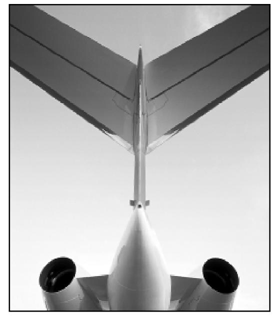
BOMBARDIER

FIRST QUARTERLY REPORT

Three-month period ended April 30, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts in this report are in U.S. dollars and tabular figures are in millions of U.S. dollars, unless otherwise indicated.

Forward-looking statements

This Management's Discussion and Analysis ("MD&A") includes forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. By their nature, forward-looking statements require Bombardier Inc. (the "Corporation") to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation's actual results in future periods to differ materially from forecasted results. While the Corporation considers its assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, please refer to the respective MD&A sections of the Corporation's aerospace segment ("Aerospace") and the Corporation's transportation segment ("Transportation") in the Corporation's annual report for fiscal year 2006.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with the Corporation's business environment (such as the financial condition of the airline industry, government policies and priorities and competition from other businesses), operational risks (such as regulatory risks and dependence on key personnel, risks associated with doing business with partners, risks involved with developing new products and services, warranty and casualty claim losses, risks from legal proceedings, risks relating to the Corporation's dependence on certain key customers and key suppliers, risks resulting from fixed term commitments, human resource risks and environmental risks), financing risks (such as risks resulting from reliance on government support, risks relating to financing support provided on behalf of certain customers, risks relating to liquidity and access to capital markets, risks relating to the terms of certain restrictive debt covenants and market risks, including currency, interest rate and commodity pricing risk). See Risks and Uncertainties in the MD&A section of Bombardier Inc.'s annual report for fiscal year 2006 for further information. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect the Corporation's expectations as at the date of this MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

I OVERVIEW

This MD&A is based on reported earnings in accordance with Canadian generally accepted accounting principles (“GAAP”) and on the following non-GAAP financial measures:

EBITDA before special items:	Earnings before financing income, financing expense, income taxes, depreciation and amortization and special items
EBIT before special items:	Earnings before financing income, financing expense, income taxes and special items
EBT before special items:	Earnings before income taxes and special items
EPS from continuing operations before special items:	Earnings per share from continuing operations before special items
Free cash flow:	Cash flows from operating activities less net additions to property, plant and equipment

These non-GAAP measures are directly derived from the interim consolidated financial statements, but do not have a standardized meaning prescribed by GAAP; therefore, others using these terms may calculate them differently. The reconciliation to the most comparable GAAP measures is provided in the following sections of the MD&A:

- Reconciliation of EBITDA and EBIT, before special items, to EBIT – see the analysis of results tables in the Aerospace and Transportation sections.
- Reconciliation of EBIT and EBT, before special items, to EBT – see the selected financial information table in the consolidated results section.
- Reconciliation of earnings per share from continuing operations before special items to earnings per share – see the reconciliation of earnings per share from continuing operations table following the tables of selected financial information in the consolidated results section.
- Reconciliation of free cash flow to cash flows from operating activities – see the first table in the cash flows section.

Management believes that a significant portion of the users of its interim consolidated financial statements and MD&A analyze the Corporation’s results based on these performance measures and that this presentation is consistent with industry practice. Special items are viewed by Management as items that do not arise as part of the normal day-to-day business operations or that could potentially distort the analysis of trends.

Highlights

- EBT from continuing operations before special items of $53 million ($29 million after special items), compared to $42 million ($50 million after special items) for the same period last fiscal year.
- EPS from continuing operations before special items of $0.02 ($0.01 after special items), compared to $0.01 ($0.02 after special items) for the same period last fiscal year.
- Free cash flow use of $539 million, compared to $203 million for the same period last fiscal year.
- Net repayment of $321 million of long-term debt.
- Cash and cash equivalents of $2.2 billion as at April 30, 2006.
- Strong order backlog of $32.3 billion as at April 30, 2006.

Consolidated results

Selected financial information was as follows for the three-month periods ended April 30:

	2006	2005
Revenues	**$ 3,526**	$ 3,757
EBIT from continuing operations before special items	**102**	96
Financing income	**39**	33
Financing expense	**(88)**	(87)
EBT from continuing operations before special items	**53**	42
Special items	**(24)**	8
EBT from continuing operations	**29**	50
Income taxes	**8**	9
Income from continuing operations	**21**	41
Income from discontinued operations, net of tax(1)	**3**	14
Net income	**$ 24**	$ 55
Basic and diluted earnings per share (in dollars)		
From continuing operations before special items	**$ 0.02**	$ 0.01
Net income	**$ 0.01**	$ 0.03
Free cash flow(2)	**$ (539)**	$ (203)
(as a percentage of revenues)		
EBIT from continuing operations before special items	**2.9%**	2.6%
EBT from continuing operations before special items	**1.5%**	1.1%

(1) Related to Bombardier Capital's ("BC") inventory finance, on- and off-balance sheet manufactured housing, consumer finance and on- and off-balance sheet freight car operations (see note 4 – Discontinued operations and assets held for sale to the interim consolidated financial statements).
(2) A detailed analysis of changes in free cash flow is contained in the Cash flows section of this MD&A.

Selected financial information was as follows as at:

	April 30, 2006	January 31, 2006
Order backlog (in billions of dollars)	**$ 32.3**	$ 31.6
Cash and cash equivalents(1)	**$ 2,152**	$ 2,917
Available short-term capital resources(1)	**$ 3,382**	$ 3,950

(1) A detailed analysis of changes in cash and cash equivalents and available short-term capital resources is contained in the Cash flows and Capital resources sections of this MD&A.

Reconciliation of earnings per share from continuing operations before and after special items was as follows for the three-month periods ended April 30:

	2006	2005
Income from continuing operations before special items, net of tax	**$ 43**	$ 28
Special items, net of tax	**(22)**	13
Income from continuing operations	**$ 21**	$ 41
Basic and diluted earnings (loss) per share (in dollars):		
From continuing operations before special items, net of tax	**$ 0.02**	$ 0.01
Special items, net of tax	**(0.01)**	0.01
From continuing operations	**$ 0.01**	$ 0.02

Revenues – The $231-million decrease mainly reflects:

- decreased mainline revenues in the U.K and Germany; and
- lower deliveries of regional jets.

Partially offset by:

- increased deliveries and improved selling prices of business aircraft.

EBIT margin from continuing operations before special items – The 0.3 percentage-point increase mainly reflects a higher EBIT margin in Transportation, mainly due to improvements in contract execution and the positive impact of restructuring initiatives.

Financing income and Financing expense – Net financing expense amounted to $49 million, compared to $54 million for the same period last fiscal year. The $5-million decrease is consistent with the Corporation's lower long-term debt levels.

Special items – Special items of the current quarter represent the final charge related to the restructuring plan in Transportation.

Income taxes – For the three-month period ended April 30, 2006, the effective income tax rate was 27.6%, compared to the statutory income tax rate of 32.7%. The lower effective tax rate compared to the statutory income tax rate is mainly due to lower effective income tax rates of foreign investees, partially offset by the non-recognition of income tax benefits related to the restructuring plan in Transportation.

For the three-month period ended April 30, 2005, the effective income tax rate was 18.0%, compared to the statutory income tax rate of 31.6%. The lower effective tax rate compared to the statutory income tax rate is mainly due to non-taxable gains on sale of land and buildings, included in special items in Transportation.

Order backlog – The $700-million increase is mainly due to the positive impact of the strengthening of the euro and the pound sterling compared to the U.S. dollar on the order backlog of Transportation.

II AEROSPACE

OVERVIEW

Effective the first quarter of fiscal year 2007, orders, deliveries and revenues of the corporate airline category, represented by the *Challenger 800* Series aircraft, are now included in Business aircraft. Previously, orders, deliveries and revenues for this category were presented in Regional aircraft. As a result, five deliveries of the corporate airliner category (*CRJ200* aircraft) are classified in Business aircraft for the three-month period ended April 30, 2006 (two *CRJ700* aircraft for the same period last fiscal year were reclassified from Regional aircraft to Business aircraft).

Highlights

- EBIT of $55 million, compared to $52 million for the same period last fiscal year.
- 53 deliveries and 33 net orders for business aircraft, compared to 43 and 39, respectively, for the same period last fiscal year.
- 24 deliveries and 19 net orders for regional aircraft, compared to 38 and 43, respectively, for the same period last fiscal year.
- During the first quarter of fiscal year 2007, Aerospace resumed production of the *CRJ200* aircraft platform to meet present and anticipated demand for the *Challenger 850* corporate airliner.

Aircraft deliveries

Total aircraft deliveries were as follows for the three-month periods ended April 30:

	2006	2005
Business aircraft (including those of the fractional ownership program)	**53**	43
Regional aircraft	**24**	38
	77	81

The increase of 10 business aircraft deliveries is mainly due to the continued strength of the business aircraft market as demonstrated by increased deliveries of *Learjet 60*, *Global Express XRS* and *Learjet 45 XR* aircraft. There has also been an increase in deliveries of *Challenger 800* Series aircraft through the recently launched Bombardier Corporate Shuttle Solutions. The decrease of 14 regional aircraft deliveries is due to lower deliveries of regional jets, mainly *CRJ200* aircraft, consistent with current market trends, which indicate a reduction in demand for 50-passenger regional jets, partially offset by higher deliveries of turboprops.

Analysis of results

Aerospace's results were as follows for the three-month periods ended April 30:

	2006	2005
Revenues		
Manufacturing		
Business aircraft	**$ 956**	$ 702
Regional aircraft	**460**	721
Other	**83**	64
Total manufacturing revenues	**1,499**	1,487
Services[(1)]	**302**	293
Other[(2)]	**139**	156
Total revenues	**1,940**	1,936
Cost of sales	**1,660**	1,665
Margin	**280**	271
Operating expenses[(3)]	**122**	115
EBITDA	**158**	156
Amortization	**103**	104
EBIT	**$ 55**	$ 52
(as a percentage of total revenues)		
Margin	**14.4%**	14.0%
EBITDA	**8.1%**	8.1%
EBIT	**2.8%**	2.7%

(1) Includes revenues from parts logistics, fractional ownership and hourly flight entitlement programs' service activities, aircraft maintenance, customer training and military aviation training.
(2) Includes mainly sales of pre-owned aircraft.
(3) Comprised of selling, general and administrative and research and development expenses.

Manufacturing revenues – The $12-million increase is mainly due to:
- increased deliveries and improved selling prices of business aircraft;
- increased deliveries of turboprops; and
- additional fractional share revenues.

Partially offset by:
- lower deliveries of regional jets, mainly *CRJ200* aircraft; and
- lower selling prices for regional aircraft.

Other revenues – The $17-million decrease is mainly due to the mix of pre-owned business aircraft sold.

Margin percentage – The 0.4 percentage-point increase is mainly due to:
- increased deliveries and improved selling prices of business aircraft;
- the positive impact of a reduction in previously recorded severance and other involuntary termination cost provision (see Workforce and labour relations section hereafter); and
- increased deliveries of turboprops.

Partially offset by:
- lower deliveries of regional jets, mainly *CRJ200* aircraft;
- lower selling prices for regional aircraft; and
- lower net margin on spare parts.

Operating expenses – The $7-million increase is mainly due to higher research and development costs, mainly related to exploring opportunities to address regional airlines' future needs in the 80- to 100-seat aircraft market, partially offset by lower costs related to *CSeries* activities.

Amortization – Amortization of program tooling amounted to $69 million for the three-month period ended April 30, 2006, compared to $64 million for the same period last fiscal year.

Order backlog

Aerospace's order backlog was as follows as at:

(in billions of dollars)	**April 30, 2006**	January 31, 2006
Aircraft programs	**$ 9.5**	$ 9.6
Military aviation training	**1.1**	1.1
	$ 10.6	$ 10.7

As a result of the ramp up to meet the delivery requirements arising from significant orders received in the last fiscal year, deliveries exceeded new orders for some business aircraft programs as well as for the *Q400* aircraft, resulting in a decrease in the value of the order backlog. The order backlog for business aircraft remains strong.

Workforce and labour relations

As a result of the repatriation of certain work packages in Belfast related to the *Q400* turboprop from one of Aerospace's external suppliers, the remaining layoffs previously announced and expected to be completed by July 2006 will no longer take place. Consequently, the severance provision related to the remaining layoffs was reversed in the three-month period ended April 30, 2006.

On May 13, 2006, the Corporation reached an agreement for a new three-year collective agreement with the International Association of Machinists and Aerospace Workers 712, the largest union comprising 5,500 employees in Montréal. This agreement is effective December 1, 2005 and expires November 20, 2008.

BUSINESS AIRCRAFT

During the three-month period ended April 30, 2006:

- The next generation *Learjet 40 XR* premium light jet entered into service.
- The Japan Civil Aviation Bureau awarded type certification to the *Learjet 45* aircraft.
- The *Learjet 60 XR* aircraft had a successful first flight.

Aircraft deliveries

Business aircraft deliveries were as follows for the three-month periods ended April 30:

			2006			2005
		Flexjet	**Total**		*Flexjet*	Total
Narrow body business jets						
Learjet 40/40 XR	**4**	**-**	**4**	5	1	6
Learjet 45/45 XR	**8**	**-**	**8**	5	-	5
Learjet 60	**4**	**1**	**5**	2	-	2
Wide body business jets						
Challenger 300	**14**	**-**	**14**	11	3	14
Challenger 604	**8**	**-**	**8**	7	-	7
Challenger 800 Series	**5**	**-**	**5**	2	-	2
Bombardier Global 5000	**3**	**-**	**3**	4	-	4
Global Express/Global Express XRS	**6**	**-**	**6**	3	-	3
	52	**1**	**53**	39	4	43

The 23% increase in business aircraft deliveries reflects the recent strong order intake.

Net orders

Aerospace received 33 net orders during the three-month period ended April 30, 2006, compared to 39 net orders during the same period last fiscal year. The order intake remains strong and is consistent with the continued strength of the business aircraft market.

REGIONAL AIRCRAFT

As previously disclosed, the U.S. airline industry continues to face financial challenges and has undergone some major restructuring. The Corporation continues to work with its regional airline customers to support their efforts to emerge from bankruptcy protection. The details of the ongoing discussions and restructuring agreements are confidential. The Corporation has reflected the current status of the above events in its provisions for contingencies.

Aircraft deliveries

Regional aircraft deliveries were as follows for the three-month periods ended April 30:

	2006	2005
Regional jets		
CRJ200	**1**	17
CRJ700	**10**	11
CRJ900	**4**	7
Turboprops		
Q300	**3**	-
Q400	**6**	3
	24	38

The 37% decrease in regional aircraft deliveries is mainly due to lower deliveries of *CRJ200* aircraft, partially offset by higher deliveries of turboprops.

Orders and backlog

Regional aircraft orders received by aircraft type were as follows for the three-month periods ended April 30:

				2006	2005
	Orders	**Swaps**	**Removals**	**Net orders**	Net orders
Regional jets					
CRJ200	**-**	**(8)**	**-**	**(8)**	8
CRJ700	**5**	**(17)**	**-**	**(12)**	34
CRJ900	**9**	**25**	**(1)**	**33**	-
Turboprops					
Q200	**2**	**-**	**-**	**2**	-
Q300	**3**	**-**	**-**	**3**	1
Q400	**1**	**-**	**-**	**1**	-
	20	**-**	**(1)**	**19**	43

Aerospace received the following significant net orders during the three-month period ended April 30, 2006:

Customer	**Aircraft**	**Number**
Air One	*CRJ900*	6
GE Commercial Aviation Services (GoJet Airlines)	*CRJ700*	5
Arik Air	*CRJ900*	2
National Air Support	*Q300*	3

- SkyWest, Inc. and Air Nostrum exercised their conversion rights to swap 17 *CRJ700* and eight *CRJ200* aircraft respectively for *CRJ900* aircraft.
- As a result of Styrian Spirit declaring bankruptcy, Aerospace removed its order for one *CRJ900* aircraft from the order backlog.

The order backlog as well as options and conditional orders for regional aircraft consisted of the following as at April 30, 2006:

	Aircraft on firm order(1)	Options and conditional orders
Regional jets		
CRJ200	8	319
CRJ700	29	274
CRJ705	-	5
CRJ900	52	68
Turboprops		
Q200	4	-
Q300	20	11
Q400	59	80
	172	757

(1) There are 12 firm orders in the order backlog with conversion rights to other regional aircraft.

AIRCRAFT SERVICES AND NEW COMMERCIAL AIRCRAFT PROGRAM

- The Italian government has exercised an option to purchase 15 additional upgrade kits to enhance its fleet of *Bombardier 415* amphibious aircraft.
- Aerospace received nine orders for the *CL-215*T turbine conversion kits from various customers.

FLEXJET AND SKYJET

Bombardier *Flexjet* launched *Flexjet* Canada service, which will provide point-to-point travel within Canada to more efficiently service existing owners who travel between Canada and the United States.

The number of customers owning or leasing shares of aircraft, or with an hourly flight time entitlement, was as follows as at:

	April 30, 2006	January 31, 2006
Flexjet		
Customers owning or leasing shares of aircraft	**621**	612
Skyjet		
Customers with an hourly flight time entitlement	**266**	288
	887	900

Flexjet – The net increase of nine customers is mainly due to the increasing popularity of certain business aircraft models and *Flexjet* program innovations, designed to increase owner value and establish a competitive advantage in the fractional market.

Skyjet – The net decrease of 22 customers is mainly due to customers who have depleted their hourly flight entitlement.

OTHER ACTIVITIES

During the first quarter of fiscal year 2007, Aerospace leased a temporary facility for its manufacturing operations in Querétaro, Mexico. The assembly of wire harnesses and structural components for Aerospace aircraft will commence in the second quarter of the current fiscal year.

III TRANSPORTATION

OVERVIEW

Highlights

- EBIT margin before special items of 3.0%, compared to 2.4% for the same period last fiscal year.
- $1.7 billion in new orders (book-to-bill ratio of 1.1).
- Restructuring finalized:
  - Approximately 7,700 positions, net of new hires, eliminated.
  - Seven manufacturing sites closed.
  - All restructuring charges recorded as of April 30, 2006.

Analysis of results

The results of operations of Transportation using functional currencies other than the U.S. dollar, mainly the euro, the pound sterling and other western European currencies are translated into U.S. dollars using the average exchange rates for the relevant periods. Mainly due to the lower exchange rates of the euro and other European currencies compared to the U.S. dollar for the three-month period ended April 30, 2006 compared to the three-month period ended April 30, 2005, revenues have been negatively impacted ("negative currency impact") and expenses have been positively impacted ("positive currency impact") (see the Foreign exchange rates section of this MD&A for the average exchange rates used to translate revenues and expenses).

Transportation's results were as follows for the three-month periods ended April 30:

	2006	2005
Revenues		
Rolling stock[1]	**$ 1,017**	$ 1,312
Services[2]	**325**	331
System and signalling[3] [4]	**244**	178
Total revenues	**1,586**	1,821
Cost of sales	**1,383**	1,612
Margin	**203**	209
Operating expenses[5]	**131**	137
EBITDA before special items	**72**	72
Amortization	**25**	28
EBIT before special items	**47**	44
Special items	**(24)**	8
EBIT	**$ 23**	$ 52
(as a percentage of total revenues)		
Margin	**12.8%**	11.5%
EBITDA before special items	**4.5%**	4.0%
EBITDA	**3.0%**	4.4%
EBIT before special items	**3.0%**	2.4%
EBIT	**1.5%**	2.9%

(1) Comprised of locomotives, mainline (including high-speed, intercity, regional and commuter trains), metros, light rail vehicles, propulsion and controls, and bogies revenues.
(2) Comprised of fleet management, spare parts and logistics management, vehicle refurbishment and overhaul, component refurbishment and overhaul, and technical support revenues.
(3) The revenues of system and signalling are presented in Other revenues in the consolidated statements of income.
(4) Excluding the rolling stock portion of system orders manufactured by other divisions within Transportation.
(5) Comprised of selling, general and administrative and research and development expenses.

Revenues by geographic region

		2006		2005
Europe	**$ 1,083**	**68%**	$ 1,380	76%
North America	**317**	**20%**	308	17%
Asia-Pacific	**142**	**9%**	110	6%
Other	**44**	**3%**	23	1%
	$ 1,586		$ 1,821	

Rolling stock revenues – The $295-million decrease is mainly due to:

- decreased mainline revenues in the U.K. and Germany, due to a lower level of activities in these markets; and
- the negative currency impact, amounting to approximately $55 million.

Services revenues – The $6-million decrease is due to a higher level of activities, more than offset by the negative currency impact, amounting to approximately $25 million.

System and signalling revenues – The $66-million increase is mainly due to:

- a higher level of activities in Asia (Taiwan, Korea and China) and Spain; and
- a higher level of activities related to the London Underground contract.

Partially offset by:

- the negative currency impact, amounting to approximately $10 million.

Margin percentage – The 1.3 percentage-point increase is mainly due to improvements in contract execution and the positive impact of restructuring initiatives.

Operating expenses – The $6-million decrease is mainly due to the positive currency impact.

Special items – The special items for the three-month period ended April 30, 2005 included gains on the sale of land and buildings, amounting to $27 million.

Orders and backlog

Transportation received the following major orders during the first quarter of fiscal year 2007:

Customer	**Product**	**Number of cars**	**Rolling stock**
Verkehrsgesellschaft Frankfurt am Main (VGF), Germany	*FLEXITY* Swift high-floor trams	146	$ 361
CBRail (Euro) Limited, U.K.	*TRAXX* locomotives, type F140 MS/DE	35	156

- The order for *FLEXITY* Swift high-floor trams is the largest light rail vehicle order of the post-war era in Germany.
- Transportation received an order from First ScotRail in the U.K. for fleet maintenance, including technical support and innovative remote monitoring and diagnostic systems. Transportation expects to roll out this new technology to additional customers.
- In April 2006, Transportation was awarded a strategically important contract to supply the propulsion system for 80 trolleybuses to Barquisimeto, Venezuela. With this launch order, Transportation has expanded the application of its *MITRAC* propulsion system product portfolio to the trolleybus market. The *MITRAC* 500 is now suited to power trams, people movers and trolleybuses.
- Transportation received an order for 40 advanced rapid transit MK II cars for the Beijing Capital International Airport link, to be fully operational for the 2008 Summer Olympics.

Transportation's total order intake was as follows for the three-month periods ended April 30:

(in billions of dollars)	**2006**	2005
Rolling stock	**$ 1.0**	$ 1.1
Services	**0.5**	0.3
System and signalling	**0.2**	0.2
	$ 1.7	$ 1.6

Transportation's order backlog was as follows as at:

(in billions of dollars)	**April 30, 2006**	January 31, 2006
Rolling stock	**$ 12.0**	$ 11.6
Services	**4.7**	4.4
System and signalling	**5.0**	4.9
	$ 21.7	$ 20.9

The increase in the value of the order backlog reflects the net positive currency adjustment, amounting to approximately $600 million, and higher order intake compared to revenue recorded. The net positive currency adjustment results from the strengthening of the euro and the pound sterling compared to the U.S. dollar as at April 30, 2006 compared to January 31, 2006. The order backlog is translated into U.S. dollars using period-end rates.

RESTRUCTURING

In fiscal year 2005, a restructuring plan was initiated to reduce the cost structure in Transportation. As at April 30, 2006, the restructuring plan is essentially complete.

- Approximately 7,700 positions, net of new hires, including contractual employees, were eliminated, compared to the original target of 7,600 positions.
- All seven manufacturing sites have been closed.
- All charges related to the restructuring plan, amounting to $633 million, were recorded as of April 30, 2006 ($24 million during the three-month period ended April 30, 2006).
- Net cash outflows are expected to amount to $467 million, of which $358 million has been disbursed as of April 30, 2006 ($41 million for the three-month period ended April 30, 2006). The Corporation expects the remaining net cash outflows to be essentially disbursed by the end of fiscal year 2007.

OTHER

- Transportation achieved important milestones for commissioning a European Rail Traffic Management System ("ERTMS") in the Netherlands on the Amsterdam-Utrecht line. In addition, with the successful commissioning of an *EBI* Lock computer-based interlocking signalling system, Transportation became a qualified supplier for mainline interlocking systems in Germany.

IV FINANCIAL POSITION

Total assets amounted to $17.4 billion as at April 30, 2006, compared to $17.5 billion as at January 31, 2006.

Aircraft financing
Aircraft financing amounted to $1.6 billion as at April 30, 2006, compared to $1.5 billion as at January 31, 2006. This increase is mainly due to an increase in commercial aircraft financing.

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

Gross inventories were $6.8 billion ($4.2 billion net of advances and progress billings) as at April 30, 2006, compared to $6.5 billion ($3.8 billion net of advances and progress billings) as at January 31, 2006. This increase in gross inventories is mainly due to an increase in Aerospace program costs and finished products, as well as the translation adjustment arising from the strengthening of the euro and pound sterling compared to the U.S. dollar (“the currency impact”), amounting to approximately $85 million, partially offset by a decrease in Transportation.

Total advances and progress billings amounted to $4.8 billion as at April 30, 2006, compared to $4.9 billion as at January 31, 2006, $2.3 billion of which are shown as liabilities as at April 30, 2006, compared to $2.2 billion as at January 31, 2006. This decrease in total advances and progress billings is mainly due to a lower level of advances in Transportation, partially offset by the currency impact, amounting to approximately $100 million.

Long-term debt
Long-term debt amounted to $4.5 billion as at April 30, 2006, compared to $4.7 billion as at January 31, 2006. This decrease is mainly due to the repayment of £175 million ($305 million) of debentures in February 2006, partially offset by the currency impact, amounting to $63 million.

V CASH FLOWS

The following summarizes the cash flows as reported in the consolidated statements of cash flows for the three-month periods ended April 30:

	2006	2005
Income from continuing operations	**$ 21**	$ 41
Non-cash items	**149**	143
Net change in non-cash balances related to operations	**(600)**	(324)
Cash flows from operating activities	**(430)**	(140)
Net additions to property, plant and equipment	**(109)**	(63)
Free cash flow	**(539)**	(203)
Cash flows from investing activities (excluding net additions to property, plant and equipment)	**(11)**	29
Cash flows from financing activities	**(328)**	(29)
Effect of exchange rate changes on cash and cash equivalents	**66**	(20)
Cash flows from continuing operations	**(812)**	(223)
Cash flows from discontinued operations	**44**	11
Net decrease in cash and cash equivalents	**$ (768)**	$ (212)

Cash flows from operating activities
The $290-million variation for the three-month period is mainly due to the negative variation in non-cash balances related to the operations of Aerospace and Transportation.

Net additions to property, plant and equipment
The $46-million variation for the three-month period reflects a higher level of net additions in Aerospace.

Segmented free cash flow

The free cash flow by segment was as follows for the three-month periods ended April 30:

						2006
		Aerospace		**Transportation**		**Total**
EBIT	**$**	**55**	**$**	**23**	**$**	**78**
Non-cash items						
Amortization						
Program tooling		**69**		**-**		**69**
Other		**34**		**25**		**59**
Provision for credit losses		**8**		**-**		**8**
Stock-based compensation		**2**		**1**		**3**
Special items		**-**		**24**		**24**
Net change in non-cash balances related to operations		**(334)**		**(263)**		**(597)**
Net additions to property, plant and equipment		**(102)**		**(7)**		**(109)**
Segmented free cash flow	**$**	**(268)**	**$**	**(197)**		**(465)**
Income taxes and net financing expense[1]						**(74)**
Free cash flow					**$**	**(539)**

[1] Income taxes and net financing expense are not allocated to segments.

						2005
		Aerospace		Transportation		Total
EBIT	$	52	$	52	$	104
Non-cash items						
Amortization						
Program tooling		64		-		64
Other		40		28		68
Provision for credit losses		2		-		2
Gain on disposals of property, plant and equipment		-		(1)		(1)
Stock-based compensation		1		1		2
Special items		-		(8)		(8)
Net change in non-cash balances related to operations		(193)		(108)		(301)
Net additions to property, plant and equipment		(52)		(11)		(63)
Segmented free cash flow	$	(86)	$	(47)		(133)
Income taxes and net financing expense[1]						(70)
Free cash flow					$	(203)

[1] Income taxes and net financing expense are not allocated to segments.

- ***Aerospace*** – The $182-million change in segmented free cash flow is mainly due to negative variations compared to the same period last fiscal year in receivables, mainly due to a higher level of receivables related to business aircraft, and a higher level of inventories, partially offset by a higher level of advances. In addition, free cash flow in the period was impacted by a higher level of net additions to property, plant and equipment, mainly as a result of the purchase of previously-leased tooling related to the *CRJ700* program.
- ***Transportation*** – The $150-million change in segmented free cash flow is mainly due to a lower level of advances in the period compared to the same period last fiscal year.

Cash flows from financing activities

The cash flows used for the three-month period ended April 30, 2006 mainly reflect the repayment of £175 million ($305 million) of debentures in February 2006.

The cash flows used for the three-month period ended April 30, 2005 mainly reflect the net repayment of long-term debt of $23 million.

Cash flows from discontinued operations

The cash flows for the three-month period ended April 30, 2006 mainly reflect cash flows from operating activities.

The cash flows for the three-month period ended April 30, 2005 mainly reflect:

- cash flows from operating activities of $60 million.

Partially offset by:

- cash flows from investing and financing activities totalling $49 million.

As a result of the above items, cash and cash equivalents amounted to $2.2 billion as at April 30, 2006, compared to $2.9 billion as at January 31, 2006.

VI CAPITAL RESOURCES

The details of the available and outstanding amounts under the bank credit facilities as at April 30, 2006 and January 31, 2006 are provided in note 6 – Short-term borrowings to the interim consolidated financial statements.

The Corporation considers that its current cash position, as well as its current credit facilities and expected capital resources, will enable the implementation of investment programs, the development of new products, the pursued growth of its activities, the payment of dividends on preferred shares and allow it to meet other expected financial requirements.

The available short-term capital resources were as follows as at:

	Credit facilities		Cash and cash	Available short-term
	Committed	Amounts available	equivalents[(1)]	capital resources
April 30, 2006	**$ 5,443**	**$ 1,230**	**$ 2,152**	**$ 3,382**
January 31, 2006	$ 5,282	$ 1,033	$ 2,917	$ 3,950

[(1)] Including $1.0 billion of cash and cash equivalents required to meet the minimum liquidity requirement (under the Corporation's North American syndicated credit facility) at the end of each quarter.

The variation in available short-term capital resources was as follows for the three-month period ended April 30, 2006:

Balance as at January 31, 2006	$ 3,950
Free cash flow	(539)
Net repayment of long-term debt	(321)
Translation adjustment on committed credit facilities arising from the strengthening of the euro compared to the U.S. dollar	161
Effect of exchange rate changes on cash and cash equivalents	66
Cash flows from discontinued operations	44
Reduction in letters of credit drawn (net of exchange rate changes)	36
Other	(15)
Balance as at April 30, 2006	**$ 3,382**

As at April 30, 2006, the Corporation was in compliance with its bank covenants.

VII FINANCIAL ARRANGEMENTS

Interim financing support
In connection with the sale of commercial aircraft, a government agency has provided customers with $199 million of financing, expiring at various dates, up to July 31, 2006. This financing funded a percentage of the sale price of the aircraft. The balance of the sale price, amounting to $25 million, financed by the Corporation on a subordinated basis, is included in Aircraft financing (commercial aircraft interim financing portfolio) as at April 30, 2006. The Corporation has committed to provide permanent financing to these customers in the event that alternative permanent financing cannot be obtained from third parties. This commitment is included in the $2.1-billion financing commitments referred to in note 15d) to the interim consolidated financial statements.

RASPRO
As previously disclosed in the Corporation's annual report, it was discovered, during last fiscal year, that the cash flows of the RASPRO structure would be different than anticipated. Subsequent to the current quarter end, the Corporation and its structuring agent, Wachovia Capital Markets, LLC, agreed on certain actions to be taken to adjust the cash flows of RASPRO. These agreed upon actions consist mainly of additional payments to be made to the RASPRO structure by various parties (including parties not affiliated with the Corporation). The Corporation's participation in the additional payments consists of the purchase of rights, held in the RASPRO structure, in a portion of the residual value of certain aircraft. The purchase price to be paid by the Corporation amounts to $23 million. The contemplated actions are expected to be completed during the second quarter of the

current fiscal year. The impact of the anticipated actions did not have a material effect on the provision for contingencies for the three-month period ended April 30, 2006.

RASPRO is subject to the consolidation rules applicable to variable interest entities ("VIEs"), which require variable interest holders to reassess the appropriateness of consolidation when certain events take place. The contemplated actions described above will be a reconsideration event under the VIE rules and, the Corporation being a variable interest holder, will assess whether or not this entity should be consolidated when the adjustments to the cash flows are adopted. The Corporation does not expect to consolidate RASPRO as a result of the contemplated actions.

VIII FOREIGN EXCHANGE RATES

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

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

	April 30, 2006	January 31, 2006	Increase
Euro	**1.2624**	1.2157	4%
Canadian dollar	**0.8926**	0.8742	2%
Pound sterling	**1.8218**	1.7814	2%

The average exchange rates used to translate revenues and expenses were as follows for the three-month periods ended April 30:

	2006	2005	Increase (decrease)
Euro	**1.2081**	1.3065	(8)%
Canadian dollar	**0.8697**	0.8131	7 %
Pound sterling	**1.7537**	1.8971	(8)%

IX SHARE DATA

The following table provides authorized and issued and outstanding share data as at April 30, 2006.

	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[(1)]	1,892,000,000	318,497,912
Class B Shares (Subordinate Voting)[(2)]	1,892,000,000	1,426,535,056
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	2,597,907
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	9,402,093
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) 10 votes each, convertible at the option of the holder into one Class B Share (Subordinate Voting).
(2) Convertible at the option of the holder into one Class A Share (Multiple Voting) under certain conditions.

The following table provides share option and performance stock units ("PSU") data as at April 30, 2006.

Options issued and outstanding under share option plans	41,595,400
PSUs issued and outstanding under PSU plan	3,920,844

X SELECTED QUARTERLY INFORMATION

The following table provides selected quarterly information for the last eight quarters.

	2007	2006			2005			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter
Revenues	**$ 3,526**	$ 4,035	$ 3,301	$ 3,633	$ 3,757	$ 4,725	$ 3,558	$ 3,805
Income (loss) from continuing operations, net of tax	**$ 21**	$ 85	$ (1)	$ 10	$ 41	$ 47	$ 3	$ 12
Income (loss) from discontinued operations, net of tax	**3**	1	(8)	107	14	9	7	11
Net income (loss)	**$ 24**	$ 86	$ (9)	$ 117	$ 55	$ 56	$ 10	$ 23
Earnings (loss) per share:								
Basic and diluted								
From continuing operations	**$ 0.01**	$ 0.05	$ -	$ -	$ 0.02	$ 0.02	$ -	$ -
Net income (loss)	**$ 0.01**	$ 0.05	$ (0.01)	$ 0.06	$ 0.03	$ 0.03	$ -	$ 0.01

May 29, 2006

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

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Un exemplaire en français est disponible sur demande adressée auprès du Service des affaires publiques ou sur le site Internet à l'adresse www.bombardier.com sous Relations avec les investisseurs.

BOMBARDIER INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions of U.S. dollars, except number of shares)

	Notes	April 30, 2006	January 31, 2006
Assets			
Cash and cash equivalents	6	**$ 2,152**	$ 2,917
Receivables		**1,767**	1,684
Aircraft financing	2	**1,567**	1,450
Inventories	3	**4,217**	3,805
Property, plant and equipment		**3,111**	3,090
Goodwill		**2,212**	2,142
Fractional ownership deferred costs		**275**	270
Deferred income taxes		**694**	653
Accrued benefit assets		**378**	384
Assets held for sale	4	**174**	237
Other assets	5	**853**	843
		$ 17,400	$ 17,475
Liabilities			
Accounts payable and accrued liabilities	7	**$ 6,873**	$ 6,859
Advances and progress billings in excess of related costs	3	**2,265**	2,191
Fractional ownership deferred revenues		**333**	325
Deferred income taxes		**10**	9
Long-term debt	8	**4,489**	4,747
Accrued benefit liabilities		**916**	877
Liabilities related to assets held for sale	4	**20**	42
		14,906	15,050
Shareholders' equity			
Preferred shares			
Issued and outstanding:			
Series 2: 2,597,907		**51**	51
Series 3: 9,402,093		**148**	148
Series 4: 9,400,000		**148**	148
Common shares			
Issued and outstanding:			
Class A: 318,497,912 (319,260,212 as at January 31, 2006)		**29**	29
Class B: 1,431,969,056 (1,431,206,756 as at January 31, 2006)		**1,413**	1,413
Purchased and held in trust under the performance share unit plan: 5,434,000 Class B		**(14)**	(14)
Contributed surplus		**23**	20
Retained earnings		**542**	525
Cumulative translation adjustment		**154**	105
		2,494	2,425
		$ 17,400	$ 17,475
Commitments and contingencies	15		

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

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

For the three months ended April 30

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

	Notes	2006	2005
			(restated - note 1)
Revenues			
Manufacturing		**$ 2,516**	$ 2,799
Services		**627**	624
Other		**383**	334
		3,526	3,757
Cost of sales		**3,043**	3,277
Selling, general and administrative		**208**	212
Research and development		**45**	40
Amortization		**128**	132
Special items	10	**24**	(8)
		3,448	3,653
Income from continuing operations before the following:		**78**	104
Financing income	11	**(39)**	(33)
Financing expense	11	**88**	87
Income from continuing operations before income taxes		**29**	50
Income taxes		**8**	9
Income from continuing operations		**21**	41
Income from discontinued operations, net of tax	4	**3**	14
Net income		**$ 24**	$ 55
Earnings per share:	12		
Basic and diluted			
From continuing operations		**$ 0.01**	$ 0.02
Net income		**$ 0.01**	$ 0.03

Retained earnings at beginning of period	**$ 525**	$ 301
Net income	**24**	55
Dividends on preferred shares	**(7)**	(6)
Retained earnings at end of period	**$ 542**	$ 350

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the three months ended April 30
(In millions of U.S. dollars)

	Notes	2006	2005
			(restated - note 1)
Operating activities			
Income from continuing operations		**$ 21**	$ 41
Non-cash items:			
Amortization		**128**	132
Provision for credit losses	2	**8**	2
Deferred income taxes		**(14)**	16
Gain on disposals of property, plant and equipment		**-**	(1)
Stock-based compensation	9	**3**	2
Special items	10	**24**	(8)
Net change in non-cash balances related to operations	13	**(600)**	(324)
Cash flows from operating activities		**(430)**	(140)
Investing activities			
Additions to property, plant and equipment		**(110)**	(65)
Disposals of property, plant and equipment		**1**	2
Other		**(11)**	29
Cash flows from investing activities		**(120)**	(34)
Financing activities			
Proceeds from issuance of long-term debt		**-**	6
Repayments of long-term debt		**(321)**	(29)
Dividends paid		**(7)**	(6)
Cash flows from financing activities		**(328)**	(29)
Effect of exchange rate changes on cash and cash equivalents		**66**	(20)
Cash flows from continuing operations		**(812)**	(223)
Cash flows from discontinued operations	4	**44**	11
Net decrease in cash and cash equivalents		**(768)**	(212)
Cash and cash equivalents at beginning of period		**2,922**	2,355
Cash and cash equivalents at end of period[(1)]		**$ 2,154**	$ 2,143
[(1)] Included the following:			
Cash and cash equivalents related to:			
Continuing operations		**$ 2,152**	$ 2,133
Discontinued operations	4	**2**	10
		$ 2,154	$ 2,143
Supplemental information			
Cash paid for:			
Interest		**$ 73**	$ 89
Income taxes		**$ 20**	$ 11

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended April 30, 2006
(Unaudited)
(Tabular figures in millions of U.S. dollars, unless otherwise indicated)

Bombardier Inc. ("the Corporation") is incorporated under the laws of Canada and is a manufacturer of transportation equipment, including business and regional aircraft and rail transportation equipment.

1. BASIS OF PRESENTATION

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to interim consolidated financial statements, and follow the same accounting policies and methods in their application as the most recent annual Consolidated Financial Statements. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim consolidated financial statements. Such adjustments are of a normal and recurring nature. The interim consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Corporation's annual report for fiscal year 2006.

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. Historically, Aerospace has had higher aircraft deliveries during the fourth quarter compared to the first three quarters of the fiscal year, generating higher revenues and gross margin in this quarter.

During fiscal year 2006, the Corporation continued its strategy of reducing Bombardier Capital's ("BC") operations and BC ceased to be reported as a separate segment, effective the fourth quarter of fiscal year 2006. The most significant changes in the basis of presentation of the Corporation's interim consolidated financial statements include the following:

- ***Discontinued operations and assets held for sale*** – BC's inventory finance, on- and off-balance sheet manufactured housing, consumer finance and on- and off-balance sheet freight car operations have been presented as discontinued operations in the consolidated statements of income and cash flows, and the related assets and liabilities have been reported as Assets held for sale and Liabilities related to assets held for sale on separate captions in the consolidated balance sheets (see note 4 – Discontinued operations and assets held for sale).

- ***Aircraft financing*** – BC's core operations consisting of commercial aircraft financing, and business aircraft lending operations, are managed by the aerospace segment ("Aerospace") and therefore, these operations are part of the aerospace segment's results. BC's portfolios related to aircraft financing operations are included in Aircraft financing, together with other assets related to aircraft financing of Aerospace. The remainder of BC's operations are not significant and the related assets are included in Other assets in the consolidated balance sheets.

- ***Presentation of BC*** – The financial position, results of operations and cash flows of BC are no longer presented in separate columns in the consolidated balance sheets, statements of income and statements of cash flows.

- ***Financing income and Financing expense*** – Interest income, including interest income generated from the portfolios of the former BC segment, is classified in Financing income. BC's interest income was previously included in Financing revenues and other interest income was included in Interest expense, net. The interest expense on the long-term debt of the former BC segment, previously included in Cost of sales, is classified in Financing expense. In addition, certain financing costs were reclassified from Aerospace's cost of sales to Financing expense.

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

Certain of the comparative figures were reclassified to conform to the presentation adopted in the current period.

2. AIRCRAFT FINANCING

Aircraft financing was as follows as at:

	April 30, 2006	January 31, 2006
Commercial aircraft		
Interim financing[1]		
Loans	$ 360	$ 435
Lease receivables	529	388
	889	823
Long-term financing		
Loans	303	278
Lease receivables[2]	104	104
	407	382
Business aircraft loans[3]	52	58
Total loans and lease receivables	1,348	1,263
Allowance for credit losses	(99)	(91)
	1,249	1,172
Assets under operating leases	278	230
Investment in financing structures	40	48
	$ 1,567	$ 1,450

[1] The commercial aircraft interim financing portfolio consists of bridge financing to customers until third party permanent financing is put in place.
[2] Includes $52 million of lease receivables related to consolidated variable interest entities ("VIEs") as at April 30, 2006 ($67 million as at January 31, 2006).
[3] This portfolio is being wound down.

Loans and lease receivables – Financing with three airlines represents approximately 46% of the total loans and lease receivables as at April 30, 2006 (three airlines represented 41% as at January 31, 2006). Loans and lease receivables are generally collateralized by the related assets.

Allowance for credit losses – Changes in the allowance for credit losses were as follows for the three-month periods ended April 30:

	2006	2005
Balance at beginning of period	$ 91	$ 109
Provision for credit losses	8	2
Amounts charged off, net of recoveries	-	(9)
Balance at end of period	$ 99	$ 102

Impaired loans and lease receivables amounted to $230 million as at April 30, 2006 ($237 million as at January 31, 2006).

Assets under operating leases – Assets under operating leases were as follows as at:

	April 30, 2006		January 31, 2006	
	Cost	Net book value	Cost	Net book value
Pre-owned commercial aircraft	$ 313	$ 226	$ 292	$ 190
Pre-owned business aircraft	58	52	42	40
	$ 371	$ 278	$ 334	$ 230

3. INVENTORIES

Inventories were as follows as at:

	April 30, 2006	January 31, 2006
Long-term contracts	**$ 1,698**	$ 1,517
Aerospace programs	**1,592**	1,468
Finished products[(1)]	**927**	820
	$ 4,217	$ 3,805

(1) Finished products included two new aircraft not associated with a firm order and 11 pre-owned aircraft, totalling $114 million as at April 30, 2006 (six new aircraft and eight pre-owned aircraft, totalling $155 million as at January 31, 2006).

Costs incurred and recorded margins related to long-term contracts and costs incurred related to ongoing aerospace programs amounted to $3,428 million and $2,400 million respectively as at April 30, 2006 ($3,378 million and $2,341 million respectively as at January 31, 2006).

Advances received and progress billings on long-term contracts and ongoing aerospace programs amounted to $3,474 million and $1,329 million respectively as at April 30, 2006 ($3,534 million and $1,391 million respectively as at January 31, 2006), $1,744 million and $521 million of which respectively represent a liability disclosed as advances and progress billings in excess of related costs as at April 30, 2006 ($1,673 million and $518 million respectively as at January 31, 2006).

4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations and assets held for sale include the following operations of BC:

- inventory finance, sold in May 2005;
- on-balance sheet manufactured housing, sold in July 2005;
- off-balance sheet manufactured housing, transfer of servicing rights and obligations completed in March 2006; and
- consumer finance and on- and off-balance sheet freight cars.

The related assets and liabilities have been reported as Assets held for sale and Liabilities related to assets held for sale on separate captions in the consolidated balance sheets and the related results of operations have been presented as discontinued operations in the consolidated statements of income and cash flows for all periods presented.

The assets held for sale and the related liabilities were as follows as at:

	April 30, 2006	January 31, 2006
Assets		
Cash and cash equivalents	**$ 2**	$ 5
Receivables	**14**	58
Deferred income taxes	**31**	33
Other assets[(1)]	**127**	141
	$ 174	$ 237
Liabilities		
Accounts payable and accrued liabilities	**$ 20**	$ 40
Long-term debt	**-**	2
	$ 20	$ 42

(1) Includes $70 million of finance receivables and $31 million of assets under operating leases as at April 30, 2006 ($77 million and $31 million respectively as at January 31, 2006).

The results of operations, including allocated interest expense, were as follows for the three-month periods ended April 30:

	2006	2005
Revenues - Other	**$ 25**	$ 78
Cost of sales	**17**	41
Selling, general and administrative	**4**	16
Amortization	**-**	1
	21	58
Income before income taxes	**4**	20
Income taxes	**1**	6
	$ 3	$ 14

The cash flows from discontinued operations were as follows for the three-month periods ended April 30:

	2006	2005
Operating activities	**$ 46**	$ 60
Investing activities	**-**	(39)
Financing activities	**(2)**	(10)
	$ 44	$ 11

5. OTHER ASSETS

Other assets were as follows as at:

	April 30, 2006	January 31, 2006
Prepaid expenses	**$ 156**	$ 178
Finite-life intangible assets, net of accumulated amortization of $101 million as at April 30, 2006 ($94 million as at January 31, 2006)	**150**	148
Investment in companies subject to significant influence(1)	**120**	97
Investment in securities	**87**	91
Restricted cash(2)	**81**	81
Wind-down portfolios(3)	**32**	41
Investment in preferred shares of the Corporation's former recreational products segment	**30**	30
Derivative financial instruments	**30**	28
Deposits	**19**	14
Other	**148**	135
	$ 853	$ 843

(1) Related to Transportation.
(2) Includes $70 million of restricted cash related to consolidated VIEs as at April 30, 2006 and January 31, 2006.
(3) Comprised mainly of BC's industrial equipment portfolio.

6. SHORT-TERM BORROWINGS

Under banking syndicate agreements, the Corporation must maintain certain financial covenants including, effective the second quarter of fiscal year 2006, a minimum liquidity of $1.0 billion in cash and cash equivalents at the end of each quarter. The applicable financial covenants (calculated excluding the former BC segment) were met as at April 30, 2006 and January 31, 2006.

Credit facilities and their maturities were as follows as at April 30, 2006:

	Amounts committed	Amounts drawn	Letters of credit drawn	Amounts available	Maturity (fiscal year)
European	**$ 3,977**[(1)]	**$ -**	**$ 3,091**	**$ 886**	**2008**
European letters of credit	**366**[(2)]	**n/a**	**338**	**28**	**2008-2009**
North American	**1,100**	**-**	**784**	**316**	**2008**
	$ 5,443	**$ -**	**$ 4,213**	**$ 1,230**	

n/a: not applicable.
(1) €3,150 million.
(2) €290 million.

Credit facilities and their maturities were as follows as at January 31, 2006:

	Amounts committed	Amounts drawn	Letters of credit drawn	Amounts available	Maturity (fiscal year)
European	$ 3,829[(1)]	$ -	$ 3,160	$ 669	2008
European letters of credit	353[(2)]	n/a	327	26	2008-2009
North American	1,100	-	762	338	2008
	$ 5,282	$ -	$ 4,249	$ 1,033	

n/a: not applicable.
(1) €3,150 million.
(2) €290 million.

In addition to the outstanding letters of credit shown in the above tables, the Corporation had letters of credit of $105 million as at April 30, 2006 ($79 million as at January 31, 2006).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at:

	April 30, 2006	January 31, 2006
Trade accounts payable	**$ 1,932**	$ 1,944
Sales incentives[(1)]	**1,261**	1,252
Accrued liabilities	**1,096**	987
Product warranties	**992**	970
Payroll related liabilities	**410**	395
Income and other taxes	**206**	240
Interest	**138**	130
Severance and other involuntary termination costs	**109**	129
Provision for repurchase obligations[(2)]	**70**	70
Non-controlling interest	**45**	28
Other	**614**	714
	$ 6,873	$ 6,859

(1) Comprised of provision for credit and residual value guarantees and trade-in options as well as other related provisions and liabilities in connection with the sale of aircraft (see note 15 – Commitments and contingencies).
(2) See note 15 – Commitments and contingencies.

Severance and other involuntary termination costs and other related costs – Changes in the provision for severance and other involuntary termination costs and other related costs were as follows for the three-month periods ended April 30, 2006 and 2005:

	Severance and other involuntary termination costs	Other	Total
Balance as at January 31, 2006	**$ 129**	**$ 30**	**$ 159**
Current expense(1)	**4**	**20**	**24**
Changes in estimates(1)	**(12)**	**-**	**(12)**
Cash paid	**(15)**	**(27)**	**(42)**
Effect of foreign currency exchange rate changes	**3**	**1**	**4**
Balance as at April 30, 2006	**$ 109**	**$ 24**	**$ 133**

(1) The charge of $24 million has been recorded in special items of Transportation (see note 10 – Special items) and the changes in estimates of $12 million has been recorded in cost of sales of Aerospace.

	Severance and other involuntary termination costs	Other	Total
Balance as at January 31, 2005	$ 251	$ 17	$ 268
Current expense(1)	8	12	20
Changes in estimates(1)	-	(27)	(27)
Cash received (paid)	(37)	26	(11)
Effect of foreign currency exchange rate changes	(2)	-	(2)
Balance as at April 30, 2005	$ 220	$ 28	$ 248

(1) Of which an income of $8 million has been recorded in special items of Transportation (see note 10 – Special items) and a charge of $1 million has been recorded in cost of sales of Aerospace.

8. LONG-TERM DEBT

The Corporation’s long-term debt included $65 million of long-term debt related to consolidated VIEs as at April 30, 2006 ($80 million as at January 31, 2006) which relates to structures existing prior to May 1, 2004.

In February 2006, the Corporation repaid at maturity debentures amounting to £175 million ($305 million).

9. SHARE-BASED PLANS

Share option plans

There were 41,595,400 and 53,323,900 options issued and outstanding as at April 30, 2006 and January 31, 2006, respectively. No options were exercised during the three-month periods ended April 30, 2006 and 2005.

Compensation expense of $2 million was recorded during each of the three-month periods ended April 30, 2006 and 2005 with respect to share option plans.

All awards granted or modified prior to February 1, 2003, are accounted for as capital transactions. No compensation expense is recorded in the consolidated statements of income for these awards.

Performance stock unit plan

There were 3,920,844 and 4,014,082 performance stock units (“PSUs”) issued and outstanding as at April 30, 2006 and January 31, 2006, respectively.

Compensation expense of $1 million was recorded during the three-month period ended April 30, 2006 with respect to the PSU plan (nil for the same period last fiscal year).

10. SPECIAL ITEMS

Special items were as follows for the three-month periods ended April 30:

	2006	2005
Severance and other involuntary termination costs	**$ 4**	$ 7
Other[(1)]	**20**	(15)
	24	(8)
Income tax recovery	**(2)**	(5)
	$ 22	$ (13)

(1) Comprised of lease termination and environmental costs, as well as other costs. For the three-month period ended April 30, 2005, also comprised of non-taxable gains on the sale of land and buildings, amounting to $27 million.

Special items relate to restructuring activities to reduce the cost structure in Transportation. The restructuring plan is essentially complete and all related charges, amounting to $633 million, were recorded as of April 30, 2006. Approximately 7,700 positions, net of new hires, including contractual employees, were eliminated as at April 30, 2006.

11. FINANCING INCOME AND FINANCING EXPENSE

The Corporation's financing income and financing expense were as follows for the three-month periods ended April 30:

	2006	2005
Financing income		
Loans and lease receivables – after the effect of hedges	**$ (22)**	$ (21)
Cash and cash equivalents	**(15)**	(8)
Other	**(2)**	(4)
	$ (39)	$ (33)
Financing expense		
Interest on long-term debt – after the effect of hedges	**$ 64**	$ 68
Accretion expense on sales incentives, including contingent liabilities	**16**	16
Other	**8**	3
	$ 88	$ 87

12. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows for the three-month periods ended April 30:

(Number of shares in thousands)	2006	2005
Income from continuing operations	**$ 21**	$ 41
Preferred share dividends, net of tax	**(7)**	(6)
Income from continuing operations attributable to common shareholders	**14**	35
Income from discontinued operations, net of tax	**3**	14
Income attributable to common shareholders	**$ 17**	$ 49
Weighted-average basic and diluted number of common shares outstanding	**1,745,033**	1,750,467
Basic and diluted earnings per share:		
From continuing operations	**$ 0.01**	$ 0.02
From discontinued operations	**-**	0.01
	$ 0.01	$ 0.03

The effect of the exercise of stock options was excluded from the calculation of diluted earnings per share in the above table, since the average market value of the underlying shares was less than the exercise price or the predetermined target market price thresholds of the Corporation's Class B Shares (Subordinate Voting) for the respective periods.

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

Net change in non-cash balances related to operations was as follows for the three-month periods ended April 30:

	2006	2005
Receivables	**$ (56)**	$ (31)
Aircraft financing	**(113)**	(78)
Inventories	**(370)**	(176)
Fractional ownership deferred costs	**(5)**	(54)
Accounts payable and accrued liabilities	**(115)**	(51)
Advances and progress billings in excess of related costs	**22**	(27)
Fractional ownership deferred revenues	**8**	66
Accrued benefit liabilities, net	**27**	6
Other assets	**2**	21
	$ (600)	$ (324)

14. EMPLOYEE FUTURE BENEFITS

The components of the benefit cost were as follows for the three-month periods ended April 30:

		2006		2005
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 51**	**$ 3**	$ 42	$ 3
Interest cost	**74**	**5**	73	5
Expected return on plan assets	**(70)**	**-**	(60)	-
Amortization of past service costs	**2**	**-**	1	-
Amortization of actuarial loss	**24**	**4**	19	3
Curtailment gain	**-**	**-**	-	(1)
	$ 81	**$ 12**	$ 75	$ 10

15. COMMITMENTS AND CONTINGENCIES

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

		April 30, 2006		January 31, 2006
	Maximum potential exposure	**Provisions and liabilities(1)**	Maximum potential exposure	Provisions and liabilities(1)
Aircraft sales				
Credit (a)	**$ 1,393**		$ 1,409	
Residual value (a)	**2,585**		2,565	
Mutually exclusive exposure(2)	**(887)**		(892)	
Total credit and residual value exposure	**$ 3,091**	**$ 967**	$ 3,082	$ 952
Trade-in options (b)	**1,336**	**14**	1,230	12
Other(3)				
Credit and residual value (e)	**173**	**-**	170	-
Repurchase obligations (f)	**169**	**70**	165	70
Performance guarantees (g)	**558**	**-**	938	-

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

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

Aircraft sales

a) ***Credit guarantees and residual value guarantees*** – The Corporation provides credit guarantees in the form of lease and loan payment guarantees, as well as services related to the remarketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to fiscal year 2026. Substantially all financial support involving potential credit risk lies with commercial airline customers. The credit risk relating to three commercial airline customers accounted for 61% of the total maximum credit risk as at April 30, 2006. In most circumstances, a claim under a credit guarantee may be made only upon the sale of the underlying aircraft to a third party.

In addition, the Corporation provides guarantees for the residual value of aircraft at the expiry date of certain financing and lease agreements. Such guarantees provide for a contractually limited payment to the guaranteed party, which is typically a percentage of the first loss from a guaranteed value. In most circumstances, a claim under a residual value guarantee may be made only upon resale of the underlying aircraft to a third party.

The following table summarizes the outstanding residual value guarantees as at April 30, 2006, and the period in which they can be exercised:

Less than 1 year	$	13
From 1 to 5 years		156
From 6 to 10 years		623
From 11 to 15 years		992
Thereafter		801
	$	2,585

b) ***Trade-in options*** – In connection with the sale of new aircraft, the Corporation provides, from time to time, trade-in options to customers. These options allow customers to trade in their pre-owned aircraft at a predetermined amount and during a predetermined period, conditional upon the purchase of a new aircraft.

The Corporation's commitment to purchase pre-owned aircraft, as at the earliest exercise date, was as follows as at April 30, 2006:

Less than 1 year	$	978
From 1 to 3 years		178
From 4 to 5 years		145
Thereafter		35
	$	1,336

The Corporation reviews its trade-in aircraft purchase commitments relative to the aircraft's anticipated fair value and records anticipated losses as a charge to income. Fair value is determined using both internal and external aircraft valuations, including information developed from the sale of similar aircraft in the secondary market. Provisions relating to anticipated losses on trade-in options amounted to $10 million as at April 30, 2006 ($11 million as at January 31, 2006). These provisions were based on the likelihood that these options will be exercised. In addition, a provision related to trade-in commitments in connection with firm orders for new aircraft amounted to $4 million as at April 30, 2006 ($1 million as at January 31, 2006).

c) ***Fractional ownership put options*** – Under the North American *Flexjet* Fractional ownership program, the Corporation provides customers with an option to sell back their fractional shares of the aircraft at estimated fair value within a predetermined period from the date of purchase. The Corporation's commitment to repurchase fractional shares of aircraft based on estimated current fair values totalled $594 million as at April 30, 2006 ($573 million as at January 31, 2006). Since the purchase price is established at the estimated fair value of the fractional shares at the time the option is exercised, the Corporation is not exposed to off-balance sheet risk in connection with these options.

d) ***Financing commitments*** – The Corporation has committed to provide financing in relation to the future sale of aircraft scheduled for delivery through fiscal year 2010 and in connection with a $199-million off-balance sheet financing facility, which, net of third party financing already arranged, amounted to $2.1 billion as at April 30, 2006 ($2.2 billion as at January 31, 2006). The Corporation mitigates its exposure to interest and credit risks by including terms and conditions in the financing agreements that guaranteed parties must satisfy prior to benefiting from the Corporation's commitment and by entering into interest-rate cap agreements.

Other guarantees

e) ***Credit and residual value guarantees*** – In connection with the sale of certain transportation rail equipment, the Corporation has provided a credit guarantee of lease payments amounting to $46 million as at April 30, 2006 and January 31, 2006. This guarantee matures in 2026 and relates to one customer. In addition, at the expiry date of certain financing and other agreements, the Corporation provides residual value guarantees amounting to $127 million as at April 30, 2006 ($124 million as at January 31, 2006), mostly in Transportation. These guarantees are mainly exercisable in 2012.

f) ***Repurchase obligations*** – In Transportation, the Corporation has provided certain financing providers the right, under certain conditions, to sell back equipment to the Corporation at predetermined prices. An amount of $169 million as at April 30, 2006 ($165 million as at January 31, 2006), relates to two agreements whereby the Corporation may be required, beginning in fiscal year 2009, upon customer default on payments to the financing providers, to repurchase the equipment. In addition, on three separate dates, beginning in fiscal year 2009, the Corporation may also be required to repurchase the equipment. In connection with this commitment, funds have been deposited in cash collateral accounts by the customer, which, together with accumulated interest, are expected to entirely cover the Corporation's exposure. A provision for repurchase obligations amounting to $70 million has been included in accounts payable and accrued liabilities as at April 30, 2006 and January 31, 2006.

g) ***Performance guarantees*** – In certain projects carried out through consortia or other partnership vehicles in Transportation, all partners are jointly and severally liable to the customer. In the normal course of business under such joint and several obligations, or under performance guarantees that may be issued in relation thereto, each partner is generally liable to the customer for any default by the other partners. These projects normally provide counter indemnities among the partners. These obligations and guarantees typically extend until final product acceptance by the customer. The Corporation's maximum exposure to projects for which the exposure of the Corporation is capped amounted to approximately $184 million as at April 30, 2006 ($178 million as at January 31, 2006). For projects where the Corporation's exposure is not capped, such exposure has been determined in relation to the Corporation's partners' share of the total contract value. Under this methodology, the Corporation's exposure would amount to approximately $374 million as at April 30, 2006 ($760 million as at January 31, 2006). Such joint and several obligations and guarantees have been rarely called upon in the past, and no significant liability has been recognized in the interim consolidated financial statements in connection with these obligations and guarantees.

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

Sale and leaseback

The Corporation concluded third-party sale and leaseback transactions mostly relating to freight cars, a discontinued operation (see Note 4 – Discontinued operations and assets held for sale), and pre-owned aircraft. The freight cars are in most instances simultaneously leased to operators. Residual value guarantees, mainly related to pre-owned aircraft, amounted to $52 million as at April 30, 2006 ($43 million as at January 31, 2006).

Operating leases

The Corporation leases buildings and equipment and assumes aircraft operating lease obligations on the sale of new aircraft. The related residual value guarantees totalled $63 million as at April 30, 2006 and January 31, 2006.

Litigations

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

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

While the Corporation cannot predict the final outcome of legal proceedings that were pending as at April 30, 2006, based on information currently available, Management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

16. VARIABLE INTEREST ENTITIES

As previously disclosed in the Corporation's annual report, it was discovered, during last fiscal year, that the cash flows of the RASPRO structure would be different than anticipated. Subsequent to the current quarter end, the Corporation and its structuring agent, Wachovia Capital Markets, LLC, agreed on certain actions to be taken to adjust the cash flows of RASPRO. These agreed upon actions consist mainly of additional payments to be made to the RASPRO structure by various parties (including parties not affiliated with the Corporation). The Corporation's participation in the additional payments consists of the purchase of rights, held in the RASPRO structure, in a portion of the residual value of certain aircraft. The purchase price to be paid by the Corporation amounts to $23 million. The contemplated actions are expected to be completed during the second quarter of the current fiscal year. The impact of the anticipated actions did not have a material effect on the provision for contingencies for the three-month period ended April 30, 2006.

RASPRO is subject to the consolidation rules applicable to VIEs, which require variable interest holders to reassess the appropriateness of consolidation when certain events take place. The contemplated actions described above will be a reconsideration event under the VIE rules and, the Corporation being a variable interest holder, will assess whether or not this entity should be consolidated when the adjustments to the cash flows are adopted. The Corporation does not expect to consolidate RASPRO as a result of the contemplated actions.

17. SEGMENT DISCLOSURE

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

Aerospace	**Transportation**
Aerospace is a manufacturer of business, regional and amphibious aircraft and a provider of related services. It offers comprehensive families of regional jet and turboprop commercial aircraft and a wide range of business jets. It also provides the *Flexjet* Fractional ownership and hourly flight time entitlement programs, parts logistics, technical services, aircraft maintenance and pilot training.	Transportation is the global leader in the rail equipment manufacturing and servicing industry and offers a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides electrical propulsion and control equipment, as well as complete rail transportation systems and rail control solutions. Transportation is also a provider of maintenance services.

The accounting policies of the segments are the same as those described in the Corporation's annual report for the fiscal year ended January 31, 2006.

Management assesses segment performance based on earnings before financing income, financing expense and income taxes.

Corporate charges are allocated to segments mostly based on each segment's revenues.

Net segmented assets exclude cash and cash equivalents, deferred income taxes and assets held for sale, and are net of accounts payable and accrued liabilities (excluding interest and income taxes payable), advances and progress billings in excess of related costs, fractional ownership deferred revenues and accrued benefit liabilities.

SEGMENTED INFORMATION

For the three months ended April 30	Notes	Bombardier Inc. consolidated 2006	Bombardier Inc. consolidated 2005 (restated - note 1)	Aerospace 2006	Aerospace 2005 (restated - note 1)	Transportation 2006	Transportation 2005
Revenues							
Manufacturing		**$ 2,516**	$ 2,799	**$ 1,499**	$ 1,487	**$ 1,017**	$ 1,312
Services		**627**	624	**302**	293	**325**	331
Other		**383**	334	**139**	156	**244**	178
		3,526	3,757	**1,940**	1,936	**1,586**	1,821
Cost of sales		**3,043**	3,277	**1,660**	1,665	**1,383**	1,612
Selling, general and administrative		**208**	212	**97**	96	**111**	116
Research and development		**45**	40	**25**	19	**20**	21
Amortization		**128**	132	**103**	104	**25**	28
Special items	10	**24**	(8)	**-**	-	**24**	(8)
		3,448	3,653	**1,885**	1,884	**1,563**	1,769
Income from continuing operations before financing income and expense, and income taxes		**$ 78**	$ 104	**$ 55**	$ 52	**$ 23**	$ 52

As at	Bombardier Inc. consolidated April 30, 2006	Bombardier Inc. consolidated January 31, 2006	Aerospace April 30, 2006	Aerospace January 31, 2006	Transportation April 30, 2006	Transportation January 31, 2006
Net segmented assets	**$ 4,220**	$ 3,637	**$ 3,552**	$ 3,205	**$ 668**	$ 432
Liabilities allocated to segments:						
Accounts payable and accrued liabilities [(1)]	**6,646**	6,638				
Advances and progress billings in excess of related costs	**2,265**	2,191				
Fractional ownership deferred revenues	**333**	325				
Accrued benefit liabilities	**916**	877				
Assets not allocated to segments:						
Cash and cash equivalents	**2,152**	2,917				
Deferred income taxes	**694**	653				
Assets held for sale	**174**	237				
Total consolidated assets	**$ 17,400**	$ 17,475				

[(1)] Excluding interest and income taxes payable amounting to $138 million and $89 million respectively as at April 30, 2006 ($130 million and $91 million as at January 31, 2006) which were not allocated to segments.

	Bombardier Inc. consolidated 2006	Bombardier Inc. consolidated 2005	Aerospace 2006	Aerospace 2005	Transportation 2006	Transportation 2005
Additions to property, plant and equipment	**$ 110**	$ 65	**$ 102**	$ 52	**$ 8**	$ 13