BOMBARDIER

Annual Information Form

2007

March 28, 2007

Table of Contents

NOTES:

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

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

Item 1 Corporate Structure

1.1 Incorporation of the Issuer

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

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

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

1.2 Subsidiaries

The activities of the Corporation are conducted either directly or through subsidiaries. The table below lists the principal subsidiaries of each reportable segment of the Corporation as at the date shown for each segment, as well as their jurisdiction of incorporation and the percentage of voting shares held by the Corporation. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation’s consolidated assets or whose sales and operating revenues did not represent more than 10% of the Corporation’s consolidated sales and operating revenues as at January 31, 2007[(1)], have been omitted. The subsidiaries that have been omitted represent, as a group, less than 20% of the consolidated assets, sales and operating revenues of the Corporation at such date.

Aerospace (as at January 31, 2007)	
Bombardier Aerospace Corporation (Delaware)	100%
Learjet Inc. (Delaware)	100%
Short Brothers plc (Northern Ireland)	100%
Bombardier Capital Inc. (Massachusetts)	100%
Transportation (as at December 31, 2006) [(2)]	
Bombardier Transportation GmbH (Germany)	100%
Bombardier Transportation (Bahntechnologie) Germany GmbH & Co. KG (Germany)	99.5%
Bombardier Transportation (Holdings) UK Ltd. (England)	100%
Bombardier Transport France S.A.S. (France)	100%
Bombardier Transportation Italy S.p.A. (Italy)	100%
Bombardier Transportation (Switzerland) AG (Switzerland)	100%
Bombardier Transportation Sweden AB (Sweden)	100%
Others (as at January 31, 2007)	
Bombardier Corporate Financial Services Islandi, sf., Reykjavik, Zurich Branch (Iceland)	100%
Bombardier Corporation (Idaho)	100%

(1) As per the Corporation’s consolidated financial statements for the fiscal years ended January 31, 2007 and January 31, 2006 filed with the Canadian securities regulatory authorities on March 28, 2007.
(2) These legal entities of Transportation use a December 31, 2006 fiscal year end.

Item 2 General Development of the Business

2.1 General

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

2.2 History

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

On March 16, 2004, the Board of Directors of the Corporation approved a restructuring initiative to reduce the cost structure of Transportation. This initiative was essentially completed in the first quarter of fiscal year 2007 and resulted in a workforce reduction of approximately 7,700 positions, net of new hires, including contractual employees, and the closing of seven manufacturing sites in Portugal, the United Kingdom (3), Switzerland, Germany and Sweden.

On April 21, 2004, the Corporation completed a private placement offering in the United States of $500 million aggregate principal amount of 6.30% Notes due in 2014 and $250 million aggregate principal amount of 7.45% Notes due in 2034.

On October 7, 2004, Aerospace announced that it was aligning the production rates of its *Bombardier CRJ* series aircraft with the then current and forecasted market demand, resulting in a total workforce reduction of approximately 2,000 employees at its Montréal-area facilities and at its Belfast site over a nine-month period starting in November 2004.

On March 15, 2005, the Board of Directors of the Corporation granted authority to Aerospace to offer the proposed new *CSeries* family of aircraft to customers. On January 31, 2006, the Corporation announced that the then existing market conditions did not justify the launch of the *CSeries* program at that time and that *CSeries* project efforts, team and resources would be reoriented to regional jet and turboprop aircraft opportunities to address regional airlines' future needs in the 80- to 100-seat aircraft market. A small team of employees would remain with the *CSeries* program to further develop its business plan and continue to explore the potential of the *CSeries*. On January 31, 2007, the Corporation confirmed that it will continue to refine its *CSeries* aircraft business plan. The program's team will continue to optimize the aircraft configuration to meet customers' requirements. The target date for entry into service would be 2013.

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

On September 23, 2005, the Corporation announced the closing of a permanent financing structure for a value of approximately $1.7 billion. The structure, known as Regional Aircraft Securitization Program

("RASPRO"), provides financing in the form of long-term leases for certain Aerospace regional aircraft customers. RASPRO covers 70 aircraft comprising 65 *CRJ* and 5 *Q400* aircraft.

On October 26, 2005, Aerospace announced the establishment of a world-class manufacturing facility in Querétaro, Mexico to complement its existing manufacturing sites. The Corporation will be investing approximately $200 million in equipment, buildings and start-up costs over a period of seven years.

On October 28, 2005, the Corporation announced that, as of mid-January 2006, it would temporarily suspend the production of its *CRJ200* aircraft to re-align its production to the current market outlook for 50-seat regional jets. On February 9, 2006, the Corporation announced that it would restart production of the Bombardier *CRJ200/Challenger 850* aircraft platform to meet present and anticipated demand for *Challenger 850* business jets. The impact on the level of employment from this production re-start was to result in the re-call of approximately 50 employees at the Dorval facilities. Substantially all of the workforce reduction of approximately 2,000 employees, previously announced on October 7, 2004, took place during the fiscal year ended January 31, 2006.

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

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

On October 24, 2006, Aerospace announced that it was adjusting its regional aircraft production rates to reflect current market demand. As a result, the production rate for its *CRJ700/900* regional jets was reduced. However, this was partly offset by an increase in the *Q400* turboprop production level in response to the growing need for this type of regional airliner. The workforce level was adjusted accordingly.

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

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

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

Item 3 Narrative Description of the Business

3.1 Business Overview

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

Aerospace is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, regional and specialized aircraft markets. Aerospace has production sites in Canada, the U.S., the United Kingdom (Northern Ireland), and more recently, in Mexico. In addition, Aerospace has maintenance service centres, authorized service facilities, distribution centres and depots for spare parts and several sales and marketing offices around the world. Aerospace has a presence in 20 countries and a workforce of approximately 27,000 employees.

Transportation is the global leader in the rail equipment and system manufacturing and a provider of related services, offering a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides bogies, electric propulsion, control equipment and maintenance services, as well as complete rail transportation systems and rail control solutions.

Transportation's presence in 21 countries includes 42 production sites and 22 service centres. Transportation has a workforce of approximately 29,000 employees.

3.2 Description of Segments

The two reportable segments are constituted as follows:

Aerospace	• Business Aircraft • Regional Aircraft • Aircraft Services and New Commercial Aircraft Program • Flexjet and Skyjet
Transportation	• Rolling Stock • Services • System and Signalling

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

Aerospace

Aerospace is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, regional and specialized aircraft markets. Aerospace has production sites in Canada, the U.S., the United Kingdom (Northern Ireland), and more recently, in Mexico. In addition, Aerospace has maintenance service centres, authorized service facilities, distribution centres and depots for spare parts and several sales and marketing offices around the world. Aerospace has a presence in 20 countries and a workforce of approximately 27,000 employees.

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

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

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

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

Manufacturing Facilities	Operations Conducted or Products
Montréal, Québec, Canada	Complete wing and fuselage assembly for the *Bombardier 415* amphibious aircraft.
North Bay, Ontario, Canada(L)	Final assembly of, and pre-flight activities for, *Bombardier 415* amphibious aircraft.
Querétaro, Mexico(L)	Production of electrical harnesses for the *CRJ700*, *Global Express XRS* and *Challenger 300* and of structural aircraft components for the *Q-400* and *Challenger 850*.
Wichita, Kansas, United States	Final assembly and some manufacturing for the *Learjet* family of business aircraft and flight test centre for aircraft manufactured by Aerospace.

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

Marketing of Aerospace products is provided through marketing and sales offices. In North America, marketing and sales offices are located in Canada (in Montréal, Ottawa and Toronto) and the United States (in the states of Arizona, California, Colorado, Connecticut, Florida, Georgia, Kansas, Maryland, Minnesota, Missouri, Ohio, South Carolina and Texas, and in Washington, D.C.). In Europe, marketing is carried out through offices in France, Germany and the United Kingdom. In Asia, such offices are maintained in Dubai, in the United Arab Emirates, Hong Kong, the People's Republic of China and in Singapore.

Aircraft ordered by customers are produced by the manufacturing facilities of Aerospace. The raw materials and the various components and systems required to manufacture the aircraft are procured around the world and this procurement varies from product to product; however, most such materials, components and systems are provided by suppliers with which Aerospace generally has long-term contracts.

Business Aircraft

Aerospace markets, sells and provides customer support for its three families of business jets. The *Global* family includes the super-large *Bombardier Global 5000* aircraft and the ultra-long-range *Global Express XRS* business jet. The *Challenger* family includes the *Challenger 800* series, the large *Challenger 605* and the super-midsize *Challenger 300* business aircraft. The *Learjet* family includes the light *Learjet 40 XR* aircraft, the super-light *Learjet 45 XR* aircraft and the midsize *Learjet 60 XR* aircraft.

- ***Global Family***

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

The *Bombardier Global 5000* aircraft is a high-speed intercontinental business jet capable of flying up to 4,800 nautical miles at Mach 0.85 with eight passengers and three crew members under certain operating conditions. Main competitors of the *Bombardier Global 5000* include the Gulfstream G450 and the Dassault Falcon 900EX and 900C.

The *Global Express XRS* aircraft is an ultra long-range business jet covering distances of up to 6,150 nautical miles at Mach 0.85 with eight passengers and four crew members under certain operating conditions. The first *Global Express XRS* entered service in the fourth quarter of the fiscal year ended January 31, 2006. The *Global Express XRS* aircraft competes against the Gulfstream G500, the Gulfstream G550 and the Dassault Falcon 7X.

- ***Challenger Family***

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

The *Challenger 300* business jet is a recent entrant into the super-midsize category and has a transcontinental range of up to 3,100 nautical miles at Mach 0.80 with eight passengers and two crew members under certain operating conditions. It competes with four other aircraft models in this category: the Gulfstream G200; the Dassault Falcon 50EX; and the Cessna Citation X.

The *Challenger 605* aircraft is a wide-body, business jet capable of flights of over 4,000 nautical miles at Mach 0.75 with five passengers and two crew members under certain operating conditions. The *Challenger 605* aircraft is the latest in the original *Challenger* series which included the *Challenger 600, 601-1A, 601-3A, 601-3R* and *604*. It was launched in November 2005 and the first aircraft entered into service during the fourth quarter of the fiscal year ended January 31, 2007, as a demonstrator. Main competitors of the *Challenger 605* aircraft include the Falcon 2000EX aircraft manufactured by Dassault Aviation, as well as the Gulfstream G350 aircraft.

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

- ***Learjet Family***

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

Introduced in October 2004, the *Learjet 40 XR* aircraft, a derivative of the *Learjet 40* business jet, is capable, under certain operating conditions, of flying at cruising speeds of up to Mach 0.81 and has a maximum range of up to 1,824 nautical miles with four passengers and two crew members under certain operating conditions. The main competitors of the *Learjet 40 XR* business jet are the Cessna Citation Bravo, Encore and CJ3 and the Raytheon Hawker 400XP.

The *Learjet 45 XR* aircraft has a maximum range of 2,087 nautical miles with four passengers and two crew members and can reach cruising speeds of up to Mach 0.81 under certain operating conditions. Introduced in July 2002, the *Learjet 45 XR* aircraft is an evolution of the *Learjet 45* business jet designed to deliver greater payload-range capabilities through a 1,000-pound increase in Maximum Takeoff Weight and enhanced engine performance. The *Learjet 45 XR* business jet competes with the Cessna Citation XLS aircraft.

The *Learjet 60 XR* business jet has a maximum range of 2,451 nautical miles, with four passengers and two crew members and can reach cruising speeds of up to Mach 0.81 under certain operating conditions. It was officially launched in November 2005 and is expected to enter into service in the first half of fiscal year 2008. Competitors of the *Learjet 60 XR* business jet include the Gulfstream G150, the Raytheon Hawker 850XP and the Cessna Sovereign.

Regional Aircraft

Aerospace markets and sells the *CRJ* family of regional jets and the *Q-Series* family of turboprops to airline companies and also provides maintenance and modification services to its customers.

- ***CRJ Aircraft***

The *CRJ* family consists of the 40-, 44- and 50-passenger *CRJ200* aircraft, the 70- passenger *CRJ700* aircraft, the 75- passenger *CRJ705* aircraft and the 86- passenger *CRJ900* aircraft. During the fiscal year ended January 31, 2007, Aerospace announced that it was adjusting its regional aircraft production rates to reflect current market demand. As a result, starting November 2006, the production rate for the *CRJ700* and *CRJ900* aircraft was reduced from a rate of one aircraft produced every three days to one aircraft produced every five days. This change will reduce deliveries from 63 aircraft in the fiscal year ended January 31, 2007 to approximately 50 aircraft in the fiscal year ending January 31, 2008.

On February 19, 2007, Aerospace launched a further derivative of the *CRJ* family that seats up to 100 passengers, the *CRJ1000* aircraft. The main features of this aircraft include a lengthened fuselage to accommodate higher passenger count, a larger wing, a newly-designed interior, carbon brakes and improved main landing gear.

Aerospace has one major competitor for the *CRJ* aircraft family, Embraer, which produces the 37- passenger jet ERJ 135, a 44- passenger jet, the ERJ 140 and a 50- passenger jet, the ERJ 145. Embraer also offers the 70-passenger jet Embraer 170, the 86- passenger jet Embraer 175 and the 100- passenger jet Embraer 190.

- ***Q-Series Aircraft***

The *Q-Series* family of turboprops consists of the 37- passenger *Q200* aircraft, the 50- passenger *Q300* aircraft and the 68- to 78- passenger *Q400* aircraft. During the fiscal year ended January 31, 2007, Aerospace announced an increase in the *Q400* production level in response to growing demand for this type of aircraft. The expected deliveries of the *Q-Series* turboprop family are approximately 65 deliveries for the fiscal year ending January 31, 2008, compared to 48 deliveries in the fiscal year ended January 31, 2007.

The main products in competition with the *Q-Series* aircraft family come from Avions de Transport Regional ("ATR"). The *Q300* aircraft faces competition from the 50- passenger ATR 42 and the *Q400* from the 70-passenger ATR 72.

Aircraft Services and New Commercial Aircraft Program

- ***Parts logistics***

Aerospace provides worldwide 24-hour spare parts support, including regular shipments, aircraft-on-ground service, lease programs, hourly programs, rotable management programs, surplus sales and customer-owned repair.

Customers are currently served from two main distribution centres, one in Chicago, in the United States, and the other in Frankfurt, Germany, and from spare parts depots in Montréal, Canada, Dubaï in the United Arab Emirates, Singapore, Sydney, Australia and Beijing in the People's Republic of China.

Two new spare parts depots in São Paolo, Brazil and in Narita, Japan are expected to open in fiscal year 2008 in order to meet the growing demand from international markets. Both of these depots will be serving Aerospace business and regional aircraft customers.

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

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

- ***Aircraft maintenance***

Aerospace offers maintenance services for its business aircraft customers at its five main OEM centres located in Fort Lauderdale, Hartford, Wichita, Tucson and Dallas. The Dallas centre has been expanded to increase service capacity.

Aerospace has 34 authorized service and line maintenance facilities for business aircraft. These service facilities are located in North America, Europe, Asia, Australia, Africa and South America. Included in the 34 authorized service facilities for business aircraft, is a service centre located in Berlin, Germany in which the Corporation holds an equity investment. In addition, Aerospace has three OEM satellite stations where light maintenance services are performed, located in Teterboro and Addison in the U.S., and in Munich, Germany.

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

- ***Commercial training***

Aerospace offers a complete range of pilot and maintenance training programs for *CRJ* Series aircraft in Montréal as well as in Berlin through a joint venture. A third-party supplier provides training for turboprops.

Aerospace provides customized business aircraft pilot and maintenance training, as well as ancillary training. The training centres are located in Montréal and at Dallas/Fort Worth International Airport.

- ***Military aviation training***

Aerospace's Military Aviation Training ("MAT") unit, in collaboration with a team of sub-contractors, delivers integrated military aviation training solutions.

MAT currently has two major Canadian military aviation training contracts: the NATO Flying Training in Canada ("NFTC") program and the CF-18 Advanced Distributed Combat Training System ("ADCTS") program.

Countries currently participating in the NFTC program include Denmark, the United Kingdom, the Republic of Singapore, Italy, Hungary and Canada. Finland, Sweden, France and Germany have also sent instructor pilots to the program.

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

- ***Amphibious Aircraft***

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

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

- ***Specialized aircraft solutions***

Aerospace continues to identify and provide special mission aircraft solutions to governments and special-requirement organizations worldwide. Aerospace recognizes the potential market for special mission versions of both regional and business aircraft, and is dedicated to further develop this market. Aerospace works with technical and third-party specialists to support the conversion of these aircraft for their specific roles.

Flexjet and Skyjet

- ***Flexjet***

Through the North American *Flexjet* program, owners purchase shares of business aircraft with operations and support, including flight crew, maintenance, hangar fees and insurance. In addition, *Flexjet* markets, on behalf of Jet Solutions L.L.C., the *Flexjet* 25 jet card (25-hour block of flight time entitlement) that was launched in June 2006.

The *Flexjet* program included 93 aircraft in service in North America as at January 31, 2007, compared to 84 aircraft as at January 31, 2006. The 11% increase is due to the increasing popularity of the *Challenger 300* and *Learjet 40* aircraft offered in the *Flexjet* program. *Flexjet* has continued to make operational improvements and has aligned its aircraft fleet in service in relation to the aircraft fractional shares sold.

- ***Skyjet***

The North American *Skyjet* program offers both on-demand and flight time entitlement charter services. Through the *Skyjet* International program, which serves the European, Asian, and Middle Eastern markets, customers purchase hours of flight time entitlement instead of shares of business aircraft. The *Skyjet* program arranges for its customer's business jet charters with selected air charter operators.

New Commercial Aircraft Program

- ***CSeries***

Aerospace has been evaluating the feasibility of the *CSeries* program to address the lower end of the 100- to 149-seat market segment.

Aerospace continues to refine the *CSeries* aircraft business plan, and discussions with a limited number of international partners are progressing. The program’s team continues to optimize the aircraft configuration to meet customers’ requirements for a more economical, flexible and passenger-oriented airliner. New developments under consideration include increased use of composite materials for the wing and fuselage, and next-generation engine technology, which could yield up to 15% better fuel burn than the existing technology on aircraft currently in production. Heightened customer and supplier interest confirms Aerospace’s belief in the lower end of the 100- to 149-seat market segment. The target date for entry into service would be 2013.

Transportation

Transportation is the global leader in the rail equipment and system manufacturing and a provider of related services, offering a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides bogies, electric propulsion, control equipment and maintenance services, as well as complete rail transportation systems and rail control solutions.

Transportation's presence in 21 countries includes 42 production sites and 22 service centres. Transportation has a workforce of approximately 29,000 employees.

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

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

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

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

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

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

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

Finally, Transportation also has offices in India, Israel, South Africa, Australia, China, Korea, Malaysia, the Republic of Singapore, Taiwan and Thailand.

Transportation leases these marketing or sales offices, with the exception of the office in Saint-Bruno, Millhaven (Kingston) and those in Austria, Belgium, Germany, Switzerland and the United Kingdom, which it owns.

Rolling Stock

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

- ***Light Rail Vehicles***

Transportation's family of light rail vehicles includes street-trams, city-trams and tram-train vehicles.

- ***Metro Cars***

Transportation offers a full range of technologies adapted to the needs of urban transit systems.

- ***Commuter and Regional Trains***

Transportation offers a wide range of passenger railcars for suburban and regional markets. The product line includes electrical multiple units ("EMUs"), diesel multiple units ("DMUs"), diesel-electric multiple units ("DEMUs") as well as coaches in both single and double-deck configurations.

- ***Intercity and High-Speed Trains***

Transportation's product line includes DMUs, EMUs, DEMUs and coaches for intercity and high-speed passenger transportation.

- ***Locomotives***

Transportation offers locomotives and powerheads for use in high-speed, intercity, regional and freight traffic in both electric and diesel-electric versions to suit the specific needs of railway operators.

- ***Bogies***

Transportation offers reliable and innovative bogie solutions for all market segments and types of rolling stock (from trams, metros, commuter and regional trains to long distance, high-speed and locomotives).

- ***Propulsion and Controls***

Transportation offers complete propulsion, train control and management systems. The propulsion system includes transformers, converters, traction motors, gears and auxiliary power supplies.

- ***Competition***

Transportation has two major global competitors, Alstom Transport, a business unit of Alstom SA ("Alstom") and Siemens Transportation Systems, a business unit of Siemens AG ("Siemens"). Both are active in the same markets as Transportation.

Ansaldobreda Spa Transport ("Ansaldo") is also a full line supplier, with established bases in Italy and other European countries. Construcciones y Auxiliar de Ferrocarriles SA ("CAF"), Patentes Talgo SA and Stadler Rail AG specialize in the field of passenger cars, mainly in Europe. CAF and Ansaldo are also active in North America. Vossloh AG is active in the field of diesel locomotives and propulsion in Europe. The Russian supplier CJSC Transmashholding is now also becoming active in Europe.

Japanese suppliers such as Kawasaki Heavy Industries Ltd., Kinki Sharyo Co., Ltd., Mitsubishi Electric Corporation, Nippon Sharyo Ltd. and Toshiba Corporation are competing mostly in Asia and the United States in the rolling stock or electric propulsion segments. Rotem Company is a Korean manufacturer of passenger rolling stock and is active in Asia, North America and Europe. Hitachi Ltd., active in Asia-Pacific, has now also entered the European market.

Transportation has traditionally maintained project-based business relationships with many of its competitors, especially in Europe.

Services

Transportation provides a full range of railway services. These include total train maintenance, technical support, spares and material solutions, vehicle re-engineering and refurbishment as well as component re-engineering and overhaul.

- ***Competition***

For the services of own-built trains, which are the primary focus of Transportation's services activities, Transportation is competing with railway operators, subsystem and component suppliers, as well as with third-party service providers. The incumbent national operators still remain the strongest competition for Transportation. Transportation is the world leader on the relevant market in the field of rail services in Europe and North America. For combined rolling stock and maintenance contracts, Transportation has the same two main competitors as in rolling stock, Alstom and Siemens, and they also offer a full range of services. Most of the other rolling stock manufacturers are also active in the services segment.

System

Transportation develops, designs, builds and maintains complete transportation systems from high-capacity intercity systems to fully automated rapid transit, people movers and monorail systems. Transportation also operates and maintains fully automated systems.

- ***Competition***

Transportation's main global competitors, Mitsubishi Heavy Industries Ltd., Alstom and Siemens, continue to develop systems capabilities.

In addition, engineering, procurement and construction companies are also active in rail project development. Such firms include Bechtel Corporation, SNC-Lavalin Inc., Dragados S.A. and Washington Group. In the automated people mover market, Doppelmayr Cable Car GmbH is Transportation's main competitor. Hitachi Ltd. and KL Monorail System Sdn Bhd are active in the monorail market.

Signalling

Transportation's signalling products cover the mass transit and mainline markets. Mass transit solutions extend from manual to fully automatic systems and communication-based systems. Mainline solutions range from conventional systems to European Rail Traffic Management System ("ERTMS") technology.

- ***Competition***

Major competitors in the market for signalling are Alstom, Ansaldo, General Electric, Invensys plc, Siemens and Thales S.A., which acquired the signalling division of Alcatel in January, 2007.

3.3 Segmented Disclosure

For information respecting Bombardier's sales by industry and geographic segments, reference is made to note 24 to the Corporation's consolidated financial statements for the fiscal years ended January 31, 2007 and January 31, 2006 filed with the Canadian securities regulatory authorities on March 28, 2007, which note is incorporated by reference into this Annual Information Form.

3.4 Agreements Relating to the Use of Certain Technologies

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

3.5 Product Development

3.5.1 Aerospace

During fiscal year 2007, Aerospace invested $329 million in product development, representing 5.2% of manufacturing revenues, compared to $338 million or 5.3% during fiscal year 2006.

Product development costs consisted of the following for fiscal years:

		2007		2006
Program tooling(1)	**$**	**160**	$	138
Program change and engineering(2)		**91**		108
Research and development(3)		**78**		92
	$	**329**	$	338

(1) Capitalized in Property, plant and equipment.
(2) Included in Cost of sales.
(3) Included in Research and development.

Product development costs were lower during fiscal year 2007, mainly due to reduced research and development costs related to the *CSeries* program and lower program change and engineering expenditures in both regional and business aircraft, partially offset by an increase in research and development costs related to the launch of the *CRJ1000* aircraft program announced on February 19, 2007.

Aerospace is involved in a three-year national research program in the United Kingdom aimed at developing and validating technologies that are expected to lead to a new generation of aircraft wings. Aerospace will be focusing primarily on developing technologies with respect to composite materials, including design and analysis techniques, simulation and modelling, materials selection and advanced manufacturing processes.

Business Aircraft

During fiscal year 2007:

- The *Challenger 605* aircraft received Transport Canada, European Aviation Safety Agency and U.S. Federal Aviation Administration type certification and entered into service in January 2007.
- The *Learjet 40 XR* light jet entered into service in February 2006.
- The *Learjet 60 XR* midsize jet had a successful first flight and is expected to enter into service in the first half of fiscal year 2008.

Regional Aircraft

On February 19, 2007, Aerospace announced the launch of the *CRJ1000* regional jet, the next major step in the evolution of the *CRJ* Series aircraft family. Previously known as the *CRJ900X* project, the *CRJ1000* regional jet is designed specifically to meet the growing needs of regional airlines for jets up to 100 seats. It provides low operating costs and improvements in cabin comfort. The new *CRJ1000* regional jet, with the first flight scheduled for mid-fiscal year 2009, is scheduled to enter into service in the fourth quarter of fiscal year 2010.

The *CRJ1000* aircraft program was launched with 38 firm orders, 15 of which are *CRJ900* aircraft order conversions, in addition to 23 conditional orders and options.

3.5.2 Transportation

Rolling Stock

During fiscal year 2007, Transportation further improved its regional and commuter fleet for the European market. The commuter train developed for the Greater Paris region (Île-de-France) is designed for maximum comfort, safety and security and is based on Transportation's proven technology already in commercial service, providing a high level of reliability.

The *TALENT* 2, designed for future regional and suburban transport, represents the continuous development of Transportation's modular concept, which has already been successfully introduced in France with the *AGC*. This design concept offers unparalleled flexibility and modularity in line with customers' needs. These translate into a competitive advantage for operators in a European market that is characterized by growth and liberalization. In February 2007, Transportation signed a framework agreement with Deutsche Bahn AG for the supply of 321 new *TALENT* 2 trains (See Orders and backlog section in the Corporation's Management's Discussion and Analysis for the fiscal year ended January 31, 2007 filed with the Canadian securities regulatory authorities on March 28, 2007 for further details).

In September 2006, at the most important rail fair in the world (InnoTrans, Germany), Transportation introduced the new diesel-electric *TRAXX* locomotive, which completes the *TRAXX* platform family of locomotives and strengthens Transportation's position in the diesel locomotive market.

As part of the "Green Train" project, Transportation has begun testing the first mechatronic bogie in cooperation with Swedish Banverket. This innovative technological solution is of growing interest to rail operators, as it allows monitoring track condition and reduces track damage. In the U.K., operators pay a fee for track damage caused by their trains, a practice that might be rolled out to other countries.

During fiscal year 2007, Transportation won an order from Neoman Bus GmbH, a leading member of the global bus industry, for the design and manufacture of its *MITRAC 500* propulsion system to power 80 trolleybuses for Barquisimeto, Venezuela. With this order, Transportation has expanded the application of its highly reliable *MITRAC* propulsion system product portfolio to the trolleybus market. Given its successful experience in this segment, the Bombardier *MITRAC 500* is now suited to power trams, people movers and trolleybuses.

Services

During fiscal year 2007, Transportation launched the predictive maintenance system *ORBITA*, which is designed to help operators increase fleet utilization, improve reliability and availability and ultimately enhance the passenger's overall journey experience. *ORBITA* is expected to support Transportation's growth in the services market. Successfully launched in Europe during fiscal year 2007, *ORBITA* will be introduced to the North American market in fiscal year 2008.

Systems

During fiscal year 2007, Transportation launched several new products supporting customers around the world in managing their total transit systems:

- *MITRAC* TCMS ("Train Control and Management System"), which demonstrated its uniqueness in the market in terms of advanced Internet protocol technology, open architecture, integration and train-to-wayside communication capability. The *MITRAC* TCMS is the enabling platform for new solutions such as Transportation's *SEKURFLO*, *ORBITA* and PIES ("Passenger information and entertainment system").
- *SEKURFLO*, an advanced, on-board mobile security management system for the passenger rail market. The *SEKURFLO* solution, the next generation of transit security and surveillance, helps secure the safe, operational flow of passenger traffic. This purpose-built system is designed for both passenger safety and the efficiency of rail operators.

Signalling

The continuous upgrade of equipment to the latest ERTMS standards remained the focus of Transportation's product development activities in fiscal year 2007:

- Transportation finalized the product introduction into Taiwan and Korea of ERTMS Level 1 and the national Automatic Train Protection systems ("ATP"), demonstrating delivery capability for Asian markets.
- Transportation has been the first to enter the *EBI Cab* ERTMS Level 2 Onboard market in the Netherlands and to receive approval for an ERTMS Specific Transmission Module ("STM"), which allows trains to be used for cross-border traffic. Furthermore, country-specific adaptations for the onboard equipment have been completed for the German and Spanish markets.

Further interlocking enhancements were achieved with the computer-based interlocking system *EBI* Lock 950, thus increasing the market penetration of this product.

Other areas of product development include the ongoing improvement and increased functionality of the current Transportation product range, in particular the enhancement of *EBI Track* train detection, *EBI Light* signals and *EBI Switch* point machines. This will allow Transportation to embrace further market opportunities.

3.6 Environment

The Corporation's products as well as its manufacturing and service activities are subject to environmental regulation by federal, provincial and local authorities in Canada, as well as local regulatory authorities having jurisdiction over the Corporation's foreign operations. In addition, the Corporation has established, and periodically updates a health, safety and environment policy that defines the Corporation's vision for its worldwide operations. Consistent with this policy, approximately 85% of the Corporation's manufacturing and services locations, over 150 employees, have been accredited according to the ISO 14001 Standard for Environmental Management by outside auditors.

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

With respect to environmental matters related to site contamination (historical contamination of soil and groundwater), the Corporation periodically conducts studies, individually at sites owned by the Corporation, and jointly as a member of industry groups at sites not owned by the Corporation, to determine the feasibility of various remediation techniques and to define the Corporation's share of liability. The Corporation is currently proceeding with decontamination at a small number of sites both in North America and in Europe. The historical costs for soil and/or groundwater decontamination have not been significant.

Estimating future environmental clean-up liabilities is dependent on the nature and the extent of historical information and physical data about the contaminated site, the complexity of the contamination, the uncertainty of which remedy to apply, the timing of the remedial action and the outcome of the discussions with regulatory authorities.

Although it appears likely that annual costs for remediation activities might increase over time because of ever more stringent legal requirements, these costs are not expected to be material to the Corporation.

3.7 Human Resources

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

	Number of employees as at January 31,	
	2007	**2006**
Aerospace	27,130	26,800
Transportation	29,104[(1)]	28,644[(1)]
Corporate Office	178	241
Other	15	237
Total	56,427	55,922

(1) Including 2,899 and 2,070 contractual employees as at January 31, 2007 and 2006, respectively.

At Aerospace 57% of employees are covered by collective agreements as at January 31, 2007.

At Transportation, in Europe and North America, respectively 80% and 40% of the employees are covered by collective agreements as at January 31, 2007.

Bombardier considers that its relations with its employees are satisfactory.

3.8 Foreign Currency and Interest Rate Risks

The Corporation's main exposures to foreign currencies are managed by the segments and are covered by a central treasury function. Foreign currency exposures are managed in accordance with the Corporation's foreign currency policy and procedures (the "Policy"). The Policy requires each segment to identify all potential foreign currency exposures arising from their operations and to hedge this exposure according to pre-set criteria. Interest rate exposures are managed centrally in order to achieve an appropriate mix of fixed and variable interest rate debt and to reduce the impact of fluctuating interest rates on financial commitments and intercompany loans.

Derivative financial instruments used to manage foreign currency and interest rate exposures consist mainly of:

- forward foreign exchange contracts;
- interest-rate swap agreements;
- cross-currency interest-rate swap agreements; and
- interest-rate cap agreements.

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

The details and fair value of the outstanding derivative financial instruments as at January 31, 2007 and 2006 are presented in note 19 – Financial instruments to the Corporation's consolidated financial statements for the years ended January 31, 2007 and 2006 filed with the Canadian securities regulatory authorities on March 28, 2007.

HEDGING PROGRAMS

Based on the Corporation's guidelines, each segment is required to hedge its foreign currency exposures as follows:

Segment	Hedged exposures	Hedging policy[1]
Aerospace	Forecasted cash outflows denominated in a currency other than the functional currency of the entity, mainly the Canadian dollar and the pound sterling.	Hedge a minimum of 85% of the identified exposures for the first three months, a minimum of 75% for the next nine months and a minimum of 50% for the following year.
Transportation	Forecasted cash inflows or outflows resulting from revenues and expenditures denominated in a currency other than the functional currency of the entity.	Hedge 100% of the identified foreign currency exposures.

[1] Deviations from the Policy are allowed subject to maximum predetermined risk limits.

Aerospace foreign currency denominated costs

The expected costs denominated in foreign currencies and the hedged portion of these costs for fiscal year 2008 were as follows as at January 31, 2007:

		Expected costs	Hedged portion	Weighted-average hedge rate
Costs denominated in:				
Canadian dollar	$	2,085	78%	0.8632
Pound sterling	$	260	79%	1.8186

Management conducts quarterly reviews, as well as a detailed annual review as part of its annual budget process, of its cost estimates and program quantities. As part of the detailed annual review, Aerospace maintained the long-term foreign exchange rate assumption this year for its future unhedged expected costs denominated in Canadian dollars at a weighted-average rate of 0.8696.

Sensitivity

A one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact fiscal year 2008 expected costs in Aerospace by approximately $21 million before giving effect to forward foreign exchange contracts, and approximately $5 million after giving effect to the outstanding forward foreign exchange contracts.

A one-penny change in the value of the pound sterling compared to the U.S. dollar would impact fiscal year 2008 expected costs in Aerospace by approximately $3 million before giving effect to forward foreign exchange contracts, and approximately $1 million after giving effect to the outstanding forward foreign exchange contracts.

Forward foreign exchange contracts

The Corporation uses forward foreign exchange contracts to cover foreign currency exposure arising from forecasted foreign currency cash flows. The Corporation also uses forward foreign currency contracts to cover foreign currency exposures arising from long-term debt, intercompany loans, receivables, and its net investments in self-sustaining foreign operations.

Most of the forward foreign exchange contracts are denominated in currencies of major industrial countries:

- In Aerospace, forward foreign exchange contracts are mainly to sell U.S. dollars and buy Canadian dollars and pounds sterling.
- In Transportation, forward foreign exchange contracts are mainly to sell or purchase euros, pounds sterling, U.S. dollars, Swiss francs, Canadian dollars, and other Western European currencies.

The fair value of forward foreign exchange contracts is sensitive to changes in foreign exchange rates. Foreign exchange rate changes result in offsetting gains or losses on forward foreign exchange contracts and the corresponding hedged item attributable to the underlying exposure.

Interest-rate swap agreements

The Corporation enters into interest-rate swap agreements in order to achieve an appropriate mix of fixed and variable interest rate debt. In addition, the Corporation enters into interest-rate swap agreements to reduce the impact of fluctuating interest rates on financial commitments and to cover the interest rate exposure arising from aircraft financing support provided to regional aircraft customers. Swap agreements involve the exchange of interest payments, based on a predetermined notional amount for a specified period of time.

The fair value of interest-rate swaps is sensitive to changes in interest rates. Interest rate changes result in offsetting gains or losses on interest-rate swap agreements and the corresponding hedged item attributable to the underlying exposure.

Cross-currency interest-rate swap agreements

The Corporation enters into cross-currency interest-rate swap agreements to cover foreign currency exposures, and to modify the interest rate characteristics of its hedged items. These swap agreements involve the exchange of interest payment obligations, as well as principal amounts in two different currencies for a specified period of time. The fair value of cross-currency interest-rate swaps varies in the same manner as forward foreign exchange contracts and interest-rate swap agreements.

The Corporation also enters into cross-currency interest-rate swap agreements to cover foreign currency exposures on its net investments in self-sustaining foreign operations. These swap agreements involve the exchange of interest payment obligations as well as principal amounts in two different currencies for a specified period of time. Gains and losses related to these cross-currency interest-rate swap agreements designated and effective as hedges are accounted for in the Cumulative translation adjustment.

Interest-rate cap agreements

The Corporation enters into interest-rate cap agreements to manage its exposure to interest-rate increases arising from protection granted to certain customers in connection with the sale of aircraft.

The fair value of interest-rate caps is sensitive to changes in interest rates and implied volatility. Changes in interest rates and implied volatility result in offsetting gains or losses on interest-rate cap agreements and the corresponding financial obligations attributable to the underlying exposure.

3.9 Risk Factors

RISK MANAGEMENT PRACTICES

The Corporation's risk management practice is to embed risk management activities in the operational responsibilities of its management. Risk management is therefore an integral part of how the Corporation plans and executes its business strategies. Each segment manages its risks in line with the Corporation's overall organizational and accountability structure. The Corporation has developed and applies risk assessment, mitigation and management practices to reduce the nature and extent of its exposure to operational, financial, technical, market and legal risks.

Aerospace

Aerospace's risk management begins prior to program launch. It includes the development of a detailed plan to support a program launch decision, and continues throughout the product cycle. Aerospace's risk management strategy includes a governance process to assess the risk of deviation from the revenue, cost, schedule and technical targets, established as part of a detailed plan with the aim of developing specific risk mitigation plans. Such practices include a sales contract evaluation process ensuring compliance with internal policy. Risk management for product cost includes the development of long-term relationships with key suppliers, together with supplier evaluation and competitive bidding processes. Other risk management practices for cost include foreign exchange hedging, insurance coverage and collective agreements with a significant portion of the workforce. Technical risk is mitigated through strict compliance with the regulatory requirements of various bodies, as well as stringent quality control in the production cycle. The International Standards Organization ("ISO") has established ISO 9001 standards. The Society of Automotive Engineers ("SAE") has used the baseline ISO 9001 standards to establish AS 9100 standards in order to standardize Quality Management Systems requirements specific to the aerospace industry. Aerospace holds five ISO

AS9100/9001 certificates in 19 sites located in Canada, U.S. and Europe. These sites include facilities for all stages of the product life cycle including administrative, design, manufacturing, testing, training, spares distribution and service centres. The application of these standards allows Aerospace to improve product quality and reduce costs through the standardization of quality processes and procedures.

Transportation

Transportation's risk management strategy comprises the complete activities of the segment with defined processes for the bid approval, project start-up, design, realization and field support phases.

The bid approval process is managed by senior executives with bids reviewed for compliance with internal policies and guidelines in the areas of commercial and contractual terms and conditions, profitability, engineering and manufacturing resources availability, product strategy, delivery schedule and supply base before tendering.

Bid approval, project start-up and design phases also include a technical risk assessment, legal review of contracts, development of long-term relationships with key suppliers, together with supplier evaluation and cost.

During the realization and field support phases, Transportation performs schedule controls, regular reviews of forecasts, project improvement management and a proactive risk and opportunity management. The principal objective of the risk and opportunity management is to:

- anticipate future events that may harm or benefit a project; and
- identify and quantify potential risks and opportunities so that Transportation can:
    - ➢ take action that will decrease the probability of a risk occurring or decrease the impact of the risk, should it occur; and
    - ➢ increase the probability of an opportunity occurring or increase the benefits of the opportunity, should it occur.

Risk mitigation is managed by aiming to structure positive cash flow arrangements through the use of customer advances, foreign exchange hedging, insurance, third-party guarantees, and other risk mitigating measures, such as collective agreements with a significant portion of the workforce.

In addition, the Corporation has put in place internal audits where the project is assessed both from a project management and a financial perspective. Those audits focus on all key projects in terms of size but also on smaller projects considered more risky. This internal audit process is linked with the external audit process and increases the level of transparency at all levels.

RISK ENVIRONMENT

The Corporation operates in industry segments that have a variety of risk factors and uncertainties, including general economic risk, business environment, operational, financing and market risk. The risks and uncertainties described below are risks that could materially affect the Corporation's business, financial condition and results of operations, but are not necessarily the only risks faced by the Corporation. Additional risks and uncertainties not presently known to the Corporation, or that the Corporation currently believes to be immaterial, may also adversely affect its business.

GENERAL ECONOMIC RISK

Unfavourable economic conditions, such as a macroeconomic downturn in important markets or an increase in commodity prices, may result in lower order intake, which would adversely affect the Corporation's business.

In addition, curtailment of production activities due to unfavourable economic conditions could result in the Corporation incurring significant costs associated with temporary layoffs or termination of employees.

BUSINESS ENVIRONMENT RISK

The Corporation faces a number of external risk factors, more specifically the financial condition of the airline industry and major rail operators, government policies related to import and export restrictions, changing priorities and possible spending cuts by government agencies, government support to export sales, world trade policies, competition from other businesses, as well as scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates. In addition, acts of terrorism, global health risks and political instability or the outbreak of war or continued hostilities in certain regions of the world may result in lower orders, rescheduling or the cancellation of part of the existing order backlog for some of the Corporation's products.

Airline industry environment

Airline industry profitability and viability influence the demand for Aerospace's commercial aircraft. Continued cost pressure in the airline industry puts pressure on the price of Aerospace's products. Aerospace is faced with the challenge of finding ways to reduce costs and improve productivity to sustain a favourable market position at acceptable profit margins. Several of Aerospace's U.S. commercial airline customers are operating under the protection of Chapter 11. The loss of any major commercial airline as a customer or the termination of a contract could significantly reduce the Corporation's revenue.

OPERATIONAL RISK

The activities conducted by the Corporation are subject to operational risks, including business partners, developing new products and services, regulatory and legal risk, product performance warranty, dependence on key customers, suppliers and personnel, risk of problems in supply management, production and project execution, as well as the successful integration of new acquisitions, reliance on information systems and environmental policies, all of which could affect the ability of the Corporation to meet its obligations. In addition, large and complex projects for customers are common for the businesses of the Corporation, including fixed-price contracts.

Business partners

In certain of the projects carried out through consortia or other partnership vehicles in Transportation, all partners are jointly and severally liable to the customer. The success of these partnerships is dependent on the satisfactory performance of the Corporation and the Corporation's business partners. Although, in these situations, partners generally exchange counter-indemnity obligations, often partially or totally backed by guarantee instruments, the failure of the business partners to fulfill their contractual obligations could subject the Corporation to additional financial and performance obligations that could result in increased costs and unforeseen delays. In addition, in Transportation's systems business, the loss of potential order intake may result from a partner withdrawing from a consortium during the bid phase.

Developing new products and services

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

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

Warranty and casualty claim losses

Products manufactured by the Corporation are highly complex and sophisticated and may contain defects that are difficult to detect and correct. Defects may be found in the Corporation's products after they are delivered to the customer. If discovered, the Corporation may not be able to correct them in a timely manner, or at all. The occurrence of defects and failures in the Corporation's products could result in warranty claims or the loss of customers. Correcting such defects could require significant capital investments. Any claims, defects or failures may materially and adversely affect the Corporation's business, financial condition and results of operations. In addition, due to the nature of the Corporation's business, the Corporation may be subject to liability claims arising from accidents or disasters involving the Corporation's products, or products for which the Corporation provided services, including claims for serious personal injuries or death, and these accidents may include accidents caused by climatic factors (such as snow and icy weather), or by pilot or driver error. The Corporation cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that the Corporation will be able to obtain insurance coverage at acceptable levels and cost in the future.

Legal risks

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

Key customers and key suppliers

The Corporation's manufacturing operations are dependent on a limited number of customers. As at January 31, 2007, 11% of Aerospace's order backlog related to aircraft programs was attributable to three customers. In Transportation, three customers represented 45% of the order backlog as at January 31, 2007. The Corporation believes that it will continue to depend on a limited number of customers; accordingly, the loss of any such customer could result in lower sales or market share. Since the majority of Transportation's customers are public companies or operate under public contract, Transportation's order intake is dependent on public budgets and spending policies. See government support below for additional information.

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

Fixed-term commitments

The Corporation has historically offered, and will continue to offer, a significant portion of its products on fixed-term contracts, rather than contracts in which payment is determined solely on a time-and-material basis. Generally, the Corporation may not terminate these contracts unilaterally. Although the Corporation often relies on tools, methodologies and past experience to reduce the risks associated with estimating, planning and performing these projects, in most cases, the Corporation is exposed to risks associated with these projects, including unexpected technological problems, difficulties with the Corporation's partners and subcontractors and logistic difficulties that could lead to cost overruns and late delivery penalties.

Human resource risk (including collective agreements)

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

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

Environmental risk

The Corporation is subject to environmental laws and regulations in each of the jurisdictions in which it operates, governing, among other things, product performance or content, air and water pollution, the use, disposal, storage, transportation, labelling and release of hazardous substance, human health risks arising from the exposure to hazardous or toxic material and the remediation of soil and groundwater contamination on or under the Corporation's properties (whether or not caused by the Corporation) or on or under other properties and caused by its current or past operations. Environmental regulatory requirements, or enforcements thereof, may become more stringent in the future, and additional costs may be incurred by the Corporation to be compliant with such future requirements or enforcements. In addition, the Corporation may have contractual or other liability for environmental matters relating to businesses, products or properties that the Corporation has in the past closed, sold or otherwise disposed of, or that the Corporation closes, sells or disposes of in the future. There can be no assurance that limitations imposed by, or costs of compliance with, current or future environmental laws, liabilities arising from a failure to comply with environmental laws, obligations to perform environmental investigations or remediation, or any other environmental problem, will not materially and adversely affect the Corporation's business, financial condition and results of operations.

FINANCING RISK

Government support

From time to time, the Corporation or its customers receive various types of government support. The level of government support reflects government policy and depends on budgets and other political and economic developments. The Corporation cannot predict if future government-sponsored support will be available. The loss or any substantial reduction in the availability of government support could negatively impact the Corporation's cost competitiveness and market share. In addition, any future government support received by the Corporation's competitors may have a negative impact on the Corporation's competitiveness, product development, sales and market share.

Financing support provided on behalf of certain customers

From time to time, the Corporation provides aircraft financing support to regional aircraft customers. The Corporation also provides interim financing, which includes loans made to customers and the leasing of aircraft to customers. The Corporation faces the risk that certain customers, mainly regional aircraft customers, may not be able to obtain permanent financing. This, in turn, may materially and adversely affect the Corporation's business, financial condition and results of operations.

The Corporation may also provide, directly or indirectly credit and residual value guarantees to airlines, to support financings for airlines or to support financings by certain special purpose entities ("SPEs") created solely i) to purchase regional aircraft from the Corporation and to lease these aircraft to airlines, and ii) to purchase financial assets related to regional aircraft manufactured by the Corporation. Under these arrangements, the Corporation is obligated to make payments to a guaranteed party in the event that the original debtor or lessee does not make lease or loan payments, or if the market or resale value of the aircraft is below the guaranteed residual value amount at an agreed-upon date, generally at the expiry date of the related financing and lease arrangements. A substantial portion of these guarantees has been extended to support original debtors or lessees with less than investment-grade credit. The recent financial weakness of certain airlines further exposes the Corporation to loss under credit guarantees. Significant claims under these guarantees could materially and adversely affect the Corporation's business, financial condition and results of operations (see Commitments and contingencies section of the Corporation's Management's Discussion and Analysis for the fiscal year ended January 31, 2007 filed with the Canadian securities regulatory authorities on March 28, 2007 for a discussion on credit and residual value guarantees).

Liquidity and access to capital markets

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

Restrictive debt covenants

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

- incur additional debt and provide guarantees;
- repay subordinated debt;

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

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

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

- a minimum EBITDA to fixed charges ratio of 3.5 to 1 at the end of each fiscal quarter;
- a maximum adjusted gross debt-to-capitalization ratio of 70% at the end of each fiscal quarter until April 30, 2008, and 65% thereafter; and
- a maximum adjusted net debt to EBITDA ratio of 2.5 to 1 as at January 31, 2007, January 31, 2008 and July 31, 2008; 3.75 to 1 as at April 30, 2007, July 31, 2007 and October 31, 2007; 2.75 to 1 as at April 30, 2008; and 2.0 to 1 as at October 31, 2008 and at the end of each fiscal quarter thereafter.

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

MARKET RISK

Market risk is defined as a potential loss due to an adverse move in market rates, including the following:

Foreign currency fluctuations

The Corporation's financial results are reported in U.S. dollars and a portion of its sales and operating costs are realized in currencies other than U.S. dollars, in particular euros, Canadian dollars and pounds sterling. The Corporation's results of operations are therefore affected by movements of these currencies against the U.S. dollar. Significant long-term fluctuations in relative currency values could have an adverse effect on its future profitability. Although the Corporation's foreign currency policy is to use derivative financial instruments to manage these foreign currency exposures, given the volatility of currency exchange rates, the Corporation cannot assure that the it will be able to manage these risks effectively. Volatility in currency exchange rates may generate losses, which may materially and adversely affect the Corporation's business, financial condition and results of operations. For more detailed information on the Corporation's hedging policies, refer to Derivative financial instrument section of the Corporation's Management's Discussion and Analysis for the fiscal year ended January 31, 2007 filed with the Canadian securities regulatory authorities on March 28, 2007.

Changing interest rates

The Corporation is exposed to risks from fluctuating interest rates, as described in the Derivative financial instruments section of the Corporation's Management's Discussion and Analysis for the fiscal year ended

January 31, 2007 filed with the Canadian securities regulatory authorities on March 28, 2007, which may materially and adversely affect the Corporation's business, financial condition and results of operations. The Corporation uses derivative financial instruments or asset/liability management techniques to manage the impact of fluctuating interest rates, arising mainly on existing assets and liabilities and financial commitments.

Commodity price risk

The Corporation is subject to commodity price risk relating principally to fluctuations in material prices used in the supply chain, such as aluminum and titanium, which could materially and adversely affect the Corporation's business, financial condition and results of operations. In an effort to mitigate these risks, the Corporation seeks to enter into long-term arrangements with its supplier base.

Item 4 Dividends

The Corporation declared the dividends indicated below on its outstanding shares during each of the fiscal years ended January 31, 2007 January 31, 2006 and January 31, 2005. These dividends are denominated in Canadian dollars.

	Fiscal years ended January 31,					
	2007		**2006**		**2005**	
(millions of dollars, except per share amounts)	**Total**	**Per share**	**Total**	**Per share**	**Total**	**Per share**
Series 2 Cumulative Redeemable Preferred Shares	3.8	$1.45912	2.9	$1.11586	2.6	$0.99781
Series 3 Cumulative Redeemable Preferred Shares	12.9	$1.36900	12.9	$1.36900	12.9	$1.36900
Series 4 Cumulative Redeemable Preferred Shares	14.7	$1.56250	14.7	$1.56250	14.7	$1.56250
Class A Shares (Multiple Voting)	—	—	—	—	30.8	$0.09000
Class B Subordinate Voting Shares	—	—	—	—	129.0	$0.09160

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

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

In general, the Corporation's policy is to set the total amount of its dividends for a fiscal year at approximately 30% of the consolidated net income for the previous fiscal year. The Board of Directors of the Corporation reserves the right to modify this policy at any time. On March 28, 2006, the Board of Directors of Bombardier decided that in accordance with the Corporation's policy and based on the financial results for fiscal year

2006, there would be no dividend payment on the Class A Shares and the Class B Subordinate Voting Shares for fiscal year 2007.

Pursuant to various financing agreements to which they are parties, Bombardier Capital Inc. and Learjet Inc. are subject to certain restrictions as to payment of dividends. The Corporation, as intervenor, is also subject to certain restrictions as to the receipt of dividends from these subsidiaries. These subsidiaries have undertaken to maintain certain financial ratios or a minimum level of net worth, which may have the indirect effect of restricting payment of dividends by these subsidiaries.

Item 5 General Description of Capital Structure

The authorized capital of the Corporation consists of (i) an unlimited number of preferred shares without nominal or par value issuable in series (the "Preferred Shares"), of which 12,000,000 have been designated as the Series 2 Preferred Shares, 12,000,000 have been designated as the Series 3 Preferred Shares and 9,400,000 have been designated as the Series 4 Preferred Shares, (ii) 1,892,000,000 Class A Shares, and (iii) 1,892,000,000 Class B Subordinate Voting Shares. As at January 31, 2007, the Corporation had outstanding 2,597,907 Series 2 Preferred Shares, 9,402,093 Series 3 Preferred Shares, 9,400,000 Series 4 Preferred Shares, 317,044,051 Class A Shares and 1,433,422,917 Class B Subordinate Voting Shares.

The Class B Subordinate Voting Shares are restricted securities (within the meaning of the relevant Canadian regulations respecting securities) in that they do not carry equal voting rights. In the aggregate, all of the voting rights associated with the Class B Subordinate Voting Shares represented, as at January 31, 2007, 31.14% of the voting rights attached to all of the Corporation’s issued and outstanding voting securities.

Class A Shares and Class B Subordinate Voting Shares

Subordination and Voting Rights

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

Dividends and Liquidation

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

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

Conversion Privilege

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

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

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

Preferred Shares as a Class

Issuable in Series

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

Priority

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

Dividends

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

Voting Rights

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

Modifications

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

Series 2 Preferred Shares

The Series 2 Preferred Shares are non-voting, redeemable at the Corporation's option at CAN$25.50 per share (together with accrued and unpaid dividends), convertible on a one-for-one basis on August 1, 2007 and on August 1 of every fifth year thereafter into Series 3 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 2 Preferred Shares, such remaining number shall be automatically converted into an equal number of Series 3 Preferred Shares. Additionally, if the Corporation determines that at such time, there would be less than 1,000,000 outstanding Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted. Since August 1, 2002, floating adjustable cumulative preferential cash dividends are payable monthly, if declared, with the annual floating dividend rate equal to 80% of the Canadian prime rate. The dividend rate will float in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% of the prime rate if the trading price of the Series 2 Preferred Shares is less than CAN$24.90 per share or more than CAN$25.10 per share.

Series 3 Preferred Shares

The Series 3 Preferred Shares are non-voting, redeemable at the Corporation's option at CAN$25.00 per share (together with accrued and unpaid dividends) on August 1, 2007 and on August 1 of every fifth year thereafter, convertible on a one-for-one basis at the option of the holder on August 1, 2007 and on August 1 of every fifth year thereafter into Series 2 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 3 Preferred Shares, such remaining number shall be automatically converted into an equal number of Series 2 Preferred Shares. Additionally, if the Corporation determines that at such time there would be less than 1,000,000 outstanding Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted. The Series 3 Preferred Shares carry an annual dividend rate of 5.476% for the initial five-year period from August 1, 2002 to and including July 31, 2007, payable quarterly, if declared. The quarterly dividend rate will be fixed by the Corporation at least 45 days and not more than 60 days before each subsequent five-year dividend period. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada bond yield as defined in the Articles of Amendment creating the Series 3 Preferred Shares.

Series 4 Preferred Shares

The 6.25% Series 4 Preferred Shares are entitled to fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, at a rate equal to CAN$1.5625 per share per annum. Dividends are payable quarterly on the last day of July, October, January and April each year at a rate of CAN$0.3906 per share per quarter. The Series 4 Preferred Shares, which are non-voting, will not be redeemable prior to March 31, 2007. On and after March 31, 2007, the Corporation may, subject to certain provisions, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Preferred Shares in whole or in part, at the Corporation's option, at CAN$26.00 per share if redeemed prior to March 31, 2008, CAN$25.75 if redeemed thereafter and prior to March 31, 2009, CAN$25.50 if redeemed thereafter and prior to March 31, 2010, CAN$25.25 if redeemed thereafter and prior to March 31, 2011 and CAN$25.00 if redeemed on or after March 31, 2011, in each case together with all declared and unpaid dividends to the date of redemption.

Alternatively, on and after March 31, 2007, the Corporation may, on not less than 30 nor more than 60 days' notice, subject to stock exchange approvals, convert all or any of the Series 4 Preferred Shares into fully paid and non-assessable Class B Subordinate Voting Shares of the Corporation. The number of Class B Subordinate Voting Shares of the Corporation into which each Series 4 Preferred Share may be so converted will be determined by dividing the applicable redemption price per Series 4 Preferred Shares together with all declared and unpaid dividends at the date of conversion by the greater of CAN$2.00 and 95% of the weighted average trading price of such Class B Subordinate Voting Shares on the TSX for the period of 20 consecutive trading days which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day. The Corporation may, at its option, at any time grant the holders of Series 4 Preferred Shares the right, but not the obligation, to convert their shares upon notice into a further series of Preferred Shares.

Security Ratings

As of January 31, 2007, the Corporation had received BB and Pfd-4 ratings from Dominion Bond Rating Service Limited ("DBRS") for its senior debentures and preferred shares, respectively. The Corporation has received a BB rating for its corporate credit from Standard & Poor's ("S&P"). The Corporation's debt securities have also been rated Ba2 by Moody's Investors Service ("Moodys") and BB- by Fitch Ratings ("Fitch"). Fitch and S&P have also rated the preferred shares of the Corporation respectively as a B and P4. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuance of securities.

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

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

Item 6 Market for the Securities of the Corporation

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

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

MONTH		Class A Shares "BBD.A"	Class B Subordinate Voting Shares "BBD.B"	Series 2 Preferred Shares "BBD.PR.B"	Series 3 Preferred Shares "BBD.PR.D"	Series 4 Preferred Shares "BBD.PR.C"
January 2007	High	$4.61	$4.62	$20.24	$18.49	$22.89
	Low	$3.93	$3.90	$18.64	$17.26	$20.86
	Close	$4.48	$4.45	$19.15	$18.09	$22.65
	Volume	1,798,135	124,850,014	189,947	474,908	243,937
December 2006	High	$4.00	$3.97	$18.80	$17.35	$20.99
	Low	$3.68	$3.67	$18.01	$16.62	$20.03
	Close	$3.99	$3.95	$18.50	$17.25	$20.95
	Volume	2,251,721	89,689,432	125,191	255,511	180,888
November 2006	High	$4.20	$4.19	$18.80	$16.95	$20.99
	Low	$3.72	$3.70	$18.00	$16.51	$20.30
	Close	$3.85	$3.80	$18.80	$16.93	$20.51
	Volume	3,319,391	109,067,212	143,294	354,713	206,161
October 2006	High	$4.14	$4.14	$18.43	$17.19	$20.98
	Low	$3.47	$3.48	$17.39	$16.45	$19.21
	Close	$3.92	$3.87	$18.25	$16.68	$20.41
	Volume	1,436,011	146,673,281	181,383	345,063	287,026
September 2006	High	$3.65	$3.68	$17.60	$16.70	$19.79
	Low	$3.19	$3.19	$16.42	$16.10	$18.82
	Close	$3.51	$3.49	$17.35	$16.55	$19.28
	Volume	719,323	101,992,748	63,921	179,300	147,979
August 2006	High	$3.65	$3.66	$17.50	$16.47	$19.43
	Low	$2.99	$2.98	$16.92	$16.01	$18.80
	Close	$3.40	$3.36	$17.20	$16.25	$19.30
	Volume	1,093,047	86,785,733	43,614	118,995	106,205
July 2006	High	$3.25	$3.25	$17.83	$16.49	$20.34
	Low	$3.00	$3.00	$16.85	$15.99	$18.32
	Close	$3.02	$3.00	$17.12	$16.23	$19.30
	Volume	479,322	60,909,330	37,640	74,509	125,943
June 2006	High	$3.34	$3.37	$17.79	$16.79	$19.64
	Low	$2.93	$2.90	$16.60	$16.01	$18.22
	Close	$3.14	$3.11	$17.50	$16.30	$18.88
	Volume	2,913,710	92,226,978	38,402	93,984	97,681
May 2006	High	$4.32	$4.31	$19.00	$17.90	$20.75
	Low	$3.05	$3.01	$17.26	$16.32	$19.25
	Close	$3.25	$3.15	$17.45	$16.42	$19.62
	Volume	1,929,937	128,605,093	91,501	162,212	166,005
April 2006	High	$4.32	$4.32	$19.00	$17.90	$20.97
	Low	$3.38	$3.37	$17.96	$17.00	$19.51
	Close	$4.28	$4.30	$18.60	$17.80	$20.50
	Volume	1,808,884	183,030,075	46,620	337,616	222,562
March 2006	High	$3.48	$3.48	$18.00	$17.10	$19.99
	Low	$2.69	$2.68	$15.67	$15.40	$17.88
	Close	$3.42	$3.40	$18.00	$17.10	$19.91
	Volume	2,462,141	142,601,181	41,931	472,563	208,596
February 2006	High	$3.05	$3.05	$16.50	$15.99	$18.40
	Low	$2.75	$2.83	$15.57	$15.46	$17.82
	Close	$2.89	$2.92	$16.12	$15.56	$17.88
	Volume	1,079,305	83,143,965	50,855	95,408	131,340

Item 7 Directors and Executive Officers

The names of the directors and executive officers of the Corporation, their municipality of residence, the positions held by them within the Corporation, the principal occupations of the directors, the period during which each director has exercised his or her mandate, as well as the number of Class A Shares, Class B Subordinate Voting Shares or Deferred Stock Units, as the case may be, of the Corporation that the directors, as at March 27, 2007, or as at January 31, 2007 for Director Deferred Stock Units ("DDSUs"), owned beneficially or over which they exercised control or direction, are indicated below. No Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares are held by any director.

Directors

Name, Municipality of Residence, Principal Occupation(s) and Position(s) held within the Corporation	**Period of service as a director**	**Class A Shares[1]**	**Class B Subordinate Voting Shares[1]**	**Director Deferred Stock Units or other deferred stock units programs**
LAURENT BEAUDOIN, C.C., FCA Westmount, Québec Chairman of the Board and Chief Executive Officer of the Corporation	1975 to date	11,126,951[2]	2,738,493[2]	400,000[3]
PIERRE BEAUDOIN Westmount, Québec Executive Vice President of the Corporation and President and Chief Operating Officer of Bombardier Aerospace	2004 to date	512,859	1,312	—
ANDRÉ BÉRARD[a][c] Montréal, Québec Corporate Director	2004 to date	—	5,000	106,032[4]
J.R. ANDRÉ BOMBARDIER Montréal, Québec Vice Chairman of the Corporation	1975 to date	[5]	265,774	—
JANINE BOMBARDIER Westmount, Québec President and Governor, J. Armand Bombardier Foundation, charitable organization	1984 to date	[6]	40,001	104,479[4]
L. DENIS DESAUTELS[a][c] Ottawa, Ontario Corporate Director	2003 to date	—	6,500	57,104[4]
MICHAEL J. DURHAM[7][a][c] Dallas, Texas, U.S.A. Corporate Director	2005 to date	—	—	43,073[4]
JEAN-LOUIS FONTAINE Westmount, Québec Vice Chairman of the Corporation	1975 to date	4,097,472[8]	6,465	—

Name, Municipality of Residence, Principal Occupation(s) and Position(s) held within the Corporation	Period of service as a director	Class A Shares[1]	Class B Subordinate Voting Shares[1]	Director Deferred Stock Units or other deferred stock units programs
DANIEL JOHNSON[9] [a][c] Montréal, Québec Counsel, McCarthy Tétrault, LLP Barristers and Solicitors	1999 to date	—	1,200	87,574[4]
JEAN C. MONTY [10][b][d] Montréal, Québec Corporate Director	1998 to date	25,000	175,000	147,067[4]
ANDRÉ NAVARRI Paris, France Executive Vice President of the Corporation and President of Bombardier Transportation	2004 to date	—	50,000	—
JAMES E. PERRELLA[b][d] Jupiter, Florida, U.S.A. Retired Chairman and Chief Executive Officer, Ingersoll-Rand Company, diversified industrial company and component manufacturer	1999 to date	—	10,000	191,054[4]
CARLOS E. REPRESAS[b][c] Mexico City, Mexico Chairman of the Board, Nestlé Group México	2004 to date	—	—	60,100[4]
JEAN-PIERRE ROSSO[a] New York, New York, U.S.A. Chairman, World Economic Forum USA Inc.	2006	—	—	21,267[4]
FEDERICO SADA G.[11][d] Garza, Garcia, Mexico President and Chief Executive Officer Vitro, S.A. de C.V., glass producing company	2003 to date	—	—	100,319[4]
HEINRICH WEISS[b][d] Düsseldorf, Germany Chairman and Chief Executive Officer SMS GmbH	2005 to date	—	—	75,079[4]

(1) Number of shares held is given as at March 27, 2007.

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

(3) As part of his compensation for the year ended January 31, 2006, Mr. Beaudoin, as Chief Executive Officer, received an annual incentive of $1,400,000. This sum was paid in the form of 400,000 deferred share units ($3.50) pursuant to the Deferred Stock Unit Plan for Senior Officers.

(4) Number of DDSUs is given as at January 31, 2007 as the number of DDSUs under the Director Deferred Stock Unit Plan is calculated and reported as at the end of the Corporation's fiscal year(s) and quarterly period(s).

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

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

(7) Mr. Durham was a member of the Board of Fairchild Dornier GmbH until April 2002, approximately two months prior to the date on which the insolvency procedures over the estate of Fairchild Dornier GmbH were opened in Germany.

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

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

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

(11) Mr. Sada was the non-executive Chairman and a director of Anchor Glass Container Corporation in the United States when it filed for protection under Chapter 11 of the U.S. Bankruptcy Code on September 13, 1996.

(a) Member of the Audit Committee.

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

(c) Member of the Retirement Pension Oversight Committee.

(d) Member of the Corporate Governance and Nominating Committee.

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

Executive Officers who are not Directors

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

As at March 27, 2007, the directors of the Corporation (other than Mrs. Janine Bombardier and Mr. J.R. André Bombardier) and the executive officers of the Corporation, as a group, owned beneficially, directly or indirectly, 15,779,302 Class A Shares and 3,496,721 Class B Subordinate Voting Shares, representing 4.98% and 0.24% respectively, of the outstanding shares of each such class.

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

– Pierre Alary has been Senior Vice President and Chief Financial Officer since June 9, 2003, after having assumed such position on an interim basis on February 12, 2003; previously, he was Vice President Finance of Bombardier since November 1, 2002; from August 17, 1998 to October 31, 2002, he was Vice President, Finance of Bombardier Transportation.

– Laurent Beaudoin has been Chairman of the Board and Chief Executive Officer since December 13, 2004 heading the Office of the President, whose members also include Pierre Beaudoin, President and Chief Operating Officer of Bombardier Aerospace and Executive Vice President of Bombardier, and André Navarri, President of Bombardier Transportation and Executive Vice President of Bombardier; prior to that, he was Executive Chairman of the Board since June 10, 2003 and, before that, Chairman of the Board and of the Executive Committee since February 1, 1999.

– Pierre Beaudoin has been Executive Vice President of Bombardier and, together with André Navarri, a member of the Office of the President, headed by Laurent Beaudoin since December 13, 2004; he has also served as President and Chief Operating Officer of Bombardier Aerospace since October 16, 2001; prior to that, he was President, Business Aircraft, Bombardier Aerospace since February 1, 2001; before that, he was President and Chief Operating Officer of Bombardier Recreational Products from April 1996 to January 2001.

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

- Richard C. Bradeen has been Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment since January 20, 2005; prior to that date, he was Senior Vice President, Corporate Audit Services and Risk Assessment since October 1, 2003, after having acted, on an interim basis, as Vice President, Corporate Audit Services and Risk Assessment since November 25, 2002; he was also Vice President, Special Projects, responsible for Amphibious Aircraft Division, Structured Finance and Military Aviation Training Service from April 8, 2002 to January 20, 2005; prior to that date, he was Vice President, Corporate Audit Services and Risk Assessment of the Corporation since February 1, 2001; prior to that date, he was Vice-President, Acquisitions and Strategic Alliances of the Corporation since February 1, 1999.
- L. Denis Desautels has been acting as a Corporate Director since October 1, 2002; before that date he was Auditor General of Canada from April 1, 1991 until March 31, 2001.
- Daniel Desjardins has been Senior Vice President, General Counsel and Assistant Secretary of the Corporation since October 1, 2003; prior to that date, he served as Vice President, Legal Services and Assistant Secretary since April 6, 1998.
- Michael J. Durham was with AMR Corporation for 20 years. He worked at American Airlines 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 NYSE-listed company providing information technology services to the travel industry.
- François Lemarchand has been Senior Vice President and Treasurer of the Corporation since October 1, 2003; prior to that date, he was Vice President and Treasurer of the Corporation since October 1, 1996.
- John Paul Macdonald has been Senior Vice President, Public Affairs of Bombardier since January 20, 2005, and continued to act as Vice President, Communications of Aerospace until October 2, 2006-; from 1999 to 2002, he was Vice President, Corporate Affairs of Molson Inc.
- Jean C. Monty has been acting as corporate director since April 2002; before that date, he had been Chairman and Chief Executive Officer of BCE Inc., a telecommunications company, since April 26, 2000, after having been President and Chief Executive Officer of BCE Inc. since May 6, 1998 and previously President and Chief Operating Officer of BCE Inc. from October 1, 1997 to May 6, 1998; he had also been Chairman and Chief Executive Officer of Bell Canada since February 28, 1998.
- André Navarri has been Executive Vice President of Bombardier and, together with Pierre Beaudoin, a member of the Office of the President headed by Laurent Beaudoin since December 13, 2004; he has also served as President of Bombardier Transportation since February 22, 2004; prior to that date, he was President – Operations of Alcatel, a worldwide supplier of telecom equipment from September 2001 to December 2002; from May 1999 to May 2000, he served as Chief Operating Officer, then from May 2000 to March 2001 Chairman and Chief Executive Officer of Valeo, a worldwide automotive component maker.
- Jean-Pierre Rosso has been Chairman of World Economic Forum USA Inc., based in New York City, United States, since February 2006. He was Chairman of CNH Global N.V. from November 1999 until his retirement in May 2004. He was Chief Executive Officer of CNH Global N.V. from November 1999 to November 2000.
- Carroll L'Italien has been appointed Senior Vice President and Chief Talent Officer of Bombardier Inc. on February 22, 2006; prior to that date, he was Senior Vice President of the Corporation since July 24, 1999; before joining Bombardier he had been, since July 1996, President of Alcan Smelters and Chemicals Limited.

Item 8 Legal Proceedings

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

While the Corporation cannot predict the final outcome of legal proceedings pending as at January 31, 2007, based on information currently available, it believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

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

Item 9 Transfer Agent and Registrar

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

Item 10 Material Contracts

Since February 1, 2006, the Corporation has not entered into any contractual arrangements outside the ordinary course of business that would be considered material to it or its businesses.

Item 11 Interest of Experts

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

Item 12 Audit Committee Disclosure

Audit Committee Information

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

The Charter of the Audit Committee is reproduced at Schedule "B" attached to this Annual Information Form (see pages 46 to 51).

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

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

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

Michael J. Durham – Mr. Durham has a B.A., Economics, from the University of Rochester and an M.B.A., Finance and Accounting, from Cornell University. For over 20 years, he held various positions of increasing responsibilities with AMR Corporation in the finance area. Among others, he was Treasurer of AMR Corporation in 1989 and Senior Vice President, Finance and Chief Financial Officer of American Airlines, Inc. from 1989 to 1995. After having been President of Sabre Technology Group, he acted as President and Chief Executive Officer of Sabre, Inc., a company listed on the New York Stock Exchange from 1995 to 1999.

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

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

Appointment of Auditors

For each of the financial years ended January 31, 2007 and 2006, Ernst & Young, LLP, billed the Corporation the following fees for services :

Fees	**Financial Year Ended January 31, 2007**	**Financial Year Ended January 31, 2006**
Audit fees	US$ 12,809,000	US$ 13,147,000
Audit-related fees	US$ 736,000	US$ 935,000
Tax fees	US$ 1,666,000	US$ 2,297,000
All other fees	US$ 159,000	US$ 88,000
Total Fees:	US$ 15,370,000	US$ 16,467,000

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

Item 13 Additional Information

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

Item 14 Forward-Looking Statements

This Annual Information Form includes forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “anticipate”, “plan”, “foresee”, “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation’s actual results in future periods to differ materially from forecasted results. While the Corporation considers its assumptions to be reasonable and appropriate based on current information available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this Annual Information Form, please refer to the respective sections of the Corporation’s aerospace segment and the Corporation’s transportation segment in the Management’s Discussion and Analysis on the Corporation’s Web site at www.bombardier.com.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with the Corporation’s business environment (such as the financial condition of the airline industry, 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, legal 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 risk and environmental risk), 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). For more details see the heading entitled “Risks and Uncertainties” in the Management’s Discussion and Analysis on the Corporation’s Web site at www.bombardier.com. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect the Corporation’s expectations as at the date of this Annual Information Form and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SCHEDULE A

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

Aerospace Trademarks

- Bombardier
- Bombardier 415
- Bombardier Global 5000
- Challenger
- CRJ
- CRJ200
- CRJ700
- CRJ705
- CRJ900
- CRJ1000
- CSeries
- Flexjet
- Global Express
- Learjet
- Q-Series
- Q200
- Q300
- Q400
- Skyjet
- Smart Parts

Transportation Trademarks

- MITRAC
- TALENT
- TRAXX
- ORBITA
- SEKURFLO
- EBI

SCHEDULE B

BOMBARDIER INC.
CHARTER OF THE 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 E EFFECTIVENESS

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

B. MANAGING THE AUDIT COMMITTEE

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

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

1.4 Mandate of the Audit Committee

A. PURPOSE

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

B. OBJECTIVES

The objectives of the Audit Committee are:

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

C. *MEETINGS*

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

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

D. DUTIES AND RESPONSIBILITIES

- As they relate to the Board and financial reporting

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

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

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

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

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

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

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

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

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

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

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

l) Ensure that procedures are in place for

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

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

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

n) 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 adviser, 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.