BOMBARDIER

SECOND QUARTERLY REPORT

Three- and six-month periods ended June 30, 2019

GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership (formerly CSALP)	GAAP	Generally accepted accounting principles
AFS	Available for sale	GDP	Gross domestic product
bps	Basis points	HFT	Held for trading
BT Holdco	Bombardier Transportation (Investment) UK Limited	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CDPQ	Caisse de dépôt et placement du Québec	IFRIC	International Financial Reporting Interpretation Committee
CIS	Commonwealth of Independent States		
CSALP	C Series Aircraft Limited Partnership	IFRS	International Financial Reporting Standard(s)
DDHR	Derivative designated in a hedge relationship	MD&A	Management's discussion and analysis
DSU	Deferred share unit	N/A	Not applicable
EBIT	Earnings (loss) before financing expense, financing income and income taxes	NCI	Non-controlling interests
		nmf	Information not meaningful
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	OCI	Other comprehensive income (loss)
		PP&E	Property, plant and equipment
		PSU	Performance share unit
EBT	Earnings (loss) before income taxes	R&D	Research and development
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	RSU	Restricted share unit
		SG&A	Selling, general and administrative
FVOCI	Fair value through other comprehensive income (loss)	U.K.	United Kingdom
FVTP&L	Fair value through profit and loss	U.S.	United States of America

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts in this report are expressed in U.S. dollars, and all amounts in the tables are in millions of U.S. dollars, unless otherwise indicated.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of Bombardier Inc. (the "Corporation" or "Bombardier"). This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that we fulfil our responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the MD&A and financial statements for issuance to shareholders.

The data presented in this MD&A is structured by reportable segment: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation, which is reflective of our organizational structure as of June 30, 2019.

The results of operations and cash flows for the three- and six-month periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year.

IFRS and non-GAAP measures
This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure (see the Non-GAAP financial measures and Liquidity and capital resources sections in Overview and each reporting segment's Analysis of results section).

Materiality for disclosures
We determine whether information is material based on whether we believe a reasonable investor's decision to buy, sell or hold securities of the Corporation would likely be influenced or changed if the information were omitted or misstated.

Certain totals, subtotals and percentages may not agree due to rounding.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected growth in demand for products and services; growth strategy, including in the business aircraft aftermarket business; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and project execution in general; competitive position; expectations regarding working capital recovery across late-stage Transportation projects; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources, expected financial requirements and ongoing review of strategic and financial alternatives; the introduction of productivity enhancements, operational efficiencies and restructuring initiatives and anticipated costs, intended benefits and timing thereof; the expected objectives and financial targets underlying our transformation plan and the timing and progress in execution thereof, including the anticipated business transition to growth cycle and cash generation; expectations and objectives regarding debt repayments, expectations and timing regarding an opportunistic redemption of CDPQ's investment in BT Holdco; intentions and objectives for our programs, assets and operations; the anticipated benefits of the formation of Bombardier Aviation and the expected timing of completion thereof and estimated costs associated therewith; the pursuit of a divestiture of our operations in Belfast and Morocco, the anticipated benefits of any divestiture or other transaction resulting therefrom and their expected impact on the Corporation's operations, infrastructure, opportunities, financial condition, business plan and overall strategy; the funding and liquidity of Airbus Canada Limited Partnership (ACLP); and the expected impact and intended benefits of our partnership with Airbus and investment in ACLP and the realization of intended benefits of our acquisition of Triumph Group Inc. (Triumph)'s *Global 7500* wing manufacturing operations and assets. As it relates to the sale of the *CRJ* aircraft program (the Pending Transaction), this MD&A also contains forward-looking statements with respect to: the expected terms, conditions, and timing for completion thereof; the respective anticipated proceeds and use thereof and/or consideration therefor, related costs and expenses, as well as the anticipated benefits of such actions and transactions and their expected impact on our guidance and targets; and the fact that closing of these transactions will be conditioned on certain events occurring, including the receipt of necessary regulatory approval.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "shall", "can", "expect", "estimate", "intend", "anticipate", "plan", "foresee", "believe", "continue", "maintain" or "align", the negative of these terms, variations of them or similar terminology. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of our current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of our business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

By their nature, forward-looking statements require management to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions underlying the forward-looking statements made in this MD&A in relation to the pursuit of a divestiture of our operations in Belfast and Morocco include the following material assumptions: the identification and successful completion of one or more divestiture(s) or other transactions resulting therefrom on commercially satisfactory terms and the realization of the intended benefits therefrom within the anticipated timeframe. The assumptions underlying the forward-looking statements made in this MD&A in relation to the Pending Transaction discussed herein include the following material assumptions: the satisfaction of all conditions of closing and the successful completion of such strategic actions and transaction within the anticipated timeframe, including receipt of regulatory approvals. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in Overview, Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation in the MD&A of our financial report for the fiscal year ended December 31, 2018.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with "Brexit", the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or global climate change), operational risks (such as risks related to developing new products and services; development of new business and awarding of new contracts; book-to-bill ratio and order backlog; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution, including challenges associated with certain Transportation's legacy projects and the release of working capital therefrom; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; risks associated with our ability to successfully implement and execute our strategy, transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives, including the formation of Bombardier Aviation; doing business with partners; risks associated with our partnership with Airbus and investment in ACLP; risks associated with our ability to continue with our funding plan of ACLP and to fund, if required, the cash shortfalls; risks associated with our ability to successfully integrate our acquisition of Triumph's *Global 7500* wing manufacturing operations and assets; inadequacy of cash planning and management and project funding; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers, contracts and suppliers; supply chain risks; human resources; reliance on information systems; reliance on and protection of intellectual property rights; reputation risks; risk management; tax matters; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial existing debt and interest payment requirements; certain restrictive debt covenants and minimum cash levels; financing support provided for the benefit of certain customers; and reliance on government support), market risks (such as risks related to foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in the MD&A of our financial report for the fiscal year ended December 31, 2018. With respect to the formation of Bombardier Aviation discussed herein specifically, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the expected benefits, costs and timing of the formation of Bombardier Aviation, and the risk it will not be completed within the expected time frame, on the expected parameters, or at all; the realization of synergies and opportunities for growth and innovation and incurrence of related costs and expenses; our ability to ensure we have the skills, technologies and capabilities to realize the anticipated benefits of organizational changes; and negative effects of the announcement or pendency of the formation of Bombardier Aviation on the market price of our shares and on the financial performance of Bombardier. With respect to the pursuit of a divestiture of our operations in Belfast and Morocco discussed herein specifically, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the failure to identify and complete any divestiture or other transaction resulting therefrom within the expected time frame, on commercially satisfactory terms or at all; all or part of the intended benefits therefrom not being realized within the anticipated timeframe, or at all; and the incurrence of related costs and expenses; and negative effects of the announcement or pendency of any such divestiture or other transaction. With respect to the Pending Transaction discussed herein specifically, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the failure to receive or delay in receiving regulatory approvals, or otherwise satisfy the conditions to the completion of the transaction or delay in completing and uncertainty regarding the length of time required to complete such transactions, and the funds and benefits thereof not being available to Bombardier in the time frame anticipated or at all; alternate sources of funding that would be used to replace the anticipated proceeds and savings from such strategic actions and transactions, as the case may be, may not be available when needed, or on desirable terms. Accordingly, there can be no assurance that any divestiture relating to our operations in Belfast and Morocco, or the Pending Transaction will be undertaken or occur, or of the timing or successful completion thereof, or the amount and use of proceeds therefrom, or that the anticipated benefits will be realized in their entirety, in part or at all. There can also be no assurance as to the completion, the form, or the timing of any BT Holdco buy-back. For more details, see the Risks and uncertainties section in Other in the MD&A of our financial report for the fiscal year ended December 31, 2018.

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. Other risks and uncertainties not presently known to us or that we presently believe are not material could also cause actual results or events to differ materially from those expressed or implied in our forward-looking statements. The forward-looking statements set forth herein reflect management's expectations as at the date of this report and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30	2019[1]	2018	Variance
Revenues	**$ 4,314**	$ 4,262	1 %
EBIT	**$ 371**	$ 191	94 %
EBIT margin	**8.6%**	4.5 %	410 bps
Adjusted EBIT[2]	**$ 206**	$ 271	(24)%
Adjusted EBIT margin[2]	**4.8%**	6.4 %	(160) bps
Adjusted EBITDA[2]	**$ 312**	$ 336	(7)%
Adjusted EBITDA margin[2]	**7.2%**	7.9 %	(70) bps
Net income (loss)	**$ (36)**	$ 70	nmf
Diluted EPS (in dollars)	**$ (0.04)**	$ 0.02	$ (0.06)
Adjusted net income (loss)[2]	**$ (47)**	$ 87	nmf
Adjusted EPS (in dollars)[2]	**$ (0.04)**	$ 0.03	$ (0.07)
Net additions to (disposals of) PP&E and intangible assets	**$ 140**	$ (312)	nmf
Cash flows from operating activities	**$ (289)**	$ (80)	(261)%
Free cash flow (usage)[2]	**$ (429)**	$ 232	nmf
As at	**June 30, 2019**	December 31, 2018	Variance
Available short-term capital resources[3]	**$ 3,646**	$ 4,373	(17)%
Order backlog (in billions of dollars)	**$ 51.6**	$ 53.1	(3)%

Key highlights and events

- **Aerospace business units tracking to plan while Transportation manages through industrial challenges**
  - Consolidated revenues of $4.3 billion during the quarter feature a healthy 9% organic growth (excluding currency translation and divestitures), driven mainly by higher aircraft deliveries, aftermarket and progress on rail projects. Last year results included the full contribution from the C Series program, Q Series aircraft program and the aircraft training business. Those businesses have since been deconsolidated as the Corporation reshaped its portfolio to focus on Business Aircraft.
  - Adjusted EBITDA[2] and adjusted EBIT[2] for the quarter of $312 million and $206 million respectively, mainly driven by a 7.0% adjusted EBIT margin[2] at Business Aircraft while Transportation recorded a 5.1% adjusted EBIT margin[2]. Transportation's lower margin mainly reflects additional cost pressure on large, late-stage projects mainly in the U.K., Germany and Switzerland.
  - Reported EBIT of $371 million is largely driven by the gain of $219 million on the sale of the Q Series program completed during the quarter.
  - Free cash flow usage[2] of $429 million during the quarter and $1.5 billion year-to-date supports the intense ramp-up of the *Global 7500* and progress on rail projects at Transportation.

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures. Prior to the first quarter of fiscal year 2019, the Corporation reported non-GAAP measures labelled “EBIT before special items” and “EBITDA before special items”. Beginning in the first quarter of fiscal year 2019, the Corporation changed the label of these non-GAAP measures to "adjusted EBIT" and "adjusted EBITDA", respectively, without making any change to the composition of these non-GAAP measures. The Corporation believes that this new label aligns better with broad market practice in its industry and better distinguishes these measures from the IFRS measurement "EBIT".
(3) Defined as cash and cash equivalents plus the amount available under our revolving credit facilities.

- **Guidance updated for new Aviation reporting segment and Transportation's revised outlook**[1]
    - Starting in the third quarter of 2019, Bombardier's three aerospace segments will be consolidated and reported as a single unit, Bombardier Aviation. Accordingly, the full year guidance for each of the segments is combined into the new Aviation guidance, while the ACLP equity pickup will be reported as a corporately held investment.
        - Full year revenues at Aviation are expected at approximately $8.0 billion, net of eliminations. This amount is close to the low end of the original range, net of an adjustment to *CRJ* delivery expectations.
        - In line with the previous aerospace segments guidance, adjusted EBIT margin[2] at Aviation is estimated at approximately 7.0% for the year.
        - A total of 175 to 180 aircraft deliveries are expected for 2019, including 15 to 20 *Global 7500*, and reflecting 5 fewer *CRJ* deliveries following the cancellation of an order subsequent to the quarter.
    - The Corporation's consolidated guidance is adjusted mainly to reflect revised expectations for the year at Transportation and the adjustment in *CRJ* deliveries:
        - Full year consolidated revenues are now expected to be in the range of $16.5 to $17.0 billion, largely in line with the previous guidance.
        - Full year consolidated adjusted EBITDA[2] and adjusted EBIT[2] guidance are revised down by $300 million to $1.2-$1.3 billion and $700-$800 million, respectively, reflecting a revised adjusted EBIT margin[2] of approximately 5.0% at Transportation.
        - Free cash flow[2] guidance for the full year is updated to a usage of approximately $500 million. The revised guidance accounts for the $250 to $300 million of additional investments and costs at Transportation, and also reflects the cash flow timing risk of some key rail projects with delivery milestones near the end of the year.

- **Creating value from legacy Commercial Aircraft programs**
    - On June 25, 2019, the Corporation announced the sale of the *CRJ* program to Mitsubishi Heavy Industries, Ltd (MHI) for net proceeds of $550 million and the assumption of approximately $200 million of liabilities by MHI. The transaction is currently expected to close during the first half of 2020 and remains subject to regulatory approvals and customary closing conditions.
    - On May 31, 2019, the Corporation completed the previously announced sale of the Q Series aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited), a wholly owned subsidiary of Longview Aviation Capital Corp., for gross proceeds of $298 million.

- **Successful first year of the Airbus partnership on the A220 program**
    - With close to 300 new orders and commitments since the closing of the partnership, A220 sales are gaining strong momentum with new and existing customers, including Air France, Air Lease Corporation, Delta Air Lines, JetBlue Airways, Nordic Aviation Capital and the startup airline by Mr. David Neeleman.
    - Bombardier continues to participate in the success of the A220 through its 33.55% stake in ACLP.

(1) See the forward-looking statements disclaimer.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.

SEGMENT REPORTING

During the second quarter of 2019, the Corporation announced the strategic formation of Bombardier Aviation, consolidating all aerospace assets into a single, streamlined and fully integrated business. As a result of our integration following this announcement, starting in the third quarter of 2019, our reportable segments will be Aviation and Transportation. Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services will be reported under Aviation. The Corporation's interest in ACLP will be treated as a corporately held investment and therefore included in Corporate and Others. Accordingly, our guidance for Business Aircraft, Commercial Aircraft, and Aerostructures and Engineering Services has been withdrawn and replaced with the 2019 guidance for the Aviation segment under the Guidance Update section of this MD&A.

The restated results under the new reportable segments are as follows.

Three-month period ended March 31, 2019	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 1,410	$ 2,107	$ (1)	$ 3,516
Adjusted EBIT[1]	$ 144	$ 83	$ (56) [2]	$ 171 [2]
EBIT	$ 664	$ 83	$ (63) [2]	$ 684 [2]
Adjusted EBIT margin[1]	10.2%	3.9%		
EBIT margin	47.1%	3.9%		

Three-month period ended June 30, 2019	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 2,120	$ 2,194	$ —	$ 4,314
Adjusted EBIT[1]	$ 151	$ 111	$ (56) [2]	$ 206 [2]
EBIT	$ 340	$ 87	$ (56) [2]	$ 371 [2]
Adjusted EBIT margin[1]	7.1%	5.1%		
EBIT margin	16.0%	4.0%		

Six-month period ended June 30, 2019	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 3,530	$ 4,301	$ (1)	$ 7,830
Adjusted EBIT[1]	$ 295	$ 194	$ (112) [2]	$ 377 [2]
EBIT	$ 1,004	$ 170	$ (119) [2]	$ 1,055 [2]
Adjusted EBIT margin[1]	8.4%	4.5%		
EBIT margin	28.4%	4.0%		

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(2) Includes share of net gain (loss) from ACLP of $1 million for the first quarter of 2019 and $(9) million for the second quarter of 2019.

Three-month period ended March 31, 2018				
	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 1,675	$ 2,355	$ (2)	$ 4,028
Adjusted EBIT[1]	$ 54	$ 189	$ (42)	$ 201
EBIT	$ 52	$ 191	$ (42)	$ 201
Adjusted EBIT margin[1]	3.2%	8.0%		
EBIT margin	3.1%	8.1%		

Three-month period ended June 30, 2018				
	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 2,003	$ 2,259	$ —	$ 4,262
Adjusted EBIT[1]	$ 105	$ 207	$ (41)	$ 271
EBIT	$ 69	$ 163	$ (41)	$ 191
Adjusted EBIT margin[1]	5.2%	9.2%		
EBIT margin	3.4%	7.2%		

Three-month period ended September 30, 2018				
	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 1,504	$ 2,140	$ (1)	$ 3,643
Adjusted EBIT[1]	$ 129	$ 187	$ (45) [2]	$ 271 [2]
EBIT	$ 132	$ 184	$ (49) [2]	$ 267 [2]
Adjusted EBIT margin[1]	8.6%	8.7%		
EBIT margin	8.8%	8.6%		

Three-month period ended December 31, 2018				
	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 2,142	$ 2,161	$ —	$ 4,303
Adjusted EBIT[1]	$ 184	$ 167	$ (65) [2]	$ 286 [2]
EBIT	$ 171	$ 236	$ (65) [2]	$ 342 [2]
Adjusted EBIT margin[1]	8.6%	7.7%		
EBIT margin	8.0%	10.9%		

Fiscal year ended December 31, 2018				
	Aviation	Transportation	Corporate and Others	Total
Revenues	$ 7,324	$ 8,915	$ (3)	$ 16,236
Adjusted EBIT[1]	$ 472	$ 750	$ (193) [2]	$ 1,029 [2]
EBIT	$ 424	$ 774	$ (197) [2]	$ 1,001 [2]
Adjusted EBIT margin[1]	6.4%	8.4%		
EBIT margin	5.8%	8.7%		

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
[2] Includes share of net loss from ACLP of $13 million for the third quarter of 2018 and $27 million for the fourth quarter of 2018.

GUIDANCE UPDATE(1)

Starting in the third quarter of 2019, Bombardier's three existing aerospace units will be consolidated into a single Bombardier Aviation business segment. As a result of this change, and to reflect the additional investments, costs and the timing of project delivery milestones at Transportation, the Corporation is updating its 2019 guidance.

The section below contains all of the Corporation’s current forward-looking financial targets. Guidance for 2020 will be provided at a later date.

		Previous guidance(2)	2019 guidance update
Revenues	Business Aircraft	~ $6.25 billion	Aviation(3) ~ $8.0 billion
	Commercial Aircraft	~ $1.15 billion	
	Aerostructures and Engineering Services	$2.25-$2.50 billion	
	Transportation	~ $8.75 billion	~ $8.75 billion
	Consolidated	~ $17.0 billion(4)	$16.5-$17.0 billion
Adjusted EBIT(5) and adjusted EBIT margin(5)	Business Aircraft	~ 7.5%	Aviation(3) ~ 7.0%
	Commercial Aircraft	~ ($125 million)(6)	
	Aerostructures and Engineering Services	~ 7.5%	
	Transportation	~ 8.0%	~ 5.0%
	Consolidated	$1.00-$1.15 billion(4)	$700-$800 million
Adjusted EBITDA(5)	Consolidated	$1.50-$1.65 billion(4)	$1.20-$1.30 billion
Free cash flow(5)	Consolidated	Breakeven ± $250 million	~ ($500 million)
Aircraft deliveries (in units)	Business Aircraft	150 - 155	Aviation(3) 175 - 180
	Commercial Aircraft	~30 *CRJ* and Q400	

CONSOLIDATED

Full year consolidated revenues are now expected to be in the range of $16.5 to $17.0 billion, largely in line with the previous guidance.

Full year consolidated adjusted EBITDA(4) and adjusted EBIT(4) guidance are revised down by approximately $300 million to $1.2-$1.3 billion and $700-$800 million, respectively, mainly reflecting revised margins at Transportation.

Free cash flow(4) guidance for the full year is revised to a usage of approximately $500 million. The revised guidance accounts for additional investments and costs at Transportation described below, and also reflects the cash flow timing risk on some key rail projects with delivery milestones near the end of the year.

(1) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2018 Financial Report for details regarding the assumptions on which the guidance is based.

(2) Refer to our 2018 Financial Report, our First Quarterly Report for the period ended March 31, 2019, and Segment Reporting section of this MD&A for further details.

(3) Refer to our Segment Reporting section of this MD&A for further details. The assumptions on which the guidance for the aerospace segments was based continue to apply to the guidance for the Aviation segment.

(4) The previous 2019 consolidated revenue guidance included eliminations in the range of $1.40 billion to $1.65 billion related to Aerostructures and Engineering Services intersegment sales to Business Aircraft and Commercial Aircraft. This amount has been included in the new Aviation guidance. The previous 2019 guidance for adjusted EBIT and adjusted EBITDA included eliminations in the range of approximately $20 million to $40 million related to Aerostructures and Engineering Services intersegment sales to Business Aircraft and Commercial Aircraft. This amount has been included in the new Aviation guidance.

(5) Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.

(6) The previous 2019 guidance for Commercial Aircraft included estimated losses of approximately $100 million related to the Corporation’s equity pick-up for ACLP results. Under the new structure, the Corporation’s interest in ACLP will be treated as a corporately held investment and therefore the respective equity pick-up is excluded from Aviation figures.

AVIATION
Full year revenues at Aviation are expected at approximately $8.0 billion, net of eliminations. This amount is close to the low end of the original range, net of an adjustment to *CRJ* delivery expectations. Adjusted EBIT margin(1) is estimated at approximately 7% for the year, in line with the previous aerospace segments guidance.

A total of 175 to 180 aircraft deliveries are expected for 2019, including 15 to 20 *Global 7500*, and reflecting 5 less *CRJ* deliveries following the cancellation of an order subsequent to the quarter.

Going forward, the Airbus Canada Limited Partnership will be classified as a corporately held investment, and therefore excluded from the Aviation segment and reported separately with corporate costs.

TRANSPORTATION
Full-year revenues for Transportation remain unchanged at $8.75 billion. Full-year adjusted EBIT margin(1) is now expected at approximately 5%, mainly as we make additional investments and incur additional costs of $250 to $300 million, to both complete the legacy projects and to protect the delivery schedule for other projects. These investments include adding manufacturing and engineering capacity.

Other objectives for 2019

The following other objectives are unchanged.

		2019 estimates
Consolidated	Cash and cash equivalents	> $3.0 billion as at December 31, 2019
	Liquidity(2)	> $4.0 billion as at December 31, 2019
	Net additions to PP&E and intangible assets	~ $800 million for the full year

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(2) Defined as available short-term capital resources.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 [1]	2018	**2019** [1]	2018
Revenues	**$ 4,314**	$ 4,262	**$ 7,830**	$ 8,290
Cost of sales	**3,818**	3,709	**6,878**	7,248
Gross margin	**496**	553	**952**	1,042
SG&A	**263**	309	**531**	595
R&D	**69**	48	**117**	95
Share of income of joint ventures and associates	**(23)**	(30)	**(40)**	(50)
Other income	**(19)**	(45)	**(33)**	(70)
Adjusted EBIT[2]	**206**	271	**377**	472
Special items	**(165)**	80	**(678)**	80
EBIT	**371**	191	**1,055**	392
Financing expense	**269**	163	**560**	325
Financing income	**(22)**	(31)	**(102)**	(69)
EBT	**124**	59	**597**	136
Income taxes	**160**	(11)	**394**	22
Net income (loss)	**$ (36)**	$ 70	**$ 203**	$ 114
Attributable to				
Equity holders of Bombardier Inc.	**$ (83)**	$ 68	**$ 112**	$ 106
NCI	**$ 47**	$ 2	**$ 91**	$ 8
EPS (in dollars)				
Basic	**$ (0.04)**	$ 0.03	**$ 0.04**	$ 0.04
Diluted	**$ (0.04)**	$ 0.02	**$ 0.04**	$ 0.04
(as a percentage of total revenues)				
Adjusted EBIT[2]	**4.8%**	6.4%	**4.8%**	5.7%
EBIT	**8.6%**	4.5%	**13.5%**	4.7%

Non-GAAP financial measures[2]

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 [1]	2018	**2019** [1]	2018
Adjusted EBITDA	**$ 312**	$ 336	**$ 578**	$ 601
Adjusted net income (loss)	**$ (47)**	$ 87	**$ (169)**	$ 122
Adjusted EPS	**$ (0.04)**	$ 0.03	**$ (0.12)**	$ 0.04

[1] Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.

[2] Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Reconciliation of segment to consolidated results

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 [1]	2018	**2019** [1]	2018
Revenues				
Business Aircraft	**$ 1,382**	$ 1,307	**$ 2,352**	$ 2,417
Commercial Aircraft	**516**	616	**757**	1,079
Aerostructures and Engineering Services	**565**	455	**1,035**	901
Transportation	**2,194**	2,259	**4,301**	4,614
Corporate and Elimination	**(343)**	(375)	**(615)**	(721)
	$ 4,314	$ 4,262	**$ 7,830**	$ 8,290
Adjusted EBIT[2]				
Business Aircraft	**$ 97**	$ 111	**$ 171**	$ 209
Commercial Aircraft	**12**	(66)	**34**	(139)
Aerostructures and Engineering Services	**37**	57	**103**	104
Transportation	**111**	207	**194**	396
Corporate and Elimination	**(51)**	(38)	**(125)**	(98)
	$ 206	$ 271	**$ 377**	$ 472
Special Items				
Business Aircraft	**$ 13**	$ 3	**$ (507)**	$ 4
Commercial Aircraft	**(214)**	602	**(214)**	602
Aerostructures and Engineering Services	**12**	(8)	**12**	(7)
Transportation	**24**	44	**24**	42
Corporate and Elimination	**—**	(561)	**7**	(561)
	$ (165)	$ 80	**$ (678)**	$ 80
EBIT				
Business Aircraft	**$ 84**	$ 108	**$ 678**	$ 205
Commercial Aircraft	**226**	(668)	**248**	(741)
Aerostructures and Engineering Services	**25**	65	**91**	111
Transportation	**87**	163	**170**	354
Corporate and Elimination	**(51)**	523	**(132)**	463
	$ 371	$ 191	**$ 1,055**	$ 392

[1] Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
[2] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.

Analysis of consolidated results

Detailed analyses of revenues and EBIT are provided in each reportable segment's Analysis of results section.

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

The special items recorded as (gains) losses were as follows:

		Three-month periods ended June 30		Six-month periods ended June 30	
	Ref	**2019**	2018	**2019**	2018
Gain on disposal of a business - Training business	1	**$ —**	$ —	**$ (516)**	$ —
Gain on disposal of a business - Q Series business	2	**(219)**	—	**(219)**	—
Loss on repurchase of long-term debt	3	**4**	—	**84**	—
Restructuring charges	4	**57**	15	**62**	16
Reversal of *Learjet 85* aircraft program cancellation provisions	5	**(3)**	—	**(12)**	(1)
Primove impairment and other costs	6	**—**	—	**7**	—
C Series transaction with Airbus	7	**—**	599	**—**	599
Gain on disposal of PP&E	8	**—**	(561)	**—**	(561)
Impairment of non-core operations	9	**—**	17	**—**	17
Purchase of pension annuities	10	**—**	10	**—**	10
Income taxes		**106**	(70)	**239**	(70)
		$ (55)	$ 10	**$ (355)**	$ 10
Of which is presented in					
Special items in EBIT		**$ (165)**	$ 80	**$ (678)**	$ 80
Financing expense - loss on repurchase of long-term debt		**4**	—	**84**	—
Income taxes - effect of special items		**106**	(70)	**239**	(70)
		$ (55)	$ 10	**$ (355)**	$ 10

1. The sale of Business Aircraft's flight and technical training activities for a total net consideration of $532 million resulted in a pre-tax accounting gain of $516 million ($383 million after deferred tax impact of $133 million).
2. The sale of the Q Series Aircraft program assets for gross proceeds of $298 million resulted in a pre-tax accounting gain of $219 million ($193 million after tax impact).
3. Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes due 2021 and $1,400-million Senior Notes due 2021.
4. For the three- and six-month periods ended June 30, 2019, represents severance charges of $47 million and $58 million partially offset by curtailment gains of nil and $2 million and by the reversal of previously-recorded impairment charges of $4 million and $8 million, related to previously-announced restructuring actions. For the three- and six-month periods ended June 30, 2018, represents severance charges of $11 million and $12 million partially offset by curtailment gains of $4 million, and impairment charges of PP&E of $8 million, all related to previously-announced restructuring actions.

   Following the announcement that the *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million, and has recorded $10 million of other related charges for the three- and six-month periods ended June 30, 2019. In addition, the Corporation has recorded a write down of deferred tax assets of $84 million to reflect the expected impact of the conclusion of the *CRJ* announcement.
5. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $3 million and $12 million for the three- and six-month periods

ended June 30, 2019 ($1 million for the six-month period ended June 30, 2018). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

6. Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded an additional contract provision of $7 million.
7. The acquisition by Airbus of 50.01% of ACLP, the entity that manufactures and sells the C Series aircraft (rebranded A220) resulted in a pre-tax accounting charge of $599 million ($535 million after tax) that was recorded in the three- and six-month periods ended June 30, 2018, reflected as a reduction of the ACLP assets held for sale balance. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $269 million fair value of warrants issued by Bombardier to Airbus on July 1, 2018, (ii) a $310 million derivative liability which is associated with the expected off-market return on units to be issued to Bombardier by ACLP under Bombardier's funding commitments, and (iii) other Bombardier obligations towards ACLP, which mainly comprise supply chain obligations for Aerostructures and Engineering Services. In addition, the transaction resulted in $64 million tax recoveries.
8. Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments) during the three- and six-month periods ended June 30, 2018.
9. An impairment charge related to non-core operations of $17 million recorded in three- and six-month periods ended June 30, 2018 with respect to the expected sale of legal entities, as part of the Transportation transformation plan.
10. Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations.

Net financing expense

Net financing expense amounted to $247 million and $458 million, respectively, for the three- and six-month periods ended June 30, 2019[(1)], compared to $132 million and $256 million[(1)] for the corresponding periods last fiscal year.

The $115-million increase for the three-month period is mainly due to:

- lower borrowing costs capitalized to PP&E and intangible assets following the entry-into-service of *Global 7500* ($60 million);
- net losses on certain financial instruments classified as FVTP&L ($22 million);
- net losses from changes in discount rates of provisions ($17 million);
- higher interest on long-term debt, after the effect of hedges ($16 million); and
- interest expense on lease liabilities, as a result of the adoption of IFRS 16, *Leases*, effective January 1, 2019 ($8 million).

The $202-million increase for the six-month period is mainly due to:

- lower borrowing costs capitalized to PP&E and intangible assets following the entry-into-service of *Global 7500* ($114 million);
- a loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes due 2021 and $1,400-million Senior Notes due 2021, which was recorded as a special item in 2019 ($84 million);
- net losses from changes in discount rates of provisions ($30 million);
- higher interest on long-term debt, after the effect of hedges ($21 million); and
- interest expense on lease liabilities, as a result of the adoption of IFRS 16, *Leases*, effective January 1, 2019 ($16 million).

Partially offset by:

- net gains on certain financial instruments classified as FVTP&L ($44 million).

[(1)] Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.

Income taxes

The effective income tax rates for the three- and six-month periods ended June 30, 2019 were 129.0% and 66.0% respectively, compared to the statutory income tax rate in Canada of 26.7%. In the three-month period, the higher effective income tax rate is due to the negative impact of the write-down of deferred tax assets related to the *CRJ* announcement and the closing of the Q Series aircraft program deals ($110 million), the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences partially offset by the permanent differences. In the six-month period, the higher effective income tax rate is due to the negative impact of the write-down of deferred tax assets mainly related to Business Aircraft's flight and technical training activities sale ($133 million), the *CRJ* announcement and the closing of the Q Series aircraft program deals ($110 million) and the debt refinancing ($63 million), the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences partially offset by the permanent differences.

The effective income tax rates for the three- and six-month periods ended June 30, 2018 were (18.6%) and 16.2%, respectively, compared to the statutory income tax rate in Canada of 26.7%. In the three-month period, the negative effective income tax rate is mainly due to the positive impact of the permanent differences. In the six-month period, the lower effective income tax rate is due to the positive impact of the permanent differences, partially offset by the net non-recognition of income tax benefits related to tax losses and temporary differences.

CONSOLIDATED FINANCIAL POSITION

The total assets increased by $1,730 million in the six-month period[(1)], including a positive currency impact of $9 million. The $1,721-million increase excluding the currency impact is mainly explained by:

- a $634-million increase in inventories mainly due to the ramp-up in production in Business Aircraft;
- a $517-million increase in PP&E mainly due to the impact of the adoption of IFRS16, *Leases*;[(2)]
- a $384-million increase in other financial assets mainly due to ACLP non-voting units and receivables from related parties;
- a $383-million increase in contract assets in Transportation; and
- a $131-million increase in trade and other receivables.

Partially offset by:

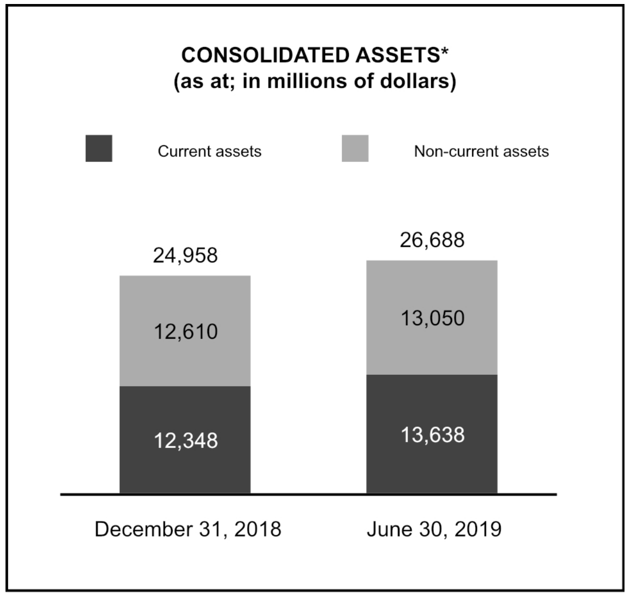
- a $288-million decrease in deferred income taxes mainly due to the sale of Business Aircraft's flight and technical training activities,[(3)] the *CRJ* announcement and the closing of the Q Series aircraft program deals[(3)] and the debt refinancing; and
- a $266-million decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details.

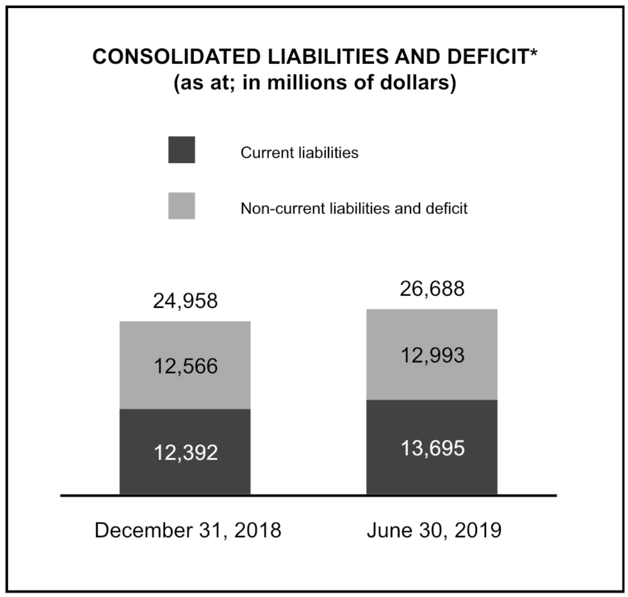
The total liabilities and deficit increased by $1,730 million in the six-month period[(1)], including a currency impact of $9 million. The $1,721-million increase excluding the currency impact is mainly explained by:

- a $649-million increase in other financial liabilities mainly due to short-term borrowings in Transportation of $491 million and credit and residual value guarantees in Commercial Aircraft reclassified from provisions due to settlements;
- a $634-million increase in retirement benefit liability mainly due to remeasurement of defined benefits plans;
- a $566-million increase in contract liabilities mainly in Business Aircraft;
- a $390-million increase in other liabilities mainly due to the impact of the adoption of IFRS16, *Leases*;[(2)]
- a $255-million increase in long-term debt;[(4)] and
- a $195-million increase in trade and other payables.

Partially offset by:

- a $586-million decrease in provisions mainly due to settlement of credit and residual value guarantees in Commercial Aircraft and utilization of provisions in Transportation; and
- a $382-million decrease in equity mainly due to total comprehensive income of $354 million.





*The total assets and the total liabilities in the above graphs as at June 30, 2019 include $571 million and $576 million, respectively, related to the *CRJ* program, which are presented under Assets held for sale. Refer to the Strategic Partnership section in Commercial Aircraft and to Note 18 - Assets held for sale in the Consolidated financial statements for more details on the transaction as well as the accounting treatment as at June 30, 2019.

(1) For the purpose of the Consolidated financial position explanations included in this section, assets and liabilities comprise assets and liabilities reclassified as Assets held for sale. See Note 18 - Assets held for sale in the Consolidated financial statements for more details on the regional jet program assets and liabilities reclassification.
(2) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(3) Refer to Note 19 - Disposal of businesses for further details.
(4) Refer to Note 21 - Long-term debt for further details.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow

Free cash flow (usage)[1]

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 [2]	2018	**2019** [2]	2018
Net income (loss)	**$ (36)**	$ 70	**$ 203**	$ 114
Non-cash items				
Amortization	**106**	64	**197**	126
Impairment charges (reversals) on PP&E and intangible assets	**(4)**	9	**(4)**	11
Deferred income taxes	**105**	(29)	**309**	(23)
Gains on disposals of PP&E and intangible assets	**(6)**	(560)	**(7)**	(564)
Losses (gains) on disposals of businesses	**(219)**	599	**(739)**	599
Share of income of joint ventures and associates	**(23)**	(30)	**(40)**	(50)
Loss on repurchase of long-term debt	**4**	—	**84**	—
Share-based expense	**14**	31	**30**	47
Dividends received from joint ventures and associates	**18**	2	**19**	19
Net change in non-cash balances[3]	**(248)**	(236)	**(1,248)**	(830)
Cash flows from operating activities	**(289)**	(80)	**(1,196)**	(551)
Net (additions to) proceeds from PP&E and intangible assets	**(140)**	312	**(277)**	62
Free cash flow (usage)[1]	**(429)**	232	**(1,473)**	(489)

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics.
[2] Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
[3] Refer to Note 23 - Net changes in non-cash balances, to our interim consolidated financial statements for further details.

Cash flows from operating activities
The $209-million decrease in cash flows from operating activities for the three-month period is mainly due lower net income before non-cash items ($213 million).

The $645-million decrease in cash flows from operating activities for the six-month period is mainly due:
- a negative period-over-period variation in net change in non-cash balances ($418 million) (see explanations below); and
- lower net income before non-cash items ($227 million).

Net change in non-cash balances
For the three-month period ended June 30, 2019, the $248-million outflow is mainly due to:
- an increase in inventories mainly due to the ramp-up in production in Business Aircraft;
- an increase in Transportation’s contract assets;
- an increase in trade and other receivables, and
- utilization of provisions mainly in Transportation.

Partially offset by:
- an increase in contract liabilities mainly related to Business Aircraft due to advances received on new and existing orders; and
- an increase in trade and other payables.

For the three-month period ended June 30, 2018, the $236-million outflow is mainly due to:
- a decrease in Transportation's provisions;
- a decrease in trade and other payables mainly in Business Aircraft and Commercial Aircraft;
- an increase in inventories mainly in Business Aircraft mainly due to the ramp-up in production and in Aerostructures and Engineering Services;
- a decrease in Transportation's other liabilities;
- an increase in Transportation's trade and other receivables following deliveries; and

- an increase in Transportation’s other assets.

Partially offset by:

- an increase in Transportation’s contract liabilities on new orders and existing contracts;
- an increase in contract liabilities mainly related to Business Aircraft and Commercial Aircraft; and
- a decrease in Transportation’s contract assets following deliveries.

For the six-month period ended June 30, 2019, the $1,248-million outflow is mainly due to:

- an increase in inventories mainly due to the ramp-up in production in Business Aircraft;
- an increase in Transportation’s net contract assets;
- utilization of provisions mainly in Transportation;
- an increase in trade and other receivables; and
- a decrease in other liabilities in Transportation mainly related to sales tax.

Partially offset by:

- an increase in contract liabilities mainly related to Business Aircraft due to advances received on new and existing orders; and
- an increase in trade and other payables.

For the six-month period ended June 30, 2018, the $830-million outflow is mainly due to:

- an increase in inventories in Business Aircraft, Aerostructures and Engineering Services and Commercial Aircraft;
- a decrease in Transportation's provisions;
- a decrease in Transportation’s other liabilities;
- an increase in Transportation’s contract assets following the production ramp-up ahead of deliveries; and
- an increase in Transportation’s trade and other receivables following deliveries.

Partially offset by:

- an increase in contract liabilities mainly in Business Aircraft and Commercial Aircraft;
- an increase in Transportation’s contract liabilities on new orders and existing contracts; and
- an increase in Business Aircraft's trade and other payables.

Net (additions to) proceeds from PP&E and intangible assets

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Additions to PP&E and intangible assets	**$ (151)**	$ (310)	**$ (293)**	$ (577)
Proceeds from disposals of PP&E and intangible assets	**11**	622	**16**	639
Net (additions to) proceeds from PP&E and intangible assets	**$ (140)**	$ 312	**$ (277)**	$ 62

The $452-million and $339-million increases in net additions to PP&E and intangible assets for the three- and six-periods, respectively, are mainly due to:

- proceeds received from the sale of the Downsview property for approximately $600 million during the second quarter of 2018; and
- lower investments in Business Aircraft aerospace program tooling and lower capitalized borrowing costs following the entry-into-service of the *Global 7500* aircraft program.

Available short-term capital resources

Variation in cash and cash equivalents

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 (1)	2018	**2019** (1)	2018
Balance at the beginning of period	**$ 3,279**	$ 2,853	**$ 3,187**	$ 3,057 (2)
Free cash flow (usage)[3]	**(429)**	232	**(1,473)**	(489)
Investments in non-voting units of ACLP	**(125)**	—	**(235)**	—
Net proceeds from disposal of businesses	**294**	—	**826**	—
Net proceeds from issuance of long-term debt	**—**	—	**1,956**	—
Repayments of long-term debt	**(176)**	(1)	**(1,762)**	(8)
Net change in short-term borrowings	**204**	—	**488**	—
Payment of lease liabilities[4]	**(34)**	—	**(56)**	—
Dividends paid on preferred shares	**(5)**	(4)	**(10)**	(10)
Issuance of Class B Shares	**—**	—	**—**	476
Dividends paid to NCI	**(1)**	(1)	**(1)**	(52)
Effect of exchange rate changes on cash and cash equivalents	**(31)**	(40)	**36**	27
Other	**(19)**	(65)	**1**	(27)
Balance at the end of period	**$ 2,957**	$ 2,974	**$ 2,957**	$ 2,974
Reclassified as assets held for sale	**—**	151	**—**	151
Balance at the end of period	**$ 2,957**	$ 2,823	**$ 2,957**	$ 2,823

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Includes cash and cash equivalents of the C Series aircraft program presented under Assets held for sale amounting to $69 million as of December 31, 2017.
(3) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and the Free cash flow usage table above for reconciliations to the most comparable IFRS measure.
(4) Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for the three- and six-month periods ended June 30, 2019 amounted to $51 million and $88 million.

Available short-term capital resources

	June 30, 2019	December 31, 2018
Cash and cash equivalents	**$ 2,957**	$ 3,187
Available revolving credit facilities[1]	**689**	1,186
Available short-term capital resources	**$ 3,646**	$ 4,373

(1) Include undrawn amounts under Transportation's €689 million and the Corporation's $397 million unsecured revolving credit facilities less the amounts drawn under uncommitted short term credit facilities.

Our available short-term capital resources include cash and cash equivalents and the amounts available under our unsecured revolving credit facilities. These facilities are available for cash drawings for the general needs of the Corporation. Financial covenants must be met under our unsecured revolving credit facilities and for our letter of credit facilities.

Unsecured revolving and uncommitted short term credit facilities

In March 2019, the maturity dates of Transportation's €689 million ($783 million) unsecured revolving credit facility was extended by one year to May 2022. €250 million ($284 million) under this Transportation's facility was used as at June 30, 2019.

Also in March 2019, the maturity dates of the Corporation's $397 million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, was extended by one year to June 2022. This facility was unused as at June 30, 2019.

In addition, in the three-month period ended June 30, 2019, the Corporation entered into new uncommitted short term credit facilities amounting to €225 million ($256 million), also available to Transportation for cash drawings. €182 million ($207 million) under these Transportation's facilities was used as at June 30, 2019.

Letter of credit facilities

In January 2019, the committed amount under Transportation's €3,940 million letter of credit facility was increased to €3,958 million. In March 2019, the availability periods of Transportation's €3,958 million ($4,500 million) letter of credit facility and the $361-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2022 and June 2022, respectively.

In May 2019, the committed amount under Transportation's €3,958 million letter of credit facility was decreased to €3,953 million.

Financial covenants

Effective in March 2019, the minimum liquidity required by the $361 million letter of credit facility and the $397 million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now varying between $750 million and $1 billion at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds at the end of each quarter, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the minimum liquidity required by the Transportation letter of credit and revolving credit facilities is €750 million ($853 million) at the end of each quarter. The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data.

These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to any specific terms used in the MD&A. Minimum liquidity is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

The financial covenants under these credit facilities were all met as at June 30, 2019 and December 31, 2018.

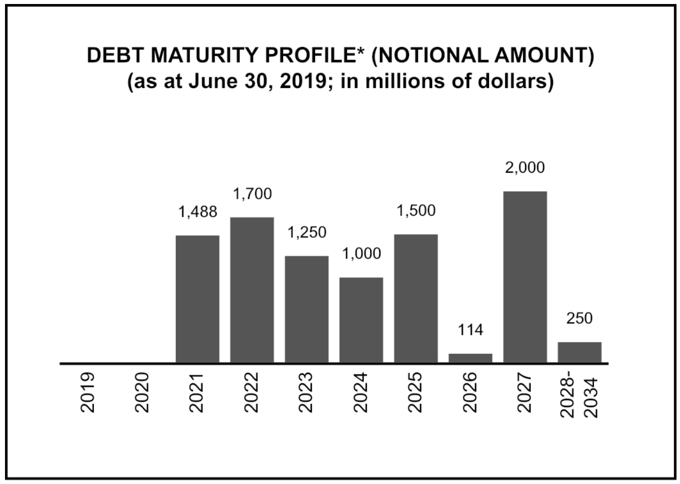
Future liquidity requirements

We believe our available short-term capital resources should give us sufficient liquidity to execute our plan in the short-term. We currently anticipate that these resources will enable the development of new products to enhance our competitiveness and support our growth; will enable us to meet currently anticipated financial requirements in the foreseeable future; and will allow the payment of dividends on preferred shares, if and when declared by the Board of Directors.[1]

There is no significant debt maturing before 2021.

In March 2019, the Corporation issued, at 99.246% of par, unsecured Senior Notes of $2 billion, bearing an interest of 7.875%, due on April 15, 2027. The Corporation used the net proceeds to redeem all of its outstanding 7.75% Senior Notes due 2020 of $850 million for a total consideration of $890 million as of June 30, 2019, of which $176 million was paid in the three-month period ended June 30, 2019. In addition, the Corporation redeemed, €366 million ($414 million) aggregate principal amount of the 6.13% Notes due 2021 of €780 million for a total aggregate purchase price consideration of €401 million ($450 million) and $382 million aggregate principal amount of the 8.75% Notes due 2021 of $1,400 million for a total aggregate purchase price consideration of $422 million along with any related fees and expenses. The remaining net proceeds was used for general corporate purposes.

[1] See the forward-looking statements disclaimer.



* Excludes $491 million of short-term borrowings under Transportation's facilities. Refer to Note 16 - Other financial liabilities, to our interim consolidated financial statements, for more details.

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation, in order to assess the creditworthiness of the Corporation. These global metrics are managed and monitored so as to achieve an investment-grade profile.

Reconciliations of these measures to the most comparable IFRS financial measures are in the Non-GAAP financial measures section. Adapted EBIT and adapted EBITDA exclude special items, such as restructuring charges, significant impairment charges and reversals, as well as other significant unusual items, which we do not consider to be representative of our core performance or where their exclusion will assist users in understanding our results for the period.

As a result of adopting IFRS 16, *Leases*, we changed the definitions and naming of adjusted interest, adjusted debt, adapted EBIT and adapted EBITDA, all of which are used in our global metrics. Refer to the Non-GAAP financial measures section for the definitions of these metrics and reconciliations to the most comparable IFRS measures.

Our objectives with regard to global metrics are as follows:

- adapted EBIT to adjusted interest ratio greater than 5.0; and
- adjusted debt to adapted EBITDA ratio lower than 2.5.

Interest coverage ratio

		For the four-quarter trailing period ended June 30, 2019
Adapted EBIT(1)	$	1,002
Adjusted interest(1)	$	717
Adapted EBIT to adjusted interest ratio		**1.4**

Financial leverage ratio

		As at and for the four-quarter trailing period ended June 30, 2019
Adjusted debt(1)	$	10,264
Adapted EBITDA(1)	$	1,382
Adjusted debt to adapted EBITDA ratio		**7.4**

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

These global metrics do not represent the calculations required for bank covenants. They represent our key business metrics and as such are used to analyze our capital structure. For compliance purposes, we regularly monitor our bank covenants to ensure that they are all met.

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $2.8 billion as at June 30, 2019 ($2.2 billion as at December 31, 2018). The measurement of this liability is dependent on numerous key long-term assumptions such as discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. We closely monitor the impact of the net retirement benefit liability on our future cash flows and we have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with the retirement benefit plans. The $644-million increase in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability		
Balance as at December 31, 2018	$	2,181 [1]
Changes in discount rates and other financial assumptions		1,353
Service costs		102
Accretion on net retirement benefit obligation		33
Changes in foreign exchange rates		27
Actuarial gains on pension plan assets		(668)
Employer contributions		(114)
Net gains on curtailment and settlement		(51)
Other net actuarial gains on defined benefit obligations		(49)
Other		11
Balance as at June 30, 2019	**$**	**2,825** [1]

[1] Includes retirement benefit assets of $182 million as at June 30, 2019 ($200 million as at December 31, 2018).

NON-GAAP FINANCIAL MEASURES

This MD&A is based on reported earnings in accordance with IFRS and on the following non-GAAP financial measures:

Non-GAAP financial measures	
Adjusted EBIT[(1)]	EBIT excluding special items. Special items comprise items which do not reflect the Corporation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding the Corporation's results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.
Adjusted EBITDA[(1)]	Adjusted EBIT plus amortization and impairment charges on PP&E and intangible assets.
Adjusted net income (loss)	Net income (loss) excluding special items, accretion on net retirement benefit obligations, certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items.
Adjusted EPS	EPS calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements.
Free cash flow (usage)	Cash flows from operating activities less net additions to PP&E and intangible assets.
Adjusted debt[(2)]	Long-term debt as presented in the consolidated statements of financial position adjusted for the fair value of derivatives (or settled derivatives) designated in related hedge relationships plus short-term borrowings and lease liabilities.
Adapted EBIT[(2)]	Adjusted EBIT plus interest adjustment for leases prior to the adoption of IFRS 16, *Leases* and interest received (as per the supplemental information provided in the consolidated statements of cash flows, adjusted, if needed, for the settlement of fair value hedge derivatives before their contractual maturity dates).
Adapted EBITDA[(2)]	Adapted EBIT plus amortization and impairment charges on PP&E and intangible assets, and amortization adjustment for leases liabilities.
Adjusted interest[(2)]	Interest paid, as per the supplemental information provided in the consolidated statements of cash flows, plus interest adjustment for leases liabilities prior to the adoption of IFRS 16, *Leases*.

(1) Starting January 1, 2019, EBIT before special items and EBITDA before special items are replaced with adjusted EBIT and adjusted EBITDA, respectively. The definitions of both measures remain unchanged.
(2) Effective January 1, 2019, we changed the definitions of these non-GAAP measures as a result of adopting IFRS 16, *Leases*. Interest adjustment used to calculate adapted EBIT and adjusted interest for the four-quarter trailing period ended June 30, 2019 consists of interest adjustment for operating lease obligations for the last two quarters of 2018. Amortization adjustment for lease liabilities used to calculate adapted EBITDA for the four-quarter trailing period ended June 30, 2019 consists of amortization adjustment for operating lease obligations for the last two quarters of 2018.

Non-GAAP financial measures are mainly derived from the consolidated financial statements but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to compare the performance of those entities to ours based on these similarly-named non-GAAP measures.

Prior to the first quarter of fiscal year 2019, the Corporation reported non-GAAP measures labelled “EBIT before special items” and “EBITDA before special items”. Beginning in the first quarter of fiscal year 2019, the Corporation changed the label of these non-GAAP measures to "adjusted EBIT" and "adjusted EBITDA", respectively, without making any change to the composition of these non-GAAP measures. The Corporation believes that this new label aligns better with broad market practice in its industry and better distinguishes these measures from the IFRS measurement "EBIT".

Adjusted EBIT, adjusted EBITDA, adjusted net income (loss) and adjusted EPS
Management uses adjusted EBIT, adjusted EBITDA, adjusted net income (loss) and adjusted EPS for purposes of evaluating underlying business performance. Management believes these non-GAAP earnings measures in addition to IFRS measures provide users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. Adjusted EBIT, adjusted EBITDA, adjusted net income (loss) and adjusted EPS exclude items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on these financial measures. Management believes these measures help users of MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Free cash flow (usage)
Free cash flow is defined as cash flows from operating activities less net additions to PP&E and intangible assets. Management believes that this non-GAAP cash flow measure provides investors with an important perspective on the Corporation's generation of cash available for shareholders, debt repayment, and acquisitions after making the capital investments required to support ongoing business operations and long-term value creation. This non-GAAP cash flow measure does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. Management uses free cash flow as a measure to assess both business performance and overall liquidity generation.

Adjusted debt, adapted EBIT, adapted EBITDA and adjusted interest
We analyze our capital structure using global metrics, based on adjusted debt, adapted EBIT, adapted EBITDA and adjusted interest. Refer to the Capital structure section for more detail.

Reconciliations of non-GAAP financial measures to the most comparable IFRS financial measures are provided in the tables hereafter, except for the following reconciliations:

- adjusted EBIT to EBIT – see the Results of operations tables in the reporting segments and Consolidated results of operations section; and
- free cash flow usage to cash flows from operating activities – see the Free cash flow usage table in the Liquidity and capital resources section.

Reconciliation of adjusted EBITDA to EBIT

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
EBIT	**$ 371**	$ 191	**$ 1,055**	$ 392
Amortization	**106**	64	**197**	126
Impairment charges on PP&E and intangible assets[1]	**(4)**	9	**(4)**	11
Special items excluding impairment charges on PP&E and intangible assets[1]	**(161)**	72	**(670)**	72
Adjusted EBITDA	**$ 312**	$ 336	**$ 578**	$ 601

[1] Refer to the Consolidated results of operations section for details regarding special items.

Reconciliation of adjusted net income to net income (loss) and computation of adjusted EPS

	Three-month periods ended June 30			
	2019	**(per share)**	2018	(per share)
Net income (loss)	**$ (36)**		$ 70	
Adjustments to EBIT related to special items[1]	**(165)**	**$ (0.07)**	80	$ 0.03
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**29**	**0.01**	(10)	0.00
Accretion on net retirement benefit obligations	**15**	**0.01**	15	0.01
Loss on repurchase of long-term debt[1]	**4**	**0.00**	—	—
Tax impact of special[1] and other adjusting items	**106**	**0.05**	(68)	(0.03)
Adjusted net income (loss)	**(47)**		87	
Net income attributable to NCI	**(47)**		(2)	
Preferred share dividends, including taxes	**(7)**		(7)	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**$ (101)**		$ 78	
Weighted-average diluted number of common shares (in thousands)	**2,375,581**		2,552,892	
Adjusted EPS (in dollars)	**$ (0.04)**		$ 0.03	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended June 30	
	2019	2018
Diluted EPS	**$ (0.04)**	$ 0.02
Impact of special[1] and other adjusting items	**—**	0.01
Adjusted EPS	**$ (0.04)**	$ 0.03

Reconciliation of adjusted net income to net income (loss) and computation of adjusted EPS

	Six-month periods ended June 30			
	2019	**(per share)**	2018	(per share)
Net income	**$ 203**		$ 114	
Adjustments to EBIT related to special items[1]	**(678)**	**$ (0.29)**	80	$ 0.03
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net gain on certain financial instruments	**(50)**	**(0.02)**	(36)	(0.01)
Accretion on net retirement benefit obligations	**33**	**0.01**	34	0.01
Loss on repurchase of long-term debt[1]	**84**	**0.04**	—	—
Tax impact of special[1] and other adjusting items	**239**	**0.10**	(70)	(0.03)
Adjusted net income (loss)	**(169)**		122	
Net income attributable to NCI	**(91)**		(8)	
Preferred share dividends, including taxes	**(14)**		(14)	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**$ (274)**		$ 100	
Weighted-average diluted number of common shares (in thousands)	**2,375,223**		2,475,425	
Adjusted EPS (in dollars)	**$ (0.12)**		$ 0.04	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Six-month periods ended June 30	
	2019	2018
Diluted EPS	**$ 0.04**	$ 0.04
Impact of special[1] and other adjusting items	**(0.16)**	—
Adjusted EPS	**$ (0.12)**	$ 0.04

[1] Refer to the Consolidated results of operations section for details regarding special items.

Reconciliation of adjusted debt to long-term debt

		As at June 30, 2019
Long-term debt	**$**	**9,344**
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships		**(93)**
Long-term debt, net		**9,251**
Short-term borrowings under Transportation's credit facilities		**491**
Lease liabilities		**522**
Adjusted debt	**$**	**10,264**

Reconciliation of adapted EBITDA and adapted EBIT to EBIT

		Four-quarter trailing period ended June 30, 2019
EBIT	**$**	**1,664**
Special items[(1)]		**(730)**
Interest received		**29**
Interest adjustment for lease liabilities[(2)]		**39**
Adapted EBIT		**1,002**
Amortization		**343**
Impairment charges on PP&E and intangible assets[(3)]		**4**
Amortization adjustment for lease liabilities[(4)]		**33**
Adapted EBITDA	**$**	**1,382**

Reconciliation of adjusted interest to interest paid

		Four-quarter trailing period ended June 30, 2019
Interest paid	**$**	**678**
Interest adjustment for lease liabilities[(2)]		**39**
Adjusted interest	**$**	**717**

(1) Refer to the Consolidated results of operations section for details regarding special items.
(2) Represents the total of interest adjustment for operating lease obligations for the last two quarters of 2018. The interest adjustment for operating lease obligations for the last two quarters of 2018 represents the interest cost of a debt equivalent to operating lease obligations included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related period, given our credit rating.
(3) Excluding amounts recognized as special items.
(4) Represents the total of amortization adjustment for operating lease obligations for the last two quarters of 2018, using a straight-line amortization of the amount for operating lease obligations, based on a nine-year amortization period.

BUSINESS AIRCRAFT

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30	2019 [1]	2018	Variance
Revenues	**$ 1,382**	$ 1,307	6 %
Aircraft deliveries (in units)	**35**	34	1
EBIT	**$ 84**	$ 108	(22)%
EBIT margin	**6.1%**	8.3%	(220) bps
Adjusted EBIT[2]	**$ 97**	$ 111	(13)%
Adjusted EBIT margin[2]	**7.0%**	8.5%	(150) bps
Adjusted EBITDA[2]	**$ 146**	$ 142	3 %
Adjusted EBITDA margin[2]	**10.6%**	10.9%	(30) bps
Net additions to PP&E and intangible assets	**$ 97**	$ 232	(58)%
As at	**June 30, 2019**	December 31, 2018	
Order backlog (in billions of dollars)	**$ 15.3**	$ 14.3	7 %

Key highlights and events

- Revenues increased by 6% year-over-year to $1.4 billion on 35 deliveries, including 2 *Global 7500* aircraft.
- Aftermarket revenues grew 3.6% year-over-year or 11% on a year-to-date basis and reflect the disposal of the aircraft training services earlier in the year. Supporting the aftermarket growth strategy, a new Dubai line maintenance station was announced during the quarter to enhance service capabilities in the Middle East.
- Backlog increased by $0.4 billion in the quarter and $1.0 billion year-to-date, reaching an industry-leading $15.3 billion and reflecting broad market interest across all regions.
- Adjusted EBITDA[2] for the quarter was stable year-over-year at $146 million, even as production ramps up on the *Global 7500*. The adjusted EBIT margin[2] of 7.0% during the quarter is lower against the same quarter last year, mainly as a result of higher amortization associated with *Global 7500* deliveries. EBIT margin for the quarter was 6.1%.
- As the *Global 7500* ramp-up progresses on plan and with all 2019 deliveries now in completion stages, the aircraft continues to demonstrate unmatched short runway performance by completing the first ever non-stop flight from London City Airport to Los Angeles.
- Subsequent to the quarter, Bombardier unveiled the *Learjet 75 Liberty*. With improved economics, $9.9 million list price and operating cost comparable with its competitors', the new member of this iconic brand is a step up for Light jet operators while delivering better performance.
- Starting in the third quarter of 2019, Bombardier's three aerospace segments will be consolidated and reported as a single unit, Bombardier Aviation. The full year guidance for each of the segments is combined into the new Bombardier Aviation guidance disclosed in Guidance Update section of this MD&A.

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

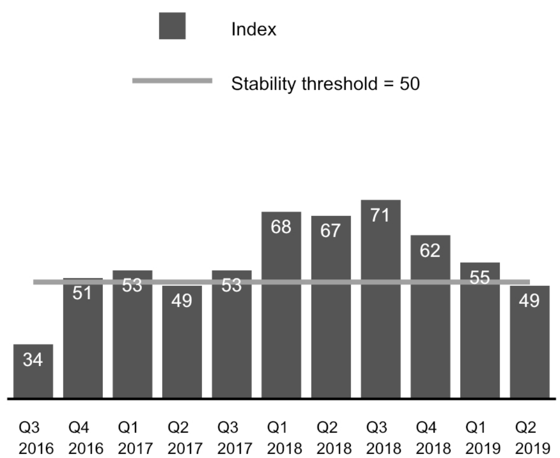
INDUSTRY AND ECONOMIC ENVIRONMENT

Business aviation indexes remained at healthy levels in the second quarter of 2019. As indicated in the graphs below, industry confidence(1) dipped slightly below the threshold of market stability, with a score of 49 points at the end of the second quarter of 2019.(2) The total number of pre-owned aircraft available for sale, as a percentage of the total in-service fleet, was at 9.2% as at June 30, 2019. While marginally up from 8.9% as of March 31, 2019, the ratio remains well below the 10-year historical range for the overall market. Business jet utilization in the U.S. was down 2% year-over-year. Utilization in Europe decreased 3% compared to the same period last year.

The business aviation industry is poised for growth in the long term due to strong demand combined with the introduction of new aircraft models and technologies. With the industry's most comprehensive product portfolio, Bombardier Business Aircraft is well positioned.

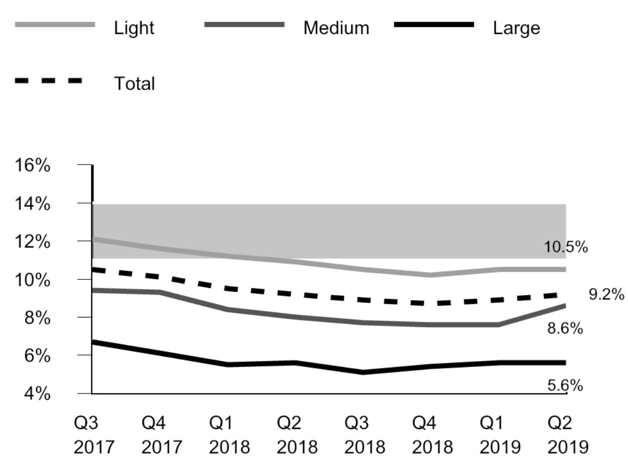
(1) As measured by the Barclays Business Jet Indicator.
(2) According to the Barclays Business Jet Survey dated July 12, 2019.

BUSINESS JET INDICATOR*
(for calendar quarters; average on a 100-point scale)

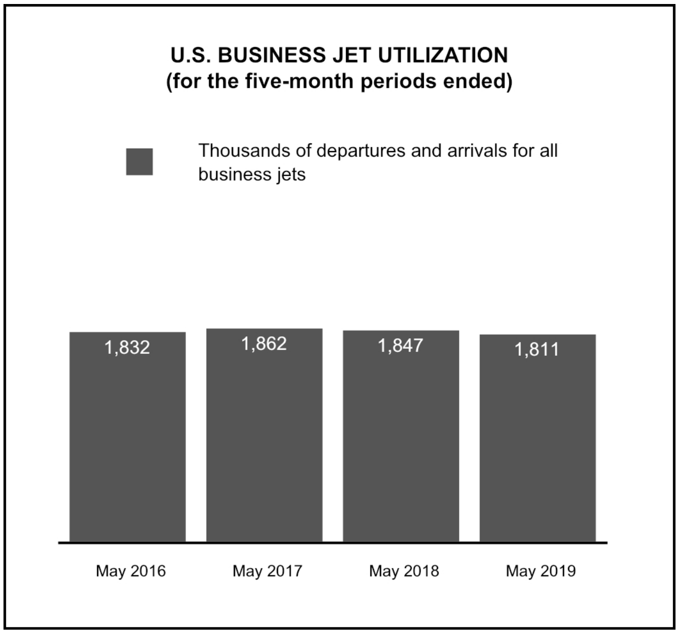


Source: Barclays from the start of 2018, previously UBS
* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.
Methodologies used in the calculation of the Business Jet Indicator may differ following a change in the source of the data. UBS did not issue a survey for Q4 2017.

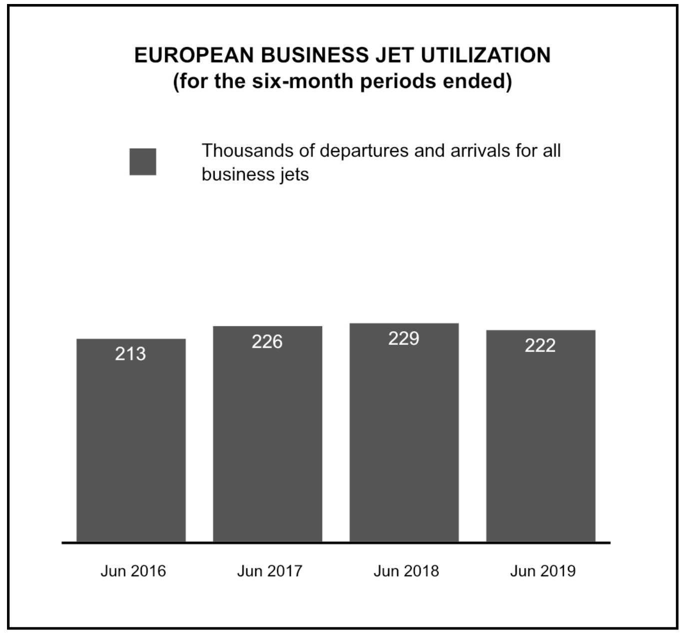
PRE-OWNED BUSINESS JET INVENTORY*
(as at end of)



Sources: JETNET and Ascend online
* As a percentage of total business jet fleet, excluding very light jets.
Shaded area indicates what we consider to be the normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.



Source: U.S. Federal Aviation Administration (FAA) website



Source: Eurocontrol

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 (1)	2018	**2019** (1)	2018
Revenues				
Manufacturing and Other(2)	**$ 1,065**	$ 1,001	**$ 1,711**	$ 1,840
Services(3)	**317**	306	**641**	577
Total revenues	**$ 1,382**	$ 1,307	**$ 2,352**	$ 2,417
Adjusted EBITDA(4)	**$ 146**	$ 142	**$ 260**	$ 256
Amortization	**49**	31	**89**	47
Adjusted EBIT(4)	**97**	111	**171**	209
Special items	**13**	3	**(507)**	4
EBIT	**$ 84**	$ 108	**$ 678**	$ 205
Adjusted EBIT margin(4)	**7.0%**	8.5%	**7.3%**	8.7%
EBIT margin	**6.1%**	8.3%	**28.8%**	8.5%

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Mainly composed of revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
(3) Composed of revenues from aftermarket services including parts, *Smart Services*, service centres, training and technical publication.
(4) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues
The $64-million increase in manufacturing and other revenues for the three-month period is mainly due to higher aircraft deliveries.

The $129-million decrease in manufacturing and other revenues for the six-month period is mainly due to lower aircraft deliveries, as a result of deliveries phased toward the second half of the year in 2019.

The $11-million and $64-million increases in services revenues for the three- and six-month periods, respectively, are mainly due to increase in sales of spare parts partially offset by sales of the Business Aircraft training activities which were sold on March 14, 2019.

Special items
Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

The special items recorded as (gains) losses in EBIT were as follows:

		Three-month periods ended June 30		Six-month periods ended June 30	
	Ref	**2019**	2018	**2019**	2018
Gain on disposal of a business - Training business	1	**$ —**	$ —	**$ (516)**	$ —
Restructuring charges	2	**16**	3	**21**	5
Reversal of *Learjet 85* aircraft program cancellation provisions	3	**(3)**	—	**(12)**	(1)
		$ 13	$ 3	**$ (507)**	$ 4
EBIT margin impact		**(0.9)%**	(0.2)%	**21.5%**	(0.2)%

1. The sale of Business Aircraft's flight and technical training activities for a total net consideration of $532 million resulted in a pre-tax accounting gain of $516 million ($383 million after deferred tax impact of $133 million).

2. Represents severance charges of $16 million for three-month period ended June 30, 2019, and severance charges of $23 million partially offset by curtailment gains of $2 million for six-month period ended June 30, 2019, all related to previously-announced restructuring actions ($3 million and $5 million for the three- and six-month periods ended June 30, 2018, respectively).

3. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $3 million and $12 million for the three- and six-month periods ended June 30, 2019 ($1 million for the six-month period ended June 30, 2018). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

EBIT margin
The adjusted EBIT margin(1) for the three-month period decreased by 1.5 percentage points mainly as a result of lower contribution from aircraft sales which includes higher amortization of aerospace program tooling.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 2.2 percentage points compared to the same period last year.

The adjusted EBIT margin(1) for the six-month period decreased by 1.4 percentage points mainly as a result of lower contribution from aircraft sales which includes higher amortization of aerospace program tooling, partially offset by stronger contribution from aftermarket activities.

Including the impact of special items (see explanation of special items above), the EBIT margin for the six-month period increased by 20.3 percentage points compared to the same period last year.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Product development

Investment in product development

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Program tooling[1]	**$ 78**	$ 218	**$ 159**	$ 416
R&D expense[2]	**4**	3	**7**	6
	$ 82	$ 221	**$ 166**	$ 422
As a percentage of revenues	**5.9%**	16.9%	**7.1%**	17.5%

The decrease in program tooling investment is mainly due to the entry-into-service of the *Global 7500* aircraft program in December 2018.

The carrying amount of business aircraft program tooling[3] as at June 30, 2019 was $4.6 billion, compared to $4.5 billion as at December 31, 2018.

(1) Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers based on reception of parts for acquired development costs carried out by them.
(2) Excluding amortization of aerospace program tooling of $28 million and $45 million, respectively, for the three- and six-month periods ended June 30, 2019 ($14 million and $25 million for the three- and six-month periods ended June 30, 2018), as the related investments are already included in aerospace program tooling.
(3) Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to $674 million as at June 30, 2019 ($677 million as at December 31, 2018).

The *Global 5500* and *Global 6500* aircraft program[1]

The *Global 5500* and *Global 6500* jets are built on the success of the *Global 5000* and *Global 6000* aircraft offering 500 and 600 nautical miles of additional range, respectively, for a class-leading 5,700 and 6,600 nautical miles, top speeds of Mach 0.90 and Bombardier's advanced wing design for a comfortable and smooth ride. The two new business jets also provide an up to 13-per-cent fuel burn advantage in certain operating conditions, contributing to highly favourable operating costs versus smaller competing aircraft with less range.

The first *Global 6500* production aircraft arrived in Montreal and interior completions are now under way. The first flight test vehicle (FTV) has successfully completed all mission testing and is now retired. The final FTV is completing the last few test points of the program in Wichita, Kansas. With the flight testing largely complete, the program is progressing on track toward certification with the first production aircraft expected to enter into service per plan at the end of 2019.

(1) Currently under development. See the *Global 5500, Global 6500 and Global 8000* aircraft disclaimer at the end of this MD&A.

Aircraft deliveries and order backlog

Aircraft deliveries

	Three-month periods ended June 30		Six-month periods ended June 30	
(in units)	**2019**	2018	**2019**	2018
Light	**2**	2	**4**	5
Medium	**17**	20	**31**	38
Large	**16**	12	**24**	22
	35	34	**59**	65

Order backlog

		As at
(in billions of dollars)	**June 30, 2019**	December 31, 2018
	$ 15.3	$ 14.3

The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand. We maintained our industry-leading position in terms of order backlog.

RESHAPING THE PORTFOLIO

Conclusion of the sale of the previously announced Business Aircraft's flight and technical training activities with CAE

On March 14, 2019, we concluded the sale of previously announced Business Aircraft's flight and technical training activities to CAE Inc. (CAE) for an enterprise value of $645 million, with net proceeds of $532 million after the assumption of certain liabilities, fees, and closing adjustments. A gain of $516 million ($383 million after deferred tax impact) was recognized in Special items.

Concurrently with the sale agreement, Bombardier and CAE also agreed to extend their Authorized Training Provider (ATP) relationship whereby CAE agreed to prepay all royalties thereunder. This prepayment amounted to $155 million and was received by Bombardier in the fourth quarter of 2018.

COMMERCIAL AIRCRAFT

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30	2019[1]	2018	Variance
Revenues[2]	**$ 516**	$ 616	(16)%
Aircraft deliveries (in units)[3]	**17**	10	7
Net orders (in units)	**1**	45	(44)
Book-to-bill ratio[4]	**0.1**	4.5	(4.4)
EBIT[5]	**$ 226**	$ (668)	134 %
EBIT margin[5]	**43.8%**	(108.4)%	nmf
Adjusted EBIT[5][6]	**$ 12**	$ (66)	118 %
Adjusted EBIT margin[5][6]	**2.3%**	(10.7)%	1300 bps
Adjusted EBITDA[5][6]	**$ 17**	$ (61)	128 %
Adjusted EBITDA margin[5][6]	**3.3%**	(9.9)%	1320 bps
Net (disposals of) additions to PP&E and intangible assets	**$ (2)**	$ 30	nmf
As at	**June 30, 2019**	December 31, 2018	
Order backlog (in units)[7]	**41**	97	(56)

Key highlights and events

- On May 31, 2019, the Corporation completed the previously announced sale of the Q Series aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited), a wholly owned subsidiary of Longview Aviation Capital Corp., for gross proceeds of $298 million.
- During the quarter, the Corporation entered into a definitive agreement with Mitsubishi Heavy Industries, Ltd (MHI) for the sale of its regional jet program for a cash consideration of $550 million payable upon closing, and the assumption by MHI of liabilities related to credit and residual value guarantees and lease subsidies amounting to approximately $200 million. The *CRJ* production facility in Mirabel, Québec will remain with Bombardier and will continue to supply components and spare parts and will assemble the current *CRJ* backlog on behalf of MHI, *CRJ* production is expected to conclude in the second half of 2020. The transaction is currently expected to close during the first half of 2020 and remains subject to regulatory approvals and customary closing conditions.
- Revenues reached $516 million during the quarter on increased deliveries, including 6 Q400 deliveries prior to completion of the Q Series aircraft program sale and 11 *CRJ*. Year-over-year revenues decrease is due to C Series deliveries included in the comparable for the first half of 2018.
- Adjusted EBIT[6] of $12 million includes $21 million contribution from commercial aircraft programs, offset by $9 million share of net loss in ACLP. EBIT for the quarter of $226 million is largely driven by the $219 million gain on the sale of the Q Series aircraft program to Longview.
- Starting in the third quarter of 2019, Bombardier's three aerospace segments will be consolidated and reported as a single unit, Bombardier Aviation. The full year guidance for each of the segments is combined into the new Bombardier Aviation guidance disclosed in Guidance Update section of this MD&A.

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Including revenues from ACLP for the three-month period ended June 30, 2018.
(3) Excluding 8 CS300 aircraft deliveries from the comparative period of 2018.
(4) Ratio of new orders received over aircraft deliveries, in units, excluding C Series aircraft orders and deliveries for the comparative period of 2018.
(5) Including share of net loss from ACLP for the three-month period ended June 30, 2019 amounting to $9 million.
(6) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(7) Excluding 115 and 250 firm orders of CS100 and CS300 aircraft respectively for the comparative period of 2018. Subsequent to the C Series Partnership closing, Airbus rebranded CS100 and CS300 as A220-100 and A220-300, respectively.
(8) See the forward-looking statements disclaimer.

INDUSTRY AND ECONOMIC ENVIRONMENT

Overall demand for commercial air travel, measured by revenue passenger kilometres (“RPK”),[(1)] increased by 4.6% for the year-to-date period ended May 2019, when compared to the same period last year.[(2)]

Domestic and international commercial air travel, measured by RPK, were 4.9% and 4.5% higher, respectively, for the first five months of 2019, compared to the same period last year. Domestically, the U.S., the largest among all countries, recorded a healthy RPK growth of 4.5%, China and India recorded growth of 8.2% and 5.5%, respectively, while Russia continued to record double-digit RPK growth compared to the same period in 2018.[(2)]

Commercial airlines worldwide achieved domestic and international passenger load factors[(3)] of 82.4% and 80.7%, respectively, during the year-to-date period ended May 2019, which were slightly higher than levels experienced at the end of the first quarter of 2019.[(2)]

IATA predicts that airline financial performance will remain strong in 2019, with forecasted commercial airline profits of $28.0 billion, slightly down from 2018 profits of $30.0 billion. North American airlines are still expected to show the highest profits in dollars and percentage of revenues, driven by consolidation, helping to sustain load factors, and ancillaries.[(4)]

(1) RPK is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported over one kilometre.
(2) Per IATA’s May 2019 Air Passenger Market Analysis report.
(3) Passenger load factor is defined as the percentage of available seat kilometres used (RPK divided by available seat kilometres). Available seat kilometres are measured as the number of seats multiplied by the kilometres flown, whether a passenger occupied the seat or not.
(4) Per IATA’s June 2019 Economic Performance of the Airline Industry semi-annual report.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 [(1)]	2018	**2019** [(1)]	2018
Revenues[(2)]	**$ 516**	$ 616	**$ 757**	$ 1,079
Adjusted EBITDA[(3)(4)]	**$ 17**	$ (61)	**$ 42**	$ (133)
Amortization	**6**	5	**9**	6
Impairment reversal on PP&E	**(1)**	—	**(1)**	—
Adjusted EBIT[(3)(4)]	**12**	(66)	**34**	(139)
Special items	**(214)**	602	**(214)**	602
EBIT[(3)]	**$ 226**	$ (668)	**$ 248**	$ (741)
Adjusted EBIT margin[(3)(4)]	**2.3%**	(10.7)%	**4.5%**	(12.9)%
EBIT margin[(3)]	**43.8%**	(108.4)%	**32.8%**	(68.7)%

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Including revenues from ACLP for the three- and six-month periods of 2018.
(3) Including share of net loss from ACLP for the three- and six-month periods ended June 30, 2019 amounting to $9 million and $8 million respectively.
(4) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $100-million decrease for the three-month period is mainly due to the deconsolidation of CSALP[(1)] starting in the third quarter of 2018, partially offset by an increase in *CRJ* aircraft deliveries.

The $322-million decrease for the six-month period is mainly due to the deconsolidation of CSALP[(1)] starting in the third quarter of 2018, partially offset by an increase in *CRJ* aircraft deliveries and by an increase in aftermarket activities.

(1) Effective June 1, 2019, the name of CSALP is changed to ACLP.

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

The special items recorded as (gains) losses in EBIT were as follows:

		Three-month periods ended June 30		Six-month periods ended June 30	
	Ref	**2019**	2018	**2019**	2018
Gain on disposal of a business - Q Series business	1	**$ (219)**	—	**(219)**	—
C Series transaction with Airbus	2	**—**	599	**—**	599
Restructuring charges	3	**5**	3	**5**	3
		$ (214)	$ 602	**$ (214)**	$ 602
EBIT margin impact		**41.5%**	(97.7)%	**28.3%**	(55.8)%

1. The sale of the Q Series Aircraft program assets for gross proceeds of $298 million resulted in a pre-tax accounting gain of $219 million ($193 million after tax impact).

2. The acquisition by Airbus of 50.01% of ACLP, the entity that manufactures and sells the C Series aircraft (rebranded A220) resulted in a pre-tax accounting charge of $599 million ($535 million after tax) that was recorded in the three- and six-month periods ended June 30, 2018, reflected as a reduction of the ACLP assets held for sale balance. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $269 million fair value of warrants issued by Bombardier to Airbus on July 1, 2018, (ii) a $310 million derivative liability which is associated with the expected off-market return on units to be issued to Bombardier by ACLP under Bombardier's funding commitments, and (iii) other Bombardier obligations towards ACLP, which mainly comprise supply chain obligations for Aerostructures and Engineering Services. In addition, the transaction resulted in $64 million tax recoveries.

3. Represents severance charges of $1 million for three- and six-month periods ended June 30, 2019 related to previously-announced restructuring actions ($3 million severance charges for the three- and six-month periods ended June 30, 2018).

   Following the announcement that the *CRJ* production is expected to conclude in the second half of 2020, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million for three- and six-month periods ended June 30, 2019.

EBIT margin

The adjusted EBIT margins[1] for the three- and six-month periods ended June 30, 2019 increased by 13.0 and 17.4 percentage points, respectively, mainly as a result of:

- the net impact of the deconsolidation of C Series; and
- less SG&A expenses.

Partially offset by:

- lower gains on financial instruments carried at fair value recorded in other income.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three- and six-month periods ended June 30, 2019 increased by 152.2 and 101.5 percentage points, respectively, compared to the same period last year.

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Product development

Investment in product development

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Program tooling[1]	**$ —**	$ 14	**$ —**	$ 30
R&D expense[2]	**—**	1	**—**	3
	$ —	$ 15	**$ —**	$ 33
As a percentage of revenues	**0.0%**	2.4%	**0.0%**	3.1%

[1] Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers upon delivery of the aircraft for acquired development costs carried out by them. Including $14 million and $30 million, respectively, for the C Series program for the three- and six-month periods ended June 30, 2018. Subsequent to the C Series Partnership closing, Airbus rebranded C Series as A220.

[2] Excluding amortization of aerospace program tooling of $4 million and $6 million for the three- and six-month periods ended June 30, 2019 ($2 million and $4 million for the three- and six-month periods ended June 30, 2018), as the related investments are already included in aerospace program tooling.

Aircraft deliveries, orders, book-to-bill ratio and order backlog

Aircraft deliveries[1]

	Three-month periods ended June 30		Six-month periods ended June 30	
(in units)	**2019**	2018	**2019**	2018
Regional jets				
CRJ700	**—**	1	**—**	1
CRJ900	**11**	2	**14**	6
CRJ1000	**—**	2	**—**	4
Turboprops[2]				
Q400	**6**	5	**7**	7
	17	10	**21**	18

[1] Excluding 8 and 13 CS300 aircraft deliveries for the three- and six-month periods ended June 30, 2018. Subsequent to the C Series Partnership closing, Airbus rebranded CS100 and CS300 as A220-100 and A220-300, respectively.

[2] On May 31, 2019, the Corporation completed the previously announced sale of the Q Series aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited). Hence, the six deliveries for the three-month period ended June 30, 2019 are for the months of April and May only.

Net orders

(in units)	Three-month periods ended June 30 2019	2018	Six-month periods ended June 30 2019	2018
Regional jets[1]				
CRJ700	**—**	(6)	**—**	(6)
CRJ900	**1**	35	**10**	35
Turboprops[2]				
Q400	**—**	16	**7**	20
	1	45	**17**	49
Book-to-bill ratio[3]	**0.1**	4.5	**0.8**	2.7

(1) The Corporation entered into a definitive agreement announced on June 25, 2019 whereby Mitsubishi Heavy Industries, Ltd (MHI) will acquire the Corporation's regional jet program. See section - Reshaping portfolio for more details in respect of the transaction.
(2) On May 31, 2019, the Corporation completed the previously announced sale of the Q Series aircraft program assets, including aftermarket operations and assets. No orders reflected starting from the month of June 2019.
(3) Ratio of net orders received over aircraft deliveries, in units.

Subsequent to the end of this quarter, an order for 5 *CRJ* aircraft were cancelled.

Commercial aircraft order backlog and options

	As at			
	June 30, 2019		December 31, 2018	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Regional jets				
CRJ900	**41**	**—**	45	4

CRJ production is expected to conclude in the second half of 2020, following the delivery of the current backlog of the aircraft.

RESHAPING THE PORTFOLIO

Conclusion of the previously announced sale of the Q Series aircraft program with De Havilland Aircraft of Canada Limited

On May 31, 2019, we completed the previously announced sale of the Q Series aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited), an affiliate of Longview Aviation Capital Corp, for gross proceeds of $298 million. The sale includes all assets and intellectual property and Type Certificates associated with the Dash 8 Series 100, 200 and 300 as well as the Q400 program operations at the Downsview manufacturing facility in Ontario, Canada. A gain of $219 million ($193 million after deferred tax impact) was recognized in Special items.

For more details, refer to Note 19 - Disposal of businesses, to our interim consolidated financial statements.

We entered into a definitive agreement to sell our regional jet program to Mitsubishi Heavy Industries, Ltd

On June 25, 2019, the Corporation and Mitsubishi Heavy Industries Ltd (MHI), announced they have entered into a definitive agreement, whereby MHI will acquire the Corporation's regional jet program for a cash consideration of $550 million, payable to the Corporation upon closing, and the assumption by MHI of liabilities related to credit and residual value guarantees and lease subsidies amounting to approximately $200 million, at the time of signing. Under the agreement, the Corporation's net beneficial interest in the Regional Aircraft Securitization Program (RASPRO), which was valued at approximately $180 million, at the time of signing, will be transferred to MHI.

Pursuant to the agreement, MHI will acquire the maintenance, support, refurbishment, marketing, and sales activities for the *CRJ Series* aircraft, including the related services and support network located in Montréal, Québec, and Toronto, Ontario, and its service centres located in Bridgeport, West Virginia, and Tucson, Arizona, as well as the type certificates.

The *CRJ* production facility in Mirabel, Québec will remain with Bombardier. Bombardier will continue to supply components and spare parts and will assemble the current *CRJ* backlog on behalf of MHI. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft.

Bombardier will also retain certain liabilities representing a portion of the credit and residual value guarantees totalling $412 million. Aside from the accrual of interest, this amount is fixed and not subject to future changes in aircraft value, and is payable by Bombardier over the next four years. The amount is included in other financial liabilities. The agreement contemplates a reverse break fee payable by MHI under certain circumstances.

The transaction is currently expected to close during the first half of 2020 and remains subject to regulatory approvals and customary closing conditions.[1]

For more details, refer to Note 18 - Assets held for sale, to our interim consolidated financial statements.

(1) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2018 Financial Report for details regarding the assumptions on which the guidance is based.

AEROSTRUCTURES AND ENGINEERING SERVICES

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30		2019 (1)		2018	Variance
Revenues	**$**	**565**	$	455	24 %
EBIT	**$**	**25**	$	65	(62)%
EBIT margin		**4.4%**		14.3%	(990) bps
Adjusted EBIT[2]	**$**	**37**	$	57	(35)%
Adjusted EBIT margin[2]		**6.5%**		12.5%	(600) bps
Adjusted EBITDA[2]	**$**	**50**	$	69	(28)%
Adjusted EBITDA margin[2]		**8.8%**		15.2%	(640) bps
Net additions to (disposals of) PP&E and intangible assets	**$**	**4**	$	(1)	nmf

Key highlights and events

- Revenues at Aerostructures and Engineering Services grew 24% year-over-year to $565 million as a result of the ramp up of the *Global 7500* and A220 programs.
- Adjusted EBIT margin[2] for the quarter of 6.5% reflects the ongoing ramp-up of the *Global 7500* and A220. EBIT margin for the quarter was 4.4%.
- The Corporation continues to pursue the divestiture of its Belfast and Morocco aerostructures businesses as it focuses its aerostructures activities around the core capabilities in Montreal, Mexico and the newly acquired *Global 7500* wing operations in Texas.
- Starting in the third quarter of 2019, Bombardier's three aerospace segments will be consolidated and reported as a single unit, Bombardier Aviation. The full year guidance for each of the segments is combined into the new Bombardier Aviation guidance disclosed in Guidance Update section of this MD&A.

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

INDUSTRY AND ECONOMIC ENVIRONMENT

Key drivers of the aerostructures market are strongly linked to factors such as economic growth (GDP per capita), political stability, air passenger traffic and aircraft retirement rates. More specifically, this market is driven by the number of new products in development or upgrades to existing platforms as well as growth in production rates and backlogs in various aircraft sectors.

Given that the industry's revenues are generated from original equipment manufacturers in the aerospace market, it is subject to the same industry and economic drivers described in Business Aircraft and Commercial Aircraft. Refer to the Industry and economic environment sections of Business Aircraft and Commercial Aircraft for further discussion of the overall aerospace market which influences the aerostructures business.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 (1)	2018	**2019** (1)	2018
Revenues				
External revenues	**$ 223**	$ 81	**$ 423**	$ 182
Intersegment revenues	**342**	374	**612**	719
Total revenues	**565**	455	**1,035**	901
Adjusted EBITDA[(2)]	**$ 50**	$ 69	**$ 128**	$ 129
Amortization	**13**	12	**25**	25
Adjusted EBIT[(2)]	**37**	57	**103**	104
Special items	**12**	(8)	**12**	(7)
EBIT	**$ 25**	$ 65	**$ 91**	$ 111
Adjusted EBIT margin[(2)]	**6.5%**	12.5%	**10.0%**	11.5%
EBIT margin	**4.4%**	14.3%	**8.8%**	12.3%

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $110 million increase for the three-month period is mainly due to higher volume for the contracts with ACLP[(1)] and higher volume for business aircraft contracts for the *Global 7500* program including the newly acquired *Global 7500* wing operations.

The $134-million increase for the six-month period is mainly due to higher volume for the contracts with ACLP[(1)] and higher volume for business aircraft contracts for the *Global 7500* program including the newly acquired *Global 7500* wing operations, partially offset by lower volume for other external contracts.

(1) Effective June 1, 2019, the name of CSALP is changed to ACLP. Revenues from the contracts with ACLP is presented as external revenues starting July 1, 2018.

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

The special items for the three- and six-month periods ended June 30, 2019 represent $2 million severance charges related to previously-announced restructuring actions and $10 million of charges recorded following the announcement of the *CRJ* production expected to conclude in the second half of 2020.

The special items for the three- and six-month periods ended June 30, 2018 represent adjustments to severance charges related to previously-announced restructuring actions.

EBIT margin

The adjusted EBIT margin[(1)] for the three-month period decreased by 6.0 percentage points, mainly as a result of dilution from ramp-up of *Global 7500* program and positive impact from one-time intersegment settlement recorded last year.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 9.9 percentage points compared to the same period last year.

The adjusted EBIT margin[(1)] for the six-month period decreased by 1.5 percentage points, mainly as a result of dilution from ramp-up of *Global 7500* program.

Including the impact of special items (see explanation of special items above), the EBIT margin for the six-month period decreased by 3.5 percentage points compared to the same period last year.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

RESHAPING THE PORTFOLIO

Pursuit of divestiture of Belfast and Morocco aerostructures businesses

On May 2, 2019, the Corporation announced the strategic formation of Bombardier Aviation, consolidating all aerospace assets into a single, streamlined and fully integrated business. As a result, Bombardier will pursue the divestiture of its Belfast and Morocco aerostructures businesses. The Corporation will focus its aerostructures activities around its core capabilities in Montreal, Mexico and its newly acquired *Global 7500* wing operations in Texas. Collectively, these facilities provide the Corporation with all the skills, technologies and capabilities to design, produce and service the current and next generation of aircraft.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30		2019 [1]		2018	Variance
Revenues	$	**2,194**	$	2,259	(3)%
Order intake (in billions of dollars)	$	**2.0**	$	2.4	(17)%
Book-to-bill ratio[2]		**0.9**		1.1	(0.2)
EBIT[3]	$	**87**	$	163	(47)%
EBIT margin[3]		**4.0%**		7.2%	(320) bps
Adjusted EBIT[3][4]	$	**111**	$	207	(46)%
Adjusted EBIT margin[3][4]		**5.1%**		9.2%	(410) bps
Adjusted EBITDA[3][4]	$	**146**	$	232	(37)%
Adjusted EBITDA margin[3][4]		**6.7%**		10.3%	(360) bps
Net additions to PP&E and intangible assets	$	**36**	$	46	(22)%
As at		**June 30, 2019**		December 31, 2018	
Order backlog (in billions of dollars)	$	**33.6**	$	34.5	(3)%

Key highlights and events

- Revenues during the quarter totalled $2.2 billion, delivering 2% growth year-over-year, excluding the unfavourable currency impacts. Revenues year-to-date are in line with the revised production schedule announced earlier in the year and consistent with full year guidance of $8.75 billion.[5]
- Adjusted EBIT margin[4] for the second quarter of 5.1% was below expectations reflecting additional cost pressure on large, late-stage projects, mainly in the U.K., Germany and Switzerland. EBIT margin for the quarter was 4.0%.
- Full-year adjusted EBIT margin[4] guidance is now expected at approximately 5%, mainly as the Corporation makes additional investments and incurs additional costs, totalling $250 million to $300 million, to both complete the legacy projects and to protect the delivery schedule for other projects. These investments include adding engineering and production capacity.[5]
- Transportation's backlog of $33.6 billion reflects book-to-bill[2] of 0.9 during the quarter. The positive market outlook for the rail industry remains unchanged.

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Ratio of new orders over revenues.
(3) Including share of income from joint ventures and associates amounting to $32 million for the three-month period ended June 30, 2019 ($32 million for the three-month period ended June 30, 2018).
(4) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(5) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2018 Financial Report for details regarding the assumptions on which the guidance is based.

GUIDANCE UPDATE

The following is an update of 2019 guidance.

		Previous guidance[1]	2019 guidance update[2]
Transportation	Revenues	~ $8.75 billion	~ $8.75 billion
	Adjusted EBIT margin[3]	~ 8.0%	~ 5.0%

Full-year revenues for Transportation remain unchanged at $8.75 billion. Full-year adjusted EBIT margin[3] is now expected at approximately 5%, mainly as we make additional investments and incur additional costs of $250 to $300 million, to both complete the legacy projects and to protect the delivery schedule for other projects. These investments include adding manufacturing and engineering capacity.

(1) Refer to our 2018 Financial Report, our First Quarterly Report for the period ended March 31, 2019, and Segment Reporting section of this MD&A for further details.
(2) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2018 Financial Report for details regarding the assumptions on which the guidance is based.
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

INDUSTRY AND ECONOMIC ENVIRONMENT

Globally, the order volume across the industry remained stable in the first half of the year compared to the same period last year. Growth is expected across all regions in the second half of 2019.

Europe

In Europe, the level of activity during the first half of 2019 increased compared to the same period of 2018. During the second quarter of 2019, order volume was driven primarily by several medium sized contracts for high-speed trains in Italy, commuter and regional trains in France and Germany, as well as a noteworthy order for light rail vehicles (LRVs) in the U.K. The most significant services agreements were signed in Germany, and signalling orders were placed in Sweden and Italy. In Eastern Europe, Poland was the main driver of order volume with several services agreements and contracts for locomotives.

The outlook for Europe is expected to remain positive throughout the rest of 2019. Many opportunities are foreseen for intercity and high-speed trains in Spain and the U.K., while in Italy, Spain and Germany contracts are anticipated for commuter and regional trains. Demand for urban transit solutions is anticipated to remain strong in Europe with orders expected to be tendered for metro trains, especially in Germany and France, as well as for LRVs in the U.K. and Germany. In the services and signalling segments contracts continue to be anticipated across Western Europe with sizeable orders in the U.K. and Germany for fleet management and asset life management. Furthermore, significant tenders are expected for mainline onboard and wayside signalling contracts in Germany, Portugal and Italy. Poland, Czech Republic and Turkey are expected to be the main drivers for growth in Eastern Europe in 2019, with rolling stock orders anticipated for locomotives, regional and metro trains. Major investments for services agreements are foreseen in Czech Republic for fleet management, while significant signalling contracts are expected to be tendered in Turkey and Poland.

North America

During the first half of 2019, the North American market volume decreased compared to first half of 2018, mainly due to large contracts awarded last year in the U.S. and Canada for metro trains, along with services agreements in Canada. During the second quarter of 2019, medium sized contracts were awarded for commuter and regional trains in both the U.S. and Canada. Additionally, smaller signalling and services contracts were also granted in the U.S.

During the second half of 2019 significant opportunities are forecasted for North America. In the U.S., several significant contracts are foreseen for metros, locomotives, and commuter and regional trains. In Canada, orders are expected to be placed for regional and commuter trains, as well as LRVs. Various contracts are also expected in the services and signalling segments across the U.S. and Canada, with the most significant contracts anticipated in the U.S. for fleet management and for urban transit solutions. In Mexico large opportunities are foreseen for both intercity and high-speed trains, and locomotives.

Asia-Pacific

In Asia-Pacific, market volume increased significantly on a year-to-date basis compared to the same period last year, driven by large contracts awarded for metro trains in China and South Korea in the first half of 2019, as well as sizeable orders for commuter and regional trains secured in Australia in the first quarter of the current year. In the signalling segment, smaller tenders were granted in Thailand and Taiwan.

The region's outlook is optimistic with large rolling stock opportunities foreseen through the rest of 2019 for high speed and very high-speed trains in both Thailand and Taiwan. Furthermore, various significant contracts are expected to be awarded for commuter and regional trains, along with services agreements, in Australia and South Korea. In the urban mobility sector, large investments are anticipated for multiple projects, particularly for metro trains to support rapid urbanization growth in China, India, South Korea and Singapore. Many opportunities are also foreseen in the services and signalling segments across the region, especially for fleet maintenance services and signalling solutions for both mainline and mass transit, with the most significant orders expected in Australia, India, China and Thailand.

Rest of World[1]

During the first half of 2019, order volume in the Rest of World region increased compared to the same period last year, driven by a sizeable order awarded in Russia for commuter and regional trains. In the second quarter of 2019, the main contracts were granted for commuter and regional trains in Egypt and Israel. In the signalling segment, medium sized orders were awarded in Brazil and Tanzania.

Positive prospects are expected in the Rest of World region in the upcoming quarters of the current year. Significant opportunities are expected to materialize in Russia for commuter and regional trains, as well as for urban mobility solutions due to growing investments across most of the countries in the region, with significant contracts anticipated for metro trains in Azerbaijan, Iran and Ukraine. Investments in automated systems and turnkey solutions are expected with anticipated orders for automated people mover (APM) and monorail systems, including signalling and services contracts, in Panama, Brazil and Egypt. A noteworthy tender for mainline signalling solution is also expected in the United Arab Emirates.

(1) The Rest of world region includes South America, Central America, Africa, the Middle East and the CIS.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019 [(1)]	2018	**2019** [(1)]	2018
Revenues				
Rolling stock and systems[(2)]	**$ 1,490**	$ 1,475	**$ 2,897**	$ 3,082
Services[(3)]	**510**	522	**998**	1,059
Signalling[(4)]	**194**	262	**406**	473
Total revenues	**$ 2,194**	$ 2,259	**$ 4,301**	$ 4,614
Adjusted EBITDA[(5)(6)]	**$ 146**	$ 232	**$ 264**	$ 446
Amortization	**35**	25	**67**	50
Impairment charges on PP&E and intangible assets	**—**	—	**3**	—
Adjusted EBIT[(5)(6)]	**111**	207	**194**	396
Special items	**24**	44	**24**	42
EBIT[(5)]	**$ 87**	$ 163	**$ 170**	$ 354
Adjusted EBIT margin[(5)(6)]	**5.1%**	9.2%	**4.5%**	8.6%
EBIT margin[(5)]	**4.0%**	7.2%	**4.0%**	7.7%

(1) Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(3) Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(4) Comprised of revenues from mass transit signalling, mainline signalling, industrial signalling and *OPTIFLO* service solutions for signalling.
(5) Including share of income from joint ventures and associates amounting to $32 million and $49 million, respectively, for the three- and six-month periods ended June 30, 2019 ($32 million and $53 million for the three- and six-month periods ended June 30, 2018).
(6) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

Total revenues for the three- and six-month periods ended June 30, 2019, have decreased by $65 million and $313 million, respectively, compared to the same periods last year. Excluding negative currency impacts of $104 million and $236 million, respectively, revenues for the three-month period have increased by $39 million, or 2%, while revenues for the six-month period have decreased by $77 million, or 2%, compared to the same periods last year.

The $39-million increase excluding currency impact for the three-month period is mainly explained by:

- higher activities in rolling stock and systems in Europe and North America, mostly due to ramp-up in production related to some metro and light rail vehicle (LRV) contracts in both regions and some intercity and high-speed train contracts in Europe, partly offset by some commuter and regional train contracts in both Europe and North America, some locomotive contracts in Europe and some automated people mover (APM) contracts in North America nearing completion, and slower production ramp-up on certain contracts; and
- higher activities in services mainly in North America and the Rest of world region.

Partially offset by:

- lower activities in signalling in all regions.

The $77-million decrease excluding currency impact for the six-month period is mainly explained by:

- lower activities in rolling stock and systems in Asia-Pacific, the Rest of world region and Europe, mostly due to some commuter and regional train contracts in Europe and Asia-Pacific and some mass transit system contracts in the Rest of world region nearing completion, and slower production ramp-up on certain contracts, partly offset by ramp-up in production related to some metro, high-speed train and locomotive contracts in Europe and some commuter and regional train contracts in the Rest of world region;
- lower activities in signalling in the Rest of world region and North America; and
- lower activities in services mainly in Europe, partly offset by higher activities in North America.

Partially offset by:
- higher activities in rolling stock and systems in North America, mostly due to ramp-up in production related to some LRV contracts, partly offset by some APM contracts nearing completion; and
- higher activities in signalling in Europe.

Special items
Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

The special items recorded as losses in EBIT were as follows:

		Three-month periods ended June 30				Six-month periods ended June 30			
	Ref		**2019**		2018		**2019**		2018
Restructuring charges	1	**$**	**24**	$	17	**$**	**24**	$	15
Impairment of non-core operations	2		**—**		17		**—**		17
Purchase of pension annuities	3		**—**		10		**—**		10
		$	**24**	$	44	**$**	**24**	$	42
EBIT margin impact			**1.1%**		1.9%		**0.6%**		0.9%

1. Represents severance charges of $28 million and $32 million for three- and six-month periods, respectively, related to previously-announced restructuring actions (charges of $9 million and $7 million, respectively, for the three- and six-month periods ended June 30, 2018); in line with these initiatives, a reversal of asset write-downs of $4 million and $8 million for three- and six-month periods, respectively, was also recorded in 2019 (asset write-downs of $8 million for the three- and six-month periods ended June 30, 2018).

2. Represents an impairment charge related to non-core operations with respect to the sale of legal entities as part of our transformation plan.

3. Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations.

EBIT margin
The adjusted EBIT margin(1) for the three-month period decreased by 4.1 percentage points, mainly as a result of:
- lower margin in rolling stock and systems, mainly due to revised estimates on certain contracts;
- lower margin in services, mainly due to a positive impact from revised estimates on certain contracts in the same period last year; and
- lower margin in signalling, mainly due an unfavourable contract mix and revised estimates on certain contracts.

Partially offset by:
- lower SG&A expenses.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 3.2 percentage points, compared to the same period last year.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

The adjusted EBIT margin[1] for the six-month period decreased by 4.1 percentage points, mainly as a result of:

- lower margin in rolling stock and systems, mainly due to revised estimates on certain contracts;
- lower margin in services, mainly due to a positive impact from revised estimates on certain contracts in the same period last year; and
- lower margin in signalling, mainly due to revised estimates on certain contracts and an unfavourable contract mix.

Partially offset by:

- a positive impact of a pension amendment related to past service recorded in the first quarter of 2019; and
- lower SG&A expenses.

Including the impact of special items (see explanation of special items above), the EBIT margins for the six-month period decreased by 3.7 percentage points, compared to the same period last year.

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Orders and backlog

Order backlog

(in billions of dollars)			As at June 30, 2019		December 31, 2018
	$	**33.6**		$	34.5

The $0.9-billion decrease in order backlog is due to higher revenues than order intake ($0.7 billion) and the weakening of some foreign currencies ($0.2 billion), mainly the euro, Swedish krona and pound sterling, versus the U.S. dollar as at June 30, 2019, compared to December 31, 2018.

Order intake and book-to-bill ratio

	Three-month periods ended June 30				Six-month periods ended June 30			
		2019		2018		**2019**		2018
Order intake (in billions of dollars)	**$**	**2.0**	$	2.4	**$**	**3.6**	$	4.7
Book-to-bill ratio[1]		**0.9**		1.1		**0.8**		1.0

Order intake for the three- and six-month periods ended June 30, 2019, has decreased by $0.4 billion and $1.1 billion, respectively, compared to the order intake for the same periods last year. The variances include negative currency impacts of $123 million and $226 million, for the three- and six-month periods respectively. We have obtained several orders across various product segments and regions during the first half of the year, and have maintained a leading position[2] in our relevant and accessible rail market.[3]

[1] Ratio of new orders over revenues.
[2] Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
[3] Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the six-month period ended June 30, 2019 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value[1]	
Second quarter						
Trenitalia	Italy	Frecciarossa 1000 very high-speed trains (derived from V300*ZEFIRO* platform) and related maintenance services	112	Rolling stock and systems, and Services	$	261[2]
City and County of San Francisco	U.S.	Operations and maintenance services for *INNOVIA* Automated People Mover (APM) 100 system	N/A	Services	$	220
Israel Railways (ISR)	Israel	Exercise of a call-off for *TWINDEXX* Vario double-deck coaches	74	Rolling stock and systems	$	166
Undisclosed	Asia-Pacific	Undisclosed	N/A	Rolling stock and systems	$	101
First quarter						
New Jersey Transit Corporation (NJ TRANSIT)	U.S.	Multilevel III commuter rail cars	113	Rolling stock and systems	$	669
Queensland Government	Australia	Modifications and redesign of the New Generation Rollingstock (NGR) trains and related maintenance services	N/A	Rolling stock and systems, and Services	$	255
Eurotunnel	France	Refurbishment services of nine passenger shuttle trains	N/A	Services	$	171

[1] Contract values exclude price escalation.
[2] Contract signed in partnership with Hitachi Rail SpA. The total contract is valued at $643 million, and only our share of the contract is stated above.

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

Sale of receivable facilities and arrangements for advances from third parties

In the normal course of its business, Transportation has facilities, to which it can sell, without credit recourse, qualifying receivables. For more details, refer to Note 23 - Net change in non-cash balances, to our interim consolidated financial statements.

In addition, in connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. In addition, the third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations such as delivery delays beyond a specified date. Amounts received under these arrangements are included as advances and progress billings in reduction of contract assets. For more details, refer to Note 10 - Contract balances, to our interim consolidated financial statements.

Other arrangements

In the normal course of operations, we maintain other off-balance sheet arrangements including credit and residual value guarantees, financing commitments and financing structures related to the sale of commercial aircraft. There was no significant change in these arrangements during the six-month period ended June 30, 2019 except for the amounts settled or transferred to other financial liabilities. Refer to the Off-balance sheet arrangements section in Other of our Financial Report for the year ended December 31, 2018 for a description of these arrangements, and to Note 27 - Commitments and Contingencies, to the interim consolidated financial statements for further details.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 2018 in Other, but are not necessarily the only risks and uncertainties that we face.

There was no significant change to these risks and uncertainties during the six-month period ended June 30, 2019, other than those described elsewhere in this MD&A. Also refer to Note 27 - Commitments and contingencies, to our interim consolidated financial statements.

If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows and results of operations could be materially adversely affected.

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies

Leases

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations**.** IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 was adopted effective January 1, 2019, and the Corporation elected to use the modified retrospective approach whereby comparative periods were not restated. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Corporation applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application and did not reassess contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, the Corporation elected to apply recognition exemptions available in the standard for lease contracts where the lease term ends within 12 months of the date of initial application or lease commencement date and that do not contain a purchase option, and lease contracts for which the underlying asset is of low value.

On initial application, the Corporation also applied the practical expedients to use a single discount rate to a portfolio of leases with reasonably similar characteristics, to rely on its assessment of whether leases are onerous immediately before the date of initial application instead of performing an impairment review and to exclude initial direct costs from the measurement of the right-of-use asset.

Where the Corporation is a lessee, IFRS 16 resulted in on-balance sheet recognition of most of its leases that were considered operating leases under IAS 17. This resulted in the gross-up of the balance sheet through the recognition of a right-of-use asset, adjusted for lease incentives received and onerous contract provisions previously recognized, and a lease liability for the present value of the remaining future lease payments, discounted using the incremental borrowing rate at the date of initial application. Depreciation expense on the right-of-use asset and interest expense on the lease liability replaced the previously recognized operating lease expense. The impact of adopting this standard on the cash flow statement is neutral, however the principal repayment of the lease liabilities will be presented in financing activities under IFRS 16, whereas previously it was presented in operating activities.

Refer to Note 2 - Changes in accounting policies, to our interim consolidated financial statements, for further details on impact of adopting IFRS 16.

Income taxes

In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatm*ents. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 was adopted effective January 1, 2019 and resulted in no significant adjustments.

Retirement and other long-term employee benefits

In February 2018, the IASB released an amendment to IAS 19, *Employee Benefits*, effective on January 1, 2019. The amendment relates to accounting for plan amendments, curtailments and settlements on defined benefit plans. The amendment requires the use of updated actuarial assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. This amendment was adopted effective January 1, 2019, with no earlier application and resulted in no adjustments as of January 1, 2019. This amendment will apply to plan amendments, curtailments or settlements occurring after January 1, 2019.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the six-month period ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Bombardier's Statement on Ethics and Interim Report on Internal Review into 2013 Azerbaijan Rail Signalling Contract

In all that we do, Bombardier holds itself to the highest ethical standards. We also believe the public deserves an accurate and fair accounting of the facts and circumstances whenever questions arise about our practices. Accordingly, in response to the improper leak of the World Bank show cause letter related to a 2013 rail signalling contract in Azerbaijan, we are providing this interim update on the status of our previously disclosed internal review to demonstrate our commitment to operating openly, honestly, and with unwavering integrity.

Our Commitment and Approach to Competing Globally

As a global industrial company, we regularly work with customers in developing countries to create mobility solutions that are reliable, safe, and sustainable. Helping create this value for people in emerging economies requires us to successfully navigate through challenging environments. We do not see this as a reason to retreat from the global marketplace. Rather, we trust our people, our process and our on-going efforts to continually improve our compliance program to ensure we manage all challenges. This approach has served us well for more than 75 years.

Our commitment to operating with the highest integrity is backed up by our Code of Ethics, strong compliance processes, and a comprehensive training program to guide our employees to make the right decisions. Each of these tools is reviewed and updated on a continuous basis and details can be found in our recently published activity report (available at ir.bombardier.com).

Our Comprehensive Response to Allegations of Unethical Conduct

Bombardier takes any allegation of unethical conduct very seriously. When concerns first arose around the Azerbaijan rail signalling contract, we made three commitments to our stakeholders. We committed that we would cooperate with all third-party investigations; that we would do our own internal review; and that if we uncovered any wrongdoing we would take the necessary actions to make things right. We stand by and reaffirm these commitments today as demonstrated by this statement on what our review has found so far and the actions we have taken to date.

Bombardier's internal review has been comprehensive, supported by external counsel and a forensic accounting firm. So far, having reviewed close to 100,000 documents and conducting dozens of interviews and site visits, the Corporation has found no evidence of any illegal or criminal conduct involving Bombardier related to the Azerbaijan project. To be specific, no evidence has been uncovered of any corrupt payments made or offered by the Corporation to any public official.

Our internal review remains active and open, as we have not yet had the opportunity to review certain information in the hands of third-parties, including the World Bank. When completed, Bombardier will disclose, as permitted, the findings of its internal review. In the meantime, we have taken actions to address identified issues and shortcomings. These include the disregarding of company procedures in connection with the joint venture in Azerbaijan.

Until the internal reviews are resolved and Bombardier provides an accounting on this matter, our stakeholders should be aware of the following actions the company has taken:

- The employees involved in the contracting process for the Azerbaijan project have left the company.
- Significant changes have been made to the management team at Bombardier Transportation Sweden AB and within our Rail Control Solutions division.
- Bombardier has restructured and simplified its business activities in Russia, including selling its shares in the Russian signalling joint venture.

This review found (i) no systemic issues or material weaknesses in the Corporation's controls or compliance programs, (ii) that the shortcomings identified in the Azerbaijan matter were limited and the result of a failure of local management; and (iii) that adequate steps have been taken by Bombardier to address these failures. In addition to the actions listed above, Bombardier commissioned an independent review of its ethics and compliance program.

Further Demonstrating Our Commitment to the Highest Ethical Standards in Partnership with EDC

Given Bombardier's unique position as Canada's leading industrial company and one of the country's largest exporters of high technology products, we have agreed to work in partnership with Export Development Canada (EDC) to evaluate our existing due diligence processes to ensure they are world class. This exercise will be conducted by a well-known, independent third-party expert selected by EDC, who will also review Bombardier's compliance policies and procedures. When completed, this new framework will be applied to any new Bombardier related export projects financed by EDC. Currently, there are no Bombardier related requests pending with EDC.

The goal of these efforts is to demonstrate a world-class framework for risk management, ensuring that all stakeholders have confidence in the way Bombardier competes around the world.

Since Bombardier's first ventures in international business, the highest standards of ethical conduct have defined our Corporation. And, we are confident that an independent review will confirm that same standard applies today as our employees deliver world-class products and services in every corner of the World the right way - responsibly and ethically.

FOREIGN EXCHANGE RATES

We are subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of our foreign operations with non-U.S. dollar functional currencies, mainly the euro, pound sterling and other European currencies, and from transactions denominated in foreign currencies, mainly the Canadian dollar and pound sterling.

The foreign exchange rates used to translate assets and liabilities into U.S. dollars were as follows, as at:

	June 30, 2019	December 31, 2018	Increase (decrease)
Euro	**1.1370**	1.1450	(1%)
Canadian dollar	**0.7617**	0.7337	4%
Pound sterling	**1.2714**	1.2800	(1%)

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the three-month periods ended:

	June 30, 2019	June 30, 2018	Decrease
Euro	**1.1240**	1.1948	(6%)
Canadian dollar	**0.7475**	0.7765	(4%)
Pound sterling	**1.2863**	1.3644	(6%)

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the six-month periods ended:

	June 30, 2019	June 30, 2018	Decrease
Euro	**1.1303**	1.2116	(7%)
Canadian dollar	**0.7499**	0.7845	(4%)
Pound sterling	**1.2930**	1.3772	(6%)

SELECTED FINANCIAL INFORMATION

The following table provides selected financial information for the last eight quarters:

Fiscal years	**2019**		2018				2017	
							restated(1)	*restated*(1)
	Second	First	Fourth	Third	Second	First	Fourth	Third
Revenues	**$ 4,314**	$ 3,516	$ 4,303	$ 3,643	$ 4,262	$ 4,028	$ 4,611	$ 3,839
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (83)**	$ 195	$ 15	$ 111	$ 68	$ 38	$ (190)	$ (83)
EPS (in dollars)								
Basic	**$ (0.04)**	$ 0.08	$ 0.02	$ 0.04	$ 0.03	$ 0.01	$ (0.09)	$ (0.04)
Diluted	**$ (0.04)**	$ 0.08	$ 0.02	$ 0.04	$ 0.02	$ 0.01	$ (0.09)	$ (0.04)
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.(2)	**$ (101)**	$ (173)	$ 134	$ 122	$ 78	$ 22	$ (38)	$ (2)
Adjusted EPS (in dollars)(2)	**$ (0.04)**	$ (0.07)	$ 0.05	$ 0.04	$ 0.03	$ 0.01	$ (0.02)	$ 0.00

(1) 2017 figures were restated due to the adoption of IFRS 15, *Revenue from contracts with customers.*
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and reconciliations to the most comparable IFRS measures.

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at July 30, 2019

	Authorized	Issued and outstanding
Class A Shares (multiple voting)(1)	3,592,000,000	308,749,249
Class B Shares (subordinate voting)(2)	3,592,000,000	2,066,356,118 (3)
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	5,811,736
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	6,188,264
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) Ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share.
(2) Convertible at the option of the holder into one Class A Share under certain conditions.
(3) Net of 60,541,394 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Warrant, share option, PSU, DSU and RSU data as at June 30, 2019

Warrants issued and outstanding	305,851,872
Options issued and outstanding under the share option plans	135,092,946
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	121,904,337
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	60,541,394

Expected issuance date of our financial reports for the next 12 months

Third Quarterly Report, for the period ending September 30, 2019	October 31, 2019
Financial Report, for the fiscal year ending December 31, 2019	February 13, 2020
First Quarterly Report, for the period ending March 31, 2020	May 7, 2020
Second Quarterly Report, for the period ending June 30, 2020	August 6, 2020

Information

Bombardier Inc.
Investor Relations
800 René-Lévesque Blvd. West
Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514 861 9481, extension 13273
Fax: +1 514 861 2420
email: investors@bombardier.com

July 31, 2019

Additional information relating to the Corporation, including the financial report and annual information form, are available on SEDAR at sedar.com or on Bombardier's dedicated investor relations website at ir.bombardier.com.

The *Global 5500, Global 6500* and *Global 8000* aircraft are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind.

The printed version of this quarterly report uses Rolland Enviro100 paper, containing 100% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 6 mature trees, 378 kg of CO_2 emissions (equivalent to 1,506 kilometres driven) and 1,643 litres of water.

Un exemplaire en français est disponible sur demande adressée auprès du service des Relations avec les investisseurs ou sur le site Internet de la Société dédié aux relations avec les investisseurs, à l'adresse ri.bombardier.com.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2019
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

The following table shows the abbreviations used in the consolidated financial statements.

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership (formerly CSALP)	FVOCI	Fair value through other comprehensive income (loss)
AFS	Available for sale	FVTP&L	Fair value through profit and loss
bps	Basis points	HFT	Held for trading
BT Holdco	Bombardier Transportation (Investment) UK Limited	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CDPQ	Caisse de dépôt et placement du Québec	IFRIC	International Financial Reporting Interpretation Committee
DDHR	Derivative designated in a hedge relationship	IFRS	International Financial Reporting Standard(s)
DSU	Deferred share unit	NCI	Non-controlling interests
EBIT	Earnings (loss) before financing expense, financing income and income taxes	OCI	Other comprehensive income (loss)
		PP&E	Property, plant and equipment
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	PSU	Performance share unit
		R&D	Research and development
		RSU	Restricted share unit
EBT	Earnings (loss) before income taxes	SG&A	Selling, general and administrative
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	U.S.	United States of America

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in millions of U.S. dollars, except per share amounts)

	Notes	Three-month periods ended June 30 2019 [(1)]	Three-month periods ended June 30 2018	Six-month periods ended June 30 2019 [(1)]	Six-month periods ended June 30 2018
Revenues		**$ 4,314**	$ 4,262	**$ 7,830**	$ 8,290
Cost of sales	11	**3,818**	3,709	**6,878**	7,248
Gross margin		**496**	553	**952**	1,042
SG&A		**263**	309	**531**	595
R&D	4	**69**	48	**117**	95
Share of income of joint ventures and associates	25	**(23)**	(30)	**(40)**	(50)
Other income	5	**(19)**	(45)	**(33)**	(70)
Special items	6	**(165)**	80	**(678)**	80
EBIT		**371**	191	**1,055**	392
Financing expense	7	**269**	163	**560**	325
Financing income	7	**(22)**	(31)	**(102)**	(69)
EBT		**124**	59	**597**	136
Income taxes		**160**	(11)	**394**	22
Net income (loss)		**$ (36)**	$ 70	**$ 203**	$ 114
Attributable to					
Equity holders of Bombardier Inc.		**$ (83)**	$ 68	**$ 112**	$ 106
NCI		**47**	2	**91**	8
		$ (36)	$ 70	**$ 203**	$ 114
EPS (in dollars)	8				
Basic		**$ (0.04)**	$ 0.03	**$ 0.04**	$ 0.04
Diluted		**$ (0.04)**	$ 0.02	**$ 0.04**	$ 0.04

(1) Refer to Note 2 - Changes in accounting policies for the impact of the adoption of IFRS 16, *Leases*.

The notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions of U.S. dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Net income (loss)	**$ (36)**	$ 70	**$ 203**	$ 114
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**—**	—	**(1)**	(1)
Net gain (loss) on derivative financial instruments	**65**	(125)	**62**	(177)
Reclassification to income or to the related non-financial assets	**18**	(33)	**12**	(49)
Income taxes	**(7)**	35	**(14)**	45
	76	(123)	**59**	(182)
FVOCI financial assets				
Net unrealized gain (loss)	**3**	(1)	**7**	(2)
CCTD				
Net investments in foreign operations	**(67)**	9	**33**	28
Items that are never reclassified to net income				
FVOCI equity instruments				
Net unrealized gain (loss)	**—**	—	**3**	(3)
Retirement benefits				
Remeasurement of defined benefit plans	**(229)**	530	**(693)**	494
Income taxes	**(5)**	(56)	**34**	(42)
	(234)	474	**(656)**	449
Total OCI	**(222)**	359	**(557)**	293
Total comprehensive income (loss)	**$ (258)**	$ 429	**$ (354)**	$ 407
Attributable to				
Equity holders of Bombardier Inc.	**$ (327)**	$ 531	**$ (434)**	$ 465
NCI	**69**	(102)	**80**	(58)
	$ (258)	$ 429	**$ (354)**	$ 407

The notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
As at
(in millions of U.S. dollars)

	Notes		June 30 2019 [1]		December 31 2018		January 1 2018
Assets							
Cash and cash equivalents		**$**	**2,957**	$	3,187	$	2,988
Trade and other receivables			**1,655**		1,575		1,174
Contract assets	10		**3,002**		2,617		2,460
Inventories	11		**4,782**		4,402		3,429
Other financial assets	12		**189**		210		415
Other assets	13		**482**		357		427
Assets held for sale	18		**571**		—		4,150
Current assets			**13,638**		12,348		15,043
PP&E	14		**2,053**		1,557		1,696
Aerospace program tooling			**4,584**		4,519		3,581
Goodwill			**1,930**		1,948		2,042
Deferred income taxes			**458**		746		595
Investments in joint ventures and associates	25		**2,212**		2,211		491
Other financial assets	12		**1,220**		1,030		825
Other assets	13		**593**		599		643
Non-current assets			**13,050**		12,610		9,873
		$	**26,688**	$	24,958	$	24,916
Liabilities							
Trade and other payables		**$**	**4,641**	$	4,634	$	3,964
Provisions	15		**1,084**		1,390		1,630
Contract liabilities	10		**4,827**		4,262		3,820
Other financial liabilities	16		**1,145**		607		342
Other liabilities	17		**1,422**		1,499		1,723
Liabilities directly associated with assets held for sale	18		**576**		—		2,686
Current liabilities			**13,695**		12,392		14,165
Provisions	15		**677**		1,110		781
Contract liabilities	10		**1,804**		1,933		1,272
Long-term debt	21		**9,344**		9,093		9,200
Retirement benefits			**3,007**		2,381		2,633
Other financial liabilities	16		**1,551**		1,526		965
Other liabilities	17		**962**		537		595
Non-current liabilities			**17,345**		16,580		15,446
			31,040		28,972		29,611
Equity (deficit)							
Attributable to equity holders of Bombardier Inc.			**(5,980)**		(5,563)		(6,608)
Attributable to NCI			**1,628**		1,549		1,913
			(4,352)		(4,014)		(4,695)
		$	**26,688**	$	24,958	$	24,916
Commitments and contingencies	27						

[1] Refer to Note 2 - Changes in accounting policies for the impact of the adoption of IFRS 16, *Leases*.

The notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
For the three-month periods ended
(in millions of U.S. dollars)

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remeasurement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at March 31, 2019	$ 347	$ 2,624	$ 343	$ (6,106)	$ (2,730)	$ 192	$ 6	$ (85)	$ (251)	$ (5,660)	$ 1,560	$ (4,100)
Total comprehensive income												
Net income (loss)	—	—	—	(83)	—	—	—	—	—	(83)	47	(36)
OCI	—	—	—	—	(234)	—	3	76	(89)	(244)	22	(222)
	—	—	—	(83)	(234)	—	3	76	(89)	(327)	69	(258)
Options exercised	—	1	—	—	—	(1)	—	—	—	—	—	—
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Share-based expense	—	—	—	—	—	14	—	—	—	14	—	14
As at June 30, 2019	**$ 347**	**$ 2,625**	**$ 343**	**$ (6,196)**	**$ (2,964)**	**$ 205**	**$ 9**	**$ (9)**	**$ (340)**	**$ (5,980)**	**$ 1,628**	**$ (4,352)**
As at March 31, 2018	$ 347	$ 2,629	$ 73	$ (6,423)	$ (2,596)	$ 187	$ —	$ 68	$ (515)	$ (6,230)	$ 1,946	$ (4,284)
Total comprehensive income												
Net income	—	—	—	68	—	—	—	—	—	68	2	70
OCI	—	—	—	—	471	—	(1)	(116)	109	463	(104)	359
	—	—	—	68	471	—	(1)	(116)	109	531	(102)	429
Options exercised	—	4	—	—	—	(1)	—	—	—	3	—	3
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Share-based expense	—	—	—	—	—	31	—	—	—	31	—	31
Change in NCI	—	—	—	(76)	—	—	—	—	—	(76)	76	—
As at June 30, 2018	$ 347	$ 2,633	$ 73	$ (6,438)	$ (2,125)	$ 217	$ (1)	$ (48)	$ (406)	$ (5,748)	$ 1,919	$ (3,829)

The notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
For the six-month periods ended
(in millions of U.S. dollars)

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at December 31, 2018	$ 347	$ 2,623	$ 343	$ (6,294)	$ (2,305)	$ 176	$ (1)	$ (68)	$ (384)	$ (5,563)	$ 1,549	$ (4,014)
Total comprehensive income												
Net income	—	—	—	112	—	—	—	—	—	112	91	203
OCI	—	—	—	—	(659)	—	10	59	44	(546)	(11)	(557)
	—	—	—	112	(659)	—	10	59	44	(434)	80	(354)
Options exercised	—	2	—	—	—	(1)	—	—	—	1	—	1
Dividends	—	—	—	(14)	—	—	—	—	—	(14)	—	(14)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Share-based expense	—	—	—	—	—	30	—	—	—	30	—	30
As at June 30, 2019	**$ 347**	**$ 2,625**	**$ 343**	**$ (6,196)**	**$ (2,964)**	**$ 205**	**$ 9**	**$ (9)**	**$ (340)**	**$ (5,980)**	**$ 1,628**	**$ (4,352)**
As at January 1, 2018	$ 347	$ 2,154	$ 73	$ (6,414)	$ (2,577)	$ 171	$ 4	$ 127	$ (493)	$ (6,608)	$ 1,913	$ (4,695)
Total comprehensive income												
Net income	—	—	—	106	—	—	—	—	—	106	8	114
OCI	—	—	—	—	452	—	(5)	(175)	87	359	(66)	293
	—	—	—	106	452	—	(5)	(175)	87	465	(58)	407
Options exercised	—	4	—	—	—	(1)	—	—	—	3	—	3
Issuance of share capital	—	475	—	—	—	—	—	—	—	475	—	475
Dividends	—	—	—	(14)	—	—	—	—	—	(14)	—	(14)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(52)	(52)
Share-based expense	—	—	—	—	—	47	—	—	—	47	—	47
Change in NCI	—	—	—	(116)	—	—	—	—	—	(116)	116	—
As at June 30, 2018	$ 347	$ 2,633	$ 73	$ (6,438)	$ (2,125)	$ 217	$ (1)	$ (48)	$ (406)	$ (5,748)	$ 1,919	$ (3,829)

The notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions of U.S. dollars)

	Notes	Three-month periods ended June 30 2019 [(1)]	Three-month periods ended June 30 2018	Six-month periods ended June 30 2019 [(1)]	Six-month periods ended June 30 2018
Operating activities					
Net income (loss)		**$ (36)**	$ 70	**$ 203**	$ 114
Non-cash items					
Amortization[(2)]		**106**	64	**197**	126
Impairment charges (reversals) on PP&E and intangible assets	5, 6	**(4)**	9	**(4)**	11
Deferred income taxes		**105**	(29)	**309**	(23)
Gains on disposals of PP&E and intangible assets	5, 6	**(6)**	(560)	**(7)**	(564)
Losses (gains) on disposals of businesses	5, 6	**(219)**	599	**(739)**	599
Share of income of joint ventures and associates	25	**(23)**	(30)	**(40)**	(50)
Share-based expense	22	**14**	31	**30**	47
Loss on repurchase of long-term debt	6, 7	**4**	—	**84**	—
Dividends received from joint ventures and associates		**18**	2	**19**	19
Net change in non-cash balances	23	**(248)**	(236)	**(1,248)**	(830)
Cash flows from operating activities		**(289)**	(80)	**(1,196)**	(551)
Investing activities					
Additions to PP&E and intangible assets		**(151)**	(310)	**(293)**	(577)
Proceeds from disposals of PP&E and intangible assets		**11**	622	**16**	639
Investments in non-voting units of ACLP		**(125)**	—	**(235)**	—
Net proceeds from disposal of businesses	19	**294**	—	**826**	—
Other		**(15)**	(1)	**—**	37
Cash flows from investing activities		**14**	311	**314**	99
Financing activities					
Net proceeds from issuance of long-term debt	21	**—**	—	**1,956**	—
Repayments of long-term debt	21	**(176)**	(1)	**(1,762)**	(8)
Net change in short-term borrowings	16	**204**	—	**488**	—
Payment of lease liabilities[(3)]		**(34)**	—	**(56)**	—
Dividends paid - Preferred shares		**(5)**	(4)	**(10)**	(10)
Issuance of Class B Shares		**—**	—	**—**	476
Dividends to NCI		**(1)**	(1)	**(1)**	(52)
Other		**(4)**	(64)	**1**	(64)
Cash flows from financing activities		**(16)**	(70)	**616**	342
Effect of exchange rates on cash and cash equivalents		**(31)**	(40)	**36**	27
Net increase (decrease) in cash and cash equivalents		**(322)**	121	**(230)**	(83)
Cash and cash equivalents at beginning of period[(4)]		**3,279**	2,853	**3,187**	3,057
Cash and cash equivalents at end of period[(4)]		**$ 2,957**	$ 2,974	**$ 2,957**	$ 2,974
Supplemental information					
Cash paid for					
Interest		**$ 168**	$ 188	**$ 342**	$ 338
Income taxes		**$ 49**	$ 52	**$ 69**	$ 71
Cash received for					
Interest		**$ 7**	$ 8	**$ 13**	$ 16
Income taxes		**$ 2**	$ 2	**$ 2**	$ 3

(1) Refer to Note 2 - Changes in accounting policies for the impact of the adoption of IFRS 16, *Leases.*
(2) Includes $26 million and $51 million representing amortization charge related to right-of-use of assets for the three-and six-month periods ended June 30, 2019.
(3) Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for the three- and six-month periods ended June 30, 2019 amounted to $51 million and $88 million.
(4) For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as asset held for sale. Cash and cash equivalents related to ACLP was $151 million as at June 30, 2018 and was $69 million as at January 1, 2018.

The notes are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2019
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. ("the Corporation" or "our" or "we") is incorporated under the laws of Canada. The Corporation is a manufacturer of transportation equipment, including business and commercial aircraft, as well as major aircraft structural components, and rail transportation equipment and systems, and is a provider of related services. The Corporation carries out its operations in four distinct segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation.

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements except for the changes in accounting policies described in Note 2 – Changes in accounting policies. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Financial Report for the fiscal year ended December 31, 2018.

These interim consolidated financial statements for the three- and six-month periods ended June 30, 2019 were authorized for issuance by the Board of Directors on July 31, 2019.

The results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year.

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

The exchange rates for the major currencies used in the preparation of the interim consolidated financial statements were as follows:

			Exchange rates as at
	June 30, 2019	December 31, 2018	January 1, 2018
Euro	**1.1370**	1.1450	1.1993
Canadian dollar	**0.7617**	0.7337	0.7975
Pound sterling	**1.2714**	1.2800	1.3517

	Average exchange rates for the three-month periods ended		**Average exchange rates for the six-month periods ended**	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Euro	**1.1240**	1.1948	**1.1303**	1.2116
Canadian dollar	**0.7475**	0.7765	**0.7499**	0.7845
Pound sterling	**1.2863**	1.3644	**1.2930**	1.3772

2. CHANGES IN ACCOUNTING POLICIES

Leases

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations**.** IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 was adopted effective January 1, 2019, and the Corporation elected to use the modified retrospective approach whereby comparative periods were not restated. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Corporation applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application and did not reassess contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, the Corporation elected to apply recognition exemptions available in the standard for lease contracts where the lease term ends within 12 months of the date of initial application or lease commencement date and that do not contain a purchase option, and lease contracts for which the underlying asset is of low value.

On initial application, the Corporation also applied the practical expedients to use a single discount rate to a portfolio of leases with reasonably similar characteristics, to rely on its assessment of whether leases are onerous immediately before the date of initial application instead of performing an impairment review and to exclude initial direct costs from the measurement of the right-of-use asset.

Where the Corporation is a lessee, IFRS 16 resulted in on-balance sheet recognition of most of its leases that were considered operating leases under IAS 17. This resulted in the gross-up of the balance sheet through the recognition of a right-of-use asset, adjusted for lease incentives received and onerous contract provisions previously recognized, and a lease liability for the present value of the remaining future lease payments, discounted using the incremental borrowing rate at the date of initial application. Depreciation expense on the right-of-use asset and interest expense on the lease liability replaced the previously recognized operating lease expense. The impact of adopting this standard on the cash flow statement is neutral, however the principal repayment of the lease liabilities will be presented in financing activities under IFRS 16, whereas previously it was presented in operating activities.

This change in policy resulted in the recognition of right-of-use assets, in PP&E, and lease liabilities, in Other liabilities, amounting to $554 million and $568 million, respectively as of January 1, 2019. See Note 14 - PP&E and Note 17 - Other liabilities for more details. In addition, the Corporation had existing capital leases amounting to $41 million that were recorded in long-term debt and that were reclassified to lease liabilities on January 1, 2019 with the corresponding cost of assets and accumulated amortization of $121 million and $61 million, respectively, being reclassified to right-of-use assets.

The undiscounted operating lease commitments of the Corporation as of December 31, 2018 amounted to $875 million, as presented in the audited consolidated financial statements and notes thereto included in the Corporation’s Financial Report for the fiscal year ended December 31, 2018. The undiscounted value of lease liabilities as at January 1, 2019 (excluding the $41 million of reclassified capital leases) was $844 million (discounted to $568 million as at January 1, 2019). The difference between the previously disclosed $875 million undiscounted operating lease commitments and the $844 million undiscounted value of lease liabilities as at January 1, 2019 is due to short term leases and low value leases which are excluded from lease liability, but were part of the operating lease commitments.

The accounting policies related to the right-of-use assets and lease liabilities are as follows:

Leases are recognized as a right-of-use asset in PP&E and a corresponding lease liability in Other liabilities at the date at which the leased asset is available for use by the Corporation. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income.

The Corporation periodically enters into sale and leaseback transactions, typically for aircraft and properties, whereby the Corporation sells an asset to a lessor and immediately leases it back. In a sale and leaseback transaction the transfer of an asset is recognized as a sale when the customer has obtained control of the aircraft, which is aligned with the Corporation’s revenue recognition policy, otherwise the Corporation continues to recognize the transferred asset on the balance sheet and record a financial liability equal to the proceeds transferred. When the transfer of an asset satisfies the Corporation’s revenue recognition policy to be accounted for as a sale, a partial recognition of the profit from the sale is recorded immediately after the sale, which is equivalent to the proportion of the asset not retained by the Corporation through the lease. The proportion of the asset retained by the Corporation through the lease is recognized as a right-of-use asset and the lease liability is measured as the present value of future lease payments.

Income taxes
In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatm*ents. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 was adopted effective January 1, 2019 and resulted in no significant adjustments.

Retirement and other long-term employee benefits
In February 2018, the IASB released an amendment to IAS 19, *Employee Benefits*, effective on January 1, 2019. The amendment relates to accounting for plan amendments, curtailments and settlements on defined benefit plans. The amendment requires the use of updated actuarial assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. This amendment was adopted effective January 1, 2019, with no earlier application and resulted in no adjustments as of January 1, 2019. This amendment will apply to plan amendments, curtailments or settlements occurring after January 1, 2019.

3. SEGMENT DISCLOSURE

The Corporation has four reportable segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. Each reportable segment offers different products and services and mostly requires different technology and marketing strategies.

Business Aircraft
Business Aircraft designs, manufactures, markets and provides aftermarket support for three families of business jets (*Learjet, Challenger* and *Global)*, spanning from the light to large categories.

Commercial Aircraft
Commercial Aircraft designs and manufactures a broad portfolio of commercial aircraft in the 50- to 100-seat categories, including the *CRJ550*, *CRJ700*, *CRJ900* and *CRJ1000* regional jets and the Q400 turboprop, and participates in a partnership with Airbus on the A220 Family aircraft. Commercial Aircraft provides aftermarket services and support for its large installed base.

Aerostructures and Engineering Services
Aerostructures and Engineering Services designs, develops and manufactures major aircraft structural components (such as engine nacelles, fuselages and wings) and provides aftermarket component repair and overhaul as well as other engineering services for both internal and external clients.

Transportation
Transportation offers a wide-ranging portfolio of innovative and efficient solutions in the rail industry and cover the full spectrum of rail solutions, ranging from global mobility solutions to a variety of trains and sub-systems, services, system integration and signalling to meet the market's needs and expectations.

Corporate and Elimination
Corporate and Elimination comprise corporate charges that are not allocated to segments, elimination of profit on intercompany transactions and other adjustments.

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2018, except for the changes in accounting policies described in Note 2 – Changes in accounting policies.

Management assesses segment performance based on EBIT and EBIT before special items. The segmented results of operations and other information were as follows:

						Three-month period ended June 30, 2019
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 2,193**	**$ 1,382**	**$ 515**	**$ 223**	**$ 1**	**$ 4,314**
Intersegment revenues	**1**	**—**	**1**	**342**	**(344)**	**—**
Total revenues	**2,194**	**1,382**	**516**	**565**	**(343)**	**4,314**
EBIT before special items	**111**	**97**	**12**	**37**	**(51)**	**206**
Special items[1]	**24**	**13**	**(214)**	**12**	**—**	**(165)**
EBIT	**$ 87**	**$ 84**	**$ 226**	**$ 25**	**$ (51)**	**371**
Financing expense						**269**
Financing income						**(22)**
EBT						**124**
Income taxes						**160**
Net loss						**$ (36)**
Other information						
R&D[2]	**$ 30**	**$ 32**	**$ 4**	**$ 3**	**$ —**	**$ 69**
Share of loss (income) of joint ventures and associates	**$ (32)**	**$ —**	**$ 9**	**$ —**	**$ —**	**$ (23)**
Net additions (proceeds) to PP&E and intangible assets[3]	**$ 36**	**$ 97**	**$ (2)**	**$ 4**	**$ 5**	**$ 140**
Amortization	**$ 35**	**$ 49**	**$ 6**	**$ 13**	**$ 3**	**$ 106**
Impairment charges (reversals) on PP&E and intangible assets[1]	**$ (4)**	**$ —**	**$ (1)**	**$ —**	**$ 1**	**$ (4)**

[1] See Note 6 – Special items for more details.
[2] Includes tooling amortization. See Note 4 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

						Three-month period ended June 30, 2018
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 2,257	$ 1,306	$ 616	$ 81	$ 2	$ 4,262
Intersegment revenues	2	1	—	374	(377)	—
Total revenues	2,259	1,307	616	455	(375)	4,262
EBIT before special items	207	111	(66)	57	(38)	271
Special items[1]	44	3	602	(8)	(561)	80
EBIT	$ 163	$ 108	$ (668)	$ 65	$ 523	191
Financing expense						163
Financing income						(31)
EBT						59
Income taxes						(11)
Net income						$ 70
Other information						
R&D[2]	$ 26	$ 17	$ 3	$ 2	$ —	$ 48
Share of loss (income) of joint ventures and associates	$ (32)	$ 2	$ —	$ —	$ —	$ (30)
Net additions (proceeds) to PP&E and intangible assets[1][3]	$ 46	$ 232	$ 30	$ (1)	$ (619)	$ (312)
Amortization	$ 25	$ 31	$ 5	$ 12	$ (9)	$ 64
Impairment charges on PP&E and intangible assets[1]	$ 8	$ —	$ —	$ —	$ 1	$ 9

[1] See Note 6 – Special items for more details.
[2] Includes tooling amortization. See Note 4 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

						Six-month period ended June 30, 2019
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 4,299**	**$ 2,351**	**$ 756**	**$ 423**	**$ 1**	**$ 7,830**
Intersegment revenues	**2**	**1**	**1**	**612**	**(616)**	**—**
Total revenues	**4,301**	**2,352**	**757**	**1,035**	**(615)**	**7,830**
EBIT before special items	**194**	**171**	**34**	**103**	**(125)**	**377**
Special items[1]	**24**	**(507)**	**(214)**	**12**	**7**	**(678)**
EBIT	**$ 170**	**$ 678**	**$ 248**	**$ 91**	**$ (132)**	**1,055**
Financing expense						**560**
Financing income						**(102)**
EBT						**597**
Income taxes						**394**
Net income						**$ 203**
Other information						
R&D[2]	**$ 55**	**$ 52**	**$ 6**	**$ 4**	**$ —**	**$ 117**
Share of loss (income) of joint ventures and associates	**$ (49)**	**$ 1**	**$ 8**	**$ —**	**$ —**	**$ (40)**
Net additions (proceeds) to PP&E and intangible assets[3]	**$ 64**	**$ 181**	**$ (3)**	**$ 29**	**$ 6**	**$ 277**
Amortization	**$ 67**	**$ 89**	**$ 9**	**$ 25**	**$ 7**	**$ 197**
Impairment charges (reversals) on PP&E and intangible assets[1]	**$ (5)**	**$ —**	**$ (1)**	**$ —**	**$ 2**	**$ (4)**

[1] See Note 6 – Special items for more details.
[2] Includes tooling amortization. See Note 4 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

						Six-month period ended June 30, 2018
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 4,611	$ 2,416	$ 1,079	$ 182	$ 2	$ 8,290
Intersegment revenues	3	1	—	719	(723)	—
Total revenues	4,614	2,417	1,079	901	(721)	8,290
EBIT before special items	396	209	(139)	104	(98)	472
Special items[1]	42	4	602	(7)	(561)	80
EBIT	$ 354	$ 205	$ (741)	$ 111	$ 463	392
Financing expense						325
Financing income						(69)
EBT						136
Income taxes						22
Net income						$ 114
Other information						
R&D[2]	$ 54	$ 31	$ 7	$ 3	$ —	$ 95
Share of loss (income) of joint ventures and associates	$ (53)	$ 3	$ —	$ —	$ —	$ (50)
Net additions (proceeds) to PP&E and intangible assets[1][3]	$ 71	$ 420	$ 46	$ 9	$ (608)	$ (62)
Amortization	$ 50	$ 47	$ 6	$ 25	$ (2)	$ 126
Impairment charges on PP&E and intangible assets[1]	$ 8	$ —	$ —	$ —	$ 3	$ 11

[1] See Note 6 – Special items for more details.
[2] Includes tooling amortization. See Note 4 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

The reconciliation of total assets and total liabilities to segmented assets and liabilities is as follows, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Assets			
Total assets	**$ 26,688**	$ 24,958	$ 24,916
Assets not allocated to segments			
Cash and cash equivalents	**2,957**	3,187	3,057
Income tax receivable[(1)]	**46**	49	60
Deferred income taxes	**458**	746	595
Segmented assets	**23,227**	20,976	21,204
Liabilities			
Total liabilities	**31,040**	28,972	29,611
Liabilities not allocated to segments			
Interest payable[(2)]	**164**	138	139
Income taxes payable[(3)]	**186**	173	187
Long-term debt[(4)]	**9,344**	9,102	9,218
Segmented liabilities	**$ 21,346**	$ 19,559	$ 20,067
Net segmented assets			
Transportation	**$ (180)**	$ (412)	$ (1,106)
Business Aircraft	**$ 1,866**	$ 2,162	$ 2,178
Commercial Aircraft	**$ 1,170**	$ 870	$ 311
Aerostructures and Engineering Services	**$ (614)**	$ (612)	$ 190
Corporate and Elimination	**$ (361)**	$ (591)	$ (436)

(1) Included in other assets.
(2) Included in trade and other payables.
(3) Included in other liabilities.
(4) The current portion of long-term debt is included in other financial liabilities.

The Corporation's revenues by market segment were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Business Aircraft				
Manufacturing and Other[(1)]	**$ 1,065**	$ 1,001	**$ 1,711**	$ 1,840
Services[(2)]	**317**	306	**641**	577
	1,382	1,307	**2,352**	2,417
Commercial Aircraft[(3)]	**516**	616	**757**	1,079
Aerostructures and Engineering Services				
External revenues	**223**	81	**423**	182
Intersegment revenues	**342**	374	**612**	719
	565	455	**1,035**	901
Transportation				
Rolling stock and systems[(4)]	**1,490**	1,475	**2,897**	3,082
Services[(5)]	**510**	522	**998**	1,059
Signalling[(6)]	**194**	262	**406**	473
	2,194	2,259	**4,301**	4,614
Corporate and Elimination	**(343)**	(375)	**(615)**	(721)
	$ 4,314	$ 4,262	**$ 7,830**	$ 8,290

(1) Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
(2) Includes revenues from aftermarket services including parts, *Smarts Services*, service centres, training and technical publication.
(3) Includes manufacturing, services and other.
(4) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(5) Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(6) Comprised of revenues from mass transit signalling, mainline signalling, industrial signalling and *OPTIFLO* service solutions for signalling.

4. RESEARCH AND DEVELOPMENT

R&D expense, net of government assistance, was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
R&D expenditures	**$ 117**	$ 249	**$ 215**	$ 486
Less: development expenditures capitalized to aerospace program tooling	**(80)**	(217)	**(149)**	(420)
	37	32	**66**	66
Add: amortization of aerospace program tooling	**32**	16	**51**	29
	$ 69	$ 48	**$ 117**	$ 95

5. OTHER INCOME

Other income was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Changes in estimates and fair value(1)	**$ (14)**	$ (48)	**$ (29)**	$ (71)
Losses (gains) on disposals of PP&E	**(6)**	1	**(7)**	(3)
Impairment of PP&E and Intangible assets(2)	**—**	1	**4**	3
Gain on sale of a business(2)	**—**	—	**(4)**	—
Severance and other involuntary termination costs (including changes in estimates)(2)	**—**	1	**1**	1
Other	**1**	—	**2**	—
	$ (19)	$ (45)	**$ (33)**	$ (70)

(1) Includes net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding losses (gains) arising from changes in interest rates.
(2) Excludes those presented in special items.

6. SPECIAL ITEMS

Special items comprise items which do not reflect the Corporation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding the Corporation's results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

Special items were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Gain on disposal of a business - Training business[1]	**$ —**	$ —	**$ (516)**	$ —
Gain on disposal of a business - Q Series business[2]	**(219)**	—	**(219)**	—
Loss on repurchase of long-term debt[3]	**4**	—	**84**	—
Restructuring charges[4]	**57**	15	**62**	16
Reversal of *Learjet 85* aircraft program cancellation provisions[5]	**(3)**	—	**(12)**	(1)
Primove impairment and other costs[6]	**—**	—	**7**	—
C Series transaction with Airbus[7]	**—**	599	**—**	599
Gain on disposal of PP&E[8]	**—**	(561)	**—**	(561)
Impairment of non-core operations[9]	**—**	17	**—**	17
Purchase of pension annuities[10]	**—**	10	**—**	10
Income taxes	**106**	(70)	**239**	(70)
	$ (55)	$ 10	**$ (355)**	$ 10
Of which is presented in				
Special items in EBIT	**$ (165)**	$ 80	**$ (678)**	$ 80
Financing expense - loss on repurchase of long-term debt	**4**	—	**84**	—
Income taxes - effect of special items	**106**	(70)	**239**	(70)
	$ (55)	$ 10	**$ (355)**	$ 10

1. The sale of Business Aircraft's flight and technical training activities for a total net consideration of $532 million resulted in a pre-tax accounting gain of $516 million ($383 million after deferred tax impact of $133 million). See Note 19 - Disposal of businesses.
2. The sale of the Q Series Aircraft program assets for gross proceeds of $298 million resulted in a pre-tax accounting gain of $219 million ($193 million after tax impact). See Note 19 - Disposal of businesses.
3. Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes due 2021 and $1,400-million Senior Notes due 2021. See Note 21 - Long-term debt.
4. For the three- and six-month periods ended June 30, 2019, represents severance charges of $47 million and $58 million partially offset by curtailment gains of nil and $2 million and by the reversal of previously-recorded impairment charges of $4 million and $8 million, related to previously-announced restructuring actions. For the three- and six-month periods ended June 30, 2018, represents severance charges of $11 million and $12 million partially offset by curtailment gains of $4 million, and impairment charges of PP&E of $8 million, all related to previously-announced restructuring actions.

   Following the announcement that the *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million, and has recorded $10 million of other related charges for the three- and six-month periods ended June 30, 2019. In addition, the Corporation has recorded a write down of deferred tax assets of $84 million to reflect the expected impact of the conclusion of the *CRJ* announcement.
5. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $3 million and $12 million for the three- and six-month periods ended June 30, 2019 ($1 million for the six-month period ended June 30, 2018). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

6. Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded an additional contract provision of $7 million.
7. The acquisition by Airbus of 50.01% of ACLP, the entity that manufactures and sells the C Series aircraft (rebranded A220) resulted in a pre-tax accounting charge of $599 million ($535 million after tax) that was recorded in the three- and six-month periods ended June 30, 2018, reflected as a reduction of the ACLP assets held for sale balance. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $269 million fair value of warrants issued by Bombardier to Airbus on July 1, 2018, (ii) a $310 million derivative liability which is associated with the expected off-market return on units to be issued to Bombardier by ACLP under Bombardier's funding commitments, and (iii) other Bombardier obligations towards ACLP, which mainly comprise supply chain obligations for Aerostructures and Engineering Services. In addition, the transaction resulted in $64 million tax recoveries.
8. Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments) during the three- and six-month periods ended June 30, 2018.
9. An impairment charge related to non-core operations of $17 million recorded in three- and six-month periods ended June 30, 2018 with respect to the expected sale of legal entities, as part of the Transportation transformation plan.
10. Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations.

7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Financing expense				
Loss on repurchase of long-term debt[1]	**$ 4**	$ —	**$ 84**	$ —
Accretion on net retirement benefit obligations	**15**	15	**33**	34
Accretion on other financial liabilities	**14**	20	**25**	38
Accretion on advances	**9**	6	**17**	12
Interest expense on lease liabilities[2]	**8**	—	**16**	—
Changes in discount rates of provisions	**9**	—	**12**	—
Accretion on provisions	**3**	7	**8**	13
Amortization of letter of credit facility costs	**4**	4	**8**	8
Net loss on certain financial instruments[3]	**20**	—	**—**	—
Other	**20**	24	**44**	42
	106	76	**247**	147
Interest on long-term debt, after effect of hedges	**163**	87	**313**	178
	$ 269	$ 163	**$ 560**	$ 325
Financing income				
Net gain on certain financial instruments[3]	**$ —**	$ (2)	**$ (62)**	$ (18)
Changes in discount rates of provisions	**—**	(8)	**—**	(18)
Other	**(6)**	(12)	**(11)**	(14)
	(6)	(22)	**(73)**	(50)
Interest on cash and cash equivalents	**(9)**	(6)	**(19)**	(11)
Interest on loans and lease receivables, after effect of hedges	**(5)**	—	**(6)**	(2)
Income from investment in securities	**(2)**	(3)	**(4)**	(6)
	(16)	(9)	**(29)**	(19)
	$ (22)	$ (31)	**$ (102)**	$ (69)

(1) Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes due 2021 and $1,400-million Senior Notes due 2021, which was recorded as a special item. See Note 6 – Special items and see Note 21 - Long-term debt for more details.
(2) Following the adoption of IFRS 16 - *Leases*, effective January 1, 2019, the Corporation presented the interest expense on lease liabilities as part of financing expense. See Note 2 - Changes in accounting policies for more details.
(3) Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

Borrowing costs capitalized to PP&E and intangible assets totalled $3 million and $8 million for the three- and six-month periods ended June 30, 2019, using an average capitalization rate of 6.66% ($63 million and $122 million for the three- and six-month periods ended June 30, 2018, respectively using an average capitalization rate of 6.61%). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

8. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)				
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (83)**	$ 68	**$ 112**	$ 106
Preferred share dividends, including taxes	**(7)**	(7)	**(14)**	(14)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$ (90)**	$ 61	**$ 98**	$ 92
Weighted-average number of common shares outstanding	**2,375,581**	2,328,262	**2,375,223**	2,271,095
Net effect of stock options, PSUs, DSUs, RSUs and warrants	**—**	224,630	**60,615**	204,330
Weighted-average diluted number of common shares	**2,375,581**	2,552,892	**2,435,838**	2,475,425
EPS (in dollars)				
Basic	**$ (0.04)**	$ 0.03	**$ 0.04**	$ 0.04
Diluted	**$ (0.04)**	$ 0.02	**$ 0.04**	$ 0.04

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 526,426,083 and 254,620,139 for the three- and six-month periods ended June 30, 2019, respectively (12,258,234 and 20,795,364 for the three- and six-month periods ended June 30, 2018, respectively) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation’s Class B Shares (subordinate voting) or predetermined financial performance targets had not been met or the effect of the exercise would be antidilutive. The calculation of diluted EPS did not include the impact of the CDPQ conversion option as this was antidilutive. This is because CDPQ’s minimum return entitlement was greater than their share of the BT Holdco net income on an as converted basis assuming the maximum CDPQ ownership on conversion if Transportation does not achieve its performance targets.

9. FINANCIAL INSTRUMENTS

The classification of financial instruments and their carrying amounts and fair values were as follows, as at:

	FVTP&L						
	FVTP&L	Designated	FVOCI	Amortized cost	DDHR	Total carrying value	Fair value
June 30, 2019							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 2,957**	**$ —**	**$ 2,957**	**$ 2,957**
Trade and other receivables	**—**	**—**	**—**	**1,655**	**—**	**1,655**	**1,655**
Other financial assets	**946**	**—**	**243**	**104**	**116**	**1,409**	**1,409**
	$ 946	**$ —**	**$ 243**	**$ 4,716**	**$ 116**	**$ 6,021**	**$ 6,021**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 4,641**	**$ —**	**$ 4,641**	**$ 4,641**
Long-term debt(1)	**—**	**—**	**n/a**	**9,344**	**—**	**9,344**	**9,497**
Other financial liabilities	**524**	**460**	**n/a**	**1,555**	**157**	**2,696**	**2,733**
	$ 524	**$ 460**	**n/a**	**$ 15,540**	**$ 157**	**$ 16,681**	**$ 16,871**
December 31, 2018							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 3,187	$ —	$ 3,187	$ 3,187
Trade and other receivables	—	—	—	1,575	—	1,575	1,575
Other financial assets	846	—	230	35	129	1,240	1,237
	$ 846	$ —	$ 230	$ 4,797	$ 129	$ 6,002	$ 5,999
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 4,634	$ —	$ 4,634	$ 4,634
Long-term debt(1)	—	—	n/a	9,102	—	9,102	8,750
Other financial liabilities	597	438	n/a	801	288	2,124	2,412
	$ 597	$ 438	n/a	$ 14,537	$ 288	$ 15,860	$ 15,796

	FVTP&L						
	HFT	Designated	AFS	Amortized cost	DDHR	Total carrying value	Fair value
January 1, 2018							
Financial assets							
Cash and cash equivalents	$ 2,988	$ —	$ —	$ —	$ —	$ 2,988	$ 2,988
Trade and other receivables	—	—	—	1,174	—	1,174	1,174
Other financial assets	79	216	361	331	253	1,240	1,278
	$ 3,067	$ 216	$ 361	$ 1,505	$ 253	$ 5,402	$ 5,440
Financial liabilities							
Trade and other payables	$ —	$ 6	n/a	$ 3,958	$ —	$ 3,964	$ 3,964
Long-term debt(1)	—	—	n/a	9,218	—	9,218	9,354
Other financial liabilities	354	74	n/a	677	184	1,289	1,329
	$ 354	$ 80	n/a	$ 13,853	$ 184	$ 14,471	$ 14,647

(1) Includes the current portion of long-term debt.
n/a: Not applicable

10. CONTRACT BALANCES

Contract assets were as follows, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**$ 9,991**	$ 8,882	$ 8,306
Less: advances and progress billings	**(7,445)**	(6,707)	(6,171)
	2,546	2,175	2,135
Service contracts			
Cost incurred and recorded margins	**543**	506	367
Less: advances and progress billings	**(87)**	(64)	(42)
	456	442	325
	$ 3,002	$ 2,617	$ 2,460

Contract liabilities were as follows, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Advances on aerospace programs	**$ 3,710**	$ 3,075	$ 2,120
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**2,050**	2,124	1,981
Other deferred revenues	**871**	996	991
	$ 6,631	$ 6,195	$ 5,092
Of which current	**$ 4,827**	$ 4,262	$ 3,820
Of which non-current	**1,804**	1,933	1,272
	$ 6,631	$ 6,195	$ 5,092

In connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. Amounts received under these arrangements are included as advances and progress billings in reduction of long-term contracts (production contracts) in contract assets and amounted to €652 million ($742 million) as at June 30, 2019 (€624 million ($714 million) as at December 31, 2018 and €434 million ($520 million) as at January 1, 2018). The third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations such as delivery delays beyond a specified date.

11. INVENTORIES

Inventories were as follows, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Aerospace programs	**$ 4,040**	$ 3,546	$ 2,472
Finished products[1]	**597**	733	749
Other	**145**	123	208
	$ 4,782	$ 4,402	$ 3,429

[1] Finished products include $161 million of new aircraft not associated with a firm order and pre-owned aircraft, as at June 30, 2019 ($53 million as at December 31, 2018 and $93 million as at January 1, 2018).

The amount of inventories recognized as cost of sales totalled $1,589 million and $2,565 million for the three- and six-month periods ended June 30, 2019, respectively ($1,523 million and $2,802 million for the three- and six-month periods ended June 30, 2018, respectively). These amounts include $40 million and $68 million of write-downs and $7 million of reversal of write-downs for the three- and six-month periods ended June 30, 2019, respectively ($73 million and $160 million of write-downs and $9 million of reversal of write-downs for the three- and six-month periods ended June 30, 2018, respectively).

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Receivables from related party[1]	**$ 460**	$ 385	$ —
ACLP non-voting units	**316**	150	—
Investments in securities[2][3]	**243**	230	361
Derivative financial Instruments	**213**	168	332
Long-term contract receivables	**94**	75	253
Restricted cash	**69**	21	12
Aircraft loans and lease receivables[3]	**2**	26	49
Investments in financing structures[3]	**—**	173	219
Other	**12**	12	14
	$ 1,409	$ 1,240	$ 1,240
Of which current	**$ 189**	$ 210	$ 415
Of which non-current	**1,220**	1,030	825
	$ 1,409	$ 1,240	$ 1,240

[1] This receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. See Note 16 - Other financial liabilities for more information.

[2] Includes nil of securities to secure contingent capital contributions to be made in relation to guarantees issued in connection with the sale of aircraft as at June 30, 2019 ($16 million as at December 31, 2018, and $51 million as at January 1, 2018).

[3] Carried at fair value, except for $2 million of aircraft loans and lease receivables at amortized cost as at June 30, 2019. Carried at fair value, except for $2 million of aircraft loans and lease receivables, nil of investments in securities and nil of investment in financing structures carried at amortized cost as at December 31, 2018 ($2 million, nil and $50 million, respectively, as at January 1, 2018).

13. OTHER ASSETS

Other assets were as follows, as at:

		June 30, 2019		December 31, 2018		January 1, 2018
Sales tax and other taxes	**$**	**315**	$	212	$	262
Intangible assets other than aerospace program tooling and goodwill		**218**		195		120
Retirement benefits		**182**		200		290
Prepaid expenses		**130**		107		107
Prepaid sales concessions and deferred contract costs		**122**		131		174
Income taxes receivable		**46**		49		60
Deferred financing charges		**44**		38		40
Other		**18**		24		17
	$	**1,075**	$	956	$	1,070
Of which current	**$**	**482**	$	357	$	427
Of which non-current		**593**		599		643
	$	**1,075**	$	956	$	1,070

14. PROPERTY, PLANT AND EQUIPMENT

The carrying value of right-of-use assets was as follows, as at:

		June 30, 2019		January 1, 2019
Buildings	**$**	**401**	$	405
Equipment		**69**		156
Land		**42**		42
Others		**11**		11
	$	**523**	$	614

The expense related to short term leases and low value leases amounted to $9 million and $16 million for the three- and six-month periods ended June 30, 2019, respectively.

15. PROVISIONS

Changes in provisions were as follows, for the three- and six-month periods ended June 30:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at December 31, 2018	$ 515	$ 456	$ 226	$ 1,146	$ 157	$ 2,500
Additions	38	—	11 [2]	13 [3]	10	72
Utilization	(48)	(96) [4]	(24)	(70)	—	(238)
Reversals	(25)	(11)	(1)	(16) [5]	(6)	(59)
Accretion expense	1	3	—	1	—	5
Effect of changes in discount rates	1	—	—	2	—	3
Effect of foreign currency exchange rate changes	(5)	—	(3)	(5)	(1)	(14)
Balance as at March 31, 2019	$ 477	$ 352	$ 209	$ 1,071	$ 160	$ 2,269
Additions	22	—	61 [2]	18	20	121
Utilization	(32)	(208) [4]	(59)	(115)	(45)	(459)
Reversals	(10)	(16)	(6)	(2) [5]	(9)	(43)
Accretion expense	—	2	—	—	1	3
Effect of changes in discount rates	—	2	—	7	—	9
Reclassified as liabilities directly associated with assets held for sale[6]	(7)	(132)	—	(7)	(2)	(148)
Effect of foreign currency exchange rate changes	3	—	2	4	—	9
Balance as at June 30, 2019	**$ 453**	**$ —**	**$ 207**	**$ 976**	**$ 125**	**$ 1,761**
Of which current	$ 361	$ —	$ 159	$ 476	$ 88	$ 1,084
Of which non-current	92	—	48	500	37	677
	$ 453	$ —	$ 207	$ 976	$ 125	$ 1,761

(1) Mainly comprised of claims and litigations.
(2) See Note 6 – Special items for more details on additions related to restructuring charges.
(3) See Note 6 – Special items for more details on the addition related to the *Primove* impairment and other costs.
(4) When Credit and residual value guarantees become due, the respective amounts are re-classified to Credit and residual value guarantees payable within other financial liabilities.
(5) See Note 6 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions.
(6) See Note 18 - Assets held for sale for more details.

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at January 1, 2018[2]	$ 672	$ 554	$ 277	$ 1,420	$ 196	$ 3,119
Additions	32	—	3 [3]	22	5	62
Utilization	(50)	(58)	(29)	(193)	(2)	(332)
Reversals	(10)	(2)	(2)	(58)	—	(72)
Accretion expense	—	3	—	3	—	6
Effect of changes in discount rates	—	(4)	—	(6)	—	(10)
Effect of foreign currency exchange rate changes	9	—	5	16	2	32
Balance as at March 31, 2018[2]	$ 653	$ 493	$ 254	$ 1,204	$ 201	$ 2,805
Additions	37	—	23 [3]	79	7	146
Utilization	(54)	(11)	(14)	(116)	(2)	(197)
Reversals	(10)	(3)	(16) [3]	(59)	(1)	(89)
Accretion expense	1	3	—	3	—	7
Effect of changes in discount rates	—	(3)	—	(5)	—	(8)
Reclassified as liabilities directly associated with assets held for sale[4]	(15)	—	—	(555)	—	(570)
Effect of foreign currency exchange rate changes	(27)	—	(15)	(25)	(4)	(71)
Balance as at June 30, 2018	$ 585	$ 479	$ 232	$ 526	$ 201	$ 2,023
Of which current	$ 494	$ 46	$ 91	$ 518	$ 176	$ 1,325
Of which non-current	91	433	141	8	25	698
	$ 585	$ 479	$ 232	$ 526	$ 201	$ 2,023

(1) Mainly comprised of claims and litigations.
(2) Opening balances are before the assets and liabilities held for sale reclassification related to ACLP.
(3) See Note 6 – Special items for more details on additions and reversals related to restructuring charges.
(4) Represent liabilities reclassified as held for sale related to the sale of ACLP.

.

16. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Government refundable advances[1]	**$ 836**	$ 759	$ 550
Derivative financial instruments	**681**	885	538
Short-term borrowings under BT facilities[2]	**491**	—	—
Credit and residual value guarantees payable	**412**	172	53
Vendor non-recurring costs	**118**	136	13
Lease subsidies	**—**	53	74
Current portion of long-term debt	**—**	9	18
Other	**158**	119	61
	$ 2,696	$ 2,133	$ 1,307
Of which current	**$ 1,145**	$ 607	$ 342
Of which non-current	**1,551**	1,526	965
	$ 2,696	$ 2,133	$ 1,307

(1) Of which $460 million has a back-to-back agreement with ACLP. Refer to Note 12 - Other financial assets for the receivables from related party. The Corporation is required to pay amounts to governments based on the number of deliveries of aircraft.
(2) Of which $284 million is under the unsecured revolving credit facility and $207 million under the uncommitted short term facilities. See Note 24 - Credit facilities for more details.

17. OTHER LIABILITIES

Other liabilities were as follows, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Employee benefits	**$ 601**	$ 643	$ 690
Lease liabilities[1]	**522**	—	—
Accruals for long-term contract costs	**410**	443	640
Supplier contributions to aerospace programs	**386**	389	388
Income taxes payable	**186**	173	187
Other taxes payable	**92**	181	234
Other	**187**	207	179
	$ 2,384	$ 2,036	$ 2,318
Of which current	**$ 1,422**	$ 1,499	$ 1,723
Of which non-current	**962**	537	595
	$ 2,384	$ 2,036	$ 2,318

(1) Following the adoption of IFRS 16 - *Leases*, effective January 1, 2019, the Corporation presented lease liabilities under the line item "Other liabilities". Lease liabilities as at January 1, 2019 amounted to $609 million. See Note 2 - Changes in accounting policies for more details.

18. ASSETS HELD FOR SALE

On June 25, 2019, the Corporation and Mitsubishi Heavy Industries Ltd (MHI), announced they have entered into a definitive agreement, whereby MHI will acquire the Corporation's regional jet program for a cash consideration of $550 million, payable to the Corporation upon closing, and the assumption by MHI of liabilities related to credit and residual value guarantees and lease subsidies amounting to approximately $200 million, at the time of signing. Under the agreement, the Corporation's net beneficial interest in the Regional Aircraft Securitization Program (RASPRO), which was valued at approximately $180 million, at the time of signing, will be transferred to MHI.

Pursuant to the agreement, MHI will acquire the maintenance, support, refurbishment, marketing, and sales activities for the *CRJ Series* aircraft, including the related services and support network located in Montréal, Québec, and Toronto, Ontario, and its service centres located in Bridgeport, West Virginia, and Tucson, Arizona, as well as the type certificates.

The *CRJ* production facility in Mirabel, Québec will remain with Bombardier. Bombardier will continue to supply components and spare parts and will assemble the current *CRJ* backlog on behalf of MHI. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft.

Bombardier will also retain certain liabilities representing a portion of the credit and residual value guarantees totalling $412 million. Aside from the accrual of interest, this amount is fixed and not subject to future changes in aircraft value, and is payable by Bombardier over the next four years. The amount is included in other financial liabilities. The agreement contemplates a reverse break fee payable by MHI under certain circumstances.

The transaction is currently expected to close during the first half of 2020 and remains subject to regulatory approvals and customary closing conditions.

Assets held for sale

The major class of assets held for sale or liabilities directly associated with assets held for sale was as follows, as at:

		June 30, 2019
Current assets [1]	$	338
Non-current assets [2]		233
Total assets	$	571
Current liabilities [3]	$	366
Non-current liabilities [4]		210
Total liabilities	$	576

[1] Mainly comprised of inventories and trade and other receivables.
[2] Mainly comprised of RASPRO assets.
[3] Mainly comprised of trade and other payables and contract liabilities.
[4] Mainly comprised of credit and residual value guarantees provisions, lease subsidies, credit and residual value guarantees payable as well as contract liabilities and other financial liabilities.

These assets and liabilities are reported in the Commercial aircraft reportable segment.

19. DISPOSAL OF BUSINESSES

Training business

On November 7, 2018, the Corporation entered into a definitive agreement to sell Business Aircraft's flight and technical training activities carried out principally in training centres located in Montréal, Québec, and Dallas, Texas to CAE, a long-time Bombardier training partner. This transaction provides Bombardier's Business Aircraft customers the benefit of CAE's training expertise, while Bombardier focuses on aircraft development and services.

On March 14, 2019, the Corporation completed the sale of the main assets of the Business Aircraft's flight and technical training activities to CAE for an enterprise value of $645 million. These non-core assets were previously reported in Business Aircraft segment.

The net proceeds received were $532 million. A gain of $516 million ($383 million after deferred tax impact) was recognized in Special items, see Note 6 - Special items.

Q400

On November 7, 2018, the Corporation entered into a definitive agreement for the sale of the Q Series Aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited), an affiliate of Longview Aviation Capital Corp. The agreement covers all assets and intellectual property and Type Certificates associated with the Dash 8 Series 100, 200 and 300 as well as the Q400 program operations at the Downsview manufacturing facility in Ontario, Canada.

On May 31, 2019, the Corporation completed the sale of the Q Series Aircraft program assets, including aftermarket operations and assets to De Havilland Aircraft of Canada Limited (DHA). These non-core assets were previously reported in Commercial Aircraft segment.

The details of the impact of the transaction with DHA at closing were as follows:

Proceeds received at closing			$	298
Transaction costs				4
Net proceeds			$	294
Bombardier obligations[1]	$	93		
Curtailment gains		(23)		
Carrying value of net assets disposed		5		
	$	75		
Pre-tax gain			$	219
Tax impact				(26)
After-tax gain			$	193

[1] Furthermore, upon closing of the transaction, the Corporation recorded net liabilities of $93 million in respect of obligations resulting from the transaction which represents indemnification for $61 million to DHA as well as certain other obligations under service agreements.

20. ACQUISITION OF A BUSINESS

On February 6, 2019, the Corporation acquired the *Global 7500* aircraft wing program operations and assets from Triumph Group Inc., for a nominal cash consideration. This transaction will strengthen Bombardier's position as a leading aerostructures manufacturer, to enable the company to leverage its extensive technical expertise to support the ramp-up of the *Global 7500* aircraft, and secure its long-term success. Bombardier will continue to operate the production line and integrate the employees currently supporting the program at Triumph's Red Oak, Texas facility.

The Corporation acquired net assets valued at approximatively $100 million, consisting primarily of work in progress inventory and PP&E, and settled certain preexisting relationships. No gain or goodwill was recorded on the transaction. The assets acquired and liabilities assumed by the Corporation were measured at their estimated fair value.

21. LONG-TERM DEBT

In March 2019, the Corporation issued, at 99.246% of par, unsecured Senior Notes of $2 billion, bearing an interest of 7.875%, due on April 15, 2027.

The Corporation used the net proceeds to redeem all of its outstanding 7.75% Senior Notes due 2020 of $850 million for a total consideration of $890 million as of June 30, 2019, of which $176 million was paid in the three-month period ended June 30, 2019. In addition, the Corporation redeemed, €366 million ($414 million) aggregate principal amount of the 6.13% Notes due 2021 of €780 million for a total aggregate purchase price consideration of €401 million ($450 million) and $382 million aggregate principal amount of the 8.75% Notes due 2021 of $1,400 million for a total aggregate purchase price consideration of $422 million along with any related fees and expenses. The remaining net proceeds were used for general corporate purposes.

22. SHARE-BASED PLANS

PSU, DSU and RSU plans

The number of PSUs, DSUs and RSUs has varied as follows:

						Three-month periods ended June 30
			2019			2018
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**87,396,331**	**1,101,849**	**—**	66,325,351	1,154,381	20,596,123
Granted	**35,858,474**	**—**	**—**	21,995,038	—	—
Forfeited	**(2,452,317)**	**—**	**—**	(508,708)	—	(96,922)
Balance at end of period	**120,802,488**	**1,101,849** [(1)]	**—**	87,811,681	1,154,381 [(1)]	20,499,201

						Six-month periods ended June 30
			2019			2018
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**88,243,098**	**1,101,849**	**—**	67,131,352	1,154,381	20,798,101
Granted	**37,275,637**	**—**	**—**	22,163,609	—	—
Forfeited	**(4,716,247)**	**—**	**—**	(1,483,280)	—	(298,900)
Balance at end of period	**120,802,488**	**1,101,849** [(1)]	**—**	87,811,681	1,154,381 [(1)]	20,499,201

[(1)] Of which 1,101,849 DSUs are vested as at June 30, 2019 (1,154,381 as at June 30, 2018).

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to $9 million and $21 million during the three- and six-month periods ended June 30, 2019, respectively ($25 million and $36 million during the three- and six-month periods ended June 30, 2018, respectively).

Share option plans

The number of options issued and outstanding to purchase Class B Shares (subordinate voting) has varied as follows:

		Three-month periods ended June 30		Six-month periods ended June 30
	2019	2018	**2019**	2018
Balance at beginning of period	**110,038,407**	116,156,992	**111,545,290**	116,307,725
Granted	**27,134,344**	15,421,524	**29,169,916**	15,421,524
Exercised	**(394,736)**	(877,836)	**(1,281,498)**	(941,133)
Forfeited	**(1,685,069)**	**—**	**(4,340,762)**	**—**
Expired	**—**	(1,168,756)	**—**	(1,256,192)
Balance at end of period	**135,092,946**	129,531,924	**135,092,946**	129,531,924

A compensation expense of $5 million and $10 million was recorded during the three- and six-month periods ended June 30, 2019, respectively, with respect to share option plans ($6 million and $11 million for the three- and six-month periods ended June 30, 2018, respectively).

23. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2019	2018	**2019**	2018
Trade and other receivables	**$ (149)**	$ (91)	**$ (143)**	$ (203)
Inventories	**(182)**	(63)	**(950)**	(419)
Contract assets	**(151)**	22	**(392)**	(172)
Contract liabilities	**391**	544	**657**	499
Other financial assets and liabilities, net	**193**	(4)	**132**	45
Other assets	**(51)**	(92)	**(104)**	2
Trade and other payables	**133**	(262)	**306**	105
Provisions	**(364)**	(161)	**(589)**	(501)
Retirement benefit liability	**28**	17	**17**	39
Other liabilities	**(96)**	(146)	**(182)**	(225)
	$ (248)	$ (236)	**$ (1,248)**	$ (830)

Off-balance sheet sale of receivables
In the normal course of its business, Transportation has facilities, to which it can sell, without credit recourse, qualifying receivables. Receivables of €781 million ($888 million) were outstanding under such facilities as at June 30, 2019 (€799 million ($914 million) as at December 31, 2018 and €907 million ($1,088 million) as at January 1, 2018). Receivables of €520 million ($584 million) and €1,039 million ($1,174 million) were sold to these facilities during the three- and six-month periods ended June 30, 2019, respectively (€363 million ($435 million) and €629 million ($762 million) during the three- and six-month periods ended June 30, 2018, respectively).

Trade and other payables
The Corporation negotiated extended payment terms of 240 to 310 days after delivery with certain of its suppliers. Trade payables with these extended terms totalled $836 million and bore interest at a weighted average rate of 4.74% as at June 30, 2019 ($839 million and 3.83%, respectively, as at December 31, 2018 and $575 million and 1.96%, respectively, as at January 1, 2018). Suppliers generally have the right to return to original payment terms for future payables upon providing a minimum notice period.

Contract balances
See Note 10 - Contract balances for more details regarding arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments.

24. CREDIT FACILITIES

In January 2019, the committed amount under Transportation’s €3,940 million letter of credit facility was increased to €3,958 million. In March 2019, the availability periods of Transportation’s €3,958 million ($4,500 million) letter of credit facility and the $361-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2022 and June 2022, respectively. In addition, the maturity dates of Transportation’s €689 million ($783 million) unsecured revolving credit facility and the $397 million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, were also extended by one year to May 2022 and June 2022, respectively.

Effective in March 2019, the minimum liquidity required by the $361 million letter of credit facility and the $397 million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now varying between $750 million and $1 billion at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds at the end of each quarter, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the minimum liquidity required by the Transportation letter of credit and revolving credit facilities is €750 million ($853 million) at the end of each quarter. The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data.

In addition, in the three-month period ended June 30, 2019, the Corporation entered into new Uncommitted Short Term Credit Facilities amounting to €225 million ($256 million), also available to BT for cash drawings.

In May 2019, the committed amount under Transportation’s €3,958 million letter of credit facility was decreased to €3,953 million.

In addition, see note 16 - Other financial liabilities.

25 . INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Corporation's aggregate pro rata shares of assets and liabilities of its joint ventures and associates was as follows, as at June 30, 2019:

		ACLP [(1)]		Other		Total
Cash and cash equivalents	$	27	$	270	$	297
Other current assets	$	300	$	989	$	1,289
Non-current assets	$	3,230	$	275	$	3,505
Current liabilities	$	(566)	$	(869)	$	(1,435)
Non-current liabilities	$	(1,150)	$	(140)	$	(1,290)

(1) As of June 30, 2019, the Corporation invested $460 million in ACLP in exchange for non-voting units of ACLP.

The Corporation's pro rata share of net income of its joint ventures and associates was as follows:

	Three-month period ended June 30, 2019						Six-month period ended June 30, 2019					
(Gain)/loss		ACLP		Other		Total		ACLP		Other		Total
Net income	$	9	$	(32)	$	(23)	$	8	$	(48)	$	(40)

	Three-month period ended June 30, 2018						Six-month period ended June 30, 2018					
(Gain)/loss		ACLP		Other		Total		ACLP		Other		Total
Net income		n/a	$	(30)	$	(30)		n/a	$	(50)	$	(50)

n/a: Not applicable

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed in these consolidated financial statements represent the Corporation's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the principal market for that instrument to which the Corporation has immediate access. However, there is no active market for most of the Corporation's financial instruments. In the absence of an active market, the Corporation determines fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. Fair value determined using valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, discount rates, the creditworthiness of the borrower, the aircraft's expected future value, default probability, generic industrial bond spreads and marketability risk. In determining these assumptions, the Corporation uses primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, credit spreads, default probabilities, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable. These calculations represent management's best estimates. Since they are based on estimates, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

Methods and assumptions
The methods and assumptions used to measure fair value for items recorded at FVTP&L and FVOCI are as follows:

Aircraft loans and lease receivables and investments in financing structures – The Corporation uses an internal valuation model based on stochastic simulations and discounted cash flow analysis to estimate fair value. Fair value is calculated using market data for interest rates, published credit ratings when available, yield curves and default probabilities. The Corporation uses market data to determine the marketability adjustments and also uses internal assumptions to take into account factors that market participants would consider when pricing these financial assets. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In addition, the Corporation uses aircraft residual value curves reflecting specific factors of the current aircraft market and a balanced market in the medium and long term.

Investments in securities – The Corporation uses discounted cash flow models to estimate the fair value of unquoted investments in fixed-income securities, using market data such as interest rates.

Long-term contract receivables – The Corporation uses discounted cash flow analyses to estimate the fair value using market data for interest rates.

Lease subsidies – The Corporation uses an internal valuation model based on stochastic simulations to estimate fair value of lease subsidies incurred in connection with the sale of commercial aircraft. Fair value is calculated using market data for interest rates, published credit ratings when available, default probabilities from rating agencies and the Corporation's credit spread. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating.

Government refundable advances – The Corporation uses discounted cash flow analysis to estimate the fair value using market data for interest rates and credit spreads.

Derivative financial instruments – Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive to sell favourable contracts i.e. taking into consideration the counterparty credit risk, or pays to transfer unfavourable contracts i.e. taking into consideration the Corporation's credit risk, at the reporting dates. The Corporation uses discounted cash flow analyses and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements and interest-rate derivatives.

The Corporation uses option-pricing models and discounted cash flow models to estimate the fair value of embedded derivatives using applicable market data.

Conversion option - The Corporation uses an internal valuation model based on stochastic simulations to estimate the fair value of the conversion option embedded in the BT Holdco convertible shares. The fair value of the embedded conversion option is based on the difference in present value between: the convertible shares' accrued liquidation preference based on the minimum return entitlement; and the fair value of the common shares on an as converted basis. This value is dependent on the Transportation segment meeting the performance incentives agreed upon with the CDPQ, the timing of exercise of the conversion rights and the applicable conversion rate. The simulation model generates multiple Transportation performance scenarios over the expected term of the option. Fair value of the shares on a converted basis is calculated using an EBIT multiple, which is based on market data, to determine the enterprise value. The discount rate used is also determined using market data. The Corporation uses internal assumptions to determine the term of the instrument and the future performance of the Transportation segment.

Airbus benefits from a call option, exercisable any time before the end of 2025 in respect of the non-voting units of ACLP held by Bombardier, for an amount equal to the invested amount plus the cumulative annual preferred return capped at 2%.

Funding commitments - The cap on the Corporation's return from any future investments in non-voting units of ACLP represents a derivative liability which is accounted for at fair value and is re-measured each period through financing expense. To estimate the fair value of the derivative liability the Corporation uses an internal valuation model based on stochastic simulations considering Bombardier's expected investments in non-voting units due to ACLP cash shortfalls, the timing of such investments, the fair value of ACLP, expected volatility of ACLP's fair value and the relative values of different classes of ACLP units.

ACLP non-voting units - The Corporation's investment in ACLP non-voting units is accounted for at fair value and re-measured each period through financing income. The fair value reflects the Corporation's return on the units being capped at 2% and Airbus' call right thereon. To estimate the fair value of the non-voting units the Corporation uses an internal valuation model based on stochastic simulations considering the fair value of ACLP, expected volatility of ACLP's fair value and the relative values of different classes of ACLP units.

The methods and assumptions used to measure fair value for items recorded at amortized cost are as follows:

Financial instruments whose carrying value approximates fair value – The fair values of cash and cash equivalents, trade and other receivables, certain aircraft loans and lease receivables, restricted cash and trade and other payables measured at amortized cost, approximate their carrying value due to the short-term maturities of these instruments, because they bear variable interest-rate or because the terms and conditions are comparable to current market terms and conditions for similar items.

Long-term debt – The fair value of long-term debt is estimated using public quotations, when available, or discounted cash flow analyses, based on the current corresponding borrowing rate for similar types of borrowing arrangements.

Government refundable advances and vendor non-recurring costs – The Corporation uses discounted cash flow analysis to estimate the fair value using market data for interest rates and credit spreads.

Fair value hierarchy

The following tables present financial assets and financial liabilities measured at fair value on a recurring basis categorized using the fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs from observable markets other than quoted prices included in Level 1, including indirectly observable data (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment.

The fair value of financial assets and liabilities by level of hierarchy was as follows, as at June 30, 2019:

	Total	Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments(1)	$ 213	$ —	$ 213	$ —
Investments in securities	243	31	212	—
Receivable from related party(2)	460	—	—	460
ACLP non-voting rights	316	—	—	316
Long-term contract receivable	73	—	73	—
	$ 1,305	$ 31	$ 498	$ 776
Financial liabilities				
Government refundable advance(2)	$ (460)	$ —	$ —	$ (460)
Derivative financial instruments(1)	(681)	—	(206)	(475)
	$ (1,141)	$ —	$ (206)	$ (935)

(1) Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.
(2) The receivable from related party represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.

Changes in the fair value of Level 3 financial instruments were as follows, for the three- and six-month periods ended:

	Aircraft loans and lease receivables	ACLP non-voting units	Investments in financing structures	Lease subsidies	Conversion option	Funding commit-ments
Balance as at December 31, 2018	$ 24	$ 150	$ 173	$ (53)	$ (314)	$ (235)
Net gains (losses) and interest included in net income	1	—	7	(2)	(8)	—
Issuances	—	73	—	—	—	—
Settlements	—	—	1	4	—	37
Effect of foreign currency exchange rate changes	—	—	—	—	6	—
Balance as at March 31, 2019	$ 25	$ 223	$ 181	$ (51)	$ (316)	$ (198)
Net gains (losses) and interest included in net income	2	10	8	(1)	(10)	10
Issuances	—	83	—	—	—	—
Settlements	—	—	(2)	4	—	42
Effect of foreign currency exchange rate changes	—	—	—	—	(3)	—
Balance as at June 30, 2019	**$ 27**	**$ 316**	**$ 187**	**$ (48)**	**$ (329)**	**$ (146)**
Reclassified as assets held for sale[1]	(27)	—	(187)	48	—	—
Balance as at June 30, 2019	**$ —**	**$ 316**	**$ —**	**$ —**	**$ (329)**	**$ (146)**

	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies	Trade and other payables	Conversion option
Balance as at January 1, 2018	$ 47	$ 219	$ (122)	$ (6)	$ (304)
Net gains (losses) and interest included in net income	(2)	2	(1)	—	—
Settlements	(20)	(3)	7	6	—
Effect of foreign currency exchange rate changes	—	—	—	—	(7)
Balance as at March 31, 2018	$ 25	$ 218	$ (116)	$ —	$ (311)
Net gains (losses) and interest included in net income	(1)	4	(1)	—	(24)
Settlements	(1)	(5)	15	—	—
Effect of foreign currency exchange rate changes	—	—	—	—	17
Balance as at June 30, 2018	$ 23	$ 217	$ (102)	$ —	$ (318)
Reclassified as liabilities directly associated with assets held for sale[1]	—	—	37	—	—
Balance as at June 30, 2018	$ 23	$ 217	$ (65)	$ —	$ (318)

[1] Represent liabilities reclassified as held for sale related to the sale of ACLP.

Main assumptions developed internally for Level 3 hierarchy

When measuring Level 3 financial instruments at fair value, some assumptions are not derived from an observable market. The main assumptions developed internally for aerospace segments' level 3 financial instruments relate to credit risks of customers without published credit rating and marketability adjustments to discount rates specific to our financial assets.

These main assumptions are as follows as at June 30, 2019:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between B- to CCC+ (B-)	Between BB- to CCC+ (B+)	Between BB- to B- (BB-)
Discount rate adjustments for marketability	11.11%	Between 2.13% and 9.95% (6.68%)	n/a

Also, aircraft residual value curves are important inputs in assessing the fair value of certain financial instruments. These curves are prepared by management based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balanced market in the medium and long term.

The projected future performance of the Transportation segment is an important input for the determination of the fair value of the embedded derivative option in the convertible shares issued to the CDPQ. The projected future performance of the Transportation segment is prepared by management based on budget and strategic plan.

Sensitivity to selected changes of assumptions for Level 3 hierarchy
These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows as at June 30, 2019:

Impact on EBT			**Change of assumptions**		
	Change in fair value recognized in EBT for the :				
Gain (loss)	**Three-month period ended June 30, 2019**	**Six-month period ended June 30, 2019**	**Decrease in aircraft residual value curves by 5%**	**Downgrade the internally assigned credit rating of unrated customers by 1 notch**	**Increase the marketability adjustments by 100 bps**
Aircraft loans and lease receivables	$ 2	$ 2	$ (1)	$ (1)	$ (1)
Investment in financing structures	$ 3	$ 6	$ (4)	$ (10)	$ (7)
Lease subsidies	$ —	$ (2)	n/a	$ 1	n/a

n/a: Not applicable

Conversion option
Sensitivity analysis
A 5% decrease in the expected future performance of the Transportation segment would have resulted in a decrease in the fair value with a corresponding gain recognized in EBT for the six-month period ended June 30, 2019 of $55 million.

A 5% increase in the expected future performance of the Transportation segment would have resulted in an increase in the fair value with a corresponding loss recognized in EBT for the six-month period ended June 30, 2019 of $57 million.

Funding commitments and ACLP non-voting units
Sensitivity analysis
A 5% change in value of ACLP would have resulted in a combined change in the fair value with a corresponding impact recognized in financing expense and financing income for the six-month period ended June 30, 2019 of $2 million.

A 5% change in volatility of ACLP value would have resulted in a combined change in the fair value with a corresponding impact recognized in financing expense and financing income for the six-month period ended June 30, 2019 of $42 million.

27. COMMITMENTS AND CONTINGENCIES

The table below presents the maximum potential exposure for each major group of exposures, as at:

	June 30, 2019	December 31, 2018	January 1, 2018
Aircraft sales			
Residual value	**$ 231**	$ 695	$ 1,060
Credit	**781**	1,034	1,221
Mutually exclusive exposure[1]	**(165)**	(473)	(540)
Total credit and residual value exposure	**$ 847**	$ 1,256	$ 1,741
Trade-in commitments	**$ 1,196**	$ 1,165	$ 1,437
Conditional repurchase obligations	**$ 82**	$ 100	$ 143
Other			
Credit	**$ 48**	$ 48	$ 52

[1] Some of the residual value guarantees can only be exercised once the credit guarantees have expired without exercise. Therefore, the guarantees must not be added together to calculate the combined maximum exposure for the Corporation.

Provisions for anticipated losses amounting to $132 million as at June 30, 2019 ($456 million as at December 31, 2018 and $554 million as at January 1, 2018) have been established to cover the risks from credit and residual value guarantees. When credit and residual value guarantees become due the respective amounts are re-classified from provision to credit and residual value guarantees payable within other financial liabilities. Credit and residual value guarantees payable amounted to $436 million as at June 30, 2019 ($172 million as at December 31, 2018 and $53 million as at January 1, 2018). In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $48 million as at June 30, 2019 ($53 million as at December 31, 2018 and $122 million as at January 1, 2018). All of the above are included in the assets held for sale related to the CRJ announcement, except for $412 million of credit and residual value guarantees payable, as at June 30, 2019.

The Corporation has committed to fund the cash shortfalls of ACLP, if required, during 2019, up to a maximum of $350 million; and up to a maximum aggregate amount of $350 million over the following two years, the whole in consideration for non-voting units of ACLP with cumulative annual dividends of 2%. Any excess shortfall during such periods will be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion. As of June 30, 2019, the Corporation invested $460 million in ACLP of the original $925 million commitment in exchange for non-voting units of ACLP.

Litigation

In the normal course of operations, the Corporation is a defendant in certain legal proceedings before various courts or other tribunals including in relation to product liability and contractual disputes with customers and other third parties. The Corporation’s approach is to vigorously defend its position in these matters.

While the Corporation cannot predict the final outcome of all legal proceedings pending as at June 30, 2019, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Sweden

Since the fourth quarter of 2016, the Swedish police authorities have been conducting an investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment and services to Azerbaijan Railways ADY (the “ADY Contract”). In October 2016, the Corporation launched an internal review into the allegations which is conducted by external forensic advisors, under the supervision of the General Counsel and external counsel. Both the investigation and the internal review are on-going. On August 18, 2017, charges were laid against a then employee of the Swedish subsidiary of the Corporation for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of the Corporation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed regarding all charges on October 25, 2017 by the Prosecution Authority. A trial on appeal is not expected to commence before January 2020. However, on June 19, 2019, the Prosecution Authority confirmed that the acquittal on charge of influence trafficking is no longer being appealed; accordingly, this acquittal on this charge stands as a final judgment.

The ADY Contract is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is on-going. The Corporation's policy is to comply with all applicable laws and it is cooperating to the extent possible with the investigation and the audit.

On November 15, 2018, the World Bank Integrity Vice Presidency ("INT") issued a 'show cause' letter to Bombardier, outlining INT's position regarding alleged collusion, corruption, fraud and obstruction in the ADY Contract. The Corporation was invited to respond to these preliminary findings and has done so. As the World Bank's audit process is governed by strict confidentiality requirements, the Corporation can only reiterate that it strongly disagrees with the allegations and preliminary conclusions contained in the letter.

The Corporation's internal review about the reported allegations is on-going but based on information known to the Corporation at this time, there is no evidence that suggests a corrupt payment was made or offered to a public official or that any other criminal activity involving Bombardier took place.

In connection with this on-going review, the Corporation has requested information and documents from the World Bank's audit and continues to wait for such information and documents.

Investigation in Brazil

On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a subsidiary of the Corporation, received notice that it was among the 18 companies and over 100 individuals named in administrative proceedings initiated by governmental authorities in Brazil, including the Administrative Council for Economic Protection ("CADE"), and the Sao Paulo Public Prosecutor's office, following previously disclosed investigations carried on by such governmental authorities with respect to allegations of cartel activity in the public procurement of railway equipment and the construction and maintenance of railway lines in Sao Paulo and other areas. Since the service of process in 2014 on BT Brazil, the competition authority has decided to detach the proceedings against 43 individuals whom it claims to have been difficult to serve process and has also issued additional technical notes dealing with various procedural objections raised by the defendant corporations and individuals. BT Brazil unsuccessfully contested before the courts both the decision to detach the proceedings against 43 individuals and decisions by CADE restricting physical access to some of the forensic evidence.

As a result of the administrative proceedings initiated by CADE in 2014, BT Brazil became a party as defendant to legal proceedings brought by the Sao Paulo State prosecution service against it and other companies for alleged 'administrative improbity' in relation to refurbishment contracts awarded in 2009 by the Sao Paulo metro operator CMSP and for 'cartel' in relation to a five year-maintenance contract with the Sao Paulo urban transit operator CPTM signed in 2002. In September 2015, the prosecution service of Sao Paulo announced a second public civil action for 'cartel' in relation to the follow-on five year maintenance contract covering the period 2007 to 2012. In addition, BT Brazil was served notice and joined in December 2014 a civil suit as co-defendant first commenced by the Sao Paulo state government against Siemens AG in the fall of 2013 and with which the State government seeks to recover loss for alleged cartel activities.

Companies found to have engaged in unlawful cartel conduct are subject to administrative fines, state actions for repayment of overcharges and potentially disqualification for a certain period. The Corporation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

In December 2018, the Superintendent-General of CADE filed a formal opinion finding BT Brazil had engaged in anti-competitive behaviour. On February 18, 2019, CADE's Attorney General issued its opinion, substantially supporting with General Superintendence's recommendations. On June 20, 2019, the Brazil Superior Court of Justice granted an extraordinary recourse brought by CADE to overcome the effects of certain injunctions instituted by the defendants (including BT Brazil) and the matter was added to the following plenary session of the CADE Board, a quasi-judicial competition tribunal. On July 8, 2019, the CADE Board issued a bench ruling supporting the Superintendent-General of CADE's formal opinion filed in December 2018. This opinion found all the defendants (including BT Brazil) had engaged in anti-competitive behaviour and recommended the conviction of all the investigated parties. In the case of BT Brazil, the conviction includes a fine of 22 million Brazilian Real ($6 million), but no debarment. BT Brazil was not declared ineligible to participate in future public bids.

In parallel with the proceedings described above, the Corporation conducted an internal review to determine whether any kind of anti-competitive conduct had occurred. This review did not reveal any evidence of participation in an illicit agreement to allocate markets and influence the outcome of competitive bidding procedures as alleged by the competition authority.

The Corporation strongly disagrees with the conclusions of the CADE Board and BT Brazil intends to contest its decision before tribunals of competent jurisdiction and continues to vigorously defend itself against the allegations.

Transnet

The Corporation learned through various media reports of the appointment of a Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state (the “Zondo Commission”) for which the terms of reference were published by presidential proclamation on January 25, 2018. Before and after the Zondo Commission, the media reported allegations of irregularities with respect to multiple procurements regarding the supply of 1,064 locomotives by South African train operator Transnet Freight Rail. On September 7, 2018, Bombardier Transportation South Africa (Pty.) Ltd. (“BTSA”) was informed that the Special Investigation Unit (“SIU”), a forensic investigation agency under the Department of Justice in South Africa, had opened an investigation with respect to the relocation, in 2014, of the manufacturing site from Pretoria to Durban and the costs claimed in regard to this relocation. The Corporation strongly disagrees with these allegations and will continue to vigorously defend itself.

On February 4, 2019, at the request of the head legal advisor to the Zondo Commission, BTSA submitted a confidential written statement with supporting documents that sets out its position on public allegations and requested the opportunity to publicly present evidence to the Zondo Commission. The Zondo Commission has reviewed the submission and related documents. In June 2019, BTSA was requested by SIU to provide information and explanation about the costs of the relocation to Durban. Although the written statement previously communicated to the Zondo Commission could not be shared with SIU, BTSA did provide SIU with the information in its possession regarding the relocation as well as explanation about the costs for same.

The Corporation is conducting an internal review into the allegations by external advisors under the supervision of counsel. The review is still ongoing but based on information known to the Corporation at this time, there is no reason to believe that the Corporation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 *TRAXX* locomotives from Bombardier Transportation. Contrary to what has been reported by the media, the contract is still in full force and continues to be executed.

Spain

In December 2017, the Spanish Competition Authority (“CNMC”) conducted an inspection at the offices of Bombardier European Investments, S.L.U. (“BEI”) in Madrid. According to the Inspection Order, CNMC’s inspection follows information it learned about possible irregularities in public tenders with the Railway Infrastructures Administrator (“ADIF”). On January 2, 2018, BEI received an information request from the CNMC regarding the legal and operational organization of BEI. BEI is cooperating with the authorities to the extent possible and responded to the information request. There are currently no charges nor allegations that BEI breached any law.

On August 28, 2018, BEI was informed that the CNMC was opening formal proceedings against eight competing companies active on the Spanish signalling equipment market and four directors, including BEI and its parent company, Bombardier Transportation (Global Holding) UK Limited. No Bombardier directors were named. The inclusion of the parent company is typical of European competition authorities at the early stage of the proceedings. The CNMC now has until February 28, 2020 to investigate and adopt a final decision on the case.

The Corporation's policy is to comply with all applicable laws, including antitrust and competition laws. In light of the early stage of the preliminary investigation, management is unable to predict its duration or outcome, including whether any operating division of the Corporation could be found liable for any violation of law or the extent of any fine, if found to be liable.

The Corporation is conducting an internal review into the allegations by external advisors under the supervision of counsel. The review is still ongoing but based on information known to the Corporation at this time, no irregularity has been found.

Review by the Autorité des marchés financiers (Québec)

In August 2018, following the release by Bombardier of its financial results for the second quarter ended June 30, 2018, Bombardier announced the establishment of an Automatic Securities Disposition Plan ("ASDP") allowing for the orderly exercise and sale over a two-year period of vested securities earned by certain senior executives. The purpose of the ASDP (similar to a 10b5-1 plan) was to allow senior executives who would otherwise have limited trading windows to sell securities and realize earned long-term incentive compensation in an orderly manner. Eligible senior executives are those most likely to have restrictions on trading due to trading restrictions under applicable securities laws and Bombardier's internal trading guidelines.

The ASDP was established in accordance with applicable Canadian securities legislation and guidance, at a time when (i) no blackout period was in effect regarding trading in securities of Bombardier, and (ii) participants under the ASDP were not in possession of any material undisclosed information with respect to Bombardier or its securities and, as such, were permitted to trade in securities of Bombardier in accordance with applicable laws and Bombardier's trading policies. Trading did not commence under the ASDP until at least 30 days had elapsed after the ASDP was established.

On November 15, 2018, Bombardier publicly acknowledged the announcement by the Autorité des marchés financiers (Québec) (AMF) confirming that it was reviewing matters surrounding the establishment of the ASDP and subsequent announcements by Bombardier.

Bombardier and its employees (including the participants under the ASDP) fully cooperated with the AMF in its review.

On April 26, 2019, the AMF issued a further press release announcing that it had concluded its review and found that Bombardier and its senior executives participating in the ASDP had not violated or breached securities laws in the context of the establishment of the ASDP. The AMF noted the cooperation and transparency offered by Bombardier throughout its review.

In establishing the ASDP, Bombardier was assisted by external counsel and sought to ensure that the ASDP was based on best practices and sound corporate governance principles and consistent with applicable securities laws and guidance. Nonetheless, in light of the rapid evolution of Bombardier's situation following the establishment of the ASDP, the AMF recommended that Bombardier reconsider the merit of maintaining the ASDP in effect. Further to this recommendation, the Board of Directors of Bombardier, upon the recommendation of its Human Resources and Compensation Committee, has terminated the ASDP in accordance with its terms.

Class action

On February 15, 2019, the Corporation was served with a Motion for authorization to bring an action pursuant to Section 225.4 of the Québec Securities Act and application for authorization to institute a class action before the Superior Court of Québec in the district of Montréal against Bombardier Inc. and Messrs. Alain Bellemare and John Di Bert ("Motion") to claim monetary damages in an unspecified amount in connection with alleged false and misleading representations about the Corporation's business, operations, revenues and free cash flow, including an alleged failure to make timely disclosure of material facts concerning its guidance for 2018. In the class action component of the Motion, the Plaintiff Denis Gauthier seeks to represent all persons and entities who have purchased or acquired Bombardier's securities during the period of August 2, 2018 to November 8, 2018, inclusively and held all or some of these securities until November 8, 2018. Both the action pursuant to the Québec Securities Act and the class action require an authorization from the Court before they can move forward. Until they are authorized, there are no monetary claims pending against the defendants in the context of these Court proceedings.

Bombardier Inc. and Messrs. Bellemare and Di Bert are contesting this Motion. The Corporation's preliminary view at this juncture is that the possibility that these Court proceedings will cause the Corporation to incur material monetary liability appears to be remote.