



**BOMBARDIER**

ANNUAL  
INFORMATION  
FORM  
2018

FOR THE YEAR ENDED  
DECEMBER 31, 2018

FEBRUARY 14, 2019

# NOTES

- (1) In this Annual Information Form, all monetary amounts are expressed in U.S. dollars, unless otherwise indicated. Certain totals, subtotals and percentages may not agree due to rounding.
  
- (2) *AVENTRA, Bombardier, Challenger, Challenger 350, CRJ, CRJ550, CRJ700, CRJ900, CRJ1000, CRJ Series, FLEXITY, Global, Global 5500, Global 6500, Global 7000, Global 7500, INTERFLO, Learjet, MOVIA, OMNEO, Q400, Q Series, TALENT, TRAXX, TWINDEXX and ZEFIRO* are trademarks of Bombardier Inc. or its subsidiaries.
  
- (3) This Annual Information Form contains references to trademarks of third parties for the purpose of describing Bombardier's competitive environment and the development of its business.
  
- (4) In this Annual Information Form, the term "Bombardier" means, as required by the context, the Corporation and its subsidiaries on a consolidated basis or the Corporation or one or more of its subsidiaries. The term "Transportation" refers to the Corporation's rail transportation reportable segment, the term "Business Aircraft" refers to the Corporation's business aircraft reportable segment, the term "Commercial Aircraft" refers to the Corporation's commercial aircraft reportable segment, the term "Aerostructures and Engineering Services" refers to the Corporation's aerostructures and engineering services reportable segment and the term "Aerospace" refers collectively to Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services.
  
- (5) Information is as at December 31, 2018, unless otherwise indicated.

# TABLE OF CONTENTS

	Annual Information Form
<b>Corporate Structure</b>	<b>4</b>
Incorporation of the Issuer	4
Subsidiaries	4
<b>General Development of the Business</b>	<b>5</b>
General	5
History	5
<b>Narrative Description of the Business</b>	<b>12</b>
Business Overview	12
Segmented Disclosure	20
Agreements Related to the Use of Certain Technologies	20
Environmental, Social and Governance (ESG) Considerations	21
Intangible Properties	24
Human Resources	24
Risk Factors	25
<b>Dividends</b>	<b>26</b>
<b>General Description of Capital Structure</b>	<b>27</b>
<b>Market for the Securities of the Corporation</b>	<b>32</b>
<b>Directors and Executive Officers</b>	<b>34</b>
<b>Legal Proceedings</b>	<b>38</b>
<b>Transfer Agent and Registrar</b>	<b>41</b>
<b>Material Contracts</b>	<b>42</b>
<b>Interest of Experts</b>	<b>43</b>
<b>Audit Committee Disclosure</b>	<b>44</b>
<b>Additional Information</b>	<b>46</b>
<b>Forward-Looking Statements</b>	<b>47</b>
<b>Schedule 1</b>	<b>49</b>

# CORPORATE STRUCTURE

## INCORPORATION OF THE ISSUER

Bombardier Inc. (the Corporation or Bombardier) was incorporated by letters patent under the laws of Canada on June 19, 1902 and was continued under the *Canada Business Corporations Act* (the CBCA) by a certificate of continuance dated June 23, 1978, which was subsequently the subject of certain amendments. Over the years, the Corporation has filed articles of amendment in order to, among other things, change the structure of its authorized share capital, including to change the rights, privileges, restrictions and conditions attached thereto, reflect various two-for-one stock splits of the Class A shares (multiple voting) (the Class A shares) and Class B shares (subordinate voting) (the Class B subordinate voting shares), and has filed articles of amalgamation to reflect mergers and amalgamations with, among others, various subsidiaries and affiliates.

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

## SUBSIDIARIES

The activities of the Corporation are conducted either directly or through its subsidiaries. The table below lists the principal subsidiaries of the reportable segments of the Corporation as at December 31, 2018, as well as their jurisdiction of incorporation and the percentage of voting shares held directly or indirectly by the Corporation. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation's consolidated assets or whose revenues did not represent more than 10% of the Corporation's consolidated revenues as at and for the fiscal year ended December 31, 2018,<sup>(1)</sup> have been omitted. The subsidiaries that have been omitted represent, as a group, less than 20% of each of the consolidated assets and the consolidated revenues of the Corporation as at and for the fiscal year ended December 31, 2018.

Aerospace	
Bombardier Aerospace Corporation (Delaware)	100%
Bombardier Aerospace Germany GmbH (Germany)	100%
Learjet Inc. (Kansas)	100%
Short Brothers PLC (Northern Ireland)	100%
Transportation	
Bombardier Transit Corporation (Delaware)	72.5% <sup>(2)</sup>
Bombardier Transportation Australia Pty Ltd. (Australia)	72.5% <sup>(2)</sup>
Bombardier Transportation Canada Inc. (Canada)	72.5% <sup>(2)</sup>
Bombardier Transportation Financial Services S.à r.l. (Luxembourg)	72.5% <sup>(2)</sup>
Bombardier Transport France S.A.S. (France)	72.5% <sup>(2)</sup>
Bombardier Transportation (Global Holding) UK Limited (United Kingdom)	72.5% <sup>(2)</sup>
Bombardier Transportation GmbH (Germany)	72.5% <sup>(2)</sup>
Bombardier Transportation (Holdings) UK Ltd. (United Kingdom)	72.5% <sup>(2)</sup>
Bombardier Transportation (Holdings) USA Inc. (Delaware)	72.5% <sup>(2)</sup>
Bombardier Transportation Italy S.p.A. (Italy)	72.5% <sup>(2)</sup>
Bombardier Transportation Sweden AB (Sweden)	72.5% <sup>(2)</sup>
Bombardier Transportation (Switzerland) AG (Switzerland)	72.5% <sup>(2)</sup>

<sup>(1)</sup> Based on the Corporation's consolidated financial statements for the fiscal year ended December 31, 2018 filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on February 14, 2019.

<sup>(2)</sup> For the 12-month period starting February 12, 2019, Bombardier's percentage of ownership in these subsidiaries will decrease to 70%. See "Note 11 - Non Controlling Interest" of the Corporation's MD&A (as defined below), which Note is incorporated by reference into this Annual Information Form.

# GENERAL DEVELOPMENT OF THE BUSINESS

## GENERAL

The Corporation is the world's leading manufacturer of both planes and trains operating under four reportable segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. The Corporation is providing efficient, sustainable and enjoyable transportation solutions. Its products, services, and most of all, its 68,000 dedicated and highly skilled employees are what makes it a global leader in mobility and innovation. As at the date of this Annual Information Form, the Corporation has 75 production and engineering sites in 28 countries and a worldwide network of service centers.

## HISTORY

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

On January 13, 2016, Bombardier announced that Business Aircraft terminated certain third-party sales representative and distribution agreements as well as restructured certain customer commercial agreements in order to enhance its business model and improve long-term profitability. These agreements resulted in the cancellation of 24 firm orders, which had an aggregate value of \$1.75 billion at 2015 list prices, with an additional cancellation of 30 optional orders. Bombardier expected to sell these positions at improved margins. As a result of the foregoing, Bombardier incurred pre-tax special charges of \$327 million in the fourth quarter of 2015, of which approximately \$145 million was non-cash. Of the cash impact, approximately \$50 million was disbursed in the fourth quarter of 2015 and the balance was paid in 2016.

On January 19, 2016, Commercial Aircraft announced that the C Series aircraft program began the ramp-up to full production. The final assembly facility was fully equipped and production was progressing according to plan with aircraft in various stages of the build sequence. Additionally, Commercial Aircraft announced that the CS100 aircraft was structurally complete. On June 29, 2016, Commercial Aircraft announced the delivery of the first C Series aircraft to Swiss International Air Lines (SWISS) and, on July 15, 2016, SWISS completed the entry-into-service of the CS100 aircraft.

In addition, on February 17, 2016, Bombardier announced that it was taking steps to optimize its workforce with a combination of manpower reduction and strategic hiring and, on October 21, 2016, announced a further series of actions as it continued to execute its five-year turnaround plan launched in 2015. The actions support the Corporation's efforts to build its earnings growth potential and highlight its focus on improving productivity, reducing costs and optimizing its worldwide footprint to deliver increased value to customers and shareholders. Specific actions to be taken by the Corporation include streamlining its administrative and non-production functions across the organization and leveraging its worldwide footprint to create centers of excellence for design, engineering and manufacturing activities in both Aerospace and Transportation. Approximately 7,500 positions were expected to be impacted as the Corporation executed its workforce optimization and site specialization actions through 2018, including approximately 2,000 contractual workers and 800 product development engineers.

Furthermore, on February 17, 2016, Commercial Aircraft announced that Air Canada signed a letter of intent for the purchase of 45 CS300 aircraft with options for an additional 30 CS300 aircraft, including conversion rights to the CS100 aircraft. On June 28, 2016, Commercial Aircraft and Air Canada announced that they had finalized a firm purchase agreement consistent with the previously announced letter of intent. Based on the list price of the CS300 aircraft at that time, the firm order was valued at \$3.8 billion.

On April 1, 2016, Business Aircraft announced that it received a firm order for 20 *Challenger 350* aircraft. Based on the list prices for standard-equipped aircraft at that time, the firm order was valued at \$534 million. On May 23, 2016, Bombardier confirmed that Flexjet, LLC is the customer.

On April 12, 2016, Commercial Aircraft announced that Air Baltic Corporation AS (airBaltic) converted its remaining seven options for CS300 airliner to a firm order. Based on the list price at that time, this firm order was valued at approximately \$506 million. This order brought airBaltic's total firm order to 20 CS300 aircraft. On November 28, 2016,

Commercial Aircraft announced the delivery of the first CS300 aircraft to airBaltic. On December 14, 2016, airBaltic completed its first commercial flight of the CS300 aircraft.

On April 28, 2016, Commercial Aircraft announced that Delta Air Lines, Inc. (Delta) placed a firm order for 75 CS100 aircraft with options for an additional 50 CS100 aircraft. Based on the list price at that time, the firm order was valued at approximately \$5.6 billion. Deliveries of the CS100 aircraft to Delta began in 2018.

On April 29, 2016, Bombardier announced that all candidates proposed by management were elected as directors during its 2016 annual meeting of shareholders, two of whom were elected as new directors for the ensuing year, namely August W. Henningsen and Beatrice Weder di Mauro.

On June 20, 2016, Commercial Aircraft announced that a customer signed a firm purchase agreement for 10 *CRJ900* aircraft. Based on the list price of the *CRJ900* aircraft at that time, the firm agreement was valued at approximately \$472 million. On November 1, 2016, Commercial Aircraft confirmed that Industrial Bank Financial Leasing Co., Ltd. (also known as CIB Leasing) headquartered in Beijing, China, was the customer.

In addition, on June 20, 2016, Bombardier announced that it reached a definitive agreement for the sale of its Amphibious Aircraft program to Viking Air Limited and, on October 3, 2016, Bombardier announced that it had closed the sale. The transaction included the type certificates for all variants of the aircraft, the CL-215, the CL-215T and the Bombardier 415 aircraft, as well as aftermarket services.

On June 22, 2016, Bombardier announced the appointment of Michael (Mike) B. Nadolski as Vice President, Communications and Public Affairs.

On June 23, 2016, Bombardier announced that it entered into a subscription agreement with Investissement Québec (IQ) (the C Series Subscription Agreement) providing for a \$1.0 billion investment by the Ministère de l'Économie, de l'Innovation et des Exportations du Québec through IQ for a 49.5% equity stake in C Series Aircraft Limited Partnership (CSALP), a then newly-created limited partnership to which would be transferred the assets, liabilities and obligations of the C Series aircraft program (the C Series Investment). On June 30, 2016, Bombardier announced that it closed the C Series Investment. At that time, CSALP was owned 50.5% by Bombardier. The disbursement of the first \$500 million installment of the investment occurred on June 30, 2016, and the disbursement of the second \$500 million installment occurred on September 1, 2016. As a former subsidiary of Bombardier, CSALP carried on the operations related to the C Series aircraft program. CSALP continued to be consolidated in Bombardier's financial results until June 30, 2018 as further explained below. The proceeds of the C Series Investment have been used entirely for cash flow purposes of the C Series aircraft program. The C Series Investment also included the issuance of warrants to the Government of Québec exercisable for a five-year term to acquire up to 200,000,000 Class B subordinate voting shares in the capital of Bombardier, subject to customary adjustment provisions, at an exercise price per share equal to the U.S. dollar equivalent of Cdn \$2.21 at the date of execution of definitive agreements, being the offering price of Bombardier's public offering of subscription receipts closed in February 2015.

On July 11, 2016, Commercial Aircraft announced that the CS300 aircraft was awarded type certification by Transport Canada (TC) and, on October 7, 2016, by the European Aviation Safety Agency (EASA). On November 23, 2016, Commercial Aircraft announced that TC and the EASA had awarded the CS100 and CS300 airliners the same type rating. On December 14, 2016, Commercial Aircraft announced that the CS300 airliner was awarded its type validation by the U.S. Federal Aviation Administration (FAA).

On August 25, 2016, Transportation announced the inauguration of its new South African production site and headquarters at an event held in Johannesburg, South Africa.

On September 23, 2016, Transportation announced that it signed a strategic agreement with China Railway Rolling Stock Corporation establishing a framework for the companies to leverage their complementary strengths for selected projects in order to provide additional value to customers, better serve the growing global rail transportation equipment market and support mutual long-term growth objectives. Areas of potential future cooperation include Chinese and international market development and shared manufacturing resources.

On September 26, 2016, Commercial Aircraft and the International Environmental Product Declaration (EPD<sup>®</sup>) System, an environmental declaration program based in Sweden, announced the publication of the EPD<sup>®</sup> for the CS100 aircraft, a first in the aerospace industry.

On September 30, 2016, Transportation announced that it signed a contract to supply 665 new Bombardier *AVENTRA* vehicles to Angel Trains for operation by Abellio's East Anglia rail franchise in the United Kingdom. Bombardier also signed a separate contract to provide ongoing maintenance services support to Abellio Greater Anglia for the new

trains for the duration of the franchise. The rolling stock contract was valued at £869 million (then \$1.1 billion) and the maintenance contract, which will run for 7 years (with an option to extend in line with any franchise extensions), was valued at £83 million (then \$108 million).

On October 28, 2016, Bombardier announced the appointment of Daniel (Dan) Brennan as Senior Vice President, Human Resources.

On November 21, 2016, Bombardier announced that it successfully closed its offering of \$1.4 billion aggregate principal amount of new Senior Notes due December 1, 2021 which carry a coupon of 8.750% per annum and were sold at 99.001% of par.

On November 24, 2016, Transportation announced that it received an option order for 40 *OMNEO* Premium double deck electrical multiple units from the *Société nationale des chemins de fer français* (SNCF) on behalf of the Normandy region. This order was valued at €585 million (then \$620 million) and is part of the contract signed in 2010 with the SNCF to provide up to 860 double deck trains to the French regions.

On December 21, 2016, Bombardier announced that it redeemed all of its 7.50% Senior Notes due 2018 and 5.50% Senior Notes due 2018.

On December 29, 2016, Transportation and the Austrian Federal Railways announced that they signed a framework agreement covering the delivery of up to 300 Bombardier *TALENT* 3 trains. The total amount of the framework contract was valued at a list price at the time of €1.8 billion (then \$1.9 billion).

On January 25, 2017, Bombardier announced that Nico Buchholz was appointed as Senior Vice President, Strategic Initiatives and that Dimitrios (Jim) Vounassis would assume the Chief Procurement Officer responsibilities in addition to continuing to lead the Corporation's operations transformation as Bombardier's Chief Transformation and Procurement Officer.

On February 7, 2017, Bombardier announced that the Government of Canada would provide Cdn \$372.5 million in repayable contributions to the Corporation over four years. Citing the C Series as an example of Canadian innovation and clean technology that is the future of the aerospace industry, the Government of Canada decided to fund research and development for the new *Global 7000* business jet and ongoing activities related to the development of the C Series.

On March 8, 2017, Business Aircraft announced its establishment of five new line maintenance stations across Europe. The facilities provide line maintenance support to Business Aircraft customers in Europe, complementing the tip-to-tail heavy maintenance services provided by Bombardier's Service and Support Network in the region and worldwide.

On April 7, 2017, Business Aircraft, in collaboration with its partner the Tianjin Airport Economic Area, announced the opening of a state-of-the-art service center in Tianjin, China.

On April 26, 2017, Commercial Aircraft announced that TC and the EASA awarded the CS100 aircraft its steep approach certifications. The CS100 aircraft's capability to operate at challenging airports such as London City Airport was validated by Bombardier's comprehensive flight test program.

On May 11, 2017, Bombardier announced that all candidates proposed by management were elected as directors during its 2017 annual meeting of shareholders, two of whom were elected as new directors for the ensuing year, namely Pierre Marcouiller and Antony N. Tyler.

On May 16, 2017, Bombardier announced that it reached a long-term partnership agreement with leading IT consulting firm IBM to support the global integration of Information Technology services across Transportation and Aerospace. The new six-year deal valued at approximately \$700 million spans 47 countries and is expected to generate recurring savings, providing a solid foundation to drive efficiency within Bombardier's global IT organization.

On May 18, 2017, Business Aircraft announced the opening of its new service center located at London Biggin Hill Airport with an installed base of more than 600 Bombardier business jets in Europe.

On June 15, 2017, Bombardier announced the appointment of Michael Ryan as President, Aerostructures and Engineering Services, effective July 1, 2017.

On June 20, 2017, Commercial Aircraft announced that it signed a letter of intent with SpiceJet Limited (SpiceJet) of Gurgaon, India for up to 50 *Q400* turboprop airliners. On September 29, 2017, Commercial Aircraft announced that it concluded a firm purchase agreement with SpiceJet consistent with the letter of intent announced in June 2017, making

it the largest single order ever for the Q400 turboprop aircraft program and bringing total Q400 firm orders to over 600 Q400 aircraft. Based on 2017 list prices, the order was valued at up to \$1.7 billion. On September 21, 2018, Commercial Aircraft announced the delivery of its first 90-seat Q400 aircraft to SpiceJet, the first airline in the world to operate a 90-seat turboprop.

In addition, on June 20, 2017, Transportation announced that it signed a contract with FirstGroup and MTR to supply and maintain 750 Bombardier AVENTRA vehicles for operation by the South Western franchise in the United Kingdom. This was the largest ever single contract globally for AVENTRA trains. The contract was valued at approximately £895 million (then \$1.1 billion). In addition, Bombardier will execute a Technical Services and Spares Supply Agreement (TSSSA) for the duration of the seven year franchise, with an option to extend for 11 periods in line with the existing franchise extension option.

On June 22, 2017, Commercial Aircraft and CAE Inc. (CAE) announced that TC, the FAA, the EASA and the Ministry of Land, Infrastructure and Transport of the Republic of Korea (South Korea) had qualified the world's first C Series aircraft full-flight simulator to Level D, the highest qualification for flight simulators.

On June 23, 2017, Transportation received an order for 83 Regio 2N train sets from the SNCF on behalf of the Paris public transport authority, the Syndicat des Transports d'Ile-de-France. This call off was valued at approximately €867 million (then \$968 million), and included price escalations based on best faith assessment of assumptions.

On June 29, 2017, the management and employee representatives of Transportation announced that they agreed on an outline for the reorientation and safeguarding of the German sites pursuant to which sites would specialize in either the development or production of rail technology over the next two to three years. At the core of this specialization were product innovation, digitalization and the increased use of modern Industry 4.0 processes involving personnel adjustments of up to 2,200 positions, of which 700 temporary positions, that would be made gradually until 2020. On September 25, 2017, Transportation announced that its management and its General Works Council signed a general company agreement valid until the end of 2020, which formalized the cornerstones that were agreed upon and previously announced on June 29, 2017.

On August 8, 2017, Commercial Aircraft announced an important milestone for the C Series aircraft program with the first revenue flight into London City Airport, a SWISS CS100 jetliner from Zurich.

On October 16, 2017, Bombardier announced that it would become partners on the C Series aircraft program with Airbus SAS, a wholly-owned subsidiary of Airbus SE (Airbus). A corresponding agreement was signed, pursuant to which Airbus is required to provide procurement, sales and marketing, and customer support expertise to CSALP, the entity that manufactures and sells the C Series. The transaction closed on July 1, 2018 with Airbus owning a 50.01% majority stake in CSALP and Bombardier and IQ (acting as mandatory for the government of Québec) owning approximately 34% and 16% respectively. CSALP's head office, primary assembly line and related functions are based in Mirabel, Québec. Furthermore, Bombardier issued in the name of Airbus SAS warrants exercisable for a total number of 100,000,000 Class B subordinate voting shares, exercisable for a period of five years at an exercise price per share equal to \$1.74, being the U.S. dollar equivalent of \$2.29 Cdn on June 29, 2018. The parties announced that the C Series family of aircraft would be known from then on as the A220 family of aircraft.

On November 2, 2017, Bombardier announced the appointment of Douglas R. Oberhelman to its Board of Directors.

On November 17, 2017, Business Aircraft announced the inauguration of its state-of-the-art Centre of Excellence, where high-precision completion work for the *Global 7500* (previously *Global 7000*) business jet will take place.

On November 27, 2017, Bombardier announced that it successfully closed an offering of \$1,000,000,000 aggregate principal amount of new 7.50% Senior Notes due December 1, 2024, which were sold at par.

On December 1, 2017, Bombardier announced that its Bombardier *INTERFLO* 450 mainline rail control solution received official approval for operation in Sweden.

In addition, on December 1, 2017, Bombardier announced that the *TWINDEXX* Swiss Express for SBB FV-Dosto received its operating permit for the Swiss network from the Federal Department of Transport.

On December 4, 2017, Aerostructures and Engineering Services announced that it was selected by Airbus as a supplier on a new engine nacelle program for the Pratt & Whitney powered A320neo family of aircraft.



On December 12, 2017, Bombardier announced the appointment of Diane Giard to its Board of Directors.

In addition, on December 12, 2017, Transportation announced having signed a contract with Corelink Rail Infrastructure and West Midlands Trains to supply 333 new Bombardier *AVENTRA* vehicles for use on the United Kingdom's West Midlands Trains franchise, together with a maintenance and support services contract. The rolling stock and maintenance contracts were valued overall at approximately £542 million (then \$724 million).

On December 18, 2017, Transportation, as part of the Rail Systems Alliance, announced the signature of a contract to install the next-generation, high-capacity rail control solution for the A\$11 billion Melbourne Metro Tunnel Project, Victoria's largest ever investment in public transport. Bombardier will deliver the signalling and rail control solution and systems integration. The contract for Bombardier was valued at approximately A\$310 million (then \$238 million).

On December 27, 2017, Bombardier announced that it redeemed all of its outstanding 4.75% Senior Notes due 2019.

On December 29, 2017, Commercial Aircraft announced that a customer, who requested to remain unidentified, signed an order to acquire six *CRJ900* aircraft on firm order and options on six additional *CRJ900* regional jets. Based on 2017 list prices, the firm orders were valued at approximately \$290 million. Should the customer exercise the six options for *CRJ900* aircraft, the contract value would increase to approximately \$580 million.

In addition, on December 29, 2017, Commercial Aircraft announced that it had signed a firm agreement for the sale and purchase of 12 CS300 aircraft along with purchase rights for an additional 12 CS300 aircraft with EgyptAir Holding Company (EgyptAir). Based on the list price of the CS300 airliner at that time, the firm-order contract would be valued at approximately \$1.1 billion. Should EgyptAir exercise the 12 purchase rights for CS300 aircraft, the value of the firm agreement would increase to nearly \$2.2 billion.

On March 23, 2018, Bombardier completed a bought deal public offering of Class B subordinate voting shares for gross proceeds of Cdn\$638.4 million. The net proceeds of the offering were used to supplement Bombardier's working capital and for general corporate purposes.

On April 25, 2018, Transportation announced that it had signed a framework agreement with the Brussels Intercommunal Transportation Company to supply up to 175 Bombardier *FLEXITY* trams. The total amount of the framework contract was valued up to approximately €480 million (then \$586 million). The first firm order under this framework contract, also signed on April 24, 2018 was for 60 *FLEXITY* trams and was valued at approximately €169 million (then \$206 million).

On May 3, 2018, Commercial Aircraft announced that it had signed a firm order for 15 new *CRJ900* regional jets with American Airlines, Inc. The purchase agreement also included options on an additional 15 *CRJ900* aircraft. Based on the list price of the *CRJ900* aircraft at the time, the firm order was valued at approximately \$ 719 million.

On May 3, 2018, Bombardier also announced that it had entered into a definitive agreement to sell its Downsview, Ontario property to the Public Sector Pension Investment Board (PSP Investments), subject to customary closing conditions. Additionally, pursuant to a lease agreement with PSP Investments, Bombardier would continue to operate from Downsview for a period of up to three years following closing, with two optional one-year extension periods. In parallel, Bombardier also entered into a letter of agreement with the Greater Toronto Airports Authority for a long-term lease of approximately 38 acres of property at Toronto Pearson International Airport on which Bombardier is planning to open a new centre of excellence and final assembly plant for its *Global* business jets. On June 7, 2018, Bombardier confirmed the completion of the previously announced sale of its Downsview property to PSP Investments for approximately \$635 million.

In addition, on May 3, 2018, Bombardier announced that all candidates proposed by management were elected as directors of Bombardier Inc. during its annual meeting of shareholders and that Laurent Beaudoin stepped down as director and Chairman Emeritus of the Board of Directors.

On May 27, 2018, Business Aircraft unveiled two additions to its business jet fleet: the *Global 5500* and *Global 6500* aircraft, with class-leading ranges of 5,700 and 6,600 nautical miles, respectively, top speeds of Mach 0.90 and Bombardier's smooth ride technology. Further, on May 28, 2018, Business Aircraft announced that the *Global 7000* surpassed commitments during flight testing and would be known from then on as the *Global 7500*.

On May 28, 2018, Commercial Aircraft and airBaltic announced that the parties had executed a firm purchase agreement for the sale and purchase of 30 CS300 aircraft with options and purchase rights for an additional 30 aircraft of the

same type. Based on the list price of the CS300 aircraft at the time, the firm order was valued at approximately \$ 2.9 billion. This amount would increase to nearly \$5.9 billion should all 15 options and 15 purchase rights be exercised.

On June 11, 2018, Transportation announced that LAX Integrated Express Solutions (LINXS), of which it is a member with a ten percent share, had finalized a contract with Los Angeles World Airports to design, build, finance, operate and maintain an automated people mover system at Los Angeles International Airport (LAX). The total contract was valued at approximately \$4.9 billion. LINXS attributed two contracts to joint ventures (JVs): one for the design-build portion and one for the operations and maintenance portion. The JV in charge of the design and build portion had awarded a contract to Bombardier valued at approximately \$219 million. In addition, Bombardier had a 55 percent share in the operations and maintenance JV, which was awarded a contract valued at \$576 million.

On June 14, 2018, Bombardier announced the appointment of Louis G. Véronneau as Senior Vice President, Strategy and Corporate Development.

On June 20, 2018, Commercial Aircraft announced that Delta had signed a firm purchase agreement for 20 *CRJ900* aircraft, becoming the launch operator of the new ATMOSPHERE cabin for *CRJ Series* regional jets. Based on the list price for the *CRJ900* aircraft at the time, the firm order was valued at approximately \$961 million.

On July 16, 2018, Business Aircraft announced that TC had awarded the *Challenger 350* aircraft its steep approach certification, allowing operators to perform landings under strict conditions, including at the short runway of London City Airport.

On July 26, 2018, Transportation announced that it had signed a contract with Singapore's Land Transport Authority. The contract's scope covered the supply of 396 Bombardier *MOVIA* metro cars for passenger services on the high-capacity North-South and East-West Mass Rapid Transit lines. The contract was valued at approximately SGD827 million (then \$607 million). The contract included an option for long-term service support, and if exercised by SMRT Corporation Ltd, the total contract could be worth up to SGD1.2 billion (then \$881 million).

On August 1, 2018, Commercial Aircraft announced that its 90-passenger *Q400* aircraft configuration had received its certification from TC, becoming the first in-production commercial turboprop in the world to reach that capacity.

On September 12, 2018, Transportation presented the new battery-operated, emission-free, energy-efficient and low-noise Bombardier *TALENT 3* electro-hybrid train, the first of its kind to enter into passenger operation in Europe in over 60 years.

On September 28, 2018, Business Aircraft announced that its flagship *Global 7500* aircraft was awarded TC Type Certification. On November 7, 2018, Bombardier announced that the *Global 7500* aircraft received FAA certification and on December 20, 2018, it entered into service. The *Global 7500* received the EASA certification on February 7, 2019.

On September 28, 2018, Bombardier announced that HK Bellawings Jet Limited, a leading aircraft management company based in Hong Kong, had firmed up an order for four *Global 6500* and two *Global 7500* business jets, with options for 12 *Global* aircraft. The transaction for the firm order was valued at approximately \$370 million, based on the 2018 list prices for typically equipped aircraft. The value could increase to \$1.142 billion with all options exercised.

On October 3, 2018, Bombardier announced the opening of a new service center at the Miami-Opa Locka Executive Airport in Miami-Dade County, Florida.

On October 10, 2018, Bombardier announced the appointment of Sameh (Sam) Abdelmalek as Chief Transformation and Supply Chain Officer.

On November 8, 2018, Bombardier announced the sale of a number of non-core assets, in line with its strategy of focusing on growth opportunities in its Transportation, Business Aircraft and Aerostructures segments. It entered into definitive agreements for (i) the sale of the *Q Series* aircraft program and de Havilland trademark to a wholly owned subsidiary of Longview Aviation Capital Corp. for approximately \$300 million; and (ii) the sale of Business Aircraft's flight and technical training activities to CAE and the monetization of royalties for approximately \$800 million. These transactions are expected to close by the second half of 2019 and the end of the first quarter of 2019, respectively, following the usual regulatory approvals. Bombardier also announced the launch of a company-wide restructuring initiative focused on optimizing production and management processes, flattening management structures and further

reducing indirect costs. Collectively, these actions would result in a reduction of approximately 5,000 positions across the organization over the following 12 to 18 months, leading to annualized savings of approximately \$250 million at full run rate, expected by 2021.

On January 9, 2019, Transportation announced that it had signed a contract for 113 Multilevel III commuter rail cars with the New Jersey Transit Corporation. The contract was valued at \$669 million and included options for up to 886 additional cars.

On January 24, 2019, Bombardier announced a definitive agreement to acquire the *Global 7500* wing program from Triumph Group Inc. (Triumph), which is to be incorporated into Bombardier's Aerostructures and Engineering Services segment. The acquisition of the program's assets and obligations for a nominal cash consideration was completed on February 6, 2019.

On February 6, 2019, Commercial Aircraft announced the launch of its new *CRJ550* aircraft, the first triple-class 50-seat aircraft in the world.

On February 7, 2019, Bombardier announced the appointment of Danny Di Perna as President, Transportation and the appointment of Paul Sislian as President, Aerostructures and Engineering Services.

# NARRATIVE DESCRIPTION OF THE BUSINESS

## BUSINESS OVERVIEW

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

### **Business Aircraft**

Business Aircraft designs, develops, manufactures, markets and provides aftermarket support for three class-leading families of business jets - *Learjet*, *Challenger* and *Global*.

### **Commercial Aircraft**

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

### **Aerostructures and Engineering Services**

Aerostructures and Engineering Services designs, develops and manufactures complex metallic and advanced composite aircraft structural components for original equipment manufacturers (OEMs), including fuselages, wings and engine nacelles. It also provides aftermarket component repair and overhaul, as well as other engineering services for both internal and external customers.

### **Transportation**

Transportation offers a wide-ranging portfolio of innovative and efficient solutions in the rail industry that 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.

The activities of the Corporation's four reportable segments are described in this Annual Information Form under separate headings.

## **Aerospace**

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

### **Business Aircraft**

Business Aircraft has production and engineering sites in Canada (Montréal and Toronto) and the United States (Wichita), and an international service and support network in several countries around the world.

The global headquarters of Business Aircraft is located in Dorval, Québec, Canada.

## Market Segments

Information about products and services offered by Business Aircraft can be found in the section entitled "Business Aircraft - Profile" of the Corporation's Management's Discussion and Analysis included in its financial report for the fiscal year ended December 31, 2018, which may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com) (the "MD&A"), which section is incorporated by reference herein.

## Principal Markets

Business Aircraft's customers are located worldwide and are primarily civil owner-operators or aviation service providers. For the financial year ended December 31, 2018, the majority of Business Aircraft's revenues were generated in North America. The European market, including Russia and the Commonwealth of Independent States (CIS), was in second position in terms of revenues generated, while the Chinese market captured the third position. Through its Specialized Aircraft group, Business Aircraft also supports the needs of governments and other special mission providers around the world by adapting its class-leading business jet and commercial aircraft platforms to cover the entire spectrum of mission types.

## Distribution Methods

Aircraft ordered by customers are delivered by the Corporation or its subsidiaries. All marketing of Business Aircraft products is provided through the Corporation's office in Dorval. Sales of the Corporation's Business Aircraft products are done through various sales offices of the Corporation or its subsidiaries. In the Americas, these offices are located in Canada and the United States. For Asia, Africa and the Middle East, such offices are maintained in Dubai, Hong Kong and China. Parts are available from two main parts distribution hubs in Chicago and in Frankfurt, which are complemented by regional depots in Australia, the United States, China, Hong Kong, Japan, Singapore, and the United Arab Emirates. Maintenance services are also available through OEM service centers located in the United States, Europe and the Asia-Pacific, including a facility in China, as well as various authorized service and line maintenance facilities throughout the world.

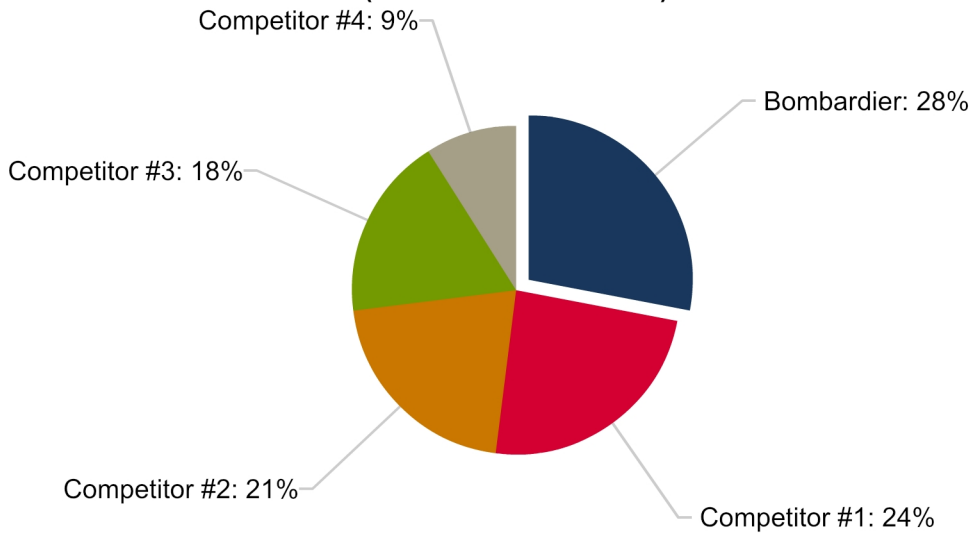
## Competition

Business Aircraft faces rigorous competition from a variety of competitors comprising both global players with a broad product and service portfolio and regional competitors with a narrower product focus, including, principally, Gulfstream, Dassault, Cessna and Embraer.

## Business Aircraft Estimated Market Share by Units Delivered and Revenues

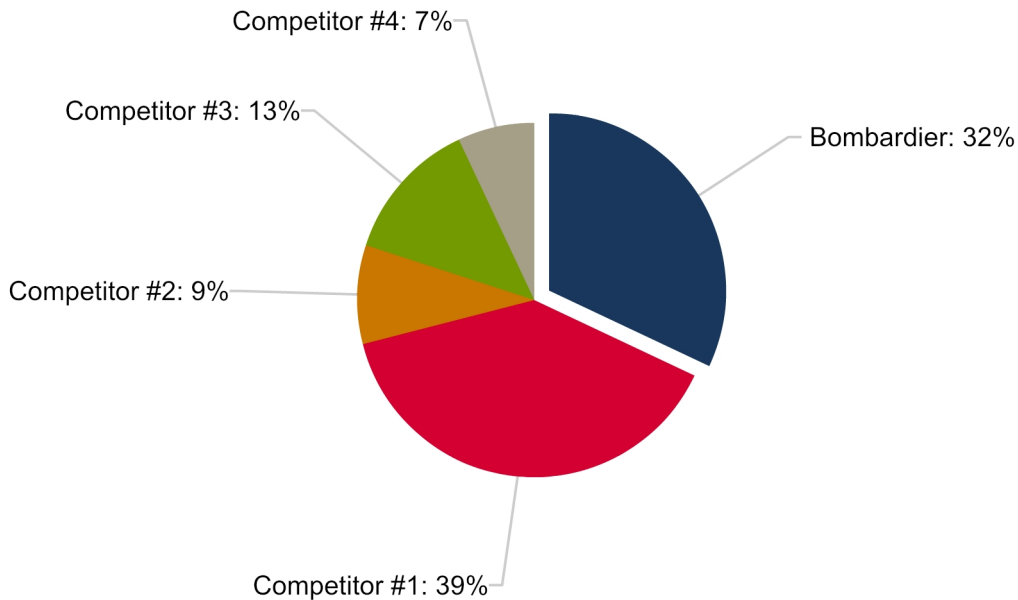
The following charts illustrate Business Aircraft's competitive environment and show Business Aircraft's estimated market share in terms of units delivered and revenues over the three-year period ended December 31, 2018 in the business aircraft categories in which it competes.

**Market Shares by Units Delivered  
January 1, 2016 to December 31, 2018  
(1563 Units Delivered)**



Source: Based on Business Aircraft estimates, competitors' public disclosure, the General Aviation Manufacturers Association (GAMA) shipment reports, Ascend Flight Global and Business and Commercial Aviation Magazine list prices.

**Market Shares by Revenues  
January 1, 2016 to December 31, 2018**



Source: Based on Business Aircraft estimates, competitors' public disclosure, the GAMA shipment reports, Ascend Flight Global and Business and Commercial Aviation Magazine list prices.

**New Products and Product Development**

Information about Business Aircraft's new products and product development can be found in the section entitled "Business Aircraft - Analysis of Results" of the Corporation's MD&A, which section is incorporated by reference herein.

## Commercial Aircraft

Commercial Aircraft has production and engineering sites in Canada (Mirabel, Montréal and Toronto) and an international service, support and sales network located in a variety of countries.

The global headquarters of Commercial Aircraft is located in Mirabel, Québec, Canada.

### Market Segments

Information about products and services offered by Commercial Aircraft can be found in the section entitled “Commercial Aircraft - Profile” of the Corporation’s MD&A, which section is incorporated by reference herein.

### Principal Markets

Commercial Aircraft customers are located worldwide and are primarily civil passenger and cargo operators, as well as aircraft leasing companies that purchase commercial aircraft products directly from Commercial Aircraft and lease them on to operators. For the financial year ended December 31, 2018, the majority of Commercial Aircraft’s revenues were generated in the Asian market. North America was in second position in terms of revenues, the European market (including Russia and the CIS) captured the third position and Africa, the fourth position.

### Distribution Methods

Aircraft ordered by customers are delivered by the Corporation or its subsidiaries. Marketing of Commercial Aircraft products is provided through marketing and sales offices of the Corporation or its subsidiaries. In the Americas, marketing and sales offices are located in Canada and the United States. In Europe, marketing and sales are conducted through offices in Germany, Russia and the United Kingdom. In Asia, such offices are maintained in the United Arab Emirates, Singapore, China and Japan. Commercial Aircraft parts services are available from two main distribution centers in Chicago and in Frankfurt and from spare parts depots in Hong Kong, Singapore, Sydney, Narita, Dubai, Beijing and Johannesburg. Maintenance services are also available through OEM service centers located in the United States as well as through various authorized service and line maintenance facilities throughout the world.

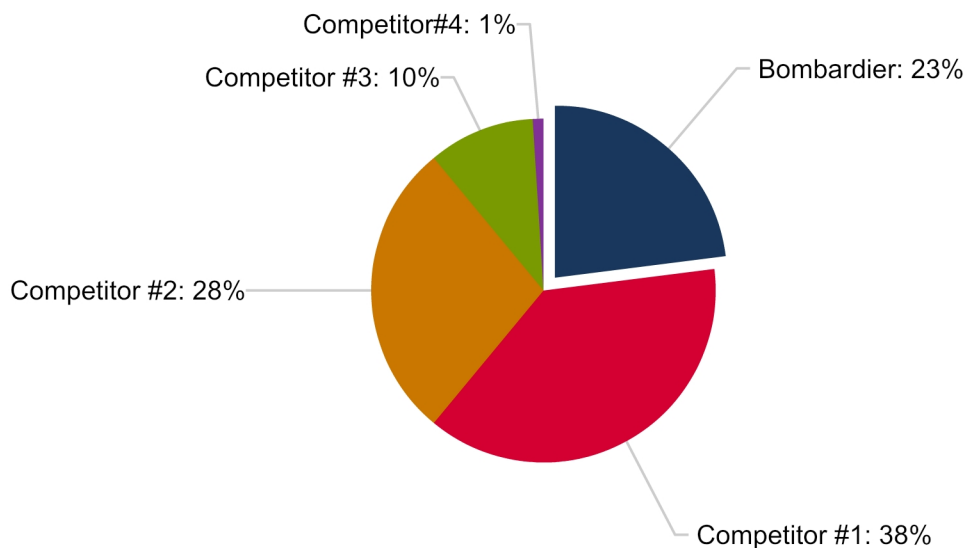
### Competition

Commercial Aircraft faces rigorous competition from a variety of competitors comprising both global players with a broad product and service portfolio and regional competitors with a narrower product focus, and which include, principally, ATR, COMAC, Mitsubishi, Embraer and Sukhoi.

### Commercial Aircraft Estimated Market Share by Units Delivered

The following chart illustrates Commercial Aircraft’s competitive environment and shows Commercial Aircraft’s estimated market share in terms of units delivered over the three-year period ended December 31, 2018, in the 60-100 seat aircraft category, also known as the large regional aircraft segment.

**Market Shares by Units Delivered  
January 2016 to December 2018  
Large Regional Aircraft Segment (60 - 100 seats)  
(730 aircraft deliveries)**



Sources: Commercial Aircraft's estimates based on delivery data available from Ascend fleet database by Flightglobal.

## **New Products and Product Development**

Information about Commercial Aircraft's new products and product development can be found in the section entitled "Commercial Aircraft - Analysis of Results" of the Corporation's MD&A, which section is incorporated by reference herein.

## **Aerostructures and Engineering Services**

Aerostructures and Engineering Services has facilities based in five countries, including four manufacturing and engineering sites, located in Canada, the United Kingdom, Mexico and Morocco. Two aerostructures aftermarket service centers are located in the United States and the United Kingdom. The global headquarters of Aerostructures and Engineering Services is located in Montréal, Québec, Canada.

## **Market Segments**

Aerostructures and Engineering Services provides products and services in the following areas: design, build and aftermarket services for complex composite and metallic aerostructures such as complete wings, engine nacelle systems and components, cockpit and fuselage structures, including systems integration; design, build and aftermarket services for system components, including electrical harnesses; and engineering solutions, including ground testing and flight-test outfitting activities, aircraft structures design and stress analysis.

Information about products and services offered by Aerostructures and Engineering Services can be found in the section entitled "Aerostructures and Engineering Services - Profile" of the Corporation's MD&A, which section is incorporated by reference herein.



## Principal Markets

Aerostructures and Engineering Services has a worldwide customer base composed of aircraft OEMs, engine manufacturers and aircraft operators as well as aerostructure suppliers. The principal market for Aerostructures and Engineering Services is civil aircraft OEMs both internally and externally. Internally, Aerostructures and Engineering Services provides major structural components to Business Aircraft and Commercial Aircraft programs. Externally, Aerostructures and Engineering Services offers major structural components and aftermarket support.

## Distribution Methods

Products and engineering services are delivered by Aerostructures and Engineering Services directly to its global customers. Business development of Aerostructures and Engineering Services products and services is provided primarily through its facilities located in Canada and the United Kingdom.

## Competition

Aerostructures and Engineering Services has world-class design, manufacture and service capabilities for wings, engine nacelle systems and components, cockpit and fuselage structures (including systems integration), and other aerostructure components. Aerostructures and Engineering Services is one of a few suppliers with design and build capability for complete wings in composite materials, such as the composite wings for the Airbus A220 family of aircraft. Aerostructures and Engineering Services' competitive environment is very fragmented and diversified, with many submarkets. Aerostructures and Engineering Services is largely focused as an internal supplier to Bombardier aircraft programs and is benchmarked against external Tier 1 and Tier 2 suppliers to ensure it is competitive.

## Aerospace Production Methods

Business Aircraft products are manufactured in its production facilities located in Canada (Montréal and Toronto) and the United States (Wichita) whereas Commercial Aircraft products are manufactured in its production facilities located in Canada (Mirabel and Toronto). Operations conducted in those facilities vary from manufacturing and assembly of aircraft components and parts to final aircraft assembly, interior finishing, painting and pre-flight activities.

Aerostructures and Engineering Services activities take place at its facilities in Canada (Montréal and Mirabel), the United Kingdom (Belfast), Mexico (Querétaro), Morocco (Casablanca) and the United States (Dallas). Operations conducted in these facilities vary from design, manufacturing and aftermarket services to engineering services including aircraft structure design and stress analysis, ground and flight testing, and certification and in-service support.

The raw materials, components, items and systems required to manufacture aircraft and aerostructures and system components are procured around the world and vary from product to product. Most of these materials, components and systems are provided by suppliers with which Bombardier has long-term contracts. Bombardier seeks long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support customers with related services. Bombardier is continuously assessing and streamlining its supplier base to ensure an efficient global supply chain and sustainable procurement processes. Within its supply chain, Bombardier has built relationships with suppliers worldwide in production, indirect goods and services and aftermarket.

## Transportation

Transportation offers a portfolio of efficient products and services in the rail industry, covering the full spectrum of rail solutions, ranging from complete trains to sub-systems, services, system integration and signalling. Based on this suite of innovative technologies, Transportation has won orders across all product segments and major geographies, underlining the competitiveness of its products and services worldwide.

Transportation has production and engineering sites located worldwide.

The global headquarters of Transportation is located in Berlin, Germany.

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

## Market Segments

Information about products and services offered by Transportation can be found in the section entitled "Transportation - Profile" of the Corporation's MD&A, which section is incorporated by reference herein.

## Principal Markets

### Revenues by Geographic Region



Transportation external revenues for the financial year ended December 31, 2018: \$8.915 billion

- Global headquarters

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

The vast majority of Transportation's rolling stock business is with large railway operators in the public sectors, such as national railways and municipal transit authorities. These organizations rely on public involvement for infrastructure funding and operations financing. Most operate on a regional or national basis, but some now focus operations internationally along with emerging private trans-national operators. While deregulation is a factor in some markets, public-sector entities still dominate in most regions. Transportation continues to expand its revenues in the Rest of world markets.

## Distribution Methods

Transportation has three business regions for the sales, delivery and service of Rolling Stock products and one global business unit for Rail Control Solutions and Wayside (RCS). The business regions for Rolling Stock products comprise

(i) WMA (comprising Western Europe, the Middle East, Africa, South-Eastern Asia and Australia), (ii) CEC (Central & Eastern Europe, Israel, Russia and China), and (iii) the Americas. The sales teams perform their sales activities in each of the aforementioned business regions and global business unit.

Transportation has a global sales and marketing function to continuously strengthen overall alignment on business development as well as sales and marketing. All regions and global divisions follow the same directives, processes and guidelines for their sales activities, the management of their key accounts, the documentation of future opportunities and bids, the selection and management of sales intermediaries (representatives) and customer relationship management. Transportation continuously focuses on customers, and follows a systematic process to monitor customer satisfaction.

All selling activities are done via tender or negotiation processes and, accordingly, Transportation obtains most of its contracts through competitive bidding processes. Customers of Transportation compete with air and road-based transportation, making passenger safety and comfort, travel times, efficiency, service reliability and capacity important competitive factors. Key factors in rail procurement tenders are compliance with customer specifications, product reliability, maintainability, availability, safety, price and life cycle cost, energy efficiency, design, time to market and innovation. Critical customer requirements include passenger experience, performance, life-cycle costs and systems integration. Additionally, local content in products is often an important criterion to public customers.

Transportation's bidding approach is based on pre-defined criteria that contributes to the de-risking of its order book. Transportation aims to bid on opportunities that will increase the share of highly standardized projects in its product portfolio. In addition, Transportation strengthens its focus on the entire value chain of its projects and since services provide an attractive return, Transportation aims to bid on tenders that include a service component and also capture more system integration opportunities. Transportation focuses on its end-to-end project development and execution cycle to allow optimization of the use of its existing engineering and manufacturing capacities.

## Production Methods

Transportation covers a full spectrum of railway solutions, ranging from product design, components production and complete train manufacturing to system integration, as well as services and refurbishment solutions. Transportation products are developed, manufactured, assembled and serviced through a global network of sites. The sites are specialized by market segment and type of operation.

Transportation has engineering and production sites specialized in the manufacturing and assembly of end products such as locomotives, metros, automated people-movers, light rail vehicles, commuter and regional trains, intercity and high-speed trains, as well as production of components such as bogies and propulsion equipment and engineering and production sites for its signalling and systems businesses. Transportation also has main services sites which focus on fleet maintenance, refurbishment and overhaul and services sites on customer premises which perform fleet maintenance and spare parts supply activities.

Through its operational improvement program, Transportation continuously improves the performance of its sites to deliver products to meet the requirements of its customers.

Transportation principally contracts with and delivers its products directly to end-customers or via participation in consortiums or joint ventures. Contracts tend to be large in size and relatively complex in design, resulting in significant engineering and design lead times before delivery. Building on modular platforms allows for shorter lead times, lower costs and reduced execution risks while enhancing product flexibility to address specific customer needs. As such, Transportation's technology standardization and modularization strategy transforms and de-risks the way it develops technologies through the adoption of a platform-based product approach that aims to standardize designs, processes and tools in relation to delivering various sub-systems and building blocks of vehicles that can then be applied across projects, thus significantly increasing technology synergies and re-use opportunities. These initiatives have been deployed on the *AVENTRA*, *TALENT*, *ZEFIRO*, *FLEXITY* and *TRAXX* product families, among others, and are being rolled out across other product families.

With regard to procurement, Transportation works through a centralized procurement function, integrating the global supply chain as well as strategic and operational procurement designed to ensure an efficient and cost effective sourcing of material and services across all regions and global businesses. The Corporation aims to optimize the total cost of

ownership and drive economies of scale through standardization of all categories, systems and non-product related procurement activities. Through its global procurement savings program, Transportation works jointly with its internal and external stakeholders to continuously improve the performance, cost and quality of its supply chain.

Transportation aims to develop its skills and organization to build, maintain and further integrate a cost effective global supply chain and to ensure a consistent network of socially responsible suppliers for Transportation's key markets.

In order to improve reliability and reduce complexity and costs of its supply chain, Transportation has advanced considerably in the deployment of its company-wide supplier management program, aimed at reducing its supplier base and establishing strategic, long-term partnerships with a smaller global supplier base for all projects, thereby maximizing suppliers' commitment, enabling co-development of technologies and use of joint engineering reviews and tools, sharing of project risks, improving customer response times and inventory carrying periods, as well as focusing on aftermarket partnerships.

## Competition

The worldwide rail market has been resilient historically to economic recessions and therefore attracts numerous competitors. In 2018, the industry continued to experience increased consolidation and competitiveness among both the OEMs as well as the suppliers. Nevertheless, Bombardier maintained a leading position in all regions and captured a significant share of the relevant and accessible rail market by providing the most diversified product portfolio in the industry.

Transportation generally faces competition from a variety of competitors in the accessible rail market<sup>(1)</sup>, comprising both regional and international players with distinct product focuses, such as CRRC, Alstom, Siemens, Hitachi-Ansaldo, CAF, Stadler, Hyundai-Rotem, Kawasaki, GE, Thales and Talgo.

Transportation believes it holds a leading position in terms of order intake in Europe, North America and select markets in the Asia-Pacific region, resulting in large part from its long-term presence and value proposition as well as its diverse product portfolio. In Europe and North America, Transportation has secured important contracts in the regional and commuter, LRV and locomotive segments as well as in the signalling and services segments. In the Asia-Pacific region, Transportation continues to develop its presence and further expand its product and services offering together with its local partners. Transportation has successfully maintained and increased its presence in countries such as Australia, China, India and Thailand<sup>(2)</sup>.

Information about Transportation's order intake during the fiscal year ended December 31, 2018, can be found in the section entitled "Transportation - Analysis of Results" of the Corporation's MD&A, which section is incorporated by reference herein.

<sup>(1)</sup> Transportation's 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. Transportation's relevant and accessible market also excludes the infrastructure, freight wagon and shunter segments.

<sup>(2)</sup> All statements in this paragraph are based on Transportation's management's tracking of published Rolling Stock orders in 2014-2018 in Transportation's accessible rail market.

## SEGMENTED DISCLOSURE

For information on the Corporation's revenues allocated by country (based on the location of the customer) and revenues by reportable segment, reference is made to Note 6 of the Corporation's consolidated financial statements for the fiscal year ended December 31, 2018 filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on February 14, 2019, which Note is incorporated by reference into this Annual Information Form.

## AGREEMENTS RELATED TO THE USE OF CERTAIN TECHNOLOGIES

Some operations of Bombardier are conducted under agreements, which allow the Corporation to use certain technical data and information related to products or technologies developed by others. The most important of these agreements

was signed on December 22, 1986 (the CFC Agreement), with Cartierville Financial Corporation Inc. (CFC), a wholly-owned subsidiary of Canada Development Investment Corporation, in turn wholly-owned by the Canadian federal government, under which Canadair Limited obtained a license granting it the exclusive and absolute right to use and exploit the technology related to the design of the *Challenger* aircraft and to use and incorporate this technology in the manufacture, development, testing, sale, distribution, maintenance and support of *Challenger* aircraft and any other related product worldwide. The initial term of the CFC Agreement was 21 years; however, the Corporation (as successor in interest to Canadair Limited) had the option to renew the CFC Agreement for three additional consecutive periods of 21 years each. The first of such options was exercised during the 2007 fiscal year. In consideration of the rights thus granted to it, the Corporation paid CFC a lump sum of Cdn \$20 million in 1988, less an amount equal to certain royalties paid, in lieu of the royalties provided for under the CFC Agreement.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

### Approach to Sustainability

Sustainability is an integral part of the Corporation's enterprise strategy. The Corporation focuses its execution in six areas: product innovation, operational efficiency, people, health, safety and environment, corporate citizenship and governance. Underpinning these focus areas are the Corporation's core values - integrity, commitment to excellence, customer orientation and shareholder focus - as well as its Code of Ethics and Business Conduct and its commitment to the United Nations Global Compact.

Bombardier signed the United Nations Global Compact, the world's largest corporate citizenship and sustainability initiative, in 2007. As a signatory, the Corporation is committed to actively promoting, through its strategies and across its operations, the Compact's 10 fundamental principles addressing human rights, labour, the environment and anti-corruption. Bombardier endorses the United Nations' 17 Sustainable Development Goals and its efforts and activities mostly support three of them: #11 - Sustainable Cities and Communities, #13 - Climate Action, and #17 - Partnerships for the Goals.

Bombardier's commitment to the United Nations Global Compact, as well as its considerations of environmental, social and governance factors are translated in its policies and codes, including the below:

- Code of Ethics and Business Conduct;
- Health, Safety and Environment Policy;
- Supplier Code of Conduct;
- Quality Policy;
- Product Safety Policy;
- Employment Equity Policy;
- Policy on Harassment Prevention;
- Data Privacy Policy; and
- Human Rights Statement.

The Corporation also regularly tracks the potential sustainability related risks that are shaping its operating environment, including talent attraction, product innovations, health, safety and environment requirements and climate change.

Suppliers that sign a contract with Bombardier are required to adhere to the Corporation's Supplier Code of Conduct. This practice, together with Bombardier's Code of Ethics and Business Conduct and its Human Rights Statement, formalizes the Corporation's commitment to address and respect human rights at a global level and clearly indicates its expectations regarding human rights to all its business partners.

The Corporation received external recognition for its sustainability performance. In 2017, the Corporation was listed on the 2017 Carbon Clean 200 Ranking by Corporate Knights and As We Sow. In 2018, the Corporation continued to drive innovative and sustainable practices within its business and was named to Corporate Knights' 2018 Best 50 Corporate Citizens in Canada ranking, a benchmark indicator of sustainability. Most recently, in January 2019, Bombardier was named to Corporate Knights' Global 100 Most Sustainable Corporations in the World Index. Listed

among the top 25 most sustainable corporations, Bombardier was both the highest ranked Canadian company and the leading transportation corporation.

In May 2018, the Corporation published its annual Activity Report, which provides a transparent update on its sustainability strategy, as well as its environmental, social, governance and economic performance. The Corporation's most recent Activity Report can be found here: [www.bombardier.com/en/sustainability.html](http://www.bombardier.com/en/sustainability.html).

## Environmental Management

The Corporation's products as well as its manufacturing and services activities are subject to environmental and social regulations by federal, provincial and local authorities in all jurisdictions in which the Corporation has operations around the world. The Corporation has established and periodically updates its Health, Safety and Environment policy (the HSE Policy) that defines the Corporation's vision for its worldwide operations. Its vision is to be a leader in health, safety and environment (HSE) preventive culture by building a common foundation of expectations for its people, limiting risks, and empowering every employee to take individual responsibility for creating a safe and environmentally-responsible workplace. The HSE Policy anchors the Corporation's commitment to protect its employees from occupational illnesses and work-related accidents, foster health in the workplace, and ensure it minimizes the impact its activities have on the environment.

The HSE Compliance Audit program continues to be deployed on an on-going basis to ascertain material compliance of its manufacturing and services activities to all applicable HSE laws and regulations. These reviews help the Corporation continuously improve its HSE performance. It also regularly conducts benchmarks against global peers, which includes reviews of its HSE reporting and value creation approaches. In addition, the Board of Director's Human Resources and Compensation Committee (HRCC), composed entirely of independent directors, reviews occupational health and safety matters on a quarterly basis.

The Corporation also strives to continuously reduce any detrimental environmental impact generated by its operations. The environmental footprint of services and manufacturing facilities remains an ongoing focus and the Corporation establishes objectives and targets to reduce its impact on the environment. Environmental reduction targets for energy consumption, carbon emissions, water consumption and waste generation were approved by the Corporation at the end of 2013 for the period covering 2014 to 2018.

Bombardier is currently defining its next cycle of environmental objectives for 2019 designed to help reduce its environmental footprint, use resources more efficiently, as well as drive greater efficiencies in its business.

Furthermore, to prevent pollution, improve performance, and minimize environmental risks, the Corporation has deployed the ISO 14001 Standard to its manufacturing and services locations. To date, the Corporation's eligible locations are certified or in the process of obtaining their certification by external parties according to the ISO 14001 Standard for Environmental Management. All German Transportation sites are also registered under the European Union Eco-Management and Audit Scheme approach. Consistent with its policy of stressing environmental responsibility and its desire to maintain legal compliance, the Corporation routinely procures, installs and operates pollution control devices, such as wastewater treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators at new and existing facilities constructed or upgraded in the normal course of business. In line with the requirements set by the ISO 14001 Standard, imminent environmental laws and regulations are tracked and assessed on a regular basis. Future capital expenditures for pollution control systems resulting from these imminent regulatory requirements are not expected to have a material effect on the Corporation's consolidated financial position. The Corporation has completed with success the adaptation of its systems to the revised 2015 version of ISO 14001.

More information about Bombardier's Environmental Management can be found at: [www.bombardier.com/en/sustainability.html](http://www.bombardier.com/en/sustainability.html).

## Environmental Laws and Risks

The Corporation's regulatory risks associated with climate change generally fall under the national and local requirements implemented by each jurisdiction where the Corporation is present. Most countries where the Corporation carries out manufacturing activities are at various stages of developing binding emission allocations and trading schemes. During 2018, the Corporation's regulatory risks associated with climate change mainly fell under its obligations

to the European Union Emission Trading Scheme (EU ETS), the United Kingdom Climate Change Agreement, the United Kingdom's Carbon Reduction Commitment energy efficiency scheme (launched in April 2010) and the Québec carbon market trading scheme. In 2018, the new government of the province of Ontario decided to leave the Western Climate Initiative carbon market trading scheme it had joined earlier in the year. To date, the impact on the Corporation has been non-material. The Corporation continues to monitor risks associated with energy efficiency legislation, carbon or energy taxes, industry standards and other carbon trading mechanisms related to both its activities and products. See also "Risk Factors" set out on page 25 below.

During 2018, the Corporation, through its reportable segments, continued working on implementing mechanisms to ascertain compliance of its products and operations with the European Registration Evaluation Authorization and Restriction of Chemicals (REACH) regulation. The Corporation continues to monitor further developments in the context of REACH and their implementation in order to ensure full compliance. This regulation is not currently expected to have a material effect on the Corporation's financial position.

Furthermore, ensuring compliance with environmental legislation and advancing responsible sourcing is an industry-wide issue. Designated Bombardier teams work cooperatively with peers and associations such as the International Aerospace Environmental Group and Railsponsible to share best practices and adopt consistent standards regarding responsible sourcing.

Railsponsible aims to support best practice sharing and capacity building among suppliers and to promote transparent reporting through a common supplier assessment on the EcoVadis platform, allowing suppliers to complete a single form to report on sustainability practices to all Railsponsible members. Industry involvement in Railsponsible continues to increase. Over the course of 2017 and 2018, more than 850 railway industry suppliers agreed to take the EcoVadis assessment and share their results with all Railsponsible members.

For further information and to read the Corporation's Activity Report and relevant policies, visit: [www.bombardier.com/en/sustainability.html](http://www.bombardier.com/en/sustainability.html).

## European Union Emissions Trading Scheme

During 2018, the Corporation purchased carbon credits to cover the surplus of emission allowances (surpluses of 160 and 204 t CO<sub>2</sub>e, respectively) for the two sites qualified for the EU Allocation Programs. This did not have a material effect on the Corporation's consolidated financial position.

In line with the obligations imposed by the EU ETS, Bombardier's flight operations departments at Aerospace, Transportation and Bombardier's corporate office submitted the required monitoring plans and emission reports to the proper national authorities (the United Kingdom and Germany) covering flights to and from airports within the European Union, Iceland, Norway and Liechtenstein.

Effective April 30, 2014, the EU ETS was revised and non-commercial flight operators with less than 1,000 t CO<sub>2</sub>e emissions per year are exempt from filing reports and trade certificates from January 1, 2013 to December 31, 2020. This exemption applies to Bombardier. See also "Risk Factors" set out on page 25 below.

## Environmental Liabilities

With respect to environmental matters related to site contamination (historical contamination of soil and groundwater), the Corporation periodically conducts studies, both individually at sites owned by the Corporation, and jointly as a member of industry groups at sites not owned by the Corporation, to evaluate the presence of contaminants in the soil and groundwater, to determine the need for and feasibility of various remediation techniques and to define the Corporation's share of responsibility. The Corporation is currently proceeding with decontamination at a small number of sites both in North America and in Europe. The known historical costs for soil and/or groundwater decontamination are not expected to have a material effect on the Corporation's consolidated financial position. During 2019, the anticipated costs related to environmental liabilities are not expected to be in excess of \$25 million.

## Potential Environmental Liabilities

Estimating future environmental clean-up liabilities is dependent on the nature and extent of historical and physical data about a given site, the complexity of the contamination, the uncertainty of which remedy to apply, the timing of the remedial action and the outcome of the discussions with regulatory authorities. Although it appears likely that annual costs for remediation activities might increase over time because of ever more stringent legal requirements, these costs are not currently expected to be material to the Corporation.

## INTANGIBLE PROPERTIES

Bombardier uses various works protected by intellectual property rights that it owns outright or for which it has been granted rights to use. These works include brand names, customer lists, copyrights, patents, trademark designs, trade secrets and know-how. This intellectual property is important to Bombardier's operations and its success. Some of Bombardier's suppliers participate in the development of products such as aircraft or rolling stock platforms. They subsequently deliver major components to Bombardier and own some of the intellectual property on the key components they develop.

The Corporation's registered trademarks are generally renewed at the end of their respective validity periods. The Corporation has and intends to continue to protect its intellectual property rights and maintain its trademarks and the relevant registrations, and will actively pursue the registration of trademarks worldwide.

## HUMAN RESOURCES

As world-class employees are crucial to preserving Bombardier's leadership and ensuring its continued growth, attracting and retaining the best talent is a constant priority for Bombardier.

Through various talent management initiatives, Bombardier strives to address challenges in both established and emerging markets. These challenges include:

- Skill shortages;
- Demographic changes;
- Increased competition for the best people;
- Maintaining effective recruiting strategies in key markets;
- Developing and retaining the best talent;
- Leveraging best practices across Bombardier; and
- Continually improving its health and safety performance.

Recruiting, developing and retaining qualified project management and engineering personnel remains fundamental to the success of Bombardier. Competition for these skill sets, particularly in engineering, has become even more intense especially in those areas where in-depth, industry specific expertise is required. Despite these challenges, Bombardier employees are well-trained, engaged and focused on constantly enhancing execution and customer engagement.

Aerospace employs many engineers with a wide breadth of expertise in areas such as aerospace design, aerodynamics, stress and structures, flight tests, avionics, hydro-mechanical and software engineering. To support its recruitment objectives, Aerospace works with educational institutions to train engineers in areas where there are shortages of qualified candidates. Aerospace also provides expertise in teaching and offers internships to complement academic learning with hands on experience. In addition, it continues to expand its internal training programs to continually improve the knowledge of its employees.

Transportation also employs many engineers, critical to the successful design, manufacturing and maintenance of rail transport solutions for the Corporation's global customers. Required skills include mechanical, electrical and software engineering. Transportation has defined key technical domains (e.g. acoustic, crash safety and others) and sub-system



competency domains (e.g. brakes, propulsion system and others). Specialized engineering centers of competencies manage Transportation's technical knowledge and are supported by a dedicated technical expert career path.

Additional information about Bombardier's human resources can be found in the sections entitled "Analysis of Results" of the Corporation's MD&A, which sections are incorporated by reference herein.

## **RISK FACTORS**

The description of risks affecting the Corporation and its activities can be found in the section entitled "Risks and Uncertainties" of the Corporation's MD&A, which section is incorporated by reference herein.

# DIVIDENDS

The Corporation declared the dividends indicated below on its outstanding shares during each of the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016. These dividends are denominated in Canadian dollars.

(millions of dollars, except per share amounts)	December 31, 2018		December 31, 2017		December 31, 2016	
	Total	Per share on an annual basis	Total	Per share on an annual basis	Total	Per share on an annual basis
Series 2 Cumulative Redeemable Preferred Shares	5.2	0.9008	5.9	0.7142	6.5	0.6756
Series 3 Cumulative Redeemable Preferred Shares	6.2	0.9958	2.9	0.8366	1.8	0.7835
Series 4 Cumulative Redeemable Preferred Shares	14.7	1.5625	14.7	1.5625	14.7	1.5625
Class A shares	0	0	0	0	0	0
Class B subordinate voting shares	0	0	0	0	0	0

The articles of the Corporation stipulate that no dividends may be paid on the Class A shares or the Class B subordinate voting shares unless all accrued and unpaid dividends on the Series 2 Cumulative Redeemable Preferred Shares (the Series 2 Preferred Shares), Series 3 Cumulative Redeemable Preferred Shares (the Series 3 Preferred Shares) and Series 4 Cumulative Redeemable Preferred Shares (the Series 4 Preferred Shares) have been declared and paid or set aside for payment, or all the outstanding Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares, as the case may be, have been called for redemption and the redemption price of these shares has been deposited in the manner set out in the articles of the Corporation. In addition, the Corporation's ability to pay dividends is limited by the terms of some of its debt instruments.

On February 12, 2015, the Corporation announced the Board of Directors' decision to suspend the declaration of dividends on the Corporation's Class A shares and Class B subordinate voting shares, until further notice of the Board of Directors, considering that, in keeping with the Corporation's objectives, the Corporation's free cash flow would be more appropriately applied to bolstering the Corporation's financial structure and investing in its core programs and businesses.

Information about regular dividends declared and paid by the Corporation is made available through its website, accessible at [www.bombardier.com](http://www.bombardier.com).

# GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Corporation consists of (i) an unlimited number of preferred shares without nominal or par value issuable in series (the Preferred Shares), of which 12,000,000 have been designated as the Series 2 Preferred Shares, 12,000,000 have been designated as the Series 3 Preferred Shares and 9,400,000 have been designated as the Series 4 Preferred Shares, (ii) 3,592,000,000 Class A shares, and (iii) 3,592,000,000 Class B subordinate voting shares. As at December 31, 2018, the Corporation had outstanding 5,811,736 Series 2 Preferred Shares, 6,188,264 Series 3 Preferred Shares, 9,400,000 Series 4 Preferred Shares, 308,750,749 Class A shares and 2,125,232,847 Class B subordinate voting shares.

The Class B subordinate voting shares are restricted securities (within the meaning of the relevant Canadian regulations respecting securities) in that they do not carry equal voting rights as compared with the Class A shares. In the aggregate, all voting rights associated with the Class B subordinate voting shares represented, as at December 31, 2018, 40.77% of the voting rights attached to all of the issued and outstanding voting securities of the Corporation.

## Class A shares and Class B subordinate voting shares

### Subordination and Voting Rights

The Class A shares and the Class B subordinate voting shares rank after the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. At each meeting of shareholders of the Corporation, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote, each Class A share entitles the holder thereof to 10 votes and each Class B subordinate voting share entitles the holder thereof to one vote.

### Dividends and Liquidation

The holders of Class B subordinate voting shares are entitled to receive, in each fiscal year, if declared by the Board of Directors of the Corporation, in priority to the holders of Class A shares, a non-cumulative dividend at the rate of Cdn \$0.0015625 per share per annum. After payment or setting aside for payment of said dividend, the holders of Class A shares and the holders of Class B subordinate voting shares are equally entitled, share for share, to any additional dividend which may be declared by the Board of Directors of the Corporation in such fiscal year with respect to the Class A shares and Class B subordinate voting shares.

In the event of the liquidation or winding-up of the Corporation or of any other distribution of its assets among its shareholders for the purpose of winding up its affairs, the holders of Class A shares and the holders of Class B subordinate voting shares will be entitled, share for share, to receive on a pro rata basis all of the assets of the Corporation remaining after payment of all of its liabilities, subject to the preferential rights attached to any shares ranking prior to the Class A shares and Class B subordinate voting shares.

### Subdivision or Consolidation

In the event of the subdivision or consolidation of the Class A shares or the Class B subordinate voting shares, the Class A shares or the Class B subordinate voting shares, as the case may be, shall be subdivided or consolidated at the same time and in the same manner.

### Conversion Privilege

Each Class A share is convertible at any time by the holder thereof into one fully paid and non-assessable Class B subordinate voting share. Each Class B subordinate voting share is convertible by the holder thereof into one fully paid and non-assessable Class A share at any time upon and after the occurrence of either one of the following events: (i) if an Offer (as defined in the articles of the Corporation) is made to all holders of Class A shares to acquire Class A shares and such Offer is accepted by the majority shareholder of the Corporation, namely, the Bombardier family; or (ii) if the Bombardier family ceases to hold, directly or indirectly, more than 50% of the outstanding Class A shares.

Except for the rights, privileges, restrictions and conditions attached to the Class A shares and Class B subordinate voting shares as described above, the Class A shares and the Class B subordinate voting shares have the same rights, are equal in all respects and are treated by the Corporation as if they were shares of one class only.

## **Preferred Shares as a Class**

### **Issuable in Series**

The Preferred Shares are issuable in series, each series consisting of such number of shares and having such rights, privileges, conditions and restrictions as may be determined by the Board of Directors prior to the issue thereof, subject to the provisions of the CBCA, the articles of the Corporation and to the conditions attached to any series of preferred shares outstanding.

### **Priority**

The Preferred Shares of each series rank equally with the Preferred Shares of all other series and rank ahead of the Class A shares and the Class B subordinate voting shares with respect to the payment of dividends and the distribution of assets, to the extent described in the articles of the Corporation, in the event of the liquidation, dissolution or winding-up of the Corporation or of any other distribution of its assets among its shareholders for the purpose of winding up its affairs.

### **Dividends**

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

### **Rights on Liquidation**

In the event of any liquidation, dissolution or winding-up of the Corporation or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of Preferred Shares shall be entitled to receive Cdn \$25.00 per Preferred Share held, together with accrued and unpaid dividends.

### **Voting Rights**

The holders of Preferred Shares do not have the right to receive notice of, attend, or vote at, any meeting of shareholders except to the extent otherwise provided in the articles of the Corporation with respect to any series of Preferred Shares or when holders of Preferred Shares are entitled to vote separately as a class or as a series as set forth in the CBCA or any successor statute, as amended from time to time. In connection with any matter requiring the approval of the Preferred Shares as a class, each holder is entitled to one vote for each dollar of the issue price of the Preferred Shares held. Each holder of Preferred Shares of a particular series shall be entitled, on a series vote, to one vote for each Preferred Share of such series held. Holders of Preferred Shares have no pre-emptive rights.

### **Modifications**

The class provisions of the Preferred Shares may be amended at any time with such approval as may be required by the CBCA. The CBCA currently provides that such approval may be given by at least two-thirds of the votes cast at a meeting of the holders of Preferred Shares. The articles of the Corporation provide, with respect to meetings of holders of Preferred Shares, that a quorum is constituted by two or more persons, representing together, in their own right or as proxy holders or as representatives of such legal person or association, a number of Preferred Shares carrying at least 25% of the voting rights attached to all the outstanding Preferred Shares, in the case of a meeting of the holders of Preferred Shares as a class, or a number of Preferred Shares of any series carrying at least 25% of the voting rights attached to all the outstanding Preferred Shares of such series, in the case of a meeting of the holders of Preferred Shares of that series as a series. However, at any adjourned meeting, the quorum will be constituted by the persons

present at such adjourned meeting, irrespective of the percentage of outstanding Preferred Shares held by such persons.

## **Series 2 Preferred Shares**

The Series 2 Preferred Shares are non-voting (except if the Corporation fails to pay in full 24 monthly dividends, until all arrears of dividends on the Series 2 Preferred Shares have been paid), redeemable at the Corporation's option (with respect to all and not less than all outstanding Series 2 Preferred Shares) at Cdn \$25.50 per share (together with accrued and unpaid dividends), convertible on a one-for-one basis on August 1, 2022 and on August 1 of every fifth year thereafter into Series 3 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 2 Preferred Shares on the conversion date, such remaining number shall be automatically converted into an equal number of Series 3 Preferred Shares. Likewise, if the Corporation determines 14 days before the conversion date that at such time, there would be less than 1,000,000 outstanding Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted. Variable adjustable cumulative preferential cash dividends are payable monthly on the 15<sup>th</sup> day of each month, if declared by the Board of Directors, with the annual variable dividend rate set between 50% and 100% of the Canadian prime rate, adjusted as follows. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis up to a monthly maximum of 4% of the prime rate if the trading price of the Series 2 Preferred Shares is less than Cdn \$24.90 per share or more than Cdn \$25.10 per share.

None of the provisions of the articles of the Corporation relating to Series 2 Preferred Shares as a series shall be amended or otherwise changed unless the series provisions relating to Series 3 Preferred Shares are amended or otherwise changed in the same proportion and in the same manner.

## **Series 3 Preferred Shares**

The Series 3 Preferred Shares are non-voting (except if the Corporation fails to pay in full eight quarterly dividends, until all arrears of dividends on the Series 3 Preferred Shares have been paid), redeemable at the Corporation's option (with respect to all and not less than all outstanding Series 3 Preferred Shares) at Cdn \$25.00 per share (together with accrued and unpaid dividends) on August 1, 2022 and on August 1 of every fifth year thereafter, convertible on a one-for-one basis at the option of the holder on August 1, 2022 and on August 1 of every fifth year thereafter into Series 2 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 3 Preferred Shares on the conversion date, the remaining number shall be automatically converted into an equal number of Series 2 Preferred Shares. Likewise, if the Corporation determines 14 days before the conversion date that at such time, there would be less than 1,000,000 outstanding Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted. The Series 3 Preferred Shares carry an annual dividend rate of 3.983% for the five-year period from August 1, 2017 to and including July 31, 2022, payable quarterly on the last day of January, April, July and October, if declared by the Board of Directors. The quarterly dividend rate will be fixed by the Corporation at least 45 days and not more than 60 days before each subsequent five-year dividend period. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada bond yield as defined in the Articles of Amendment creating the Series 3 Preferred Shares.

None of the provisions of the articles of the Corporation relating to Series 3 Preferred Shares as a series shall be amended or otherwise changed unless the series provisions relating to Series 2 Preferred Shares are amended or otherwise changed in the same proportion and in the same manner.

## **Series 4 Preferred Shares**

The Series 4 Preferred Shares are entitled to fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors of the Corporation, at a rate equal to Cdn \$1.5625 per share per annum. Dividends are payable quarterly on the last day of January, April, July, and October each year at a rate of Cdn \$0.390625 per share

per quarter. The Series 4 Preferred Shares are non-voting (except if the Corporation fails to pay in full eight quarterly dividends, until all arrears of dividends on the Series 4 Preferred Shares have been paid).

The Corporation may, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Preferred Shares in whole or in part, at the Corporation's option, at Cdn \$25.00 (together with accrued and unpaid dividends). Alternatively, the Corporation may, on not less than 30 nor more than 60 days' notice, and subject to stock exchange approvals, convert all or any part of the outstanding Series 4 Preferred Shares into fully paid and non-assessable Class B subordinate voting shares of the Corporation. The number of Class B subordinate voting shares of the Corporation into which each Series 4 Preferred Share may be converted will be determined by dividing the applicable redemption price per Series 4 Preferred Share together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of Cdn \$2.00 and 95% of the weighted average trading price of such Class B subordinate voting shares on the Toronto Stock Exchange (TSX) for the period of 20 consecutive trading days which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the immediately preceding trading day (the Current Market Price). Fractional Class B subordinate voting shares shall not be issued on any conversion of Series 4 Preferred Shares but in lieu thereof the Corporation shall make cash payments in an amount per fractional Class B subordinate voting share otherwise issuable equal to the product of the fraction of the Class B subordinate voting share otherwise issuable and the greater of Cdn \$2.00 or 95% and such Current Market Price. The Corporation may, at its option, at any time grant the holders of Series 4 Preferred Shares the right, but not the obligation, to convert their shares upon notice into a further series of Preferred Shares on a share-for-share basis.

## Ratings

As at February 13, 2019, the Corporation had a long-term debt rating of B- from Fitch Ratings Ltd. (Fitch) with a stable outlook. The Corporation has also received a Corporate Family Rating of B3 and long-term debt ratings of Caa1 from Moody's Investors Service, Inc. (Moody's) with a stable outlook as well as long-term debt ratings of B- from Standard & Poor's (S&P) with a stable outlook. Fitch has also rated the preferred shares of the Corporation as a CCC, while S&P rated the preferred shares as CCC- on the global scale or P-5 (low) on the Canadian scale.

S&P rates long-term debt by rating categories ranging from a high of AAA to a low of D, Moody's ratings range from a high of Aaa to a low of C, Fitch's ratings range from a high of AAA to a low of D.

A B- long-term debt rating by S&P is the sixth highest rating of ten categories. An obligation rated in the B category is more vulnerable to nonpayment than obligations rated in the BB category but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation. Moody's Caa1 long-term debt rating is the seventh highest rating of nine categories. A Caa rating is used for long term debt considered to be speculative of poor standing and which is subject to very high credit risk. The "1" numerical modifier indicates that the obligor and/or obligations have a ranking that is in the higher end of the Caa rating category and the "3" numerical modifier indicates a ranking that is in the lower end of the B rating category. A B long-term debt rating by Fitch is the sixth highest rating of eleven categories and indicates that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

A preferred share rating of CCC+ from Fitch is also used to give an indication of a corporate issuer's relative vulnerability to default on an ordinal scale where this rating indicates a substantial credit risk being present. In addition, a preferred share rating in the CCC category from S&P indicates that the obligation is vulnerable to nonpayment and is dependent upon favourable business, financial and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuance of securities as well as an issuer's credit quality and disregard certain factors such as market risk or price risk. These factors should be considered by investors as risk factors in their investment decision making process.

The credit ratings accorded by S&P, Moody's and Fitch are not recommendations to purchase, hold or sell securities. There is no assurance that the ratings will remain in effect for any given period of time or that the rating will not be

revised or withdrawn entirely by S&P, Moody's or Fitch in the future if it is in their judgment that circumstances so warrant.

During the past two years, the Corporation has made normal course payments to Moody's and S&P in connection with their rating services, which include annual surveillance fees covering Bombardier's outstanding securities, in addition to one-time rating fees when securities are initially issued.

# MARKET FOR THE SECURITIES OF THE CORPORATION

The Corporation's Class A shares, Class B subordinate voting shares, Series 2 Preferred Shares, Series 3 Preferred Shares and Series 4 Preferred Shares are listed for trading on the TSX under the symbols "BBD.A", "BBD.B", "BBD.PR.B", "BBD.PR.D" and "BBD.PR.C", respectively. The following table sets forth the reported high, low and closing sale prices in Canadian dollars and the cumulative volume of trading of each of the Corporation's securities listed for trading on the TSX for the periods indicated:

Month of year ended		Class A Shares "BBD.A"	Class B Subordinate Voting Shares "BBD.B"	Series 2 Preferred Shares "BBD.PR.B"	Series 3 Preferred Shares "BBD.PR.D"	Series 4 Preferred Shares "BBD.PR.C"
2018						
December	High	\$2.41	\$2.37	\$11.97	\$11.80	\$21.17
	Low	\$1.86	\$1.80	\$9.90	\$10.04	\$17.01
	Close	\$2.08	\$2.03	\$11.06	\$10.95	\$18.49
	Volume	4,318,014	233,740,770	139,147	91,246	227,776
November	High	\$3.38	\$3.38	\$13.29	\$12.91	\$21.40
	Low	\$1.70	\$1.59	\$10.00	\$9.89	\$16.39
	Close	\$2.28	\$2.22	\$12.00	\$11.60	\$21.00
	Volume	11,397,970	515,180,546	261,533	220,632	510,165
October	High	\$4.71	\$4.71	\$13.80	\$13.77	\$23.00
	Low	\$3.10	\$3.06	\$12.81	\$12.35	\$19.01
	Close	\$3.21	\$3.19	\$13.19	\$12.89	\$20.10
	Volume	5,052,314	208,984,050	117,031	83,185	158,009
September	High	\$4.78	\$4.79	\$13.99	\$14.00	\$22.96
	Low	\$4.13	\$4.10	\$13.35	\$13.35	\$22.19
	Close	\$4.59	\$4.60	\$13.70	\$13.70	\$22.53
	Volume	2,806,685	115,203,203	52,613	36,830	95,846
August	High	\$5.19	\$5.18	\$14.25	\$14.01	\$23.00
	Low	\$4.34	\$4.31	\$13.58	\$13.38	\$21.50
	Close	\$4.35	\$4.31	\$13.85	\$13.85	\$22.75
	Volume	3,487,655	173,908,004	60,390	41,505	160,437
July	High	\$5.60	\$5.58	\$14.25	\$14.50	\$23.74
	Low	\$4.74	\$4.70	\$13.35	\$13.27	\$20.90
	Close	\$4.93	\$4.90	\$13.72	\$13.59	\$21.65
	Volume	5,175,840	164,490,747	100,054	61,800	315,808
June	High	\$5.40	\$5.36	\$13.79	\$14.25	\$23.80
	Low	\$4.69	\$4.68	\$13.12	\$13.32	\$19.86
	Close	\$5.21	\$5.20	\$13.40	\$13.66	\$23.49
	Volume	5,468,215	146,442,707	163,162	119,285	372,072
May	High	\$4.98	\$4.97	\$13.30	\$13.43	\$20.15
	Low	\$3.86	\$3.85	\$12.13	\$12.26	\$19.35
	Close	\$4.86	\$4.88	\$13.21	\$13.32	\$19.87
	Volume	3,513,371	175,698,065	146,666	122,307	158,486
April	High	\$4.07	\$4.06	\$12.44	\$12.48	\$19.74
	Low	\$3.55	\$3.55	\$11.73	\$12.24	\$19.35
	Close	\$3.97	\$3.97	\$12.20	\$12.34	\$19.35
	Volume	1,481,913	112,253,968	61,846	104,739	137,952



March	High	\$4.13	\$4.13	\$12.72	\$12.60	\$19.65
	Low	\$3.64	\$3.61	\$12.13	\$12.16	\$19.10
	Close	\$3.73	\$3.75	\$12.21	\$12.46	\$19.50
	Volume	2,196,338	198,913,581	99,179	101,428	131,434
February	High	\$4.17	\$4.16	\$12.65	\$12.51	\$19.50
	Low	\$3.08	\$3.05	\$11.20	\$11.27	\$18.30
	Close	\$4.07	\$4.06	\$12.50	\$12.45	\$19.47
	Volume	4,161,021	186,256,384	116,543	160,289	203,121
January	High	\$4.17	\$3.75	\$11.99	\$12.16	\$19.69
	Low	\$2.81	\$2.80	\$10.60	\$11.26	\$18.44
	Close	\$3.49	\$3.48	\$11.84	\$11.80	\$19.38
	Volume	5,631,857	202,678,737	181,144	171,476	238,865

# DIRECTORS AND EXECUTIVE OFFICERS

The names of the directors and executive officers of the Corporation, their municipality of residence, the positions held by them within the Corporation, the principal occupations of the directors, the period during which each director has exercised his or her mandate, as well as the number of Class A shares or Class B subordinate voting shares, as the case may be, of the Corporation that the directors, as at February 13, 2019, owned beneficially or over which they exercised control or direction, are indicated below. No Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares are held by any director.

## Directors

Name, Municipality of Residence, Principal Occupation(s) and Position(s) Held Within the Corporation	Period of Service as a Director	Class A Shares	Class B Subordinate Voting Shares
<b>Pierre Beaudoin</b> <sup>(1)</sup> Westmount, Québec, Canada Chairman of the Board of Directors	2004 to date	512,859	952,761
<b>Alain Bellemare</b> Montréal, Québec, Canada President and Chief Executive Officer of the Corporation	2015 to date	—	890,730
<b>Joanne Bissonnette</b> <sup>(2)</sup> Montréal, Québec, Canada Corporate Director	2012 to date	—	5,824
<b>J. R. André Bombardier</b> Montréal, Québec, Canada Vice Chairman of the Board of Directors	1975 to date	65,401,042	7,335,910
<b>Martha Finn Brooks</b> <sup>(a) (c)</sup> Atlanta, Georgia, United States Corporate Director	2009 to date	—	30,000
<b>Jean-Louis Fontaine</b> Westmount, Québec, Canada Vice Chairman of the Board of Directors	1975 to date	4,097,472 <sup>(3)</sup>	6,465
<b>Diane Giard</b> <sup>(a) (d)</sup> Shefford, Québec, Canada Corporate Director	2017 to date	—	—
<b>August W. Henningsen</b> <sup>(b) (c)</sup> Hamburg, Germany Corporate Director	2016 to date	—	26,500
<b>Pierre Marcouiller</b> <sup>(a) (b)</sup> Magog, Québec, Canada Executive Chairman of the Board, Camso Inc.	2017 to date	—	—
<b>Douglas (Doug) R. Oberhelman</b> <sup>(a)</sup> Edwards, Illinois, United States Corporate Director	2017 to date	—	100,000
<b>Vikram Pandit</b> <sup>(b) (d) (e)</sup> New York, New York, United States Chairman and Chief Executive Officer, The Orogen Group (a company investing in the financial services industry)	2014 to date	—	—

<b>Carlos E. Represas</b> <sup>(b) (d)</sup> Mexico City, Mexico Corporate Director	2004 to date	—	—
<b>Antony N. Tyler</b> <sup>(c) (d)</sup> Hong Kong Corporate Director	2017 to date	—	—
<b>Beatrice Weder di Mauro</b> <sup>(a) (c)</sup> Singapore Professor of International Macroeconomics, The Graduate Institute of International and Development Studies	2016 to date	—	—

<sup>(1)</sup> Claire Bombardier Beaudoin, mother of Pierre Beaudoin, exercises, through holding corporations which she controls, control or direction over 61,373,490 Class A shares, which include 500,000 Class A shares over which Claire Bombardier Beaudoin exercises controls jointly with her husband, Laurent Beaudoin, through Beaudier Inc., a portfolio holding company of the Beaudoin family which is controlled by Laurent Beaudoin and Claire Bombardier Beaudoin, through holding companies which they control. Claire Bombardier Beaudoin also exercises control jointly with her husband, Laurent Beaudoin, through Beaudier Inc. over 8,695,136 Class B subordinate voting shares.

<sup>(2)</sup> Janine Bombardier, mother of Joanne Bissonnette, exercises, through holding corporations which she controls, control or direction over 61,973,491 Class A shares and 7,110,137 Class B subordinate voting shares.

<sup>(3)</sup> Huguette Bombardier Fontaine, wife of Jean-Louis Fontaine, exercises, through holding corporations which she controls, control or direction over 60,701,887 Class A shares and 7,070,136 Class B subordinate voting shares.

<sup>(a)</sup> Member of the Audit Committee

<sup>(b)</sup> Member of the Human Resources and Compensation Committee

<sup>(c)</sup> Member of the Finance and Risk Management Committee

<sup>(d)</sup> Member of the Corporate Governance and Nominating Committee

<sup>(e)</sup> Lead Director

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

## Executive Officers who are not Directors

Name and Municipality of Residence	Position Held Within the Corporation
Sameh (Sam) Abdelmalek Avon, Connecticut, United States	Chief Transformation and Supply Chain Officer
Daniel (Dan) Brennan Montréal, Québec, Canada	Senior Vice President, Human Resources
François Caza Montréal, Québec, Canada	Chief Technology Officer
David Coleal Minneapolis, Minnesota, United States	President, Business Aircraft
Frederick (Fred) Cromer Palos Verdes Estates, California, United States	President, Commercial Aircraft
Daniel Desjardins Westmount, Québec, Canada	Senior Vice President, General Counsel and Corporate Secretary
John Di Bert Montréal, Québec, Canada	Senior Vice President and Chief Financial Officer
Danny Di Perna Avon, Connecticut, United States	President, Transportation
Paul Sislian Kirkland, Québec, Canada	President, Aerostructures and Engineering Services
Louis G. Véronneau Mount Royal, Québec, Canada	Senior Vice President, Strategy and Corporate Development

As at February 13, 2019, the directors of the Corporation (other than Mr. J. R. André Bombardier) and the executive officers of the Corporation, as a group, owned beneficially, directly or indirectly, 4,610,331 Class A shares and 3,049,007 Class B subordinate voting shares, representing 1.49% and 0.14% respectively, of the outstanding shares of each such class.

The directors and executive officers of the Corporation who have not occupied their current principal occupations for more than five years have otherwise had the following principal occupations during that period:

- Sam Abdelmalek has been Chief Transformation and Supply Chain Officer since October 10, 2018, prior to which he held the position of Vice President, Global Supply Chain at Pratt & Whitney since April 2016. Between April 2013 and March 2016, he was Vice President, Supply Chain Management at United Technologies Corporation.
- Alain Bellemare has been President and Chief Executive Officer since February 13, 2015, prior to which he held the position of President and Chief Executive Officer between July 2012 and January 2015, at UTC Propulsion and Aerospace Systems.
- Pierre Beaudoin has been Chairman of the Board of Directors since July 2017, prior to which he was Executive Chairman of the Board of Directors since February 2015. From June 2008 until February 2015, he was President and Chief Executive Officer of Bombardier.

- Dan Brennan has been Senior Vice President, Human Resources since February 10, 2017, prior to which he was Group Director Human Resources and Talent Development at CHR Plc since December 2014. Between August 2010 and November 2014, he was Senior Vice President, Global Head of Group Human Resources at ISS World Service.
- François Caza has been Chief Technology Officer since November 8, 2018, prior to which he was Vice President, Product Development and Chief Engineer of Product Development Engineering, Aerospace since September 2014, and Vice President and Chief Engineer, Bombardier Aerospace between March 2004 and September 2014.
- David Coleal has been President, Business Aircraft since June 15, 2015, prior to which he was Executive Vice President and General Manager of Spirit Aerosystems between August 2011 and May 2015.
- Fred Cromer has been President, Commercial Aircraft since April 9, 2015, prior to which he was President of International Lease Finance Corporation between March 2011 and January 2015.
- John Di Bert has been Senior Vice President and Chief Financial Officer since August 10, 2015, prior to which he held positions of increasing responsibility in his 14 years at Pratt & Whitney Canada (P&WC), including Vice President, Customer Service, between 2013 and 2015, and Vice President, Finance, between 2007 and 2013.
- Danny Di Perna has been President, Transportation since February 7, 2019, prior to which he was President, Aerostructures and Engineering Services since November 8, 2018 and Chief Operating Officer, Aerospace since September 15, 2018. Between January 2017 and August 2018, he was Vice President of Global Sourcing for GE Power. He was Senior Vice President Operations at Pratt & Whitney between January 2012 and December 2016.
- Diane Giard joined the Board of Directors of Bombardier on December 12, 2017. She was Executive Vice President - Personal-Commercial Banking and Marketing of National Bank of Canada from March 2017 until her retirement in June 2018, prior to which she held the position of Executive Vice President - Personal & Commercial Banking since 2012.
- August W. Henningsen joined the Board of Directors of Bombardier on April 29, 2016. He was Chief Executive Officer of Lufthansa Technik AG from April 2000 until his retirement in April 2015. Between December 2015 and May 2016, he was a consultant for Plane View Partners.
- Pierre Marcouiller joined the Board of Directors of Bombardier on May 11, 2017. He has been Executive Chairman of the Board of Directors of Camso Inc. since April 2017, after having been its Chairman of the Board of Directors and Chief Executive Officer since 2000.
- Doug R. Oberhelman joined the Board of Directors of Bombardier on November 2, 2017. He was Executive Chairman of Caterpillar from January 2017 until his retirement in March 2017, prior to which he had been Chief Executive Officer of Caterpillar from 2010 until December 2016.
- Vikram Pandit joined the Board of Directors of Bombardier on May 1, 2014. He has been Chairman and Chief Executive Officer of The Orogen Group since 2016. From 2012 to 2016, he primarily focused on investing in and advising early stage financial technology companies and building financial services companies with capital partners.
- Paul Sislian has been President, Aerostructures and Engineering Services since February 7, 2019, prior to which he was Chief Operating Officer, Business Aircraft since September 2015. From November 2013 to August 2015, he was Vice President and General Manager of Business Aircraft's Global program.
- Antony N. Tyler joined the Board of Directors of Bombardier on May 11, 2017. He was Director General and Chief Executive Officer of the International Air Transport Association, a position he held from 2011 until his retirement in September 2016.
- Louis G. Véronneau has been Senior Vice President, Strategy and Corporate Development since June 14, 2018, prior to which he was Vice President, Mergers and Acquisitions since June 4, 2015. Between April 2007 and June 2015, he was Managing Director, Investment Banking at TD Securities.
- Beatrice Weder di Mauro joined the Board of Directors of Bombardier on April 29, 2016. She is a professor of international economics at The Graduate Institute of International and Development Studies since January 2019 and the President of the Center for Economic Policy Research since July 2018. She is also a research professor since 2017 and a distinguished fellow-in-residence since 2015 at INSEAD in Singapore. Previously, she was the Chair of Economic Policy and International Macroeconomics at the Johannes Gutenberg University of Mainz from 2001 until July 2018.

# LEGAL PROCEEDINGS

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

While the Corporation cannot predict the final outcome of legal proceedings pending as at December 31, 2018, based on information currently available, the Corporation does not expect the resolution of these legal proceedings to have a material adverse effect on its financial position.

## Sweden

Since the fourth quarter of 2016, the Swedish police authorities are conducting an on-going investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment to Azerbaijan Railways ADY. The Corporation's subsidiary has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. Both the investigation and the internal review are ongoing. On August 18, 2017, charges were laid against a then employee of the subsidiary 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 on October 25, 2017 by the Prosecution Authority. A trial on appeal is not expected to commence before January 2020. The underlying contract that gave rise to this matter is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is still ongoing. 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.

## 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 is currently contesting 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. Following the filing by the Superintendent-General of CADE of a formal opinion finding BT Brazil had engaged in anti-competitive behavior in December of 2018, BT Brazil intends to contest this opinion before the competent jurisdiction and continues to defend itself against the allegation vigorously.

BT Brazil as a result of the administrative proceedings initiated by CADE in 2014 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.

## Transnet

The Corporation has learned through relevant 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* (Inquiry) for which the terms of reference were published by presidential proclamation on January 25, 2018. Before and after the Inquiry, the media made 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, has 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. BTSA has not received any other communication or request for information from the authorities conducting the inquiries. The Corporation has launched an internal review into the allegations which is conducted 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 in one of numerous aforementioned procurements.

## Spain

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

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

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

## Petition before the U.S. Department of Commerce and the U.S. International Trade Commission

On April 27, 2017, The Boeing Company filed a petition before the U.S. Department of Commerce and the U.S. International Trade Commission (USITC) seeking the imposition of antidumping and countervailing duties on imports from Canada to the U.S. of large civil aircraft with 100 to 150 seats. The Boeing petition alleged that the Corporation's C Series aircraft program has received government subsidies, that the Corporation is "dumping" the C Series aircraft into the U.S. market, and that such sales represent a threat to the domestic aerospace industry in the U.S. On December 18, 2017, the U.S. Department of Commerce issued a final affirmative countervailing duty determination of 212.39% and a final affirmative antidumping duty determination of 79.82%, subject to the final ruling by the USITC. On January 26, 2018, the USITC ruled in favour of the Corporation and issued its final determination on the threat of injury, finding that the U.S. industry is not injured or threatened with material injury by reason of imports of 100- to 150-seat large civil aircraft from Canada. This decision means that the U.S. Commerce Department will not publish and apply antidumping or countervailing duty orders against imports of such aircraft from Canada. The Boeing Company has not appealed the USITC decision within the deadline and accordingly this decision is now final and the Corporation has withdrawn the notices it had filed of its intention to appeal the U.S. Department of Commerce determinations since they are now moot, thereby concluding all proceedings in this matter.

## 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) is 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.

The establishment of the ASDP coincided with the vesting of equity compensation grants made in 2015. In establishing the ASDP, Bombardier was assisted by external counsel and the ASDP was developed based on best practices and sound corporate governance principles and consistent with applicable securities laws.

All sales under the ASDP were effected by an independent securities broker (independent of each participating executive) in accordance with the trading parameters set forth under the ASDP and the instructions set out by participants. Such instructions were set out at least 30 days' prior to any such sale and were set out at a time when the participants were not in possession of any material undisclosed information.

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) have been fully cooperating with the AMF in its review. Bombardier has taken all necessary measures to suspend all further sales of securities pursuant to the ASDP until further notice.

Bombardier and its legal advisors have completed a thorough review of the facts and circumstances that surrounded the implementation of the ASDP. Following this review, and based upon the findings of its advisors, Bombardier has concluded that the implementation of the ASDP and all sales by the participants under the ASDP were in compliance with Canadian securities laws and governance best practices. Bombardier looks forward to a prompt completion of the AMF review.



# TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for each class of the Corporation's publicly listed securities is Computershare Investor Services Inc. at its principal office in each of the Canadian cities of Montréal, Toronto, Calgary and Vancouver.

# MATERIAL CONTRACTS

Other than those contracts entered into during the normal course of business, the only contracts that are material to the Corporation and that were entered into within the fiscal year ended December 31, 2018, or before such year and after January 1, 2002 that are still in effect, and which are required to be filed with Canadian securities regulatory authorities pursuant to applicable securities laws, are as follows:

- a) An agreement dated as of November 18, 2015, between Bombardier and CDPQ, a copy of which was filed on the Corporation's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) on November 25, 2015, as further described in the section entitled "CDPQ investment in BT Holdco" of "Note 11 - Non Controlling Interest" of the Corporation's MD&A, which Note is incorporated by reference into this Annual Information Form;
- b) An agreement dated as of November 18, 2015, between Bombardier and CDPQ, a copy of which was filed on the Corporation's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) on November 25, 2015, pursuant to which Bombardier and CDPQ agreed to a cash reserve threshold of at least \$1.25 billion. The agreement provides that in the event Bombardier's cash reserves fall below that level, the Board of Bombardier will create a Special Initiatives Committee composed of three independent directors acceptable to CDPQ, and responsible to develop an action plan to restore cash reserves above that threshold. The implementation of the plan, once agreed with CDPQ, will be overseen by the Special Initiatives Committee. In addition, with respect to the nomination of any new independent directors of Bombardier, Bombardier will work collaboratively with CDPQ and seek to obtain CDPQ's agreement on the final candidate(s) recommended to the Board. In connection with this agreement, the Bombardier family has committed to fully support any action plan recommended by the Special Initiatives Committee and agreed to by CDPQ, as well as the new selection process for new independent directors of the Board of Directors; and
- c) The Investment Agreement dated as of October 16, 2017, among, *inter alios*, Bombardier and Airbus mentioned under "Item 2 - General Development of the Business, section 2.2 - History", a copy of which was filed on the Corporation's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) on October 26, 2017, as further described in the section entitled "Commercial Aircraft - Strategic Partnership" and in "Note 31 - Disposal of a Business" of the Corporation's MD&A, which section and Note are incorporated by reference into this Annual Information Form.

## INTEREST OF EXPERTS

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

# AUDIT COMMITTEE DISCLOSURE

## Audit Committee Information

Diane Giard is the Chair of the Audit Committee, and Martha Finn Brooks, Pierre Marcouiller, Doug R. Oberhelman and Beatrice Weder di Mauro are its other members. Each of them is independent and financially literate within the meaning of National Instrument 52-110 - Audit Committees.

The Charter of the Audit Committee is reproduced in Schedule 1 attached to this Annual Information Form.

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

**Martha Finn Brooks** Ms. Brooks was appointed as a member of the Audit Committee at the meeting of the Board of Directors of the Corporation held on November 1, 2017. She was previously a member of the Audit Committee of the Corporation from 2009 until 2011. Ms. Finn Brooks was, until her retirement in May 2009, President and Chief Operating Officer of Novelis, Inc., a global aluminium rolling company owned by Mumbai-based Hindalco Industries Ltd., which had earlier been spun off by Alcan Inc. in 2005. From 2002 to 2005, she served as Corporate Senior Vice President and President and Chief Executive Officer of Alcan Rolled Products, Americas and Asia. Prior to joining Alcan, she was a Vice President at engine manufacturer Cummins Inc. Ms. Finn Brooks holds a B.A. in economics and political science and an M.B.A. in international business from Yale University. She is a member of the Audit Committee of Constellium N.V. since June 2016 and was a member of the Audit Committees of Jabil Circuit Inc., International Paper Company, Algeco Scotsman holding S.à.r.l. and CARE.

**Diane Giard (Chair)** Ms. Giard was appointed Chair of the Audit Committee effective June 5, 2018. She was, from March 2017 until her retirement in June 2018, Executive Vice President, Personal and Commercial Banking and Marketing at the National Bank of Canada. She joined National Bank of Canada in 2011 as Executive Vice President, Marketing and less than a year later became responsible for Personal & Commercial Banking. Ms. Giard has more than 30 years' experience in the banking industry, including several years at the Bank of Nova Scotia (Scotiabank), which she joined in 1982 and where she held various executive positions of increasing responsibility including Senior Vice President of Quebec & Eastern Ontario Region. Ms. Giard has a bachelor's degree in Economics from Université de Montréal and a Master's in Business Administration from Université du Québec à Montréal.

**Pierre Marcouiller** Mr. Marcouiller was appointed as a member of the Audit Committee at the meeting of the Board of Directors of the Corporation held on May 11, 2017. Mr. Marcouiller has been Executive Chairman of the Board of Directors of Camso Inc. since April 2017, after having been its Chairman of the Board of Directors and Chief Executive Officer since 2000. Before joining Camso Inc., he was President and Chief Executive Officer of Venmar Ventilation Inc., a North American leader in air quality products, from 1986 to 1996. Mr. Marcouiller holds a Bachelor's degree in Business Administration from Université du Québec à Trois-Rivières and a Master's in Business Administration from Sherbrooke University. He is an Entrepreneur-Trainer at the École d'Entrepreneurship de Beauce and sits on the Board of Directors of QG100, a private group of 100 Québec business leaders whose goal is to support the emergence of world leaders in their fields.

**Doug R. Oberhelman** Mr. Oberhelman was appointed as a member of the Audit Committee at the meeting of the Board of Directors of the Corporation held on May 3, 2018. He was, until his retirement in March 2017, Executive Chairman of Caterpillar, of which he had been the Chief Executive Officer from the beginning of 2010 until the end of 2016. During his 41 years at Caterpillar, Mr. Oberhelman held various executive positions of increasing responsibility, including Vice President and Chief Financial Officer from 1995 to 2002 and Group President from 2002 to 2010. He holds a bachelor's degree from Millikin University. He is a member of the Audit Committee of Exxon Mobil Corporation and was a member of the Audit Committee at Eli Lilly and Company.

**Beatrice Weder di Mauro** Ms. Weder di Mauro was appointed as a member of the Audit Committee at the meeting of the Board of Directors of the Corporation held on April 29, 2016. Ms. Weder di Mauro is a professor of international economics at The Graduate Institute of International and Development Studies since January 2019 and the President of the Center for Economic Policy Research since July 2018. She is also a research professor since 2017 and a distinguished fellow-in-residence since 2015 at INSEAD in Singapore. Previously, she was the Chair of Economic Policy and International Macroeconomics at the Johannes Gutenberg University of Mainz from 2001 until July 2018.

Ms. Weder di Mauro was a member of the German Council of Economic Experts from 2004 to 2012. In 2010, she was a resident scholar at the International Monetary Fund (IMF) in Washington, DC, where she had previously been a visiting scholar in 2006. She was an associate professor of economics at the University of Basel between 1998 and 2001 and a research fellow at the United Nations University in Tokyo from 1997 to 1998. Prior to this, she was an economist at the IMF in Washington, DC. Ms. Weder di Mauro earned her PhD in economics at the University of Basel in 1993 and received her habilitation there in 1999. She is a member of the Audit Committee of UBS AG since 2012 and was a member of the Audit Committee of Roche from 2006 to 2016.

## Appointment of Auditors

For each of the financial years ended December 31, 2018 and 2017, Ernst & Young LLP billed the Corporation the following fees for services:

Fees	Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2017
Audit fees	\$12,258,000	\$11,594,000
Audit related fees	\$1,460,000	\$4,238,000
Tax fees	\$5,599,000	\$5,154,000
All other fees	\$81,000	\$54,000
<b>Total Fees</b>	<b>\$19,398,000</b>	<b>\$21,040,000</b>

In the table above, the terms in the column “Fees” have the following meanings: “Audit fees” refers to all fees incurred with respect to audit services, being the professional services rendered by the Corporation’s independent auditors for the audit of its consolidated annual financial statements and those of its subsidiaries and the review of the Corporation’s quarterly consolidated financial statements as well as services normally provided by the Corporation’s independent auditors in connection with statutory and regulatory filings and engagements; “Audit-related fees” refers to the aggregate fees billed for assurance and related services by the Corporation’s independent auditors that are reasonably related to the performance of the audit or review of its consolidated financial statements and are not reported under “Audit fees” including audits of the Corporation’s employee benefit plans and other attest services, as well as due diligence and other related services; “Tax fees” refers to the aggregate fees billed for professional services rendered by the Corporation’s independent auditors for tax compliance, expatriate and global mobility compliance services, tax advice and tax planning, including the preparation or review of tax returns, transfer pricing documentation and assistance with tax audits, rendered to the Corporation and its many subsidiaries around the world; and “All other fees” refers to the aggregate fees billed for products and services provided by the Corporation’s independent auditors, other than “Audit fees”, “Audit-related fees” and “Tax fees”, consisting primarily of translation of financial information and assistance with respect to a claim. The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the independence of the Corporation’s independent auditors. The Audit Committee has adopted a policy that prohibits the Corporation from engaging its independent auditors for “prohibited” categories of non-audit services and requires pre-approval by such Committee of audit services and other services within certain permissible categories of non-audit services.

## ADDITIONAL INFORMATION

Additional information relating to the Corporation, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's management proxy circular for its most recently completed financial year. Additional financial information is provided in the Corporation's financial statements and MD&A for its most recently completed financial year. The above-mentioned documents may be found on SEDAR at [www.sedar.com](http://www.sedar.com)

All information incorporated by reference into this Annual Information Form is contained or included in one of the Corporation's continuous disclosure documents filed with the Canadian securities regulatory authorities which may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

Where a section of this Annual Information Form incorporates by reference information from one of the Corporation's other continuous disclosure documents, such section makes specific reference to the document in which such information is originally contained or included, as well as to the relevant section.

# FORWARD-LOOKING STATEMENTS

This Annual Information Form includes forward-looking statements, which may involve, but are not limited to: statements with respect to the Corporation's 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 Transportation legacy projects; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings on the Corporation's 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 the Corporation's 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 Bombardier Transportation (Investment) UK Limited (BT Holdco); intentions and objectives for the Corporation's programs, including the focus on returning to profitability and exploration of strategic options for the *CRJ Series* program; the funding and liquidity of CSALP; and the expected impact and intended benefits of the Corporation's partnership with Airbus and investment in CSALP and the realization of intended benefits of the Corporation's acquisition of Triumph's *Global 7500* wing manufacturing operations and assets. As it relates to the strategic actions and proposed sale of the *Q Series* Aircraft program and Business Aircraft's flight and technical training activities (collectively, the Pending Transactions), this Annual Information Form 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 the Corporation's 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 the Corporation's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of its 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 the Corporation to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation's actual results in future periods to differ materially from forecast results set forth in forward-looking statements. While the Corporation 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 Annual Information Form in relation to the Pending Transactions discussed herein include the following material assumptions: the satisfaction of all conditions of closing and the successful completion of such strategic actions and transactions within the anticipated timeframe, including receipt of regulatory approvals. For additional information, including with respect to the other assumptions underlying the forward-looking statements made in the Annual Information Form, refer to the Strategic Priorities and Guidance and forward-looking statements sections in each reportable segment in the MD&A which may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

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 the Corporation's 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 the Corporation's ability to successfully implement and execute its strategy, transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives; doing business with partners; risks associated with the Corporation's partnership with Airbus and investment in CSALP; risks associated with the Corporation's ability to continue with its funding plan of CSALP and to fund, if required, the cash shortfalls; risks associated with the Corporation's ability to successfully integrate its acquisition of Triumph's *Global 7500* wing manufacturing operations and assets; inadequacy of cash planning and management and project funding; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers, contracts and suppliers; supply chain risks; human resources; reliance on information systems; reliance on and protection of intellectual property rights; reputation risks; risk management; tax matters; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial existing debt and interest payment requirements; certain restrictive debt covenants and minimum cash levels; financing support provided for the benefit of certain customers; and reliance on government support), market risks (such as risks related to foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in the MD&A which may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com). With respect to the Pending Transactions 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 such strategic actions and transactions or delay in completing and uncertainty regarding the length of time required to complete such strategic actions and 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 of the Pending Transactions will occur 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.

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 the Corporation's forward-looking statements. The forward-looking statements set forth herein reflect the Corporation's expectations as at the date of this Annual Information Form and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.



# SCHEDULE 1

## CHARTER OF THE AUDIT COMMITTEE

### BOMBARDIER INC.

#### Audit Committee

##### 1.1 Membership and Quorum

- A minimum of four directors who shall all be independent.
- All the members of the Audit Committee shall be financially literate or shall become financially literate within a reasonable period of time after their appointment to the Audit Committee; a member of the Audit Committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Bombardier's financial statements.
- Quorum: a majority of the members.

##### 1.2 Frequency and Timing of Meetings

- normally, in conjunction with Bombardier Board meetings.
- at least four times a year and as necessary.

##### 1.3 Chairman of the Audit Committee

One of the members of the Audit Committee shall act as its Chairman. The responsibilities of the Chairman of the Audit Committee include the following:

###### A. Providing leadership to enhance the Audit Committee's effectiveness

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

###### B. Managing the Audit Committee

- Setting the agenda of the Audit Committee, in consultation with the Senior Vice President and Chief Financial Officer, and prior to the meeting of the Audit Committee, circulating the agenda to the members of the Audit Committee;
- Adopting procedures to ensure that the Audit Committee can conduct its work effectively and efficiently, overseeing the Audit Committee structure and composition, scheduling and management of meetings;
- Ensuring that the conduct of the Audit Committee meetings provides adequate time for serious discussion of relevant issues;
- Ensuring that the outcome of the meeting of the Audit Committee and any material matters reviewed at such meeting are reported to the Board at its next regular meeting.

##### 1.4 Mandate of the Audit Committee

###### A. Purpose

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

## B. Objectives

The objectives of the Audit Committee are :

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

## C. Meetings

- Any member of the Audit Committee or the independent auditor or the Senior Director, Corporate Audit Services and Risk Assessment may request a meeting of the Committee.
- The Chairman of the Board, the President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer shall attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Audit Committee.
- The President and Chief Executive Officer may, at his option, only attend that part of the meeting of the Audit Committee during which the quarterly or annual, as the case may be, consolidated financial statements of Bombardier, the related management's discussion and analysis and the press release to be issued on the consolidated financial statements are reviewed by the Audit Committee members.
- The Senior Director, Corporate Audit Services and Risk Assessment shall have direct access to the Audit Committee and shall receive notice of and attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him.
- The independent auditor shall have direct access to the Audit Committee and shall receive notice of and have the right to attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him.
- The President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Senior Director, Corporate Audit Services and Risk Assessment or any other representative of management whose presence is requested by the Chairman of the Audit Committee or any of the Audit Committee members, and the independent auditor shall meet separately with the Audit Committee, in a private session held during the course of a meeting, at least once annually.
- Minutes of the meetings of the Audit Committee shall be kept by the Corporate Secretary. Supporting documents reviewed by the Audit Committee shall be kept by the Corporate Secretary. A copy of the minutes of any meeting or of any supporting document shall be made available for examination by any director of Bombardier upon request to the Corporate Secretary.

## D. Duties and Responsibilities

- As they relate to the Board and financial reporting
  - a) Assist the Board in the discharge of its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others relating to Bombardier's financial statements and its financial reporting practices and the system of internal accounting and financial controls, the corporate audit and risk assessment function, the management information systems, the annual external audit of Bombardier's financial statements and the compliance by Bombardier with laws and regulations and its own Code of Ethics and Business Conduct.
  - b) Maintain a free and open line of communication with the management of Bombardier, the Senior Director, Corporate Audit Services and Risk Assessment and the independent auditor.
  - c) Review, before their disclosure, Bombardier's quarterly consolidated financial statements, the related management's discussion and analysis and the press release on the quarterly financial results and, if appropriate, recommend to the Board their approval and disclosure.

- d) Review, before their disclosure, Bombardier's annual audited consolidated financial statements, the related management's discussion and analysis, and the press release on the annual consolidated financial results and, if appropriate, recommend to the Board their approval and disclosure.
  - e) Review the presentation and impact of significant, unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks and changes in provisions, estimates or reserves included in any financial statements.
  - f) Obtain explanations for communication to the Board for all significant variances between comparable reporting periods.
  - g) Review any litigation, claim or other contingency, including tax assessments and environmental situations, that could have a material adverse effect upon the financial position or operating results of Bombardier, and the manner in which these matters are disclosed in the financial statements.
  - h) Review the appropriateness of the accounting policies used in the preparation of Bombardier's financial statements, and consider recommendations for any material change to such policies.
  - i) To the extent not previously reviewed by the Audit Committee, review and, if appropriate, recommend to the Board the approval of all financial statements included in the prospectus and other offering memoranda and all other financial reports required by regulatory authorities and requiring approval by the Board.
  - j) Review the statement of management's responsibility for the financial statements as signed by the management of Bombardier and included in any published document.
  - k) Ensure that adequate procedures are in place for the review of Bombardier's public disclosure of financial information extracted or derived from Bombardier's financial statements, other than the public disclosure referred to in paragraph c) or d) above, and periodically assess the adequacy of those procedures.
  - l) Ensure that procedures are in place for
    - (i) the receipt, retention and treatment of complaints received by Bombardier regarding accounting, internal accounting controls, or auditing matters; and
    - (ii) the confidential, anonymous submission by employees of Bombardier of concerns regarding questionable accounting or auditing matters.
  - m) Where there is to be a change of independent auditor, review all issues related to the change, including any differences between Bombardier and the independent auditor that relate to the independent auditor's opinion or a qualification thereof or an independent auditor's comment.
  - n) Monitor the application of, and, if need be, review and make appropriate recommendations to management in order to update the Corporate Disclosure Policy of Bombardier.
- As they relate to the independent auditor
    - a) Explicitly affirm that the independent auditor is independent and accountable to the Board and the Audit Committee, and in that context, work constructively with the independent auditor to build an effective relationship that allow for full, frank and timely discussion of all material issues, with or without management as appropriate in the circumstances.
    - b) Recommend to the Board a firm of independent auditors for submission to the shareholders of Bombardier.
    - c) Review and make recommendations to the Board with respect to the fees payable for the external audit.
    - d) For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the terms of the independent auditor's (i) annual audit services engagement letter and (ii) the quarterly review services engagement letter; each of these letters shall be signed by the Chairman of the Audit Committee.
    - e) For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the scope of the (i) annual audit and of other audit related services and (ii) the quarterly review services to be rendered by the independent auditor; in that context, ensure that the independent auditor has access to all books, records, facilities and personnel of Bombardier.

- f) Review with the independent auditor the contents of its report with respect to the annual consolidated financial statements of Bombardier and the results of the external audit, any significant problems encountered in performing the external audit, any significant recommendations further to the external audit and management's response and follow-up in that context and ensure that the independent auditor is satisfied that the accounting estimates and judgments made by management's selection of accounting principles reflect an appropriate application of generally accepted accounting principles.
  - g) Review any significant recommendations by the independent auditor to strengthen the internal accounting and financial controls of Bombardier.
  - h) Review any unresolved significant issues between management and the independent auditor that could affect the financial reporting or internal controls of Bombardier.
  - i) To the extent practicable, assess the performance of the independent auditor at least once a year.
  - j) Ensure that the independent auditor shall not provide the following services to Bombardier:
    - bookkeeping or other services related to the accounting records or financial statements of Bombardier;
    - financial information systems design and implementation;
    - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
    - actuarial services;
    - internal audit outsourcing services;
    - management functions;
    - human resources;
    - broker or dealer, investment adviser, or investment banking services;
    - legal services; and
    - expert services unrelated to the audit.
  - k) All non-audit services shall require the prior approval of the Audit Committee in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee.
  - l) Review and approve Bombardier's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of Bombardier.
- As they relate to the Senior Director, Corporate Audit Services and Risk Assessment
    - a) At least four times a year, in conjunction with Bombardier Board meetings, review the report of the Senior Director, Corporate Audit Services and Risk Assessment on the results of the work that the Corporate Audit Services and Risk Assessment function has performed and with respect to its organization, staffing, and independence.
    - b) Review and, if appropriate, approve the annual Corporate Audit Services and Risk Assessment plan.
    - c) Assess the Corporate Audit Services and Risk Assessment reporting lines and make such recommendations as are necessary to preserve the independence of the Senior Director, Corporate Audit Services and Risk Assessment.
    - d) Review significant Corporate Audit Services and Risk Assessment findings and recommendations and management's responses thereto.
    - e) Once a year, assess the performance of the Senior Director, Corporate Audit Services and Risk Assessment, and if the circumstances so warrant, review and recommend the removal of the then current incumbent and the appointment of his successor and report the findings and conclusions of the Audit Committee to the Human Resources and Compensation Committee and the President and Chief Executive Officer of the Corporation.
    - f) Once a year, review the terms of the charter of the Corporate Audit Services and Risk Assessment to ensure that they continue to be relevant and, if need be, make any appropriate modifications thereto.
  - As they relate to the Audit Committee's terms of reference

Each year, review the Charter of the Audit Committee in order to ensure that it continues to be relevant and make recommendations to the Corporate Governance and Nominating Committee regarding its responsibilities therein.

## **1.5 Miscellaneous**

If required, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors, and is provided with the appropriate funding for payment of the independent auditors and any advisors retained by it.

While the Audit Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Bombardier's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the Senior Director, Corporate Audit Services and Risk Assessment and the independent auditor.

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board's responsibility to ensure Bombardier's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.