

Bombardier's family of 50-, 70- and 86-seat Bombardier CRJ aircraft offers unparalleled commonality and flexibility in terms of training, maintenance and crew scheduling that translate into significantly lower operating costs and increased profit opportunities for carriers. Moreover, with the market moving towards larger regional aircraft, the fact that Bombardier was the first to have 70- and 86-seat models in service represents a clear advantage. Seven out of the world's 10 largest commercial airlines operate Bombardier CRJ200 and Bombardier* CRJ700* regional airliners.

As of January 31, 2004, 143 of the larger Bombardier CRJ700 and Bombardier CRJ900 aircraft were already flying. Two of the recent deliveries were to Shandong Airlines—making the Bombardier CRJ700 the first 70-seat regional jet to become operational in China or, indeed, anywhere in the Asia-Pacific region. The Corporation is confident that demand for its market-leading family of regional jets will continue for years to come.

There also is significant market interest in the new-generation Bombardier* Q400* turboprop. The 70-seater offers all the comfort characteristics of a jet, combined with the lowest seat-mile costs of any regional aircraft operating today. U.K.-based FlyBE, ordered 17 additional Bombardier Q400 aircraft during the last fiscal year and Japan-based All Nippon Airways added two more to its fleet. Meanwhile, Australia's Qantas signed for six 50-passenger Bombardier* Q300* turboprops and, subsequent to year end, converted an option into a seventh firm order.

Other noteworthy achievements at Aerospace during the year under review included: the successful first flight of the Bombardier Global 5000,

which received full type approval from Transport Canada on March 12, 2004 and is scheduled to enter service during the fourth quarter of this year; delivery of the 600th Bombardier Challenger business jet in October 2003; delivery of the first Bombardier Challenger 300 aircraft on December 23, 2003; and on January 21, 2004, delivery of the first Bombardier Learjet 40 business jet. Another positive development was the government of Italy's purchase of three more Bombardier* 415* amphibious aircraft.

Moreover, the group will be adding 17 new Challenger 300 aircraft to the Bombardier Flexjet fleet over the next few months. As of late March 2004, the four Bombardier Challenger 300 in the Bombardier Flexjet fleet had flown more than 900 hours, while the Learjet 40 in the fleet had flown more than 200 hours. Bombardier recently partnered with the Delta AirElite** private jet membership program to make its Flexjet fractional ownership program even more accessible. As well, the Bombardier Skyjet charter program has been extended to Europe, enabling customers to enjoy the many benefits of private air travel at an affordable price.

Over the next 12 months, Bombardier will also be studying the feasibility of proceeding with the development of a new-generation commercial aircraft. Gary R. Scott, a long-time senior executive at The Boeing Company, has been appointed President, New Commercial Aircraft Program, with the responsibility for leading a multidisciplinary task force that will thoroughly evaluate the potential of such a program.

As you might expect from the Corporation that revolutionized regional air travel with the Bombardier CRJ, the aim is to develop a truly advanced new commercial aircraft that would offer

customers significant advantages over anything available from the competition in terms of operational efficiencies. There would have to be a clear market for such an aircraft and a strong business case for such a project from Bombardier's perspective before any decision to proceed is made.

While having achieved increased deliveries of both business and regional aircraft despite the challenging market conditions of fiscal year 2004, there are still significant challenges ahead. One of the issues Bombardier Aerospace will continue to address is the necessity to ensure the availability of financing for regional aircraft. This remains a crucial consideration given the financial constraints carriers face. In addition, the group will continue to build a more responsive, customer-focused organization, providing exceptional service to support its innovative products—the new spare parts initiative reflects this commitment—while concurrently reducing costs to increase its competitiveness.

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