BOMBARDIER

FIRST QUARTERLY REPORT

Three-month period ended March 31, 2018

GLOSSARY

The following table shows the abbreviations used in this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS 2
FORWARD-LOOKING STATEMENTS 3
OVERVIEW 5
HIGHLIGHTS 5
CONSOLIDATED RESULTS OF OPERATIONS 7
CONSOLIDATED FINANCIAL POSITION 10
LIQUIDITY AND CAPITAL RESOURCES 11
CAPITAL STRUCTURE 14
NON-GAAP FINANCIAL MEASURES 15
BUSINESS AIRCRAFT 19
COMMERCIAL AIRCRAFT 24
AEROSTRUCTURES AND ENGINEERING SERVICES 30
TRANSPORTATION 32
OTHER 37
OFF-BALANCE SHEET ARRANGEMENTS 37
RISKS AND UNCERTAINTIES 37
ACCOUNTING AND REPORTING DEVELOPMENTS 37
CONTROLS AND PROCEDURES 40
FOREIGN EXCHANGE RATES 40
SELECTED FINANCIAL INFORMATION 40
SHAREHOLDER INFORMATION 41
INTERIM CONSOLIDATED FINANCIAL STATEMENTS 42
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS 49

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 fulfill 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 reporting 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-month period 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, targets, goals, priorities, market and strategies, financial position, 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; available liquidities and ongoing review of strategic and financial alternatives; the completion, anticipated timing of the transaction with Airbus SE (Airbus) described herein and the receipt of regulatory and other approvals required with respect to this transaction and the anticipated timing thereof; the governance, funding and liquidity of C Series Aircraft Limited Partnership (CSALP); the impact and expected benefits of the transaction with Airbus described herein, on our operations, infrastructure, capabilities, development, growth and other opportunities, geographic reach, scale, footprint, financial condition, access to capital and overall strategy; and the impact of such transaction on our balance sheet and liquidity position.

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 discussed herein include the following material assumptions: the satisfaction of all conditions of closing and the successful completion of the transaction within the anticipated timeframe, including receipt of regulatory and other approvals; the fulfillment and performance by each party of its obligations pursuant to the transaction agreement and future commercial agreements and absence of significant inefficiencies and 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 current 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. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in Overview, Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation in the MD&A of our financial report for the fiscal year ended December 31, 2017.

With respect to the transaction with Airbus 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, risks associated with the failure to receive or delay in receiving regulatory or other approvals or otherwise satisfy the conditions to the completion of the transaction or delay in completing the transaction and uncertainty regarding the length of time required to complete the transaction; changes in the terms of the transaction; the failure by either party to satisfy and perform its obligations pursuant to the transaction agreement and future commercial agreements and/or significant inefficiencies and other issues arising in connection therewith; the impact of the announcement of the transaction on our relationships with third parties, including commercial counterparties, employees and competitors, strategic relationships, operating results and businesses generally; the failure to realize, in the timeframe anticipated or at all, the anticipated benefits and synergies of the transaction; our ability to continue with our current funding plan of CSALP and to fund, if required, the cash shortfalls; inadequacy of cash planning and management and project funding. 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 (including potential changes to or the termination of the existing North American Free Trade Agreement between Canada, the U.S. and Mexico currently in discussion); 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 and transformation plan; 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.

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 proposed transaction with Airbus will occur or that the anticipated strategic benefits and operational, competitive and cost synergies 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 March 31	2018	2017 *restated*[1]	Variance
Revenues	**$ 4,028**	$ 3,605	12 %
EBIT	**$ 201**	$ 150	34 %
EBIT margin	**5.0%**	4.2%	80 bps
EBIT before special items[2]	**$ 201**	$ 173	16 %
EBIT margin before special items[2]	**5.0%**	4.8%	20 bps
EBITDA before special items[2]	**$ 265**	$ 251	6 %
EBITDA margin before special items[2]	**6.6%**	7.0%	(40) bps
Net income	**$ 44**	$ 6	633 %
Diluted EPS (in dollars)	**$ 0.01**	$ 0.00	$ 0.01
Adjusted net income[2]	**$ 35**	$ 38	(8)%
Adjusted EPS (in dollars)[2]	**$ 0.01**	$ 0.01	$ —
Net additions to PP&E and intangible assets	**$ 250**	$ 276	(9)%
Cash flows from operating activities	**$ (471)**	$ (317)	(49)%
Free cash flow usage[2]	**$ (721)**	$ (593)	(22)%
As at	**March 31, 2018**	December 31, 2017	Variance
Available short-term capital resources[3][4]	**$ 4,041**	$ 4,225	(4)%

Key highlights and events

- **Continuing on our path to sustainable revenue and earnings growth:**
  - Revenues increased by 12% year-over-year (6% excluding currency impact) to $4 billion, highlighting top-line growth acceleration led by Transportation and Business Aircraft.
  - Consolidated EBITDA and EBIT before special items[2] reached $265 million and $201 million respectively, improving EBIT margin to 5%.
  - Free cash flow usage[2] of $721 million, in line with the plan to invest in working capital in the first six months, and the full year breakeven target. Investments in working capital during the first quarter amounted to $594 million, mostly attributable to inventories and contract assets as we prepare for an acceleration of deliveries later this year. As planned, free cash flow usage[2] for the first six months of 2018 is expected to be similar to the corresponding period of 2017.[5]
  - Strong order activity across Transportation and Business Aircraft drove backlog expansion to $35.7 billion and $14.3 billion respectively. Subsequent to the quarter, order activity continued with Commercial Aircraft announcing the signing of purchase agreements with Ethiopian Airlines for up to 15 *Q400* aircraft and with American Airlines for up to 30 *CRJ900* aircraft, increasing the *CRJ Series* and *Q400* backlogs to over 50 aircraft each.

[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] Following the anticipated closing of our *C Series* partnership with Airbus, the assets and liabilities of the *C Series* aircraft program are presented under Assets held for sale. Refer to the strategic partnership section in Commercial Aircraft, Note 11 - Cash and cash equivalent and Note 19 - Assets held for sale in the Consolidated financial statements for more details on the transaction as well as the accounting treatment as at March 31, 2018.
[5] See the forward-looking statements disclaimer.

- **Steady progress executing 2018 priorities:**
  - The *Global 7000* aircraft continued to perform extremely well and to exhibit a high level of reliability towards its expected entry into service during the second half of 2018. On April 15, 2018, Bombardier revealed that the *Global 7000* business jet now boasts an outstanding range of 7,700 nautical miles, connecting more city pairs than any other business aircraft. The *Global 7000* aircraft is now the largest and the longest range business jet ever built, and is able to fly a full 300 nautical miles farther than initial commitment.
  - Nearly all regulatory approvals have been obtained for the announced partnership with Airbus for the *C Series* aircraft. Completion of the transaction is currently expected before the end of the second quarter of 2018, ahead of originally planned. With the recent increase in Bombardier's participation in CSALP to 65%, we expect to own approximately 33% of the same entity following the closing of the transaction with Airbus. For now, our 2018 guidance assumes full year consolidated results of the *C Series*. However, upon closing, we will no longer consolidate the *C Series*, and instead we will only pick up our share of the *C Series* results since we will account for our investment in CSALP using the equity method.[1]
  - We have entered into a definitive agreement to sell our Downsview property for gross proceeds of approximately $635 million to the Public Sector Pension Investment Board (PSP Investments), subject to customary closing conditions. The transaction allows us to monetize an underutilized asset and is expected to close in the second quarter of 2018. It will increase cash by more than $550 million net of transaction and other associated costs, and will result in accounting gain of a similar amount which will be treated as a special item. Additionally, pursuant to an agreement with PSP Investments, we will continue to operate from Downsview for a period of up to three years following closing, with two optional one-year extension periods.[1]
  - In parallel, we also have entered into an agreement with the Greater Toronto Airports Authority for a long-term lease of approximately 38 acres of property at Toronto Pearson International Airport on which we are planning to open a new centre of excellence and final assembly plant for our *Global* business jets.[1]

[1] See the forward-looking statements disclaimer.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Three-month periods ended March 31	
	2018	2017 *restated*[1]
Revenues	**$ 4,028**	$ 3,605
Cost of sales	**3,539**	3,151
Gross margin	**489**	454
SG&A	**286**	260
R&D	**47**	44
Share of income of joint ventures and associates	**(20)**	(32)
Other expense (income)	**(25)**	9
EBIT before special items[2]	**201**	173
Special items	**—**	23
EBIT	**201**	150
Financing expense	**162**	159
Financing income	**(38)**	(25)
EBT	**77**	16
Income taxes	**33**	10
Net income	**$ 44**	$ 6
Attributable to		
Equity holders of Bombardier Inc.	**$ 38**	$ 6
NCI	**$ 6**	$ —
EPS (in dollars)		
Basic and diluted	**$ 0.01**	$ 0.00
(as a percentage of total revenues)		
EBIT before special items[2]	**5.0%**	4.8%
EBIT	**5.0%**	4.2%

(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) 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 March 31	
	2018	2017 *restated*[2]
EBITDA	**$ 265**	$ 228
EBITDA before special items	**$ 265**	$ 251
Adjusted net income	**$ 35**	$ 38
Adjusted EPS	**$ 0.01**	$ 0.01

(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 March 31	
	2018	2017 *restated*[1]
Revenues		
Business Aircraft	**$ 1,110**	$ 1,022
Commercial Aircraft	**463**	525
Aerostructures and Engineering Services	**446**	398
Transportation	**2,355**	1,952
Corporate and Elimination	**(346)**	(292)
	$ 4,028	$ 3,605
EBIT before special items[2]		
Business Aircraft	**$ 98**	$ 82
Commercial Aircraft	**(73)**	(56)
Aerostructures and Engineering Services	**47**	15
Transportation	**189**	183
Corporate and Elimination	**(60)**	(51)
	$ 201	$ 173
Special Items		
Business Aircraft	**$ 1**	$ 3
Commercial Aircraft	**—**	1
Aerostructures and Engineering Services	**1**	—
Transportation	**(2)**	19
Corporate and Elimination	**—**	—
	$ —	$ 23
EBIT		
Business Aircraft	**$ 97**	$ 79
Commercial Aircraft	**(73)**	(57)
Aerostructures and Engineering Services	**46**	15
Transportation	**191**	164
Corporate and Elimination	**(60)**	(51)
	$ 201	$ 150

[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 March 31	
	Ref	**2018**	2017
Restructuring charges	1	**$ 1**	$ 23
Reversal of *Learjet 85* aircraft program cancellation provisions	2	**(1)**	—
Tax impacts of special items		**—**	(1)
		$ —	$ 22
Of which is presented in			
Special items in EBIT		**$ —**	$ 23
Income taxes - effect of special items		**—**	(1)
		$ —	$ 22

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

2. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, we reduced the related provisions by $1 million in the first quarter of 2018. The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

Net financing expense

Net financing expense amounted to $124 million for the three-month period ended March 31, 2018, compared to $134 million for the corresponding period last fiscal year.

The $10-million decrease for the three-month period is mainly due to:

- higher borrowing costs capitalized to PP&E and intangible assets ($21 million); and
- net gain from changes in discount rates of provisions ($15 million).

Partially offset by:

- higher interest on long-term debt, after the effect of hedges ($17 million).

Income taxes

The effective income tax rate for the three-month period ended March 31, 2018 is 42.9% compared to the statutory income tax rate in Canada of 26.7%. The higher effective income tax rate is mainly due to the net non-recognition of income tax benefits related to tax losses and temporary differences.

The effective income tax rate for the three-month period ended March 31, 2017 was 62.5%[1], compared to the statutory income tax rate in Canada of 26.7%. The higher effective income tax rate was due to the net non-recognition of income tax benefits related to tax losses and temporary differences, partially offset by permanent differences.

[1] The effective income tax rate for the three-month period ended March 31, 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.

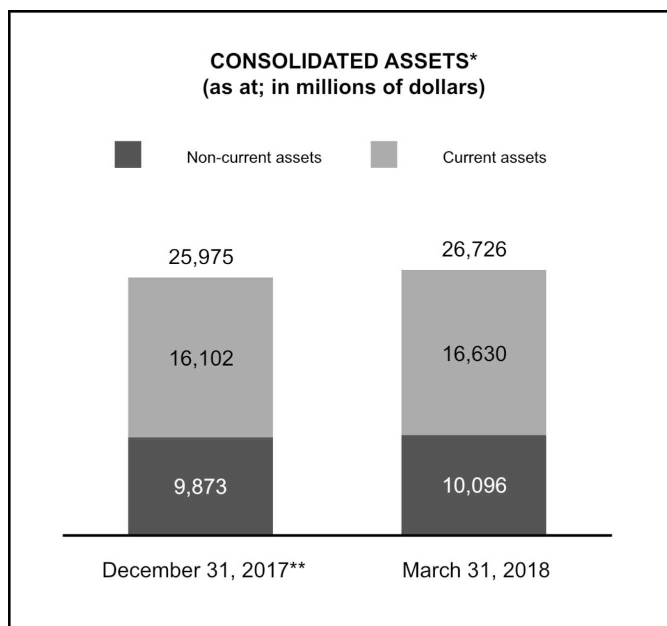
CONSOLIDATED FINANCIAL POSITION

The total assets increased by $751 million in the three-month period[(1)], including a positive currency impact of $245 million. The $506-million increase excluding the currency impact is mainly explained by:

- a $356-million increase in gross inventories mainly in Business Aircraft and Commercial Aircraft;
- a $277-million increase in contract assets in Transportation; and
- a $195-million increase in aerospace program tooling. See the Investment in product development tables in Business Aircraft and Commercial Aircraft for details.

Partially offset by:

- a $271-million decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details.

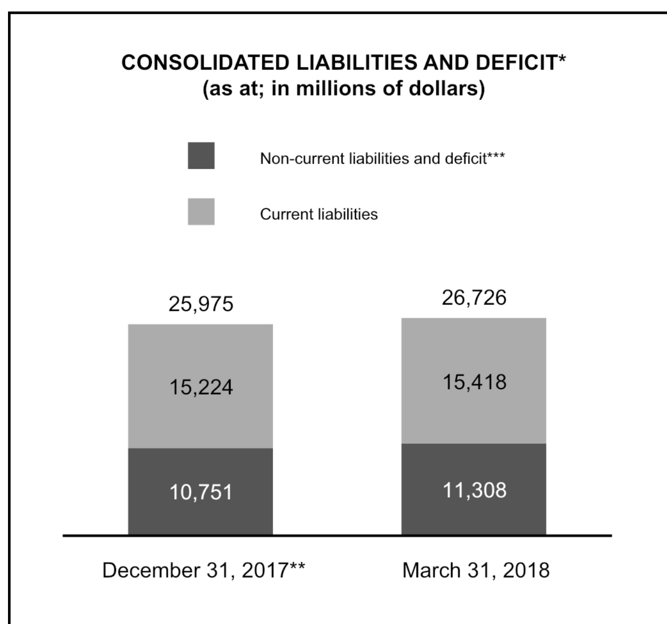


The total liabilities and deficit increased by $751 million in the three-month period[(1)], including a currency impact of $245 million. The $506-million increase excluding the currency impact is mainly explained by:

- a $385-million increase in equity mainly due to issuance of Class B Shares of $475-million partially offset by $51-million dividends to NCI; and
- a $331-million increase in trade and other payables mainly in Business Aircraft.

Partially offset by:

- a $131-million decrease in contract liabilities mainly in Transportation; and
- a $62-million decrease in other liabilities mainly in Transportation.



*The total assets and the total liabilities in the above graphs as at March 31, 2018 include $4.2 billion and $2.7 billion, respectively, related to the *C Series* aircraft program, which are presented under Assets held for sale. Refer to the Strategic Partnership section in Commercial Aircraft and to Note 19 - Assets held for sale in the Consolidated financial statements for more details on the transaction as well as the accounting treatment as at March 31,2018.

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

***Includes a deficit of $4.3 billion as at March 31, 2018 (a deficit of $4.7 billion as at December 31, 2017).

(1) For the purpose of the Consolidated financial position explanations included in this section, assets and liabilities comprise assets and liabilities reclassified as Assets held for sale. See Note 19 - Assets held for sale for more details on CSALP assets and liabilities reclassification.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow

Free cash flow usage[1]

	Three-month periods ended March 31	
	2018	2017 *restated[2]*
Net income	**$ 44**	$ 6
Non-cash items		
Amortization	**62**	78
Impairment charges on PP&E	**2**	—
Deferred income taxes	**6**	—
Share of income of joint ventures and associates	**(20)**	(32)
Other	**12**	7
Dividends received from joint ventures and associates	**17**	2
Net change in non-cash balances	**(594)**	(378)
Cash flows from operating activities	**(471)**	(317)
Net additions to PP&E and intangible assets	**(250)**	(276)
Free cash flow usage[1]	**(721)**	(593)
Net interest and income taxes paid	**(160)**	(141)
Free cash flow usage before net interest and income taxes paid[1]	**$ (561)**	$ (452)

The $128-million decrease in free cash flow[1] for the three-month period is due to:

- a negative period-over-period variation in net change in non-cash balances ($216 million) (see explanations below).

Partially offset by:

- higher net income before non-cash items ($47 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 ($26 million).

Net change in non-cash balances

For the three-month period ended March 31, 2018, the $594-million outflow is mainly due to:

- an increase in Transportation’s contract assets following ramp-up of production ahead of deliveries;
- an increase in Business Aircraft aerospace program inventories mainly due to the ramp-up in production;
- a decrease in Transportation’s contract liabilities following deliveries, partially offset by advances on new orders and existing contracts;
- an increase in the *C Series* aircraft program inventory due to the ramp-up in production; and
- an increase in Transportation’s trade and other receivables.

Partially offset by:

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

[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.

For the three-month period ended March 31, 2017, the $378-million outflow is mainly due to:

- an increase in Transportation's contract assets following ramp-up of production ahead of deliveries;
- a decrease in Transportation's contract liabilities following deliveries, partly offset by advances on new orders;
- an increase in the *C Series* aircraft program inventory due to the ramp-up in production; and
- an increase in Business Aircraft aerospace program inventories.

Partially offset by:

- an increase in trade and other payables mainly related to Transportation and Commercial Aircraft; 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 March 31	
	2018	2017
Balance at the beginning of period	**$ 3,057** [1]	$ 3,384
Free cash flow usage[2]	**(721)**	(593)
Dividends paid to NCI	**(51)**	(48)
Repayments of long-term debt	**(7)**	(9)
Dividends paid on preferred shares	**(6)**	(4)
Issuance of Class B Shares	**476**	—
Effect of exchange rate changes on cash and cash equivalents	**67**	12
Net change in short-term borrowings	**—**	107
Other	**38**	38
Balance at the end of period	**$ 2,853**	$ 2,887
Reclassified as assets held for sale[1]	**72**	—
Balance at the end of period	**$ 2,781**	$ 2,887

Available short-term capital resources

	March 31, 2018	December 31, 2017
Cash and cash equivalents[1]	**$ 2,853**	$ 3,057
Available revolving credit facilities	**1,188**	1,168
Available short-term capital resources	**$ 4,041**	$ 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 and the $400-million[3] unsecured revolving credit facilities to May 2021 and June 2021, respectively. These facilities were unused as at March 31, 2018.

[1] Following the anticipated closing of our *C Series* partnership with Airbus, the assets and liabilities of the *C Series* aircraft program are presented under Assets held for sale. Refer to the strategic partnership section in Commercial Aircraft, Note 11 - Cash and cash equivalent and Note 19 - Assets held for sale in the Consolidated financial statements for more details on the transaction as well as the accounting treatment as at March 31, 2018.

[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.

[3] Available for other than Transportation's usage.

Letter of credit facilities

In March 2018, we extended the availability periods of Transportation's €3.56-billion ($4.4 billion) and the $400-million[1] letter of credit facilities by one year to May 2021 and June 2021, respectively.

[1] Available for other than Transportation's usage.

Financial covenants

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 ($739 million) to €750 million ($924 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.

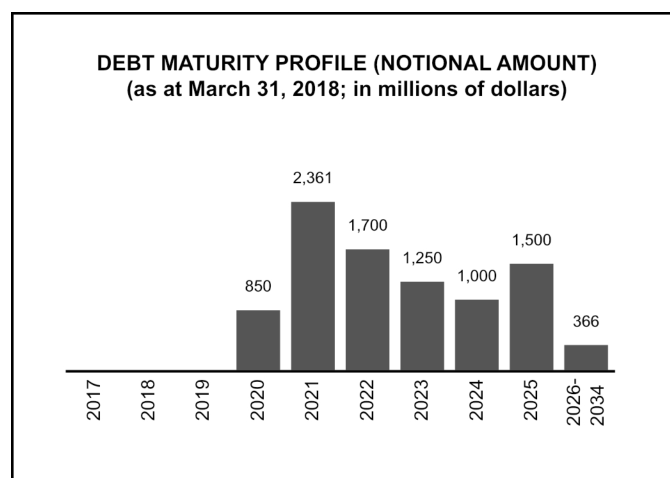
These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to any specific terms used in the MD&A. Minimum liquidity is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

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

Future liquidity requirements

We consider that our cash flows from operating activities, combined with our available short-term capital resources of $4.0 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. There is no significant debt maturing before 2020.

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 are to supplement our working capital and for general corporate purposes.



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 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]	
	March 31, 2018	December 31, 2017
Adjusted EBIT[2]	**$ 850**	$ 823
Adjusted interest[2]	**$ 642**	$ 631
Adjusted EBIT to adjusted interest ratio	**1.3**	1.3

Financial leverage ratio

	As at and for the four-quarter trailing periods ended[1]	
	March 31, 2018	December 31, 2017
Adjusted debt[2]	**$ 9,614**	$ 9,631
Adjusted EBITDA[2]	**$ 1,224**	$ 1,215
Adjusted debt to adjusted EBITDA ratio	**7.9**	7.9

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.

[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.

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $2.5 billion as at March 31, 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 $92-million increase 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)]
Actuarial losses on pension plan assets		210
Service costs		72
Accretion on net retirement benefit obligation		19
Changes in discount rates and other financial assumptions		(146)
Employer contributions		(55)
Changes in foreign exchange rates		(4)
Other		(4)
Balance as at March 31, 2018	**$**	**2,534** [(1)]

[(1)] Includes retirement benefit assets of $261 million as at March 31, 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 $103 million reclassified as Liabilities directly associated with assets held for sale as at March 31, 2018 ($99 million 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 excluding the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.
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 March 31	
	2018	2017 *restated*[1]
EBIT	**$ 201**	$ 150
Amortization	**62**	78
Impairment charges on PP&E	**2**	—
EBITDA	**265**	228
Special items[2]	**—**	23
EBITDA before special items	**$ 265**	$ 251

[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 and computation of adjusted EPS

	Three-month periods ended March 31			
	2018	**(per share)**	2017 restated[1]	(per share)
Net income	**$ 44**		$ 6	
Adjustments to EBIT related to special items[2]	**—**	**$ —**	23	$ 0.01
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net gain on certain financial instruments	**(26)**	**(0.01)**	(8)	(0.01)
Accretion on net retirement benefit obligations	**19**	**0.01**	19	0.01
Tax impact of special[2] and other adjusting items	**(2)**	**0.00**	(2)	0.00
Adjusted net income	**35**		38	
Net income attributable to NCI	**(6)**		—	
Preferred share dividends, including taxes	**(7)**		(6)	
Dilutive impact of CDPQ conversion option	**—**		(4)	
Adjusted net income attributable to equity holders of Bombardier Inc.	**$ 22**		$ 28	
Weighted-average diluted number of common shares (in thousands)	**2,370,351**		2,246,152	
Adjusted EPS (in dollars)	**$ 0.01**		$ 0.01	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended March 31	
	2018	2017 restated[1]
Diluted EPS	**$ 0.01**	$ 0.00
Impact of special[2] and other adjusting items	**—**	0.01
Adjusted EPS	**$ 0.01**	$ 0.01

Reconciliation of adjusted debt to long-term debt

	As at	
	March 31, 2018	December 31, 2017
Long-term debt	**$ 9,217**	$ 9,218
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	**(204)**	(222)
Long-term debt, net	**9,013**	8,996
Operating lease obligations[3]	**601**	635
Adjusted debt	**$ 9,614**	$ 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	
	March 31, 2018	December 31, 2017 *restated*[1]
EBIT	**$ 350**	$ 299
Special items[2]	**403**	426
Interest received	**63**	61
Interest adjustment for operating leases[3]	**34**	37
Adjusted EBIT	**850**	823
Amortization	**298**	314
Impairment charges on PP&E and intangible assets[4]	**9**	7
Amortization adjustment for operating leases[5]	**67**	71
Adjusted EBITDA	**$ 1,224**	$ 1,215

Reconciliation of adjusted interest to interest paid

	Four-quarter trailing periods ended	
	March 31, 2018	December 31, 2017
Interest paid	**$ 608**	$ 594
Interest adjustment for operating leases[3]	**34**	37
Adjusted interest	**$ 642**	$ 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 March 31	2018	2017 restated[1]	Variance
Revenues	**$ 1,110**	$ 1,022	9 %
Aircraft deliveries (in units)	**31**	29	2
EBIT	**$ 97**	$ 79	23 %
EBIT margin	**8.7%**	7.7%	100 bps
EBIT before special items[2]	**$ 98**	$ 82	20 %
EBIT margin before special items[2]	**8.8%**	8.0%	80 bps
EBITDA before special items[2]	**$ 114**	$ 102	12 %
EBITDA margin before special items[2]	**10.3%**	10.0%	30 bps
Net additions to PP&E and intangible assets	**$ 188**	$ 208	(10)%
As at	**March 31, 2018**	December 31, 2017 restated[1]	
Order backlog (in billions of dollars)	**$ 14.3**	$ 14.2	1 %

Key highlights and events

- During the first quarter of 2018, Business Aircraft returned to growth with a 9% revenue increase, reaching $1.1 billion through the delivery of 31 aircraft and an increase in aftermarket activities.
- EBIT before special items[2] also continued to trend upward, increasing by $16 million year over year, to 8.8%. This 20% increase in profitability was driven by an improving mix of aircraft sales and aftermarket services, and a strong discipline in managing costs.
- The stronger order activity experienced in the final weeks of 2017 carried on into the first quarter, driving backlog growth to $14.3 billion.
- The *Global 7000* aircraft continued to perform extremely well and to exhibit a high level of reliability towards its expected entry into service during the second half of 2018. On April 15, 2018, Bombardier revealed that the *Global 7000* business jet now boasts an outstanding range of 7,700 nautical miles, connecting more city pairs than any other business aircraft. The *Global 7000* aircraft is now the largest and the longest range business jet ever built, and is able to fly a full 300 nautical miles farther than initial commitment.
- In the first quarter, Business Aircraft continued to grow its aftermarket portfolio and announced a suite of new products that are available for retrofit, addressing market demand for cabin and cockpit upgrades as well as regulatory compliance among Bombardier's large installed base of 4,700 jets.

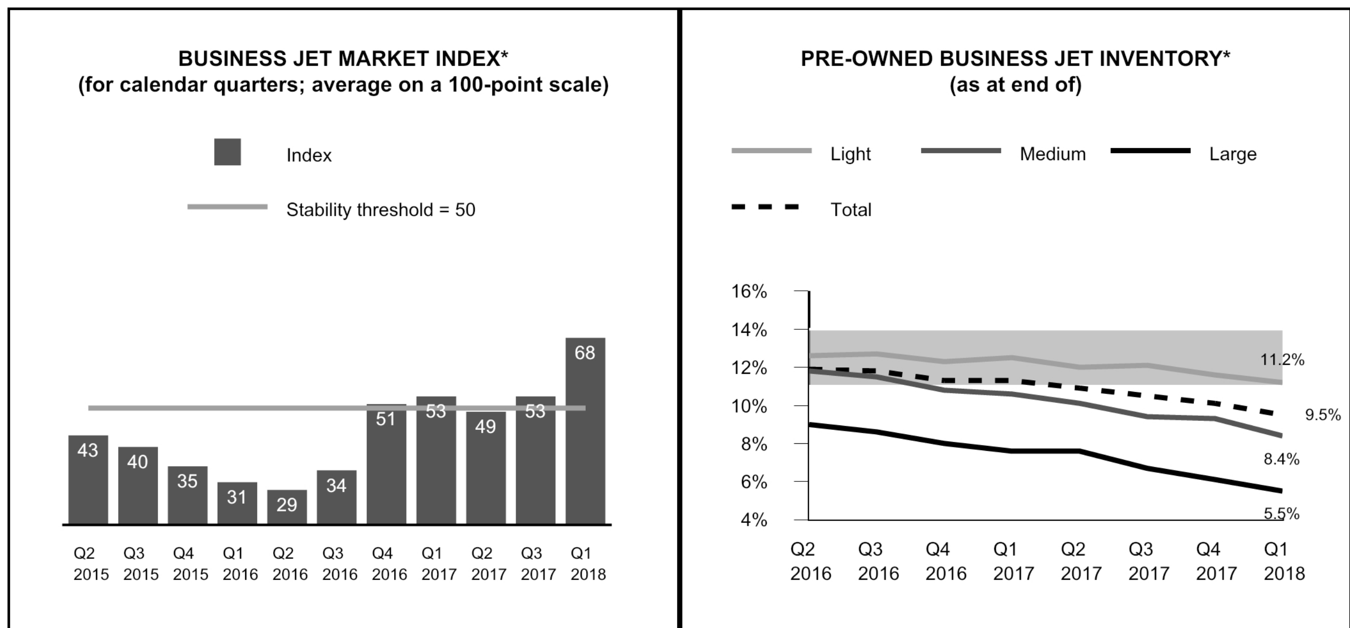
(1) Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview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

INDUSTRY AND ECONOMIC ENVIRONMENT

The early signs of positive momentum that occurred in the fourth quarter of 2017 have carried on into the first quarter of 2018. As indicated in the graphs below, industry confidence[1] is above the threshold of market stability at the end of the first quarter, coming in at 68 points[2], and business jet utilization in the U.S. and Europe remained stable compared to the same period last year. The global economy is expected to grow at a rate of 3.2% 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 9.5% as at March 31, 2018, an improvement from 10.1% as at December 31, 2017. This level of pre-owned inventory is below the 10-year historical range for the overall market, which is a positive indicator for the secondary market.

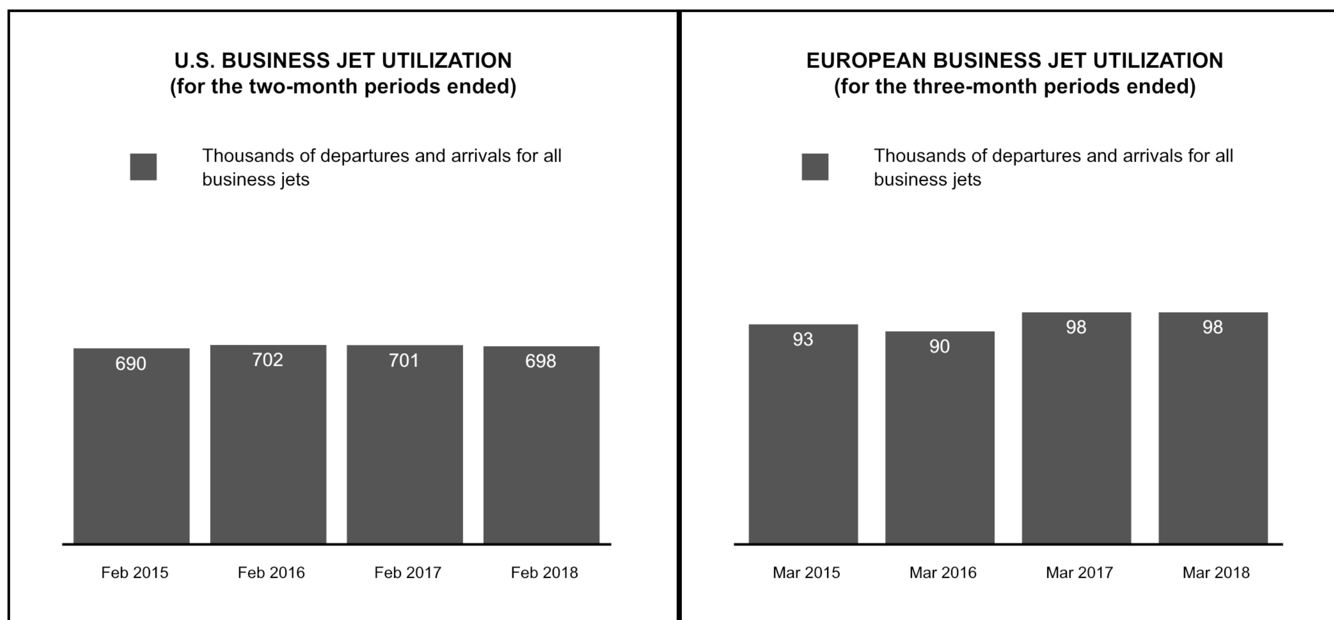
Business aviation is poised for growth in the long term due to a better economic outlook combined with the introduction of new aircraft models and technologies. With the industry's most comprehensive product portfolio, Bombardier Business Aircraft is well positioned.

[1] As measured by the Barclays Business Jet Market Index.
[2] According to the Barclays Business Jet Survey dated April 6, 2018.
[3] According to "Oxford Economics Global Data Report" dated April 17, 2018.



Source: Barclays from the start of 2018, previously UBS
* The Business Jet Market Index 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 Market Index 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 March 31	
	2018	2017 *restated*[1]
Revenues		
Manufacturing and Other[2]	**$ 839**	$ 773
Services[3]	**271**	249
Total revenues	**$ 1,110**	$ 1,022
EBITDA before special items[4]	**$ 114**	$ 102
Amortization	**16**	20
EBIT before special items[4]	**98**	82
Special items	**1**	3
EBIT	**$ 97**	$ 79
EBIT margin before special items[4]	**8.8%**	8.0%
EBIT margin	**8.7%**	7.7%

[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] Manufacturing and Other revenues mainly comprise of revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.

[3] Services revenues comprise 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 $66-million increase in manufacturing and other revenues is mainly due to higher aircraft deliveries partially offset by lower revenues from sales of pre-owned aircraft due to fewer pre-owned aircraft available for sale.

The $22-million increase in services revenues 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 March 31	
	Ref	**2018**	2017
Restructuring charges	1	**$ 2**	$ 3
Reversal of *Learjet 85* aircraft program cancellation provisions	2	**(1)**	—
		$ 1	$ 3
EBIT margin impact		**(0.1)%**	(0.3)%

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

2. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, we reduced the related provisions by $1 million in the first quarter of 2018. 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
The EBIT margin before special items for the three-month period increased by 0.8 percentage points, mainly as a result of:
- stronger contribution from aftermarket activities; and
- lower SG&A expenses and higher absorption of SG&A expenses due to higher revenues.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 1.0 percentage points compared to the same period last year.

Product development

Investment in product development

	Three-month periods ended March 31	
	2018	2017
Program tooling[1]	**$ 198**	$ 176
R&D expense[2]	**3**	2
	$ 201	$ 178
As a percentage of revenues[3]	**18.1%**	17.4%

The carrying amount of business aircraft program tooling[4] as at March 31, 2018 was $3.8 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 for the three-month period ended March 31, 2018 ($9 million for the three-month period ended March 31, 2017), as the related investments are already included in aerospace program tooling.
(3) 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 for detail regarding restatements of comparative period figures.
(4) Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to $498 million as at March 31, 2018 ($441 million as at December 31, 2017).

The *Global 7000* and *Global 8000* aircraft program
On January 30, 2018, the fifth and final *Global 7000* flight test vehicle joined the *Global 7000* and *Global 8000* flight test program. FTV5 is validating the flight and ground tests completed to date, including extensive ground vibration and static rig testing. The flight test program is tracking to plan and has accomplished more than 1,800 flight hours to date. On April 15, 2018, Bombardier announced that the *Global 7000* business jet can fly at a range of 7,700 nautical miles, a full 300 nautical miles further than initial projections. Bombardier also debuted the Nuage seat, the industry's first new seat architecture in over 30 years. The Nuage seat on board the *Global 7000* aircraft, and its patented components, are the result of years of research and development into optimal seat comfort. The new seat was unveiled to the public on April 29, 2018 at the Milken Conference in Beverly Hills. The final assembly line activities are ramping up as multiple customer aircraft are now in production.

In addition, ground testing is progressing successfully with several test rigs and we have now met the full airframe fatigue test milestone as required by authorities for EIS. We continue to advance the test program to ensure all systems operate with the highest level of reliability.

The *Global 7000* and *Global 8000* aircraft program manufacturing process makes use of the highest caliber technology, including a state-of-the-art automated positioning system using laser-guided measuring to join the wing structure to the fuselage with a very high level of precision.

The category-defining *Global 7000* aircraft is expected to enter into service in the second half of 2018. It is expected to set the standard for a new category of large business jets, as the first and only clean-sheet business jet with four living spaces.

Aircraft deliveries and order backlog

Aircraft deliveries

	Three-month periods ended March 31	
(in units)	**2018**	2017
Light		
Learjet 70/75	**3**	5
Medium		
Challenger 350	**12**	9
Challenger 605/650	**6**	6
Challenger 850	**—**	1
Large		
Global 5000/Global 6000	**10**	8
	31	29

Order backlog

		As at
(in billions of dollars)	**March 31, 2018**	December 31, 2017 *restated*[(1)]
	$ 14.3	$ 14.2

[(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.

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 March 31	2018	2017 restated[1]	Variance
Revenues	**$ 463**	$ 525	(12)%
Aircraft deliveries (in units)	**13**	15	(2)
Net orders (in units)	**4**	11	(7)
Book-to-bill ratio[2]	**0.3**	0.7	(0.4)
EBIT	**$ (73)**	$ (57)	(28)%
EBIT margin	**(15.8)%**	(10.9)%	(490) bps
EBIT before special items[3]	**$ (73)**	$ (56)	(30)%
EBIT margin before special items[3]	**(15.8)%**	(10.7)%	(510) bps
EBITDA before special items[3]	**$ (72)**	$ (38)	(89)%
EBITDA margin before special items[3]	**(15.6)%**	(7.2)%	(840) bps
Net additions to PP&E and intangible assets	**$ 16**	$ 75	(79)%
As at	**March 31, 2018**	December 31, 2017	
Order backlog (in units)	**424**	433	(9)

Key highlights and events

- The *C Series* aircraft ramp-up continues to progress, with 5 deliveries during the first quarter. There are currently 31 *C Series* aircraft in service with Swiss International Air Lines (Swiss), Air Baltic Corporation AS (airBaltic), and Korean Air Lines.
- Nearly all regulatory approvals have been obtained for the announced partnership with Airbus for the *C Series* aircraft. Completion of the transaction is currently expected before the end of the second quarter of 2018, ahead of originally planned. With the recent increase in Bombardier's participation in CSALP to 65%, we expect to own approximately 33% of the same entity following the closing of the transaction with Airbus.[4]
- We also delivered 6 *CRJ Series* and 2 *Q400* aircraft during the quarter, in line with our lower production output for the year.
- Subsequent to the end of the quarter, we announced that we have signed purchase agreements with Ethiopian Airlines for up to 15 *Q400* aircraft and with American Airlines for up to 30 *CRJ900* aircraft, increasing the *CRJ Series* and *Q400* backlogs to over 50 aircraft each.

(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 net orders received over aircraft deliveries, in units.
(3) 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.
(4) See the forward-looking statements disclaimer.

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 trend upwards consistently compared to the same period last year, supported by the robust economic backdrop.[2]

Scheduled domestic and international commercial air travel, measured by RPK, were 6.5% and 5.6% higher, respectively, during the year-to-date period ended February 2018, compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors[3] of 81.0% and 79.4%, respectively, during the year-to-date period ended February 2018, which were broadly in line with the 80.7% and 79.4% 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 6.5% increase in RPK compared to the same period last year. On the international commercial air travel side, increases in Europe, Asia-Pacific and North America account for most of the 5.6% increase in RPK compared to the same period last year.[2]

Crude oil prices stood at approximately $69 per barrel at the end of March 2018, compared to $67 per barrel at the end of December 2017.[4] The futures market do not expect significant change in oil prices over the next twelve to eighteen months,[5] but uncertainty surrounding supplies from some crude oil producing countries and signs of potentially slower than expected growth in U.S. crude oil production, along with a potential slowdown in global trade have led to volatility in the crude oil market.[6] Volatility in crude oil prices should result in continued demand for more fuel efficient aircraft.

Environmental issues and regulations related to local air quality, aircraft emissions and community noise, as well as commitments by the aviation industry towards reducing carbon emissions, should speed up the retirement of older, less fuel efficient aircraft worldwide.

(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 February 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 February-March 2018 Airlines Financial Monitor Report.
(6) Per the International Energy Agency (IEA) Oil Market Report released April 10, 2018.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31			
		2018		2017 *restated*[1]
Revenues	**$**	**463**	$	525
EBITDA before special items[2]	**$**	**(72)**	$	(38)
Amortization		**1**		18
EBIT before special items[2]		**(73)**		(56)
Special items		**—**		1
EBIT	**$**	**(73)**	$	(57)
EBIT margin before special items[2]		**(15.8)%**		(10.7)%
EBIT margin		**(15.8)%**		(10.9)%

[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.

Revenues
The $62-million decrease in revenues for the three-month period is mainly due to lower revenues from pre-owned aircraft, fewer deliveries of turboprops and regional jets as well as lower activities in service centres partially offset by higher *C Series* 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 item for the three-month period ended March 31, 2017 represents severance charges related to restructuring actions announced in 2016.

EBIT margin
The EBIT margin before special items for the three-month period decreased by 5.1 percentage points, mainly as a result of:

- lower aircraft margins, mainly due to the *C Series* aircraft program production ramp-up.

Partially offset by:

- a positive variance of financial instruments carried at fair value recorded in other expenses; and
- a lower amortization, reflecting no amortization for *C Series* assets this quarter due to the reclassification to assets held for sale in the fourth quarter of 2017.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 4.9 percentage points compared to the same period last year.

Product development

Investment in product development

		Three-month periods ended March 31		
		2018		2017
Program tooling[1]	**$**	**16**	$	67
R&D expense[2]		**2**		1
	$	**18**	$	68
As a percentage of revenues[3]		**3.9%**		13.0%

The carrying amount of commercial aircraft program tooling as at March 31, 2018 was $2.6 billion, at a similar level compared to the amount as at December 31, 2017. The carrying amount as at March 31, 2018 is essentially related to the *C Series* aircraft program tooling, which is presented under assets held for sale as at March 31, 2018 along with other CSALP assets and liabilities, following the strategic partnership with Airbus announced in the fourth quarter of 2017.[4]

(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 $2 million for the three-month period ended March 31, 2018 ($8 million for the three-month period ended March 31, 2017), as the related investments are already included in aerospace program tooling.
(3) 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 for detail regarding restatements of comparative period figures.
(4) Refer to the strategic partnership section within Commercial Aircraft and to Note 19 - Assets held for sale in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

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

Aircraft deliveries

	Three-month periods ended March 31	
(in units)	**2018**	2017
Commercial jets		
CS300	**5**	1
Regional jets		
CRJ900	**4**	7
CRJ1000	**2**	1
Turboprops		
Q400	**2**	6
	13	15

Net orders

	Three-month periods ended March 31	
(in units)	**2018**	2017
Regional jets		
CRJ900	**—**	10
Turboprops		
Q400	**4**	1
	4	11
Book-to-bill ratio[1]	**0.3**	0.7

(1) Ratio of net orders received over aircraft deliveries, in units.

Commercial aircraft order backlog and options

				As at
	March 31, 2018		December 31, 2017	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Commercial jets				
CS100	**115** [(1)]	**94**	115 [(1)]	94
CS300	**228** [(1)]	**128**	233 [(1)]	128
Regional jets				
CRJ700	**8**	**—**	8	—
CRJ900	**20**	**6**	24	6
CRJ1000	**8**	**—**	10	—
Turboprops				
Q400	**45**	**—**	43	—
	424	**228**	433	228

(1) The total of 343 orders includes 115 firm orders with conversion rights to the other *C Series* aircraft model as at March 31, 2018 (total of 348 orders included 122 firm orders with conversion rights to the other *C Series* aircraft model as at December 31, 2017).

In January 2018, we announced that we signed a purchase agreement with Conair Group Inc. for six *Q400* aircraft for conversion into *Q400* multirole airtankers. Based on list price, the firm order is valued at approximately $206 million. From this purchase agreement, two aircraft were already included in the order backlog as at December 31, 2017.

Subsequent to the end of this quarter, we announced that we signed a purchase agreement with Ethiopian Airlines for 10 *Q400* aircraft with purchase rights for five additional *Q400* aircraft. Based on the list price, the firm order of 10 *Q400* aircraft is valued at approximately $332 million. This purchase agreement is not included in the order backlog as at March 31, 2018.

Also subsequent to the end of this quarter, we announced that we signed a firm order for 15 *CRJ900* regional jets with American Airlines, Inc. The purchase agreement also includes options on additional 15 *CRJ900* aircraft. Based on the list price of the *CRJ900* aircraft, and subject to all options being exercised, the order is valued at approximately $1.4 billion. This purchase agreement is not included in the order backlog as at March 31, 2018.

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

STRATEGIC PARTNERSHIP

Airbus entered into an agreement to acquire a majority stake in the C Series Aircraft Limited Partnership

On October 16, 2017, we entered into an agreement with Airbus SE (Airbus) whereby Airbus will provide procurement, sales and marketing, and customer support expertise to the CSALP, the entity that manufactures and sells the *C Series* aircraft. At closing, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Québec (IQ) will own approximately 33% and 17% respectively. We are moving ahead and are making progress obtaining regulatory approvals for the partnership with Airbus for the *C Series* aircraft. We expect to obtain all approvals for the partnership before the end of the second quarter.[1] Therefore, management believes closing of the transaction is highly probable.

CSALP's headquarters and primary assembly line and related functions will remain in Québec, with the support of Airbus' global reach and scale. Airbus' global industrial footprint will expand with the final assembly line in Canada and additional *C Series* aircraft production at Airbus' manufacturing site in Alabama, U.S.

Ownership Structure and Agreement Highlights
The *C Series* aircraft program is operated by CSALP in respect of which Bombardier and IQ held approximately a 65% and a 35% interest respectively as at March 31, 2018. The Investment Agreement contemplates Airbus acquiring a 50.01% interest in CSALP. Airbus will enter into commercial agreements relating to (i) sales and marketing support services for the *C Series* aircraft program, (ii) management of procurement, which will include leading negotiations to improve CSALP level supplier agreements, and (iii) customer support. At closing, there will be no cash contribution by any of the partners, nor will CSALP assume any financial debt. It also contemplates that Bombardier will continue with its current funding plan of CSALP and will fund, if required, the cash shortfalls of CSALP during the first year following the closing up to a maximum amount of $350 million plus up to an additional $225 million for certain reimbursable supplier advances in CSALP, and during the second and third years following the closing up to a maximum aggregate amount of $350 million over both years, in consideration for non-voting participating units of CSALP with cumulative annual dividends of 2%, with any excess shortfall during such periods to be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion.

Airbus will benefit from call rights in respect of all of Bombardier's interest in CSALP at fair market value, with the amount for non-voting participating units capped at the invested amount plus accrued but unpaid dividends, including a call right exercisable no earlier than 7.5 years following the closing, except in the event of certain circumstances such as changes in the control of Bombardier, in which case the right is accelerated. Bombardier will benefit from a corresponding put right whereby it could require that Airbus acquire its interest at fair market value after the expiry of the same period. IQ's interest is redeemable at fair market value by CSALP, under certain conditions, starting in 2023. IQ will benefit from a corresponding put right whereby it could require that CSALP, under certain conditions, acquire its interest at fair market value starting in 2023. IQ will also benefit from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

The Board of Directors of CSALP will initially consist of seven directors, four of whom will be proposed by Airbus, two of whom will be proposed by Bombardier, and one of whom will be proposed by IQ. Airbus will be entitled to name the Chairman of CSALP.

The transaction also provides for the issuance to Airbus, upon closing, of warrants exercisable to acquire up to 100,000,000 Class B Shares (subordinate voting) of Bombardier, at an exercise price per share equal to the US$ equivalent of $2.29 CDN. The warrants will have a five-year term from the date of issue, will not be listed and will provide for 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. The Toronto Stock Exchange (TSX) has determined to accept notice of the private placement of such warrants and has conditionally approved the listing of the Class B Shares issuable pursuant to the terms of the warrants on the TSX. Listing will be subject to Bombardier fulfilling all of the listing requirements of the TSX.

The transaction has been approved by the Boards of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The transaction remains subject to regulatory approvals which have nearly all been obtained, as well as other conditions usual in this type of transaction. Completion of the transaction is currently expected before the end of the second quarter.[1]

[1] See the forward-looking statements disclaimer.

AEROSTRUCTURES AND ENGINEERING SERVICES

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31		2018		2017 *restated*[1]	Variance
Revenues	**$**	**446**	$	398	12 %
EBIT	**$**	**46**	$	15	207 %
EBIT margin		**10.3%**		3.8%	650 bps
EBIT before special items[2]	**$**	**47**	$	15	213 %
EBIT margin before special items[2]		**10.5%**		3.8%	670 bps
EBITDA before special items[2]	**$**	**60**	$	31	94 %
EBITDA margin before special items[2]		**13.5%**		7.8%	570 bps
Net additions to PP&E and intangible assets	**$**	**10**	$	8	25 %

(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, short-term 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 March 31		
		2018		2017 *restated*[1]
Revenues				
External revenues	**$**	**101**	$	107
Intersegment revenues		**345**		291
Total revenues		**446**		398
EBITDA before special items[2]	**$**	**60**	$	31
Amortization		**13**		16
EBIT before special items[2]		**47**		15
Special items		**1**		—
EBIT	**$**	**46**	$	15
EBIT margin before special items[2]		**10.5%**		3.8%
EBIT margin		**10.3%**		3.8%

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

Revenues

The $48-million increase for the three-month period is due to:

- higher intersegment revenues ($54 million), mainly due to higher volume for business aircraft and the *C Series* aircraft program.

Partially offset by:

- lower external revenues ($6 million), mainly due to lower volume.

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-month period ended March 31, 2018 represented severance charges related to previously-announced restructuring actions.

EBIT margin

The EBIT margin before special items for the three-month period increased by 6.7 percentage point, mainly as a result of:

- higher margins on intersegment aircraft contracts, mainly due to the recognition of inventory net realizable value charges last year, as well as better performance and favorable exchange rates, after giving effect to hedges in the current year; and
- higher absorption of SG&A expenses.

Partially offset by:

- lower margins on external contracts.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 6.5 percentage points compared to the same period last year.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31	2018	2017 restated[1]	Variance
Revenues	**$ 2,355**	$ 1,952	21%
Order intake (in billions of dollars)	**$ 2.3**	$ 2.2	5%
Book-to-bill ratio[2]	**1.0**	1.1	(0.1)
EBIT	**$ 191**	$ 164	16%
EBIT margin	**8.1%**	8.4%	(30) bps
EBIT before special items[3]	**$ 189**	$ 183	3%
EBIT margin before special items[3]	**8.0%**	9.4%	(140) bps
EBITDA before special items[3]	**$ 214**	$ 207	3%
EBITDA margin before special items[3]	**9.1%**	10.6%	(150) bps
Net additions to PP&E and intangible assets	**$ 25**	$ 6	317%
As at	**March 31, 2018**	December 31, 2017 restated[1]	
Order backlog (in billions of dollars)	**$ 35.7**	$ 35.1	2%

Key highlights and events

- Revenues in the first quarter continued to grow, increasing by 21% year over year (or 10% excluding currency impact) to $2.4 billion, driven by the ramp-up of key projects. Revenues increased across all segments, comprising rolling stock and systems, services and signalling.
- The major project ramp-up phase initiated mid-2017 continued in the early months of 2018, building working capital to support the increase in production to meet an acceleration of deliveries expected later during the year.
- EBIT before special items[3] increased to $189 million in the first quarter, continuing to trend at or above an 8.0% margin.
- Supporting future growth, our order intake reached $2.3 billion in the first quarter, bringing our book-to-bill ratio[2] to 1.0 for the period, and our backlog to $35.7 billion. Orders were signed across geographies including Europe, North America and Asia-Pacific, and include significant contract extensions and exercise of options by customers. In addition, the majority of new orders were in support of our strategy to re-use existing technologies, increasing our ability to leverage recent investments and grow margins.

[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] 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

Europe

The order volume in Europe during the first quarter of 2018 has contracted compared to the same period of 2017, driven by lower order volumes for commuter and regional trains in Germany, France and the U.K. During the first quarter of 2018, order volume in Europe was driven by multiple small and medium commuter and regional train orders secured in Switzerland, Italy and France, sizable services agreements signed in the U.K., Spain and Germany, as well as a large signalling contract in Norway. In Eastern Europe, Poland was the main driver of volume with contracts secured along the full value chain, with a noteworthy order awarded for commuter and regional trains along with a services agreement.

The outlook for Europe remains optimistic throughout the rest of 2018. Various orders are foreseen in Sweden, Germany, the U.K. and Austria for high speed trains, while in Italy, Germany and Switzerland significant orders are anticipated for commuter and regional trains. Cities are expected to continue investing in urban transit solutions with anticipated orders for light rail vehicles (LRV), where significant order volume is forecast in Germany, as well as for metro solutions in the U.K. In the services and signalling segments order volume is projected across all Western Europe, with noteworthy orders in Norway and Germany. Eastern Europe, Poland, Czech Republic and Turkey are seen as the main drivers for order volume in 2018 with rolling stock orders expected for all types of trains. Major investments in the services and signalling segments are expected in Czech Republic and Poland.

North America

The order volume in North America increased in the first quarter compared to the same quarter last year, mainly due to a large contract awarded for the supply of new metro cars for the City of New York. Additionally, in the U.S. contracts were awarded in the services and signalling segments.

The North American market is to retain its attractiveness with significant orders foreseen during the upcoming quarters of 2018. In the U.S., several noteworthy orders are expected to be issued for high speed and commuter and regional trains, while for urban transit segment solutions orders are anticipated for metro and automated people mover (APM) trains. In Canada, significant train orders are expected across the vast majority of the rolling stock value chain. Additionally, various contracts are anticipated in the services and signalling segments across the U.S. and Canada, and in Mexico opportunities are expected for urban transit solutions.

Asia-Pacific

In Asia-Pacific the order volume increased when compared to the same quarter last year, mainly due to orders in the metro segment in China and Iran. Furthermore, small orders were awarded in Myanmar for commuter and regional trains, as well as orders for APM trains in Singapore along with signalling contracts. In the services and signalling segments the most noteworthy orders were awarded in Australia for fleet management for commuter and regional trains.

The outlook for Asia-Pacific for 2018 is positive, with a large order expected for commuter and regional train in India as well as various significant orders for metro trains in China. Further investments are foreseen for metro trains in India and significant opportunities are expected for urban transit solutions in China, Taiwan, South Korea and Singapore. Furthermore, in Australia various small and medium rolling stock opportunities are expected to be granted in the upcoming quarters, with a noteworthy contract for fleet management for the City of Melbourne. Investments in fleet maintenance and signalling are expected both in mainline and mass transit solutions, primarily across Australia, India, China and Thailand.

Rest of World
In the first quarter of 2018 the order volume in the Rest of World region increased compared to the same period last year, primarily driven by orders awarded in Russia for locomotives and commuter and regional trains. Further orders were placed in Israel for commuter and regional trains, as well as for locomotives in Morocco and Ukraine.

In the upcoming quarters of 2018, opportunities are foreseen in the Rest of World region across the full value chain of the rolling stock segment, with noteworthy orders expected to be awarded in Argentina, Colombia and Israel for commuter trains along with services contracts. Additionally, in Iran upcoming orders are anticipated for high-speed trains as well as for metro trains. In Russia, significant opportunities are expected for locomotives and metro trains. Further opportunities are foreseen in the services and signalling markets, with a large signalling order upcoming in Zambia.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31	
	2018	2017 *restated*[1]
Revenues		
Rolling stock and systems[2]	**$ 1,607**	$ 1,320
Services[3]	**537**	434
Signalling[4]	**211**	198
Total revenues	**$ 2,355**	$ 1,952
EBITDA before special items[5]	**$ 214**	$ 207
Amortization	**25**	24
EBIT before special items[5]	**189**	183
Special items	**(2)**	19
EBIT	**$ 191**	$ 164
EBIT margin before special items[5]	**8.0%**	9.4%
EBIT margin	**8.1%**	8.4%

[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] 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] 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 March 31, 2018, have increased by $403 million, compared to the same period last year. Excluding a positive currency impact of $201 million for the three-month period, revenues have increased by $202 million, or 10%, for the three-month period, compared to the same period last year.

The $202-million increase excluding currency impact for the three-month period is mainly explained by:

- higher activities in rolling stock and systems in all regions, mostly due to ramp-up in production related to some commuter and regional train, high-speed and very high-speed train contracts in Europe, some metro contracts in North America, some propulsion contracts in Asia-Pacific, and some mass transit system contracts in the Rest of world region, partly offset by some light rail vehicle contracts in North America and Europe, and some intercity train contracts in Europe nearing completion ($154 million); and
- higher activities in services in all regions ($60 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 item for the three-month period ended March 31, 2018 represents the release of severance provisions of $2 million.

The special item for the three-month period ended March 31, 2017 represented charges of $19 million related to previously-announced restructuring actions.

EBIT margin
The EBIT margin before special items for the three-month period decreased by 1.4 percentage points, mainly as a result of:

- a lower share of income from joint ventures and associates;
- lower margin in rolling stock and systems, mainly due to an unfavourable contract mix; and
- higher R&D expenses.

Partially offset by:

- higher margin in services, mainly due to better performance.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 0.3 percentage points, compared to the same period last year.

Orders and backlog

Order backlog

(in billions of dollars)	March 31, 2018	As at December 31, 2017 *restated*[1]
	$ 35.7	$ 35.1

The $0.6-billion increase in order backlog is mainly due to the strengthening of some foreign currencies, mainly the euro and pound sterling, versus the U.S. dollar as at March 31, 2018, compared to December 31, 2017.

Order intake and book-to-bill ratio

	Three-month periods ended March 31	
	2018	2017
Order intake (in billions of dollars)	**$ 2.3**	$ 2.2
Book-to-bill ratio[2]	**1.0**	1.1

The order intake in the three-month period ended March 31, 2018, is in line with the same period last year, and is mainly driven by several orders across various product segments and regions. The variance includes a positive currency impact of $164 million. 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 three-month period ended March 31, 2018 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value	
First quarter						
City of Phoenix	U.S.	Extension of automated people mover (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 Electric Multiple Units (EMUs)	72	Rolling stock and systems	$ 120	(1)
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 value includes price escalation based on estimates.
n/a: Not applicable

Subsequent to the end of the first quarter, we obtained the following orders, which are not included in the backlog as at March 31, 2018:

- a contract from Västtrafik, Sweden, for the supply of 40 high-speed electric multiple unit trains valued at $452 million; and
- a contract from the Brussels Intercommunal Transportation Company (STIB), Belgium, for the supply of 60 *FLEXITY* trams, valued at $206 million. This contract is the first firm order under a framework agreement signed in April 2018 for the supply of up to 175 *FLEXITY* trams, valued at up to approximately $586 million.

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 €843 million ($1.0 billion) were outstanding under such facilities as at March 31, 2018 (€907 million ($1.1 billion) as at December 31, 2017). During the three-month period ended March 31, 2018, trade receivables of €266 million ($327 million) were sold to these facilities (€248 million ($264 million) during the three-month period ended March 31, 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 three-month period ended March 31, 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 25, Commitments and Contingencies, to the interim consolidated financial statements for further details.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 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 three-month period ended March 31, 2018, other than those described elsewhere in this MD&A. Also refer to Note 25, 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 their 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 inter-segment 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). Although this impacts the timing of revenues and profit recognition for the Aerostructures and Engineering Services segment, since it is inter-segment there is no impact on the consolidated results of the Corporation.

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 three-month period ended March 31, 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:

	March 31, 2018	December 31, 2017	Increase/(Decrease)
Euro	**1.2321**	1.1993	3%
Canadian dollar	**0.7752**	0.7975	(3%)
Pound sterling	**1.4083**	1.3517	4%

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

	March 31, 2018	March 31, 2017	Increase
Euro	**1.2284**	1.0645	15%
Canadian dollar	**0.7926**	0.7557	5%
Pound sterling	**1.3901**	1.2376	12%

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]			
	First	Fourth	Third	Second	First	Fourth	Third	Second
Revenues	**$ 4,028**	$ 4,625	$ 3,835	$ 4,134	$ 3,605	$ 4,380	$ 3,736	$ 4,309
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ 38**	$ (174)	$ (88)	$ (238)	$ 6	$ (251)	$ (79)	$ (531)
EPS (in dollars)								
Basic and diluted	**$ 0.01**	$ (0.08)	$ (0.04)	$ (0.11)	$ 0.00	$ (0.12)	$ (0.04)	$ (0.24)
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.[2]	**$ 22**	$ (22)	$ (6)	$ 91	$ 28	$ (147)	$ (2)	$ (130)
Adjusted EPS (in dollars)[2]	**$ 0.01**	$ (0.01)	$ 0.00	$ 0.04	$ 0.01	$ (0.07)	$ 0.00	$ (0.06)

(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 May 1, 2018

	Authorized	Issued and outstanding
Class A Shares (multiple voting)[1]	3,592,000,000	313,758,549
Class B Shares (subordinate voting)[2]	3,592,000,000	2,048,003,010 [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 52,983,051 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 March 31, 2018

Warrants issued and outstanding	205,851,872
Options issued and outstanding under the share option plans	116,156,992
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	88,075,855
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	52,983,051

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

Second Quarterly Report, for the period ending June 30, 2018	August 2, 2018
Third Quarterly Report, for the period ending September 30, 2018	November 8, 2018
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

Information

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May 2, 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.

The *Global 7000* and *Global 8000* aircraft program is currently in development, and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind.

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2018
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Interim consolidated financial statements		42
Notes to the interim consolidated financial statements		49
1.	BASIS OF PREPARATION	49
2.	CHANGES IN ACCOUNTING POLICIES	50
3.	FUTURE CHANGES IN ACCOUNTING POLICIES	55
4.	SEGMENT DISCLOSURE	56
5.	RESEARCH AND DEVELOPMENT	59
6.	OTHER EXPENSE (INCOME)	59
7.	SPECIAL ITEMS	59
8.	FINANCING EXPENSE AND FINANCING INCOME	60
9.	EARNINGS PER SHARE	61
10.	FINANCIAL INSTRUMENTS	62
11.	CASH AND CASH EQUIVALENTS	63
12.	CONTRACT BALANCES	63
13.	INVENTORIES	64
14.	OTHER FINANCIAL ASSETS	64
15.	OTHER ASSETS	65
16.	PROVISIONS	66
17.	OTHER FINANCIAL LIABILITIES	67
18.	OTHER LIABILITIES	67
19.	ASSETS HELD FOR SALE	68
20.	SHARE CAPITAL	69
21.	SHARE-BASED PLANS	69
22.	NET CHANGE IN NON-CASH BALANCES	70
23.	CREDIT FACILITIES	70
24.	FAIR VALUE OF FINANCIAL INSTRUMENTS	71
25.	COMMITMENTS AND CONTINGENCIES	74
26.	ADDITIONAL ANNUAL DISCLOSURE	77
27.	EVENT AFTER THE REPORTING DATE	81

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

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

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

	Notes	Three-month periods ended March 31 2018	2017 restated (1)
Revenues		**$ 4,028**	$ 3,605
Cost of sales	13	**3,539**	3,151
Gross margin		**489**	454
SG&A		**286**	260
R&D	5	**47**	44
Share of income of joint ventures and associates		**(20)**	(32)
Other expense (income)	6	**(25)**	9
Special items	7	**—**	23
EBIT		**201**	150
Financing expense	8	**162**	159
Financing income	8	**(38)**	(25)
EBT		**77**	16
Income taxes		**33**	10
Net income		**$ 44**	$ 6
Attributable to			
Equity holders of Bombardier Inc.		**$ 38**	$ 6
NCI		**6**	—
		$ 44	$ 6
EPS (in dollars)	9		
Basic and diluted		**$ 0.01**	$ 0.00

(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 March 31			
		2018		2017 *restated* [1]
Net income	**$**	**44**	$	6
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation		**(1)**		(4)
Net loss on derivative financial instruments		**(52)**		(7)
Reclassification to income or to the related non-financial asset		**(16)**		60
Income taxes		**10**		(12)
		(59)		37
FVOCI financial assets				
Net unrealized gain (loss)		**(4)**		2
CCTD				
Net investments in foreign operations		**19**		20
Items that are never reclassified to net income				
Retirement benefits				
Remeasurement of defined benefit plans		**(36)**		(61)
Income taxes		**14**		(1)
		(22)		(62)
Total OCI		**(66)**		(3)
Total comprehensive income (loss)	**$**	**(22)**	$	3
Attributable to				
Equity holders of Bombardier Inc.	**$**	**(66)**	$	(20)
NCI		**44**		23
	$	**(22)**	$	3

[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		March 31 2018		December 31 2017 *restated* [1]		January 1 2017 *restated* [1]
Assets							
Cash and cash equivalents	11	**$**	**2,781**	$	2,988	$	3,384
Trade and other receivables			**1,329**		1,173		1,244
Contract assets	12		**3,896**		3,520		2,243
Inventories	13		**3,674**		3,429		4,286
Other financial assets	14		**363**		415		336
Other assets	15		**377**		427		427
Assets held for sale	19		**4,210**		4,150		—
Current assets			**16,630**		16,102		11,920
PP&E			**1,692**		1,696		1,949
Aerospace program tooling			**3,769**		3,581		5,174
Goodwill			**2,080**		2,042		1,855
Deferred income taxes			**615**		595		698
Investments in joint ventures and associates			**510**		491		332
Other financial assets	14		**806**		825		915
Other assets	15		**624**		643		588
Non-current assets			**10,096**		9,873		11,511
		$	**26,726**	$	25,975	$	23,431
Liabilities							
Trade and other payables		**$**	**4,353**	$	3,964	$	3,045
Provisions	16		**2,655**		2,712		2,216
Contract liabilities	12		**3,655**		3,797		3,802
Other financial liabilities	17		**355**		342		608
Other liabilities	18		**1,726**		1,723		1,634
Liabilities directly associated with assets held for sale	19		**2,674**		2,686		—
Current liabilities			**15,418**		15,224		11,305
Provisions	16		**721**		781		1,561
Contract liabilities	12		**1,356**		1,272		1,673
Long-term debt			**9,207**		9,200		8,738
Retirement benefits			**2,692**		2,633		2,647
Other financial liabilities	17		**1,040**		965		999
Other liabilities	18		**576**		595		891
Non-current liabilities			**15,592**		15,446		16,509
			31,010		30,670		27,814
Equity (deficit)							
Attributable to equity holders of Bombardier Inc.			**(6,230)**		(6,608)		(6,054)
Attributable to NCI			**1,946**		1,913		1,671
			(4,284)		(4,695)		(4,383)
		$	**26,726**	$	25,975	$	23,431
Commitments and contingencies	25						

[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 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	—	—	—	38	—	—	—	—	—	38	6	44
OCI	—	—	—	—	(19)	—	(4)	(59)	(22)	(104)	38	(66)
	—	—	—	38	(19)	—	(4)	(59)	(22)	(66)	44	(22)
Issuance of share capital[2]	—	475	—	—	—	—	—	—	—	475	—	475
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(51)	(51)
Share-based expense	—	—	—	—	—	16	—	—	—	16	—	16
Change in NCI	—	—	—	(40)	—	—	—	—	—	(40)	40	—
As at March 31, 2018	**$ 347**	**$ 2,629**	**$ 73**	**$ (6,423)**	**$ (2,596)**	**$ 187**	**$ —**	**$ 68**	**$ (515)**	**$ (6,230)**	**$ 1,946**	**$ (4,284)**
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 income	—	—	—	6	—	—	—	—	—	6	—	6
OCI	—	—	—	—	(59)	—	2	37	(6)	(26)	23	(3)
	—	—	—	6	(59)	—	2	37	(6)	(20)	23	3
Dividends	—	—	—	(6)	—	—	—	—	—	(6)	—	(6)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(48)	(48)
Share-based expense	—	—	—	—	—	9	—	—	—	9	—	9
Change in NCI	—	—	—	(92)	—	—	—	—	—	(92)	92	—
As at March 31, 2017[1]	$ 347	$ 2,152	$ 73	$ (5,808)	$ (2,831)	$ 137	$ 8	$ (86)	$ (155)	$ (6,163)	$ 1,738	$ (4,425)

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] See Note 20 – Share Capital 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 March 31 2018	2017 restated [1]
Operating activities			
Net income		**$ 44**	$ 6
Non-cash items			
Amortization		**62**	78
Impairment charges on PP&E	6	**2**	—
Deferred income taxes		**6**	—
Gains on disposals of PP&E	6	**(4)**	(2)
Share of income of joint ventures and associates		**(20)**	(32)
Share-based expense	21	**16**	9
Dividends received from joint ventures and associates		**17**	2
Net change in non-cash balances	22	**(594)**	(378)
Cash flows from operating activities		**(471)**	(317)
Investing activities			
Additions to PP&E and intangible assets		**(267)**	(281)
Proceeds from disposals of PP&E and intangible assets		**17**	5
Other		**38**	28
Cash flows from investing activities		**(212)**	(248)
Financing activities			
Repayments of long-term debt		**(7)**	(9)
Net change in short-term borrowings		**—**	107
Dividends paid[2]		**(6)**	(4)
Issuance of Class B Shares	20	**476**	—
Dividends to NCI		**(51)**	(48)
Other		**—**	10
Cash flows from financing activities		**412**	56
Effect of exchange rates on cash and cash equivalents		**67**	12
Net decrease in cash and cash equivalents		**(204)**	(497)
Cash and cash equivalents at beginning of period[3]	11	**3,057**	3,384
Cash and cash equivalents at end of period[3]	11	**$ 2,853**	$ 2,887
Supplemental information[4][5]			
Cash paid for			
Interest		**$ 150**	$ 136
Income taxes		**$ 19**	$ 13
Cash received for			
Interest		**$ 8**	$ 6
Income taxes		**$ 1**	$ 2

[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 – Assets held for sale 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 three-month period ended March 31, 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-month period ended March 31, 2018 were authorized for issuance by the Board of Directors on May 2, 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
	March 31, 2018	December 31, 2017	January 1, 2017
Euro	**1.2321**	1.1993	1.0541
Canadian dollar	**0.7752**	0.7975	0.7430
Pound sterling	**1.4083**	1.3517	1.2312

		Average exchange rates for the three-month periods ended
	March 31, 2018	March 31, 2017
Euro	**1.2284**	1.0645
Canadian dollar	**0.7926**	0.7557
Pound sterling	**1.3901**	1.2376

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 their 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 inter-segment 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). Although this impacts the timing of revenues and profit recognition for the Aerostructures and Engineering Services segment, since it is inter-segment there is no impact on the consolidated results of the Corporation.

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 March 31, 2017
Comprehensive loss as previously reported	$ (21)
Net loss:	
Customer options	6
Variable consideration	24
Onerous contract provisions	15
Significant financing component	(5)
Taxes and other	(3)
Net change to net loss	37
OCI	
CCTD	(13)
Net increase to comprehensive income	24
Comprehensive income as restated	$ 3

	As at March 31, 2017
Equity as previously reported	$ (3,555)
Customer options	(629)
Variable consideration	(61)
Onerous contract provisions	(139)
Significant financing component	(30)
CCTD, taxes and other	(11)
Net change to equity	(870)
Equity as restated	$ (4,425)

	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 decrease 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 March 31, 2017		
	As previously reported	Adjustments	As restated
Revenues	$ 3,576	$ 29	$ 3,605
Cost of sales	3,167	(16)	3,151
Gross margin	409	45	454
SG&A	260	—	260
R&D	44	—	44
Share of income of joint ventures and associates	(32)	—	(32)
Other expense	9	—	9
Special items	23	—	23
EBIT	105	45	150
Financing expense	154	5	159
Financing income	(25)	—	(25)
EBT	(24)	40	16
Income taxes	7	3	10
Net income (loss)	$ (31)	$ 37	$ 6
Attributable to			
Equity holders of Bombardier Inc.	$ (28)	$ 34	$ 6
NCI	(3)	3	—
	$ (31)	$ 37	$ 6
EPS (in dollars)			
Basic and diluted	$ (0.02)	$ 0.02	$ 0.00

	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 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	$	(58)	$	1,173
Contract assets		—		3,520		3,520
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	$	969	$	25,975
Liabilities						
Trade and other payables	$	4,194	$	(230)	$	3,964
Provisions		1,751		1,742		3,493
Contract liabilities		—		5,069		5,069
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		1,932		30,670
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	$	969	$	25,975

						January 1, 2017
		As previously reported		Adjustments		As restated
Assets						
Trade and other receivables	$	1,291	$	(47)	$	1,244
Contract assets		—		2,243		2,243
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	$	605	$	23,431
Liabilities						
Trade and other payables	$	3,239	$	(194)	$	3,045
Provisions		2,266		1,511		3,777
Contract liabilities		—		5,475		5,475
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		1,499		27,814
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	$	605	$	23,431

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, the onerous contract provisions related to long-term contracts in Transportation were reclassified from inventories to provisions. Refer to Note 16 - Provisions for more details on onerous contracts.

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 26 - 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 a broad portfolio of commercial aircraft in the 60- to 150-seat categories, including the *Q400* turboprops, the *CRJ Series* family of regional jets as well as the all-new *C Series* mainline jets. Commercial Aircraft provides aftermarket support for these aircraft as well as for the 20- to 59-seat range category.

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 March 31, 2018	
		Transportation		**Business Aircraft**		**Commercial Aircraft**		**Aerostructures and Engineering Services**		**Corporate and Elimination**		**Total**
Results of operations												
External revenues	**$**	**2,354**	**$**	**1,110**	**$**	**463**	**$**	**101**	**$**	**—**	**$**	**4,028**
Intersegment revenues		**1**		**—**		**—**		**345**		**(346)**		**—**
Total revenues		**2,355**		**1,110**		**463**		**446**		**(346)**		**4,028**
EBIT before special items		**189**		**98**		**(73)**		**47**		**(60)**		**201**
Special items[1]		**(2)**		**1**		**—**		**1**		**—**		**—**
EBIT	**$**	**191**	**$**	**97**	**$**	**(73)**	**$**	**46**	**$**	**(60)**		**201**
Financing expense												**162**
Financing income												**(38)**
EBT												**77**
Income taxes												**33**
Net income											**$**	**44**
Other information												
R&D[2]	**$**	**28**	**$**	**14**	**$**	**4**	**$**	**1**	**$**	**—**	**$**	**47**
Net additions to PP&E and intangible assets[3]	**$**	**25**	**$**	**188**	**$**	**16**	**$**	**10**	**$**	**11**	**$**	**250**
Amortization	**$**	**25**	**$**	**16**	**$**	**1**	**$**	**13**	**$**	**7**	**$**	**62**
Impairment charges on PP&E	**$**	**—**	**$**	**—**	**$**	**—**	**$**	**—**	**$**	**2**	**$**	**2**

[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 March 31, 2017 [1]	
		Transportation		Business Aircraft		Commercial Aircraft		Aerostructures and Engineering Services		Corporate and Elimination		Total
Results of operations												
External revenues	$	1,951	$	1,022	$	524	$	107	$	1	$	3,605
Intersegment revenues		1		—		1		291		(293)		—
Total revenues		1,952		1,022		525		398		(292)		3,605
EBIT before special items		183		82		(56)		15		(51)		173
Special items[2]		19		3		1		—		—		23
EBIT	$	164	$	79	$	(57)	$	15	$	(51)		150
Financing expense												159
Financing income												(25)
EBT												16
Income taxes												10
Net income											$	6
Other information												
R&D[3]	$	19	$	11	$	9	$	1	$	4	$	44
Net additions to PP&E and intangible assets[4]	$	6	$	208	$	75	$	8	$	(21)	$	276
Amortization	$	24	$	20	$	18	$	16	$	—	$	78

[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:

		March 31, 2018		December 31, 2017 [1]		January 1, 2017 [1]
Assets						
Total assets	**$**	**26,726**	$	25,975	$	23,431
Assets not allocated to segments						
Cash and cash equivalents		**2,853**		3,057		3,384
Income tax receivable[2]		**56**		60		41
Deferred income taxes		**615**		595		698
Segmented assets		**23,202**		22,263		19,308
Liabilities						
Total liabilities		**31,010**		30,670		27,814
Liabilities not allocated to segments						
Interest payable[3]		**157**		139		141
Income taxes payable[4]		**197**		187		217
Long-term debt[5]		**9,217**		9,218		8,769
Segmented liabilities	**$**	**21,439**	$	21,126	$	18,687
Net segmented assets						
Transportation	**$**	**(565)**	$	(1,106)	$	(754)
Business Aircraft	**$**	**2,222**	$	2,178	$	1,393
Commercial Aircraft	**$**	**342**	$	311	$	293
Aerostructures and Engineering Services	**$**	**208**	$	190	$	62
Corporate and Elimination	**$**	**(444)**	$	(436)	$	(373)

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] Included in other assets.
[3] Included in trade and other payables.
[4] Included in other liabilities.
[5] 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 March 31			
		2018		2017 [1]
Business Aircraft				
Manufacturing and Other[2]	**$**	**839**	$	773
Services[3]		**271**		249
		1,110		1,022
Commercial Aircraft[4]		**463**		525
Aerostructures and Engineering Services				
External revenues		**101**		107
Intersegment revenues		**345**		291
		446		398
Transportation				
Rolling stock and systems[5]		**1,607**		1,320
Services[6]		**537**		434
Signalling[7]		**211**		198
		2,355		1,952
Corporate and Elimination		**(346)**		(292)
	$	**4,028**	$	3,605

[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 March 31	
	2018	2017
R&D expenditures	**$ 237**	$ 243
Less: development expenditures capitalized to aerospace program tooling	**(203)**	(216)
	34	27
Add: amortization of aerospace program tooling	**13**	17
	$ 47	$ 44

6. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended March 31	
	2018	2017
Changes in estimates and fair value[1]	**$ (23)**	$ 10
Gains on disposals of PP&E	**(4)**	(2)
Impairment of PP&E	**2**	—
Severance and other involuntary termination costs (including changes in estimates)[2]	**—**	1
	$ (25)	$ 9

[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 March 31	
	2018	2017
Restructuring charges[1]	**$ 1**	$ 23
Reversal of *Learjet 85* aircraft program cancellation provisions[2]	**(1)**	—
Tax impacts of special items	**—**	(1)
	$ —	$ 22
Of which is presented in		
Special items in EBIT	**$ —**	$ 23
Income taxes - effect of special items	**—**	(1)
	$ —	$ 22

[1] Represents severance charges of $1 million for three-month period ended March 31, 2018 related to previously-announced restructuring actions ($23 million for the three-month period ended March 31, 2017).
[2] 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 three-month period ended March 31, 2018 (nil for the three-month period ended March 31, 2017). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended March 31	
	2018	2017 [1]
Financing expense		
Accretion on net retirement benefit obligations	**$ 19**	$ 19
Accretion on other financial liabilities	**18**	13
Accretion on provisions	**6**	5
Accretion on advances[2]	**6**	5
Amortization of letter of credit facility costs	**4**	4
Changes in discount rates of provisions	**—**	5
Other	**18**	13
	71	64
Interest on long-term debt, after effect of hedges	**91**	95
	$ 162	$ 159
Financing income		
Net gain on certain financial instruments[3]	**$ (16)**	$ (13)
Changes in discount rates of provisions	**(10)**	—
Other	**(2)**	(2)
	(28)	(15)
Interest on cash and cash equivalents	**(5)**	(3)
Income from investment in securities	**(3)**	(5)
Interest on loans and lease receivables, after effect of hedges	**(2)**	(2)
	(10)	(10)
	$ (38)	$ (25)

(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.

Borrowing costs capitalized to PP&E and intangible assets totalled $59 million for the three-month period ended March 31, 2018, using an average capitalization rate of 6.62% ($38 million and 5.95% for the three-month period ended March 31, 2017). 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 March 31	
	2018	2017 [(1)]
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)		
Net income attributable to equity holders of Bombardier Inc.	**$ 38**	$ 6
Preferred share dividends, including taxes	**(7)**	(6)
Net income attributable to common equity holders of Bombardier Inc.	**$ 31**	$ —
Weighted-average number of common shares outstanding	**2,201,855**	2,194,840
Net effect of stock options, PSUs, DSUs, RSUs, warrants and conversion option	**168,496**	—
Weighted-average diluted number of common shares	**2,370,351**	2,194,840
EPS (in dollars)		
Basic and diluted	**$ 0.01**	$ 0.00

(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 13,355,956 for the three-month period ended March 31, 2018 (353,224,055 for the three-month period ended March 31, 2017) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation’s Class B Shares (subordinate voting) or predetermined financial performance targets had not been met or the effect of the exercise would be antidilutive. The calculation of diluted EPS did not include the impact of the CDPQ conversion option as this was antidilutive. This is because CDPQ’s minimum return entitlement was greater than their share of the BT Holdco net income on an as converted basis assuming the maximum CDPQ ownership on conversion if Transportation does not achieve its performance targets. The Corporation’s obligation to fund the CSALP through issuance of additional units is not dilutive since the subscription price approximates the fair value of the equity to be acquired.

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**
March 31, 2018							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 2,781**	**$ —**	**$ 2,781**	**$ 2,781**
Trade and other receivables	**—**	**—**	**—**	**1,329**	**—**	**1,329**	**1,329**
Other financial assets	**369**	**—**	**320**	**290**	**190**	**1,169**	**1,188**
	$ 369	**$ —**	**$ 320**	**$ 4,400**	**$ 190**	**$ 5,279**	**$ 5,298**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 4,353**	**$ —**	**$ 4,353**	**$ 4,353**
Long-term debt[(1)]	**—**	**—**	**n/a**	**9,217**	**—**	**9,217**	**9,488**
Other financial liabilities	**386**	**68**	**n/a**	**738**	**193**	**1,385**	**1,479**
	$ 386	**$ 68**	**n/a**	**$ 14,308**	**$ 193**	**$ 14,955**	**$ 15,320**

	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	—	—	—	1,173	—	1,173	1,173
Other financial assets	79	216	361	331	253	1,240	1,278
	$ 3,067	$ 216	$ 361	$ 1,504	$ 253	$ 5,401	$ 5,439
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	—	—	—	1,244	—	1,244	1,244
Other financial assets	144	227	374	310	196	1,251	1,272
	$ 3,528	$ 227	$ 374	$ 1,554	$ 196	$ 5,879	$ 5,900
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:

	March 31, 2018	December 31, 2017	January 1, 2017
Cash and cash equivalents[1]	**$ 2,853**	$ 3,057	$ 3,384
Reclassified as assets held for sale	**72**	69	—
Cash and cash equivalents	**$ 2,781**	$ 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 – Assets held for sale for more details on the CSALP assets and liabilities reclassification.

12. CONTRACT BALANCES

Contract assets were as follows, as at:

	March 31, 2018	December 31, 2017	January 1, 2017
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**$ 9,923**	$ 9,394	$ 7,466
Less: advances and progress billings	**(6,631)**	(6,192)	(5,422)
	3,292	3,202	2,044
Service contracts			
Cost incurred and recorded margins	**650**	361	273
Less: advances and progress billings	**(46)**	(43)	(74)
	604	318	199
	$ 3,896	$ 3,520	$ 2,243

Contract liabilities were as follows, as at:

	March 31, 2018	December 31, 2017	January 1, 2017
Advances on aerospace programs	**$ 2,200**	$ 2,120	$ 3,110
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**1,923**	1,959	1,459
Other deferred revenues	**888**	990	906
	$ 5,011	$ 5,069	$ 5,475
Of which current	**$ 3,655**	$ 3,797	$ 3,802
Of which non-current	**1,356**	1,272	1,673
	$ 5,011	$ 5,069	$ 5,475

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 €539 million ($664 million) as at March 31, 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:

	March 31, 2018	December 31, 2017 [1]	January 1, 2017 [1]
Aerospace programs	**$ 2,680**	$ 2,472	$ 3,187
Finished products[2]	**845**	749	904
Other	**149**	208	195
	$ 3,674	$ 3,429	$ 4,286

[1] Restated, refer to Note 2 for the impact of changes in accounting policies.
[2] Finished products include 3 new aircraft not associated with a firm order and 3 pre-owned aircraft, totaling $86 million as at March 31, 2018 (3 new aircraft and 5 pre-owned aircraft, totaling $93 million as at December 31, 2017 and 1 new aircraft and 12 pre-owned aircraft, totaling $67 million as at January 1, 2017).

The amount of inventories recognized as cost of sales totalled $1,279 million for the three-month period ended March 31, 2018 ($1,245 million for the three-month period ended March 31, 2017). These amounts include $87 million of write-downs for the three-month period ended March 31, 2018 ($79 million of write-downs and $8 million of reversal of write-downs for the three-month period ended March 31, 2017).

14. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	March 31, 2018	December 31, 2017	January 1, 2017
Investments in securities[1][2]	**$ 320**	$ 361	$ 380
Derivative financial instruments	**316**	332	340
Long-term contract receivables	**263**	253	231
Investments in financing structures[2]	**218**	219	211
Aircraft loans and lease receivables[2]	**27**	49	64
Restricted cash	**10**	12	10
Other	**15**	14	15
	$ 1,169	$ 1,240	$ 1,251
Of which current	**$ 363**	$ 415	$ 336
Of which non-current	**806**	825	915
	$ 1,169	$ 1,240	$ 1,251

[1] Includes $15 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 March 31, 2018 ($51 million as at December 31, 2017, and $78 million as at January 1, 2017).
[2] Carried at fair value, except for $2 million of aircraft loans and lease receivables at amortized cost as at March 31, 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).

15. OTHER ASSETS

Other assets were as follows, as at:

	March 31, 2018	December 31, 2017 [1]	January 1, 2017 [1]
Retirement benefits	**$ 261**	$ 290	$ 124
Sales tax and other taxes	**218**	262	238
Prepaid sales concessions	**157**	174	274
Prepaid expenses	**133**	107	145
Intangible assets other than aerospace program tooling and goodwill	**127**	120	112
Income taxes receivable	**56**	60	41
Deferred financing charges	**36**	40	51
Other	**13**	17	30
	$ 1,001	$ 1,070	$ 1,015
Of which current	**$ 377**	$ 427	$ 427
Of which non-current	**624**	643	588
	$ 1,001	$ 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-month periods ended March 31:

	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**	**$ 2,484**	**$ 214**	**$ 4,201**
Additions	**32**	**—**	**3** [4]	**68**	**5**	**108**
Utilization	**(50)**	**(58)**	**(29)**	**(105)**	**(2)**	**(244)**
Reversals	**(10)**	**(2)**	**(2)**	**(78)**	**—**	**(92)**
Accretion expense	**—**	**3**	**—**	**3**	**—**	**6**
Effect of changes in discount rates	**—**	**(4)**	**—**	**(6)**	**—**	**(10)**
Reclassified as liabilities directly associated with assets held for sale [5]	**(12)**	**—**	**—**	**(638)**	**—**	**(650)**
Effect of foreign currency exchange rate changes	**9**	**—**	**5**	**41**	**2**	**57**
Balance as at March 31, 2018	**$ 641**	**$ 493**	**$ 254**	**$ 1,769**	**$ 219**	**$ 3,376**
Of which current	**$ 545**	**$ 48**	**$ 101**	**$ 1,769**	**$ 192**	**$ 2,655**
Of which non-current	**96**	**445**	**153**	**—**	**27**	**721**
	$ 641	**$ 493**	**$ 254**	**$ 1,769**	**$ 219**	**$ 3,376**

	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	$ 2,268	$ 166	$ 3,777
Additions	53	4	24 [4]	103	3	187
Utilization	(44)	—	(42)	(121)	(28)	(235)
Reversals	(14)	(13)	(2)	(50)	(1)	(80)
Accretion expense	—	2	—	2	1	5
Effect of changes in discount rates	—	—	—	5	—	5
Effect of foreign currency exchange rate changes	9	—	3	22	1	35
Balance as at March 31, 2017 [2]	$ 674	$ 555	$ 94	$ 2,229	$ 142	$ 3,694
Of which current	$ 522	$ 62	$ 89	$ 1,454	$ 20	$ 2,147
Of which non-current	152	493	5	775	122	1,547
	$ 674	$ 555	$ 94	$ 2,229	$ 142	$ 3,694

[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 – Assets held for sale for more details on the CSALP assets and liabilities reclassification.
[4] See Note 7 – Special items for more details on additions related to restructuring charges.
[5] See Note 19 – Assets held for sale for more details on the CSALP assets and liabilities reclassification.

17. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

		March 31, 2018		December 31, 2017		January 1, 2017
Derivative financial instruments	**$**	**579**	$	538	$	627
Government refundable advances		**571**		550		395
Lease subsidies		**68**		74		141
Current portion of long-term debt		**10**		18		31
Vendor non-recurring costs		**10**		13		351
Sale and leaseback obligations		**—**		—		25
Other		**157**		114		37
	$	**1,395**	$	1,307	$	1,607
Of which current	**$**	**355**	$	342	$	608
Of which non-current		**1,040**		965		999
	$	**1,395**	$	1,307	$	1,607

18. OTHER LIABILITIES

Other liabilities were as follows, as at:

		March 31, 2018		December 31, 2017 [1]		January 1, 2017 [1]
Employee benefits	**$**	**771**	$	690	$	652
Accruals for long-term contract costs		**678**		640		579
Supplier contributions to aerospace programs		**387**		388		650
Income taxes payable		**197**		187		217
Other taxes payable		**93**		234		163
Other		**176**		179		264
	$	**2,302**	$	2,318	$	2,525
Of which current	**$**	**1,726**	$	1,723	$	1,634
Of which non-current		**576**		595		891
	$	**2,302**	$	2,318	$	2,525

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

19. ASSETS HELD FOR SALE

On October 16, 2017, the Corporation entered into an agreement with Airbus SE (Airbus) whereby Airbus will provide procurement, sales and marketing, and customer support expertise to the CSALP, the entity that manufactures and sells the *C Series* aircraft. At closing, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Québec (IQ) will own approximately 33% and 17% respectively. The Corporation is moving ahead and is making progress obtaining regulatory approvals for the partnership with Airbus for the *C Series* aircraft. The Corporation expects to obtain all approvals for the partnership before the end of the second quarter. Therefore, management believes closing of the transaction is highly probable.

CSALP's headquarters and primary assembly line and related functions will remain in Québec, with the support of Airbus' global reach and scale. Airbus' global industrial footprint will expand with the final assembly line in Canada and additional *C Series* aircraft production at Airbus' manufacturing site in Alabama, U.S.

Ownership Structure and Agreement Highlights

The *C Series* aircraft program is operated by CSALP in respect of which Bombardier and IQ held approximately a 65% and a 35% interest respectively as at March 31, 2018. The Investment Agreement contemplates Airbus acquiring a 50.01% interest in CSALP. Airbus will enter into commercial agreements relating to (i) sales and marketing support services for the *C Series* aircraft program, (ii) management of procurement, which will include leading negotiations to improve CSALP level supplier agreements, and (iii) customer support. At closing, there will be no cash contribution by any of the partners, nor will CSALP assume any financial debt. It also contemplates that Bombardier will continue with its current funding plan of CSALP and will fund, if required, the cash shortfalls of CSALP during the first year following the closing up to a maximum amount of $350 million plus up to an additional $225 million for certain reimbursable supplier advances in CSALP, and during the second and third years following the closing up to a maximum aggregate amount of $350 million over both years, in consideration for non-voting participating units of CSALP with cumulative annual dividends of 2%, with any excess shortfall during such periods to be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion.

Airbus will benefit from call rights in respect of all of Bombardier's interest in CSALP at fair market value, with the amount for non-voting participating units capped at the invested amount plus accrued but unpaid dividends, including a call right exercisable no earlier than 7.5 years following the closing, except in the event of certain circumstances such as changes in the control of Bombardier, in which case the right is accelerated. Bombardier will benefit from a corresponding put right whereby it could require that Airbus acquire its interest at fair market value after the expiry of the same period. IQ's interest is redeemable at fair market value by CSALP, under certain conditions, starting in 2023. IQ will benefit from a corresponding put right whereby it could require that CSALP, under certain conditions, acquire its interest at fair market value starting in 2023. IQ will also benefit from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

The Board of Directors of CSALP will initially consist of seven directors, four of whom will be proposed by Airbus, two of whom will be proposed by Bombardier, and one of whom will be proposed by IQ. Airbus will be entitled to name the Chairman of CSALP.

The transaction also provides for the issuance to Airbus, upon closing, of warrants exercisable to acquire up to 100,000,000 Class B Shares (subordinate voting) of Bombardier, at an exercise price per share equal to the US$ equivalent of $2.29 CDN. The warrants will have a five-year term from the date of issue, will not be listed and will provide for 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. The Toronto Stock Exchange (TSX) has determined to accept notice of the private placement of such warrants and has conditionally approved the listing of the Class B Shares issuable pursuant to the terms of the warrants on the TSX. Listing will be subject to Bombardier fulfilling all of the listing requirements of the TSX.

The transaction has been approved by the Boards of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The transaction remains subject to regulatory approvals which have nearly all been obtained, as well as other conditions usual in this type of transaction. Completion of the transaction is currently expected before the end of the second quarter.

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

		March 31, 2018		December 31, 2017 [1]
Cash and cash equivalents	$	72	$	69
Other current assets [2]		1,084		1,043
Non-current assets [3]		3,054		3,038
Total assets	**$**	**4,210**	$	4,150
Current liabilities [4]	$	971	$	971
Non-current liabilities [5]		1,703		1,715
Total liabilities	**$**	**2,674**	$	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.

In addition, CSALP has $43 million of accumulated OCI as at March 31, 2018 ($32 million of accumulated OCI as at December 31, 2017).

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

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 March 31
			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	**168,571**	**—**	**—**	637,022	—	—
Exercised	**—**	**—**	**—**	—	—	—
Forfeited	**(974,572)**	**—**	**(201,978)**	(840,383)	—	(349,605)
Balance at end of period	**66,325,351**	**1,154,381** [1]	**20,596,123**	39,121,351	2,677,843 [1]	21,709,319

[1] Of which 1,154,381 DSUs are vested as at March 31, 2018 (1,260,639 as at March 31, 2017).

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to $11 million during the three-month period ended March 31, 2018 ($6 million during the three-month period ended March 31, 2017).

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 March 31	
	2018	2017
Balance at beginning of period	**116,307,725**	97,039,186
Granted	**—**	1,356,607
Exercised	**(63,297)**	—
Forfeited	**—**	(1,006,798)
Expired	**(87,436)**	(130,730)
Balance at end of period	**116,156,992**	97,258,265

A compensation expense of $5 million was recorded during the three-month period ended March 31, 2018, with respect to share option plans ($3 million for the three-month period ended March 31, 2017).

22. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31			
		2018 [1]		2017 [2]
Trade and other receivables	**$**	**(117)**	$	114
Inventories		**(356)**		(268)
Contract assets		**(277)**		(320)
Contract liabilities		**(65)**		(142)
Other financial assets and liabilities, net		**49**		56
Other assets		**94**		4
Trade and other payables		**367**		283
Provisions		**(232)**		(121)
Retirement benefit liability		**22**		13
Other liabilities		**(79)**		3
	$	**(594)**	$	(378)

[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 – Assets held for sale 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 ($4,386-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 ($788-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 ($739 million) to €750 million ($924 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.

24. 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.

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 March 31, 2018:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	$ **25**	$ **—**	$ **—**	$ **25**
Derivative financial instruments[1]	**316**	**—**	**316**	**—**
Investments in securities	**320**	**46**	**274**	**—**
Investments in financing structures	**218**	**—**	**—**	**218**
	$ **879**	$ **46**	$ **590**	$ **243**
Financial liabilities				
Lease subsidies	$ **(68)**	$ **—**	$ **—**	$ **(68)**
Derivative financial instruments[1]	**(579)**	**—**	**(268)**	**(311)**
	$ **(647)**	$ **—**	$ **(268)**	$ **(379)**

[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-month period ended:

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option
Balance as at December 31, 2017	**$ 47**	**$ 219** [1]	**$ (6)**	**$ (122)**	**$ (304)**
Net gains (losses) and interest included in net income[2]	**(2)**	**2**	**—**	**(1)**	**—**
Settlements	**(20)**	**(3)**	**6**	**7**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**(7)**
Balance as at March 31, 2018	**$ 25**	**$ 218**	**$ —**	**$ (116)**	**$ (311)**
Reclassified as liabilities directly associated with assets held for sale[3]	—	—	—	48	—
Balance as at March 31, 2018	**$ 25**	**$ 218**	**$ —**	**$ (68)**	**$ (311)**

	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[2]	2	1	—	(1)	(2)
Settlements	(4)	(1)	—	9	—
Effect of foreign currency exchange rate changes	—	—	—	—	(3)
Balance as at March 31, 2017	$ 60	$ 165	$ (6)	$ (133)	$ (175)

[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-month period ended March 31, 2018, which is recorded in financing income ($1 million represents realized gains for the three-month period ended March 31, 2017, which is recorded in financing income).
[3] See Note 19 – Assets held for sale for more details on the CSALP assets and liabilities reclassification.

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 March 31, 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 CCC (B+)
Discount rate adjustments for marketability	9.92%	Between 1.78% and 8.29% (6.57%)	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 March 31, 2018:

Impact on EBT		**Change of assumptions**		
Change in fair value recognized in EBT for the :				
Gain (loss)	**Three-month period ended March 31, 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	$ (3)	$ (1)	$ (1)	$ (1)
Investment in financing structures	$ (2)	$ (5)	$ (11)	$ (8)
Lease subsidies	$ —	n/a	$ 1	n/a

n/a: Not applicable

Conversion option
Sensitivity analysis
A 5% decrease in the expected future performance of the Transportation segment would have resulted in a decrease in the fair value with a corresponding gain recognized in EBT for the three-month period ended March 31, 2018 of $22 million.

A 5% increase in the expected future performance of the Transportation segment would have resulted in an increase in the fair value with a corresponding loss recognized in EBT for the three-month period ended March 31, 2018 of $27 million.

25. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2018	December 31, 2017	January 1, 2017
Aircraft sales			
Residual value	**$ 915**	$ 1,060	$ 1,300
Credit	**1,161**	1,221	1,233
Mutually exclusive exposure[(1)]	**(531)**	(540)	(557)
Total credit and residual value exposure	**$ 1,545**	$ 1,741	$ 1,976
Trade-in commitments	**$ 1,247**	$ 1,437	$ 1,721
Conditional repurchase obligations	**$ 143**	$ 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 $493 million as at March 31, 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 $116 million as at March 31, 2018 ($122 million as at December 31, 2017 and $141 million as at January 1, 2017).

The Corporation has committed to invest additional capital contributions in CSALP up to a maximum amount of $1.0 billion in case of any liquidity shortfall in CSALP, of which as at March 31, 2018, the Corporation has contributed $849 million in CSALP.

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 March 31, 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.

<u>Transportation</u>
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 signaling 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 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.

<u>Investigation in Brazil</u>
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. 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. The Corporation has not received any communication or request for information from the authorities conducting the inquiry. 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"). There are currently no charges nor allegations that BEI breached any law. Under Spanish law, the inspection is referred to as a "preliminary investigation", and not as a formal investigation. 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 is no formal next step as yet determined by the CNMC in this preliminary investigation. 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.

26. 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	$ 1,148	$ 668	$ 195	$ 171	$ 114
Allowance for doubtful accounts	(70)	—	—	—	(70)
	$ 1,078	$ 668	$ 195	$ 171	$ 44
Other	95				
Total	$ 1,173				
January 1, 2017					
Trade receivables, gross	$ 1,162	$ 814	$ 118	$ 121	$ 109
Allowance for doubtful accounts	(44)	—	—	—	(44)
	$ 1,118	$ 814	$ 118	$ 121	$ 65
Other	126				
Total	$ 1,244				

E. CONTRACT BALANCES

Revenues recognized were as follows for fiscal years:

	2017
Revenues recognized from:	
Contract liability balance at the beginning of the period	
Long term production and service contracts	$ 1,642
Advances on aerospace programs	1,158
	$ 2,800

Impairment losses recognized were as follows for fiscal years:

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

F. PROVISIONS

Changes in provisions were as follows, for fiscal year:

	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	$ 2,268	$ 166	$ 3,777
Additions	227	81	265	576	106	1,255
Utilization	(167)	(86)	(104)	(408)	(59)	(824)
Reversals	(108)	(2)	(14)	(119)	(11)	(254)
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	156	7	232
Balance as at December 31, 2017	$ 659	$ 554	$ 277	$ 1,789	$ 214	$ 3,493
Of which current	$ 557	$ 72	$ 126	$ 1,772	$ 185	$ 2,712
Of which non-current	102	482	151	17	29	781
	$ 659	$ 554	$ 277	$ 1,789	$ 214	$ 3,493

[1] Mainly comprised of claims and litigations.
[2] See Note 19 – Assets held for sale 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	$ 107
Inventories	(42)
Contract assets	(1,006)
Contract liabilities	105
Other financial assets and liabilities, net	325
Other assets	(73)
Trade and other payables	1,028
Provisions	96
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 – Assets held for sale for more details on the CSALP assets and liabilities reclassification.

27. EVENT AFTER THE REPORTING DATE

Sale of Downsview

The Corporation has entered into a definitive agreement to sell the Downsview property for gross proceeds of approximately $635 million to the Public Sector Pension Investment Board (PSP Investments), subject to customary closing conditions. The transaction allows the Corporation to monetize an underutilized asset and is expected to close in the second quarter of 2018. It will increase cash by more than $550 million net of transaction and other associated costs, and will result in accounting gain of a similar amount which will be treated as a special item. Additionally, pursuant to an agreement with PSP Investments, the Corporation will continue to operate from Downsview for a period of up to three years following closing, with two optional one-year extension periods.

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