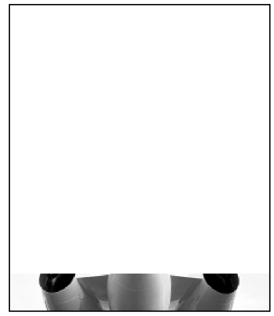
BOMBARDIER

Third
QUARTERLY REPORT
Nine months ended October 31, 2004



MANAGEMENT'S DISCUSSION AND ANALYSIS
All amounts in this Management's Discussion and Analysis (MD&A) are in U.S. dollars and tabular figures are in millions of U.S. dollars, unless otherwise indicated.

Effective the first quarter of fiscal year 2005, the Corporation changed its reporting currency to the U.S. dollar. Therefore, all amounts in this report are in U.S. dollars, unless otherwise indicated. Comparative financial information previously expressed in Canadian dollars is now presented in U.S. dollars for all periods shown, using the exchange rate applicable at the balance sheet date for assets and liabilities, and the average exchange rate for the corresponding periods for the consolidated statements of income and consolidated statements of cash flows items. Equity transactions have been translated at historical rates for the last five years with opening equity on February 1, 1999 translated at the exchange rate on that date. The net adjustment arising from the effect of the translation has been included in the deferred translation adjustment account in shareholders' equity.

This MD&A is based on reported earnings in accordance with Canadian generally accepted accounting principles (GAAP). It is also based on earnings (loss) before net interest of the manufacturing segments, income taxes and depreciation and amortization (EBITDA); earnings (loss) before net interest of the manufacturing segments and income taxes (EBIT); and earnings (loss) before income taxes (EBT), before special items, and free cash flow. These measures are directly derived from the Consolidated Financial Statements but do not have a standardized meaning prescribed by GAAP; therefore, others using these terms may calculate them differently. Management believes that a significant number of the users of its Consolidated Financial Statements and MD&A analyze the Corporation's results based on these performance measures and that this presentation is consistent with industry practice. Special items are viewed by Management as items that do not arise as part of the normal day-to-day business operations or that could potentially distort the analysis of trends.

CONSOLIDATED RESULTS

	Three months ended October 31,				Nine months ended October 31,			
		2004		2003		**2004**		2003
Revenues	**$**	**3,634**	$	3,483	**$**	**11,038**	$	10,633
Cost of sales		**3,131**		2,968		**9,731**		8,969
Margin		**503**		515		**1,307**		1,664
Operating expenses[1]		**263**		242		**768**		800
Depreciation and amortization		**143**		115		**425**		402
Interest expense, net		**45**		38		**136**		113
EBT before special items		**52**		120		**(22)**		349
Special items		**(43)**		69		**(134)**		32
EBT		**9**		189		**(156)**		381
Income tax expense (recovery)		**(1)**		65		**(15)**		132
Income (loss) from continuing operations		**10**		124		**(141)**		249
Income from discontinued operations, net of tax[2]		**-**		9		**-**		6
Net income (loss)	**$**	**10**	$	133	**$**	**(141)**	$	255
Basic and diluted earnings (loss) per share (in dollars)	**$**	**-**	$	0.07	**$**	**(0.09)**	$	0.14

(1) Comprised of selling, general and administrative and research and development expenses.
(2) Represents the result of operations of the Corporation's former recreational products segment, which was sold on December 18, 2003.

The $151-million and $405-million increases in consolidated revenues for the three- and nine-month periods ended October 31, 2004 compared to the same periods last fiscal year mainly reflect higher revenues in the transportation segment, partially offset by lower revenues in the aerospace segment.

The margin was 13.8% of revenues for the three-month period ended October 31, 2004, compared to 14.8% for the same period last fiscal year. For the nine-month period ended October 31, 2004, the margin was 11.8% of revenues, compared to 15.6% for the same period last fiscal year. These decreases mainly result from lower margins in the transportation segment.

The $21-million increase in operating expenses for the three-month period ended October 31, 2004 compared to the same period last fiscal year mainly reflects higher operating expenses in the aerospace segment. The $32-million decrease in operating expenses for the nine-month period ended October 31, 2004 compared to the same period last fiscal year mainly reflects lower operating expenses in the transportation segment.

For the three-month period ended October 31, 2004, the $28-million increase in depreciation and amortization compared to the same period last fiscal year is mainly due to higher depreciation in the aerospace segment. For the nine-month period ended October 31, 2004, the $23-million increase in depreciation and amortization compared to the same period last fiscal year is mainly due to higher depreciation in the aerospace segment, partially offset by lower depreciation in the Bombardier Capital (BC) segment.

Net interest expense of the manufacturing segments increased by $7 million and $23 million for the three- and nine-month periods ended October 31, 2004 compared to the same periods last fiscal year (BC's interest expense is classified as cost of sales). These increases mainly result from the allocation of a portion of the Corporation's total interest cost to discontinued operations for the three- and nine-month periods ended October 31, 2003, compared to no allocation for the same periods in the current fiscal year. Furthermore, the Corporation took advantage of attractive terms and low interest rates by issuing $750 million of long-term notes in April 2004, which generated higher interest costs in the aggregate. These increases were partially offset by higher interest income due to higher cash and cash equivalents.

The income tax recovery in the three-month period ended October 31, 2004 is mainly due to the favourable breakdown of EBT between tax jurisdictions. The effective income tax recovery rate for the nine-month period ended October 31, 2004 was 9.6%, compared to an effective income tax rate of 34.6% for the same period last fiscal year. The variation is mainly due to the non-recognition of certain income tax benefits related to the restructuring initiative, and operating losses in certain jurisdictions in the transportation segment.

Bombardier's order backlog as at October 31, 2004 totalled $33.0 billion, compared to $34.6 billion as at January 31, 2004. This reduction is mainly due to a decrease in the transportation segment's order backlog.

BOMBARDIER AEROSPACE

Analysis of results

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Segmented revenues				
Manufacturing				
Regional aircraft	**$ 707**	$ 1,029	**$ 2,498**	$ 3,014
Business aircraft	**462**	242	**1,253**	946
Other	**57**	56	**162**	159
	1,226	1,327	**3,913**	4,119
Services[1]	**251**	276	**823**	760
Other[2]	**149**	118	**601**	502
Total revenues	**1,626**	1,721	**5,337**	5,381
Cost of sales	**1,382**	1,465	**4,651**	4,641
Margin	**244**	256	**686**	740
Operating expenses[3]	**104**	88	**295**	287
EBITDA before special items	**140**	168	**391**	453
Depreciation and amortization[4]	**97**	75	**279**	215
EBIT before special items	**43**	93	**112**	238
Interest expense, net	**50**	41	**154**	136
EBT before special items	**(7)**	52	**(42)**	102
Special items	**-**	69	**-**	32
EBT	**$ (7)**	$ 121	**$ (42)**	$ 134

(1) Includes revenues from Defence Services, spare parts, the *Bombardier Flexjet* program and product support activities.
(2) Comprised mainly of sales of pre-owned aircraft.
(3) Comprised of selling, general and administrative and research and development expenses.
(4) Depreciation and amortization includes $66 million and $193 million for program tooling for the three- and nine-month periods ended October 31, 2004 ($45 million and $132 million for the same periods last fiscal year).

Effective the first quarter of fiscal year 2005, Bombardier prospectively changed its revenue recognition policy for sales of fractional shares (see the accounting and reporting developments section in this MD&A for further details). Under the former accounting policy, total revenues would have been higher by $31 million and $120 million for the three- and nine-month periods ended October 31, 2004.

The decreases in manufacturing revenues of $101 million and $206 million for the three- and nine-month periods ended October 31, 2004 compared to the same periods last fiscal year are mainly the result of lower deliveries of regional aircraft and the previously-mentioned change in the revenue recognition policy for the sales of fractional shares, partially offset by increased deliveries and a favourable mix of business aircraft. For the nine-month period ended October 31, 2004, the decrease was also due to lower sales of wide-body aircraft interiors.

The $25-million decrease in service revenues for the three-month period ended October 31, 2004 is mainly due to lower revenues from Defence Services, reflecting the sale of Military Aviation Services (MAS) in October 2003. The $63-million increase in service revenues for the nine-month period ended October 31, 2004 is mainly due to higher spare parts sales and higher fractional ownership-related services as a result of the previously-mentioned change in the revenue recognition policy for the sales of fractional shares, partially offset by lower revenues from Defence Services.

Other revenues increased by $31 million and $99 million for the three- and nine-month periods ended October 31, 2004. The increase for the nine-month period October 31, 2004 compared to the same period last fiscal year is mainly the result of higher volumes of pre-owned aircraft sales.

The margin was 15.0% of revenues for the three-month period ended October 31, 2004, compared to 14.9% for the same period last fiscal year. This increase is mainly due to improved margins on business and pre-owned aircraft, as well as a favourable mix in business aircraft deliveries, offset by the negative effect of higher effective exchange rates for the Canadian dollar compared to the U.S. dollar, which amounted to $49 million, or 2.8% of revenues. For the nine-month period ended October 31, 2004, the margin was 12.9% of revenues compared to 13.8% for the same period last fiscal year. This decrease reflects the negative effect of higher effective exchange rates for the Canadian dollar compared to the U.S. dollar, which amounted to $116 million, or 2.2% of revenues, partially offset by improved margins on business and pre-owned aircraft, as well as a favourable mix of business aircraft deliveries. Cost of sales for the three- and nine-month periods ended October 31, 2004 includes $7 million and $19 million of severance and other involuntary termination costs, whereas these costs were included in special items for the same periods last fiscal year.

The increases in operating expenses of $16 million and $8 million for the three- and nine-month periods ended October 31, 2004 compared to the same periods last fiscal year are mainly due to higher research and development costs relating to the feasibility study in connection with a new generation of commercial aircraft, as well as from increased marketing costs in the business aircraft division as a result of a higher volume of activities.

The increases of $22 million and $64 million in depreciation and amortization for the three- and nine-month periods ended October 31, 2004 compared to the same periods last fiscal year are mainly due to tooling amortization for the *Bombardier Challenger 300* and the *Bombardier Learjet 40* aircraft programs, which began in the fourth quarter of fiscal year 2004.

As a result of the Corporation's interest allocation method described in note 16 to the interim consolidated financial statements, net interest expense for the three- and nine-month periods ended October 31, 2004 amounted to $50 million and $154 million, compared to $41 million and $136 million for the same periods last fiscal year.

The EBT margins before special items were negative 0.4% and 0.8% for the three- and nine-month periods ended October 31, 2004, compared to positive 3.0% and 1.9% for the same periods last fiscal year.

Special items for the three-month period ended October 31, 2003 reflect a gain of $69 million recorded on the sale of MAS. For the nine-month period ended October 31, 2003, special items comprise the above-mentioned gain, as well as a $2-million gain on the sale of Belfast City Airport and severance and other involuntary termination costs amounting to $39 million recorded in connection with the reduction in employment levels at facilities in Montréal, Toronto and Belfast.

The EBT margins were negative 0.4% and 0.8% for the three- and nine-month periods ended October 31, 2004, compared to positive 7.0% and 2.5% for the same periods last fiscal year.

Backlog

The firm order backlog amounted to $11.0 billion as at October 31, 2004, compared to $10.9 billion as at January 31, 2004 (including $1.2 billion and $1.1 billion respectively for Defence Services). Higher net orders received versus deliveries for turboprops and business aircraft have been offset by higher deliveries versus net orders received for regional aircraft.

Total aircraft deliveries for fiscal year 2005 are expected to remain at a similar level to that of fiscal year 2004.

Business aircraft

In October 2004, the Federal Aviation Administration (FAA) awarded certification for the *Bombardier Global 5000*. Earlier this year, Transport Canada (TC) awarded full certification, the European Aviation Safety Agency (EASA) granted approval and the Joint Aviation Authority (JAA) issued its letter of recommendation to member countries for this aircraft.

Following the receipt of certification from the FAA in July 2003, the *Learjet 40* aircraft received TC certification in June 2004.

In June 2004, the FAA approved the *Bombardier Learjet 45 XR* aircraft Honeywell engine upgrade, which allows Bombardier to offer a complete *Learjet XR* package. Aircraft certification by EASA is expected in the fourth quarter of fiscal year 2005.

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

		2004				2003
	Other than *Flexjet*	***Flexjet* (1)**	**Total**	Other than *Flexjet*	*Flexjet* (1)	Total
Bombardier Learjet 31A	**-**	-	**-**	1	-	1
Bombardier Learjet 40	**1**	**1**	**2**	-	-	-
Bombardier Learjet 45	**5**	**-**	**5**	4	-	4
Bombardier Learjet 60	**2**	**-**	**2**	2	-	2
Bombardier Challenger 300	**6**	**1**	**7**	-	-	-
Bombardier Challenger 604	**7**	**-**	**7**	6	1	7
Bombardier Global Express	**4**	**-**	**4**	1	-	1
Bombardier Global 5000	**1**	**-**	**1**	-	-	-
	26	**2**	**28**	14	1	15

(1) An aircraft delivery is included in the above table when more than 50% of its fractional shares have been sold to external customers. For these aircraft, revenues and margin ceased to be recognized upon delivery effective February 1, 2004.

Business aircraft deliveries for the nine-month periods ended October 31 were as follows:

		2004				2003
	Other than *Flexjet*	***Flexjet* (1)**	**Total**	Other than *Flexjet*	*Flexjet* (1)	Total
Bombardier Learjet 31A	**-**	**-**	**-**	2	-	2
Bombardier Learjet 40	**7**	**3**	**10**	-	-	-
Bombardier Learjet 45	**16**	**-**	**16**	15	1	16
Bombardier Learjet 60	**5**	**-**	**5**	8	1	9
Bombardier Challenger 300	**13**	**5**	**18**	-	-	-
Bombardier Challenger 604	**20**	**-**	**20**	16	1	17
Bombardier Global Express	**11**	**-**	**11**	6	-	6
Bombardier Global 5000	**1**	**-**	**1**	-	-	-
	73	**8**	**81**	47	3	50

(1) An aircraft delivery is included in the above table when more than 50% of its fractional shares have been sold to external customers. For these aircraft, revenues and margin ceased to be recognized upon delivery effective February 1, 2004.

The increase in business aircraft deliveries during the three- and nine-month periods ended October 31, 2004, compared to the same periods last fiscal year resulted from the entry into service of the *Challenger 300* and the *Learjet 40* aircraft in the fourth quarter of fiscal year 2004, as well as from improved economic conditions in the business aircraft market. Based on the General Aviation Manufacturers Association report, the business jet deliveries in segments in which Bombardier competes increased by 25% for the nine-month period ended September 30, 2004, compared to the same period last year.

During the three- and nine-month periods ended October 31, 2004, Bombardier received 40 and 100 net orders for business aircraft, compared to 19 and 43 net orders for the same periods last fiscal year. These increases reflect a recovery in the business aircraft market.

Regional aircraft

Regional aircraft deliveries were as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Bombardier CRJ200	**22**	37	**77**	110
Bombardier CRJ700	**15**	13	**40**	40
Bombardier CRJ900	**-**	2	**11**	6
Bombardier Q100/Q200	**-**	-	**1**	-
Bombardier Q300	**1**	-	**4**	5
Bombardier Q400	**3**	2	**7**	6
	41	54	**140**	167

The decreases in regional aircraft deliveries for the three- and nine-month periods ended October 31, 2004 are mainly due to lower deliveries of *Bombardier CRJ200* aircraft.

In October and November 2004, Bombardier realigned the production rate of its *Bombardier CRJ* Series aircraft to current and forecast market demand. This will result in a total workforce reduction of approximately 2,000 employees at the Belfast, Dorval, Mirabel and Saint-Laurent sites over a nine-month period starting in November 2004, and will result in an estimated charge of $26 million, $3 million of which was recorded in the three-month period ended October 31, 2004.

Regional aircraft orders were as follows:

				Three months ended October 31, 2004	Three months ended October 31, 2003
	Orders	**Cancellations**	**Swaps**	**Net orders**	Net orders
Bombardier CRJ200	**15**	**-**	**(1)**	**14**	-
Bombardier CRJ700	**-**	**-**	**1**	**1**	30
Bombardier CRJ705	**15**	**-**	**-**	**15**	-
Bombardier CRJ900	**-**	**-**	**-**	**-**	-
Bombardier Q100/Q200	**-**	**-**	**-**	**-**	-
Bombardier Q300	**20**	**-**	**-**	**20**	1
Bombardier Q400	**-**	**-**	**-**	**-**	4
	50	**-**	**-**	**50**	35

				Nine months ended October 31, 2004	Nine months ended October 31, 2003
	Orders	**Cancellations**	**Swaps**	**Net orders**	Net orders
Bombardier CRJ200	**69**	**(2)**	**(21)**	**46**	44
Bombardier CRJ700	**7**	**-**	**17**	**24**	35
Bombardier CRJ705	**15**	**-**	**-**	**15**	-
Bombardier CRJ900	**-**	**-**	**6**	**6**	-
Bombardier Q100/Q200	**1**	**-**	**-**	**1**	1
Bombardier Q300	**21**	**-**	**(3)**	**18**	1
Bombardier Q400	**10**	**-**	**1**	**11**	21
	123	**(2)**	**-**	**121**	102

The following orders are included in the regional aircraft order tables:

- On October 10, 2004, Bombardier signed a contract with Air New Zealand for 17 *Bombardier Q300* 50-seat turboprop aircraft, valued at approximately $270 million, to be operated by its regional airline subsidiary, Air Nelson. Deliveries are expected to begin in the second quarter of fiscal year 2006.

- On September 27, 2004, Bombardier signed a contract with Air Canada for 15 *Bombardier CRJ705* and 15 *Bombardier CRJ200* aircraft valued at approximately $820 million. Deliveries of the *CRJ200* model commenced during the third quarter of the current fiscal year and deliveries of the *CRJ705* model are expected to begin in the second quarter of fiscal year 2006. These aircraft will be operated by Air Canada's regional airline subsidiary, Air Canada Jazz.

- On July 16, 2004, Air Nostrum, which provides regional air service for its parent, Iberia, Líneas Aéreas de España SA, placed an order for 20 *CRJ200* aircraft, valued at approximately $510 million. Air Nostrum has the right to convert some or all of these aircraft to other *Bombardier* regional aircraft models, including the *Bombardier CRJ700* and *CRJ900* jets and the *Bombardier Q400* turboprop. Deliveries are expected to begin in calendar year 2005.

- On June 28, 2004, Bombardier announced an order from Japan Air Commuter, a subsidiary of Japan Airlines System Corporation, for four *Q400* aircraft, three of which were recorded in the second quarter of fiscal year 2005 and one of which was recorded during the first quarter of fiscal year 2005. Deliveries began in the second quarter of fiscal year 2005.

- On April 28, 2004, Bombardier received an order for four *Q400* aircraft from All Nippon Airways Co. Ltd. (ANA) of Tokyo. On July 30, 2004, ANA ordered two additional *Q400* aircraft. Deliveries began in the second quarter of fiscal year 2005.

- On March 2, 2004, Atlantic Southeast Airlines, a Delta Connection subsidiary, converted 32 options into firm orders for *CRJ200* aircraft. The value of this order is approximately $780 million and deliveries are scheduled to begin in the fourth quarter of fiscal year 2005.

On September 12, 2004, US Airways filed for bankruptcy protection under Chapter 11 of the bankruptcy act. As of that date, there were 45 *Bombardier CRJ* aircraft (comprised of two *CRJ200* and 43 *CRJ700* aircraft) yet to be delivered to US Airways from the original May 2003 order for 85 aircraft. In the third quarter of fiscal year 2005, six of the 45 aircraft were delivered to General Electric Capital Aviation Services (GECAS). GECAS will also take delivery of an additional six aircraft in the first two quarters of fiscal year 2007 (four orders assigned to GECAS have been reassigned to US Airways). The remaining 33 aircraft will be delivered in the fourth quarter of fiscal year 2005 and in fiscal years 2006 and 2007.

As at October 31, 2004, the order backlog, options and conditional orders for regional aircraft consisted of the following:

	Aircraft on firm order	**Options and conditional orders**	**Total**
Bombardier CRJ200	**120**	**666**	**786**
Bombardier CRJ700	**80**	**444**	**524**
Bombardier CRJ705	**15**	**15**	**30**
Bombardier CRJ900	**21**	**26**	**47**
Bombardier Q100/Q200	**1**	**2**	**3**
Bombardier Q300	**20**	**11**	**31**
Bombardier Q400	**27**	**76**	**103**
	284	**1,240**	**1,524**

Aircraft Services

In October 2004, Bombardier announced the expansion of its U.S. service network for *Bombardier* business jet operators by adding two *Bombardier* line stations.

As at October 31, 2004, the number of customers owning shares under the North American *Bombardier Flexjet* program decreased to 590 from 627 as at January 31, 2004. This program included 84 aircraft in service in North America as at October 31, 2004, compared to 100 aircraft as at January 31, 2004. Under the European *Flexjet* and the North American *Bombardier Skyjet* programs, the number of customers with an hourly flight time entitlement contract increased to 204 as at October 31, 2004 from 140 as at January 31, 2004.

BOMBARDIER TRANSPORTATION

On March 16, 2004, the Board of Directors approved a restructuring initiative to reduce the cost structure of the transportation segment. This initiative contemplated a workforce reduction of 6,600 positions, 5,100 of which were permanent positions. As a result of the recent slowdown in European market demand, the restructuring plan has been enlarged in order to maintain the Corporation's competitiveness. The restructuring plan now contemplates additional proposed workforce reductions for a net total of 7,300 permanent positions. The reduction in the total workforce, including contractual employees, is 7,600 positions, net of expected new hirings. The enlarged plan does not contemplate additional plant closures at this time.

The total cost of the restructuring plan, initially estimated at $583 million, is now expected to amount to $608 million, $134 million of which has been recorded in the current fiscal year, and $349 million of which was recorded in the fourth quarter of the previous fiscal year. The incremental costs of the enlarged plan, essentially comprised of severance and other involuntary termination costs and the negative effect of the weakening of the U.S. dollar compared to the euro and other western European currencies, were mostly offset by lower severance and other involuntary termination costs incurred under the original plan compared to the previous estimates, mainly due to tight management of the workforce reduction and efficiency in restructuring activities, as well as expected higher proceeds on asset disposals.

The Amadora site in Portugal and the Doncaster site in the United Kingdom ceased manufacturing activities in May and June 2004 respectively, both ahead of schedule. The Derby Pride Park site in the United Kingdom is expected to cease manufacturing operations at the end of the current fiscal year. Approximately 1,500 employees, including contractual employees, had been terminated as of October 31, 2004. Approximately 3,000 positions, net of expected new hirings, including contractual employees, are expected to be terminated by January 31, 2005.

The costs related to the restructuring initiative for the remainder of fiscal year 2005 and for fiscal year 2006 are expected to be as follows:

	Q4 2005	2006	Total
Severance and other involuntary termination costs	$ 11	$ 33	$ 44
Other[1]	27	54	81
	$ 38	$ 87	$ 125

[1] Comprised of lease termination costs and environmental costs, as well as other costs.

The net cash outflows of the restructuring initiative for the remainder of fiscal year 2005 and for fiscal year 2006 are expected to be as follows:

	Q4 2005	2006	Total
Net cash outflows	$ 92	$ 252	$ 344

Net cash outflows related to the restructuring initiative amounted to $40 million and $89 million for the three- and nine-month periods ended October 31, 2004.

Analysis of results

	Three months ended October 31,				Nine months ended October 31,			
		2004		2003		**2004**		2003
Segmented revenues								
Manufacturing	**$**	**1,721**	$	1,491	**$**	**4,984**	$	4,544
Services(1)		**208**		201		**481**		474
		1,929		1,692		**5,465**		5,018
Cost of sales		**1,715**		1,479		**4,981**		4,281
Margin		**214**		213		**484**		737
Operating expenses(2)		**135**		131		**407**		442
EBITDA before special items		**79**		82		**77**		295
Depreciation and amortization		**35**		27		**105**		111
EBIT before special items		**44**		55		**(28)**		184
Interest income, net		**(5)**		(3)		**(18)**		(23)
EBT before special items		**49**		58		**(10)**		207
Special items		**(43)**		-		**(134)**		-
EBT	**$**	**6**	$	58	**$**	**(144)**	$	207

(1) Comprised of maintenance, operations and other service contracts.
(2) Comprised of selling, general and administrative and research and development expenses.

Segmented revenues by geographic region

	Three months ended October 31,				Nine months ended October 31,			
		2004		2003		**2004**		2003
Europe	**$**	**1,469**	$	1,269	**$**	**4,413**	$	3,737
North America		**361**		313		**834**		958
Asia-Pacific		**94**		108		**197**		290
Other		**5**		2		**21**		33
	$	**1,929**	$	1,692	**$**	**5,465**	$	5,018

The $230-million increase in manufacturing revenues for the three-month period ended October 31, 2004 compared to the same period last fiscal year is mainly due to higher revenues in the U.K, as well as to the positive effect of foreign currency fluctuations resulting from the weakening of the U.S. dollar compared to the euro and other western European currencies, amounting to approximately $120 million. For the nine-month period ended October 31, 2004, manufacturing revenues increased by $440 million compared to the same period last fiscal year. This increase is mainly due to the previously-mentioned positive effect of currency fluctuations amounting to approximately $340 million, as well as higher revenues in the U.K. This was partially offset by contract adjustments recorded during the three-month period ended April 30, 2004.

The margin was 11.1% of revenues for the three-month period ended October 31, 2004, compared to 12.6% for the same period last fiscal year. For the nine-month period ended October 31, 2004, the margin was 8.9% of revenues, compared to 14.7% for the same period last fiscal year. These decreases are mainly due to the deterioration in the profitability of significant contracts during the fourth quarter of the last fiscal year and the first quarter of the current fiscal year, which are now accounted for at a lower margin.

Operating expenses increased by $4 million for the three-month period ended October 31, 2004 and decreased by $35 million for the nine-month period ended October 31, 2004 compared to the same periods last fiscal year. The increase for the quarter ended October 31, 2004 compared to the same period last fiscal year is mainly due to the weakening of the U.S. dollar compared to the euro and other western European currencies and higher research and development expenses, partially offset by cost reduction measures implemented during the current fiscal year. The decrease for the nine-month period ended October 31, 2004 is due to lower selling, general and administrative expenses, which mainly results from cost reduction measures, partially offset by the weakening of the U.S. dollar compared to the euro and other western European currencies and higher research and development expenses. The higher research and development expenses are mainly due to higher activities in the Rail Control Solutions division, primarily related to European Rail Traffic Management System development programs.

Depreciation and amortization decreased by $6 million for the nine-month period ended October 31, 2004 compared to the same period last fiscal year, mainly as a result of a lower property, plant and equipment base due to significant write-downs recorded during the fourth quarter of the fiscal year ended January 31, 2004. This decrease was partially offset by the weakening of the U.S. dollar compared to the euro and other western European currencies.

The EBT margins before special items were positive 2.5% and negative 0.2% for the three- and nine-month periods ended October 31, 2004, compared to positive 3.4% and 4.1% for the same periods last fiscal year.

The EBT margins were positive 0.3% and negative 2.6% for the three- and nine-month periods ended October 31, 2004, compared to positive 3.4% and 4.1% for the same periods last fiscal year.

On September 28, 2004, the Corporation reached a settlement with DaimlerChrysler AG on all outstanding disputes arising from its acquisition of DaimlerChrysler Rail Systems GmbH (Adtranz), resulting in a payment to Bombardier of €170 million ($209 million). In fiscal year 2002, the Corporation had recorded a purchase price adjustment of €150 million as a reduction in the goodwill on the acquisition of Adtranz in connection with these disputes. The additional €20 million ($25 million) has been recorded as a further reduction of goodwill.

Backlog

The order backlog was as follows:

(billions of dollars)	**October 31, 2004**	January 31, 2004
Manufacturing	**$ 17.1**	$ 18.8
Services	**4.9**	4.9
	$ 22.0	$ 23.7

Order intake totalled $900 million and $3.1 billion for the three- and nine-month periods ended October 31, 2004. The decrease in the value of the order backlog as at October 31, 2004 compared to January 31, 2004 reflects an excess of revenues recorded over order intake. The order backlog was positively impacted by a foreign exchange adjustment of approximately $700 million, mainly due to the weakening of the U.S. dollar compared to the euro.

Major orders

Bombardier received the following major orders during the nine-month period ended October 31, 2004:

Client	**Product**	**Number of cars**	**Manufacturing**	**Services**
Yong-In (Korea)	Fully-automated rapid transit system	30	$ 200	$ 120
Ministry of Railways of China[(1)]	High-speed trains	20	263	-
Metropolitan Transportation Authority/Metro-North Railroad (U.S.)	Electric multiple units	120	206	-
RENFE (Spain)	Maintenance of RENFE AVE high-speed trains	16	-	159
Belgian National Railways (Belgium)[(1)]	Double-deck passenger cars	70	138	-
RENFE (Spain)	High-speed power heads	44	122	-
Porterbook Leasing Ltd. (U.K.)	Refurbishment of class 455 electric multiple units	364	-	114

[(1)] Orders received during the three-month period ended October 31, 2004.

BOMBARDIER CAPITAL

The following table presents finance receivables and assets under operating leases before allowance for credit losses:

	October 31, 2004	January 31, 2004
Continued portfolios		
Inventory finance	**$ 1,922**	$ 1,865
Receivable financing[1]	**30**	63
Commercial aircraft		
Interim financing	**801**	516
Long-term leasing	**236**	282
	1,037	798
Total continued portfolios	**2,989**	2,726
Wind-down portfolios		
Business aircraft		
Loans and finance leases	**161**	200
Pre-owned	**22**	174
	183	374
Manufactured housing	**178**	234
Consumer finance	**107**	147
Industrial equipment	**49**	67
Railcar leasing	**37**	39
Other	**32**	69
Total wind-down portfolios	**586**	930
	$ 3,575	$ 3,656

[1] Represents financing provided to the Corporation's former recreational products segment.

Finance receivables and assets under operating leases as at October 31, 2004 decreased by $81 million, or 2.2%, compared to January 31, 2004. This variation is mainly due to a decrease in the wind-down portfolios of $344 million, or 37.0%, mainly arising from reductions in the business aircraft, manufactured housing and consumer finance portfolios. This decrease was partially offset by increases in the commercial aircraft interim financing and inventory finance portfolios.

BC also manages an off-balance sheet railcar leasing portfolio and other off-balance sheet portfolios totalling $659 million and $36 million respectively as at October 31, 2004, compared to $651 million and $63 million respectively as at January 31, 2004.

Average assets under management (the aggregate of the average for the corresponding periods of the on-balance sheet finance receivables and assets under operating leases (before allowance for credit losses), the railcar leasing and other off-balance sheet portfolios) amounted to $4.2 billion for the quarter ended October 31, 2004, compared to $4.8 billion for the quarter ended October 31, 2003. For the nine-month period ended October 31, 2004, average assets under management amounted to $4.3 billion, compared to $5.5 billion for the same period last fiscal year. These decreases are mainly due to the reduction in the wind-down portfolios, particularly the receivable factoring, business aircraft, manufactured housing and consumer finance portfolios, partially offset by increases in the inventory finance and commercial aircraft interim financing portfolios.

Segmented revenues remained unchanged at $106 million for the quarters ended October 31, 2004 and 2003. For the nine-month period ended October 31, 2004, revenues were $321 million, compared to $379 million for the same period last fiscal year. Revenues for the quarter ended October 31, 2004 compared to the quarter ended October 31, 2003 were positively impacted by the higher average level of the inventory finance portfolio offset by the reduction in the wind-down portfolios. The decrease for the nine-month period ended October 31, 2004 is consistent with the overall reduction in average assets under management.

EBT remained unchanged at $10 million for the quarters ended October 31, 2004 and 2003. For the nine-month period ended October 31, 2004, EBT was $30 million, compared to $40 million for the same period last fiscal year. This decrease is mainly the result of the reduction in net margin resulting from the decrease in the wind-down portfolios, partially offset by lower non-interest expenses and improved credit quality trends.

The loan-to-value ratio of the business aircraft loans and finance leases portfolio was 81.8% as at October 31, 2004, compared to 92.2% as at January 31, 2004. This improvement is due to lower carrying values mainly as a result of principal repayments. Market values remained stable as continued declines in the values of older, out-of-production aircraft were offset by increases in the values of newer aircraft.

BC also services manufactured housing portfolios in public securitization vehicles amounting to $1.0 billion as at October 31, 2004 ($1.2 billion as at January 31, 2004).

FINANCIAL POSITION

Bombardier

Consolidated assets for the manufacturing segments amounted to $15.8 billion as at October 31, 2004, compared to $15.4 billion as at January 31, 2004, for an increase of $417 million. The increases in cash and cash equivalents and assets under operating leases and other were partially offset by a decrease in Bombardier's investment in BC, mainly as a result of a dividend of $450 million paid by BC to Bombardier.

Assets under operating leases and other amounted to $220 million as at October 31, 2004, compared to $86 million as at January 31, 2004. This increase is mainly due to the new accounting policy for aircraft under the fractional ownership program, under which revenues are deferred and recognized over the period of the related service contract. As a result, the carrying value of these aircraft is transferred to this balance sheet item and deferred revenues are included in accounts payable and accrued liabilities.

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

Gross inventories were $7.7 billion ($4.3 billion net of advances and progress billings) as at October 31, 2004, compared to $7.2 billion ($4.3 billion net of advances and progress billings) as at January 31, 2004. This increase in gross inventories is mainly due to a higher level of inventories in both segments as well as the weakening of the U.S. dollar compared to the euro, amounting to $120 million. Total advances and progress billings amounted to $5.7 billion as at October 31, 2004, compared to $5.6 billion as at January 31, 2004, $2.4 billion of which is shown as liabilities as at October 31, 2004, compared to $2.7 billion as at January 31, 2004. This increase is mainly due to higher advances in the aerospace segment and the weakening of the U.S. dollar compared to the euro, amounting to $110 million, partially offset by lower advances and progress billings in the transportation segment.

Property, plant and equipment amounted to $3.3 billion as at October 31, 2004, compared to $3.4 billion as at January 31, 2004. This decrease is mainly due to depreciation exceeding net additions to property, plant and equipment.

Accounts payable and accrued liabilities amounted to $6.9 billion as at October 31, 2004, compared to $6.5 billion as at January 31, 2004. This increase is mainly due to the translation adjustment arising from the weakening of the U.S. dollar compared to the euro and the Canadian dollar, amounting to $115 million, as well as from the increase in deferred revenues as a result of the change in the accounting policy for sales of fractional shares.

Long-term debt amounted to $2.9 billion as at October 31, 2004, compared to $2.1 billion as at January 31, 2004. This increase is mainly due to the issuance in April 2004 of $500 million of notes bearing interest at 6.3% due in 2014, and $250 million of notes bearing interest at 7.45% due in 2034.

BC

Finance receivables before allowance for credit losses amounted to $3.3 billion as at October 31, 2004, compared to $3.2 billion as at January 31, 2004. This change is mainly due to an increase in the commercial aircraft interim financing portfolio, partially offset by a decrease in the wind-down portfolios.

Assets under operating leases amounted to $265 million as at October 31, 2004, compared to $472 million as at January 31, 2004. This decrease is mainly due to the continued reduction in the wind-down portfolios, principally the business aircraft portfolios.

Other assets amounted to $349 million as at October 31, 2004, compared to $725 million as at January 31, 2004. This decrease is mainly due to the repayment in fiscal year 2005 of the loan made by BC in fiscal year 2004 in connection with a financing transaction entered into for term-debt management.

CASH FLOWS

Bombardier

Cash flows from operating activities amounted to negative $47 million for the quarter ended October 31, 2004, compared to positive $84 million for the quarter ended October 31, 2003. The decrease was mainly due to the variation in net changes in non-cash balances related to operations, which was negative $213 million for the quarter ended October 31, 2004, compared to negative $113 million for the same period last fiscal year. For the nine-month period ended October 31, 2004, cash flows from operating activities amounted to a use of $104 million, compared to a use of $1.2 billion for the same period last fiscal year. The improvement of $1.1 billion outflow of $289 million, compared to net advances and subordinated loans from BC to Bombardier of $225 million for the same period last fiscal year. On a year-to-date basis, BC made net advances of $355 million and paid $450 million of dividends to Bombardier, and Bombardier repaid subordinated loans of $450 million to BC, which resulted in a net cash inflow of $355 million, compared to a net cash inflow of $407 million for the same period last fiscal year.

Cash flows from financing activities amounted to a use of $60 million for the quarter ended October 31, 2004, compared to a use of $334 million for the quarter ended October 31, 2003. The cash flows for the quarter ended October 31, 2004 mainly reflect dividends paid. The cash flows for the quarter ended October 31, 2003 mainly reflect a net decrease in short-term borrowings. For the nine-month period ended October 31, 2004, cash flows from financing activities amounted to $607 million, compared to $692 million for the same period last fiscal year. The cash flows for the nine-month period ended October 31, 2004 reflect the issuance of $750 million of notes, partially offset by dividends paid. The cash flows for the nine-month period ended October 31, 2003 reflect the issuance of 370 million Class B Shares (Subordinate Voting) and a net increase in short-term borrowings, partially offset by the repayment of debentures and dividends paid.

Cash flows from discontinued operations amounted to $18 million for the three-month period ended October 31, 2003, and cash flows used by discontinued operations amounted to $120 million for the nine-month period ended October 31, 2003.

As a result of the above items, cash and cash equivalents amounted to $2.0 billion as at October 31, 2004, compared to $1.2 billion as at January 31, 2004.

BC

Cash flows from operating activities amounted to $34 million for the quarter ended October 31, 2004, compared to $49 million for the same quarter last fiscal year. This change mainly results from cash flows from operating activities before net changes in non-cash balances related to operations of $25 million for the three-month period ended October 31, 2004, compared to $35 million for the same period last fiscal year. For the nine-month period ended October 31, 2004, cash flows from operating activities amounted to $122 million, compared to $108 million for the same period last fiscal year. This improvement is mainly due to the variation in net changes in non-cash balances related to operations, which was $32 million for the nine-month period ended October 31, 2004, compared to negative $52 million for the same period last fiscal year. This improvement was partially offset by higher cash flows from operating activities before net changes in non-cash balances related to operations in the previous fiscal year compared to the current fiscal year. (See note 14 to the interim consolidated financial statements for the details of the net changes in non-cash balances related to operations.)

Cash flows from investing activities amounted to $102 million for the quarter ended October 31, 2004, compared to a use of $293 million for the same quarter last fiscal year. The cash flows for the three-month period ended October 31, 2004 mainly reflect net advances and subordinated loans from Bombardier of $289 million, partially offset by a net increase in finance receivables. The cash flows for the three-month period ended October 31, 2003 mainly reflect net advances and subordinated loans to Bombardier of $225 million. For the nine-month period ended October 31, 2004, cash flows from investing activities amounted to $61 million, compared to $697 million for the same period last fiscal year. The cash flows for the nine-month period ended October 31, 2004 reflect the repayment of the loan made by BC in fiscal year 2004 in connection with a financing transaction entered into for term-debt management, a net decrease in assets under operating leases, partially offset by net advances and subordinated loans to Bombardier of $355 million, and a net increase in finance receivables. The cash flows for the nine-month period ended October 31, 2003 mainly reflect a net decrease in finance receivables and assets under operating leases, partially offset by net advances and subordinated loans to Bombardier of $407 million and the previously-discussed term-debt management loan.

Cash flows from financing activities amounted to a use of $160 million for the quarter ended October 31, 2004, compared to cash flows from financing activities of $2 million for the same quarter last fiscal year. The cash flows for the three-month period ended October 31, 2004 reflect the repayments of long-term debt and short-term borrowings, partially offset by the issuance of asset-backed securities. For the nine-month period ended October 31, 2004, cash flows from financing activities amounted to a use $172 million, compared to $966 million for the same period last fiscal year. The cash flows for the nine-month period ended October 31, 2004 reflect the repayments of long-term debt and short-term borrowings, partially offset by the issuance of asset-backed securities. The cash flows for the nine-month period ended October 31, 2003 reflect the repayments of long-term debt and short-term borrowings, partially offset by the issuance of long-term debt.

As a result of the previously-discussed items, cash and cash equivalents amounted to $20 million as at October 31, 2004, compared to $11 million as at January 31, 2004.

CAPITAL RESOURCES

Total committed credit facilities as at October 31, 2004 were $6.2 billion for Bombardier and $900 million for BC, $2.2 billion and $765 million of which, respectively, were available as at that date. Taking into consideration $2.0 billion of cash and cash equivalents, the Corporation had a total of $5.0 billion of short-term capital resources available as at October 31, 2004.

The Corporation considers that its current credit facilities, as well as expected capital resources, will enable the implementation of investment programs, the development of new products, the pursued growth of its activities, the payment of dividends and the meeting of other expected financial commitments. As at October 31, 2004, the Corporation was in compliance with its bank covenants.

Bombardier

In September 2004, the Corporation renewed the 364-day portion of its North American credit facility. This facility, totalling $718 million Cdn, replaces the $730-million Cdn short-term portion of the North American credit facility.

In July 2004, the Corporation renewed the 364-day portion of its European credit facility. This facility, totalling €492 million, replaces the €560-million short-term portion of the European credit facility.

Also, in fiscal year 2005, the Corporation entered into a €125-million ($159-million) four-year European letter of credit facility.

Total availability under Bombardier's lines of credit increased by $595 million as at October 31, 2004 compared to July 31, 2004, and cash and cash equivalents decreased by $206 million for the same period, for a net increase in short-term capital resources of $389 million. This net increase mainly results from a net reduction in the amount of letters of credit issued under Bombardier credit facilities, the new European letter of credit facility, a positive translation adjustment arising from the weakening of the U.S. dollar compared to the euro and Canadian dollar, and the payment received in connection with the settlement of the Adtranz claim. This net increase was partially offset by a use of free cash flow and net advances and subordinated loans to BC.

On a year-to-date basis, Bombardier's availability under lines of credit increased by $611 million and cash and cash equivalents increased by $779 million, for an increase in short-term capital resources of $1.4 billion. This increase mainly results from the issuance of $750 million of notes, the decrease in the amounts of letters of credit issued under Bombardier credit facilities, net advances and subordinated loans from BC, the new European letter of credit facility, the previously-discussed positive translation adjustment and the payment received in connection with the settlement of the Adtranz claim. This increase was partially offset by a use of free cash flow, dividends paid and the reduction in the short-term portion of the European credit facility.

BC

In October 2004, BC entered into a five-year securitization facility agreement for its Canadian inventory finance receivables portfolio amounting to $350 million Cdn ($287 million). This facility replaces two maturing facilities totalling $340 million Cdn ($279 million), $129 million Cdn ($106 million) of which was a short-term facility.

Total availability under BC's lines of credit remained unchanged as at October 31, 2004 compared to July 31, 2004, and cash and cash equivalents decreased by $26 million for the same period, for a decrease in short-term capital resources of $26 million. This decrease mainly results from a net increase in finance receivables, the repayment of $350 million of long-term debt and the reduction in the short-term portion of the securitized floorplan facility. This decrease was partially offset by net advances and subordinated loans from Bombardier, the issuance of $350 million Cdn ($287 million) of asset-backed securities, a net decrease in assets under operating leases and cash flows from operating activities.

On a year-to-date basis, BC's availability under lines of credit was unchanged and cash and cash equivalents increased by $9 million, for an increase in short-term capital resources of $9 million. This increase is mainly due to the repayment in fiscal year 2005 of the loan made by BC in fiscal year 2004 in connection with a financing transaction entered into for term-debt management, the issuance of $350 million Cdn ($287 million) of asset-backed securities, a net decrease in assets under operating leases and cash flows from operating activities. This increase was partially offset by net advances and subordinated loans to Bombardier, the repayment of $362 million of long-term debt, the reduction in the short-term portion of the securitized floorplan facility, and a net increase in finance receivables.

CREDIT EVENTS

In November 2004, Moody's Investor Services Inc., Standard & Poor's and Dominion Bond Rating Services Ltd. downgraded the Corporation's credit ratings to below investment grade. As a result, the Corporation repurchased at their fair value of $19 million the call options related to the Putable/Callable notes due in 2013. The cost of the repurchase will be accounted for as an expense in the fourth quarter of fiscal year 2005. The Putable/Callable notes amounting to $300 million are now repayable on May 31, 2005. The credit rating downgrades could also result in the reimbursement of customer advances, including capitalized interest, amounting to $177 million as at October 31, 2004 and the wind-down of $100 million of a Bombardier securitization conduit facility ($53 million outstanding as at October 31, 2004). In addition, the rating downgrades could result in the early settlement of one or more derivative financial instruments governed by an interest-rate swap agreement. The estimated settlement values of these derivative financial instruments were not significant as at October 31, 2004.

ACCOUNTING AND REPORTING DEVELOPMENTS

In the first quarter of the current fiscal year, the Corporation prospectively adopted the new accounting rules of the Emerging Issues Committee (EIC), relating to "Revenue Arrangements with Multiple Deliverables" (EIC-142). In addition, on December 17, 2003, the Corporation prospectively adopted EIC-143 "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts."

As a result of these changes, Bombardier Aerospace has modified its revenue recognition policy for sales of fractional shares of business aircraft under the North American *Flexjet* fractional ownership program. Bombardier Aerospace now records revenue from the sale of fractional shares in the period during which the related services are rendered to the customer, rather than at the time of transfer of title to the customer.

In addition, in the transportation segment, revenues from product maintenance arrangements entered into on or after December 17, 2003, and other long-term service arrangements entered into after January 31, 2004, which were previously recognized using the percentage-of-completion method, are now recognized using the straight-line method or based on the value of the services performed.

In the aerospace segment, the adoption of these rules resulted in reductions in revenues of approximately $31 million and $120 million for the three- and nine-month periods ended October 31, 2004 and had no material impact on EBT and earnings (loss) per share for these periods. These rules had no material impact on the interim financial position and results of operations of the transportation segment.

On November 1, 2004, the Corporation prospectively adopted the Accounting Guideline "Consolidation of Variable Interest Entities" (AcG-15). AcG-15 provides a framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities and results of operations of a VIE in its consolidated financial statements.

AcG-15 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. AcG-15 also requires disclosures about VIEs that the variable interest holder is not required to consolidate, but in which it has a significant variable interest.

The liabilities to be recognized as a result of consolidating certain VIEs will not represent additional claims on the Corporation's general assets; rather, they will represent claims against the specific assets of the consolidated VIEs. Conversely, assets to be recognized as a result of consolidating certain VIEs will not represent additional assets that could be used to satisfy claims against the Corporation's general assets. The computation of the Corporation's debt covenant ratio excludes non-recourse debt consolidated as a result of the VIE rules. Additionally, the consolidation of VIEs would not result in any material change in the underlying tax, legal or credit risks facing the Corporation. The Corporation is in the final stages of assessing the impact of AcG-15 on its consolidated financial statements.

EFFECT OF CURRENCY FLUCTUATIONS

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

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

	October 31, 2004	January 31, 2004	Increase
Euro	**1.2749**	1.2455	2%
Canadian dollar	**0.8192**	0.7539	9%
Sterling pound	**1.8346**	1.8212	1%

The average exchange rates used to translate revenues and expenses were as follows:

	Three months ended October 31, 2004	Three months ended October 31, 2003	Increase
Euro	**1.2292**	1.1333	8%
Canadian dollar	**0.7782**	0.7348	6%
Sterling pound	**1.8072**	1.6223	11%

	Nine months ended October 31, 2004	Nine months ended October 31, 2003	Increase
Euro	**1.2239**	1.1232	9%
Canadian dollar	**0.7551**	0.7115	6%
Sterling pound	**1.8185**	1.6129	13%

FORWARD-LOOKING STATEMENTS
This report includes "forward-looking statements" that are subject to risks and uncertainties. For information identifying legislative or regulatory, economic, currency, technological, competitive and other important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, see Bombardier's annual report for the year ended January 31, 2004 under the heading Risks and uncertainties in the Management's Discussion and Analysis section. Unless otherwise required by applicable securities laws, Bombardier Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

November 30, 2004

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BOMBARDIER INC.

Consolidated Balance Sheets

(Unaudited)

(millions of U.S. dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**October 31, 2004**	January 31, 2004	**October 31, 2004**	January 31, 2004	**October 31, 2004**	January 31, 2004
Assets							
Cash and cash equivalents		**$ 2,009**	$ 1,221	**$ 1,989**	$ 1,210	**$ 20**	$ 11
Receivables		**1,748**	1,838	**1,637**	1,694	**111**	144
Finance receivables	4	**3,255**	3,127	**-**	-	**3,255**	3,127
Assets under operating leases and other	5	**485**	558	**220**	86	**265**	472
Inventories	6	**4,283**	4,340	**4,283**	4,340	**-**	-
Property, plant and equipment		**3,397**	3,524	**3,304**	3,434	**93**	90
Goodwill		**2,380**	2,290	**2,380**	2,290	**-**	-
Deferred income taxes		**527**	527	**352**	343	**175**	184
Investment in BC / advances and subordinated loans to Bombardier		**-**	-	**442**	861	**504**	585
Accrued benefit assets		**404**	375	**404**	375	**-**	-
Other assets		**1,140**	1,477	**791**	752	**349**	725
		$ 19,628	$ 19,277	**$ 15,802**	$ 15,385	**$ 4,772**	$ 5,338
Liabilities							
Short-term borrowings	7	**$ 135**	$ 232	**$ -**	$ -	**$ 135**	$ 232
Advances from BC		**-**	-	**504**	135	**-**	-
Accounts payable and accrued liabilities		**7,084**	6,785	**6,861**	6,535	**223**	250
Advances and progress billings in excess of related costs	6	**2,357**	2,686	**2,357**	2,686	**-**	-
Deferred income taxes		**69**	104	**65**	100	**4**	4
Long-term debt	8	**6,845**	6,088	**2,880**	2,097	**3,965**	3,991
Accrued benefit liabilities		**897**	932	**894**	932	**3**	-
Subordinated loans from BC		**-**	-	**-**	450	**-**	-
		17,387	16,827	**13,561**	12,935	**4,330**	4,477
Shareholders' equity (Investment in BC)							
Preferred shares							
Issued and outstanding:							
Series 2: 2,597,907		**51**	51	**51**	51	**-**	-
Series 3: 9,402,093		**148**	148	**148**	148	**-**	-
Series 4: 9,400,000		**148**	148	**148**	148	**-**	-
Common shares							
Issued and outstanding:							
Class A: 342,000,010 (342,018,248 as at January 31, 2004)		**31**	31	**31**	31	**-**	-
Class B: 1,408,466,958 (1,407,566,670 as at January 31, 2004)		**1,411**	1,408	**1,411**	1,408	**-**	-
Contributed surplus		**10**	4	**10**	4	**-**	-
Retained earnings		**284**	532	**284**	532	**-**	-
Deferred translation adjustment		**158**	128	**158**	128	**-**	-
Investment in BC		**-**	-	**-**	-	**442**	861
		2,241	2,450	**2,241**	2,450	**442**	861
		$ 19,628	$ 19,277	**$ 15,802**	$ 15,385	**$ 4,772**	$ 5,338
Commitments and contingencies	15						

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

BOMBARDIER INC.

Consolidated Statements of Income

(Unaudited)

For the three months ended October 31

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

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2004**	2003	**2004**	2003	**2004**	2003
Revenues							
Manufacturing		**$ 2,943**	$ 2,827	**$ 2,943**	$ 2,827	**$ -**	$ -
Services		**459**	464	**459**	464	**-**	-
Financing		**83**	74	**-**	-	**106**	106
Other		**149**	118	**149**	118	**-**	-
		3,634	3,483	**3,551**	3,409	**106**	106
Cost of sales		**3,131**	2,968	**3,093**	2,940	**61**	60
Selling, general and administrative		**224**	215	**200**	192	**24**	23
Depreciation and amortization		**143**	115	**132**	102	**11**	13
Research and development		**39**	27	**39**	27	**-**	-
Special items	12	**43**	(69)	**43**	(69)	**-**	-
Income from BC		**-**	-	**(6)**	(6)	**-**	-
		3,580	3,256	**3,501**	3,186	**96**	96
		54	227	**50**	223	**10**	10
Interest expense, net		**45**	38	**45**	38	**-**	-
Income from continuing operations before income taxes		**9**	189	**5**	185	**10**	10
Income tax expense (recovery)		**(1)**	65	**(5)**	61	**4**	4
Income from continuing operations		**10**	124	**10**	124	**6**	6
Income from discontinued operations, net of tax	3	**-**	9	**-**	9	**-**	-
Net income		**$ 10**	$ 133	**$ 10**	$ 133	**$ 6**	$ 6

Earnings per share:	11		
Basic and diluted			
Income from continuing operations		**$ -**	$ 0.07
Net income		**$ -**	$ 0.07

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

BOMBARDIER INC.

Consolidated Statements of Income

(Unaudited)

For the nine months ended October 31

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

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2004**	2003	**2004**	2003	**2004**	2003
Revenues							
Manufacturing		**$ 8,885**	$ 8,665	**$ 8,885**	$ 8,665	**$ -**	$ -
Services		**1,304**	1,221	**1,304**	1,221	**-**	-
Financing		**248**	245	**-**	-	**321**	379
Other		**601**	502	**601**	502	**-**	-
		11,038	10,633	**10,790**	10,388	**321**	379
Cost of sales		**9,731**	8,969	**9,620**	8,911	**184**	192
Selling, general and administrative		**670**	726	**604**	655	**66**	71
Depreciation and amortization		**425**	402	**384**	326	**41**	76
Research and development		**98**	74	**98**	74	**-**	-
Special items	12	**134**	(32)	**134**	(32)	**-**	-
Income from BC		**-**	-	**(18)**	(25)	**-**	-
		11,058	10,139	**10,822**	9,909	**291**	339
		(20)	494	**(32)**	479	**30**	40
Interest expense, net		**136**	113	**136**	113	**-**	-
Income (loss) from continuing operations before income taxes		**(156)**	381	**(168)**	366	**30**	40
Income tax expense (recovery)		**(15)**	132	**(27)**	117	**12**	15
Income (loss) from continuing operations		**(141)**	249	**(141)**	249	**18**	25
Income from discontinued operations, net of tax	3	**-**	6	**-**	6	**-**	-
Net income (loss)		**$ (141)**	$ 255	**$ (141)**	$ 255	**$ 18**	$ 25

Earnings (loss) per share:	11		
Basic and diluted			
Income (loss) from continuing operations		**$ (0.09)**	$ 0.14
Net income (loss)		**$ (0.09)**	$ 0.14

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

BOMBARDIER INC.

Consolidated Statements of Retained Earnings

(Unaudited)

For the nine months ended October 31

(millions of U.S. dollars)

					Bombardier Inc. consolidated
	Notes		**2004**		2003
Balance at beginning of period		**$**	**532**	$	778
Net income (loss)			**(141)**		255
Dividends:					
Preferred shares			**(17)**		(16)
Common shares			**(90)**		(86)
Share issue costs, net of tax	9		**-**		(23)
Balance at end of period		**$**	**284**	$	908

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

BOMBARDIER INC.

Consolidated Statements of Cash Flows

(Unaudited)

For the three months ended October 31

(millions of U.S. dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2004**	2003	**2004**	2003	**2004**	2003
Operating activities							
Income from continuing operations		**$ 10**	$ 124	**$ 10**	$ 124	**$ 6**	$ 6
Non-cash items:							
Depreciation and amortization		**143**	115	**132**	102	**11**	13
Income from BC		**-**	-	**(6)**	(6)	**-**	-
Provision for credit losses	4	**6**	13	**-**	-	**6**	13
Deferred income taxes		**(13)**	49	**(15)**	46	**2**	3
Gain on disposals of property, plant and equipment		**(1)**	-	**(1)**	-	**-**	-
Stock-based compensation expense	10	**3**	-	**3**	-	**-**	-
Special items	12	**43**	(69)	**43**	(69)	**-**	-
Net changes in non-cash balances related to operations	14	**(204)**	(99)	**(213)**	(113)	**9**	14
Cash flows from operating activities		**(13)**	133	**(47)**	84	**34**	49
Investing activities							
Additions to property, plant and equipment		**(124)**	(74)	**(124)**	(73)	**-**	(1)
Disposals of property, plant and equipment		**19**	24	**19**	23	**-**	1
Disposal of assets held for sale		**-**	81	**-**	81	**-**	-
Net variation in finance receivables		**(260)**	(31)	**-**	-	**(260)**	(31)
Additions to assets under operating leases - BC		**-**	(98)	**-**	-	**-**	(98)
Disposals of assets under operating leases - BC		**32**	177	**-**	-	**32**	177
Settlement of Adtranz claim	15	**209**	-	**209**	-	**-**	-
Investment in BC / advances and subordinated loans to Bombardier		**-**	-	**(289)**	225	**289**	(225)
Other		**15**	(140)	**(26)**	(24)	**41**	(116)
Cash flows from investing activities		**(109)**	(61)	**(211)**	232	**102**	(293)
Financing activities							
Net variation in short-term borrowings		**(97)**	(277)	**-**	(299)	**(97)**	22
Proceeds from issuance of long-term debt	8	**291**	408	**4**	8	**287**	400
Repayments of long-term debt	8	**(378)**	(431)	**(28)**	(11)	**(350)**	(420)
Issuance of shares, net of related costs		**-**	2	**-**	2	**-**	-
Dividends paid		**(36)**	(34)	**(36)**	(34)	**-**	-
Cash flows from financing activities		**(220)**	(332)	**(60)**	(334)	**(160)**	2
Effect of exchange rate changes on cash and cash equivalents		**110**	24	**112**	16	**(2)**	8
Cash flows from continuing operations		**(232)**	(236)	**(206)**	(2)	**(26)**	(234)
Cash flows from discontinued operations	3	**-**	18	**-**	18	**-**	-
Net increase (decrease) in cash and cash equivalents		**(232)**	(218)	**(206)**	16	**(26)**	(234)
Cash and cash equivalents at beginning of period		**2,241**	521	**2,195**	268	**46**	253
Cash and cash equivalents at end of period[1]		**$ 2,009**	$ 303	**$ 1,989**	$ 284	**$ 20**	$ 19

[1] Includes the following:						
Cash and cash equivalents related to:						
Continuing operations	**$ 2,009**	$ 283	**$ 1,989**	$ 264	**$ 20**	$ 19
Discontinued operations	**-**	20	**-**	20	**-**	-
	$ 2,009	$ 303	**$ 1,989**	$ 284	**$ 20**	$ 19

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

BOMBARDIER INC.

Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended October 31

(millions of U.S. dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2004**	2003	**2004**	2003	**2004**	2003
Operating activities							
Income (loss) from continuing operations		**$ (141)**	$ 249	**$ (141)**	$ 249	**$ 18**	$ 25
Non-cash items:							
Depreciation and amortization		**425**	402	**384**	326	**41**	76
Income from BC		**-**	-	**(18)**	(25)	**-**	-
Provision for credit losses	4	**24**	49	**-**	-	**24**	49
Deferred income taxes		**(36)**	89	**(43)**	79	**7**	10
Gain on disposals of property, plant and equipment		**(1)**	(10)	**(1)**	(10)	**-**	-
Stock-based compensation expense	10	**6**	-	**6**	-	**-**	-
Special items	12	**134**	(32)	**134**	(32)	**-**	-
Net changes in non-cash balances related to operations	14	**(393)**	(1,841)	**(425)**	(1,789)	**32**	(52)
Cash flows from operating activities		**18**	(1,094)	**(104)**	(1,202)	**122**	108
Investing activities							
Additions to property, plant and equipment		**(238)**	(243)	**(237)**	(241)	**(1)**	(2)
Disposals of property, plant and equipment		**25**	135	**25**	119	**-**	16
Disposal of assets held for sale		**-**	135	**-**	135	**-**	-
Net variation in finance receivables		**(123)**	1,201	**-**	-	**(123)**	1,201
Additions to assets under operating leases - BC		**(28)**	(190)	**-**	-	**(28)**	(190)
Disposals of assets under operating leases - BC		**203**	446	**-**	-	**203**	446
Settlement of Adtranz claim	15	**209**	-	**209**	-	**-**	-
Adjustments to the proceeds of disposal of discontinued operations	3	**(28)**	-	**(28)**	-	**-**	-
Investment in BC / advances and subordinated loans to Bombardier		**-**	-	**355**	407	**(355)**	(407)
Other		**294**	(430)	**(71)**	(63)	**365**	(367)
Cash flows from investing activities		**314**	1,054	**253**	357	**61**	697
Financing activities							
Net variation in short-term borrowings		**(97)**	(581)	**-**	97	**(97)**	(678)
Proceeds from issuance of long-term debt	8	**1,052**	416	**765**	12	**287**	404
Repayments of long-term debt	8	**(416)**	(817)	**(54)**	(125)	**(362)**	(692)
Issuance of shares, net of related costs	9	**3**	809	**3**	809	**-**	-
Dividends paid		**(107)**	(101)	**(107)**	(101)	**-**	-
Cash flows from financing activities		**435**	(274)	**607**	692	**(172)**	(966)
Effect of exchange rate changes on cash and cash equivalents		**21**	55	**23**	72	**(2)**	(17)
Cash flows from continuing operations		**788**	(259)	**779**	(81)	**9**	(178)
Cash flows from discontinued operations	3	**-**	(120)	**-**	(120)	**-**	-
Net increase (decrease) in cash and cash equivalents		**788**	(379)	**779**	(201)	**9**	(178)
Cash and cash equivalents at beginning of period		**1,221**	682	**1,210**	485	**11**	197
Cash and cash equivalents at end of period[(1)]		**$ 2,009**	$ 303	**$ 1,989**	$ 284	**$ 20**	$ 19

(1) Includes the following:

Cash and cash equivalents related to:						
Continuing operations	**$ 2,009**	$ 283	**$ 1,989**	$ 264	**$ 20**	$ 19
Discontinued operations	**-**	20	**-**	20	**-**	-
	$ 2,009	$ 303	**$ 1,989**	$ 284	**$ 20**	$ 19

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
For the three- and nine-month periods ended October 31, 2004
(Tabular figures in millions of U.S. dollars, unless otherwise indicated)

INTERIM CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

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

Effective the first quarter of fiscal year 2005, the Corporation changed its reporting currency to the U.S. dollar. Comparative financial information previously expressed in Canadian dollars is now presented in U.S. dollars for all periods shown, using the exchange rate applicable at the balance sheet date for assets and liabilities, and the average exchange rate of the corresponding periods for the consolidated statements of income and consolidated statements of cash flows items. Equity transactions have been translated at historical rates for the last five years with opening equity on February 1, 1999 translated at the exchange rate on that date. The net adjustment arising from the effect of the translation has been included in the deferred translation adjustment account in shareholders' equity.

Effective February 1, 2004, the Corporation changed its functional currencies from the Canadian dollar and the sterling pound to the U.S. dollar for the Canadian and U.K. operations in the aerospace segment, and from the Canadian dollar and the Mexican peso to the U.S. dollar for the Canadian and Mexican operations in the transportation segment. The European operations of the transportation segment continue to use mainly western European currencies as their functional currencies. No gains or losses resulted from the change of functional currencies. This change was made as a result of the increasing proportion of the Corporation's revenues, costs, intercompany arrangements, capital expenditures and long-term debt denominated in U.S. dollars.

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

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

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

Bombardier Inc. consolidated
This column represents all of the activities of the Corporation on a consolidated basis, after the elimination of balances and transactions between Bombardier and BC.

Bombardier
This column represents the activities of the Corporation's two manufacturing segments (aerospace and transportation). Transactions and balances between these segments have been eliminated, whereas transactions and balances between Bombardier and BC have not been eliminated. Bombardier's investment in BC is accounted for under the equity method and comprises BC's equity and the subordinated debt of Bombardier in BC. Bombardier's former recreational products segment, which was sold on December 18, 2003, is presented as discontinued operations.

BC
This column represents the financial services and real estate activities of the Corporation. Transactions and balances within BC have been eliminated, whereas transactions and balances between BC and Bombardier have not been eliminated.

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries, substantially all of which are wholly owned. They also include the Corporation's proportionate share of the accounts of its joint ventures. Most legal entities of the transportation segment use a December-31 fiscal year end. As a result, the Corporation consolidates these operations 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, they are accounted for within the Corporation's interim consolidated financial statements.

The interim consolidated financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles (GAAP) applicable to interim consolidated financial statements, and follow the same accounting policies in their application as the most recent annual Consolidated Financial Statements, except for the adoption of the accounting recommendations and rules described in note 2. 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 2004.

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

2. CHANGES IN ACCOUNTING POLICIES

On December 17, 2003, the Corporation prospectively adopted the new accounting rules of the Emerging Issues Committee (EIC) relating to "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts" (EIC-143). These new accounting rules apply to extended warranty and product maintenance contracts that are separately priced, as well as those not separately priced but which are accounted for as separate units of accounting in accordance with "Revenue Arrangements with Multiple Deliverables" (EIC-142). These new rules apply to contracts entered into on or after December 17, 2003. The adoption of the new rules had no material impact on the interim consolidated financial statements.

On December 17, 2003, the EIC issued EIC-142, "Revenue Arrangements with Multiple Deliverables." EIC-142 addresses certain aspects of the accounting by a vendor for arrangements under which multiple revenue-generating activities will be performed. The Corporation prospectively adopted these new rules effective February 1, 2004. As a result, revenues from the sale of fractional shares are now recorded over the period the related services are rendered to the customer, rather than at the time of transfer of title to the customer. At the time of sale, the proceeds from the sale are recorded as deferred revenues and included in accounts payable and accrued liabilities, and the carrying value of the related inventory is transferred to assets under operating leases and other and is amortized over the expected useful life of the asset. The adoption of these rules in the aerospace segment resulted in a reduction of revenues of approximately $31 million and $120 million for the three- and nine-month periods ended October 31, 2004, respectively, and had no material impact on net income (loss) and earnings (loss) per share for the three- and nine-month periods ended October 31, 2004. These rules had no material impact on the interim financial position and results of operations of the transportation segment.

In December 2001, the Accounting Standards Board issued Accounting Guideline (AcG-13) “Hedging Relationships,” as amended. In June 2002, EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments," was also issued. AcG-13 establishes the criteria for identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. EIC-128 establishes that a freestanding derivative financial instrument that gives rise to a financial asset or financial liability and is entered into for trading or speculative purposes, or that does not qualify for hedge accounting under AcG-13, should be recognized on the balance sheet and measured at fair value, with changes in fair value recognized in income of the period. The Corporation adopted both AcG-13 and EIC-128 effective February 1, 2004. The adoption of the new recommendations had no material impact on the interim consolidated financial statements.

3. DISCONTINUED OPERATIONS

On December 18, 2003, the Corporation sold its recreational products segment. The results of operations and cash flows of the recreational products segment for the three- and nine-month periods ended October 31, 2003 have been segregated in the accompanying interim consolidated financial statements and reported as discontinued operations.

The results of discontinued operations were as follows:

	Three months ended October 31, 2003	Nine months ended October 31, 2003
Revenues	$ 532	$ 1,232
Cost of sales and operating expenses[1]	503	1,175
Depreciation and amortization	10	30
Interest expense, net	5	18
	518	1,223
Income before income taxes	14	9
Income taxes	5	3
Income from discontinued operations	$ 9	$ 6
Basic and diluted earnings per share	$ -	$ -

(1) Comprised of selling, general and administrative and research and development expenses.

The cash flows from discontinued operations were as follows:

	Three months ended October 31, 2003	Nine months ended October 31, 2003
Operating activities	$ 22	$ (110)
Investing activities	(18)	(18)
Financing activities	1	-
Effect of exchange rate changes on cash and cash equivalents	13	8
Cash flows from discontinued operations	$ 18	$ (120)

During the nine-month period ended October 31, 2004, the Corporation paid $28 million as an adjustment to the proceeds on the disposal of this segment, mainly in connection with its commitment to pension plan funding. This commitment was fully provided for at the time of the sale, and therefore the payment had no impact on the results of operations for this period.

4. FINANCE RECEIVABLES

BC's finance receivables were as follows:

	October 31, 2004	January 31, 2004
Continued portfolios		
Inventory finance[1]	**$ 1,922**	$ 1,865
Receivable financing[2]	**30**	63
Commercial aircraft		
Interim financing	**801**	516
Long-term leasing	**73**	75
	874	591
	2,826	2,519
Allowance for credit losses	**(20)**	(29)
Total continued portfolios	**2,806**	2,490
Wind-down portfolios		
Manufactured housing[3]	**178**	234
Business aircraft	**161**	200
Consumer finance	**107**	147
Industrial equipment	**21**	32
Other	**17**	52
	484	665
Allowance for credit losses	**(35)**	(28)
Total wind-down portfolios	**449**	637
	$ 3,255	$ 3,127

(1) Includes $1,360 million securitized to third parties as at October 31, 2004 ($1,193 million as at January 31, 2004).
(2) Represents financing provided to the Corporation's former recreational products segment.
(3) In addition, manufactured housing portfolios in public securitization vehicles amounting to $1,046 million as at October 31, 2004 ($1,175 million as at January 31, 2004) were serviced by BC.

Allowance for credit losses

Changes in the allowance for credit losses were as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Balance at beginning of period	**$ 57**	$ 78	**$ 57**	$ 99
Provision for credit losses	**6**	13	**24**	49
Amounts charged off – net of recoveries	**(8)**	(28)	**(26)**	(86)
Effect of foreign currency exchange rate changes	**-**	-	**-**	1
Balance at end of period	**$ 55**	$ 63	**$ 55**	$ 63

Impaired finance receivables amounted to $12 million and $48 million as at October 31, 2004 for the continued and wind-down portfolios respectively ($6 million and $70 million respectively, as at January 31, 2004). Repossessed assets amounted to $9 million as at October 31, 2004 ($37 million as at January 31, 2004).

5. ASSETS UNDER OPERATING LEASES AND OTHER

Assets under operating leases and other were as follows:

	October 31, 2004		January 31, 2004	
	Cost	**Net book value**	Cost	Net book value
Bombardier				
Pre-owned aircraft under operating leases	**$ 141**	**$ 109**	$ 90	$ 86
Aircraft under the fractional ownership program	**118**	**111**	-	-
	259	**220**	90	86
BC				
Continued portfolio				
Commercial aircraft	**264**	**163**	320	207
Wind-down portfolios				
Business aircraft	**31**	**22**	255	174
Railcar leasing	**52**	**37**	53	39
Industrial equipment	**48**	**28**	52	35
Other	**30**	**15**	32	17
	161	**102**	392	265
Total BC	**425**	**265**	712	472
	$ 684	**$ 485**	$ 802	$ 558

6. INVENTORIES

Bombardier's inventories were as follows:

	October 31, 2004	January 31, 2004
Raw materials	**$ 34**	$ 19
Aerospace programs	**1,548**	1,621
Long-term contracts	**1,900**	1,899
Finished products	**801**	801
	$ 4,283	$ 4,340

Costs incurred and recorded margins related to long-term contracts, and costs incurred related to ongoing aerospace programs amounted to $4,549 million and $2,280 million respectively as at October 31, 2004 ($4,215 million and $2,203 million respectively as at January 31, 2004). Advances received and progress billings on long-term contracts and ongoing aerospace programs amounted to $4,378 million and $1,360 million respectively as at October 31, 2004 ($4,400 million and $1,184 million respectively as at January 31, 2004), $1,729 million and $628 million of which, respectively, represent a liability disclosed as advances and progress billings in excess of related costs as at October 31, 2004 ($2,084 million and $602 million respectively as at January 31, 2004).

As at October 31, 2004, finished products included five new aircraft not associated with a firm order amounting to $62 million, and 11 pre-owned aircraft amounting to $75 million (four new aircraft amounting to $53 million and 23 pre-owned aircraft amounting to $161 million as at January 31, 2004).

7. SHORT-TERM BORROWINGS

Short-term borrowings were as follows:

	October 31, 2004	January 31, 2004
Bombardier	**$ -**	$ -
BC	**135**	232
	$ 135	$ 232

Under banking syndicate agreements, Bombardier Inc. and some of its subsidiaries must maintain certain financial ratios on a quarterly basis, a condition which was met as at October 31, 2004 and January 31, 2004.

Bombardier

October 31, 2004

Credit facilities	Amounts committed	Amounts drawn	Letters of credit issued	Amounts available	Period-end rate	Average rate	Maturity (fiscal year)
European	**$ 4,643**	**$ -**	**$ 3,113**	**$ 1,530**	**-**	**-**	**2006-2008**
European letter of credit	**159**	**n/a**	**31**	**128**	**n/a**	**n/a**	**2009**
North American	**1,388**	**-**	**848**	**540**	**-**	**-**	**2006**
	$ 6,190	**$ -**	**$ 3,992**	**$ 2,198**			

n/a: not applicable

January 31, 2004

Credit facilities	Amounts committed	Amounts drawn	Letters of credit issued	Amounts available	Year-end rate	Average rate for the year	Maturity (fiscal year)
European	$ 4,621	$ -	$ 3,380	$ 1,241	-	2.5%	2005-2008
North American	1,304	-	958	346	-	3.9%	2005-2006
	$ 5,925	$ -	$ 4,338	$ 1,587			

In September 2004, the Corporation renewed the 364-day portion of its North American facility. This facility, totalling $718 million Cdn, replaces the $730-million Cdn short-term portion of the North American credit facility.

In July 2004, the Corporation renewed the 364-day portion of its European credit facility. This facility, totalling €492 million, replaces the €560-million short-term portion of the European credit facility.

Also in fiscal year 2005, the Corporation entered into a €125-million ($159-million) four-year European letter of credit facility.

Remaining letters of credit issued related to the Adtranz acquisition amounted to $227 million as at October 31, 2004 ($286 million as at January 31, 2004).

In addition to the letters of credit issued shown above, Bombardier had $306 million of letters of credit issued as at January 31, 2004.

BC

October 31, 2004

Credit facilities	Amounts committed	Amounts drawn	Amounts available	Period-end rate	Average rate(1)	Maturity (fiscal year)
Revolving lines	**$ 600**	**$ -**	**$ 600**	**-**	**1.9%**	**2006**
Securitized floorplan	**300**	**135**	**165**	**2.9%**	**2.7%**	**2006**
	$ 900	**$ 135**	**$ 765**			

(1) The average rate is for the nine-month period ended October 31, 2004.

						January 31, 2004
Credit facilities	Amounts committed	Amounts drawn[1]	Amounts available	Year-end rate	Average rate for the year	Maturity (fiscal year)
Revolving lines	$ 600	$ -	$ 600	-	1.8%	2006
Securitized floorplan	397	232	165	2.0%	2.2%	2005
	$ 997	$ 232	$ 765			

(1) The foreign currency component of the amounts drawn was $129 million Cdn.

During the three-month period ended October 31, 2004, the short-term portion of the maturing Canadian securitized floorplan facility was replaced by a long-term facility (see note 8).

8. LONG-TERM DEBT

In October 2004, BC entered into a five-year securitization facility agreement for its Canadian inventory finance receivables portfolio amounting to $350 million Cdn ($287 million). This facility replaces two maturing facilities which totalled $340 million Cdn ($279 million), $129 million Cdn ($106 million) of which was a short-term facility.

In August 2004, BC repaid, at maturity, medium-term notes amounting to $300 million.

During the nine-month period ended October 31, 2004, BC repaid $62 million of asset-backed securities in connection with the inventory finance receivables portfolio.

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

In September 2003, BC repaid, at maturity, asset-backed securities amounting to $400 million in connection with the inventory finance receivables portfolio.

In August 2003, BC issued $400 million of two-year asset-backed securities in connection with the inventory finance receivables portfolio.

In July 2003, Bombardier repaid, at maturity, debentures amounting to $150 million Cdn ($106 million) and BC repaid, at maturity, notes amounting to $100 million Cdn ($71 million).

In February 2003, BC repaid debentures at maturity amounting to $250 million Cdn ($166 million).

9. SHARE CAPITAL

In April 2003, the Corporation issued 370 million Class B Shares (Subordinate Voting) at a price of $3.25 Cdn per share. The net proceeds from this issue amounted to $1,170 million Cdn ($807 million), net of issue costs of $33 million Cdn ($23 million).

10. SHARE-BASED PLANS

Stock-based compensation expense

Effective February 1, 2003, the Corporation began expensing under the fair value method its employee stock-based compensation for all awards granted or modified after February 1, 2003 in accordance with the new accounting recommendations for stock-based compensation and other stock-based payments. Expenses of $3 million and $6 million were recorded during the three- and nine-month periods ended October 31, 2004 resulting in a corresponding increase in contributed surplus in the Corporation’s shareholders’ equity.

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

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Number of stock options granted	**425,000**	193,000	**15,192,520**	7,055,000
Weighted average grant date fair value	**$ 0.52**	$ 1.82	**$ 1.06**	$ 1.10

There were 56,045,706 and 44,073,986 stock options issued and outstanding as at October 31, 2004 and as at January 31, 2004 respectively. The Corporation issued no Class B Shares (Subordinate Voting) during the three-month period ended October 31, 2004, and 882,050 Class B Shares (Subordinate Voting) during the nine-month period ended October 31, 2004, following the exercise of stock options (1,310,000 and 1,810,000 for the same periods last fiscal year).

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

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Risk-free interest rate	**3.80%**	4.07%	**4.17%**	3.56%
Expected life	**5 years**	5 years	**5 years**	5 years
Expected volatility in the market price of the shares	**49.76%**	52.50%	**49.07%**	50.90%
Expected dividend yield	**1.20%**	1.20%	**1.20%**	1.20%

Pro forma disclosure of fair value of stock options

Prior to February 1, 2003, the Corporation accounted for options granted under its share option plans as capital transactions. If the stock options granted in fiscal year 2003 had been accounted for based on the fair value method, net income for the three-month period ended October 31, 2004 would have decreased by $1 million and net loss for the nine-month period ended October 31, 2004 would have increased by $3 million. Basic and diluted earnings (loss) per share would have remained as reported. For the three- and nine-month periods ended October 31, 2003, net income would have decreased by $2 million and $5 million respectively, and basic and diluted earnings per share would have remained as reported. The pro forma figures do not give effect to stock options granted prior to February 1, 2002.

11. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were computed as follows. The number of shares and stock options in the table are expressed in thousands.

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Income (loss) from continuing operations	**$ 10**	$ 124	**$ (141)**	$ 249
Preferred share dividends, net of tax	**(6)**	(5)	**(17)**	(16)
Income (loss) from continuing operations available to common shareholders	**4**	119	**(158)**	233
Income from discontinued operations, net of tax	**-**	9	**-**	6
Net income (loss) available to common shareholders	**$ 4**	$ 128	**$ (158)**	$ 239
Weighted average number of common shares outstanding	**1,750,467**	1,748,890	**1,750,234**	1,644,400
Net effect of stock options	**-**	1,016	**276**	260
Weighted average diluted number of common shares outstanding	**1,750,467**	1,749,906	**1,750,510**	1,644,660
Basic and diluted earnings (loss) per share:				
From continuing operations	**$ -**	$ 0.07	**$ (0.09)**	$ 0.14
From discontinued operations	**-**	-	**-**	-
	$ -	$ 0.07	**$ (0.09)**	$ 0.14

For the three-month periods ended October 31, 2004 and 2003, a total of 56,045,706 and 35,208,020 stock options respectively, and for the nine-month periods ended October 31, 2004 and 2003, a total of 54,233,727 and 43,904,020 stock options, respectively, were excluded from the calculation of diluted earnings (loss) per share, since the average market value of the underlying shares was less than the exercise price or the predetermined target market price thresholds of the Corporation's Class B Shares (Subordinate Voting) for the respective periods. For the nine-month period ended October 31, 2004, the effect of stock options potentially exercisable on loss per common share from continuing operations was anti-dilutive; therefore, basic and diluted loss per common share from continuing operations are the same.

12. SPECIAL ITEMS

On March 16, 2004, the Board of Directors approved a restructuring initiative to reduce the cost structure of the transportation segment. This initiative contemplated a workforce reduction of 6,600 positions, 5,100 of which were permanent positions. As a result of the recent slowdown in European market demand, the restructuring plan has been enlarged in order to maintain the Corporation's competitiveness. The restructuring plan now contemplates additional proposed workforce reductions for a net total of 7,300 permanent positions. The reduction in the total workforce, including contractual employees, is 7,600 positions, net of expected new hirings. The enlarged plan does not contemplate additional plant closures at this time.

The total cost of the restructuring plan, initially estimated at $583 million, is now expected to amount to $608 million, $134 million of which has been recorded in the current fiscal year, and $349 million of which was recorded in the fourth quarter of the previous fiscal year. The incremental costs of the enlarged plan, essentially comprised of severance and other involuntary termination costs and the negative effect of the weakening of the U.S. dollar compared to the euro and other western European currencies, were mostly offset by lower severance and other involuntary termination costs incurred under the original plan compared to the previous estimates, mainly due to tight management of the workforce reduction and efficiency in restructuring activities, as well as expected higher proceeds on asset disposals.

The charges of $43 million and $134 million recorded in the three- and nine-month periods ended October 31, 2004 relate mainly to severance and other involuntary termination costs, as well as site closure costs in connection with this restructuring initiative. Additional charges of $125 million related to this restructuring initiative are expected to be recorded as special items over the remainder of fiscal year 2005 and during fiscal year 2006.

During the three-month period ended October 31, 2003, the Corporation recorded a $69-million gain in the aerospace segment arising from the sale of Military Aviation Services (MAS). For the nine-month period ended October 31, 2003, special items in the aerospace segment totalled $32 million, comprising a gain of $69 million related to the sale of MAS, a gain of $2 million for the sale the Belfast City Airport, as well as charges totalling $39 million related to severance and other involuntary termination costs.

The following table summarizes provisions for severance and other involuntary termination costs and other costs presented as special items for the three-month period ended October 31, 2004:

	Severance and other involuntary termination costs	Other	Total
Balance as at July 31, 2004	$ 175	$ 50	$ 225
Current expense	88	(3)	85
Changes in estimates	(37)	(5)	(42)
Non-cash item	-	-	-
Cash paid	(32)	(10)	(42)
Effect of foreign currency exchange rate changes	10	1	11
Balance as at October 31, 2004	**$ 204**	**$ 33**	**$ 237**

The following table summarizes provisions for severance and other involuntary termination costs and other costs presented as special items for the nine-month period ended October 31, 2004:

	Severance and other involuntary termination costs	Other	Total
Balance as at January 31, 2004	$ 179	$ 37	$ 216
Current expense	141	35	176
Changes in estimates	(37)	(5)	(42)
Non-cash item	-	(23)	(23)
Cash paid	(82)	(11)	(93)
Effect of foreign currency exchange rate changes	3	-	3
Balance as at October 31, 2004	**$ 204**	**$ 33**	**$ 237**

13. EMPLOYEE FUTURE BENEFITS

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

	2004		2003	
	Pension benefits	**Other benefits**	Pension benefits[1]	Other benefits[1]
Current service cost	**$ 40**	**$ 3**	$ 42	$ 3
Interest cost	**69**	**4**	61	4
Expected return on plan assets	**(58)**	**-**	(53)	-
Amortization of past service costs	**1**	**-**	1	-
Amortization of actuarial loss	**18**	**2**	8	-
Curtailment loss	**-**	**-**	-	2
Settlement loss	**-**	**-**	7	-
Special termination benefits	**-**	**-**	(4)	-
	$ 70	**$ 9**	$ 62	$ 9

[1] For the three-month period ended October 31, 2003, benefit cost recognized includes $6 million relating to the Corporation's former recreational products segment. This amount is included in income from discontinued operations in the interim consolidated statements of income.

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

	2004		2003	
	Pension benefits	**Other benefits**	Pension benefits[1]	Other benefits[1]
Current service cost	**$ 118**	**$ 8**	$ 119	$ 8
Interest cost	**205**	**13**	180	11
Expected return on plan assets	**(171)**	**-**	(152)	-
Amortization of past service costs	**3**	**-**	5	-
Amortization of actuarial loss	**53**	**6**	24	1
Curtailment loss	**-**	**-**	1	-
Settlement loss	**-**	**-**	6	-
	$ 208	**$ 27**	$ 183	$ 20

[1] For the nine-month period ended October 31, 2003, benefit cost recognized includes $14 million relating to the Corporation's former recreational products segment. This amount is included in income from discontinued operations in the interim consolidated statements of income.

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

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

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Bombardier				
Receivables	**$ (74)**	$ -	**$ (111)**	$ (135)
Assets under operating leases and other	**(49)**	-	**(134)**	-
Gross inventories	**13**	(78)	**(289)**	(522)
Accounts payable and accrued liabilities	**93**	(71)	**170**	(730)
Advances and progress billings:				
-applied against inventory	**(70)**	53	**440**	(129)
-shown as a liability	**(167)**	(84)	**(376)**	(334)
Accrued benefit liabilities, net	**38**	50	**(76)**	44
Other	**3**	17	**(49)**	17
	(213)	(113)	**(425)**	(1,789)
BC				
Receivables	**(6)**	(27)	**35**	(45)
Accounts payable and accrued liabilities	**(8)**	12	**(29)**	(44)
Other	**23**	29	**26**	37
	9	14	**32**	(52)
	$ (204)	$ (99)	**$ (393)**	$ (1,841)

The supplemental information for the cash paid for interest and income taxes included in the interim consolidated statements of cash flows was as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2004	2003	**2004**	2003
Cash paid for:				
Interest	**$ 48**	$ 69	**$ 302**	$ 325
Income taxes	**$ 10**	$ 10	**$ 20**	$ 42

15. COMMITMENTS AND CONTINGENCIES

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

	October 31, 2004		January 31, 2004	
	Maximum potential exposure	**Provision and liabilities**	Maximum potential exposure	Provision and liabilities
Aircraft sales				
Credit (a)	**$ 1,060**		$ 1,085	
Residual value (a)	**2,622**		2,403	
Mutually exclusive exposure[1]	**(876)**		(866)	
Total credit and residual value exposure	**$ 2,806**	**$ 887**	$ 2,622	$ 825
Trade-in options (b)	**1,607**	**28**	1,983	45
Put options (c)	**35**	**8**	81	23
Other[2]				
Credit (e)	**45**	**-**	45	-
Residual value (e)	**118**	**-**	118	-
Repurchase obligations (f)	**170**	**-**	185	-
Performance guarantees (g)	**1,009**	**-**	1,889	-

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

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

a) Credit and residual value

Bombardier provides credit guarantees in the form of lease payment guarantees, as well as services related to the remarketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to 2026. Substantially all financial support involving potential credit risk lies with commercial airline customers. The credit risk relating to three commercial airline customers accounted for 55% of the total maximum credit risk as at October 31, 2004.

In addition, Bombardier provides guarantees for the residual value of aircraft at the expiry date of certain financing and lease agreements. The following table summarizes the amounts of the outstanding residual value guarantees as at October 31, 2004 and the periods in which they can be exercised:

Less than 1 year	$ 16
1 – 5 years	124
6 – 10 years	543
11 – 15 years	791
Thereafter	1,148
	$ 2,622

b) Trade-in options

In connection with the sale of new aircraft, the Corporation provides, from time to time, trade-in options to its customers. These options allow customers to trade in their aircraft at a predetermined amount and during a predetermined period, conditional upon the purchase of a new aircraft. As at October 31, 2004, the Corporation's commitment to purchase pre-owned aircraft was as follows:

Less than 1 year	$	1,058
1 – 3 years		268
4 – 5 years		207
Thereafter		74
	$	1,607

The Corporation reviews its trade-in aircraft purchase commitments relative to the aircraft's anticipated fair value and records anticipated losses as a charge to income. Fair value is determined using both internal and external aircraft valuations, including information from the sale of similar aircraft in the secondary market. Provisions relating to anticipated losses on trade-in options amounted to $24 million as at October 31, 2004 and January 31, 2004. In addition, a provision related to trade-in commitments in connection with firm orders for new aircraft amounted to $4 million as at October 31, 2004 ($21 million as at January 31, 2004).

c) Fractional ownership put options

Under the North American *Bombardier Flexjet* fractional ownership program, certain customers can trade in their fractional shares of aircraft at predetermined amounts for fractional shares of a larger model at predetermined amounts. The total commitment to repurchase fractional shares of aircraft, in exchange for fractional shares of a larger model, was $35 million as at October 31, 2004 ($81 million as at January 31, 2004). Provisions relating to anticipated losses based on the likelihood that these options will be exercised amounted to $8 million as at October 31, 2004 ($23 million as at January 31, 2004).

In addition, the Corporation provides its customers with an option to sell back their fractional share of the aircraft at estimated fair value if the option is exercised within a pre-determined period from the date of purchase. As at October 31, 2004, the Corporation's commitment to repurchase fractional shares of aircraft based on estimated current fair values totalled $531 million ($504 million as at January 31, 2004). Since the purchase price is established at the estimated fair value of the fractional shares at the time the option is exercised, the Corporation is not exposed to off-balance sheet risk in connection with these options.

d) Financing commitments

The Corporation has committed to providing financing in relation to orders on hand, which, net of third-party financing already arranged, amounted to $4.3 billion as at October 31, 2004 ($3.5 billion as at January 31, 2004). These commitments are related to aircraft on firm order and are scheduled for delivery through fiscal year 2010 and have scheduled expiration dates. The Corporation mitigates its exposure to credit risk by including terms and conditions in the financing agreements that guaranteed parties must satisfy prior to benefiting from the Corporation's commitment.

e) Credit and residual value

In connection with the sale of certain rail transportation equipment, Bombardier has provided a lease payment credit guarantee. This guarantee matures in 2020 and relates to a single customer. In addition, at the expiry date of certain financing and other agreements, the Corporation provides residual value guarantees, mostly in the transportation segment, mainly exercisable in 2014.

f) Repurchase obligations

The Corporation has provided certain financing providers and customers, mainly in the transportation segment, the right, under certain conditions, to sell back equipment to the Corporation at predetermined prices. An amount of $170 million as at October 31, 2004 ($169 million as at January 31, 2004) relates to two agreements with one customer whereby the Corporation may be required, beginning in 2008, upon customer default on payments to the financing providers, to repurchase the equipment. In addition, on three separate dates, beginning in 2008, the Corporation may also be required to repurchase the equipment. In connection with this commitment, funds have been deposited in a cash collateral account by the customer, which, together with accumulated interest, is expected to cover the Corporation's exposure.

g) Performance guarantees

In certain projects carried out through consortia or other partnership vehicles in the transportation segment, all partners are jointly and severally liable to the customer. In the normal course of business under such joint and several obligations, or under performance guarantees that may be issued in relation thereto, each partner is generally liable to the customer for a default by the other partner. These projects normally provide counter indemnities among the partners. These obligations and guarantees typically extend until final product acceptance by the customer.

The Corporation’s maximum exposure to projects for which the exposure of the Corporation is capped amounted to approximately $225 million as at October 31, 2004 ($1,135 million as at January 31, 2004). For projects for which the exposure of the Corporation is not capped, such exposure has been determined in relation to the Corporation’s partners’ share of the total contract value. Under this methodology, the Corporation’s exposure would amount to approximately $784 million as at October 31, 2004 ($754 million as at January 31, 2004). Such joint and several obligations and guarantees have been rarely called upon in the past and no significant liability has been recognized in the interim consolidated financial statements in connection with these obligations and guarantees.

h) Other

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

Sale and leaseback

BC and Bombardier concluded third-party sale and leaseback transactions mostly relating to freight cars, which, in most instances, were simultaneously leased to operators. Total residual value guarantees related to these transactions amounted to $25 million as at October 31, 2004 ($24 million as at January 31, 2004).

Operating leases

The Corporation leases buildings and equipment and assumes aircraft operating lease obligations on the sale of new aircraft. The related residual value guarantees totalled $75 million as at October 31, 2004 ($79 million as at January 31, 2004).

Litigations

The Corporation is a defendant in certain legal cases currently pending before various courts in relation to product liability and contract disputes with customers and other third parties. The Corporation intends to vigorously defend its position in these matters. Management believes the Corporation has set up adequate provisions to cover potential losses in relation to these legal actions.

On September 28, 2004, the Corporation reached a settlement with DaimlerChrysler AG on all outstanding disputes arising from the acquisition of DaimlerChrysler Rail Systems GmbH (Adtranz), resulting in a payment to Bombardier of €170 million ($209 million). In fiscal year 2002, the Corporation had recorded a purchase price adjustment of €150 million as a reduction in the goodwill on the acquisition of Adtranz in connection with these disputes. The additional €20 million ($25 million) has been recorded as a further reduction of goodwill.

16. SEGMENT DISCLOSURE

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

Bombardier Aerospace is a manufacturer of business, regional and amphibious aircraft and a provider of related services. It offers comprehensive families of regional jet and turboprop commercial aircraft and a wide range of business jets. It also provides the *Bombardier Flexjet* fractional ownership program, technical services, aircraft maintenance and pilot training.

Bombardier Transportation, the global leader in the rail equipment manufacturing and servicing industry, offers a full range of passenger railcars, as well as complete rail transportation systems. It also manufactures locomotives, freight cars, airport people movers, propulsion and controls and provides rail control solutions. Bombardier Transportation is also a provider of maintenance services.

BC offers secured inventory financing and interim financing of commercial aircraft, primarily in North American markets, and manages the wind-down of various portfolios.

The accounting policies of the segments are the same as those described in the Corporation's annual report for the fiscal year ended January 31, 2004, except for the changes in accounting recommendations and rules described in note 2. Management evaluates the performance of each segment based on income or loss before income taxes. Intersegment services are accounted for at current market prices as if the services were provided to third parties.

Net corporate interest costs are allocated to the manufacturing segments based on each segment's net assets, and are computed as follows: one half of the Canadian prime rate is charged on gross utilized assets reduced by interest on customer advances calculated at the Canadian prime rate. The balance of unallocated actual interest costs is allocated to each manufacturing segment based on its net assets. The Corporation does not allocate corporate interest charges to the BC segment. Net assets exclude cash and cash equivalents, investment in BC and advances and subordinated loans to Bombardier and deferred income taxes, and are net of accounts payable and accrued liabilities, advances and progress billings in excess of related costs and accrued benefit liabilities. Most corporate office charges are allocated based on each segment's revenues.

The tables containing the detailed segmented data are shown hereafter.

17. SUBSEQUENT EVENT

In November 2004, Moody's Investor Services Inc., Standard & Poor's and Dominion Bond Rating Services Ltd. downgraded the Corporation's credit ratings to below investment grade. As a result, the Corporation repurchased at their fair value of $19 million the call options related to the Putable/Callable notes due in 2013. The cost of the repurchase will be accounted for as an expense in the fourth quarter of fiscal year 2005. The Putable/Callable notes amounting to $300 million are now repayable on May 31, 2005. The credit rating downgrades could also result in the reimbursement of customer advances, including capitalized interest, amounting to $177 million as at October 31, 2004 and the wind-down of $100 million of a Bombardier securitization conduit facility ($53 million outstanding as at October 31, 2004). In addition, the rating downgrades could result in the early settlement of one or more derivative financial instruments governed by an interest-rate swap agreement. The estimated settlement values of these derivative financial instruments were not significant as at October 31, 2004.

SEGMENT DISCLOSURE

(Unaudited)
For the three months ended October 31
(millions of U.S. dollars)

Industry segments	Notes	Bombardier Inc. consolidated 2004	Bombardier Inc. consolidated 2003	Aerospace 2004	Aerospace 2003	Transportation 2004	Transportation 2003	BC 2004	BC 2003
External revenues		**$ 3,634**	$ 3,483	**$ 1,626**	$ 1,721	**$ 1,925**	$ 1,688	**$ 83**	$ 74
Intersegment revenues		**-**	-	**-**	-	**4**	4	**23**	32
Segmented revenues		**3,634**	3,483	**1,626**	1,721	**1,929**	1,692	**106**	106
Cost of sales		**3,131**	2,968	**1,382**	1,465	**1,715**	1,479	**61**	60
Selling, general and administrative		**224**	215	**87**	74	**113**	118	**24**	23
Depreciation and amortization		**143**	115	**97**	75	**35**	27	**11**	13
Research and development		**39**	27	**17**	14	**22**	13	**-**	-
Special items	12	**43**	(69)	**-**	(69)	**43**	-	**-**	-
		3,580	3,256	**1,583**	1,559	**1,928**	1,637	**96**	96
		54	227	**43**	162	**1**	55	**10**	10
Interest expense (income), net		**45**	38	**50**	41	**(5)**	(3)	**-**	-
Income (loss) from continuing operations before income taxes		**$ 9**	$ 189	**$ (7)**	$ 121	**$ 6**	$ 58	**$ 10**	$ 10
Additions to property, plant and equipment		**$ 124**	$ 74	**$ 68**	$ 57	**$ 56**	$ 16	**$ -**	$ 1

SEGMENT DISCLOSURE

(Unaudited)
For the nine months ended October 31
(millions of U.S. dollars)

Industry segments	Notes	Bombardier Inc. consolidated		Aerospace		Transportation		BC	
		2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
External revenues		**$ 11,038**	$ 10,633	**$ 5,337**	$ 5,381	**$ 5,453**	$ 5,007	**$ 248**	$ 245
Intersegment revenues		**-**	-	**-**	-	**12**	11	**73**	134
Segmented revenues		**11,038**	10,633	**5,337**	5,381	**5,465**	5,018	**321**	379
Cost of sales		**9,731**	8,969	**4,651**	4,641	**4,981**	4,281	**184**	192
Selling, general and administrative		**670**	726	**256**	252	**348**	403	**66**	71
Depreciation and amortization		**425**	402	**279**	215	**105**	111	**41**	76
Research and development		**98**	74	**39**	35	**59**	39	**-**	-
Special items	12	**134**	(32)	**-**	(32)	**134**	-	**-**	-
		11,058	10,139	**5,225**	5,111	**5,627**	4,834	**291**	339
		(20)	494	**112**	270	**(162)**	184	**30**	40
Interest expense (income), net		**136**	113	**154**	136	**(18)**	(23)	**-**	-
Income (loss) from continuing operations before income taxes		**$ (156)**	$ 381	**$ (42)**	$ 134	**$ (144)**	$ 207	**$ 30**	$ 40
Additions to property, plant and equipment		**$ 238**	$ 243	**$ 159**	$ 145	**$ 78**	$ 96	**$ 1**	$ 2

As at		**October 31, 2004**	January 31, 2004	**October 31, 2004**	January 31, 2004	**October 31, 2004**	January 31, 2004	**October 31, 2004**	January 31, 2004
Net segmented assets		**$ 3,368**	$ 3,679	**$ 2,125**	$ 2,354	**$ 801**	$ 464	**$ 442**	$ 861
Accounts payable and accrued liabilities		**6,861**	6,535						
Income taxes payable		**(19)**	-						
Advances and progress billings in excess of related costs		**2,357**	2,686						
Accrued benefit liabilities		**894**	932						
Deferred income tax asset		**352**	343						
Cash and cash equivalents		**1,989**	1,210						
Total assets – Bombardier		**15,802**	15,385						
Investment in BC		**(442)**	(861)						
Advances and subordinated loans from BC		**(504)**	(585)						
Total assets – BC		**4,772**	5,338						
Total assets – Bombardier Inc. consolidated		**$ 19,628**	$ 19,277						