BOMBARDIER

Annual Information Form

2008

April 3, 2008

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NOTES:

(1) In this Annual Information Form, all dollar figures are in U.S. dollars, unless otherwise indicated.

(2) This Annual Information Form contains references to trademarks belonging to Bombardier Inc. or its subsidiaries (which trademarks are listed in Schedule A hereto) as well as trademarks of third parties for the purpose of describing Bombardier's competitive environment and the development of its businesses.

Item 1 Corporate Structure

1.1 Incorporation of the Issuer

Bombardier Inc. (the "Corporation" or "Bombardier") was incorporated by letters patent under the laws of Canada on June 19, 1902 and was continued under the *Canada Business Corporations Act* (the "CBCA") by a certificate of continuance dated June 23, 1978, which was subsequently the subject of certain amendments.

The registered office of the Corporation is located at 800 René-Lévesque Boulevard West, Montréal, Québec H3B 1Y8. Its telephone number is (514) 861-9481 and its website is www.bombardier.com.

In this Annual Information Form, the term "Bombardier" means, as required by the context, the Corporation and its subsidiaries on a consolidated basis or the Corporation or one or more of its subsidiaries. The term "Aerospace" refers to the Corporation's aerospace segment and the term "Transportation" refers to the Corporation's transportation segment.

1.2 Subsidiaries

The activities of the Corporation are conducted either directly or through subsidiaries. The table below lists the principal subsidiaries of each reportable segment of the Corporation as at the date shown for each segment, as well as their jurisdiction of incorporation and the percentage of voting shares held by the Corporation. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation's consolidated assets or whose sales and operating revenues did not represent more than 10% of the Corporation's consolidated sales and operating revenues as at January 31, 2008[(1)], have been omitted. The subsidiaries that have been omitted represent, as a group, less than 20% of the consolidated assets, sales and operating revenues of the Corporation at such date.

Aerospace (as at January 31, 2008)	
Bombardier Aerospace Corporation (Delaware)	100%
Learjet Inc. (Delaware)	100%
Short Brothers plc (Northern Ireland)	100%
Bombardier Capital Inc. (Massachusetts)	100%
Transportation (as at December 31, 2007)	
Bombardier Transportation GmbH (Germany)	100%
Bombardier Transportation (Holdings) UK Ltd. (England)	100%
Bombardier Transport France S.A.S. (France)	100%
Bombardier Transportation Italy S.p.A. (Italy)	100%
Bombardier Transportation (Switzerland) AG (Switzerland)	100%
Bombardier Transportation Sweden AB (Sweden)	100%
Bombardier Transportation Canada Inc. (Canada)	100%
Others	
Bombardier Corporate Financial Services Islandi, sf., Reykjavik, Zurich Branch (Iceland) [(2)]	100%
Bombardier Corporation (Idaho) [(3)]	100%

(1) As per the Corporation's consolidated financial statements for the fiscal years ended January 31, 2008 and January 31, 2007 filed with the Canadian securities regulatory authorities on April 3, 2008.
(2) This legal entity uses a December 31, 2007 fiscal year end.
(3) This legal entity uses a January 31, 2008 fiscal year end.

Item 2 General Development of the Business

2.1 General

The Corporation is a world-leading manufacturer of innovative transportation solutions, from commercial aircraft and business jets to rail transportation equipment, systems and services.

2.2 History

The main developments in the business of the Corporation and its most significant transactions during the past three years are as described below.

On March 15, 2005, the Board of Directors of the Corporation granted authority to Aerospace to offer the proposed new *CSeries* family of aircraft to customers.

On April 18, 2005, the Corporation announced an agreement to sell Bombardier Capital's Inventory Finance Division to GE Commercial Finance which resulted in cash proceeds of approximately $1.3 billion, approximately $700 million after repayment by Bombardier Capital of its private bank-sponsored securitized floorplan conduits not transferred to GE Commercial Finance, subject to final adjustments. Bombardier Capital's inventory financing business was comprised of trade receivables in the marine, recreational products, recreational vehicles and manufactured housing industries. GE Commercial Finance also assumed after closing the future servicing obligations of Bombardier Capital under public securitizations. Some 280 employees based in Colchester, Vermont and Brossard, Québec were transferred to GE Commercial Finance.

On September 23, 2005, the Corporation announced the closing of a permanent financing structure for a value of approximately $1.7 billion. The structure, known as Regional Aircraft Securitization Program ("RASPRO"), provided financing in the form of long-term leases for certain Aerospace regional aircraft customers. RASPRO covers 70 aircraft comprising 65 *CRJ* and 5 *Q400* aircraft.

On October 26, 2005, Aerospace announced the establishment of a world-class manufacturing facility in Querétaro, Mexico to complement its existing manufacturing sites.

On October 28, 2005, the Corporation announced that, as of mid-January 2006, it would temporarily suspend the production of its *CRJ200* aircraft to realign its production to the current market outlook for 50-seat regional jets. On February 9, 2006, the Corporation announced that it would restart production of the Bombardier *CRJ200*/*Challenger 850* aircraft platform to meet present and anticipated demand for *Challenger 850* business jets.

On November 7, 2005, Bombardier announced its exit from the servicing of Bombardier Capital's manufactured housing portfolio with the transfer to Green Tree Servicing LLC of future servicing rights and obligations. This transaction was completed on March 1, 2006 and was the continuation of Bombardier Capital's orderly portfolio wind-down initiated in 2001.

On January 31, 2006, the Corporation announced that the then-existing market conditions did not justify the launch of the *CSeries* program at that time and that *CSeries* project efforts, team and resources would be reoriented to regional jet and turboprop aircraft opportunities to address regional airlines' future needs in the 80- to 100-seat aircraft market. A small team of employees would remain with the *CSeries* program to further develop its business plan and continue to explore the potential of the *CSeries*.

On February 15, 2006, the Corporation announced that it expected to close its production facility in Auburn, New York by the end of May 2006 primarily due to a lack of sufficient workload necessary to sustain the site.

On October 24, 2006, Aerospace announced that it was adjusting its regional aircraft production rates to reflect current market demand. As a result, the production rate for its *CRJ700/900* regional jets was reduced. As a result of the increasing number of regional jet firm orders since that time, a decision was made in the second quarter of fiscal year 2008 to increase the production rate for *CRJ700 NextGen* and *CRJ900 NextGen* aircraft from a rate of one aircraft every five days to a rate of one aircraft every four days. In addition, in the third quarter of fiscal year 2008, it was decided to further increase the production rate to one aircraft every three days.

In October 2006, the Corporation completed its strategy of reducing Bombardier Capital operations with the sale of Bombardier Capital's on and off-balance sheet freight car operations for cash proceeds of $94 million.

In the fall of fiscal year 2007, the Corporation implemented an important refinancing plan to modify its liability profile in order to provide increased financial and operating flexibility. The plan built on the strategy of funding working capital needs only from available cash resources. It included replacing major credit facilities, thereby significantly reducing utilization cost, by entering into a new letters of credit facility limited to the issuance of letters of credit, and supporting such issuance with collateral assets. The plan also included the refinancing of long-term debt maturing in the near term, as well as additional borrowing to replenish the liquidity used to fund the collateral asset under a new letters of credit facility of €4.3 billion ($5.6 billion) entered into in December 18, 2006 (the "New letters of credit facility"). This refinancing has allowed the Corporation to extend the weighted-average maturity of its long-term debt by 3 years. Therefore, on November 16, 2006, the Corporation issued the following senior notes: €800 million ($1.0 billion), floating rate, due in November 2013; $385 million, bearing interest at 8%, due in November 2014; and €800 million ($1.0 billion), bearing interest at 7.25%, due in November 2016. The net proceeds from this issue of senior notes were used to retire all of the outstanding $220-million Bombardier Capital notes due in March 2007, to repurchase all of the outstanding €500-million ($640-million) Bombardier Capital notes due in May 2007, to repurchase €218 million ($279 million) of the outstanding €500-million ($640-million) notes due in February 2008, to fund the €869 million ($1.1 billion) invested collateral to secure the Corporation's obligations to the banks issuing letters of credit under the New letters of credit facility and for general corporate purposes, including the payment of fees and expenses in connection with the issuance of the senior notes. The New letters of credit facility replaced existing €3.2 billion European and $1.1 billion North American credit facilities and €290 million European letters of credit facilities before their respective maturities in fiscal years 2008 and 2009.

On January 31, 2007, the Corporation confirmed that it would continue to refine its *CSeries* aircraft business plan. The program's team would continue to optimize the aircraft configuration to meet customers' requirements. On February 22, 2008, Aerospace announced that the Corporation's Board of Directors had granted to Aerospace authority to offer formal sales proposals of the optimized *CSeries* aircraft family to airline customers. A launch decision is expected in fiscal year 2009. If the program is launched, entry into service is scheduled for 2013.

On February 19, 2007, Bombardier announced the launch of its *CRJ1000* regional jet. The *CRJ1000* aircraft program was launched with 38 firm orders by three customers, namely Brit Air of Morlaix, France with a firm order for 8 *CRJ1000* aircraft, and options on 8 additional *CRJ1000* aircraft; My Way Airlines of Italy which converted 15 of its 19 *CRJ900* regional jet orders to *CRJ1000* regional jets; and an undisclosed customer which placed a firm order for 15 aircraft, with a conditional order for an additional 15. The new *CRJ1000* regional jet is scheduled to enter service in the fourth quarter of fiscal year 2010.

On May 25, 2007, Transportation and CJSC Transmashholding, Russia's leading rail technology manufacturer, announced their agreement to invest €12.5 million together to create two joint ventures: an engineering joint venture to develop advanced propulsion technology plus a production joint venture to manufacture traction converters based on Transportation's *MITRAC* propulsion technology.

On May 31, 2007, Aerospace introduced next generation versions of its *CRJ700, CRJ900* and *CRJ1000* regional jets, the new *CRJ NextGen* aircraft.

On July 16, 2007, the Corporation announced its decision to write-off its investment in Metronet following the release of the Public-Private Partnership ("PPP") Arbiter's draft directions on interim infrastructure service charge for Metronet Rail BCV Limited issued on Monday, July 16, 2007. The Corporation wrote off the carrying value of $162 million of its investement in Metronet in the second quarter of fiscal year 2008.

On July 30, 2007, the Corporation's *Learjet 60 XR* entered into service with Cloud Nine Aviation, of Los Angeles, CA.

In September 2007, Aerospace unveiled its new *Global Vision* flight deck for *Bombardier Global 5000* and *Global Express XRS* aircraft.

Having won key contracts for the Delhi metro in July and October of 2007, including 340 *MOVIA* metro cars and the installation of *CITYFLO* 350 train control and signalling systems and *MITRAC* Propulsion & Controls equipment, Transportation is currently setting up a manufacturing site in Vadodara, India, to produce metro cars and bogies.

On October 30, 2007, Aerospace launched its new *Learjet 85* aircraft. On January 22, 2008, Aerospace announced that it will develop an all-composite structure for the *Learjet 85* aircraft, which will be the first Bombardier jet to feature an all-composite structure and will be the first all-composite structure business jet designed for type certification under U.S. Federal Aviation Regulations ("FAR") Part 25. More than 65 letters of intent had been received on the date of the launch.

On November 28, 2007, the Corporation's Board of Directors announced the appointment of Mr. Pierre Beaudoin as President and Chief Executive Officer of Bombardier, effective June 4, 2008. Mr. Laurent Beaudoin will remain as Chairman of the Board.

On January 17, 2008, the Corporation redeemed all of the outstanding £300 million Bombardier Capital notes due in May 2009 and the remaining €282 million outstanding of the €500 million notes due in February 2008.

On February 28, 2008, Aerospace announced the official opening of its world-class manufacturing facility located at the Querétaro Aerospace Park in Mexico. This new facility complements Aerospace's existing manufacturing sites. Since the start of operations in May 2006, this manufacturing facility has created over 900 jobs and is still ramping-up production. At present, this facility manufactures electrical harnesses for the *Challenger*, *Global*, *CRJ* and *Q-Series* aircraft families, structural components such as the centre fuselage for the *Challenger 850* aircraft program and rudders, elevators and horizontal stabilizers for the *Q400* aircraft program. Aerospace has also transferred the assembly of the *Global Express* rear fuselage to its Mexican facility.

In March 2008, Aerospace introduced the new *Q400 NextGen* turboprop airliner as the next step in the continuing evolution of the *Q400* aircraft. Revised in the same spirit as the the *CRJ NextGen* aircraft family, the *Q400 NextGen* aircraft remains one of the most technologically advanced turboprop aircraft.

On April 1, 2008, Transportation provided an update with respect to Metronet following the announcement from Metronet which was providing updates on the negotiations on the transfer of Metronet contracts by the PPP Administrator and bringing clarity to the proposed next steps in the planned modernisation program for the London Underground. The result of these negotiations, which is subject to a court decision that will be sought by the PPP Administrator, is that the Bakerloo, Central and Victoria Lines ("BCV") program will continue and complete its implementation as originally planned. The Sub Surface Lines ("SSL") upgrade program will be re-scoped with regard to the signalling portion. The signalling portion of Transportation's SSL contract, currently sub-contracted to Westinghouse Rail Systems Limited ("WRSL"), has been transferred to Metronet and re-negotiated directly between WRSL and Metronet. Transportation will continue to supply new rolling stock to the SSL program, with a small increase in scope as requested by the customer.

Transportation's original train maintenance contracts for BCV and SSL will be amended so that the maintenance work remains with Metronet. Transportation will retain a Technical Support and Spares Supply Agreement. The net impact of these proposed changes on Transportation will be a reduction in its Metronet order backlog of £1.3 billion ($2.6 billion) from £3.2 billion ($6.4 billion), and a reduction of Transporation's total backlog from $33.5 billion to $30.9 billion. This adjustment has been reflected as at January 31, 2008.

Item 3 Narrative Description of the Business

3.1 Business Overview

The Corporation operates in two reportable manufacturing segments: Aerospace and Transportation.

Aerospace is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, commercial and specialized aircraft markets. Aerospace has production sites in Canada, the U.S., the United Kingdom (Northern Ireland) and in Mexico. In addition, Aerospace has maintenance service centres, authorized service facilities, distribution centres and depots for spare parts and several sales and marketing offices around the world.

Aerospace has a presence in 22 countries and had a workforce of 27,900 employees as at January 31, 2008.

Transportation is dedicated to develop, manufacture and service advanced transportation solutions for today's and tomorrow's railways. As the global leader in rail technology, Transportation places environmental sustainability firmly at the top of its agenda. Transportation's products and services combine energy-conserving technology with optimal safety, reliability and cost efficiency. Its products and services are designed for sustainable mobility.

Transportation's presence includes 43 production sites in 21 countries and over 40 service centres around the world. Transportation had a workforce of 31,485 employees, as at January 31, 2008.

3.2 Description of Segments

The two reportable manufacturing segments are constituted as follows:

Aerospace	• Business Aircraft • Commercial Aircraft • Amphibious aircraft and specialized aircraft solutions • Aircraft Services
Transportation	• Rolling Stock • Services • System and Signalling

The activities of these two manufacturing segments are described in this Annual Information Form under separate headings.

Aerospace

Aerospace is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, commercial and specialized aircraft markets. Aerospace has production sites in Canada, the U.S., the United Kingdom (Northern Ireland) and in Mexico. In addition, Aerospace has maintenance service centres, authorized service facilities, distribution centres and depots for spare parts and several sales and marketing offices around the world. Aerospace has a presence in 22 countries and had a workforce of 27,900 employees as at January 31, 2008

The administrative centre of Aerospace is located in Montréal, Québec, Canada.

For a list of the Corporation's principal subsidiaries that fall within Aerospace, see "Item 1 – Corporate Structure, section 1.2 – Subsidiaries".

The following table shows the principal operation centres owned by the Corporation or one of its subsidiaries, as the case may be, unless they are indicated as being leased ("L"), and which form part of Aerospace. The table also lists the type of operations conducted or products manufactured at these facilities.

Manufacturing Facilities	**Operations Conducted or Products**
Downsview, Ontario, Canada	Manufacture and final assembly of the *Q-Series* turboprop aircraft, including related spare parts and components; manufacture of components and final assembly of *Global Express XRS* and *Bombardier Global 5000* aircraft; assembly of wings for the *Learjet 45 XR*, and *Learjet 40 XR* business aircraft.
Dunmurry and Newtownabbey, Belfast, Northern Ireland, United Kingdom(L)	Composite components for Aerospace, Rolls-Royce, Rolls-Royce Deutschland or International Aero Engines.
Hawlmark, Newtownards, and Queen's Island, Belfast, Northern Ireland, United Kingdom(L)	Aircraft components, engine nacelles and nacelle components and spare parts for Aerospace.
Mirabel, Québec, Canada(L)	Assembly, pre-flight, painting and interior finishing of the *CRJ700 NextGen* and *CRJ900 NextGen* regional aircraft and assembly, pre-flight and painting of the *Challenger 870* and *Challenger 890* business aircraft.
Montréal, Québec, Canada(L)	Assembly of, and pre-flight activities for, the *Challenger 300*, *Challenger 605* and *Challenger 850* business aircraft and the *CRJ200* regional aircraft. Interior finishing and painting of the *CRJ200* regional aircraft. Interior completion and painting of the *Challenger 300*, *Challenger 605* and, *Bombardier Global 5000* and *Global Express XRS* business aircraft.
Montréal, Québec, Canada	Parts, components and spare parts for the *Challenger 300*, *Challenger 605*, *Challenger 850*, *Challenger 870* and *Challenger 890* business jets, *CRJ200*, *CRJ700 NextGen* and *CRJ900 NextGen* regional aircraft, *Global Express XRS* and *Bombardier Global 5000* business aircraft, *Bombardier 415* amphibious aircraft and structural components for Airbus Industries.

Manufacturing Facilities	Operations Conducted or Products
Montréal, Québec, Canada	Complete wing and fuselage assembly for the *Bombardier 415* amphibious aircraft.
North Bay, Ontario, Canada[(L)]	Final assembly of, and pre-flight activities for, *Bombardier 415* amphibious aircraft.
Querétaro, Mexico[(L)]	Production of electrical harnesses and of structural aircraft components.
Wichita, Kansas, United States	Final assembly, interior finishing and some manufacturing for the *Learjet* family of business aircraft and flight test centre for aircraft manufactured by Aerospace.

In addition, service centres for the Business aircraft division located in Bridgeport, Tucson, Hartford, Fort Lauderdale, Wichita and Dallas in the United States, and Berlin, Germany, are part of a service network called the Bombardier Aircraft Services facilities. Service centres for the Regional aircraft division are located in Tucson and Bridgeport. The Corporation owns an airport located in Downsview, Ontario and uses it to support Aerospace's manufacturing activities.

Marketing of Aerospace products is provided through marketing and sales offices. In North America, marketing and sales offices are located in Canada (in Montréal, Ottawa and Toronto) and the United States (in the states of Arizona, California, Colorado, Connecticut, Florida, Georgia, Kansas, Maryland, Minnesota, Missouri, Ohio, South Carolina and Texas, and in Washington, D.C.). In Europe, marketing is carried out through offices in France, Germany and the United Kingdom. In Asia, such offices are maintained in Dubai, in the United Arab Emirates, Hong Kong, the People's Republic of China and in Singapore. Aircraft ordered by customers are produced by the manufacturing facilities of Aerospace. The raw materials and the various components and systems required to manufacture the aircraft are procured around the world and this procurement varies from product to product; however, most such materials components and systems are provided by suppliers with which Aerospace generally has long-term contracts.

Business Aircraft

Aerospace markets, sells and provides customer support for its three families of business jets. The *Global* family includes the super-large *Bombardier Global 5000* aircraft and the ultra-long-range *Global Express XRS* business jet. The *Challenger* family includes the *Challenger 800* series in the corporate airliner market category, the large *Challenger 605* and the super-midsize *Challenger 300* business aircraft. The *Learjet* family includes the light *Learjet 40 XR* aircraft, the super-light *Learjet 45 XR* aircraft and the midsize *Learjet 60 XR* aircraft. In October 2007, Aerospace announced the launch of its all-new *Learjet 85* aircraft, which is set to redefine the midsize jet category. The *Learjet 85* is currently in development.

- ***Global Family***

The *Global* family of business jets is comprised of two wide-body aircraft: the super-large *Global 5000* and the ultra-long-range *Global Express XRS*. The *Global* family of aircraft share a high degree of systems commonality, offering mixed fleet operators the cost benefits of common type rating, training, spare parts and maintenance.

The *Bombardier Global 5000* aircraft is a high-speed intercontinental business jet capable of flying up to 5,200 nautical miles at Mach 0.85 with eight passengers and three crew members under certain operating conditions. Main competitors of the *Bombardier Global 5000* include the Gulfstream G450 and the Dassault Falcon 900EX and 900DX.

The *Global Express XRS* aircraft is an ultra long-range business jet covering distances of up to 6,150 nautical miles at Mach 0.85 with eight passengers and four crew members under certain operating conditions. The first

Global Express XRS entered service in the fourth quarter of the fiscal year ended January 31, 2006. The *Global Express XRS* aircraft competes against the Gulfstream G500, the Gulfstream G550, the Gulfstream G650 (in development) and the Dassault Falcon 7X.

- ***Challenger Family***

The Challenger family of business jets currently includes the *Challenger 300*, *Challenger 605*, and the *Challenger 800* series.

The *Challenger 300* business jet is a wide-body recent entrant into the super-midsize category and has a transcontinental range of up to 3,100 nautical miles with eight passengers and two crew members under certain operating conditions. It competes with four other aircraft models in this category: the Gulfstream G200; the Dassault Falcon 50EX; the Cessna Citation X; and the Hawker 4000.

The *Challenger 605* aircraft is a wide-body in the large category business jet capable of flights of over 4,000 nautical miles with five passengers and two crew members under certain operating conditions. The *Challenger 605* aircraft is the latest in the original *Challenger* series which included the *Challenger 600, 601-1A, 601-3A, 601-3R* and *604*. It was launched in November 2005 and the first aircraft entered into service during the fourth quarter of the fiscal year ended January 31, 2007, as a demonstrator. Main competitors of the *Challenger 605* aircraft include the Falcon 2000, the Falcon 2000 EX, the Falcon 2000 DX (in development) and the Falcon LX (in development) manufactured by Dassault Aviation, the Cessna Columbus, as well as the Gulfstream G350 aircraft.

The *Challenger 800* series includes the *Challenger 850* along with the *Challenger 850, 870* and *890* with the "Corporate Shuttle" configuration in the corporate airliner category. All *Challenger 800* series aircraft are derivatives of the *CRJ* aircraft. Embraer-Empresa Brasileira de Aeronáutica S.A. ("Embraer"), The Boeing Company, and Airbus S.A.S. ("Airbus") compete with Aerospace in this market.

- ***Learjet Family***

The *Learjet* family's current production models are the *Learjet 40 XR*, the *Learjet 45 XR* and the *Learjet 60 XR*.

Introduced in October 2004, the *Learjet 40 XR* aircraft, a derivative of the *Learjet 40* business jet, is capable, under certain operating conditions, of flying at cruising speeds of up to Mach 0.81 and has a maximum range of up to 1,808 nautical miles with four passengers and two crew members. The main competitors of the *Learjet 40 XR* business jet are the Cessna Citation Encore+, CJ3 and CJ4 (in development), the Hawker 400XP and the Embraer Phenom 300 (in development).

The *Learjet 45 XR* aircraft has a maximum range of 2,049 nautical miles with four passengers and two crew members and can reach cruising speeds of up to Mach 0.81 under certain operating conditions. Introduced in July 2002, the *Learjet 45 XR* aircraft is an evolution of the *Learjet 45* business jet designed to deliver greater payload-range capabilities through a 1,000-pound increase in maximum takeoff weight and enhanced engine performance. The *Learjet 45 XR* business jet competes with the Cessna Citation XLS+ (in development), the Hawker 750 (in development) and the Embraer MLJ aircraft.

The *Learjet 60 XR* business jet has a maximum range of 2,365 nautical miles, with four passengers and two crew members and can reach cruising speeds of up to Mach 0.81 under certain operating conditions. It was officially launched in November 2005 and entered into service on July 30, 2007. Competitors of the *Learjet 60 XR* business jet include the Gulfstream G150, the Hawker 850XP, the Hawker 900XP, the Cessna Sovereign and the Embraer MSJ aircraft.

On October 30, 2007, Aerospace launched a new addition to the *Learjet* family, the *Learjet 85* aircraft. The *Learjet 85* aircraft will feature a larger cabin and increased range compared to existing *Learjet* models. The *Learjet 85* aircraft is targeting a high-speed cruise of Mach 0.82 and will, under certain operating conditions, offer its passengers a transcontinental range of up to 3,000 nautical miles.

Commercial Aircraft

Aerospace markets and sells the *CRJ* family of regional jets and the *Q-Series* family of turboprops to airline companies and also provides maintenance and modification services to its customers. It is also currently offering formal sales proposals of the optimized *CSeries* aircraft family to airline customers.

- ***CRJ Aircraft***

The *CRJ* family consists of the 40-, 44- and 50-seat *CRJ200* aircraft, the 70-seat *CRJ700 NextGen* aircraft, the 75-seat *CRJ705 NextGen* aircraft, the 86-seat *CRJ900 NextGen* aircraft and the 100-seat *CRJ1000 NextGen* regional jet, launched in February 2007, designed specifically to meet the growing passenger needs of regional airlines for jets up to 100 seats. As a result of the increasing number of regional jet firm orders, a decision was made in the second quarter of fiscal year 2008 to increase the production rate for *CRJ700 NextGen* and *CRJ900 NextGen* aircraft from a rate of one aircraft every five days to a rate of one aircraft every four days. In addition, in the third quarter of fiscal year 2008, it was decided to further increase the production rate to one aircraft every three days.

Aerospace has one major competitor for the *CRJ* aircraft family, Embraer, which produces a 37-passenger jet, the ERJ 135, a 44-passenger jet, the ERJ 140 and a 50- passenger jet, the ERJ 145. Embraer also offers the 70-passenger jet Embraer 170, the 86-passenger jet Embraer 175 and the 100-passenger jet Embraer 190. Additional companies currently developing competitive products in the regional jet category include AVIC 1 Commercial Aircraft Co., Mitsubishi Heavy Industries Ltd. and Sukhoi Company.

- ***Q-Series Aircraft***

The *Q-Series* family of turboprops consists of the 37-seat *Q200* aircraft, the 50-seat *Q300* aircraft and the 68- to 78-seat *Q400* aircraft.

In March 2008, Aerospace introduced the new *Q400 NextGen* turboprop airliner as the next step in the continuing evolution of the *Q400* aircraft. Due to a shift in demand towards larger turboprops, Aerospace has increased the production rate of its 78-seat *Q400* aircraft and will discontinue the production of the 37-seat *Q200* and the 50-seat *Q300*. Deliveries of existing *Q200* and *Q300* firm orders will continue until May 2009 when all outstanding delivery commitments will be satisfied. Aerospace will continue to support all *Q200* and *Q300* operators.

The main products in competition with the *Q-Series* aircraft family come from Avions de Transport Regional ("ATR"). The *Q300* aircraft faces competition from the 46-passenger ATR 42 and the *Q400* aircraft from the 66-passenger ATR 72.

- ***CSeries Aircraft***

Aerospace has been evaluating the feasibility of launching an optimized *CSeries* aircraft program to address the lower end of the 100- to 149-seat market segment. The *CSeries* aircraft design incorporates the latest technologies: new, largely composite and aluminium-lithium alloy structure, latest systems include fly-by-wire combined with fourth-generation aerodynamics and Pratt & Whitney's next-generation high by-pass Geared Turbofan™ [1] engine. The *CSeries* family of 110- and 130-seat aircraft, will produce, under certain operating conditions: up to 20% lower fuel burn; unmatched reductions in noise and emissions; unprecedented combination of field length and range performance; and up to 15% better overall cash operating costs.

On February 22, 2008, the Board of Directors granted Aerospace the authority to offer formal sales proposals of the optimized *CSeries* aircraft family to airline customers. A launch decision is expected in fiscal year 2009. If the program is launched, entry into service is scheduled for 2013.

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[1] Geared Turbofan™ is a registered trademark of United Technologies Corp. – Pratt & Whitney

Amphibious Aircraft and Specialized Aircraft Solutions

Aerospace manufactures and markets the *Bombardier 415* amphibious aircraft, a purpose-built firefighting aircraft. This aircraft can also be adapted to a multi-purpose version, the *Bombardier 415* MP aircraft, which can be used in a variety of specialized missions such as search and rescue, environmental protection, coastal patrol and transportation.

In February 2006, Aerospace re-launched the *CL-215*T program in response to customer demand, mainly in Canada, for a conversion of *CL-215* piston aircraft to turboprop engine aircraft. The converted *CL-215*T aircraft has a performance comparable to that of the *Bombardier 415* aircraft.

Aerospace continues to identify and provide special-mission aircraft solutions to governments and special-requirement organizations worldwide. Aerospace recognizes the potential market for special mission versions of both regional and business aircraft.

Aircraft Services

Aerospace provides a broad range of services related to its aircraft portfolio. In fiscal year 2008, Aerospace continued to develop more integrated services, as demanded by regional aircraft operators, while expanding its already well-established business aircraft services. Aerospace's focus is to provide customers with total life cycle solutions that address the complete aftermarket experience, including parts requirements, maintenance services and pilot training. Through *Flexjet* and *Skyjet*, Aerospace also offers business aircraft management and flight service solutions.

- ***Parts logistics***

Aerospace provides worldwide 24-hour spare parts sales and support, through various programs such as aircraft-on-ground service, lease programs, hourly programs, "Smart Services" program and rotable management programs.

Customers are currently served from two main distribution centres, one in Chicago and the other in Frankfurt, and from spare parts depots in Montréal, Singapore, Sydney, Dubai and Beijing, as well as two recently opened depots in São Paolo and in Narita.

The parts logistics organization supports the parts requirements of substantially all of Aerospace's customers during the life of the aircraft. Spare parts demand is driven by the size of the fleet of Aerospace aircraft, by the number of hours flown and by the number of aircraft exiting the warranty period. The continued growth of the installed fleet will contribute to the growth in spare parts demand.

Aerospace competes with various large and small suppliers of aircraft parts. Aerospace's competitive strengths include the availability of most spare parts for its aircraft, which are managed with the use of an integrated system to meet customer requests. Aerospace is at an advantage by offering Original Equipment Manufacturer ("OEM") certification along with OEM technical advice. Aerospace also offers "Smart Services" for both Aerospace business and commercial aircraft customers, which allow customers to purchase spare parts on a cost-per-flight-hour basis. The demand for comprehensive spare parts/services programs ("one stop shopping") is expected to continue to grow.

- ***Aircraft maintenance***

Aerospace offers maintenance services for its business aircraft customers at its six main OEM service centres located in the United States at Bridgeport, Dallas, Fort Lauderdale, Hartford, Tucson and Wichita.

In addition, Aerospace has 40 authorized service and line maintenance facilities for business aircraft. These service facilities are located in North America, Europe, Asia, Australia, Africa, and South America.

Aerospace also offers maintenance services to its regional aircraft customers at two OEM service centres located in the U.S., at Tucson and Bridgeport. Aerospace has four authorized service facilities for regional aircraft located in Europe, Asia and Australia.

- ***Training Solutions***

Training is an essential part of a complete aircraft services portfolio and Aerospace provides a full suite of flight and maintenance training solutions to its business and commercial aircraft customers. Aerospace provides customized business aircraft pilot and maintenance training through its training centres located in Montréal and at Dallas/Fort Worth International Airport. To support Aerospace's intent to expand its international training footprint, a third-party supplier was selected as an Authorized Training Provider for the *Global* family of aircraft and the *Challenger 300* aircraft in fiscal year 2008. Aerospace also offers a complete range of pilot and maintenance training programs for *CRJ* Series aircraft in Montréal, and in Berlin through a joint venture. A third-party supplier provides training for Aerospace's turboprop customers.

Aerospace's Military Aviation Training ("MAT") unit, in collaboration with a team of sub-contractors, delivers integrated military aviation training solutions. MAT currently has two major Canadian military aviation training contracts: the NATO Flying Training in Canada ("NFTC") program and the CF-18 Advanced Distributed Combat Training System ("ADCTS") program. Countries currently participating in the NFTC program include Australia, Austria, Canada, Denmark, Hungary, Italy, Singapore, and the United Kingdom.

The ADCTS program includes the design and construction of purpose-designed facilities, as well as the provision of full instructional and support services for up to 15 years for the Canadian Air Force's CF-18 ADCTS program.

- ***Flexjet and Skyjet***

Through the North American *Flexjet* program, owners purchase shares of business aircraft with operations and support, including flight crew, maintenance, hangar fees and insurance. *Flexjet* also markets, on behalf of Jet Solutions L.L.C., the *Flexjet* 25 jet card (25- to 35- hour block of flight time entitlement). In addition, during the fiscal year 2008, the *Flexjet* One program was launched, providing an aircraft management solution for owners interested in purchasing a whole aircraft and having it managed by *Flexjet*.

The North American *Skyjet* program offers hours of both on-demand and flight time entitlement charter services, the latter of which is also offered to European, Asian, and Middle Eastern customers through the *Skyjet* international program. The *Skyjet* program arranges for its customer's business jet charters, using selected air charter operators.

Transportation

Transportation is dedicated to develop, manufacture and service advanced transportation solutions for today's and tomorrow's railways. As the global leader in rail technology, Transportation places environmental sustainability firmly at the top of its agenda. Transportation's products and services combine energy-conserving technology with optimal safety, reliability and cost efficiency. Its products and services are designed for sustainable mobility.

Transportation's presence includes 43 production sites in 21 countries and over 40 service centres around the world. Transportation had a workforce of 31,485 employees, as at January 31, 2008.

The administrative centre of Transportation is located in Berlin, Germany.

For a list of the Corporation's principal subsidiaries that fall within Transportation, see "Item 1 – Corporate Structure, section 1.2 – Subsidiaries".

The following table shows the principal operation centres owned by the Corporation or one of its subsidiaries, as the case may be, unless they are indicated as being leased ("L"), and which are part of Transportation. The table also lists the type of operations conducted or products manufactured at these facilities.

Manufacturing or Service Facilities	Operations Conducted or Products
Aachen, Germany	Manufacture of carbodies and final assembly of passenger vehicles.
Baroda, India	Manufacture of propulsion equipment.
Bautzen, Germany	Manufacture of aluminium and steel carbodies and final assembly of passenger cars (in particular light rail vehicles) in Europe.
Bruges, Belgium	Manufacture of steel carbodies for passenger cars in Europe, final assembly of passenger cars and railway equipment.
Central Rivers, United Kingdom	Maintenance and overhaul activities.
Česká Lipa, Czech Republic	Supplier of primary parts and welding substructures and low-cost components.
Changchun, China (Joint Venture)	Manufacture of metro cars.
Changzhou, China (Joint Venture)	Manufacture of propulsion equipment for the Chinese market.
Chart Leacon, United Kingdom	Refurbishment and upgrade activities, overhaul.
Crespin, France	Manufacture of aluminium and steel carbodies for passenger cars in Europe, final assembly of passenger cars and manufacture of bogies.
Crewe, United Kingdom	Wheelset and bogies service activities, overhaul and refurbishment.
Dandenong, Australia	Manufacture of stainless steel car bodies, final assembly, repair and refurbishment of passenger rail vehicles.
Derby, United Kingdom	Manufacture of aluminium carbodies, final assembly site for passenger cars in Europe.
Dunakeszi, Hungary(L)	Refurbishment activities, manufacturing of passenger coaches and engineering.

Manufacturing or Service Facilities	Operations Conducted or Products
Görlitz, Germany	Manufacture of aluminium and steel carbodies and final assembly of passenger cars (in particular double-deck trains).
Hennigsdorf, Germany	Manufacture of carbodies and final assembly of passenger vehicles and test centre, propulsion and control activities.
Hortolãndia, Brazil[(L)]	Vehicle refurbishment.
Ilford, United Kingdom	Vehicle refurbishment.
Kassel, Germany[(L)]	Final assembly of electric and diesel locomotives.
La Pocatière, Québec, Canada	Manufacture of carbodies and mass transit vehicles.
Lodz, Poland [(L)]	Manufacture and refurbishment of cubicles and electrical components.
Mannheim, Germany	Manufacturing of propulsion equipment for all types of passenger rail vehicles and electric locomotives.
Maryborough, Australia[(L)]	Manufacture activities for regional and commuter cars.
Matranovak, Hungary	Manufacture of bogie frames.
Pittsburgh, Pennsylvania, United States	Final assembly of automated people movers and propulsion systems.
Plattsburgh, New York, United States[(L)]	Final assembly of mass transit vehicles.
Plymouth, United Kingdom	Subassembly and final assembly for signalling products.
Quingdao, China (Joint Venture)	Manufacture of coaches and electrical multiple units.
Randers, Denmark	Vehicle refurbishment, heavy maintenance, upgrade activities.
Sahagún, Mexico	Manufacture of mass transit vehicles, freight locomotives, refurbishment of rail passenger cars and light rail vehicles.
Siegen, Germany	Manufacture of bogies for Europe, Asia and the Middle East.
Stroemmen, Norway [(L)]	Vehicle refurbishment, heavy maintenance, upgrade activities.
Thunder Bay, Ontario, Canada	Manufacture of mass transit vehicles and ART.
Trapaga, Spain	Manufacture of propulsion equipment.
Vado Ligure, Italy	Manufacture of locomotive and upgrades activities.
Vadodara, India	Manufacture of carbodies and bogies.
Västerås, Sweden [(L)]	Manufacture of propulsion equipment and services activities.
Vienna, Austria [(L)]	Manufacture of steel carbodies for light rail vehicles in Europe, final assembly of light rail vehicles.
Villeneuve, Switzerland	Final assembly of passenger rail vehicles.
Wrocław, Poland	Manufacture of bogie frames and locomotive carbodies.

Marketing of the products manufactured by Transportation is carried out through marketing or sales offices. In the Americas, these marketing or sales offices are located in Canada (in Saint-Bruno (Québec), in Toronto and Millhaven (Kingston) (Ontario), and in Vancouver (British Columbia)) in the United States (in the states of California, Florida, Pennsylvania, New Jersey and in Washington, D.C.), in Mexico and in Brazil.

In Europe, marketing is conducted through offices in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Romania, Russia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

Finally, Transportation also has offices in India, Israel, South Africa, Australia, China, Korea, Malaysia, Singapore, Taiwan and Thailand. Transportation leases these marketing or sales offices, with the exception of

the office in Saint-Bruno, Millhaven (Kingston) and those in Austria, Belgium, Germany, Switzerland and the United Kingdom, which it owns.

Rolling stock

The rolling stock products of Transportation includes locomotives, intercity very high-speed and high-speed trains, commuter and regional trains, metro cars, light rail vehicles, propulsion and controls for the vehicles and bogies.

- ***Locomotives***

Transportation offers locomotives and powerheads for use in high-speed, intercity, regional and freight traffic in both electric and diesel-electric versions to suit the specific needs of railway operators. The *TRAXX* locomotives family has become the standard in the industry with innovative, standardized and modular locomotives, offering interoperability, outstanding reliability, long-term availability, as well as excellent maintenance and operational economy.

- ***Intercity, high-speed and very high-speed trains***

Transportation's product line includes multiple units and coaches for intercity and high-speed passenger transportation, adapted to the requirements of customers throughout the world. Transportation has launched the modular high-speed platform *ZEFIRO*, featuring unique characteristics to respond to the emerging needs of operators and passengers alike. Transportation is also actively involved in various high-speed and very high-speed programs around the world, such as the Société Nationale des Chemins de fer Français TGV, German ICE, Spanish Talgo, Italian ETR 500 and American Acela.

- ***Commuter and Regional trains***

Transportation offers a wide range of passenger railcars for suburban and regional markets. The product line includes electrical multiple units, diesel multiple units, as well as coaches in both single and double-deck configurations. Transportation's modular and flexible product platforms such as the *TALENT* 2, the *SPACIUM* 3.06 or the Autorail Grande Capacité (high-capacity regional to multiple unit) ("AGC") are designed to meet the evolving expectations of operators and end-users, but also optimize environmental performance and operating economics.

- ***Metro cars***

Transportation offers a full range of technologies adapted to the needs of urban transit systems. Its *MOVIA* platform offers a modern, mass transit vehicle designed to respond to the need for a rapid, efficient and cost-effective high-performance operation. Operating requirements such as passenger capacity and acceleration performance are adaptable to customer requirements across the world.

- ***Light rail vehicles***

Transportation offers the world's most complete portfolio of trams and light rail solutions. Ranging from 100% low-floor trams to high-capacity light rail vehicles, its proven *FLEXITY* family has a suitable and economically superior product for every urban centre across the globe. In addition to improving its customers' operational and performance targets, Transportation's vehicles offer innovative technology and exclusive designs.

- ***Propulsion and controls***

Transportation offers complete propulsion, train control and management systems to internal and third-party customers. The *MITRAC* propulsion systems cover transformers, traction converters, traction motors, gears, auxiliary converters and train control management systems, featuring cutting-edge, energy-saving technology.

- ***Bogies***

Transportation offers reliable and innovative bogie solutions for all types of rolling stock to internal and third-party customers: small-size bogies for light rail vehicles, medium-size bogies for metro cars and commuter, regional, intercity and high-speed trains, as well as large-size bogies for locomotives and heavy haul. In addition, Transportation offers a full scope of services throughout the lifecycle of the bogies.

Services

Transportation provides a complete service portfolio, including full train and fleet maintenance, materials and logistics programs, plus the modernization, reengineering and overhaul of vehicles and components. Each product offering can be tailored to meet the needs of individual customers with a range of core and optional services for particular fleets.

System

Transportation has unique expertise in developing, designing and building turnkey transportation systems, which includes extensive experience in complete project financing, public-private partnership approaches and more than 30 years of operations and maintenance experience. Transportation offers complete transportation solutions from high-capacity intercity systems to fully automated rapid transit, people movers and monorail systems.

Signalling

Transportation offers a comprehensive portfolio of on-board and wayside rail control solutions for both mass transit and mainline applications, catering to the needs of customers in over 50 countries. *CITYFLO* mass transit solutions extend from manual applications to fully automated communication-based systems. *INTERFLO* mainline solutions range from conventional systems to European Rail Traffic Management System ("ERTMS") technology.

Competition

The three largest OEMs account for approximately 57% of the relevant market.

Transportation with 23% of the relevant market is well positioned in all segments and ranks number one in all market segments except or the high-speed trains and signalling segments. Transportation's major competitors are Alstom Transport ("Alstom"), a business unit of Alstom SA with 18% of the relevant market and Siemens Transportation Systems ("Siemens"), a business unit of Siemens AG, with 16% of the relevant market. Both are active in the same markets as Transportation. All other competitors in the relevant market hold less than 10% of total market share.

Depending on the product segments, countries and regions, Transportation is facing competition from specialized competitors. In the service segment, competition mainly comes from railway operators, subsystem and component suppliers, as well as from third-party service providers.

3.3 Segmented Disclosure

For information respecting Bombardier's sales by industry and geographic segments, reference is made to note 28 to the Corporation's consolidated financial statements for the fiscal years ended January 31, 2008 and January 31, 2007 filed with the Canadian securities regulatory authorities on April 3, 2008, which note is incorporated by reference into this Annual Information Form.

3.4 Agreements Relating to the Use of Certain Technologies

Some operations of Bombardier are conducted under agreements which allow it to use certain technical data and information relating to products or technologies developed by others. The most important of such agreements is the agreement signed on December 22, 1986, with Cartierville Financial Corporation Inc. ("CFC") (a wholly-owned subsidiary of Canada Development Investment Corporation, in turn wholly-owned by the Canadian federal government), under which Canadair Limited had obtained a licence granting it the exclusive and absolute right to use and exploit all the technology relating to the design of the Challenger aircraft and to use and incorporate that technology in the manufacture, development, testing, sale, distribution, maintenance and support of Challenger aircraft and any other related product worldwide. The initial term of the agreement is 21 years; however, the Corporation (as successor in interest to Canadair Limited) has an option to renew this agreement for three additional consecutive periods of 21 years each, the first of such options has been exercised during fiscal 2007. In consideration for the rights thus granted to it, the Corporation paid CFC a lump sum of CAN$20 million in 1988, less an amount equal to certain royalties then paid, in lieu of the royalties provided for under the agreement.

In 2007, Learjet Inc. and Grob Aerospace AG executed a development agreement pursuant to which Grob Aerospace AG is responsible for the design and manufacture of *Learjet* 85 aircraft prototypes. In the context of this agreement Learjet Inc and Bombardier have obtained an exclusive license on Grob Aerospace AG's intellectual property for the manufacture of FAR Part 25 aircraft.

3.5 Product Development

3.5.1 Aerospace

In September 2007, Aerospace unveiled its new *Global Vision* flight deck for *Bombardier Global 5000* and *Global Express XRS* aircraft. Flight deck enhancements include improved avionics system features and functionalities, increased situational awareness and comfort as well as superior design aesthetics. The *Global Vision* flight decks are scheduled for certification in the third quarter of fiscal year 2011 with an entry into service in fiscal year 2012.

In October 2007, Aerospace announced the launch of its all-new *Learjet 85* aircraft, which is set to redefine the midsize jet category with an all-new composite structure. In January 2008, Aerospace further announced that Grob Aerospace AG has been selected to develop the all-composite structure of the *Learjet 85* aircraft, which is expected to provide less drag and superior aerodynamics, reduced maintenance, extended service life and lower fuel consumption compared to aircraft currently in service. The prototype structures will be manufactured at Grob Aerospace AG's facility in Tussenhausen-Mattsies, Germany.

Aerospace launched the *CRJ1000 NextGen* and introduced the next generation versions of its *CRJ700* and *CRJ900* regional jets, all of which are designed to meet customer demand in terms of improved aircraft economics, cabin comfort and environmental footprint. The *CRJ1000 NextGen* regional jet is designed specifically to meet the growing needs of regional airlines for jets up to 100 seats. First flight is scheduled for mid-fiscal year 2009 and entry into service is scheduled for the fourth quarter of fiscal year 2010.

Aeropsace Introduced the new *Q400 NextGen* turboprop airliner, in March 2008, as the next step in the continuing evolution of the *Q400* aircraft. Revised in the same spirit as the *CRJ NextGen* aircraft family, the *Q400 NextGen* aircraft remains one of the most technologically advanced turboprop aircraft.

3.5.2 Transportation

Rolling Stock

In fiscal year 2008, Transportation's innovations and product development effort focused on enhancing its modular and flexible product platforms, as well as their improving operational and environmental performance.

The *TALENT* 2 regional and commuter multiple units launched in January 2007 can be configured variably to create two-car trains or trains with as many as six cars. The modular concept allows to respond to Transportation's customers' need for more operational flexibility: the trains can accommodate different platform access heights, voltage systems and propulsion power system. Once placed in service, the trains can be continuously re-configured, e.g. by adding individual components such as extra toilets or doors.

In the high-speed / very high-speed segment, Transportation is continuing to develop its *ZEFIRO* family of trains to specifically address the need for additional flexibility in next-generation rolling stock. *ZEFIRO* train designs introduce new methods for improving operating efficiency, capacity, interoperability and true cross-boarder travel. In fiscal year 2008, Transportation introduced the first set of *ZEFIRO* trains for the Chinese Ministry of Railways. The twenty 16-car units will be specially designed for overnight service and fitted with sleeping berth interiors, capable of travel up to 250 km/h, offering overnight travellers an advanced level of comfort, convenience and trip-time efficiency.

In the UK intercity and regional market, Transportation has been able to make important steps towards developing a truly "Green Train". The enhancements brought to the proven *TURBOSTAR* train focus on weight reduction by 20%, improved fuel efficiency by 20% and reduction of CO_2 emissions by 20%. Next-generation *TURBOSTAR* trains have been ordered by Porterbrook Leasing in fiscal year 2008 and Angel Trains in fiscal year 2009.

The latest innovation in the AGC family, the Hybrid AGC, introduced certain operating features for the first time in a train: the dual-mode (electrical and diesel) and dual-voltage (1500 and 25000 V) technology enables the Hybrid AGC to glide seamlessly across the entire French railway network and to access electricity from any available source. This will result in energy savings and reduced CO_2 emissions, as well as negating infrastructure constraints and the need for passengers to change trains.

In the light rail segment, Transportation finalized successfully a four year trial phase of its *MITRAC* Energy Saver application with German transport authority Rein-Neckar-Verkehr GmbH. The energy saver revealed two major advantages with a long-running reliability: the vehicle actually saves some 30% of drive power in comparison with conventional trams and the vehicle's overall power consumption fell by approximately 20%.

In the locomotives segment, Transportation continued its long-term strategy to develop European cross-border freight traffic, allowing freight to be transported across the different national rail systems without changing the locomotive. In fiscal year 2008, Transportation sold approximately 200 *TRAXX* locomotives for cross-border traffic of which about 40 units will run on three new corridors – Germany-Denmark-Sweden, Germany-Austria-Hungary and Germany-Austria-Norway adding to the numerous corridors already covered by our products. For the North American market, Transportation improved its product offering to re-enter the North American market with commuter rail operator NJ Transit, introducing the more powerful electric locomotive ALP-46A which will reach speeds up to 125 mph.

Services

As part of its ongoing commitment to service innovation and adding value to the industry, Transportation has introduced *ORBITA* in fiscal year 2007, a ground-breaking capability that combines data gathered from the trains with Transportation's global fleet knowledge and engineering expertise to actively manage vehicle and infrastructure maintenance, performance and operation. In fiscal 2008, Transportation has rolled-out *ORBITA* to further fleets in Europe and launched the system in North America. In addition to customer applications, Transportation will roll-out *ORBITA* successively as a company-wide diagnostics tool to feed back information from the product introduction phase.

System

SEKURFLO, an advanced, on-board mobile security management system for the passenger rail market was launched in 2006 and is currently being deployed on mass transit systems around the world, including 170 new commuter trains for the Transilien Greater Paris / Île-de-France suburban network in France and the Gautrain Rapid Rail Link in South Africa.

The proven *CITYFLO 650* communications-based automatic train control technology is now being adapted to mass transit applications such as the Yongin project in South Korea and the Neihu line in Taiwan.

Signalling

In fiscal year 2008, Transportation was focused on transferring its proven mainline and mass transit solutions to new markets. Successes included securing the supply of *CITYFLO 350* mass transit solutions for the Olympic Village line in Istanbul and on lines 5 & 6 of the Delhi metro. In the mainline segment, continued investment in ERTMS technology has ensured Transportation retains a leadership position. New orders were secured for Wayside ERTMS systems in China and Onboard systems in China and Europe.

In the conventional mainline segment successes were achieved with the latest generation Interlocking *EBI* Lock 950 R4 being put into service in Gothenburg and Milan. Transportation continues to promote the proven *INTERFLO 200* solution in new markets. One notable success is in Uzbekistan, where Transportation will provide its advanced *EBI* Lock 950 computer-based interlocking systems, object controllers and wayside equipment including point machines, LED signals, level crossings, axle counters and track circuits as well as supervising all design, engineering and installation.

3.6 Environment

Environmental Laws and Risks

The Corporation's products as well as its manufacturing and service activities are subject to environmental regulations by federal, provincial and local authorities in Canada as well as local regulatory authorities having jurisdiction over the Corporation's foreign operations. In addition, the Corporation has established, and it periodically updates a health, safety and environment policy that defines the Corporation's vision for its worldwide operations. Consistent with this policy, a HSE Compliance Audit program has been put in place throughout the Corporation to ascertain material compliance of its manufacturing and service activities to all applicable HSE laws and regulations. Also, to prevent pollution and minimize environmental risks, the Corporation has deployed the ISO 14001 Standard to its manufacturing and services locations. To date, approximately 90% of the Corporation's locations over 150 employees have been certified according to the ISO 14001 Standard for Environmental Management by outside bodies.

Consistent with its policy stressing environmental responsibility and its desire to maintain legal compliance, the Corporation routinely procures, installs and operates pollution control devices, such as wastewater treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators at new and existing facilities constructed or upgraded in the normal course of business. According to the ISO 14001 Standard, imminent environmental laws and regulations are tracked and assessed on a regular basis. Future

capital expenditures for pollution control systems resulting from these imminent regulatory requirements are not expected to have a material effect on the Corporation's consolidated financial position.

Bombardier's regulatory risks associated with climate change generally fall under the national and local requirements (including the Kyoto Protocol) being implemented by each jurisdiction where Bombardier carries out its activities. Most of Bombardier's manufacturing activities are carried out within Annex B countries that have ratified the Kyoto Protocol. These countries are at various stages of developing binding emission allocations and trading schemes. During the fiscal year 2008, Bombardier's climate change regulatory risks mainly fell under its obligations to the European Union Emission Trading Scheme. To date, the impact on Bombardier has been non-material. Bombardier continues to monitor risks associated with energy efficiency legislation, carbon taxes, industry standards and other carbon trading mechanisms related to both its activities and products.

European Union Emissions Trading Scheme

During the 2008 fiscal year, three Bombardier sites qualified for the EU Allocation Programs. These allocations did not present a material risk to the Corporation.

Environmental Liabilities

With respect to environmental matters related to site contamination (historical contamination of soil and groundwater), the Corporation periodically conducts studies, individually at sites owned by the Corporation, and jointly as a member of industry groups at sites not owned by the Corporation, to evaluate the presence of contaminants in the soil and groundwater and to determine the need and feasibility of various remediation techniques and to define the Corporation's share of liability. The Corporation is currently proceeding with decontamination at a small number of sites both in North America and in Europe. The known historical costs for soil and/or groundwater decontamination are not expected to have a material effect on the Corporation's consolidated financial position. During the 2008 fiscal year, the anticipated costs related to environmental liabilities are not expected to be in excess of $25 million.

Potential Environmental Liabilities

Estimating future environmental clean-up liabilities is dependent on the nature and the extent of historical and physical data about a given site, the complexity of the contamination, the uncertainty of which remedy to apply, the timing of the remedial action and the outcome of the discussions with regulatory authorities. Although it appears likely that annual costs for remediation activities might increase over time because of ever more stringent legal requirements these costs should not be material to the Corporation.

3.7 Human Resources

The following table shows the total number of employees of Bombardier:

	Number of employees as at January 31st	
	2008	**2007**
Aerospace	27,900	27,130
Transportation	31,485 (1)	29,104 (1)
Corporate Office	171	193
TOTAL	**59,556**	**56,427**

(1) Including 3,568 and 2,899 contractual employees for fiscal years 2008 and 2007, respectively

As at January 31, 2008, 13,772 of the Corporation's employees in the Americas were represented by certified unions under 21 separate collective agreements. These agreements expire at different dates, the latest of which is January 2011.

In Europe and other countries, as at January 31, 2008, 24,819 of the Corporation's employees were represented by certified unions under 73 separate collective agreements. National unions represent employees in subsidiaries or divisions and national and sectorial bargaining generally takes place every one or two years depending on the country. These agreements expire at different dates, the latest of which is April 2012.

The Corporation considers that its relations with its employees are satisfactory.

3.8 Foreign Currency and Interest Rate

Foreign Currency

The Corporation's main exposures to foreign currencies are covered by a central treasury function at Corporate Office and are managed in accordance with the Corporation's foreign currency policy and procedures. This policy requires each segment and Corporate Office to identify all potential foreign currency exposures arising from their operations or financial position and to hedge these exposures according to the following pre-set criteria:

Foreign Exchange Management

Owner	Hedged exposures	Hedging policy[1]	Risk-mitigation strategies
Corporate Office	Long-term debt, net investments in self-sustaining foreign operations and other balance sheet exposures, as well as forecasted cash outflows denominated in Canadian dollar.	Minimize overall balance sheet foreign currency exposures. Hedge a minimum of 85% of the identified exposures for the first three months, a minimum of 75% for the next nine months and a minimum of 50% for the following year.	Asset/liability management techniques. Use of forward foreign exchange contracts mainly to sell U.S. dollars and buy Canadian dollars.
Aerospace	Forecasted cash outflows, mainly denominated in Canadian dollar and pound sterling.	Hedge a minimum of 85% of the identified exposures for the first three months, a minimum of 75% for the next nine months and a minimum of 50% for the following year.	Use of forward foreign exchange contracts, mainly to sell U.S. dollars and buy Canadian dollars and pound sterling.
Transportation	Forecasted cash inflows and outflows denominated in a currency other than the functional currency of the entity incurring the cash flows.	Hedge 100% of the identified foreign currency exposures.	Use of forward exchange contracts mainly to sell or purchase Euros, pounds sterling, U.S. dollars, Swiss francs, Canadian dollars and other Western European currencies.

(1) Deviations from the policy are allowed subject to maximum predetermined risk limits.

The central treasury function seeks to match asset and liability foreign currency exposures, mainly related to long-term debt and net investments in self-sustaining foreign operations, in order to minimize exposures to foreign currency movements. Derivative financial instruments such as forward foreign exchange contracts are used to synthetically align asset/liability exposures.

Substantially all of Transportation's identified exposures are hedged at the time of order intake, consistent with the objective to lock in currency rates for cash inflows and outflows. The forecasted cash outflows of the Corporate Office do not give rise to significant variances. For Aerospace, the hedged portion of foreign currency denominated costs for fiscal year 2009 was as follows as at January 31, 2008:

Aerospace's Foreign Currency Denominated Costs

	Expected costs	Hedged portion	Weighted-average hedge rate
Expected costs denominated in:			
Canadian dollars	2,122	78%	0.9135
Pound sterling	289	78%	1.9143

Aerospace's long-term foreign exchange rate assumption for the unhedged portion of its future expected costs denominated in Canadian dollars is at a weighted-average rate of 1:1, as at January 31, 2008.

Sensitivity analysis

The impact of foreign currency movements for Transportation and for Corporate Office is not significant, as most of the identified foreign currency exposures are hedged using asset/liability management techniques or derivative financial instruments.

A one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact fiscal year 2009 expected costs in Aerospace by approximately $21 million before giving effect to forward foreign exchange contracts, and approximately $5 million after giving effect to such contracts.

A one-pence change in the value of the pound sterling compared to the U.S. dollar would impact fiscal year 2009 expected costs in Aerospace by approximately $6 million before giving effect to forward foreign exchange contracts, and approximately $1 million after giving effect to such contracts.

Interest rate

The Corporation's main exposures to interest rates arise mainly from existing assets, liabilities, financial commitments and from its off-balance sheet pension deficit. In particular, the interest rate risk is primarily related to sales incentives, certain commercial aircraft financing loans and lease receivables, cash and cash equivalents, long-term debt, call feature and invested collateral. These exposures are managed by a central treasury function as part of treasury's overall risk management, using asset/liability management techniques.

The central treasury function seeks to match long-term debt with other balance sheet exposures yielding interest. Financial instruments such as interest rate swaps are used to synthetically align asset/liability exposures.

Considering the floating rate of return on its considerable cash and cash equivalents ($3.6 billion) and invested collateral ($1.3 billion), the Corporation chooses to synthetically convert its fixed-rate long-term debt into a variable rate in order to limit its overall exposure. The remaining exposure is related to the fixed rate nature of its unfunded pension obligations ($1.2 billion), which is being addressed through a liability-driven approach to pension asset management.

Sensitivity analysis

Assuming a 100-basis point increase in interest rates, the impact on net income would have been a positive adjustment of $19 million before giving effect to related hedging instruments.

For derivative financial instruments, a shift of 100-basis point increase in the yield curves, as at January 31, 2008, would have had no significant impact on net income, since the majority of the Corporation's interest-rate derivative financial instruments are designated in a fair value hedging relationship.

3.9 Risk Factors

The Corporation operates in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties described below are risks that could materially affect the Corporation's business, financial condition and results of operations, but are not necessarily the only risks faced by the Corporation. Additional risks and uncertainties not presently known to the Corporation, or that the Corporation currently believes to be immaterial, may also adversely affect its business. To the extent possible, the Corporation has developed and applies risk assessment, mitigation and management practices to reduce the nature and extent of its exposure to these risks.

General economic risk	Potential loss due to unfavourable economic conditions, such as a macroeconomic downturn in important markets or an increase in commodity prices, which could result in a lower order intake, would adversely affect the Corporation's business. In addition, curtailment of production activities due to unfavourable economic conditions could result in the Corporation incurring significant costs associated with temporary layoffs or the termination of employees.
Business environment risk	Potential loss due to external risk factors, more specifically the financial condition of the airline industry (see below) and major rail operators, government policies related to import and export restrictions, changing priorities and possible spending cuts by government agencies, government support to export sales, world trade policies, competition from other businesses, as well as scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates. In addition, acts of terrorism, global health risks and political instability or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders,or the rescheduling or cancellation of part of the existing order backlog for some of the Corporation's products.
Operational risk	Potential loss due to risks related to business partners, developing new products and services, product performance warranty and casualty claim losses, regulatory and legal risk, environmental risks, as well as dependence on customers, suppliers and human resources (see below). In addition, large and complex projects for customers are common for the Corporation's businesses, including fixed-price contracts (see below). The Corporation is also subject to risks related to problems with supply management, production and project execution, reliance on information systems, as well as the successful integration of new acquisitions. These risks could affect the Corporation's ability to meet its obligations.
Financing risk	Potential loss related to liquidity and access to capital markets, restrictive debt covenants, financing support provided on behalf of certain customers, as well as government support (see below).
Market risk	Potential loss due to adverse movements in market rates, including foreign currency fluctuations, changing interest rates and commodity price risks (see below).

BUSINESS ENVIRONMENT RISK

Airline industry financial condition

Airline industry financial condition and viability influence the demand for Aerospace's commercial aircraft. Continued cost pressure in the airline industry puts pressure on the price of Aerospace's products. Aerospace is faced with the challenge of finding ways to reduce costs and improve productivity to sustain a favourable market position at acceptable profit margins. The loss of any major commercial airline as a customer or the termination of a contract could significantly reduce the Corporation's revenue.

Aerospace has a proven family of regional aircraft in the regional jet and turboprop segments, which offer airlines product commonality such as common crew qualifications, spare parts and maintenance procedures. It is well-positioned for the trend toward larger aircraft with its portfolio of next-generation versions of its *CRJ700/900/1000 NextGen* regional jets, with seating capacity of 70 to 100 seats. *Q400 NextGen* turboprop economics, built on significantly lower maintenance, fuel and acquisition costs for short haul flights of up to 500 nautical miles, compared to similarly sized jets, have also become more appealing in a higher operating cost environment.

OPERATIONAL RISK

Business partners

In some of the projects carried out through consortia or other partnership vehicles in Transportation, all partners are jointly and severally liable to the customer. The success of these partnerships is dependent on the satisfactory performance of the Corporation and its business partners. Failure of the business partners to fulfill their contractual obligations could subject the Corporation to additional financial and performance obligations that could result in increased costs, unforeseen delays, losses or write-down of assets. In addition, in the Transportation's systems business, the loss of potential order intake may result from a partner withdrawing from a consortium during the bid phase.

In order to address this, a risk analysis and assessment is done at the beginning of each project and on a continuing basis thereafter, and this analysis constitutes one of the key elements that the Corporation takes in consideration when it decides to pursue a certain project. In addition, these projects normally provide counter indemnities among the partners.

Developing new products and services

The principal markets in which the Corporation's businesses operate experience changes due to the introduction of new technologies. To meet its customers' needs in these businesses, the Corporation must continuously design new products, update existing products and services, and invest and develop new technologies, which may require significant capital investments. Introducing new products requires a significant commitment to research and development, which may or may not be successful.

The Corporation's sales may be impacted if it invests in products that are not accepted in the marketplace, if customer demand or preferences change, if the products are not approved by regulatory authorities, or if the products are not brought to market in a timely manner or become obsolete. The Corporation is subject to stringent certification or approval requirements, which could differ by country and could delay the certification of the Corporation's products. Non-compliance with current or future regulatory requirements imposed by Transport Canada ("TC"), the Federal Aviation Administration ("FAA"), the European Aviation Safety Agency ("EASA"), the Transportation Safety Institute ("TSI") and national rail regulatory bodies or other regulatory authorities, could result in the service interruption of the Corporation's products, which may materially and adversely affect the Corporation's business, financial condition and results of operations.

Aerospace's risk mitigation strategy starts long before the design of a new product is initiated and continues throughout the product cycle. In collaboration with industrial partners and academic institutions, Aerospace

performs research and development activities to investigate and validate the use of new technologies before they are introduced on new products. This allows Aerospace to confirm a technology's technical and financial benefits and to train a team of experts on important aspects of its applications. One of the key processes used to monitor the progression of technology and to measure the associated risk is the Technology Readiness Level (TRL), developed by NASA. The TRL scale begins with TRL 1, pre-competitive, public-domain research, and ends with TRL 9, at which point the technology is proven through successful mission operations. By applying a rigorous approach to this process, Aerospace minimizes the risk associated with the introduction of new technology into its product portfolio.

The Aircraft Portfolio Strategy Board ("APSB") at Aerospace, consisting of senior management including the president of the business units, is responsible for an integrated product portfolio. As part of its mandate, the APSB looks at multiple product development scenarios spanning the next ten years. Its focus is on ensuring proper portfolio diversification through all market segments. The APSB reviews the product portfolio from a consolidated standpoint in order to optimize human and financial resources across the Aerospace organization and to evaluate the overall risk associated with specific scenarios.

Aerospace relies on a gated process to evaluate new product development ideas. At each stage of the process, specific criteria derived from past product development experience must be met before a new product is allowed to continue its progression toward launch. The value of each new idea is analyzed within the context of a long-term product portfolio strategy and is measured against different facets of Aerospace's operations. Human resource availability, funding accessibility and supply base capacity are examples of the elements that are part of this rigorous evaluation. In parallel, product development ideas are benchmarked against the available information on competitor products, obtained through the Corporation's competitive intelligence process. By understanding the competition's situation, Aerospace can better assess a product development opportunity and further reduce the risk inherent in its pursuit.

While Transportation's products are also very advanced technologically, they do not require the same level of research, and as such the risks are minimized. Transportation mitigates this risk through a formal Product Planning process, which starts with the gathering of market requirements in order to establish short, medium and long term technology and product roadmaps and development plans, and is then subject throughout the process to regular reviews by senior management. Product performance is monitored through regular design and gate reviews, verification, testing and validation steps, to be finally validated by an independent review from the Centre of Competences.

Product performance warranty and casualty claim losses

Products manufactured by the Corporation are highly complex and sophisticated and may contain defects that are difficult to detect and correct. Defects may be found in the Corporation's products after they are delivered to the customer. If discovered, the Corporation may not be able to correct them in a timely manner, or at all. The occurrence of defects and failures in the Corporation's products could result in warranty claims or the loss of customers. Correcting such defects could require significant capital investment. Any claims, defects or failures may materially and adversely affect the Corporation's business, financial condition and results of operations.

In addition, due to the nature of the Corporation's business, the Corporation may be subject to liability claims arising from accidents or disasters involving the Corporation's products, or products for which the Corporation has provided services, including claims for serious personal injuries or death, and these accidents may include accidents caused by climatic factors (such as snow and icy weather), or by pilot or driver error. The Corporation cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that the Corporation will be able to obtain insurance coverage at acceptable levels and cost in the future.

The Corporation's products are subject to stringent certification or approval requirements, as well as detailed specifications listed in the individual contracts with customers. Technical risk is mitigated through strict

compliance with the regulatory requirements of various bodies, as well as stringent quality monitoring during the production cycle.

Regulatory and legal risks

The Corporation is subject to numerous risks relating to new regulations or legal proceedings to which it is currently a party or that could be developed in the future. In the ordinary course of its business, the Corporation becomes party to lawsuits, including those involving allegations of improper delivery of goods or services, product liability, product defects, quality problems and intellectual property infringement. There can be no assurance that the results of these or other legal proceedings will not materially and adversely affect the Corporation's business, financial condition or results of operations. The Corporation may incur losses relating to litigation beyond the limits, or outside the coverage of its insurance, and such losses may materially and adversely affect the Corporation's business, financial condition and results of operations, and the Corporation's provisions for litigation related losses may not be sufficient to cover the Corporation's ultimate loss or expenditure.

The Corporation maintains liability and property insurance for certain legal risks at levels that the Corporation's Management believes are appropriate and consistent with industry practice. The Corporation's in-house legal counsels closely monitor and coordinate with external counsels representing the Corporation's entities that are party to arbitration or other litigious proceedings. In addition, Aerospace and Transportation contracts include certain limitations of liability.

Environmental risk

The Corporation's products, as well as its manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which it operates, governing among other things: product performance or content; air and water pollution; the use, disposal, storage, transportation, labelling and release of hazardous substances; human health risks arising from the exposure to hazardous or toxic materials; and the remediation of soil and groundwater contamination on or under the Corporation's properties (whether or not caused by the Corporation), or on or under other properties and caused by its current or past operations.

Environmental regulatory requirements, or enforcements thereof, may become more stringent in the future, and additional costs may be incurred by the Corporation to be compliant with such future requirements or enforcements. In addition, the Corporation may have contractual or other liabilities for environmental matters relating to businesses, products or properties that the Corporation has in the past closed, sold or otherwise disposed of, or that the Corporation closes, sells or disposes of in the future. There can be no assurance that limitations imposed by, or costs of compliance with, current or future environmental laws, liabilities arising from a failure to comply with environmental laws, obligations to perform environmental investigations or remediation, or any other environmental problem, will not materially and adversely affect the Corporation's business, financial condition and results of operations.

The Corporation has established and periodically updates a health, safety and environment policy that defines the Corporation's vision for its worldwide operations. Consistent with this policy, approximately 90% of the Corporation's manufacturing and service locations with over 150 employees have been certified according to the ISO 14001 Standard for Environmental Management by third-party auditors.

Consistent with the Corporation's policy stressing environmental responsibility and its desire to maintain legal compliance, the Corporation routinely procures, installs and operates pollution-control devices, such as waste-water treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators at new and existing facilities constructed or upgraded in the normal course of business. Future expenditures for pollution-control systems are not expected to have a material effect on the Corporation's consolidated financial position.

Customers and suppliers

The Corporation is dependent on a limited number of customers. In Transportation, three customers represented 33% of the order backlog as at January 31, 2008. The Corporation believes that it will continue to depend on a limited number of customers; consequently, the loss of any such customer could result in fewer sales or a lower market share. Since the majority of Transportation's customers are public companies or operate under public contracts, Transportation's order intake is dependent on public budgets and spending policies.

The Corporation's manufacturing operations are dependent on a limited number of suppliers for the delivery of materials, services and major systems, such as aluminium, titanium, power plants, wings, nacelles and fuselages in Aerospace, and brakes in Transportation. A failure to meet performance specifications, quality standards, and delivery schedules by one or more suppliers could adversely affect the Corporation's ability to meet its commitments to customers. If one or more suppliers were unable to meet their contractual obligations to the Corporation, this could materially and adversely affect the Corporation's business, financial condition and results of operations. Some of these suppliers participate in the development of products such as aircraft or rolling stock platforms and the subsequent delivery of materials and major components, plus they own some of the intellectual property on the key components they develop. The Corporation's contracts with these suppliers are therefore on a long-term basis. The replacement of suppliers could be costly and take a significant amount of time.

In an effort to manage these risks, the Corporation seeks to enter into long-term arrangements with its supplier base. The Corporation normally enters into certain inventory procurement contracts that specify prices and quantities, as well as long-term delivery time frames. These agreements require suppliers to build and deliver components in time to meet the Corporation's production schedules. Such arrangements arise as a result of the production planning horizon for many of the Corporation's products, where the delivery of products to customers takes place over an extended period of time. A significant portion of the Corporation's exposure to inventory-procurement contracts is mitigated by firm contracts with customers or through risk-sharing arrangements with suppliers. The Corporation continues to seek protection from cost inflation by negotiating escalation caps for a portion of its bill of material requirements.

Many supplier sources generally exist for the procurement of materials. This is however less frequent in the aerospace industry, where industry supply capacity continues to be tight. For major components, Aerospace has moved from a reactive model, supporting its suppliers once difficulties arise, to a proactive model, working with its suppliers to identify and resolve potential challenges before they occur. The process includes a series of surveys conducted both with the supplier and Aerospace. If the outcome of any survey identifies a risk, Aerospace quickly performs an on-site audit at the supplier's site to develop a jointly owned action road map.

Human resources (including collective agreements)

Human resource risk is would arise if the Corporation was unable to recruit, retain, and motivate highly skilled employees to assist in the Corporation's business, including the research and development activities that are essential to the success of the Corporation. Failure to recruit and retain highly skilled personnel could materially and adversely affect the Corporation's business, financial condition and results of operations.

In addition, in many of the business segments, the Corporation is party to several collective agreements that are due to expire at various times in the future. If the Corporation is unable to renew these collective agreements as they become subject to renegotiation from time to time, this could result in work stoppages or other labour disturbances that could materially and adversely affect the Corporation's business, financial condition and results of operations.

Aerospace, through its Achieving Excellence program and with human resources initiatives such as talent management tools and processes, is currently focused on engaging its employees and attracting new talent. All collective agreements that expired in fiscal year 2008 were renewed without any work stoppage.

Transportation is performing a transformation project in which a very high priority is given to recruiting talent and retaining especially high achievers and highly qualified people. During fiscal year 2008, shared service centres were created in Derby, Vasteras and Montréal to improve the quality of recruitment and reduce lead times and costs. Transportation maintains stable relationships with its various unions and employee representatives, and regular meetings are held with site and national unions, as well as with Bombardier's European Works Council and its Liaison Committee, to ensure this relationship is maintained.

Fixed-term commitments

The Corporation has historically offered, and will continue to offer, a significant portion of its products on fixed-term contracts, rather than contracts under which payment is determined solely on a time-and-material basis. Generally, the Corporation may not terminate these contracts unilaterally. The Corporation is exposed to risks associated with these projects, including unexpected technological problems, difficulties with the Corporation's partners and subcontractors and logistical difficulties that could lead to cost overruns and late delivery penalties.

The Corporation relies on tools, methodologies and past experience to manage the risks associated with estimating, planning and performing these projects. The Corporation's risk-management strategy includes a governance process to assess the risk of any deviation from the revenue, cost, schedule and technical targets, established as part of a detailed plan to develop specific risk-mitigation plans. Such practices include a sales contract evaluation process, ensuring compliance with internal policy. Risk-management for product cost includes developing of long-term relationships with suppliers, along with supplier evaluation and competitive bidding processes.

FINANCING RISK

Liquidity and access to capital markets

The Corporation requires continued access to capital markets to support its activities. To satisfy its financing needs, the Corporation relies on cash resources, debt and cash flow generated from operations. Any impediments to the Corporation's ability to access capital markets, including a decline in credit ratings, a significant reduction in the surety market global capacity, significant changes in market interest rates or general economic conditions, or an adverse perception in capital markets of the Corporation's financial condition or prospects, could materially and adversely affect the Corporation's business, financial condition and results of operations. Credit ratings may be impacted by many external factors beyond the Corporation's control and, accordingly, no assurance can be given that the Corporation's credit ratings may not be reduced in the future.

The Corporation centrally manages its financial position, the pension deficit, as well as the level and adequacy of liquidity and capital resources. A central treasury function manages the Corporation's exposure to interest rate risks, access to capital markets, as well as its relationships with major financial suppliers in the banking and insurance industries.

Restrictive debt covenants

The indentures governing certain of the Corporation's indebtedness and the letters of credit facility contain covenants that, among other things, restrict the Corporation's ability to:

- incur additional debt and provide guarantees;
- repay subordinated debt;
- create or permit certain liens;
- use the proceeds from the sale of assets and subsidiary stock;

- pay dividends and make certain other restricted payments;
- create or permit restrictions on the ability of its subsidiaries to pay dividends or make other payments;
- engage in certain transactions with affiliates; and
- enter into certain consolidations, mergers or transfers of all or substantially all of its assets.

These restrictions could impair the Corporation's ability to finance its future operations or its capital needs, or engage in other business activities that may be in its interest.

In addition, the Corporation is subject to various financial covenants under its letters of credit facility, including the requirement to maintain (as defined in the related agreements):

- a minimum EBITDA, before special items, to fixed charges ratio of 3.5 at the end of each fiscal quarter;
- a maximum modified gross debt-to-modified capitalization ratio of 70% at the end of each fiscal quarter until April 30, 2008, and 65% thereafter; and
- a maximum modified net debt to EBITDA, before special items, ratio of 2.5 as at January 31, 2008 and July 31, 2008; 2.75 as at April 30, 2008; and 2.0 as at October 31, 2008 and at the end of each fiscal quarter thereafter.

The Corporation's ability to comply with these covenants may be affected by events beyond its control. A breach of any of these agreements or the Corporation's inability to comply with these covenants could also result in a default under its letters of credit facility, which would permit the Corporation's banks to request the immediate cash collateralization of all outstanding letters of credit and the bond holders and other lenders of the Corporation to declare amounts owed to them to be immediately payable. If the Corporation's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it.

The Corporation regularly monitors these ratios to ensure it meets all of the financial covenants, and has controls in place to ensure that other contractual covenants are met.

Financing support provided on behalf of certain customers

From time to time, the Corporation provides aircraft financing support to regional aircraft customers. The Corporation may also provide interim financing (while a permanent financing solution is being arranged), which includes loans made to customers and, on a very limited basis, the leasing of aircraft to customers. The Corporation faces the risk that certain customers, mainly regional aircraft customers, may not be able to obtain permanent financing. This, in turn, could materially and adversely affect the Corporation's business, financial condition and results of operations.

The Corporation may also provide, directly or indirectly, credit and residual value guarantees to airlines, to support financing for airlines or to support financings by certain special purpose entities created solely i) to purchase regional aircraft from the Corporation and to lease those aircraft to airlines, and ii) to purchase financial assets related to regional aircraft manufactured by the Corporation. Under these arrangements, the Corporation is obligated to make payments to a guaranteed party in the event that the original debtor or lessee does not make the lease or loan payments, or if the market or resale value of the aircraft is below the guaranteed residual value amount at an agreed-upon date, generally the expiry date of the related financing and lease arrangements. A substantial portion of these guarantees has been extended to support original debtors or lessees with less than investment grade credit. Significant claims under these guarantees could materially and adversely affect the Corporation's business, financial condition and results of operations.

The Corporation has undertaken initiatives to restrict various types of financing support provided on behalf of certain customers, notably credit guarantees. The Corporation's risk-management framework for credit and residual value risks consists of risk control, risk measurement, risk monitoring and risk transfer. The Corporation practices active risk control through the inclusion of protective covenants and asset-collateral protection in commercial contracts to mitigate its exposure to these risks.

Quantitative assessments of the risk relating to these guarantees and the determination of the liabilities to be recorded in the Consolidated Financial Statements, if any, are performed using a stochastic simulation model to evaluate the potential risks of paying on guarantees as well as to determine the fair value of loans and sales incentives provided to customers. By simulating many scenarios where default may or may not occur, based on published default probabilities, the Corporation calculates the fair value of the guarantees at a given point in time. These fair value calculations are updated on a quarterly basis with the latest assumptions available.

Risk monitoring includes the ongoing reporting of exposures to Management, active credit watch, on-site credit due diligence and active intervention. In addition, asset value trends for the Corporation's products are closely monitored.

Government support

From time to time, the Corporation receives various types of government support. Some of these financial support programs require the Corporation to pay amounts to the government at the time of delivery of products, contingent on an agreed-upon minimum level of related product sales being achieved. The level of government support reflects government policy and depends on fiscal spending levels and other political and economic factors. The Corporation cannot predict if future government-sponsored support will be available. The loss or any substantial reduction in the availability of government support could, among others, negatively impact the Corporation's liquidity assumptions regarding the development of aircraft. In addition, any future government support received by the Corporation's competitors could have a negative impact on the Corporation's competitiveness, sales and market share.

The Corporation monitors available government support programs on an ongoing basis and factors the availability of funding support into the various investment decisions it makes through the funding strategy. The risk of non-availability of support is mitigated by signing formal letters of agreement with the appropriate governmental body, which detail the criteria to which the parties to the agreement must adhere. Adherence to these agreements is monitored internally on a regular basis.

MARKET RISK

Foreign currency fluctuations

The Corporation‘s financial results are reported in U.S. dollars and a portion of its sales and operating costs are realized in currencies other than U.S. dollars, in particular euros, Canadian dollars and pounds sterling. The Corporation's results of operations are therefore affected by movements of these currencies against the U.S. dollar. Significant long-term fluctuations in relative currency values could have an adverse effect on its future profitability.

Although the Corporation's foreign currency policy is to use derivative financial instruments to manage cash flow foreign currency exposures, given the volatility of currency exchange rates and the policy to hedge only a portion of this exposure in Aerospace, the Corporation may not be able to manage these risks effectively. Volatility in currency exchange rates may generate losses, which could materially and adversely affect the Corporation's business, financial condition and results of operations.

The Corporation's main exposures to cash flow foreign currency exposures are managed by the segments and are covered by a central treasury function. Foreign currency exposures are managed in accordance with the Corporation's foreign currency policy and procedures. This policy requires each segment to identify all

potential foreign currency exposures arising from their operations and to hedge that exposure according to pre-set criteria.

The Corporation's foreign currency hedging programs are typically unaffected by changes in market conditions, since the related derivative financial instruments are generally held to maturity, consistent with the objective to lock in currency rates on the hedged item.

Derivative financial instruments used to manage foreign currency exposure consist mainly of forward foreign exchange contract and cross-currency interest rate swap agreements.

Changing interest rates

The Corporation is exposed to risks from fluctuating interest rates that could materially and adversely affect the Corporation's business, financial condition and results of operations.

The Corporation manages its exposure to interest rates mostly through the prudent use of interest rate swaps, in the context of an asset/liability management strategy. Under this strategy, certain long-term debts are synthetically converted from fixed to variable interest rates to match the variable interest rates of assets such as cash and cash equivalent and invested collateral, while also considering the fixed rate nature of its unfunded pension obligations.

Commodity price risk

The Corporation is subject to commodity price risk relating principally to fluctuations in material prices used in the supply chain, such as aluminium and titanium, which could materially and adversely affect the Corporation's business, financial condition and results of operations.

For materials with large usage volumes such as aluminium and titanium, the Corporation has secured long-term agreements, covering a significant portion of its supply requirements. In most cases, the Corporation also has alternate sources for commodities or is actively developing them.

Aerospace also has agreements in place with aluminium and titanium suppliers to cover the raw-material needs of its supply base. These agreements with suppliers also contain provisions limiting its exposure to price fluctuations and ensuring availability of supply.

Item 4 Dividends

The Corporation declared the dividends indicated below on its outstanding shares during each of the fiscal years ended January 31, 2008, January 31, 2007 and January 31, 2006. These dividends are denominated in Canadian dollars.

	Fiscal years ended January 31,					
	2008		2007		2006	
(millions of dollars, except per share amounts)	Total	Per share	Total	Per share	Total	Per share
Series 2 Cumulative Redeemable Preferred Shares	9.2	1.52317	3.8	$1.45912	2.9	$1.11586
Series 3 Cumulative Redeemable Preferred Shares	8.1	1.34288	12.9	$1.36900	12.9	$1.36900
Series 4 Cumulative Redeemable Preferred Shares	14.7	1.5625	14.7	$1.56250	14.7	$1.56250
Class A Shares (Multiple Voting)	—	—	—	—	—	—
Class B Subordinate Voting Shares	—	—	—	—	—	—

The articles of the Corporation stipulate that no dividends may be paid on the Class A Shares (Multiple Voting) (the "Class A Shares") or the Class B Subordinate Voting Shares unless all accrued and unpaid dividends on the Series 2 Cumulative Redeemable Preferred Shares (the "Series 2 Preferred Shares"), Series 3 Cumulative Redeemable Preferred Shares (the "Series 3 Preferred Shares") and Series 4 Cumulative Redeemable Preferred Shares (the "Series 4 Preferred Shares") have been declared and paid or set aside for payment, or all the outstanding Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares, as the case may be, have been called for redemption and the redemption price of such shares has been deposited in the manner set out in the articles of the Corporation.

The holders of Class B Subordinate Voting Shares are entitled, in preference to the holders of Class A Shares, to a non-cumulative dividend at the rate of CAN$0.0015625 per share per annum, or CAN$0.000390625 per quarter; when a dividend on the Class B Subordinate Voting Shares at the rate of CAN$0.0015625 per share per annum is declared and paid or set aside for payment in any fiscal year, the Class A Shares and the Class B Subordinate Voting Shares participate equally, share for share, with respect to any additional dividend which may be declared, paid or set aside for payment during said fiscal year.

In general, the Corporation's policy is to set the total amount of its dividends for a fiscal year at approximately 30% of the consolidated net income for the previous fiscal year. The Board of Directors of the Corporation reserves the right to modify this policy at any time. On February 20, 2008, the Board of Directors of Bombardier decided that in accordance with the Corporation's policy and based on the financial results for fiscal year 2008, there would be no dividend payment on the Class A Shares and the Class B Subordinate Voting Shares for fiscal year 2009.

Item 5 General Description of Capital Structure

The authorized capital of the Corporation consists of (i) an unlimited number of preferred shares without nominal or par value issuable in series (the "Preferred Shares"), of which 12,000,000 have been designated as the Series 2 Preferred Shares, 12,000,000 have been designated as the Series 3 Preferred Shares and 9,400,000 have been designated as the Series 4 Preferred Shares, (ii) 1,892,000,000 Class A Shares, and (iii) 1,892,000,000 Class B Subordinate Voting Shares. As at January 31, 2008, the Corporation had outstanding 9,464,920 Series 2 Preferred Shares, 2,535,080 Series 3 Preferred Shares, 9,400,000 Series 4 Preferred Shares, 316,961,957 Class A Shares and 1,434,973,636 Class B Subordinate Voting Shares. It should be noted that in August 2007, following the exercise by shareholders of the conversion privilege attached to Series 2 and Series 3 Preferred Shares of the Corporation, 6,949,749 Series 3 Preferred Shares of the Corporation were converted into Series 2 Preferred Shares of the Corporation and 82,736 Series 2 Preferred Shares of the Corporation were converted into Series 3 Preferred Shares of the Corporation.

The Class B Subordinate Voting Shares are restricted securities (within the meaning of the relevant Canadian regulations respecting securities) in that they do not carry equal voting rights. In the aggregate, all of the voting rights associated with the Class B Subordinate Voting Shares represented, as at January 31, 2008, 31.16% of the voting rights attached to all of the Corporation's issued and outstanding voting securities.

Class A Shares and Class B Subordinate Voting Shares

Subordination and Voting Rights

The Class A Shares and the Class B Subordinate Voting Shares rank after the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. Each Class A Share entitles the holder thereof to 10 votes and each Class B Subordinate Voting Share entitles the holder thereof to one vote.

Dividends and Liquidation

The holders of Class B Subordinate Voting Shares are entitled to receive, in each fiscal year, if declared by the Board of Directors, a non-cumulative dividend at the rate of CAN$0.0015625 per share per annum and after payment or setting aside for payment of said dividend, the holders of Class A Shares and the holders of Class B Subordinate Voting Shares will be entitled, share for share, to any additional dividend which may be declared by the Board of Directors in such fiscal year in respect of the Class A Shares and Class B Subordinate Voting Shares.

In the event of the liquidation, dissolution or winding-up of the Corporation, the holders of Class A Shares and the holders of Class B Subordinate Voting Shares will be entitled, share for share, to receive on a *pro rata* basis all of the assets of the Corporation remaining after payment of all of the liabilities, subject to the preferential rights attaching to any shares ranking prior to the Class A Shares and Class B Subordinate Voting Shares.

Conversion Privilege

Each Class A Share is convertible at any time by the holder thereof into one fully paid and non-assessable Class B Subordinate Voting Share. Each Class B Subordinate Voting Share is convertible by the holder thereof into one fully paid and non-assessable Class A Share at any time upon and after the occurrence of either one of the following events: (i) if an offer (as defined) is made to the holders of Class A Shares to acquire Class A Shares and such offer is accepted by the majority shareholder of the Corporation, namely, the Bombardier Family; or (ii) if such majority shareholder of the Corporation ceases to hold more than 50% of the outstanding Class A Shares.

Except for the rights, privileges, restrictions and conditions attaching to the Class A Shares and Class B Subordinate Voting Shares as described above, the Class A Shares and the Class B Subordinate Voting Shares have the same rights, are equal in all respects and will be treated by the Corporation as if they were shares of the same class.

The Class A Shares and the Class B Subordinate Voting Shares were the subject of a two-for-one stock split in July 2000, 1998 and 1995.

Preferred Shares as a Class

Issuable in Series

The Preferred Shares are issuable in series, each series consisting of such number of shares and having such provisions as may be determined by the Board of Directors prior to the issue thereof.

Priority

The Preferred Shares of each series will rank equally with the Preferred Shares of all other series and will rank ahead of the Class A Shares and the Class B Subordinate Voting Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation.

Dividends

The holders of Preferred Shares are entitled to receive preferential dividends in such amounts and at such intervals as may be determined by the Board of Directors in respect of each series prior to the issue thereof.

Voting Rights

The holders of Preferred Shares do not have the right to receive notice of, attend, or vote at, any meeting of shareholders except to the extent otherwise provided in the Articles of the Corporation in respect of any series of Preferred Shares or when holders of Preferred Shares are entitled to vote as a class or as a series as set forth in the *CBCA* or any successor statute, as amended from time to time. In connection with any matter requiring the approval of the Preferred Shares as a class, each holder is entitled to one vote for each dollar of the issue price of the Preferred Shares held. Holders of Preferred Shares have no pre-emptive rights.

Modifications

The class provisions of the Preferred Shares may be amended at any time with such approval as may be required by the CBCA. The CBCA currently provides that such approval may be given by at least two-thirds of the votes cast at a meeting of the holders of Preferred Shares. The Articles of the Corporation provide, in respect of meetings of holders of Preferred Shares, that a quorum is constituted by the holders of such number of Preferred Shares carrying at least 25% of the voting rights attached to all the outstanding Preferred Shares; however, at any adjourned meeting in the event of a failure to meet the quorum requirement, the quorum will be constituted by the persons present at such adjourned meeting, irrespective of the percentage of outstanding Preferred Shares held by such persons.

Series 2 Preferred Shares

The Series 2 Preferred Shares are non-voting, redeemable at the Corporation's option at CAN$25.50 per share (together with accrued and unpaid dividends), convertible on a one-for-one basis on August 1, 2012 and on August 1 of every fifth year thereafter into Series 3 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 2 Preferred Shares, such remaining number shall be automatically converted into an equal number of Series 3 Preferred Shares. Additionally, if the Corporation determines that at such time, there would be less than 1,000,000 outstanding Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted. Since August 1, 2002, floating adjustable cumulative preferential cash dividends are payable monthly, if declared, with the annual floating dividend rate equal to 80% of the Canadian prime rate. The dividend rate will float in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% of the prime rate if the trading price of the Series 2 Preferred Shares is less than CAN$24.90 per share or more than CAN$25.10 per share.

Series 3 Preferred Shares

The Series 3 Preferred Shares are non-voting, redeemable at the Corporation's option at CAN$25.00 per share (together with accrued and unpaid dividends) on August 1, 2012 and on August 1 of every fifth year thereafter, convertible on a one-for-one basis at the option of the holder on August 1, 2012 and on August 1 of every fifth year thereafter into Series 2 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 3 Preferred Shares, such remaining number shall be automatically converted into an equal number of Series 2 Preferred Shares. Additionally, if the Corporation determines that at such time there would be less than 1,000,000 outstanding Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted. The Series 3 Preferred Shares carry an annual dividend rate of 5.267% for the five-year period from August 1, 2007 to and including July 31, 2012, payable quarterly, if declared. The quarterly dividend rate will be fixed by the Corporation at least 45 days and not more than 60 days before each subsequent five-year dividend period. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada bond yield as defined in the Articles of Amendment creating the Series 3 Preferred Shares.

Series 4 Preferred Shares

The 6.25% Series 4 Preferred Shares are entitled to fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, at a rate equal to CAN$1.5625 per share per annum. Dividends are payable quarterly on the last day of July, October, January and April each year at a rate of CAN$0.390625 per share per quarter. The Series 4 Preferred Shares are non-voting. The Corporation may, subject to certain provisions, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Preferred Shares in whole or in part, at the Corporation's option, at CAN$25.75 if redeemed thereafter and prior to March 31, 2009, CAN$25.50 if redeemed thereafter and prior to March 31, 2010, CAN$25.25 if redeemed thereafter and prior to March 31, 2011 and CAN$25.00 if redeemed on or after March 31, 2011, in each case together with all declared and unpaid dividends to the date of redemption. Alternatively, the Corporation may, on not less than 30 nor more than 60 days' notice, subject to stock exchange approvals, convert all or any of the Series 4 Preferred Shares into fully paid and non-assessable Class B Subordinate Voting Shares of the Corporation. The number of Class B Subordinate Voting Shares of the Corporation into which each Series 4 Preferred Share may be so converted will be determined by dividing the applicable redemption price per Series 4 Preferred Shares together with all declared and unpaid dividends at the date of conversion by the greater of CAN$2.00 and 95% of the weighted average trading price of such Class B Subordinate Voting Shares on the TSX for the period of 20 consecutive trading days which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day. The Corporation may, at its option, at any time grant the holders of Series 4 Preferred Shares the right, but not the obligation, to convert their shares upon notice into a further series of Preferred Shares.

Security Ratings

As at January 31, 2008, the Corporation had a BB rating for its corporate credit from Fitch Ratings ("Fitch"), following a rating upgrade effective January 18, 2008. The Corporation's debt securities have also been rated Ba2 by Moody's Investors Service ("Moody's") and BB by Standard & Poor's ("S&P"). Fitch and S&P have also rated the preferred shares of the Corporation respectively as a B^+ and P4. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuance of securities. Dominion Bond Rating Service Limited ("DBRS") issued BB and Pfd-4 ratings to the Corporation for its senior debentures and preferred shares, respectively. Such ratings were unsolicited and based solely on public information.

S&P rates (i) long term debt by rating categories ranging from a high of AAA to a low of D, and (ii) preferred shares by rating categories ranging from Pfd-1 (high) to a low of D, Moody's ratings range from a high of Aaa to a low of C, Fitch's ratings range from a high of AAA to a low of D and DBRS ratings range from a high of AAA to a low of D.

The credit ratings accorded by S&P, Moody's, Fitch and DBRS are not recommendations to purchase, hold or sell the securities. There is no assurance that the ratings will remain in effect for any given period of time or that the rating will not be revised or withdrawn entirely by S&P, Moody's, Fitch and DBRS in the future if it is in their judgement that circumstances so warrant.

Item 6 Market for the Securities of the Corporation

The Corporation's Class A Shares, Class B Subordinate Voting Shares, Series 2 Preferred Shares, Series 3 Preferred Shares and Series 4 Preferred Shares are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbols "BBD.A", "BBD.B", "BBD.PR.B", "BBD.PR.D" and "BBD.PR.C", respectively. Trading Prices and Volumes.

The following table sets forth the reported high, low and closing sale prices in Canadian dollars and the cumulative volume of trading of each of the Corporation's securities listed for trading on the TSX for the periods indicated:

MONTH		Class A Shares "BBD.A"	Class B Subordinate Voting Shares "BBD.B"	Series 2 Preferred Shares "BBD.PR.B"	Series 3 Preferred Shares "BBD.PR.D"	Series 4 Preferred Shares "BBD.PR.C"
	High	$6.02	$6.01	$19.45	$18.96	$21.79
January 2008	Low	$4.10	$4.06	$17.15	$16.30	$19.79
	Close	$4.96	$4.95	$17.49	$17.99	$20.60
	Volume	1,771,431	164,330,872	167,310	92,357	171,858
	High	$6.36	$6.35	$19.60	$18.25	$20.79
December 2007	Low	$5.75	$5.63	$18.50	$16.05	$19.51
	Close	$5.98	$5.96	$19.49	$18.00	$20.79
	Volume	806,202	118,877,520	152,318	56,030	159,239
	High	$6.06	$6.05	$19.70	$18.75	$20.94
November 2007	Low	$5.08	$5.08	$18.10	$17.10	$19.00
	Close	$6.06	$6.05	$19.25	$17.94	$20.50
	Volume	827,943	136,207,824	220,896	62,873	214,473
	High	$6.25	$6.19	$19.85	$19.24	$21.98
October 2007	Low	$5.06	$4.75	$19.50	$17.32	$20.48
	Close	$5.65	$5.60	$19.69	$18.00	$20.65
	Volume	1,335,674	142,916,640	197,797	101,128	160,856
	High	$6.56	$6.50	$19.86	$19.40	$22.00
September 2007	Low	$5.76	$5.71	$19.50	$18.76	$21.21
	Close	$5.96	$5.91	$19.64	$19.24	$21.52
	Volume	1,036,353	125,666,015	217,515	37,956	122,171
	High	$6.40	$6.39	$21.00	$19.50	$21.99
August 2007	Low	$5.10	$5.04	$18.81	$17.78	$20.30
	Close	$6.26	$6.20	$19.75	$18.95	$21.55
	Volume	2,573,731	183,508,154	319,935	36,949	149,759
	High	$6.87	$6.86	$22.89	$20.00	$22.50
July 2007	Low	$6.11	$6.17	$19.40	$18.76	$21.61
	Close	$6.46	$6.45	$20.88	$19.00	$21.95
	Volume	2,229,115	148,579,533	160,881	275,815	154,305
	High	$7.00	$6.97	$21.99	$20.15	$23.20
June 2007	Low	$5.37	$5.32	$20.00	$19.25	$21.72
	Close	$6.40	$6.40	$20.27	$19.90	$22.23
	Volume	4,565,036	244,616,385	216,713	499,199	159,989
	High	$5.66	$5.65	$20.00	$19.50	$23.24
May 2007	Low	$4.61	$4.60	$19.26	$18.61	$22.80
	Close	$5.37	$5.32	$20.00	$19.45	$22.95
	Volume	1,686,235	222,475,813	165,382	1,193,045	309,629
	High	$4.75	$4.72	$19.95	$19.45	$23.75
April 2007	Low	$4.46	$4.45	$19.50	$18.50	$22.55
	Close	$4.60	$4.57	$19.75	$19.00	$23.10
	Volume	738,559	96,182,638	102,869	201,667	153,790
	High	$4.78	$4.79	$20.40	$19.49	$23.38
March 2007	Low	$4.40	$4.36	$19.25	$18.95	$22.51
	Close	$4.67	$4.66	$19.95	$19.35	$23.07
	Volume	1,002,257	128,011,809	156,477	205,973	142,814
	High	$4.88	$4.87	$20.75	$19.75	$23.69
February 2007	Low	$4.40	$4.38	$19.00	$17.90	$22.48
	Close	$4.56	$4.56	$20.40	$19.29	$23.01
	Volume	2,419,395	123,584,982	254,528	340,073	309,752

Item 7 Directors and Executive Officers

The names of the directors and executive officers of the Corporation, their municipality of residence, the positions held by them within the Corporation, the principal occupations of the directors, the period during which each director has exercised his or her mandate, as well as the number of Class A Shares, Class B Subordinate Voting Shares or Deferred Stock Units, as the case may be, of the Corporation that the directors, as at April 2, 2008 or as at January 31, 2008 for Director Deferred Stock Units ("DDSUs"), owned beneficially or over which they exercised control or direction, are indicated below. No Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares are held by any director.

Directors

Name, Municipality of Residence, Principal Occupation(s) and Position(s) Held Within the Corporation	**Period of Service as a Director**	**Class A Shares[1]**	**Class B Subordinate Voting Shares[1]**	**Director Deferred Stock Units or Other Deferred Stock Unit Programs**
LAURENT BEAUDOIN, C.C., FCA Westmount, Québec Chairman of the Board and Chief Executive Officer of the Corporation	1975 to date	13,052,944[2]	812,500[2]	887,205[3]
PIERRE BEAUDOIN Westmount, Québec Executive Vice President of the Corporation and President and Chief Operating Officer of Bombardier Aerospace	2004 to date	512,859	1,312	—
ANDRÉ BÉRARD[(a)(b)(c)(d)] Montréal, Québec Corporate Director	2004 to date	—	5,000	135,981[4]
J.R. ANDRÉ BOMBARDIER Montréal, Québec Vice Chairman of the Corporation	1975 to date	[5]	265,774	—
JANINE BOMBARDIER Westmount, Québec President and Governor, J. Armand Bombardier Foundation, charitable organization	1984 to date	[6]	40,001	121,841[4]
L. DENIS DESAUTELS, O.C., FCA[(a)(c)] Ottawa, Ontario Corporate Director	2003 to date	—	6,500	69,620[4]
JEAN-LOUIS FONTAINE Westmount, Québec Vice Chairman of the Corporation	1975 to date	4,097,472[7]	6,465	—
JANE F. GARVEY Washington, D.C., U.S.A. Executive Vice President and Chairman, Transportation Practice, APCO Worldwide, Inc.	2007	—	—	4,047[4]

Name, Municipality of Residence, Principal Occupation(s) and Position(s) Held Within the Corporation	Period of Service as a Director	Class A Shares[1]	Class B Subordinate Voting Shares[1]	Director Deferred Stock Units or Other Deferred Stock Unit Programs
DANIEL JOHNSON[8] (a)(c) Montréal, Québec Counsel, McCarthy Tétrault, LLP Barristers and Solicitors	1999 to date	—	1,200	100,180[4]
JEAN C. MONTY (9)(b)(e) Montréal, Québec Corporate Director	1998 to date	25,000	175,000	172,166[4]
ANDRÉ NAVARRI Paris, France Executive Vice President of the Corporation and President of Bombardier Transportation	2004 to date	—	50,000	—
CARLOS E. REPRESAS(b)(c) Mexico City, Mexico Chairman of the Board, Nestlé Group México	2004 to date	—	—	73,109[4]
JEAN-PIERRE ROSSO(a)(e) New York, New York, U.S.A. Chairman, World Economic Forum USA Inc.	2006 to date	—	—	48,727[4]
FEDERICO SADA G. (10)(e) Garza, Garcia, Mexico President and Chief Executive Officer Vitro, S.A. de C.V., glass producing company	2003 to date	—	—	121,971[4]
HEINRICH WEISS(b)(e) Düsseldorf, Germany Chairman and Chief Executive Officer SMS GmbH	2005 to date	—	—	101,092[4]

(1) The number of shares held is given as at April 2, 2008.

(2) Mrs. Claire Bombardier Beaudoin, wife of Mr. Laurent Beaudoin, exercises, through holding corporations which she controls (either directly or in concert with Mr. J.R. André Bombardier, Mrs. Janine Bombardier and Mrs. Huguette Bombardier Fontaine), control or direction over 61,123,490 Class A Shares and 812,500 Class B shares.

(3) As part of his compensation for the year ended January 31, 2007, Mr. Beaudoin, as Chief Executive Officer, received an annual incentive of CAN$2,285,000, which he elected be paid to him in the form of Deferred Stock Units (CAN$4.69 per unit) pursuant to the Deferred Stock Unit Plan for Senior Officers.

(4) Number of DDSUs is given as at January 31, 2008 as the number of DDSUs under the Director Deferred Stock Unit Plan is calculated and reported as at the end of the Corporation's fiscal year(s) and quarterly period(s).

(5) Mr. J.R. André Bombardier exercises, through holding corporations which he controls (either directly or in concert with Mrs. Claire Bombardier Beaudoin, Mrs. Janine Bombardier and Mrs. Huguette Bombardier Fontaine), control or direction over 65,401,042 Class A Shares.

(6) Mrs. Janine Bombardier exercises, through holding corporations which she controls (either directly or in concert with Mrs. Claire Bombardier Beaudoin, Mr. J.R. André Bombardier and Mrs. Huguette Bombardier Fontaine), control or direction over 61,973,490 Class A Shares.

(7) Mrs. Huguette Bombardier Fontaine, wife of Mr. Jean-Louis Fontaine, exercises, through holding corporations which she controls (either directly or in concert with Mrs. Claire Bombardier Beaudoin, Mr. J.R. André Bombardier and Mrs. Janine Bombardier), control or direction over 60,701,887 Class A Shares.

(8) Mr. Johnson was a director and Chairman of the Board of Geneka Biotechnologie Inc. until March 7, 2003, approximately two months prior to the date on which this corporation was deemed to have made an assignment in bankruptcy.

(9) Mr. Monty was a director or executive officer of Teleglobe Inc. and certain of its affiliates during the year preceding May 15, 2002, the date on which Teleglobe Inc. and certain of its affiliates filed for court protection under insolvency statutes in various countries, including Canada and the United States.

(10) Mr. Sada will not be presenting his candidacy for re-election as a director of the Corporation at the next Annual General Meeting.

(a) Member of the Audit Committee.

(b) Member of the Human Resources and Compensation Committee.

(c) Member of the Finance and Risk Management Committee which now replaces the Retirement Pension Oversight Committee since May 29, 2007.

(d) Lead Director.

(e) Member of the Corporate Governance and Nominating Committee

Each director remains in office until the following annual shareholders' meeting or until the election of his/her successor, unless he/she resigns or his/her office becomes vacant as a result of his/her death, removal or any other cause.

Executive Officers who are not Directors

Name and Municipality of Residence	**Position Held Within the Corporation**
Pierre Alary Montréal, Québec	Senior Vice President and Chief Financial Officer
Richard C. Bradeen Montréal, Québec	Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment
Roger Carle Town of Mount-Royal, Québec	Corporate Secretary
Daniel Desjardins Montréal, Québec	Senior Vice President, General Counsel and Assistant Secretary
François Lemarchand Montréal, Québec	Senior Vice President and Treasurer
John Paul Macdonald Longueuil, Québec	Senior Vice President, Human Resources and Public Affairs
Marie-Claire Simoneau Montréal, Québec	Executive Assistant to the Chairman

As at April 2, 2008, the directors of the Corporation (other than Mrs. Janine Bombardier and Mr. J.R. André Bombardier) and the executive officers of the Corporation, as a group, owned beneficially, directly or indirectly, 17,705,295 Class A Shares and 1,547,318 Class B Subordinate Voting Shares, representing 5.59% and 0.11% respectively, of the outstanding shares of each such class.

The directors and executive officers of the Corporation who have not occupied their current principal occupations for more than five years have had the following principal occupations during the last five years, except that where a director or executive officer has held more than one position in the same company or an affiliate of such company, only the date of his/her appointment to his current position is indicated:

– Pierre Alary has been Senior Vice President and Chief Financial Officer since June 9, 2003, after having assumed such position on an interim basis on February 12, 2003; previously, he was Vice President Finance of Bombardier since November 1, 2002.

- Laurent Beaudoin has been Chairman of the Board and Chief Executive Officer since December 13, 2004 heading the Office of the President, whose members also include Pierre Beaudoin, President and Chief Operating Officer of Bombardier Aerospace and Executive Vice President of Bombardier, and André Navarri, President of Bombardier Transportation and Executive Vice President of Bombardier; prior to that, he was Executive Chairman of the Board since June 10, 2003 and, before that, Chairman of the Board and of the Executive Committee since February 1, 1999. On November 28, 2007, Bombardier's Board of Directors announced Mr. Laurent Beaudoin will step down as Chief Executive Officer effective June 4, 2008. He will remain as Chairman of the Board.

- Pierre Beaudoin has been Executive Vice President of Bombardier and, together with André Navarri, a member of the Office of the President, headed by Laurent Beaudoin since December 13, 2004; he has also served as President and Chief Operating Officer of Bombardier Aerospace since October 16, 2001. On November 28, 2007, Bombardier's Board of Directors announced the appointment of Mr. Pierre Beaudoin as President and Chief Executive Officer of Bombardier Inc. effective June 4, 2008.

- André Bérard was Chairman of the Board of National Bank of Canada from 2002 to 2004 after having been Chairman of the Board and Chief Executive Officer from 1990 to 2002.

- Richard C. Bradeen has been Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment since January 20, 2005; prior to that date, he was Senior Vice President, Corporate Audit Services and Risk Assessment since October 1, 2003, after having acted, on an interim basis, as Vice President, Corporate Audit Services and Risk Assessment since November 25, 2002; he was also Vice President, Special Projects, responsible for Amphibious Aircraft Division, Structured Finance and Military Aviation Training Service from April 8, 2002 to January 20, 2005; prior to that date, he was Vice President, Corporate Audit Services and Risk Assessment of the Corporation since February 1, 2001.

- L. Denis Desautels has been acting as a Corporate Director since October 1, 2002.

- Daniel Desjardins has been Senior Vice President, General Counsel and Assistant Secretary of the Corporation since October 1, 2003; prior to that date, he served as Vice President, Legal Services and Assistant Secretary since April 6, 1998.

- Jane F. Garvey has been Executive Vice President and Chairman of the Transportation Practice of APCO Worldwide, Inc. since 2003. She was the Administrator of the US Federal Aviation Administration (FAA) between 1997 and 2002.

- François Lemarchand has been Senior Vice President and Treasurer of the Corporation since October 1, 2003; prior to that date, he was Vice President and Treasurer of the Corporation since October 1, 1996.

- John Paul Macdonald has been Senior Vice President, Human Resources and Public Affairs since February 1, 2008; prior to that date, he was Senior Vice President, Public Affairs of Bombardier since January 20, 2005; he was also Vice President, Communications of Aerospace from February 2002 to October 2, 2006.

- André Navarri has been Executive Vice President of Bombardier and, together with Pierre Beaudoin, a member of the Office of the President headed by Laurent Beaudoin since December 13, 2004; he has also served as President of Bombardier Transportation since February 22, 2004; prior to that date, he was President – Operations of Alcatel, a worldwide supplier of telecom equipment from September 2001 to December 2002.

- Jean-Pierre Rosso has been Chairman of World Economic Forum USA Inc., based in New York City, United States, since February 2006; he was Chairman of CNH Global N.V. from November 1999 until his retirement in May 2004.

Item 8 Legal Proceedings

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

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

On February 7, 2005, Teamsters Local 445 Freight Division Pension Fund filed a class action complaint in the United States district (i.e. federal) court of the Southern District of New York against the Corporation, Bombardier Capital Inc., Bombardier Capital Mortgage Securitization Corporation ("BCMSC") and others for alleged violations of federal securities laws relating to BCMSC's Senior/Subordinated Pass-Through Certificates, Series 2000-A due January 15, 2030. On April 15, 2005, the plaintiffs filed an amended complaint. The amendments include the inclusion of all open market purchasers of BCMSC's Senior/Subordinated Pass-Through Certificates, Series 1998-A, Series 1998-B, Series 1998-C, Series 1999-A, Series 1999-B, Series 2000-A and Series 2000-B as part of the putative class. While it cannot predict the outcome of any legal proceedings, based on information currently available, the Corporation intends to vigorously defend its position.

Item 9 Transfer Agent and Registrar

The registrar and transfer agent for each class of the Corporation's publicly listed securities is Computershare Investor Services Inc. at its principal office in each of the Canadian cities of Halifax, Montréal, Toronto, Winnipeg, Calgary and Vancouver.

Item 10 Material Contracts

Since February 1, 2007, the Corporation has not entered into any contractual arrangements outside the ordinary course of business that would be considered material to it or its businesses.

Item 11 Interest of Experts

Ernst & Young LLP is the external auditor who prepared the Auditors' Reports to the Shareholders of Bombardier Inc. under Canadian generally accepted auditing standards. Ernst & Young LLP has confirmed to the Corporation that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des Comptables agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered accountants in the other provinces of Canada.

Item 12 Audit Committee Disclosure

Audit Committee Information

Mr. L. Denis Desautels acts as Chairman of the Audit Committee and Messrs. André Bérard, Daniel Johnson and Jean-Pierre Rosso are its other members. Each of them is independent and financially literate within the meaning of *Multilateral Instrument 52-110 – Audit Committees.*

The Charter of the Audit Committee is reproduced at Schedule "B" attached to this Annual Information Form.

The education and related experience of each of the members of the Audit Committee is described below.

L. Denis Desautels O.C., FCA (Chair) – Mr. Desautels has a Bachelor of Commerce degree from McGill University. He served as Auditor General of Canada from April 1, 1991 until March 31, 2001. As Auditor General of Canada, he was responsible for conducting examinations of the operations of the Government of Canada and of its numerous Crown corporations and agencies, as well as those of Canada's three territorial governments. At the time of his appointment, he was a senior partner in the Montréal Office of Ernst & Young, LLP (formerly Clarkson Gordon). In his 27 years with Ernst & Young, he served the firm in various capacities and in a number of offices, namely Montréal, Ottawa and Québec. He is currently Vice Chairman of the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants and a member of the National Awards in Governance Advisory Committee of the Conference Board of Canada. He is presently an Executive-in-residence at the School of Management of the University of Ottawa.

André Bérard – Mr. Bérard has a Fellow's Diploma of the Institute of Canadian Bankers. He attended the Special Management Program at Harvard University. He served as Chairman of the Board of National Bank of Canada from 2002 to 2004, after having assumed the duties of Chairman of the Board and Chief Executive Officer from 1990 to 2002, President and Chief Executive Officer in 1989 and President and Chief Operating Officer from 1986 to 1989. Between 1958 and 1986, he held various positions of increasing responsibilities at National Bank of Canada. He has been a member of the Audit Committee of Bombardier since 2004 as well as the audit committee of BCE Inc., BMTC Group Inc., Falconbridge Inc. and Transforce Income Fund.

Daniel Johnson – A law graduate of Université de Montréal and a member of the Québec bar since 1967, Mr. Johnson also holds LL.M. and Ph.D. degrees from the University of London (UK), as well as an M.B.A. from Harvard University. He was Secretary and Vice President of Power Corporation of Canada until 1981. As a member of the Québec Government from 1985 to 1994, he was Minister of Industry and Commerce, then Chairman of the Treasury Board and Minister responsible for Administration and the Public Service. He was also Minister responsible for the Montréal region and a member of the Standing Cabinet Committee on Planning, Regional Development and the Environment and of the Legislation Committee. He became Leader of the Québec Liberal Party in December 1993, was Premier of the Province of Québec until September 1994, and Leader of the Official Opposition until May 1998.

Jean-Pierre Rosso – Mr. Rosso has a B.S., Civil Engineering, from « École Polytechnique Fédérale de Lausanne (EPF) » and an M.B.A. from Wharton School of the University of Pennsylvania. He has chaired World Economic Forum USA Inc. since April 2006. He served as Chairman of CNH Global N.V., an agricultural and construction equipment manufacturer, from November 1999 until his retirement in May 2004. He was Chief Executive Officer of CNH Global N.V. from November 1999 to November 2000. He acted as Chairman and Chief Executive Officer of Case Corporation, an agricultural and construction equipment manufacturer, from March 1996 to November 1999, after having been President and Chief Executive Officer of Case Corporation from April 1994 to March 1996. As a director of Medtronic Inc. since 1998, Mr. Rosso was Chairman of its Audit Committee until August 2006 and he continues to be one of its members.

Appointment of Auditors

For each of the financial years ended January 31, 2008 and 2007, Ernst & Young, LLP, billed the Corporation the following fees for services:

Fees	Financial Year Ended January 31, 2008	Financial Year Ended January 31, 2007
Audit fees	13,901,000	12,809,000
Audit-related fees	1,444,000	736,000
Tax fees	3,202,000	1,666,000
All other fees	147,000	159,000
Total Fees:	18,694,000	15,370,000

In the table above, the terms in the column "Fees" have the following meanings: "Audit fees" refers to all fees incurred in respect of audit services, being the professional services rendered by the Corporation's auditors for the audit of its annual financial statements and those of its subsidiaries and the review of the Corporation's quarterly financial statements as well as services normally provided by the Corporation's external auditors in connection with statutory and regulatory filings and engagements; "Audit-related fees" refers to the aggregate fees billed for assurance and related services by the Corporation's external auditors that are reasonably related to the performance of the audit or review of its financial statements and are not reported under "Audit fees"; " Tax fees" refers to the aggregate fees billed for professional services rendered by the Corporation's external auditors for tax compliance, tax advice, and tax planning; and "All other fees" refers to the aggregate fees billed for products and services provided by the Corporation's external auditors, other than "Audit fees", "Audit-related fees" and "Tax fees". The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the independence of the Corporation's external auditors. The Audit Committee has adopted a policy that prohibits the Corporation's from engaging its external auditors for "prohibited" categories of non-audit services and requires pre-approval by such Committee of audit services and other services within certain permissible categories of non-audit services.

Item 13 Additional Information

Additional financial information is provided in the Corporation's financial statements and Management Discussion & Analysis for its most recently completed financial year. All information incorporated by reference into this Annual Information Form is contained or included in one of the Corporation's continuous disclosure documents filed with the Canadian securities regulatory authorities which may be viewed on SEDAR at www.sedar.com. Where a section of this Annual Information Form incorporates by reference information from one of the Corporation's other continuous disclosure documents, such section makes specific reference to the document in which such information is originally contained or included, as well as to the relevant page and/or section.

Item 14 Forward-Looking Statements

This Annual Information Form includes forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation's actual results in future periods to differ materially from forecasted results. While the Corporation considers its

assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this Annual Information Form, please refer to the respective sections of the Corporation's aerospace segment and the Corporation's transportation segment in the Management's Discussion and Analysis on the Corporation's Web site at www.bombardier.com.

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

SCHEDULE A

LIST OF TRADEMARKS OF BOMBARDIER INC. AND ITS SUBSIDIARIES USED IN THE ANNUAL INFORMATION FORM

Aerospace Trademarks

- Bombardier
- CL-215
- Bombardier 415
- Global
- Global Express
- Global Vision
- XRS
- Bombardier Global 5000
- Challenger
- Challenger 300
- Challenger 600
- Challenger 601
- Challenger 604
- Challenger 605
- Challenger 850
- Challenger 870
- Challenger 890
- CRJ
- CRJ200
- CRJ700
- CRJ705
- CRJ900
- CRJ1000
- CSeries
- Flexjet
- Learjet
- Learjet 40
- Learjet 45
- Learjet 60
- Learjet 85
- NextGen
- XR
- Q-Series
- Q200
- Q300
- Q400
- Skyjet

Transportation Trademarks

- MITRAC
- TALENT
- TRAXX
- ORBITA

- SEKURFLO
- EBI
- SPACIUM
- ZEFIRO
- FLEXITY
- CITYFLO
- INTERFLO
- MOVIA
- TURBOSTAR

SCHEDULE B

BOMBARDIER INC.

CHARTER OF THE AUDIT COMMITTEE

1.1 Membership and Quorum

- A minimum of four directors who shall all be independent.
- All the members of the Audit Committee shall be financially literate or shall become financially literate within a reasonable period of time after their appointment to the Audit Committee; a member of the Audit Committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Bombardier's financial statements.
- Quorum: a majority of the members.

1.2 Frequency and Timing of Meetings

- Normally, in conjunction with Bombardier Board meetings.
- At least four times a year and as necessary.

1.3 Chairman of the Audit Committee

One of the members of the Audit Committee shall act as its Chairman. The responsibilities of the Chairman of the Audit Committee include the following:

A. PROVIDING LEADERSHIP TO ENHANCE THE AUDIT COMMITTEE'S E EFFECTIVENESS

- ensuring that the Audit Committee works as a cohesive team and providing the leadership essential to achieve this;
- ensuring that the resources available to the Audit Committee (in particular timely and relevant information) are adequate to support its work.

B. MANAGING THE AUDIT COMMITTEE

- setting the agenda of the Audit Committee, in consultation with the Senior Vice President and Chief Financial Officer, and prior to the meeting of the Audit Committee, circulating the agenda to the members of the Audit Committee;
- adopting procedures to ensure that the Audit Committee can conduct its work effectively and efficiently, overseeing the Audit Committee structure and composition, scheduling and management of meetings;

- ensuring that the conduct of the Audit Committee meetings provides adequate time for serious discussion of relevant issues;
- ensuring that the outcome of the meeting of the Audit Committee and any material matters reviewed at such meeting are reported to the Board at its next regular meeting.

1.4 Mandate of the Audit Committee

A. PURPOSE

The Audit Committee is a Committee of the Board formed to assist it in overseeing the financial reporting process.

B. OBJECTIVES

The objectives of the Audit Committee are:

- to help the directors meet their responsibilities with respect to accountability;
- to assist in maintaining good communication between the directors and the external auditor;
- to assist in maintaining the external auditor's independence;
- with the assistance of the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, to ensure that an appropriate system of internal accounting and financial controls is maintained in view of the major business risks facing Bombardier;
- to maintain the credibility and objectivity of financial reports;
- to investigate and assess any issue that raises significant concern to the Audit Committee, with the assistance, if so required by the Audit Committee, of the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and/or the external auditor.

C. *MEETINGS*

- Any member of the Audit Committee or the external auditor or the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment may request a meeting of the Committee.
- The Chairman of the Board and Chief Executive Officer, the Senior Vice President and Chief Financial Officer and the Senior Vice President and Treasurer shall attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Audit Committee.
- The Chairman of the Board and Chief Executive Officer may, at his option, only attend that part of the meeting of the Audit Committee during which the quarterly or annual, as the case may be, consolidated financial statements of Bombardier, the related management's discussion and analysis and the press release to be issued on the consolidated financial statements are reviewed by the Audit Committee members.
- The Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment shall have direct access to the Audit Committee and shall receive notice of and attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him.

- The external auditor shall have direct access to the Audit Committee and shall receive notice of and have the right to attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him.
- The Chairman of the Board and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment or any other representative of management whose presence is requested by the Chairman of the Audit Committee or any of the Audit Committee members, and the external auditor shall meet separately with the Audit Committee, in a private session held during the course of a meeting, at least once annually.
- Minutes of the meetings of the Audit Committee shall be kept by the Corporate Secretary. Supporting documents reviewed by the Audit Committee shall be kept by the Corporate Secretary. A copy of the minutes of any meeting or of any supporting document shall be made available for examination by any director of Bombardier upon request to the Corporate Secretary.

D. DUTIES AND RESPONSIBILITIES

- As they relate to the Board and financial reporting

a) Assist the Board in the discharge of its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others relating to Bombardier's financial statements and its financial reporting practices and the system of internal accounting and financial controls, the corporate audit and risk assessment function, the management information systems, the annual external audit of Bombardier's financial statements and the compliance by Bombardier with laws and regulations and its own Code of Ethics and Business Conduct.

b) Maintain a free and open line of communication with the management of Bombardier, the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment and the external auditor.

c) Review, before their disclosure, Bombardier's quarterly consolidated financial statements, the related management's discussion and analysis and the press release on the quarterly financial results and, if appropriate, recommend to the Board their approval and disclosure.

d) Review, before their disclosure, Bombardier's annual audited consolidated financial statements, the related management's discussion and analysis, and the press release on the annual consolidated financial results and, if appropriate, recommend to the Board their approval and disclosure.

e) Review the presentation and impact of significant, unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks and changes in provisions, estimates or reserves included in any financial statements.

f) Obtain explanations for communication to the Board for all significant variances between comparable reporting periods.

g) Review any litigation, claim or other contingency, including tax assessments and environmental situations, that could have a material adverse effect upon the financial position or operating results of Bombardier, and the manner in which these matters are disclosed in the financial statements.

h) Review the appropriateness of the accounting policies used in the preparation of Bombardier's financial statements, and consider recommendations for any material change to such policies.

i) To the extent not previously reviewed by the Audit Committee, review and, if appropriate, recommend to the Board the approval of all financial statements included in the prospectus and other offering memoranda and all other financial reports required by regulatory authorities and requiring approval by the Board.

j) Review the statement of management's responsibility for the financial statements as signed by the management of Bombardier and included in any published document.

k) Ensure that adequate procedures are in place for the review of Bombardier's public disclosure of financial information extracted or derived from Bombardier's financial statements, other than the public disclosure referred to in paragraph c) or d) above, and periodically assess the adequacy of those procedures.

l) Ensure that procedures are in place for

   (i) the receipt, retention and treatment of complaints received by Bombardier regarding accounting, internal accounting controls, or auditing matters; and

   (ii) the confidential, anonymous submission by employees of Bombardier of concerns regarding questionable accounting or auditing matters.

m) Where there is to be a change of external auditor, review all issues related to the change, including any differences between Bombardier and the external auditor that relate to the external auditor's opinion or a qualification thereof or an external auditor's comment.

n) Monitor the application of, and, if need be, review and make appropriate recommendations to management in order to update the Corporate Disclosure Policy of Bombardier.

- As they relate to the external auditor

a) Explicitly affirm that the external auditor is independent and accountable to the Board and the Audit Committee, and in that context, work constructively with the external auditor to build an effective relationship that allow for full, frank and timely discussion of all material issues, with or without management as appropriate in the circumstances.

b) Recommend to the Board a firm of external auditors for submission to the shareholders of Bombardier.

c) Review and make recommendations to the Board with respect to the fees payable for the external audit.

d) For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the terms of the external auditor's (i) annual audit services engagement letter and (ii) the quarterly review services engagement letter; each of these letters shall be signed by the Chairman of the Audit Committee.

e) For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the scope of the (i) annual audit and of other audit related services and (ii) the quarterly review services to be rendered by the external auditor; in that context, ensure that the external auditor has access to all books, records, facilities and personnel of Bombardier.

f) Review with the external auditor the contents of its report with respect to the annual consolidated financial statements of Bombardier and the results of the external audit, any significant problems encountered in performing the external audit, any significant recommendations further to the external audit and management's response and follow-up in that context and ensure that the external auditor is satisfied that the accounting estimates and judgments made by management's selection of accounting principles reflect an appropriate application of generally accepted accounting principles.

g) Review any significant recommendations by the external auditor to strengthen the internal accounting and financial controls of Bombardier.

h) Review any unresolved significant issues between management and the external auditor that could affect the financial reporting or internal controls of Bombardier.

i) To the extent practicable, assess the performance of the external auditor at least once a year.

j) Ensure that the external auditor shall not provide the following services to Bombardier:

- bookkeeping or other services related to the accounting records or financial statements of Bombardier;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions;
- human resources;
- broker or dealer, investment adviser, or investment banking services;
- legal services; and
- expert services unrelated to the audit.

k) All non-audit services shall require the prior approval of the Audit Committee in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee.

l) Review and approve Bombardier's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of Bombardier.

- As they relate to the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment

a) At least four times a year, in conjunction with Bombardier Board meetings, review the report of the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment on the results of the work that the Corporate Audit Services and Risk Assessment function has performed and with respect to its organization, staffing, and independence.

b) Review and, if appropriate, approve the annual Corporate Audit Services and Risk Assessment plan.

c) Assess the Corporate Audit Services and Risk Assessment reporting lines and make such recommendations as are necessary to preserve the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment independence.

d) Review significant Corporate Audit Services and Risk Assessment findings and recommendations and management's responses thereto.

e) Once a year, assess the performance of the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment and if the circumstances so warrant, review and recommend the removal of the then current incumbent and the appointment of his successor and report the findings and conclusions of the Audit Committee to the Human Resources and Compensation Committee and the Chairman of the Board and Chief Executive Officer of the Corporation.

f) Once a year, review the terms of the charter of the Corporate Audit Services and Risk Assessment to ensure that they continue to be relevant and, if need be, make any appropriate modifications thereto.

- As they relate to the Audit Committee's terms of reference

Each year, review the Charter of the Audit Committee in order to ensure that it continues to be relevant and make recommendations to the Corporate Governance and Nominating Committee Board regarding its responsibilities therein.

1.5 Miscellaneous

If required, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors, and is provided with the appropriate funding for payment of the external auditors and any advisors retained by it.

While the Audit Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Bombardier's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment and the external auditor.

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board's responsibility to ensure Bombardier's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.