BOMBARDIER

THIRD QUARTERLY REPORT

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

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: Aviation and Transportation, which is reflective of our organizational structure as of September 30, 2019.

The results of operations and cash flows for the three- and nine-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 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. 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; 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 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 September 30	2019 [1]	2018	Variance
Revenues	**$ 3,722**	$ 3,643	2 %
Adjusted EBITDA[2]	**$ 255**	$ 333	(23)%
Adjusted EBITDA margin[2]	**6.9 %**	9.1 %	(220) bps
Adjusted EBIT[2]	**$ 159**	$ 271	(41)%
Adjusted EBIT margin[2]	**4.3 %**	7.4 %	(310) bps
EBIT	**$ 143**	$ 267	(46)%
EBIT margin	**3.8 %**	7.3 %	(350) bps
Net income (loss)	**$ (91)**	$ 149	nmf
Diluted EPS (in dollars)	**$ (0.06)**	$ 0.04	$ (0.10)
Adjusted net income (loss)[2]	**$ (55)**	$ 167	nmf
Adjusted EPS (in dollars)[2]	**$ (0.04)**	$ 0.04	$ (0.08)
Net additions to PP&E and intangible assets	**$ 125**	$ 229	(45)%
Cash flows from operating activities	**$ (557)**	$ (141)	(295)%
Free cash flow usage[2]	**$ (682)**	$ (370)	(84)%
As at	**September 30, 2019**	December 31, 2018	Variance
Available short-term capital resources[3]	**$ 3,010**	$ 4,373	(31)%
Order backlog (in billions of dollars)			
Aviation			
Business aircraft	**$ 15.3**	$ 14.3	7 %
Other aviation[4]	**$ 2.6**	$ 4.3	(40)%
Transportation	**$ 35.1**	$ 34.5	2 %

(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.
(4) Including 32 firm orders for *CRJ900* as of September 30, 2019 and 45 firm orders and 4 options for *CRJ900* as of December 31, 2018.

Key highlights and events

- **Progress driving the turnaround**
  - Positive momentum at Aviation following the certification of the *Global 5500* and *Global 6500* by Transport Canada and European Aviation Safety Agency (EASA). With a leading business aircraft portfolio, Aviation is poised for growth by delivering on the *Global 7500* multi-year backlog, and through the strategic expansion of its service network.
  - Transportation is making steady progress working through challenging projects and ramping up deliveries starting in the fourth quarter.

- **Clear roadmap to full year revenue, earnings(1) and free cash flow(2) guidance(3)**
  - Consolidated revenues of $3.7 billion during the quarter representing 8% organic growth (excluding divestitures and currency translation impact) were driven mainly by a favourable delivery mix of large business aircraft and progress on rail projects.
  - Consolidated adjusted EBITDA(2) and adjusted EBIT(2) for the quarter were $255 million and $159 million, respectively, driven by a 6.0% adjusted EBIT margin(2) at Aviation and a 5.1% adjusted EBIT margin(2) at Transportation. Reported EBIT for the quarter was $143 million.
  - Free cash flow usage(2) of $682 million during the quarter was driven by the intense ramp-up of the *Global 7500* production and reflects lower cash inflows than anticipated associated with train deliveries and milestone payments that have slipped into the fourth quarter. Cash flows usage from operating activities during the quarter was $557 million.
  - The path to full year revenue, earnings(1) and free cash flow(2) guidance is supported by seasonally strong cash flows in the fourth quarter, combined with an acceleration of *Global 7500* deliveries, and a partial release of excess working capital at Transportation.(3)
  - As we move beyond short-term challenges, Bombardier is positioned for 2020 earnings(1) growth and positive free cash flow(2)(4) generation.(3)

(1) Defined as adjusted EBITDA and adjusted EBIT.
(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.
(3) See the forward-looking statements disclaimer.
(4) Free cash flow target for 2020 excludes cash flow from the *CRJ* program, as well as payments associated with *CRJ* retained liabilities such as credit and residual value guarantees.

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, our reportable segments are now Aviation and Transportation. Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services are reported under Aviation. The Corporation's interest in ACLP is treated as a corporately held investment and therefore is included in Corporate and Others.

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 EBITDA[1]	$ 202	$ 118	$ (54) [2]	$ 266 [2]
Adjusted EBIT[1]	$ 144	$ 83	$ (56) [2]	$ 171 [2]
EBIT	$ 664	$ 83	$ (63) [2]	$ 684 [2]
Adjusted EBITDA margin[1]	14.3%	5.6%		
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 EBITDA[1]	$ 222	$ 146	$ (56) [2]	$ 312 [2]
Adjusted EBIT[1]	$ 151	$ 111	$ (56) [2]	$ 206 [2]
EBIT	$ 340	$ 87	$ (56) [2]	$ 371 [2]
Adjusted EBITDA margin[1]	10.5%	6.7%		
Adjusted EBIT margin[1]	7.1%	5.1%		
EBIT margin	16.0%	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 EBITDA[1]	$ 91	$ 214	$ (40)	$ 265
Adjusted EBIT[1]	$ 54	$ 189	$ (42)	$ 201
EBIT	$ 52	$ 191	$ (42)	$ 201
Adjusted EBITDA margin[1]	5.4%	9.1%		
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 EBITDA[1]	$ 144	$ 232	$ (40)	$ 336
Adjusted EBIT[1]	$ 105	$ 207	$ (41)	$ 271
EBIT	$ 69	$ 163	$ (41)	$ 191
Adjusted EBITDA margin[1]	7.2%	10.3%		
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 EBITDA[1]	$ 166	$ 212	$ (45) [2]	$ 333 [2]
Adjusted EBIT[1]	$ 129	$ 187	$ (45) [2]	$ 271 [2]
EBIT	$ 132	$ 184	$ (49) [2]	$ 267 [2]
Adjusted EBITDA margin[1]	11.0%	9.9%		
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 EBITDA[1]	$ 242	$ 193	$ (65) [2]	$ 370 [2]
Adjusted EBIT[1]	$ 184	$ 167	$ (65) [2]	$ 286 [2]
EBIT	$ 171	$ 236	$ (65) [2]	$ 342 [2]
Adjusted EBITDA margin[1]	11.3%	8.9%		
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 EBITDA[1]	$ 643	$ 851	$ (190) [2]	$ 1,304 [2]
Adjusted EBIT[1]	$ 472	$ 750	$ (193) [2]	$ 1,029 [2]
EBIT	$ 424	$ 774	$ (197) [2]	$ 1,001 [2]
Adjusted EBITDA margin[1]	8.8%	9.5%		
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.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019 (1)	2018	**2019** (1)	2018
Revenues	**$ 3,722**	$ 3,643	**$ 11,552**	$ 11,933
Cost of sales	**3,282**	3,073	**10,160**	10,321
Gross margin	**440**	570	**1,392**	1,612
SG&A	**247**	269	**778**	864
R&D	**50**	50	**167**	145
Share of income of joint ventures and associates	**(7)**	(9)	**(47)**	(59)
Other income	**(9)**	(11)	**(42)**	(81)
Adjusted EBIT[(2)]	**159**	271	**536**	743
Special items	**16**	4	**(662)**	84
EBIT	**143**	267	**1,198**	659
Financing expense	**261**	147	**821**	465
Financing income	**(28)**	(25)	**(130)**	(87)
EBT	**(90)**	145	**507**	281
Income taxes	**1**	(4)	**395**	18
Net income (loss)	**$ (91)**	$ 149	**$ 112**	$ 263
Attributable to				
Equity holders of Bombardier Inc.	**$ (139)**	$ 111	**$ (27)**	$ 217
NCI	**$ 48**	$ 38	**$ 139**	$ 46
EPS (in dollars)				
Basic	**$ (0.06)**	$ 0.04	**$ (0.02)**	$ 0.09
Diluted	**$ (0.06)**	$ 0.04	**$ (0.02)**	$ 0.08
(as a percentage of total revenues)				
Adjusted EBIT[(2)]	**4.3%**	7.4%	**4.6%**	6.2%
EBIT	**3.8%**	7.3%	**10.4%**	5.5%

Non-GAAP financial measures[(2)]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019 (1)	2018	**2019** (1)	2018
Adjusted EBITDA	**$ 255**	$ 333	**$ 833**	$ 934
Adjusted net income (loss)	**$ (55)**	$ 167	**$ (224)**	$ 289
Adjusted EPS	**$ (0.04)**	$ 0.04	**$ (0.16)**	$ 0.09

(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[1]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019 [2]	2018	**2019** [2]	2018
Revenues				
Aviation	**$ 1,558**	$ 1,504	**$ 5,088**	$ 5,182
Transportation	**2,175**	2,140	**6,476**	6,754
Corporate and Others	**(11)**	(1)	**(12)**	(3)
	$ 3,722	$ 3,643	**$ 11,552**	$ 11,933
Adjusted EBIT[3]				
Aviation	**$ 93**	$ 129	**$ 388**	$ 288
Transportation	**110**	187	**304**	583
Corporate and Others[4]	**(44)**	(45)	**(156)**	(128)
	$ 159	$ 271	**$ 536**	$ 743
Special Items				
Aviation	**$ (3)**	$ (3)	**$ (712)**	$ 35
Transportation	**22**	3	**46**	45
Corporate and Others	**(3)**	4	**4**	4
	$ 16	$ 4	**$ (662)**	$ 84
EBIT				
Aviation	**$ 96**	$ 132	**$ 1,100**	$ 253
Transportation	**88**	184	**258**	538
Corporate and Others[4]	**(41)**	(49)	**(160)**	(132)
	$ 143	$ 267	**$ 1,198**	$ 659

(1) Figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment. Refer to the Segment reporting section in Overview for further details.
(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) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.
(4) Includes share of net loss from ACLP of $12 million and $20 million for the three- and nine-month periods ended September 30, 2019, respectively ($13 million for the three- and nine-month periods ended September 30, 2018).

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 September 30		Nine-month periods ended September 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)**	—
Loss on repurchase of long-term debt	3	**—**	—	**84**	—
Restructuring charges	4	**22**	2	**84**	18
Reversal of *Learjet 85* aircraft program cancellation provisions	5	**(3)**	—	**(15)**	(1)
Primove impairment and other costs	6	**(3)**	4	**4**	4
C Series transaction with Airbus	7	**—**	10	**—**	609
Gain on disposal of PP&E	8	**—**	—	**—**	(561)
Impairment of non-core operations	9	**—**	—	**—**	17
Purchase of pension annuities	10	**—**	22	**—**	32
Changes in credit and residual value guarantees	11	**—**	(34)	**—**	(34)
Tax litigation	12	**—**	(4)	**—**	(4)
Income taxes		**(2)**	(1)	**237**	(71)
		$ 14	$ (1)	**$ (341)**	$ 9
Of which is presented in					
Special items in EBIT		**$ 16**	$ 4	**$ (662)**	$ 84
Financing expense - loss on repurchase of long-term debt		**—**	—	**84**	—
Financing expense - interest related to tax litigation		**—**	(4)	**—**	(4)
Income taxes - effect of special items		**(2)**	(1)	**237**	(71)
		$ 14	$ (1)	**$ (341)**	$ 9

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 nine-month periods ended September 30, 2019, represents severance charges of $27 million and $85 million partially offset by curtailment gains of $5 million and $7 million and by the reversal of previously-recorded impairment charges of nil and $8 million, related to previously-announced restructuring actions. For the three- and nine-month periods ended September 30, 2018, represents severance charges of $2 million and $14 million partially offset by curtailment gains of nil and $4 million, and impairment charges of PP&E of nil and $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 nine-month period ended September 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 $15 million for the three- and nine-month periods ended September 30, 2019 ($1 million for the nine-month period ended September 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 in the three-month period ended September 30, 2019 a reversal of the contract provision of $3 million, and for the nine-month period ended September 30, 2019 an additional contract provision of $4 million ($4 million for the three- and nine-month period ended September 30, 2018).
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 $609 million ($545 million after tax), of which $599 million was recorded in the three-month period ended June 30, 2018 and $10 million in the three-month period ended September 30, 2018. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $270 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.
8. Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments).
9. An impairment charge related to non-core operations of respectively nil and $17 million recorded in the three- and nine-month periods ended September 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.
11. The provisions for credit and residual value guarantees were reduced following a change in credit risk assumption for an airline. The reduction of provisions was treated as a special item since the original provisions were recorded as special items in 2015.
12. Represents a change in the estimates used to determine the provision related to tax litigation.

Net financing expense

Net financing expense amounted to $233 million and $691 million, respectively, for the three- and nine-month periods ended September 30, 2019[(1)], compared to $122 million and $378 million[(1)] for the corresponding periods last fiscal year.

The $111-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* ($63 million);
- net losses from changes in discount rates of provisions ($15 million);
- higher interest on long-term debt, after the effect of hedges ($15 million); and
- interest expense on lease liabilities, as a result of the adoption of IFRS 16, *Leases*, effective January 1, 2019 ($8 million).

Partially offset by:

- net gains on certain financial instruments classified as FVTP&L ($16 million);

The $313-million increase for the nine-month period is mainly due to:

- lower borrowing costs capitalized to PP&E and intangible assets following the entry-into-service of *Global 7500* ($177 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 ($45 million);
- higher interest on long-term debt, after the effect of hedges ($36 million); and
- interest expense on lease liabilities, as a result of the adoption of IFRS 16, *Leases*, effective January 1, 2019 ($24 million).

Partially offset by:

- net gains on certain financial instruments classified as FVTP&L ($60 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 nine-month periods ended September 30, 2019 were (1.1)% and 77.9% respectively, compared to the statutory income tax rate in Canada of 26.7%. In the three-month period, the income tax expense is due to the negative impact of the permanent differences and net non-recognition of income tax benefits related to tax losses and temporary differences partially offset by the income tax rates differential of foreign subsidiaries. In the nine-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 nine-month periods ended September 30, 2018 were (2.8%) and 6.4%, respectively, compared to the statutory income tax rate in Canada of 26.7%. In the three-month period, the income tax rate recovery is mainly due to the positive impact of the net recognition of previously unrecognized tax losses and temporary differences, and the reversal of certain tax contingencies. In the nine-month period, the lower effective income tax rate is due to the positive impact of permanent differences and the reversal of certain tax contingencies, 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 $1,405 million in the nine-month period,[1] including a negative currency impact of $192 million. The $1,597-million increase excluding the currency impact is mainly explained by:

- a $1,027-million increase in inventories mainly due to the ramp-up in production for business aircraft;
- a $532-million increase in PP&E mainly due to the impact of the adoption of IFRS16, *Leases*;[2]
- a $483-million increase in other financial assets mainly due to ACLP non-voting units and receivables from related parties;
- a $347-million increase in trade and other receivables; and
- a $246-million increase in contract assets in Transportation.

Partially offset by:

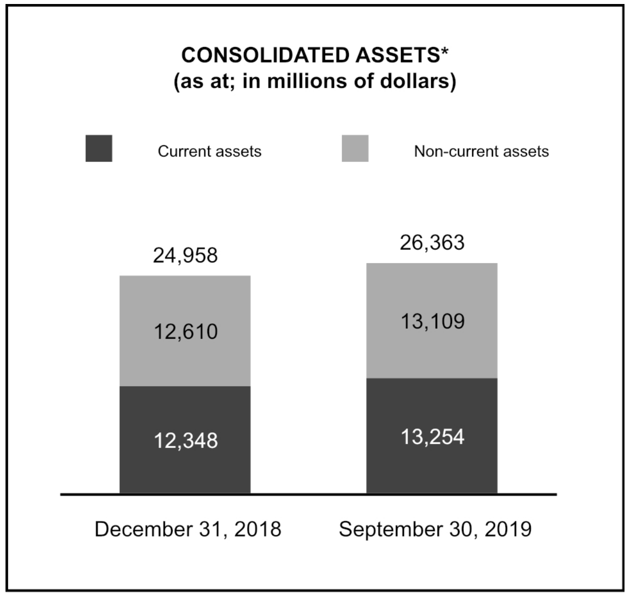
- a $1,015-million decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details; and
- a $202-million decrease in deferred income taxes mainly due to the sale of Business Aircraft's flight and technical training activities,[3] the *CRJ* announcement and the closing of the Q Series aircraft program deals[3] and the debt refinancing.

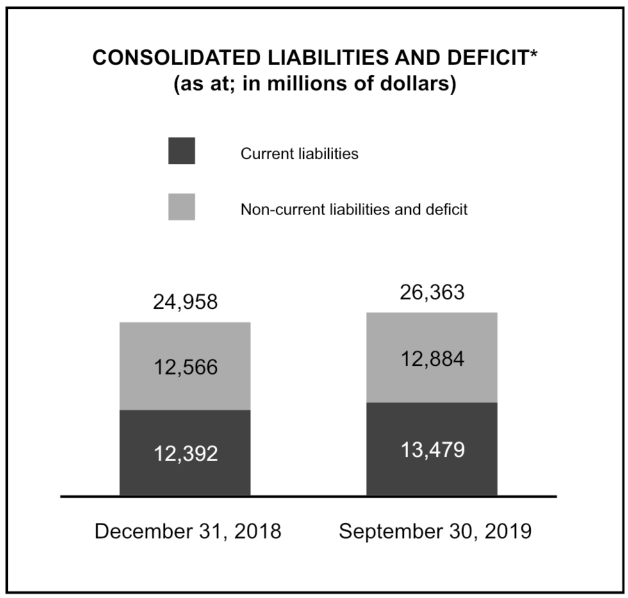
The total liabilities and deficit increased by $1,405 million in the nine-month period,[1] including a currency impact of $192 million. The $1,597-million increase excluding the currency impact is mainly explained by:

- a $879-million increase in retirement benefit liability mainly due to remeasurement of defined benefits plans;
- a $847-million increase in contract liabilities mainly in Aviation;
- a $714-million increase in other financial liabilities mainly due to short-term borrowings in Transportation of $518 million and credit and residual value guarantees in Aviation reclassified from provisions due to settlements;
- a $410-million increase in other liabilities mainly due to the impact of the adoption of IFRS16, *Leases*;[2] and
- a $253-million increase in long-term debt.[4]

Partially offset by:

- a $789-million decrease in equity mainly due to total comprehensive loss of $733 million; and
- a $745-million decrease in provisions mainly due to settlement of credit and residual value guarantees in Aviation and utilization of provisions in Transportation.





*The total assets and the total liabilities in the above graphs as at September 30, 2019 include $590 million and $552 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 September 30, 2019.

(1) For the purpose of the Consolidated financial position explanations included in this section, assets and liabilities include 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 September 30		Nine-month periods ended September 30	
	2019 [2]	2018	**2019** [2]	2018
Net income (loss)	**$ (91)**	$ 149	**$ 112**	$ 263
Non-cash items				
Amortization	**96**	62	**293**	188
Impairment charges (reversals) on PP&E and intangible assets	**—**	—	**(4)**	11
Deferred income taxes	**(23)**	(50)	**286**	(73)
Gains on disposals of PP&E and intangible assets	**—**	(11)	**(7)**	(575)
Losses (gains) on disposals of businesses	**—**	10	**(739)**	609
Share of income of joint ventures and associates	**(7)**	(9)	**(47)**	(59)
Share-based expense	**4**	20	**34**	67
Loss on repurchase of long-term debt	**—**	—	**84**	—
Dividends received from joint ventures and associates	**1**	30	**20**	49
Net change in non-cash balances[3]	**(537)**	(342)	**(1,785)**	(1,172)
Cash flows from operating activities	**(557)**	(141)	**(1,753)**	(692)
Net additions to PP&E and intangible assets	**(125)**	(229)	**(402)**	(167)
Free cash flow usage[1]	**(682)**	(370)	**(2,155)**	(859)

(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 24 - Net changes in non-cash balances, to our interim consolidated financial statements for further details.

Cash flows from operating activities

The $416-million decrease in cash flows from operating activities for the three-month period is mainly due:
- a negative period-over-period variation in net change in non-cash balances ($195 million) (see explanations below); and
- lower net income (loss) before non-cash items ($192 million).

The $1,061-million decrease in cash flows from operating activities for the nine-month period is mainly due:
- a negative period-over-period variation in net change in non-cash balances ($613 million) (see explanations below); and
- lower net income before non-cash items ($419 million).

Net change in non-cash balances

For the three-month period ended September 30, 2019, the $537-million outflow is mainly due to:
- an increase in inventories mainly due to the ramp-up in production for business aircraft;
- an increase in trade and other receivables mainly in Transportation;
- a decrease in trade and other payables mainly in Aviation; and
- utilization of provisions in Transportation and Aviation.

Partially offset by:
- an increase in contract liabilities mainly related to advances received on new and existing orders for business aircraft; and
- a decrease in Transportation's net contract assets.

For the three-month period ended September 30, 2018, the $342-million outflow is mainly due to:
- an increase in inventories mainly due to the ramp-up in production for business aircraft;
- a decrease in Transportation's other liabilities and provisions;
- an increase in Transportation's contract assets following ramp-up in production ahead of deliveries;
- an increase in trade and other receivables mainly in Aviation; and

- a decrease in Transportation’s contract liabilities following deliveries, partly offset by advances on new orders and existing contracts.

Partially offset by:

- an increase in contract liabilities in Aviation;
- an increase in trade and other payables mainly in Aviation and Transportation; and
- a decrease in Transportation’s trade and other receivables.

For the nine-month period ended September 30, 2019, the $1,785-million outflow is mainly due to:

- an increase in inventories mainly due to the ramp-up in production for business aircraft;
- utilization of provisions in Transportation and Aviation;
- an increase in trade and other receivables;
- an increase in Transportation’s net contract assets; and
- a decrease in other liabilities in Transportation.

Partially offset by:

- an increase in contract liabilities mainly related to advances received on new and existing orders for business aircraft; and
- an increase in trade and other payables.

For the nine-month period ended September 30, 2018, the $1,172-million outflow is mainly due to:

- an increase in inventories in Aviation;
- a decrease in Transportation's other liabilities and provisions;
- an increase in Transportation’s contract assets following ramp-up in production ahead of deliveries; and
- an increase in trade and other receivables mainly in Aviation and Transportation.

Partially offset by:

- an increase in contract liabilities mainly in Aviation; and
- an increase in trade and other payables mainly in Aviation and Transportation.

Net additions to PP&E and intangible assets

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
Additions to PP&E and intangible assets	**$ (125)**	$ (253)	**$ (417)**	$ (830)
Proceeds from disposals of PP&E and intangible assets	**—**	24	**15**	663
Net additions to PP&E and intangible assets	**$ (125)**	$ (229)	**$ (402)**	$ (167)

The $104-million decrease in net additions to PP&E and intangible assets for the three-month period is mainly due to lower investments in aerospace program tooling and lower capitalized borrowing costs following the entry-into-service of the *Global 7500* aircraft program.

The $235-million increase in net additions to PP&E and intangible assets for the nine-month period is 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 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 September 30		Nine-month periods ended September 30	
	2019 [(1)]	2018	**2019** [(1)]	2018
Balance at the beginning of period	**$ 2,957**	$ 2,974	**$ 3,187**	$ 3,057 [(2)]
Free cash flow usage[(3)]	**(682)**	(370)	**(2,155)**	(859)
Deconsolidation of cash and cash equivalents of ACLP	**—**	(151)	**—**	(151)
Outflows related to a disposal of business	**—**	(25)	**—**	(25)
Investments in non-voting units of ACLP	**(115)**	(85)	**(350)**	(85)
Net proceeds from disposal of businesses	**—**	—	**826**	—
Capital injection in joint ventures and associates	**(12)**	—	**(12)**	—
Net proceeds from issuance of long-term debt	**—**	—	**1,956**	—
Repayments of long-term debt	**—**	(3)	**(1,762)**	(11)
Net change in short-term borrowings	**45**	—	**533**	—
Payment of lease liabilities[(4)]	**(25)**	—	**(81)**	—
Dividends paid - Preferred shares	**(5)**	(5)	**(15)**	(15)
Purchase of Class B Shares held in trust under the PSU plans	**—**	(97)	**—**	(97)
Issuance of Class B Shares	**—**	28	**—**	504
Issuance of NCI	**49**	—	**49**	—
Dividends paid to NCI	**(3)**	(19)	**(4)**	(71)
Effect of exchange rate changes on cash and cash equivalents	**47**	10	**83**	37
Other	**(1)**	61	**—**	34
Balance at the end of period	**$ 2,255**	$ 2,318	**$ 2,255**	$ 2,318

(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 nine-month periods ended September 30, 2019 amounted to $39 million and $127 million.

Available short-term capital resources

	September 30, 2019	December 31, 2018
Cash and cash equivalents	**$ 2,255**	$ 3,187
Available revolving credit facilities[(1)]	**755**	1,186
Available short-term capital resources	**$ 3,010**	$ 4,373

(1) Include undrawn amount under Transportation's €1,164 million unsecured revolving credit facility as of September 30, 2019; included undrawn amounts under Transportation's €689 million and the Corporation's $397 million unsecured revolving credit facilities as of December 31, 2018.

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 ($753 million) unsecured revolving credit facility was extended by one year to May 2022. In the three-month period ended September 30, 2019, the unsecured revolving credit facility was increased to €1,164 million ($1,273 million). €474 million ($518 million) under this Transportation's facility was used as at September 30, 2019.

Also in March 2019, the maturity date 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. In the three-month period ended September 30, 2019, the Corporation voluntarily cancelled this unsecured revolving credit facility in order to more efficiently manage the Corporation's short-term credit facilities given the Corporation's strong cash position.

In the three-month period ended June 30, 2019, the Corporation entered into new Uncommitted Short Term Credit Facilities amounting to €225 million ($246 million), available to Transportation for cash drawings. In the three-month period ended September 30, 2019, the Corporation reduced the Uncommitted Short Term Credit Facilities by €150 million to €75 million ($82 million). These facilities were unused as at September 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 period of this letter of credit facility was extended by one year to May 2022. In May 2019, the committed amount under this letter of credit facility was decreased to €3,953 million. In the three-month period ended September 30, 2019, the committed amount was increased to €4,078 million. In October 2019, it was further increased to €4,498 million ($4,918 million) to support increased business activities. As of September 30, 2019, an amount of €4,053 million ($4,432 million) of letter of credit was used.

Also in March 2019, the availability period of the $361-million letter of credit facility, which is available for the Corporation excluding Transportation, was extended by one year to June 2022. In the three-month period ended September 30, 2019, the committed amount under this letter of credit facility was reduced by $160 million to $201 million.

Financial covenants

Effective in March 2019, the minimum liquidity required by the $201 million letter of credit facility, which is 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 ($820 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 September 30, 2019 and December 31, 2018.

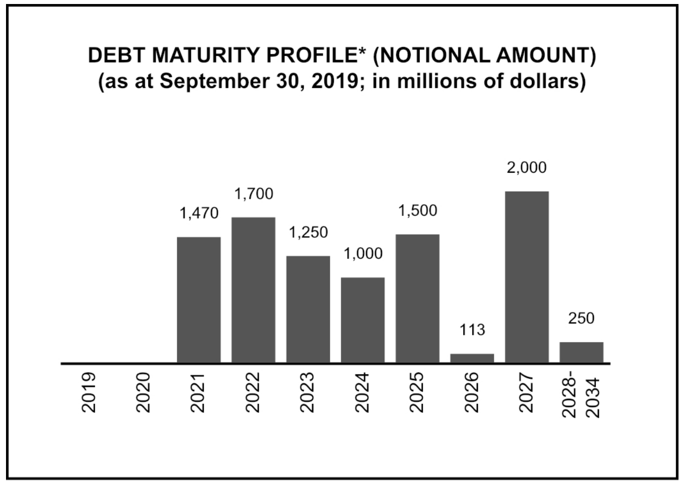
Future liquidity requirements

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 September 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.

[1] See the forward-looking statements disclaimer.



* Excludes $518 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 September 30, 2019
Adapted EBIT[(1)]	$	888
Adjusted interest[(1)]	$	693
Adapted EBIT to adjusted interest ratio		**1.3**

Financial leverage ratio

		As at and for the four-quarter trailing period ended September 30, 2019
Adjusted debt[(1)]	$	10,283
Adapted EBITDA[(1)]	$	1,285
Adjusted debt to adapted EBITDA ratio		**8.0**

[(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.

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 $3.1 billion as at September 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 $911-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		1,976
Service costs		162
Accretion on net retirement benefit obligation		51
Changes in foreign exchange rates		(33)
Actuarial gains on pension plan assets		(932)
Employer contributions		(222)
Net gains on curtailment and settlement		(59)
Other net actuarial gains on defined benefit obligations		(48)
Other		16
Balance as at September 30, 2019	**$**	**3,092** [1]

[1] Includes retirement benefit assets of $126 million as at September 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 September 30, 2019 consists of interest adjustment for operating lease obligations for the fourth quarter of 2018. Amortization adjustment for lease liabilities used to calculate adapted EBITDA for the four-quarter trailing period ended September 30, 2019 consists of amortization adjustment for operating lease obligations for the fourth quarter 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 September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
EBIT	**$ 143**	$ 267	**$ 1,198**	$ 659
Amortization	**96**	62	**293**	188
Impairment charges (reversals) on PP&E and intangible assets[1]	**—**	—	**(4)**	11
Special items excluding impairment charges (reversals) on PP&E and intangible assets[1]	**16**	4	**(654)**	76
Adjusted EBITDA	**$ 255**	$ 333	**$ 833**	$ 934

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

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

	Three-month periods ended September 30					
		2019			2018	
			(per share)			(per share)
Net income (loss)	**$**	**(91)**		$	149	
Adjustments to EBIT related to special items[1]		**16**	**$ 0.01**		4	$ 0.00
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		**4**	**0.00**		5	0.00
Accretion on net retirement benefit obligations		**18**	**0.01**		16	0.00
Interest related to tax litigation[1]		**—**	**—**		(4)	0.00
Tax impact of special[1] and other adjusting items		**(2)**	**0.00**		(3)	0.00
Adjusted net income (loss)		**(55)**			167	
Net loss attributable to NCI		**(48)**			(38)	
Preferred share dividends, including taxes		**—**			(7)	
Dilutive impact of CDPQ conversion option		**—**			(13)	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**$**	**(103)**		$	109	
Weighted-average diluted number of common shares (in thousands)		**2,386,781**			2,624,943	
Adjusted EPS (in dollars)	**$**	**(0.04)**		$	0.04	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended September 30			
		2019		2018
Diluted EPS	**$**	**(0.06)**	$	0.04
Impact of special[1] and other adjusting items		**0.02**		—
Adjusted EPS	**$**	**(0.04)**	$	0.04

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

	Nine-month periods ended September 30					
		2019			2018	
			(per share)			(per share)
Net income	**$**	**112**		$	263	
Adjustments to EBIT related to special items[1]		**(662)**	**$ (0.28)**		84	$ 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		**(46)**	**(0.02)**		(31)	(0.01)
Accretion on net retirement benefit obligations		**51**	**0.02**		50	0.02
Interest related to tax litigation[1]		**—**	**—**		(4)	0.00
Loss on repurchase of long-term debt[1]		**84**	**0.04**		—	—
Tax impact of special[1] and other adjusting items		**237**	**0.10**		(73)	(0.03)
Adjusted net income (loss)		**(224)**			289	
Net loss attributable to NCI		**(139)**			(46)	
Preferred share dividends, including taxes		**(14)**			(21)	
Dilutive impact of CDPQ conversion option		**—**			(6)	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**$**	**(377)**		$	216	
Weighted-average diluted number of common shares (in thousands)		**2,379,795**			2,503,332	
Adjusted EPS (in dollars)	**$**	**(0.16)**		$	0.09	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Nine-month periods ended September 30			
		2019		2018
Diluted EPS	**$**	**(0.02)**	$	0.08
Impact of special[1] and other adjusting items		**(0.14)**		0.01
Adjusted EPS	**$**	**(0.16)**	$	0.09

(1) Refer to the Consolidated results of operations section for details regarding special items.

Reconciliation of adjusted debt to long-term debt

		As at September 30, 2019
Long-term debt	**$**	**9,323**
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships		**(86)**
Long-term debt, net		**9,237**
Short-term borrowings under Transportation's credit facilities		**518**
Lease liabilities		**528**
Adjusted debt	**$**	**10,283**

Reconciliation of adapted EBITDA and adapted EBIT to EBIT

		Four-quarter trailing period ended September 30, 2019
EBIT	**$**	**1,540**
Special items[1]		**(718)**
Interest received		**30**
Interest adjustment for lease liabilities[2]		**36**
Adapted EBIT		**888**
Amortization		**377**
Impairment charges on PP&E and intangible assets[3]		**4**
Amortization adjustment for lease liabilities[4]		**16**
Adapted EBITDA	**$**	**1,285**

Reconciliation of adjusted interest to interest paid

		Four-quarter trailing period ended September 30, 2019
Interest paid	**$**	**657**
Interest adjustment for lease liabilities[2]		**36**
Adjusted interest	**$**	**693**

(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 fourth quarter of 2018. The interest adjustment for operating lease obligations for the fourth quarter 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 fourth quarter of 2018, using a straight-line amortization of the amount for operating lease obligations, based on a nine-year amortization period.

AVIATION

Following the strategic formation of Bombardier Aviation, effective July 1, 2019, Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services are reported under Aviation. Prior periods have been restated to reflect this new reporting structure. The Corporation's interest in ACLP is treated as a corporately held investment and therefore is not included in Aviation.

HIGHLIGHTS

Results of the quarter[1]

Three-month periods ended September 30	2019[2]	2018	Variance
Revenues	**$ 1,558**	$ 1,504	4 %
Aircraft deliveries (in units)			
Business aircraft	**31**	31	—
Commercial aircraft[3]	**6**	5	1
Adjusted EBITDA[4]	**$ 154**	$ 166	(7)%
Adjusted EBITDA margin[4]	**9.9%**	11.0%	(110) bps
Adjusted EBIT[4]	**$ 93**	$ 129	(28)%
Adjusted EBIT margin[4]	**6.0%**	8.6%	(260) bps
EBIT	**$ 96**	$ 132	(27)%
EBIT margin	**6.2%**	8.8%	(260) bps
Net additions to PP&E and intangible assets	**$ 87**	$ 191	(54)%
As at	**September 30, 2019**	December 31, 2018	
Order backlog (in billions of dollars)			
Business aircraft	**$ 15.3**	$ 14.3	7 %
Other aviation[5]	**$ 2.6**	$ 4.3	(40)%

(1) Figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment. Refer to the Segment reporting section in Overview for further details.
(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) 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). 2 Q Series aircraft deliveries are included in comparative period of 2018.
(4) 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.
(5) Including 32 firm orders for *CRJ900* as of September 30, 2019 and 45 firm orders and 4 options for *CRJ900* as of December 31, 2018. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of the aircraft.

Key highlights and events

- Revenues of $1.6 billion during the quarter reflect double-digit organic growth year-over-year (excluding the Q400 and training activities divestitures completed earlier this year), driven by the *Global 7500*, external aerostructures revenues and stronger aftermarket services.
- Deliveries during the quarter totalled 37 aircraft, including 6 *CRJ* and 31 business aircraft. Revenue grew mainly because of a favourable mix of large business aircraft sales led by 2 *Global 7500* deliveries and the entry into service of the first *Global 6500* aircraft.
- On September 24, 2019, the *Global 5500* and *Global 6500* aircraft were awarded Transport Canada Type Certification, followed by European Aviation Safety Agency (EASA) certification. The *Global 5500* and *Global 6500* aircraft showcase the ingenuity of innovation by bringing value to customers with segment-leading ranges and reduced operating costs.
- As the pace of deliveries accelerates into the fourth quarter, Aviation is on track to reach 175 to 180 aircraft deliveries for the full-year on revenues of approximately $8.0 billion. Production ramp-up of the *Global 7500* continues to make steady progress with an estimated 10 to 15 aircraft deliveries in the fourth quarter.(2)
- Order momentum remained healthy during the quarter for business aircraft, with backlog stable at an industry-leading $15.3 billion. For the first nine months, business aircraft backlog increased by $1.0 billion.
- Adjusted EBIT margin(1) for the third quarter was 6.0% (6.2% EBIT margin), in line with expectations as the ramp-up of the *Global 7500* aircraft and the dilutive effect of commercial aircraft activities weigh on Aviation margins. Year-to-date, adjusted EBIT margin(1) was 7.6% (21.6% reported EBIT margin), tracking to full year margin guidance of 7.0%.(2)

(1) 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.
(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.

INDUSTRY AND ECONOMIC ENVIRONMENT

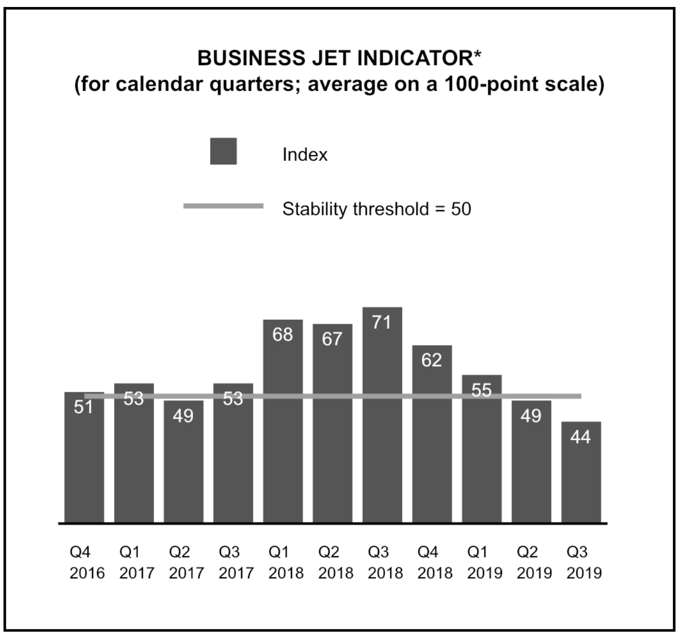
This section will focus on indices relevant for business aviation, following the announcements made by the Corporation during the second quarter of 2019 in relation to the pursuit of divestiture of Belfast and Morocco aerostructures businesses, and the definitive agreement with Mitsubishi Heavy Industries, Ltd for the sale of the regional jet program.

Industry metrics generally remained within historical ranges during the third quarter, indicative of a stable market. Industry confidence levels scored at 44 points,[(1)] while pre-owned aircraft levels continued to remain at low levels. The total number of pre-owned aircraft available for sale, as a percentage of the total in-service fleet, was at 9.5% as at September 30, 2019.[(2)] The marginal variance of 0.3 percentage points, compared to 9.2% for the second quarter of 2019, was largely driven by older and light jets. Medium and large category pre-owned aircraft levels remained in optimal ranges.

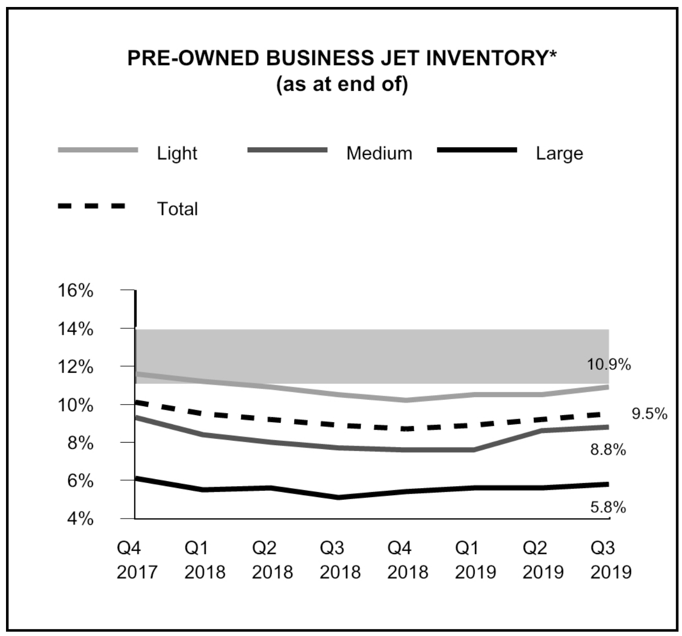
Business jet utilization in both the U.S. and Europe decreased 2% year-over-year. The decrease in U.S. and European utilization is primarily driven by old, out-of-production very light jets and light jets, while utilization of more recent and larger families of aircraft have generally been increasing year-over-year.[(3)]

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 Aviation is well positioned.

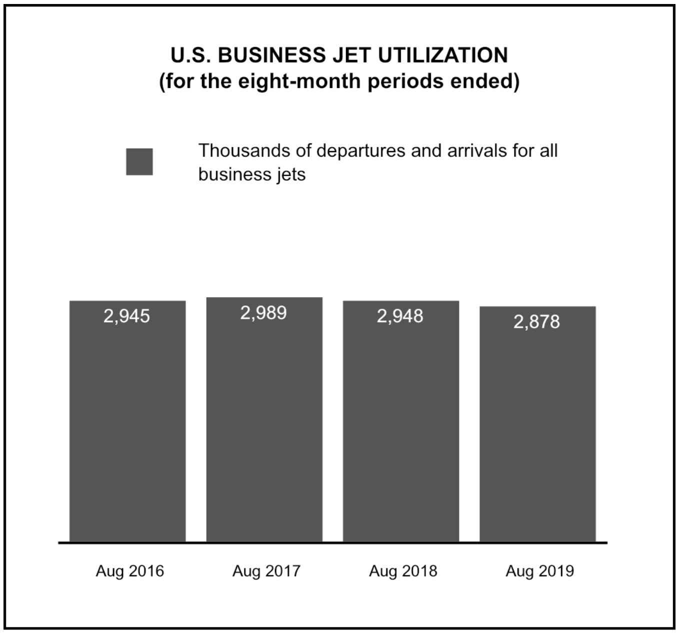
(1) According to the Barclays Business Jet Survey dated September 19, 2019.
(2) According to JETNET and Ascend online.
(3) According to the U.S. Federal Aviation Administration (FAA) and Eurocontrol websites.



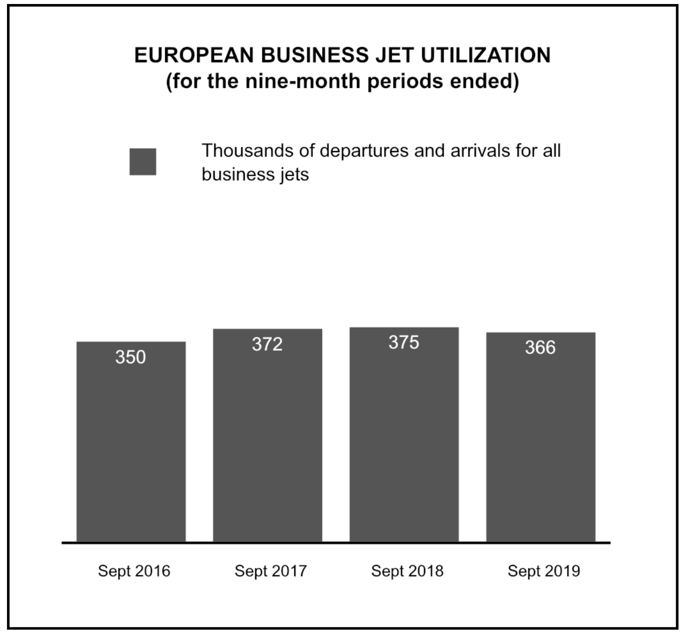
Source: Barclays from the start of 2018, previously UBS
* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.
Methodologies used in the calculation of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



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[1]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019 [2]	2018	**2019** [2]	2018
Revenues				
Business aircraft				
Manufacturing and other[3]	**$ 812**	$ 777	**$ 2,523**	$ 2,617
Services[4]	**302**	306	**943**	883
Commercial aircraft[5]	**239**	256	**996**	1,335
Aerostructures and engineering services[6]	**205**	165	**626**	347
Total revenues	**$ 1,558**	$ 1,504	**$ 5,088**	$ 5,182
Adjusted EBITDA[7]	**$ 154**	$ 166	**$ 578**	$ 401
Amortization	**61**	37	**191**	113
Impairment reversals on PP&E and intangible assets	**—**	—	**(1)**	—
Adjusted EBIT[7]	**93**	129	**388**	288
Special items	**(3)**	(3)	**(712)**	35
EBIT	**$ 96**	$ 132	**$ 1,100**	$ 253
Adjusted EBITDA margin[7]	**9.9%**	11.0%	**11.4%**	7.7%
Adjusted EBIT margin[7]	**6.0%**	8.6%	**7.6%**	5.6%
EBIT margin	**6.2%**	8.8%	**21.6%**	4.9%

(1) Figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment. Refer to the Segment reporting section in Overview for further details.
(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) Represents revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
(4) Represents revenues from aftermarket services including parts, *Smart Services*, service centres, training and technical publication.
(5) Represents manufacturing, services and other.
(6) Represents external revenues.
(7) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $54-million increase for the three-month period is due to:

- higher revenues from aerostructures and engineering services, mainly due to higher revenues from contracts with ACLP[1]; and
- higher revenues from business aircraft, mainly due to a favourable mix of large aircraft, partially offset by the sale of the business aircraft training activities on March 14, 2019.

Partially offset by:

- lower revenues from commercial aircraft, mainly due to the sale of the Q Series aircraft program on May 31, 2019, partially offset by an increase in *CRJ* aircraft deliveries.

The $94-million decrease for the nine-month period is due to:

- lower revenues from commercial aircraft, mainly due to the deconsolidation of CSALP[1] starting in the third quarter of 2018 and the sale of the Q Series aircraft program on May 31, 2019; and
- lower revenues from business aircraft manufacturing and other, mainly due to the timing of aircraft deliveries.

Partially offset by:

- higher revenues from aerostructures and engineering services, mainly due to revenues from contracts with ACLP[1] being presented as external revenues starting July 1, 2018, partially offset by lower volume for other external contracts; and
- higher revenues from business aircraft services, mainly due to an increase in activities in service centres, partially offset by the sale of the business aircraft training activities on March 14, 2019.

[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 September 30		Nine-month periods ended September 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)**	—
Restructuring charges	3	**—**	2	**38**	2
Reversal of *Learjet 85* aircraft program cancellation provisions	4	**(3)**	—	**(15)**	(1)
C Series transaction with Airbus	5	**—**	10	**—**	609
Gain on disposal of PP&E	6	**—**	—	**—**	(561)
Purchase of pension annuities	7	**—**	19	**—**	20
Changes in credit and residual value guarantees	8	**—**	(34)	**—**	(34)
		$ (3)	$ (3)	**$ (712)**	$ 35
EBIT margin impact		**0.2%**	0.2%	**14%**	(0.7)%

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 severance charges of $26 million partially offset by curtailment gains of $2 million for the nine-month period ended September 30, 2019, related to previously-announced restructuring actions ($2 million severance charges for the three- and nine-month periods ended September 30, 2018).

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 nine-month period ended September 30, 2019.

4. 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 $15 million for the three- and nine-month periods ended September 30, 2019 ($1 million for the nine-month period ended September 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.

5. 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 $609 million ($545 million after tax), of which $599 million was recorded in the three-month period ended June 30, 2018 and $10 million in the three-month period ended September 30, 2018. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $270 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.

6. Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments).

7. 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.

8. The provisions for credit and residual value guarantees were reduced following a change in credit risk assumption for an airline. The reduction of provisions was treated as a special item since the original provisions were recorded as special items in 2015.

EBIT margin
The adjusted EBIT margin(1) for the three-month period decreased by 2.6 percentage points mainly as a result of lower contribution from business 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 2.6 percentage points compared to the same period last year.

The adjusted EBIT margin(1) for the nine-month period increased by 2.0 percentage points mainly as a result of:
- the net impact of deconsolidation of C Series;
- lower SG&A expenses; and
- higher contribution from business aircraft aftermarket activities.

Partially offset by:
- lower contribution from business 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 nine-month period increased by 16.7 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.

Product development

Investment in product development[1]

		Three-month periods ended September 30		Nine-month periods ended September 30	
		2019	2018	**2019**	2018
Program tooling[2]		**$ 58**	$ 197	**$ 218**	$ 650
R&D expense[3]		**7**	6	**18**	18
		$ 65	$ 203	**$ 236**	$ 668
As a percentage of revenues		**4.2%**	13.5%	**4.6%**	12.9%

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

The carrying amount of aerospace program tooling[1] as at September 30, 2019 was $4.6 billion, compared to $4.5 billion as at December 31, 2018.

(1) Figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment. Refer to the Segment reporting section in Overview for further details.
(2) Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers based on reception of parts or delivery of the aircraft for acquired development costs carried out by them.
(3) Excluding amortization of aerospace program tooling of $22 million and $73 million, respectively, for the three- and nine-month periods ended September 30, 2019 ($12 million and $41 million for the three- and nine-month periods ended September 30, 2018), as the related investments are already included in aerospace program tooling.

The *Global 5500* and *Global 6500* aircraft program[1]
The *Global 5500* and *Global 6500* aircraft were awarded Transport Canada Type Certification on September 24, 2019, and the first *Global 6500* business jet entered into service on September 30, 2019, on schedule. On October 15, 2019, the *Global 5500* and *Global 6500* aircraft were awarded European Aviation Safety Agency (EASA) certification. The *Global 6500* business jet made its public debut at the 2019 National Business Aviation Association Convention and Exhibition (NBAA-BACE) in Las Vegas from October 21 to 24, 2019.

The *Global 5500* and *Global 6500* jets are built on the success of the *Global 5000* and *Global 6000* aircraft offering 700 and 600 nautical miles of additional range, respectively, for a class-leading 5,900 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 *Learjet 75 Liberty* aircraft program[1]
On July 2, 2019, Bombardier launched the *Learjet 75 Liberty* business jet. Building on the industry’s best light jet platform, the new *Learjet 75 Liberty* offers the largest cabin in its segment with a new Executive six-seat configuration. Standard features not found on other light jets in this segment include a flat floor and pocket door between the cockpit and Executive Suite for a quiet flight experience. With a lower price point than previous *Learjet* aircraft, the *Learjet 75 Liberty* offers better performance at the same operating costs as competitor aircraft.[2] The aircraft will be manufactured in Wichita with first deliveries expected in 2020.

(1) Currently under development. See the *Global 5500, Global 6500, Global 8000* and *Learjet 75 Liberty* aircraft disclaimer at the end of this MD&A.
(2) Under certain operating conditions, when compared to aircraft currently in service.

Aircraft deliveries and order backlog

Aircraft deliveries

(in units)	Three-month periods ended September 30 2019	2018	Nine-month periods ended September 30 2019	2018
Business aircraft				
Light	**5**	4	**9**	9
Medium	**17**	20	**48**	58
Large	**9**	7	**33**	29
	31	31	**90**	96
Commercial aircraft(1)				
Regional jets(2)	**6**	3	**20**	14
Turboprops(3)	**—**	2	**7**	9
	6	5	**27**	23
	37	36	**117**	119

(1) Excluding 13 CS300 aircraft deliveries for the first six months of the nine-month period ended September 30, 2018. Subsequent to the C Series Partnership closing, Airbus rebranded CS100 and CS300 as A220-100 and A220-300, respectively.
(2) 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.
(3) 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 7 deliveries for the nine-month period ended September 30, 2019 are for the first five months only.

Order backlog

(in billions of dollars)	**September 30, 2019**	As at December 31, 2018
Business aircraft	**$ 15.3**	$ 14.3
Other aviation(1)	**2.6**	4.3
	$ 17.9	$ 18.6

(1) Including 32 firm orders for *CRJ900* as of September 30, 2019 and 45 firm orders and 4 options for *CRJ900* as of December 31, 2018.

Subsequent to the end of this quarter, an order for 6 *CRJ900* aircraft was cancelled.

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

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 sale of 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.

Conclusion of the 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.

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 $370 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.

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 is pursuing 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 September 30	2019 [1]	2018	Variance
Revenues	**$ 2,175**	$ 2,140	2 %
Order intake (in billions of dollars)	**$ 4.5**	$ 1.9	137 %
Book-to-bill ratio[2]	**2.1**	0.9	1.2
Adjusted EBITDA[3][4]	**$ 144**	$ 212	(32)%
Adjusted EBITDA margin[3][4]	**6.6%**	9.9%	(330) bps
Adjusted EBIT[3][4]	**$ 110**	$ 187	(41)%
Adjusted EBIT margin[3][4]	**5.1%**	8.7%	(360) bps
EBIT[3]	**$ 88**	$ 184	(52)%
EBIT margin[3]	**4.0%**	8.6%	(460) bps
Net additions to PP&E and intangible assets	**$ 48**	$ 36	33 %
As at	**September 30, 2019**	December 31, 2018	
Order backlog (in billions of dollars)	**$ 35.1**	$ 34.5	2 %

(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 $20 million for the three-month period ended September 30, 2019 ($22 million for the three-month period ended September 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.

Key highlights and events

- Transportation is gradually turning the corner on large, legacy projects as it makes progress against key project milestones.
    - With deliveries increasing approximately 15% over the previous quarter, this progress positions the business to further accelerate the release of excess working capital starting in the fourth quarter and into 2020 and 2021.[1]
    - To achieve this result, we are nearing completion of software testing and homologation for U.K. projects while completing production and we continue driving stronger in-service reliability in Switzerland and Germany to trigger customer acceptance of trains in operation.
    - Longer term, the turnaround at Transportation is supported by the recent redeployment of resources, investments in additional capacity, and a strengthened management team, resting on a solid backlog and quality order intake. This drives our confidence in the long-term prospects of the business.
- Revenues during the quarter totalled $2.2 billion, delivering 5% growth year-over-year, excluding currency translation, mainly coming from services. Transportation remains on track to the full year revenue guidance of approximately $8.75 billion,[1] assuming a 1.12 Euro to U.S. dollar exchange rate.
- Adjusted EBIT margin[2] for the quarter of 5.1% is in line with full year guidance of approximately 5.0%, reflecting a concentration of large, late-stage projects and includes the costs associated with planned investments in manufacturing and engineering capacity announced earlier this year. Reported EBIT margin for the quarter is 4.0%.
- Backlog grew to $35.1 billion during the quarter, supported by $4.5 billion of order intake driving a book-to-bill ratio[3] of 2.1. For the first nine months of the year, Transportation's order intake was $8.1 billion, with a strong mix of high re-use projects, services and signalling orders as well as significant call-offs. Improving the backlog mix by replacing legacy projects with lower-risk projects is key to return to stronger financial performance.
    - Highlighting the quarters’ order activity, Transportation is part of a consortium that was awarded a contract to supply and operate two monorail lines in Cairo, Egypt with its share valued at $2.64 billion. This award leverages Transportation's *INNOVIA* Monorail platform through an integrated offering of rolling stock and systems, signalling and services solutions. This project re-uses the platform operating in Sao Paulo, Brazil, since 2014 and currently under construction in Bangkok, Thailand and Wuhu, China.

(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) 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.
(3) Ratio of new orders over revenues.

INDUSTRY AND ECONOMIC ENVIRONMENT

Overall the order volume across the industry showed stable growth in the year-to-date period compared to the same period last year.

Europe

In Europe, year-to-date order volume increased compared to the same period in 2018. A slight decline was observed for the third quarter compared to the same period last year due to a significant contract for very high-speed trains awarded last year in France (TGV du Futur). During the third quarter of 2019, the order volume was driven primarily by several medium-sized contracts for commuter, regional and intercity and very high-speed trains in France, Turkey and the U.K., as well as noteworthy contracts for metros and light rail vehicles (LRVs) in Germany and Switzerland, and locomotives in Spain. The most significant services agreements were signed in the U.K. and Austria, and signalling orders were placed in Germany, Italy and Poland. In Eastern Europe, Hungary, Poland and Latvia were the key drivers of market growth with orders for commuter and regional trains, as well as services.

The outlook for Europe is expected to remain positive for the remainder of 2019. Many opportunities are foreseen for commuter and regional trains in Spain, Germany, Italy and Czech Republic, and for intercity trains in Switzerland, Sweden and the U.K. Demand for urban transit solutions will remain strong in Europe with orders expected for metro trains in France and Turkey, as well as for LRVs in the U.K., Germany, Turkey and parts of Eastern Europe. Germany, Poland and Nordic countries are expected to drive demand for locomotives. In the services segment, contracts are anticipated mainly in Spain, the U.K., Germany and Austria for fleet maintenance. Significant investments are expected for signalling solutions in Poland, Turkey and Germany for mainline and European Rail Traffic Management System (ERTMS) solutions.

North America

In North America, year-to-date order volume decreased compared to the same period in 2018, mainly due to large contracts awarded last year in the U.S. and Canada for metro trains, along with services agreements in Canada. However, order volume for the third quarter of 2019 increased compared to the same period in 2018, as medium-sized contracts were awarded in the U.S. for commuter trains and fleet maintenance services, as well as LRVs. Orders were also awarded in Canada for signalling and wayside solutions, and commuter trains.

Continued order activity is expected for the North American market in the last quarter of 2019, with opportunities anticipated in the U.S. for metro trains, as well as for signalling and services in both the U.S. and Canada. In Mexico, demand is anticipated for intercity trains and locomotives.

Asia-Pacific

In Asia-Pacific, order volume declined slightly on a year-to-date basis compared to the same period last year. This was largely due to decline in metro orders in China. During the third quarter of 2019, orders were awarded for metro trains for China, Singapore and India, as well as intercity trains for South Korea. In the signalling and services segments, smaller sized orders were placed in India, Malaysia and Australia.

Asia-Pacific is expected to recover from the decline observed in the third quarter of 2019, with large contracts expected to be awarded in the last quarter of 2019 for metro trains in China, India and Singapore, commuter trains in China and Australia, as well as very high-speed trains in Thailand. In the urban mobility sector, China is also expected to invest in automated and turnkey solutions such as monorails. Many services opportunities for fleet maintenance are also anticipated for metro trains in China and India, commuter trains in Australia, as well as locomotives in Thailand. In the signalling segment, investments are anticipated for metro signalling in China, Singapore, India and Vietnam as well as for ERTMS solutions in India, Thailand and Australia.

Rest of World[1]

In the Rest of World region, the year-to-date order volume increased significantly compared to the same period in 2018. In the third quarter of 2019, the main contracts were secured for monorails in Egypt, including a sizeable portion for services, as well as signalling. A sizeable order was awarded for commuter trains in Russia, and smaller sized orders were also awarded for locomotives in Uzbekistan and metro trains in Iran.

The positive outlook is expected to continue for the Rest of World region for the last quarter of 2019, with significant opportunities for automated people movers (APM) and monorail systems expected in Brazil, LRV opportunities in Morocco, as well as locomotive opportunities in Israel. Within the services segment, contracts for fleet maintenance are anticipated in South Africa, as well as for maintenance and modernization of locomotives in Egypt. Significant tenders for ERTMS signalling are anticipated in United Arab Emirates, Algeria and Iran, while Turkmenistan, Peru and Georgia are expected to order conventional mainline signalling solutions.

[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 September 30		Nine-month periods ended September 30	
	2019 (1)	2018	**2019** (1)	2018
Revenues				
Rolling stock and systems[2]	**$ 1,405**	$ 1,446	**$ 4,302**	$ 4,528
Services[3]	**555**	475	**1,553**	1,534
Signalling[4]	**215**	219	**621**	692
Total revenues	**$ 2,175**	$ 2,140	**$ 6,476**	$ 6,754
Adjusted EBITDA[5][6]	**$ 144**	$ 212	**$ 408**	$ 658
Amortization	**34**	25	**101**	75
Impairment charges on PP&E and intangible assets	**—**	—	**3**	—
Adjusted EBIT[5][6]	**110**	187	**304**	583
Special items	**22**	3	**46**	45
EBIT[5]	**$ 88**	$ 184	**$ 258**	$ 538
Adjusted EBITDA margin[5][6]	**6.6%**	9.9%	**6.3%**	9.7%
Adjusted EBIT margin[5][6]	**5.1%**	8.7%	**4.7%**	8.6%
EBIT margin[5]	**4.0%**	8.6%	**4.0%**	8.0%

(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 $20 million and $69 million, respectively, for the three- and nine-month periods ended September 30, 2019 ($22 million and $75 million for the three- and nine-month periods ended September 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-month period ended September 30, 2019, have increased by $35 million, while revenues for the nine-month period have decreased by $278 million, compared to the same periods last year. Excluding negative currency impacts of $78 million and $314 million, respectively, revenues for the three- and nine-month periods have increased by $113 million, or 5%, and $36 million, or 1%, respectively, compared to the same periods last year.

The $113-million increase excluding currency impact for the three-month period is mainly explained by:
- higher activities in services in Europe, Asia-Pacific and North America;
- higher activities in rolling stock in Europe, mostly due to ramp-up in production related to some commuter and regional train, light rail vehicle (LRV), and high-speed and very high-speed train contracts, partly offset by some locomotive contracts nearing completion; and
- higher activities in signalling in North America and Asia-Pacific.

Partially offset by:
- lower activities in rolling stock in Asia-Pacific and the Rest of World region, mostly due to some commuter and regional train and some mass transit contracts in both regions nearing completion, partly offset by ramp-up in production related to some propulsion and controls, metro and automated people mover (APM) contracts in Asia-Pacific and some locomotive contracts in the Rest of World region; and
- lower activities in signalling in Europe and the Rest of World region.

The $36-million increase excluding currency impact for the nine-month period is mainly explained by:
- higher activities in rolling stock in Europe and North America, mostly due to ramp-up in production related to some LRV contracts in both regions, some metro and high-speed train contracts in Europe and some locomotive contracts in North America, partly offset by some commuter and regional train contracts in Europe and some APM contracts in North America nearing completion, and slower production ramp-up in certain contracts; and
- higher activities in services in Europe, North America and Asia-Pacific.

Partially offset by:
- lower activities in rolling stock in Asia-Pacific and the Rest of World region, mostly due to some mass transit system contracts in both regions and some commuter and regional train contracts in Asia-Pacific nearing completion, and slower production ramp-up on certain contracts, partly offset by ramp-up in production related to some metro, propulsion and APM contracts in Asia-Pacific and some locomotive and commuter and regional train contracts in the Rest of World region; and
- lower activities in signalling in the Rest of World region.

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 September 30		Nine-month periods ended September 30	
	Ref	**2019**	2018	**2019**	2018
Restructuring charges	1	**$ 22**	$ 1	**$ 46**	$ 16
Impairment of non-core operations	2	**—**	—	**—**	17
Purchase of pension annuities	3	**—**	2	**—**	12
		$ 22	$ 3	**$ 46**	$ 45
EBIT margin impact		**1.0%**	0.1%	**0.7%**	0.7%

1. Represents severance charges of $27 million and $59 million for the three- and nine-month periods, respectively, partially offset by curtailment gains recognized in the third quarter of $5 million, related to previously-announced restructuring actions (For the three- and nine-month periods ended September 30, 2018, charges of $1 million and $12 million, respectively, partially offset by curtailment gains recognized in the second quarter of 2018 of $4 million); in line with these initiatives, reversals of asset write-downs of $8 million were also recorded in the first half of 2019 (asset write-downs of $8 million were recorded in the second quarter of 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 3.6 percentage points, mainly as a result of:
- lower margin in rolling stock and systems, mainly due to revised estimates on certain contracts; and
- lower margin in signalling, mainly due to an unfavourable contract mix.

Partially offset by:
- higher margin in services, mainly due to a positive impact from revised estimates on certain contracts; and
- lower R&D expenses.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 4.6 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 nine-month period decreased by 3.9 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 signalling, mainly due to an unfavourable contract mix; and
- lower margin in services, mainly due to a positive impact from revised estimates on certain contracts in the same period last year.

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 nine-month period decreased by 4.0 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

	Three-month periods ended September 30				Nine-month periods ended September 30			
(in billions of dollars)		**2019**		2018		**2019**		2018
Balance at the beginning of period	**$**	**33.6**	$	34.0	**$**	**34.5**	$	35.1 [1]
Order intake		**4.5**		1.9		**8.1**	$	6.6
Revenues		**(2.2)**		(2.1)		**(6.5)**	$	(6.8)
Foreign currency impact		**(0.8)**		0.1		**(1.0)**	$	(1.0)
Balance at the end of period	**$**	**35.1**	$	33.9	**$**	**35.1**	$	33.9
Book-to-bill ratio[2]		**2.1**		0.9		**1.3**		1.0

(1) Backlog as at December 31, 2017 was restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other in the 2018 Financial Report for details.
(2) Ratio of new orders over revenues.

Order intake for the three- and nine-month periods ended September 30, 2019, has increased by $2.6 billion and $1.5 billion, respectively, compared to the order intake for the same periods last year. We have obtained several orders across various product segments and regions during the nine-month period ended September 30, 2019, and have maintained a leading position[1] in our relevant and accessible rail market.[2]

(1) Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
(2) 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 nine-month period ended September 30, 2019 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value [1]
Third quarter					
National Authority for Tunnels (NAT)	Egypt	*INNOVIA* 300 Monorail system and trains, *CITYFLO* 650 signalling and automatic train control technology and operations and maintenance (O&M) services	280	Rolling stock and systems, Signalling, and Services	$ 2,640 [2]
Undisclosed	Asia-Pacific	Undisclosed	N/A	Rolling stock and systems	$ 247
Undisclosed	North America	Undisclosed	N/A	Services	$ 247
Dresdner Verkehrsbetriebe (DVB)	Germany	*FLEXITY* trams, *FlexCare* maintenance management system and Obstacle Detection	30	Rolling stock and systems, and Services	$ 219
Abellio UK and Eversholt Rail Ltd.	U.K.	Train Services Agreement (TSA)	N/A	Services	$ 161
Undisclosed	Europe	Undisclosed	N/A	Services	$ 106
Undisclosed	North America	Undisclosed	N/A	Rolling stock and systems	$ 104
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 [3]
City and County of San Francisco	U.S.	O&M 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 as part of a consortium with Orascom Construction PLC and Arab Contractors. The total contract is valued at $4.16 billion, and only our share of the contract is stated above.
[3] 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 24 - 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 nine-month period ended September 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 28 - 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 nine-month period ended September 30, 2019, other than those described elsewhere in this MD&A. Also refer to Note 28 - 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 nine-month period ended September 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 provided the interim update below on the status of our previously disclosed internal review in our quarterly report for the second quarter of 2019 to demonstrate our commitment to operating openly, honestly, and with unwavering integrity. There has been no material development since August 2, 2019.

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 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 is being 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:

	September 30, 2019	December 31, 2018	Increase (decrease)
Euro	**1.0935**	1.1450	(4%)
Canadian dollar	**0.7545**	0.7337	3%
Pound sterling	**1.2317**	1.2800	(4%)

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

	September 30, 2019	September 30, 2018	Decrease
Euro	**1.1126**	1.1636	(4%)
Canadian dollar	**0.7578**	0.7644	(1%)
Pound sterling	**1.2343**	1.3044	(5%)

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

	September 30, 2019	September 30, 2018	Decrease
Euro	**1.1244**	1.1956	(6%)
Canadian dollar	**0.7525**	0.7778	(3%)
Pound sterling	**1.2734**	1.3530	(6%)

SELECTED FINANCIAL INFORMATION

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

Fiscal years			**2019**				2018	2017 restated(1)
	Third	Second	First	Fourth	Third	Second	First	Fourth
Revenues	**$ 3,722**	$ 4,314	$ 3,516	$ 4,303	$ 3,643	$ 4,262	$ 4,028	$ 4,611
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (139)**	$ (83)	$ 195	$ 15	$ 111	$ 68	$ 38	$ (190)
EPS (in dollars)								
Basic	**$ (0.06)**	$ (0.04)	$ 0.08	$ 0.02	$ 0.04	$ 0.03	$ 0.01	$ (0.09)
Diluted	**$ (0.06)**	$ (0.04)	$ 0.08	$ 0.02	$ 0.04	$ 0.02	$ 0.01	$ (0.09)
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.(2)	**$ (103)**	$ (101)	$ (173)	$ 134	$ 122	$ 78	$ 22	$ (38)
Adjusted EPS (in dollars)(2)	**$ (0.04)**	$ (0.04)	$ (0.07)	$ 0.05	$ 0.04	$ 0.03	$ 0.01	$ (0.02)

(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 October 29, 2019

	Authorized	Issued and outstanding
Class A Shares (multiple voting)[1]	3,592,000,000	308,748,929
Class B Shares (subordinate voting)[2]	3,592,000,000	2,087,740,015 [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 39,157,817 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU plans.

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

Warrants issued and outstanding	305,851,872
Options issued and outstanding under the share option plans	134,378,932
PSUs and DSUs issued and outstanding under the PSU and DSU plans	98,905,602
Class B Subordinate Voting Shares held in trust to satisfy PSU obligations	39,157,817

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

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
Third Quarterly Report, for the period ending September 30, 2020	November 5, 2020

Information

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October 30, 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 8000* and *Learjet 75 Liberty* aircraft are currently in development and the *Global 5500* and *Global 6500* aircraft has received Transport Canada Type Certification and European Aviation Safety Agency certification but is awaiting certification by the U.S. Federal Aviation Administration, 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 4 mature trees, 284 kg of CO_2 emissions (equivalent to 1,132 kilometres driven) and 1,234 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 nine-month period ended September 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)

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Notes	**2019** (1)	2018	**2019** (1)	2018
Revenues		**$ 3,722**	$ 3,643	**$ 11,552**	$ 11,933
Cost of sales	11	**3,282**	3,073	**10,160**	10,321
Gross margin		**440**	570	**1,392**	1,612
SG&A		**247**	269	**778**	864
R&D	4	**50**	50	**167**	145
Share of income of joint ventures and associates	26	**(7)**	(9)	**(47)**	(59)
Other income	5	**(9)**	(11)	**(42)**	(81)
Special items	6	**16**	4	**(662)**	84
EBIT		**143**	267	**1,198**	659
Financing expense	7	**261**	147	**821**	465
Financing income	7	**(28)**	(25)	**(130)**	(87)
EBT		**(90)**	145	**507**	281
Income taxes		**1**	(4)	**395**	18
Net income (loss)		**$ (91)**	$ 149	**$ 112**	$ 263
Attributable to					
Equity holders of Bombardier Inc.		**$ (139)**	$ 111	**$ (27)**	$ 217
NCI		**48**	38	**139**	46
		$ (91)	$ 149	**$ 112**	$ 263
EPS (in dollars)	8				
Basic		**$ (0.06)**	$ 0.04	**$ (0.02)**	$ 0.09
Diluted		**$ (0.06)**	$ 0.04	**$ (0.02)**	$ 0.08

(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 September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
Net income (loss)	**$ (91)**	$ 149	**$ 112**	$ 263
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**(1)**	(2)	**(2)**	(3)
Net loss on derivative financial instruments	**(72)**	(4)	**(10)**	(181)
Reclassification to income or to the related non-financial assets	**24**	31	**36**	(18)
Income taxes	**10**	(4)	**(4)**	41
	(39)	21	**20**	(161)
FVOCI financial assets				
Net unrealized gain (loss)	**1**	(2)	**8**	(4)
CCTD				
Net investments in foreign operations	**34**	(27)	**67**	1
Items that are never reclassified to net income				
FVOCI equity instruments				
Net unrealized gain (loss)	**—**	1	**3**	(2)
Retirement benefits				
Remeasurement of defined benefit plans	**(330)**	127	**(1,023)**	621
Income taxes	**46**	4	**80**	(38)
	(284)	132	**(940)**	581
Total OCI	**(288)**	124	**(845)**	417
Total comprehensive income (loss)	**$ (379)**	$ 273	**$ (733)**	$ 680
Attributable to				
Equity holders of Bombardier Inc.	**$ (365)**	$ 217	**$ (799)**	$ 682
NCI	**(14)**	56	**66**	(2)
	$ (379)	$ 273	**$ (733)**	$ 680

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		September 30 2019 [(1)]		December 31 2018		January 1 2018
Assets							
Cash and cash equivalents		**$**	**2,255**	$	3,187	$	2,988
Trade and other receivables			**1,778**		1,575		1,174
Contract assets	10		**2,796**		2,617		2,460
Inventories	11		**5,202**		4,402		3,429
Other financial assets	12		**200**		210		415
Other assets	13		**433**		357		427
Assets held for sale	18		**590**		—		4,150
Current assets			**13,254**		12,348		15,043
PP&E	14		**2,041**		1,557		1,696
Aerospace program tooling			**4,617**		4,519		3,581
Goodwill			**1,865**		1,948		2,042
Deferred income taxes			**540**		746		595
Investments in joint ventures and associates	26		**2,216**		2,211		491
Other financial assets	12		**1,294**		1,030		825
Other assets	13		**536**		599		643
Non-current assets			**13,109**		12,610		9,873
		$	**26,363**	$	24,958	$	24,916
Liabilities							
Trade and other payables		**$**	**4,441**	$	4,634	$	3,964
Provisions	15		**974**		1,390		1,630
Contract liabilities	10		**4,890**		4,262		3,820
Other financial liabilities	16		**1,279**		607		342
Other liabilities	17		**1,343**		1,499		1,723
Liabilities directly associated with assets held for sale	18		**552**		—		2,686
Current liabilities			**13,479**		12,392		14,165
Provisions	15		**648**		1,110		781
Contract liabilities	10		**1,961**		1,933		1,272
Long-term debt	21		**9,323**		9,093		9,200
Retirement benefits			**3,218**		2,381		2,633
Other financial liabilities	16		**1,415**		1,526		965
Other liabilities	17		**999**		537		595
Non-current liabilities			**17,564**		16,580		15,446
			31,043		28,972		29,611
Equity (deficit)							
Attributable to equity holders of Bombardier Inc.			**(6,340)**		(5,563)		(6,608)
Attributable to NCI			**1,660**		1,549		1,913
			(4,680)		(4,014)		(4,695)
		$	**26,363**	$	24,958	$	24,916
Commitments and contingencies	28						

(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)	Remea-surement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at June 30, 2019	$ 347	$ 2,625	$ 343	$ (6,196)	$ (2,964)	$ 205	$ 9	$ (9)	$ (340)	$ (5,980)	$ 1,628	$ (4,352)
Total comprehensive income												
Net income (loss)	—	—	—	(139)	—	—	—	—	—	(139)	48	(91)
OCI	—	—	—	—	(284)	—	1	(39)	96	(226)	(62)	(288)
	—	—	—	(139)	(284)	—	1	(39)	96	(365)	(14)	(379)
Options exercised	—	1	—	—	—	—	—	—	—	1	—	1
Issuance of NCI(1)	—	—	—	—	—	—	—	—	—	—	49	49
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(3)	(3)
Share-based expense	—	—	—	—	—	4	—	—	—	4	—	4
As at September 30, 2019	**$ 347**	**$ 2,626**	**$ 343**	**$ (6,335)**	**$ (3,248)**	**$ 209**	**$ 10**	**$ (48)**	**$ (244)**	**$ (6,340)**	**$ 1,660**	**$ (4,680)**
As at June 30, 2018	$ 347	$ 2,633	$ 73	$ (6,438)	$ (2,125)	$ 217	$ (1)	$ (48)	$ (406)	$ (5,748)	$ 1,919	$ (3,829)
Total comprehensive income												
Net income	—	—	—	111	—	—	—	—	—	111	38	149
OCI	—	—	—	—	131	—	(1)	21	(45)	106	18	124
	—	—	—	111	131	—	(1)	21	(45)	217	56	273
Options exercised	—	37	—	—	—	(11)	—	—	—	26	—	26
Issuance of warrants(2)	—	—	270	—	—	—	—	—	—	270	—	270
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(19)	(19)
Shares purchased - PSU plans	—	(97)	—	—	—	—	—	—	—	(97)	—	(97)
Shares distributed - RSU plan	—	49	—	—	—	(49)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	20	—	—	—	20	—	20
Change in NCI(3)	—	—	—	—	—	—	—	—	—	—	(391)	(391)
As at September 30, 2018	$ 347	$ 2,622	$ 343	$ (6,334)	$ (1,994)	$ 177	$ (2)	$ (27)	$ (451)	$ (5,319)	$ 1,565	$ (3,754)

(1) Refer to Note 22 - Non-controlling interest for more information.
(2) Related to the convertible shares issued to Airbus on July 1, 2018 in relation to the sale of a majority stake in ACLP.
(3) Represents the derecognition of the non-controlling interest related to the disposal of ACLP.

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
For the nine-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 (loss)	—	—	—	(27)	—	—	—	—	—	(27)	139	112
OCI	—	—	—	—	(943)	—	11	20	140	(772)	(73)	(845)
	—	—	—	(27)	(943)	—	11	20	140	(799)	66	(733)
Options exercised	—	3	—	—	—	(1)	—	—	—	2	—	2
Issuance of NCI(1)	—	—	—	—	—	—	—	—	—	—	49	49
Dividends	—	—	—	(14)	—	—	—	—	—	(14)	—	(14)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(4)	(4)
Share-based expense	—	—	—	—	—	34	—	—	—	34	—	34
As at September 30, 2019	**$ 347**	**$ 2,626**	**$ 343**	**$ (6,335)**	**$ (3,248)**	**$ 209**	**$ 10**	**$ (48)**	**$ (244)**	**$ (6,340)**	**$ 1,660**	**$ (4,680)**
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	—	—	—	217	—	—	—	—	—	217	46	263
OCI	—	—	—	—	583	—	(6)	(154)	42	465	(48)	417
	—	—	—	217	583	—	(6)	(154)	42	682	(2)	680
Options exercised	—	41	—	—	—	(12)	—	—	—	29	—	29
Issuance of share capital	—	475	—	—	—	—	—	—	—	475	—	475
Issuance of warrants(2)	—	—	270	—	—	—	—	—	—	270	—	270
Dividends	—	—	—	(21)	—	—	—	—	—	(21)	—	(21)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(71)	(71)
Shares purchased - PSU plans	—	(97)	—	—	—	—	—	—	—	(97)	—	(97)
Shares distributed - RSU plan	—	49	—	—	—	(49)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	67	—	—	—	67	—	67
Change in NCI(3)	—	—	—	(116)	—	—	—	—	—	(116)	(275)	(391)
As at September 30, 2018	$ 347	$ 2,622	$ 343	$ (6,334)	$ (1,994)	$ 177	$ (2)	$ (27)	$ (451)	$ (5,319)	$ 1,565	$ (3,754)

(1) Refer to Note 22 - Non-controlling interest for more information.
(2) Related to the convertible shares issued to Airbus on July 1, 2018 in relation to the sale of a majority stake in ACLP.
(3) Represents the derecognition of the non-controlling interest related to the disposal of ACLP.
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 September 30 2019[(1)]	2018	Nine-month periods ended September 30 2019[(1)]	2018
Operating activities					
Net income (loss)		**$ (91)**	$ 149	**$ 112**	$ 263
Non-cash items					
Amortization[(2)]		**96**	62	**293**	188
Impairment charges (reversals) on PP&E and intangible assets	5, 6	**—**	—	**(4)**	11
Deferred income taxes		**(23)**	(50)	**286**	(73)
Gains on disposals of PP&E and intangible assets	5, 6	**—**	(11)	**(7)**	(575)
Losses (gains) on disposals of businesses	5, 6	**—**	10	**(739)**	609
Share of income of joint ventures and associates	26	**(7)**	(9)	**(47)**	(59)
Share-based expense	23	**4**	20	**34**	67
Loss on repurchase of long-term debt	6, 7	**—**	—	**84**	—
Dividends received from joint ventures and associates		**1**	30	**20**	49
Net change in non-cash balances	24	**(537)**	(342)	**(1,785)**	(1,172)
Cash flows from operating activities		**(557)**	(141)	**(1,753)**	(692)
Investing activities					
Additions to PP&E and intangible assets		**(125)**	(253)	**(417)**	(830)
Proceeds from disposals of PP&E and intangible assets		**—**	24	**15**	663
Deconsolidation of cash and cash equivalents of ACLP		**—**	(151)	**—**	(151)
Outflows related to a disposal of business		**—**	(25)	**—**	(25)
Investments in non-voting units of ACLP		**(115)**	(85)	**(350)**	(85)
Net proceeds from disposal of businesses	19	**—**	—	**826**	—
Capital injection in joint ventures and associates	26	**(12)**	—	**(12)**	—
Other		**(3)**	—	**(3)**	37
Cash flows from investing activities		**(255)**	(490)	**59**	(391)
Financing activities					
Net proceeds from issuance of long-term debt	21	**—**	—	**1,956**	—
Repayments of long-term debt	21	**—**	(3)	**(1,762)**	(11)
Net change in short-term borrowings	16	**45**	—	**533**	—
Payment of lease liabilities[(3)]		**(25)**	—	**(81)**	—
Dividends paid - Preferred shares		**(5)**	(5)	**(15)**	(15)
Purchase of Class B Shares held in trust under the PSU plans		**—**	(97)	**—**	(97)
Issuance of Class B Shares		**—**	28	**—**	504
Issuance of NCI	22	**49**	—	**49**	—
Dividends to NCI		**(3)**	(19)	**(4)**	(71)
Other		**2**	61	**3**	(3)
Cash flows from financing activities		**63**	(35)	**679**	307
Effect of exchange rates on cash and cash equivalents		**47**	10	**83**	37
Net decrease in cash and cash equivalents		**(702)**	(656)	**(932)**	(739)
Cash and cash equivalents at beginning of period[(4)]		**2,957**	2,974	**3,187**	3,057
Cash and cash equivalents at end of period[(4)]		**$ 2,255**	$ 2,318	**$ 2,255**	$ 2,318
Supplemental information					
Cash paid for					
Interest		**$ 129**	$ 150	**$ 471**	$ 488
Income taxes		**$ 48**	$ 36	**$ 117**	$ 107
Cash received for					
Interest		**$ 8**	$ 6	**$ 21**	$ 22
Income taxes		**$ 6**	$ 2	**$ 8**	$ 5

(1) Refer to Note 2 - Changes in accounting policies for the impact of the adoption of IFRS 16, *Leases*.
(2) Includes $27 million and $78 million representing amortization charge related to right-of-use of assets for the three-and nine-month periods ended September 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 nine-month periods ended September 30, 2019 amounted to $39 million and $127 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 nil as at September 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 nine-month period ended September 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 two distinct segments since July 1, 2019: Aviation and Transportation. Previously, the Corporation was carrying out its operations in four distinct segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. See Note 3 - Segment disclosure for restated figures.

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 nine-month periods ended September 30, 2019 were authorized for issuance by the Board of Directors on October 30, 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
	September 30, 2019	December 31, 2018	January 1, 2018
Euro	**1.0935**	1.1450	1.1993
Canadian dollar	**0.7545**	0.7337	0.7975
Pound sterling	**1.2317**	1.2800	1.3517

		Average exchange rates for the three-month periods ended		**Average exchange rates for the nine-month periods ended**
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Euro	**1.1126**	1.1636	**1.1244**	1.1956
Canadian dollar	**0.7578**	0.7644	**0.7525**	0.7778
Pound sterling	**1.2343**	1.3044	**1.2734**	1.3530

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 two reportable segments: Aviation and Transportation. Each reportable segment offers different products and services and mostly requires different technology and marketing strategies.

Aviation

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

Corporate and Others comprise corporate charges that are not allocated to segments, elimination of profit on intercompany transactions between the segments, participation in a partnership with Airbus on the A220 Family aircraft 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 September 30, 2019			
	Transportation	**Aviation**	**Corporate and Others**	**Total**
Results of operations				
External revenues	**$ 2,175**	**$ 1,548**	**$ (1)**	**$ 3,722**
Intersegment revenues	**—**	**10**	**(10)**	**—**
Total revenues	**2,175**	**1,558**	**(11)**	**3,722**
EBIT before special items	**110**	**93**	**(44)**	**159**
Special items[1]	**22**	**(3)**	**(3)**	**16**
EBIT	**$ 88**	**$ 96**	**$ (41)**	**143**
Financing expense				**261**
Financing income				**(28)**
EBT				**(90)**
Income taxes				**1**
Net loss				**$ (91)**
Other information				
R&D[2]	**$ 21**	**$ 29**	**$ —**	**$ 50**
Share of loss (income) of joint ventures and associates	**$ (20)**	**$ 1**	**$ 12**	**$ (7)**
Net additions (proceeds) to PP&E and intangible assets[3]	**$ 48**	**$ 87**	**$ (10)**	**$ 125**
Amortization	**$ 34**	**$ 61**	**$ 1**	**$ 96**

[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 September 30, 2018			
	Transportation	Aviation	Corporate and Others	Total
Results of operations				
External revenues	$ 2,139	$ 1,504	$ —	$ 3,643
Intersegment revenues	1	—	(1)	—
Total revenues	2,140	1,504	(1)	3,643
EBIT before special items	187	129	(45)	271
Special items[1]	3	(3)	4	4
EBIT	$ 184	$ 132	$ (49)	267
Financing expense				147
Financing income				(25)
EBT				145
Income taxes				(4)
Net income				$ 149
Other information				
R&D[2]	$ 32	$ 18	$ —	$ 50
Share of loss (income) of joint ventures and associates	$ (22)	$ —	$ 13	$ (9)
Net additions (proceeds) to PP&E and intangible assets[3]	$ 36	$ 191	$ 2	$ 229
Amortization	$ 25	$ 37	$ —	$ 62

[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.

	Nine-month period ended September 30, 2019			
	Transportation	**Aviation**	**Corporate and Others**	**Total**
Results of operations				
External revenues	**$ 6,474**	**$ 5,078**	**$ —**	**$ 11,552**
Intersegment revenues	**2**	**10**	**(12)**	**—**
Total revenues	**6,476**	**5,088**	**(12)**	**11,552**
EBIT before special items	**304**	**388**	**(156)**	**536**
Special items[1]	**46**	**(712)**	**4**	**(662)**
EBIT	**$ 258**	**$ 1,100**	**$ (160)**	**1,198**
Financing expense				**821**
Financing income				**(130)**
EBT				**507**
Income taxes				**395**
Net income				**$ 112**
Other information				
R&D[2]	**$ 76**	**$ 91**	**$ —**	**$ 167**
Share of loss (income) of joint ventures and associates	**$ (69)**	**$ 2**	**$ 20**	**$ (47)**
Net additions (proceeds) to PP&E and intangible assets[3]	**$ 112**	**$ 298**	**$ (8)**	**$ 402**
Amortization	**$ 101**	**$ 191**	**$ 1**	**$ 293**
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.

	Nine-month period ended September 30, 2018			
	Transportation	Aviation	Corporate and Others	Total
Results of operations				
External revenues	$ 6,750	$ 5,181	$ 2	$ 11,933
Intersegment revenues	4	1	(5)	—
Total revenues	6,754	5,182	(3)	11,933
EBIT before special items	583	288	(128)	743
Special items[(1)]	45	35	4	84
EBIT	$ 538	$ 253	$ (132)	659
Financing expense				465
Financing income				(87)
EBT				281
Income taxes				18
Net income				$ 263
Other information				
R&D[(2)]	$ 86	$ 59	$ —	$ 145
Share of loss (income) of joint ventures and associates	$ (75)	$ 3	$ 13	$ (59)
Net additions (proceeds) to PP&E and intangible assets[(1)(3)]	$ 107	$ 55	$ 5	$ 167
Amortization	$ 75	$ 113	$ —	$ 188
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:

	September 30, 2019	December 31, 2018	January 1, 2018
Assets			
Total assets	**$ 26,363**	$ 24,958	$ 24,916
Assets not allocated to segments			
Cash and cash equivalents	**2,255**	3,187	3,057
Income tax receivable[(1)]	**36**	49	60
Deferred income taxes	**540**	746	595
Segmented assets	**23,532**	20,976	21,204
Liabilities			
Total liabilities	**31,043**	28,972	29,611
Liabilities not allocated to segments			
Interest payable[(2)]	**222**	138	139
Income taxes payable[(3)]	**151**	173	187
Long-term debt[(4)]	**9,323**	9,102	9,218
Segmented liabilities	**$ 21,347**	$ 19,559	$ 20,067
Net segmented assets			
Transportation	**$ (175)**	$ (412)	$ (1,106)
Aviation	**$ 616**	$ 845	$ 2,740
Corporate and Others	**$ 1,744**	$ 984	$ (497)

(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 September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
Aviation				
Business Aircraft				
Manufacturing and Other[(1)]	**$ 812**	$ 777	**$ 2,523**	$ 2,617
Services[(2)]	**302**	306	**943**	883
Commercial Aircraft[(3)]	**239**	256	**996**	1,335
Aerostructures and Engineering Services	**205**	165	**626**	347
	1,558	1,504	**5,088**	5,182
Transportation				
Rolling stock and systems[(4)]	**1,405**	1,447	**4,302**	4,529
Services[(5)]	**555**	475	**1,553**	1,534
Signalling[(6)]	**215**	218	**621**	691
	2,175	2,140	**6,476**	6,754
Corporate and Others	**(11)**	(1)	**(12)**	(3)
	$ 3,722	$ 3,643	**$ 11,552**	$ 11,933

[(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 September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
R&D expenditures	**$ 83**	$ 260	**$ 298**	$ 746
Less: development expenditures capitalized to aerospace program tooling	**(55)**	(222)	**(204)**	(642)
	28	38	**94**	104
Add: amortization of aerospace program tooling	**22**	12	**73**	41
	$ 50	$ 50	**$ 167**	$ 145

5. OTHER INCOME

Other income was as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
Changes in estimates and fair value[1]	**$ (6)**	$ (1)	**$ (35)**	$ (72)
Gains on disposals of PP&E and intangible assets	**—**	(11)	**(7)**	(14)
Impairment of PP&E and intangible assets[2]	**—**	—	**4**	3
Gain on sale of a business[2]	**—**	—	**(4)**	—
Severance and other involuntary termination costs (including changes in estimates)[2]	**—**	1	**1**	2
Other	**(3)**	—	**(1)**	—
	$ (9)	$ (11)	**$ (42)**	$ (81)

(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 September 30		Nine-month periods ended September 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)**	—
Loss on repurchase of long-term debt[3]	**—**	—	**84**	—
Restructuring charges[4]	**22**	2	**84**	18
Reversal of *Learjet 85* aircraft program cancellation provisions[5]	**(3)**	—	**(15)**	(1)
Primove impairment and other costs[6]	**(3)**	4	**4**	4
C Series transaction with Airbus[7]	**—**	10	**—**	609
Gain on disposal of PP&E[8]	**—**	—	**—**	(561)
Impairment of non-core operations[9]	**—**	—	**—**	17
Purchase of pension annuities[10]	**—**	22	**—**	32
Changes in credit and residual value guarantees[11]	**—**	(34)	**—**	(34)
Tax litigation[12]	**—**	(4)	**—**	(4)
Income taxes	**(2)**	(1)	**237**	(71)
	$ 14	$ (1)	**$ (341)**	$ 9
Of which is presented in				
Special items in EBIT	**$ 16**	$ 4	**$ (662)**	$ 84
Financing expense - interest related to tax litigation	**—**	(4)	**—**	(4)
Financing expense - loss on repurchase of long-term debt	**—**	—	**84**	—
Income taxes - effect of special items	**(2)**	(1)	**237**	(71)
	$ 14	$ (1)	**$ (341)**	$ 9

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 nine-month periods ended September 30, 2019, represents severance charges of $27 million and $85 million partially offset by curtailment gains of $5 million and $7 million and by the reversal of previously-recorded impairment charges of nil and $8 million, related to previously-announced restructuring actions. For the three- and nine-month periods ended September 30, 2018, represents severance charges of $2 million and $14 million partially offset by curtailment gains of nil and $4 million, and impairment charges of PP&E of nil and $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 nine-month period ended September 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 $15 million for the three- and nine-month periods ended September 30, 2019 ($1 million for the nine-month period ended September 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 in the three-month period ended September 30, 2019 a reversal of the contract provision of $3 million, and for the nine-month period ended September 30, 2019 an additional contract provision of $4 million ($4 million for the three- and nine-month period ended September 30, 2018).
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 $609 million ($545 million after tax), of which $599 million was recorded in the three-month period ended June 30, 2018 and $10 million in the three-month period ended September 30, 2018. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $270 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.
8. Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments).
9. An impairment charge related to non-core operations of respectively nil and $17 million recorded in the three- and nine-month periods ended September 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.
11. The provisions for credit and residual value guarantees were reduced following a change in credit risk assumption for an airline. The reduction of provisions was treated as a special item since the original provisions were recorded as special items in 2015.
12. Represents a change in the estimates used to determine the provision related to tax litigation.

7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
Financing expense				
Loss on repurchase of long-term debt[1]	**$ —**	$ —	**$ 84**	$ —
Accretion on net retirement benefit obligations	**18**	16	**51**	50
Accretion on other financial liabilities	**15**	9	**40**	47
Accretion on advances	**10**	2	**27**	14
Changes in discount rates of provisions	**13**	—	**25**	—
Interest expense on lease liabilities[2]	**8**	—	**24**	—
Amortization of letter of credit facility costs	**11**	4	**19**	12
Accretion on provisions	**5**	6	**13**	19
Net loss on certain financial instruments[3]	**—**	7	**—**	—
Other	**19**	19	**63**	61
	99	63	**346**	203
Interest on long-term debt, after effect of hedges	**162**	84	**475**	262
	$ 261	$ 147	**$ 821**	$ 465
Financing income				
Net gain on certain financial instruments[3]	**$ (9)**	$ —	**$ (71)**	$ (11)
Changes in discount rates of provisions	**—**	(2)	**—**	(20)
Tax litigation	**—**	(4)	**—**	(4)
Other	**(8)**	(10)	**(22)**	(24)
	(17)	(16)	**(93)**	(59)
Interest on cash and cash equivalents	**(8)**	(6)	**(28)**	(17)
Income from investment in securities	**(3)**	(2)	**(7)**	(8)
Interest on loans and lease receivables, after effect of hedges	**—**	(1)	**(2)**	(3)
	(11)	(9)	**(37)**	(28)
	$ (28)	$ (25)	**$ (130)**	$ (87)

(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 $11 million for the three- and nine-month periods ended September 30, 2019, using an average capitalization rate of 6.95% and 6.75%, respectively ($66 million and $188 million and 6.63% and 6.62% for the three- and nine-month periods ended September 30, 2018, respectively). 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 September 30		Nine-month periods ended September 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.	**$ (139)**	$ 111	**$ (27)**	$ 217
Preferred share dividends, including taxes	**—**	(7)	**(14)**	(21)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$ (139)**	$ 104	**$ (41)**	$ 196
Dilutive impact of CDPQ conversion option	**—**	(13)	**—**	(6)
Diluted net income (loss) attributable to common equity holders of Bombardier Inc.	**$ (139)**	$ 91	**$ (41)**	$ 190
Weighted-average number of common shares outstanding	**2,386,781**	2,364,820	**2,379,795**	2,299,261
Net effect of stock options, PSUs, DSUs, RSUs and warrants	**—**	260,123	**—**	204,071
Weighted-average diluted number of common shares	**2,386,781**	2,624,943	**2,379,795**	2,503,332
EPS (in dollars)				
Basic	**$ (0.06)**	$ 0.04	**$ (0.02)**	$ 0.09
Diluted	**$ (0.06)**	$ 0.04	**$ (0.02)**	$ 0.08

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 517,503,098 and 522,485,664 for the three- and nine-month periods ended September 30, 2019, respectively (15,465,047 and 24,859,524 for the three- and nine-month periods ended September 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 for the three- and nine-month periods ended September 30, 2019 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
September 30, 2019							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 2,255**	**$ —**	**$ 2,255**	**$ 2,255**
Trade and other receivables	**—**	**—**	**—**	**1,778**	**—**	**1,778**	**1,778**
Other financial assets	**1,029**	**—**	**245**	**85**	**135**	**1,494**	**1,494**
	$ 1,029	**$ —**	**$ 245**	**$ 4,118**	**$ 135**	**$ 5,527**	**$ 5,527**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 4,441**	**$ —**	**$ 4,441**	**$ 4,441**
Long-term debt(1)	**—**	**—**	**n/a**	**9,323**	**—**	**9,323**	**9,457**
Other financial liabilities	**499**	**464**	**n/a**	**1,518**	**213**	**2,694**	**2,731**
	$ 499	**$ 464**	**n/a**	**$ 15,282**	**$ 213**	**$ 16,458**	**$ 16,629**
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:

	September 30, 2019	December 31, 2018	January 1, 2018
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**$ 9,725**	$ 8,882	$ 8,306
Less: advances and progress billings	**(7,376)**	(6,707)	(6,171)
	2,349	2,175	2,135
Service contracts			
Cost incurred and recorded margins	**588**	506	367
Less: advances and progress billings	**(141)**	(64)	(42)
	447	442	325
	$ 2,796	$ 2,617	$ 2,460

Contract liabilities were as follows, as at:

	September 30, 2019	December 31, 2018	January 1, 2018
Advances on aerospace programs	**$ 4,073**	$ 3,075	$ 2,120
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**1,960**	2,124	1,981
Other deferred revenues	**818**	996	991
	$ 6,851	$ 6,195	$ 5,092
Of which current	**$ 4,890**	$ 4,262	$ 3,820
Of which non-current	**1,961**	1,933	1,272
	$ 6,851	$ 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 €599 million ($655 million) as at September 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:

	September 30, 2019	December 31, 2018	January 1, 2018
Aerospace programs	**$ 4,566**	$ 3,546	$ 2,472
Finished products[(1)]	**492**	733	749
Other	**144**	123	208
	$ 5,202	$ 4,402	$ 3,429

(1) Finished products include $85 million of new aircraft not associated with a firm order and pre-owned aircraft, as at September 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 $1,163 million and $3,728 million for the three- and nine-month periods ended September 30, 2019, respectively ($1,061 million and $3,863 million for the three- and nine-month periods ended September 30, 2018, respectively). These amounts include $43 million and $111 million of write-downs and nil and $7 million of reversal of write-downs for the three- and nine-month periods ended September 30, 2019, respectively ($43 million and $203 million of write-downs and $1 million and $10 million of reversal of write-downs for the three- and nine-month periods ended September 30, 2018, respectively).

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	September 30, 2019	December 31, 2018	January 1, 2018
Receivables from related party[(1)]	**$ 464**	$ 385	$ —
ACLP non-voting units	**397**	150	—
Investments in securities[(2)(3)]	**245**	230	361
Derivative financial instruments	**231**	168	332
Long-term contract receivables	**93**	75	253
Restricted cash	**53**	21	12
Aircraft loans and lease receivables[(3)]	**2**	26	49
Investments in financing structures[(3)]	**—**	173	219
Other	**9**	12	14
	$ 1,494	$ 1,240	$ 1,240
Of which current	**$ 200**	$ 210	$ 415
Of which non-current	**1,294**	1,030	825
	$ 1,494	$ 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 September 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 September 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:

	September 30, 2019	December 31, 2018	January 1, 2018
Sales tax and other taxes	**$ 255**	$ 212	$ 262
Intangible assets other than aerospace program tooling and goodwill	**225**	195	120
Prepaid expenses	**157**	107	107
Retirement benefits	**126**	200	290
Prepaid sales concessions and deferred contract costs	**120**	131	174
Income taxes receivable	**36**	49	60
Deferred financing charges	**32**	38	40
Other	**18**	24	17
	$ 969	$ 956	$ 1,070
Of which current	**$ 433**	$ 357	$ 427
Of which non-current	**536**	599	643
	$ 969	$ 956	$ 1,070

14. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2019	January 1, 2019
Buildings	**$ 375**	$ 405
Equipment	**76**	156
Land	**66**	42
Others	**10**	11
	$ 527	$ 614

The expense related to short term leases and low value leases amounted to $6 million and $22 million for the three- and nine-month periods ended September 30, 2019, respectively.

15. PROVISIONS

Changes in provisions were as follows, for the three- and nine-month periods ended September 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	60	—	72 [2]	31 [3]	30	193
Utilization	(80)	(304) [4]	(83)	(185)	(45)	(697)
Reversals	(35)	(27)	(7) [2]	(18) [5]	(15)	(102)
Accretion expense	1	5	—	1	1	8
Effect of changes in discount rates	1	2	—	9	—	12
Effect of foreign currency exchange rate changes	(2)	—	(1)	(1)	(1)	(5)
Balance as at June 30, 2019	$ 460	$ 132	$ 207	$ 983	$ 127	$ 1,909
Additions	51	—	32 [2]	3	3	89
Utilization	(43)	(35) [4]	(60)	(86)	(3)	(227)
Reversals	(18)	(2)	(5) [2]	(8) [3] [5]	(6)	(39)
Accretion expense	—	—	—	4	1	5
Effect of changes in discount rates	—	1	—	12	—	13
Reclassified as liabilities directly associated with assets held for sale[6]	(7)	(96)	—	(5)	—	(108)
Effect of foreign currency exchange rate changes	(11)	—	(4)	(5)	—	(20)
Balance as at September 30, 2019	**$ 432**	**$ —**	**$ 170**	**$ 898**	**$ 122**	**$ 1,622**
Of which current	$ 350	$ —	$ 124	$ 414	$ 86	$ 974
Of which non-current	82	—	46	484	36	648
	$ 432	$ —	$ 170	$ 898	$ 122	$ 1,622

(1) Mainly comprised of claims and litigations.
(2) See Note 6 – Special items for more details on additions and reversals related to restructuring charges.
(3) See Note 6 – Special items for more details on the addition and reversal 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	69	—	26 [3]	101	12	208
Utilization	(104)	(69)	(43)	(353)	(4)	(573)
Reversals	(20)	(5)	(18) [3]	(73)	(1)	(117)
Accretion expense	1	6	—	6	—	13
Effect of changes in discount rates	—	(7)	—	(11)	—	(18)
Effect of foreign currency exchange rate changes	(18)	—	(10)	(9)	(2)	(39)
Balance as at June 30, 2018[2]	$ 600	$ 479	$ 232	$ 1,081	$ 201	$ 2,593
Additions	99 [4]	—	5 [3]	554 [4]	—	658
Utilization	(54)	(19)	(18)	(85)	(19)	(195)
Reversals	(33)	(36) [5]	(3) [3]	(18)	(2)	(92)
Accretion expense	—	3	—	3	—	6
Effect of changes in discount rates	(1)	(1)	—	—	—	(2)
Disposal of ACLP business[6]	(15)	—	—	(378)	—	(393)
Effect of foreign currency exchange rate changes	6	1	3	1	—	11
Balance as at September 30, 2018	$ 602	$ 427	$ 219	$ 1,158	$ 180	$ 2,586
Of which current	$ 488	$ 65	$ 77	$ 531	$ 156	$ 1,317
Of which non-current	114	362	142	627	24	1,269
	$ 602	$ 427	$ 219	$ 1,158	$ 180	$ 2,586

(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) Includes the additional obligations the Corporation's had recorded related to the disposal of ACLP. In addition, includes a provision for onerous contracts related to Primove. See Note 6 – Special items for more details.
(5) See Note 6 – Special items for more details on reversals related to credit and residual value guarantees.
(6) Represents liabilities disposed related to the sale of ACLP. See Note 6 – Special items for more details.

16. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	September 30, 2019	December 31, 2018	January 1, 2018
Government refundable advances[1]	**$ 848**	$ 759	$ 550
Derivative financial instruments	**712**	885	538
Short-term borrowings under Transportation facility	**518**	—	—
Credit and residual value guarantees payable	**370**	172	53
Vendor non-recurring costs	**112**	136	13
Lease subsidies	**—**	53	74
Current portion of long-term debt	**—**	9	18
Other	**134**	119	61
	$ 2,694	$ 2,133	$ 1,307
Of which current	**$ 1,279**	$ 607	$ 342
Of which non-current	**1,415**	1,526	965
	$ 2,694	$ 2,133	$ 1,307

(1) Of which $464 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.

17. OTHER LIABILITIES

Other liabilities were as follows, as at:

	September 30, 2019	December 31, 2018	January 1, 2018
Employee benefits	**$ 589**	$ 643	$ 690
Lease liabilities[1]	**528**	—	—
Accruals for long-term contract costs	**408**	443	640
Supplier contributions to aerospace programs	**399**	389	388
Income taxes payable	**151**	173	187
Other taxes payable	**83**	181	234
Other	**184**	207	179
	$ 2,342	$ 2,036	$ 2,318
Of which current	**$ 1,343**	$ 1,499	$ 1,723
Of which non-current	**999**	537	595
	$ 2,342	$ 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 $370 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:

		September 30, 2019
Current assets[1]	$	352
Non-current assets[2]		238
Total assets	$	590
Current liabilities[3]	$	411
Non-current liabilities[4]		141
Total liabilities	$	552

[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 Bombardier Aviation 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 Bombardier Aviation 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 Bombardier Aviation 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 September 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. NON-CONTROLLING INTEREST

On September 26, 2019, the Corporation and CDPQ (through its affiliates) made a capital injection of €150 million in Bombardier Transportation (Investment) UK Limited. The cash infusion supports Transportation's production ramp up and associated working capital investment. The Corporation and CDPQ participated at their current pro rata share in the capital injection and under the same terms as their original investments. As such, the equity ownership percentage of the Corporation and of CDPQ in Transportation remain the same.

23. SHARE-BASED PLANS

PSU, DSU and RSU plans

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

						Three-month periods ended September 30
			2019			2018
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**120,802,488**	**1,101,849**	**—**	87,811,681	1,154,381	20,499,201
Granted	**3,789,770**	**—**	**—**	988,421	—	—
Exercised	**(22,773,124)**	**—**	**—**	—	(52,532)	(20,460,527)
Forfeited	**(4,015,381)**	**—**	**—**	(1,984,613)	—	(38,674)
Balance at end of period	**97,803,753**	**1,101,849** [(1)]	**—**	86,815,489	1,101,849 [(1)]	—

						Nine-month periods ended September 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	**41,065,407**	**—**	**—**	23,152,030	—	—
Exercised	**(22,773,124)**	**—**	**—**	—	(52,532)	(20,460,527)
Forfeited	**(8,731,628)**	**—**	**—**	(3,467,893)	—	(337,574)
Balance at end of period	**97,803,753**	**1,101,849** [(1)]	**—**	86,815,489	1,101,849 [(1)]	—

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

The compensation revenue, with respect to the PSU, DSU and RSU plans, amounted to $3 million during the three-month period ended September 30, 2019 and the compensation expense amounted to $18 million during the nine-month period ended September 30, 2019, ($14 million and $50 million of compensation expense during the three- and nine-month periods ended September 30, 2018, respectively). The compensation revenue is due to the revision of assumptions related to future performance.

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 September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
Balance at beginning of period	**135,092,946**	129,531,924	**111,545,290**	116,307,725
Granted	**1,842,216**	836,416	**31,012,132**	16,257,940
Exercised	**(381,667)**	(17,762,188)	**(1,663,165)**	(18,703,321)
Forfeited	**(276,415)**	(1,062,621)	**(4,617,177)**	(1,062,621)
Expired	**(1,898,148)**	(1,211,874)	**(1,898,148)**	(2,468,066)
Balance at end of period	**134,378,932**	110,331,657	**134,378,932**	110,331,657

The compensation expense amounted to $6 million and $16 million, respectively, during the three- and nine-month periods ended September 30, 2019 ($6 million and $17 million, respectively, during the three- and nine-month periods ended September 30, 2018).

24. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2019	2018	**2019**	2018
Trade and other receivables	**$ (216)**	$ (213)	**$ (359)**	$ (416)
Inventories	**(394)**	(424)	**(1,344)**	(843)
Contract assets	**137**	(232)	**(255)**	(404)
Contract liabilities	**283**	307	**940**	806
Other financial assets and liabilities, net	**(12)**	59	**120**	104
Other assets	**111**	(42)	**7**	(40)
Trade and other payables	**(181)**	397	**125**	502
Provisions	**(157)**	(27)	**(746)**	(528)
Retirement benefit liability	**(41)**	88	**(24)**	127
Other liabilities	**(67)**	(255)	**(249)**	(480)
	$ (537)	$ (342)	**$ (1,785)**	$ (1,172)

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 €755 million ($825 million) were outstanding under such facilities as at September 30, 2019 (€799 million ($914 million) as at December 31, 2018 and €907 million ($1,088 million) as at January 1, 2018). Receivables of €613 million ($683 million) and €1,652 million ($1,857 million) were sold to these facilities during the three- and nine-month periods ended September 30, 2019, respectively (€391 million ($457 million) and €1,020 million ($1,219 million) during the three- and nine-month periods ended September 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 4.58% as at September 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.

25. 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 ($4,328 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 ($753 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 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 ($820 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 May 2019, the committed amount under Transportation's €3,958 million letter of credit facility was decreased to €3,953 million.

In the three-month period ended June 30, 2019, the Corporation entered into new Uncommitted Short Term Credit Facilities amounting to €225 million ($246 million), also available to Transportation for cash drawings. In the three-month period ended September 30, 2019, the Corporation reduced the Uncommitted Short Term Credit Facilities by €150 million to €75 million ($82 million).

In the three-month period ended September 30, 2019, the Corporation voluntarily cancelled the $397 million unsecured revolving credit facility, which is available for the Corporation excluding Transportation and reduced by $160 million the $361-million letter of credit facility, which is available for the Corporation excluding Transportation to $201 million. In addition, the €689 million ($753 million) Transportation unsecured revolving credit facility increased to €1,164 million ($1,273 million). The committed amount under Transportation's €3,953 million letter of credit facility was increased to €4,078 million. In October 2019, the €3,953 million letter of credit facility was further increased to €4,498 million ($4,918 million). As of September 30, 2019, an amount of €4,053 million ($4,432 million) of letter of credit was used.

26 . 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 September 30, 2019:

	ACLP [(1)]	Other	Total
Cash and cash equivalents	$ 11	$ 333	$ 344
Other current assets	$ 287	$ 865	$ 1,152
Non-current assets	$ 3,231	$ 384	$ 3,615
Current liabilities	$ (525)	$ (884)	$ (1,409)
Non-current liabilities	$ (1,125)	$ (173)	$ (1,298)

(1) As of September 30, 2019, the Corporation invested $575 million in ACLP in exchange for non-voting units of ACLP. In addition, in September 2019, the Corporation invested $12 million in Class A 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 September 30, 2019			Nine-month period ended September 30, 2019		
(Gain)/loss	ACLP	Other	Total	ACLP	Other	Total
Net income	$ 12	$ (19)	$ (7)	$ 20	$ (67)	$ (47)

	Three-month period ended September 30, 2018			Nine-month period ended September 30, 2018		
(Gain)/loss	ACLP	Other	Total	ACLP	Other	Total
Net income	$ 13	$ (22)	$ (9)	$ 13	$ (72)	$ (59)

27. 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.

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 September 30, 2019:

	Total	Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments[1]	$ 231	$ —	$ 231	$ —
Investments in securities	245	32	213	—
Receivable from related party[2]	464	—	—	464
ACLP non-voting rights	397	—	—	397
Long-term contract receivable	72	—	72	—
	$ 1,409	$ 32	$ 516	$ 861
Financial liabilities				
Government refundable advance[2]	$ (464)	$ —	$ —	$ (464)
Derivative financial instruments[1]	(712)	—	(288)	(424)
	$ (1,176)	$ —	$ (288)	$ (888)

(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 nine-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	**3**	**10**	**15**	**(3)**	**(18)**	**10**
Issuances	**—**	**156**	**—**	**—**	**—**	**—**
Settlements	**—**	**—**	**(1)**	**8**	**—**	**79**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**3**	**—**
Balance as at June 30, 2019	**$ 27**	**$ 316**	**$ 187**	**$ (48)**	**$ (329)**	**$ (146)**
Net gains (losses) and interest included in net income	**—**	**3**	**8**	**—**	**—**	**2**
Issuances	**—**	**78**	**—**	**—**	**—**	**—**
Settlements	**—**	**—**	**—**	**4**	**—**	**37**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**12**	**—**
Balance as at September 30, 2019	**$ 27**	**$ 397**	**$ 195**	**$ (44)**	**$ (317)**	**$ (107)**
Reclassified as assets held for sale[(1)]	**(27)**	**—**	**(195)**	**44**	**—**	**—**
Balance as at September 30, 2019	**$ —**	**$ 397**	**$ —**	**$ —**	**$ (317)**	**$ (107)**

	Trade and other payables	Aircraft loans and lease receivables	ACLP non-voting units	Investments in financing structures	Lease subsidies	Conversion option	Funding commit-ments
Balance as at January 1, 2018	$ (6)	$ 47	$ —	$ 219	$ (122)	$ (304)	$ —
Net gains (losses) and interest included in net income	—	(3)	—	6	(2)	(24)	—
Settlements	6	(21)	—	(8)	22	—	—
Effect of foreign currency exchange rate changes	—	—	—	—	—	10	—
Balance as at June 30, 2018	$ —	$ 23	$ —	$ 217	$ (102)	$ (318)	$ —
Net gains (losses) and interest included in net income	—	—	—	7	—	—	—
Issuances	—	—	57	—	—	—	(310)
Settlements	—	—	—	(46)	(4)	—	28
Disposal of CSALP business	—	—	—	—	48	—	—
Effect of foreign currency exchange rate changes	—	—	—	—	—	(3)	—
Balance as at September 30, 2018	$ —	$ 23	$ 57	$ 178	$ (58)	$ (321)	$ (282)

(1) Represent assets and liabilities reclassified as held for sale related to the sale of *CRJ* program.

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 September 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	11.13%	Between 2.14% and 9.99% (6.70%)	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 September 30, 2019:

Impact on EBT			Change of assumptions		
	Change in fair value recognized in EBT for the :				
Gain (loss)	Three-month period ended September 30, 2019	Nine-month period ended September 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	$ (1)	$ 1	$ (1)	$ (1)	$ (1)
Investment in financing structures	$ 3	$ 9	$ (5)	$ (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 nine-month period ended September 30, 2019 of $76 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 nine-month period ended September 30, 2019 of $86 million.

Funding commitments and ACLP non-voting units
Sensitivity analysis
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 nine-month period ended September 30, 2019 of $39 million.

28. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2019	December 31, 2018	January 1, 2018
Aircraft sales			
Residual value	**$ 185**	$ 695	$ 1,060
Credit	**770**	1,034	1,221
Mutually exclusive exposure[1]	**(146)**	(473)	(540)
Total credit and residual value exposure	**$ 809**	$ 1,256	$ 1,741
Trade-in commitments	**$ 1,109**	$ 1,165	$ 1,437
Conditional repurchase obligations	**$ 78**	$ 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 $96 million as at September 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 $429 million as at September 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 $44 million as at September 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 $370 million of credit and residual value guarantees payable, as at September 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 September 30, 2019, the Corporation invested $575 million in ACLP of the original $925 million commitment in exchange for non-voting units of ACLP. In September 2019, the Corporation invested $12 million in Class A units of ACLP and effective September 26, 2019, Airbus owns 50.06%, Investissement Québec owns 16.36% and the Corporation owns 33.58%.

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 September 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.

<u>Sweden</u>
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.

<u>Transnet</u>
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.

<u>Spain</u>
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.