0)%
EBIT	**0.5%**	2.1%	**1.7%**	(4.6)%

(1) Comprised of mainline (including regional, commuter and intercity, and high-speed trains), metro, light rail vehicles, locomotives, propulsion and bogies revenues.
(2) Comprised of maintenance, spare parts and logistics management revenues as well as vehicle and component overhaul revenues.
(3) Comprised of the total transit systems and rail control solutions divisions' revenues, excluding the rolling stock portion of total transit systems' orders manufactured by other divisions within the transportation segment.
(4) Comprised of selling, general and administrative, and research and development expenses.

Segmented revenues by geographic region

	Three-month periods ended July 31				Six-month periods ended July 31			
	2005		2004		**2005**		2004	
Europe	**$ 1,263**	**75%**	$ 1,538	83%	**$ 2,647**	**76%**	$ 2,946	83%
North America	**262**	**16%**	261	14%	**570**	**16%**	473	13%
Asia-Pacific	**110**	**7%**	46	3%	**220**	**6%**	96	3%
Other	**40**	**2%**	2	-	**63**	**2%**	21	1%
	$ 1,675		$ 1,847		**$ 3,500**		$ 3,536	

Segmented revenues

Rolling stock revenues – The $256-million and $220-million decreases for the three- and six-month periods are mainly due to:

- decreased mainline revenues in the U.K. and Germany, due to a lower level of activities in these markets.

Partially offset by:

- the currency impact, amounting to approximately $20 million and $75 million respectively.

Revenues for the six-month period ended July 31, 2005, were also positively impacted by increased mainline revenues in North America, due to a higher level of activities.

Services revenues – The $55-million increase for the six-month period is mainly due to:

- increased maintenance revenues in the U.K.; and
- the currency impact, amounting to approximately $15 million.

Other revenues – The $78-million and $129-million increases for the three- and six-month periods are mainly due to:

- increased rail control solutions ("RCS") revenues in Italy;
- increased total transit systems ("TTS") revenues in Asia-Pacific, mainly due to a contract in Taiwan;
- higher activities related to the London Underground contract resulting in signalling milestones being achieved; and
- the currency impact, amounting to approximately $5 million and $10 million respectively.

Margin percentage

The 4.3% increase for the six-month period is mainly due to contract adjustments amounting to $200 million recorded in the first quarter of last fiscal year. These adjustments related to cost estimate revisions for the completion of a limited number of contracts, mainly arising from unforeseen technical issues primarily on new product development, anticipated lower revenues from claims to customers, anticipated liquidated damages and cost overruns.

Operating expenses

The variations for the three- and six-month periods are mainly due to:

- lower selling, general and administrative expenses, resulting mainly from the restructuring plan and other cost-reduction initiatives;
- higher bid costs related to contracts in TTS;
- higher research and development expenses related to product development in the RCS division; and
- the currency impact, amounting to approximately $1 million and $5 million respectively.

Amortization

The $10-million decrease for the three-month period is mainly due to a real estate impairment charge of $6 million recorded in the second quarter of last fiscal year.

The $16-million decrease for the six-month period is mainly due to the real estate impairment charge discussed above as well as the remaining amortization recorded on sites closed in the first quarter of last fiscal year, compared to no amortization in the six-month period ended July 31, 2005.

Orders and backlog

Bombardier Transportation received the following major orders during the first and the second quarters of fiscal year 2006:

Customer	Product	Number of cars	Rolling stock
Trenitalia, Italy	*TRAXX* locomotives type P160 DCP	100	$ 323
Société Nationale des Chemins de fer Français, France	High-capacity trains, type AGC	168	239
Angel Trains Cargo, U.K.	*TRAXX* locomotives type F140 MS/DC	36	202
Landesnahverkehrsgesellschaft Niedersachsen, Germany	Double-deck coaches/*TRAXX* locomotives type P160 AC2	78/9	172
Metrorex, Romania	*MOVIA* metro vehicles	120	144
Ministry of Railways of China	High-speed trains	160(1)	119
Ferrocarrils de la Generalitat Valenciana, Spain	Bi-directional *FLEXITY* Outlook trams	30	106
RET Rotterdam, Netherlands	*FLEXITY* Swift trams	21	100

(1) Total number of contracted cars for Bombardier and its joint venture partner combined. Total contract value is $276 million.

In addition, Bombardier received major orders in July 2005 from the Metropolitan Transportation Authority/Metro-North Railroad and the Metropolitan Transportation Authority/Long Island Rail Road amounting to $80 million and $345 million respectively, as well as from Nederlands Spoorwegen amounting to $125 million. These orders are not included in the second quarter order backlog since the cut-off date for consolidation of the operations of the transportation segment is one month earlier than the Corporation's quarter-end.

Bombardier's total order intake was as follows:

(in billions of dollars)	**Three-month period ended July 31, 2005**	**Six-month period ended July 31, 2005**
Rolling stock	**$ 1.0**	**$ 2.1**
Services	**0.4**	**0.7**
Other	**0.2**	**0.4**
	$ 1.6	**$ 3.2**

Total order intake for the three- and six-month periods increased by $300 million and $1.0 billion compared to the same periods last fiscal year. These increases are mainly due to:

- higher order intake in light rail vehicles, mainline (Europe and China) and locomotives; and
- the currency impact, amounting to approximately $50 million and $100 million respectively.

Partially offset by:

- lower order intake in services and other.

The order backlog was as follows as at:

(in billions of dollars)	**July 31, 2005**	January 31, 2005
Rolling stock	**$ 10.6**	$ 11.4
Services	**4.6**	4.8
Other	**5.2**	5.1
	$ 20.4	$ 21.3

The decrease in the value of the order backlog reflects lower order intake compared to revenues recorded and the negative impact of the weakening of the euro and sterling pound compared to the U.S. dollar, amounting to approximately $660 million. The order backlog is translated into U.S. dollars using period-end rates.

RESTRUCTURING

In fiscal year 2005, a restructuring plan to reduce the cost structure of the transportation segment was initiated. This plan contemplates workforce reductions of 7,600 positions, net of new hires, of which 7,300 are permanent positions, and the closure of seven manufacturing sites. Approximately 5,100 positions, net of new hires, including contractual employees, have been eliminated as at July 31, 2005.

Three sites ceased manufacturing activities during the last fiscal year. In addition, the Pratteln (Switzerland) site ceased manufacturing activities in April 2005. The three remaining sites scheduled to be closed – Ammendorf (Germany), Kalmar (Sweden) and Wakefield (U.K.) – are expected to cease manufacturing activities in the fourth quarter of fiscal year 2006.

The costs and net cash outflows related to the restructuring plan were as follows:

	Three-month period ended July 31, 2005	**Six-month period ended July 31, 2005**
Severance and other involuntary termination	**$ 1**	**$ 8**
Other[(1)]	**33**	**18**
	$ 34	**$ 26**
Net cash outflows	**$ 37**	**$ 40**

(1) Comprised of lease termination and environmental costs, as well as other costs, partially offset by non-taxable gains on the sale of land and buildings, amounting to $27 million for the six-month period ended July 31, 2005.

The total cost of the restructuring plan is estimated at $615 million (essentially unchanged compared to January 31, 2005), $547 million of which was recorded as at July 31, 2005. The remainder will be mostly recorded in the second half of fiscal year 2006.

The total net cash outflows are estimated at $457 million ($473 million as at January 31, 2005), $187 million of which was incurred as at July 31, 2005. The remainder will be paid in the second half of fiscal year 2006 and in fiscal year 2007. This decrease in total expected net cash outflows is mainly due to the weakening of the euro and sterling pound compared to the U.S. dollar.

BOMBARDIER CAPITAL

In April 2005, the Corporation entered into an agreement to sell BC's inventory finance operations to GE Commercial Finance ("GE"). On May 31, 2005, the Corporation completed the sale for cash proceeds of approximately $1.3 billion ($732 million after repayment by BC of its bank-sponsored securitized floorplan conduits not transferred to GE). The sale resulted in a pre-tax gain of $191 million ($121 million after tax).

On July 25, 2005, the Corporation completed the sale of its on-balance sheet manufactured housing operations to Vanderbilt Mortgage and Finance, Inc. for cash proceeds of approximately $119 million which resulted in an after-tax loss of $18 million.

The results of operations of the inventory finance and on-balance sheet manufactured housing operations have been segregated in the consolidated statements of income and reported as discontinued operations for the three- and six-month periods ended July 31, 2005, and the related assets and liabilities were reported as "Assets held for sale" and "Liabilities related to assets held for sale" in the consolidated balance sheet as at January 31, 2005. Accordingly, the following analysis excludes these operations.

Analysis of results from continuing operations

Assets under management

BC's finance receivables and assets under operating leases from continuing operations, before allowance for credit losses, were as follows as at:

	July 31, 2005	January 31, 2005
Commercial aircraft		
Interim financing	**$ 996**	$ 1,000
Long-term leasing	**213**	218
	1,209	1,218
Receivable financing[1]	**-**	59
	1,209	1,277
Wind-down portfolios	**309**	347
	$ 1,518	$ 1,624

[1] Represented financing provided to the acquirer of the Corporation's former recreational products segment, a related party. This financing agreement matured during the second quarter of fiscal year 2006 and was not renewed.

Commercial aircraft
The commercial aircraft interim financing portfolio remained essentially unchanged due to the delays encountered in closing regional aircraft permanent financing structures.

Wind-down portfolios
The $38-million decrease is consistent with the continued reduction in the business aircraft and consumer finance portfolios.

Off-balance sheet portfolios
BC manages an off-balance sheet railcar leasing portfolio and other off-balance sheet portfolios totalling $598 million and nil respectively as at July 31, 2005, compared to $602 million and $29 million respectively as at January 31, 2005.

In addition, in return for a market fee, BC services securitized manufactured housing loan portfolios. The outstanding amount of these portfolios was $934 million as at July 31, 2005 ($1.0 billion as at January 31, 2005).

Results of operations

BC's results from continuing operations were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Segmented revenues	**$ 57**	$ 62	**$ 114**	$ 124
EBT from continuing operations	**$ 5**	$ 3	**$ 3**	$ -

Revenues
The $5-million and $10-million decreases for the three- and six-month periods are mainly due to a decrease in assets under management due to the continued reduction in the wind-down portfolios.

EBT from continuing operations
The $2-million and $3-million increases for the three- and six-month periods are mainly due to interest income earned on proceeds from the sale of discontinued operations.

FINANCIAL POSITION

Bombardier

Total assets
Consolidated assets for the manufacturing segments amounted to $16.3 billion as at July 31, 2005, compared to $15.9 billion as at January 31, 2005. This increase mainly results from:

- an increase in other assets, receivables and inventories.

Partially offset by:

- a decrease in property, plant and equipment, and goodwill.

Receivables
Receivables amounted to $1.7 billion as at July 31, 2005, compared to $1.5 billion as at January 31, 2005. This increase is mainly due to a lower level of securitizations of trade receivables in the aerospace segment and a higher level of receivables in the transportation segment due to the timing of the completion of certain projects.

Inventories
Inventories are presented net of the related advances and progress billings on contracts and programs. However, advances and progress billings in excess of related costs, determined on a contract-by-contract basis, are reported as liabilities.

Gross inventories were $6.7 billion ($4.1 billion net of advances and progress billings) as at July 31, 2005, compared to $7.1 billion ($4.0 billion net of advances and progress billings) as at January 31, 2005. This decrease in gross inventories is mainly due to a lower level of inventories in the transportation segment and to the translation adjustment arising from the weakening of the euro and the sterling pound compared to the U.S. dollar ("negative currency impact"), amounting to approximately $150 million.

Total advances and progress billings amounted to $4.8 billion as at July 31, 2005, compared to $5.4 billion as at January 31, 2005, $2.2 billion of which are shown as liabilities as at July 31, 2005, compared to $2.4 billion as at January 31, 2005. The decrease in the transportation segment advances is consistent with the lower level of gross inventories and is also due to the negative currency impact, amounting to approximately $185 million. The decrease in the aerospace segment advances is mainly due to a lower level of advances on regional aircraft.

Property, plant and equipment ("PPE")
PPE amounted to $3.1 billion as at July 31, 2005, compared to $3.3 billion as at January 31, 2005. This decrease is mainly due to amortization exceeding net additions and the negative currency impact, amounting to approximately $40 million.

Goodwill
Goodwill amounted to $2.2 billion as at July 31, 2005, compared to $2.4 billion as at January 31, 2005. This decrease is due to the negative currency impact, amounting to $148 million.

Other assets
Other assets amounted to $1.3 billion as at July 31, 2005, compared to $914 million as at January 31, 2005. This increase is mainly due to higher loans and lease receivables made in connection with the sale of regional aircraft as a result of the delays encountered in closing permanent financing structures.

Advances from BC
Advances from BC amounted to $944 million as at July 31, 2005, compared to $71 million as at January 31, 2005. This increase is mainly due to intercompany loans from BC using the net proceeds from the sale of discontinued operations.

Accounts payable and accrued liabilities
Accounts payable and accrued liabilities were $7.0 billion as at July 31, 2005, compared to $7.1 billion as at January 31, 2005. This decrease is mainly due to the negative currency impact, amounting to approximately $170 million.

Long-term debt
Long-term debt amounted to $3.0 billion as at July 31, 2005, compared to $3.1 billion as at January 31, 2005. This decrease is mainly due to the negative currency impact amounting to approximately $65 million, and the normal course debt repayments by consolidated VIEs.

BC

Finance receivables
Finance receivables amounted to $1.3 billion as at July 31, 2005, compared to $1.4 billion as at January 31, 2005. This decrease is mainly due to BC no longer providing receivable financing to the acquirer of the Corporation's former recreational products segment.

Other assets
Other assets amounted to $135 million as at July 31, 2005, compared to $364 million as at January 31, 2005. This decrease is mainly due to the settlement of a derivative financial instrument prior to its maturity.

Assets held for sale
Assets held for sale were nil as at July 31, 2005, compared to $2.2 billion as at January 31, 2005, as a result of the sale of the inventory finance and on-balance sheet manufactured housing operations in the three-month period ended July 31, 2005.

Long-term debt
Long-term debt amounted to $2.2 billion as at July 31, 2005, compared to $2.6 billion as at January 31, 2005. This decrease is due to the repayment of $300 million of medium-term notes in May 2005 and to the negative currency impact, amounting to $82 million.

CASH FLOWS

Bombardier

The following table summarizes the cash flows, as reported in the consolidated statements of cash flows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Net income (loss)	**$ 117**	$ 23	**$ 172**	$ (151)
Non-cash items	**32**	143	**155**	306
Net changes in non-cash balances related to operations	**(544)**	(69)	**(881)**	(212)
Cash flows from operating activities	**(395)**	97	**(554)**	(57)
Net additions to property, plant and equipment	**(61)**	(47)	**(124)**	(107)
Free cash flow	**(456)**	50	**(678)**	(164)
Cash flows from investing activities (excluding net additions to property, plant and equipment)	**859**	560	**941**	571
Cash flows from financing activities	**(72)**	(75)	**(104)**	667
Effect of exchange rate changes on cash and cash equivalents	**(168)**	(39)	**(187)**	(89)
Net increase (decrease) in cash and cash equivalents	**$ 163**	$ 496	**$ (28)**	$ 985

Cash flows from operating activities
The $492-million decrease for the three-month period is mainly due to the variation in net changes in non-cash balances related to operations of the aerospace segment.

The $497-million decrease for the six-month period is mainly due to the variation in net changes in non-cash balances related to operations in both manufacturing segments. Last fiscal year's earnings were negatively impacted by non-cash charges resulting from contract adjustments recorded in the first quarter of the last fiscal year in the transportation segment. Since these contract adjustments were non-cash charges, the negative effect on earnings was offset by a positive variation in net changes in non-cash balances related to operations.

Segmented free cash flow
The free cash flow by manufacturing segment was as follows for the three-month periods ended July 31:

			2005			2004
	BA	**BT**	**Total**	BA	BT	Total
EBIT	**$ 65**	**$ 9**	**$ 74**	$ 42	$ 38	$ 80
Non-cash items	**101**	**62**	**163**	88	41	129
Net changes in non-cash balances related to operations	**(339)**	**(246)**	**(585)**	65	(159)	(94)
Net additions to property, plant and equipment	**(54)**	**(7)**	**(61)**	(41)	(6)	(47)
Segmented free cash flow	**$ (227)**	**$ (182)**	**(409)**	$ 154	$ (86)	68
Income taxes and net interest[1]			**(47)**			(18)
Free cash flow			**$ (456)**			$ 50

BA: Bombardier Aerospace; BT: Bombardier Transportation.
(1) Income taxes and net interest are not allocated to segments.

The free cash flow by manufacturing segment was as follows for the six-month periods ended July 31:

				2005			2004
		BA	**BT**	**Total**	BA	BT	Total
EBIT		**$ 117**	**$ 61**	**$ 178**	$ 69	$ (163)	$ (94)
Non-cash items		**201**	**82**	**283**	184	162	346
Net changes in non-cash balances related to operations		**(554)**	**(354)**	**(908)**	(209)	(25)	(234)
Net additions to property, plant and equipment		**(106)**	**(18)**	**(124)**	(88)	(19)	(107)
Segmented free cash flow		**$ (342)**	**$ (229)**	**(571)**	$ (44)	$ (45)	(89)
Income taxes and net interest[(1)]				**(107)**			(75)
Free cash flow				**$ (678)**			$ (164)

BA: Bombardier Aerospace; BT: Bombardier Transportation.
(1) Income taxes and net interest are not allocated to segments.

- ***Aerospace segment*** – The $381-million and $298-million decreases in segmented free cash flow for the three- and six-month periods are mainly due to the variation in net changes in non-cash balances related to operations. Net changes for the three-month period ended July 31, 2005, were negatively impacted by higher loans and lease receivables made in connection with the sale of regional aircraft and the variation in accounts payable and accrued liabilities compared to the same period last fiscal year. Net changes for the six-month period ended July 31, 2005, were negatively impacted by higher loans and lease receivables, a lower level of securitizations in trade receivables and a lower level of customer advances; and positively impacted by the variation of accounts payable and accrued liabilities compared to the same period last fiscal year. In addition, for the six-month period ended July 31, 2004, net changes in non-cash balances related to operations were negatively impacted by a voluntary contribution of $182 million to the aerospace pension plan in the U.K.

- ***Transportation segment*** – The $96-million and $184-million decreases for the three- and six-month periods are mainly due to the negative impact of the variation in accounts payable and accrued liabilities, the negative impact of the variation in accounts receivable, as well as a lower level of customer advances, partially offset by a lower level of gross inventories in the current periods compared to the same periods last fiscal year.

Cash flows from investing activities (excluding net additions to property, plant and equipment)
The cash flows for the three- and six-month periods ended July 31, 2005, mainly reflect net advances from BC of $857 million and $957 million respectively.

The cash flows for the three- and six-month periods ended July 31, 2004, mainly reflect net advances from BC of $626 million and $644 million respectively.

Cash flows from financing activities
The cash flows used for the three-month period ended July 31, 2005, mainly reflect repayments of long-term debt of $67 million. The cash flows used for the three-month period ended July 31, 2004, mainly reflect dividends paid of $65 million.

The cash flows used for the six-month period ended July 31, 2005, mainly reflect repayments of long-term debt of $99 million and dividends paid of $12 million. The cash flows for the six-month period ended July 31, 2004, mainly reflect the issuance of $750 million of notes, partially offset by dividends paid of $71 million.

As a result of the above items, cash and cash equivalents remained unchanged at $2.3 billion as at July 31, 2005, and January 31, 2005.

BC

The following table summarizes the cash flows, including the cash flows from discontinued operations, as reported in the consolidated statements of cash flows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Cash flows from operating activities	**$ 20**	$ (16)	**$ 79**	$ 88
Cash flows from investing activities	**866**	205	**794**	(41)
Cash flows from financing activities	**(885)**	(177)	**(892)**	(12)
Effect of exchange rate changes on cash and cash equivalents	**(1)**	1	**(2)**	-
Net increase (decrease) in cash and cash equivalents	**$ -**	$ 13	**$ (21)**	$ 35

Cash flows from operating activities
The $36-million increase for the three-month period is mainly due to the variation in net changes in non-cash balances related to operations as a result of the variation in accounts payable and accrued liabilities.

The $9-million decrease for the six-month period is mainly due to lower cash flows from operations before net changes in non-cash balances related to operations.

Cash flows from investing activities
The cash flows for the three- and six-month periods ended July 31, 2005 mainly reflect:
- net cash proceeds on the sale of discontinued operations, amounting to $1.4 billion;
- the proceeds from the settlement of a derivative financial instrument prior to its maturity, amounting to $209 million; and
- a net decrease in finance receivables of $130 million and $150 million respectively.

Partially offset by:
- net advances to Bombardier, amounting to $857 million and $957 million respectively.

The cash flows for the three-month period ended July 31, 2004, mainly reflect:
- a net decrease of $522 million in finance receivables and assets under operating leases; and
- the repayment of the loan made by BC in connection with a financing transaction entered into for term-debt management, amounting to $311 million.

Partially offset by:
- net advances made to Bombardier of $626 million.

The cash flows used for the six-month period ended July 31, 2004, mainly reflect:
- net advances made to Bombardier of $644 million.

Partially offset by:
- the repayment of the previously-discussed loan; and
- a net decrease of $280 million in finance receivables and assets under operating leases.

Cash flows from financing activities
The cash flows used for the three- and six-month periods ended July 31, 2005, mainly reflect:
- the repayment of $578 million of bank-sponsored securitized floorplan conduits with the proceeds from the sale of the inventory finance operations ($300 million of these conduits were included in short-term borrowings); and
- the repayment of $300 million of medium-term notes in May 2005.

The cash flows used for the three-month period ended July 31, 2004, mainly reflect a repayment of short-term borrowings of $165 million.

As a result of the above items, cash and cash equivalents amounted to $43 million as at July 31, 2005, compared to $64 million as at January 31, 2005. Cash and cash equivalents as at January 31, 2005, include $10 million related to discontinued operations.

CAPITAL RESOURCES

The available short-term capital resources were as follows as at:

				July 31, 2005
	Committed credit facilities	**Amounts available**	**Cash and cash equivalents**	**Available short-term capital resources**
BOMBARDIER	**$ 5,272**	**$ 1,006**	**$ 2,263**	**$ 3,269**
BC	**-**	**-**	**43**	**43**
	$ 5,272	**$ 1,006**	**$ 2,306**	**$ 3,312**

				January 31, 2005
	Committed credit facilities	Amounts available	Cash and cash equivalents	Available short-term capital resources
BOMBARDIER	$ 6,519	$ 2,199	$ 2,291	$ 4,490
BC	600	600	54	654
	$ 7,119	$ 2,799	$ 2,345	$ 5,144

The Corporation considers that its current cash position, as well as its current credit facilities and expected capital resources, will enable the implementation of investment programs, the development of new products, the pursued growth of its activities, the payment of dividends on preferred shares and other expected financial requirements.

On June 30, 2005, the Corporation entered into a new $1.1-billion North American syndicated credit facility to refinance its existing $1.7-billion Cdn credit facility scheduled to mature in September 2005. The new facility is unsecured and matures in July 2007.

This credit facility is subject to various covenants, including requirements to maintain (as defined in the related agreements):

- a minimum liquidity of $1.0 billion;
- a minimum interest coverage ratio of 2.0 to 1.0 on a rolling four-quarter basis for the periods ending July 31, 2005, October 31, 2005, and January 31, 2006, and 2.5 to 1.0 thereafter; and
- a maximum net debt-to-capitalization ratio of 55% as at July 31, 2005, October 31, 2005, and January 31, 2006, and 50% at the end of each fiscal quarter thereafter.

As at July 31, 2005, the Corporation was in compliance with its bank covenants.

Bombardier

The variation in available short-term capital resources was as follows for the six-month period ended July 31, 2005:

Balance as at January 31, 2005	$ 4,490
Net advances from BC	957
Free cash flow	(678)
Non-renewal of the 364-day portion of the European credit facility	(642)
Translation adjustment on committed credit facilities arising from the strengthening of the U.S. dollar compared to the euro	(317)
Net reduction in the North American credit facilities	(288)
Effect of exchange rate changes on cash and cash equivalents	(187)
Net repayments of long-term debt	(92)
Reduction in letters of credit drawn (net of foreign exchange impact)	54
Other	(28)
Balance as at July 31, 2005	**$ 3,269**

BC

The variation in available short-term capital resources was as follows for the six-month period ended July 31, 2005:

Balance as at January 31, 2005	$	654
Net proceeds from sale of discontinued operations		1,363
Net advances to Bombardier		(957)
Non-renewal of sole credit facility		(600)
Repayment of bank-sponsored securitized floorplan conduits		(578)
Repayment of medium-term notes		(300)
Proceeds from the settlement of a derivative financial instrument		209
Net variation in finance receivables		150
Cash flows from operating activities		79
Other		23
Balance as at July 31, 2005	**$**	**43**

FINANCIAL ARRANGEMENTS

In January 2005, BC established a 364-day, $1.5-billion financing facility with a third party, whereby BC can sell certain commercial aircraft interim financing receivables to a special purpose entity ("SPE"). The third-party investor has committed to fund 55% of the original finance receivables balance transferred to the SPE. As at July 31, 2005, BC had transferred $490 million of finance receivables to the SPE, in which it has retained a subordinated interest of $233 million and has provided limited credit enhancements. The retained interest portion is included in the commercial aircraft interim financing portfolio. In connection with this transaction, BC provides administrative services to the SPE in return for a market fee. A permanent financing facility is expected to replace this 364-day facility before its maturity.

In connection with the sale of commercial aircraft, a government agency has provided customers with $515 million of interim financing expiring at various dates up to July 31, 2006. This financing funded a percentage of the sale price of the aircraft. The balance of the sale price has been financed by either BC or Bombardier through subordinated loans. The portion funded by BC amounting to $146 million is included in BC's commercial aircraft interim financing portfolio and the portion funded by Bombardier amounting to $73 million is included in "Other assets". The Corporation has also provided additional limited credit enhancements to the government agency in connection with certain of these transactions. Permanent financing facilities are expected to replace these interim financing arrangements before their maturity.

Bombardier has committed to provide permanent financing to these customers in the event that alternative permanent financing cannot be obtained from third parties. The above interim financings are included in the $5.0-billion financing commitments referred to in note 16 d) to the interim consolidated financial statements.

EFFECT OF CURRENCY FLUCTUATIONS

The Corporation is subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of the self-sustaining foreign operations using a functional currency other than the U.S. dollar, mainly the euro and the sterling pound, and from transactions in foreign currencies, mainly the Canadian dollar and the sterling pound.

The period-end exchange rates used to translate assets and liabilities were as follows as at:

	July 31, 2005	January 31, 2005	Increase (decrease)
Euro	**1.2128**	1.3051	(7)%
Canadian dollar	**0.8157**	0.8078	1 %
Sterling pound	**1.7593**	1.8837	(7)%

The average exchange rates used to translate revenues and expenses were as follows for the three-month periods ended July 31:

	2005	2004	Increase
Euro	**1.2322**	1.2134	2%
Canadian dollar	**0.8057**	0.7384	9%
Sterling pound	**1.8137**	1.8189	-

The average exchange rates used to translate revenues and expenses were as follows for the six-month periods ended July 31:

	2005	2004	Increase
Euro	**1.2693**	1.2214	4%
Canadian dollar	**0.8094**	0.7442	9%
Sterling pound	**1.8554**	1.8241	2%

SHARE DATA

The following table provides authorized and issued share data as at July 31, 2005.

	Authorized	**Issued**
Class A Shares (Multiple Voting)[1]	1,892,000,000	319,470,212
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,430,996,756
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	2,597,907
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	9,402,093
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) 10 votes each, convertible at the option of the holder into one Class B Share (Subordinate Voting).
(2) Convertible at the option of the holder into one Class A Share (Multiple Voting) under certain conditions.

The following table provides share option data as at July 31, 2005.

Options issued and outstanding under share option plans	56,740,790

SELECTED QUARTERLY INFORMATION

The following table provides selected quarterly information for the last eight quarters.

	2006					2005		2004
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter
Revenues	**$ 3,678**	$ 3,801	$ 4,765	$ 3,607	$ 3,847	$ 3,497	$ 4,849	$ 3,465
Income (loss) from continuing operations, net of tax	**10**	48	48	3	18	(182)	(426)	115
Income from discontinued operations – net of tax	**107**	7	8	7	5	8	86	18
Net income (loss)	**$ 117**	$ 55	$ 56	$ 10	$ 23	$ (174)	$ (340)	$ 133
Earnings (loss) per share:								
Basic and diluted:								
From continuing operations	**$ -**	$ 0.02	$ 0.02	$ -	$ 0.01	$ (0.11)	$ (0.25)	$ 0.06
Net income (loss)	**$ 0.06**	$ 0.03	$ 0.03	$ -	$ 0.01	$ (0.10)	$ (0.20)	$ 0.07

August 23, 2005

Additional information relating to Bombardier can be found on SEDAR at www.sedar.com or on Bombardier's website at www.bombardier.com.

Bombardier Inc., 800 René-Lévesque Blvd. West, Montréal, Québec, Canada H3B 1Y8
Telephone: +1(514) 861-9481; Fax: +1(514) 861-2420; Website: www.bombardier.com

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BOMBARDIER INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in millions of U.S. dollars, except number of shares)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**July 31, 2005**	January 31, 2005	**July 31, 2005**	January 31, 2005	**July 31, 2005**	January 31, 2005
Assets							
Cash and cash equivalents		**$ 2,306**	$ 2,345	**$ 2,263**	$ 2,291	**$ 43**	$ 54
Receivables		**1,781**	1,604	**1,686**	1,505	**95**	99
Finance receivables	2	**1,293**	1,386	**-**	-	**1,293**	1,386
Assets under operating leases and other	3	**529**	474	**319**	249	**210**	225
Inventories	4	**4,128**	4,013	**4,128**	4,013	**-**	-
Property, plant and equipment		**3,195**	3,412	**3,126**	3,322	**69**	90
Goodwill		**2,209**	2,357	**2,209**	2,357	**-**	-
Deferred income taxes		**527**	628	**422**	443	**105**	185
Investment in BC / Advances to Bombardier		**-**	-	**550**	439	**944**	71
Accrued benefit assets		**356**	353	**356**	353	**-**	-
Assets held for sale	5	**-**	2,230	**-**	-	**-**	2,230
Other assets	6	**1,415**	1,278	**1,280**	914	**135**	364
		$ 17,739	$ 20,080	**$ 16,339**	$ 15,886	**$ 2,894**	$ 4,704
Liabilities							
Advances from BC		**$ -**	$ -	**$ 944**	$ 71	**$ -**	$ -
Accounts payable and accrued liabilities	8	**7,109**	7,207	**6,977**	7,098	**132**	109
Advances and progress billings							
in excess of related costs	4	**2,169**	2,359	**2,169**	2,359	**-**	-
Deferred income taxes		**39**	41	**35**	37	**4**	4
Long-term debt	9	**5,173**	5,716	**2,967**	3,128	**2,206**	2,588
Accrued benefit liabilities		**868**	897	**866**	895	**2**	2
Liabilities related to							
assets held for sale	5	**-**	1,562	**-**	-	**-**	1,562
		15,358	17,782	**13,958**	13,588	**2,344**	4,265
Shareholders' equity (Investment in BC)							
Preferred shares							
Issued and outstanding:							
Series 2: 2,597,907		**51**	51	**51**	51	**-**	-
Series 3: 9,402,093		**148**	148	**148**	148	**-**	-
Series 4: 9,400,000		**148**	148	**148**	148	**-**	-
Common shares							
Issued and outstanding:							
Class A: 319,470,212							
(342,000,010 as at January 31, 2005)		**29**	31	**29**	31	**-**	-
Class B: 1,430,996,756							
(1,408,466,958 as at January 31, 2005)		**1,413**	1,411	**1,413**	1,411	**-**	-
Contributed surplus		**18**	13	**18**	13	**-**	-
Retained earnings		**461**	301	**461**	301	**-**	-
Cumulative translation adjustment		**113**	195	**113**	195	**-**	-
Investment in BC		**-**	-	**-**	-	**550**	439
		2,381	2,298	**2,381**	2,298	**550**	439
		$ 17,739	$ 20,080	**$ 16,339**	$ 15,886	**$ 2,894**	$ 4,704
Commitments and contingencies	16						

The accompanying notes are an integral part of these interim consolidated financial statements and provide information on the financial statement presentation.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
For the three months ended July 31
(in millions of U.S. dollars, except per share amounts)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2005**	2004	**2005**	2004	**2005**	2004
Revenues							
Manufacturing		**$ 2,623**	$ 2,795	**$ 2,623**	$ 2,795	**$ -**	$ -
Services		**600**	590	**600**	590	**-**	-
Financing		**48**	52	**-**	-	**57**	62
Other		**407**	410	**407**	410	**-**	-
		3,678	3,847	**3,630**	3,795	**57**	62
Cost of sales		**3,174**	3,382	**3,141**	3,351	**38**	34
Selling, general and administrative		**215**	215	**207**	204	**8**	11
Amortization		**129**	137	**123**	123	**6**	14
Research and development		**51**	32	**51**	32	**-**	-
Special items	11	**34**	5	**34**	5	**-**	-
Income from BC		**-**	-	**(4)**	(1)	**-**	-
		3,603	3,771	**3,552**	3,714	**52**	59
Income from continuing operations before interest expense, net and income taxes		**75**	76	**78**	81	**5**	3
Interest expense, net	12	**50**	39	**54**	46	**-**	-
Income from continuing operations before income taxes		**25**	37	**24**	35	**5**	3
Income taxes		**15**	19	**14**	17	**1**	2
Income from continuing operations		**10**	18	**10**	18	**4**	1
Income from discontinued operations, net of tax	5	**107**	5	**107**	5	**107**	5
Net income		**$ 117**	$ 23	**$ 117**	$ 23	**$ 111**	$ 6

Earnings per share:	13		
Basic and diluted			
From continuing operations		**$ -**	$ 0.01
Net income		**$ 0.06**	$ 0.01

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BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
For the six months ended July 31
(in millions of U.S. dollars, except per share amounts)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2005**	2004	**2005**	2004	**2005**	2004
Revenues							
Manufacturing		**$ 5,422**	$ 5,290	**$ 5,422**	$ 5,290	**$ -**	$ -
Services		**1,224**	1,172	**1,224**	1,172	**-**	-
Financing		**94**	105	**-**	-	**114**	124
Other		**739**	777	**739**	777	**-**	-
		7,479	7,344	**7,385**	7,239	**114**	124
Cost of sales		**6,490**	6,589	**6,427**	6,527	**79**	69
Selling, general and administrative		**433**	429	**413**	404	**20**	25
Amortization		**262**	282	**250**	252	**12**	30
Research and development		**91**	59	**91**	59	**-**	-
Special items	11	**26**	91	**26**	91	**-**	-
Loss (income) from BC		**-**	-	**(3)**	1	**-**	-
		7,302	7,450	**7,204**	7,334	**111**	124
Income (loss) from continuing operations before interest expense, net and income taxes		**177**	(106)	**181**	(95)	**3**	-
Interest expense, net	12	**96**	79	**100**	91	**-**	-
Income (loss) from continuing operations before income taxes		**81**	(185)	**81**	(186)	**3**	-
Income tax expense (recovery)		**23**	(21)	**23**	(22)	**-**	1
Income (loss) from continuing operations		**58**	(164)	**58**	(164)	**3**	(1)
Income from discontinued operations, net of tax	5	**114**	13	**114**	13	**114**	13
Net income (loss)		**$ 172**	$ (151)	**$ 172**	$ (151)	**$ 117**	$ 12

Earnings (loss) per share:	13		
Basic and diluted			
From continuing operations		**$ 0.03**	$ (0.10)
Net income (loss)		**$ 0.09**	$ (0.09)

The accompanying notes are an integral part of these interim consolidated financial statements and provide information on the financial statement presentation.

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

For the six months ended July 31

(in millions of U.S. dollars)

	Bombardier Inc. consolidated	
	2005	2004
Balance at beginning of period	**$ 301**	$ 532
Net income (loss)	**172**	(151)
Dividends:		
Preferred shares	**(12)**	(11)
Common shares	**-**	(60)
Balance at end of period	**$ 461**	$ 310

The accompanying notes are an integral part of these interim consolidated financial statements and provide information on the financial statement presentation.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the three months ended July 31
(in millions of U.S. dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2005**	2004	**2005**	2004	**2005**	2004
Operating activities							
Net income		**$ 117**	$ 23	**$ 117**	$ 23	**$ 111**	$ 6
Non-cash items:							
Amortization		**129**	137	**123**	123	**6**	14
Income from BC		**-**	-	**(111)**	(6)	**-**	-
Provision for credit losses		**4**	7	**-**	-	**4**	7
Deferred income taxes		**(15)**	23	**(19)**	20	**4**	3
Loss (gain) on disposals of property, plant and equipment		**-**	-	**2**	-	**(2)**	-
Stock-based compensation		**3**	1	**3**	1	**-**	-
Special items	11	**34**	5	**34**	5	**-**	-
Net gain on disposal of discontinued operations (after tax)	5	**(103)**	-	**-**	-	**(103)**	-
Net changes in non-cash balances related to operations	14	**(530)**	58	**(544)**	(69)	**-**	(46)
Cash flows from operating activities		**(361)**	254	**(395)**	97	**20**	(16)
Investing activities							
Additions to property, plant and equipment		**(74)**	(50)	**(73)**	(50)	**(1)**	-
Disposals of property, plant and equipment		**35**	3	**12**	3	**23**	-
Net variation in finance receivables		**125**	344	**-**	-	**130**	451
Additions to assets under operating leases - BC		**(3)**	(10)	**-**	-	**-**	(15)
Disposals of assets under operating leases - BC		**-**	15	**-**	-	**6**	86
Disposal of discontinued operations, net of cash disposed		**1,363**	(28)	**-**	(28)	**1,363**	-
Investment in BC / Advances to Bombardier		**-**	-	**857**	626	**(857)**	(626)
Other		**204**	271	**2**	(38)	**202**	309
Cash flows from investing activities		**1,650**	545	**798**	513	**866**	205
Financing activities							
Net variation in short-term borrowings		**(300)**	(165)	**-**	-	**(300)**	(165)
Proceeds from issuance of long-term debt		**1**	2	**1**	2	**-**	-
Repayments of long-term debt		**(652)**	(25)	**(67)**	(13)	**(585)**	(12)
Issuance of shares, net of related costs		**-**	1	**-**	1	**-**	-
Dividends paid		**(6)**	(65)	**(6)**	(65)	**-**	-
Cash flows from financing activities		**(957)**	(252)	**(72)**	(75)	**(885)**	(177)
Effect of exchange rate changes on cash and cash equivalents		**(169)**	(38)	**(168)**	(39)	**(1)**	1
Net increase in cash and cash equivalents		**163**	509	**163**	496	**-**	13
Cash and cash equivalents at beginning of period		**2,143**	1,732	**2,100**	1,699	**43**	33
Cash and cash equivalents at end of period [(1)]		**$ 2,306**	$ 2,241	**$ 2,263**	$ 2,195	**$ 43**	$ 46
[(1)] Included the following:							
Cash and cash equivalents related to:							
Continuing operations		**$ 2,306**	$ 2,208	**$ 2,263**	$ 2,195	**$ 43**	$ 13
Discontinued operations		**-**	33	**-**	-	**-**	33
		$ 2,306	$ 2,241	**$ 2,263**	$ 2,195	**$ 43**	$ 46
Supplemental information							
Cash paid for:							
Interest		**$ 139**	$ 120	**$ 45**	$ 31	**$ 98**	$ 96
Income taxes		**$ 12**	$ 4	**$ 11**	$ 2	**$ 1**	$ 2

The accompanying notes are an integral part of these interim consolidated financial statements and provide information on the financial statement presentation.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the six months ended July 31
(in millions of U.S. dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2005**	2004	**2005**	2004	**2005**	2004
Operating activities							
Net income (loss)		**$ 172**	$ (151)	**$ 172**	$ (151)	**$ 117**	$ 12
Non-cash items:							
Amortization		**262**	282	**250**	252	**12**	30
Income from BC		**-**	-	**(117)**	(12)	**-**	-
Provision for credit losses		**12**	18	**-**	-	**12**	18
Deferred income taxes		**-**	(23)	**(10)**	(28)	**10**	5
Loss (gain) on disposals of property, plant and equipment		**(1)**	-	**1**	-	**(2)**	-
Stock-based compensation		**5**	3	**5**	3	**-**	-
Special items	11	**26**	91	**26**	91	**-**	-
Net gain on disposal of discontinued operations (after tax)	5	**(103)**	-	**-**	-	**(103)**	-
Net changes in non-cash balances related to operations	14	**(819)**	(252)	**(881)**	(212)	**33**	23
Cash flows from operating activities		**(446)**	(32)	**(554)**	(57)	**79**	88
Investing activities							
Additions to property, plant and equipment		**(139)**	(114)	**(138)**	(113)	**(1)**	(1)
Disposals of property, plant and equipment		**37**	6	**14**	6	**23**	-
Net variation in finance receivables		**128**	339	**-**	-	**150**	137
Additions to assets under operating leases - BC		**(3)**	(17)	**-**	-	**(5)**	(28)
Disposals of assets under operating leases - BC		**2**	21	**-**	-	**11**	171
Disposal of discontinued operations, net of cash disposed		**1,363**	(28)	**-**	(28)	**1,363**	-
Investment in BC / Advances to Bombardier		**-**	-	**957**	644	**(957)**	(644)
Other		**194**	279	**(16)**	(45)	**210**	324
Cash flows from investing activities		**1,582**	486	**817**	464	**794**	(41)
Financing activities							
Net variation in short-term borrowings		**(300)**	-	**-**	-	**(300)**	-
Proceeds from issuance of long-term debt	9	**7**	761	**7**	761	**-**	-
Repayments of long-term debt		**(691)**	(38)	**(99)**	(26)	**(592)**	(12)
Issuance of shares, net of related costs		**-**	3	**-**	3	**-**	-
Dividends paid		**(12)**	(71)	**(12)**	(71)	**-**	-
Cash flows from financing activities		**(996)**	655	**(104)**	667	**(892)**	(12)
Effect of exchange rate changes on cash and cash equivalents		**(189)**	(89)	**(187)**	(89)	**(2)**	-
Net increase (decrease) in cash and cash equivalents		**(49)**	1,020	**(28)**	985	**(21)**	35
Cash and cash equivalents at beginning of period		**2,355**	1,221	**2,291**	1,210	**64**	11
Cash and cash equivalents at end of period [(1)]		**$ 2,306**	$ 2,241	**$ 2,263**	$ 2,195	**$ 43**	$ 46
[(1)] Included the following:							
Cash and cash equivalents related to:							
Continuing operations		**$ 2,306**	$ 2,208	**$ 2,263**	$ 2,195	**$ 43**	$ 13
Discontinued operations		**-**	33	**-**	-	**-**	33
		$ 2,306	$ 2,241	**$ 2,263**	$ 2,195	**$ 43**	$ 46
Supplemental information							
Cash paid for:							
Interest		**$ 228**	$ 223	**$ 106**	$ 90	**$ 126**	$ 145
Income taxes		**$ 23**	$ 10	**$ 20**	$ 4	**$ 3**	$ 6

The accompanying notes are an integral part of these interim consolidated financial statements and provide information on the financial statement presentation.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2005
(Unaudited)
(Tabular figures in millions of U.S. dollars, unless otherwise indicated)

Bombardier Inc. ("the Corporation") is incorporated under the laws of Canada. It is a manufacturer of transportation equipment, including business and regional aircraft and rail transportation equipment. It also provides financial services and asset management in business areas aligned with its core expertise.

Basis of presentation

Bombardier Inc. and its subsidiaries carry out their operations in three distinct segments, each one characterized by a specific operating cycle; therefore, the consolidated balance sheets are unclassified. Financial services and real estate activities, being distinct from Bombardier's other activities, are shown in a separate column, Bombardier Capital ("BC"), in the interim consolidated financial statements.

The following describes the columns shown in these interim consolidated financial statements.

Bombardier Inc. consolidated	**Bombardier**	**BC**
Represents all of the activities of the Corporation on a consolidated basis, after the elimination of balances and transactions between Bombardier and BC.	Represents the activities of the Corporation's two manufacturing segments (aerospace and transportation). Transactions and balances between these segments have been eliminated, whereas transactions and balances between Bombardier and BC have not been eliminated. Bombardier's investment in BC is accounted for under the equity method and comprises BC's equity and the subordinated debt of Bombardier in BC.	Represents the financial services and real estate activities of the Corporation. The inventory finance and on-balance sheet manufactured housing operations are reported as discontinued operations. Transactions and balances within BC have been eliminated, whereas transactions and balances between BC and Bombardier have not been eliminated.

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period, including the reclassification of inventory finance and on-balance sheet manufactured housing operations as discontinued operations (see note 5 – Discontinued operations and assets held for sale).

Basis of consolidation

The interim consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries, substantially all of which are wholly owned, as well as the accounts of variable interest entities ("VIEs") when the Corporation is the primary beneficiary. The interim consolidated financial statements also include the Corporation's proportionate share of its joint ventures.

Most legal entities of the transportation segment use a December-31 fiscal year end. As a result, the Corporation consolidates the operations of the transportation segment with the remainder of its operations with a one-month lag. To the extent that significant transactions or events occur during the one-month lag period, they are accounted for within the Corporation's interim consolidated financial statements.

Statements of cash flows reclassification

Effective the fourth quarter of fiscal year 2005, the Corporation changed the consolidated statements of cash flows classification of transactions between the manufacturing and BC segments, related to the financing of receivables and inventory. The effect of the change was to eliminate from the consolidated cash flows the effect of these transactions until cash is received from external customers. This change only impacted the Bombardier Inc. consolidated column and had no impact on the Bombardier and BC columns. These transactions remain presented as cash inflows from operating activities in the manufacturing segments and as a use of cash flows from investing activities in the BC segment when the transactions occur.

As a result of this change, consolidated cash flows from operating activities increased by $173 million and decreased by $63 million for the three- and six-month periods ended July 31, 2004, with a corresponding decrease and increase, respectively in consolidated cash flows from investing activities.

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to interim consolidated financial statements, and follow the same accounting policies and methods in their application as the most recent annual Consolidated Financial Statements. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim consolidated financial statements. Such adjustments are of a normal and recurring nature. The interim consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Corporation's annual report for fiscal year 2005.

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. Historically, Bombardier Aerospace has had higher aircraft deliveries during the fourth quarter compared to the first three quarters of the fiscal year, generating higher revenues and gross margin in this quarter. In addition, the Corporation generally invests in non-cash balances related to operations during the first three quarters of a fiscal year, mainly in the aerospace segment. This investment in non-cash balances related to operations is typically reduced in the fourth quarter.

2. FINANCE RECEIVABLES

BC's finance receivables were as follows as at:

	July 31, 2005	January 31, 2005
Commercial aircraft		
Interim financing	**$ 996**	$ 1,000
Long-term leasing	**65**	66
	1,061	1,066
Receivable financing[(1)]	**-**	59
	1,061	1,125
Wind-down portfolios[(2)]	**247**	274
	1,308	1,399
Allowance for credit losses	**(15)**	(13)
	$ 1,293	$ 1,386

(1) Represented financing provided to the acquirer of the Corporation's former recreational products segment, a related party. This financing agreement matured during the second quarter of fiscal year 2006 and was not renewed.
(2) Wind-down portfolios mainly include the business aircraft and consumer finance portfolios.

Financing with three airlines represents approximately 59% of the total commercial aircraft interim financing portfolio as at July 31, 2005 (four airlines representing approximately 79% as at January 31, 2005).

BC is also servicing finance receivables sold to third parties, mostly related to securitized manufactured housing loan portfolios, amounting to $934 million as at July 31, 2005 ($1,039 million as at January 31, 2005). BC records fee income in connection with the retained servicing rights.

3. ASSETS UNDER OPERATING LEASES AND OTHER

Assets under operating leases and other were as follows as at:

	July 31, 2005		January 31, 2005	
	Cost	Net book value	Cost	Net book value
BOMBARDIER				
Aircraft under the fractional ownership program	**$ 259**	**$ 252**	$ 145	$ 142
Pre-owned aircraft	**87**	**67**	129	107
	346	**319**	274	249
BC				
Continued portfolios	**242**	**148**	254	152
Wind-down portfolios	**102**	**62**	120	73
	344	**210**	374	225
	$ 690	**$ 529**	$ 648	$ 474

4. INVENTORIES

Bombardier's inventories were as follows as at:

	July 31, 2005	January 31, 2005
Long-term contracts	**$ 1,803**	$ 1,640
Aerospace programs	**1,525**	1,616
Finished products[(1)]	**800**	757
	$ 4,128	$ 4,013

(1) Finished products included four new aircraft, not associated with a firm order, amounting to $40 million and nine pre-owned aircraft, amounting to $55 million as at July 31, 2005 (three new aircraft, amounting to $39 million and 11 pre-owned aircraft, amounting to $56 million as at January 31, 2005).

Costs incurred and recorded margins related to long-term contracts and costs incurred related to ongoing aerospace programs amounted to $3,777 million and $2,139 million respectively as at July 31, 2005 ($4,089 million and $2,216 million respectively as at January 31, 2005).

Advances received and progress billings on long-term contracts and ongoing aerospace programs amounted to $3,811 million and $946 million respectively as at July 31, 2005 ($4,276 million and $1,132 million respectively as at January 31, 2005), of which $1,837 million and $332 million respectively represent a liability disclosed as advances and progress billings in excess of related costs as at July 31, 2005 ($1,827 million and $532 million respectively as at January 31, 2005).

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In April 2005, the Corporation entered into an agreement to sell BC's inventory finance operations to GE Commercial Finance ("GE"). On May 31, 2005, the Corporation completed the sale for cash proceeds of approximately $1.3 billion ($732 million after repayment by BC of its bank-sponsored securitized floorplan conduits not transferred to GE). The sale resulted in a pre-tax gain of $191 million ($121 million after tax).

GE assumed the future servicing obligations of BC under current public securitized floorplan facilities. A total of 280 employees have been transferred to GE.

On July 25, 2005, the Corporation completed the sale of its on-balance sheet manufactured housing operations to Vanderbilt Mortgage and Finance, Inc. for cash proceeds of $119 million which resulted in an after-tax loss of $18 million.

The assets and liabilities of BC's inventory finance operations and on-balance sheet manufactured housing operations were segregated in the consolidated balance sheet as at January 31, 2005, and have been reported as "Assets held for sale" and "Liabilities related to assets held for sale." In addition, the related results of operations have been segregated in the accompanying consolidated statements of income and reported as discontinued operations.

The assets held for sale and the related liabilities were as follows:

	July 31, 2005	January 31, 2005
Assets		
Cash and cash equivalents	**$ -**	$ 10
Receivables	**-**	18
Finance receivables	**-**	2,199
Property, plant and equipment	**-**	2
Other assets	**-**	1
	$ -	$ 2,230
Liabilities		
Accounts payable and accrued liabilities	**$ -**	$ 74
Short-term borrowings[1]	**-**	300
Long-term debt[1]	**-**	1,188
	$ -	$ 1,562

(1) Includes $588 million related to bank-sponsored securitized floorplan conduits, which were repaid with the proceeds from the sale.

The results of operations, including allocated interest expense, were as follows:

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2005	2004	**2005**	2004
Revenues	**$ 22**	$ 45	**$ 73**	$ 91
Cost of sales	**9**	30	**36**	54
Selling, general and administrative	**5**	8	**15**	17
	14	38	**51**	71
Income before income taxes	**8**	7	**22**	20
Income taxes	**4**	2	**11**	7
	4	5	**11**	13
Gain on sale of inventory finance operations – net of tax	**121**	-	**121**	-
Loss on sale of on-balance sheet manufactured housing operations – net of tax	**(18)**	-	**(18)**	-
Income from discontinued operations	**$ 107**	$ 5	**$ 114**	$ 13

6. OTHER ASSETS

Other assets were as follows as at:

	July 31, 2005	January 31, 2005
BOMBARDIER		
Loans and lease receivables[1]	**$ 669**	$ 316
Intangible assets, net of accumulated amortization of $74 million as at July 31, 2005 ($64 million as at January 31, 2005)	**174**	195
Prepaid expenses	**141**	129
Investments	**95**	99
Investment in companies subject to significant influence	**91**	73
Restricted cash[2]	**59**	64
Investment in preferred shares of BRP Inc.	**30**	30
Other	**21**	8
	1,280	914
BC	**135**	364
	$ 1,415	$ 1,278

(1) Includes $70 million of lease receivables of VIEs ($78 million as at January 31, 2005).
(2) Includes $58 million of restricted cash of VIEs ($61 million as at January 31, 2005).

7. SHORT-TERM BORROWINGS

Under banking syndicate agreements, Bombardier Inc. must maintain certain financial ratios on a quarterly basis, conditions that were met as at July 31, 2005, and January 31, 2005.

Bombardier

On June 30, 2005, the Corporation entered into a new $1.1-billion North American syndicated credit facility to refinance its existing $1.7-billion Cdn credit facility scheduled to mature in September 2005. The new facility is unsecured and matures in July 2007.

Bombardier did not renew the 364-day portion of its European syndicated credit facility, amounting to €492 million, as the lower remaining credit facilities are consistent with its expected future requirements.

Bombardier's credit facilities and their maturities were as follows as at July 31, 2005:

	Amounts committed	Amounts drawn	Letters of credit drawn	Amounts available	Maturity (fiscal year)
European	**$ 3,820**	**$ -**	**$ 3,157**	**$ 663**	**2008**
North American	**1,100**	**-**	**801**	**299**	**2008**
European letters of credit	**352**	**n/a**	**308**	**44**	**2008-2009**
	$ 5,272	**$ -**	**$ 4,266**	**$ 1,006**	

n/a: not applicable.

Bombardier's credit facilities and their maturities were as follows as at January 31, 2005:

	Amounts committed	Amounts drawn	Letters of credit drawn	Amounts available	Maturity (fiscal year)
European	$ 4,753	$ -	$ 3,103	$ 1,650	2006-2008
North American	1,388	-	1,128	260	2006
European letters of credit	378	n/a	89	289	2008-2009
	$ 6,519	$ -	$ 4,320	$ 2,199	

n/a: not applicable.

In addition to the letters of credit drawn shown in the above tables, Bombardier had bilateral facilities of $184 million as at July 31, 2005 ($287 million as at January 31, 2005).

BC

BC did not renew its sole credit facility of $600-million, which matured in June 2005, consistent with BC's expected future liquidity requirements.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at:

	July 31, 2005	January 31, 2005
BOMBARDIER		
Trade accounts payable	**$ 1,978**	$ 2,075
Sales incentives[1]	**1,317**	1,190
Accrued liabilities	**1,041**	1,277
Product warranties	**1,003**	1,055
Payroll related liabilities	**341**	334
Deferred revenue – fractional ownership program	**258**	163
Income and other taxes	**182**	120
Severance and other involuntary termination costs	**166**	229
Interest	**46**	73
Other	**645**	582
	6,977	7,098
BC	**132**	109
	$ 7,109	$ 7,207

(1) Comprised of provisions for credit and residual value guarantees and for trade-in options as well as other related provisions and liabilities in connection with the sale of aircraft.

Severance and other involuntary termination costs

In November 2004, Bombardier Aerospace began a workforce reduction program due to a realignment of the production rate of the *CRJ Series* aircraft in order to meet market demand. This program contemplated a reduction of 2,000 employees at facilities in Belfast and Montréal.

In response to the continued weakness in demand for the 50-passenger regional jets, the production rate of the 50-passenger *CRJ200* aircraft will be further adjusted to 18 aircraft per year, effective at the beginning of next fiscal year.

As a result of the positive effect of the ramp-up in production of business aircraft and the reduction of the production rate, the employee workforce reduction, initially estimated at 2,000 employees, is now anticipated to be 1,135 employees, of which 475 employees were terminated as at July 31, 2005. The additional 660 employees will be laid off from Bombardier's Montréal-area facilities and Belfast site over a 10-month period starting in September 2005.

A workforce reduction charge of $19 million was recorded in fiscal year 2005 (nil recorded in fiscal year 2006). The net effect of the above events will not give rise to additional charges.

Changes in the provision for severance and other involuntary termination costs and other costs were as follows for the three- and six-month periods ended July 31, 2005 and 2004:

	Severance and other involuntary termination costs	Other	Total
Balance as at January 31, 2005	**$ 229**	**$ 7**	**$ 236**
Current expense (income)[1]	**8**	**(15)**	**(7)**
Cash received (paid)	**(37)**	**26**	**(11)**
Effect of foreign currency exchange rate changes	**(2)**	**-**	**(2)**
Balance as at April 30, 2005	**198**	**18**	**216**
Current expense[2]	**7**	**33**	**40**
Changes in estimates[2]	**(8)**	**-**	**(8)**
Cash paid	**(21)**	**(23)**	**(44)**
Effect of foreign currency exchange rate changes	**(10)**	**-**	**(10)**
Balance as at July 31, 2005	**$ 166**	**$ 28**	**$ 194**

(1) Of which an income of $8 million is related to the transportation segment and recorded in special items (see note 11 – Special items).
(2) Of which a charge of $34 million is related to the transportation segment and recorded in special items (see note 11 – Special items).

	Severance and other involuntary termination costs	Other	Total
Balance as at January 31, 2004	$ 179	$ 37	$ 216
Current expense	53	33	86
Cash paid	(20)	(1)	(21)
Effect of foreign currency exchange rate changes	(5)	(2)	(7)
Balance as at April 30, 2004	207	67	274
Current expense	-	5	5
Non-cash item	-	(23)	(23)
Cash paid	(30)	-	(30)
Effect of foreign currency exchange rate changes	(2)	1	(1)
Balance as at July 31, 2004	$ 175	$ 50	$ 225

9. LONG-TERM DEBT

Bombardier's long-term debt includes $187 million of long-term debt related to consolidated VIEs as at July 31, 2005 ($246 million as at January 31, 2005), all of which relates to structures existing prior to May 1, 2004. This decrease relates mainly to normal course debt repayments made in the current fiscal year.

In May 2005, BC repaid at maturity medium-term notes, amounting to $300 million.

In April 2004, the Corporation issued $500 million of notes bearing interest at 6.3% due in 2014, and $250 million of notes bearing interest at 7.45% due in 2034.

10. SHARE-BASED PLANS

The number of stock options granted to purchase Class B Shares (Subordinate Voting) and the related weighted-average grant date fair value were as follows:

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2005	2004	**2005**	2004
Number of stock options granted	**6,944,000**	14,385,000	**6,974,000**	14,767,520
Weighted-average grant date fair value	**$ 0.80**	$ 1.05	**$ 0.80**	$ 1.08

The fair value of each option granted was determined using an option pricing model and the following weighted-average assumptions:

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2005	2004	**2005**	2004
Risk-free interest rate	**3.35%**	4.20%	**3.35%**	4.18%
Expected life (in years)	**5**	5	**5**	5
Expected volatility in the market price of the shares	**50.06%**	49.10%	**50.06%**	49.10%
Expected dividend yield	**1.20%**	1.20%	**1.20%**	1.20%

There were 56,740,790 and 53,462,540 stock options issued and outstanding as at July 31, 2005, and January 31, 2005, respectively. The Corporation issued no Class B Shares (Subordinate Voting) during the three- and six-month periods ended July 31, 2005, following the exercise of stock options (248,250 and 882,050 Class B Shares (Subordinate Voting) were issued for the same periods last fiscal year).

Pro forma disclosure of fair value of stock options
All awards granted or modified prior to February 1, 2003, are accounted for as capital transactions. No compensation expense is recorded in the consolidated statements of income for these awards.

The impact on net income (loss) and earnings (loss) per share is not significant if the stock options granted in fiscal year 2003 would have been accounted for based on the fair value method.

11. SPECIAL ITEMS

The special items were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Transportation				
Severance and other involuntary termination costs	**$ 1**	$ -	**$ 8**	$ 53
Other[1]	**33**	5	**18**	38
	34	5	**26**	91
Income tax recovery	**(2)**	-	**(7)**	(5)
	$ 32	$ 5	**$ 19**	$ 86

[1] Comprised of lease termination and environmental costs, as well as other costs, partially offset by non-taxable gains on the sale of land and buildings, amounting to $27 million for the six-month period ended July 31, 2005.

The special items relate to restructuring activities to reduce the cost structure of the transportation segment. The restructuring plan contemplates workforce reductions of 7,600 positions, net of new hires, of which 7,300 are permanent positions, as well as site closures. Approximately 5,100 positions, net of new hires, including contractual employees, have been eliminated as at July 31, 2005.

The total cost of the restructuring is estimated at $615 million, $547 million of which was recorded as at July 31, 2005. The remainder will be mostly recorded in the second half of fiscal year 2006.

12. INTEREST EXPENSE, NET

Bombardier's interest expense, net was as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Long-term debt	**$ 46**	$ 36	**$ 92**	$ 69
Accretion expense on sales incentives	**9**	10	**17**	19
Interest expense with BC	**4**	7	**4**	12
Interest income	**(9)**	(11)	**(19)**	(15)
Other	**4**	4	**6**	6
	54	46	**100**	91
Intersegment elimination	**(4)**	(7)	**(4)**	(12)
	$ 50	$ 39	**$ 96**	$ 79

BC's interest expense, net, amounting to $16 million and $40 million for the three- and six-month periods ended July 31, 2005 ($15 million and $33 million for the same periods last fiscal year), is classified as cost of sales.

13. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
Income (loss) from continuing operations	**$ 10**	$ 18	**$ 58**	$ (164)
Preferred share dividends, net of tax	**(6)**	(5)	**(12)**	(11)
Income (loss) from continuing operations available to common shareholders	**4**	13	**46**	(175)
Income from discontinued operations, net of tax	**107**	5	**114**	13
Net income (loss) available to common shareholders	**$ 111**	$ 18	**$ 160**	$ (162)

Weighted-average number of common shares outstanding (in thousands)	**1,750,467**	1,750,343	**1,750,467**	1,750,117
Net effect of stock options (in thousands)	**-**	636	**-**	1,041
Weighted-average diluted number of common shares outstanding (in thousands)	**1,750,467**	1,750,979	**1,750,467**	1,751,158
Basic and diluted earnings (loss) per share:				
From continuing operations	**$ -**	$ 0.01	**$ 0.03**	$ (0.10)
From discontinued operations	**0.06**	-	**0.07**	0.01
	$ 0.06	$ 0.01	**$ 0.09**	$ (0.09)

For the three- and six-month periods ended July 31, 2005, 56,740,790 stock options and for the three- and six-month periods ended July 31, 2004, 47,574,165 and 46,214,728 stock options respectively, were excluded from the calculation of diluted earnings per share, since the average market value of the underlying shares was less than the exercise price or the predetermined target market price thresholds of the Corporation's Class B Shares (Subordinate Voting) for the respective periods.

For the six-month period ended July 31, 2004, the effect of stock options potentially exercisable on earnings per common share from continuing operations was anti-dilutive; therefore, basic and diluted loss per share from continuing operations are the same.

14. NET CHANGES IN NON-CASH BALANCES RELATED TO OPERATIONS

Net changes in non-cash balances related to operations were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2005	2004	**2005**	2004
BOMBARDIER				
Receivables	**$ (192)**	$ (134)	**$ (217)**	$ (37)
Assets under operating leases and other	**(23)**	(51)	**(49)**	(85)
Inventories	**25**	(20)	**(151)**	208
Accounts payable and accrued liabilities	**(13)**	183	**23**	77
Advances and progress billings in excess of related costs	**(74)**	(16)	**(101)**	(209)
Accrued benefit liabilities, net	**(1)**	25	**5**	(114)
Other (mainly "Other assets")	**(266)**	(56)	**(391)**	(52)
	(544)	(69)	**(881)**	(212)
BC				
Receivables	**-**	5	**6**	41
Accounts payable and accrued liabilities	**-**	(39)	**10**	(21)
Other	**-**	(12)	**17**	3
	-	(46)	**33**	23
	(544)	(115)	**(848)**	(189)
Intersegment elimination	**14**	173	**29**	(63)
	$ (530)	$ 58	**$ (819)**	$ (252)

15. EMPLOYEE FUTURE BENEFITS

The components of the benefit cost were as follows for the three-month periods ended July 31:

			2005				2004
		Pension benefits		**Other benefits**		Pension benefits		Other benefits
Current service cost	**$**	**42**	**$**	**2**	$	39	$	2
Interest cost		**71**		**5**		68		5
Expected return on plan assets		**(60)**		**-**		(56)		-
Amortization of past service costs		**2**		**-**		1		-
Amortization of actuarial loss		**18**		**4**		17		2
Curtailment loss		**1**		**-**		-		-
	$	**74**	**$**	**11**	$	69	$	9

The components of the benefit cost were as follows for the six-month periods ended July 31:

				2005				2004
		Pension benefits		**Other benefits**		Pension benefits		Other benefits
Current service cost	**$**	**84**	**$**	**5**	$	78	$	5
Interest cost		**144**		**10**		136		9
Expected return on plan assets		**(120)**		**-**		(113)		-
Amortization of past service costs		**3**		**-**		2		-
Amortization of actuarial loss		**37**		**7**		35		4
Curtailment loss (gain)		**1**		**(1)**		-		-
	$	**149**	**$**	**21**	$	138	$	18

16. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies described elsewhere in these interim consolidated financial statements, the Corporation is subject to other off-balance sheet risks. The table below presents the maximum potential exposure for each major group of exposure. The maximum potential exposure does not reflect payments expected to be made by the Corporation.

				July 31, 2005				January 31, 2005
		Maximum potential exposure		**Provisions and liabilities(1)**		Maximum potential exposure		Provisions and liabilities(1)
Aircraft sales								
Credit (a)	**$**	**1,219**			$	1,074		
Residual value (a)		**2,564**				2,481		
Mutually exclusive exposure(2)		**(878)**				(811)		
Total credit and residual value exposure	**$**	**2,905**	**$**	**878**	$	2,744	$	817
Trade-in options (b)		**1,359**		**20**		1,470		24
Fractional ownership put options (c)		**4**		**1**		21		5
Other(3)								
Credit and residual value (e)		**171**		**-**		181		-
Repurchase obligations (f)		**163**		**62**		175		61
Performance guarantees (g)		**982**		**-**		1,031		-

(1) Included in accounts payables and accrued liabilities.
(2) Some of the residual value guarantees can only be exercised once the credit guarantees have expired without exercise and, therefore, the exposure under these guarantees must not be added together to calculate the combined maximum exposure for the Corporation.
(3) In addition, the Corporation has also provided other guarantees (see section h).

The Corporation's maximum exposure in connection with credit and residual value guarantees related to sale of aircraft represents the face value of the guarantees before giving effect to the net benefit expected from the estimated value of the aircraft and other assets available to mitigate the Corporation's exposure under these guarantees. The provisions for anticipated losses have been established to cover the risks from these guarantees after considering the effect of the estimated resale value of the aircraft, which is based on independent third party evaluations, the anticipated proceeds from other assets covering such exposures, as well as liabilities available to mitigate the exposures. The anticipated proceeds from the collaterals are expected to cover the Corporation's total credit and residual value exposure, after taking into account the provisions and liabilities.

Aircraft sales

a) ***Credit guarantees and residual value guarantees*** – Bombardier provides credit guarantees in the form of lease and loan payments guarantees, as well as services related to the remarketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to 2025. Substantially all financial support involving potential credit risk lies with commercial airline customers. The credit risk relating to three commercial airline customers accounted for 58% of the total maximum credit risk as at July 31, 2005. In most circumstances, a claim under a credit guarantee may be made only upon sale of the underlying aircraft to a third party.

In addition, Bombardier provides guarantees for the residual value of aircraft at the expiry date of certain financing and lease agreements. The guarantee provides for a contractually limited payment to the guaranteed party, which is typically a percentage of the first loss from a guaranteed value. In most circumstances, a claim under a residual value guarantee may be made only upon resale of the underlying aircraft to a third party.

The following table summarizes the outstanding residual value guarantees as at July 31, 2005, and the period in which they can be exercised:

Less than 1 year	$	32
From 1 to 5 years		124
From 6 to 10 years		584
From 11 to 15 years		976
Thereafter		848
	$	2,564

b) ***Trade-in options*** – In connection with the sale of new aircraft, the Corporation provides, from time to time, trade-in options to customers. These options allow customers to trade in their pre-owned aircraft at a predetermined amount and during a predetermined period, conditional upon the purchase of a new aircraft.

The Corporation's commitment to purchase pre-owned aircraft, as at the earliest exercise date, was as follows as at July 31, 2005:

Less than 1 year	$	964
From 1 to 3 years		138
From 4 to 5 years		222
Thereafter		35
	$	1,359

The Corporation reviews its trade-in aircraft purchase commitments relative to the aircraft's anticipated fair value and records anticipated losses as a charge to income. Fair value is determined using both internal and external aircraft valuations, including information from the sale of similar aircraft in the secondary market. Provisions relating to anticipated losses on trade-in options amounted to $16 million as at July 31, 2005 ($18 million as at January 31, 2005). These provisions were based on the likelihood that these options will be exercised. In addition, a provision related to trade-in commitments in connection with firm orders for new aircraft amounted to $4 million as at July 31, 2005 ($6 million as at January 31, 2005).

c) ***Fractional ownership put options*** – Under the North American *Flexjet* fractional ownership program, certain customers can trade in their fractional shares of aircraft at predetermined amounts for fractional shares of a larger model at predetermined amounts. The total commitment to repurchase fractional shares of aircraft, in exchange for fractional shares of a larger model, was $4 million as at July 31, 2005 ($21 million as at January 31, 2005). Provisions relating to anticipated losses based on the likelihood that these options will be exercised amounted to $1 million as at July 31, 2005 ($5 million as at January 31, 2005).

In addition, the Corporation provides customers with an option to sell back their fractional shares of the aircraft at estimated fair value within a predetermined period from the date of purchase. As at July 31, 2005, the

Corporation's commitment to repurchase fractional shares of aircraft based on estimated current fair values totalled $547 million ($527 million as at January 31, 2005). Since the purchase price is established at the estimated fair value of the fractional shares at the time the option is exercised, the Corporation is not exposed to off-balance sheet risk in connection with these options.

d) ***Financing commitments*** – The Corporation has committed to provide financing in relation to sale of aircraft, which, net of third-party financing already arranged, amounted to $5.0 billion as at July 31, 2005 ($4.6 billion as at January 31, 2005). These commitments are related to aircraft in interim financing and to aircraft on firm order scheduled for delivery through fiscal year 2010 and have scheduled expiration dates. The Corporation mitigates its exposure to interest and credit risks by including terms and conditions in the financing agreements that guaranteed parties must satisfy prior to benefiting from the Corporation's commitment.

Other guarantees

e) ***Credit and residual value guarantees*** – In connection with the sale of certain transportation rail equipment, Bombardier has provided a credit guarantee of lease payment amounting to $47 million as at July 31, 2005, ($45 million as at January 31, 2005). This guarantee matures in fiscal year 2020 and relates to one customer. In addition, at the expiry date of certain financing and other agreements, the Corporation provides residual value guarantees amounting to $124 million as at July 31, 2005 ($136 million as at January 31, 2005), mostly in the transportation segment. These guarantees are mainly exercisable in fiscal year 2014.

f) ***Repurchase obligations*** – The Corporation has provided certain financing providers in the transportation segment, the right, under certain conditions, to sell back equipment to the Corporation at predetermined prices. An amount of $163 million as at July 31, 2005 ($175 million as at January 31, 2005), relates to two agreements whereby the Corporation may be required, beginning in fiscal year 2009, upon customer default on payments to the financing providers, to repurchase the equipment. In addition, on three separate dates, beginning in fiscal year 2009, the Corporation may also be required to repurchase the equipment. In connection with this commitment, funds have been deposited in a cash collateral account by the customer, which, together with accumulated interest, are expected to entirely cover the Corporation's exposure. A provision for repurchase obligations amounting to $62 million is included in accounts payable and accrued liabilities as at July 31, 2005 ($61 million as at January 31, 2005).

g) ***Performance guarantees*** – In certain projects carried out through consortia or other partnership vehicles in the transportation segment, all partners are jointly and severally liable to the customer. In the normal course of business under such joint and several obligations, or under performance guarantees that may be issued in relation thereto, each partner is generally liable to the customer for a default by the other partner. These projects normally provide counter indemnities among the partners. These obligations and guarantees typically extend until final product acceptance by the customer. The Corporation's maximum exposure to projects for which the exposure of the Corporation is capped amounted to approximately $224 million as at July 31, 2005 ($228 million as at January 31, 2005). For projects for which the exposure of the Corporation is not capped, such exposure has been determined in relation to the Corporation's partners' share of the total contract value. Under this methodology, the Corporation's exposure would amount to approximately $758 million as at July 31, 2005 ($803 million as at January 31, 2005). Such joint and several obligations and guarantees have been rarely called upon in the past, and no significant liability has been recognized in the interim consolidated financial statements in connection with these obligations and guarantees.

h) ***Other*** – In the normal course of business, the Corporation has entered into agreements that include indemnities in favour of third parties, mostly tax indemnities. These agreements generally do not contain specified limits on the Corporation's liability and therefore, it is not possible to estimate the Corporation's maximum liability under these indemnities.

Sale and leaseback

BC and Bombardier concluded third-party sale and leaseback transactions mostly relating to freight cars and pre-owned aircraft. The freight cars are in most instances simultaneously leased to operators. Residual value guarantees, mainly related to pre-owned aircraft, amounted to $97 million as at July 31, 2005 and January 31, 2005.

Operating leases

The Corporation leases buildings and equipment and assumes aircraft operating lease obligations on the sale of new aircraft. The related residual value guarantees totalled $79 million as at July 31, 2005 ($80 million as at January 31, 2005).

Litigations

On February 7, 2005, the Teamsters Local 445 Freight Division Pension Fund filed a class action complaint in the U.S. district court of the Southern District of New York against the Corporation, Bombardier Capital Inc., Bombardier Capital Mortgage Securitization Corporation ("BCMSC") and others for alleged violations of federal securities laws relating to BCMSC's Senior/Subordinated Pass-Through Certificates, Series 2000-A due January 15, 2030. On April 15, 2005, the plaintiffs filed an amended complaint, such amendments include the inclusion of all open market purchasers of BCMSC's Senior/Subordinated Pass-Through Certificates, Series 1998-A, Series 1998-B, Series 1998-C, Series 1999-A, Series 1999-B, Series 2000-A and Series 2000-B as part of the putative class. The Corporation believes this complaint is without merit and will vigorously defend its position.

The Corporation is a defendant in certain legal cases currently pending before various courts in relation to product liability and contract disputes with customers and other third parties. The Corporation intends to vigorously defend its position in these matters.

Management believes the Corporation has set up adequate provisions to cover potential losses and amounts not recoverable under insurance coverage, if any, in relation to these legal actions.

17. VARIABLE INTEREST ENTITIES

During the six-month period ended July 31, 2005, the Corporation did not enter into any arrangements with VIEs, other than those relating to financing structures for the sale of regional aircraft. The assets and liabilities of these additional VIEs amounted to $207 million and $114 million as at July 31, 2005. Management has determined that the Corporation is not the primary beneficiary for these structures and therefore consolidation of these VIEs is not required.

18. SEGMENT DISCLOSURE

The Corporation operates in the three reportable segments described below. Each reportable segment offers different products and services and requires different technology and marketing strategies.

Bombardier Aerospace	Bombardier Transportation	Bombardier Capital
Bombardier Aerospace is a manufacturer of business, regional and amphibious aircraft and a provider of related services. It offers comprehensive families of regional jet and turboprop commercial aircraft and a wide range of business jets. It also provides the *Flexjet* fractional ownership and hourly flight time entitlement programs, parts logistics, technical services, aircraft maintenance and pilot training. Bombardier Aerospace's main manufacturing facilities are located in Canada, the U.K., and the U.S.A.	Bombardier Transportation is the global leader in the rail equipment manufacturing and servicing industry and offers a full range of passenger railcars, including locomotives, light rail vehicles and automated people movers. It also provides electrical propulsion and control equipment, as well as complete rail transportation systems and rail control solutions. Transportation is also a provider of maintenance services. Bombardier Transportation's main manufacturing facilities are located in Germany, the U.K., France, Canada and the U.S.A.	BC offers interim financing of commercial aircraft, primarily in North American markets, and manages the wind-down of various portfolios.

The accounting policies of the segments are the same as those described in the Corporation's annual report for the fiscal year ended January 31, 2005.

Management assesses the performance of its manufacturing segments based on earnings (loss) before net interest and income taxes. The performance of the BC segment is assessed based on earnings (loss) from continuing operations before income taxes. BC's interest costs are included in cost of sales.

Corporate charges are allocated to segments mostly based on each segment's revenues.

Intersegment transactions are carried out in the normal course of business and are measured at the exchange value, which is the consideration determined and accepted by the related segments.

Net segmented assets exclude cash and cash equivalents, investment in BC and advances to Bombardier, and deferred income taxes, and are net of accounts payable and accrued liabilities (excluding income taxes and interest payable), advances and progress billings in excess of related costs and accrued benefit liabilities.

The tables containing the detailed segmented data are shown hereafter.

CRJ, CRJ200 and *Flexjet* are trademarks of Bombardier Inc. or its subsidiaries.

BOMBARDIER INC.
SEGMENT DISCLOSURE
(Unaudited)
For the three months ended July 31
(in millions of U.S. dollars)

Industry segments	**Notes**	**Bombardier Inc. consolidated 2005**	**Bombardier Inc. consolidated 2004**	**Aerospace 2005**	**Aerospace 2004**	**Transportation 2005**	**Transportation 2004**	**BC 2005**	**BC 2004**
External revenues									
Manufacturing		**$ 2,623**	$ 2,795	**$ 1,552**	$ 1,468	**$ 1,071**	$ 1,327	**$ -**	$ -
Services		**600**	590	**276**	272	**324**	318	**-**	-
Financing		**48**	52	**-**	-	**-**	-	**48**	52
Other		**407**	410	**131**	212	**276**	198	**-**	-
		3,678	3,847	**1,959**	1,952	**1,671**	1,843	**48**	52
Intersegment revenues		**-**	-	-	-	**4**	4	**9**	10
Segmented revenues		**3,678**	3,847	**1,959**	1,952	**1,675**	1,847	**57**	62
Cost of sales		**3,174**	3,382	**1,677**	1,726	**1,468**	1,629	**38**	34
Selling, general and administrative		**215**	215	**93**	85	**114**	119	**8**	11
Amortization		**129**	137	**97**	87	**26**	36	**6**	14
Research and development		**51**	32	**27**	12	**24**	20	**-**	-
Special items	11	**34**	5	**-**	-	**34**	5	**-**	-
		3,603	3,771	**1,894**	1,910	**1,666**	1,809	**52**	59
Income from continuing operations before interest, net and income taxes		**$ 75**	$ 76	**$ 65**	$ 42	**$ 9**	$ 38	**$ 5**	$ 3
Additions to property, plant and equipment		**$ 74**	$ 50	**$ 58**	$ 42	**$ 15**	$ 8	**$ 1**	$ -

BOMBARDIER INC.
SEGMENT DISCLOSURE
(Unaudited)
For the six months ended July 31
(in millions of U.S. dollars)

Industry segments		**Bombardier Inc. consolidated**		**Aerospace**		**Transportation**		**BC**	
	Notes	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
External revenues									
Manufacturing		**$ 5,422**	$ 5,290	**$ 3,039**	$ 2,687	**$ 2,383**	$ 2,603	**$ -**	$ -
Services		**1,224**	1,172	**569**	572	**655**	600	**-**	-
Financing		**94**	105	**-**	-	**-**	-	**94**	105
Other		**739**	777	**285**	452	**454**	325	**-**	-
		7,479	7,344	**3,893**	3,711	**3,492**	3,528	**94**	105
Intersegment revenues		**-**	-	-	-	**8**	8	**20**	19
Segmented revenues		**7,479**	7,344	**3,893**	3,711	**3,500**	3,536	**114**	124
Cost of sales		**6,490**	6,589	**3,351**	3,269	**3,084**	3,266	**79**	69
Selling, general and administrative		**433**	429	**183**	169	**230**	235	**20**	25
Amortization		**262**	282	**196**	182	**54**	70	**12**	30
Research and development		**91**	59	**46**	22	**45**	37	**-**	-
Special items	11	**26**	91	**-**	-	**26**	91	**-**	-
		7,302	7,450	**3,776**	3,642	**3,439**	3,699	**111**	124
Income (loss) from continuing operations before interest, net and income taxes		**$ 177**	$ (106)	**$ 117**	$ 69	**$ 61**	$ (163)	**$ 3**	$ -

As at	**July 31, 2005**	January 31, 2005	**July 31, 2005**	January 31, 2005	**July 31, 2005**	January 31, 2005	**July 31, 2005**	January 31, 2005
Net segmented assets	**$ 3,778**	$ 2,934	**$ 2,638**	$ 2,258	**$ 590**	$ 237	**$ 550**	$ 439
Accounts payable and accrued liabilities	**6,977**	7,098						
Interest payable	**(46)**	(73)						
Income taxes payable	**(90)**	(61)						
Advances and progress billings in excess of related costs	**2,169**	2,359						
Accrued benefit liabilities	**866**	895						
Deferred income tax asset	**422**	443						
Cash and cash equivalents	**2,263**	2,291						
Total assets – Bombardier	**16,339**	15,886						
Investment in BC	**(550)**	(439)						
Advances from BC	**(944)**	(71)						
Total assets – BC	**2,894**	4,704						
Total assets – Bombardier Inc. consolidated	**$ 17,739**	$ 20,080						
Additions to property, plant and equipment	**$ 139**	$ 114	**$ 110**	$ 91	**$ 28**	$ 22	**$ 1**	$ 1