THIRD QUARTERLY REPORT

Nine-month period ended October 31, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts in this report are expressed in U.S. dollars and all amounts in the tables of this report 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. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. By their nature, forward-looking statements require Bombardier Inc. (the "Corporation") to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation's actual results in future periods to differ materially from forecasted results. While the Corporation considers its assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, please refer to the sections of the Corporation's aerospace segment and the Corporation's transportation segment in the MD&A of the Corporation's annual report for fiscal year 2008.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with the Corporation's business environment (such as the financial condition of the airline industry), operational risks (such as risks associated with doing business with partners, risks involved in developing new products and services, product performance warranty, casualty claim losses, risks from regulatory and legal proceedings, environmental risks, risks relating to the Corporation's dependence on certain customers and suppliers, human resource risks and risks resulting from fixed-term commitments), financing risks (such as risks resulting from reliance on government support, risks relating to financing support provided on behalf of certain customers, risks relating to liquidity and access to capital markets, risks relating to the terms of certain restrictive debt covenants) and market risks (including foreign currency fluctuations, changing interest rates and commodity pricing risk). For more details, see the Risks and uncertainties section in the MD&A of the Corporation's annual report for fiscal year 2008. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect the Corporation's expectations as at the date of this MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

The following MD&A is the responsibility of Management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The data presented in this MD&A is structured by manufacturing segment: Aerospace (“BA”) and Transportation (“BT”), which is consistent with internal reports presented and reviewed by Management. Some financial measures referred to in this MD&A are not in accordance with Canadian generally accepted accounting principles (“GAAP”). See the Non-GAAP financial measures section hereafter for details on the reconciliation to the most comparable GAAP measures.

HIGHLIGHTS OF THE QUARTER

- Revenues of $4.6 billion, an increase of 8% compared to the same period last fiscal year.
- EBIT of $315 million, or 6.9% of revenues, compared to $201 million, or 4.8% ($269 million, or 6.4%, before EOAPC[1] charge), for the same period last fiscal year.
- Net income of $245 million ($0.14 per share), compared to $91 million ($0.05 per share) for the same period last fiscal year.
- Free cash flow usage of $226 million, compared to free cash flow of $560 million for the same period last fiscal year.
- Strong cash position of $3.3 billion as at October 31, 2008.
- Order backlog of $51.9 billion as at October 31, 2008, compared to $53.6 billion as at January 31, 2008. This decrease is mainly due to the impact on BT of the weakening of foreign currencies, mainly the euro and the pound sterling, compared to the U.S. dollar.
- BA announces a new EBIT margin target of 12% by fiscal year 2013.

[1] Excess-over-average production costs.

CURRENT MARKET ENVIRONMENT

Recent market events and the resulting tightening of credit have reduced available liquidity and overall economic activity. Governments around the world have taken unprecedented actions to limit the impact of these events, but it is still too early to assess the severity and duration of this slowdown. Over the past few years, the Corporation has taken significant steps to strengthen its operations and financial position, which better position it to face a difficult economic situation, as it:

- de-leveraged its balance sheet, with $3.3 billion in cash and cash equivalents, a manageable pension plan deficit, reduced customer financing and no significant long-term debt maturity before fiscal year 2013;
- grew its order backlog to $51.9 billion as at October 31, 2008 (representing an average of 2.7 years of revenues), spread across all business operations and geographical regions; and
- improved operational performance.

An economic downturn may not negatively affect BT's operations directly, as governments, through public entities, could be inclined to increase spending on infrastructure projects to stimulate the economy.

However, as no business is immune to a slowdown in the economy, the Corporation closely monitors its exposure to the following potential risks, which could impact future profitability and cash flows, and is ready to proactively respond should one or another materialize:

- sustained lower levels of orders, higher cancellation rates or significant delay of orders, which would require production rate adjustments;
- lower available customer financing, which could affect its customers' ability to finance their purchases;
- higher pension funding requirement; and
- deteriorating financial health of key suppliers.

Recent market events have also created some counter-recessionary conditions, such as lower commodity prices. A reduced price of oil, which is a significant operating cost for the airlines, should help them withstand the anticipated effect of reduced passenger demand.

In addition, should the recent weakening of the Canadian dollar and pound sterling against the U.S. dollar continue, BA's costs incurred in these currencies will be lower, albeit on a delayed basis due to the Corporation's hedging program. For BT, the fluctuations in foreign exchange rates should not have a direct impact on its results of operations, given that BT's exposure to cash flows in foreign currencies is generally entirely hedged at the time of order intake. However, the translation of BT's operations recorded in foreign currencies but reported in U.S. dollars reflects the overall impact of movements in exchange rates, with the effect of reducing BT's consolidated revenues and expenses as well as the Corporation's net investments in self-sustaining foreign subsidiaries through a reduction in the cumulative translation adjustment account ("CTA") reported in shareholders' equity.

The sharp movement in exchange rates also resulted in temporarily recording the negative fair value of cash flow hedging instruments with a negative impact on shareholders' equity. This negative fair value will be entirely compensated by the positive offsetting effect of lower future costs incurred in the related foreign currencies.

The overall impact of recent events on the Corporation's business, financial condition and results of operations is not significant for the moment, with no meaningful order cancellations, a good order intake in both groups, and no key suppliers having informed the Corporation that they would not be able to meet their contractual commitments. The Corporation is however in discussion with some customers who have requested deferral of deliveries on some of their orders. Despite the negative impact from the reduction in equity described above, the Corporation's improved operational performance and reduced adjusted debt have contributed to the improvement in all its global leverage metrics since January 31, 2008. Moreover, these negative impacts on equity do not reflect a real change in the Corporation's economic situation, nor does it have an impact on the financial covenants imposed on the Corporation in certain of its financing arrangements.

CONSOLIDATED ANALYSIS OF RESULTS

Effective February 1, 2008, the Corporation has changed its accounting policy for aerospace programs from the average cost method to the unit cost method to comply with new accounting standards (see the Changes in accounting policies section in Other for further details). As a result, EOAPC charges are nil for the three- and nine-month periods ended October 31, 2008, compared to charges of $68 million and $204 million respectively for the same periods last fiscal year.

Analysis of results

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007[1]	**2008**	2007[1]
Revenues	**$ 4,571**	$ 4,228	**$ 14,292**	$ 12,236
Cost of sales	**3,698**	3,525	**11,642**	10,178
Margin	**873**	703	**2,650**	2,058
Selling, general and administrative	**402**	347	**1,171**	999
Research and development	**34**	29	**121**	98
Other expense (income)	**(17)**	1	**(52)**	(21)
EBITDA before special item	**454**	326	**1,410**	982
Amortization	**139**	125	**416**	385
EBIT before special item	**315**	201	**994**	597
Financing income	**(80)**	(50)	**(223)**	(156)
Financing expense	**105**	118	**305**	365
EBT before special item	**290**	133	**912**	388
Special item	**-**	-	**-**	162
EBT	**290**	133	**912**	226
Income taxes	**45**	42	**195**	127
Net income	**$ 245**	$ 91	**$ 717**	$ 99
Basic and diluted earnings per share (in dollars)	**$ 0.14**	$ 0.05	**$ 0.40**	$ 0.04
(as a percentage of revenues)				
EBITDA before special item	**9.9%**	7.7%	**9.9%**	8.0%
EBITDA	**9.9%**	7.7%	**9.9%**	6.7%
EBIT before special item	**6.9%**	4.8%[2]	**7.0%**	4.9%[3]
EBIT	**6.9%**	4.8%	**7.0%**	3.6%
EBT before special item	**6.3%**	3.1%	**6.4%**	3.2%
EBT	**6.3%**	3.1%	**6.4%**	1.8%
Free cash flow	**$ (226)**	$ 560	**$ 433**	$ 1,039

[1] Effective February 1, 2008, the Corporation has changed its overhead allocation policy, whereby all general and administrative ("G&A") overhead costs are now expensed as incurred (see the Changes in accounting policies section in Other for further details). Comparative figures include reclassifications from cost of sales to selling, general and administrative expenses ("SG&A") of $78 million and $223 million respectively for the three- and nine-month periods ended October 31, 2007.
[2] EBIT of 6.4% before EOAPC charge.
[3] EBIT of 6.5% before special item and EOAPC charge.

Selected financial information

	October 31, 2008	January 31, 2008
Order backlog (in billions of dollars)	**$ 51.9**	$ 53.6
Cash and cash equivalents	**$ 3,251**	$ 3,602

Reconciliation of earnings per share ("EPS") before and after special item

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Net income before special item	**$ 245**	$ 91	**$ 717**	$ 261
Special item, net of tax	**-**	-	**-**	(162)
Net income	**$ 245**	$ 91	**$ 717**	$ 99
Basic and diluted earnings per share (in dollars):				
Before special item	**$ 0.14**	$ 0.05	**$ 0.40**	$ 0.14
Special item, net of tax	**-**	-	**-**	(0.09)
	$ 0.14	$ 0.05	**$ 0.40**	$ 0.04

Revenues and EBIT margin before special item

	Three-month periods ended October 31			Nine-month periods ended October 31		
	2008	2007	Increase (decrease)	**2008**	2007	Increase
Revenues			%			%
BA	**$ 2,292**	$ 2,350	(2)	**$ 7,188**	$ 6,820	5
BT	**2,279**	1,878	21	**7,104**	5,416	31
	$ 4,571	$ 4,228	8	**$ 14,292**	$ 12,236	17
EBIT margin before special item			Percentage points			Percentage points
BA	**8.7%**	5.2%[1]	3.5	**8.9%**	5.4%[2]	3.5
BT	**5.1%**	4.2%	0.9	**4.9%**	4.2%	0.7
	6.9%	4.8%	2.1	**7.0%**	4.9%	2.1

(1) EBIT of 8.1% before EOAPC charge.
(2) EBIT of 8.4% before EOAPC charge.

A detailed analysis of results is provided in the BA and BT Analysis of results sections of this MD&A.

Financing income and financing expense

Net financing expense amounted to $25 million for the three-month period ended October 31, 2008, compared to $68 million for the same period last fiscal year. The $43-million decrease is mainly due to:

- lower interest expense on long-term debt ($17 million);
- higher interest income on cash and cash equivalents ($14 million); and
- a financing gain on long-term debt repayment ($9 million).

Net financing expense amounted to $82 million for the nine-month period ended October 31, 2008, compared to $209 million for the same period last fiscal year. The $127-million decrease is mainly due to:

- higher interest income on cash and cash equivalents ($62 million);
- lower interest expense on long-term debt ($41 million); and
- a financing gain on long-term debt repayment ($12 million).

Special item

The special item for the nine-month period ended October 31, 2007 relates to the write-off of the carrying value of BT's investment in Metronet.

Income taxes

Effective income tax rates were 15.5% and 21.4% respectively for the three- and nine-month periods ended October 31, 2008, compared to the statutory income tax rate of 31.5%. The lower effective tax rates are mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences, the release of provisions of foreign investees, as well as the lower effective income tax rates of foreign investees, partially offset by permanent differences.

For the three-month period ended October 31, 2007, the effective income tax rate was 31.6%, compared to the statutory income tax rate of 32.9%. The lower effective income tax rate is mainly due to a net decrease in valuation allowance, partially offset by the impact of a tax rate decrease in Germany on the deferred income tax asset. For the nine-month period ended October 31, 2007, the effective income tax rate was 56.2%, compared to the statutory income tax rate of 32.9%. The higher effective income tax rate is mainly due to the non-recognition of tax benefits on the write-off of the carrying value of the investment in Metronet, recorded as a special item, and by the impact of a tax rate decrease in Germany on the deferred income tax asset, partially offset by a net decrease in valuation allowance.

LIQUIDITY AND CAPITAL RESOURCES

Reconciliation of free cash flow to cash flow from operating activities

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Segmented free cash flow				
BA	**$ 9**	$ 579	**$ 399**	$ 1,122
BT	**(243)**	35	**120**[1]	163[2]
Income taxes and net financing expense[3]	**8**	(54)	**(86)**	(246)
Free cash flow	**(226)**	560	**433**	1,039
Add back: Net additions to property, plant and equipment	**152**	135	**323**	198
Cash flow from operating activities	**$ (74)**	$ 695	**$ 756**	$ 1,237

(1) Includes a payment of £95 million ($189 million) to Westinghouse Rail Systems Limited (see the BT Analysis of results – system and signalling revenues section for further details).
(2) Includes the payment of a discretionary pension fund contribution of $174 million.
(3) Income taxes and net financing expense are not allocated to segments.

A detailed analysis of free cash flow is provided in the BA and BT Analysis of results sections of this MD&A.

Variation in cash and cash equivalents

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Balance as at beginning of period	**$ 4,277**	$ 2,998	**$ 3,602**	$ 2,648
Effect of exchange rate changes on cash and cash equivalents	**(705)**	134	**(495)**	181
Free cash flow	**(226)**	560	**433**	1,039
Repayments of long-term debt	**(49)**	(2)	**(112)**	(29)
Payments of dividends	**(48)**	(7)	**(106)**	(22)
Purchase of common shares held in trust	**(1)**	-	**(54)**	(55)
Investment in securities held as collateral for guarantees issued in connection with the sale of aircraft	**-**	(55)	**-**	(55)
Investment in Metronet	**-**	-	**-**	(55)
Other	**3**	6	**(17)**	(18)
Balance as at end of period	**$ 3,251**	$ 3,634	**$ 3,251**	$ 3,634

The Corporation considers that its cash and cash equivalents combined with its expected free cash flow will enable the implementation of investment programs, the development of new products, the pursued growth of its activities, the payment of dividends, and will allow it to meet all other expected financial requirements in the near term.

Letters of credit facilities

The principal letters of credit facility and its maturity were as follows as at:

	Amounts committed	Amounts available	Maturity (fiscal year)[1]
October 31, 2008	**$ 5,453**[2]	**$ 416**	**2012**
January 31, 2008	$ 6,381[2]	$ 893	2012

(1) In December 2009, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature, up to December 2011.
(2) €4,300 million.

In addition to the above, letters of credit of $233 million were outstanding under various bilateral agreements as at October 31, 2008 ($467 million as at January 31, 2008).

As at October 31, 2008 and January 31, 2008, the Corporation was in compliance with all its bank covenants.

CAPITAL STRUCTURE

The Corporation's capital management strategy is designed to maintain strong liquidity and to optimize its capital structure in order to reduce costs and improve its ability to seize strategic opportunities. The capital structure provides the Corporation with the ability to meet its liquidity needs as well as support its longer-term strategic investments. The Corporation's capital management strategy has not changed since year-end.

The Corporation analyzes its capital structure using global leverage metrics, which are based on a broad economic view of the Corporation. The following global leverage metrics do not represent the calculations required for bank covenants. The only change in the method for calculating the global leverage metrics from fiscal year 2008 is that the amount in accumulated other comprehensive income ("AOCI") relating to cash flow hedges has been excluded from the adjusted total capitalization. This change has been adopted during the first quarter of fiscal year 2009, with the January 31, 2008 figures restated accordingly.

Global leverage metrics[1]

	Target 2011	**October 31, 2008**	January 31, 2008
Adjusted EBIT[2]		**$ 1,407**	$ 1,013
Adjusted net interest[2]		**$ 282**	$ 412
Adjusted EBIT to adjusted net interest ratio	5.0	**5.0**	2.5
Adjusted debt		**$ 5,635**	$ 6,091
Adjusted EBITDA[2]		**$ 1,990**	$ 1,583
Adjusted debt to adjusted EBITDA ratio	2.5	**2.8**	3.8
Adjusted debt		**$ 5,635**	$ 6,091
Adjusted total capitalization		**$ 8,530**	$ 9,098
Adjusted debt to adjusted total capitalization ratio	55%	**66%**	67%

[1] Refer to the Non-GAAP financial measures section hereafter for the reconciliation to the most comparable GAAP measures.
[2] Represents the four-quarter trailing amounts.

The Corporation's global leverage metrics have all improved since January 31, 2008, with the adjusted EBIT to adjusted net interest ratio even meeting the target set for 2011. These improvements are mainly due to:

- improved profitability;
- lower long-term debt; and
- lower net financing expense.

Partially offset by:

- the negative variation in AOCI; and
- the increase in the estimated pension deficit.

Adjusted EBIT and adjusted EBITDA improved due to the Corporation's better operational performance. Adjusted net interest improved due to the strong cash flow generated in fiscal years 2008 and 2009, which led to a strong cash position and a lower level of long-term debt following a $1.0 billion repayment in the fourth quarter of fiscal year 2008.

Adjusted debt
The adjusted debt as at October 31, 2008 decreased by $456 million compared to January 31, 2008, as a result of the positive impact of foreign exchange rate movements, mainly the euro and the pound sterling, and due to long-term debt repayments totaling $112 million, partially offset by an increase in the estimated pension deficit. The estimated pension deficit increased to $1.4 billion as at September 30, 2008 (third-quarter measurement date), compared to $1.2 billion as at December 31, 2007 (year-end measurement date). The most significant variances arose from negative returns on plan assets ($634 million) and positive variations in discount rates ($720 million).

The significant negative returns on plan assets mainly reflect the sharp decline in the value of stock markets around the world. The performance of stock markets is a key driver in determining the pension fund's asset performance, as the Corporation's targeted allocation for pension plan assets invested in publicly traded equity securities is 57%. Most of the remaining plan assets are invested in publicly traded long-term fixed-income securities.

The effect of changes in discount rates on the estimated pension plan deficit reflects the recent increases in corporate fixed-income rates in Canada, the U.S., and the U.K. The discount rate is used to measure estimated

future benefit payments at their present value on the measurement date. A higher discount rate decreases the benefit obligation and pension deficit. The discount rate must represent the market rate for high-quality corporate fixed-income investments available for the period to maturity of the benefits, and as such management has little discretion in its selection.

Despite the unprecedented events in financial markets in October 2008, the Corporation did not experience a significant impact on its pension deficit for that month as the further reduction in the value of plan assets due to the negative returns ($469 million) was offset by additional positive variations in discount rates ($533 million).

The Corporation will continue to proactively manage variations in its pension deficit, including the regular assessment of the opportunity for discretionary pension fund contributions. The Corporation believes that the total deficit remains at a manageable level, given its solid cash position and improved capital structure.

Adjusted total capitalization

The adjusted total capitalization decreased by $568 million compared to January 31, 2008, as a result of the decrease in adjusted debt described above ($456 million) and a decrease in CTA ($422 million), partially offset by the strong operating results ($717 million). The decrease in the CTA account in shareholders' equity results from the negative impact of foreign exchange rate movements on the conversion of the Corporation's net investments in foreign subsidiaries into U.S. dollars at BT.

FINANCIAL POSITION

Highlights

	October 31 2008	January 31 2008	**Foreign exchange impact**	**Explanation of variations other than foreign exchange impact**
Cash and cash equivalents	**$ 3,251**	$ 3,602	$ (495)	See the previous Variation in cash and cash equivalents table for details.
Invested collateral	**1,107**	1,295	(188)	No variance.
Receivables	**2,007**	1,998	(177)	Increase mainly due to higher level of receivables in BA ($256 million).
Aircraft financing	**580**	626	(7)	No significant variance.
Gross inventories	**8,824**	7,739	(847)	Increase in gross inventories due to increases in long-term contracts ($1,217 million), aerospace programs ($714 million) and finished products ($319 million), partially offset by write-offs of $277 million relating to EOAPC and $41 million relating to G&A overhead costs, following a change in accounting policy[1]. Increase in total advances and progress billings due to higher advances and progress billings on long-term contracts ($1,015 million) and higher advances on aerospace programs ($529 million).
Advances and progress billings	**(3,266)**	(2,633)	546	
Inventories	**5,558**	5,106	(301)	
Advances and progress billings in excess of related long-term contract costs	**(2,212)**	(2,791)	415	
Advances on aerospace programs	**(3,455)**	(2,926)	-	
	(5,667)	(5,717)	415	
Property, plant and equipment	**2,714**	2,980	(152)	Decrease due to amortization ($416 million) and change in G&A overhead allocation policy on program tooling[1] ($23 million), partially offset by net additions ($325 million).
Fractional ownership deferred costs	**500**	500	-	No significant variance.
Fractional ownership deferred revenues	**(640)**	(631)	-	
Deferred income taxes	**1,187**	935	(59)	Increase mainly due to the tax impact resulting from net decrease in the fair value of financial instruments ($236 million) and impact of a change in accounting policy[1] ($113 million).
Accrued benefit assets	**926**	924	-	No significant variance.
Accrued benefit liabilities	**(982)**	(1,066)	27	
Derivative financial instruments – assets	**245**	458	-	Decrease mainly due to net decrease in fair value of foreign exchange derivative financial instruments, mostly as a result of the recent weakening of the Canadian dollar and pound sterling against the U.S. dollar.
Derivative financial instruments – liabilities	**(909)**	(276)	-	
Goodwill	**2,100**	2,533	(391)	No significant variance.
Other assets	**1,077**	1,163	(85)	No significant variance.
Accounts payable and accrued liabilities	**(6,745)**	(6,919)	566	Increase mainly due to higher level of accounts payable and accrued liabilities in BA ($537 million), in line with increase in gross inventories on aerospace programs, partially offset by lower level of accounts payable and accrued liabilities in BT ($177 million).
Long-term debt	**(3,883)**	(4,393)	368	Decrease mainly due to repayments ($112 million).
Shareholders' equity	**(2,426)**	(3,118)	n/a	Decrease mainly due to the negative impact of the mark-to-market of cash flow hedges ($580 million), negative CTA impact given the recent weakening of the euro and other currencies against the U.S. dollar ($422 million), reduction from a change in accounting policy[1] ($268 million), and dividends paid ($106 million), partially offset by net income ($717 million).

[1] See the Changes in accounting policies section in Other for further details.
n/a: not applicable

NON-GAAP FINANCIAL MEASURES

This MD&A is based on reported earnings in accordance with GAAP and on the following non-GAAP financial measures:

Non-GAAP financial measures

Profitability	
EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization
EBITDA, EBIT, EBT and EPS, before special item	EBITDA, as defined above, and other relevant GAAP financial measures, before special item
EBIT before EOAPC charge	Earnings before financing income, financing expense, income taxes and EOAPC charge
Liquidity	
Free cash flow	Cash flows from operating activities less net additions to property, plant and equipment
Capital structure	
Adjusted debt	Long-term debt (including the value of the related derivative hedging financial instruments) plus the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations
Adjusted EBIT	EBIT before special item plus adjustment for operating leases and pension deficit
Adjusted EBITDA	EBITDA before special item plus amortization adjustment for operating leases and adjustment for operating leases and pension deficit
Adjusted net interest	Financing income and financing expense plus adjustment for operating leases and pension deficit
Adjusted total capitalization	Adjusted debt plus shareholders' equity less amount in AOCI relating to cash flow hedges

Management believes that a significant portion of the users of its MD&A analyze the Corporation's results based on these performance measures. These non-GAAP measures are mainly 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.

Profitability

A reconciliation from the most comparable GAAP financial measures is provided in the following sections:

- EBITDA to EBIT – see the Results of operations table in the BA and BT Analysis of results sections;
- EBITDA and EBIT, before special item, to EBIT – see the previous Results of operations table and the BT Analysis of results section;
- EBIT before special item and EOAPC charge to EBIT – see table below;
- EBT before special item to EBT – see the previous Results of operations table; and
- Basic and diluted EPS before special item, to basic and diluted EPS – see the previous Reconciliation of EPS before and after special item table.

Reconciliation of EBIT before special item and EOAPC charge to EBIT

	Three-month period ended October 31, 2007			Nine-month period ended October 31, 2007		
	Consolidated	BA	BT	Consolidated	BA	BT
EBIT before special item and EOAPC charge	$ 269	$ 190	$ 79	$ 801	$ 571	$ 230
Special item	-	-	-	(162)	-	(162)
EBIT before EOAPC charge	269	190	79	639	571	68
EOAPC charge	(68)	(68)	-	(204)	(204)	-
EBIT	$ 201	$ 122	$ 79	$ 435	$ 367	$ 68

Liquidity

A reconciliation of free cash flow to the most comparable GAAP financial measure, cash flows from operating activities, is provided in the previous Reconciliation of free cash flow to cash flow from operating activities table, presented in the Liquidity and capital resources section.

Capital structure

A reconciliation to the most comparable GAAP financial measure is provided hereafter:

- adjusted debt to long-term debt;
- adjusted EBIT and adjusted EBITDA, to EBIT;
- adjusted net interest to financing income and financing expense; and
- adjusted total capitalization to shareholder's equity.

Reconciliation of adjusted debt to long-term debt

	October 31, 2008	January 31, 2008
Long-term debt	**$ 3,883**	$ 4,393
Pension deficit	**1,393**	1,180
Operating lease obligations[1]	**359**	518
Adjusted debt	**$ 5,635**	$ 6,091

[1] Discounted using the average five-year U.S. treasury notes plus the average credit spread, given the Corporation's credit rating, for the corresponding periods.

Reconciliation of adjusted EBITDA and adjusted EBIT, to EBIT

	Four-quarter trailing periods ended	
	October 31, 2008	January 31, 2008
EBIT	**$ 1,299**	$ 740
Special item	**-**	162
EBIT before special item	**1,299**	902
Adjustment for operating leases and pension deficit[1]	**108**	111
Adjusted EBIT	**1,407**	1,013
Amortization adjustment for operating leases[2]	**40**	58
Amortization	**543**	512
Adjusted EBITDA	**$ 1,990**	$ 1,583

[1] Represents the interest cost of a debt equivalent to the amount included in adjusted debt for these two items, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the last twelve months, given the Corporation's credit rating, for the corresponding periods.
[2] Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

Reconciliation of adjusted net interest to financing income and financing expense

	Four-quarter trailing periods ended	
	October 31, 2008	January 31, 2008
Financing income and financing expense	**$ 174**	$ 301
Adjustment for operating leases and pension deficit[1]	**108**	111
Adjusted net interest	**$ 282**	$ 412

[1] Represents the interest cost of a debt equivalent to the amount included in adjusted debt for these two items, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the last twelve months, given the Corporation's credit rating, for the corresponding periods.

Reconciliation of adjusted total capitalization to shareholders' equity

	October 31, 2008	January 31, 2008
Shareholders' equity	**$ 2,426**	$ 3,118
Amount in AOCI relating to cash flow hedges	**469**	(111)
Adjusted debt	**5,635**	6,091
Adjusted total capitalization	**$ 8,530**	$ 9,098

AEROSPACE

HIGHLIGHTS OF THE QUARTER

- EBIT of $199 million, or 8.7% of revenues, compared to $122 million, or 5.2% ($190 million, or 8.1%, before EOAPC charge), for the same period last fiscal year.
- Free cash flow of $9 million, compared to $579 million for the same period last fiscal year.
- 80 aircraft deliveries and 68 aircraft net orders, compared to 90 aircraft deliveries and 124 net orders for the same period last fiscal year.
- Order backlog of $26.0 billion as at October 31, 2008, compared to $22.7 billion as at January 31, 2008.
- BA announces a new EBIT margin target of 12% by fiscal year 2013.

DELIVERY OUTLOOK

BA expects a slightly higher level of aircraft deliveries, in aggregate, in fiscal year 2009 compared to the 361 deliveries last fiscal year. This is mainly due to an expected increase in business aircraft deliveries of approximately 10%, partially offset by an expected decline in commercial aircraft deliveries of approximately 10%. The decrease in commercial aircraft deliveries mainly results from lower turboprop deliveries due to the impact on production of the transition from the smaller *Q200* and *Q300* turboprops to the larger *Q400* aircraft.

Cancellations during the third quarter of the current fiscal year were at a normal rate. However, due to the impact of the current economic slowdown, certain customers have requested deferral of deliveries of some of their orders for both business and commercial aircraft.

EBIT OUTLOOK [1]

BA has achieved its previously stated goal to improve its EBIT margin to 8% and is committed to continue to improve its financial performance to an EBIT margin of 12% by fiscal year 2013 through the effective management of operations and working capital.

Forward-looking statements[2]

Forward-looking statements in the BA section of this MD&A are based on:

- a return to normal economic conditions over the next 18 months;
- current firm order backlog and estimated future order intake determined by:
  - decreased orders for business aircraft for fiscal year 2010 compared to fiscal year 2009, followed by a gradual recovery over the next two fiscal years to a similar level of orders as that in fiscal year 2009;
  - relatively same level of orders for commercial aircraft (excluding orders for the *CSeries* family of aircraft, see below) compared to fiscal year 2009;
  - orders for the *CSeries* family of aircraft as planned. The deliveries of the *CSeries* family of aircraft do not impact the EBIT outlook above as the entry into service of this family of aircraft is scheduled for the second half of calendar year 2013; and
  - growth in after-market services in line with the in-service fleet.
- continued deployment and execution of strategic initiatives related to cost reductions.
- ability to meet scheduled entry-into-service dates for new aircraft programs;
- ability to recruit and retain highly skilled resources to deploy BA's product development strategy;
- ability of supply base to support planned production rates; and
- GAAP as currently applied by the Corporation[3].

[1] An update of BA's strategy and goals, its main drivers for business and commercial aircraft markets and their respective trends will be provided in the annual report for fiscal year ended January 31, 2009.
[2] See also the forward-looking statements in the Overview section of the MD&A.
[3] Before taking into account the changeover to IFRS (see the Future changes in accounting policies section in Other).

ANALYSIS OF RESULTS

Effective February 1, 2008, the Corporation has changed its accounting policy for aerospace programs from the average cost method to the unit cost method to comply with new accounting standards (see Changes in accounting policies section in Other for further details). As a result, the EOAPC charges are nil for the three- and nine-month periods ended October 31, 2008, compared to charges of $68 million and $204 million respectively for the same periods last fiscal year.

Results of operations

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007[1]	**2008**	2007[1]
Revenues				
Manufacturing:				
Business aircraft	**$ 1,220**	$ 1,099	**$ 3,840**	$ 3,220
Commercial aircraft	**453**	655	**1,481**	1,744
Other	**162**	99	**450**	298
Total manufacturing revenues	**1,835**	1,853	**5,771**	5,262
Services[2]	**390**	405	**1,234**	1,127
Other[3]	**67**	92	**183**	431
Total revenues	**2,292**	2,350	**7,188**	6,820
Cost of sales	**1,797**	1,952	**5,662**	5,674
Margin	**495**	398	**1,526**	1,146
Selling, general and administrative	**187**	163	**535**	470
Research and development	**8**	8	**38**	24
Other expense (income)[4]	**(11)**	8	**(12)**	(19)
EBITDA	**311**	219	**965**	671
Amortization	**112**	97	**322**	304
EBIT	**$ 199**	$ 122	**$ 643**	$ 367
(as a percentage of total revenues)				
Margin	**21.6%**	16.9%	**21.2%**	16.8%
EBITDA	**13.6%**	9.3%	**13.4%**	9.8%
EBIT	**8.7%**	5.2%[5]	**8.9%**	5.4%[6]

(1) Effective February 1, 2008, the Corporation has changed its overhead allocation policy, whereby all G&A overhead costs are now expensed as incurred (see Changes in accounting policies section in Other for further details). Comparative figures include reclassifications from cost of sales to SG&A of $29 million and $81 million respectively for the three- and nine-month periods ended October 31, 2007.
(2) Includes revenues from parts logistics, aircraft fractional ownership and hourly flight entitlement programs' service activities, aircraft maintenance, commercial training and military aviation training.
(3) Includes mainly sales of pre-owned aircraft.
(4) Includes net loss (gain) on certain financial instruments, foreign exchange loss (gain), severance and other involuntary termination costs, and settlement of claims and loss (income) related to disposal of businesses.
(5) EBIT of 8.1% before EOAPC charge.
(6) EBIT of 8.4% before EOAPC charge.

Total aircraft deliveries

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)	**2008**	2007	**2008**	2007
Business aircraft (including those of the fractional ownership program[1])	**57**	57	**181**	156
Commercial aircraft	**22**	33	**73**	90
Amphibious aircraft	**1**	-	**2**	-
	80	90	**256**	246

(1) An aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model has been sold to external customers.

Manufacturing revenues
The $18-million decrease for the three-month period is mainly due to:

- lower deliveries of commercial aircraft ($216 million).

Partially offset by:

- a favourable mix and improved selling prices for business aircraft ($121 million); and
- the sale of one amphibious aircraft and improved selling prices for commercial aircraft ($43 million).

The $509-million increase for the nine-month period is mainly due to:

- increased deliveries, favourable mix and improved selling prices for business aircraft ($620 million); and
- the sale of two amphibious aircraft and improved selling prices for commercial aircraft ($85 million).

Partially offset by:

- lower deliveries of commercial aircraft ($287 million).

Services revenues
The $15-million decrease for the three-month period is mainly due to:

- lower revenues from a Military Aviation Training ("MAT") contract, mainly as a result of the achievement of a significant milestone in the third quarter of fiscal year 2008 ($30 million).

Partially offset by:

- higher revenues from product support activities ($17 million).

The $107-million increase for the nine-month period is mainly due to:

- higher volume of spare parts sold due to a growth in the installed fleet and improved selling prices for spare parts ($47 million);
- higher fractional ownership and hourly flight entitlement programs' service activities ($36 million); and
- higher revenues from product support activities ($33 million).

Partially offset by:

- the above-mentioned lower revenues from a MAT contract ($27 million).

Other revenues
The $25-million and $248-million decreases for the three- and nine-month periods are mainly due to fewer sales of pre-owned business aircraft ($10 million for the three-month period, $192 million for the nine-month period).

EBIT margin
The 3.5 percentage-point increase for the three-month period is mainly due to:

- improved selling prices and favourable mix for business aircraft;
- EOAPC charge of nil, compared to $68 million for the same period last fiscal year;
- the positive impact in other expense (income) from the revaluation of certain balance sheet accounts in foreign currencies; and
- improved selling prices for commercial aircraft.

Partially offset by:

- higher cost of materials due to price escalations;
- higher selling, general and administrative expenses as a result of increased activities;
- the negative impact on operations of the strengthening of the Canadian dollar against the U.S. dollar; and
- a higher amortization expense.

The 3.5 percentage-point increase for the nine-month period is mainly due to:

- EOAPC charge of nil, compared to $204 million for the same period last fiscal year;
- improved selling prices for business and commercial aircraft; and
- the positive impact in other expense (income) from the revaluation of certain balance sheet accounts in foreign currencies.

Partially offset by:

- the negative impact on operations of the strengthening of the Canadian dollar against the U.S. dollar;
- higher selling, general and administrative expenses as a result of increased activities;
- higher cost of materials due to price escalations; and
- a negative variance on certain financial instruments carried at fair value.

The EBIT margin for the nine-month period ended October 31, 2008 was also impacted by the following non-recurring items recorded in other expense (income):

- a gain of $28 million, arising from the settlement with Mitsubishi Heavy Industries of Japan with respect to the transfer of the production of certain components for the *CRJ* family of aircraft to another third-party supplier; and
- a loss of $23 million, related to accumulated foreign exchange losses (previously recorded in AOCI) in connection with the sale of *Skyjet International*. These accumulated foreign exchange losses resulted from the translation of *Skyjet International's* net assets to U.S. dollars in prior periods.

The EBIT margin for the nine-month period ended October 31, 2007 was also impacted by a non-recurring gain of $18 million arising from the settlement of a claim with Northwest Airlines, recorded in other expense (income).

FREE CASH FLOW

Free cash flow

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
EBIT	**$ 199**	$ 122	**$ 643**	$ 367
Non-cash items:				
Amortization				
Program tooling	**80**	71	**234**	215
Other	**32**	26	**88**	89
Loss on disposals of property, plant and equipment	**-**	1	**4**	-
Stock-based compensation	**6**	4	**18**	10
Net change in non-cash balances related to operations	**(189)**	458	**(315)**	589
Net additions to property, plant and equipment	**(119)**	(103)	**(273)**	(148)
Free cash flow	**$ 9**	$ 579	**$ 399**	$ 1,122

The $570-million decrease for the three-month period is mainly due to:

- a negative period-over-period variation in net change in non-cash balances related to operations ($647 million) (see explanation below).

Partially offset by:

- higher profitability ($77 million).

The $723-million decrease for the nine-month period is mainly due to:

- a negative period-over-period variation in net change in non-cash balances related to operations ($904 million) (see explanation below); and
- higher net additions to property, plant and equipment ($125 million).

Partially offset by:

- higher profitability ($276 million).

Net change in non-cash balances related to operations

For the three-month period ended October 31, 2008, the $189-million cash outflow is mainly due to the increase in inventories, partially offset by an increase in accounts payable and accrued liabilities and advances on aerospace programs. For the three-month period ended October 31, 2007, the $458-million cash inflow is mainly due to an increase in advances on aerospace programs and a decrease in aircraft financing.

For the nine-month period ended October 31, 2008, the $315-million cash outflow is mainly due to an increase in inventories and receivables, partially offset by an increase in advances on aerospace programs and accounts payable and accrued liabilities. For the nine-month period ended October 31, 2007, the $589-million cash inflow is mainly due to an increase in advances on aerospace programs and a decrease in aircraft financing, partially offset by an increase in other assets.

PRODUCT DEVELOPMENT

Product development costs

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Program tooling[1]	**$ 96**	$ 72	**$ 215**	$ 119
Program change and engineering[2]	**34**	27	**90**	73
Research and development	**8**	8	**38**	24
	$ 138	$ 107	**$ 343**	$ 216
As a percentage of manufacturing revenues	**7.5%**	5.8%	**5.9%**	4.1%

(1) Recorded in property, plant and equipment.
(2) Included in cost of sales.

The increase in program tooling additions for the three- and nine-month periods ended October 31, 2008 is mainly due to the development of the *CRJ1000 NextGen*, the *CSeries* family of aircraft, as well as the *Learjet 85* aircraft program. BA started capitalizing development costs for the *CSeries* family of aircraft in program tooling in July 2008.

Carrying amount of program tooling

	October 31, 2008	January 31, 2008
Business aircraft		
Learjet Series	**$ 89**	$ 95
Challenger Series	**330**	390
Global Series	**161**	210
Commercial aircraft		
CRJ Series	**459**	432
Q-Series	**63**	69
CSeries	**33**	-
	$ 1,135	$ 1,196

Business aircraft

Learjet 85 aircraft – In January 2008, BA announced that Grob Aerospace AG was selected to develop the all-composite structure of this aircraft, with the intent to transfer the composite manufacturing to BA's Querétaro site in Mexico during the initial production cycle. In August 2008, an interim bankruptcy administrator was appointed for Grob Aerospace AG's affiliated company, Grob Aerospace GmbH ("Grob GmbH") in Germany. Grob GmbH filed for bankruptcy on October 31, 2008. In addition, on November 3, 2008, Grob Aerospace AG filed for bankruptcy. BA terminated its development agreement with Grob Aerospace AG, effective September 17, 2008 and has assumed complete responsibility for the detail design and manufacturing of all primary and secondary structures for this aircraft. BA is fully committed to the *Learjet 85* aircraft program and is taking the necessary measures to ensure its successful development.

In May 2008, BA announced that the all-composite *Learjet 85* aircraft will be powered by Pratt & Whitney Canada Corp.'s PW307B turbofan engines and will also feature Rockwell Collins' new Pro Line Fusion avionics suite, which both incorporate a number of advanced technologies.

In May 2008, BA announced that its facility in Querétaro will manufacture the composite structure for the *Learjet 85* business jet. The Querétaro site will also manufacture the electrical harness and perform sub-assembly systems installation. Final assembly, interior completions, flight test and customer delivery will take place at BA's Wichita facility in Kansas.

Commercial aircraft

CRJ1000 NextGen aircraft – On September 3, 2008, the prototype of the *CRJ1000 NextGen* aircraft had a successful first flight from the Mirabel, Québec site and subsequently flew to BA's Flight Test Center in Wichita to begin a rigorous process of flight testing, which will set the stage for Transport Canada, the Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA) type certification. As of November 2008,

the prototype has completed approximately 20% of the flight testing for certification. The *CRJ1000 NextGen* aircraft is expected to enter into service in the fourth quarter of fiscal year 2010.

CSeries family of aircraft – In July 2008, the Board of Directors granted approval for the launch of the *CSeries* family of aircraft. The 110- and 130-seat *CSeries* family of aircraft will benefit from the latest technological advancements, including increased use of composites and aluminium-lithium alloy in structures, a next-generation engine – the Pratt & Whitney PurePower PW1000G (formerly referred to as the Geared Turbofan engine), the very latest in system technologies, such as fly-by-wire, as well as fourth-generation aerodynamics. Entry into service is scheduled for the second half of calendar year 2013.

As the launch customer, Deutsche Lufthansa AG has signed a letter of interest for up to 60 aircraft, including 30 options. In addition, discussions with a number of airlines worldwide are progressing well.

BA has received and accepted offers of repayable investments from the Governments of Canada and Québec as well as Northern Ireland and British Government departments. The total repayable investments will cover approximately one-third of the expected research and development costs. BA will also contribute approximately one-third of the expected research and development costs, as will key suppliers.

BA also announced that it has selected Mirabel as the final assembly location for the *CSeries* aircraft program, while BA's Belfast operations will manufacture the composite wings. BA has signed a contract with the Shenyang Aircraft Corporation (SAC), a subsidiary of the state-owned aviation industrial entity China Aviation Industry Corporation (formerly known as AVIC I), to supply the centre fuselage for the *CSeries* aircraft.

Q400 NextGen aircraft – In March 2008, BA launched the new *Q400 NextGen* turboprop, the next step in the continuing evolution of the *Q400* aircraft. Fuel burn and operating costs of this aircraft are among the lowest of any regional aircraft on flights up to 500 nautical miles under certain operating conditions, thus further satisfying the economic demands of airlines in short-haul sectors.

Other product development
In October 2008, a BA test aircraft executed a first flight equipped with an all-electric braking system – a civil aviation first. The test aircraft was equipped with Meggitt's electric braking system, known as the EBrake, and Messier-Dowty's landing gear with electric brake wiring harnesses. The key benefits of this new technology are an expected increase in the aircraft's dispatch reliability, elimination of brake system hydraulic leaks with associated fire risk, simplification of the aircraft's manufacturing process, and a reduction of maintenance costs for airlines. In addition, electric brake technology falls in-line with the evolution of the industry towards more electric aircraft providing a more fuel efficient, cleaner-burning aircraft and reducing the usage of toxic hydraulic fluids.

AIRCRAFT DELIVERIES

Business aircraft deliveries

According to the latest General Aviation Manufacturers Association (GAMA) report dated November 13, 2008, BA continues to be the business aircraft industry leader in terms of revenues.

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)[(1)]	**2008**	2007	**2008**	2007
Narrow-body business jets				
Learjet 40/40 XR/Learjet 45/45 XR	**11**	14	**37**	43
Learjet 60/60 XR	**7**	7	**22**	12
Wide-body business jets				
Challenger 300	**13**	14	**41**	35
Challenger 604/Challenger 605	**12**	7	**30**	22
Global 5000/Global Express XRS	**12**	12	**38**	36
Challenger 800 Series	**2**	3	**13**	8
	57	57	**181**	156

(1) An aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model has been sold to external customers. This resulted in two and 11 aircraft deliveries respectively for the three- and nine-month periods ended October 31, 2008 (six and 11 aircraft deliveries respectively for the three- and nine-month periods ended October 31, 2007).

For the three- and nine-month periods ended October 31, 2008, there were lower deliveries of the *Learjet 40 XR* and *Learjet 45 XR* aircraft resulting from more production positions being reserved for *Flexjet* compared to the same periods last fiscal year as well as due to temporary delivery delays requested by certain customers as a result of the current economic environment. The increase in the *Challenger 605* aircraft deliveries is due to the timing of the adjustment in the production rate. For the nine-month period ended October 31, 2008, there was an increase in deliveries of both wide-body and narrow-body business jets due to the strong order backlog for business aircraft.

Commercial aircraft deliveries

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)	**2008**	2007	**2008**	2007
Regional jets				
CRJ700 NextGen	**2**	1	**2**	5
CRJ900 NextGen	**8**	16	**35**	38
Turboprops				
Q200	**1**	1	**2**	3
Q300	**2**	4	**5**	12
Q400	**9**	11	**29**	32
	22	33	**73**	90

During the three- and nine-month periods ended October 31, 2008, there were fewer deliveries of regional jets and *Q400* turboprops mainly due to some customers requesting deferral of deliveries to the fourth quarter. This decrease also results from lower turboprop deliveries due to the impact on production of the transition from the smaller *Q200* and *Q300* aircraft to the larger *Q400* aircraft.

BACKLOG AND ORDERS

Order backlog

(in billions of dollars)	**October 31, 2008**	January 31, 2008
Aircraft programs	**$ 25.2**	$ 21.7
Military aviation training	**0.8**	1.0
	$ 26.0	$ 22.7

The 15% increase reflects a strong order intake, mainly in business aircraft.

Total aircraft net orders and book-to-bill ratio

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Aircraft net orders (in units)				
Business aircraft (including those of the fractional ownership program)	**48**	112	**270**	298
Commercial aircraft	**20**	12	**89**	187
Amphibious aircraft	**-**	-	**2**	-
	68	124	**361**	485
Book-to-bill ratio[(1)]				
Business aircraft	**0.8**	2.0	**1.5**	1.9
Commercial aircraft	**0.9**	0.4	**1.2**	2.1

(1) Defined as net orders received over aircraft deliveries, in units, in a given period.

Business aircraft

There was a lower order intake during the three-month period ended October 31, 2008, which reflects the softening of demand for business aircraft in light of the current worldwide economic environment and the fact that BA received a record level of business aircraft orders in fiscal year 2008. BA's business aircraft book-to-bill ratio for the nine-month period ended October 31, 2008 remains robust at 1.5 and reflects the positive impact of the significant orders received (see below), as well as the conversion of letters of intent to firm orders for the *Learjet 85* aircraft.

In June 2008, an order from Jet Republic Ltd. (previously reported as an undisclosed European customer) was received for 110 *Learjet 60 XR* aircraft, of which 25 are firm and 85 are conditional. The total value of this order, if all conditional orders are confirmed, will be approximately $1.5 billion, based on the 2008 list price for typically equipped aircraft.

In May 2008, an order from VistaJet Holding SA was received for 11 *Challenger 605* aircraft, 13 *Learjet 60 XR* aircraft and 11 *Learjet 85* aircraft, for a total of 35 firm orders, with options for an additional 25 aircraft. The total value of this order, if all options are exercised, will be approximately $1.2 billion, based on the 2008 list price for typically equipped aircraft.

Commercial aircraft

According to the International Air Transport Association (IATA) Financial Forecast dated September 2008, airline business confidence has been on a decline in the current calendar year. This is mainly due to high fuel prices (the price of which has declined since the peak reached in July 2008) and lower growth in passenger demand. As a result, airlines are reviewing their fleets and are working to optimize the mix and number of aircraft, as well as planning capacity reductions. Some airlines are merging as evidenced by the merger of Delta Air Lines and Northwest Airlines, which was completed on October 29, 2008. In this period of reorganization, for the nine-month period ended October 31, 2008, BA has received fewer orders for commercial aircraft compared to the same period last year. BA's commercial aircraft book-to-bill ratio for the nine-month period ended October 31, 2008 remains above 1.0.

During fiscal year 2008, several U.S. airlines emerged from bankruptcy protection or had restructuring plans in place, which resulted in the receipt of significant orders for the larger regional jets and turboprops. Significant orders were also received in fiscal year 2008 as a result of the launch of the *CRJ700/900/1000 NextGen* regional jets.

Commercial aircraft net orders

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)	**2008**	2007	**2008**	2007
Regional jets				
CRJ700 NextGen	**-**	-	**18**	10
CRJ900 NextGen	**2**	2	**23**[(1)]	61
CRJ1000 NextGen	**6**	-	**6**	38[(2)]
Turboprops				
Q200	**-**	-	-	4
Q300	**-**	-	-	10
Q400/Q400 NextGen	**12**	10	**42**	64
	20	12	**89**	187

(1) During the three-month period ended July 31, 2008, a firm order for two *CRJ900 NextGen* aircraft was removed from the order backlog.
(2) Of the 38 orders received, 15 were swaps from *CRJ900* aircraft.

Commercial aircraft significant net orders

(in units)	Nine-month period ended October 31, 2008
CRJ700 NextGen	
Undisclosed customers	10
Felix Airways	8
CRJ900 NextGen	
SAS Scandinavian Airlines and Estonian Air[(1)]	13
Government of Iraq	10
CRJ1000 NextGen	
Brit Air	6
Q400 NextGen	
airBaltic[(2)]	8
Porter Airlines Inc.	8
Widerøe Flyveselskap AS[(2)]	6

(1) Affiliated to SAS Scandinavian Airlines.
(2) Subsidiary of SAS Scandinavian Airlines.

Subsequent to the end of the third quarter, BA announced that Ethiopian Airlines has signed a contract to purchase eight *Q400 NextGen* turboprops and took options on four additional aircraft.

The commercial aircraft order backlog as well as the options and conditional orders consisted of the following as at:

	October 31, 2008		January 31, 2008	
(in units)	**Aircraft on firm order**	**Options and conditional orders**	Aircraft on firm order	Options and conditional orders
Regional jets				
CRJ200	**-**	**4**	-	24
CRJ700 NextGen	**48**	**50**	32	72
CRJ900 NextGen	**72**[(1)]	**200**	84[(2)]	212
CRJ1000 NextGen	**45**	**18**	39	24
Turboprops				
Q200	**3**	**-**	5	-
Q300	**7**	**-**	12	4
Q400/Q400 NextGen	**103**	**135**	90[(2)]	145
	278	**407**	262	481

(1) Includes 10 firm orders with conversion rights from the *CRJ900 NextGen* aircraft to the *CRJ1000 NextGen* aircraft.
(2) Includes 19 firm orders with conversion rights from the *CRJ900 NextGen* aircraft to the *CRJ1000 NextGen* aircraft and three firm orders with conversion rights from the *Q400* turboprop to other commercial aircraft.

WORKFORCE AND LABOUR RELATIONS

On July 6, 2008, approximately 5,300 employees under the International Association of Machinists and Aerospace Workers 712 (IAMAW) voted in favour of a new tentative collective agreement contingent on the *CSeries* family of aircraft being manufactured in the Montréal area. As a result of the launch of the *CSeries* family of aircraft on July 13, 2008, along with confirmation of the decision to manufacture the aircraft in the Montréal area, this agreement has become effective November 29, 2008, upon expiration of the current collective agreement, and will expire on November 28, 2014.

TRANSPORTATION

HIGHLIGHTS OF THE QUARTER

- Revenues of $2.3 billion, compared to $1.9 billion for the same period last fiscal year.
- EBIT of $116 million, or 5.1% of revenues, compared to $79 million, or 4.2%, for the same period last fiscal year.
- Free cash flow usage of $243 million, a decrease of $278 million compared to the same period last fiscal year.
- $2.8 billion in new orders (book-to-bill[1] ratio of 1.2), compared to $3.1 billion (book-to-bill ratio of 1.7) for the same period last fiscal year.
- Order backlog of $25.9 billion as at October 31, 2008, compared to $30.9 billion as at January 31, 2008. This decrease is mainly due to the weakening of foreign currencies, mainly the euro and the pound sterling, compared to the U.S. dollar.

(1) Ratio of new orders over revenues.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007[2]	**2008**	2007[2]
Revenues				
Rolling stock[3]	**$ 1,577**	$ 1,158	**$ 4,741**	$ 3,349
Services[4]	**366**	395	**1,164**	1,085
System and signalling[5] [6]	**336**	325	**1,199**	982
Total revenues	**2,279**	1,878	**7,104**	5,416
Cost of sales	**1,901**	1,573	**5,980**	4,504
Margin	**378**	305	**1,124**	912
Selling, general and administrative	**215**	184	**636**	529
Research and development	**26**	21	**83**	74
Other expense (income)[7]	**(6)**	(7)	**(40)**	(2)
EBITDA before special item	**143**	107	**445**	311
Amortization	**27**	28	**94**	81
EBIT before special item	**116**	79	**351**	230
Special item	**-**	-	**-**	162
EBIT	**$ 116**	$ 79	**$ 351**	$ 68
(as a percentage of total revenues)				
Margin	**16.6%**	16.2%	**15.8%**	16.8%
EBITDA before special item	**6.3%**	5.7%	**6.3%**	5.7%
EBITDA	**6.3%**	5.7%	**6.3%**	2.8%
EBIT before special item	**5.1%**	4.2%	**4.9%**	4.2%
EBIT	**5.1%**	4.2%	**4.9%**	1.3%

(1) The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of higher exchange rates of the euro and other European currencies compared to the U.S. dollar positively affects revenues and negatively affects expenses, while lower exchange rates would have the opposite impact (defined as “positive currency impact” and “negative currency impact”). See Foreign exchange rates section in Other for the average exchange rates used to translate revenues and expenses.
(2) Effective February 1, 2008, the Corporation has changed its overhead allocation policy, whereby all G&A overhead costs are now expensed as incurred (see Changes in accounting policies section in Other for further details). Comparative figures include reclassifications from cost of sales to SG&A of $49 million and $142 million, respectively, for the three- and nine-month periods ended October 31, 2007.
(3) Comprised of mainline (including very high-speed, high-speed, intercity, regional and commuter trains, as well as locomotives), mass transit (including metro cars and light rail vehicles), propulsion and controls, and bogies revenues, presented in the caption manufacturing revenues in the interim consolidated statements of income.
(4) Comprised of fleet management, spare parts and logistics management, vehicle refurbishment and overhaul, component refurbishment and overhaul, and technical support revenues.
(5) The revenues of system and signalling are presented in the caption other revenues in the interim consolidated statements of income.
(6) Excluding the rolling stock portion of system orders manufactured by other divisions within BT.
(7) Includes net loss (gain) on certain financial instruments, foreign exchange loss (gain), severance and other involuntary termination costs (including changes in estimates), loss (income) from equity accounted investees and loss (gain) on disposal of property, plant and equipment.

Revenues by geographic region

	Three-month periods ended October 31				Nine-month periods ended October 31			
	2008		2007		**2008**		2007	
Europe	**$ 1,687**	**74%**	$ 1,370	73%	**$ 5,453**	**77%**	$ 4,030	75%
North America	**236**	**10%**	228	12%	**731**	**10%**	600	11%
Asia-Pacific	**277**	**12%**	222	12%	**712**	**10%**	662	12%
Other	**79**	**4%**	58	3%	**208**	**3%**	124	2%
	$ 2,279		$ 1,878		**$ 7,104**		$ 5,416	

Rolling stock revenues
The $419-million increase for the three-month period is mainly due to increased activity:

- in the regional train segment, mainly in France, Netherlands and Germany ($252 million); and
- in the locomotive segment in Germany ($115 million).

The increase was partially offset by a negative currency impact ($33 million).

The $1.4-billion increase for the nine-month period is mainly due to increased activity:

- in the regional train segment, mainly in France, Netherlands, Sweden and Germany ($589 million);
- in the locomotive segment in Germany ($257 million); and
- in the North American region ($65 million).

The increase also reflects a positive currency impact of $314 million.

Services revenues
The $29-million decrease for the three-month period is mainly due to a negative currency impact ($15 million).

The $79-million increase for the nine-month period is mainly due to:

- higher revenues in Europe ($22 million) mainly due to lower comparative revenues in the second quarter of fiscal year 2008 due to negative adjustments for contracts in the U.K.; and
- increased activity in the North American region ($23 million).

The increase also reflects a positive currency impact of $33 million.

System and signalling revenues
The $11-million increase for the three-month period is mainly due to:

- a positive currency impact ($27 million); and
- an increase in activities in signalling ($17 million).

Partially offset by:

- the reduced scope of the Metronet Sub-Surface Lines signalling contract ($24 million).

The $217-million increase for the nine-month period is mainly due to:

- the payment of £95 million ($189 million) to Westinghouse Rail Systems Limited (“WRSL”) regarding the de-scoping of the Metronet Sub-Surface Lines signalling sub-contract, which under contract accounting led to an increase in costs and revenues by the same amount (no margin);
- a positive currency impact ($67 million);
- an increase in activities in signalling ($53 million); and
- the ramp-up of a system project in South Africa ($35 million).

Partially offset by:

- the reduced scope of the Metronet Sub-Surface Lines signalling contract ($102 million).

EBIT margin before special item

The 0.9 percentage-point increase for the three-month period is mainly due to:

- a better margin for rolling stock in Europe;
- better contract execution in services; and
- better absorption of selling, general and administrative, as well as amortization expenses due to higher revenues.

Partially offset by:

- a lower margin in rolling stock in North America, due to the margin deterioration on a specific contract and settlement of an outstanding customer claim.

The 0.7 percentage-point increase for the nine-month period is mainly due to:

- better contract execution in services;
- better absorption of selling, general and administrative, research and development, as well as amortization expenses due to higher revenues; and
- a net gain related to foreign exchange fluctuations and certain financial instruments carried at fair value.

Partially offset by:

- a lower margin in rolling stock due to a large number of contracts in the start-up phase, to the margin deterioration on a specific contract in North America and to the settlement of an outstanding customer claim in North America.

The EBIT margin for the nine-month period ended October 31, 2008 was also impacted by the above-mentioned payment on the Metronet Sub-Surface Lines signalling sub-contract, where BT recognized £95 million ($189 million) of revenues at no margin, which generated a negative impact of 0.4% on margin and 0.1% on EBIT.

Special item

The special item for the nine-month period ended October 31, 2007 relates to the write-off of the carrying value of the investment in Metronet ($162 million).

FREE CASH FLOW

Free cash flow

	Three-month periods ended October 31		**Nine-month periods ended October 31**	
	2008	2007	**2008**	2007
EBIT	**$ 116**	$ 79	**$ 351**	$ 68
Non-cash items:				
Amortization	**27**	28	**94**	81
Gain on disposals of property, plant and equipment	**-**	-	**(21)**	(2)
Stock-based compensation	**8**	4	**19**	9
Special item	**-**	-	**-**	162
Net change in non-cash balances related to operations	**(361)**	(44)	**(273)**	(105)
Net additions to property, plant and equipment	**(33)**	(32)	**(50)**	(50)
Free cash flow	**$ (243)**	$ 35	**$ 120**	$ 163

The $278-million decrease for the three-month period is mainly due to:

- a negative period-over-period variation in net change in non-cash balances related to operations ($317 million) (see explanations below).

Partially offset by:

- higher profitability ($37 million).

The $43-million decrease for the nine-month period is mainly due to:

- a negative period-over-period variation in net change in non-cash balances related to operations ($168 million) (see explanations below).

Partially offset by:

- higher profitability before the non-cash special item ($121 million).

Net change in non-cash balances related to operations
For the three-month period ended October 31, 2008, the $361-million cash outflow is mainly due to a decrease in advances and progress billings in excess of related long-term contract costs. For the three-month period ended October 31, 2007, the $44-million cash outflow is mainly due to an increase in inventories and in receivables.

For the nine-month period ended October 31, 2008, the $273-million cash outflow was mainly due to the above-mentioned settlement of £95 million ($189 million) to WRSL and an increase in inventories, partially offset by an increase in advances and progress billings in excess of related long-term contract costs. For the nine-month period ended October 31, 2007, the $105-million cash outflow is mainly the result of a decrease in accounts payable and accrued liabilities, a payment of a discretionary pension fund contribution ($174 million) and an increase in receivables, partially offset by an increase in advances and progress billings in excess of related long-term contract costs and a decrease in inventories.

ORDERS AND BACKLOG

Order intake and book-to-bill ratio

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in billions of dollars)	**2008**	2007	**2008**	2007
Rolling stock	**$ 1.6**	$ 2.1	**$ 4.2**	$ 5.0
Services	**1.0**	0.6	**2.0**	1.5
System and signalling	**0.2**	0.4	**1.1**	0.9
	$ 2.8	$ 3.1	**$ 7.3**	$ 7.4
Book-to-bill ratio	**1.2**	1.7	**1.0**	1.4

The decrease in order intake for the three-month period is mainly due to lower order intake in rolling stock in Europe and Asia, partially offset by higher order intake in rolling stock in North America and in services in Europe, as well as a positive currency impact ($50 million). For the three-month period ended October 31, 2008, BT achieved a book-to-bill ratio of 1.2, in the context of a 21% increase in revenues over the same period last fiscal year.

The decrease in order intake for the nine-month period is mainly due to lower order intake in rolling stock, partially offset by higher order intake in services in Europe, as well as by a positive currency impact ($387 million). For the nine-month period ended October 31, 2008, BT achieved a book-to-bill ratio of 1.0, in the context of a 31% increase in revenues over the same period last fiscal year.

BT received the following major orders during the first nine months of fiscal year 2009:

Customer	**Product/Service**	**Number of cars**	**Rolling stock**	**Services**
Swedish State Railway, SJ AB, Sweden	*REGINA* high-speed trains	80	$ 349	$ -
Brussels transport company (STIB), Belgium	*FLEXITY* Outlook trams	87	285	-
Railpool, Germany	*TRAXX* locomotives	58	276	-
New Jersey Transit Corporation, U.S.	Dual-powered passenger locomotives	26	262	-
New Jersey Transit Corporation, U.S.	ALP-46A electric locomotives	27	229	-
Agence Métropolitaine de Transport, Canada	Dual-powered passenger locomotives, including spare parts	20	223	-
RENFE, Spain	14-year contract for the maintenance of 45 AVE S-130 high-speed trains	-	-	202[1]
Bursa Metropolitan Municipality, Turkey	*FLEXITY* Swift light rail vehicles, including spare parts	30	138	-
Delhi Metro Rail Corporation Ltd., India	*MOVIA* metro cars	84	137	-
Danish State Railway (“DSB”), Denmark	Contessa trains	30	118	-
New Southern Railway, U.K.	*ELECTROSTAR* electric multiple units	44	107	-

[1] Contract includes consortium partner. Only BT share value is stated.

BT also received three significant orders in rolling stock and services from undisclosed customers, for a total value of $343 million. During the second quarter of fiscal year 2009, BT reached a significant milestone, leading to a contract extension on a service contract generating an order intake of $166 million. During the third quarter of fiscal year 2009, BT recorded the remaining portion of an existing 30-year maintenance contract agreement, generating an order intake of $587 million.

Subsequent to the end of the third quarter, BT signed the following contracts, which are not included in the order backlog as at October 31, 2008:

- BT has received an order for 219 driverless *MOVIA* metro cars from the Land Transport Authority of Singapore (LTA) valued at $380 million.
- BT has received an order from Siemens for the sub-contracting of painting, end-assembly, testing and commissioning of 115 multiple-unit trains for the Brussels Regional Railway Network (RER) valued at $214 million.
- BT has received an order from the leasing company Railpool for the delivery of 45 double-deck coaches valued at $101 million, intended for service on lines operated by the DSB.

Order backlog

(in billions of dollars)	**October 31, 2008**	January 31, 2008
Rolling stock	**$ 17.1**	$ 20.5
Services	**6.1**	6.6
System and signalling	**2.7**	3.8
	$ 25.9	$ 30.9

The decrease in the order backlog is mainly due to the weakening of foreign currencies as at October 31, 2008 compared to January 31, 2008, mainly the euro and the pound sterling compared to the U.S. dollar ($5.2 billion).

OTHER

During InnoTrans 2008, the world's largest rail industry fair held in September in Germany, BT has launched the *ECO4* portfolio of solutions, services, products and technologies that maximize total train performance for rail operators. Fulfilling BT’s motto "The climate is right for trains", the *ECO4* portfolio offers the best-in-class environmental performance and addresses the most pressing concerns rail transit operators face today: reducing Energy consumption, improving Efficiency and protecting the Ecology, thus improving the Economics for BT’s customers.

OTHER

CHANGES IN ACCOUNTING POLICIES

Inventories
In June 2007, the Accounting Standards Board (“AcSB”) released Section 3031 “Inventories”, which replaces Section 3030 “Inventories”. It provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) IAS 2 “Inventories”. This accounting standard was adopted by the Corporation effective February 1, 2008. The Section prescribes the measurement of inventories at the lower of cost and net realizable value. It provides further guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and circumstances for their subsequent reversal. It also provides more restrictive guidance on the cost methodologies that are used to assign costs to inventories and describes additional disclosure requirements.

As a result, the Corporation adopted the unit cost method for its aerospace programs in replacement of the average cost method. The unit cost method is a prescribed cost method under which the actual production costs are charged to each unit produced and are recognized in income as the unit is delivered. The deferral of a portion of initial costs as EOAPC, embedded in the average cost method, is not allowed under the unit cost method. In addition, as a result of the more restrictive guidance on the determination of costs, the Corporation also changed its overhead allocation policy on its aerospace programs, whereby all G&A overhead costs are now expensed. In accordance with Section 3031, the Corporation has applied these changes in accounting policies by adjusting the opening retained earnings as at February 1, 2008 (prior fiscal years have not been restated).

As part of the adoption of Section 3031, customer advance payments received on account of work performed and previously deducted from aerospace program inventories have been reclassified to liabilities as advances on aerospace programs.

Also, effective February 1, 2008, the Corporation changed its G&A overhead cost allocation policy for its long-term contracts and aerospace program tooling to conform with the method applicable to its aerospace programs. Management believes that this new overhead allocation policy results in more relevant information.

As at February 1, 2008, the effect of these accounting changes as well as of the reclassification of certain aerospace program customer advances on the Corporation’s consolidated balance sheet was as follows:

	Reported as at January 31 2008	Impact of accounting changes	Reclassification of certain aerospace programs’ customer advances	Restated as at February 1 2008
Assets				
Inventories	$ 3,548	$ (318)[1]	$ 1,558	$ 4,788
Aerospace program tooling	1,196	(23)[2]	-	1,173
Deferred income taxes	935	113	-	1,048
	$ 5,679	$ (228)	$ 1,558	$ 7,009
Liabilities				
Accounts payable and accrued liabilities	$ 6,919	$ 29	$ -	$ 6,948
Advances and progress billings in excess of related long-term contract costs	2,791	11	-	2,802
Advances on aerospace programs	1,368	-	1,558	2,926
	$ 11,078	$ 40	$ 1,558	$ 12,676
Shareholders’ equity	$ 3,118	$ (268)	$ -	$ 2,850

(1) Represents a write-off of $277 million relating to EOAPC and $41 million relating to G&A overhead costs included in inventories.
(2) Relates to G&A overhead costs.

The comparative figures as at January 31, 2008 included a reclassification of $1,558 million of aerospace programs' customer advances from inventories to advances on aerospace programs. In addition, $78 million and $223 million of G&A overhead costs have been reclassified from cost of sales to selling, general and administrative expenses for the three- and nine-month periods ended October 31, 2007, to conform to the presentation adopted in the current fiscal year.

Capital disclosures
In December 2006, the AcSB issued Section 1535 "Capital disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This accounting standard was adopted by the Corporation effective February 1, 2008.

FUTURE CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets
In February 2008, the AcSB issued Section 3064 "Goodwill and intangible assets" which replaces Section 3062, "Goodwill and other intangible assets" and Section 3450 "Research and development costs". For the Corporation, this Section is effective for interim and annual financial statements beginning on February 1, 2009. This Section establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are aligned with IFRS IAS 38 "Intangible assets". Upon adoption, Section 3064 shall not have an impact on the Corporation's Consolidated Financial Statements, other than certain reclassifications in the balance sheet.

International Financial Reporting Standards
In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Corporation's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Corporation, the changeover to IFRS will be required for interim and annual financial statements beginning on February 1, 2011. As a result, the Corporation has developed a plan to convert its Consolidated Financial Statements to IFRS. The Corporation has also set up IFRS dedicated teams at all levels of the organization. The Corporation has provided training to key employees and is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

A detailed analysis of the differences between IFRS and the Corporations' accounting policies as well as an assessment of the impact of various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Corporation's Consolidated Financial Statements.

CONTROLS AND PROCEDURES

There were no change to the Corporation's internal controls over financial reporting that occurred during the nine-month period ended October 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	October 31, 2008	January 31, 2008	Decrease
Euro	**1.2681**	1.4840	(15%)
Canadian dollar	**0.8220**	0.9978	(18%)
Pound sterling	**1.6156**	1.9894	(19%)

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

	2008	2007	Increase (decrease)
Euro	**1.4206**	1.3926	2%
Canadian dollar	**0.9162**	0.9821	(7%)
Pound sterling	**1.7920**	2.0245	(11%)

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

	2008	2007	Increase (decrease)
Euro	**1.5057**	1.3587	11%
Canadian dollar	**0.9674**	0.9264	4%
Pound sterling	**1.9161**	1.9973	(4%)

SELECTED FINANCIAL DATA

The following table provides selected financial data for the last eight quarters.

								Fiscal years
			2009				**2008**	**2007**
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter
Revenues	**$ 4,571**	$ 4,932	$ 4,789	$ 5,270	$ 4,228	$ 4,041	$ 3,967	$ 4,418
Net income (loss)	**$ 245**	$ 246	$ 226	$ 218	$ 91	$ (71)	$ 79	$ 112
Earnings (loss) per share (in dollars):								
Basic	**$ 0.14**	$ 0.14	$ 0.13	$ 0.12	$ 0.05	$ (0.05)	$ 0.04	$ 0.06
Diluted	**$ 0.14**	$ 0.14	$ 0.12	$ 0.12	$ 0.05	$ (0.05)	$ 0.04	$ 0.06

INVESTOR INFORMATION

Authorized, issued and outstanding share data as at October 31, 2008

	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[1]	1,842,000,000	316,604,437
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,413,775,201[3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,464,920
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,535,080
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) Ten 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.
(3) Net of 23,653,759 Class B Shares (Subordinated Voting) purchased and held in trust in connection with the performance share units ("PSU") plan.

Share option and PSU data as at October 31, 2008

Options issued and outstanding	44,693,071
PSU issued and outstanding	15,198,897
Class B Shares held in trust to satisfy PSU obligations	23,653,759

Expected issuance date of the Corporation's financial reports for the next 12 months

Annual Report, for the fiscal year ended January 31, 2009	April 2, 2009
First Quarterly Report, for the period ended April 30, 2009	June 3, 2009
Second Quarterly Report, for the period ended July 31, 2009	September 2, 2009
Third Quarterly Report, for the period ended October 31, 2009	December 3, 2009

Information

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Additional information relating to Bombardier, including the Corporation's annual report and annual information form, can be found on SEDAR at www.sedar.com or on Bombardier's website at www.bombardier.com.

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BOMBARDIER INC.

CONSOLIDATED BALANCE SHEETS[1]

(Unaudited)

(In millions of U.S. dollars, except number of shares)

	Notes	October 31, 2008	January 31, 2008
Assets			
Cash and cash equivalents		**$ 3,251**	$ 3,602
Invested collateral	8	**1,107**	1,295
Receivables		**2,007**	1,998
Aircraft financing	5	**580**	626
Inventories	6	**5,558**	5,106
Property, plant and equipment		**2,714**	2,980
Fractional ownership deferred costs		**500**	500
Deferred income taxes		**1,187**	935
Accrued benefit assets		**926**	924
Derivative financial instruments	4	**245**	458
Goodwill		**2,100**	2,533
Other assets	7	**1,077**	1,163
		$ 21,252	$ 22,120
Liabilities			
Accounts payable and accrued liabilities	9	**$ 6,745**	$ 6,919
Advances and progress billings in excess of related long-term contract costs		**2,212**	2,791
Advances on aerospace programs		**3,455**	2,926
Fractional ownership deferred revenues		**640**	631
Long-term debt		**3,883**	4,393
Accrued benefit liabilities		**982**	1,066
Derivative financial instruments	4	**909**	276
		18,826	19,002
Shareholders' equity			
Preferred shares			
Issued and outstanding:			
Series 2: 9,464,920		**159**	159
Series 3: 2,535,080		**40**	40
Series 4: 9,400,000		**148**	148
Common shares			
Issued and outstanding:			
Class A: 316,604,437 (316,961,957 as at January 31, 2008)		**29**	29
Class B: 1,437,428,960 (1,434,973,636 as at January 31, 2008)		**1,427**	1,419
Purchased and held in trust under the performance share unit plan: 23,653,759 Class B (21,273,000 as at January 31, 2008)		**(130)**	(89)
Contributed surplus		**90**	68
Retained earnings		**1,383**	1,040
Accumulated other comprehensive income, net of tax	11	**(720)**	304
		2,426	3,118
		$ 21,252	$ 22,120
Commitments and contingencies	18		

The accompanying notes are an integral part of these interim consolidated financial statements.

[1] Refer to Note 2 for impact of new accounting policies, effective February 1, 2008.

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(In millions of U.S. dollars)

	Notes	Three-month periods ended October 31		Nine-month periods ended October 31	
		2008	2007	**2008**	2007
Preferred shares		**$ 347**	$ 347	**$ 347**	$ 347
Common shares					
Balance at beginning of period		**1,326**	1,356	**1,359**	1,408
Issuance of Class B shares		**1**	2	**8**	5
Class B shares - held in trust under the performance share unit plan:					
Purchased		**(1)**	-	**(54)**	(55)
Distributed		**-**	-	**13**	-
		1,326	1,358	**1,326**	1,358
Contributed surplus					
Balance at beginning of period		**76**	45	**68**	35
Stock-based compensation expense	10	**14**	8	**37**	19
Options exercised and shares distributed under the performance share unit plan		**-**	-	**(15)**	(1)
		90	53	**90**	53
Retained earnings					
Balance at beginning of period		**1,186**	746	**1,040**	753
Changes in accounting policies - Inventories	2	**-**	-	**(268)**	-
Net income		**245**	91	**717**	99
Dividends:					
Common shares		**(41)**	-	**(84)**	-
Preferred shares		**(7)**	(7)	**(22)**	(22)
		1,383	830	**1,383**	830
Accumulated other comprehensive income, net of tax	11				
Balance at beginning of period		**357**	260	**304**	174
Other comprehensive income (loss)		**(1,077)**	223	**(1,024)**	309
		(720)	483	**(720)**	483
		$ 2,426	$ 3,071	**$ 2,426**	$ 3,071

The accompanying notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In millions of U.S. dollars, except per share amounts)

		Three-month periods ended October 31		Nine-month periods ended October 31	
	Notes	**2008**	2007	**2008**	2007
Revenues					
Manufacturing		**$ 3,412**	$ 3,011	**$ 10,512**	$ 8,611
Services		**756**	800	**2,398**	2,212
Other		**403**	417	**1,382**	1,413
		4,571	4,228	**14,292**	12,236
Cost of sales	2	**3,698**	3,525	**11,642**	10,178
Selling, general and administrative	2	**402**	347	**1,171**	999
Research and development		**34**	29	**121**	98
Other expense (income)	12	**(17)**	1	**(52)**	(21)
Amortization		**139**	125	**416**	385
Special item	13	**-**	-	**-**	162
		4,256	4,027	**13,298**	11,801
Income before the following:		**315**	201	**994**	435
Financing income	14	**(80)**	(50)	**(223)**	(156)
Financing expense	14	**105**	118	**305**	365
Income before income taxes		**290**	133	**912**	226
Income taxes		**45**	42	**195**	127
Net income		**$ 245**	$ 91	**$ 717**	$ 99
Basic and diluted earnings per share	15	**$ 0.14**	$ 0.05	**$ 0.40**	$ 0.04

The accompanying notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In millions of U.S. dollars)

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Net income	**$ 245**	$ 91	**$ 717**	$ 99
Other comprehensive income				
Net unrealized loss on financial assets available for sale[1]	**(15)**	(3)	**(22)**	(5)
Net change in cash flow hedges:				
Foreign exchange re-evaluation	**(3)**	(1)	**(3)**	(2)
Net gain (loss) on derivative financial instruments designated as cash flow hedges	**(806)**	391	**(752)**	589
Reclassification to income or to the related non financial asset	**58**	(91)	**(61)**	(129)
Income tax recovery (expense)	**211**	(92)	**236**	(144)
	(540)	207	**(580)**	314
Cumulative translation adjustment:				
Net investments in self-sustaining foreign operations	**(942)**	161	**(732)**	311
Net income (loss) on related hedging items[2]	**420**	(142)	**310**	(311)
	(522)	19	**(422)**	-
Total Other comprehensive income (loss)	**(1,077)**	223	**(1,024)**	309
Total Comprehensive income (loss)	**$ (832)**	$ 314	**$ (307)**	$ 408

The accompanying notes are an integral part of these interim consolidated financial statements.

(1) Net of income taxes of $1 million and $2 million for the three- and nine-month periods ended October 31, 2008 (nil for the three- and nine-month periods ended October 31, 2007).

(2) Net of income taxes of nil and $2 million for the three- and nine-month periods ended October 31, 2008 ($11 million and $24 million for the three-and nine-month periods ended October 31, 2007).

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions of U.S. dollars)

	Notes	Three-month periods ended October 31 **2008**	Three-month periods ended October 31 2007	Nine-month periods ended October 31 **2008**	Nine-month periods ended October 31 2007
Operating activities					
Net income		**$ 245**	$ 91	**$ 717**	$ 99
Non-cash items:					
Amortization		**139**	125	**416**	385
Deferred income taxes		**31**	17	**138**	72
Loss (gain) on disposals of property, plant and equipment		**-**	1	**(17)**	(2)
Stock-based compensation	10	**14**	8	**37**	19
Special item	13	**-**	-	**-**	162
Net change in non-cash balances related to operations	16	**(503)**	453	**(535)**	502
Cash flows from operating activities		**(74)**	695	**756**	1,237
Investing activities					
Additions to property, plant and equipment		**(152)**	(137)	**(366)**	(224)
Disposals of property, plant and equipment		**-**	2	**43**	26
Other		**11**	(51)	**(14)**	(133)
Cash flows from investing activities		**(141)**	(186)	**(337)**	(331)
Financing activities					
Repayments of long-term debt		**(49)**	(2)	**(112)**	(29)
Purchase of Class B shares - held in trust under the performance share unit plan		**(1)**	-	**(54)**	(55)
Issuance of shares, net of related costs		**1**	2	**6**	5
Dividends paid		**(48)**	(7)	**(106)**	(22)
Other		**(9)**	-	**(9)**	-
Cash flows from financing activities		**(106)**	(7)	**(275)**	(101)
Effect of exchange rate changes on cash and cash equivalents		**(705)**	134	**(495)**	181
Net increase (decrease) in cash and cash equivalents		**(1,026)**	636	**(351)**	986
Cash and cash equivalents at beginning of period		**4,277**	2,998	**3,602**	2,648
Cash and cash equivalents at end of period		**$ 3,251**	$ 3,634	**$ 3,251**	$ 3,634
Supplemental information					
Cash paid for:					
Interest		**$ 36**	$ 82	**$ 215**	$ 326
Income taxes		**$ 13**	$ -	**$ 56**	$ 77

The accompanying notes are an integral part of these interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended October 31, 2008
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Bombardier Inc. (“the Corporation”) is incorporated under the laws of Canada and is a manufacturer of transportation equipment, including business and commercial aircraft and rail transportation equipment and systems, and is a provider of related services.

1. BASIS OF PRESENTATION

The interim consolidated financial statements are expressed in U.S. dollars and 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, except for the changes in accounting policies described in Note 2 – Changes in accounting policies. 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 2008.

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. The fourth quarter has historically been the strongest in terms of revenues and profitability.

Bombardier Inc. and its subsidiaries carry out their operations in two distinct segments, the aerospace segment (“BA”) and the transportation segment (“BT”), each one characterized by a specific operating cycle; therefore, the consolidated balance sheets are unclassified. Most legal entities of BT use a December 31 fiscal year-end. As a result, the Corporation consolidates the operations of BT with a one-month lag with the remainder of its operations. To the extent that significant transactions or events occur during the one-month lag period, the Corporation’s interim consolidated financial statements are adjusted accordingly.

2. CHANGES IN ACCOUNTING POLICIES

Inventories
In June 2007, the Accounting Standards Board (“AcSB”) released Section 3031 “Inventories”, which replaces Section 3030 “Inventories”. It provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) IAS 2 “Inventories”. This accounting standard was adopted by the Corporation effective February 1, 2008. The Section prescribes the measurement of inventories at the lower of cost and net realizable value. It provides further guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and circumstances for their subsequent reversal. It also provides more restrictive guidance on the cost methodologies that are used to assign costs to inventories and describes additional disclosure requirements.

As a result, the Corporation adopted the unit cost method for its aerospace programs in replacement of the average cost method. The unit cost method is a prescribed cost method under which the actual production costs are charged to each unit produced and are recognized in income as the unit is delivered. The deferral of a portion of initial costs as excess over average production costs (“EOAPC”), embedded in the average cost method, is not allowed under the unit cost method. In addition, as a result of the more restrictive guidance on the determination of costs, the Corporation also changed its overhead allocation policy on its aerospace programs, whereby all general and administrative (“G&A”) overhead costs are now expensed. In accordance with Section 3031, the Corporation has applied these changes in accounting policies by adjusting the opening retained earnings as at February 1, 2008 (prior fiscal years have not been restated).

As part of the adoption of Section 3031, customer advance payments received on account of work performed and previously deducted from aerospace program inventories have been reclassified to liabilities as advances on aerospace programs.

Also, effective February 1, 2008, the Corporation changed its G&A overhead cost allocation policy for its long-term contracts and aerospace program tooling to conform with the method applicable to its aerospace programs. Management believes that this new overhead allocation policy results in more relevant information.

As at February 1, 2008, the effect of these accounting changes as well as of the reclassification of certain aerospace program customer advances on the Corporation's consolidated balance sheet was as follows:

	Reported as at January 31 2008	Impact of accounting changes	Reclassification of certain aerospace programs' customer advances	Restated as at February 1 2008
Assets				
Inventories	$ 3,548	$ (318)[1]	$ 1,558	$ 4,788
Aerospace program tooling	1,196	(23)[2]	-	1,173
Deferred income taxes	935	113	-	1,048
	$ 5,679	$ (228)	$ 1,558	$ 7,009
Liabilities				
Accounts payable and accrued liabilities	$ 6,919	$ 29	$ -	$ 6,948
Advances and progress billings in excess of related long-term contract costs	2,791	11	-	2,802
Advances on aerospace programs	1,368	-	1,558	2,926
	$ 11,078	$ 40	$ 1,558	$ 12,676
Shareholders' equity	$ 3,118	$ (268)	$ -	$ 2,850

(1) Represents a write-off of $277 million relating to EOAPC and $41 million relating to G&A overhead costs included in inventories.
(2) Relates to G&A overhead costs.

The comparative figures as at January 31, 2008 included a reclassification of $1,558 million of aerospace programs' customer advances from inventories to advances on aerospace programs. In addition, $78 million and $223 million of G&A overhead costs have been reclassified from cost of sales to selling, general and administrative expenses for the three- and nine-month periods ended October 31, 2007, to conform to the presentation adopted in the current fiscal year.

Capital disclosures
In December 2006, the AcSB issued Section 1535 "Capital disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This accounting standard was adopted by the Corporation effective February 1, 2008 (see Note 19 – Capital management).

3. FUTURE CHANGES IN ACCOUNTING POLICIES

Goodwill and intangible assets
In February 2008, the AcSB issued Section 3064 "Goodwill and intangible assets" which replaces Section 3062, "Goodwill and other intangible assets" and Section 3450 "Research and development costs". For the Corporation, this Section is effective for interim and annual financial statements beginning on February 1, 2009. This Section establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are aligned with IFRS IAS 38 "Intangible assets". Upon adoption, Section 3064 shall not have an impact on the Corporation's Consolidated Financial Statements, other than certain reclassifications on the balance sheet.

International Financial Reporting Standards
In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (IASB) will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Corporation's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

For the Corporation, the changeover to IFRS will be required for interim and annual financial statements beginning on February 1, 2011. As a result, the Corporation has developed a plan to convert its Consolidated Financial Statements to IFRS. The Corporation has also set up IFRS dedicated teams at all levels of the organization. The Corporation has provided training to key employees and is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting.

A detailed analysis of the differences between IFRS and the Corporation's accounting policies as well as an assessment of the impact of various alternatives are in progress. Changes in accounting policies are likely and may materially impact the Corporation's Consolidated Financial Statements.

4. FINANCIAL INSTRUMENTS

The classification of financial instruments as held for trading ("HFT"), available for sale ("AFS"), loans and receivables ("L&R") and other than HFT, as well as their carrying amounts and fair values, were as follows as at:

Financial assets

	October 31, 2008					January 31, 2008				
	Carrying value				**Fair value**	Carrying value				Fair value
	HFT	**AFS**	**L&R**	**Total**[1]		HFT	AFS	L&R	Total[1]	
Cash and cash equivalents	**$ 3,251**	**$ -**	**$ -**	**$ 3,251**	**$ 3,251**	$ 3,602	$ -	$ -	$ 3,602	$ 3,602
Invested collateral	**1,107**[2]	**-**	**-**	**1,107**	**1,107**	1,295[2]	-	-	1,295	1,295
Receivables	**-**	**-**	**1,942**[3]	**1,942**	**1,942**	-	-	1,855[3]	1,855	1,855
Aircraft financing	**377**[2] [4]	**-**	**113**[5]	**490**	**505**	398[2] [4]	-	119[5]	517	548
Derivative financial instruments	**77**[6]	**-**	**-**	**77**	**77**	97[6]	-	-	97	97
Other assets	**229**[2] [7]	**196**[8]	**156**[9]	**581**	**581**	249[2] [7]	207[8]	181[9]	637	637
	$ 5,041	**$ 196**	**$ 2,211**	**$ 7,448**	**$ 7,463**	$ 5,641	$ 207	$ 2,155	$ 8,003	$ 8,034

[1] Represents only the carrying value of financial assets included in the corresponding balance sheet caption.
[2] Represents financial assets designated as HFT under the fair value option.
[3] Represents trade receivables and certain other receivables.
[4] Represents certain commercial aircraft loans and lease receivables.
[5] Represents certain commercial aircraft loans and lease receivables, investment in financing structures and business aircraft loans.
[6] Represents derivative financial instruments not designated in a hedging relationship but that are economic hedges, and embedded derivatives accounted for separately.
[7] Includes a prepayment under an exchange agreement and servicing fees.
[8] Represents investment in securities.
[9] Includes restricted cash.

Financial liabilities

	October 31, 2008				January 31, 2008			
	Carrying value			Fair value	Carrying value			Fair value
	HFT	**Other than HFT**	**Total[1]**		HFT	Other than HFT	Total[1]	
Accounts payable and accrued liabilities	**$ 711[2]**	**$ 3,504[3]**	**$ 4,215**	**$ 4,215**	$ 772[2]	$ 3,515[3]	$ 4,287	$ 4,287
Long-term debt	**-**	**3,883**	**3,883**	**3,064**	-	4,393	4,393	4,266
Derivative financial instruments	**51[4]**	**-**	**51**	**51**	34[4]	-	34	34
	$ 762	**$ 7,387**	**$ 8,149**	**$ 7,330**	$ 806	$ 7,908	$ 8,714	$ 8,587

[1] Represents only the carrying value of financial liabilities included in the corresponding balance sheet caption.
[2] Represents credit and residual value guarantees and related liabilities in connection with the sale of commercial aircraft designated as HFT under the fair value option.
[3] Includes trade accounts payable, interest, as well as certain accrued liabilities and payroll-related liabilities.
[4] Represents derivative financial instruments not designated in a hedging relationship but that are economic hedges, and embedded derivatives accounted for separately.

Financial instruments designated as HFT – Additional information for certain L&R and financial liabilities designated as HFT under the fair value option is as follows:

	Maximum exposure to credit risk as at October 31, 2008	**Gain in fair value attributable to changes in credit risk for the three-month period ended October 31, 2008**	**Gain in fair value attributable to changes in credit risk for the nine-month period ended October 31, 2008**	**Cumulative gain (loss) in fair value attributable to changes in credit risk**	**Excess of the amount contractually required to be paid over the carrying amount as at October 31, 2008**
L&R	$ 345[1]	$ -	$ 9	$ (2)	n/a
Credit and residual value guarantees and related liabilities	$ n/a[2]	$ 1	$ 10	$ 15	$ 30[3]

[1] The maximum exposure to credit risk is mitigated by the value of collaterals, which amounted to $156 million as at October 31, 2008.
[2] See Note 18 – Commitments and contingencies for the maximum exposure to credit risk related to credit and residual value guarantees.
[3] The amount of excess disclosed is only for the related liabilities recorded in connection with the sale of aircraft, having a carrying value of $200 million as at October 31, 2008.
n/a: Not applicable

To calculate the change in the fair value attributable to changes in credit risk, the Corporation uses the same methods as described in the Corporation's annual report for fiscal year 2008.

The net gain (loss) on financial instruments recognized in income was as follows:

	Three-month periods ended October 31		**Nine-month periods ended October 31**	
	2008	2007	**2008**	2007
Financial assets and financial liabilities designated as HFT[1]	**$ 25**	$ 26	**$ 10**	$ 38
Financial assets and financial liabilities required to be classified as HFT[2] [3]	**$ (30)**	$ 14	**$ 1**	$ (30)
Portion of the cash flow hedging items excluded from the assessment of effectiveness	**$ (3)**	$ (11)	**$ (11)**	$ (13)

[1] Excludes the interest income portion related to the prepayment under an exchange agreement and invested collateral of $15 million and $45 million respectively for the three- and nine-month periods ended October 31, 2008 ($15 million and $39 million respectively for the three- and nine-month periods ended October 31, 2007).
[2] Excludes the interest income portion related to cash and cash equivalents of $41 million and $124 million respectively for the three- and nine-month periods ended October 31, 2008 ($27 million and $62 million respectively for the three- and nine-month periods ended October 31, 2007).
[3] Includes a net loss of $26 million and $7 million respectively in connection with economic hedges not designated in hedging relationships for the three- and nine-month periods ended October 31, 2008 (a net loss of $16 million and $67 million respectively for the three- and nine-month periods ended October 31, 2007).

For the amounts of unrealized gains or losses on AFS financial assets recognized directly in other comprehensive income ("OCI") and the amounts removed from OCI and recognized in net income or net loss during the three-

and nine-month periods ended October 31, 2008 and 2007, if any, see the consolidated statements of comprehensive income.

Derivative and non-derivative financial instruments
The carrying amounts of all derivative financial instruments and non-derivative financial instruments in a hedge relationship were as follows:

	October 31, 2008		January 31, 2008	
	Assets	**Liabilities**	Assets	Liabilities
Derivative financial instruments designated as fair value hedges				
Interest-rate swap agreements	**$ 69**	**$ 38**	$ 73	$ 40
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts[1]	**99**	**812**	288	135
Derivative financial instruments designated as hedges of net investment				
Cross-currency interest-rate swap agreements	**-**	**8**	-	67
Derivative financial instruments classified as held for trading[2]				
Forward foreign exchange contracts	**23**	**24**	59	12
Interest-rate cap agreements	**4**	**4**	4	4
Interest-rate swap agreements	**-**	**1**	-	2
Cross-currency interest-rate swap agreements	**7**	**-**	3	-
Embedded derivative financial instruments:				
Call options on long-term debt	**-**	**-**	8	-
Foreign exchange	**43**	**19**	23	9
Financing rate commitments	**-**	**3**	-	7
	77	**51**	97	34
Total derivative financial instruments	**$ 245**	**$ 909**	$ 458	$ 276
Non-derivative financial instruments designated as hedges of net investment				
Long-term debt	**$ -**	**$ 908**	$ -	$ 1,191
Intercompany loans	**-**	**398**	-	687
Total non-derivative financial instruments designated in a hedge relationship	**$ -**	**$ 1,306**	$ -	$ 1,878

(1) The maximum length of time of the derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 38 months.
(2) Held as economic hedges, except for embedded derivative financial instruments.

5. AIRCRAFT FINANCING

Aircraft financing was as follows as at:

	October 31, 2008	January 31, 2008
Commercial aircraft		
Loans	**$ 259**	$ 280
Lease receivables[1]	**162**	170
	421	450
Business aircraft loans[2]	**26**	32
Total loans and lease receivables	**447**	482
Allowance for credit losses	**(10)**	(15)
	437	467
Assets under operating leases	**90**	109
Investment in financing structures	**53**	50
	$ 580	$ 626

(1) Includes $10 million of lease receivables related to consolidated variable interest entities ("VIEs") as at October 31, 2008 ($16 million as at January 31, 2008).
(2) This portfolio is being wound down.

6. INVENTORIES

Inventories were as follows as at:

	October 31, 2008	January 31, 2008
Long-term contracts		
Costs incurred and recorded margins	**$ 4,569**	$ 4,206
Less: advances and progress billings	**(3,266)**	(2,633)
	1,303	1,573
Aerospace programs	**3,071**	2,668
Finished products[1]	**1,184**	865
	$ 5,558	$ 5,106

[1] Finished products include three new aircraft not associated with a firm order and 27 pre-owned aircraft, totalling $176 million as at October 31, 2008 (13 pre-owned aircraft, totalling $90 million as at January 31, 2008).

The amount of inventory recognized as cost of sales was as follows:

	Three-month period ended October 31, 2008	Nine-month period ended October 31, 2008
Long-term contracts	$ 2,004	$ 6,241
Aerospace programs	1,153	3,916
Finished products	241	683
	$ 3,398	$ 10,840

7. OTHER ASSETS

Other assets were as follows as at:

	October 31, 2008	January 31, 2008
Prepaid expenses	**$ 288**	$ 240
Investment in securities[1]	**196**	207
Prepayment under an exchange agreement	**150**	150
Finite-life intangible assets, net of accumulated amortization of $156 million as at October 31, 2008 ($159 million as at January 31, 2008)	**131**	172
Restricted cash[2]	**94**	107
Servicing fees	**54**	56
Investment in companies subject to significant influence[3]	**35**	48
Deferred financing charges	**22**	39
Other	**107**	144
	$ 1,077	$ 1,163

[1] Includes $55 million of securities held as collateral for guarantees issued in connection with the sale of aircraft as at October 31, 2008 ($59 million as at January 31, 2008).
[2] Includes $69 million related to consolidated VIEs as at October 31, 2008 ($82 million as at January 31, 2008).
[3] The Corporation has pledged shares in investees subject to significant influence, with a carrying value of $24 million as at October 31, 2008 ($37 million as at January 31, 2008), including $10 million of loans as at October 31, 2008 ($12 million as at January 31, 2008), mostly related to BT.

8. LETTERS OF CREDIT FACILITIES

The principal letters of credit facility and its maturity were as follows as at:

		Amount committed		Letters of credit issued		Amount available	Maturity (fiscal year)[1]
October 31, 2008	**$**	**5,453**[2]	**$**	**5,037**	**$**	**416**	**2012**
January 31, 2008	$	6,381[2]	$	5,488	$	893	2012

[1] In December 2009, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature, up to December 2011.
[2] €4,300 million.

Under the principal letters of credit facility, the Corporation must maintain certain financial covenants (see Note 19 – Capital management). In addition, the Corporation must maintain €869 million ($1,102 million) of invested collateral to secure the obligation to the banks issuing letters of credit under the principal letter of credit facility. These conditions were met as at October 31, 2008 and January 31, 2008.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $233 million were outstanding under various bilateral agreements as at October 31, 2008 ($467 million as at January 31, 2008).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at:

		October 31, 2008		January 31, 2008
Trade accounts payable	**$**	**2,144**	$	2,079
Accrued liabilities		**1,086**		1,251
Sales incentives[1]		**952**		1,011
Product warranties		**894**		1,041
Payroll-related liabilities		**476**		496
Interest payable		**114**		77
Income and other taxes		**82**		213
Non-controlling interest		**73**		66
Provision for repurchase obligations		**69**		82
Severance and other involuntary termination costs		**21**		37
Other		**834**		566
	$	**6,745**	$	6,919

[1] Comprised of provision for credit and residual value guarantees and trade-in commitments, as well as other related provisions and liabilities in connection with the sale of aircraft (see Note 18 – Commitments and contingencies).

10. SHARE-BASED PLANS

Share option plans
The number of options issued and outstanding to purchase Class B Shares (Subordinate Voting) has varied as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Balance at beginning of period	**45,816,321**	46,820,250	**43,395,125**	44,609,150
Granted	**70,000**	-	**6,080,000**	6,149,000
Exercised	**(275,500)**	(356,250)	**(2,097,804)**	(1,320,000)
Cancelled	**(442,250)**	(429,500)	**(1,832,250)**	(2,324,250)
Expired	**(475,500)**	(170,000)	**(852,000)**	(1,249,400)
Balance at end of period	**44,693,071**	45,864,500	**44,693,071**	45,864,500

The weighted-average grant date fair value was $2.07 and $3.12 respectively for the three- and nine-month periods ended October 31, 2008 (not applicable and $2.88 respectively for the three- and nine-month periods

ended October 31, 2007). The fair value of each option granted was determined using an option pricing model and the following weighted-average assumptions:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007[(1)]	**2008**	2007
Risk-free interest rate	**3.24%**	-	**3.58%**	4.58%
Expected life	**5 years**	-	**5 years**	5 years
Expected volatility in market price of shares	**46.78%**	-	**48.03%**	51.59%
Expected dividend yield	**1.58%**	-	**1.66%**	nil

(1) No stock options were issued in the three-month period ended October 31, 2007.

A compensation expense of $3 million and $10 million respectively was recorded in the three- and nine-month periods ended October 31, 2008 with respect to share option plans ($3 million and $8 million respectively in the three- and nine-month periods ended October 31, 2007).

All awards granted or modified prior to February 1, 2003 are accounted for as capital transactions; therefore no compensation expense is recorded to income for these awards.

Performance share unit plan

The number of performance share units ("PSUs") issued and outstanding has varied as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Balance at beginning of period	**15,267,775**	13,987,142	**13,696,996**	8,040,386
Granted	**45,000**	19,000	**5,679,000**	6,187,000
Exercised	**-**	-	**(3,591,526)**	-
Cancelled	**(113,878)**	(179,362)	**(585,573)**	(400,606)
Balance at end of period	**15,198,897**	13,826,780	**15,198,897**	13,826,780

The PSUs granted in the three- and nine-month periods ended October 31, 2008 vest on June 10, 2011, if certain financial performance targets are met. The conversion ratio for vested PSUs ranges from 70% to 150%. The actual conversion rate for the PSUs exercised was 127% for the nine-month period ended October 31, 2008.

Compensation expense of $11 million and $27 million was recorded in the three- and nine-month periods ended October 31, 2008 with respect to the PSUs plan ($5 million and $11 million in the three- and nine-month periods ended October 31, 2007).

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the accumulated other comprehensive income ("AOCI") were as follows for the three- and nine-month periods ended October 31, 2008:

	AFS financial assets	**Cash flow hedges**	**Cumulative translation adjustment**	**Total**
Balance as at January 31, 2008	**$ 3**	**$ 111**	**$ 190**	**$ 304**
Change during the period	**(7)**	**(40)**	**100**	**53**
Balance as at July 31, 2008	**(4)**	**71**	**290**	**357**
Change during the period	**(15)**	**(540)**	**(522)**	**(1,077)**
Balance as at October 31, 2008	**$ (19)**	**$ (469)**	**$ (232)**	**$ (720)**

Changes in the AOCI were as follows for the three- and nine-month periods ended October 31, 2007:

	AFS financial assets	Cash flow hedges	Cumulative translation adjustment	Total
Balance as at January 31, 2007	$ 4	$ (8)	$ 178	$ 174
Change during the period	(2)	107	(19)	86
Balance as at July 31, 2007	2	99	159	260
Change during the period	(3)	207	19	223
Balance as at October 31, 2007	$ (1)	$ 306	$ 178	$ 483

12. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Foreign exchange losses (gains)	**$ (31)**	$ 19	**$ (49)**	$ 28
Settlement of claims	**-**	3	**(28)**	(15)
Loss related to disposal of businesses	**-**	-	**23**	-
Loss (gain) on disposal of property, plant and equipment	**-**	1	**(17)**	(2)
Non-controlling interest	**4**	2	**15**	4
Severance and other involuntary termination costs (including changes in estimates)	**6**	1	**13**	(12)
Net loss (gain) on financial instruments[1]	**1**	(27)	**(12)**	(32)
Loss (income) from equity accounted investees	**(2)**	(1)	**-**	5
Other	**5**	3	**3**	3
	$ (17)	$ 1	**$ (52)**	$ (21)

[1] Net loss (gain) on certain financial instruments classified as HFT, including foreign exchange embedded derivatives and financing rate commitments.

13. SPECIAL ITEM

The special item for the nine-month period ended October 31, 2007 relates to the Corporation’s investment in Metronet Rail BCV Ltd. and Metronet Rail SSL Ltd. (together “Metronet”), an equity accounted investee in which the Corporation is a 20% shareholder. As a result of its financial difficulties, Metronet was put in administration on July 18, 2007. Following these events, the Corporation wrote off the carrying value of its investment in Metronet, resulting in a pre- and after-tax loss of $162 million.

14. FINANCING INCOME AND FINANCING EXPENSE

Financing income and financing expense were as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2008	2007	**2008**	2007
Financing income				
Cash and cash equivalents	**$ (41)**	$ (27)	**$ (124)**	$ (62)
Invested collateral	**(14)**	(13)	**(41)**	(33)
Loans and lease receivables – after effect of hedges	**(16)**	(9)	**(37)**	(48)
Gain on long-term debt repayment	**(9)**	-	**(12)**	-
Other	**-**	(1)	**(9)**	(13)
	$ (80)[(1)]	$ (50)[(1)]	**$ (223)[(1)]**	$ (156)[(1)]
Financing expense				
Interest on long-term debt – after effect of hedges	**$ 80**	$ 97	**$ 241**	$ 282
Accretion expense on certain sales incentives	**14**	11	**34**	36
Net loss on financial instruments[(2)]	**8**	4	**19**	20
Other	**3**	6	**11**	27
	$ 105[(3)]	$ 118[(3)]	**$ 305[(3)]**	$ 365[(3)]

(1) Of which $4 million and $20 million represent the interest income calculated using the effective interest method for financial assets classified as L&R for the three- and nine-month periods ended October 31, 2008, respectively ($1 million and $36 million for the three- and nine-month periods ended October 31, 2007, respectively).
(2) Net loss on certain financial instruments required to be classified as HFT, including certain call options on long-term debt.
(3) Of which $87 million and $255 million represent the interest expense calculated using the effective interest method for financial liabilities classified as other than HFT for the three- and nine-month periods ended October 31, 2008, respectively ($106 million and $330 million for the three- and nine-month periods ended October 31, 2007, respectively).

15. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
(Number of shares, stock options and PSUs, in thousands)	**2008**	2007	**2008**	2007
Net income	**$ 245**	$ 91	**$ 717**	$ 99
Preferred share dividends, net of tax	**(7)**	(7)	**(22)**	(22)
Net income attributable to common shareholders	**$ 238**	$ 84	**$ 695**	$ 77
Weighted-average basic number of common shares outstanding	**1,730,426**	1,730,333	**1,730,586**	1,734,013
Net effect of stock options and PSUs	**20,337**	22,001	**22,111**	18,464
Weighted-average diluted number of common shares outstanding	**1,750,763**	1,752,334	**1,752,697**	1,752,477
Basic and diluted earnings per share	**$ 0.14**	$ 0.05	**$ 0.40**	$ 0.04

The effect of the exercise of stock options was included in the calculation of diluted earnings per share in the above table, except for 26,417,500 and 25,040,900 stock options for the three- and nine-month periods ended October 31, 2008, respectively, either since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds for the Corporation’s Class B Shares (Subordinate Voting) had not been met. The effect of the exercise of PSUs was included in the calculation of diluted earnings per share in the above table, except for 5,591,179 and 2,896,292 PSUs for the three- and nine-month periods ended October 31, 2008, respectively, because the predetermined financial performance targets had not been met.

16. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS

Net change in non-cash balances related to operations was as follows:

	Three-month periods ended October 31		**Nine-month periods ended October 31**	
	2008	2007	**2008**	2007
Receivables	**$ 22**	$ (37)	**$ (244)**	$ (82)
Aircraft financing	**6**	69	**32**	225
Inventories	**(552)**	(25)	**(1,067)**	124
Fractional ownership deferred costs	**33**	(38)	**-**	(50)
Derivative financial instruments, net	**(37)**	(83)	**50**	(73)
Accounts payable and accrued liabilities	**198**	304	**360**	(244)
Advances and progress billings in excess of related long-term contract costs	**(253)**	(21)	**(174)**	283
Advances on aerospace programs	**78**	224	**552**	607
Fractional ownership deferred revenues	**(38)**	49	**9**	63
Accrued benefit liabilities, net	**(18)**	26	**(60)**	(227)
Other	**58**	(15)	**7**	(124)
	$ (503)	$ 453	**$ (535)**	$ 502

17. EMPLOYEE FUTURE BENEFITS

The components of the benefit cost were as follows:

	Three-month period ended October 31, 2008		Three-month period ended October 31, 2007	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 54**	**$ 3**	$ 46	$ 3
Interest cost	**92**	**5**	79	5
Expected return on plan assets	**(102)**	**-**	(85)	-
Amortization of past service costs (credits)	**1**	**(2)**	1	(1)
Amortization of actuarial loss	**15**	**5**	21	4
Curtailment loss (gain)	**(2)**	**-**	4	-
Settlement loss	**2**	**-**	-	-
	$ 60	**$ 11**	$ 66	$ 11

	Nine-month period ended October 31, 2008		Nine-month period ended October 31, 2007	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 170**	**$ 9**	$ 146	$ 10
Interest cost	**291**	**16**	250	14
Expected return on plan assets	**(322)**	**-**	(267)	-
Amortization of past service costs (credits)	**3**	**(4)**	1	(3)
Amortization of actuarial loss	**45**	**15**	63	12
Curtailment loss	**-**	**-**	1	-
Settlement loss	**2**	**-**	-	-
	$ 189	**$ 36**	$ 194	$ 33

18. COMMITMENTS AND CONTINGENCIES

The table below presents the maximum potential exposure for each major group of exposure, as at:

	October 31, 2008	January 31, 2008
Aircraft sales		
Credit	**$ 1,573**	$ 1,589
Residual value	**2,615**	2,674
Mutually exclusive exposure[1]	**(955)**	(952)
Total credit and residual value exposure	**$ 3,233**	$ 3,311
Trade-in commitments	**1,162**	1,039
Conditional repurchase obligations	**773**	931
Other		
Credit and residual value	**159**	186
Repurchase obligations	**150**	185
Performance guarantees	**70**	112

(1) Some of the residual value guarantees can only be exercised once the credit guarantees have expired without exercise and, therefore, the guarantees must not be added together to calculate the Corporation's combined maximum exposure.

Provisions for anticipated losses on credit and residual value guarantees related to the sale of aircraft amounted to $510 million as at October 31, 2008 ($504 million as at January 31, 2008). In addition, related liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $200 million as at October 31, 2008 ($268 million as at January 31, 2008).

Financing commitments – The Corporation is committed to provide financing in relation to the future sale of aircraft scheduled for delivery through fiscal year 2013. The Corporation's total financing commitment amounted to $0.9 billion as at October 31, 2008 ($1.8 billion as at January 31, 2008). The Corporation mitigates its exposure to interest and credit risks by including terms and conditions in the financing agreements that the guaranteed parties must satisfy prior to benefiting from the Corporation's commitment.

Litigation – On February 7, 2005, the Teamsters Local 445 Freight Division Pension Fund ("Teamsters") 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. The amendments provide for 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. On August 1, 2006, the district court denied class certification and thereafter Teamsters sought and received permission to file an interlocutory appeal of that order to the United States Court of Appeals for the Second Circuit. On October 14, 2008, the Second Circuit affirmed the district court's decision denying class certification. On October 28, 2008, Teamsters filed a petition to the Second Circuit for Rehearing En Banc and Reconsideration of the recent Second Circuit opinion. That petition is currently pending. While the Corporation cannot predict the outcome of any legal proceedings, the Corporation intends to vigorously defend its position.

The Corporation is also a defendant in certain legal proceedings 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.

While the Corporation cannot predict the final outcome of legal proceedings pending as at October 31, 2008, based on information currently available, Management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

19. CAPITAL MANAGEMENT

The Corporation's capital management strategy is designed to maintain strong liquidity and to optimize its capital structure in order to reduce costs and improve its ability to seize strategic opportunities.

The capital structure provides the Corporation with the ability to meet its liquidity needs as well as support its longer-term strategic investments. The Corporation analyzes its capital structure using global leverage metrics, which are based on a broad economic view of the Corporation. The Corporation's adjusted total capitalization consists of adjusted debt and adjusted shareholders' equity (see definitions in table hereafter).

The Corporation's primary objective in managing capital is to reduce adjusted debt in order to improve global leverage metrics by:

- continuing to de-leverage the balance sheet with strategic long-term debt repayments, in line with active management of consolidated liquidity, weighted-average cost of capital and term structure; and
- proactively managing variations in pension deficit, including an assessment for discretionary pension contributions.

Global leverage metrics – The following global leverage metrics do not represent the calculations required for bank covenants. Details of the methods for calculating global leverage metrics is provided in the Non-GAAP financial measures section of the MD&A for the nine-month period ended October 31, 2008. The only change in the method for calculating the global leverage metrics from fiscal year 2008 is that the amount in AOCI relating to cash flow hedges has been excluded from the adjusted total capitalization. This change has been adopted during the first quarter of fiscal year 2009.

Global leverage metrics

	Target 2011	**October 31, 2008**	January 31, 2008
Adjusted EBIT[1]		**$ 1,407**	$ 1,013
Adjusted net interest[2]		**$ 282**	$ 412
Adjusted EBIT to adjusted net interest ratio	5.0	**5.0**	2.5
Adjusted debt[3]		**$ 5,635 [4]**	$ 6,091
Adjusted EBITDA[5]		**$ 1,990**	$ 1,583
Adjusted debt to adjusted EBITDA ratio	2.5	**2.8**	3.8
Adjusted debt[3]		**$ 5,635 [4]**	$ 6,091
Adjusted total capitalization[6]		**$ 8,530**	$ 9,098
Adjusted debt to adjusted total capitalization ratio	55%	**66%**	67%

[1] Represents the four-quarter trailing earnings (losses) before financing income, financing expense and income taxes before special item, plus adjustment for pension deficit and operating leases.
[2] Represents the four-quarter trailing financing income and financing expense, plus adjustment for pension deficit and operating leases.
[3] Represents long-term debt (including the value of the related derivative hedging financial instruments), the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations.
[4] Computed using the total pension deficit projected as at September 30, 2008.
[5] Represents the four-quarter trailing of earnings (losses) before financing income, financing expense, income taxes, depreciation and amortization before special item, plus amortization adjustment for operating leases and adjustment for pension deficit and operating leases.
[6] Consists of adjusted shareholders' equity (represents all components of shareholder's equity less the amount in AOCI relating to cash flow hedges) and adjusted debt.

In order to adjust its capital structure, the Corporation may issue or reduce long-term debt, make discretionary contributions to pension funds, repurchase or issue share capital, or vary the amount of dividends paid to shareholders.

Bank covenants – The Corporation is subject to various bank covenants under its letters of credit facility, including the following financial covenants (as defined in the related agreements, and for which terms are not equivalent to those used for the global leverage metrics):

- a minimum EBITDA before special item to fixed charges ratio of 3.5 at the end of each fiscal quarter;
- a maximum modified gross debt to modified capitalization ratio of 65% at the end of each fiscal quarter; and
- a maximum modified net debt to EBITDA before special items ratio of 2.0 at the end of each fiscal quarter.

The Corporation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met. The Corporation complied with all bank covenants as at October 31, 2008 and January 31, 2008.

The Corporation's capital management strategy has not changed since the prior period.

20. SEGMENT DISCLOSURE

The Corporation has two reportable segments: BA and BT. Each reportable segment offers different products and services and requires different technology and marketing strategies.

BA	BT
BA is a world leader in the design and manufacture of innovative aviation products and is a provider of related services. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft (regional jets, turboprops and single-aisle mainline jets) and amphibious aircraft. BA also offers aftermarket services as well as fractional ownership and flight entitlement programs.	BT is the global leader in the rail equipment and system manufacturing and a provider of related services, offering a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides bogies, electric propulsion, control equipment and maintenance services, as well as complete rail transportation systems and rail control solutions.

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, 2008, except for changes in accounting policies described in Note 2 – Changes in accounting policies. Management assesses segment performance based on income before financing income, financing expense and income taxes. Corporate charges are allocated to segments mostly based on each segment's revenues. Net segmented assets exclude cash and cash equivalents, invested collateral and deferred income taxes, and are net of accounts payable and accrued liabilities (excluding interest and income taxes payable), advances and progress billings in excess of related long-term contract costs, advances on aerospace programs, fractional ownership deferred revenues, accrued benefit liabilities and derivative financial instruments.

The tables containing the detailed segmented data are shown hereafter.

21. RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period, including the changes discussed in Note 2 – Changes in accounting policies, related to the reclassification of aerospace program's customer advances from inventories to advances on aerospace programs, and in the reclassification of G&A overhead costs from cost of sales to selling, general and administrative expenses.

SEGMENTED INFORMATION

INDUSTRY SEGMENTS	**Bombardier Inc. consolidated**		**BA**		**BT**	
For the three-month periods ended October 31	**2008**	2007	**2008**	2007	**2008**	2007
Revenues						
Manufacturing	**$ 3,412**	$ 3,011	**$ 1,835**	$ 1,853	**$ 1,577**	$ 1,158
Services	**756**	800	**390**	405	**366**	395
Other	**403**	417	**67**	92	**336**	325
	4,571	4,228	**2,292**	2,350	**2,279**	1,878
Cost of sales	**3,698**	3,525	**1,797**	1,952	**1,901**	1,573
Selling, general and administrative	**402**	347	**187**	163	**215**	184
Research and development	**34**	29	**8**	8	**26**	21
Other expense (income)	**(17)**	1	**(11)**	8	**(6)**	(7)
Amortization	**139**	125	**112**	97	**27**	28
	4,256	4,027	**2,093**	2,228	**2,163**	1,799
Income before financing income and expense, and income taxes	**$ 315**	$ 201	**$ 199**	$ 122	**$ 116**	$ 79
Additions to property, plant and equipment	**$ 152**	$ 137	**$ 119**	$ 103	**$ 33**	$ 34

SEGMENTED INFORMATION

INDUSTRY SEGMENTS	Bombardier Inc. consolidated		BA		BT	
For the nine-month periods ended October 31	**2008**	2007	**2008**	2007	**2008**	2007
Revenues						
Manufacturing	**$ 10,512**	$ 8,611	**$ 5,771**	$ 5,262	**$ 4,741**	$ 3,349
Services	**2,398**	2,212	**1,234**	1,127	**1,164**	1,085
Other	**1,382**	1,413	**183**	431	**1,199**	982
	14,292	12,236	**7,188**	6,820	**7,104**	5,416
Cost of sales	**11,642**	10,178	**5,662**	5,674	**5,980**	4,504
Selling, general and administrative	**1,171**	999	**535**	470	**636**	529
Research and development	**121**	98	**38**	24	**83**	74
Other income	**(52)**	(21)	**(12)**	(19)	**(40)**	(2)
Amortization	**416**	385	**322**	304	**94**	81
Special item	**-**	162	**-**	-	**-**	162
	13,298	11,801	**6,545**	6,453	**6,753**	5,348
Income before financing income and expense, and income taxes	**$ 994**	$ 435	**$ 643**	$ 367	**$ 351**	$ 68
Additions to property, plant and equipment	**$ 366**	$ 224	**$ 278**	$ 167	**$ 88**	$ 57
As at	**October 31, 2008**	January 31, 2008	**October 31, 2008**	January 31, 2008	**October 31, 2008**	January 31, 2008
Net segmented assets	**$ 937**	$ 1,869	**$ 826**	$ 1,838	**$ 111**	$ 31
Liabilities allocated to segments:						
Accounts payable and accrued liabilities [(1)]	**6,572**	6,729				
Advances and progress billings in excess of related long-term contract costs	**2,212**	2,791				
Advances on aerospace programs	**3,455**	2,926				
Fractional ownership deferred revenues	**640**	631				
Accrued benefit liabilities	**982**	1,066				
Derivative financial instruments	**909**	276				
Assets not allocated to segments:						
Cash and cash equivalents	**3,251**	3,602				
Invested collateral	**1,107**	1,295				
Deferred income taxes	**1,187**	935				
Total consolidated assets	**$ 21,252**	$ 22,120				

[(1)] Excluding interest and income taxes payable amounting to $114 million and $59 million respectively as at October 31, 2008 ($77 million and $113 million as at January 31, 2008) which were not allocated to segments.