BOMBARDIER

- **Notice of Annual Meeting of Shareholders**

- **Management Proxy Circular**

2006

BOMBARDIER INC.

Notice of Annual Meeting of Shareholders 2006

Date: Tuesday, May 30, 2006

Time: 9:30 a.m. (Montréal time)

Place: Hyatt Regency Montréal
(Grand Salon)
1255 Jeanne-Mance Street
Montréal, Québec, Canada

The holders of Class A shares (multiple voting) and/or Class B shares (subordinate voting) of Bombardier Inc. whose names appear on the list of shareholders of Bombardier Inc. on Friday, April 7, 2006, at 5:00 p.m. (Montréal time) will be entitled to receive this notice of the meeting of shareholders and to vote at the meeting.

By order of the Board of Directors,

Roger Carle
(signed)

Roger Carle
Corporate Secretary

Montréal, Québec, Canada, April 13, 2006

Business on the agenda of the meeting:

1. Receipt of the consolidated financial statements of Bombardier Inc. for the financial year ended January 31, 2006 and the auditors' report thereon;
2. Election of the directors of Bombardier Inc.;
3. Appointment of the auditors of Bombardier Inc. and authorization of the directors of Bombardier Inc. to fix their remuneration;
4. Consideration of the two shareholder proposals set out in Schedule "A" to the Management Proxy Circular; and
5. Consideration of such other business as may properly come before the meeting.

Shareholders are entitled to vote at the meeting either in person or by proxy. **Any registered shareholder** wishing to vote by proxy has to complete the accompanying form of proxy and return it either in the envelope provided for this purpose or by fax to the transfer agent for all the shares of Bombardier Inc., Computershare Investor Services Inc., no later than 4:00 p.m. (Montréal time) on Monday, May 29, 2006. Registered shareholders may also submit a proxy by telephone or over the Internet, by following the instructions provided for in the Management Proxy Circular. **Non-registered shareholders should refer to page 4 of the Management Proxy Circular for information on how to submit a proxy.**

This Management Proxy Circular is provided in connection with the solicitation by the management of Bombardier Inc. of proxies for use at the Annual Meeting of the holders of Class A shares (multiple voting), or the Class A shares, and/or Class B shares (subordinate voting), or the Class B subordinate shares, of the Corporation to be held on Tuesday, May 30, 2006, at 9:30 a.m (Montréal time) at the Hyatt Regency Montréal (Grand Salon), 1255 Jeanne-Mance Street, Montréal, Québec, Canada, and at any and all adjournments thereof. *As used in this Management Proxy Circular, all references to "Bombardier", the "Corporation", "we", "us", "our" or similar terms are to Bombardier Inc., and unless otherwise indicated, all dollar amounts are in Canadian currency.*

Section 1 : Voting Information

Who is soliciting my proxy?

The management of Bombardier is soliciting your proxy for use at our Annual Meeting of the holders of our Class A shares and/or Class B subordinate shares.

What will I be voting on?

Holders of our Class A shares and/or Class B subordinate shares will be voting on:

- the election of the directors of the Corporation (see pages 5 to 11);
- the appointment of Ernst & Young, LLP, chartered accountants, as the auditors of the Corporation (see page 12); and
- the two shareholder proposals set out in Schedule "A" attached to this Management Proxy Circular (see pages 32 and 33).

How will these matters be decided at the meeting?

A simple majority of the votes cast, by proxy or in person, will constitute approval of each of the matters specified in this Management Proxy Circular.

How many votes do I have?

Our Class B subordinate 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 event of a ballot, each Class A share carries the right to ten votes and each Class B subordinate share carries the right to one vote. In the aggregate, all of the voting rights associated with the Class B subordinate shares represented, as at January 31, 2006, 30.95% of the voting rights attached to all of our issued and outstanding voting securities.

Each Class A share is convertible, at any time, at the option of the holder, into one Class B subordinate share. Each Class B subordinate share will become convertible into one Class A share in the event that the majority shareholder, namely the Bombardier family, accepts a purchase offer for Class A shares or in the event the majority shareholder ceases to hold more than 50% of our issued and outstanding Class A shares.

The holders of Class A shares and the holders of Class B subordinate shares, whose names appear on the list of shareholders prepared as of the close of business at 5:00 p.m. (Montréal time) on the Record Date, being Friday, April 7, 2006, will be entitled to vote at the meeting and any adjournment thereof if present or represented by proxy.

How many shares are entitled to be voted?

As at March 31, 2006, there were 319,010,012 of our Class A shares and 1,431,456,956 of our Class B subordinate shares issued and outstanding.

To the knowledge of our directors and officers, the only persons who, as at March 31, 2006, beneficially owned or exercised control or direction over shares carrying more than 10% of the voting rights attached to all of our issued and outstanding shares were Mrs. Janine Bombardier and Mr. J.R. André Bombardier, both directors of the Corporation, and Mrs. Claire Bombardier Beaudoin and Mrs. Huguette Bombardier Fontaine. The four persons mentioned above indirectly controlled, through holding companies, 249,199,909 Class A shares and 1,118,275 Class B subordinate shares, representing in the aggregate 78.12% and 0.08% of our outstanding Class A shares and Class B subordinate shares, respectively, and 53.95% of all the voting rights attached to all of our issued and outstanding shares.

As at March 31, 2006, our directors (with the exception of Mrs. Janine Bombardier and Mr. J.R. André Bombardier) and officers as a group, beneficially owned, directly or indirectly, 14,279,302 Class A shares and 5,005,411 Class B subordinate shares, representing 4.48% and 0.35%, respectively, of the outstanding shares of each such class.

How do I vote?

If you are eligible to vote and your shares are registered in your own name, you may exercise the voting rights attached to your shares in person at the meeting or by proxy, as explained below.

If your shares are held in the name of a nominee, please see the instructions below under the headings "As a non-registered shareholder, how do I vote?" and "As a non-registered shareholder, how do I vote in person at the meeting?" at page 4.

Voting by proxy

Whether or not you attend the meeting, you may appoint someone else to vote for you as your proxyholder. Your vote will thus be counted at the meeting. You may use the enclosed form of proxy, or any other proper form of proxy, in order to appoint your proxyholder. The persons named in the enclosed form of proxy, namely

Messrs. Laurent Beaudoin, J.R. André Bombardier and Jean-Louis Fontaine, are directors and officers of Bombardier. However, you may choose another person to act as your proxyholder, including someone who is not a holder of our shares, by deleting the names printed on the enclosed form of proxy and inserting another person's name in the blank space provided, or by completing another proper form of proxy.

How will my proxyholder vote?

On the form of proxy, you may indicate either how you want your proxyholder to vote your shares, or you can let your proxyholder decide for you.

If you have specified on the form of proxy how you want your shares to be voted on a particular issue (by marking **FOR, AGAINST** or **WITHHOLD**), then your proxyholder must vote your shares accordingly.

If you have not specified on the form of proxy how you want your shares to be voted on a particular issue, then your proxyholder can vote your shares as he or she sees fit.

Unless contrary instructions are provided, the voting rights attached to Class A shares and/or Class B subordinate shares represented by proxies received by our management will be voted:

FOR the election of all the nominees proposed as directors by the management of the Corporation;

FOR the appointment of Ernst & Young, LLP, chartered accountants, as auditors of the Corporation and FOR the fixing of their remuneration by the directors of the Corporation, as proposed by the management of the Corporation; and

AGAINST each of the two shareholder proposals set out in Schedule "A".

Proxy Voting Options

Shareholders may wish to vote by proxy whether or not they are able to attend the meeting in person. Registered shareholders may vote by proxy as follows: by mail or fax, by telephone or over the Internet.

Submitting a proxy by mail or fax or over the Internet are the only methods by which a shareholder may appoint a person as proxy other than a director or officer of the Corporation named on the form of proxy.

Mail or Fax

Registered shareholders electing to submit a proxy by mail must complete, date and sign the form of proxy. It must then be returned to the transfer agent for our shares, Computershare Investor Services Inc., or Computershare, either in the postage pre-paid return envelope provided or by fax at 1-866-249-7775 no later than 4:00 p.m. (Montréal time) on May 29, 2006.

Telephone

Registered shareholders electing to submit a proxy by telephone must do so by using a touchtone telephone. The telephone number to call for shareholders in Canada and in the United States is 1-866-732-VOTE (8683). For shareholders outside Canada and the United States, the telephone number to call is 312-588-4290. Shareholders must follow the instructions, use the form of proxy received from us and provide the 5-digit Control Number, the 11-digit Holder Account Number and the 5-digit Proxy Access Number located on the form of proxy. Instructions are then conveyed by use of the touchtone selections over the telephone.

Internet

Registered shareholders electing to submit a proxy over the Internet must access the following website: www.computershare.com/proxy.

Registered shareholders must then follow the instructions and refer to the form of proxy received from us which contains a 5-digit Control Number, an 11-digit Holder Account Number and a 5-digit Proxy Access Number located on the form of proxy. Voting instructions are then conveyed electronically by the shareholder over the Internet.

Non-registered shareholders, or persons whose shares are held in "nominee" name, usually banks, trust companies, securities dealers or brokers or other financial institutions, will be provided with voting instructions by their nominee. Please see further instructions below under the heading "As a non-registered shareholder, how do I vote?" (page 4).

What if there are amendments or if other matters are brought before the meeting?

The enclosed form of proxy gives the persons named in it authority to use their discretion in voting on amendments or variations to matters identified in the notice.

As of the date of this Management Proxy Circular, our management is not aware that any other matter is to be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons named in the enclosed form of proxy will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred upon them by the form of proxy with respect to such matters.

What if I change my mind and want to revoke my proxy?

You may revoke your proxy at any time before it is acted upon. You may do this by stating clearly, in writing, that you wish to revoke your proxy and by delivering this written statement to our transfer agent, Computershare, no later than the last business day before the day of the meeting, or to the Chairman of the meeting on the day of the meeting or any adjournment thereof.

Who counts the proxies?

Proxies are counted by Computershare, the transfer agent for all of our shares.

Is my vote confidential?

Our transfer agent, Computershare, preserves the confidentiality of individual shareholder votes, except (a) where the shareholder clearly intends to communicate his or her individual position to the management of Bombardier, and (b) as necessary in order to comply with legal requirements.

How are proxies solicited?

Management requests that you sign and return the form of proxy to ensure your votes are exercised at the meeting. The solicitation of proxies will be primarily by mail. However, our directors, officers and regular employees may also solicit proxies by telephone, over the Internet, in writing or in person.

How do our employees exercise their voting rights attached to the shares that they own under our Employee Share Purchase Plan?

If you are an employee and you own shares under Bombardier's Employee Share Purchase Plan, or the ESPP, your shares are registered in the name of Computershare Trust Company of Canada, the administrator of the ESPP, until such time as the shares are withdrawn from the ESPP pursuant to its terms and conditions. Voting rights attached to your shares may be exercised through the use of a voting instruction form which will permit the voting of shares by mail, fax, telephone (the number to dial for our employees in Canada and in the United States is 1-866-732-VOTE (8683) and for our employees outside Canada and the United States 312-588-4290) or over the Internet at www.computershare.com/proxy.

Your shares will be voted in accordance with your instructions as indicated in your duly completed voting instruction form. **If you are an employee shareholder and you do not indicate how your shares should be voted, then your shares will be voted:**

FOR the election of all the nominees proposed as directors by the management of the Corporation;

FOR the appointment of Ernst & Young, LLP, chartered accountants, as the auditors of the Corporation and FOR the fixing of their remuneration by the directors of the Corporation, as proposed by the management of the Corporation; and

AGAINST each of the two shareholder proposals set out in Schedule "A".

In order for you to exercise your voting rights as an employee shareholder under the ESPP, you must complete and return a voting instruction form by mail or fax or provide your instructions by phone or over the Internet.

As a non-registered shareholder, how do I vote?

If your shares are not registered in your own name, they are held in the name of a "nominee", usually a bank, trust company, securities dealer or broker or other financial institution. Your nominee must seek your instructions as to how to vote your shares. Therefore, unless you have previously informed your nominee that you do not wish to receive material relating to shareholders' meetings, you will have received this Management Proxy Circular in a mailing from your nominee, together with a form of proxy or voting instruction form. Each nominee has its own signature and return instructions. It is important that you comply with these instructions if you want the voting rights attached to your shares to be exercised. If you are a non-registered shareholder who has submitted a proxy and you wish to change your voting instructions, you should contact your nominee to find out whether this is possible and what procedure to follow.

As a non-registered shareholder, how do I vote in person at the meeting?

Since we and/or our transfer agent, Computershare, do not have at all times a record of the names of our non-registered shareholders, if you are a non-registered shareholder and you attend the meeting, we will have no knowledge of your shareholdings or your entitlement to vote, unless your nominee has appointed you as proxyholder. Therefore, if you are a non-registered shareholder and wish to vote in person at the meeting, please insert your own name in the space provided on the form of proxy or voting instruction form sent to you by your nominee. By doing so, you are instructing your nominee to appoint you as proxyholder. It is important that you comply with the signature and return instructions provided by your nominee. It is not necessary to otherwise complete the form as you will be voting at the meeting.

How do I communicate with Computershare, our transfer agent?

You can communicate with Computershare, our transfer agent, at the following address:

Computershare Investor Services Inc.
100 University Avenue
9th Floor
Toronto, Ontario M5J 2Y1

or by telephone at: 1-800-564-6253.

Section 2 : Business of the Meeting

Election of Directors

Our articles of incorporation provide that our Board of Directors shall consist of not less than five and not more than 20 directors. Our directors are elected annually. **It is proposed by our management that 16 directors be elected for the current year.** The term of office of each director so elected expires upon the election of his or her successor unless he or she shall resign or his or her office shall become vacant by death, removal or other cause.

Except where authority to vote on the election of directors is withheld, the persons named in the accompanying form of proxy will vote for the election of the 16 nominees whose names are hereinafter set forth, all of whom are currently directors of Bombardier, except for Mr. Jean-Pierre Rosso, who is being nominated for election as director for the first time this year.

The management of the Corporation does not contemplate that any of the nominees will be unable, or for any reason will become unwilling, to serve as a director but, if that should occur for any reason prior to the election, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion, unless the shareholder has specified in the form of proxy that his or her shares are to be withheld from voting on the election of directors.

LAURENT BEAUDOIN, C.C., F.C.A. (A)

Chairman of the Board and Chief Executive Officer of Bombardier
Westmount, Québec, Canada
Age: 67
Director since 1975
Not independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	9,626,951	4,238,493	0
2006	9,626,951	4,238,493	0
Change	—	—	—

Mr Laurent Beaudoin is a Chartered Accountant as well as a Fellow Chartered Accountant. He began his career in 1961 with Beaudoin, Morin, Dufresne & Associés, Chartered Accountants. In 1963, he joined Bombardier Limited as Comptroller. He was appointed General Manager in 1964 and, in 1966, became President. In 1979, he was appointed Chairman and Chief Executive Officer of Bombardier Inc. On February 1, 1999, he became Chairman of the Board and of the Executive Committee until June 10, 2003, when he was appointed Executive Chairman of the Board. Since December 13, 2004, he has assumed the responsibilities of Chairman of the Board and Chief Executive Officer of Bombardier and he has headed the Office of the President, whose members also include Mr. Pierre Beaudoin, President and Chief Operating Officer of Bombardier Aerospace and Executive Vice President of Bombardier, and Mr. André Navarri, President of Bombardier Transportation and Executive Vice President of Bombardier. He holds honorary doctorates from various universities and has received many awards and honours as a business leader, including Canada's Outstanding CEO of the Year and Canada's International Executive of the Year. Since June 2000, he has been on the Advisory Board of Lazard Canada. Since 2002, he has been a member of the International Business Council of the World Economic Forum based in Geneva, Switzerland.

PIERRE BEAUDOIN

President and Chief Operating Officer of Bombardier Aerospace
Executive Vice President of Bombardier
Westmount, Québec, Canada
Age: 43
Director since 2004
Not independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	512,859	0	0
2006	512,859	1,312	0
Change	—	1,312	—

Mr. Pierre Beaudoin joined the Marine Products division of Bombardier in 1985. In October 1990, he was appointed Vice President, of Product Development of the Sea-Doo/Ski-Doo division. From June 1992 to January 1994, he was Executive Vice President of the Sea-Doo/ Ski-Doo division of Bombardier and he acted as its President from January 1994, until April 1996. From April 1996, to January 2001, he was President and Chief Operating Officer of Bombardier Recreational Products. In February 2001, he was appointed President of Bombardier Aerospace, Business Aircraft and he became President and Chief Operating Officer of Bombardier Aerospace in October 2001. On December 13, 2004, in addition to his duties as President and Chief Operating Officer of Bombardier Aerospace, he was appointed Executive Vice President of Bombardier joining Mr. Laurent Beaudoin, Chairman of the Board and Chief Executive Officer, and Mr. André Navarri, President of Bombardier Transportation, in the Office of the President and he also then became a member of the Board of Directors of Bombardier. He is a member of the Boards of Directors of Power Corporation of Canada and BRP Inc.

ANDRÉ BÉRARD

Corporate Director
Montréal, Québec, Canada
Age: 65
Director since 2004
Chairman of the Retirement Pension Oversight Committee
Member of the Audit Committee and the Human Resources and Compensation Committee
Independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	5,000	27,728
2006	0	5,000	69,050
Change	—	—	41,322

Mr. André Bérard was 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 is a member of the Boards of Directors of BCE Inc., BMTC Group Inc., Falconbridge Inc., Saputo Inc., Tembec Inc. and Transforce Income Fund.

J.R. ANDRÉ BOMBARDIER

Vice Chairman of Bombardier
Montréal, Québec, Canada
Age: 63
Director since 1975
Not independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	(B)	265,774	0
2006	(B)	265,774	0
Change	—	—	—

Mr. J. R. André Bombardier joined Bombardier in 1969 as Vice President, Industrial Division. He successively held the positions of Vice President, Research and Development, Ski-Doo Division (1970), Assistant to the President and in charge of new products (1973), Vice President of Marketing, Marine Products Division (1975) and President of Roski Ltd., a subsidiary of Bombardier (1976). He became Vice Chairman in 1978. He is a member of the Board of Directors of BRP Inc.

JANINE BOMBARDIER

President and Governor,
J. Armand Bombardier Foundation,
charitable organization
Westmount, Québec, Canada
Age: 72
Director since 1984
Not independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	(C)	40,001	53,036
2006	(C)	40,001	80,709
Change	—	—	27,673

Mrs. Janine Bombardier has been a Governor of the J. Armand Bombardier Foundation since March 27, 1965, and its President since August 21, 1978.

L. DENIS DESAUTELS, O.C., F.C.A.

Corporate Director
Ottawa, Ontario, Canada
Age: 62
Director since 2003
Chairman of the Audit Committee
Member of the Retirement Pension Oversight Committee
Independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	6,500	20,255
2006	0	6,500	39,747
Change	—	—	19,492

Mr. L. Denis Desautels was 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 Montreal Office of Ernst & Young. 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 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 Chairman of Laurentian Bank of Canada and a director of Groupe Jean Coutu (PJC) Inc. and Alcan Inc. He also sits on the Board of Directors of CARE Canada and on the Board of Governors of the International Development Research Centre (IDRC). He is presently an Executive-in-residence at the School of Management of the University of Ottawa.

MICHAEL J. DURHAM

Corporate Director
Dallas, Texas, United States
Age: 55
Director since 2005
Member of the Audit Committee and
the Retirement Pension Oversight Committee
Independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	0	0
2006	0	0	23,438
Change	—	—	23,438

Mr. Michael J. Durham is the founder, President and Chief Executive Officer of Cognizant Associates, Inc., a consulting firm. He was with AMR Corporation for 20 years. He worked at American Airlines, Inc. for the first 17 years, notably as Senior Vice President, Finance and Chief Financial Officer, then for three years as President and Chief Executive Officer of Sabre, Inc., a company listed on the New York Stock Exchange providing information technology services to the travel industry. Mr. Durham is Chairman of the Board of Directors of Asbury Automotive Group Inc., and a director of AGL Resources, Inc., Acxiom Corporation, Culligan International, Inc. and SCI Solutions.

JEAN-LOUIS FONTAINE (D)

Vice Chairman of Bombardier
Director since 1975
Westmount, Québec, Canada
Age: 66
Not independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	4,097,472	5,105	0
2006	4,097,472	6,466	0
Change	—	1,361	—

Mr. Jean-Louis Fontaine began his career with Bombardier in 1964 as Vice President, Production, of its Ski-Doo division and rose through the ranks to become Vice President, Transportation Products in 1974. He was named Vice President, Corporate Planning in 1977, a position he held until he became Vice Chairman in 1988. He currently serves on the Boards of Directors of AXA Assurances Inc. and Héroux-Devtek Inc.

DANIEL JOHNSON

Counsel, McCarthy Tétrault LLP, barristers and solicitors
Montréal, Québec, Canada
Age: 61
Director since 1999
Member of the Audit Committee, the Retirement Pension Oversight Committee and the Corporate Governance and Nominating Committee
Independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	1,200	50,815
2006	0	1,200	70,307
Change	—	—	19,492

A former Prime Minister of the Province of Québec, Mr. Daniel Johnson was a member of the National Assembly of Québec for more than 17 years and held numerous offices in the Government of Québec from 1985 to 1994. He is a director of The Great-West Life Assurance Company, London Life Insurance Company, The Canada Life Assurance Company, IGM Financial Inc., Ecopia BioSciences Inc. and the Chairman of the Board of Directors of Victhom Human Bionics Inc. He is also Honorary Consul of the Kingdom of Sweden in Montréal.

JEAN C. MONTY

Corporate Director
Montréal, Québec, Canada
Age: 58
Director since 1998
Chairman of the Human Resources and Compensation Committee
Member of the Corporate Governance and Nominating Committee
Independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	25,000	175,000	69,791
2006	25,000	175,000	111,762
Change	—	—	41,971

On April 24, 2002, Mr. Jean C. Monty retired as Chairman of the Board and Chief Executive Officer of Bell Canada Enterprises (BCE Inc.), following a 28-year career. Prior to joining BCE Inc., he was Vice Chairman and Chief Executive Officer of Nortel Networks Corporation. He joined Nortel in October 1992 as President and Chief Operating Officer, becoming President and Chief Executive Officer in March 1993. He began his career at Bell Canada in 1974 and held numerous positions in the BCE group. In recognition of his achievements, he was named Canada's Outstanding CEO of the Year for 1997. He is Vice Chairman of the Board of Directors of Centria Inc., Chairman of the Board and Chief Executive Officer of Centria Commerce Inc., Chairman of the Board of Directors of Emergis Inc. and a director of Fiera Capital Inc.

ANDRÉ NAVARRI

President of Bombardier Transportation
Executive Vice President of Bombardier
Paris, France
Age: 53
Director since 2004
Not independent

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	0	0
2006	0	50,000	0
Change	—	50,000	—

Mr. André Navarri has been President of Bombardier Transportation since February 22, 2004 and, since December 13, 2004, Executive Vice President of Bombardier joining Mr. Laurent Beaudoin, Chairman of the Board and Chief Executive Officer, and Mr. Pierre Beaudoin, President and Chief Operating Officer of Bombardier Aerospace, in the Office of the President. On that same date, he also became a member of the Board of Directors of Bombardier. He is a member of the Supervisory Board of Corep Lighting S.A. Prior to February 22, 2004, he was President-Operations of Alcatel, a worldwide supplier of telecom equipment from September 2001 to December 2002. From May 1999 to May 2000, he served as Chief Operating Officer, then from May 2000 to March 2001 as Chairman and Chief Executive Officer of Valeo, a worldwide automotive component maker. From April 1996 to April 1999, he was President of the Transport Sector of Alstom, a worldwide specialist in power, marine and transportation equipment. In May 2005, he was named Chairman of the Association of the European Railways Industries (UNIFE).

JAMES E. PERRELLA

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	10,000	103,175
2006	0	10,000	149,729
Change	—	—	46,554

Retired Chairman and Chief Executive Officer, Ingersoll-Rand Company, a diversified industrial company and component manufacturer

Jupiter, Florida, United States
Age: 70

Director since 1999
Chairman of the Corporate Governance and Nominating Committee
Member of the Human Resources and Compensation Committee

Independent

Mr. James E. Perrella started his career at Ingersoll-Rand Company in 1962 as a Production Planner. He held progressive positions as Sales Engineer, General and Operations Manager, Vice President, Executive Vice President, President and Chairman of the Board of Directors and Chief Executive Officer of Ingersoll-Rand Company. In 2000, he retired as Chairman of the Board. He is a member of the Board of Directors of Becton Dickinson and Company.

CARLOS E. REPRESAS

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	0	17,027
2006	0	0	40,465
Change	—	—	23,438

Chairman of the Board, Nestlé Group Mexico, a food and beverage company

Mexico City, Mexico
Age: 60

Director since 2004
Member of the Human Resources and Compensation Committee and the Retirement Pension Oversight Committee

Independent

Mr. Carlos E. Represas has been Chairman of Nestlé Group Mexico since 1983. He has been a member of the Board of Directors of Vitro, S.A. de C.V. since 1988 and of the Board of Directors of Dreyer's Grand Ice Cream Holdings, Inc. since 2003. He is a member of the Advisory Board of the Global Business Policy Council based in Washington, D.C. and a member of the Latin American Business Council (CEAL). He is Chairman of the Board of Trustees of the National Institute of Genomic Medicine of Mexico and President of the Mexico Chapter of the Latinamerican Chamber of Commerce in Zurich, Switzerland. From 1994 to 2004, he was Executive Vice President and also President of the Americas of Nestlé, S.A. In July 2004, he retired from his executive responsibilities at Nestlé where he worked during 36 years (1968-2004) in 7 different countries.

JEAN-PIERRE ROSSO

	Class A shares	Class B subordinate shares	Deferred Stock Units
2005	0	0	0
2006	0	0	0
Change	0	0	0

Retired Chairman of CNH Global N.V., an agricultural and construction equipment manufacturer.

Minneapolis, Minnesota, United States
Age: 65

Independent

Mr. Jean-Pierre Rosso is a new nominee to our Board of Directors. He served as Chairman of CNH Global N.V. 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 equipement manufacturer, from March 1996 to November 1999, after having been President and Chief Executive Officer of Case Corporation from April 1994 to March 1996. He was President of the Home & Building Control Business of Honeywell, Inc. from 1992 to 1994 and before that, President of European operations of Honeywell, Inc. from 1987 until 1991. He is a director of Medtronic Inc., ADC Telecommunications, Inc. and Eurazeo.

Long-Term Incentive Plans

Prior to August 1, 2005, the long-term incentive plan offered to our key employees and those of our subsidiaries consisted of a Stock Option Plan. However, on March 29, 2005, upon the recommendation of the Human Resources and Compensation Committee, our Board of Directors approved a new Performance Share Unit Plan, which became effective on August 1, 2005. The criteria pursuant to which stock options are to be granted under the Stock Option Plan were also reviewed at the same time. The size of option grants to be awarded to our employees was reduced in order to take into account the value of the performance share units they would receive. No other changes were made to the rules of the Stock Option Plan, whose provisions are described below. A description of the new Performance Share Unit Plan is provided on pages 18 and 19 of this Management Proxy Circular.

Stock Option Plan

Our Stock Option Plan provides for the granting to our key employees and those of our subsidiaries of non-assignable options to purchase an aggregate number of Class B subordinate shares which may not exceed 133,782,688. The Stock Option Plan provides that no single person may hold options to acquire shares representing more than 5% of our issued and outstanding Class A shares and Class B subordinate shares combined. In addition, in any given one-year period, insiders and their associates may not be issued under the Stock Option Plan a number of shares exceeding 5% of all our issued and outstanding Class A shares and Class B subordinate shares combined. Furthermore, as of April 30, 2003, the number of Class B subordinate shares reserved for issuance to insiders under the Stock Option Plan was fixed at 26,910,324.

As at January 31, 2006, 30,260,092 Class B subordinate shares had been issued and 50,278,696 Class B subordinate shares remained issuable under future option grants pursuant to the Stock Option Plan representing, respectively, 1.73% and 2.87% of all our issued and outstanding Class A shares and Class B subordinate shares combined. In addition, 53,243,900 Class B subordinate shares are issuable under options already granted (i.e., unexercised options that have neither expired nor been cancelled), representing 3.04% of all our issued and outstanding Class A shares and Class B subordinate shares combined.

The option price is equal to the weighted average trading price of our Class B subordinate shares traded on the Toronto Stock Exchange, on the five trading days immediately preceding the day on which an option is granted. The option price is payable in full at the time the option is exercised. Unless otherwise determined by our Board of Directors, options granted prior to May 27, 2003 are exercisable during periods commencing not earlier than two years following the date of granting and terminating not later than ten years after such date of granting.

Furthermore, in respect of options granted prior to May 27, 2003, an optionee may not purchase more than 25% of the aggregate number of shares covered by his or her option at the expiration of the third year following the date of granting such option, more than 50% of the aggregate number of shares covered by his or her option at the expiration of the fourth year following the date of granting such option and more than 75% of the aggregate number of shares covered by his or her option at the expiration of the fifth year following the date of granting such option. As a general rule, the number of Class B subordinate shares granted to each key employee is based on a multiple that is directly related to the key employee's management level in Bombardier or one of our subsidiaries.

On May 27, 2003, our Board of Directors approved certain amendments to the Stock Option Plan, including modifications to the applicable vesting periods. Options granted after May 27, 2003 are exercisable during periods commencing not earlier than the first anniversary of the date of granting and terminating no later than seven years after such date of granting. Furthermore, an optionee may not purchase more than 25% of the aggregate number of shares covered by his or her option at the expiration of the second year following the date of granting such option, more than 50% of the aggregate number of shares covered by his or her option at the expiration of the third year following the date of granting such option and more than 75% of the aggregate number of shares covered by his or her option at the expiration of the fourth year following the date of granting such option. In addition, the optionee shall, following the purchase of such shares, remain the direct owner of at least 25% of the number of shares purchased for a period of at least one year following the date of purchase.

On March 30, 2004, our Board of Directors approved additional amendments to the Stock Option Plan to the effect that an optionee shall only be entitled to purchase shares covered by his or her option if, within the twelve (12) month period preceding the date on which the optionee has the right to purchase shares in accordance with the Stock Option Plan, the weighted average trading price of such shares, during a period of twenty-one (21) consecutive trading days, is greater than or equal to a target price threshold established at the time the option was granted to the optionee. If, within such twelve (12) month period, the weighted average trading price of the shares has not reached the set target price threshold, then the optionee shall be entitled to purchase such shares only upon the same terms, conditions and with the target price threshold applicable to the next tranche (i.e., 25%) of the aggregate number of shares covered by his or her options as determined under the Stock Option Plan. If the target price threshold that has not been reached within such twelve (12) month period is the final target price threshold established with respect to a particular option grant, then the right of the optionee to purchase such shares can be exercised if, at any time after that twelve (12) month period, the weighted average trading price for such shares, during a period of twenty-one (21) consecutive trading days, is greater than or equal to such final target price threshold as established for the remaining term of the option. Furthermore, once the target price threshold for any particular tranche of shares underlying an option has been reached in accordance with the above, the right of the optionee to purchase shares may thereafter be exercised notwithstanding any further variation in the weighted average trading price of such shares. Shareholder approval of the

above amendments was not required by the Toronto Stock Exchange. These amendments apply to all options granted after May 27, 2003.

On March 29, 2005, the management level as of which a key employee becomes entitled to be granted a stock option was also raised and the recommended size of the grant was reduced.

In the circumstances detailed below, optionees must exercise their options prior to the normal expiration date of seven years from the date of granting:

- in the case of "normal" retirement, options must be exercised during the three years following the date on which retirement commenced and the regular vesting rules continue to apply during this three-year period;
- in the cases of early retirement authorized under an approved retirement plan and authorized leave of absence (including for sickness), options must be exercised within one year following the date on which the early retirement or authorized leave of absence commenced and, as of and from the date of early retirement or authorized leave of absence, the optionee's options are "frozen" and do not continue to vest;
- in the case of death, the legal representatives of the deceased optionee must exercise all options within 60 days commencing on the later of the date of death and the date of receipt of all required succession duty releases (if applicable), and, as of and from the date of death, the deceased optionee's options are "frozen" and do not continue to vest; and
- in the event of termination of employment or resignation by an optionee, such person's options shall terminate on the date of termination or resignation, as the case may be, unless otherwise determined by the Human Resources and Compensation Committee.

In each of the above cases, all options that are not exercised prior to the end of the relevant period shall be deemed to have lapsed.

No option granted under the Stock Option Plan or any right in respect thereof may be transferred or assigned other than by will or in accordance with the laws of succession, and no option may be exercised by anyone other than the optionee during his or her life. Our Board of Directors may, subject to receiving the required regulatory approvals, amend or terminate the Stock Option Plan; however, no such amendment or termination shall affect the terms and conditions applicable to unexercised options previously granted without the consent of the relevant optionees, unless the rights of such optionees shall have been terminated or exercised at the time of the amendment or termination.

The following table sets forth, as at January 31, 2006, the information with respect to the Stock Option Plan pursuant to which equity securities of the Corporation are authorized for issuance:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for further issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securityholders	53,243,900	$8.15	50,278,696
Equity compensation plans not approved by securityholders	—	—	—
Total:	53,243,900	$8.15	50,278,696

Granting of Stock Options to our Named Executive Officers during the Financial Year Ended January 31, 2006

The following table sets forth information with respect to stock options granted to our Named Executive Officers during the financial year ended January 31, 2006:

Name	Securities under Options Granted (#)	% of Total Options Granted to Employees in the Financial Year	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Laurent Beaudoin	—	—	—	—	—
Pierre Beaudoin	300,000	4.15%	$2.51	$2.50	June 10, 2012
André Navarri	300,000	4.15%	$2.51	$2.50	June 10, 2012
Pierre Alary	100,000	1.38%	$2.51	$2.50	June 10, 2012
Carroll L'Italien	100,000	1.38%	$2.51	$2.50	June 10, 2012

Annual Benefits Payable at Age 60

Average Remuneration	Years of Service				
	15	20	25	30	35
$200,000	$67,500	$90,000	$112,500	$135,000	$157,500
$300,000	$101,250	$135,000	$168,750	$202,500	$236,250
$400,000	$135,000	$180,000	$225,000	$270,000	$315,000
$500,000	$168,750	$225,000	$281,250	$337,500	$393,750
$600,000	$202,500	$270,000	$337,500	$405,000	$472,500
$700,000	$236,250	$315,000	$393,750	$472,500	$551,250
$800,000	$270,000	$360,000	$450,000	$540,000	$630,000
$900,000	$303,750	$405,000	$506,250	$607,500	$708,750
$1,000,000	$337,500	$450,000	$562,500	$675,000	$787,500
$1,100,000	$371,250	$495,000	$618,750	$742,500	$866,250
$1,200,000	$405,000	$540,000	$675,000	$810,000	$945,000

Years of credited service as at January 31, 2006 for each of our Named Executive Officers are as follows:

Pierre Beaudoin	20 years and 5 months
André Navarri	1 year and 11 months
Pierre Alary	7 years and 5 months

At age 60, the Named Executive Officers whose names appear below will have the following numbers of years of credited service:

Pierre Beaudoin	36 years and 10 months
André Navarri	9 years and 1 month
Pierre Alary	18 years and 11 months

The Chairman of the Board and Chief Executive Officer, Mr. Laurent Beaudoin, reached the age of 60 in May 1998. Since October 1, 2003, he has been receiving, pursuant to our basic pension and supplemental pension plans, an annual pension in the amount of $1,115,703. Upon his death, his spouse will be entitled to receive a benefit equal to 60% of his pension benefits.

Mr. Carroll L'Italien, Senior Vice President, reached the age of 60 in October 2003. Pursuant to the basic pension plan and a special arrangement made with him under the supplemental pension plan, he would have been entitled to receive, had he retired as of January 31, 2006, an annual pension of $215,696. The pension to which he will be entitled at age 65 will be based on his pensionable earnings and his years of credited service as of that date. As at January 31, 2006, Mr. L'Italien had 14 years of credited service. Upon his death, his spouse will be entitled to receive a benefit equal to 60% of his pension benefits.

Supplemental Pension Disclosure

The table below shows the cost of membership in the two non-contributory defined benefit pension plans as at January 31, 2006:

Name	Fiscal 2006 Cost of Membership
Laurent Beaudoin	—
Pierre Beaudoin	$243,000
André Navarri	$384,000
Pierre Alary	$121,000
Carroll L'Italien	$175,000

The following table provides the reconciliation of the total obligations with respect to the pensions of each of our Named Executive Officers between the beginning and end of our most recently completed financial year:

Name	Pension Obligation as of February 1, 2005	Change in Obligation During Year [1]	Pension Obligation as of January 31, 2006	Annual Pension Benefits at Age 65 [2]
Laurent Beaudoin	$12,742,000	$771,000	$13,513,000	$1,115,703 [3]
Pierre Beaudoin	$4,818,000	$1,490,000	$6,308,000	$1,000,000
André Navarri	$352,000	$377,000	$729,000	$406,158 [4]
Pierre Alary	$801,000	$341,000	$1,142,000	$322,875
Carroll L'Italien	$2,219,000	$422,000	$2,641,000	$300,641

(1) The change in obligation includes interest on the obligation at the beginning of the year, the cost of membership during the year, changes in interest rate assumptions as a result of changes in long-term bond yields, changes in salary and changes in exchange rates.
(2) Based on the most recently disclosed compensation levels.
(3) Mr. Laurent Beaudoin is already receiving such pension benefits.
(4) An exchange rate of $1.4889 was used for conversion into Canadian dollars of the pension benefits to be paid in euros to Mr. André Navarri upon his retirement.

The amounts presented in the tables above are estimates based on assumptions and employment conditions that can change over time. The assumptions used for the individual calculations are the same as those used for the computation of pension obligations in our financial statements. The method used to determine any estimated amounts may differ from that used by other companies and, for that reason, comparing the estimated amounts of our pension obligations with those of other companies is of limited use and any such comparison should be used with caution.

Employment Arrangements

Pursuant to our current employment practices, the salary of each of our Named Executive Officers (other than our Chairman of the Board and Chief Executive Officer, Mr. Laurent Beaudoin) is revised and set on an annual basis by the Human Resources and Compensation Committee. Our Named Executive Officers are also entitled to receive bonus payments, if declared, and are eligible to participate in our long-term incentive plans. See the "Report of the Human Resources and Compensation Committee" which follows for more information on our executive compensation policy.

In addition to the foregoing, we have entered into an employment agreement with Mr. Navarri that is governed by French law. Accordingly, Mr. Navarri would be entitled to receive a separation allowance in an amount equal to 24 months of basic salary and target bonus in the event his employment is terminated by Bombardier.

On June 17, 1999, we entered into an employment agreement with Mr. L'Italien pursuant to which he would be entitled to receive a separation allowance in an amount equal to 18 months of basic salary in the event his employment is terminated by Bombardier.

As of the date of this Management Proxy Circular, no other termination or severance agreement or arrangement, including change-of-control arrangements, had been signed by Bombardier with any other Named Executive Officer.

Report of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee, or the HRCC, is responsible for monitoring the compensation policy of the Corporation that rewards the creation of shareholder value and reflects an appropriate balance between the short-term and long-term performance of Bombardier and for assessing the performance of the Corporation's senior executives and determining their compensation. The Committee also reviews, reports and provides recommendations to the Board of Directors on succession planning matters.

The HRCC has the authority to retain any independent consultants to advise on total compensation policy matters, including fixing their fees and the terms and conditions of their engagement. The HRCC has retained the services of Towers Perrin to obtain their expertise with respect to the trends and practices of executive compensation. Towers Perrin reports directly to the HRCC on these matters. Towers Perrin also provides consulting services to the management of Bombardier, mainly on actuarial issues related to some of its pension plans worldwide.

As of January 31, 2006, the HRCC consisted of four independent directors, namely Mr. Jean C. Monty who is its Chairman, and Messrs. André Bérard, James E. Perrella and Carlos E. Represas. The Chairman of the Board and Chief Executive Officer, Mr. Laurent Beaudoin, and the Senior Vice President, Mr. Carroll L'Italien, also attend meetings of the HRCC, but they do not have the right to vote on any matter before the HRCC. Messrs. Beaudoin and L'Italien do not participate in discussions concerning their own compensation and are required to leave the meetings when appropriate. The number of meetings held by the HRCC during the last financial year and the attendance records of its members are set out on page 11 of this Management Proxy Circular.

Leadership development and succession planning

Bombardier is committed to building a strong leadership team in support of achieving its business objectives. The foundation for this commitment is a well-established performance management process (PMP) which links the achievement of business objectives with the personal development of leaders across the organization. The PMP sets the stage for our leadership review and succession plan (LSP), which is focused on strengthening our long-term leadership capability. The LSP is a bottom-up process originating in the operating groups and culminating in a detailed review by the Chairman of the Board and Chief Executive Officer, Mr. Laurent Beaudoin, and the Senior Vice President, Mr. Carroll L'Italien, of bench strength status and action plans affecting the most senior leaders and positions. More specifically, the LSP addresses components such as overall leadership quality and depth, succession candidates for key positions, identification of high potentials and progress on development plans. A summary overview of the LSP is reviewed by the HRCC, which also monitors progress on the action plans identified in the LSP on a regular basis.

Compensation policy of the Corporation

The compensation policy of the Corporation is designed to maximize the overall performance of Bombardier through the appropriate individual performance of its executives. The overall goals of the compensation policy are to attract, retain and motivate the executives to increase business performance and enhance shareholder value. During the past year, the HRCC thoroughly reviewed and approved the Corporation's executive compensation policy based on the recommendation of Towers Perrin and in line with best market practices.

Bombardier's executive compensation policy focuses on total compensation: base salary, annual short-term incentives, long-term incentives, pension, benefits and perquisites. Each of these components is considered in the benchmarking of the executive positions with the market. The Corporation's philosophy is to position the total executive compensation package at the median (50th percentile) of local markets.

Benchmarking is performed annually by Towers Perrin who are responsible for the gathering of comparator information relevant to Bombardier's executive positions. The composition of the comparator group is reviewed every year to ensure its continued relevance.

Base salary

Executive positions are benchmarked with positions of similar responsibility in their respective local markets. For example, executive positions based in Germany are compared with similar positions in German companies comparable in size and complexity with Bombardier. For Canadian-based positions, a comparator group including large Canadian companies with international operations is used.

Annual short-term incentive plans

Our philosophy is to link our incentive plans to the overall performance of the Corporation.

The objective of our short-term incentive plan is to motivate our employees to achieve and surpass the financial objectives approved by the Board of Directors at the beginning of each financial year.

On February 20, 2005, the HRCC approved the financial drivers of the incentive plan for the financial year ending January 31, 2006. The bonus targets for Bombardier Aerospace and Bombardier Transportation were based on their respective figures for free cash flow and earnings before interest and taxes. For the Corporate Office, the bonus targets were based on a blended average of the Bombardier Aerospace and Bombardier Transportation results as well as specific corporate objectives. The plan specifies the target and maximum annual bonus as a percentage of base salary. These percentages vary based on the level of the position held, and the payout potential can reach twice the target. The plan restricts the total bonus envelope to a predetermined percentage of earnings before interest and taxes. If the predetermined financial objectives are not met, all bonuses payable are proportionately reduced to remain within the limits of the bonus envelope.

On March 27, 2006, the HRCC reviewed and approved the bonus payable for the financial year ended January 31, 2006. Bombardier Aerospace and Bombardier Transportation partially attained their respective targets and the bonus to which eligible employees would have been entitled was impacted accordingly. The results for the Corporate Office were also impacted by the application of the blended average of the Bombardier Aerospace and Bombardier Transportation results.

Long-term incentive plans

Our long-term incentive objectives are to align our management's interest with shareholder value growth and to retain key talent. We grant long-term incentives on an annual basis, based on benchmark data of the comparator group and on individual executive performance. Bombardier's annual grant of stock options is within a 1% dilution limit.

The role of the HRCC is to review the provisions of the long-term incentive plans and to make appropriate recommendations to the

Board of Directors to modify them, if required. It also determines the size of grants to be awarded by the Board of Directors to our executives. On March 29, 2005, the 2005-2006 stock option plan, the aggregate number of stock options to be granted and the introduction of the new PSU Plan (please refer to pages 18 and 19 of this Management Proxy Circular for details) were approved by the Board of Directors upon the recommendation of the HRCC. On May 30, 2005, the numbers of stock options and PSUs granted to each individual executive were approved by our Board of Directors upon the recommendation of the HRCC.

In 2003, the Stock Option Plan (please refer to pages 16 and 17 of this Management Proxy CIrcular for details) was modified to include specific performance targets. In 2004, such performance targets were increased to better reflect market realities. Since 2003, the participants are required to keep at least 25% of shares purchased upon the exercise of options for a minimum of one year.

Pension plan, benefits and perquisites

Our objective is to have our pension and benefits at the median of our comparator group. We provide a limited number of perquisites, such as car allowance and financial counseling to certain executives. We use external consultants to evaluate our pension and benefits and compare these results with the data of the comparator group. More information about our pension plan costs and features is available on pages 19 to 21 of this Management Proxy Circular.

Relative Weighting of Each Compensation Element

The relative weighting of each element of direct compensation is aligned with each executive's ability to influence our short- and long-term performance.

The following table shows the percentage of each component comprising our Named Executive Officers' total direct compensation package:

Name	Base Salary	Annual Short-Term Incentive	Long-Term Incentive	Other Compensation
Laurent Beaudoin	0%	60%	0%	40% (1)
Pierre Beaudoin	32%	29%	39%	0%
André Navarri	32%	29%	39%	0%
Pierre Alary	37%	33%	30%	0%
Carroll L'Italien	37%	33%	30%	0%

(1) Retirement pension and fees received in his capacity as Chairman of the Board.

Chief Executive Officer's compensation

Mr. Laurent Beaudoin assumes the responsibilities of Chief Executive Officer in addition to those of Chairman of the Board. Since October 1, 2003, Mr. Beaudoin has been receiving the pension to which he is entitled under our basic pension plan and our supplemental pension plan. As Chairman of the Board, he is also paid annual fees. A description of Mr. Beaudoin's compensation is set out on page 15 of this Management Proxy Circular. At its meeting held on March 29, 2005, the HRCC reviewed an incentive compensation proposal for Mr. Laurent Beaudoin, in view of his additional role as Chief Executive Officer as of December 13, 2004. The overall value of this incentive package was set so that the sum of his annual pension and such incentive was within total compensation benchmarks for comparable positions in the marketplace. The incentive was targeted at $2 million for the financial year ended January 31, 2006 and it was determined primarily as a function of the earnings and cash flow targets of Bombardier Aerospace and Bombardier Transportation and for the remainder of the incentive amount, the HRCC established other strategic considerations as targets. The resulting incentive payment was to be paid either in cash or in equivalent value, at the option of Mr. Laurent Beaudoin.

At its meeting held on March 27, 2006, the HRCC agreed to recommend to the Board of Directors, given the improvement in the financial performance of the Corporation, a $1.4 million incentive compensation payment to Mr. Laurent Beaudoin for the financial year ended January 31, 2006. Mr. Laurent Beaudoin has elected to receive this sum in the form of deferred share units. The HRCC also approved for recommendation to the Board of Directors a similar short-term incentive plan for Mr. Laurent Beaudoin for the financial year ending January 31, 2007, with a target of $2.5 million. Again, the performance criteria were set primarily against the earnings and cash flow targets of Bombardier Aerospace and Bombardier Transportation as well as against other strategic objectives of the Corporation.

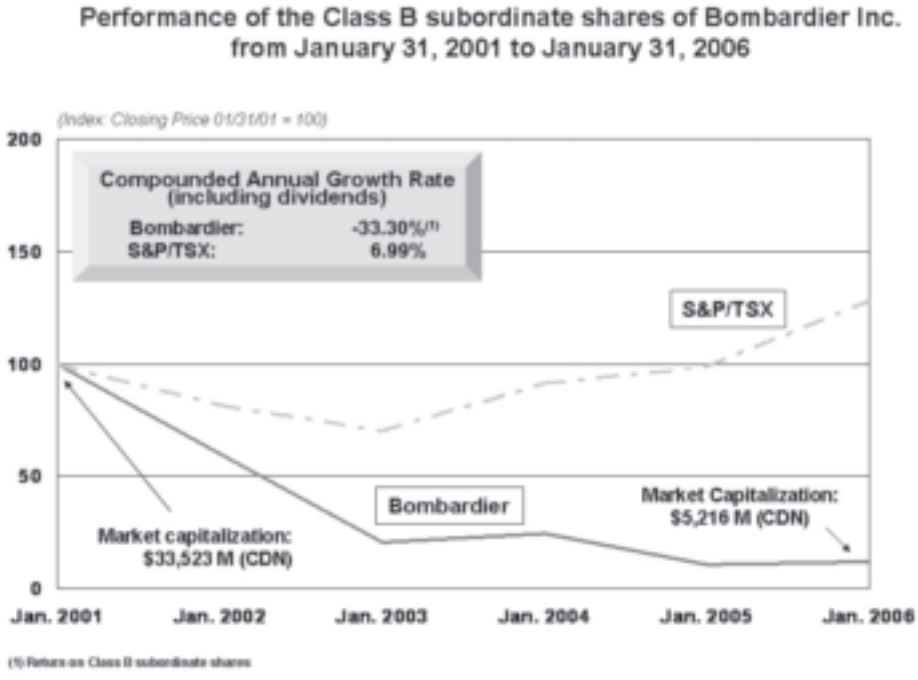
Submitted on March 27, 2006, by the Human Resources and Compensation Committee of the Board of Directors of Bombardier.

Jean C. Monty, Chairman

André Bérard James E. Perrella Carlos E. Represas

Section 4 : Additional Information

Performance Graph



Statement of Corporate Governance Practices

W a B ba a a a b a a b a ab .T a a a a c a ac ac a a B ba a c a a ab a , , ac a a .

I a a , a b c a ac , c c c Ca a a *Multilateral Instrument 52-110 – Audit Committees*, MI 52-110, c a c a b bcc a a c , *National Policy 58-201 – Corporate Governance Guidelines*, NP 58-201, a *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, NI 58-101 a a a MI 52-110 a c c ac NI 58-101 a MI 52-110.

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The Board of Directors of Bombardier

Composition

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T C a a B a D c M.La B a . I D c b 2004, B a D c a c a O c P a B ba ' c c a b a a a c a C a ' - a a c a .T O c P a c a c a a b .A a , M.La B a a a b C E c O c M.P B a , P a C O a O c B ba A ac , a M. A Na a , P B ba Ta a , c c a a - a a c b .

T C a G ac a N a C a a 15 c c C a a , a a b B a D c .

- The Code outlines the key responsibilities of leaders within Bombardier which are to provide a model of high standards of ethical conduct and to create a work environment respecting both the content and the spirit of the Code.
- Senior managers are required to take part in a mandatory Code compliance certi cation process. The certi cation process is designed to provide management with additional assurance on public disclosures and required corporate of cer certi cations, help integrate the Code into Bombardier's governance system, ensure that the Code is a top priority with leadership and promote integrity as a core value.

Hiring of outside advisors

With the prior authorization of the Corporate Governance and Nominating Committee, each director or Committee may, when needed, retain the services of outside advisors at the expense of Bombardier, except the Audit Committee and the Human Resources and Compensation Committee, which do not require any such prior authorization to do so. During the most recently completed nancial year, no outside advisor was retained by a director. Ernst & Young LLP, are the external auditors of Bombardier and work closely with the Audit Committee. When required, Towers Perrin provides various services on speci c matters to the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. Towers Perrin also provides services to the management of Bombardier on various matters.

Directors' and Of cers' Insurance

We have in place a Directors' and Of cers' Liability program for the bene t of the Corporation, its directors and of cers to indemnify them against certain liabilities incurred by them in their capacity as directors and of cers of the Corporation, subject to all the terms, conditions and exclusions of the policy. The limit of insurance provided is US$190,000,000 per occurrence and in the aggregate per year, at a cost of US$2,678,750 per annum. The deductible applicable to the Corporation is US$2,500,000 for any insured occurrence.

Available Documentation

Copies of our 2006 Annual Information Form, this Management Proxy Circular and our 2006 Annual Report that includes our audited consolidated nancial statements and our management's discussion and analysis for the nancial year ended January 31, 2006, as well as our quarterly nancial statements led since the date of our latest audited nancial statements, may be obtained on request from our Public Affairs Department or on our website at www.bombardier.com. Financial information related to Bombardier is provided in our comparative nancial statements and management's discussion and analysis thereon for the nancial year ended on January 31, 2006.

Proposals

Schedule "A" attached to this Management Proxy Circular (see pages 32 and 33) sets out the two shareholder proposals that have been submitted for consideration at our Annual Meeting of shareholders.

Shareholders who will be entitled to vote at our 2007 Annual Meeting of Shareholders and who wish to submit a proposal in respect of a matter to be raised at such meeting must submit such proposals to our Corporate Secretary no later than January 12, 2007.

Approval of Directors

The contents and the sending of this Management Proxy Circular have been approved by the directors of Bombardier Inc.

Montréal, April 13, 2006

Roger Carle
(signed)

Roger Carle
Corporate Secretary

SCHEDULE "A"
BOMBARDIER INC.
SHAREHOLDER PROPOSALS

The following two shareholder proposals have been submitted for consideration at Bombardier's 2006 Annual Meeting of shareholders. They have each been submitted in French and translated by Bombardier into English.

Proposal A

The *Mouvement d'Éducation et de Défense des Actionnaires (MÉDAC)*, 82 Sherbrooke Street West, Montréal, Québec H2X 1X3, has submitted the following proposal and supporting comments:

It is proposed that any increase in executive compensation and the grant of stock options, pension and severance pay, be subject to the prior approval of the shareholders before coming into effect.

In recent years, executive compensation and other conditions relating to executive employment, termination or retirement have attained gigantic proportions which scandalize a growing number of shareholders. Shareholders are constantly faced with such faits accomplis and are not given any opportunity to express their opinion as to the relevance of or justification for the Board of Directors' recommendations and decisions. That is neither just, nor reasonable nor in conformity with principles of good corporate governance. At best, the current practices are insulting to shareholders in that they deprive shareholders of their right to pass on and approve their Board of Directors' recommendations.

It is time to stop treating shareholders and their representatives as insignificant and at the beck and call of the financial institutions to which they entrust their money. It is the shareholders who are assuming the risks, not the generously paid executives who are appointed to administer their affairs.

The Board of Directors recommends that shareholders VOTE AGAINST this Proposal A.

Board and Management Statement:

As required by the *Canada Business Corporations Act*, the shareholders of Bombardier are asked each year to elect a group of individuals who will make up the Board of Directors. In doing so, they are giving the mandate to the Board of Directors to oversee the management of the business and affairs of Bombardier.

One of the key responsibilities of the Board is to monitor the compensation policy of Bombardier that rewards the creation of shareholder value and reflects an appropriate balance between the short-term and the long-term performance of Bombardier and to assess the performance of its executives and determine their compensation.

This responsibility is delegated by the Board of Directors to the Human Resources and Compensation Committee. This Committee is composed of four independent directors who hold meetings regularly throughout the year. It has retained Towers Perrin, a firm of independent external consultants, to assist it in its work. Towers Perrin provides advice on current trends and best practices with respect to executive compensation.

The main duties of the Committee are to: oversee the succession planning for the Chief Executive Officer and senior executives' positions; to assess the performance of the Chairman and Chief Executive Officer and the senior executives reporting to him and determine their compensation; to review and approve a total compensation policy that takes into account, among others, (i) a base salary, (ii) short-term and long-term incentives, and (iii) retirement benefits and perquisites; to review the design of equity-based compensation plans with respect to the granting of stock options and performance stock units and to make appropriate recommendations to the Board of Directors for its approval; to review the salary classes as well as the levels and degrees of participation in incentive compensation programs whether bonuses or plans based on the evolution of the market performance of Bombardier shares.

The report of the Committee on pages 21 to 23 of this Management Proxy Circular provides more information on its activities during the most recently completed financial year.

The proposal that is submitted for your consideration requires that all matters relating to executive compensation, option grants, pension and severance pay have your prior approval as shareholders. We are of the opinion that such a proposal would significantly restrict the mandate of the Board of Directors to oversee the management of the business and affairs of Bombardier. We are also of the view that it would restrict the flexibility and capacity of the Board of Directors to provide, as part of its responsibilities, competitive compensation packages in order to attract and retain the most qualified and talented executives needed to create sustained profitability for Bombardier and, therefore, enhance shareholder value for you.

Therefore, we recommend that you **VOTE AGAINST** Proposal A.

Proposal B

The *Corporation des Syndics Apostoliques des frères mineurs ou Franciscains*, 5750, Rosemont Boulevard, Montréal, Québec H1T 2H2, has submitted the following proposal and the *Congrégation des Soeurs de Sainte-Anne*, 1950 Provost Street, Lachine, Québec H8S 1P7 supports such proposal:

Whereas:

Throughout 2005, Bombardier was at the centre of a debate due to its participation in the Quinghai-Tibet railway project linking China and Tibet, a debate that focussed on the negative impact the railway could have on the human rights of Tibetan people (http://www.asianpacificpost.com/news/article/839.html);

According to Amnesty International (http://web.amnesty.org/report2005/chn-summary-eng) and the most recent report of the U.S. Department of State (http://www.state.gov/g/drl/rls/hrrpt/2004/41640.htm), Chinese authorities continue to commit human rights violations in Tibet, including torture, arbitrary arrests, detention without trial and extra-judicial killings;

Transnational corporations which have operations in countries that are governed by oppressive regimes or that are known for their bad working conditions place their reputation and their share value at risk in that they may be perceived as responsible for or complicit in human rights abuses in these countries;

Bombardier does not currently disclose a human rights policy that would allow it to manage and avoid such risks efficiently;

The adoption of a human rights policy could result in business benefits to the corporation, such as improving its reputation and its relations with the general public and shareholders and reducing the risks of bad publicity, consumer boycotts, divestment campaigns and legal action;

Several large corporations have already implemented such policies http://www.business-humanrights.org, including Bombardier's European competitor, Siemens, which has adopted the United Nations Global Compact whose first principle relates to respect and protection of human rights.

Be it resolved that:

Shareholders ask the Board of Directors to draft and adopt a human rights policy and to produce an independent report on the progress made in this regard by November 2006.

Supporting Statement:

To meet the growing demands of shareholders and the evolution of international law on human rights within the business sphere of influence and to reflect best practices in this area, such a policy should be based on the following among others:

- The Universal Declaration of Human Rights (UNO) and the United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights;
- The principles of the United Nations Global Compact
- The labour standards defined by the International Labour Organization (Conventions 29, 87. 98. 100, 105, 111, 138 and 182);

The policy should also include an implementation plan for all the corporation's operations, including a proactive assessment mechanism and measures to have a social audit performed by credible independent agencies.

The Board of Directors recommends that shareholders VOTE AGAINST this Proposal B.

Board and Management Statement:

The Corporation delivers rail transportation equipment to transport authorities around the world. We are proud to contribute to the growth of public transportation throughout the world since we believe it creates opportunities for economic growth, better access, greater transparency and improved circulation of information to previously isolated regions.

We respect concerns expressed by Tibet support groups about this project. We have maintained a respectful dialogue with these groups, and while we remain open to dialogue, we have made it clear that Bombardier-Sifang-Power Transportation is fully committed to pursuing this project through to completion.

Public transportation decisions everywhere are the responsibility of local, regional or national transport authorities and are governed by the laws and regulations enacted for that purpose.

The Corporation, however, acknowledges it has a role as a corporate citizen, while also recognizing the limits of its influence and the challenges of corporate social responsibility.

Bombardier respects and very much values human rights. These rights include, among others, the right to health and safety in the workplace. The Corporation has already implemented many such measures for its employees in the context of its activities, and has also put in place many initiatives in favour of sustainable development and the environment.

Indeed, the Corporation abides by the principles set out in the Universal Declaration of Human Rights (UNO) and those of the United Nations Global Compact. It also meets the labour standards defined by the International Labour Organization and it will never tolerate any action against any one of these principles.

Social responsibility covers a wide range of very complex issues, and, consequently, the Corporation considers that it must have an integrated approach to these issues, given its presence throughout the world, and that while contemplating the possibility of subscribing to some statement of principles, the Corporation thinks that adopting a very targeted policy on a single aspect of corporate social responsibility is inappropriate.

Therefore, we recommend that you **VOTE AGAINST** Proposal B.

SCHEDULE "B"
BOMBARDIER INC.
MANDATE OF THE BOARD OF DIRECTORS

Mandate of the Board

The role of the Board is to supervise the management of Bombardier's business and affairs with the objective of increasing profitability and, therefore, enhancing shareholder value.

The directors, in exercising their powers and discharging their duties, shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Management's role is to conduct the day-to-day operations in a way that is consistent with the business plan approved by the Board.

The Board decides all matters expressly stated herein to be under its jurisdiction or provided for under the *Canada Business Corporations Act* ("CBCA") or other applicable legislation or Bombardier's articles of incorporation or by-laws (subject always to the power of the Board to delegate to a Committee or to individual directors or officers any part of its authority which it may lawfully so delegate). The Board may assign to any Board Committee the prior review of any issues the Board is responsible for. Board Committee recommendations are subject to Board approval. The Board is to be informed of any Board Committee decisions at the regular Board meeting next following such decision.

As part of its stewardship responsibility, the Board advises management on significant business issues and has the following responsibilities:

A. Approving Bombardier's strategy

- adopting a strategic plan, updating it on at least an annual basis, taking into account, among other things, the opportunities and risks of the business, and monitoring the implementation of the strategic plan by management;
- adopting, on an annual basis, an appropriate business plan which reflects the implementation of the first year of the strategic plan, and reviewing it on a quarterly basis;

B. Monitoring financial matters and internal controls

- through the work and recommendations of the Audit Committee, monitoring the quality and integrity of Bombardier's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems, including by overseeing:
  (a) the integrity and quality of Bombardier's financial statements and other financial information and the appropriateness of their disclosure;
  (b) external auditors' independence and qualifications;
  (c) the performance of Bombardier's internal audit function and of Bombardier's external auditors; and
  (d) Bombardier's compliance with its own Code of Ethics and Business Conduct and all applicable legal and regulatory requirements;
- except to the extent delegated by the Board, the responsibility of all decisions involving a minimum amount, as provided in the Administration Policy pertaining to the various levels of authority;
- based on the recommendations of the Audit Committee, recommending to the shareholders of Bombardier the appointment of its external auditors;
- through the work and recommendations of the Audit Committee, ensuring that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of Bombardier's business;
- adopting communications policies and monitoring Bombardier's investor relations programs; Bombardier's communications policies (i) address how Bombardier interacts with analysts, investors, other key stakeholders and the public, (ii) contain measures for Bombardier to comply with its continuous and timely disclosure obligations and to avoid selective disclosure, and (iii) are reviewed at least annually.

C. Monitoring pension fund matters

- through the work and recommendations of the Retirement Pension Oversight Committee, monitoring and reviewing Bombardier's pension fund investment policies and practices, in the context of pension plan liabilities.

D. Monitoring environmental matters

- through the work and recommendations of the Audit Committee, monitoring and reviewing, as appropriate, Bombardier's environmental policies and practices and overseeing their compliance with applicable legal and regulatory requirements.

E. Monitoring occupational health and safety matters

- through the work and recommendations of the Human Resources and Compensation Committee, monitoring and reviewing, as appropriate, Bombardier's occupational health and safety policies and practices and overseeing their compliance with applicable legal and regulatory requirements.

F. Assessing and overseeing the succession planning of the Chief Executive Officer and senior executives through the work and recommendations of the Human Resources and Compensation Committee:

- choosing the Chief Executive Officer, approving the appointment of senior executives (as defined in the charter of the Human Resources and Compensation Committee) and monitoring the Chief Executive Officer's and senior executives' performance;
- ensuring that an appropriate portion of the Chief Executive Officer and senior executives' compensation is tied to both the short and longer-term performance of Bombardier;
- ensuring that processes are in place for the recruitment, training, development and retention of senior executives who exhibit high standards of integrity and competence.

G. Monitoring corporate governance issues through the work and recommendations of the Corporate Governance and Nominating Committee:

- monitoring the size and composition of the Board to ensure effective decision-making;
- overseeing management in the competent and ethical operation of Bombardier;
- monitoring Bombardier's approach to governance issues and monitoring and reviewing, as appropriate, Bombardier's Corporate Governance Manual and policies;
- reviewing, from time to time, Bombardier's Code of Ethics and Business Conduct applicable to Bombardier's directors, officers, and employees;
- ensuring the annual performance assessment of the Board, Board committees, board and committee chairs and individual directors and determining their remuneration;
- recommending to the Board (i) the Board nominees for election at the annual meeting of shareholders or (ii) up to two nominees to be appointed by the Board as additional directors to hold office for a term expiring not later than the close of the next annual meeting of shareholders or (iii) the nominees to fill Board vacancies.

H. The Lead Director

- prior to or after each regular meeting of the Board, if required, the independent directors will meet under the chairmanship of the Lead Director who should preferably be the Chairman of the Corporate Governance and Nominating Committee;
  - additional meetings may be held at the request of any independent director;
  - thereafter, the Lead Director will transmit to the Chairman of the Board and Chief Executive Officer, any comment, question or suggestion of independent directors;
  - independent directors have no decision-making power;
  - independent directors may provide for their own procedure such as secretariat, notices of meeting, minutes and similar matters;
  - their quorum is composed of a majority of the independent directors.

SCHEDULE "C"
BOMBARDIER INC.
CHARTER OF THE AUDIT COMMITTEE

Audit Committee

1.1 Membership and Quorum

- Five directors who shall all be outsiders, unrelated and 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 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) Review the minutes of any meeting of the audit committee of any subsidiary and any significant issues and external auditor's recommendations.

o) Monitor the application of, and, if need be, review and 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) Oversee the work of the external auditor for the purpose of preparing or issuing an external auditor's report or performing other audit, review or attest services for Bombardier.

g) 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.

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

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

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

k) 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 advisor, or investment banking services;
   - legal services; and
   - expert services unrelated to the audit.

l) 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.

m) 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, normally 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 risk management

  From time to time, review the risk assessment process that is in place throughout Bombardier in order to identify, assess and manage the principal risks of Bombardier's business.

- As they relate to environmental matters

  Twice a year, review the report of the Vice President, Health, Safety and Environment to the Audit Committee with respect to environmental matters.

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

  Each year, review the terms of reference of the Audit Committee to ensure that they continue to be relevant and make recommendations to the Corporate Governance and Nominating Committee Board for improvements.

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.