BOMBARDIER

THIRD QUARTERLY REPORT

Three- and nine-month periods ended September 30, 2018

GLOSSARY

The following table shows the abbreviations used in this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS 2
FORWARD-LOOKING STATEMENTS 3
OVERVIEW 5
HIGHLIGHTS 5
2018 GUIDANCE UPDATE 7
2019 GUIDANCE AND 2020 OBJECTIVES 8
CONSOLIDATED RESULTS OF OPERATIONS 10
CONSOLIDATED FINANCIAL POSITION 15
LIQUIDITY AND CAPITAL RESOURCES 16
CAPITAL STRUCTURE 20
NON-GAAP FINANCIAL MEASURES 22
BUSINESS AIRCRAFT 26
COMMERCIAL AIRCRAFT 32
AEROSTRUCTURES AND ENGINEERING SERVICES 39
TRANSPORTATION 42
OTHER 50
OFF-BALANCE SHEET ARRANGEMENTS 50
RISKS AND UNCERTAINTIES 50
ACCOUNTING AND REPORTING DEVELOPMENTS 51
CONTROLS AND PROCEDURES 54
FOREIGN EXCHANGE RATES 54
SELECTED FINANCIAL INFORMATION 55
SHAREHOLDER INFORMATION 56
INTERIM CONSOLIDATED FINANCIAL STATEMENTS 57
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 65

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, guidance in respect of various financial metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, market position, capabilities, competitive strengths, 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; 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; the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources, expected financial requirements and ongoing review of strategic and financial alternatives; the introduction of productivity enhancements and restructuring initiatives and anticipated costs, intended benefits and timing thereof; the expected continued expansion of the business aircraft aftermarket; the objectives and financial targets underlying our transformation plan and the timing and progress in execution thereof, including the anticipated business transition to cash generation; expectations and timing regarding an opportunistic redemption of CDPQ's investment in BT Holdco; intentions regarding the *CRJ* program; the funding and liquidity of C Series Aircraft Limited Partnership (CSALP); the impact and expected benefits of the transaction with Airbus, on our operations, infrastructure, capabilities, development, growth and other opportunities and prospects, geographic reach, scale, assets and program value, footprint, financial condition, access to capital and overall strategy; and the impact of such transaction on our balance sheet and liquidity position. 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 discussed herein, this MD&A also contains forward-looking statements with respect to: the expected terms, conditions, and timing for completion thereof; the respective anticipated proceeds and use thereof, related costs and expenses, as well as the anticipated benefits of such actions and transactions; and the fact that closing of these transactions will be conditioned on certain events occurring, including the receipt of necessary regulatory approval.

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

By their nature, forward-looking statements require management to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions underlying the forward-looking statements made in this report in relation to the transaction with Airbus include the following material assumptions: the accuracy of our analyses and business case including estimated cash flows and revenues over the expected life of the program and thereafter; aircraft prices, unit costs and deliveries gradually improving during the acceleration phase; assumptions regarding the strength and quality of Airbus' scale, reach, sales, marketing and support networks, supply chain and operational expertise, and customer relationships; the fulfilment and performance by each party of its obligations pursuant to the transaction agreement and future commercial agreements and absence of significant inefficiencies or other issues in connection therewith; the realization of the anticipated benefits and synergies of the transaction in the timeframe anticipated; our ability to continue with our funding plan of CSALP and to fund, if required, any cash shortfalls; adequacy of cash planning and management and project funding; and the accuracy of our assessment of anticipated growth drivers and sector trends. The assumptions underlying the forward-looking statements made in this MD&A in relation to the strategic actions and proposed sale of the *Q Series* Aircraft program and Business Aircraft's flight and technical training activities 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 with respect to the assumptions underlying the forward-looking statements made in this MD&A, including as relates to 2018 guidance, refer to the Strategic Priorities and Guidance and forward-looking statements sections in Overview and in each reportable segment of our financial report for the fiscal year ended December 31, 2017. For additional information with respect to the assumptions underlying the forward-looking statements relating to 2019 guidance, refer to the assumptions for 2019 guidance in this MD&A.

With respect to the transaction with Airbus 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: reliance on our analyses and business case including estimated cash flows and revenues over the expected life of the program and thereafter; the occurrence of an event, change or other development having an adverse effect on Airbus' scale and reach, sales, marketing or support networks, supply chain, operations, or customer relationships; the failure by either party to satisfy and perform its obligations pursuant to the transaction agreement and future commercial agreements and/or significant inefficiencies or other issues arising in connection therewith; the failure to realize, in the timeframe anticipated or at all, the anticipated benefits and synergies of the transaction; risks associated with our ability to continue with our funding plan of CSALP and to fund, if required, the cash

shortfalls; inadequacy of cash planning and management and project funding; and reliance on our assessment of anticipated growth drivers and sector trends. Certain other factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with “Brexit”, the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or natural disasters), operational risks (such as risks related to developing new products and services; development of new business; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; our ability to successfully implement and execute our strategy, transformation plan, productivity enhancements and restructuring initiatives; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers and suppliers; human resources; reliance on information systems; reliance on and protection of intellectual property rights; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial existing debt and interest payment requirements; certain restrictive debt covenants and minimum cash levels; financing support provided for the benefit of certain customers; and reliance on government support), market risks (such as risks related to foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in the MD&A of our financial report for the fiscal year ended December 31, 2017. With respect to the strategic actions and proposed sale of the *Q Series* Aircraft program and Business Aircraft’s flight and technical training activities 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 the proposed strategic actions and/or proposed sale of the *Q Series* Aircraft program and Business Aircraft’s flight and technical training activities will occur or that the anticipated benefits will be realized in their entirety, in part or at all. There can also be no assurance that the intended benefits from the productivity enhancements and restructuring initiatives discussed herein will be realized in their entirety, in part or at all, or on the completion, the form, or the timing of a 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 our forward-looking statements. In addition, there can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies of the transaction with Airbus will be realized in their entirety, in part or at all. The forward-looking statements set forth herein reflect management’s expectations as at the date of this report and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	2018	2017 restated[1]	Variance
Revenues	**$ 3,643**	$ 3,839	(5)%
EBIT	**$ 267**	$ 133	101 %
EBIT margin	**7.3 %**	3.5 %	380 bps
EBIT before special items[2]	**$ 271**	$ 183	48 %
EBIT margin before special items[2]	**7.4 %**	4.8 %	260 bps
EBITDA before special items[2]	**$ 333**	$ 254	31 %
EBITDA margin before special items[2]	**9.1 %**	6.6 %	250 bps
Net income (loss)	**$ 149**	$ (100)	nmf
Diluted EPS (in dollars)	**$ 0.04**	$ (0.04)	$ 0.08
Adjusted net income (loss)[2]	**$ 167**	$ (11)	nmf
Adjusted EPS (in dollars)[2]	**$ 0.04**	$ 0.00	$ 0.04
Net additions to PP&E and intangible assets	**$ 229**	$ 287	(20)%
Cash flows from operating activities	**$ (141)**	$ (208)	32 %
Free cash flow usage[2]	**$ (370)**	$ (495)	25 %
As at	**September 30, 2018**	December 31, 2017	Variance
Available short-term capital resources[3][4]	**$ 3,560**	$ 4,225	(16)%

Key highlights and events

- **Solid progress executing our turnaround plan**
  - Revenues during the quarter grew 3% year over year organically from Transportation, Business Aircraft, and Aerostructures, while the deconsolidation of the *C Series* resulted in a reduction of reported revenues.
    - Revenue for the year is expected at approximately $16.5 billion, the lower end of the guidance range.[5]
  - Profitability was particularly strong, delivering our best quarterly performance in years.
    - EBIT before special items[2] grew 48% to $271 million.
    - EBIT before special items[2] is expected to reach the top end of the guidance range at approximatively $1.0 billion.[5]
  - Free cash flow improved by 25% year-over-year, to a usage of $370 million.
    - All milestones were met in our aerospace businesses while Transportation supported higher working capital than anticipated.
    - Adjusting full year free cash flow[2] breakeven guidance plus or minus $150 million to now include the net proceeds of approximately $600 million from the sale of the Downsview property.[5]
  - Transport Canada awarded type certification to the *Global 7500* on September 27, 2018, followed by FAA certification on November 7, 2018, paving the way for the aircraft entry into service in December 2018.
  - The C Series partnership formed by Airbus, Bombardier and Investissement Québec became fully operational on July 1, 2018, bringing together two complementary product lines and the benefit of Airbus' global reach creating significant value for the aircraft.

[1] Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[2] Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.
[3] Defined as cash and cash equivalents plus the amount available under our revolving credit facilities.
[4] Cash and cash equivalents as at December 31, 2017 include the cash reclassified as asset held for sale. Refer to the strategic partnership section in Commercial Aircraft, Note 11 - Cash and cash equivalents and Note 19 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.
[5] See the forward-looking statements disclaimer.

- **Reshaping the portfolio to proactively position the Company for the future**
  - Focusing on growth businesses - Transportation, Business Aircraft and Aerostructures.
  - On November 7, 2018, we entered into definitive agreements for the sale of non-core assets, comprised of the *Q Series* Aircraft program and Business Aircraft's flight and technical training activities. Together with the monetization of training provider royalties, the total net proceeds are expected to be approximately $900 million. Closing of the sale transactions is expected by the second half of 2019, subject to customary closing conditions and regulatory approvals.[1]
    - The *Q Series* Aircraft program assets, including aftermarket operations and assets, were sold to Longview Aircraft Company of Canada Limited, a wholly owned subsidiary of Longview Aviation Capital Corp., for gross proceeds of approximately $300 million. Net proceeds for this transaction are expected at approximately $250 million net of fees, liabilities and normal closing adjustments.
    - Business Aircraft's flight and technical training activities were sold to CAE, a long-time Bombardier training partner. Concurrently, CAE will prepay all royalties under an extended Authorized Training Provider agreement. Combined total value of these transactions is approximately $800 million including $645 million for the sale of the training activities. Net of fees, liabilities and normal closing adjustments, we expect net proceeds of approximately $650 million.

- **Driving financial performance by streamlining and simplifying the organization**
  - We are launching a major new restructuring program to increase productivity.
    - With the heavy aerospace investment phase behind us, we are right-sizing our central aerospace engineering team, enabling the reduction of capital spending anticipated for 2019 and 2020.
    - We are also redeploying key engineering team members to our Business Aircraft, Transportation and Aerostructures segments, ensuring we have all the necessary capabilities to continue leading innovation in our industries.
    - We are concurrently launching a new company-wide initiative to improve productivity.[1]
  - This program will result in a reduction of about 5,000 positions across the organization over the next 12 to 18 months, leading to annualized savings estimated at $250 million at full run rate, which we expect by 2021.[1]
  - The Corporation anticipates recording a restructuring charge of approximately $250 million in 2019 that will be reported as special items.[1]

- **Progressing towards 2020 goals; introducing 2019 guidance[1]**
  - 2019 revenues are targeted to grow by approximately 10% to $18 billion or more.
  - Profitability is targeted to grow at a faster pace, expanding margins.
    - Approximately 30% EBITDA before special items[2] growth to a range of $1.65 to $1.8 billion, and
    - Approximately 20% EBIT before special items[2] growth to $1.15 to $1.25 billion.
  - Transitioning to cash generation in 2019 before one-time items:
    - Free cash flow[2] targeted at breakeven plus or minus $250 million.
    - Normalized free cash flow generation targeted in the range of $250 to $500 million before restructuring investments and a working capital contingency to absorb fluctuations during the intense growth phase.
  - Continuing to track to 2020 financial targets even as we exclude the results of the *Q400* and Business Aircraft training businesses.

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

2018 GUIDANCE UPDATE

The following is an update of the 2018 consolidated guidance based on the progress to date. Guidance for each business units continues to track to plan and remains unchanged.

		Last guidance provided[1]	Results for the nine-month period ended September 30, 2018	2018 guidance update[2]
CONSOLIDATED	Revenues	$16.5-$17.0 billion	$11.9 billion	~ $16.5 billion
	EBITDA before special items[3]	$1.25-$1.35 billion	$934 million	unchanged
	EBIT before special items[3]	$900 million-$1.0 billion	$743 million	~ $1.0 billion
	Free cash flow[3]	Breakeven ± $150 million[4]	$859 million usage	Breakeven ± $150 million including the net proceeds of ~ $600 million from the sale of the Downsview property

CONSOLIDATED[2]

Revenues trend to approximately $16.5 billion for the year, the lower end of the guidance range. On the earnings front, given strong performance year to date, EBIT before special items[3] is expected to be at the top end of the range at approximately $1 billion, while EBITDA before special items[3] remains unchanged. Free cash flow[3] breakeven plus or minus $150 million for the year is adjusted to include net proceeds of approximately $600 million from the sale of the Downsview property completed earlier this year. The inclusion of the sale proceeds in the free cash flow[3] guidance offsets the shortfall at Transportation associated with the higher than planned working capital balance in the second half of the year.

(1) Refer to our 2017 Financial Report and to our Second Quarterly Report for the period ended June 30, 2018 for further details.
(2) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2017 Financial Report for details regarding the assumptions on which the guidance is based.
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(4) Excludes the net proceeds of approximately $600 million from the sale of the Downsview property.

Assumptions for 2019 guidance

2019 guidance[1] in this section of the MD&A are based on the following material assumptions:

All segments

- financials reflect IFRS 16 lease accounting starting January 1, 2019;
- normal execution and delivery of current firm orders and projects in the backlog;
- the ability to understand customer needs and portfolio of products and services to drive increasing market demand and secure key strategic orders;
- continued deployment and execution of leading initiatives according to plan to improve revenue conversion into higher earnings and free cash flows[2], through improved procurement cost, controlled spending and labor efficiency;
- delivering on the transformation plan targets, through restructurings and other initiatives addressing the direct and indirect cost structure, focusing on sustained cost reductions and operational improvements, while reducing working capital consumption;
- the ability to leverage the global manufacturing footprint and transfer best practices and technology across production sites, and by leveraging lower cost geographies and emerging economies;
- the ability of the supply base to support product development and planned production rates;
- the ability to identify and enter into further risk sharing partnerships and initiatives;
- the effectiveness of disciplined capital deployment measures in new programs and products to drive revenue growth;
- the ability to recruit and retain highly skilled resources to deploy the product development strategy;
- competitive global environment and global economic conditions to remain similar;
- the stability of foreign exchange rates at current levels;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long term debt or refinance bank facilities and maturities starting in 2020.

Aerospace segments

- closing of *Q Series* Aircraft program assets & Business Aircraft flight and training activities transactions by the second half of 2019;
- the alignment of production rates to market demand;
- the ability to ramp up production and deliveries of new programs, and meet scheduled entry-into-service date for the *Global 7500* and *Global* 5500, *Global* 6500 and *Global 8000* aircraft program;
- continued ability to capture and win campaigns and projects based on market forecasts[3], leading to estimated future order intake;
- continued deployment and execution of growth strategies, including the aftermarket business;
- the reduction of investments and development spend to normalized levels by 2019-2020;
- the realization of the anticipated benefits and synergies of the transaction with Airbus in the timeframe anticipated;
- our ability to continue with our current funding plan of CSALP and to fund, if required, any cash shortfalls and adequacy of cash planning and management and project funding.

Transportation

- our ability to execute and deliver business model enhancement initiatives;
- revenue conversion and phase out of our legacy contracts;
- a sustained level of public sector spending;
- the realization of upcoming tenders and our ability to capture them based on market forecasts[4], leading to estimated future order intake;
- successful deployment and execution of growth strategies, including the value chain approach and the creation of ecosystems, site specialization and the creation of engineering centers of excellence, and the evolution of the revenue mix towards more signalling and systems and operations and maintenance contracts.

For a discussion of the material risk factors associated with the forward-looking information, refer to the Risks and uncertainties section in Other.

(1) Also refer to forward-looking statements section for the forward-looking statements disclaimer.
(2) Non-GAAP measure. Refer to the Non-GAAP measures for definition of this metric.
(3) For more details, refer to the market indicators in the Industry and economic environment sections of the aerospace segments.
(4) For more details, refer to the market indicators in the Industry and economic environment section of the Transportation segment.

2019 GUIDANCE AND 2020 OBJECTIVES

Based on the new strategic actions, we are introducing preliminary guidance for 2019 and reaffirming 2020 objectives.[(1)]

2019 guidance[(1)]

CONSOLIDATED	Revenues	≥ $18.0 billion
	EBITDA before special items[(2)]	$1.65-$1.80 billion
	EBIT before special items[(2)]	$1.15-$1.25 billion
	Free cash flow[(2)]	Breakeven ± $250 million

2019 revenues, profitability and cash flow guidance for next year reflect the closing of the training business and the *Q400* transactions as of September 30, 2019.

Revenues are targeted to grow by approximately 10% to $18 billion or more from the introduction of the *Global 7500*, continued expansion of the business aircraft aftermarket and expected contribution from Transportation as it delivers on its significant backlog.

Profitability is targeted to grow at a faster pace as margins expand across most segments, while Business Aircraft margins will be approximately 7.5%, which reflects a dilution on the early production units of the *Global 7500*. EBITDA before special items[(2)] is targeted to grow by approximately 30%, while EBIT before special items[(2)] is targeted to increase by approximately 20%.

From a free cash flow[(2)] perspective, our 2019 plan demonstrates the business transition to cash generation based on the milestones achieved to date. On a normalized basis, we target free cash flow[(2)] in a range of $250 to 500 million. This excludes one-time items for restructuring estimated at $250 million and a working capital contingency of $250 million to absorb fluctuations during the intense growth phase. Free cash flow[(2)] including these one-time events for 2019 is targeted to be breakeven plus or minus $250 million.

With a portion of the restructuring initiatives producing benefits in 2020 and as we exclude the results of the *Q400* and training businesses, we continue to track to the 2020 objectives, including revenues at greater than $20 billion, EBITDA before special items[(2)] over $2.25 billion, EBIT before special items[(2)] exceeding $1.6 billion and free cash flow[(2)] between $750 million and $1 billion.

[(1)] See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview as well as assumptions on which the guidance is based.
[(2)] Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[1]	**2018**	2017 *restated*[1]
Revenues	**$ 3,643**	$ 3,839	**$ 11,933**	$ 11,588
Cost of sales	**3,073**	3,355	**10,321**	10,148
Gross margin	**570**	484	**1,612**	1,440
SG&A	**269**	300	**864**	863
R&D	**50**	53	**145**	159
Share of income of joint ventures and associates	**(9)**	(52)	**(59)**	(139)
Other income	**(11)**	—	**(81)**	(29)
EBIT before special items[2]	**271**	183	**743**	586
Special items	**4**	50	**84**	360
EBIT	**267**	133	**659**	226
Financing expense	**147**	181	**465**	522
Financing income	**(25)**	(14)	**(87)**	(35)
EBT	**145**	(34)	**281**	(261)
Income taxes	**(4)**	66	**18**	76
Net income (loss)	**$ 149**	$ (100)	**$ 263**	$ (337)
Attributable to				
Equity holders of Bombardier Inc.	**$ 111**	$ (83)	**$ 217**	$ (304)
NCI	**$ 38**	$ (17)	**$ 46**	$ (33)
EPS (in dollars)				
Basic	**$ 0.04**	$ (0.04)	**$ 0.09**	$ (0.15)
Diluted	**$ 0.04**	$ (0.04)	**$ 0.08**	$ (0.15)
(as a percentage of total revenues)				
EBIT before special items[2]	**7.4%**	4.8%	**6.2%**	5.1%
EBIT	**7.3%**	3.5%	**5.5%**	2.0%

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.

Non-GAAP financial measures[1]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[2]	**2018**	2017 *restated*[2]
EBITDA	**$ 329**	$ 204	**$ 858**	$ 496
EBITDA before special items	**$ 333**	$ 254	**$ 934**	$ 818
Adjusted net income (loss)	**$ 167**	$ (11)	**$ 289**	$ 119
Adjusted EPS	**$ 0.04**	$ 0.00	**$ 0.09**	$ 0.06

(1) Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(2) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

Reconciliation of segment to consolidated results

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[1]	**2018**	2017 *restated*[1]
Revenues				
Business Aircraft	**$ 1,083**	$ 1,074	**$ 3,500**	$ 3,485
Commercial Aircraft	**256**	515	**1,335**	1,666
Aerostructures and Engineering Services	**430**	349	**1,331**	1,190
Transportation	**2,140**	2,146	**6,754**	6,136
Corporate and Elimination	**(266)**	(245)	**(987)**	(889)
	$ 3,643	$ 3,839	**$ 11,933**	$ 11,588
EBIT before special items[2]				
Business Aircraft	**$ 89**	$ 90	**$ 298**	$ 299
Commercial Aircraft	**(9)**	(74)	**(148)**	(248)
Aerostructures and Engineering Services	**36**	27	**140**	68
Transportation	**187**	192	**583**	598
Corporate and Elimination	**(32)**	(52)	**(130)**	(131)
	$ 271	$ 183	**$ 743**	$ 586
Special items				
Business Aircraft	**$ 9**	$ 3	**$ 13**	$ 34
Commercial Aircraft	**(13)**	1	**589**	3
Aerostructures and Engineering Services	**1**	(6)	**(6)**	(6)
Transportation	**3**	52	**45**	284
Corporate and Elimination	**4**	—	**(557)**	45
	$ 4	$ 50	**$ 84**	$ 360
EBIT				
Business Aircraft	**$ 80**	$ 87	**$ 285**	$ 265
Commercial Aircraft	**4**	(75)	**(737)**	(251)
Aerostructures and Engineering Services	**35**	33	**146**	74
Transportation	**184**	140	**538**	314
Corporate and Elimination	**(36)**	(52)	**427**	(176)
	$ 267	$ 133	**$ 659**	$ 226

[1] Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[2] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.

Analysis of consolidated results

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

Special items

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

Special items were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2018**	2017	**2018**	2017
C Series transaction with Airbus	1	**$ 10**	$ —	**$ 609**	$ —
Gain on disposal of PP&E	2	**—**	—	**(561)**	—
Changes in credit and residual value guarantees	3	**(34)**	—	**(34)**	—
Purchase of pension annuities	4	**22**	—	**32**	—
Restructuring charges	5	**2**	7	**18**	248
Impairment of non-core operations	6	**—**	43	**17**	43
Primove impairment and other costs	7	**4**	—	**4**	45
Reversal of *Learjet 85* aircraft program cancellation provisions	8	**—**	—	**(1)**	(11)
Re-negotiation of a commercial agreement	9	**—**	—	**—**	35
Tax litigation	10	**(4)**	11	**(4)**	11
Tax impacts of special items	1	**(1)**	—	**(71)**	(9)
		$ (1)	$ 61	**$ 9**	$ 362
Of which is presented in					
Special items in EBIT		**$ 4**	$ 50	**$ 84**	$ 360
Financing expense - interest related to tax litigation	10	**(4)**	11	**(4)**	11
Income taxes - effect of special items		**(1)**	—	**(71)**	(9)
		$ (1)	$ 61	**$ 9**	$ 362

1. The acquisition by Airbus of 50.01% of CSALP, the entity that manufactures and sells the *C Series* aircraft resulted in a pre-tax accounting charge of $609 million ($545 million after tax), of which $599 million was recorded in the three-month period ended June 30, 2018 and $10 million in the three-month period ended September 30, 2018. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $270 million fair value of warrants issued by Bombardier to Airbus on July 1, 2018, (ii) a $310 million derivative liability which is associated with the expected off-market return on units to be issued to Bombardier by CSALP under Bombardier's funding commitments, and iii) other Bombardier obligations towards CSALP, which mainly comprise supply chain obligations for Aerostructure and Engineering Services. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220. See Note 19 - Disposal of a business for more details in respect of the transaction.
2. Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments).
3. The provisions for credit and residual value guarantees were reduced following a change in credit risk assumption for an airline. The reduction of the provisions was treated as a special item since the original provisions were recorded as special items in 2015.
4. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans resulting from the purchase of annuities from insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations. In Q3 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans in Ontario, for which the premiums paid to insurers were $479M (paid from plans assets) and the respective defined benefit obligations were $457 million.

5. For the three- and nine-month periods ended September 30, 2018, represents severance charges of $2 million and $14 million partially offset by curtailment gains of $4 million, and impairment charges of PP&E of $8 million, all related to previously-announced restructuring actions, respectively. For the three- and nine-month periods ended September 30, 2017, represents severance charges of $7 million and $218 million partially offset by curtailment gains of $2 million, and impairment charges of PP&E of $32 million, all related to previously-announced restructuring actions, respectively.
6. An impairment charge related to non-core operations of $17 million recorded in the nine-month period ended September 30, 2018 with respect to the expected sale of legal entities, as part of the Transportation transformation plan ($43 million in the three- and nine-month periods ended September 30, 2017).
7. Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded an additional contract provision of $4 million in the three-month period ended September 30, 2018 (in the second quarter of 2017, the Corporation recorded an inventory write-down of $22 million, impairment charges of PP&E of $6 million, and a contract provision of $17 million). *Primove* offers e-mobility solutions for several types of electronic rail and road vehicles.
8. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $1 million for the nine-month period ended September 30, 2018 ($11 million for the nine-month period ended September 30, 2017). The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.
9. A provision was taken during the nine-month period ended September 30, 2017 to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.
10. Represents a change in the estimates used to determine the provision related to tax litigation.

Net financing expense

Net financing expense amounted to $122 million and $378 million, respectively, for the three- and nine-month periods ended September 30, 2018, compared to $167 million(1) and $487 million(1) for the corresponding periods last fiscal year.

The $45 million decrease for the three-month period is mainly due to:
- higher borrowing costs capitalized to PP&E and intangible assets ($17 million);
- lower interest related to a tax litigation provision ($15 million), recorded as a special item;
- lower accretion on other financial liabilities ($7 million);
- lower stand-by fees for revolving credit facilities and letter of credit facilities ($5 million); and
- lower accretion on retirement benefit obligations ($5 million).

Partially offset by:
- higher interest on long-term debt, after the effect of hedges ($16 million).

The $109-million decrease for the nine-month period is mainly due to:
- higher borrowing costs capitalized to PP&E and intangible assets ($57 million);
- net gains on certain financial instruments classified as FVTP&L ($47 million);
- net gain from changes in discount rates of provisions ($22 million); and
- lower interest related to a tax litigation provision ($15 million), recorded as a special item.

Partially offset by:
- higher interest on long-term debt, after the effect of hedges ($48 million).

(1) The net financing expense for the three- and nine-month periods ended September 30, 2017 has been restated due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other and Note 8 - Financing expense and financing income in the Consolidated financial statements for details regarding restatements of comparative period figures.

Income taxes

The effective income tax rates for the three- and nine-month periods ended September 30, 2018 were (2.8)% and 6.4% respectively, compared to the statutory income tax rate in Canada of 26.7%. In the three-month period, the income tax rate recovery is mainly due to the positive impact of the net recognition of previously unrecognized tax losses and temporary differences, and the reversal of certain tax contingencies. In the nine-month period, the lower effective income tax rate is due to the positive impact of permanent differences and the reversal of certain tax contingencies, partially offset by the net non-recognition of income tax benefits related to tax losses and temporary differences.

The effective income tax rates for the three- and nine-month periods ended September 30, 2017 were (194.1)%[(1)] and (29.1)%[(1)], respectively, compared to the statutory income tax rate in Canada of 26.7%. The negative effective income tax rates, for the three- and nine-month periods, are due to the negative impacts of the net non-recognition of income tax benefits related to tax losses and temporary differences.

(1) The effective income tax rates for the three- and nine-month periods ended September 30, 2017 have been restated due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

CONSOLIDATED FINANCIAL POSITION

The total assets decreased by $647 million in the nine-month period, including a negative currency impact of $255 million. The $392-million decrease excluding the currency impact is mainly explained by:

- a $4.2-billion decrease in assets held for sale due to the deconsolidation of CSALP[1]; and
- a $707-million decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details.

Partially offset by:

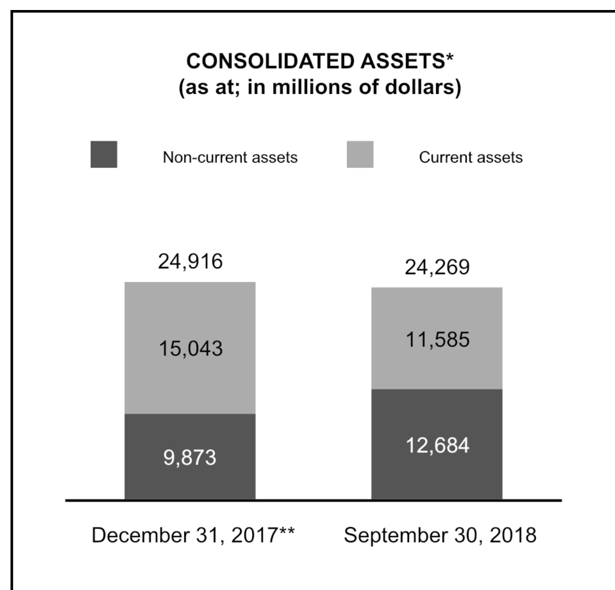
- a $1.8-billion increase in investments in joint ventures and associates mainly due to use of equity method of accounting for the Corporation's investment in CSALP[1];
- a $1.0-billion increase in gross inventories mainly in Business Aircraft, Aerostructures and Engineering Services and Commercial Aircraft;
- a $621-million increase in aerospace program tooling mainly in Business Aircraft. See the Investment in product development table in Business Aircraft for details;
- a $449-million increase in trade and other receivables; and
- a $352-million increase in contract assets mainly in Transportation.

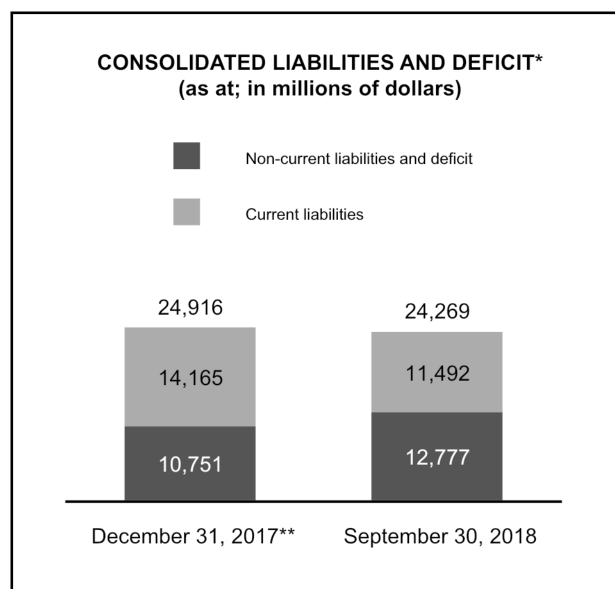
The total liabilities and deficit decreased by $647 million in the nine-month period, including a currency impact of $255 million. The $392-million decrease excluding the currency impact is mainly explained by:

- a $2.7-billion decrease in liabilities directly associated with assets held for sale due to the deconsolidation of CSALP[1]; and
- a $456-million decrease in retirement benefit liability mainly due to remeasurement of defined benefits plans.

Partially offset by:

- a $923-million increase in equity mainly due to a total comprehensive income of $680 million, issuance of Class B Shares of $475 million and issuance of warrants of $270 million[1], partially offset by change in NCI of $391 million[1];
- a $816-million increase in contract liabilities mainly in Business Aircraft and Commercial Aircraft;
- a $546-million increase in trade and other payables mainly in Business Aircraft; and
- $203-million increase in provisions mainly due to provisions on disposal of CSALP[1], partially offset by utilization in provisions during the period.





*The total assets and the total liabilities in the above graphs as at December 31, 2017 include $4.2 billion and $2.7 billion, respectively, related to the CSALP, which are presented under Assets held for sale in the Consolidated financial statements. On July 1, 2018, Airbus SAS (Airbus), a wholly-owned subsidiary of Airbus SE acquired the control of CSALP. Since the Corporation no longer controls CSALP, the transaction has been accounted as a disposal of CSALP. Accordingly, on July 1, 2018, all assets and all liabilities of CSALP were derecognized from the Corporation's consolidated statement of financial position. Refer to the Strategic Partnership section in Commercial Aircraft and to Note 19 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

**Refer to the Accounting and reporting development section in Other for details regarding restatements of comparative period figures.

[1] See Note 19 - Disposal of a business in the Consolidated financial statements for more details.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow

Free cash flow usage[1]

	Three-month periods ended September 30				Nine-month periods ended September 30			
		2018		2017 restated[2]		**2018**		2017 restated[2]
Net income (loss)	**$**	**149**	$	(100)	**$**	**263**	$	(337)
Non-cash items								
Amortization		**62**		69		**188**		225
Impairment charges on PP&E and intangible assets		**—**		2		**11**		45
Deferred income taxes		**(50)**		32		**(73)**		47
Gains on disposals of PP&E and intangible assets		**(11)**		—		**(575)**		(30)
C Series transaction with Airbus		**10**		—		**609**		—
Share of income of joint ventures and associates		**(9)**		(52)		**(59)**		(139)
Share-based expense		**20**		14		**67**		32
Dividends received from joint ventures and associates		**30**		27		**49**		30
Net change in non-cash balances		**(342)**		(200)		**(1,172)**		(579)
Cash flows from operating activities		**(141)**		(208)		**(692)**		(706)
Net additions to PP&E and intangible assets		**(229)**		(287)		**(167)**		(952)
Free cash flow usage[1]		**(370)**		(495)		**(859)**		(1,658)
Net interest and income taxes paid		**(178)**		(127)		**(568)**		(432)
Free cash flow usage before net interest and income taxes paid[1]	**$**	**(192)**	$	(368)	**$**	**(291)**	$	(1,226)

The $125-million improvement in free cash flow[1] for the three-month period is due to:

- higher net income before non-cash items ($206 million) mainly explained by lower special items[3] and higher EBITDA before special items[1]; and
- lower net additions to PP&E and intangible assets ($58 million).

Partially offset by:

- a negative period-over-period variation in net change in non-cash balances ($142 million) (see explanations below).

The $799-million improvement in free cash flow[1] for the nine-month period is due to:

- lower net additions to PP&E and intangible assets ($785 million) mainly due to the proceeds received from the sale of the Downsview property; and
- higher net income before non-cash items ($588 million) mainly explained by lower special items[3] and higher EBITDA before special items[1].

Partially offset by:

- a negative period-over-period variation in net change in non-cash balances ($593 million) (see explanations below).

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics.
[2] Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[3] Refer to the Consolidated results of operations section for details regarding special items.

Net change in non-cash balances
For the three-month period ended September 30, 2018, the $342-million outflow is mainly due to:

- an increase in inventories mainly in Business Aircraft mainly due to the ramp-up in production;
- a decrease in Transportation’s other liabilities and provisions;
- an increase in Transportation’s contract assets following ramp-up in production ahead of deliveries;
- an increase in trade and other receivables mainly related to Aerostructures and Engineering Services; and
- a decrease in Transportation’s contract liabilities following deliveries, partly offset by advances on new orders and existing contracts.

Partially offset by:

- an increase in contract liabilities mainly related to Business Aircraft and Commercial Aircraft;
- an increase in trade and other payables mainly in Business Aircraft and Transportation; and
- a decrease in Transportation’s trade and other receivables.

For the three-month period ended September 30, 2017, the $200-million outflow is mainly due to:

- an increase in Transportation's contract assets following ramp-up in production ahead of deliveries; and
- an increase in aerospace programs inventories mainly in Aerostructures and Engineering Services due to the ramp-up in production for the *C Series* and *Global 7500* aircraft.

Partially offset by:

- an increase in Transportation's contract liabilities on new orders and existing contracts;
- an increase in Transportation's trade and other payables; and
- a decrease in Transportation’s trade and other receivables.

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

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

Partially offset by:

- an increase in contract liabilities mainly in Business Aircraft and Commercial Aircraft; and
- an increase in trade and other payables mainly in Business Aircraft, Transportation and Aerostructures and Engineering Services.

For the nine-month period ended September 30, 2017, the $579-million outflow is mainly due to:

- an increase in Transportation’s contract assets following ramp-up in production ahead of deliveries;
- an increase in aerospace programs inventories mainly in Commercial Aircraft mainly due to the ramp-up in production in the *C Series* aircraft program, partially offset by a decrease in Business Aircraft’s inventories; and
- a decrease in contract liabilities mainly related to Business Aircraft and Commercial Aircraft.

Partially offset by:

- an increase in trade and other payables mainly related to Transportation;
- an increase in Transportation’s contract liabilities on new orders and existing contracts; and
- a decrease in Transportation’s trade and other receivables.

Available short-term capital resources

Variation in cash and cash equivalents

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
Balance at the beginning of period	**$ 2,974** [(1)]	$ 2,217	**$ 3,057** [(1)]	$ 3,384
Free cash flow usage[(2)]	**(370)**	(495)	**(859)**	(1,658)
Deconsolidation of cash and cash equivalents of CSALP	**(151)**	—	**(151)**	—
Purchase of Class B Shares held in trust under the PSU plans	**(97)**	—	**(97)**	—
Investments in non-voting units of CSALP	**(85)**	—	**(85)**	—
Outflows related to a disposal of a business	**(25)**	—	**(25)**	—
Dividends paid to NCI	**(19)**	(5)	**(71)**	(53)
Dividends paid on preferred shares	**(5)**	(7)	**(15)**	(15)
Repayments of long-term debt	**(3)**	(7)	**(11)**	(24)
Issuance of Class B Shares	**28**	—	**504**	—
Effect of exchange rate changes on cash and cash equivalents	**10**	26	**37**	47
Net change in short-term borrowings	**—**	113	**—**	167
Other	**61**	(7)	**34**	(13)
Balance at the end of period	**$ 2,318**	$ 1,835	**$ 2,318**	$ 1,835

Available short-term capital resources

	September 30, 2018	December 31, 2017
Cash and cash equivalents	**$ 2,318**	$ 3,057 [(1)]
Available revolving credit facilities	**1,242**	1,168
Available short-term capital resources	**$ 3,560**	$ 4,225

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

In March 2018, we extended the maturity dates of Transportation's €640-million ($749-million) unsecured revolving credit facility and the $400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, to May 2021 and June 2021, respectively. In May 2018, the committed amount under Transportation's €640-million ($749-million) unsecured revolving credit facility was increased to €722 million ($845 million). In June 2018, the $400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, was adjusted to $397 million. These facilities were unused as at September 30, 2018.

[(1)] Cash and cash equivalents as at June 30, 2018 and as at December 31, 2017 include the cash reclassified as asset held for sale. Refer to the strategic partnership section in Commercial Aircraft, Note 11 - Cash and cash equivalent and Note 19 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.
[(2)] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and the Free cash flow usage table above for reconciliations to the most comparable IFRS measure.

Letter of credit facilities

In March 2018, the availability periods of Transportation's €3,560-million ($4,168-million) letter of credit facility and the $400-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2021 and June 2021, respectively.

In June 2018, the committed amount under Transportation's €3,560-million ($4,168-million) letter of credit facility was increased to €3,725-million ($4,361-million) and the $400-million letter of credit facility, which is available for the Corporation excluding Transportation, was reduced to $361 million.

Financial covenants

Effective in March 2018, the minimum liquidity required by the $400-million[1] letter of credit facility and the $400-million[1] unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now varying between $600 million and $850 million at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds at the end of each quarter, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the minimum liquidity required by the Transportation letter of credit and revolving credit facilities is now increased from €600 million ($702 million) to €750 million ($878 million) at the end of each quarter. The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data.

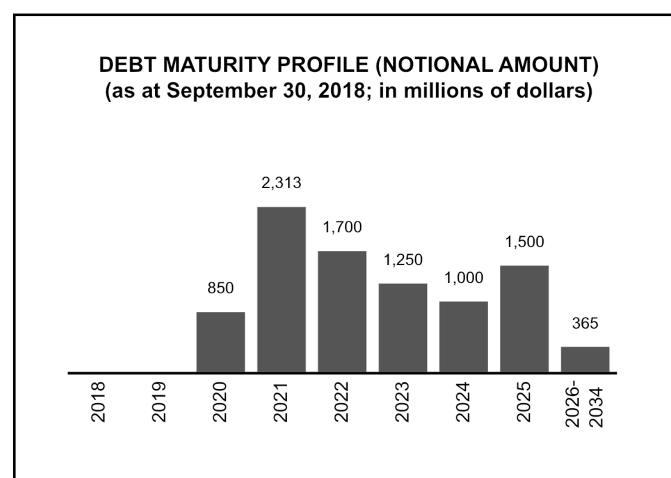
These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to any specific terms used in the MD&A. Minimum liquidity is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

The financial covenants under these credit facilities were all met as at September 30, 2018 and December 31, 2017.

[1] In June 2018, the $400-million letter of credit facility was reduced to $361 million and the $400-million unsecured revolving credit facility was adjusted to $397 million.

Future liquidity requirements

We believe that our cash flows from operating activities, combined with our available short-term capital resources of $3.6 billion will enable the development of new products to enhance our competitiveness and support our growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable us to meet all other expected financial requirements in the foreseeable future.



Following an agreement with a syndicate of underwriters that occurred on March 23, 2018, we issued 168,000,000 Class B Shares (subordinate voting) at a purchase price of CDN $3.80, for an aggregate gross proceeds of CDN $638 million (approximately $500 million). The net proceeds of $475 million supplemented our working capital.

We continuously evaluate opportunities to strengthen our capital profile by improving leverage ratios, refinancing debt maturities, and reducing the overall cost of funds by diversifying sources of capital. While there is no significant debt maturing before 2020, Bombardier has the option to buy back CDPQ's investment in BT Holdco beginning in February 2019. The CDPQ instrument carries a 15% minimum return threshold under a Bombardier initiated buy back. Given the cost of this instrument, we may seek to opportunistically redeem this CDPQ security while preserving an appropriately capitalized balance sheet. There can be no assurances on the completion, the form, or the timing of such buy-back.

CAPITAL STRUCTURE

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

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

Our objectives with regard to global metrics are as follows:

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

Interest coverage ratio

	For the four-quarter trailing periods ended[1]	
	September 30, 2018	December 31, 2017
Adjusted EBIT[2]	**$ 938**	$ 823
Adjusted interest[2]	**$ 677**	$ 631
Adjusted EBIT to adjusted interest coverage ratio	**1.4**	1.3

Financial leverage ratio

	As at and for the four-quarter trailing periods ended[1]	
	September 30, 2018	December 31, 2017
Adjusted debt[2]	**$ 9,487**	$ 9,631
Adjusted EBITDA[2]	**$ 1,275**	$ 1,215
Adjusted debt to adjusted EBITDA ratio	**7.4**	7.9

[1] 2017 has been restated due to adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

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

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

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $1.8 billion as at September 30, 2018 ($2.4 billion as at December 31, 2017). The measurement of this liability is dependent on numerous key long-term assumptions such as discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. We closely monitor the impact of the net retirement benefit liability on our future cash flows and we have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with the retirement benefit plans. The $619-million decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability		
Balance as at December 31, 2017	$	2,442 [1]
Changes in discount rates and other financial assumptions		(653)
Employer contributions		(180)
Other net actuarial gains on defined benefit obligations		(150)
Deconsolidation of CSALP		(104)
Changes in foreign exchange rates		(57)
Actuarial losses on pension plan assets		208
Service costs		208
Accretion on net retirement benefit obligation		50
Net losses on curtailment and settlement		29
Other		30
Balance as at September 30, 2018	**$**	**1,823** [1]

[1] Includes retirement benefit assets of $334 million as at September 30, 2018 ($290 million as at December 31, 2017). Also includes net retirement benefit liability related to the *C Series* aircraft program in the amount of $99 million reclassified as Liabilities directly associated with assets held for sale as at December 31, 2017.

NON-GAAP FINANCIAL MEASURES

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

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

We believe that providing certain non-GAAP financial measures in addition to IFRS measures provides users of our interim financial report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. For these reasons, a significant number of users of the MD&A analyze our results based on these performance measures. EBIT before special items, EBITDA before special items, adjusted net income and adjusted EPS exclude items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. We believe these measures help users of our MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

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

Non-GAAP financial measures are mainly derived from the interim consolidated financial statements but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP financial measures does not imply that these items are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to compare the performance of those entities to ours based on these similarly-named non-GAAP measures.

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

- EBIT before special items to EBIT – see the Results of operations tables in the reporting segments and Consolidated results of operations section; and
- free cash flow usage before net interest and income taxes paid and free cash flow usage to cash flows from operating activities – see the Free cash flow usage table in the Liquidity and capital resources section.

Reconciliation of EBITDA before special items and EBITDA to EBIT

	Three-month periods ended September 30				Nine-month periods ended September 30			
	2018		2017 restated[1]		**2018**		2017 restated[1]	
EBIT	**$**	**267**	$	133	**$**	**659**	$	226
Amortization		**62**		69		**188**		225
Impairment charges on PP&E and intangible assets[2]		**—**		2		**11**		45
EBITDA		**329**		204		**858**		496
Special items excluding impairment charges on PP&E and intangible assets[2]		**4**		50		**76**		322
EBITDA before special items	**$**	**333**	$	254	**$**	**934**	$	818

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

	Three-month periods ended September 30					
	2018		**(per share)**	2017		(per share) restated[1]
Net income (loss)	**$**	**149**		$	(100)	
Adjustments to EBIT related to special items[2]		**4**	**$ 0.00**		50	$ 0.02
Adjustments to net financing expense related to:						
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments		**5**	**0.00**		7	0.00
Accretion on net retirement benefit obligations		**16**	**0.00**		21	0.01
Interest related to tax litigation[2]		**(4)**	**0.00**		11	0.01
Tax impact of special[2] and other adjusting items		**(3)**	**0.00**		—	0.00
Adjusted net income (loss)		**167**			(11)	
Net income (loss) attributable to NCI		**(38)**			17	
Preferred share dividends, including taxes		**(7)**			(7)	
Dilutive impact of CDPQ conversion option		**(13)**			—	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**$**	**109**		$	(1)	
Weighted-average diluted number of common shares (in thousands)		**2,624,943**			2,195,330	
Adjusted EPS (in dollars)	**$**	**0.04**		$	0.00	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended September 30			
	2018		2017 restated[1]	
Diluted EPS	**$**	**0.04**	$	(0.04)
Impact of special[2] and other adjusting items		**—**		0.04
Adjusted EPS	**$**	**0.04**	$	0.00

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Refer to the Consolidated results of operations section for details regarding special items.

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

	Nine-month periods ended September 30			
	2018	**(per share)**	2017	(per share) *restated*[1]
Net income (loss)	**$ 263**		$ (337)	
Adjustments to EBIT related to special items[2]	**84**	**$ 0.03**	360	$ 0.16
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**(31)**	**(0.01)**	38	0.02
Accretion on net retirement benefit obligations	**50**	**0.02**	59	0.03
Interest related to tax litigation[2]	**(4)**	**0.00**	11	0.00
Tax impact of special[2] and other adjusting items	**(73)**	**(0.03)**	(12)	0.00
Adjusted net income	**289**		119	
Net income (loss) attributable to NCI	**(46)**		33	
Preferred share dividends, including taxes	**(21)**		(19)	
Dilutive impact of CDPQ conversion option	**(6)**		—	
Adjusted net income attributable to equity holders of Bombardier Inc.	**$ 216**		$ 133	
Weighted-average diluted number of common shares (in thousands)	**2,503,332**		2,254,696	
Adjusted EPS (in dollars)	**$ 0.09**		$ 0.06	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Nine-month periods ended September 30	
	2018	2017 *restated*[1]
Diluted EPS	**$ 0.08**	$ (0.15)
Impact of special[2] and other adjusting items	**0.01**	0.21
Adjusted EPS	**$ 0.09**	$ 0.06

Reconciliation of adjusted debt to long-term debt

		As at
	September 30, 2018	December 31, 2017
Long-term debt	**$ 9,136**	$ 9,218
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	**(164)**	(222)
Long-term debt, net	**8,972**	8,996
Operating lease obligations[3]	**515**	635
Adjusted debt	**$ 9,487**	$ 9,631

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Refer to the Consolidated results of operations section for details regarding special items.
(3) Discounted using the average five-year U.S. Treasury Notes plus the average credit spread, given our credit rating, for the corresponding period.

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended	
	September 30, 2018	December 31, 2017 *restated*[1]
EBIT	**$ 732**	$ 299
Special items[2]	**150**	426
Interest received	**28**	61
Interest adjustment for operating leases[3]	**28**	37
Adjusted EBIT	**938**	823
Amortization	**277**	314
Impairment charges on PP&E and intangible assets[4]	**3**	7
Amortization adjustment for operating leases[5]	**57**	71
Adjusted EBITDA	**$ 1,275**	$ 1,215

Reconciliation of adjusted interest to interest paid

	Four-quarter trailing periods ended	
	September 30, 2018	December 31, 2017
Interest paid	**$ 649**	$ 594
Interest adjustment for operating leases[3]	**28**	37
Adjusted interest	**$ 677**	$ 631

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Refer to the Consolidated results of operations section for details regarding special items.
(3) Represents the interest cost of a debt equivalent to operating lease obligations included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related period, given our credit rating.
(4) Excluding amounts recognized as special items.
(5) Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

BUSINESS AIRCRAFT

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30		2018		2017 restated[1]	Variance
Revenues	$	**1,083**	$	1,074	1 %
Aircraft deliveries (in units)		**31**		30	1
EBIT	$	**80**	$	87	(8)%
EBIT margin		**7.4%**		8.1%	(70) bps
EBIT before special items[2]	$	**89**	$	90	(1)%
EBIT margin before special items[2]		**8.2%**		8.4%	(20) bps
EBITDA before special items[2]	$	**113**	$	111	2 %
EBITDA margin before special items[2]		**10.4%**		10.3%	—
Net additions to PP&E and intangible assets	$	**198**	$	242	(18)%
As at		**September 30, 2018**		December 31, 2017 restated[1]	
Order backlog (in billions of dollars)	$	**14.3**	$	13.8	4 %

Key highlights and events

- Business Aircraft's third quarter performance shows solid execution on deliveries and sales, continued growth in the aftermarket, as well as the certification of the *Global 7500* aircraft, the largest and longest range business jet in the industry.
- Transport Canada Type Certification of the *Global 7500* aircraft was awarded on September 27, 2018, followed by FAA certification on November 7, 2018, paving the way for entry into service in December 2018.
- Third quarter net order intake was strong, growing the backlog to $14.3 billion. Interest continues to grow in the *Global* family, including the new *Global 5500* and *Global 6500* aircraft offering.[3]
- During the quarter, revenues totalled $1.1 billion on 31 deliveries including a strong mix of medium sized aircraft. With 96 deliveries year-to-date, this represents more than 70% of planned deliveries for the year, tracking to full year guidance on deliveries and revenue.
- EBIT margin before special items[2] during the quarter continued to trend above 8% driven by seasonal changes in aircraft mix, with year-to-date EBIT margin before special items[2] of 8.5%.
- Subsequent to the quarter, on October 15, 2018, the *Global 5500* and *Global 6500* aircraft program completed 70% of total flight test hours required for certification, tracking to entry into service at the end of 2019.[3]
- On October 3, 2018, we announced a further expansion of our service network with a new centre in Miami. Planned for inauguration in 2020, the new 300,000 sq. ft. centre will benefit our U.S. and Latin American customers and continue to fuel our growth.
- On November 7, 2018, the Corporation entered into a definitive agreement to sell its activities consisting of flight and technical training for Bombardier Business Aircraft carried out principally in training centers located in Montreal, Quebec, and Dallas, Texas to CAE, a long-time Bombardier training partner. This transaction provides Bombardier's Business Aircraft customers the benefit of CAE's training expertise, while Bombardier focuses on aircraft development and services. Concurrently with the sale, Bombardier and CAE have entered into an agreement to extend their Authorized Training Provider (ATP) relationship whereby CAE will prepay all royalties under the agreement. Combined the total value of both transactions is $800 million, including $645 million for the sale of the training activities. Net of fees, liabilities and normal closing adjustments, we expect net proceeds of approximately $650 million. Closing of the sale transaction is expected by the second half of 2019, subject to customary closing conditions and regulatory approvals.

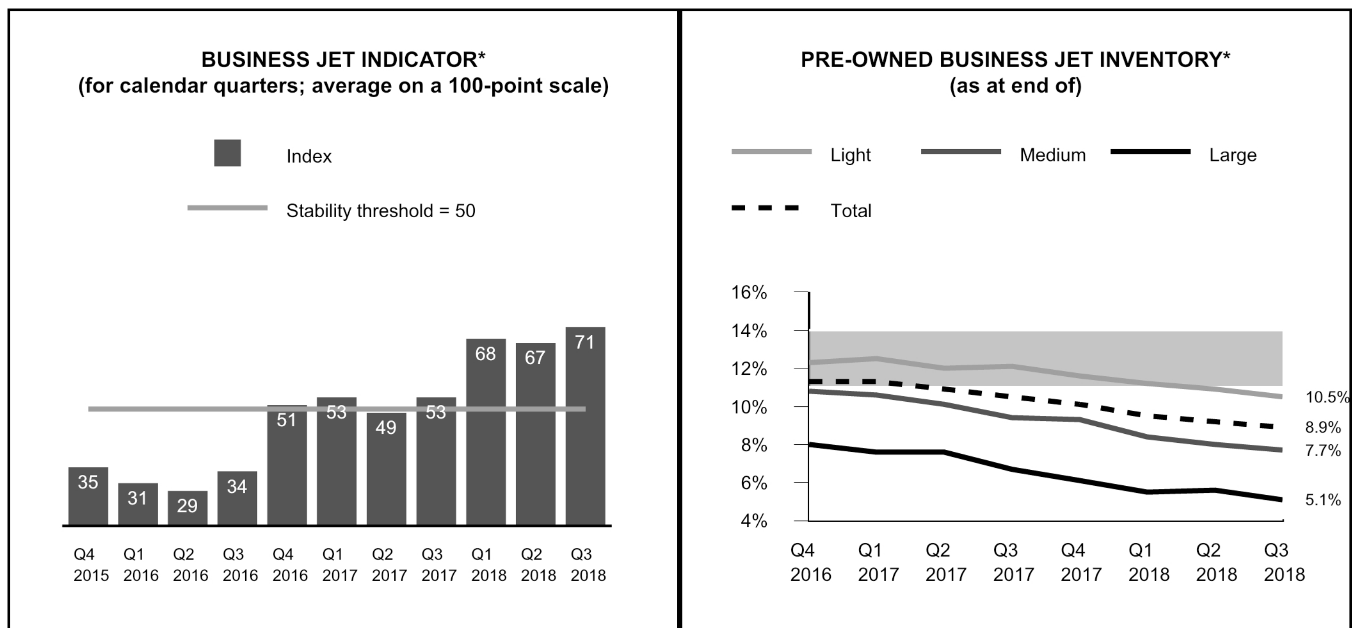
(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures. The backlog figures as of December 31, 2017 and March 31, 2018 were also restated to $13.8 billion and $13.9 billion respectively in relation to some adjustments on certain long term services contracts.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(3) Currently under development. See the *Global 5500, Global 6500, Global 7500* and *Global 8000* aircraft disclaimer at the end of this MD&A.

INDUSTRY AND ECONOMIC ENVIRONMENT

Positive momentum from the end of 2017 has carried through to 2018 and into the third quarter. As indicated in the graphs below, industry confidence[1] is well above the threshold of market stability at the end of the third quarter, coming in at 71 points.[2] The global economy is expected to grow at a rate of 3.1% in 2018, higher than growth of 3.0% in 2017.[3] The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet stood at 8.9% as at September 30, 2018, an improvement from 9.2% as at June 30, 2018. This level of pre-owned inventory is below the 10-year historical range for the overall market. This improvement is even greater when focusing on young pre-owned aircraft, for which availability decreased by an even higher factor. Business jet utilization in the U.S. and Europe remained stable compared to the same period last year. These fundamental indicators demonstrate that business aviation is striking the right balance between supply and demand on the marketplace.

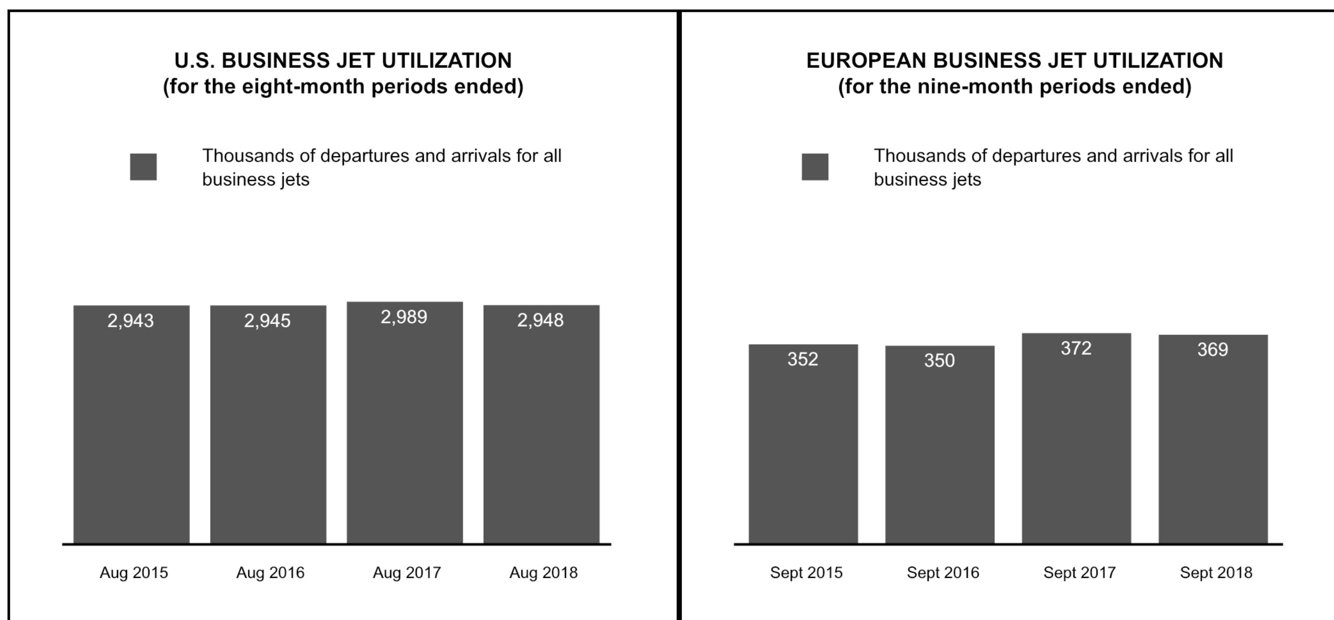
The Business Aviation industry is poised for growth in the long term due to a better economic outlook combined with the introduction of new aircraft models and technologies. With the industry's most comprehensive product portfolio, Bombardier Business Aircraft is well positioned.

[1] As measured by the Barclays Business Jet Indicator.
[2] According to the Barclays Business Jet Survey dated October 12, 2018.
[3] According to "Oxford Economics Global Data Report" dated October 12, 2018.



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

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



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

Source: Eurocontrol

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[1]	**2018**	2017 *restated*[1]
Revenues				
Manufacturing and Other[2]	**$ 777**	$ 802	**$ 2,617**	$ 2,712
Services[3]	**306**	272	**883**	773
Total revenues	**$ 1,083**	$ 1,074	**$ 3,500**	$ 3,485
EBITDA before special items[4]	**$ 113**	$ 111	**$ 369**	$ 365
Amortization	**24**	21	**71**	66
EBIT before special items[4]	**89**	90	**298**	299
Special items	**9**	3	**13**	34
EBIT	**$ 80**	$ 87	**$ 285**	$ 265
EBIT margin before special items[4]	**8.2%**	8.4%	**8.5%**	8.6%
EBIT margin	**7.4%**	8.1%	**8.1%**	7.6%

[1] Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[2] Mainly composed of revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
[3] Composed of revenues from aftermarket services including parts, *Smart Services*, service centres, training and technical publication.
[4] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $25-million decrease in manufacturing and other revenues for the three-month period is mainly due to higher mix of medium category aircraft compared to last year.

The $34-million increase in services revenues for the three-month period is mainly due to increase in sales of spare parts and increase in activities in service centres.

The $95-million decrease in manufacturing and other revenues for the nine-month period is mainly due to lower revenues from sales of pre-owned aircraft, reflecting a lower level of pre-owned aircraft inventory.

The $110-million increase in services revenues for the nine-month period is mainly due to increase in sales of spare parts and increase in activities in service centres.

Special items

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

The special items in EBIT were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2018**	2017	**2018**	2017
Purchase of pension annuities	1	**$ 9**	$ —	**$ 9**	$ —
Restructuring charges	2	**—**	3	**5**	10
Re-negotiation of a commercial agreement	3	**—**	—	**—**	35
Reversal of *Learjet 85* aircraft program cancellation provisions	4	**—**	—	**(1)**	(11)
		$ 9	$ 3	**$ 13**	$ 34
EBIT margin impact		**(0.8)%**	(0.3)%	**(0.4)%**	(1.0)%

1. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans resulting from the purchase of annuities from insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations. In Q3 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans in Ontario, for which the premiums paid to insurers were $479M (paid from plans assets) and the respective defined benefit obligations were $457 million.

2. Represents severance charges related to previously-announced restructuring actions.

3. A provision was taken during the nine-month period ended September 30, 2017 to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.

4. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $1 million for the nine-month period ended September 30, 2018 ($11 million for the nine-month period ended September 30, 2017). The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.

EBIT margin

While aftermarket continued to grow, EBIT margin before special items was slightly lower by 0.2% for the three-month period given the mix of aircraft deliveries and dilution coming from entry into service costs.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 0.7 percentage points compared to the same period last year.

For the nine-month period, EBIT margin before special items was slightly lower by 0.1% with continued growth in the aftermarket and dilution coming from entry into service costs.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period increased by 0.5 percentage points compared to the same period last year.

Product development

Investment in product development

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
Program tooling[1]	**$ 193**	$ 221	**$ 609**	$ 766
R&D expense[2]	**2**	4	**8**	9
	$ 195	$ 225	**$ 617**	$ 775
As a percentage of revenues[3]	**18.0%**	20.9%	**17.6%**	22.2%

The carrying amount of business aircraft program tooling[4] as at September 30, 2018 was $4.2 billion, compared to $3.6 billion as at December 31, 2017.

[1] Net amount capitalized in aerospace program tooling.
[2] Excluding amortization of aerospace program tooling of $11 million and $36 million, respectively, for the three- and nine-month periods ended September 30, 2018 ($8 million and $30 million for the three- and nine-month periods ended September 30, 2017), as the related investments are already included in aerospace program tooling.
[3] 2017 figures have been restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[4] Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to $623 million as at September 30, 2018 ($441 million as at December 31, 2017).

The *Global 7500* and *Global 8000* aircraft program[1]

On September 27, 2018, the *Global 7500* aircraft program received Transport Canada Type Certification, paving the way for entry into service in December 2018. FAA certification was received on November 7, 2018. In April 2018, Bombardier announced that the *Global 7500* business jet can fly a range of 7,700 nautical miles, a full 300 nautical miles further than initial projections. In addition to its unsurpassed range, the *Global 7500* aircraft has exceeded takeoff and landing performance commitments, leading to a new published takeoff distance of 5,800 feet, at full fuel in standard operating conditions. This performance permits operators to use challenging airports without compromising for the larger cabin.

Delivering on the *Global 7500*'s significant backlog is a key priority for the Corporation. We are preparing for entry-into-service later this year and production ramp-up is ongoing. This includes working with our supply base to ensure every supplier is equipped to support the program's success. We are having on-going commercial discussions with our wing supplier, Triumph. As part of these discussions, we aim to support Triumph's needs, while also sustaining the long-term success of the *Global 7500* program for Bombardier.

The category-defining *Global 7500* aircraft is on track to enter into service in December 2018. It will set the standard for a new category of large business jets, as the first and only clean-sheet business jet with four living spaces.

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

On October 15, 2018, Bombardier announced that it had completed 70% of the flight testing for the *Global 5500* and *Global 6500* aircraft program. Bombardier's experienced flight test team reports that the two flight test vehicles, currently in active testing in Wichita, Kansas, are performing exceptionally well throughout the rigorous test program.

In May 2018, Bombardier unveiled the two new aircraft built on the success of the Global 5000 and Global 6000 aircraft offering 500 and 600 nautical miles of additional range respectively for a class-leading 5,700 and 6,600 nautical miles, top speeds of Mach 0.90 and Bombardier's advanced wing design for a comfortable and smooth ride. The *Global 5500* and *Global 6500* jets also provide an up to 13-per-cent fuel burn advantage in certain operating conditions, contributing to highly favourable operating costs versus smaller competing aircraft with less range. The aircraft showcased at EBACE was one of the two flight test vehicles supporting the certification campaign.

The program is progressing on track toward certification with the aircraft expected to enter into service at the end of 2019.

[1] Currently under development. See the *Global 5500, Global 6500, Global 7500* and *Global 8000* aircraft disclaimer at the end of this MD&A.

Aircraft deliveries and order backlog

Aircraft deliveries

(in units)	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[(1)]	**2018**	2017 *restated*[(1)]
Light				
Learjet 70/75	**4**	4	**9**	12
Medium				
Challenger 350	**14**	13	**40**	34
Challenger 605/650	**6**	3	**18**	15
Challenger 850	**—**	1	**—**	2
Large				
Global 5000/Global 6000	**7**	9	**29**	32
	31	30	**96**	95

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

Order backlog

(in billions of dollars)	**September 30, 2018**	**As at** December 31, 2017 *restated*[(1)]
	$ 14.3	$ 13.8

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures. The backlog figures as of December 31, 2017 and March 31, 2018 were also restated to $13.8 billion and $13.9 billion respectively in relation to some adjustments on certain long term services contracts.

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

COMMERCIAL AIRCRAFT

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	2018	2017 restated[1]	Variance
Revenues[2]	**$ 256**	$ 515	(50)%
Aircraft deliveries (in units)[3]	**5**	11	(6)
Net orders (in units)	**11**	25	(14)
Book-to-bill ratio[4]	**2.2**	2.3	(0.1)
EBIT[5]	**$ 4**	$ (75)	nmf
EBIT margin[5]	**1.6 %**	(14.6)%	1620 bps
EBIT before special items[5][6]	**$ (9)**	$ (74)	88 %
EBIT margin before special items[5][6]	**(3.5)%**	(14.4)%	1090 bps
EBITDA before special items[5][6]	**$ (6)**	$ (59)	90 %
EBITDA margin before special items[5][6]	**(2.3)%**	(11.5)%	920 bps
Net additions to PP&E and intangible assets	**$ —**	$ 16	(100)%
As at	**September 30, 2018**	December 31, 2017	
Order backlog (in units)[7][8]	**122**	85	37

[1] Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[2] Including revenues from CSALP for the comparative period of 2017.
[3] Excluding 5 *CS300* aircraft deliveries from the comparative period of 2017.
[4] Ratio of new orders received over aircraft deliveries, in units, excluding *C Series* aircraft orders and deliveries.
[5] Including share of net loss from CSALP for the three-month period ended September 30, 2018 amounting to $13 million.
[6] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
[7] Excluding 115 and 233 firm orders of *CS100* and *CS300* aircraft respectively for the comparative period of 2017. Subsequent to the C Series Partnership closing, Airbus rebranded *CS100* and *CS300* as A220-100 and A220-300, respectively.
[8] Subsequent to the end of this quarter, the Corporation cancelled two *Q400* orders totalling 8 aircraft.

Key highlights and events

- Starting July 1, 2018, following the closing of the C Series Partnership formed by Airbus (50.01%), Bombardier (33.55%) and Investissement Québec (16.44%), Commercial Aircraft deconsolidated CSALP from its results and replaced it by its share of CSALP's net loss on an equity pickup basis. As such, during the quarter, revenues decreased by $259 million mainly as the result of the deconsolidation.
- EBIT for the quarter was near breakeven, a significant improvement as we deconsolidated CSALP results and recognized our share of CSALP's net loss resulting in an equity pickup of $13 million. Further Bombardier invested $85 million in CSALP during the quarter in exchange for non-voting units of the partnership against its commitment of up to $225 million by year end.
- *CRJ Series* and *Q400* deliveries for the quarter totalled 5 aircraft, while net orders totalled 11 aircraft.
- On November 7, 2018, the Corporation entered into a definitive agreement for the sale of the *Q Series* Aircraft program assets, including aftermarket operations and assets, to Longview Aircraft Company of Canada Limited, a wholly owned subsidiary of Longview Aviation Capital Corp., for gross proceeds of approximately $300 million. The agreement covers all assets and intellectual property and Type Certificates associated with the Dash 8 Series 100, 200 and 300 as well as the *Q400* program operations at the Downsview manufacturing facility in Ontario, Canada. The transaction is expected to close by the second half of 2019, subject to customary closing conditions and regulatory approvals. Net proceeds for this transaction are expected at approximately $250 million net of fees, liabilities and normal closing adjustments.
- Following the closing of the Airbus partnership on the *C Series* aircraft program earlier this year, and the agreement to sell the *Q400* program announced on November 7, 2018, our full attention is turning to the *CRJ* program. As we continue to actively participate in the regional aircraft market with our established, scope compliant aircraft, our focus is on reducing cost and increasing volumes while optimizing the aftermarket for the ~1,500 *CRJ*'s in service around the world today. As we look to return the *CRJ* to profitability, we will also explore strategic options for the program.

INDUSTRY AND ECONOMIC ENVIRONMENT

Since the beginning of 2018, the demand for commercial air travel, measured by revenue passenger kilometres ("RPK"),[(1)] has continued to show solid growth. 2018 is expected to be another year of above-trend growth for the industry-wide RPKs, despite the reduced stimulus from lower airfares and a more mixed economic backdrop.[(2)]

Domestic and international commercial air travel, measured by RPK, were 7.4% and 6.5% higher, respectively, during the year-to-date period ended August 2018, compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors[(3)] of 83.6% and 81.7%, respectively, during the year-to-date period ended August 2018, which were higher than the 83.0% and 81.0% respective levels experienced during the same period in 2017.[(2)]

For domestic commercial air travel specifically, increases in China, the U.S. and India account for most of the 7.4% increase in RPK compared to the same period last year. On the international commercial air travel side, increases in Asia-Pacific, Europe and Middle-East account for most of the 6.5% increase in RPK compared to the same period last year.[(2)]

Crude oil prices stood at approximately $83 per barrel at the end of September 2018, compared to $77 per barrel at the end of June 2018.[(4)] The upward trend in oil prices is driven by refusal of some crude oil producing countries to increase output, despite the U.S. sanctions on Iran which are likely to reduce supply.[(5)] Volatility in crude oil prices, combined with environmental issues and regulations, should result in continued demand for more aircraft with optimal efficiency.

(1) RPK is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported over one kilometre.
(2) Per IATA's August 2018 Air Passenger Market Analysis report.
(3) Passenger load factor is defined as the percentage of available seat kilometres used (RPK divided by available seat kilometres). Available seat kilometres are measured as the number of seats multiplied by the kilometres flown, whether a passenger occupied the seat or not.
(4) Per the U.S. Energy Information Administration's (EIA) website.
(5) Per IATA's August-September 2018 Airlines Financial Monitor Report.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[(1)]	**2018**	2017 *restated*[(1)]
Revenues[(2)]	**$ 256**	$ 515	**$ 1,335**	$ 1,666
EBITDA before special items[(3)(4)]	**$ (6)**	$ (59)	**$ (139)**	$ (194)
Amortization	**3**	15	**9**	49
Impairment charges on PP&E and intangible assets	**—**	—	**—**	5
EBIT before special items[(3)(4)]	**(9)**	(74)	**(148)**	(248)
Special items	**(13)**	1	**589**	3
EBIT[(2)]	**$ 4**	$ (75)	**$ (737)**	$ (251)
EBIT margin before special items[(3)(4)]	**(3.5)%**	(14.4)%	**(11.1)%**	(14.9)%
EBIT margin[(2)]	**1.6 %**	(14.6)%	**(55.2)%**	(15.1)%

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Including revenues from CSALP for the first six months of 2018 and for the comparative periods of 2017.
(3) Including the share of net loss from CSALP for the three-month period ended September 30, 2018 amounting to $13 million.
(4) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues
The $259-million decrease for the three-month period is mainly due to deconsolidation of *C Series* revenues starting this quarter and fewer aircraft deliveries.

The $331-million decrease for the nine-month period reflects the deconsolidation of *C Series* revenues starting this quarter and is mainly driven by lower planned *CRJ Series and Q400* aircraft deliveries.

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

The special items in EBIT were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2018**	2017	**2018**	2017
C Series transaction with Airbus	1	**$ 10**	$ —	**$ 609**	$ —
Purchase of pension annuities	2	**10**	—	**11**	—
Restructuring charges	3	**1**	1	**3**	3
Changes in credit and residual value guarantees	4	**(34)**	—	**(34)**	—
		$ (13)	$ 1	**$ 589**	$ 3
EBIT margin impact		**5.1%**	(0.2)%	**(44.1)%**	(0.2)%

1. The acquisition by Airbus of 50.01% of CSALP, the entity that manufactures and sells the *C Series* aircraft resulted in a pre-tax accounting charge of $609 million ($545 million after tax), of which $599 million was recorded in the three-month period ended June 30, 2018 and $10 million in the three-month period ended September 30, 2018. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $270 million fair value of warrants issued by Bombardier to Airbus on July 1, 2018, (ii) a $310 million derivative liability which is associated with the expected off-market return on units to be issued to Bombardier by CSALP under Bombardier's funding commitments, and iii) other Bombardier obligations towards CSALP, which mainly comprise supply chain obligations for Aerostructure and Engineering Services. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220. See Note 19 - Disposal of a business for more details in respect of the transaction.

2. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans resulting from the purchase of annuities from insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations. In Q3 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans in Ontario, for which the premiums paid to insurers were $479M (paid from plans assets) and the respective defined benefit obligations were $457 million.

3. Represents severance charges related to previously-announced restructuring actions.

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

EBIT margin
The EBIT margin before special items for the three-month period increased by 10.9 percentage points, mainly as a result of:
- the net impact of deconsolidation of *C Series*; and
- stronger contribution from aftermarket activities.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 16.2 percentage points compared to the same period last year.

The EBIT margin before special items for the nine-month period increased by 3.8 percentage points, mainly as a result of:
- the net impact of deconsolidation of *C Series*;
- a positive variance of financial instruments carried at fair value recorded in other expenses; and
- stronger contribution from aftermarket activities.

Partially offset by:
- a gain in comparative period on the disposal of certain equipment.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period decreased by 40.1 percentage points compared to the same period last year.

Product development

Investment in product development

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
Program tooling[1]	**$ —**	$ 13	**$ 30**	$ 93
R&D expense[2]	**2**	1	**5**	3
	$ 2	$ 14	**$ 35**	$ 96
As a percentage of revenues[3]	**0.8%**	2.7%	**2.6%**	5.8%

[1] Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers upon delivery of the aircraft for acquired development costs carried out by them.
[2] Excluding amortization of aerospace program tooling of $1 million and $5 million, respectively, for the three- and nine-month periods ended September 30, 2018 ($9 million and $26 million for the three- and nine-month periods ended September 30, 2017), as the related investments are already included in aerospace program tooling. The amortization for the three- and nine-month periods decreased as a result of our C Series Partnership with Airbus.
[3] 2017 figures have been restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

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

On July 1, 2018, Airbus SAS (Airbus), a wholly-owned subsidiary of Airbus SE acquired the control of CSALP. Since the Corporation no longer controls CSALP, the transaction has been accounted as a disposal of CSALP. Accordingly, deliveries and orders for *CS100*[1] and *CS300*[1] have been deconsolidated from this section starting this quarter. Refer to the Strategic Partnership section in Commercial Aircraft and to Note 19 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

[1] Subsequent to the C Series Partnership closing, Airbus rebranded *CS100* and *CS300* as A220-100 and A220-300, respectively.

Aircraft deliveries[1]

(in units)	Three-month periods ended September 30 **2018**	2017	Nine-month periods ended September 30 **2018**	2017
Regional jets				
CRJ700	**—**	—	**1**	1
CRJ900	**2**	3	**8**	14
CRJ1000	**1**	1	**5**	4
Turboprops				
Q400	**2**	7	**9**	20
	5	11	**23**	39

(1) Excluding 5 *CS300* aircraft deliveries for the three-month period ended September 30, 2017 and 13 *CS300* aircraft deliveries for the first six months of the nine-month period ended September 30, 2018 (3 *CS100* and 9 *CS300* aircraft deliveries for the nine-month period ended September 30, 2017). Subsequent to the C Series Partnership closing, Airbus rebranded *CS100* and *CS300* as A220-100 and A220-300, respectively.

Net orders[1]

(in units)	Three-month periods ended September 30 **2018**	2017	Nine-month periods ended September 30 **2018**	2017
Regional jets				
CRJ700	**—**	—	**(6)**	—
CRJ900[2]	**(1)**	—	**34**	10
Turboprops				
Q400[2][3]	**12**	25	**32**	38
	11	25	**60**	48
Book-to-bill ratio[4]	**2.2**	2.3	**2.6**	1.2

(1) Excluding 30 *CS300* aircraft orders for the first six months of the nine-month period ended September 30, 2018. Subsequent to the C Series Partnership closing, Airbus rebranded *CS300* as A220-300.
(2) Including the impact of order conversion of 5 *CRJ900* aircraft to 5 *Q400* aircraft by CIB Leasing.
(3) Subsequent to the end of this quarter, the Corporation cancelled two orders totalling 8 aircraft.
(4) Ratio of net orders received over aircraft deliveries, in units, excluding *C Series* aircraft orders and deliveries.

The following orders were received during the nine-month period ended September 30, 2018:

Customer	Firm order	Value[1]
Third quarter[2]		
Uganda National Airlines	*4 CRJ900*	$190 million
Biman Bangladesh Airlines	3 *Q400*	$106 million
Undisclosed customers	*4 Q400*	$133 million
Second quarter[3]		
Delta Air Lines	20 *CRJ900*	$961 million
American Airlines	15 *CRJ900*	$719 million
Ethiopian Airlines	10 *Q400*	$332 million
African Aero Trading[4]	6 *Q400*	$198 million
First quarter		
Conair Group Inc.	4 *Q400*	$137 million

(1) Value of firm order based on list prices.
(2) During the third quarter CIB converted 5 *CRJ900* aircraft of a previously announced order to 5 *Q400* aircraft.
(3) Excluding 30 *CS300* aircraft firm order by airBaltic. Based on the list price, the firm order is valued at approximately $2.9 billion. Subsequent to the C Series Partnership closing, Airbus rebranded *CS300* as A220-300.
(4) Subsequent to the end of this quarter, the Corporation cancelled this order.

Commercial aircraft order backlog and options[1]

				As at
	September 30, 2018		December 31, 2017	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Regional jets				
CRJ700	**1**	**—**	8	—
CRJ900	**50**	**21**	24	6
CRJ1000	**5**	**—**	10	—
Turboprops				
Q400[2]	**66**	**—**	43	—
	122	**21**	85	6

[1] Excluding 115 firm orders and 88 options of *CS100* aircraft and 250 firm orders and 143 options of *CS300* aircraft as at June 30, 2018 (115 firm orders and 94 options of *CS100* aircraft and 233 firm orders and 128 options of *CS300* aircraft as at December 31, 2017). Subsequent to the C Series Partnership closing, Airbus rebranded *CS100* and *CS300* as A220-100 and A220-300, respectively.
[2] Subsequent to the end of this quarter, the Corporation cancelled two orders totalling 8 aircraft including the order from African Aero Trading.

The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand.

STRATEGIC PARTNERSHIP

Airbus acquired a majority stake in the C Series Aircraft Limited Partnership effective July 1, 2018

On July 1, 2018, Airbus SAS (Airbus), a wholly-owned subsidiary of Airbus SE acquired the control of CSALP, the entity that manufactures and sells the *C Series* aircraft. Under the terms of the transaction Airbus provides procurement, sales and marketing, and customer support expertise to CSALP. Effective July 1, 2018, Airbus owns a 50.01% interest in CSALP. The Corporation and Investissement Québec (IQ) own 33.55% and 16.44% respectively. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220.

Since the Corporation no longer controls CSALP, the transaction has been accounted as a disposal of CSALP on July 1, 2018 in exchange for an equity interest in CSALP that is accounted for using the equity method of accounting and recorded in the Commercial Aircraft segment. The transaction resulted in a pre-tax accounting charge of $609 million ($545 million after tax) in Special items, see Note 7 - Special items, of which $599 million was recorded in the three-month period ended June 30, 2018 as a reduction of the CSALP assets held for sale balance and $10 million in the three-month period ended September 30, 2018.

Ownership Structure and Agreement Highlights
Effective July 1, 2018, Airbus is also responsible to provide (i) sales and marketing support services for the *C Series* aircraft program, (ii) management of procurement, which includes leading negotiations to improve CSALP level supplier agreements, and (iii) customer support for the *C Series* aircraft program. CSALP's headquarters and primary assembly line and related functions remain in Mirabel, Québec, with the support of Airbus' global reach and scale. Airbus' global industrial footprint expands with the final assembly line in Canada and additional *C Series* aircraft production at Airbus' manufacturing site in Alabama, U.S. No cash contribution was made at closing by any of the partners, nor did CSALP assume any financial debt. Due to the early closing of the transaction, the terms of the Corporation's funding plan were updated according to the following schedule: Bombardier will fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of $225 million; during 2019, up to a maximum of $350 million; and up to a maximum aggregate amount of $350 million over the following two years, the whole in consideration for non-voting units of CSALP with cumulative annual dividends of 2%. Any excess shortfall during such periods will be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion. As of September 30, 2018, the Corporation invested $85 million in CSALP in exchange for non-voting units of CSALP. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220.

Airbus benefits from a call right in respect of all of Bombardier's interest in CSALP at fair market value, including its non-voting units (which shall for such purposes each have the same fair market value as each participating unit held by Bombardier), exercisable no earlier than 7.5 years following the closing of the transaction, except in certain circumstances such as an adverse change in the control of Bombardier, where the right is then accelerated. Bombardier benefits from a corresponding put right whereby it could require that Airbus acquires its interest at fair market value after the expiry of such 7.5-year period. Airbus also benefits from a call right exercisable any time before the expiry of such 7.5-year period in respect of the non-voting units of CSALP held by Bombardier, for an amount equal to the invested amount plus the cumulative annual preferred return of 2%. IQ's interest is redeemable at fair market value by CSALP, under certain conditions, starting on June 30, 2023. IQ also benefits from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

The Board of Directors of CSALP consists of seven directors, four of whom were nominated by Airbus, two of whom were nominated by Bombardier, and one of whom was nominated by IQ. Airbus is entitled to designate the Chairman of CSALP.

Furthermore, upon closing, Bombardier issued warrants to Airbus, exercisable on a one for one basis for a total number of 100,000,000 Class B shares (subordinate voting) at an exercise price per share equal to $1.74, being the U.S. dollar equivalent of CDN $2.29 for a period of five years. The warrants contain market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations.

AEROSTRUCTURES AND ENGINEERING SERVICES

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	2018	2017 *restated*[1]	Variance
Revenues	**$ 430**	$ 349	23 %
EBIT	**$ 35**	$ 33	6 %
EBIT margin	**8.1%**	9.5%	(140) bps
EBIT before special items[2]	**$ 36**	$ 27	33 %
EBIT margin before special items[2]	**8.4%**	7.7%	70 bps
EBITDA before special items[2]	**$ 47**	$ 38	24 %
EBITDA margin before special items[2]	**10.9%**	10.9%	—
Net additions to PP&E and intangible assets	**$ 9**	$ 4	125 %

Key highlights and events

- Revenues increased by 23% year-over-year, driven by Aerostructures' position as a key supplier to the A220 and *Global 7500* aircraft growth programs.
- EBIT before special items[2] increased by 33% year-over-year supported by the revenue growth. The 8.4% EBIT margin before special items[2] for the quarter reflects the continued ramp-up of the A220 and *Global 7500* component production as well as the new contractual relationship with Airbus on the A220.
- Intersegment revenue for the quarter represented 62% of the total revenues compared to 80% for the first half of the year. This decrease reflects revenues from CSALP becoming external sales starting on July 1, 2018.
- On November 8, 2018, Danny Di Perna has been appointed President Aerostructures & Engineering Services. Danny brings more than 30 years of aerospace and industrial experience with a proven track record in improving operational efficiency. Michael Ryan will assume the role of Chief Operating Officer.

[1] Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[2] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

INDUSTRY AND ECONOMIC ENVIRONMENT

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

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

In the commercial aircraft market, passenger traffic levels and load factors remain strong on a year-to-date basis. Meanwhile, the indicators of the business jet market are positive. Overall, we remain confident in the long-term potential for significant growth in the aircraft industry.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[1]	**2018**	2017 *restated*[1]
Revenues				
External revenues[2]	**$ 165**	$ 107	**$ 347**	$ 304
Intersegment revenues[2]	**265**	242	**984**	886
Total revenues	**430**	349	**1,331**	1,190
EBITDA before special items[3]	**$ 47**	$ 38	**$ 176**	$ 104
Amortization	**11**	11	**36**	36
EBIT before special items[3]	**36**	27	**140**	68
Special items	**1**	(6)	**(6)**	(6)
EBIT	**$ 35**	$ 33	**$ 146**	$ 74
EBIT margin before special items[3]	**8.4%**	7.7%	**10.5%**	5.7%
EBIT margin	**8.1%**	9.5%	**11.0%**	6.2%

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Revenues from CSALP prior to July 1, 2018 were included in intersegment revenues; revenues from CSALP starting July 1, 2018 were included in external revenues.
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $81 million increase for the three-month period is due to:

- higher external revenues ($58 million), mainly due to higher volume for the contracts with CSALP being presented as external revenues starting July 1, 2018, partially offset by lower volume for other external contracts; and
- higher intersegment revenues ($23 million), mainly due to higher volume for new business aircraft contracts, partially offset by intersegment revenues from CSALP reclassified as external revenues starting July 1, 2018 and lower volume for other commercial aircraft contracts.

The $141-million increase for the nine-month period is due to:

- higher intersegment revenues ($98 million), mainly due to higher volume for new business aircraft contracts, partially offset by intersegment revenues from CSALP reclassified as external revenues starting July 1, 2018 and lower volume for other commercial aircraft contracts; and
- higher external revenues ($43 million), mainly due to revenues from the contracts with CSALP being presented as external revenues starting July 1, 2018, partially offset by lower volume for other external contracts.

Special items

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

The special item for the three- and nine-month periods ended September 30, 2018 and September 30, 2017 represented an adjustment to severance charges related to previously-announced restructuring actions.

EBIT margin

The EBIT margin before special items for the three-month period increased by 0.7 percentage points, mainly as a result of:

- higher margins on external contracts;

Partially offset by:

- lower margins on business aircraft contracts.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 1.4 percentage points compared to the same period last year.

The EBIT margin before special items for the nine-month period increased by 4.8 percentage points, mainly as a result of higher margins on intersegment aircraft contracts, mainly due to better performance, favourable exchange rates and positive impact from one-time intersegment settlement, as well as the recognition of inventory net realizable value charges last year.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period increased by 4.8 percentage points compared to the same period last year.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	2018	2017 restated[1]	Variance
Revenues	**$ 2,140**	$ 2,146	— %
Order intake (in billions of dollars)	**$ 1.9**	$ 1.8	6 %
Book-to-bill ratio[2]	**0.9**	0.9	—
EBIT[3]	**$ 184**	$ 140	31 %
EBIT margin[3]	**8.6%**	6.5%	210 bps
EBIT before special items[3][4]	**$ 187**	$ 192	(3)%
EBIT margin before special items[3][4]	**8.7%**	8.9%	(20) bps
EBITDA before special items[3][4]	**$ 212**	$ 215	(1)%
EBITDA margin before special items[3][4]	**9.9%**	10.0%	(10) bps
Net additions to PP&E and intangible assets	**$ 36**	$ 18	100 %
As at	September 30, 2018	December 31, 2017 restated[1]	
Order backlog (in billions of dollars)	**$ 33.9**	$ 35.1	(3)%

Key highlights and events

- Revenues in the third quarter totalled $2.1 billion, delivering 2% organic growth offset by an unfavourable currency impact. With the continued ramp-up of major projects initiated in 2017, we are seeing sustained growth across all segments, on track to full year guidance of approximately $9.0 billion.
- EBIT before special items[3] in the quarter was in line with the prior year at $187 million. For the quarter the margin was 8.7%, or 8.6% on a year-to-date basis, which continued to trend towards the greater than 8.5% margin guidance for the year.
- As we work through an accelerated train delivery cycle following significant working capital investments made since mid-2017, we carried at the end of the third quarter greater than anticipated working capital.
- The $33.9 billion backlog at the end of the quarter is driven by the 1.0 book-to-bill ratio[2] on a year-to-date basis, net of unfavourable currency impact.

[1] Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
[2] Ratio of new orders over revenues.
[3] Including share of income from joint ventures and associates amounting to $22 million for the three-month period ended September 30, 2018 ($52 million for the three-month period ended September 30, 2017).
[4] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

INDUSTRY AND ECONOMIC ENVIRONMENT

The overall world rail market's order volume continued its growth during the third quarter of 2018. Positive market developments are anticipated across all regions in the last quarter of 2018, and in Asia-Pacific, significant opportunities for metro cars are expected to bring the order volume in this region closer to the 2017 level.

Europe

In Europe, order volume year-to-date and in the third quarter of 2018 increased compared to the respective periods in 2017. The most sizeable orders across Western Europe were awarded in France, Austria and Italy for very high speed, commuter and regional, and intercity trains. In France, a significant order for very high speed trains (TGV du Futur) has been secured. In the services and signalling segments, a large contract for passenger fleet management was awarded in Italy, and various small and medium investments were made in Germany and Spain. In Eastern Europe, orders were granted in Greece and Czech Republic for light rail vehicles and locomotives, respectively. Additionally, small and medium maintenance and signalling orders were awarded primarily in Greece and Poland.

The outlook for Europe remains positive for the rest of the year. Further investments in rail mobility solutions are anticipated across the rolling stock segment particularly for high speed, and commuter and regional trains, as well as metros and light rail vehicles (LRV). Germany, the U.K. and Italy are expected to drive volume in Western Europe. Opportunities in the services segment are anticipated primarily for passenger fleet management and asset life management. In the signalling segment, orders are foreseen for both mainline and urban solutions, with the majority of the volume in Germany, Spain, Italy, Norway and Turkey. In Eastern Europe, tenders for metro cars and locomotives in Poland and Czech Republic, are expected to be the main drivers for growth in the last quarter of 2018.

North America

In North America, the year-to-date order volume increased compared to the same period of 2017. Although significant growth was recorded on a year-to-date basis, on a quarter-to-quarter basis rail business activities in the region were limited with two major orders being granted in the U.S. for urban mobility solutions. In the services and signalling segments several small orders were awarded in the U.S. and Canada.

By the end of this year the main opportunities in the rolling stock segment are anticipated for urban mobility solutions and for regional and commuter trains in the U.S. Significant investments are foreseen in the services and signalling segments, including two large operations and maintenance contracts for commuter and regional, and metro trains in Canada and the U.S., respectively. In Mexico, a service agreement is expected to be awarded for LRVs.

Asia-Pacific

In Asia-Pacific, the year-to-date order volume decreased compared to the same period of 2017, mainly due to heavy investments for metro cars in China in the previous period. During the third quarter of 2018, most rolling stock orders were granted for metro cars across the whole region with the most significant contracts signed in Singapore and India, while in Australia, a tender for commuter and regional trains was closed. Furthermore, signalling orders were awarded for mainline and urban mobility solutions in Taiwan, India, Singapore and Australia.

In the upcoming quarter, noteworthy orders are expected in China and South Korea for metro cars and for regional and commuter trains in Taiwan. Additional orders are expected for various trains in Australia and India. Moreover, opportunities are foreseen in the services and signalling segments across the vast majority of countries in the Asia-Pacific region with the most significant ones in China, Australia and Malaysia.

Rest of World
On a year-to-date basis the overall order volume in the Rest of world region increased compared to the same period last year. In the third quarter, a large rolling stock tender was closed in Egypt as well as outstanding contracts in Panama and Nigeria for signalling urban solutions.

By end of this year, opportunities are expected for intercity, and commuter and regional trains in Colombia, Uzbekistan and Iran as well as for urban mobility in Egypt, Turkmenistan and Russia. Large services and signalling orders are foreseen to be granted in Argentina, Peru and Brazil. Investments in all segments are expected to continue in multiple countries in the Rest of World region with population growth, urbanization and environmental awareness being the main drivers for demand.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated*[1]	**2018**	2017 *restated*[1]
Revenues				
Rolling stock and systems[2]	**$ 1,446**	$ 1,462	**$ 4,528**	$ 4,166
Services[3]	**475**	479	**1,534**	1,372
Signalling[4]	**219**	205	**692**	598
Total revenues	**$ 2,140**	$ 2,146	**$ 6,754**	$ 6,136
EBITDA before special items[5][6]	**$ 212**	$ 215	**$ 658**	$ 672
Amortization	**25**	22	**75**	73
Impairment charges on PP&E	**—**	1	**—**	1
EBIT before special items[5][6]	**187**	192	**583**	598
Special items	**3**	52	**45**	284
EBIT[5]	**$ 184**	$ 140	**$ 538**	$ 314
EBIT margin before special items[5][6]	**8.7%**	8.9%	**8.6%**	9.7%
EBIT margin[5]	**8.6%**	6.5%	**8.0%**	5.1%

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(3) Comprised of revenues from fleet maintenance, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(4) Comprised of revenues from mass transit signalling, mainline signalling, industrial signalling and *OPTIFLO* service solutions for signalling.
(5) Including share of income from joint ventures and associates amounting to $22 million and $75 million, respectively, for the three- and nine-month periods ended September 30, 2018 ($52 million and $139 million for the three- and nine-month periods ended September 30, 2017).
(6) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

Total revenues for the three-month period ended September 30, 2018, have decreased by $6 million, while revenues for the nine-month period have increased by $618 million, compared to the same periods last year. Excluding a negative currency impact of $45 million for the three-month period and a positive currency impact of $263 million for the nine-month period, revenues have increased by $39 million, or 2%, and $355 million, or 6%, for the three- and nine-month periods, respectively, compared to the same periods last year.

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

- higher activities in signalling in Europe and Asia-Pacific ($43 million); and
- higher activities in rolling stock and systems in Europe and North America, mostly due to ramp-up in production related to some intercity and high-speed train contracts in Europe, and some metro contracts in Europe and North America, partly offset by some light rail vehicle contracts in Europe nearing completion ($41 million).

Partially offset by:

- lower activities in rolling stock and systems in Asia-Pacific, mostly due to some metro contracts nearing completion, partly offset by ramp-up in production related to some mass transit system contracts ($25 million); and
- lower activities in signalling in the Rest of world region ($20 million).

The $355-million increase excluding currency impact for the nine-month period is mainly explained by:

- higher activities in rolling stock and systems in Europe, North America and the Rest of World region, mostly due to ramp-up in production related to some commuter and regional train and metro contracts in Europe and North America, some locomotive contracts in Europe and the Rest of World region, some high-speed and very high-speed train contracts in Europe, and some mass transit system contracts in the Rest of World region, partly offset by some light rail vehicle contracts in Europe and North America nearing completion ($252 million);
- higher activities in services mainly in Europe and Asia-Pacific ($107 million); and
- higher activities in signalling in Asia-Pacific and Europe ($94 million).

Partially offset by:

- lower activities in rolling stock and systems in Asia-Pacific, mostly due to some metro and light rail vehicle contracts nearing completion, partly offset by ramp-up in production related to some mass transit system contracts ($69 million); and
- lower activities in signalling in the Rest of world region ($29 million).

Special items

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

The special items in EBIT were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2018**	2017	**2018**	2017
Impairment of non-core operations	1	**$ —**	$ 43	**$ 17**	$ 43
Restructuring charges	2	**1**	9	**16**	241
Purchase of pension annuities	3	**2**	—	**12**	—
		$ 3	$ 52	**$ 45**	$ 284
EBIT margin impact		**(0.1)%**	(2.4)%	**(0.7)%**	(4.6)%

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

2. Represents severance charges of $8 million related to previously-announced restructuring actions, of which $1 million was recorded in the third quarter ($9 million and $209 million for the three- and nine-month periods ended September 30, 2017); in line with these initiatives, asset write-downs of $8 million were also recorded as restructuring charges in the second quarter of 2018 ($32 million were recorded in the second quarter of 2017).

3. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans resulting from the purchase of annuities from insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations. In Q3 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans in Ontario, for which the premiums paid to insurers were $479M (paid from plans assets) and the respective defined benefit obligations were $457 million.

EBIT margin

The EBIT margin before special items for the three-month period decreased by 0.2 percentage points mainly as a result of:

- a lower share of income from joint ventures and associates due to better performance in the same period last year; and
- higher R&D expenses.

Partially offset by:

- lower SG&A expenses; and
- higher margin in rolling stock and systems due to better performance.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 2.1 percentage points compared to the same period last year.

The EBIT margin before special items for the nine-month period decreased by 1.1 percentage points mainly as a result of:

- a lower share of income from joint ventures and associates due to better performance in the same period last year.

Partially offset by:

- higher margin in services due to better performance.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period increased by 2.9 percentage points compared to the same period last year.

Orders and backlog

Order backlog

(in billions of dollars)		September 30, 2018		As at December 31, 2017 restated[1]
	$	**33.9**	$	35.1

With a book-to-bill ratio[2] of 1.0 for the first nine months of the year, the $1.2-billion decrease in order backlog is mainly due to the weakening of some foreign currencies, mainly the euro, Australian dollar, pound sterling, South African rand and Swedish krona, versus the U.S. dollar as at September 30, 2018, compared to December 31, 2017.

Order intake and book-to-bill ratio

	Three-month periods ended September 30				Nine-month periods ended September 30			
		2018		2017		**2018**		2017
Order intake (in billions of dollars)	**$**	**1.9**	$	1.8	**$**	**6.6**	$	6.7
Book-to-bill ratio[2]		**0.9**		0.9		**1.0**		1.1

Order intake for the three-month period ended September 30, 2018, is in line with the order intake for the same period last year, while for the nine-month period it is slightly lower compared to the same period last year. Order intake is mainly driven by several orders across various product segments and regions. The variances include a negative currency impact of $49 million for the three-month period, and a positive currency impact of $241 million for the nine-month period. We maintained a leading position[3] in our relevant and accessible rail market.[4]

[1] Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

[2] Ratio of new orders over revenues.

[3] Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.

[4] Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the nine-month period ended September 30, 2018 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value	
Third quarter						
Land Transport Authority (LTA)	Singapore	*MOVIA* metro cars	396	Rolling stock and systems	$ 607	
Société Nationale des Chemins de fer Français (SNCF), on behalf of Île-de-France Mobilités	France	Exercise of an option for Francilien electric multiple units (EMUs)	270	Rolling stock and systems	$ 303	
Siemens AG	Germany	Exercise of a call-off for the supply of components for additional ICE 4 high-speed trains for a Deutsche Bahn (DB) contract	176	Rolling stock and systems	$ 229	
Second quarter						
Västtrafik	Sweden	High-speed EMUs	120	Rolling stock and systems	$ 452	
Bangkok Mass Transit System Public Co. Ltd. (BTSC)	Thailand	Maintenance services for *INNOVIA* monorail 300 system	n/a	Services	$ 287	
Los Angeles Airport (LAX) via LAX Integrated Express Solutions (LINXS)	U.S.	Design and supply of *INNOVIA* automated people mover (APM) 300 cars, signalling, onboard and wayside communication systems	44	Rolling stock and systems, and Signalling	$ 219	(1)
Austrian Federal Railways (ÖBB)	Austria	Exercise of a call-off for *TALENT* 3 EMUs	150	Rolling stock and systems	$ 218	
Brussels Intercommunal Transportation Company (STIB)	Belgium	*FLEXITY* trams	60	Rolling stock and systems	$ 206	
First quarter						
City of Phoenix	U.S.	Extension of APM system and supply of *INNOVIA* APM 200 cars	24	Rolling stock and systems, and Signalling	$ 305	
Maryland Transit Administration (MTA)	U.S.	Extension of Operations and Maintenance (O&M) services contract	n/a	Services	$ 288	
Land Transport Authority (LTA)	Singapore	*INNOVIA* APM 300 cars, retrofit of *INNOVIA* APM 100 cars and signalling system upgrade	19	Rolling stock and systems, and Signalling	$ 262	
Transport for London (TfL)	U.K.	Extension of existing train service agreement (TSA)	n/a	Services	$ 149	
Société Nationale des Chemins de fer Français (SNCF), on behalf of Île-de-France Mobilités	France	Exercise of an option for *OMNEO* / Regio 2N double-deck EMUs	72	Rolling stock and systems	$ 120	(2)
Transport for London (TfL)	U.K.	Exercise of an option for *AVENTRA* EMUs and TSA	45	Rolling stock and systems, and Services	$ 104	

(1) Contract signed as part of the LINXS consortium which comprises Bombardier Transportation, ACS Infrastructure Development, Balfour Beatty Investments, Fluor Enterprises and HOCHTIEF PPP Solutions North America. The total contract is valued at $4.9 billion, and only our share of the design and build portion is stated above.
(2) Contract value includes price escalation based on estimates.
n/a: Not applicable

During the third quarter ended September 30, 2018, our Chinese joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), in which we own 50% of the shares and which is consolidated by our partner CRRC Sifang Co. Ltd., has been awarded a contract for the supply of 120 CR400AF new Chinese standard high-speed train cars from China Railway Corp. (CRC), China, valued at $324 million. This order is not included in our backlog as at September 30, 2018, since the investment in BST is accounted for as an associate.

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

Factoring facilities

In the normal course of its business, Transportation has set up factoring facilities, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €815 million ($954 million) were outstanding under such facilities as at September 30, 2018 (€907 million ($1.1 billion) as at December 31, 2017). During the three- and nine-month periods ended September 30, 2018, trade receivables of €391 million ($457 million) and €1,020 million ($1,219 million), respectively, were sold to these facilities (€140 million ($178 million) and €861 million ($957 million), respectively, during the three- and nine-month periods ended September 30, 2017).

Other arrangements

In the normal course of operations, we maintain other off-balance sheet arrangements including credit and residual value guarantees, financing commitments and financing structures related to the sale of commercial aircraft. There was no significant change in these arrangements during the nine-month period ended September 30, 2018. Refer to the Off-balance sheet arrangements section in Other of our Financial Report for the year ended December 31, 2017 for a description of these arrangements, and to Note 26, Commitments and Contingencies, to the interim consolidated financial statements for further details.

Investments in joint ventures and associates

In the normal course of our business, we invest in joint venture and associates using the equity method. Refer to Note 24, Investments in joint ventures and associates, to the interim consolidated financial statements for further details.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 2017 in Other, but are not necessarily the only risks and uncertainties that we face.

There was no significant change to these risks and uncertainties during the nine-month period ended September 30, 2018, other than those described elsewhere in this MD&A. Also refer to Note 26, Commitments and contingencies, to our interim consolidated financial statements.

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

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies

Financial instruments

In July 2014, the IASB completed the three-part project to replace IAS 39, *Financial instruments: recognition and measurement* by issuing IFRS 9, *Financial instruments*. IFRS 9 includes classification and measurement of financial assets and financial liabilities, a forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability designated at FVTP&L, is presented in OCI rather than in the statement of income.

IFRS 9 also introduced a new expected credit loss impairment model that requires more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

Lastly, IFRS 9 introduced a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 was adopted effective January 1, 2018 and resulted in no adjustments.

Revenue Recognition

In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* as well as other related interpretations. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

The majority of long-term manufacturing and service contracts at Transportation previously accounted for under the percentage-of-completion method meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method. The principal differences identified in respect of the Corporation's accounting for long-term contracts at Transportation relate to the treatment of customer options for additional trains and the recognition of variable consideration such as price escalation clauses.

Under IAS 11, estimated revenues at completion included anticipated customer options for additional trains if it was probable that the customer will exercise the options and the amount can be measured reliably. Under IFRS 15, customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional trains. This change results in the deferral of revenue and margin until the customer exercises its option.

Under IAS 11, variable considerations such as price escalation clauses were included in estimated revenues at completion when the amount is considered probable and can be reliably measured. IFRS 15 introduces the concept of a constraint on the recognition of variable consideration whereby amounts can only be included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The introduction of this constraint results in the transaction price recognizing the effect of price escalation for certain indices at a later point in time.

For the aerospace segments, revenues from the sale of aircraft continue to be recognized when the aircraft have been delivered.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. On adoption of IFRS 15, all loss provisions for contracts with customers follow the same policy for the definition of unavoidable costs of fulfilling the contract. In line with one of the two approaches identified as reasonable by the IFRS Interpretations Committee in its June 13, 2017 tentative agenda decision, the Corporation defines unavoidable costs as the costs that the Corporation cannot avoid because it has the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract). This approach was used for long-term contracts, and has been applied to other contracts in the aerospace segments increasing the amount of onerous contract provisions and thereby lower subsequent inventory net realizable value charges.

The Corporation accounts for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. Most of the Corporation’s contracts do not have a significant financing component. However, there are several orders in the Business Aircraft segment where advances were received well before expected delivery and therefore a financing component has been accounted for separately. The result is that interest expense is accrued during the advance period and the transaction price will be increased by a corresponding amount.

Under IFRS 15, revenues earned by the Aerostructures and Engineering Services on the contract for the *C Series* program will be recognized at a point in time (delivery) as opposed to the current policy whereby it is recognized over-time (long-term contract accounting).

While these changes impact the timing of revenue and margin recognition, and result in a reduction of equity at transition, there is no change to cash flows. Furthermore, there is no change in profitability over the life of the contracts.

IFRS 15 was adopted effective January 1, 2018 and the changes have been accounted for retroactively in accordance with the transition rules of IFRS 15. Refer to Note 2, Changes in accounting policies, to our interim consolidated financial statements, for further details on impact of adopting IFRS 15.

Future changes in accounting policies

Leases

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations. Refer to Note 3, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

IFRS 16 will be effective for the Corporation's fiscal year beginning on January 1, 2019. The Corporation is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements. Where the Corporation is a lessee, the Corporation expects IFRS 16 will result in on-balance sheet recognition of most of its leases that are considered operating leases under IAS 17. This will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense. The Corporation is continuing to assess the impact of the new standard on its consolidated financial statements and will provide further updates as it advances in its assessment.

Income taxes

In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatm*ents. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Refer to Note 3, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

IFRIC 23 will be effective for the Corporation's fiscal year beginning on January 1, 2019, with earlier application permitted. The Corporation is assessing the impact of the adoption of this standard on its consolidated financial statements and will provide further updates as it advances in its assessment.

Retirement and other long-term employee benefits

In February 2018, the IASB released an amendment to IAS 19, *Employee Benefits*, effective on January 1, 2019. The amendment relates to accounting for plan amendments, curtailments and settlements on defined benefit plans. The amendment requires the use of updated actuarial assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The Corporation is assessing the impact of this amendment and will provide further updates as it advances in its assessment.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the nine-month period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	September 30, 2018	December 31, 2017	Decrease
Euro	**1.1707**	1.1993	(2%)
Canadian dollar	**0.7651**	0.7975	(4%)
Pound sterling	**1.3158**	1.3517	(3%)

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

	September 30, 2018	September 30, 2017	Decrease
Euro	**1.1636**	1.1729	(1%)
Canadian dollar	**0.7644**	0.7962	(4%)
Pound sterling	**1.3044**	1.3068	—%

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

	September 30, 2018	September 30, 2017	Increase
Euro	**1.1956**	1.1118	8%
Canadian dollar	**0.7778**	0.7647	2%
Pound sterling	**1.3530**	1.2744	6%

SELECTED FINANCIAL INFORMATION

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

Fiscal years	**2018**						2017	2016
				restated[1]	*restated*[1]	*restated*[1]	*restated*[1]	
	Third	Second	First	Fourth	Third	Second	First	Fourth
Revenues	**$ 3,643**	$ 4,262	$ 4,028	$ 4,611	$ 3,839	$ 4,144	$ 3,605	$ 4,380
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ 111**	$ 68	$ 38	$ (190)	$ (83)	$ (227)	$ 6	$ (251)
EPS (in dollars)								
Basic	**$ 0.04**	$ 0.03	$ 0.01	$ (0.09)	$ (0.04)	$ (0.11)	$ 0.00	$ (0.12)
Diluted	**$ 0.04**	$ 0.02	$ 0.01	$ (0.09)	$ (0.04)	$ (0.11)	$ 0.00	$ (0.12)
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.[2]	**$ 109**	$ 78	$ 22	$ (38)	$ (2)	$ 101	$ 28	$ (147)
Adjusted EPS (in dollars)[2]	**$ 0.04**	$ 0.03	$ 0.01	$ (0.02)	$ 0.00	$ 0.05	$ 0.01	$ (0.07)

(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers.* Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and reconciliations to the most comparable IFRS measures.

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at November 6, 2018

	Authorized	Issued and outstanding
Class A Shares (multiple voting)[1]	3,592,000,000	308,750,749
Class B Shares (subordinate voting)[2]	3,592,000,000	2,062,505,154 [3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	5,811,736
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	6,188,264
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

[1] Ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share.
[2] Convertible at the option of the holder into one Class A Share under certain conditions.
[3] Net of 62,727,693 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Warrant, share option, PSU, DSU and RSU data, as at September 30, 2018

Warrants issued and outstanding	305,851,872 [1]
Options issued and outstanding under the share option plans	110,331,657
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	87,917,338
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	62,727,693

[1] On July 1, 2018, Bombardier issued in the name of Airbus warrants exercisable for a total number of 100,000,000 Class B shares (subordinate voting) in the capital of Bombardier, exercisable for a period of five years at an exercise price per share equal to $1.74, being the U.S. dollar equivalent of CDN $2.29.

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

Financial Report, for the fiscal year ending December 31, 2018	February 14, 2019
First Quarterly Report, for the period ending March 31, 2019	May 2, 2019
Second Quarterly Report, for the period ending June 30, 2019	August 1, 2019
Third Quarterly Report, for the period ending September 30, 2019	October 31, 2019

Information

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November 7, 2018

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

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2018
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Interim consolidated financial statements		57
Notes to the interim consolidated financial statements		65
1.	BASIS OF PREPARATION	65
2.	CHANGES IN ACCOUNTING POLICIES	66
3.	FUTURE CHANGES IN ACCOUNTING POLICIES	75
4.	SEGMENT DISCLOSURE	76
5.	RESEARCH AND DEVELOPMENT	80
6.	OTHER INCOME	80
7.	SPECIAL ITEMS	80
8.	FINANCING EXPENSE AND FINANCING INCOME	82
9.	EARNINGS PER SHARE	83
10.	FINANCIAL INSTRUMENTS	84
11.	CASH AND CASH EQUIVALENTS	85
12.	CONTRACT BALANCES	85
13.	INVENTORIES	86
14.	OTHER FINANCIAL ASSETS	86
15.	OTHER ASSETS	87
16.	PROVISIONS	87
17.	OTHER FINANCIAL LIABILITIES	88
18.	OTHER LIABILITIES	89
19.	DISPOSAL OF A BUSINESS	89
20.	SHARE CAPITAL	91
21.	SHARE-BASED PLANS	92
22.	NET CHANGE IN NON-CASH BALANCES	93
23.	CREDIT FACILITIES	93
24.	INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	94
25.	FAIR VALUE OF FINANCIAL INSTRUMENTS	94
26.	COMMITMENTS AND CONTINGENCIES	100
27.	ADDITIONAL ANNUAL DISCLOSURE	103
28.	EVENTS AFTER THE REPORTING DATE	107

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

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

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

	Notes	Three-month periods ended September 30		Nine-month periods ended September 30	
		2018	2017 *restated* [1]	**2018**	2017 *restated* [1]
Revenues		**$ 3,643**	$ 3,839	**$ 11,933**	$ 11,588
Cost of sales	13	**3,073**	3,355	**10,321**	10,148
Gross margin		**570**	484	**1,612**	1,440
SG&A		**269**	300	**864**	863
R&D	5	**50**	53	**145**	159
Share of income of joint ventures and associates	24	**(9)**	(52)	**(59)**	(139)
Other income	6	**(11)**	—	**(81)**	(29)
Special items	7	**4**	50	**84**	360
EBIT		**267**	133	**659**	226
Financing expense	8	**147**	181	**465**	522
Financing income	8	**(25)**	(14)	**(87)**	(35)
EBT		**145**	(34)	**281**	(261)
Income taxes		**(4)**	66	**18**	76
Net income (loss)		**$ 149**	$ (100)	**$ 263**	$ (337)
Attributable to					
Equity holders of Bombardier Inc.		**$ 111**	$ (83)	**$ 217**	$ (304)
NCI		**38**	(17)	**46**	(33)
		$ 149	$ (100)	**$ 263**	$ (337)
EPS (in dollars)	9				
Basic		**$ 0.04**	$ (0.04)	**$ 0.09**	$ (0.15)
Diluted		**$ 0.04**	$ (0.04)	**$ 0.08**	$ (0.15)

[1] Refer to Note 2 for the impact of changes in accounting policies.

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

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 *restated* [(1)]	**2018**	2017 *restated* [(1)]
Net income (loss)	**$ 149**	$ (100)	**$ 263**	$ (337)
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Net gain (loss) on derivative financial instruments	**(4)**	123	**(181)**	217
Reclassification to income or to the related non-financial asset	**31**	(5)	**(18)**	85
Income taxes	**(4)**	(9)	**41**	(38)
Foreign exchange re-evaluation	**(2)**	3	**(3)**	(2)
	21	112	**(161)**	262
FVOCI financial assets				
Net unrealized loss	**(1)**	(5)	**(6)**	(4)
CCTD				
Net investments in foreign operations	**(27)**	(76)	**1**	(147)
Items that are never reclassified to net income				
Retirement benefits				
Remeasurement of defined benefit plans	**127**	264	**621**	185
Income taxes	**4**	(1)	**(38)**	(25)
	131	263	**583**	160
Total OCI	**124**	294	**417**	271
Total comprehensive income (loss)	**$ 273**	$ 194	**$ 680**	$ (66)
Attributable to				
Equity holders of Bombardier Inc.	**$ 217**	$ 153	**$ 682**	$ (187)
NCI	**56**	41	**(2)**	121
	$ 273	$ 194	**$ 680**	$ (66)

[(1)] Refer to Note 2 for the impact of changes in accounting policies.

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

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

	Notes		**September 30 2018**		December 31 2017 *restated* (1)		January 1 2017 *restated* (1)
Assets							
Cash and cash equivalents	11	**$**	**2,318**	$	2,988	$	3,384
Trade and other receivables			**1,582**		1,174		1,220
Contract assets	12		**2,743**		2,460		1,631
Inventories	13		**4,410**		3,429		4,286
Other financial assets	14		**157**		415		336
Other assets	15		**375**		427		427
Assets held for sale	19		**—**		4,150		—
Current assets			**11,585**		15,043		11,284
PP&E			**1,568**		1,696		1,949
Aerospace program tooling			**4,202**		3,581		5,174
Goodwill			**1,985**		2,042		1,855
Deferred income taxes			**658**		595		698
Investments in joint ventures and associates	19, 24		**2,239**		491		332
Other financial assets	14		**1,289**		825		915
Other assets	15		**743**		643		588
Non-current assets			**12,684**		9,873		11,511
		$	**24,269**	$	24,916	$	22,795
Liabilities							
Trade and other payables		**$**	**4,439**	$	3,964	$	3,045
Provisions	16		**1,317**		1,630		1,542
Contract liabilities	12		**3,897**		3,820		3,840
Other financial liabilities	17		**474**		342		608
Other liabilities	18		**1,365**		1,723		1,634
Liabilities directly associated with assets held for sale	19		**—**		2,686		—
Current liabilities			**11,492**		14,165		10,669
Provisions	16		**1,269**		781		1,561
Contract liabilities	12		**1,929**		1,272		1,673
Long-term debt			**9,125**		9,200		8,738
Retirement benefits			**2,157**		2,633		2,647
Other financial liabilities	17		**1,470**		965		999
Other liabilities	18		**581**		595		891
Non-current liabilities			**16,531**		15,446		16,509
			28,023		29,611		27,178
Equity (deficit)							
Attributable to equity holders of Bombardier Inc.			**(5,319)**		(6,608)		(6,054)
Attributable to NCI			**1,565**		1,913		1,671
			(3,754)		(4,695)		(4,383)
		$	**24,269**	$	24,916	$	22,795
Commitments and contingencies	26						

(1) Refer to Note 2 for the impact of changes in accounting policies.

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	FVOCI financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at June 30, 2018	$ 347	$ 2,633	$ 73	$ (6,438)	$ (2,125)	$ 217	$ (1)	$ (48)	$ (406)	$ (5,748)	$ 1,919	$ (3,829)
Total comprehensive income												
Net income	—	—	—	111	—	—	—	—	—	111	38	149
OCI	—	—	—	—	131	—	(1)	21	(45)	106	18	124
	—	—	—	111	131	—	(1)	21	(45)	217	56	273
Issuance of warrants[1]	—	—	270	—	—	—	—	—	—	270	—	270
Options exercised	—	37	—	—	—	(11)	—	—	—	26	—	26
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(19)	(19)
Shares purchased - PSU plan	—	(97)	—	—	—	—	—	—	—	(97)	—	(97)
Shares distributed - RSU plan	—	49	—	—	—	(49)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	20	—	—	—	20	—	20
Change in NCI[2]	—	—	—	—	—	—	—	—	—	—	(391)	(391)
As at September 30, 2018	**$ 347**	**$ 2,622**	**$ 343**	**$ (6,334)**	**$ (1,994)**	**$ 177**	**$ (2)**	**$ (27)**	**$ (451)**	**$ (5,319)**	**$ 1,565**	**$ (3,754)**
As at June 30, 2017[3]	$ 347	$ 2,152	$ 73	$ (6,089)	$ (2,863)	$ 146	$ 7	$ 25	$ (326)	$ (6,528)	$ 1,843	$ (4,685)
Total comprehensive income												
Net loss	—	—	—	(83)	—	—	—	—	—	(83)	(17)	(100)
OCI	—	—	—	—	257	—	(5)	106	(122)	236	58	294
	—	—	—	(83)	257	—	(5)	106	(122)	153	41	194
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(5)	(5)
Share-based expense	—	—	—	—	—	14	—	—	—	14	—	14
Change in NCI	—	—	—	(38)	—	—	—	—	—	(38)	38	—
As at September 30, 2017[3]	$ 347	$ 2,152	$ 73	$ (6,217)	$ (2,606)	$ 160	$ 2	$ 131	$ (448)	$ (6,406)	$ 1,917	$ (4,489)

[1] Related to the convertible shares issued to Airbus on July 1, 2018 in relation to the sale of a majority stake in CSALP. See Note 19 – Disposal of business for more details.
[2] Represents the derecognition of the non-controlling interest related to the disposal of CSALP. See Note 19 – Disposal of business for more details.
[3] Restated, refer to Note 2 for the impact of changes in accounting policies.

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	FVOCI financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at December 31, 2017[1]	$ 347	$ 2,154	$ 73	$ (6,414)	$ (2,577)	$ 171	$ 4	$ 127	$ (493)	$ (6,608)	$ 1,913	$ (4,695)
Total comprehensive income												
Net income	—	—	—	217	—	—	—	—	—	217	46	263
OCI	—	—	—	—	583	—	(6)	(154)	42	465	(48)	417
	—	—	—	217	583	—	(6)	(154)	42	682	(2)	680
Issuance of warrants[2]	—	—	270	—	—	—	—	—	—	270	—	270
Issuance of share capital[3]	—	475	—	—	—	—	—	—	—	475	—	475
Options exercised	—	41	—	—	—	(12)	—	—	—	29	—	29
Dividends	—	—	—	(21)	—	—	—	—	—	(21)	—	(21)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(71)	(71)
Shares purchased - PSU plan	—	(97)	—	—	—	—	—	—	—	(97)	—	(97)
Shares distributed - RSU plan	—	49		—	—	(49)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	67	—	—	—	67	—	67
Change in NCI[4]	—	—	—	(116)	—	—	—	—	—	(116)	(275)	(391)
As at September 30, 2018	**$ 347**	**$ 2,622**	**$ 343**	**$ (6,334)**	**$ (1,994)**	**$ 177**	**$ (2)**	**$ (27)**	**$ (451)**	**$ (5,319)**	**$ 1,565**	**$ (3,754)**
As at January 1, 2017[1]	$ 347	$ 2,152	$ 73	$ (5,716)	$ (2,772)	$ 128	$ 6	$ (123)	$ (149)	$ (6,054)	$ 1,671	$ (4,383)
Total comprehensive income												
Net loss	—	—	—	(304)	—	—	—	—	—	(304)	(33)	(337)
OCI	—	—	—	—	166	—	(4)	254	(299)	117	154	271
	—	—	—	(304)	166	—	(4)	254	(299)	(187)	121	(66)
Dividends	—	—	—	(19)	—	—	—	—	—	(19)	—	(19)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(53)	(53)
Share-based expense	—	—	—	—	—	32	—	—	—	32	—	32
Change in NCI	—	—	—	(178)	—	—	—	—	—	(178)	178	—
As at September 30, 2017[1]	$ 347	$ 2,152	$ 73	$ (6,217)	$ (2,606)	$ 160	$ 2	$ 131	$ (448)	$ (6,406)	$ 1,917	$ (4,489)

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] Related to the convertible shares issued to Airbus on July 1, 2018 in relation to the sale of a majority stake in CSALP. See Note 19 – Disposal of business for more details.
[3] See Note 20 – Share Capital for more details.
[4] Includes $391 million for the derecognition of the non-controlling interest related to the disposal of CSALP. See Note 19 – Disposal of business for more details.

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

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

	Notes	Three-month periods ended September 30		Nine-month periods ended September 30	
		2018	2017 *restated* (1)	**2018**	2017 *restated* (1)
Operating activities					
Net income (loss)		**$ 149**	$ (100)	**$ 263**	$ (337)
Non-cash items					
Amortization		**62**	69	**188**	225
Impairment charges on PP&E and intangible assets	6, 7	**—**	2	**11**	45
Deferred income taxes		**(50)**	32	**(73)**	47
Gains on disposals of PP&E and intangible assets	6, 7	**(11)**	—	**(575)**	(30)
C Series transaction with Airbus	7	**10**	—	**609**	—
Share of income of joint ventures and associates	24	**(9)**	(52)	**(59)**	(139)
Share-based expense	21	**20**	14	**67**	32
Dividends received from joint ventures and associates		**30**	27	**49**	30
Net change in non-cash balances	22	**(342)**	(200)	**(1,172)**	(579)
Cash flows from operating activities		**(141)**	(208)	**(692)**	(706)
Investing activities					
Additions to PP&E and intangible assets		**(253)**	(287)	**(830)**	(1,011)
Proceeds from disposals of PP&E and intangible assets	7	**24**	—	**663**	59
Deconsolidation of cash and cash equivalents of CSALP	19	**(151)**	—	**(151)**	—
Outflows related to a disposal of a business	19	**(25)**	—	**(25)**	—
Investments in non-voting units of CSALP	19	**(85)**	—	**(85)**	—
Other		**—**	(7)	**37**	15
Cash flows from investing activities		**(490)**	(294)	**(391)**	(937)
Financing activities					
Repayments of long-term debt		**(3)**	(7)	**(11)**	(24)
Net change in short-term borrowings		**—**	113	**—**	167
Dividends paid(2)		**(5)**	(7)	**(15)**	(15)
Purchase of Class B Shares held in trust under the PSU plans		**(97)**	—	**(97)**	—
Issuance of Class B Shares	20	**28**	—	**504**	—
Dividends to NCI		**(19)**	(5)	**(71)**	(53)
Other		**61**	—	**(3)**	(28)
Cash flows from financing activities		**(35)**	94	**307**	47
Effect of exchange rates on cash and cash equivalents		**10**	26	**37**	47
Net decrease in cash and cash equivalents		**(656)**	(382)	**(739)**	(1,549)
Cash and cash equivalents at beginning of period(3)	11	**2,974**	2,217	**3,057**	3,384
Cash and cash equivalents at end of period(3)	11	**$ 2,318**	$ 1,835	**$ 2,318**	$ 1,835
Supplemental information(4)(5)					
Cash paid for					
Interest		**$ 150**	$ 136	**$ 488**	$ 433
Income taxes		**$ 36**	$ 39	**$ 107**	$ 71
Cash received for					
Interest		**$ 6**	$ 45	**$ 22**	$ 56
Income taxes		**$ 2**	$ 3	**$ 5**	$ 16

(1) Refer to Note 2 for the impact of changes in accounting policies.
(2) Related to preferred shares.
(3) For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.
(4) Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets, in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.
(5) Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities. Interest received comprises interest received related to cash and cash equivalents, investments in securities, loans and lease receivables after the effect of hedges and the interest portion related to the settlement of an interest-rate swap, if any.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2018
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

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

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements except for the changes in accounting policies described in Note 2 – Changes in accounting policies. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Financial Report for the fiscal year ended December 31, 2017.

These interim consolidated financial statements for the three- and nine-month periods ended September 30, 2018 were authorized for issuance by the Board of Directors on November 7, 2018.

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

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

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

			Exchange rates as at
	September 30, 2018	December 31, 2017	January 1, 2017
Euro	**1.1707**	1.1993	1.0541
Canadian dollar	**0.7651**	0.7975	0.7430
Pound sterling	**1.3158**	1.3517	1.2312

		Average exchange rates for the three-month periods ended		**Average exchange rates for the nine-month periods ended**
	September 30, 2018	September 30, 2017	**September 30, 2018**	September 30, 2017
Euro	**1.1636**	1.1729	**1.1956**	1.1118
Canadian dollar	**0.7644**	0.7962	**0.7778**	0.7647
Pound sterling	**1.3044**	1.3068	**1.3530**	1.2744

2. CHANGES IN ACCOUNTING POLICIES

Financial instruments
In July 2014, the IASB completed the three-part project to replace IAS 39, *Financial instruments: recognition and measurement* by issuing IFRS 9, *Financial instruments*. IFRS 9 includes classification and measurement of financial assets and financial liabilities, a forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity’s own credit risk, in measuring a financial liability designated at FVTP&L, is presented in OCI rather than in the statement of income.

IFRS 9 also introduced a new expected credit loss impairment model that requires more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

Lastly, IFRS 9 introduced a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 was adopted effective January 1, 2018 and resulted in no adjustments.

Revenue Recognition
In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* as well as other related interpretations. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

The majority of long-term manufacturing and service contracts at Transportation previously accounted for under the percentage-of-completion method meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method. The principal differences identified in respect of the Corporation’s accounting for long-term contracts at Transportation relate to the treatment of customer options for additional trains and the recognition of variable consideration such as price escalation clauses.

Under IAS 11, estimated revenues at completion included anticipated customer options for additional trains if it was probable that the customer will exercise the options and the amount can be measured reliably. Under IFRS 15, customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional trains. This change results in the deferral of revenue and margin until the customer exercises its option.

Under IAS 11, variable considerations such as price escalation clauses were included in estimated revenues at completion when the amount is considered probable and can be reliably measured. IFRS 15 introduces the concept of a constraint on the recognition of variable consideration whereby amounts can only be included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The introduction of this constraint results in the transaction price recognizing the effect of price escalation for certain indices at a later point in time.

For the aerospace segments, revenues from the sale of aircraft continue to be recognized when the aircraft have been delivered.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. On adoption of IFRS 15, all loss provisions for contracts with customers follow the same policy for the definition of unavoidable costs of fulfilling the contract. In line with one of the two approaches identified as reasonable by the IFRS Interpretations Committee in its June 13, 2017 tentative agenda decision, the Corporation defines unavoidable costs as the costs that the Corporation cannot avoid because it has the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract). This approach was used for long-term contracts, and has been applied to other contracts in the aerospace segments increasing the amount of onerous contract provisions and thereby lower subsequent inventory net realizable value charges.

The Corporation accounts for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. Most of the Corporation's contracts do not have a significant financing component. However, there are several orders in the Business Aircraft segment where advances were received well before expected delivery and therefore a financing component has been accounted for separately. The result is that interest expense is accrued during the advance period and the transaction price will be increased by a corresponding amount.

Under IFRS 15, revenues earned by the Aerostructures and Engineering Services on the contract for the *C Series* program will be recognized at a point in time (delivery) as opposed to the current policy whereby it is recognized over-time (long-term contract accounting).

While these changes impact the timing of revenue and margin recognition, and result in a reduction of equity at transition, there is no change to cash flows. Furthermore, there is no change in profitability over the life of the contracts.

IFRS 15 was adopted effective January 1, 2018 and the changes have been accounted for retroactively in accordance with the transition rules of IFRS 15.

Impact of adopting IFRS 15 changes in accounting policies

The following tables summarize the Corporation's retroactive restatements to its consolidated financial statements resulting from the adoption of IFRS 15, *Revenue from contracts with customers*, including the impact of reclassification.

The impacts on the consolidated statements of comprehensive income and on the consolidated equity position, net of income taxes, are as follows:

	As at January 1, 2017
Equity as previously reported	$ (3,489)
Customer options	(635)
Variable consideration	(85)
Onerous contract provisions	(154)
Significant financing component	(25)
CCTD, taxes and other	5
Net change to equity	(894)
Equity as restated	$ (4,383)

	Three-month period ended September 30, 2017
Comprehensive income as previously reported	$ 200
Net income:	
Customer options	15
Variable consideration	(4)
Onerous contract provisions	9
Significant financing component	(6)
Taxes and other	3
Net change to net income	17
OCI	
CCTD	(23)
Net decrease to comprehensive income	(6)
Comprehensive income as restated	$ 194

	Nine-month period ended September 30, 2017
Comprehensive loss as previously reported	$ (94)
Net loss:	
Customer options	81
Variable consideration	22
Onerous contract provisions	31
Significant financing component	(15)
Taxes and other	(12)
Net change to net loss	107
OCI	
CCTD	(79)
Net decrease to comprehensive loss	28
Comprehensive loss as restated	$ (66)

	As at September 30, 2017
Equity as previously reported	$ (3,623)
Customer options	(554)
Variable consideration	(63)
Onerous contract provisions	(123)
Significant financing component	(40)
CCTD, taxes and other	(86)
Net change to equity	(866)
Equity as restated	$ (4,489)

	Three-month period ended December 31, 2017
Comprehensive loss as previously reported	$ (85)
Net loss:	
Customer options	(83)
Variable consideration	7
Onerous contract provisions	(1)
Significant financing component	(5)
Taxes and other	3
Net change to net loss	(79)
OCI	
CCTD	(18)
Net increase to comprehensive loss	(97)
Comprehensive loss as restated	$ (182)

	Fiscal year ended December 31, 2017
Comprehensive loss as previously reported	$ (179)
Net loss:	
Customer options	(2)
Variable consideration	29
Onerous contract provisions	30
Significant financing component	(20)
Taxes and other	(9)
Net change to net loss	28
OCI	
CCTD	(97)
Net increase to comprehensive loss	(69)
Comprehensive loss as restated	$ (248)

	As at December 31, 2017
Equity as previously reported	$ (3,732)
Customer options	(637)
Variable consideration	(56)
Onerous contract provisions	(124)
Significant financing component	(45)
CCTD, taxes and other	(101)
Net change to equity	(963)
Equity as restated	$ (4,695)

The impacts on the consolidated statements of income are as follows, for:

	Three-month period ended September 30, 2017		
	As previously reported	Adjustments	As restated
Revenues	$ 3,835	$ 4	$ 3,839
Cost of sales	3,369	(14)	3,355
Gross margin	466	18	484
SG&A	300	—	300
R&D	53	—	53
Share of income of joint ventures and associates	(52)	—	(52)
Special items	50	—	50
EBIT	115	18	133
Financing expense	175	6	181
Financing income	(14)	—	(14)
EBT	(46)	12	(34)
Income taxes	71	(5)	66
Net income (loss)	$ (117)	$ 17	$ (100)
Attributable to			
Equity holders of Bombardier Inc.	$ (91)	$ 8	$ (83)
NCI	(26)	9	(17)
	$ (117)	$ 17	$ (100)
EPS (in dollars)			
Basic and diluted	$ (0.05)	$ 0.01	$ (0.04)

	Nine-month period ended September 30, 2017		
	As previously reported	Adjustments	As restated
Revenues	$ 11,503	$ 85	$ 11,588
Cost of sales	10,192	(44)	10,148
Gross margin	1,311	129	1,440
SG&A	863	—	863
R&D	159	—	159
Share of income of joint ventures and associates	(139)	—	(139)
Other income	(29)	—	(29)
Special items	360	—	360
EBIT	97	129	226
Financing expense	507	15	522
Financing income	(35)	—	(35)
EBT	(375)	114	(261)
Income taxes	69	7	76
Net income (loss)	$ (444)	$ 107	$ (337)
Attributable to			
Equity holders of Bombardier Inc.	$ (408)	$ 104	$ (304)
NCI	(36)	3	(33)
	$ (444)	$ 107	$ (337)
EPS (in dollars)			
Basic and diluted	$ (0.19)	$ 0.04	$ (0.15)

	Three-month period ended December 31, 2017		
	As previously reported	Adjustments	As restated
Revenues	$ 4,715	$ (104)	$ 4,611
Cost of sales	4,084	(28)	4,056
Gross margin	631	(76)	555
SG&A	331	—	331
R&D	81	—	81
Share of income of joint ventures and associates	(36)	—	(36)
Other expense	40	—	40
Special items	66	—	66
EBIT	149	(76)	73
Financing expense	273	8	281
Financing income	(23)	—	(23)
EBT	(101)	(84)	(185)
Income taxes	8	(5)	3
Net loss	$ (109)	$ (79)	$ (188)
Attributable to			
Equity holders of Bombardier Inc.	$ (108)	$ (82)	$ (190)
NCI	(1)	3	2
	$ (109)	$ (79)	$ (188)
EPS (in dollars)			
Basic and diluted	$ (0.05)	$ (0.04)	$ (0.09)

	Fiscal year ended December 31, 2017		
	As previously reported	Adjustments	As restated
Revenues	$ 16,218	$ (19)	$ 16,199
Cost of sales	14,276	(72)	14,204
Gross margin	1,942	53	1,995
SG&A	1,194	—	1,194
R&D	240	—	240
Share of income of joint ventures and associates	(175)	—	(175)
Other expense	11	—	11
Special items	426	—	426
EBIT	246	53	299
Financing expense	778	23	801
Financing income	(56)	—	(56)
EBT	(476)	30	(446)
Income taxes	77	2	79
Net income (loss)	$ (553)	$ 28	$ (525)
Attributable to			
Equity holders of Bombardier Inc.	$ (516)	$ 22	$ (494)
NCI	(37)	6	(31)
	$ (553)	$ 28	$ (525)
EPS (in dollars)			
Basic and diluted	$ (0.25)	$ 0.01	$ (0.24)

In addition to changes impacting net income (loss), contract penalties were reclassified from cost of sales to revenues.

The restated amounts of the segmented results of operations are as follows, for:

	Three-month period ended March 31, 2017					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Revenues	$ 1,952	$ 1,022	$ 525	$ 398	$ (292)	$ 3,605
EBIT before special items	$ 183	$ 82	$ (56)	$ 15	$ (51)	$ 173
EBIT	$ 164	$ 79	$ (57)	$ 15	$ (51)	$ 150

	Three-month period ended June 30, 2017					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Revenues	$ 2,038	$ 1,389	$ 626	$ 443	$ (352)	$ 4,144
EBIT before special items	$ 223	$ 127	$ (118)	$ 26	$ (28)	$ 230
EBIT	$ 10	$ 99	$ (119)	$ 26	$ (73)	$ (57)

	Three-month period ended September 30, 2017					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Revenues	$ 2,146	$ 1,074	$ 515	$ 349	$ (245)	$ 3,839
EBIT before special items	$ 192	$ 90	$ (74)	$ 27	$ (52)	$ 183
EBIT	$ 140	$ 87	$ (75)	$ 33	$ (52)	$ 133

	Three-month period ended December 31, 2017					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Revenues	$ 2,415	$ 1,448	$ 651	$ 426	$ (329)	$ 4,611
EBIT before special items	$ 140	$ 120	$ (133)	$ 20	$ (8)	$ 139
EBIT	$ 129	$ 129	$ (138)	$ 7	$ (54)	$ 73

	Fiscal year ended December 31, 2017					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Revenues	$ 8,551	$ 4,933	$ 2,317	$ 1,616	$ (1,218)	$ 16,199
EBIT before special items	$ 738	$ 419	$ (381)	$ 88	$ (139)	$ 725
EBIT	$ 443	$ 394	$ (389)	$ 81	$ (230)	$ 299

The impacts on the consolidated statements of financial position are as follows, as at:

			December 31, 2017
	As previously reported	Adjustments	As restated
Assets			
Trade and other receivables	$ 1,231	$ (57)	$ 1,174
Contract assets	—	2,460	2,460
Inventories	5,890	(2,461)	3,429
Other assets	1,094	(24)	1,070
Deferred income taxes	603	(8)	595
Other current assets	7,553	—	7,553
Other non-current assets	8,635	—	8,635
	$ 25,006	$ (90)	$ 24,916
Liabilities			
Trade and other payables	$ 4,194	$ (230)	$ 3,964
Provisions	1,751	660	2,411
Contract liabilities	—	5,092	5,092
Advances and progress billings in excess of long-term contract inventories	1,990	(1,990)	—
Advances on aerospace programs	2,074	(2,074)	—
Other liabilities	3,056	(738)	2,318
Liabilities directly associated with assets held for sale	2,533	153	2,686
Other current liabilities	342	—	342
Other non-current liabilities	12,798	—	12,798
	28,738	873	29,611
Equity (deficit)			
Attributable to equity holders of Bombardier Inc.	(5,702)	(906)	(6,608)
Attributable to NCI	1,970	(57)	1,913
	(3,732)	(963)	(4,695)
	$ 25,006	$ (90)	$ 24,916

			January 1, 2017
	As previously reported	Adjustments	As restated
Assets			
Trade and other receivables	$ 1,291	$ (71)	$ 1,220
Contract assets	—	1,631	1,631
Inventories	5,844	(1,558)	4,286
Other assets	1,041	(26)	1,015
Deferred income taxes	705	(7)	698
Other current assets	3,720	—	3,720
Other non-current assets	10,225	—	10,225
	$ 22,826	$ (31)	$ 22,795
Liabilities			
Trade and other payables	$ 3,239	$ (194)	$ 3,045
Provisions	2,266	837	3,103
Contract liabilities	—	5,513	5,513
Advances and progress billings in excess of long-term contract inventories	1,539	(1,539)	—
Advances on aerospace programs	3,085	(3,085)	—
Other liabilities	3,194	(669)	2,525
Other current liabilities	608	—	608
Other non-current liabilities	12,384	—	12,384
	26,315	863	27,178
Equity (deficit)			
Attributable to equity holders of Bombardier Inc.	(5,243)	(811)	(6,054)
Attributable to NCI	1,754	(83)	1,671
	(3,489)	(894)	(4,383)
	$ 22,826	$ (31)	$ 22,795

In addition to changes impacting equity, there were certain reclassifications made. Contract related balances were reclassified from inventories, advances and progress billings in excess of long-term contract inventories, advances on aerospace programs, other assets and other liabilities to contract assets and contract liabilities. Refer to Note 12 - Contract balances for more details.

Furthermore, since IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets* should be applied to onerous contracts, the onerous contract provisions related to long-term contracts in Transportation are no longer netted against contract related balances and instead were reclassified from inventories to provisions. In the interim consolidated financial statements for the nine-month period ended September 30, 2018, to better reflect provision utilization based on contract percentage of completion, the reclassification of onerous contract provisions were reduced by $674 million, $741 million, $1,082 million and $1,221 million as at January 1, 2017, March 31, 2017, December 31, 2017 and March 31, 2018 respectively, compared with the amounts in the interim consolidated financial statements for the three-month period ended March 31, 2018. These reclassifications between contract related balances and provisions in the statement of financial position had no impact on results of operations, equity or cash flows. Refer to Note 12 - Contract balances and Note 16 - Provisions for more details.

There was no impact on cash flows from operating activities, investing activities and financing activities as a result of adopting IFRS 15.

As a result of the above mentioned adjustments and reclassifications, certain disclosures that are required in annual financial statements in accordance with IFRS 15, which were not included in the Corporation's most recent annual consolidated financial statements, have been included in these interim consolidated financial statements. Refer to Note 27 - Additional annual disclosures for more details.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

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

IFRS 16 will be effective for the Corporation's fiscal year beginning on January 1, 2019. The Corporation is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements. Where the Corporation is a lessee, the Corporation expects IFRS 16 will result in on-balance sheet recognition of most of its leases that are considered operating leases under IAS 17. This will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense. The Corporation is continuing to assess the impact of the new standard on its consolidated financial statements and will provide further updates as it advances in its assessment.

Income taxes
In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatm*ents. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

IFRIC 23 will be effective for the Corporation's fiscal year beginning on January 1, 2019, with earlier application permitted. The Corporation is assessing the impact of the adoption of this standard on its consolidated financial statements and will provide further updates as it advances in its assessment.

Retirement and other long-term employee benefits
In February 2018, the IASB released an amendment to IAS 19, *Employee Benefits*, effective on January 1, 2019. The amendment relates to accounting for plan amendments, curtailments and settlements on defined benefit plans. The amendment requires the use of updated actuarial assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The Corporation is assessing the impact of this amendment and will provide further updates as it advances in its assessment.

4. SEGMENT DISCLOSURE

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

Business Aircraft

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

Commercial Aircraft

Commercial Aircraft designs and manufactures commercial aircraft in the 60- to 100-seat categories, including the *Q400* turboprops and the *CRJ Series* family of regional jets. Commercial Aircraft provides aftermarket support for these aircraft as well as for the 20- to 59-seat range category. Commercial Aircraft also has an investment in associate, in CSALP for the A220 aircraft.

Aerostructures and Engineering Services

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

Transportation

Transportation provides the most comprehensive product range and services offering in the rail industry and covers the full spectrum of rail solutions, ranging from complete trains to subsystems, services, system integration, signalling and e-mobility solutions.

Corporate and Elimination

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

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2017, except for the changes in accounting policies described in Note 2 – Changes in accounting policies.

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

	Three-month period ended September 30, 2018					
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 2,139**	**$ 1,082**	**$ 256**	**$ 165**	**$ 1**	**$ 3,643**
Intersegment revenues	**1**	**1**	**—**	**265**	**(267)**	**—**
Total revenues	**2,140**	**1,083**	**256**	**430**	**(266)**	**3,643**
EBIT before special items	**187**	**89**	**(9)**	**36**	**(32)**	**271**
Special items[1]	**3**	**9**	**(13)**	**1**	**4**	**4**
EBIT	**$ 184**	**$ 80**	**$ 4**	**$ 35**	**$ (36)**	**267**
Financing expense						**147**
Financing income						**(25)**
EBT						**145**
Income taxes						**(4)**
Net income						**$ 149**
Other information						
R&D[2]	**$ 32**	**$ 13**	**$ 3**	**$ 2**	**$ —**	**$ 50**
Share of loss (income) of joint ventures and associates	**$ (22)**	**$ —**	**$ 13**	**$ —**	**$ —**	**$ (9)**
Net additions (proceeds) to PP&E and intangible assets[3]	**$ 36**	**$ 198**	**$ —**	**$ 9**	**$ (14)**	**$ 229**
Amortization	**$ 25**	**$ 24**	**$ 3**	**$ 11**	**$ (1)**	**$ 62**

[1] See Note 7 – Special items for more details.
[2] Includes tooling amortization. See Note 5 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

	Three-month period ended September 30, 2017 [1]					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 2,145	$ 1,071	$ 515	$ 107	$ 1	$ 3,839
Intersegment revenues	1	3	—	242	(246)	—
Total revenues	2,146	1,074	515	349	(245)	3,839
EBIT before special items	192	90	(74)	27	(52)	183
Special items[2]	52	3	1	(6)	—	50
EBIT	$ 140	$ 87	$ (75)	$ 33	$ (52)	133
Financing expense						181
Financing income						(14)
EBT						(34)
Income taxes						66
Net loss						$ (100)
Other information						
R&D[3]	$ 25	$ 12	$ 10	$ 1	$ 5	$ 53
Share of income of joint ventures and associates	$ (52)	$ —	$ —	$ —	$ —	$ (52)
Net additions to PP&E and intangible assets[4]	$ 18	$ 242	$ 16	$ 4	$ 7	$ 287
Amortization	$ 22	$ 21	$ 15	$ 11	$ —	$ 69
Impairment charges on PP&E	$ 1	$ —	$ —	$ —	$ 1	$ 2

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] See Note 7 – Special items for more details.
[3] Includes tooling amortization. See Note 5 – Research and development for more details.
[4] As per the consolidated statements of cash flows.

	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Nine-month period ended September 30, 2018						
Results of operations						
External revenues	**$ 6,750**	**$ 3,498**	**$ 1,335**	**$ 347**	**$ 3**	**$ 11,933**
Intersegment revenues	**4**	**2**	**—**	**984**	**(990)**	**—**
Total revenues	**6,754**	**3,500**	**1,335**	**1,331**	**(987)**	**11,933**
EBIT before special items	**583**	**298**	**(148)**	**140**	**(130)**	**743**
Special items[1]	**45**	**13**	**589**	**(6)**	**(557)**	**84**
EBIT	**$ 538**	**$ 285**	**$ (737)**	**$ 146**	**$ 427**	**659**
Financing expense						**465**
Financing income						**(87)**
EBT						**281**
Income taxes						**18**
Net income						**$ 263**
Other information						
R&D[2]	**$ 86**	**$ 44**	**$ 10**	**$ 5**	**$ —**	**$ 145**
Share of loss (income) of joint ventures and associates	**$ (75)**	**$ 3**	**$ 13**	**$ —**	**$ —**	**$ (59)**
Net additions (proceeds) to PP&E and intangible assets[1][3]	**$ 107**	**$ 618**	**$ 46**	**$ 18**	**$ (622)**	**$ 167**
Amortization	**$ 75**	**$ 71**	**$ 9**	**$ 36**	**$ (3)**	**$ 188**
Impairment charges on PP&E and intangible assets[1]	**$ 8**	**$ —**	**$ —**	**$ —**	**$ 3**	**$ 11**

[1] See Note 7 – Special items for more details.
[2] Includes tooling amortization. See Note 5 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Nine-month period ended September 30, 2017 [1]						
Results of operations						
External revenues	$ 6,132	$ 3,482	$ 1,666	$ 304	$ 4	$ 11,588
Intersegment revenues	4	3	—	886	(893)	—
Total revenues	6,136	3,485	1,666	1,190	(889)	11,588
EBIT before special items	598	299	(248)	68	(131)	586
Special items[2]	284	34	3	(6)	45	360
EBIT	$ 314	$ 265	$ (251)	$ 74	$ (176)	226
Financing expense						522
Financing income						(35)
EBT						(261)
Income taxes						76
Net loss						$ (337)
Other information						
R&D[3]	$ 74	$ 39	$ 29	$ 2	$ 15	$ 159
Share of income of joint ventures and associates	$ (139)	$ —	$ —	$ —	$ —	$ (139)
Net additions to PP&E and intangible assets[4]	$ 42	$ 823	$ 77	$ 15	$ (5)	$ 952
Amortization	$ 73	$ 66	$ 49	$ 36	$ 1	$ 225
Impairment charges on intangible assets	$ —	$ —	$ 5	$ —	$ —	$ 5
Impairment charges on PP&E[2]	$ 33	$ —	$ —	$ —	$ 7	$ 40

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] See Note 7 – Special items for more details.
[3] Includes tooling amortization. See Note 5 – Research and development for more details.
[4] As per the consolidated statements of cash flows.

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

	September 30, 2018	December 31, 2017 [1]	January 1, 2017 [1]
Assets			
Total assets	**$ 24,269**	$ 24,916	$ 22,795
Assets not allocated to segments			
Cash and cash equivalents[2]	**2,318**	3,057	3,384
Income tax receivable[3]	**67**	60	41
Deferred income taxes	**658**	595	698
Segmented assets	**21,226**	21,204	18,672
Liabilities			
Total liabilities	**28,023**	29,611	27,178
Liabilities not allocated to segments			
Interest payable[4]	**155**	139	141
Income taxes payable[5]	**157**	187	217
Long-term debt[6]	**9,136**	9,218	8,769
Segmented liabilities	**$ 18,575**	$ 20,067	$ 18,051
Net segmented assets			
Transportation	**$ (29)**	$ (1,106)	$ (754)
Business Aircraft	**$ 2,498**	$ 2,178	$ 1,393
Commercial Aircraft	**$ 918**	$ 311	$ 293
Aerostructures and Engineering Services	**$ (318)**	$ 190	$ 62
Corporate and Elimination	**$ (418)**	$ (436)	$ (373)

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] Refer to Note 11 – Cash and cash equivalents.
[3] Included in other assets.
[4] Included in trade and other payables.
[5] Included in other liabilities.
[6] The current portion of long-term debt is included in other financial liabilities.

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 [1]	**2018**	2017 [1]
Business Aircraft				
Manufacturing and Other[2]	**$ 777**	$ 802	**$ 2,617**	$ 2,712
Services[3]	**306**	272	**883**	773
	1,083	1,074	**3,500**	3,485
Commercial Aircraft[4]	**256**	515	**1,335**	1,666
Aerostructures and Engineering Services				
External revenues	**165**	107	**347**	304
Intersegment revenues	**265**	242	**984**	886
	430	349	**1,331**	1,190
Transportation				
Rolling stock and systems[5]	**1,447**	1,462	**4,529**	4,166
Services[6]	**475**	479	**1,534**	1,372
Signalling[7]	**218**	205	**691**	598
	2,140	2,146	**6,754**	6,136
Corporate and Elimination	**(266)**	(245)	**(987)**	(889)
	$ 3,643	$ 3,839	**$ 11,933**	$ 11,588

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

5. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
R&D expenditures	**$ 260**	$ 270	**$ 746**	$ 932
Less: development expenditures capitalized to aerospace program tooling	**(222)**	(234)	**(642)**	(829)
	38	36	**104**	103
Add: amortization of aerospace program tooling	**12**	17	**41**	56
	$ 50	$ 53	**$ 145**	$ 159

6. OTHER INCOME

Other income was as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
Changes in estimates and fair value[(1)]	**$ (1)**	$ 2	**$ (72)**	$ (2)
Gains on disposals of intangible assets and PP&E[(2)]	**(11)**	—	**(14)**	(30)
Impairment of PP&E and intangible assets[(2)]	**—**	2	**3**	7
Severance and other involuntary termination costs (including changes in estimates)[(2)]	**1**	(3)	**2**	—
Other	**—**	(1)	**—**	(4)
	$ (11)	$ —	**$ (81)**	$ (29)

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

7. SPECIAL ITEMS

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

Special items were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
C Series transaction with Airbus[1]	**$ 10**	$ —	**$ 609**	$ —
Gain on disposal of PP&E[2]	**—**	—	**(561)**	—
Changes in credit and residual value guarantees [3]	**(34)**	—	**(34)**	—
Purchase of pension annuities[4]	**22**	—	**32**	—
Restructuring charges[5]	**2**	7	**18**	248
Impairment of non-core operations[6]	**—**	43	**17**	43
Primove impairment and other costs[7]	**4**	—	**4**	45
Reversal of *Learjet 85* aircraft program cancellation provisions[8]	**—**	—	**(1)**	(11)
Re-negotiation of a commercial agreement[9]	**—**	—	**—**	35
Tax litigation[10]	**(4)**	11	**(4)**	11
Tax impacts of special items[1]	**(1)**	—	**(71)**	(9)
	$ (1)	$ 61	**$ 9**	$ 362
Of which is presented in				
Special items in EBIT	**$ 4**	$ 50	**$ 84**	$ 360
Financing expense - interest related to tax litigation[10]	**(4)**	11	**(4)**	11
Income taxes - effect of special items	**(1)**	—	**(71)**	(9)
	$ (1)	$ 61	**$ 9**	$ 362

(1) The acquisition by Airbus of 50.01% of CSALP, the entity that manufactures and sells the *C Series* aircraft resulted in a pre-tax accounting charge of $609 million ($545 million after tax), of which $599 million was recorded in the three-month period ended June 30, 2018 and $10 million in the three-month period ended September 30, 2018. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the $270 million fair value of warrants issued by Bombardier to Airbus on July 1, 2018, (ii) a $310 million derivative liability which is associated with the expected off-market return on units to be issued to Bombardier by CSALP under Bombardier's funding commitments, and iii) other Bombardier obligations towards CSALP, which mainly comprise supply chain obligations for Aerostructure and Engineering Services. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220. See Note 19 - Disposal of a business for more details in respect of the transaction.

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

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

(4) Represents the loss (mainly non-cash) on settlement of defined benefit pension plans resulting from the purchase of annuities from insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations. In Q3 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans in Ontario, for which the premiums paid to insurers were $479M (paid from plans assets) and the respective defined benefit obligations were $457 million.

(5) For the three- and nine-month periods ended September 30, 2018, represents severance charges of $2 million and $14 million partially offset by curtailment gains of $4 million, and impairment charges of PP&E of $8 million, all related to previously-announced restructuring actions, respectively. For the three- and nine-month periods ended September 30, 2017, represents severance charges of $7 million and $218 million partially offset by curtailment gains of $2 million, and impairment charges of PP&E of $32 million, all related to previously-announced restructuring actions, respectively.

(6) An impairment charge related to non-core operations of $17 million recorded in the nine-month period ended September 30, 2018 with respect to the expected sale of legal entities, as part of the Transportation transformation plan ($43 million in the three- and nine-month periods ended September 30, 2017).

(7) Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded an additional contract provision of $4 million in the three-month period ended September 30, 2018 (in the second quarter of 2017, the Corporation recorded an inventory write-down of $22 million, impairment charges of PP&E of $6 million, and a contract provision of $17 million). *Primove* offers e-mobility solutions for several types of electronic rail and road vehicles.

(8) Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $1 million for the nine-month period ended September 30, 2018 ($11 million for the nine-month period ended September 30, 2017). The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.

(9) A provision was taken during the nine-month period ended September 30, 2017 to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.

(10) Represents a change in the estimates used to determine the provision related to tax litigation.

8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 [(1)]	**2018**	2017 [(1)]
Financing expense				
Accretion on net retirement benefit obligations	**$ 16**	$ 21	**$ 50**	$ 59
Accretion on other financial liabilities	**9**	16	**47**	44
Accretion on provisions	**6**	4	**19**	14
Accretion on advances[(2)]	**2**	6	**14**	15
Amortization of letter of credit facility costs	**4**	4	**12**	12
Net loss on certain financial instruments[(3)]	**7**	8	**—**	36
Tax litigation[(4)]	**—**	11	**—**	11
Changes in discount rates of provisions	**—**	—	**—**	2
Other	**19**	26	**61**	58
	63	96	**203**	251
Interest on long-term debt, after effect of hedges	**84**	85	**262**	271
	$ 147	$ 181	**$ 465**	$ 522
Financing income				
Changes in discount rates of provisions	**$ (2)**	$ (1)	**$ (20)**	$ —
Net gain on certain financial instruments[(3)]	**—**	—	**(11)**	—
Tax Litigation[(4)]	**(4)**	—	**(4)**	—
Other	**(10)**	(3)	**(24)**	(8)
	(16)	(4)	**(59)**	(8)
Interest on cash and cash equivalents	**(6)**	(3)	**(17)**	(9)
Income from investment in securities	**(2)**	(6)	**(8)**	(13)
Interest on loans and lease receivables, after effect of hedges	**(1)**	(1)	**(3)**	(5)
	(9)	(10)	**(28)**	(27)
	$ (25)	$ (14)	**$ (87)**	$ (35)

(1) Restated, refer to Note 2 for the impact of changes in accounting policies.
(2) Represents adjustments to transaction prices for certain orders with a significant financing component due to a significant delay between timing of cash receipt and revenue recognition.
(3) Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
(4) See Note 7 – Special items for more details on tax litigation.

Borrowing costs capitalized to PP&E and intangible assets totalled $66 million and $188 million for the three- and nine-month periods ended September 30, 2018, using an average capitalization rate of 6.63% and 6.62%, respectively ($49 million and $131 million and 6.27% and 6.15% for the three- and nine-month periods ended September 30, 2017, respectively). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

9. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 [1]	**2018**	2017 [1]
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)				
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ 111**	$ (83)	**$ 217**	$ (304)
Preferred share dividends, including taxes	**(7)**	(7)	**(21)**	(19)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$ 104**	$ (90)	**$ 196**	$ (323)
Dilutive impact of CDPQ conversion option	**(13)**	—	**(6)**	—
Diluted net income (loss) attributable to common equity holders of Bombardier Inc.	**$ 91**	$ (90)	**$ 190**	$ (323)
Weighted-average number of common shares outstanding	**2,364,820**	2,195,330	**2,299,261**	2,195,501
Net effect of stock options, PSUs, DSUs, warrants and conversion option	**260,123**	—	**204,071**	—
Weighted-average diluted number of common shares	**2,624,943**	2,195,330	**2,503,332**	2,195,501
EPS (in dollars)				
Basic	**$ 0.04**	$ (0.04)	**$ 0.09**	$ (0.15)
Diluted	**$ 0.04**	$ (0.04)	**$ 0.08**	$ (0.15)

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 15,465,047 and 24,859,524 for the three- and nine-month periods ended September 30, 2018, respectively (379,359,763 and 365,276,210 for the three- and nine-month periods ended September 30, 2017, respectively) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation's Class B Shares (subordinate voting) or predetermined financial performance targets had not been met or the effect of the exercise would be antidilutive.

10. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	FVTP&L	**Designated**	**FVOCI**	**Amortized cost**	**DDHR**	**Total carrying value**	**Fair value**
September 30, 2018							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 2,318**	**$ —**	**$ 2,318**	**$ 2,318**
Trade and other receivables	**—**	**—**	**—**	**1,582**	**—**	**1,582**	**1,582**
Other financial assets	**784**	**—**	**320**	**280**	**62**	**1,446**	**1,464**
	$ 784	**$ —**	**$ 320**	**$ 4,180**	**$ 62**	**$ 5,346**	**$ 5,364**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 4,439**	**$ —**	**$ 4,439**	**$ 4,439**
Long-term debt[(1)]	**—**	**—**	**n/a**	**9,136**	**—**	**9,136**	**9,481**
Other financial liabilities	**675**	**483**	**n/a**	**615**	**160**	**1,933**	**1,966**
	$ 675	**$ 483**	**n/a**	**$ 14,190**	**$ 160**	**$ 15,508**	**$ 15,886**

	FVTP&L						
	HFT	**Designated**	**AFS**	**Amortized cost**	**DDHR**	**Total carrying value**	**Fair value**
December 31, 2017							
Financial assets							
Cash and cash equivalents	$ 2,988	$ —	$ —	$ —	$ —	$ 2,988	$ 2,988
Trade and other receivables	—	—	—	1,174	—	1,174	1,174
Other financial assets	79	216	361	331	253	1,240	1,278
	$ 3,067	$ 216	$ 361	$ 1,505	$ 253	$ 5,402	$ 5,440
Financial liabilities							
Trade and other payables	$ —	$ 6	n/a	$ 3,958	$ —	$ 3,964	$ 3,964
Long-term debt[(1)]	—	—	n/a	9,218	—	9,218	9,354
Other financial liabilities	354	74	n/a	677	184	1,289	1,329
	$ 354	$ 80	n/a	$ 13,853	$ 184	$ 14,471	$ 14,647
January 1, 2017							
Financial assets							
Cash and cash equivalents	$ 3,384	$ —	$ —	$ —	$ —	$ 3,384	$ 3,384
Trade and other receivables	—	—	—	1,220	—	1,220	1,220
Other financial assets	144	227	374	310	196	1,251	1,272
	$ 3,528	$ 227	$ 374	$ 1,530	$ 196	$ 5,855	$ 5,876
Financial liabilities							
Trade and other payables	$ —	$ 6	n/a	$ 3,039	$ —	$ 3,045	$ 3,045
Long-term debt[(1)]	—	—	n/a	8,769	—	8,769	8,624
Other financial liabilities	259	141	n/a	808	368	1,576	1,616
	$ 259	$ 147	n/a	$ 12,616	$ 368	$ 13,390	$ 13,285

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

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

	September 30, 2018	December 31, 2017	January 1, 2017
Cash and cash equivalents[1]	**$ 2,318**	$ 3,057	$ 3,384
Reclassified as assets held for sale	**—**	69	—
Cash and cash equivalents	**$ 2,318**	$ 2,988	$ 3,384

[1] For purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

12. CONTRACT BALANCES

Contract assets were as follows, as at:

	September 30, 2018	December 31, 2017[1]	January 1, 2017[1]
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**$ 9,060**	$ 8,306	$ 6,796
Less: advances and progress billings	**(6,788)**	(6,171)	(5,362)
	2,272	2,135	1,434
Service contracts			
Cost incurred and recorded margins	**533**	367	270
Less: advances and progress billings	**(62)**	(42)	(73)
	471	325	197
	$ 2,743	$ 2,460	$ 1,631

Contract liabilities were as follows, as at:

	September 30, 2018	December 31, 2017[1]	January 1, 2017[1]
Advances on aerospace programs	**$ 2,852**	$ 2,120	$ 3,110
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**2,137**	1,981	1,497
Other deferred revenues	**837**	991	906
	$ 5,826	$ 5,092	$ 5,513
Of which current	**$ 3,897**	$ 3,820	$ 3,840
Of which non-current	**1,929**	1,272	1,673
	$ 5,826	$ 5,092	$ 5,513

[1] Restated, refer to Note 2 - Changes in accounting policies for more details.

In connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. Amounts received under these arrangements are included as advances and progress billings in reduction of long-term contracts (production contracts) in contract assets and amounted to €617 million ($723 million) as at September 30, 2018 (€434 million ($520 million) as at December 31, 2017 and €471 million ($496 million) as at January 1, 2017). The third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations under the related long-term contract.

13. INVENTORIES

Inventories were as follows, as at:

	September 30, 2018	December 31, 2017 [1]	January 1, 2017 [1]
Aerospace programs	**$ 3,411**	$ 2,472	$ 3,187
Finished products[2]	**808**	749	904
Other	**191**	208	195
	$ 4,410	$ 3,429	$ 4,286

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] Finished products include 2 new aircraft not associated with a firm order and 4 pre-owned aircraft, totalling $70 million as at September 30, 2018 (3 new aircraft and 5 pre-owned aircraft, totalling $93 million as at December 31, 2017 and 1 new aircraft and 12 pre-owned aircraft, totalling $67 million as at January 1, 2017).

The amount of inventories recognized as cost of sales totalled $1,061 million and $3,863 million for the three- and nine-month periods ended September 30, 2018, respectively ($1,265 million and $4,205 million for the three- and nine-month periods ended September 30, 2017, respectively). These amounts include $43 million and $203 million of write-downs and $1 million and $10 million of reversal of write-downs for the three- and nine-month periods ended September 30, 2018, respectively ($46 million and $245 million of write-downs and nil and $14 million of reversal of write-downs for the three- and nine-month periods ended September 30, 2017, respectively).

14. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	September 30, 2018	December 31, 2017	January 1, 2017
Receivables from related party[1]	**$ 425**	**$ —**	**$ —**
Investments in securities[2][3]	**320**	361	380
Long-term contract receivables	**241**	253	231
Investments in financing structures[3]	**178**	219	211
Derivative financial instruments	**163**	332	340
CSALP non-voting units[4]	**57**	—	—
Aircraft loans and lease receivables[3]	**25**	49	64
Restricted cash	**23**	12	10
Other	**14**	14	15
	$ 1,446	$ 1,240	$ 1,251
Of which current	**$ 157**	$ 415	$ 336
Of which non-current	**1,289**	825	915
	$ 1,446	$ 1,240	$ 1,251

[1] This receivable from CSALP represents a back-to-back agreement that the Corporation has with CSALP related to certain government refundable advances. See note 17 - Other financial liabilities for more information.
[2] Includes $16 million of securities to secure contingent capital contributions to be made in relation to guarantees issued in connection with the sale of aircraft as at September 30, 2018 ($51 million as at December 31, 2017, and $78 million as at January 1, 2017).
[3] Carried at fair value, except for $2 million of aircraft loans and lease receivables at amortized cost as at September 30, 2018. Carried at fair value, except for $2 million of aircraft loans and lease receivables, nil of investments in securities and $50 million of investment in financing structures carried at amortized cost as at December 31, 2017 ($2 million, $6 million and $46 million, respectively, as at January 1, 2017).
[4] See note 19 - Disposal of a business for more details.

15. OTHER ASSETS

Other assets were as follows, as at:

	September 30, 2018		December 31, 2017 [1]		January 1, 2017 [1]	
Retirement benefits	**$**	**334**	$	290	$	124
Sales tax and other taxes		**215**		262		238
Intangible assets other than aerospace program tooling and goodwill		**173**		120		112
Prepaid sales concessions		**143**		174		274
Prepaid expenses		**125**		107		145
Income taxes receivable		**67**		60		41
Deferred financing charges		**43**		40		51
Other		**18**		17		30
	$	**1,118**	$	1,070	$	1,015
Of which current	**$**	**375**	$	427	$	427
Of which non-current		**743**		643		588
	$	**1,118**	$	1,070	$	1,015

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.

16. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at December 31, 2017[2][3]	**$ 672**	**$ 554**	**$ 277**	**$ 1,420**	**$ 196**	**$ 3,119**
Additions	**69**	**—**	**26** [4]	**101**	**12**	**208**
Utilization	**(104)**	**(69)**	**(43)**	**(353)**	**(4)**	**(573)**
Reversals	**(20)**	**(5)**	**(18)** [4]	**(73)**	**(1)**	**(117)**
Accretion expense	**1**	**6**	**—**	**6**	**—**	**13**
Effect of changes in discount rates	**—**	**(7)**	**—**	**(11)**	**—**	**(18)**
Effect of foreign currency exchange rate changes	**(18)**	**—**	**(10)**	**(9)**	**(2)**	**(39)**
Balance as at June 30, 2018[3]	**$ 600**	**$ 479**	**$ 232**	**$ 1,081**	**$ 201**	**$ 2,593**
Additions	**99** [5]	**—**	**5** [4]	**554** [5]	**—**	**658**
Utilization	**(54)**	**(19)**	**(18)**	**(85)**	**(19)**	**(195)**
Reversals	**(33)**	**(36)** [6]	**(3)** [4]	**(18)**	**(2)**	**(92)**
Accretion expense	**—**	**3**	**—**	**3**	**—**	**6**
Effect of changes in discount rates	**(1)**	**(1)**	**—**	**—**	**—**	**(2)**
Disposal of CSALP business[7]	**(15)**	**—**	**—**	**(378)**	**—**	**(393)**
Effect of foreign currency exchange rate changes	**6**	**1**	**3**	**1**	**—**	**11**
Balance as at September 30, 2018	**$ 602**	**$ 427**	**$ 219**	**$ 1,158**	**$ 180**	**$ 2,586**
Of which current	**$ 488**	**$ 65**	**$ 77**	**$ 531**	**$ 156**	**$ 1,317**
Of which non-current	**114**	**362**	**142**	**627**	**24**	**1,269**
	$ 602	**$ 427**	**$ 219**	**$ 1,158**	**$ 180**	**$ 2,586**

[1] Mainly comprised of claims and litigations.
[2] Restated, refer to Note 2 for the impact of changes in accounting policies.
[3] Opening balances are before the assets held for sale reclassification. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.
[4] See Note 7 – Special items for more details on additions and reversals related to restructuring charges.
[5] Includes the additional obligations the Corporation's had recorded related to the disposal of CSALP. See Note 19 – Disposal of a business for more details. In addition, includes a provision for onerous contracts related to Primove, see Note 7 – Special items for more details.
[6] See Note 7 – Special items for more details on reversals related to credit and residual value guarantees.
[7] See Note 19 – Disposal of a business for more details on CSALP disposal.

		Product warranties		Credit and residual value guarantees		Restructuring, severance and other termination benefits		Onerous contracts		Other[1]	Total
Balance as at January 1, 2017[2]	$	670	$	562	$	111	$	1,594	$	166	$ 3,103
Additions		103		2		212 [3]		176 [4]		46	539
Utilization		(77)		(17)		(67)		(309)		(29)	(499)
Reversals		(36)		(3)		(2)		(26) [5]		(3)	(70)
Accretion expense		1		4		—		4		1	10
Effect of changes in discount rates		—		(2)		—		5		—	3
Effect of foreign currency exchange rate changes		30		—		17		42		3	92
Balance as at June 30, 2017[2]	$	691	$	546	$	271	$	1,486	$	184	$ 3,178
Additions		63		8		13 [3]		9		36 [6]	129
Utilization		(49)		—		(11)		(58)		(30)	(148)
Reversals		(47)		(3)		(9) [3]		(11)		(1)	(71)
Accretion expense		—		2		—		1		1	4
Effect of changes in discount rates		(1)		(3)		—		3		—	(1)
Effect of foreign currency exchange rate changes		14		—		4		8		3	29
Balance as at September 30, 2017[2]	$	671	$	550	$	268	$	1,438	$	193	$ 3,120
Of which current	$	571	$	90	$	187	$	716	$	160	$ 1,724
Of which non-current		100		460		81		722		33	1,396
	$	671	$	550	$	268	$	1,438	$	193	$ 3,120

[1] Mainly comprised of claims and litigations.
[2] Restated, refer to Note 2 for the impact of changes in accounting policies.
[3] See Note 7 – Special items for more details on additions and reversals related to restructuring charges.
[4] See Note 7 – Special items for more details on the addition related to the re-negotiation of a commercial agreement and on the addition related to the *Primove* impairment and other costs.
[5] See Note 7 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions.
[6] See Note 7 – Special items for more details on the addition related to the tax litigation provision.

17. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

		September 30, 2018		December 31, 2017		January 1, 2017
Derivative financial instruments	**$**	**835**	$	538	$	627
Government refundable advances		**795** [1]		550		395
Lease subsidies		**58**		74		141
Current portion of long-term debt		**11**		18		31
Vendor non-recurring costs		**17**		13		351
Sale and leaseback obligations		**—**		—		25
Other		**228**		114		37
	$	**1,944**	$	1,307	$	1,607
Of which current	**$**	**474**	$	342	$	608
Of which non-current		**1,470**		965		999
	$	**1,944**	$	1,307	$	1,607

[1] Of which $425 million has a back-to-back agreement with CSALP. Refer to Note 14 - Other financial assets for the receivables from related party. The Corporation is required to pay amounts to governments based on the number of delivery of aircraft.

18. OTHER LIABILITIES

Other liabilities were as follows, as at:

	September 30, 2018	December 31, 2017 [1]	January 1, 2017 [1]
Employee benefits	**$ 621**	$ 690	$ 652
Accruals for long-term contract costs	**490**	640	579
Supplier contributions to aerospace programs	**386**	388	650
Income taxes payable	**157**	187	217
Other taxes payable	**90**	234	163
Other	**202**	179	264
	$ 1,946	$ 2,318	$ 2,525
Of which current	**$ 1,365**	$ 1,723	$ 1,634
Of which non-current	**581**	595	891
	$ 1,946	$ 2,318	$ 2,525

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.

19. DISPOSAL OF A BUSINESS

On July 1, 2018, Airbus SAS (Airbus), a wholly-owned subsidiary of Airbus SE acquired the control of CSALP, the entity that manufactures and sells the *C Series* aircraft. Under the terms of the transaction Airbus provides procurement, sales and marketing, and customer support expertise to CSALP. Effective July 1, 2018, Airbus owns a 50.01% interest in CSALP. The Corporation and Investissement Québec (IQ) own 33.55% and 16.44% respectively. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220.

Since the Corporation no longer controls CSALP, the transaction has been accounted as a disposal of CSALP on July 1, 2018 in exchange for an equity interest in CSALP that is accounted for using the equity method of accounting and recorded in the Commercial Aircraft segment. The transaction resulted in a pre-tax accounting charge of $609 million ($545 million after tax) in Special items, see Note 7 - Special items, of which $599 million was recorded in the three-month period ended June 30, 2018 as a reduction of the CSALP assets held for sale balance and $10 million in the three-month period ended September 30, 2018.

The details of the impact of the transactions were as follows, as at:

				July 1, 2018
Fair value of CSALP [1]			$	5,250
Ownership interest				33.55%
Bombardier investment in associate at fair value			$	1,761
Derecognition of assets, liabilities and non-controlling interest [2]				
Cash and cash equivalents	$	151		
Other current assets [3]		1,018		
Non-current assets [4]		3,072		
Total assets	$	4,241		
Current liabilities [5]	$	(1,092)		
Non-current liabilities [6]		(1,709)		
Total liabilities	$	(2,801)		
Non-controlling interest	$	(391)	$	(1,049)
Other elements provided by Bombardier				
Fair value of warrants [7]				(270)
Funding commitments [7]				(310)
Other Bombardier obligations [7]				(741)
Pre-tax accounting charge			$	(609)
Tax recoveries				64
Accounting charge			$	(545)

[1] The fair value of CSALP as of July 1, 2018 was determined following an independent external professional advice and consultations with the controlling partner.
[2] Carrying values are before the special charges that were recorded as a reduction of assets held for sale for the three-month period ended June 30, 2018.
[3] Mainly comprised of inventories.
[4] Mainly comprised of aerospace program tooling.
[5] Mainly comprised of other financial liabilities, trade and other payables and contract liabilities.
[6] Mainly comprised of provisions, contract liabilities and other financial liabilities.
[7] Furthermore, on July 1, 2018 the Corporation recorded (i) the $270 million fair value of warrants issued by Bombardier to Airbus in shareholders' equity, (ii) a $310 million derivative liability associated with the expected off-market return on non-voting units to be issued to Bombardier by CSALP under Bombardier's funding commitments which was included in other financial liabilities, and (iii) other Bombardier obligations towards CSALP, which mainly comprise supply chain obligations for Aerostructures and Engineering Services.

Ownership Structure and Agreement Highlights

Effective July 1, 2018, Airbus is also responsible to provide (i) sales and marketing support services for the *C Series* aircraft program, (ii) management of procurement, which includes leading negotiations to improve CSALP level supplier agreements, and (iii) customer support for the *C Series* aircraft program. CSALP's headquarters and primary assembly line and related functions remain in Mirabel, Québec, with the support of Airbus' global reach and scale. Airbus' global industrial footprint expands with the final assembly line in Canada and additional *C Series* aircraft production at Airbus' manufacturing site in Alabama, U.S. No cash contribution was made at closing by any of the partners, nor did CSALP assume any financial debt. Due to the early closing of the transaction, the terms of the Corporation's funding plan were updated according to the following schedule: Bombardier will fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of $225 million; during 2019, up to a maximum of $350 million; and up to a maximum aggregate amount of $350 million over the following two years, the whole in consideration for non-voting units of CSALP with cumulative annual dividends of 2%. Any excess shortfall during such periods will be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion. As of September 30, 2018, the Corporation invested $85 million in CSALP in exchange for non-voting units of CSALP. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220.

Airbus benefits from a call right in respect of all of Bombardier's interest in CSALP at fair market value, including its non-voting units (which shall for such purposes each have the same fair market value as each participating unit held by Bombardier), exercisable no earlier than 7.5 years following the closing of the transaction, except in certain circumstances such as an adverse change in the control of Bombardier, where the right is then accelerated. Bombardier benefits from a corresponding put right whereby it could require that Airbus acquires its interest at fair market value after the expiry of such 7.5-year period. Airbus also benefits from a call right exercisable any time before the expiry of such 7.5-year period in respect of the non-voting units of CSALP held by Bombardier, for an amount equal to the invested amount plus the cumulative annual preferred return of 2%. IQ's interest is redeemable at fair market value by CSALP, under certain conditions, starting on June 30, 2023. IQ also benefits from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

The Board of Directors of CSALP consists of seven directors, four of whom were nominated by Airbus, two of whom were nominated by Bombardier, and one of whom was nominated by IQ. Airbus is entitled to designate the Chairman of CSALP.

Furthermore, upon closing, Bombardier issued warrants to Airbus, exercisable on a one for one basis for a total number of 100,000,000 Class B shares (subordinate voting) at an exercise price per share equal to $1.74, being the U.S. dollar equivalent of CDN $2.29 for a period of five years. The warrants contain market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations.

Assets held for sale

This transaction was presented as assets held for sale as at December 31, 2017. The major classes of assets held for sale or liabilities directly associated with assets held for sale, which were reported in the Commercial aircraft reportable segment, was as follows, as at:

		December 31, 2017 [1]
Cash and cash equivalents	$	69
Other current assets [2]		1,043
Non-current assets [3]		3,038
Total assets	$	4,150
Current liabilities [4]	$	971
Non-current liabilities [5]		1,715
Total liabilities	$	2,686

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] Mainly comprised of inventories.
[3] Mainly comprised of aerospace program tooling.
[4] Mainly comprised of other financial liabilities, trade and other payables and contract liabilities.
[5] Mainly comprised of provisions, contract liabilities and other financial liabilities.

20. SHARE CAPITAL

Following an agreement with a syndicate of underwriters that occurred on March 23, 2018, the Corporation issued 168,000,000 Class B Shares (subordinate voting) at a purchase price of CDN $3.80, for an aggregate gross proceeds of CDN $638 million (approximately $500 million).

The net proceeds of $475 million are to supplement our working capital and for general corporate purposes.

21. SHARE-BASED PLANS

PSU, DSU and RSU plans

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

						Three-month periods ended September 30
			2018			2017
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**87,811,681**	**1,154,381**	**20,499,201**	40,063,630	2,677,843	21,356,181
Granted	**988,421**	**—**	**—**	36,272,136	439	—
Exercised	**—**	**(52,532)**	**(20,460,527)**	—	—	—
Forfeited	**(1,984,613)**	**—**	**(38,674)**	(8,545,499)	(1,372,230)	(227,215)
Balance at end of period	**86,815,489**	**1,101,849** [(1)]	**—**	67,790,267	1,306,052 [(1)]	21,128,966

						Nine-month periods ended September 30
			2018			2017
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**67,131,352**	**1,154,381**	**20,798,101**	39,324,712	2,677,843	22,058,924
Granted	**23,152,030**	**—**	**—**	38,454,421	439	—
Exercised	**—**	**(52,532)**	**(20,460,527)**	—	—	—
Forfeited	**(3,467,893)**	**—**	**(337,574)**	(9,988,866)	(1,372,230)	(929,958)
Balance at end of period	**86,815,489**	**1,101,849** [(1)]	**—**	67,790,267	1,306,052 [(1)]	21,128,966

[(1)] Of which 1,101,849 DSUs are vested as at September 30, 2018 (1,306,052 as at September 30, 2017).

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to $14 million and $50 million during the three- and nine-month periods ended September 30, 2018, respectively ($9 million and $20 million during the three- and nine-month periods ended September 30, 2017, respectively).

Share option plans

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	**2018**	2017
Balance at beginning of period	**129,531,924**	93,815,621	**116,307,725**	97,039,186
Granted	**836,416**	25,793,617	**16,257,940**	27,721,382
Exercised	**(17,762,188)**	—	**(18,703,321)**	—
Forfeited	**(1,062,621)**	(1,316,739)	**(1,062,621)**	(3,789,339)
Expired	**(1,211,874)**	(176,654)	**(2,468,066)**	(2,855,384)
Balance at end of period	**110,331,657**	118,115,845	**110,331,657**	118,115,845

A compensation expense of $6 million and $17 million was recorded during the three- and nine-month periods ended September 30, 2018, respectively, with respect to share option plans ($5 million and $12 million for the three- and nine-month periods ended September 30, 2017, respectively).

22. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018 [1]	2017 [2]	**2018** [1]	2017 [2]
Trade and other receivables	**$ (213)**	$ 65	**$ (416)**	$ 32
Inventories	**(424)**	(108)	**(843)**	(263)
Contract assets	**(232)**	(342)	**(404)**	(932)
Contract liabilities	**307**	142	**806**	(40)
Other financial assets and liabilities, net	**59**	176	**104**	210
Other assets	**(42)**	35	**(40)**	60
Trade and other payables	**397**	29	**502**	640
Provisions	**(27)**	(110)	**(528)**	(156)
Retirement benefit liability	**88**	83	**127**	77
Other liabilities	**(255)**	(170)	**(480)**	(207)
	$ (342)	$ (200)	**$ (1,172)**	$ (579)

[1] For the purpose of the statement of cash flows, net change in non-cash balances comprise all assets and liabilities of CSALP reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.
[2] Restated, refer to Note 2 for the impact of changes in accounting policies.

23. CREDIT FACILITIES

In March 2018, the availability periods of Transportation's €3,560-million ($4,168-million) letter of credit facility and the $400-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2021 and June 2021, respectively. In addition, the maturity dates of Transportation's €640-million ($749-million) unsecured revolving credit facility and the $400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, were also extended by one year to May 2021 and June 2021, respectively.

Effective in March 2018, the minimum liquidity required by the $400-million letter of credit facility and the $400-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now varying between $600 million and $850 million at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds at the end of each quarter, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the minimum liquidity required by the Transportation letter of credit and revolving credit facilities is now increased from €600 million ($702 million) to €750 million ($878 million) at the end of each quarter. The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data.

In May 2018, the committed amount under Transportation's €640-million ($749-million) unsecured revolving credit facility was increased to €722 million ($845 million). In June 2018, the $400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, was adjusted to $397 million.

In June 2018, the committed amount under Transportation's €3,560-million ($4,168-million) letter of credit facility was increased to €3,725-million ($4,361-million) and the $400-million letter of credit facility, which is available for the Corporation excluding Transportation, was reduced to $361 million.

24. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The corporation's aggregate pro rata shares of assets and liabilities of its joint ventures and associates was as follows, as at September 30, 2018:

	CSALP [(1)]	Other	Total
Cash and cash equivalents	$ 17	$ 354	$ 371
Other current assets	$ 278	$ 769	$ 1,047
Non-current assets	$ 3,267	$ 215	$ 3,482
Current liabilities	$ (369)	$ (797)	$ (1,166)
Non-current liabilities	$ (1,411)	$ (52)	$ (1,463)

(1) As of September 30, 2018, the Corporation invested $85 million in CSALP in exchange for non-voting units of CSALP. CSALP has recorded that contribution as equity while for the Corporation, the fair value of the $85 million investment in non-voting units was estimated to be $57 million and was recorded as other financial asset. The loss of $28 million was recorded against the funding commitments derivative liability. See Note 25 - Fair value of financial instruments for more details.

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

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

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

The Corporation's investment in CSALP non-voting units is accounted for at fair value and re-measured each period through financing income. The fair value reflects the Corporation's return on the units being capped at 2% and Airbus' call right thereon. To estimate the fair value of the non-voting units the Corporation uses an internal valuation model based on stochastic simulations considering the fair value of CSALP, expected volatility of CSALP's fair value and the relative values of different classes of CSALP units. The fair value of the $85 million investment in non-voting units during the third quarter of 2018 was estimated to be $57 million. The initial loss of $28 million was recorded against the above-mentioned derivative liability that was recorded on July 1, 2018 in respect of the Corporation's funding commitments toward CSALP.

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

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

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

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

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

Fair value hierarchy

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at September 30, 2018:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	$ 23	$ —	$ —	$ 23
Derivative financial instruments[(1)]	163	—	163	—
Investments in securities	320	52	268	—
Receivable from related party	425	—	—	425
CSLAP non-voting units	57	—	—	57
Investments in financing structures	178	—	—	178
	$ 1,166	$ 52	$ 431	$ 683
Financial liabilities				
Lease subsidies	$ (58)	$ —	$ —	$ (58)
Government refundable advance	(425)	—	—	(425)
Derivative financial instruments[(1)]	(835)	—	(232)	(603)
	$ (1,318)	$ —	$ (232)	$ (1,086)

[(1)] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.

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

	Aircraft loans and lease receivables	CSALP non-voting units	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option	Funding commit-ments
Balance as at December 31, 2017	**$ 47**	**$ —**	**$ 219** [1]	**$ (6)**	**$ (122)**	**$ (304)**	**$ —**
Net gains (losses) and interest included in net income[2]	**(3)**	**—**	**6**	**—**	**(2)**	**(24)**	**—**
Issuances	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Settlements	**(21)**	**—**	**(8)**	**6**	**22**	**—**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**—**	**10**	**—**
Balance as at June 30, 2018	**$ 23**	**$ —**	**$ 217**	**$ —**	**$ (102)**	**$ (318)**	**$ —**
Net gains (losses) and interest included in net income[2]	**—**	**—**	**7**	**—**	**—**	**—**	**—**
Issuances	**—**	**57**	**—**	**—**	**—**	**—**	**(310)** [3]
Settlements	**—**	**—**	**(46)**	**—**	**(4)**	**—**	**28** [4]
Disposal of CSALP business[5]	**—**	**—**	**—**	**—**	**48**	**—**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**—**	**(3)**	**—**
Balance as at September 30, 2018	**$ 23**	**$ 57**	**$ 178**	**$ —**	**$ (58)**	**$ (321)**	**$ (282)**

[1] Restated, refer to Note 2 for the impact of changes in accounting policies. Following the adoption of IFRS 9, an investment in financing structures was reclassified as FVTP&L.

[2] Of which an amount of nil represents realized gains for the three- and nine-month periods ended September 30, 2018 which is recorded in financing income.

[3] See Note 19 – Disposal of a business for more information on the Corporation's funding commitments to CSALP.

[4] As of September 30, 2018, the Corporation invested $85 million in CSALP. This investment was recorded in other financial assets at its estimated fair value of $57 million which is lower than the amount paid since the upside on this investment is capped at 2%. The $28 million difference represents the day one loss on this investment which was offset against the funding commitments for off-market funding commitments provided by Bombardier as part of the transaction. See Note 19 – Disposal of a business for more information.

[5] See Note 19 – Disposal of a business for more details on CSALP disposal.

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option
Balance as at January 1, 2017	$ 62	$ 165	$ (6)	$ (141)	$ (170)
Net gains (losses) and interest included in net income[(1)]	2	1	—	(3)	(48)
Issuances	—	—	(3)	—	—
Settlements	(17)	(2)	—	14	—
Effect of foreign currency exchange rate changes	—	—	—	—	(13)
Balance as at June 30, 2017	$ 47	$ 164	$ (9)	$ (130)	$ (231)
Net gains and interest included in net income[(1)]	2	4	—	—	14
Settlements	(1)	(1)	3	5	—
Effect of foreign currency exchange rate changes	—	—	—	—	(8)
Balance as at September 30, 2017	$ 48	$ 167	$ (6)	$ (125)	$ (225)

(1) Of which an amount of nil and $1 million represents realized gains for the three- and nine-month periods ended September 30, 2017, respectively, which is recorded in financing income.

Main assumptions developed internally for Level 3 hierarchy

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

These main assumptions are as follows as at September 30, 2018:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between B- to CCC+ (B-)	Between BB- to CCC+ (B+)	Between BB- to B- (BB-)
Discount rate adjustments for marketability	10.03%	Between 1.81% and 8.44% (5.66%)	n/a

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

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

Sensitivity to selected changes of assumptions for Level 3 hierarchy
These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows as at September 30, 2018:

Impact on EBT			**Change of assumptions**		
	Change in fair value recognized in EBT for the :				
Gain (loss)	**Three-month period ended September 30, 2018**	**Nine-month period ended September 30, 2018**	**Decrease in aircraft residual value curves by 5%**	**Downgrade the internally assigned credit rating of unrated customers by 1 notch**	**Increase the marketability adjustments by 100 bps**
Aircraft loans and lease receivables	$ —	$ (5)	$ (1)	$ (1)	$ (1)
Investment in financing structures	$ 2	$ (1)	$ (5)	$ (11)	$ (8)
Lease subsidies	$ —	$ (1)	n/a	$ 1	n/a

n/a: Not applicable

Conversion option
Sensitivity analysis
A 5% decrease in the expected future performance of the Transportation segment would have resulted in a decrease in the fair value with a corresponding gain recognized in financing expense and financing income for the nine-month period ended September 30, 2018 of $9 million.

A 5% increase in the expected future performance of the Transportation segment would have resulted in an increase in the fair value with a corresponding loss recognized in financing expense and financing income for the nine-month period ended September 30, 2018 of $15 million.

Funding commitments
Sensitivity analysis
A 5% change in value of CSALP would have resulted in a change in the fair value with a corresponding impact recognized in financing expense and financing income for the nine-month period ended September 30, 2018 of $25 million.

A 5% change in volatility of CSALP value would have resulted in a change in the fair value with a corresponding impact recognized in financing expense and financing income for the nine-month period ended September 30, 2018 of $40 million.

26. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2018	December 31, 2017	January 1, 2017
Aircraft sales			
Residual value	**$ 721**	$ 1,060	$ 1,300
Credit	**1,049**	1,221	1,233
Mutually exclusive exposure[(1)]	**(474)**	(540)	(557)
Total credit and residual value exposure	**$ 1,296**	$ 1,741	$ 1,976
Trade-in commitments	**$ 1,188**	$ 1,437	$ 1,721
Conditional repurchase obligations	**$ 101**	$ 143	$ 207
Other			
Credit	**$ 48**	$ 52	$ 48

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

Provisions for anticipated losses amounting to $427 million as at September 30, 2018 ($554 million as at December 31, 2017 and $562 million as at January 1, 2017) have been established to cover the risks from credit and residual value guarantees. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $58 million as at September 30, 2018 ($122 million as at December 31, 2017 and $141 million as at January 1, 2017).

The Corporation has committed to fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of $225 million; during 2019, up to a maximum of $350 million; and up to a maximum aggregate amount of $350 million over the following two years, the whole in consideration for non-voting units of CSALP with cumulative annual dividends of 2%. As of September 30, 2018, the Corporation invested $85 million in CSALP in exchange for non-voting units of CSALP. See Note 19 - Disposal of a business for more details.

Litigation

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 all legal proceedings pending as at September 30 2018, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Transportation

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. The appeal is to be heard from January 16 to February 4, 2019. 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 and no results have been communicated so far regarding the same. 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. The Moscow office of Bombardier Transportation (Signal), a Russian joint venture, were visited by a unit of the Moscow Region Custom on April 2, 2018. Due to the nature of the above proceedings, it is not possible at this time to identify potential outcomes.

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.

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.

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.

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. The Judicial Commission started on August 20, 2018. The purpose of the Commission is to investigate allegations of State Capture, Corruption and Fraud in the South African Public Sector, in particular with regard to Transnet and Eskom (the public electricity utility). 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 8 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.

27. ADDITIONAL ANNUAL DISCLOSURES

As a result of the adjustments discussed in Note 2 – Changes in accounting policies, certain disclosures that are required in annual financial statements in accordance with IFRS 15, which were not included in the Corporation's most recent annual consolidated financial statements, have been included in these interim consolidated financial statements.

Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information.

A. SEGMENT DISCLOSURE

The Corporation's revenues by market segment were as follows, for fiscal year:

	2017
Business Aircraft	
Manufacturing and Other[(1)]	$ 3,883
Services[(2)]	1,050
	4,933
Commercial Aircraft[(3)]	2,317
Aerostructures and Engineering Services	
External revenues	398
Intersegment revenues	1,218
	1,616
Transportation	
Rolling stock and systems[(4)]	5,800
Services[(5)]	1,882
Signalling[(6)]	869
	8,551
Corporate and Elimination	(1,218)
	$ 16,199

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

B. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows, for fiscal year:

		2017
Financing expense		
Net loss on certain financial instruments[1]	$	102
Accretion on net retirement benefit obligations		78
Accretion on other financial liabilities		59
Loss on repurchase of long-term debt[2]		23
Accretion on provisions		22
Accretion on advances[3]		21
Amortization of letter of credit facility costs		17
Tax litigation[4]		11
Other		103
		436
Interest on long-term debt, after effect of hedges		365
	$	801 [5]
Financing income		
Changes in discount rates of provisions	$	(7)
Other		(18)
		(25)
Income from investment in securities		(13)
Interest on cash and cash equivalents		(11)
Interest on loans and lease receivables, after effect of hedges		(7)
		(31)
	$	(56) [6]

[1] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[2] Represents the loss related to the redemption of the $600-million Senior Notes due 2019 for fiscal year 2017, which was recorded as a special item.
[3] Represents adjustments to transaction prices for certain orders with a significant financing component due to a significant delay between timing of cash receipt and revenue recognition.
[4] Represents a change in the estimates used to determine the provision related to tax litigation.
[5] Of which $453 million represents the interest expense calculated using the effective interest rate method for financial liabilities classified as other than HFT for fiscal year 2017.
[6] Of which $7 million represents the interest income calculated using the effective interest rate method for financial assets classified as L&R for fiscal year 2017.

C. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows, for fiscal year:

		2017
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)		
Net loss attributable to equity holders of Bombardier Inc.	$	(494)
Preferred share dividends, including taxes		(27)
Net loss attributable to common equity holders of Bombardier Inc.	$	(521)
Weighted-average number of common shares outstanding		2,195,379
Net effect of stock options, PSUs, DSUs, RSUs, warrants and conversion option		—
Weighted-average diluted number of common shares		2,195,379
EPS (in dollars)		
Basic and diluted	$	(0.24)

D. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

	Total	Not past due	Past due but not impaired: less than 90 days	Past due but not impaired: more than 90 days	Impaired
December 31, 2017					
Trade receivables, gross	$ 1,149	$ 669	$ 195	$ 171	$ 114
Allowance for doubtful accounts	(70)	—	—	—	(70)
	$ 1,079	$ 669	$ 195	$ 171	$ 44
Other	95				
Total	$ 1,174				
January 1, 2017					
Trade receivables, gross	$ 1,138	$ 790	$ 118	$ 121	$ 109
Allowance for doubtful accounts	(44)	—	—	—	(44)
	$ 1,094	$ 790	$ 118	$ 121	$ 65
Other	126				
Total	$ 1,220				

E. CONTRACT BALANCES

Revenues recognized were as follows for fiscal year:

	2017
Revenues recognized from:	
Contract liability balance at the beginning of the period	
Long term production and service contracts	$ 1,672
Advances on aerospace programs	1,158
	$ 2,830

Impairment losses recognized were as follows for fiscal year:

	2017
Impairment losses recognized on:	
Receivables arising from:	
Production contracts	$ 28
Service contracts	1
	$ 29

F. PROVISIONS

Changes in provisions were as follows:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at January 1, 2017	$ 670	$ 562	$ 111	$ 1,594	$ 166	$ 3,103
Additions	227	81	265	303	89	965
Utilization	(167)	(86)	(104)	(477)	(59)	(893)
Reversals	(108)	(2)	(14)	(64)	(11)	(199)
Accretion expense	1	8	—	8	5	22
Effect of changes in discount rates	(1)	(9)	—	3	—	(7)
Reclassified as liabilities directly associated with assets held for sale[2]	(13)	—	—	(695)	—	(708)
Effect of foreign currency exchange rate changes	50	—	19	53	6	128
Balance as at December 31, 2017	$ 659	$ 554	$ 277	$ 725	$ 196	$ 2,411
Of which current	$ 557	$ 72	$ 126	$ 708	$ 167	$ 1,630
Of which non-current	102	482	151	17	29	781
	$ 659	$ 554	$ 277	$ 725	$ 196	$ 2,411

[1] Mainly comprised of claims and litigations.
[2] See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

G. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows, for fiscal year:

	2017 [1]
Trade and other receivables	$ 82
Inventories	(42)
Contract assets	(664)
Contract liabilities	85
Other financial assets and liabilities, net	325
Other assets	(73)
Trade and other payables	1,028
Provisions	(201)
Retirement benefit liability	166
Other liabilities	40
	$ 746

[1] For the purpose of the statement of cash flows, net change in non-cash balances comprise all assets and liabilities of CSALP reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

28. EVENTS AFTER THE REPORTING DATE

Flight and technical training

On November 7, 2018, the Corporation entered into a definitive agreement to sell its activities consisting of flight and technical training for Bombardier Business Aircraft carried out principally in training centers located in Montreal, Quebec, and Dallas, Texas to CAE, a long-time Bombardier training partner. This transaction provides Bombardier's Business Aircraft customers the benefit of CAE's training expertise, while Bombardier focuses on aircraft development and services. Concurrently with the sale, Bombardier and CAE have entered into an agreement to extend their Authorized Training Provider (ATP) relationship whereby CAE will prepay all royalties under the agreement. Combined the total value of both transactions is $800 million, including $645 million for the sale of the training activities. Net of fees, liabilities and normal closing adjustments, we expect net proceeds of approximately $650 million. Closing of the sale transaction is expected by the second half of 2019, subject to customary closing conditions and regulatory approvals.

Q Series Aircraft program

On November 7, 2018, the Corporation entered into a definitive agreement for the sale of the *Q Series* Aircraft program assets, including aftermarket operations and assets, to Longview Aircraft Company of Canada Limited, a wholly owned subsidiary of Longview Aviation Capital Corp., for gross proceeds of approximately $300 million. The agreement covers all assets and intellectual property and Type Certificates associated with the Dash 8 Series 100, 200 and 300 as well as the *Q400* program operations at the Downsview manufacturing facility in Ontario, Canada. The transaction is expected to close by the second half of 2019, subject to customary closing conditions and regulatory approvals. Net proceeds for this transaction are expected at approximately $250 million net of fees, liabilities and normal closing adjustments.

Restructuring

The Corporation is launching a major new restructuring program to increase productivity. With the heavy aerospace investment phase behind the Corporation, it is right-sizing its central aerospace engineering team, enabling the reduction of capital spending anticipated for 2019 and 2020. It is also redeploying key engineering team members to its Business Aircraft, Transportation and Aerostructures segments, ensuring it has all the necessary capabilities to continue leading innovation in the industries. It is concurrently launching a new company-wide initiative to improve productivity.

This program will result in a reduction of about 5,000 positions across the organization over the next 12 to 18 months, leading to annualized savings estimated at $250 million at full run rate, which we expect by 2021. The Corporation anticipates recording a restructuring charge of approximately $250 million in 2019 that will be reported as special items.

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