2015

FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2015

BOMBARDIER

the evolution of mobility

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All amounts in this financial report are in U.S. dollars unless otherwise indicated.



Alain Bellemare
President and
Chief Executive Officer

DRIVING PERFORMANCE

Across Bombardier, 2015 was a year of unprecedented change. We put the entire organization—our leadership, business models, operating footprint, product portfolio, procedures and processes—under intense scrutiny. We're leaving no stone unturned as we pave the way to improved performance and sustained success.

The past year was both an exciting and challenging one at Bombardier. Today the path ahead is crystal-clear. We know what needs to be done to transform the business and ramp up our efficiency. We're engaging all of our employees in a rigorous process that will enhance customer satisfaction and return Bombardier to greater profitability.

2015: SETTING THE STAGE

Aided by comprehensive independent reviews of our operations, senior leaders spent much of 2015 setting the stage for significantly improved performance. We took several decisive steps to strengthen our foundation and stabilize our business. This included creating a strong leadership team with deep industry, functional and turnaround expertise, an action that increased our credibility with the market and customers alike.

In October, the Québec government announced a $1-billion equity investment to secure a 49.5% stake in our game-changing *C Series* aircraft program. This will help propel the *C Series* to long-term success. One month later, the Caisse de dépôt et placement du Québec (CDPQ) announced a $1.5-billion equity investment for a 30% stake in our rail transportation business. These strategic investments give us the financial strength to execute our plan and build on our great product portfolio.

STRATEGIC ROADMAP

In 2015, we established a strategic roadmap to turn our organization around over the next five years. Transforming the way we do business to better realize our earnings power and improve our cash flow is a top priority. So is achieving superior financial discipline and performance to reinforce our competitiveness. Our roadmap entails three phases: de-risking our business, re-building performance and de-leveraging our balance sheet.

De-risking our business

In 2015, we de-risked our major development programs. This included proactively reducing the production rates of our *Global 5000* and *Global 6000* business jets to align with market demand. We also cancelled our *Learjet 85* program due to the lack of sales following the prolonged weakness in this segment.

The *CS100* commercial jet was certified in late 2015, allowing us to focus on its entry-into-service, on certifying the *CS300* and on developing the *Global 7000* and *Global 8000* business aircraft program.

Re-building performance

As part of our roadmap, we launched a comprehensive framework focusing on four levers to drive performance:

- Grow revenue by leveraging our investments in major programs
- Drive operational improvements by accelerating our cost-reduction and working capital initiatives
- Capture better margins by adjusting our commercial strategies
- Optimize our capital deployment

All of our operational improvements revolve around rebuilding our earnings and free cash flow. At its essence, this operational transformation is about changing mindsets and behaviours to foster a true high-performance culture. Each business segment is implementing extensive cost-reduction and platform right-sizing initiatives. As with the transformation of any large global organization, ours will take time, yet yield substantial benefits.

Our transformation activities will drive down our direct and indirect costs as well as our inventory level. To reduce these costs, we'll leverage our scale as the world's third largest civil aircraft manufacturer and a global leader in rail transportation. This means speaking to suppliers with one Bombardier voice. Combined with other measures, standardizing our parts and material requirements across platforms and businesses will enable us to generate savings without compromising our products.

To meet our working capital targets, we're rolling out a company-wide initiative to optimize inventory turns and achieve benchmark performance. We're now actively sharing best practices across our organization to push our manufacturing processes to a completely new level of performance.

De-leveraging our balance sheet

The roadmap's third phase will kick in as we start to see more benefits from our operational transformation and disciplined capital deployment. During this phase, we'll gradually de-leverage our balance sheet and strengthen our credit metrics as we move towards an optimized capital structure.

2016 AND BEYOND

The coming year will be a time of transition from de-risking to re-building our business and positioning ourselves for margin expansion. Despite the challenges ahead, having sufficient liquidity and a clear roadmap to enhanced performance in each business segment will make all the difference.

Lower revenue due to resetting the *Global 5000* and *Global 6000* production rates, as well as the dilutive impact of the *C Series* ramp-up, will put pressure on our profitability in the short term. However, we anticipate better margins in Business Aircraft and stronger results in rail transportation, which should improve our cash usage.

C Series

The *C Series* is the first family of aircraft designed specifically for the high-potential 100- to 150-seat category. These jets are also this category's first completely new aircraft program in more than 30 years.

The *C Series* commercial jets exceed their original performance targets for range, fuel burn and emissions as well as payload. Their operating economics—lower trip and seat-mile costs—make them a compelling platform for fleet planners. Both the airline industry's recent return to profitability and more stringent environmental regulations will accelerate the retirement of older aircraft and benefit this next-generation aircraft program.

To ensure the program's success, our efforts are focused on three areas. The first is working closely with a great launch customer, Deutsche Lufthansa AG subsidiary Swiss International Air Lines, to deliver an efficient and successful entry-into-service of the *CS100* by mid-year 2016.

The second is building the aircraft's order backlog. We made further progress on this front in February 2016, when we signed a Letter of Intent with Air Canada for the sale of up to 75 *CS300* aircraft. This landmark commitment from a major international airline based in North America complements previous orders in Europe and Asia. Overall, we have now received orders and commitments for a total of 678 *C Series* aircraft worldwide.

The third success factor is driving efficiencies in our ramp-up plan. This includes leveraging our improved procurement process to lower unit costs. It also means reducing the costs associated with early *C Series* production units as quickly as

possible to move the program to positive annual cash flow by 2020. (1)

Global 7000 and Global 8000

In business aircraft, we're the industry leader in terms of deliveries and installed base in categories where we compete. We have the industry's strongest backlog and a broad product lineup with market-leading jets in every segment.

Like the *C Series*, the *Global 7000* is a segment-defining jet. It will be Business Aircraft's key source of growth in the years to come. Accelerated component and system level testing are under way as we drive towards first flight. A state-of-the-art production system, including a world-class assembly line, is in place to ensure an efficient ramp-up.

Rail transportation

Given worldwide mega-trends such as population growth, urbanization and city congestion and pollution, mass transportation is mission critical for cities of the future. It provides the greenest and most sustainable mode of transport. Rail transportation is also among the first industries to benefit from economic stimulus programs.

Bombardier is a global leader in rail transportation with world-class solutions and strong customer relationships across all segments and geographies. The CDPQ's investment speaks volumes about the strength of our rail transportation strategy and activities.

To reinforce our leadership in this resilient market, we'll focus on three key drivers of our future success: satisfying customers, securing strategic orders and efficiently converting our year-end order backlog of over $30 billion into profitable revenue. At the same time, our installed base of more than 100,000 vehicles will continue to generate after-sales business and repeat orders for us.

TARGETS

In 2015, we established a series of company-wide targets. By 2018, we aim to be free cash flow positive. Our goal for 2020 is to become a $25-billion business in revenue, supported by a strong backlog and winning product portfolio. We're also targeting a 7% to 8% EBIT margin and free cash flow greater than 80% of our net income. (1)

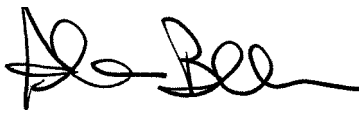
TIME TO DELIVER

At Bombardier, we have everything we need to succeed.

This includes robust fundamentals and a clear pathway for improvement. We have global scale with 2015 revenue of some $18 billion and four great businesses with outstanding products. We're present in growing markets with strong demand that's driven by infrastructure spending and global trends. Our people are highly skilled with deep expertise. We have new programs and a strong backlog. We're a market leader in rail transportation and business aircraft; we're growing in commercial aircraft; and we have industry-leading capabilities in aerostructures manufacturing.

Today success is about more than being a leader; it involves delighting our customers by executing, as promised, on our programs and contracts. It's about transforming our operations and creating a high-performance culture with strong financial discipline. It's also about driving performance and generating sustainable value for our shareholders. This is how we intend to ensure Bombardier's mid-term financial performance and long-term success.

(1) Please refer to the Guidance and forward-looking statements section and the forward-looking statement disclaimer in Overview as well as the Guidance and forward-looking statements section in each reportable segment for more details. Also refer to the inside back cover of this report for the assumptions related to these forward-looking statements.



Alain Bellemare
President and Chief Executive Officer

BOMBARDIER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended December 31, 2015

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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 reportable segment: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation, which is reflective of our organizational structure effective as of January 1, 2015. As a result of the new organization structure, financial results for the year ended December 31, 2014 have been reclassified to conform with the current year presentation. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which impacted period-over-period variances.

The results of operations and cash flows for the fourth quarters 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 reportable 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.

The Financial Report for fiscal year 2015 comprises the message from our President and Chief Executive Officer to shareholders, this MD&A and our consolidated financial statements.

The following table shows the abbreviations used in the MD&A and the consolidated financial statements.

Term	Description	Term	Description
AFS	Available for sale	GAAP	Generally accepted accounting principles
AOCI	Accumulated other comprehensive income	GDP	Gross domestic product
BPS	Basis points	HFT	Held for trading
CAGR	Compound annual growth rate	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CGU	Cash generating unit	IFRIC	International Financial Reporting Interpretation Committee
CIS	Commonwealth of Independent States		
DB	Defined benefit	IFRS	International Financial Reporting Standard(s)
DC	Defined contribution	L&R	Loans and receivables
DDHR	Derivative designated in a hedge relationship	MD&A	Management's discussion and analysis
DSU	Deferred share unit	NCI	Non-controlling interests
EBIT	Earnings (loss) before financing expense, financing income and income taxes	NMF	Information not meaningful
		OCI	Other comprehensive income
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	PP&E	Property, plant and equipment
		PSG	Performance security guarantee
		PSU	Performance share unit
EBT	Earnings (loss) before income taxes	R&D	Research and development
EIS	Entry-into-service	RSU	Restricted share unit
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	RVG	Residual value guarantee
		SG&A	Selling, general and administrative
FTV	Flight test vehicle	U.K.	United Kingdom
FVTP&L	Fair value through profit and loss	U.S.	United States of America

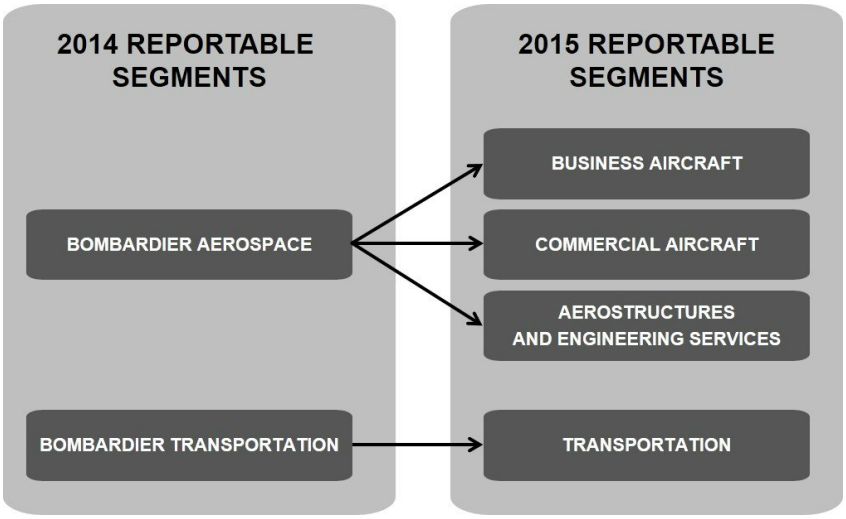
OVERVIEW

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OVERVIEW OF ACTIVITIES

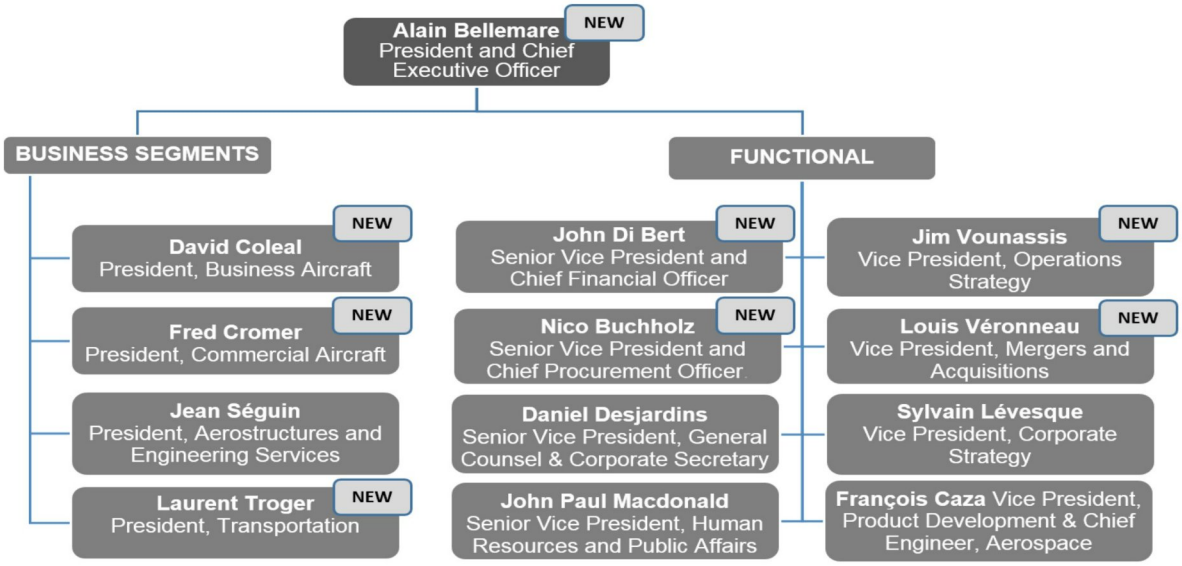
Our new organizational structure

Following the reorganization announced in July 2014, we adopted a new leaner, more nimble organizational structure. The former Bombardier Aerospace has been divided into three segments: Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services. Along with Transportation, these segments now report directly to the President and Chief Executive Officer in order to enhance agility. Corporate office expenses, previously allocated to Bombardier Aerospace and Bombardier Transportation, are now presented separately, along with intersegment eliminations. This new structure was effective as of January 1, 2015. The 2014 comparative results have been restated to reflect the new business segments.



The new organization structure enables us to more readily identify and remove obstacles to operational efficiency and better positions us to respond quickly to evolving consumer needs, changing market dynamics and world events. It also provides more transparency across the reportable segments and enables greater investor visibility into profitability by market.

Our leadership team[1]



[1] Supplemental information regarding our leadership team can be found on our website at bombardier.com.

Overview of our operations

We are the world's leading manufacturer of both planes and trains, operating under four reportable segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. We are driving the evolution of mobility worldwide by providing more efficient, sustainable and enjoyable transportation. Our products, services, and most of all, our employees are what makes us a global leader in mobility solutions.

BUSINESS AIRCRAFT		**COMMERCIAL AIRCRAFT**	
A global leader in the design, manufacture and aftermarket support for three families of business jets (*Learjet, Challenger* and *Global*), spanning from the light to large aircraft categories.		**Designs, manufactures and provides aftermarket support for a broad portfolio of commercial aircraft in the 60- to 150-seat categories, including the *Q400* aircraft and the *CRJ* and *C Series* families of aircraft.**	
Revenues	**$7.0 billion**	Revenues	**$2.4 billion**
EBIT	**$(1.3) billion**	EBIT	**$(4.0) billion**
EBIT before special items[(1)]	**$308 million**	EBIT before special items[(1)]	**$(170) million**
Order backlog	**$17.2 billion**	Order backlog	**$11.5 billion**
Number of employees[(2)]	**10,400**	Number of employees[(2)]	**5,050**

AEROSTRUCTURES AND ENGINEERING SERVICES		**TRANSPORTATION**	
Designs and manufactures major aircraft structural components and provides aftermarket component repair and overhaul as well as other engineering services for both internal and external clients.		**A global leader in rail technology, offers the broadest portfolio in the rail industry and delivers innovative products and services that set new standards in sustainable mobility.**	
Revenues	**$1.8 billion**	Revenues	**$8.3 billion**
EBIT	**$105 million**	EBIT	**$465 million**
External order backlog	**$80 million**	Order backlog	**$30.4 billion**
Number of employees[(2)]	**12,100**	Number of employees[(2)]	**39,400**

Every day around the globe, our 70,900[(2)(3)] dedicated employees work diligently to earn our worldwide leadership in aerospace and rail transportation. As at the date of this report, we have 75 production and engineering sites in 28 countries and a worldwide network of service centres.

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures.

(2) As at December 31, 2015, including contractual and inactive employees. Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. These figures do not reflect the planned changes.

(3) 3,950 product development engineering, Corporate office and other employees are not allocated to a reportable segment.

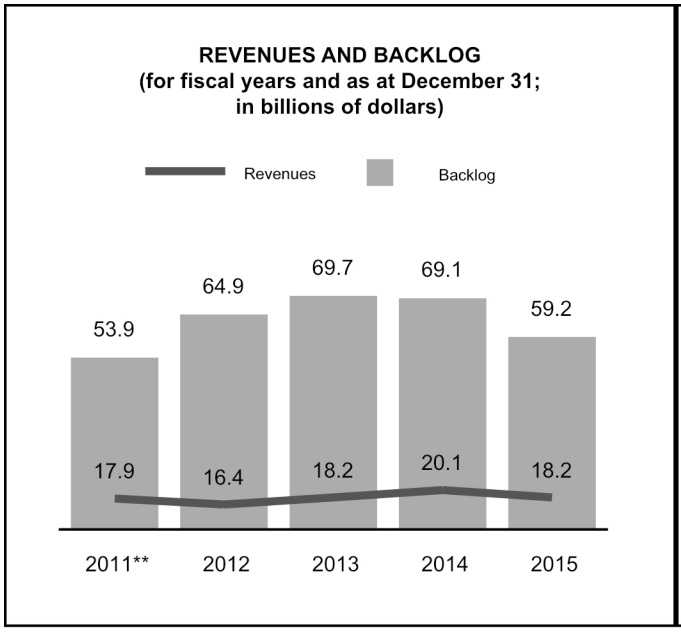
HIGHLIGHTS OF THE YEAR

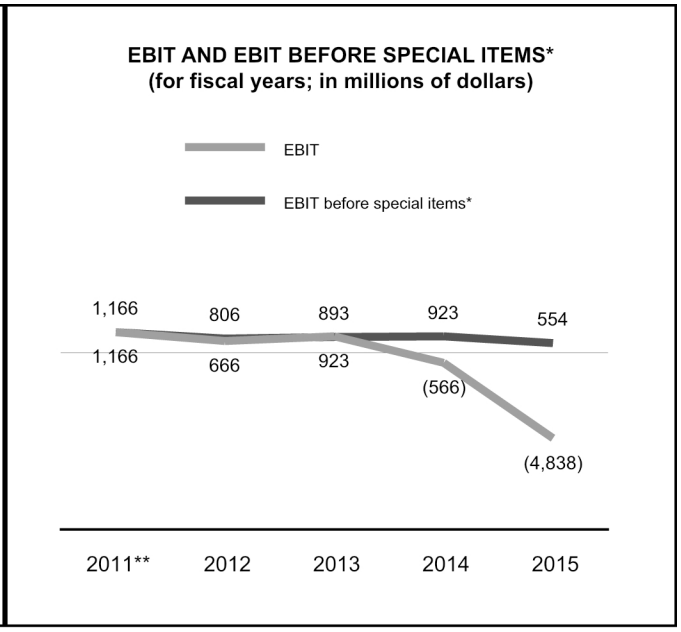
We secured our liquidity, de-risked our major programs, strengthened our team and developed a transformation roadmap towards superior operating performance

REVENUES	ADJUSTED NET INCOME[1]	ADJUSTED EPS[1]	FREE CASH FLOW[1]	ORDER BACKLOG
$18.2 billion	**$326 million**	**$0.14**	**$(1.8) billion**	**$59.2 billion**

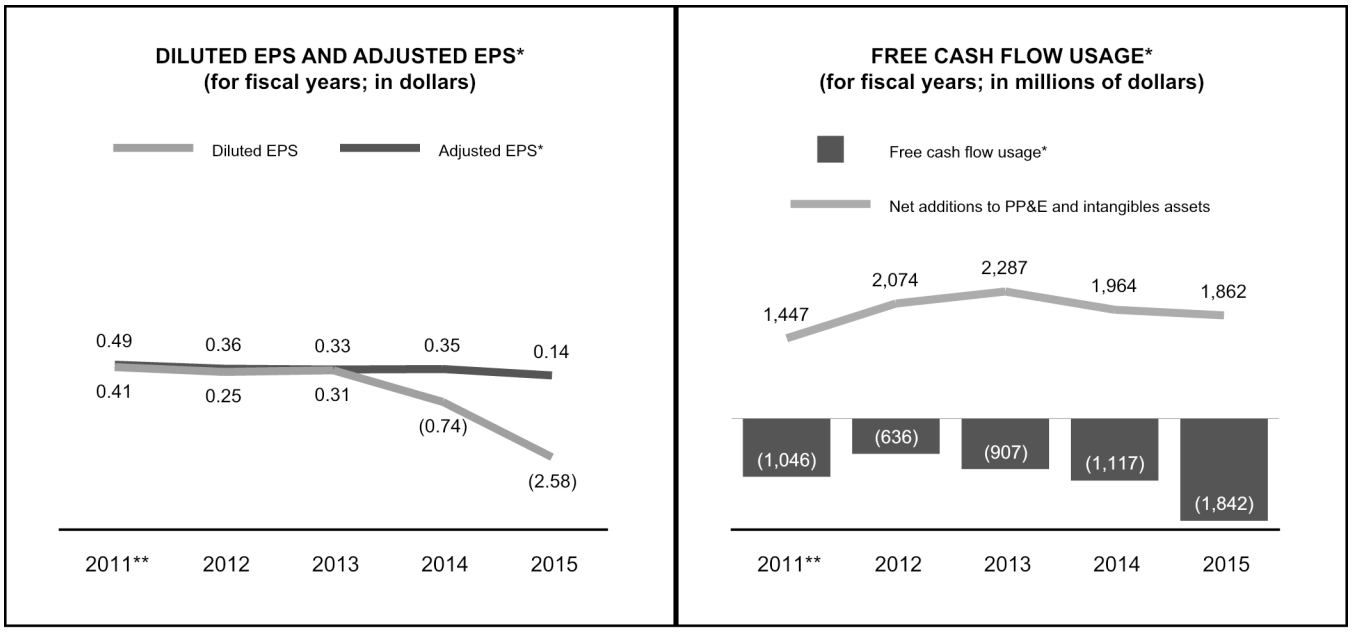
RESULTS			
For the fiscal years ended December 31	**2015**	2014	Variance
Revenues	**$ 18,172**	$ 20,111	(10)%
EBIT	**$ (4,838)**	$ (566)	nmf
EBIT margin	**(26.6)%**	(2.8)%	nmf
EBIT before special items[1]	**$ 554**	$ 923	(40)%
EBIT margin before special items[1]	**3.0 %**	4.6 %	(160) bps
EBITDA before special items[1]	**$ 992**	$ 1,340	(26)%
EBITDA margin before special items[1]	**5.5 %**	6.7 %	(120) bps
Net loss	**$ (5,340)**	$ (1,246)	nmf
Diluted EPS (in dollars)	**$ (2.58)**	$ (0.74)	nmf
Adjusted net income[1]	**$ 326**	$ 648	(50)%
Adjusted EPS (in dollars)[1]	**$ 0.14**	$ 0.35	(60)%
Net additions to PP&E and intangible assets	**$ 1,862**	$ 1,964	(5)%
Free cash flow usage[1]	**$ (1,842)**	$ (1,117)	(65)%
As at December 31	**2015**	2014	
Order backlog (in billions of dollars)	**$ 59.2**	$ 69.1	(14)%
Available short-term capital resources[2]	**$ 4,014**	$ 3,846	4 %

(1) 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.
(2) Defined as cash and cash equivalents plus the amount available under our revolving credit facilities.





* Non-GAAP financial measure. Refer to the Non-GAAP financial measures for a definition of this metric and Consolidated results of Operations for reconciliations to the most comparable IFRS measures in 2015 and 2014.
** Fiscal year 2011 comprised 11 months of Bombardier Aerospace results and 12 months of Transportation results.



* 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 in 2015 and 2014.

** Fiscal year 2011 comprised 11 months of Bombardier Aerospace results and 12 months of Transportation results.

KEY EVENTS

- Subsequent to the end of the fiscal year, we signed a Letter of Intent (LOI) with Air Canada for 45 *CS300* aircraft with options for an additional 30 *CS300* aircraft, including conversion rights to the *CS100* aircraft. Upon execution of a firm purchase agreement, Air Canada will become the first mainline, international network carrier based in North America for the *C Series* family of aircraft. This LOI complements our existing *C Series* aircraft orders in both Europe and Asia. The Air Canada deliveries are expected to start in 2019. Based on list price of the *CS300* aircraft, a firm order would be valued at approximately $3.8 billion. This LOI is not included in the order backlog as at December 31, 2015.
- **We secured a pro forma liquidity of $6.5 billion[(1)] through various initiatives:**
  - In November 2015, we entered into a definitive agreement with the Caisse de dépôt et placement du Québec (CDPQ) for a $1.5-billion convertible share investment in Transportation's newly-created holding company, Bombardier Transportation (Investment) UK Ltd (BT Holdco). The CDPQ's shares are convertible into a 30% common equity stake of BT Holdco, subject to annual adjustments related to performance. BT Holdco will continue to be controlled by Bombardier Inc. and consolidated in our financial results. The investment was completed on February 11, 2016.
  - In October 2015, we entered into a memorandum of understanding with the Government of Québec, who will invest $1.0 billion in the *C Series* aircraft program in return for a 49.5% equity stake in a newly created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will carry on the operations related to our *C Series* aircraft program and will be consolidated in our financial results. The execution of the definitive agreements and the disbursement of the investment are expected to take place in the second quarter of 2016, subject to closing conditions. The Government of Québec's interest in the partnership will be redeemable at our option, in certain circumstances.
  - In March 2015, we issued a $2.25-billion aggregate amount of unsecured Senior Notes, due in September 2018 and March 2025. The net proceeds were used to finance the redemption of $750 million of existing debt which was due in 2016 and for general corporate purposes.
  - During the first quarter of 2015, we closed a $1.1-billion Canadian dollar ($868 million) public offering of equity. The net proceeds were used to supplement working capital and for general corporate purposes.

(1) Refer to the Liquidity and capital resources section for a reconciliation of pro forma liquidity.

- **We de-risked our aircraft programs:**
    - Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec, which resulted in the above-mentioned memorandum of understanding, Commercial Aircraft recorded a charge of $3.2 billion in special items in the third quarter of 2015, mainly related to the impairment of aerospace program tooling. We continue to believe that the *C Series* aircraft program meets specific market requirements and that it has long-term market potential.
    - On December 17, 2015, the *CS100* aircraft was awarded type certification from Transport Canada, paving the way for the delivery and EIS of the aircraft with first operator Swiss International Air Lines (SWISS) expected in the second quarter of 2016.
    - On October 28, 2015, due to the lack of sales following the prolonged market weakness, we cancelled the *Learjet 85* aircraft program. As a result, Business Aircraft recorded a charge of $1.2 billion in special items in the third quarter of 2015, mainly related to the impairment of the remaining *Learjet 85* aircraft program development costs. We remain committed to the *Learjet* family of aircraft.
    - Following an in-depth review, which was completed in the second quarter of 2015, to validate all aspects of the *Global 7000* and *Global 8000* aircraft program, our findings indicated that there would be a delay in the *Global 7000* aircraft's schedule. The aircraft is now expected to enter into service in the second half of 2018.
    - Following the impact on industry-wide order intake of current economic conditions and geopolitical issues in some regions, on May 14, 2015, Business Aircraft announced a production rate reduction for the *Global 5000* and *Global 6000* aircraft.
- **We strengthened our leadership team:**
    - Several well respected industry veterans joined our senior leadership team, under the direction of our new President and Chief Executive Officer, Alain Bellemare.
- **We implemented our transformation initiatives as part of our roadmap to 2020:**
    - In November 2015, we introduced our roadmap to 2020, a clear path for returning the organization to sustainable, profitable earnings growth and cash flow generation. Four levers were identified to drive results: revenue growth, operational transformation, business model enhancements, and portfolio strategy.
    - We continue to restructure and enhance Business Aircraft's business model to improve long-term profitability. Subsequent to the end of the fiscal year, on January 13, 2016, we announced that we have completed initiatives to increase the number of direct-to-market channels, including termination of third-party sales representative and distribution agreements, and to restructure customer commercial agreements, which resulted in the cancellation in the fourth quarter of fiscal year 2015 of 24 firm orders, valued at approximately $1.75 billion based on 2015 list prices, with an additional cancellation of 30 optional orders. Mainly as a result of these completed initiatives, in the fourth quarter of 2015, Business Aircraft recorded $327 million in special items.
    - Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. The company plans to reduce its workforce by an estimated 7,000 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. During the same period, this workforce reduction will be partially offset by hiring in certain growth areas, notably to support the ramp-up of strategic programs and projects worldwide. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness. The manpower reduction includes approximately 2,000 contractual workers and 800 product development engineers, the latter of which, are not allocated to a reportable segment. Restructuring charges consisting mainly of severance of approximately $250 million to $300 million will be recorded as special items primarily in 2016.
- Subsequent to the end of the fiscal year, we announced a plan to present a proposal to shareholders of the Corporation for a consolidation (also known as a "reverse stock split") of the Class A shares (multiple voting) (Class A Shares), issued and unissued, and Class B shares (subordinate voting) (Class B Subordinate Voting Shares), issued and unissued, at the annual and special meeting planned for spring 2016 (the Share Consolidation). The consolidation ratio will be selected by the Board of Directors from within a range of ratios, subject to shareholder approval, which ratio would be expected, at that time, to result in an initial post-consolidation share price in the range of $10 to $20 Canadian dollars per Class A Share or Class B Subordinate Voting Share. Assuming receipt of shareholder and Toronto Stock Exchange approvals, the Share Consolidation, if any, would be completed at such time as the Board of Directors shall deem appropriate.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes key performance measures and associated metrics evaluated only on a consolidated basis. Our reportable segments use multiple other key performance measures to evaluate various key metrics. Refer to each reportable segment's Key performance measures and metrics section for further details.

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
Profitability	• Diluted EPS and adjusted EPS[1], as measures of global performance.
Liquidity	• Available short-term capital resources[2], as a measure of liquidity adequacy.
Capital structure	• Adjusted EBIT[1] to adjusted interest[1] ratio, as a measure of interest coverage. • Adjusted debt[1] to adjusted EBITDA[1] ratio, as a measure of financial leverage. • Weighted-average long-term debt maturity, as a measure of debt term structure.

Five-year summary

For the fiscal years ended and as at December 31	2015	2014	2013	2012	2011[3]
Profitability					
Revenues	**$ 18,172**	$ 20,111	$ 18,151	$ 16,414	$ 17,904
Order backlog (in billions of dollars)	**$ 59.2**	$ 69.1	$ 69.7	$ 64.9	$ 53.9
EBIT	**$ (4,838)**	$ (566)	$ 923	$ 666	$ 1,166
EBIT margin	**(26.6)%**	(2.8)%	5.1%	4.1%	6.5%
EBIT before special items[1][4]	**$ 554**	$ 923	$ 893	$ 806	$ 1,166
EBIT margin before special items[1][4]	**3.0 %**	4.6 %	4.9%	4.9%	6.5%
Effective income tax rate	**(3.0)%**	(68.4)%	25.8%	12.3%	13.9%
Net income (loss)	**$ (5,340)**	$ (1,246)	$ 572	$ 470	$ 737
Adjusted net income[1]	**$ 326**	$ 648	$ 608	$ 671	$ 887
Diluted EPS (in dollars)	**$ (2.58)**	$ (0.74)	$ 0.31	$ 0.25	$ 0.41
Adjusted EPS (in dollars)[1]	**$ 0.14**	$ 0.35	$ 0.33	$ 0.36	$ 0.49
Liquidity					
Free cash flow usage[1]	**$ (1,842)**	$ (1,117)	$ (907)	$ (636)	$ (1,046)
Available short-term capital resources[2]	**$ 4,014**	$ 3,846	$ 4,837	$ 3,967	$ 3,642
Capital structure					
Interest coverage ratio[5]	**1.5**	3.1	2.8	3.2	4.5
Financial leverage ratio[5]	**7.3**	4.7	5.4	4.2	3.3
Weighted-average long-term debt maturity (in years)	**6.3**	6.4	6.4	7.4	8.0

[1] 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 in 2015 and 2014.

[2] Defined as cash and cash equivalents plus the amount available under the revolving credit facilities.

[3] Fiscal year 2011 comprised 11 months of Bombardier Aerospace results and 12 months of Transportation results.

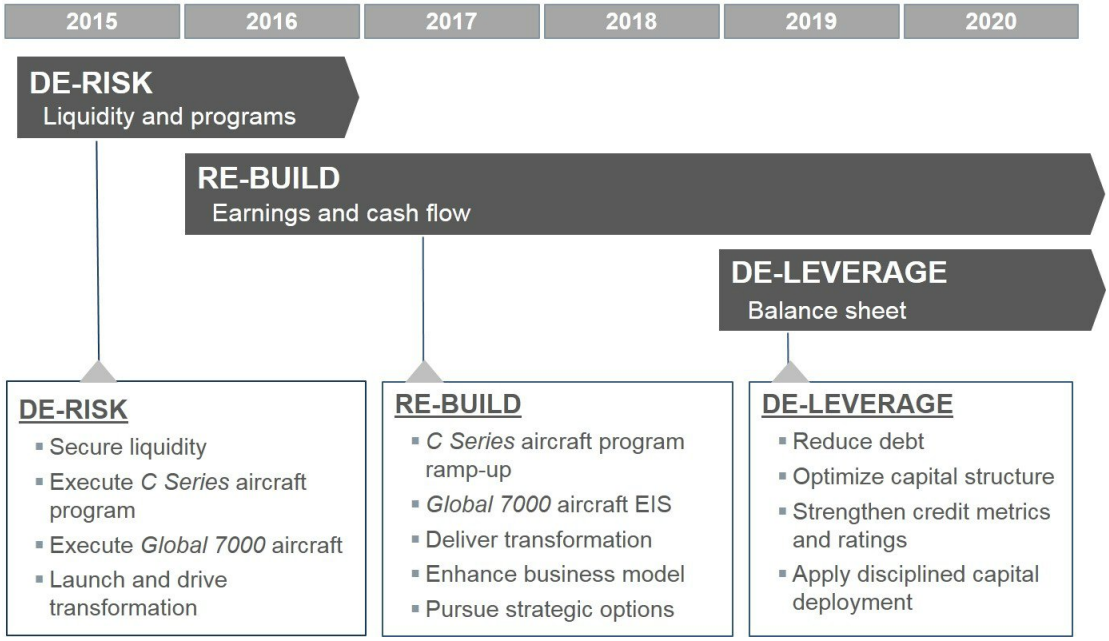
[4] Refer to the Consolidated results of operations section for details of special items recorded in 2015 and 2014. In 2013, the special items related to a $43-million gain on resolution of a litigation in connection with capital tax, of which $12 million was recorded in financing income, a $24-million inventory write-down and a $23-million gain on disposal of a business. In 2012, the special items related to $119 million of restructuring charges in Transportation, a $40-million gain on resolution of a litigation in connection with capital tax, of which $17 million was recorded in financing income, a $19-million loss related to flooding in New Jersey, U.S. and a $25-million foreign exchange hedging loss.

[5] Refer to the Capital structure and Non-GAAP financial measures sections for computations of these ratios.

STRATEGIC PRIORITIES

Roadmap to 2020

2015 was a year of significant change for Bombardier. We performed a comprehensive business review of our business, took decisive action on a number of fronts, and laid out a clear plan for returning the organization to sustainable, profitable earnings growth and cash flow generation. Our roadmap to 2020 is based on three interrelated phases: de-risk, re-build, then de-leverage.



De-risk: Paving the way to improved sustainable operating and financial performance

2015 was devoted to de-risking our business.

We secured a level of pro forma liquidity of $6.5 billion[(1)] that is sufficient to execute our plan. Over the last three months of 2015, we attracted key strategic investments in core businesses. In October 2015, we announced that the Government of Québec will make a $1.0-billion equity investment to support bringing the game-changing *C Series* aircraft program to market. The investment remains conditional upon the completion of definitive agreements, the receipt of consents from third parties, the completion of an internal pre-closing reorganization, the receipt of required regulatory approvals and other customary conditions precedent. We expect to enter into the definitive agreements in the second quarter of 2016. One month later, we further strengthened our pro forma liquidity position when we entered into a definitive agreement with the Caisse de dépôt et placement du Québec (CDPQ) for a $1.5 billion convertible share investment for a 30% stake in our rail transportation business. The investment was completed on February 11, 2016.

We also made significant progress in de-risking our major programs. In December 2015, Transport Canada awarded type certification for the *CS100* aircraft, setting up its EIS with launch customer Swiss International Air Lines expected in the second quarter of 2016. We reset the *Global 5000* and *Global 6000* aircraft production rate, a proactive measure to better align supply and demand for this important franchise. We revised the schedule of the *Global 7000* and *Global 8000* aircraft program in development to ensure no compromise is made in terms of performance and comfort of this category-defining aircraft program. In October 2015, we canceled the *Learjet 85* platform in light of lack of sales following prolonged market weakness.

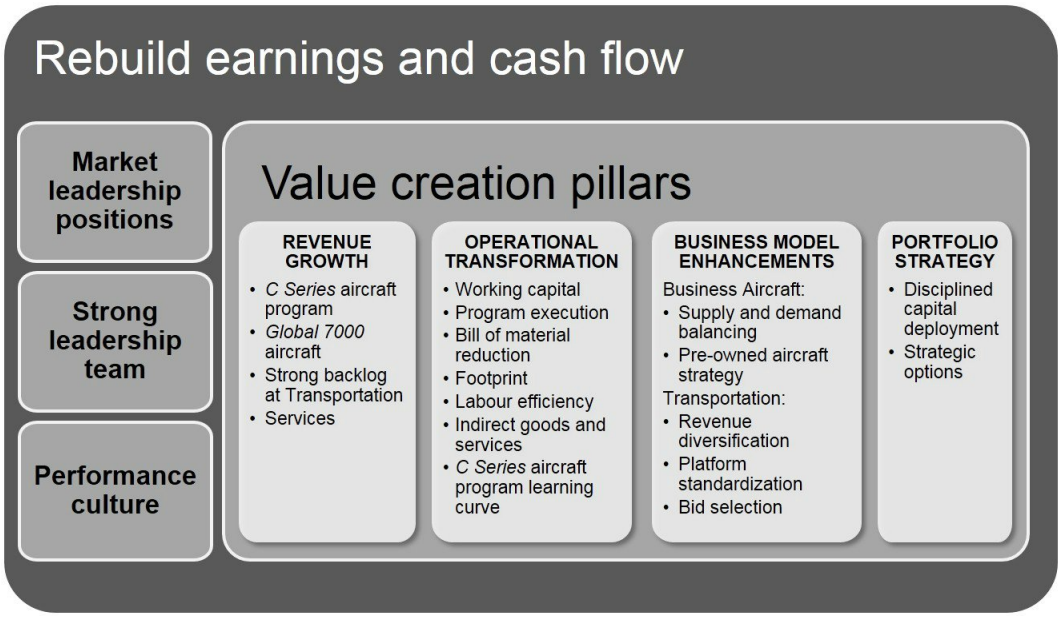
(1) Refer to the Liquidity and capital resources section for a reconciliation of pro forma liquidity.

With the coming year expected to be a time of transition at Bombardier, significant work remains to be done. We face revenue and earnings headwinds amidst the reduction in *Global 5000 and Global 6000* aircraft production rates as well as negative EBIT in Commercial Aircraft mainly due to the dilutive impact of the initial years of production of the *C Series* aircraft program. Our priorities are clear:

- reaching EIS and ramping-up of the *C Series* aircraft program;
- executing the *Global 7000* and *Global 8000* aircraft development program; and
- accelerating the implementation and realizing the benefits of our transformation initiatives.

Re-build: a clear path to profitable earnings expansion and cash generation

Our rebuilding phase is squarely focused on achieving superior financial performance. Leveraging our market leadership positions, our strengthened leadership team and our performance culture, we are engaging four levers to drive results: profitable revenue growth, operational transformation, business model enhancements and portfolio strategy.



Profitable revenue growth
We continue to invest extensively in leading-edge products and solutions that will enhance our competitiveness across the aerospace and rail transportation industries and in a growing number of geographic markets.

All segments have strong levels of order backlog, representing a leading indicator of future revenues and a vote of confidence in our product strategy. We had a consolidated order backlog of $59.2 billion as at December 31, 2015.

Revenue conversion on our strong order backlog, which comes from realizing the benefits of our past and ongoing investments, is the key driver of our future top-line growth. We have therefore prioritized EIS and production ramp-up of critical aerospace development programs, namely the *C Series* and *Global 7000* and *Global 8000* aircraft programs, along with Transportation executing on existing contracts and winning new orders across its strong bid pipeline. This revenue growth is, however, partially offset from the headwinds we face in 2016 from the production rate reduction of our *Global 5000* and *Global 6000* business aircraft.

Considering our significant and growing installed base of aircraft and rail vehicles and systems, aftermarket services present a meaningful opportunity in terms of customer satisfaction and engagement, long-term loyalty, and increased revenue.

Operational transformation
Major changes are being implemented across the organization as we progress along our road to operational improvement. Our financial objectives are clear: to improve profitability and convert income to cash flow. Fundamentally, we are cultivating a high-performance culture, with cross-functional teams driving rigorous processes that are changing mindsets and transforming behaviors.

Transformation process
In 2015 we created the Operations Strategy corporate function, led by the Vice President, Operations Strategy, to drive our operational transformation. Its mandate is to collaborate with the business segments to identify opportunities, to set targets, to coordinate cross-functional teams and to monitor and track progress in order to ensure accountability for each initiative across the organization.

In 2015, a rigorous, independent analysis was conducted to determine the improvement potential of each part of the business. We quantified specific, achievable improvement opportunities as the basis of our EBIT and working capital improvement targets, which were cascaded down through each business segment. We then engaged individual departments and business segment leaders to work together to create bottom-up plans with clear owners that would reach, and in some cases, exceed those targets. Lastly, we began to prioritize and execute those plans with a cascading governance model.

Now that each business segment, in collaboration with the dedicated Operational Strategy office, has identified and quantified specific opportunities, the transformation is in the execution phase. Each business segment is ultimately responsible for the execution of its respective initiatives. A rigorous process is initially undertaken to elaborate the project, in which project leads from the business segment are assigned and the workstream is organized. Where initiatives can be applied across business segments, cross-functional workstreams are established as a means to promote economies of scale.

Transformation priorities
We are working with our suppliers to reduce product cost and implementing tighter controls on our working capital through improved synchronization of our supply chain. We are also using our cash more effectively, particularly when it comes to consumables, discretionary spend and capital investments. We have launched workstreams dedicated to optimizing our footprint and we are driving performance through labour efficiency initiatives with a focus on the *C Series* aircraft program learning curve.

Direct costs
We are leveraging our scale with suppliers. As the world's third largest civil aircraft manufacturer and one of the world's largest rail equipment manufacturers, our direct spend in 2015 was more than $13 billion. We recognize opportunity in consolidating our spending view and speaking to our suppliers with one Bombardier voice.

Our Transportation business segment is placing a strong emphasis on creating key product platforms, which will allow us to achieve further scale with our supply base, without compromising our products.

We are leveraging our global footprint to create key centers of excellence with clear cost and performance mandates to ensure we provide the best value to our customers.

Indirect costs
In 2015 we centralized our procurement function, representing the first time we have brought together our entire buying community from across all of our business segments. In doing so, we have identified considerable overlap in our non-product goods and services spend and thus opportunities to fully leverage our purchasing power. We have also put in place the Global Work Share project, which is to drive efficiency in our general and administrative tasks by transferring routine tasks to lower-cost shared centers around the globe.

Working capital
A thorough benchmarking exercise has revealed a clear opportunity to improve our inventory management practices and is the catalyst behind our company-wide initiative to optimize inventory turns. With over $12 billion in gross inventory at the end of 2015, this workstream represents another high-impact, high-priority opportunity. We are actively sharing best practices across our organization to drive our manufacturing processes to a whole new level of performance.

Business model enhancements
We have begun to implement changes to select business models as part of our thrust to improve long-term profitability. In addition to the select examples listed below, we have identified and will continue to seek opportunities as we drive our turnaround and respond to changing market conditions.

At Business Aircraft, we are taking action to capitalize on market opportunities around the world. In January 2016, we announced changes to our strategic sales approach by restructuring certain customer commercial agreements and increasing the number of direct-to-market channels. Specifically, Business Aircraft reached an agreement to end its third-party sales representative and distribution agreement with TAG Aeronautics, positioning the Business Aircraft sales team to handle sales activities and engage directly with customers and prospects in the Middle East and North Africa. Also, the restructuring of customer commercial agreements resulted in the cancellation of 24 firm orders in the fourth quarter of 2015, positions which we expect to sell at improved margins.

At Transportation, the transformation organizational structure focuses on standardizing products and processes, as a part of continued efforts to resolve execution issues faced in recent years in certain large rolling stock contracts. To better position itself in the future, Transportation is increasing investment in a harmonized I.T. landscape and in R&D to develop standardized vehicle and sub-systems platforms. The new structure further empowers project management, reduces organizational layers and overhead cost, and implements leaner processes to speed up decision making. In addition, the increased share of services contracts in the backlog de-risks the portfolio, and, along with continued cost reduction initiatives, will help to increase margins.

Portfolio strategy
We will employ a disciplined approach to capital deployment, while continuing to assess strategic options.

Over the last several years, we have invested extensively in major development programs, notably the *C Series* and *Global 7000* and *Global 8000* aircraft programs and several rail platforms. We expect our product development spend to decline over the coming years to reach more stable levels toward the end of our current five-year plan, upon the conclusion of the *Global 7000* and *Global 8000* aircraft development program and its production ramp-up. The *Global 7000* and *Global 8000* aircraft program is our final major program currently under development. We will continue to make disciplined investments to ensure the ongoing competitiveness of our products as we continue to drive *The Evolution of Mobility*.

De-leverage: Disciplined, gradual approach to improving our capital structure

The third and final phase of our turnaround is to gradually de-leverage our balance sheet toward the end of our five-year plan, in the context of improved operating performance and earnings growth, conversion of our earnings into cash and disciplined capital deployment. Moving toward a more optimal capital structure, which includes reducing debt and improving credit metrics, is in line with our fundamental objective of delivering value to shareholders.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

		What we said for 2015	What we did in 2015	What's next for 2016[1]
Business Aircraft	Growth and deliveries	Approximately 210 deliveries.	199 deliveries.	Revenues greater than $5.0 billion. Approximately 150 deliveries.
	Profitability[2]	EBIT margin in the range of 5% to 6%.	EBIT margin before special items[2] of 4.4%.	EBIT margin of approximately 6%.
Commercial Aircraft	Growth and deliveries	Approximately 80 deliveries.	76 deliveries.	Revenues of approximately $3.0 billion. Approximately 95 deliveries.
	Profitability[2]	Negative EBIT of approximately $200 million including the dilutive impact of the initial years of production of the *C Series* aircraft program.[3]	Negative EBIT before special items[2] of $170 million.	Negative EBIT of approximately $550 million, mainly due to the dilutive impact of the initial years of production of the *C Series* aircraft program.[3]
Aerostructures and Engineering Services	Growth	Revenues of approximately $1.8 billion, mainly from intersegment contracts with Business Aircraft and Commercial Aircraft segments.	Revenues of $1.8 billion, of which $1.3 billion was from intersegment contracts.	Revenues are expected to remain at approximately $1.8 billion, mainly from intersegment contracts with Business Aircraft and Commercial Aircraft.
	Profitability[2]	EBIT margin of approximately 6%.	EBIT margin before special items[2] of 5.8%.	EBIT margin of approximately 7.5%.
Transportation	Growth	Excluding currency impacts, revenues in 2015 are expected to be higher than in 2014, with percentage growth in the low-single digits. Book-to-bill ratio[4] in excess of 1.0.	Excluding currency impacts, revenue declined by 1%. Book-to-bill ratio[4] of 1.1.	Revenues of approximately $8.5 billion, based on the assumption that foreign exchange rates will remain stable in 2016 compared to 2015.
	Profitability[2]	Slight improvement in EBIT margin compared to 2014.	EBIT margin before special items[2] of 5.6% compared to 5.5% in 2014.	EBIT margin above 6%.
Consolidated	Growth		Revenues of $18.2 billion.	Revenues in the range of $16.5 billion to $17.5 billion.
	Profitability[2]		EBIT before special items[2] of $554 million.	EBIT in the range of $200 million to $400 million.
	Liquidity	Free cash flow usage[5] between $1.9 billion and $2.2 billion in 2015. Net additions to PP&E and intangible assets for 2015 to be at a similar level as 2014.	Free cash flow usage[5] of $1.8 billion. Net additions to PP&E and intangible assets of $1.9 billion, slightly lower than $2.0 billion in 2014.	Free cash flow usage[5] in the range of $1.0 billion to $1.3 billion.

(1) See each reportable segment's Guidance and forward-looking statements section and forward-looking statements disclaimer hereafter for details regarding the assumptions on which the guidance is based.

(2) Profitability guidance is based on EBIT before special items. Refer to the Non-GAAP financial measures section for a definition of this metric and the Consolidated results of operations section, as well as each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures in 2015.

(3) Early production units in a new program incur higher costs and generally have lower selling prices than units produced later in the program's life cycle.

(4) Ratio of new orders over revenues.

(5) Refer to the Non-GAAP financial measures section for a definition of this metric and the Liquidity and capital resources section for a reconciliation to the most comparable IFRS measure in 2015.

For further detail on the 2015 guidance by reportable segment, refer to each reportable segment's Guidance and forward-looking statements section. For further detail on the 2015 liquidity guidance see the Liquidity and capital resources section.

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 of the investment by the Government of Québec in the *C Series* aircraft program (the *C Series* Investment) and the use of proceeds therefrom; the use of proceeds from the private placement of a minority stake in Transportation to the CDPQ (the CDPQ Investment and, with the *C Series* Investment, the Investments); the effects of the Investments on the range of options available to us, including regarding our participation in future industry consolidation; the capital and governance structure of the Transportation segment following the CDPQ Investment, and of the Commercial Aircraft segment following the *C Series* Investment; the impact and expected benefits of the Investments on our operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; and the impact of the sale of equity on our balance sheet and liquidity position. The implementation of the Share Consolidation is subject to a number of conditions, including but not limited to, Toronto Stock Exchange approval and shareholder approval, and subject to the Board of Directors' authority, notwithstanding approval of the Share Consolidation by shareholders, to determine in its discretion not to proceed with the Share Consolidation, without further approval or action by, or prior notice to, shareholders. There can be no assurance that the Share Consolidation will be implemented as proposed or at all, or as to the timing thereof, or that the Share Consolidation will result in the contemplated initial post-consolidation share price of Class A Shares or Class B Subordinate Voting Shares.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe", "continue", "maintain" or "align", the negative of these terms, variations of them or similar terminology. 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 actual results in future periods to differ materially from forecast results. While management considers their assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry, of business aircraft customers, and of the rail industry; trade policy; increased competition; political instability and force majeure), 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 commitments and production and project execution; pressures on cash flows based on project-cycle fluctuations and seasonality; our ability to successfully implement our strategy and transformation plan; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; the environment; 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, certain restrictive debt covenants, 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. Certain important assumptions by management in making forward-looking statements include, but are not limited to: that ongoing due diligence investigations by the Government of Québec will not identify any materially adverse facts or circumstances; the satisfaction of all conditions to the completion of the *C Series* Investment, including the receipt of any required third party, regulatory and other approvals. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the Guidance and forward-looking statements sections in each reportable segment. There can be no assurance that the *C Series* Investment will be undertaken or completed in whole or in part, or of the timing, size and proceeds of any such transaction, which will depend on a number of factors.

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. The forward-looking statements set forth herein reflect our 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.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Revenues	**$ 5,017**	$ 5,960	**$ 18,172**	$ 20,111
Cost of sales	**4,616**	5,314	**16,199**	17,534
Gross margin	**401**	646	**1,973**	2,577
SG&A	**356**	351	**1,213**	1,358
R&D	**119**	112	**355**	347
Share of income of joint ventures and associates	**(96)**	(25)	**(149)**	(89)
Other expense	**6**	52	**—**	38
EBIT before special items[1]	**16**	156	**554**	923
Special items	**673**	1,357	**5,392**	1,489
EBIT	**(657)**	(1,201)	**(4,838)**	(566)
Financing expense	**95**	65	**418**	249
Financing income	**(21)**	(17)	**(70)**	(75)
EBT	**(731)**	(1,249)	**(5,186)**	(740)
Income taxes	**(54)**	341	**154**	506
Net loss	**$ (677)**	$ (1,590)	**$ (5,340)**	$ (1,246)
Attributable to				
Equity holders of Bombardier Inc.	**$ (679)**	$ (1,594)	**$ (5,347)**	$ (1,260)
NCI	**$ 2**	$ 4	**$ 7**	$ 14
EPS (in dollars)				
Basic and diluted	**$ (0.31)**	$ (0.92)	**$ (2.58)**	$ (0.74)

Non-GAAP financial measures[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
EBITDA	**$ (238)**	$ 181	**$ (100)**	$ 1,117
EBITDA before special items	**$ 139**	$ 272	**$ 992**	$ 1,340
Adjusted net income	**$ 9**	$ 83	**$ 326**	$ 648
Adjusted EPS	**$ —**	$ 0.04	**$ 0.14**	$ 0.35

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

Reconciliation of segment to consolidated results

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014 [1]	**2015**	2014 [1]
Revenues				
Business Aircraft	**$ 2,086**	$ 2,462	**$ 6,996**	$ 7,200
Commercial Aircraft	**644**	720	**2,395**	2,740
Aerostructures and Engineering Services	**443**	522	**1,797**	1,919
Transportation	**2,164**	2,636	**8,281**	9,619
Corporate and Elimination	**(320)**	(380)	**(1,297)**	(1,367)
Consolidated	**$ 5,017**	$ 5,960	**$ 18,172**	$ 20,111
EBIT before special items[2]				
Business Aircraft	**$ 28**	$ 174	**$ 308**	$ 499
Commercial Aircraft	**(87)**	(140)	**(170)**	(107)
Aerostructures and Engineering Services	**(9)**	22	**104**	97
Transportation	**123**	111	**465**	526
Corporate and Elimination	**(39)**	(11)	**(153)**	(92)
	$ 16	$ 156	**$ 554**	$ 923
Special Items				
Business Aircraft	**$ 380**	$ 1,357	**$ 1,560**	$ 1,402
Commercial Aircraft	**240**	—	**3,800**	16
Aerostructures and Engineering Services	**—**	—	**(1)**	14
Transportation	**—**	—	**—**	57
Corporate and Elimination	**53**	—	**33**	—
	$ 673	$ 1,357	**$ 5,392**	$ 1,489
EBIT				
Business Aircraft	**$ (352)**	$ (1,183)	**$ (1,252)**	$ (903)
Commercial Aircraft	**(327)**	(140)	**(3,970)**	(123)
Aerostructures and Engineering Services	**(9)**	22	**105**	83
Transportation	**123**	111	**465**	469
Corporate and Elimination	**(92)**	(11)	**(186)**	(92)
	$ (657)	$ (1,201)	**$ (4,838)**	$ (566)

[1] Financial results for the fourth quarter and fiscal year ended December 31, 2014 have been reclassified to conform with the current year presentation. See Reclassification at the beginning of each reporting segment for more details.

[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, in our opinion, our core performance such as the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.

Special items were as follows:

		Fourth quarters ended December 31		Fiscal years ended December 31	
	Ref	**2015**	2014	**2015**	2014
Impairment and other charges - *C Series* aircraft program	1	**$ —**	$ —	**$ 3,235**	$ —
Impairment and other charges - *Learjet 85* aircraft program	2	**—**	1,357	**1,163**	1,357
Changes in estimates and fair value	3	**—**	—	**353**	—
Impairment charge - *CRJ1000* aircraft program	4	**243**	—	**243**	—
Write-off of deferred costs	5	**194**	—	**194**	—
Termination of sales representative and distribution agreements	6	**133**	—	**133**	—
Impairment charge - *Learjet* family of aircraft	7	**53**	—	**53**	—
Tax litigation	8	**50**	—	**50**	—
Loss on repurchase of long-term debt	9	**—**	—	**22**	43
Restructuring charges	10	**—**	—	**9**	142
Gain on resolution of a litigation	11	**—**	—	**—**	(18)
Tax impacts of special items	12	**—**	284	**106**	273
		$ 673	$ 1,641	**$ 5,561**	$ 1,797
Of which is presented in					
Special items in EBIT		**$ 673**	$ 1,357	**$ 5,392**	$ 1,489
Financing expense - loss on financial instruments	3	**—**	—	**41**	—
Financing expense - loss on repurchase of long-term debt	9	**—**	—	**22**	43
Financing income - interests related to the resolution of a litigation	11	**—**	—	**—**	(8)
Income taxes - effect of special items	12	**—**	284	**106**	273
		$ 673	$ 1,641	**$ 5,561**	$ 1,797

1. Represents an impairment charge of $3.1 billion on aerospace program tooling, and inventory write-downs and other provisions of $165 million, following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the October 2015 memorandum of understanding. The special item includes a credit of $14 million in Corporate and Elimination.
2. In 2015, represents an impairment charge of $919 million on aerospace program tooling (including a credit of $6 million in Corporate and eliminations), and inventory write-downs, write-downs of other assets, PP&E and other intangible assets, other provisions and other financial liabilities of $244 million, as a result of the cancellation of the *Learjet 85* aircraft program due to the lack of sales following the prolonged market weakness.

   In 2014, represents losses related to the pause of the *Learjet 85* aircraft program announced in January 2015, mainly comprised of an impairment charge of $1.3 billion on aerospace program tooling.
3. Related to an increase in provisions for credit guarantees and RVGs as a result of changes in assumptions concerning residual value curves of regional aircraft due to difficult market conditions for regional pre-owned aircraft and a higher probability that the guaranteed party will exercise the RVG given the recent experience with respect to RVG and a loss on certain financial instruments due to changes in estimated fair value.

4. Represents an impairment charge of $243 million on the remaining *CRJ1000* aircraft program development costs. The impairment is due to the lack of recent order intake as well as low firm order backlog for the *CRJ1000* aircraft, mainly stemming from pilot scope clauses in the U.S., which have restricted the use, number and seating capacity of regional aircraft flying on behalf of network carriers. Over the near term, we do not anticipate scope clause relaxation in the U.S., during which time, we will not be able to sell the *CRJ1000* aircraft in the U.S. market. The special item includes a charge of $3 million in Corporate and Elimination.
5. Mainly related to restructuring of customer commercial agreements.
6. Costs incurred in connection with the termination of third-party sales representative and distribution agreements to increase the number of direct-to-market channels.
7. Represents an impairment charge on the remaining *Learjet* family aerospace program tooling, following the prolonged market weakness in the light business aircraft category.
8. Represents a provision related to tax litigation.
9. In 2015, represents the loss related to the redemption of the $750-million Senior Notes. In 2014, represents the loss related to the redemption of the €785-million ($1,093-million) Senior Notes.
10. Restructuring charges in 2015 related to:
    - $13 million related to the workforce reduction announced in January 2015 of approximately 1,000 positions, located mostly in Querétaro, Mexico and Wichita, U.S., as a result of the decision to pause the *Learjet 85* aircraft program,
    - a reversal of restructuring provisions taken in prior year of $4 million.

    Restructuring charges in 2014 related to:
    - $120 million related to the workforce reduction connected to the new organizational structure announced in July 2014, of which $63 million related to the Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services and $57 million related to Transportation.
    - $22 million related to the Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services workforce reduction announced in January 2014.
11. Represents a gain at Business Aircraft and Commercial Aircraft upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital, of which $8 million represents the interest portion of the gain.
12. In 2015, represents net write-downs of deferred income tax assets, mainly due to the reorganization and consolidation of Transportation under one holding entity necessary to facilitate the planned placement of a minority stake in Transportation. In 2014, represents net write-downs of deferred tax assets as a result of changes in estimated future taxable profit following the decision to pause the *Learjet 85* aircraft program. These items have a significant impact on the effective income tax rates.

Net financing expense

Net financing expense amounted to $74 million and $348 million, respectively, for the fourth quarter and fiscal year ended December 31, 2015, compared to $48 million and $174 million for the corresponding periods last fiscal year.

The $26-million increase for the fourth quarter is mainly due to:
- higher interest on long-term debt, after the effect of hedges ($29 million).

Partially offset by:
- higher financing income from changes in discount rates of provisions ($11 million).

The $174-million increase for the fiscal year is mainly due to:

- higher interest on long-term debt, after the effect of hedges ($94 million); and
- a higher net loss related to certain financial instruments classified as FVTP&L ($61 million), mainly due to special item losses of $41 million as a result of changes in estimated fair value.

Partially offset by:

- a lower loss on repurchase of long-term debt[(1)] ($21 million).

[(1)] In fiscal year 2015, represents the loss related to the redemption of the $750-million Senior Notes recorded as a special item. In fiscal year 2014, represents the loss related to the redemption of the €785-million ($1,093-million) Senior Notes recorded as a special item.

Income taxes

The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2015 were 7.4% and (3.0)%, respectively, compared to the statutory income tax rate in Canada of 26.8%.

For the fourth quarter ended December 31, 2015, the lower effective tax rate is mainly due to the net non-recognition of income tax benefits related to tax losses and temporary differences mainly due to the impairment charges recorded as a special item in relation to the *CRJ1000* aircraft program and *Learjet* family of aircraft as well the other special items recorded in the fourth quarter.

The negative effective income tax rate in the fiscal year ended December 31, 2015 is due to:

- the net non-recognition of income tax benefits related to tax losses and temporary differences mainly due to the impairment and other charges recorded as special items related to the *C Series* aircraft program and *Learjet 85* aircraft program; and
- the net write-downs of deferred income tax assets, mainly due to the reorganization and consolidation of Transportation under one holding entity necessary to facilitate the planned placement of a minority stake in Transportation recorded as a special item.

Partially offset by:

- the positive impacts of the income tax rate differential of foreign subsidiaries.

The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2014 were (27.3)% and (68.4)%, respectively, compared to the statutory income tax rate in Canada of 26.8%.

The negative effective income tax rates in the fourth quarter and fiscal year ended December 31, 2014 were mainly due to:

- the write-down of deferred income tax assets and the non-recognition of income tax benefits related to tax losses and temporary differences, mainly due to the charge recorded as a special item in relation to the pause of the *Learjet 85* program.

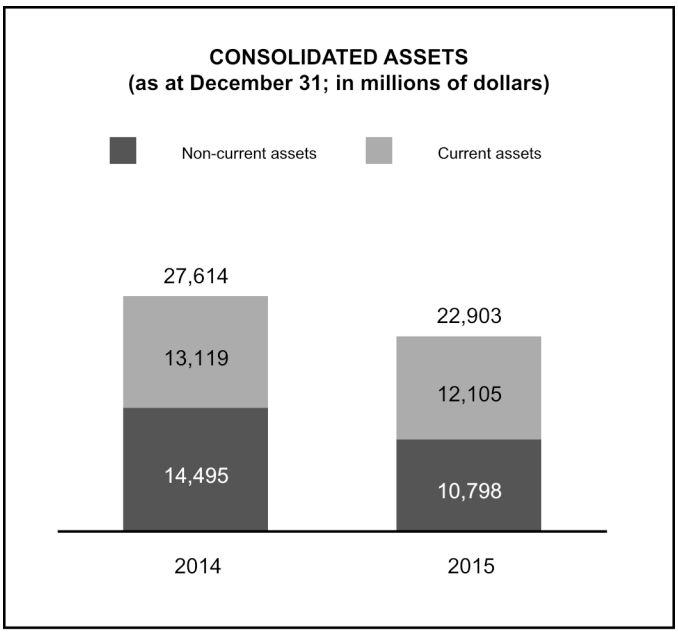
Partially offset by:

- the positive impact of the recognition of previously unrecognized tax losses or temporary differences and permanent differences.

CONSOLIDATED FINANCIAL POSITION

The total assets decreased by $4.7 billion in the fiscal year, including a decrease of $0.7 billion related to foreign exchange. The decrease excluding currency impacts is mainly explained by:

- a $2.8-billion decrease in aerospace program tooling mainly related to the impairment charges of $4.3 billion on some of our aerospace programs, partly offset by net additions of $1.6 billion;
- a $503-million decrease in other financial assets mainly in assets related to derivative financial instruments, aircraft loans and lease receivables, and investments in financing structures;
- a $422-million decrease in gross inventories mainly in Business Aircraft's aerospace program inventories as well as pre-owned Business Aircraft inventories partly offset by an increase in Transportation's inventories following ramp-up of production ahead of deliveries; and
- a $396-million increase in advances and progress billings.

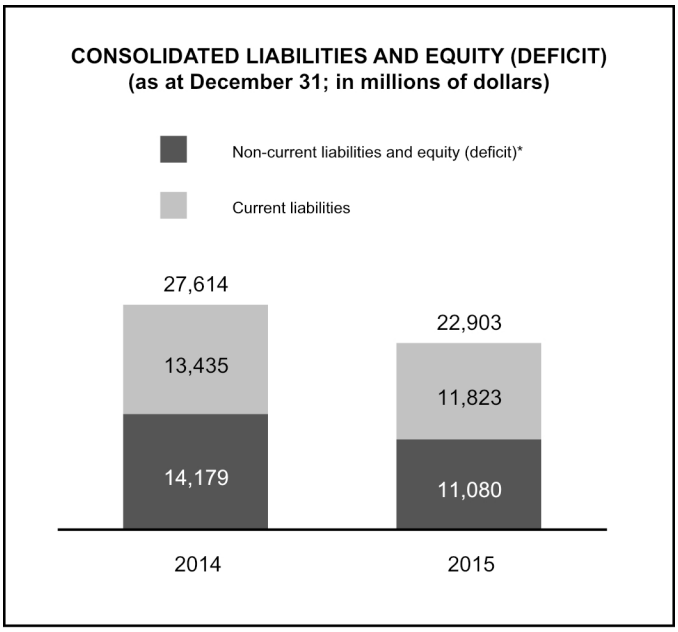


The total liabilities and equity decreased by $4.7 billion in the fiscal year, including a currency impact of $0.7 billion. The decrease excluding currency impacts is mainly explained by:

- a $4.1-billion decrease in equity, mainly due to a net loss of $5.3 billion partially offset by the issuance of share capital of $822 million and remeasurement of defined benefit plans of $581 million; and
- a $1.4-billion decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries.

Partially offset by:

- a $1.4-billion increase in long-term debt, mainly related to the issuance of $2.25 billion of Senior Notes partially offset by the redemption of the $750-million Senior Notes.



* Includes a deficit of $4.1 billion as at December 31, 2015 and equity of $55 million as at December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow

Free cash flow (usage)[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Net loss	**$ (677)**	$ (1,590)	**$ (5,340)**	$ (1,246)
Non-cash items				
Amortization	**123**	116	**438**	417
Impairment charges on PP&E and intangible assets	**296**	1,266	**4,300**	1,266
Deferred income taxes	**(55)**	295	**63**	354
Share of income of joint ventures and associates	**(96)**	(25)	**(149)**	(89)
Loss on repurchase of long-term debt	**—**	—	**22**	43
Other	**—**	4	**11**	(1)
Dividends received from joint ventures and associates	**18**	38	**77**	101
Net change in non-cash balances	**1,461**	981	**598**	2
Cash flows from operating activities	**1,070**	1,085	**20**	847
Net additions to PP&E and intangible assets	**(543)**	(495)	**(1,862)**	(1,964)
Free cash flow (usage)[1]	**527**	590	**(1,842)**	(1,117)
Net interest and income taxes received (paid)	**48**	55	**(348)**	(161)
Free cash flow (usage) before net interest and income taxes received or paid[1]	**$ 479**	$ 535	**$ (1,494)**	$ (956)

Our free cash flow usage[1] of $1.8 billion for the year was slightly better than our guidance, mainly due to improved working capital in Transportation and lower net additions to PP&E and intangible assets.

The $63-million deterioration of free cash flow for the fourth quarter is mainly due to:

- lower net income before non-cash items and special items excluding impairment charges on PP&E and intangible assets ($189 million) (see reconciliation table below); and
- higher net additions to PP&E and intangible assets ($48 million).

Partially offset by:

- a positive period-over-period variation in net change in non-cash balances before special items excluding impairment charges on PP&E and intangible assets ($194 million) (see reconciliation and explanation below).

The $725-million deterioration of free cash flow usage for the fiscal year is mainly due to:

- lower net income before non-cash items and special items excluding impairment charges on PP&E and intangible assets ($530 million) (see reconciliation table below); and
- a negative period-over-period variation in net change in non-cash balances before special items excluding impairment charges on PP&E and intangible assets ($273 million) (see reconciliation and explanation below).

Partially offset by:

- lower net additions to PP&E and intangible assets ($102 million) mainly in the *Learjet 85* aircraft program.

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

Reconciliation of net income (loss) before non-cash items and special items excluding impairment charges on PP&E and intangible assets to net loss

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Net loss	**$ (677)**	$ (1,590)	**$ (5,340)**	$ (1,246)
Non-cash items	**268**	1,656	**4,685**	1,990
Special items excluding impairment charges on PP&E and intangible assets[1]	**377**	91	**1,092**	223
Net income (loss) before non-cash items and special items excluding impairment charges on PP&E and intangible assets	**$ (32)**	$ 157	**$ 437**	$ 967

Net change in non-cash balances

Reconciliation of net change in non-cash balances before special items excluding impairment charges on PP&E and intangible assets to net change in non-cash balances

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Net change in non-cash balances	**$ 1,461**	$ 981	**$ 598**	$ 2
Special items excluding impairment charges on PP&E and intangible assets[1]	**377**	91	**1,092**	223
Net change in non-cash balances before special items excluding impairment charges on PP&E and intangible assets	**$ 1,084**	$ 890	**$ (494)**	$ (221)

[1] Represents all special items presented in EBIT, except impairment charges on PP&E and intangible assets. Refer to the Consolidated results of operations for details regarding special items. Also refer to the Reconciliation of EBITDA before special items and EBITDA to EBIT table in the Non-GAAP financial measures section.

For the fourth quarter ended December 31, 2015, the $1,084 million inflow before special items excluding impairment charges on PP&E and intangible assets is mainly due to:

- a decrease in Transportation's inventories following deliveries, partly offset by ramp-up in production;
- a decrease in Business Aircraft's aerospace program inventories;
- an increase in other liabilities in Transportation mainly related to sales taxes;
- a decrease in other financial asset mainly due to the settlement of an interest rate swap agreement; and
- an increase in trade and other payables.

Partially offset by:

- a decrease in Business Aircraft's advances on aerospace programs mainly resulting from lower order intake than deliveries;
- a decrease in Transportation's advances and progress billings following deliveries, partly offset by advances on existing contracts and new orders; and
- an increase in Transportation's trade and other receivables.

For the fourth quarter ended December 31, 2014, the $890 million inflow before special items excluding impairment charges on PP&E and intangible assets was mainly due to:

- a decrease in aerospace program work-in-process inventories, mainly in business aircraft;
- an increase in Transportation and Business Aircraft's trade and other payables;
- a decrease in finished product inventories, mainly due to a decrease in medium and light business aircraft categories and turboprops;
- an increase in Transportation's other liabilities mainly from higher accruals for long-term contract costs;
- an increase in Transportation's advances and progress billings on existing contracts and new orders;
- a decrease in Transportation's inventories following delivery in a few contracts ahead of ramp-up of production; and
- a decrease in Transportation's trade and other receivables.

Partially offset by:

- a decrease in Business Aircraft's advance on aerospace programs.

For the fiscal year ended December 31, 2015, the $494 million outflow before special items excluding impairment charges on PP&E and intangible assets is mainly due to:

- a decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries; and
- an increase in Transportation's inventories following ramp-up of production ahead of deliveries.

Partially offset by:

- a decrease in Business Aircraft's aerospace program inventories;
- an increase in Transportation's advances and progress billings on existing contracts and new orders;
- an increase in retirement benefits liability mainly related to Transportation; and
- a decrease in Business Aircraft finished product inventories mainly in pre-owned aircraft inventories.

For the fiscal year ended December 31, 2014, the $221 million outflow before special items excluding impairment charges on PP&E and intangible assets was mainly due to:

- an increase in Transportation's inventories following ramp-up of production ahead of deliveries;
- an increase in Transportation's trade and other receivables; and
- a decrease in Transportation's retirement benefit liabilities.

Partially offset by:

- an increase in Transportation's trade and other payables resulting from higher activities in the year partially offset by a decrease in trade and other payables of all aerospace segments but mainly in Business Aircraft;
- a decrease in aerospace program work-in-process inventories, mainly in business aircraft and regional jets;
- an increase in Transportation's advances and progress billings on existing contracts and new orders;
- an increase in Transportation's other financial liabilities, mainly related to derivative financial instruments; and
- a decrease in finished product inventories, mainly due to a decrease in the medium business aircraft and regional jets categories, partially offset by an increase in business aircraft pre-owned aircraft inventories.

Available short-term capital resources

We continuously monitor our level of liquidity, including available short-term capital resources and cash flows from operations, to meet expected requirements, including the support of product development initiatives and to ensure financial flexibility. In evaluating our liquidity requirements, we take into consideration historic volatility and seasonal needs, the maturity profile of long-term debt, the funding of product development programs, the level of customer advances, working capital requirements, the economic environment and access to capital markets. We use scenario analyses to stress-test cash flow projections.

Variation in cash and cash equivalents

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Balance at the beginning of period/fiscal year	**$ 2,344**	$ 1,935	**$ 2,489**	$ 3,397
Net proceeds from issuance of long-term debt	**—**	5	**2,218**	1,820
Free cash flow (usage)[1]	**527**	590	**(1,842)**	(1,117)
Repayments of long-term debt	**(15)**	(16)	**(831)**	(1,334)
Net proceeds from issuance of shares	**—**	—	**822**	—
Proceeds from investment in financing structure	**—**	—	**150**	—
Effect of exchange rate changes on cash and cash equivalents	**(36)**	(100)	**(104)**	(169)
Dividends paid	**(5)**	(45)	**(19)**	(182)
Net variation in AFS investments in securities	**—**	53	**(10)**	—
Purchase of Class B Subordinate Voting Shares held in trust under the RSU plan	**—**	—	**(9)**	—
Net proceeds from disposal of a business[2]	**—**	—	**—**	25
Other	**(95)**	67	**(144)**	49
Balance at the end of period/fiscal year	**$ 2,720**	$ 2,489	**$ 2,720**	$ 2,489

(1) 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 hereinbefore for reconciliations to the most comparable IFRS measure.

(2) Related to the sale of the main assets and related liabilities of our Flexjet activities completed in December 2013. In fiscal year 2014, we received the balance of the sale price.

Available short-term capital resources

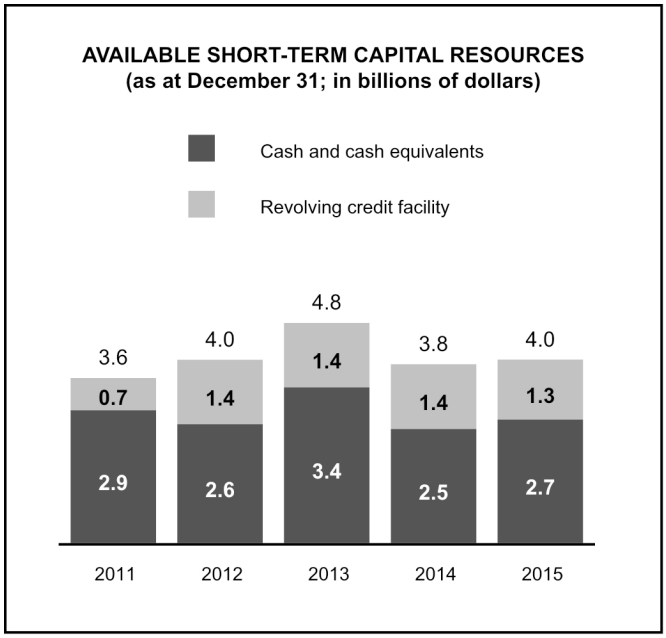
	As at December 31, 2015	As at December 31, 2014
Cash and cash equivalents	**$ 2,720**	$ 2,489
Available revolving credit facilities	**1,294**	1,357
Available short-term capital resources	**$ 4,014**	$ 3,846

Pro forma liquidity

Available short-term capital resources as at December 31, 2015	**$ 4,014**
Gross proceeds of the investment from the CDPQ in our rail transportation business received February 11, 2016	**1,500**
Expected gross proceeds of the investment from the Government of Québec in the *C Series* aircraft program	**1,000**
Pro forma liquidity	**$ 6,514**

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. Refer to the Financial covenants section for details.

In February 2015, we announced a financing plan to position ourselves with a flexible and strong financial profile whereby we would access the capital markets, depending on market conditions, for the issuance of equity and new long-term debt capital. In keeping with these objectives, the Board of Directors concluded that our free cash flow[(1)] would be more appropriately applied to bolstering our financial structure and investing in our core programs and businesses. Therefore, we suspended the declaration of dividends on Class A Shares and Class B Subordinate Voting Shares.



Some totals do not agree due to rounding.

In February 2015, we announced the closing of a public offering, with an over-allotment option having been exercised in full for an aggregate of 487,840,350 subscription receipts at a price of $2.21 Canadian dollars per subscription receipt for aggregate gross proceeds of $1.1 billion Canadian dollars, or $868 million. The net proceeds of the offering were used for general corporate purposes. Following the adoption of a resolution of the shareholders to increase the number of authorized Class A Shares and Class B Subordinate Voting Shares of the Corporation effective in March 2015, the subscription receipts were converted into Class B Subordinate Voting Shares and the proceeds of issuance were released to the Corporation.

In March 2015, we issued an aggregate amount of $2.25 billion in new unsecured Senior Notes, comprised of $750 million bearing interest at 5.50% due on September 15, 2018 and $1.5 billion bearing interest at 7.50% due on March 15, 2025. In April 2015, a portion of the proceeds from the Senior Notes was used to finance the optional early redemption of the $750-million Senior Notes bearing interest at 4.25% due in January 2016. The remainder of the net proceeds was used for general corporate purposes.

In March 2015, we extended the maturity dates of Transportation's €500-million ($544-million) and the $750-million[(2)] unsecured revolving credit facilities by one year to March 2017 and June 2018, respectively.

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for definition of this metric.
(2) Available for other than Transportation's usage.

In October 2015, we entered into a memorandum of understanding with the Government of Québec, who will invest $1.0 billion in the *C Series* aircraft program in return for a 49.5% equity stake in a newly created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. The investment also includes the issuance of warrants to the Government of Québec, exercisable to acquire up to 200,000,000 Class B Subordinate Voting Shares in the capital of Bombardier Inc. at an exercise price per share equal to the U.S. dollar equivalent of $2.21 Canadian dollars, using the exchange rate on the date of the execution of the definitive agreements. The execution of the definitive agreements and the disbursement of the investment and issuance of the warrants are expected to take place in the second quarter of 2016, subject to closing conditions. The warrants will have a five-year term from the date of issue. The proceeds of the investment will be used entirely for the cash flow purposes of the *C Series* aircraft program. The Government of Québec's interest in the partnership will be redeemable at our option, in certain circumstances. Refer to the Strategic partnership section in Commercial Aircraft for more detail.

In November 2015, we entered into a definitive agreement with the Caisse de dépôt et placement du Québec (CDPQ) for a $1.5-billion convertible share investment for a 30% stake in our rail transportation business. The investment was completed on February 11, 2016. The investment comprises the issuance by Bombardier to the CDPQ of warrants exercisable for a total number of 105,851,872 Class B Subordinate Voting Shares in the capital of Bombardier Inc. The warrants are exercisable for a period of seven years from the date of their issuance at an exercise price per Class B Subordinate Voting Share equal to $1.66, the U.S. dollar equivalent of $2.21 in Canadian dollar. The funds from the investment were distributed to the Corporation in the first quarter 2016 and will be used for general corporate purposes. The parties have agreed that Bombardier will maintain a consolidated cash position of at least $1.25 billion. In the event Bombardier's cash position falls below that level, the Board of Directors of Bombardier will create a Special Initiatives Committee composed of three independent directors acceptable to the CDPQ, to develop an action plan to improve cash. The implementation of the plan, once agreed with the CDPQ, will be overseen by the Special Initiatives Committee. Refer to the Sale of a minority share section in Transportation for more detail.

Letter of credit facilities

Letter of credit facilities are only available for the issuance of letters of credit. As these facilities are unfunded commitments from banks, they typically provide better pricing for the Corporation than credit facilities that are available for cash drawings. Letters of credit are generally issued in support of performance obligations and advance payments received from customers.

As at December 31, 2015, we had $5.2 billion committed under the Transportation, the $600-million[(1)] and the PSG letter of credit facilities ($5.4 billion as at December 31, 2014). Letters of credit issued under these facilities amounted to $3.6 billion as at December 31, 2015 ($4.2 billion as at December 31, 2014).

In March 2015, we extended the availability periods of Transportation's €3.5-billion ($3.8-billion) and the $600-million[(1)] letter of credit facilities by one year to May 2018 and June 2018, respectively. In June 2015, Transportation's €3.5-billion ($3.8-billion) committed amount increased to €3.64 billion ($4.0 billion). Also, in June 2015, we extended the availability period of the PSG facility to August 2016.

In addition to the outstanding letters of credit mentioned above, letters of credit of $1.7 billion were outstanding under various bilateral agreements as at December 31, 2015 ($1.7 billion as at December 31, 2014).

We also use numerous bilateral bonding facilities with insurance companies to support Transportation's operations. An amount of $2.6 billion was outstanding under such facilities as at December 31, 2015 ($2.4 billion as at December 31, 2014).

See Note 31 – Credit facilities, to the consolidated financial statements, for additional information.

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

Financial covenants

Under the Transportation and the $600-million[(1)] letter of credit facilities and our two unsecured revolving credit facilities available for cash drawings, we must maintain various financial covenants, which must be met on a quarterly basis.

The $600-million[(1)] letter of credit facility and the $750 million unsecured revolving facility include financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum net debt to EBITDA ratio and a minimum liquidity level of $750 million at the end of each quarter all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). The minimum liquidity level was increased from $500 million to $750 million pursuant to the financing plan announced in the first quarter of 2015.

Transportation's €3.64-billion ($4.0-billion) letter of credit facility and €500 million ($544 million) unsecured revolving facility financial covenants require a minimum liquidity level of €600 million ($653 million) at the end of each quarter, as well as a minimum equity level and a maximum debt to EBITDA ratio, all calculated on a Transportation stand-alone basis.

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. A breach of any of these agreements or the inability to comply with these covenants could result in a default under these facilities, which would permit our banks to request immediate defeasance or cash cover of all outstanding letters of credit, and bond holders and other lenders to declare amounts owed to them to be immediately payable.

The financial covenants under these credit facilities were all met as at December 31, 2015 and 2014 and as at January 1, 2014.

(1) Available for other than Transportation's usage.

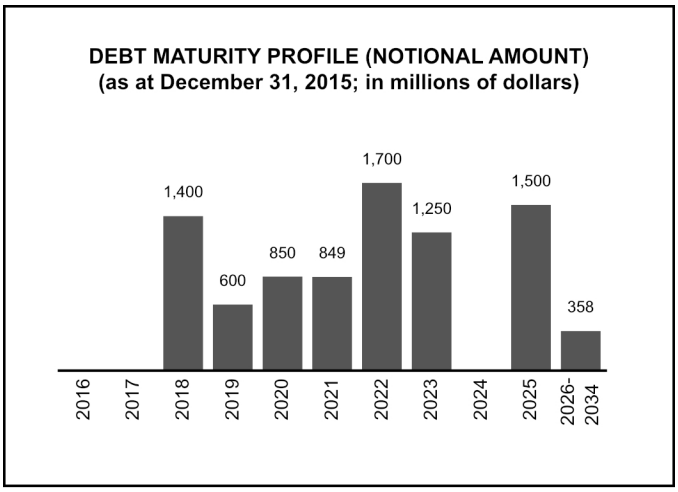
On balance sheet sale and leaseback facilities

Business Aircraft enters into sale and leaseback facilities with third parties under which it can sell certain pre-owned business aircraft and lease them back for a period not greater than 24 months. We have the right to buy the aircraft back during the term of the lease for predetermined amounts. As at December 31, 2015, we had sale and leaseback facilities with third parties under which a total of $133 million was outstanding as at December 31, 2015 ($260 million as at December 31, 2014).

Future liquidity requirements

Our aerospace segments require capital to develop industry-leading products and to seize strategic opportunities to increase competitiveness and execute growth strategies. We take advantage of favourable capital market conditions when they materialize to extend debt maturity, reduce cost of funds and increase diversity of capital resources.

On an on-going basis, we manage our liabilities by taking into consideration expected free cash flows[(1)], debt repayments and other material cash outlays expected to occur in the future. The weighted average long-term debt maturity was 6.3 years as at December 31, 2015. There is no significant debt maturing before the year 2018.



(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.

Expected timing of future liquidity requirements

	December 31, 2015				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Long-term debt[1]	$ 8,697	$ 71	$ 1,449	$ 1,497	$ 5,680
Interest payments	3,729	561	1,094	856	1,218
Operating lease obligations	838	146	197	149	346
Purchase obligations[2]	10,466	6,485	3,475	450	56
Trade and other payables	4,091	4,042	32	4	13
Other financial liabilities	1,314	310	121	139	744
Derivative financial liabilities	717	621	96	—	—
	$ 29,852	$ 12,236	$ 6,464	$ 3,095	$ 8,057

(1) Includes principal repayments only.
(2) Purchase obligations represent contractual agreements to purchase goods or services in the normal course of business that are legally binding and specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, variable or indexed price provisions; and the appropriate timing of the transaction. These agreements are generally cancellable with a substantial penalty. Purchase obligations are generally matched with revenues over the normal course of operations.

The table above presents the expected timing of contractual liquidity requirements. Other payments contingent on future events, such as payments in connection with credit and residual value guarantees related to the sale of aircraft and product warranties have not been included in the above table because of the uncertainty of the amount and timing of payments arising from their contingent nature. In addition, required pension contributions have not been reflected in this table as such contributions depend on periodic actuarial valuations for funding purposes. For 2016, contributions to retirement benefit plans are estimated at approximately $390 million (see the Retirement benefits section for more details). The amounts presented in the table represent the undiscounted payments and do not give effect to the related hedging instruments, if applicable.

The investments from the Government of Québec and from the CDPQ along with our available short-term capital resources of $4.0 billion give us sufficient pro forma liquidity of $6.5 billion to execute our plan. In addition to the investments, we may receive funding from governments and contributions from key suppliers for certain aircraft programs, which increases financing flexibility as these parties act as risk-sharing partners. We consider that these resources 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.

Creditworthiness

We assess and manage creditworthiness using the global metrics as described in the Capital structure section. We continuously monitor our capital structure to ensure sufficient liquidity to fund product development programs. Our goal is to strengthen our global metrics and credit ratings. Our objective also includes improving our leverage metrics by gradually de-leveraging the balance sheet with strategic long-term debt repayments in line with active management of consolidated liquidity, weighted-average cost of capital and term structure.

As at December 31, 2015, our credit ratings were five notches below investment grade.

Credit Ratings

	Investment-grade rating	Bombardier Inc.'s rating	
		February 16, 2016	December 31, 2014
Fitch Ratings Ltd.	BBB-	**B**	BB-
Moody's Investors Service, Inc.	Baa3	**B2**	Ba3
Standard & Poor's Rating Services	BBB-	**B**	BB-

Over the long term, we believe that we will be in a good position to improve our credit ratings as we progress towards profitability targets and return to a more normalized level of investment in product development.

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 in order 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.

Our objectives with regard to the 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.

We take advantage of favourable capital market conditions when they materialize to extend debt maturity, reduce cost of funds and increase diversity of capital resources. The $2.25-billion issuance of unsecured Senior Notes in March 2015 had a negative impact on our global metrics, but the addition of liquidity in a period of significant investment warranted the increased leverage.

Interest coverage ratio

	Fiscal year ended December 31	
	2015	2014
Adjusted EBIT[(1)]	**$ 777**	$ 1,262
Adjusted interest[(1)]	**$ 503**	$ 401
Adjusted EBIT to adjusted interest ratio	**1.5**	3.1

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

The interest coverage ratio deteriorated as a result of:

- lower adjusted EBIT, mainly due to lower EBIT before special items (see each reporting segment's Analysis of results section for details) and lower interest received, mainly as a result of the interest portion related to the settlement of a cross-currency interest-rate swap recognized in the second quarter of 2014; and
- higher adjusted interest, mainly due to interest paid on unsecured Senior Notes issued in March 2015.

Financial leverage ratio

	Fiscal year ended December 31	
	2015	2014
Adjusted debt[(1)]	**$ 9,289**	$ 8,401
Adjusted EBITDA[(1)]	**$ 1,278**	$ 1,775
Adjusted debt to adjusted EBITDA ratio	**7.3**	4.7

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

The financial leverage ratio deteriorated as a result of:

- lower adjusted EBITDA, mainly due to lower adjusted EBIT (see variance explanation above); and
- higher adjusted debt, mainly due to the issuance of $2.25 billion of unsecured Senior Notes in March 2015, partially offset by the optional redemption in April 2015 of $750 million of Senior Notes due in January 2016.

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 monitors our bank covenants to ensure they are all met.

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $1.9 billion as at December 31, 2015 ($2.5 billion as at December 31, 2014). 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. See the Retirement benefits section for further details.

RETIREMENT BENEFITS

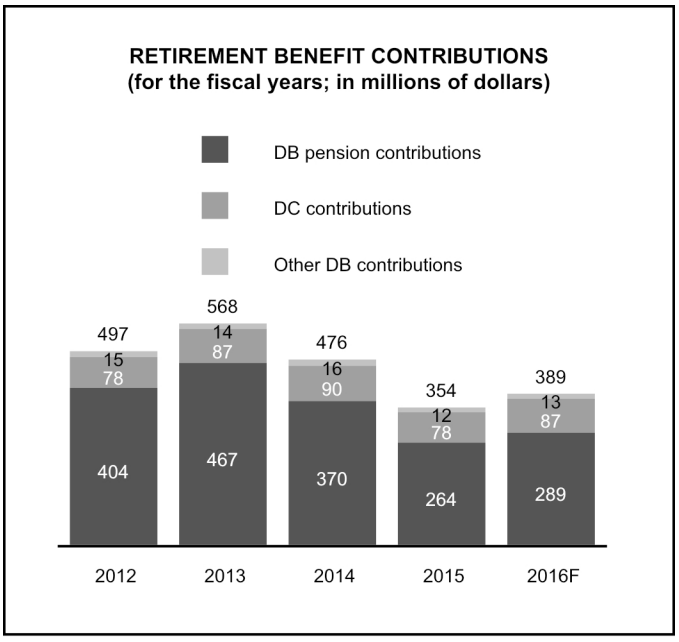
Decrease in net retirement benefit liability

Overview of retirement benefit plans

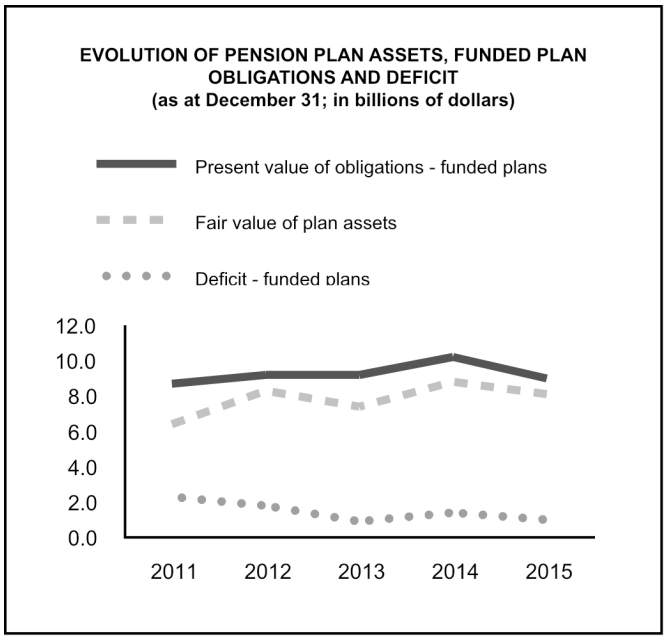
The Corporation sponsors several Canadian and foreign retirement benefit plans consisting of funded and unfunded pension plans, as well as other unfunded defined benefit plans. Funded plans are plans for which segregated plan assets are invested in trusts. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice. Therefore unfunded plans will always be in a deficit position.

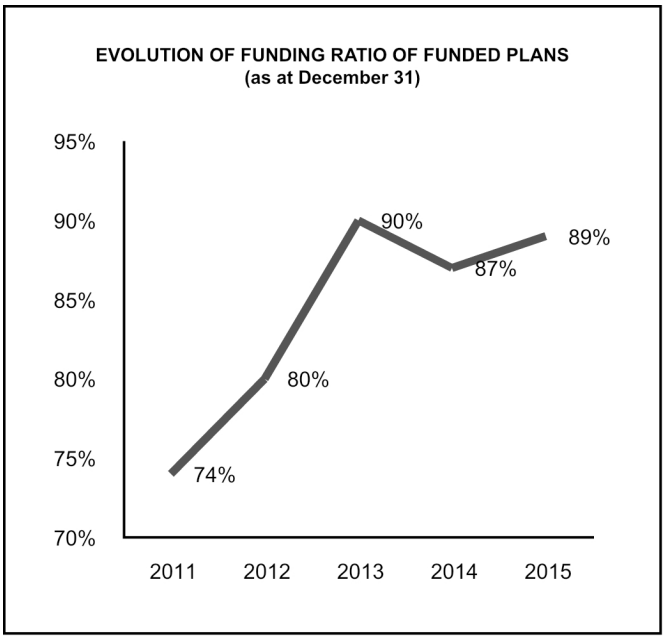
Pension plans are categorized as DB or DC. DB plans specify the amount of benefits an employee is to receive at retirement, while DC plans specify how contributions are determined. As a result, there is no deficit or surplus for DC plans. Hybrid plans are a combination of DB and DC plans.

Retirement benefit contributions to DB pension plans decreased by $106 million to $264 million for the fiscal year ended December 31, 2015, compared to $370 million the previous year. This reduction in contributions results mainly from the improvement in the funding ratio of the funded plans, which has improved from 74% to 89% since the fiscal year ended December 31, 2011, and from the strengthening of the U.S. dollar.



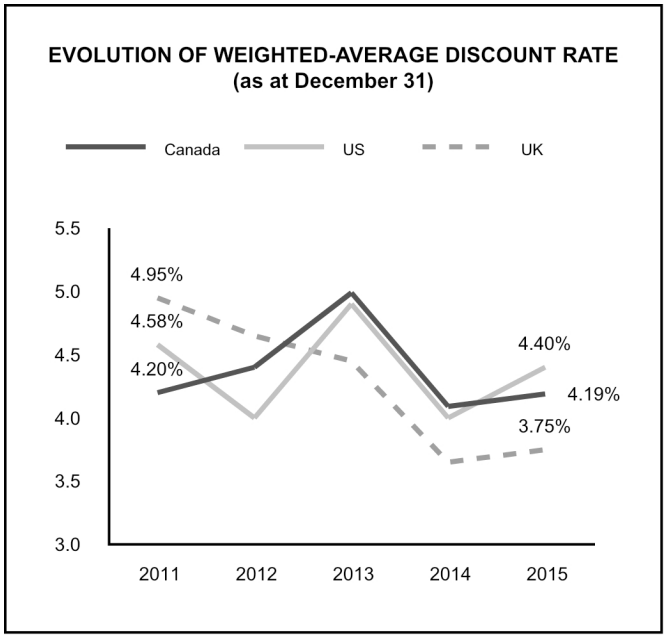
F: Forecast

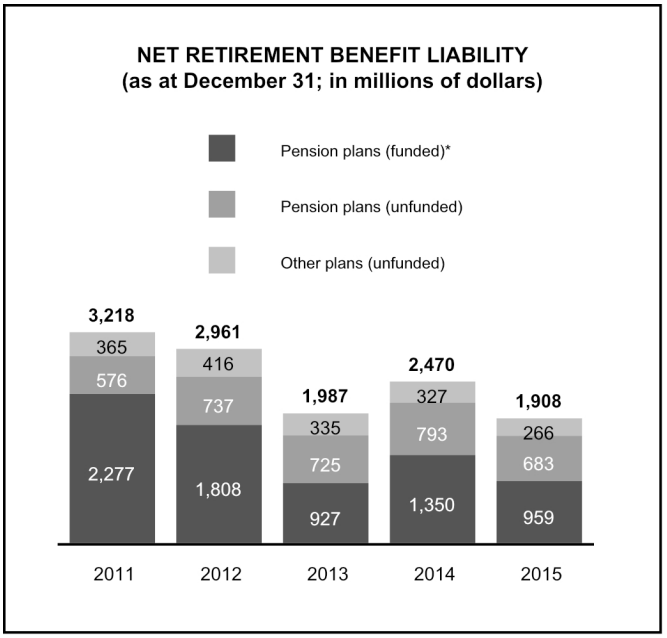




Net retirement benefit liability

The discount rate increase in 2015 together with fluctuations in foreign currency exchange rates were the main reasons for the decrease of $562 million in the net retirement benefit liability from $2.5 billion as at December 31, 2014 to $1.9 billion as at December 31, 2015.





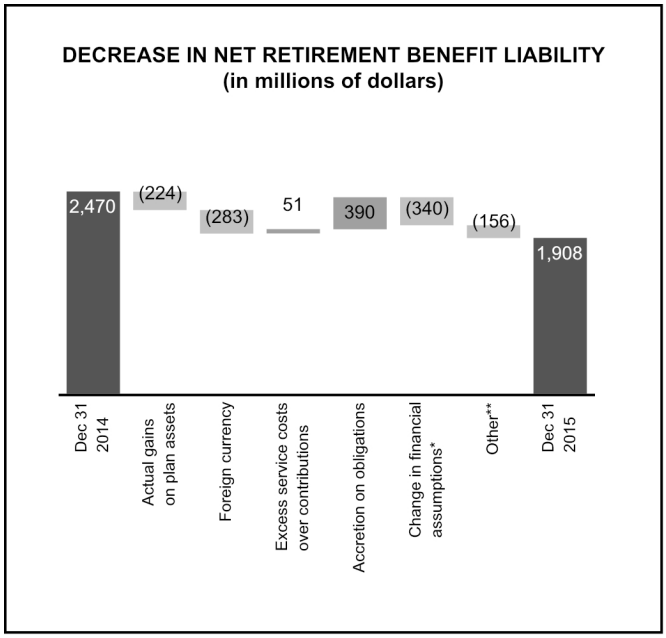
* Includes liability arising from minimum funding requirement and impact of asset ceiling test, if any.

Variation in net retirement benefit liability		
Balance as at December 31, 2014	$	2,470 [1]
Changes in discount rates and other financial assumptions		(340)
Other net actuarial gains on defined benefit obligations		(161)
Service costs		327
Changes in foreign exchange rates		(283)
Employer contributions		(276)
Actuarial losses on pension plan assets		94
Accretion on net retirement benefit obligation		72
Other		5
Balance as at December 31, 2015	**$**	**1,908** [1]

[1] Includes retirement benefit assets of $251 million as at December 31, 2015 ($159 million as at December 31, 2014).

The value of plan assets is highly dependent on the pension funds' asset performance and on the level of contributions. The performance of the financial markets is a key driver in determining the funds' asset performance as assets in the plans are composed mostly of publicly traded equity and fixed income securities. IFRS requires that the excess (deficit) of actual return on plan assets compared to the estimated return be reported as an actuarial gain or loss in OCI. The return on plan assets must be calculated using the discount rate that is used to measure the net retirement benefit liability, which is derived using high-quality corporate bond yields. During fiscal year 2015, as the actual gain on plan assets ($224 million) was below expected return, this resulted in a $94-million actuarial loss.

DB plan contributions are estimated at approximately $300 million for 2016. The future level of contributions will be impacted by the evolution of market interest rates and the actual return on plan assets.



* Mainly comprised of changes in discount rates.
** Other is mainly comprised of changes in other actuarial assumptions and experience adjustments

In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (they no longer have the option of joining DB or hybrid plans). In the U.K., seven of nine DB plans are closed to new members. Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan. As a result of these changes, contributions to DC plans have increased over the past several years. In fiscal year 2015, DC pension contributions totaled $78 million. These contributions are estimated at approximately $90 million for 2016.

Investment Policy

The investment policies are established to achieve a long-term investment return so that, in conjunction with contributions, the plans have sufficient assets to pay for the promised benefits while maintaining a level of risk that is acceptable given the tolerance of plan stakeholders. See below for more information regarding risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk.

The plans' investment strategy is to invest broadly in fixed income and equity securities and to have a smaller portion of the funds' assets invested in real return asset securities (including global infrastructure and real estate listed securities).

As at December 31, 2015, the average target asset allocation was as follows:

- 52%, 50% and 51% in fixed income securities, for Canadian, U.K. and U.S. plans, respectively;
- 38%, 35% and 44% in equity securities, for Canadian, U.K. and U.S. plans, respectively; and
- 10%, 15% and 5% in real return asset securities, for Canadian, U.K. and U.S. plans, respectively.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term Gilt forwards) were implemented in 2013 for most of the plans. The interest rate hedging overlay portfolios were liquidated in 2014 to crystallize the gains realized from declining bond yields. These portfolios will be re-implemented when the market will be favorable.

The plan administrators have also established dynamic de-risking strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve. Bombardier Inc. Pension Asset Management Services monitors the de-risking triggers on a daily basis to ensure timely and efficient implementation of these strategies. The Corporation and administrators periodically undertake asset and liability studies to determine the appropriateness of the investment policies and de-risking strategies.

Risk management initiatives

Our pension plans are exposed to various risks, including equity, interest rate, inflation, foreign exchange, liquidity and longevity risks. Several risk strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of DB plans and on the future level of contributions. The following is a description of key risks together with the mitigation measures in place to address them.

Equity risk
Equity risk results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

Interest rate risk
Interest rate risk results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation. This is accomplished by having a significant portion of the portfolio invested in long-term fixed income securities and interest rate hedging overlay portfolios.

Inflation risk
Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the benefit indexation has been capped in certain plans and a portion of plan assets has been invested in real return fixed income securities and real return asset securities.

Foreign exchange risk
Currency risk exposure arises from fluctuations in the fair value of plan assets denominated in a currency other than the currency of the plan liabilities. Currency risk is managed with foreign currency hedging strategies as per plan investment policies.

Liquidity risk
Liquidity risk stems from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in Treasury bills, government bonds and equity futures and by having no investments in private placements or hedge funds.

Longevity risk
Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality and mortality improvement tables to set the level of contributions.

Retirement benefit cost

The retirement benefit cost for fiscal year 2016 for DB plans is estimated at $355 million, of which $289 million relates to EBIT expense or capitalized cost and $66 million relates to net financing expense, compared to $400 million for fiscal year 2015. This decrease is mainly due to the expected positive foreign exchange impact and the increases in discount rate assumptions. The following table provides the components of the retirement benefit cost, for fiscal years:

	2015			2014		
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
DB plans	**$ 381**	**$ 19**	**$ 400**	$ 310	$ 20	$ 330
DC plans	**78**	**—**	**78**	90	—	90
Total retirement benefit cost	**$ 459**	**$ 19**	**$ 478**	$ 400	$ 20	$ 420
Related to						
Funded DB plans	**$ 340**	**n/a**	**$ 340**	$ 264	n/a	$ 264
Unfunded DB plans	**$ 41**	**$ 19**	**$ 60**	$ 46	$ 20	$ 66
DC plans	**$ 78**	**n/a**	**$ 78**	$ 90	n/a	$ 90
Recorded as follows						
EBIT expense or capitalized cost	**$ 399**	**$ 7**	**$ 406**	$ 339	$ 5	$ 344
Financing expense	**$ 60**	**$ 12**	**$ 72**	$ 61	$ 15	$ 76

n/a: Not applicable

Sensitivity analysis

The net retirement benefit liability is highly dependent on discount rates, expected inflation rates, expected rates of compensation increase, life expectancy assumptions and actual return on plan assets. The discount rates represent the market rate for high-quality corporate fixed-income investments at the end of the reporting period consistent with the currency and estimated term of the benefit obligations. As a result, discount rates change based on market conditions.

A 0.25 percentage point increase in one of the following weighted-average actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged:

Increase (decrease)	**Retirement benefit cost for fiscal year 2016**	**Net retirement benefit liability as at December 31, 2015**
	(Forecast)	
Discount rate	**$ (33)**	**$ (445)**
Inflation rate	**$ 8**	**$ 127**
Rate of compensation increase	**$ 9**	**$ 78**

A one-year increase in life expectancy for all DB plan beneficiaries would impact plans in major countries as follows:

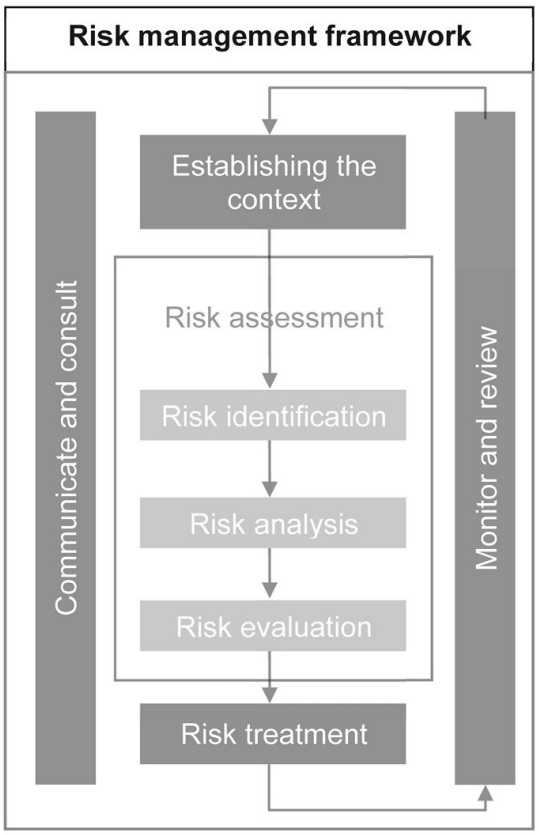
Increase (decrease)	**Retirement benefit cost for fiscal year 2016**	**Net retirement benefit liability as at December 31, 2015**
	(Forecast)	
Canada	**$ 8**	**$ 101**
U.K.	**$ 5**	**$ 84**
U.S.	**$ 2**	**$ 29**

Details regarding assumptions used are provided in Note 22 – Retirement benefits, to the consolidated financial statements.

RISK MANAGEMENT

Active risk management has been one of our priorities for many years and is a key component of our corporate strategy framework. To achieve our risk management objectives, we have embedded risk management activities in the operational responsibilities of management and made these activities an integral part of the overall governance, planning, decision making, organizational and accountability structure.

For each risk or category of risks, the risk management process includes activities performed in a continuous cycle. Risk assessment, including risk identification, analysis and evaluation, ensures that each risk is analyzed to identify the consequence and likelihood of the risk occurring and the adequacy of existing controls. Each reportable segment is responsible for implementing the appropriate structures, processes and tools to allow proper identification of risks. Once the risks have been identified, analyzed and evaluated, risk mitigation identifies the actions to be implemented by management. Each reportable segment has implemented risk management processes that are embedded in governance and activities to achieve the objectives of our Corporate Risk Management Policy.



Source: International Organization for Standardization (ISO) 31000:2009

In addition, every year, the Corporate Audit Services and Risk Assessment (CASRA) team assesses our major risks. Senior management reviews this risk assessment and develops action plans to address the identified risks. The Board of Directors is ultimately responsible for reviewing the overall risks faced by the Corporation. The Board exercises its duty through the Finance and Risk Management Committee, consisting of five independent directors, which reviews material business risks and the measures that management takes to monitor, control and manage such risks, including the adequacy of policies, procedures and controls designed by management to assess and manage these risks. To complement the annual CASRA review of major risks, each reportable segment, in coordination with CASRA, has implemented an annual review process that results in standardized heat maps.

We have also designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is properly communicated and that information required to be disclosed in public filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. Refer to the Controls and procedures section in Other for more details.

Key exposures to financing and market risks and related mitigation strategies

Our operations are exposed to various financing and market risks. The following is a description of our key exposures to those risks together with the strategies in place to mitigate them. Market risks associated with pension plans are discussed in the Retirement benefits section.

Exposure to foreign exchange risk

Our main exposures to foreign currencies are managed in accordance with the Foreign Exchange Risk Management Policy in order to mitigate the impact of foreign exchange rate movements. This policy requires each reportable segment's management to identify all actual and potential foreign currency exposures arising from their operations. This information is communicated to the Corporate office central treasury function, which has the responsibility to execute hedging transactions in accordance with policy requirements. In addition, the central treasury function manages balance sheet exposures to foreign currency movements by matching asset and liability positions. This program consists mainly in matching long-term debt in a foreign currency with assets denominated in the same currency.

Foreign exchange management

Owner	Hedged exposures	Hedging policy[1]	Risk-mitigation strategies
Aerospace reportable segments	Forecast cash outflows denominated in a currency other than the functional currency of the entity incurring the cash flows, mainly in Canadian dollars and pounds sterling.	Hedge 85% of the identified exposures for the first three months, 75% for the next 15 months and up to 50% for the following six months.	Use of forward foreign exchange contracts, mainly to sell U.S. dollars and buy Canadian dollars and pounds sterling.
Transportation	Forecast cash inflows and outflows denominated in a currency other than the functional currency of the entity incurring the cash flows.	Hedge 100% of the identified exposures at the time of order intake.	Use of forward foreign exchange contracts, mainly to sell or purchase Canadian dollars, euros, U.S. dollars, Swiss francs, Swedish kronor and other Western European currencies.
Corporate office	Forecast cash outflows other than interest, denominated in a currency other than the functional currency of the entity incurring the cash flows, mainly in Canadian dollars.	Hedge 85% of the identified exposures for the first 18 months and up to 75% for the following six months.	Use of forward foreign exchange contracts mainly to sell U.S. dollars and buy Canadian dollars.
	Interest cash outflows in currencies other than the U.S. dollar, i.e. the euro and the Canadian dollar.	Hedge 100% of the identified exposure unless the exposure is recognized as an economic hedge of an exposure arising from the translation of financial statements in foreign currencies to the U.S. dollar.	Use of forward foreign exchange contracts mainly to sell U.S. dollars and buy euros and Canadian dollars.
	Balance sheet exposures, including long-term debt and net investments in foreign operations with non-U.S. dollar functional currencies.	Hedge 100% of the identified exposures affecting the Corporation's net income.	Asset/liability management techniques. Designation of long-term debt as hedges of our net investments in foreign operations with non-U.S. dollar functional currencies.

[1] Deviations from the policy are allowed, subject to pre-authorization and maximum pre-determined risk limits.

Aerospace reportable segments

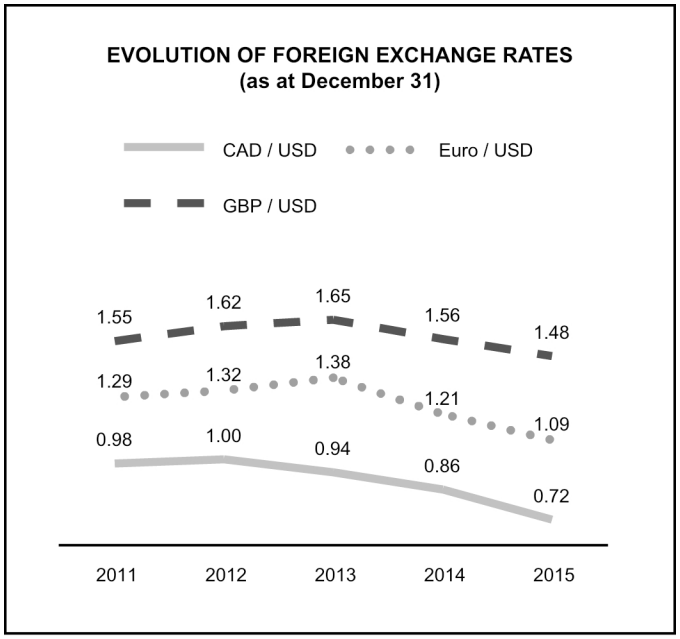
The hedged portion of our aerospace reportable segments' significant foreign currency denominated costs for the fiscal years ending December 31, 2016 and 2017 was as follows as at December 31, 2015:

	Canadian dollars		Pounds sterling	
For fiscal years	2016	2017	2016	2017
Business Aircraft expected costs denominated in foreign currency	$1,496	$1,636	—	—
Commercial Aircraft expected costs denominated in foreign currency	$854	$895	—	—
Aerostructures and Engineering Services expected costs denominated in foreign currency	$292	$249	£354	£365
Hedged portion of expected costs denominated in foreign currency	86%	52%	82%	54%
Weighted-average hedge rates – foreign currency/USD	0.8687	0.7807	1.5869	1.5356

Sensitivity analysis

A U.S. one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services' expected costs for the year ending December 31, 2016 by approximately $15 million, $8 million and $3 million, respectively, before giving effect to forward foreign exchange contracts ($2 million, $1 million and $1 million impacts, respectively, after giving effect to such contracts).

A U.S. one-cent change in the value of the pound sterling compared to the U.S. dollar would impact Aerostructures and Engineering Services' expected costs for the fiscal year ending December 31, 2016 by approximately $4 million, before giving effect to forward foreign exchange contracts ($1 million impact after giving effect to such contracts).



Transportation and Corporate office

Transportation's foreign currency exposure, arising from its long-term contracts, spreads over many years. Such exposures are generally entirely hedged at the time of order intake, contract-by-contract, for a period that is often shorter than the maturity of the cash flow exposure. Upon maturity of the hedges, Transportation enters into new hedges in a rollover strategy for periods up to the maturity of the cash flow exposure. As such, Transportation's results of operations are not significantly exposed to gains and losses from transactions in foreign currencies, but remain exposed to translation and cash flow risks on a temporary basis. On a cumulative basis, however, cash outflows or inflows upon rollover of these hedges are offset by cash inflows or outflows in opposite directions when the cash flow exposure materializes.

The identified cash flow exposures at our Corporate office are not significant and mainly arise from expenses denominated in Canadian dollars. Balance sheet exposure at Corporate office arises mainly from investments in foreign operations and long-term debt. Despite our risk mitigation strategies, the impact of foreign currency fluctuations on equity can be significant given the size of our investments in foreign operations with non-U.S. dollar functional currencies, mainly the euro.

Sensitivity analysis

For investments in foreign operations exposed to foreign currency movements, a 1% fluctuation of the relevant currencies as at December 31, 2015 would have impacted equity, before the effect of income taxes, by $13 million.

Exposure to credit risk

The effective monitoring and controlling of credit risk is a key component of our risk management activities. Credit risk is monitored on an ongoing basis using different systems and methodologies depending on the underlying exposure.

Credit risk management

Owner	Key risks	Risk mitigation measures initiated by management
Corporate office	Through normal treasury activities, we are exposed to credit risk through derivative financial instruments and investing instruments.	Credit risks arising from treasury activities are managed by a central treasury function in accordance with the Corporate Foreign Exchange Risk Management Policy and the Corporate Investment Management Policy. The objective of these policies is to minimize exposure to credit risk from treasury activities by ensuring that we transact strictly with investment-grade financial institutions and money market funds, based on pre-established consolidated counterparty risk limits per financial institution and fund.
All reportable segments	We are exposed to credit risk through trade receivables arising from normal commercial activities and lending activities, related primarily to aircraft loans and lease receivables provided to customers in connection with the sale of commercial aircraft.	Credit risks arising from normal commercial activities and lending activities are managed and controlled by each reportable segment, in accordance with the Corporate office policy. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and our experience with the customers. The credit risk and credit limits are dynamically reviewed based on fluctuations in the customers' financial results and payment behaviour. These customer credit ratings and credit limits are critical inputs in determining the conditions under which credit or financing is extended to customers, including obtaining collateral to reduce exposure to losses. Specific governance is in place to ensure that credit risk arising from large transactions is analyzed and approved by the appropriate level of management before financing or credit support is offered to the customer.
Commercial Aircraft	In connection with the sale of certain products, mainly commercial aircraft, we may provide credit guarantees in the form of lease and loan payment guarantees. Substantially all financial support involving potential credit risk lies with regional airline customers.	Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are usually triggered if customers do not perform during the term of the financing under the relevant financing arrangements. In the event of default, we usually act as agent for the guaranteed parties for the repossession, refurbishment and re-marketing of the underlying assets. This exposure arising from credit guarantees is partially mitigated by the net benefit expected from the estimated value of aircraft and other assets available to mitigate exposure under these guarantees. In addition, lease subsidy liabilities would be extinguished in the event of credit default by certain customers.

Exposure to liquidity risk

The management of exposure to liquidity risk requires a constant monitoring of expected cash inflows and outflows, which is achieved through maintenance of detailed forecasts of cash flows and liquidity position, as well as long-term operating and strategic plans. Liquidity adequacy is continually monitored, taking into consideration historical volatility, the economic environment, seasonal needs, the maturity profile of indebtedness, access to capital markets, the level of customer advances, working capital requirements, the funding of product development and other financial commitments. We engage in certain working capital financing initiatives such as the sale of receivables, aircraft sale and leaseback transactions and the negotiation of extended payment terms with certain suppliers. We continually monitor any financing opportunities to optimize our capital structure and maintain appropriate financial flexibility.

Exposure to interest rate risk

Our future cash flows are exposed to fluctuations from changing interest rates, arising mainly from assets and liabilities indexed to variable interest rates, including fixed-rate long-term debt synthetically converted to variable interest rates. From time to time, we may also be exposed to changes in interest rates for certain financing commitments, when a fixed financing rate has been guaranteed to a customer. For these items, cash flows could be impacted by a change in benchmark rates such as LIBOR, Euribor or Banker's Acceptance. The Corporate office central treasury function manages these exposures as part of the overall risk management policy.

We are also exposed to gains and losses on certain assets and liabilities as a result of changes in interest rates, principally financial instruments carried at fair value and credit and residual value guarantees. The financial instruments carried at fair value include certain aircraft loans and lease receivables, investments in securities, investments in financing structures, lease subsidies and derivative financial instruments.

Sensitivity analysis
A 100-basis point increase in interest rates impacting the measurement of financial instruments carried at fair value and credit and residual value guarantees, excluding net retirement benefit liabilities, would have negatively impacted EBT for fiscal year 2015 by $5 million.

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	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	Cash flows from operating activities less net additions to PP&E and intangible assets.
Free cash flow before net interest and income taxes paid	Free cash flow 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 sale and leaseback obligations 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 accretion expense on sale and leaseback obligations and interest adjustment for operating leases.

We believe that providing certain non-GAAP financial measures in addition to IFRS measures provides users of our consolidated financial statements with enhanced understanding of 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, in our opinion, our core performance and help users of our MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Non-GAAP financial measures are mainly derived from the consolidated financial statements but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. 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 use similarly-named non-GAAP measures of other entities to compare the performance of those entities to our performance.

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 reportable segments and the Consolidated results of operations section; and
- free cash flow usage before net interest and income taxes received or 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

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
EBIT	**$ (657)**	$ (1,201)	**$ (4,838)**	$ (566)
Amortization	**123**	116	**438**	417
Impairment charges on PP&E and intangible assets[1]	**296**	1,266	**4,300**	1,266
EBITDA	**(238)**	181	**(100)**	1,117
Special items excluding impairment charges on PP&E and intangible assets[1]	**377**	91	**1,092**	223
EBITDA before special items	**$ 139**	$ 272	**$ 992**	$ 1,340

Reconciliation of adjusted net income to net loss

	Fourth quarters ended December 31			
	2015		2014	
		(per share)		(per share)
Net loss	**$ (677)**		$ (1,590)	
Adjustments to EBIT related to special items[1]	**673**	**$ 0.30**	1,357	$ 0.78
Adjustments to net financing expense related to:				
Accretion on net retirement benefit obligations	**17**	**0.01**	19	0.01
Net change in provisions arising from changes in interest rates and net loss on certain financial instruments	**(5)**	**0.00**	12	0.01
Tax impact of special[1] and other adjusting items	**1**	**0.00**	285	0.16
Adjusted net income	**$ 9**		$ 83	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Fourth quarters ended December 31	
	2015	2014
Diluted EPS	**$ (0.31)**	$ (0.92)
Impact of special[1] and other adjusting items	**0.31**	0.96
Adjusted EPS	**$ —**	$ 0.04

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

Reconciliation of adjusted net income to net loss

	Fiscal years ended December 31			
	2015		2014	
	(per share)		(per share)	
Net loss	**$ (5,340)**		$ (1,246)	
Adjustments to EBIT related to special items[1]	**5,392**	**$ 2.59**	1,489	$ 0.86
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments[1]	**75**	**0.04**	21	0.01
Accretion on net retirement benefit obligations	**72**	**0.03**	76	0.04
Loss on repurchase of long-term debt[1]	**22**	**0.01**	43	0.02
Interest portion of gains related to special items[1]	**—**	**—**	(8)	0.00
Tax impact of special[1] and other adjusting items	**105**	**0.05**	273	0.16
Adjusted net income	**$ 326**		$ 648	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Fiscal years ended December 31		
	2015	2014	
Diluted EPS	**$ (2.58)**	$ (0.74)	
Impact of special[1] and other adjusting items	**2.72**	1.09	
Adjusted EPS	**$ 0.14**	$ 0.35	

Reconciliation of adjusted debt to long-term debt

	As at December 31	
	2015	2014
Long-term debt	**$ 8,979**	$ 7,683
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	**(386)**	(407)
Long-term debt, net	**8,593**	7,276
Sale and leaseback obligations	**133**	260
Operating lease obligations[2]	**563**	865
Adjusted debt	**$ 9,289**	$ 8,401

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Fiscal years ended December 31	
	2015	2014
EBIT	**$ (4,838)**	$ (566)
Special items[1]	**5,392**	1,489
Interest received	**156**	298
Interest adjustment for operating leases[3]	**67**	41
Adjusted EBIT	**777**	1,262
Amortization adjustment for operating leases[4]	**63**	96
Amortization	**438**	417
Adjusted EBITDA	**$ 1,278**	$ 1,775

Reconciliation of adjusted interest to interest paid

	Fiscal years ended December 31	
	2015	2014
Interest paid	**$ 427**	$ 354
Accretion expense on sale and leaseback obligations	**9**	6
Interest adjustment for operating leases[3]	**67**	41
Adjusted interest	**$ 503**	$ 401

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

(2) Discounted using the average five-year U.S. Treasury Notes plus the average credit spread, given our credit rating, for the corresponding period.

(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) Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

BUSINESS AIRCRAFT

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current year presentation. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which impacted period-over-period variances.

The data presented in 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 section in Overview for further detail.

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GUIDANCE AND FORWARD-LOOKING STATEMENTS	What we said, what we did and what's next Assumptions and risks related to our forward-looking statements	**61**

HIGHLIGHTS OF THE YEAR

Significant investment in product development

REVENUES	EBIT MARGIN BEFORE SPECIAL ITEMS[1]	NET ADDITIONS TO PP&E & INTANGIBLE ASSETS	ORDER BACKLOG
$7.0 billion	**4.4%**	**$722 million**	**$17.2 billion**

RESULTS			
For the fiscal years ended December 31	**2015**	2014	Variance
Revenues	**$ 6,996**	$ 7,200	(3)%
Aircraft deliveries (in units)	**199**	204	(5)
Net orders (in units)[2]	**(24)**	129	(153)
Book-to-bill ratio[3]	**nmf**	0.6	nmf
EBIT	**$ (1,252)**	$ (903)	(39)%
EBIT margin	**(17.9)%**	(12.5)%	(540) bps
EBIT before special items[1]	**$ 308**	$ 499	(38)%
EBIT margin before special items[1]	**4.4 %**	6.9 %	(250) bps
EBITDA before special items[1]	**$ 492**	$ 648	(24)%
EBITDA margin before special items[1]	**7.0 %**	9.0 %	(200) bps
Net additions to PP&E and intangible assets	**$ 722**	$ 1,019	(29)%
As at December 31	**2015**	2014	
Order backlog (in billions of dollars)	**$ 17.2**	$ 24.0	(28)%

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and to the Analysis of results section for reconciliations to the most comparable IFRS measures.
(2) The net orders for 2015 and 2014 include 143 cancellations and 52 cancellations, respectively.
(3) Ratio of net orders received over aircraft deliveries, in units.

KEY EVENTS

- On October 28, 2015, due to the lack of sales following the prolonged market weakness, we cancelled the *Learjet 85* aircraft program. As a result, we recorded a charge of $1.2 billion in special items in the third quarter of 2015, mainly related to the impairment of the remaining *Learjet 85* aircraft program development costs.
- Following our in-depth review, which was completed in the second quarter of 2015, to validate all aspects of the *Global 7000* and *Global 8000* aircraft program, our findings indicated that there would be a delay in the *Global 7000* aircraft's schedule. The aircraft is now expected to enter into service in the second half of 2018.
- During the year, we announced workforce reductions for a total of approximately 2,400 employees, of which approximately 1,000 employees related to the pause of the *Learjet 85* aircraft program and approximately 1,400 employees related to the production rate decrease of the *Global 5000* and *Global 6000* aircraft. The 2,400 workforce reductions included employees in the Aerostructures and Engineering Services reportable segment as well as product development engineers not allocated to a reportable segment.
- In the fourth quarter of 2015, following the prolonged market weakness in the light business aircraft category, an impairment charge of $53 million was recorded as a special item on the remaining *Learjet* family aerospace program tooling. We remain committed to the *Learjet* family of aircraft.
- In the fourth quarter of 2015, the *Challenger 650* aircraft entered into service.
- Effective June 15, 2015, David M. Coleal became President, Bombardier Business Aircraft.
- We continue to restructure and enhance Business Aircraft's business model to improve long-term profitability. Subsequent to the end of the fiscal year, on January 13, 2016, we announced that we have completed initiatives to increase the number of direct-to-market channels, including termination of third-party sales representative and distribution agreements, and to restructure customer commercial agreements, which resulted in the cancellation in the fourth quarter of fiscal year 2015 of 24 firm orders, valued at approximately $1.75 billion based on 2015 list prices, with an additional cancellation of 30 optional orders. Mainly as a result of these completed initiatives, in the fourth quarter of 2015, we recorded $327 million in special items.

- Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. Business Aircraft plans to reduce its workforce by an estimated 500 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness.

PROFILE

World-class products

We design, develop, manufacture, market and provide aftermarket support for three families of business jets - *Learjet*, *Challenger* and *Global.* Our business jet portfolio spans from the light to the large categories.

With more than 4,400 aircraft in service in North America, Europe, China and other Asia-Pacific, Latin America, the CIS, the Middle East and Africa, Business Aircraft has developed a service and support network of 59 service facilities including seven wholly-owned service centres in the U.S., the Netherlands and Singapore, 15 regional support office (RSO) locations in 12 countries and superior aircraft parts availability sustained by 10 parts facilities on five continents.

MARKET SEGMENT: BUSINESS AIRCRAFT

LIGHT BUSINESS JETS

Models: *Learjet 70, Learjet 75*

Market category: Light business jets

Key features[1]: The *Learjet* family of aircraft features exceptionally fast cruise speeds, high climb rates and operating ceilings, along with competitive operating costs.



Learjet 75 aircraft

MID-SIZE BUSINESS JETS

Models: *Challenger 350* and *Challenger 650*

Market category: Medium business jets

Key features[1]: The *Challenger* family of aircraft features productivity-enhancing business tools, with the most comfortable cabins in its category. Each aircraft offers low operating costs, high reliability, and can be customized with leading-edge cabin communication equipment.



Challenger 650 aircraft

[1] Under certain operating conditions, when compared to aircraft currently in service.

LARGE BUSINESS JETS

Models: *Global 5000, Global 6000, Global 7000*[1] and *Global 8000*[1]

Market category: Large business jets

Key features[2]: The *Global* family of aircraft offers a balance of performance, comfort and productivity for long-range missions. The *Global 7000* and *Global 8000* aircraft are being developed as an extension to the *Global* family of aircraft and are expected to give us broad market coverage in the upper end of the business aircraft market. The state-of-the-art *Global 7000* aircraft will feature a wing that optimizes both short-field and high-speed, long-range performance, a highly efficient engine and the largest cabin and most advanced cockpit in the large business aircraft category.[3]



Global 5000 aircraft

SPECIALIZED AIRCRAFT

Models: Various Bombardier business aircraft

Key features: Specialized aircraft provides solutions for governments, agencies and specialized organizations worldwide by modifying business aircraft to suit customer needs for different mission requirements including: maritime patrol, medical, government VIP transport, intelligence surveillance, reconnaissance and communication platforms, and military transport.

[1] Currently under development.
[2] Under certain operating conditions, when compared to aircraft currently in service.
[3] See the *Global 7000* and *Global 8000* aircraft program disclaimer at the end of this MD&A.

MARKET SEGMENT: CUSTOMER SERVICES AND SOLUTIONS

MAINTENANCE

Services portfolio: Extensive capabilities to accommodate maintenance, refurbishment and modification of business aircraft, component repair and overhaul services as well as dispatching mobile repair teams to customers' aircraft.
Key features: Offering worldwide service and support through seven wholly-owned Service Centres, 51 Authorized Service Facilities including line maintenance facilities, one wholly-owned line maintenance station, 15 Bombardier mobile response vehicles and one aircraft.

PARTS

Services portfolio: Providing new and used parts, initial provisioning services, as well as customer owned repairs.

Key features: Supporting business aircraft customers for all their parts needs with eight parts depots worldwide and two major hubs. A sophisticated inventory management system ensures 24 hours and seven days distribution and worldwide availability.

SMART SERVICES

Services portfolio: A growing portfolio of innovative cost-per-flight-hour plans available for *Global*, *Challenger* and *Learjet* aircraft. Options include *Smart Parts*, *Smart Parts Plus*, *Smart Parts Preferred* and *Smart Parts Maintenance Plus*.

Key features: From coverage on exchanges and repairs of airframe system components to flight deck avionics, Smart Services provides budget predictability and cost protection.

CUSTOMER SUPPORT

Services portfolio: Comprehensive portfolio of business aircraft customer support including 24-hour customer response centres, customer services engineering, a network of field service personnel, customer response team (CRT) trucks, regional support offices, technical publications, and EIS support.

Key features: Providing operators with a single point of contact, 24 hours a day, 365 days a year, for all critical and aircraft-on-the-ground requests and supporting all customer requirements from EIS throughout ownership of the aircraft by leveraging a global support network of strategically located teams.

CUSTOMER SERVICE NETWORK

In 2015, the expansion in the customer service network across the globe continued with the opening of new support locations to better serve customers. We added one RSO in Munich, Germany to support business aircraft customers.

TRAINING

Services portfolio: Providing a complete range of flight crew and technical training services on business aircraft at two wholly-owned facilities and through a network of strategic partnerships worldwide.

Key features: One of the only business jet manufacturers which provides training on its own aircraft programs. Training is provided through custom state-of-the art classroom technology systems, and a suite of high fidelity training devices and certified Level D Full Flight Simulators.

INDUSTRY AND ECONOMIC ENVIRONMENT

Long-term market drivers remain solid despite a current challenging environment

Overall, the business aircraft market indicators signal challenges in the short-term.

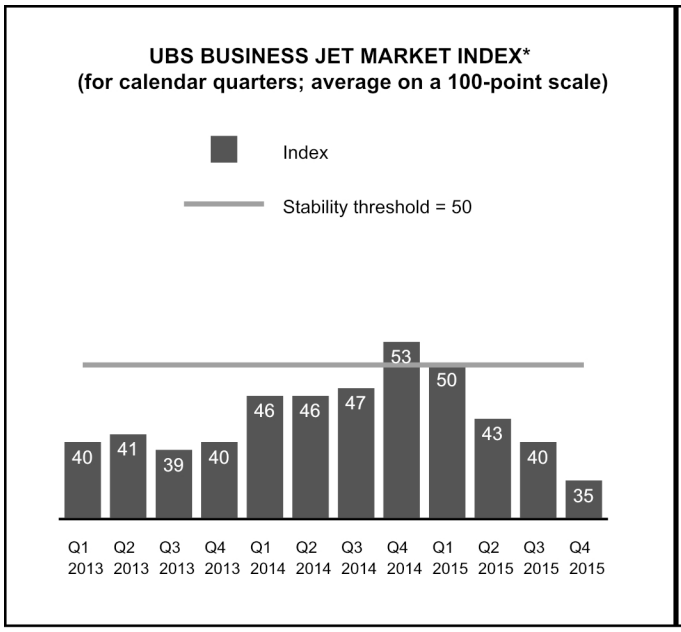
The following key indicators are used to monitor the health of the business aviation market in the short term:

Indicator	Current situation	Status
Industry confidence	The UBS Business Jet Market Index, which measures industry confidence, has been significantly decreasing in the last four quarters, mainly due to reduced confidence in selling prices, business conditions and customer interest and reduced willingness to increase inventory. The worldwide index fell below the threshold of market stability in the second quarter of 2015 and is now at 35, the lowest level since the second quarter of 2009.	▼
Corporate profits	U.S. corporate profits are expected to decrease year-over-year by 5.1% to a forecast $2.0 trillion for 2015.[1]	▼
Pre-owned business jet inventory levels	The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet has slightly increased over the past year and is at 11.6%. We consider this level of pre-owned inventory to be within the normal range for the overall market. In the light and medium categories, the level of pre-owned business aircraft inventory has slightly increased. In the large category, the level of pre-owned business aircraft inventory has been stable in the current year but remains below what we consider to be the normal range for the overall market.	►
Aircraft utilization rates	Business jet utilization in the U.S. slightly increased by 0.8% in 2015 compared to 2014. Business jet utilization in Europe remained essentially the same in 2015 compared to 2014.	▲
Aircraft shipments and billings	In the business aircraft market categories in which we compete, business aircraft deliveries and total billings were stable in 2015 as compared to 2014.[2]	►

▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

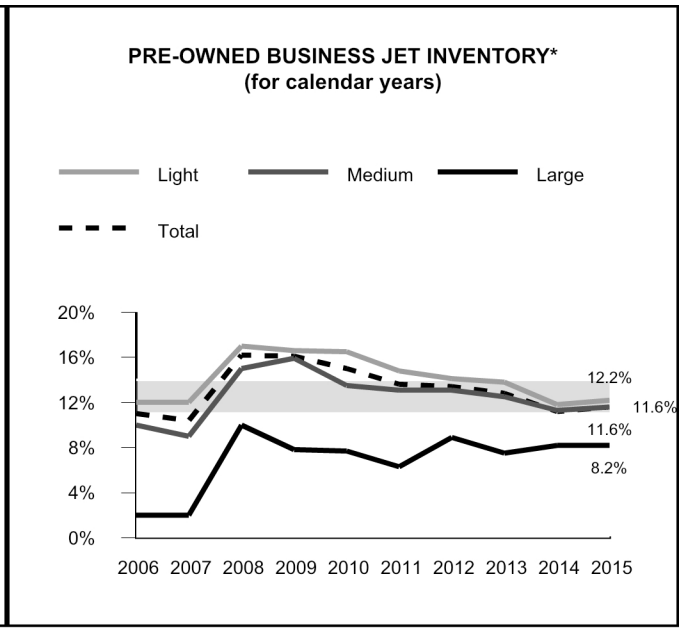
[1] According to the U.S. Bureau of Economic Analysis News Release dated December 22, 2015.

[2] Based on our estimates and the General Aviation Manufacturers Association (GAMA) annual shipment report dated February 10, 2016.



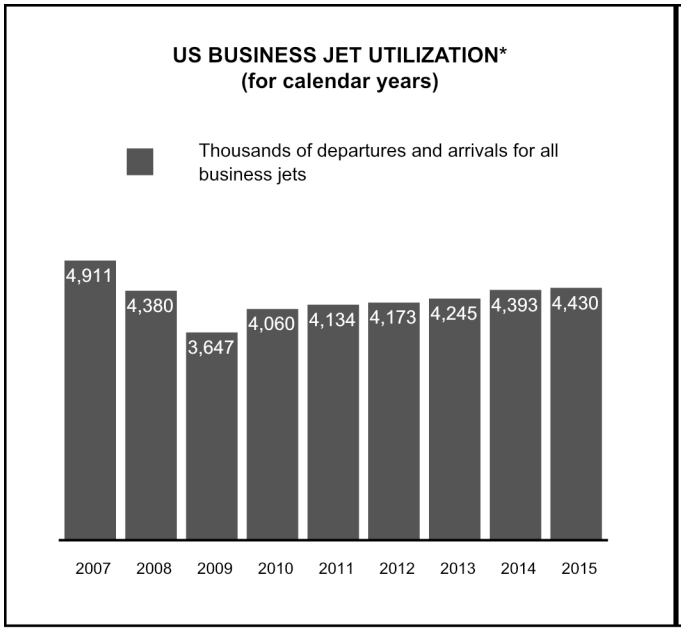
Source: UBS

* The UBS Business Jet Market Index is a measure of market confidence from industry professionals, gathered through bi-monthly surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.



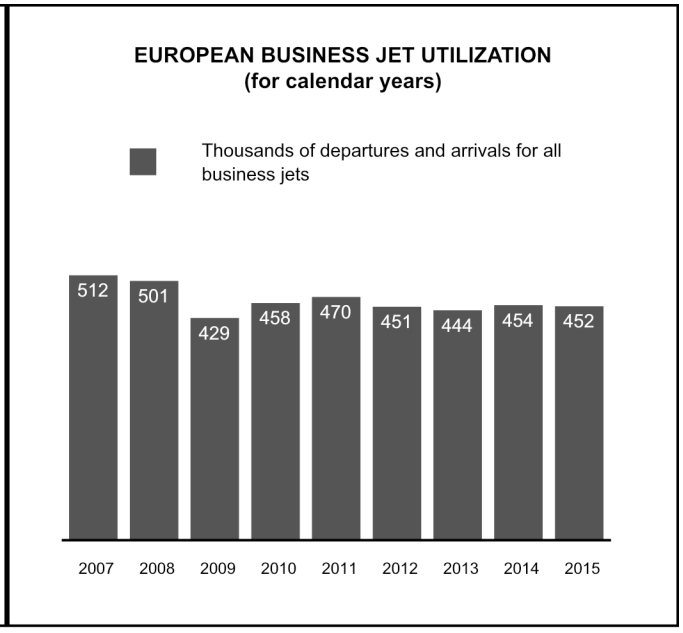
Sources: JETNET and Ascend online

* 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

* Comparative figures have been restated to reflect an updated population of aircraft models.



Source: Eurocontrol

In 2015, we estimate the level of industry orders in the market categories in which Business Aircraft competes decreased by approximately 40% compared to last year.[(1)] Current economic conditions and geopolitical issues in some regions such as Latin America, China and Russia, have had an impact on industry-wide order intake. During 2015, the industry deliveries and billings in the market categories in which we compete were essentially in line with last year.[(2)] The light business aircraft category remains weak since the economic downturn.

[(1)] Based on our estimates and public disclosure records of certain competitors.
[(2)] Based on our estimates and the GAMA annual shipment report dated February 10, 2016.

The state of the world economy and those of individual countries are key factors in the demand for air travel. The health of the aerospace industry is a function of general economic conditions, with a lag typically between economic recovery and the time it takes to reflect on the original equipment manufacturers' deliveries and revenues. Real GDP growth is a widely accepted measure of economic activity.

Worldwide real GDP increased by 2.5% in 2015, which is slightly lower than the 2.7% increase in 2014. The world economy is predicted to grow at 2.3% and 2.9% in 2016 and 2017, respectively.[(1)]

The GDP in the U.S., the largest market for business aircraft, is expected to grow at 2.0% in 2016, compared to 2.4% in 2015. In Europe, Business Aircraft's second largest market in terms of sales, the GDP is expected to grow by 1.9% in 2016, the same level of growth as in 2015.[(1)]

For China and India, regions with high growth potential for business aviation, growth in 2016 is expected to be at 6.2% and 7.4% respectively, compared to 6.9% and 7.4%, respectively, in 2015. In the CIS, a decline of 1.2% is expected in 2016, compared to a decline of 3.1% in 2015.[(1)]

[(1)] According to "Oxford Economics Global Data Report" dated February 11, 2016.

Short-term outlook

The current neutral or negative trends in indicators reflect short-term softness for the business aircraft market. The business aircraft market has been impacted by the current economic conditions and geopolitical issues in some markets such as China, Latin America and Russia. Slower than expected global economic growth, geopolitical uncertainty and low oil and gas prices are expected to continue impacting the business aircraft market in 2016. However, based on our "Business Aircraft Market Forecast" published on May 2015, the business aircraft market is expected to grow at a CAGR of 5% up to 2020 in the market categories in which we compete.[(1)]

Long-term outlook

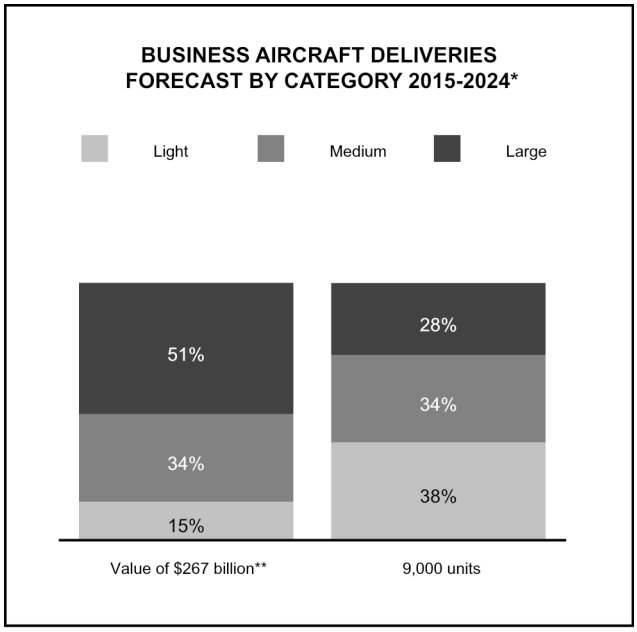
In the long-term, we anticipate continued wealth creation in mature markets and increased penetration of business jets in emerging markets. The overall market for business jets is expected to show strong long-term growth. We remain confident in the potential of the business aircraft industry with a strong outlook for long-term drivers of business aircraft demand.

In May 2015, we released our annual market forecast for the 10-year period for calendar years 2015 to 2024. The "Business Aircraft Market Forecast" estimates 9,000 aircraft deliveries in the light to large categories. The 10-year deliveries are valued at an estimated $267 billion.[(1)(2)]

Over the next 10 years, we expect the large business aircraft category to represent half of overall revenues at $137 billion, while the medium and light business aircraft categories will represent $91 billion and $39 billion, respectively. In addition, 1,825 light to large business aircraft are expected to be retired over the next 10 years.

[(1)] Available on Bombardier's dedicated investor relations website at ir.bombardier.com.

[(2)] Unit values are based on Business & Commercial Aviation magazine 2014 list prices.



* As stated in our "Business Aircraft Market Forecast", published in May 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com

**Unit values are based on Business and Commercial Aviation magazine 2014 list prices.

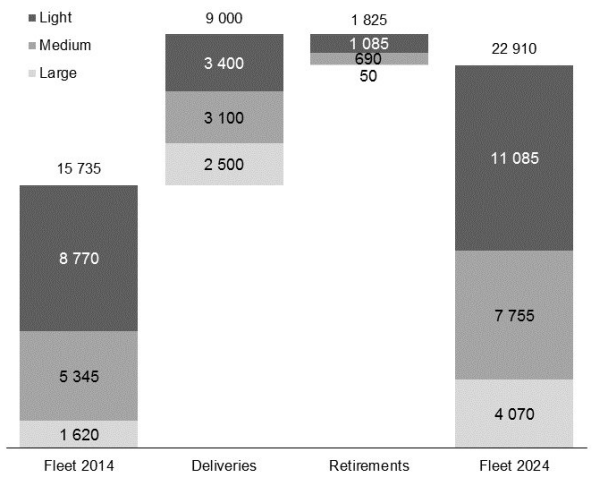
Despite the current economic conditions and geopolitical issues in some markets such as China, Latin America and Russia, which had an impact on order intake levels industry-wide, we remain confident in the potential of the business aircraft industry with a strong outlook for long-term drivers of business jet demand.

Some aircraft manufacturers, like us, have a number of new business jets in development, with the view that the new models stimulate demand and will contribute to the industry's recovery over the longer-term.

The worldwide business aircraft fleet is expected to increase from 15,735 aircraft at the end of 2014 to 22,910 aircraft in 2024. North America is expected to receive the greatest number of new business jet deliveries in the 10-year period with 3,900 aircraft, followed by Europe with 1,525 aircraft. Notably, China is expected to become the third largest market for business jet deliveries, with 875 deliveries between 2015 and 2024. We also expect other key growth markets in non-traditional economies to receive a significant share of business jet deliveries over the next 10 years.[(1)]

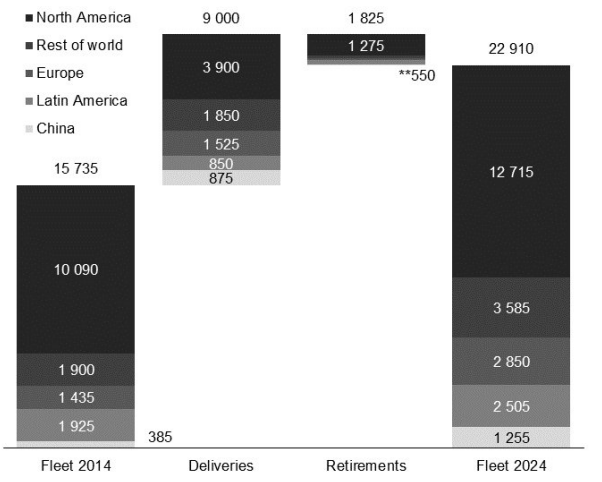
[(1)] As stated in our "Business Aircraft Market Forecast", published in May 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com.

BUSINESS AIRCRAFT FLEET EVOLUTION BY CATEGORY 2015-2024*



* In units. As stated in our "Business Aircraft Market Forecast", published in May 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com.

BUSINESS AIRCRAFT FLEET EVOLUTION BY GEOGRAPHIC REGION 2015-2024*



* In units. As stated in our "Business Aircraft Market Forecast", published in May 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com.

** Includes 270, 165, 110 and 5 retirements for Latin America, Rest of world, Europe and China regions, respectively.

Customer services

Business Aircraft's worldwide customer services network includes parts hubs, parts depots, authorized service facilities (ASF), line maintenance facilities (LMF), service centres, regional support offices (RSO), customer response centres (CRC), customer response teams (CRT), as well as training centres and authorized training providers (ATP). Supplemental information regarding our support locations can be found in the Profile section.

The demand for customer services is driven by the size of the fleet of Bombardier business aircraft, by the number of hours flown by said fleet and the average age of the fleet. Based on Business Aircraft's large installed base, we will continue to focus on these high margin activities.

Customer services market indicators

Indicator	Current situation	Status
Installed base	The installed base for active in-service Bombardier business aircraft increased by 3.9% in 2015 compared to 2014.[1]	▲
Average annual flight hours	Based on our estimates, Bombardier business aircraft average annual flight hours remained essentially the same as it slightly decreased by 0.7% in 2015 compared to last year.	►
Average age of fleet	Typically, aircraft direct maintenance costs increase as an aircraft ages. Therefore, the average age of the fleet of Bombardier aircraft will impact the size of the maintenance market. The average age of the Bombardier business aircraft fleet remained essentially the same in 2015 compared to 2014.[1]	►

▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.
[1] Based on data obtained from Ascend fleet database by Flightglobal.

Short-term outlook
Based on the market indicators above, the demand for spare parts and service programs is expected to grow. We continue to actively seek out strategic locations for expansion in order to move closer to customers, improve response times and build stronger relationships around the globe.

Historically, the U.S. represented the largest share of the fleet for business aircraft, however, wealth creation and economic development in non-traditional markets is driving a shift in the proportion of the business aircraft fleet outside of the U.S. This trend in demand impacts the geographical layout of our support network. In non-traditional markets, the strategy is to increase our local customer-support presence and leverage third parties to deploy the full span of services.

Long-term outlook
The continued growth of the installed base is expected to stimulate demand for customer services. While traditional markets such as North America and Europe should dominate in terms of market size, the fleet growth in non-traditional markets should create new opportunities for customer services.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and related metrics.

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
Growth and competitive positioning	• Order backlog, as a measure of future revenues. • Book-to-bill ratio[1], as an indicator of future revenues. • Revenues and delivery units, as measures of growth. • Market share (in terms of revenues and units delivered), as measures of our competitive positioning.
Profitability	• EBIT, EBIT margin, EBIT before special items[2] and EBIT margin before special items[2], as measures of performance.
Liquidity	• Free cash flow[2], as a measure of liquidity generation.
Customer satisfaction	• On-time aircraft deliveries, as a measure of meeting our commitment to customers. • Fleet dispatch reliability, as a measure of our products' reliability. • Regional availability of parts and material to support customer requests, as a measure of meeting customer needs for the entire life of the aircraft.
Execution	• Achievement of program development milestones, as a measure of flawless execution.

[1] Defined as net orders received over aircraft deliveries, in units.
[2] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Our incentive-based compensation plan for non-unionized employees across our sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of 6,000 employees worldwide, or 59% of permanent employees, participate in the program. In 2015, as part of this program, incentive-based compensation was linked to the achievement of targeted results, based on EBIT before special items, free cash flow and executing according to plan in new product development programs.

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Revenues	**$ 2,086**	$ 2,462	**$ 6,996**	$ 7,200
EBITDA before special items[1]	**$ 83**	$ 225	**$ 492**	$ 648
Amortization[2]	**55**	51	**184**	149
EBIT before special items[1]	**28**	174	**308**	499
Special items	**380**	1,357	**1,560**	1,402
EBIT	**$ (352)**	$ (1,183)	**$ (1,252)**	$ (903)
EBIT margin before special items[1]	**1.3 %**	7.1 %	**4.4 %**	6.9 %
EBIT margin	**(16.9)%**	(48.1)%	**(17.9)%**	(12.5)%

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.
[2] Amortization is included in cost of sales, SG&A and R&D expense based on the underlying function of the asset.

Revenues by geographic region[1]

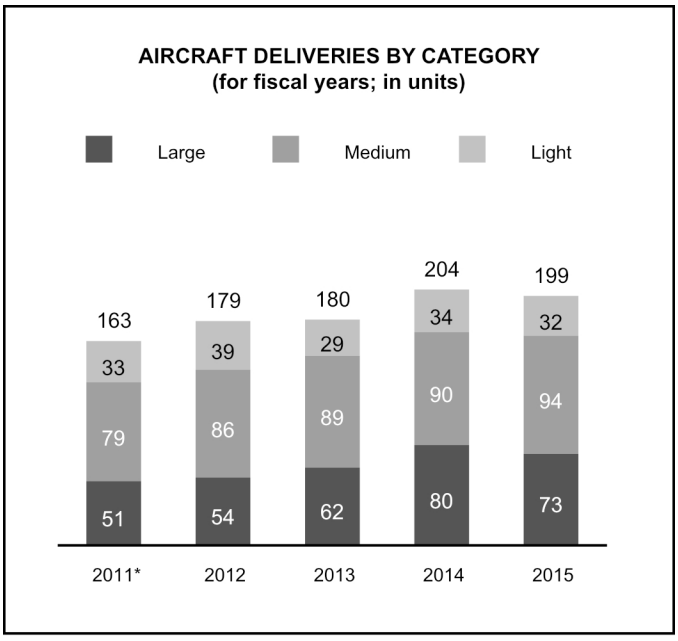
	Fiscal years ended December 31			
	2015		2014	
North America	**$ 4,152**	**59%**	$ 3,491	48%
Europe	**1,343**	**19%**	1,359	19%
Asia-Pacific	**845**	**12%**	997	14%
Rest of world[2]	**656**	**10%**	1,353	19%
	$ 6,996	**100%**	$ 7,200	100%

[1] Revenues are attributed to countries based on the location of the customer.
[2] The Rest of world region includes the CIS, Africa, South America, the Middle East and Central America.

Revenues

The $376-million decrease for the fourth quarter is mainly due to lower aircraft deliveries as well as lower deliveries and mix of pre-owned business aircraft.

The $204-million decrease for the fiscal year is mainly due to lower deliveries of large business aircraft partially offset by higher deliveries of medium business aircraft.



* The fiscal year ended December 31, 2011 comprises 11 months of results.

Special items

Special items comprise items which do not reflect, in our opinion, our core performance such as the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.

Special items in EBIT were as follows:

		Fourth quarters ended December 31		Fiscal years ended December 31	
	Ref	**2015**	2014	**2015**	2014
Impairment and other charges - *Learjet 85* aircraft program	1	**$ —**	$ 1,357	**$ 1,169**	$ 1,357
Write-off of deferred costs	2	**194**	—	**194**	—
Termination of sales representative and distribution agreements	3	**133**	—	**133**	—
Impairment charge - *Learjet* family of aircraft	4	**53**	—	**53**	—
Restructuring charges	5	**—**	—	**11**	48
Gain on resolution of a litigation	6	**—**	—	**—**	(3)
		$ 380	$ 1,357	**$ 1,560**	$ 1,402
EBIT margin impact		**(18.2)%**	(55.2)%	**(22.3)%**	(19.4)%

1. In 2015, represents an impairment charge of $925 million on aerospace program tooling and inventory write-downs, write-downs of other assets and PP&E, other provisions and other financial liabilities of $244 million, as a result of the cancellation of the *Learjet 85* aircraft program due to the lack of sales following the prolonged market weakness. A credit of $6 million related to this special item is included in Corporate and eliminations.

   In 2014, represents losses related to the pause of the *Learjet 85* aircraft program announced in January 2015, mainly comprised of an impairment charge of $1.3 billion on aerospace program tooling.

2. Mainly related to restructuring of customer commercial agreements.

3. Costs incurred in connection with the termination of third-party sales representative and distribution agreements to increase the number of direct-to-market channels.

4. Represents an impairment charge on the remaining *Learjet* family aerospace program tooling, following the prolonged market weakness in the light business aircraft category.

5. Restructuring charge in 2015 related to:
   - a $13-million restructuring charge related to the workforce reduction of 1,000 employees in Querétaro, Mexico and Wichita, U.S. related to the *Learjet 85* program partially offset by a $2-million adjustment to a restructuring provision recorded in the prior year.

   Restructuring charges in 2014 related to:
   - a $35-million expense in 2014 related to the workforce reduction connected to the new organizational structure announced in July 2014; and
   - a $13-million expense due to the workforce reduction announced in January 2014.

6. Represents a gain on a resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

EBIT margin

There was a significant increase in EBIT margin for the fourth quarter ended December 31, 2015 compared to the same period last fiscal year. The EBIT margin before special items (see explanation of special items above) decreased by 5.8 percentage points, mainly as a result of:

- lower aircraft margins;
- lower absorption of SG&A expenses;
- higher write-downs of pre-owned aircraft; and
- higher R&D expense per unit produced, mainly as a result of the amortization of aerospace program tooling following the EIS of the *Challenger 650* aircraft in the fourth quarter of 2015.

Partially offset by:

- a favourable mix of aircraft deliveries.

There was a significant decrease in EBIT margin for the fiscal year ended December 31, 2015 compared to last fiscal year. The EBIT margin before special items (see explanation of special items above) for the fiscal year decreased by 2.5 percentage points, mainly as a result of:

- lower aircraft margins;
- higher write-downs of pre-owned aircraft; and
- higher R&D expense per unit produced, mainly as a result of the amortization of aerospace program tooling following the EIS of the *Challenger 350* aircraft and the *Challenger 650* aircraft.

Partially offset by:

- a favourable mix of aircraft deliveries; and
- lower SG&A expense.

The *Global 7000* aircraft is defining the new standard in the large business aircraft category

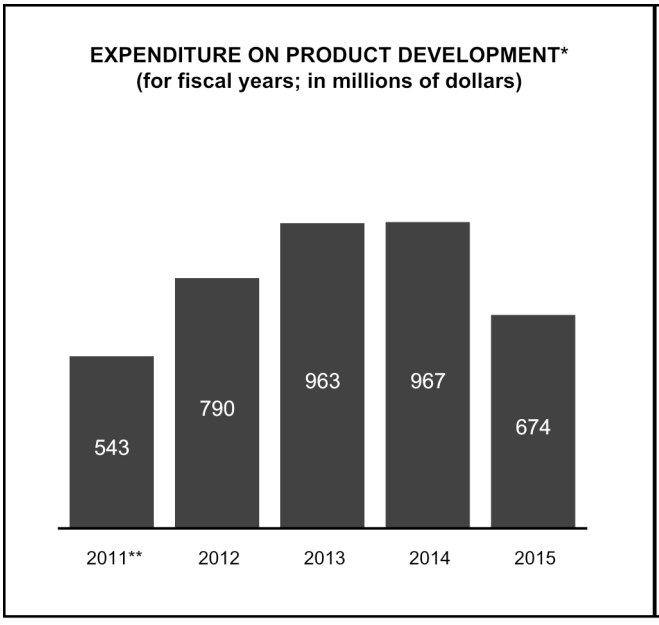
Investment in product development

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Program tooling[1]	**$ 194**	$ 269	**$ 674**	$ 967
R&D expense[2]	**1**	1	**4**	9
	$ 195	$ 270	**$ 678**	$ 976
As a percentage of revenues	**9.3%**	11.0%	**9.7%**	13.6%

[1] Net amount capitalized in aerospace program tooling.

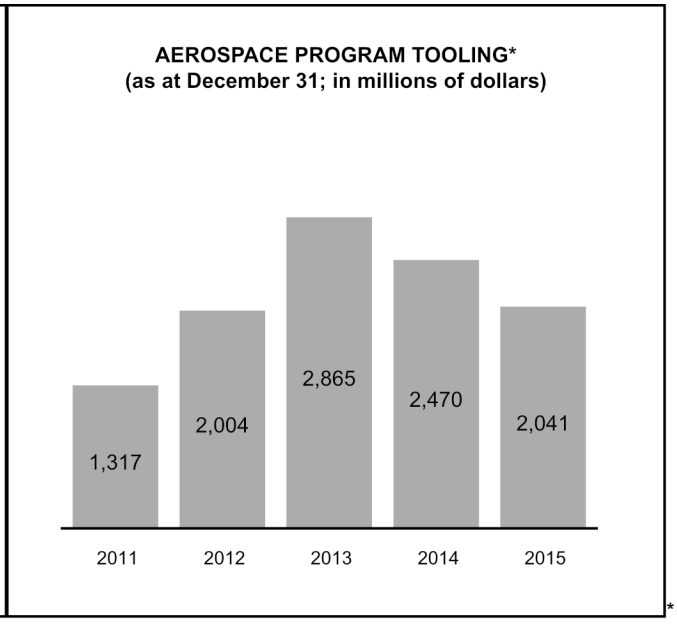
[2] Excluding amortization of aerospace program tooling of $39 million and $125 million, respectively, for the fourth quarter and fiscal year ended December 31, 2015 ($36 million and $96 million, respectively, for the fourth quarter and fiscal year ended December 31, 2014), as the related investments are already included in aerospace program tooling.

Program tooling additions mainly relate to the development of the *Global 7000* and *Global 8000* aircraft program as well as the *Challenger 650* aircraft.



* For fiscal years 2011 to 2013, the balances have not been restated to align with the current segmented presentation.

** The fiscal year ended December 31, 2011 comprises 11 months of results.



* For fiscal years 2011 to 2012, the balances have not been restated to align with the current segmented presentation.

The carrying amount of business aircraft program tooling[1] as at December 31, 2015 was $2.0 billion, compared to $2.5 billion as at December 31, 2014. The decrease includes the impairment charge of $925 million related to the remaining program tooling balance following the decision to cancel the *Learjet 85* aircraft program in October 2015. As well, an impairment charge of $53 million was recorded in the fourth quarter of 2015 related to the remaining program tooling balance of the *Learjet* family of aircraft reflecting the current market weakness in the light business aircraft category.

The carrying amount as at December 31, 2014 is net of an impairment charge of $1.3 billion related to the January 2015 decision to pause the *Learjet 85* aircraft program.

[1] Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to $157 million as at December 31, 2015 ($208 million as at December 31, 2014).

Reconciliation of the carrying amount of aerospace program tooling

Balance as at December 31, 2014	$	**2,470**
Investment in product development		**674**
Amortization of aerospace program tooling		**(125)**
Impairment of the *Learjet 85* program following the cancellation of the program in October 2015		**(925)**
Learjet family of aircraft impairment charge due to the continued market weakness in the light business aircraft category		**(53)**
Balance as at December 31, 2015	**$**	**2,041**

Recognizing the long-term nature of product development activities, as well as the significant human and financial resources required, a gated product development process is followed focusing on early identification and mitigation of potential risks. All programs follow the Bombardier Engineering System throughout the product development cycle. The product development process is constantly refined to integrate the lessons learned from our programs and from the industry. The stages in the process are described hereafter and specific milestones must be met before a product can move from one stage of development to another. The gates consist of exit reviews with different levels of management and technical experts to demonstrate feasibility, customer acceptance and financial return. Designing products with minimal environmental impacts throughout their entire lifecycle is central to our product responsibility strategy. In addition to the Design for Environment approach, health and safety considerations are also embedded in product design.

PRODUCT DEVELOPMENT PROCESS		
Stage		**Description**
Conceptual definition	**JTAP**	**Joint Technical Assessment Phase -** Preliminary review with potential partners and suppliers to analyze technologies desired to build or modify an aircraft.
	JCDP	**Joint Conceptual Definition Phase -** Cooperative effort with potential partners and suppliers to perform a configuration trade-off study and define the system architecture and functionality.
Launch preparation		Continuation of the design definition and technical activities. Creation of a project plan to define the schedule, cost, scope, statement of work and resource requirements for the program.
Preliminary definition	**JDP**	**Joint Definition Phase -** Joint determination with partners and suppliers of the technical design of the aircraft and sharing of the work required. Optimization of the aircraft design with respect to manufacturing, assembly and total life-cycle costs.
Detail definition	**DDP**	**Detailed Design Phase -** Preparation of detailed production drawings and confirmation of the design based on the preliminary design definition agreed in the previous phase.
Product definition release		Formal issue of the engineering drawings to manufacturing, allowing for the completion of tool designs and the assembly of the first produced aircraft.
Product certification		Completion of certification activities to demonstrate that the aircraft complies with the original design requirements and all regulatory airworthiness standards.
Program completion		Conclusion of final design activity. Preparation for EIS.

The *Global 7000* and *Global 8000* aircraft program
We continue to focus our efforts on the flight test program in order to bring the category-defining *Global 7000* aircraft to market.

The engines have been mounted on the first *Global 7000* FTV. All structural components have been joined on FTV1, including the rear, centre and forward fuselage sections, the wing, the landing gear and vertical and horizontal stabilizers. FTV2 is in final assembly with major structural components joined, including the rear, centre and forward fuselage sections and cockpit. Two additional FTVs are in various stages of production and assembly.

The manufacturing process of the *Global 7000* and *Global 8000* aircraft program is employing the highest caliber technology. The final assembly line in Toronto, Canada, features a state-of-the-art automated positioning system using laser-guided measuring. This system is used to join the wing structure to the fuselage with a very high level of precision. Laser-guided technology is also a key feature of articulated robot drilling on the final assembly line, which ensures consistent quality and repeatability. Robot drilling features a tolerance for accuracy and precision within less than one thousandth of an inch.

The safety-of-flight testing is underway. Engine development by our supplier, as well as ground and flight testing of the engine, are progressing.

Following an in-depth review of all aspects of the program, which was completed in the second quarter of 2015, the *Global 7000* aircraft is expected to enter into service in the second half of 2018.

The *Challenger 650* aircraft program
The *Challenger 650* aircraft program, the evolution of the *Challenger 605* aircraft, was launched in October 2014. The *Challenger 650* received type certification from Transport Canada and the Federal Aviation Administration in November 2015 and entered into service in the fourth quarter of 2015.

Similar overall level of business aircraft deliveries

Business aircraft deliveries

	Fourth quarters ended December 31		Fiscal years ended December 31	
(in units)	**2015**	2014	**2015**	2014
Light				
Learjet 70/75	**11**	18	**32**	33
Learjet 60 XR	**—**	—	**—**	1
Medium				
Challenger 300/350	**18**	19	**68**	54
Challenger 605/650	**14**	16	**25**	36
Challenger 850	**—**	—	**1**	—
Large				
Global 5000/Global 6000	**21**	25	**73**	80
	64	78	**199**	204

In fiscal year 2015, we captured a 36% market share in the overall market in which we compete, based on revenue, and 33% of the market share based on units delivered. We were the market leader in terms of units delivered and second in terms of revenues. This compares with a market share of 37% and 34%, based on revenues and units delivered respectively, in fiscal year 2014. In 2014, we were also the market leader in terms of units delivered and second in terms of revenues.[(1)]

[(1)] Based on our estimates and the GAMA annual shipment report dated February 10, 2016.

Lower level of order intake reflecting current challenges in the market

Net orders

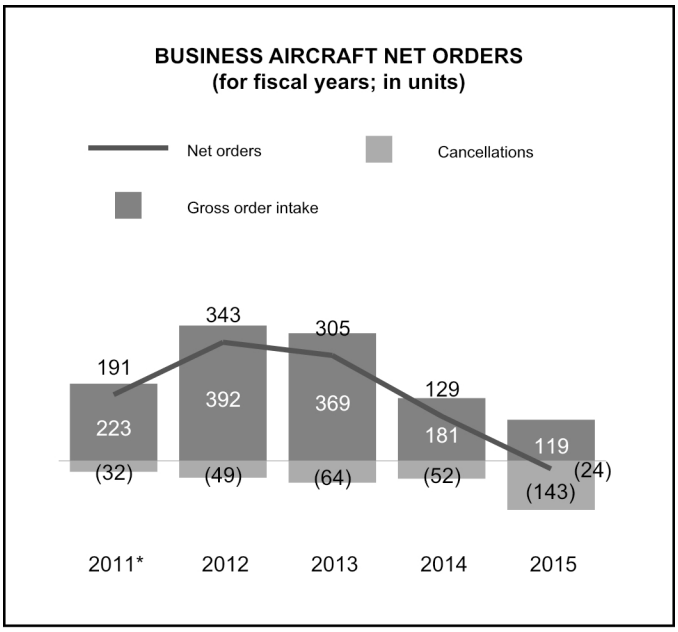
	Fourth quarters ended December 31		Fiscal years ended December 31	
(in units)	**2015**	2014	**2015**	2014
Gross orders	**31**	49	**119**	181
Cancellations	**(50)**	(17)	**(143)**	(52)
Net orders	**(19)**	32	**(24)**	129

The net negative orders for the fourth quarter ended December 31, 2015 are mainly due to the cancellation of 24 firm orders, following the restructuring of certain customer commercial agreements.

In addition to the cancellation of 24 firm orders in the fourth quarter of 2015, the net negative orders for fiscal year 2015 are due to cancellations of 74 *Learjet 85* aircraft orders, of which 64 orders were cancelled in the third quarter of 2015 following our decision to cancel the aircraft program due to the lack of sales following the prolonged market weakness.

In 2014, there were two and ten cancellations of *Learjet 85* aircraft orders, in the quarter and fiscal year respectively.

In the past years, the high order intake was partly due to significant multi-aircraft orders signed with NetJets Inc., Flexjet, LLC, Vistajet and various undisclosed customers.



* Fiscal year 2011 comprised 11 months of results.

Highest order backlog in the industry despite current market conditions

Order backlog

	As at	
(in billions of dollars)	**December 31, 2015**	December 31, 2014
	$ 17.2	$ 24.0

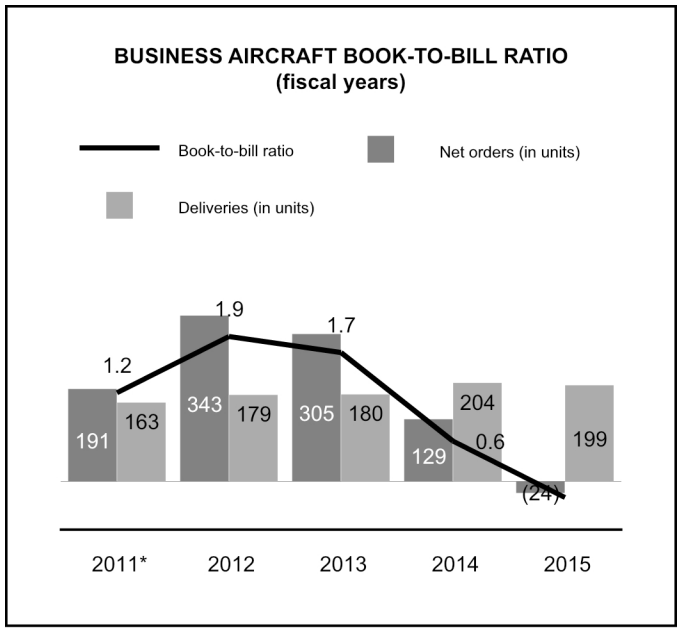
The decrease in order backlog as at December 31, 2015 reflects lower order intake than deliveries for business aircraft. The net negative level of orders for the fiscal year reflects cancellations following the decision to cancel the *Learjet 85* aircraft program as well as impacts related to our decision to restructure certain customer commercial agreements.

The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand. On May 14, 2015, we announced a reduction in the production rate for the *Global 5000* and *Global 6000* aircraft.

Book-to-bill ratio[(1)]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Net orders	**(19)**	32	**(24)**	129
Deliveries	**64**	78	**199**	204
	nmf	0.4	**nmf**	0.6

(1) Defined as net orders received over aircraft deliveries, in units.



* Fiscal year 2011 comprised 11 months of results.

The negative book-to-bill ratios for the fourth quarter and fiscal year ended December 31, 2015 for business aircraft reflect higher cancellations than gross orders intake, mainly as a result of the *Learjet 85* aircraft program cancellation as well as the cancellations related to the restructuring of certain customer commercial agreements, recognized in the third and fourth quarters of 2015, respectively.

Workforce

Total number of employees

	As at	
	December 31, 2015	December 31, 2014
Permanent[(1)]	**10,100**	11,000
Contractual[(2)]	**300**	600
	10,400	11,600
Percentage of permanent employees covered by collective agreements	**43%**	46%

(1) Including inactive employees.
(2) Including non-employees and agency outsourced personnel.

The workforce as at December 31, 2015 decreased by approximately 10% when compared to last year. This is mainly related to a workforce reduction of approximately 250 employees following the decision to pause the *Learjet 85* program announced in the first quarter of 2015 and a reduction of approximately 750 employees related to the production rate decrease of the *Global 5000* and *Global 6000* aircraft announced in the second quarter of 2015. Reductions of approximately 450 employees related to the production rate decrease are expected to take place in 2016.

Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. Business Aircraft plans to reduce its workforce by an estimated 500 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness.

Major collective agreements

Location	Union	Approximate number of permanent employees covered as at December 31, 2015	Expiration of current collective agreement
Montréal, Canada	International Association of Machinists and Aerospace Workers (IAMAW) – Local 712	1,350	November 30, 2018
Montréal *Global* aircraft completion centre, Canada	Unifor - Local 62	1,250	December 5, 2016
Toronto, Canada	Unifor - Locals 112 and 673	1,250	June 22, 2018
Wichita, U.S.	International Association of Machinists and Aerospace Workers (IAMAW) – Local 639	450	October 9, 2017

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	What we said for 2015	What we did in 2015	What's next for 2016[1]
Growth and deliveries	Approximately 210 deliveries.	199 deliveries.	Revenues greater than $5.0 billion. Approximately 150 deliveries.
Profitability[2]	EBIT margin in the range of 5% to 6%.	EBIT margin before special items[2] of 4.4%.	EBIT margin of approximately 6%.

Deliveries were slightly lower than expected as a result of the current economic conditions and geopolitical issues in some markets such as China, Latin America and Russia. The EBIT margin before special items[2] was lower than guidance, mainly due to lower aircraft margins and a decrease in fair value of pre-owned aircraft. Slower than expected global economic growth, geopolitical uncertainty and low oil and gas prices are expected to continue impacting the business aircraft market in 2016.

To address these market conditions, we have taken actions to strengthen our business and solidify our long-term profitability across our portfolio of products:

- In an effort to sustain margins, in May 2015, we took the decision to reduce the production rate of the *Global 5000* and *Global 6000* aircraft as a proactive measure to better align supply and demand and to protect the residual values for this important brand.
- Due to the lack of sales following the prolonged market softness in the light business aircraft, we canceled the *Learjet 85* aircraft program in October 2015.
- In December 2015, we discontinued marketing the *Learjet 60* and *Challenger 850* aircraft to focus our efforts on our category-leading products.
- We expect to realize the benefits from our past and ongoing product investments, which will be a key driver of our future revenue growth. The *Global 7000* aircraft is defining the new standard in the large business aircraft category as it is the first and only business aircraft to offer four unique living spaces. It has exceptionally high speed and unique steep approach capabilities. We have therefore prioritized the EIS of the *Global 7000* aircraft, which is expected to EIS in the second half of 2018. We revised the schedule for the *Global 7000* and *Global 8000* aircraft program to ensure no compromise is made in terms of performance and comfort of these category-defining aircraft.
- In January 2016, we announced changes to our strategic sales approach by increasing the number of direct-to-market channels. Specifically, we terminated third-party sales representative and distribution agreements positioning our sales team to handle sales activities and engage directly with customers and prospects in the Middle East and North Africa.
- We restructured customer commercial agreements, resulting in the cancellation of 24 firm orders in the fourth quarter of fiscal year 2015, valued at approximately $1.75 billion based on 2015 list prices, with an additional cancellation of 30 optional orders.

[1] Refer to the Forward-looking statements hereafter.
[2] Profitability guidance is based on EBIT before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measure.

Despite the current economic and geopolitical challenges as well as the headwinds we expect to face in 2016 from the production rate reduction of the *Global 5000* and *Global 6000* aircraft, we are confident in our ability to contribute to sustainable revenue and profitability growth. We have leading products in the light, medium and large aircraft categories and the highest order backlog in the business aircraft industry. The *Global 7000* and *Global 8000* aircraft program is well positioned to capture a significant share of the large aircraft category. Our focus is to strengthen our order backlog by taking action to capitalize on growing market opportunities around the world. Considering our significant and growing installed base of business aircraft, high-margin aftermarket services present another opportunity in terms of revenue growth and profitability. Our roadmap to 2020 to grow our revenues and profitability and our operational transformation plan to reduce costs are key in achieving our objectives.[1]

[1] Refer to the Strategic Priorities section in Overview for more details on our roadmap to 2020.

Forward-looking statements

Forward-looking statements[1] in this section of the MD&A are based on:

- current firm order backlog and estimated future order intake;[2]
- a lower level of aircraft deliveries in fiscal year 2016 compared to fiscal year 2015 due to the production rate reset on the *Global 5000* and *Global 6000* aircraft program and growth from customer services;
- the continued deployment and execution of key transformation initiatives, especially those impacting direct and indirect procurement costs, labor efficiency and working capital improvement;
- our ability to execute and deliver business model enhancement initiatives;
- our ability to meet scheduled EIS dates and planned costs for the *Global 7000* and *Global 8000* aircraft program;
- our ability to recruit and retain highly skilled resources to deploy our product development strategy;
- the ability of our supply base to support planned production rates; and
- stability of foreign exchange rates.

[1] Also refer to the Guidance and forward-looking statements section in Overview.
[2] Demand forecast is based on the analysis of main market indicators, including real GDP growth, industry confidence, corporate profitability within our customer base, pre-owned business jet inventory levels, aircraft utilization, aircraft shipments and billings, installed base and average age of the fleet. For more details, refer to the market indicators in the Industry and economic environment section.

COMMERCIAL AIRCRAFT

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current year presentation. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which impacted period-over-period variances.

The data presented in 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 section in Overview for further detail.

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HIGHLIGHTS OF THE YEAR

CS100 aircraft received type certification

REVENUES	EBIT MARGIN BEFORE SPECIAL ITEMS[1]	NET ADDITIONS TO PP&E & INTANGIBLE ASSETS	ORDER BACKLOG
$2.4 billion	**(7.1)%**	**$963 million**	**$11.5 billion**

RESULTS			
For the fiscal years ended December 31	**2015**	2014	Variance
Revenues	**$ 2,395**	$ 2,740	(13)%
Aircraft deliveries (in units)	**76**	86	(10)
Net orders (in units)	**51**	153	(102)
Book-to-bill ratio[2]	**0.7**	1.8	nmf
EBIT	**$ (3,970)**	$ (123)	nmf
EBIT margin	**nmf**	(4.5)%	nmf
EBIT before special items[1]	**$ (170)**	$ (107)	(59)%
EBIT margin before special items[1]	**(7.1)%**	(3.9)%	(320) bps
EBITDA before special items[1]	**$ (66)**	$ (5)	nmf
EBITDA margin before special items[1]	**(2.8)%**	(0.2)%	(260) bps
Net additions to PP&E and intangible assets	**$ 963**	$ 801	20 %
As at December 31	**2015**	2014	
Order backlog (in billions of dollars)	**$ 11.5**	$ 12.5	(8)%

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and to the Analysis of results section for reconciliations to the most comparable IFRS measures.
[2] Ratio of net orders received over aircraft deliveries, in units.

KEY EVENTS

- Subsequent to the end of the fiscal year, we signed a Letter of Intent (LOI) with Air Canada for 45 *CS300* aircraft with options for an additional 30 *CS300* aircraft, including conversion rights to the *CS100* aircraft. Upon execution of a firm purchase agreement, Air Canada will become the first mainline, international network carrier based in North America for the *C Series* family of aircraft. This LOI complements our existing *C Series* aircraft orders in both Europe and Asia. The Air Canada deliveries are expected to start in 2019. Based on list price of the *CS300* aircraft, a firm order would be valued at approximately $3.8 billion. This LOI is not included in the order backlog as at December 31, 2015. As at the date of this report, firm orders and other agreements[1] for a total of 678 *C Series* aircraft have been signed with 23 customers in 20 countries, including 243 firm orders.
- In October 2015, Bombardier Inc. entered into a memorandum of understanding with the Government of Québec, who will invest $1.0 billion in the *C Series* aircraft program in return for a 49.5% equity stake in a newly created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will carry on the operations related to our *C Series* aircraft program and will be consolidated in our financial results. The execution of the definitive agreements and the disbursement of the investment are expected to take place in the second quarter of 2016, subject to closing conditions. The Government of Québec's interest in the partnership will be redeemable at our option, in certain circumstances.
- Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec, which resulted in the memorandum of understanding, we recorded a charge of $3.2 billion in special items in the third quarter of 2015, mainly related to the impairment of aerospace program tooling. We continue to believe that the *C Series* aircraft program meets specific market requirements and that it has long-term market potential.

[1] The other agreements consist of conditional orders, letters of intent, options and purchase rights.

- On December 17, 2015, the *CS100* aircraft was awarded type certification from Transport Canada, paving the way for the delivery and EIS of the aircraft with first operator Swiss International Air Lines (SWISS) expected in the second quarter of 2016.
- During the fourth quarter of 2015, we recorded a charge of $240 million in special items related to the impairment of the remaining *CRJ1000* aircraft tooling balance due to the lack of recent order intake as well as low firm order backlog for this program, mainly stemming from pilot scope clauses in the U.S. which have restricted the use, number and seating capacity of regional aircraft flying on behalf of network carriers. Over the near term, we do not anticipate scope clause relaxation in the U.S., during which time, we will not be able to sell the *CRJ1000* aircraft in the U.S. market.
- Effective April 9, 2015, Fred Cromer became President, Bombardier Commercial Aircraft.

PROFILE

A leading portfolio of aircraft in the 60- to 150-seat categories

We design and manufacture a broad portfolio of commercial aircraft in the 60- to 150-seat categories, including, the *CRJ700*, *CRJ900* and *CRJ1000* regional jets as well as the clean-sheet *C Series* mainline jets and the *Q400* turboprop. We provide aftermarket services for these aircraft as well as for the 20- to 59-seat range category.

Commercial Aircraft's customer services network includes Customer Response Centres located in Montréal and Toronto, Canada, as well as 22 Regional Support Offices (RSO) and Parts Facilities worldwide. Three wholly-owned and operated Service Centres in the U.S. provide heavy maintenance, drop-in maintenance, as well as structural repair and overhaul of airframes and components. Some 10 strategically located Authorized Service Facilities provide valued support worldwide to keep our customers flying competitively. The network is supported by regionally-based mobile teams.

MARKET SEGMENT: COMMERCIAL AIRCRAFT

REGIONAL JETS

Models: *CRJ700, CRJ900* and *CRJ1000*

Market category: 60- to 100-seat regional jets

Key features[1]: Designed for hub expansion and point-to-point services, the *CRJ* aircraft family is optimized for medium to long distance regional routes. The most successful regional aircraft program, the *CRJ* family, features best-in-class: operating costs, fuel burn and emissions. The *CRJ* is constantly raising the bar with vision of a double digit fuel burn reduction by 2020.[2] Since its launch, the *CRJ* family of regional jets has stimulated the regional jet market. In North America alone, it accounts for 20% of all jet departures. Globally, the family operates more than 200,000 flights per month.



CRJ900 aircraft

[1] Under certain operating conditions, when compared to aircraft currently in service for short-haul flights up to 500 NM.

[2] Based on *CRJ900* improvements since EIS. Improvements are currently under development, and as such, all specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions.

COMMERCIAL JETS

Models: *CS100*[1] and *CS300*[1]

Market category: 100- to 150-seat commercial jets

Key features[2]: Designed for the growing 100- to 150-seat market, the 100% new *C Series* aircraft family offers 15% operating cost advantage over in-production aircraft and up to 12% operating cost advantage over re-engined aircraft. The *C Series* clean-sheet design ensures that the aircraft will achieve greatly reduced noise and emissions, as well as superior operational flexibility, exceptional airfield performance and range. The *C Series* aircraft's maximum range has been confirmed to be 3,300 NM (6,112 km), some 350 NM (648 km) more than originally targeted. All noise performance testing on the *CS100* aircraft has been completed and data confirms it is the quietest in-production commercial jet in its class. The aircraft is delivering more than a 20% fuel burn advantage compared to in-production aircraft, and a greater than 10% advantage compared to re-engined aircraft. The *C Series* aircraft will also emit 50% fewer NO_x emissions than the Committee on Aviation Environmental Protection (CAEP6) NO_x emission standards.



CS300 aircraft

TURBOPROPS

Model: *Q400*

Market category: 60- to 90-seat turboprops

Key features[3]: The *Q400* airliner is a fast, fuel-efficient, low-emission and highly flexible turboprop. It is the only in-production turboprop that can be configured with capacity up to 86 passengers while offering jet-like speed and an extended range, along with best-in-class seat costs. The cargo-passenger combi *Q400* aircraft is available in various configurations and offers up to 9,000 lbs of cargo capacity and up to 1,150 cubic feet of cargo volume while accommodating 50 passengers. The combi *Q400* aircraft provides unique opportunities for airlines operating routes with medium to low passenger loads, but with high cargo potential.



Q400 aircraft

SPECIALIZED AIRCRAFT

Models: Various Bombardier commercial aircraft

Key features: Provides solutions for governments, agencies and specialized organizations worldwide by modifying commercial aircraft to suit customer needs for different mission requirements including: maritime patrol, medical and government VIP transport, intelligence surveillance, reconnaissance and communication platforms, and military transport.

[1] Currently under development.

[2] All data and specifications are estimates, subject to change in family strategy, branding, capacity and performance during the design, manufacture and certification process (based on 500 NM trips). Refer to the disclaimer at the end of this MD&A.

[3] Under certain operating conditions, when compared to aircraft currently in service for short-haul flights up to 500 NM.

MARKET SEGMENT: CUSTOMER SERVICES AND SOLUTIONS

MAINTENANCE SERVICES

Services portfolio: Extensive capabilities to accommodate aircraft maintenance, refurbishment and modification for commercial aircraft.

Key features: Offering worldwide service and support through wholly-owned Service Centres, Authorized Service Facilities and the mobile repair teams.

PARTS SERVICES

Services portfolio: Providing new and used parts, initial provisioning services, as well as repair of customer-owned parts.

Key features: Supporting customers for all their parts needs with two parts distribution hubs, eight parts depots, and two component repair and overhaul facilities worldwide.

SMART SERVICES

Services portfolio: A growing portfolio of innovative cost per-flight-hour plans available for commercial aircraft.

Key features: From coverage on exchanges and repairs of airframe system components to flight deck avionics, the *Smart Parts* program is a key component (together with the *Smart Maintenance* program) of our *Smart Services*, providing budget predictability and cost protection for our customers.

SUPPORT SERVICES

Services portfolio: Comprehensive portfolio of customer services including: ten RSOs, 24-hour Customer Response Centres, engineering and maintenance planning, customer liaison pilots, network of field service personnel, mobile technical repair teams, modifications, technical publications, EIS support and e-services.

Key features: Providing operators with a single point of contact, 24 hours a day, 365 days a year, for all critical and aircraft-on-the-ground requests supporting customers through a network of strategically located teams.

CUSTOMER SERVICE NETWORK

In 2015, the expansion in the customer service network across the globe continued with the opening of new support locations to better serve customers. We added a new authorized service facility location in India while also increasing our parts depot stocking sets for China, India and the Middle East to support commercial aircraft customers.

TRAINING

Services portfolio: A complete range of flight crew and technical training services on commercial and specialized aircraft at wholly-owned facilities and through a network of strategic collaborations worldwide. In addition, we have five approved third-party training providers to provide worldwide training services under our oversight.

Key features: As an original equipment manufacturer (OEM), we quickly modify courseware and training devices to reflect ongoing aircraft enhancements.

INDUSTRY AND ECONOMIC ENVIRONMENT

Robust market entering into the next era for the 100-150 seat commercial aircraft category

The commercial aircraft market continues to build momentum as passenger traffic levels and forecast airline financial performance improve in 2015. The following key indicators are used to monitor the health of the commercial airline industry in the short term:

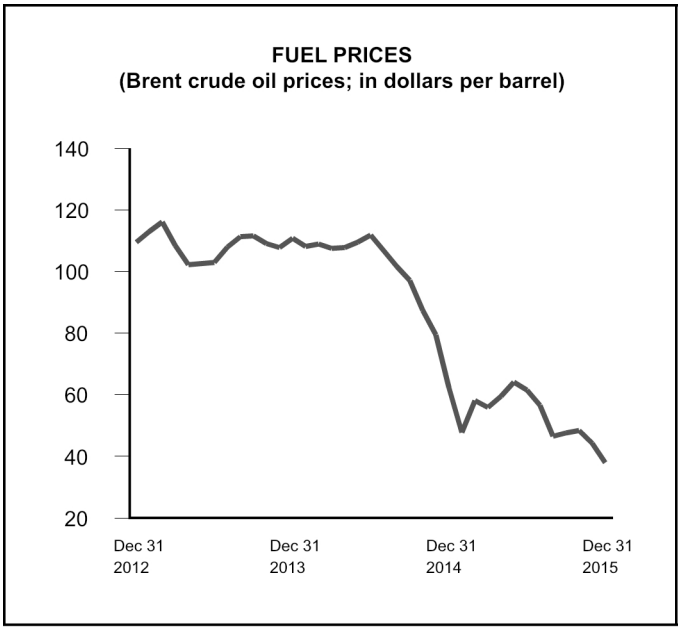
Indicator	Current situation	Status
Passenger traffic levels	The demand for new aircraft is primarily driven by the demand for air travel. Scheduled domestic and international passenger traffic, measured by revenue passenger kilometres (RPK), were 6.3% and 6.5% higher, respectively, for the year-to-date period ended December 2015 compared to the same period last year.[1]	▲
	In 2015, industry load factors reached an all-time high. Airlines achieved both domestic and international average passenger load factors of 81.5% and 79.7%, respectively, for the year-to-date period ended December 2015 compared to 80.6% and 79.2%, respectively, for the same period last year. Continued increases in traffic over recent months resulted in upward movement of load factors, mostly in domestic markets.[1]	▲
	During 2015, regional passenger traffic measured by RPK for the four leading U.S. network carriers and their affiliates[2], which represent a major portion of the regional airline passenger traffic in the U.S., our largest market, slightly decreased by 0.9% compared to 2014.	▼
	These airlines achieved an average passenger load factor of 81.4% in 2015, up from the 80.6% experienced in 2014.	▲
Fuel prices	Planning is difficult for airlines when the price for one of the largest components of their operating costs remains volatile. The average annual price of Brent crude oil decreased from $99 per barrel in 2014 to $52 per barrel in 2015. During the first week of February 2016, the price was approximately $32 per barrel.[3] More recently, lows in crude oil prices reflect expected increases in supply and expected decrease in demand due to slower anticipated global economic growth.[1] Although some airlines may delay their decision to renew their fleet in the short term, this should continue to help improve airline profitability, which in turn would provide an opportunity for airlines to reinvest in their fleets. The high volatility in crude oil prices should result in continued demand for more fuel efficient aircraft.	►
Airline profitability	Airline financial performance continued to improve in 2015. Airline profits are forecast to total $33.0 billion in 2015, a record high and a sixth consecutive year of positive net profits for the industry. North American airlines are forecast to generate the highest profit in terms of dollars and profit margins due to a combination of consolidation, helping to increase load factors, and lower fuel costs, followed by airlines in Europe and Asia-Pacific. Airline financial performance is expected to increase to total profits of $36.3 billion in 2016.[4]	▲
Environmental regulations	Environmental issues and new environmental regulations should increasingly shape the world's airline industry. These issues can be broadly categorized as: local air quality, aircraft emissions and community noise. The aviation industry has consistently improved its environmental performance throughout its history and is expected to continue to do so. The aviation industry has committed to carbon-neutral growth by 2020 and a 50% reduction in carbon emissions from 2005 levels by 2050. The application of new technology in aircraft designs is expected to be important in meeting these commitments and should speed up retirement of older aircraft worldwide.[5]	▲
Aircraft shipments	In 2015, the industry delivered 303 aircraft in the 60- to 150-seat category, a decrease of 4.1% compared to 2014.[6]	▼

▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

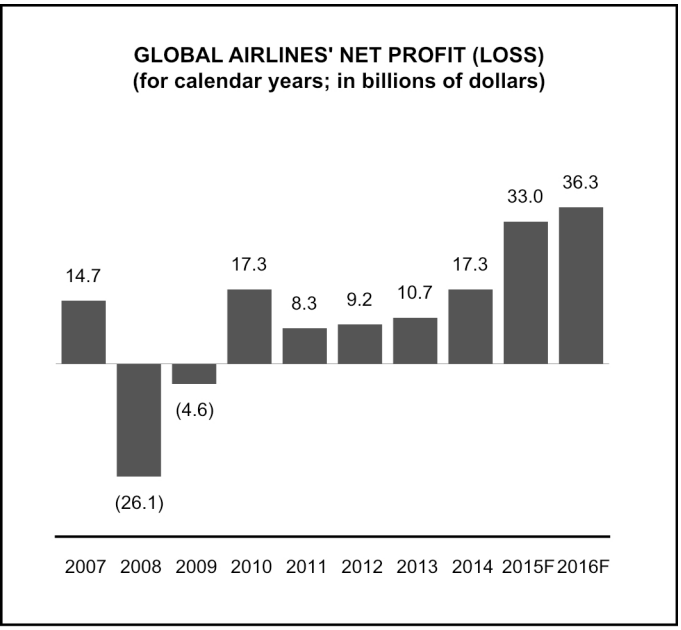
[1] Per IATA's December 2015 "Air Passenger Market Analysis and Airlines Financial Monitor" reports.
[2] Delta Air Lines, American Airlines, United Airlines, and Alaska Air.
[3] According to the U.S. Energy Information Administration's (EIA) website.
[4] Per IATA's forecast in the "Economic Performance of the Airline Industry" December 2015 year-end report.
[5] According to our "Commercial Aircraft Market Forecast", published in June 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com.
[6] Our estimates based on delivery data available from Ascend fleet database by Flightglobal and public disclosure records of certain competitors.

Indicator	Current situation	Status
Replacement demand	We estimate that most commercial aircraft have life cycles ranging between 15 to 30 years. As at December 31, 2015, approximately 2,350 aircraft representing an estimated 38% of the world's active fleet in the 60- to 150-seat aircraft category is over 15 years old compared to 37% at the end of 2014.[1]	▲

▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.
[1] Based on data obtained from Ascend fleet database by Flightglobal.



Source: U.S. EIA



Sources: IATA's forecast in the "Economic Performance of the Airline Industry" December 2015 year-end report.
F: Forecast

According to IATA, the world's airlines are set to post a collective record net profit for 2015. Airline financial performance improved in most regions during the year, particularly in the U.S. where the improvement was driven by airline mergers and lower fuel costs.[1]

The state of the world economy and those of individual countries are key factors in the demand for air travel. As such, the health of the aerospace industry is a function of general economic conditions, with a lag typically between economic recovery and the time it takes to reflect on the original equipment manufacturers' deliveries and revenues. Real GDP growth is a widely accepted measure of economic activity.

Worldwide real GDP increased by 2.5% in 2015, which is slightly lower than the 2.7% increase in 2014. The world economy is predicted to grow at 2.3% and 2.9% in 2016 and 2017, respectively.[2]

The GDP in the U.S., the largest market for commercial aircraft, is expected to grow at 2.0% in 2016, compared to 2.4% in 2015. In Europe, our second largest market in terms of sales, the GDP is expected to grow by 1.9% in 2016, the same growth rate 2015.[2]

In regions with high growth potential for commercial aviation, growth in 2016 is expected to be at 6.2% and 7.4% for China and India, respectively, compared to 6.9% and 7.4% in 2015, respectively. In the CIS, a decline of 1.2% is expected in 2016 compared to a decline of 3.1% in 2015.[2]

[1] Per IATA's forecast in the "Economic Performance of the Airline Industry" December 2015 year-end report.
[2] According to "Oxford Economics Global Data Report" dated February 11, 2016.

Short-term outlook

The current overall positive trend in market indicators as well as the future anticipated growth in GDP rates are expected to further increase the demand for air travel and the demand for new aircraft is expected to follow.

The world economy is projected to grow by 2.3% in 2016 and 2.9% in 2017 and 3.0% in 2018.[1] Historically, as the world economy improves, demand for air travel increases and the demand for new aircraft is expected to follow. We believe that the market for larger regional aircraft and smaller mainline aircraft should grow in North America as airlines continue to focus on fleet optimization, fuel-efficiency and reducing environmental impacts.

In Europe, GDP is expected to grow at 1.9% in 2016. In this context, we do not expect much growth in demand for regional aircraft in Europe in 2016. For 2017 and 2018, the expected growth is at 2.1% and 2.0%, respectively.[1] European airlines are likely to continue to focus on consolidation and operational restructuring.

The strong correlation between passenger traffic and economic growth in non-traditional markets should translate into continued aircraft demand in the near future. This demand is expected to be met by a combination of pre-owned and new aircraft.

[1] According to "Oxford Economics Global Data Report" as at February 11, 2016.

Long-term outlook

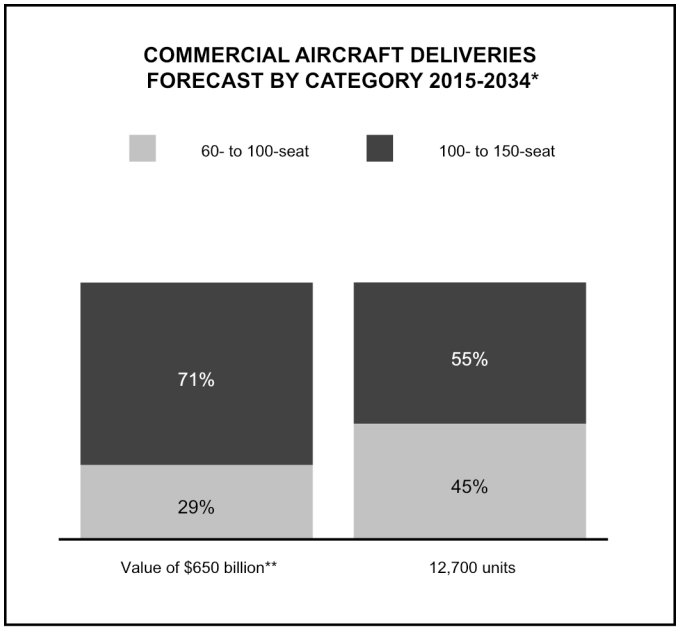
We remain confident that continuing economic growth should increase demand for air travel over the next 20 years. The financial outlook for the world's airlines is improving as economic growth returns to most regions.

In June 2015, we released our annual market forecast for the 20-year period from 2015 to 2034.[1]

The "Commercial Aircraft Market Forecast" predicts 12,700 aircraft deliveries for 60- to 150-seat commercial aircraft in the next 20 years compared to our previous forecast of 13,100 aircraft deliveries for 20- to 149-seat in 2014 to 2033. The decrease compared to our previous forecast is mainly due to the 20- to 59-seat segment that is no longer included in the re-defined scope of the forecast.

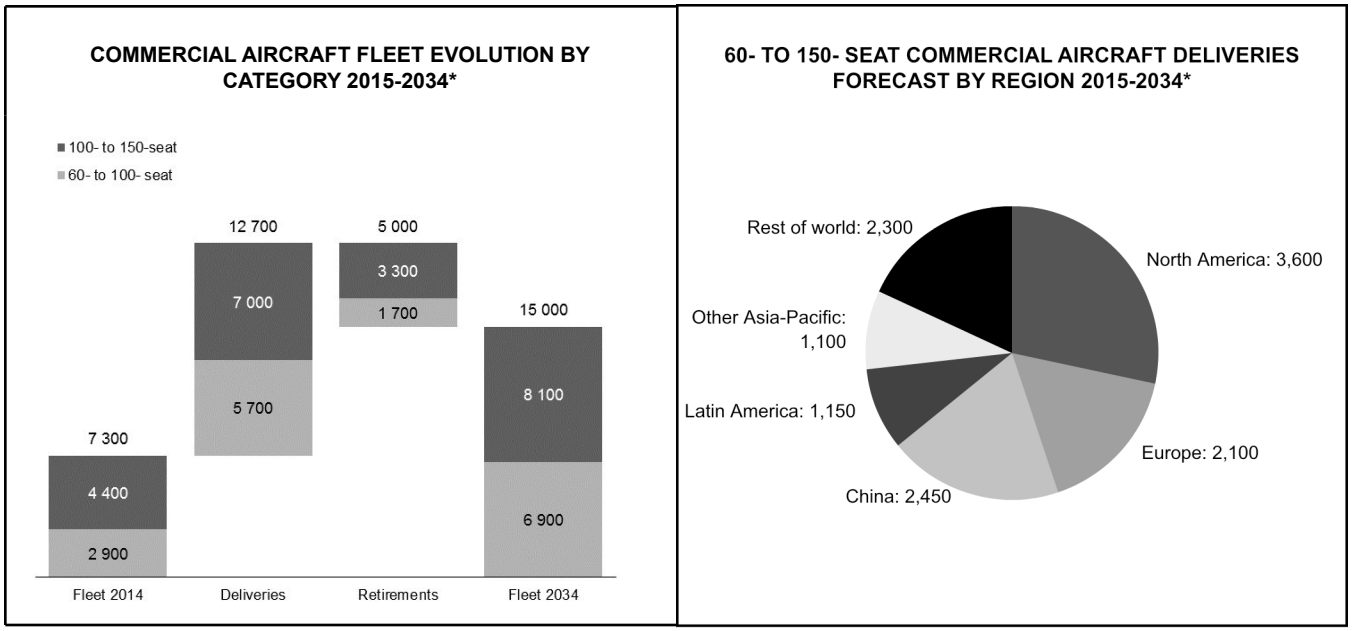
The 20-year deliveries are valued at $650 billion[2], compared to the $658 billion previously forecast. Over the next 20 years, 5,000 60- to 150-seat commercial aircraft are expected to be retired, 4% higher than the 4,800 retirements forecast in 2014.

[1] Available on Bombardier's dedicated investor relations website at ir.bombardier.com.
[2] Revenues are based on estimated segment 2014 list prices.



* As stated in our "Commercial Aircraft Market Forecast", published in June 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com
**Unit values based on Business and Commercial Aviation magazine 2014 list prices.

The forecast deliveries are expected to arise from replacement demand in established markets, such as North America and Europe, and fleet growth potential in emerging markets. North America is expected to account for the greatest number of 60- to 150-seat commercial aircraft deliveries, followed by China, Europe and Latin America.



* In units. As stated in our "Commercial Aircraft Market Forecast", published in June 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com.

Most new 60- to 150-seat aircraft deliveries to mature aviation markets such as North America, Europe, Oceania and Northeast Asia (Japan and South Korea) are expected to replace retiring aircraft fleets.

In emerging markets, demand for air travel is growing with increasing GDP and an expanding middle class. The airline industries in the emerging regions of other Asia-Pacific, China, India, Latin America and the CIS are at different stages of maturity, but all are expected to require aircraft with different seat capacities and operating economics to meet passenger demand.

In the long-term, the worldwide 60- to 150- seat fleet is forecast to grow to 15,000 units by 2034. Approximately 55% of the forecast deliveries are in the 100- to 150-seat segment, for a value of approximately $460 billion.[(1)(2)] Airlines in this segment, who have been constrained to the currently available technology on these aircraft, are anticipated to witness a major fleet transformation. The aircraft in service today in this market segment are older than larger single-aisle aircraft. There had been little activity to renew the fleet in this segment and as of today, the *C Series* is the only clean sheet design for this market. While there are other redesigned aircraft expected to enter the market, the *C Series* will offer superior economics and passenger comfort. We anticipate to capture 50% of this market which represents up to 3,500 *C Series* deliveries over the next 20 years.[(1)] Environmental regulations and the requirement to upsize from regional aircraft should provide positive growth for this segment of the market.

The 60- to 100-seat aircraft market should see substantial growth over the forecast period with demand for 5,700 aircraft worth $190 billion.[(1)(2)] Overall, demand for regional aircraft in the 60- to 100-seat aircraft market is expected to be approximately equally split between turboprops and jets in terms of units.

(1) According to our "Commercial Aircraft Market Forecast", published in June 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com.
(2) Revenues are based on estimated segment 2014 list prices.

Customer services

Our worldwide customer services network includes parts hubs, parts depots, authorized service facilities (ASF), service centres, regional support offices (RSO), customer response centres (CRC), mobile repair team (MRT), as well as training centres and authorized training providers (ATP).

Supplemental information regarding our support locations can be found in the Profile section.

The demand for customer services is driven by the size of the fleet of Bombardier commercial aircraft, the number of hours flown by said fleet and the average age of the fleet.

Customer services market indicators

Indicator	Current situation	Status
Installed base	The installed base for active in-service Bombardier commercial aircraft remained essentially at the same level in 2015 compared to 2014 with approximately 2,210 aircraft.[1]	►
Average daily flight hours	Based on our estimates, Bombardier aircraft average daily flight hours, slightly decreased by approximately 1.4% for commercial aircraft for the 12-month period ended October 31, 2015 compared to the same period last year.	▼
Average age of fleet	Typically, aircraft direct maintenance costs increase as an aircraft ages. Therefore, the average age of the fleet of Bombardier aircraft is expected to impact the size of the maintenance market. There has been a slight increase in the average age of the Bombardier commercial aircraft fleet in 2015 compared to 2014.[1]	▲

▲ ►▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.
[1] Based on data obtained from Ascend fleet database by Flightglobal.

Short-term outlook
Historically, the U.S. represented the largest share of deliveries for commercial aircraft, however, wealth creation and economic development in non-traditional markets is driving a shift in the proportion of commercial aircraft delivered outside of the U.S. This trend in demand impacts the geographical layout of our support network. In the non-traditional markets, the strategy is to increase our local customer services presence and leverage third-parties to deploy the full span of services.

Long-term outlook
The continued growth of the installed base is expected to stimulate demand for customer services. While traditional markets such as North America and Europe should dominate in terms of market size, the fleet growth in non-traditional markets is accelerating and creating new opportunities for customer services.

In the next 10 years, commercial aircraft industry deliveries should see the highest growth rates in emerging economies such as South Asia and China. This growing demand along with our customer services offerings is expected to drive growth outside of traditional markets.[1]

Airline financial performance has been improving in the past years to achieve record high levels[2] but margins are still driven by major cost drivers such as labour, maintenance, and fuel. Operators are increasingly relentless in managing costs, including focusing significant attention on managing maintenance expenses.

The global commercial air transport fleet stands at approximately 23,000 aircraft. Approximately 25% of the fleet is domiciled in North America, close to 20% is in Europe, and other Asia-Pacific, China, and India together have slightly more than 25% of the fleet.[3] However, the composition is expected to change over the next ten years. North America is expected to experience a decline of 7%, while Asian markets anticipate the highest growth rates, representing opportunities for the maintenance, repair and overhaul (MRO) industry.[4]

The 2014 air transport MRO market was $62.1 billion. It is expected to grow to $90 billion by 2024 at a CAGR of 3.8% per annum with other Asia-Pacific and China driving this growth.[5]

[1] As stated in our “Commercial Aircraft Market Forecast”, published in June 2015 and available on Bombardier’s dedicated investor relations website at ir.bombardier.com.
[2] Per IATA’s forecast in the “Economic Performance of the Airline Industry” December 2015 year-end report.
[3] Based on data obtained from Ascend fleet database by Flightglobal.
[4] According to the “March 2015 Global Fleet and MRO Market Economic Assessment” report prepared by CAVOK, a division of Oliver Wyman.
[5] According to the “MRO Market Forecast & Trends” presentation at the Aviation Week MRO Asia-Pacific Conference on November 3, 2015 by ICF International.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and associated metrics.

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
Growth and competitive positioning	• Order backlog, as a measure of future revenues. • Book-to-bill ratio[1], as an indicator of future revenues. • Revenues and delivery units, as measures of growth. • Market share (in terms of revenues and units delivered), as measures of our competitive positioning.
Profitability	• EBIT, EBIT margin, EBIT before special items[2] and EBIT margin before special items[2], as measures of performance.
Liquidity	• Free cash flow[2], as a measure of liquidity generation.
Customer satisfaction	• On-time aircraft deliveries, as a measure of meeting our commitment to customers. • Fleet dispatch reliability, as a measure of our products' reliability. • Regional availability of parts and material to support customer requests, as a measure of meeting customer needs for the entire life of the aircraft.
Execution	• Achievement of program development milestones, as a measure of flawless execution.

Our incentive-based compensation plan for non-unionized employees across Commercial Aircraft sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of 3,000 employees worldwide, or 67% of permanent employees, participate in the program. In 2015, as part of this program, incentive-based compensation was linked to the achievement of targeted results, based on EBIT before special items, free cash flow and executing according to plan in new product development programs.

(1) Defined as net orders received over aircraft deliveries, in units.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Revenues	**$ 644**	$ 720	**$ 2,395**	$ 2,740
EBITDA before special items[1]	**$ (58)**	$ (113)	**$ (66)**	$ (5)
Amortization[2]	**29**	27	**104**	102
EBIT before special items[1]	**(87)**	(140)	**(170)**	(107)
Special items	**240**	—	**3,800**	16
EBIT	**$ (327)**	$ (140)	**$ (3,970)**	$ (123)
EBIT margin before special items[1]	**(13.5)%**	(19.4)%	**(7.1)%**	(3.9)%
EBIT margin	**(50.8)%**	(19.4)%	**nmf**	(4.5)%

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.
(2) Amortization is included in cost of sales, SG&A and R&D expense based on the underlying function of the asset.

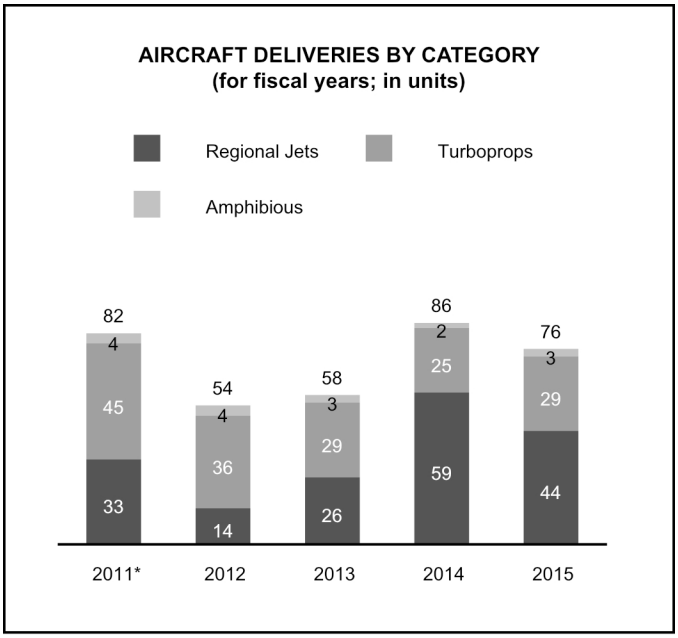
Revenues by geographic region[1]

	Fiscal years ended December 31			
	2015		2014	
North America	**$ 1,514**	**63%**	1,655	60%
Asia-Pacific	**466**	**20%**	609	22%
Rest of world[2]	**237**	**10%**	295	11%
Europe	**178**	**7%**	181	7%
	$ 2,395	**100%**	2,740	100%

(1) Revenues are attributed to countries based on the location of the customer.
(2) The Rest of world region includes the Middle East, Africa, the CIS, South America and Central America.

Revenues

The $76-million and $345-million decreases for the fourth quarter and fiscal year ended December 31, 2015, respectively, are mainly due to lower deliveries of regional jets partially offset by higher deliveries of turboprops.



* The fiscal year ended December 31, 2011 comprises 11 months of results.

Special items

Special items comprise items which do not reflect, in our opinion, our core performance such as the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.

The special items were as follows:

		Fourth quarters ended December 31		Fiscal years ended December 31	
	Ref	**2015**	2014	**2015**	2014
Impairment and other charges - *C Series* aircraft program	1	**$ —**	$ —	**$ 3,249**	$ —
Changes in estimates and fair value	2	**—**	—	**312**	—
Impairment charge - *CRJ1000* aircraft program tooling	3	**240**	—	**240**	—
Restructuring charge	4	**—**	—	**(1)**	23
Gain on resolution of a litigation	5	**—**	—	**—**	(7)
		$ 240	$ —	**$ 3,800**	$ 16
EBIT margin impact		**(37.3)%**	0.0%	**nmf**	(0.6)%

1. Represents an impairment charge of $3.1 billion on aerospace program tooling, and inventory write-downs and other provisions of $179 million, following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the October 2015 memorandum of understanding. An offset of $14 million related to this special item is included in Corporate and Elimination.
2. Related to an increase in provisions for credit guarantees and RVGs as a result of changes in assumptions concerning residual value curves of regional aircraft due to difficult market conditions for regional pre-owned aircraft and a higher probability that the guaranteed party will exercise the RVG given the recent experience with respect to RVG and a loss on certain financial instruments due to changes in estimated fair value.

3. Represents an impairment charge of $240 million on the remaining *CRJ1000* aircraft program development costs. The impairment is due to the lack of recent order intake as well as low firm order backlog for the *CRJ1000* aircraft, mainly stemming from pilot scope clauses in the U.S., which have restricted the use, number and seating capacity of regional aircraft flying on behalf of network carriers. Over the near term, we do not anticipate scope clause relaxation in the U.S., during which time, we will not be able to sell the *CRJ1000* aircraft in the U.S. market. A charge of $3 million related to this special item is included in Corporate and Elimination.

4. The restructuring charge in 2015 related to:
   - an adjustment to a restructuring provision recorded in the prior year.

   Restructuring charges in 2014 mainly related to:
   - a $18-million expense in 2014 related to the workforce reduction connected to the new organizational structure announced in July 2014; and
   - a $5-million expense due to the workforce reduction announced in January 2014.

5. Represents gain on a resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

EBIT margin

There was a significant decrease in EBIT margin for the fourth quarter ended December 31, 2015 compared to the same period last fiscal year. The EBIT margin before special items (see explanation of special items above) for the fourth quarter increased by 5.9 percentage points mainly as a result of:

- lower other expenses, mainly due to a net positive variance of provisions for credit and residual value guarantees.

Partially offset by:

- higher losses related to early production units of the *C Series* aircraft program[(1)].

There was a significant decrease in EBIT margin for the fiscal year compared to the same period last year. The EBIT margin before special items (see explanation of special items above) for the fiscal year decreased by 3.2 percentage points mainly as a result of:

- lower margins related to aircraft deliveries;
- a one-time write-down of used spares inventory related to the *CRJ200* aircraft program; and
- higher losses related to early production units of the *C Series* aircraft program[(1)].

Partially offset by:

- lower other expenses, mainly due to a net positive variance of provisions for credit and residual value guarantees.

(1) Early production units in a new aircraft program require higher costs than units produced later in the program and the selling prices of early units are generally lower.

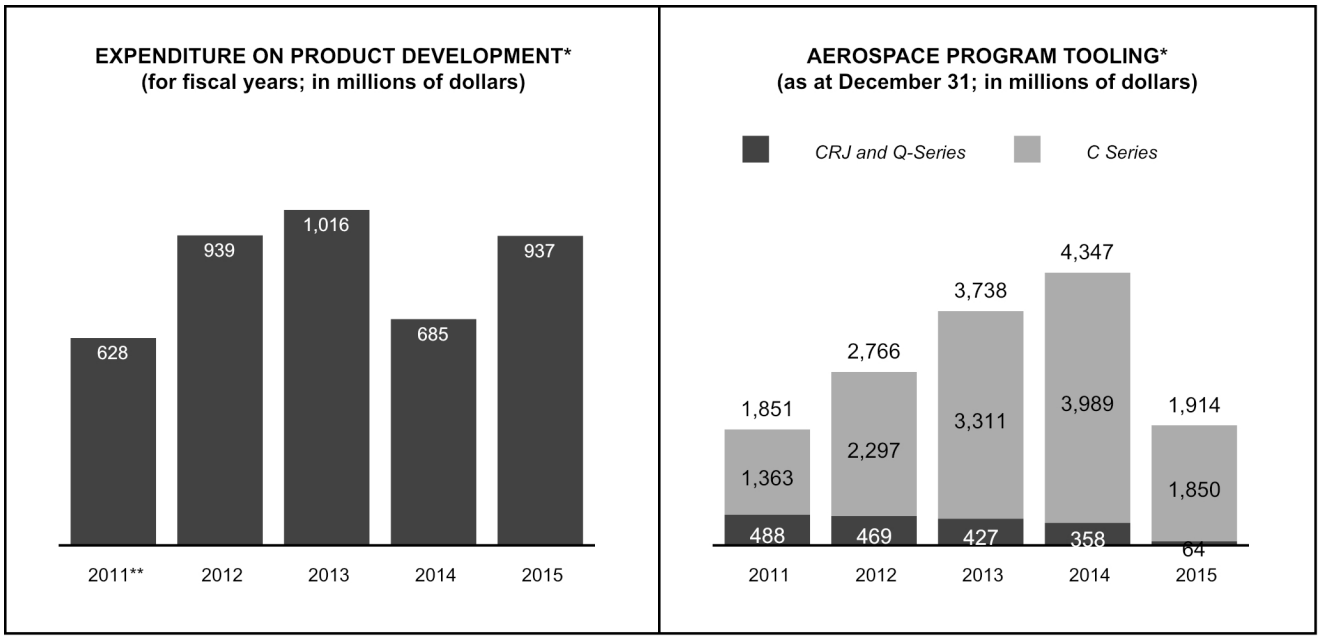
The game-changing *C Series* aircraft program progressing toward EIS

Investment in product development

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Program tooling[(1)]	**$ 220**	$ 122	**$ 937**	$ 685
R&D expense[(2)]	**1**	2	**3**	8
	$ 221	$ 124	**$ 940**	$ 693
As a percentage of revenues	**34.3%**	17.2%	**39.2%**	25.3%

(1) Net amount capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $12 million and $60 million, respectively, for the fourth quarter and fiscal year ended December 31, 2015 ($19 million and $76 million, respectively, for the fourth quarter and fiscal year ended December 31, 2014), as the related investments are already included in aerospace program tooling.

Program tooling additions mainly relate to the development of the *C Series* aircraft program.



* For fiscal years 2011 to 2013, the expenditures have not been restated to align with the current segment presentation.

** The fiscal year ended December 31, 2011 comprises 11 months of results.

* For fiscal years 2011 to 2012, the balances have not been restated to align with the current segment presentation.

The carrying amount of commercial aircraft program tooling[(1)] as at December 31, 2015 was $1.9 billion, compared to $4.3 billion as at December 31, 2014. The decrease in the net carrying value of commercial aircraft program tooling as at December 31, 2015 is mainly due to the impairment charges related to the *C Series* aircraft program and the *CRJ1000* aircraft of $3.1 billion and $240 million, respectively, recorded in the third and fourth quarters of 2015.

(1) Capitalized borrowing costs included in the commercial aircraft aerospace program tooling balance amounted to $294 million as at December 31, 2015 ($523 million as at December 31, 2014).

Reconciliation of the carrying amount of aerospace program tooling

Balance as at December 31, 2014	**$**	**4,347**
Investment in product development		**937**
Amortization of aerospace program tooling		**(60)**
C Series aircraft program impairment charge		**(3,070)**
CRJ1000 aircraft impairment charge		**(240)**
Balance as at December 31, 2015	**$**	**1,914**

Recognizing the long-term nature of product development activities, as well as the significant human and financial resources required, we follow a gated product development process focusing on early identification and mitigation of potential risks. All programs follow the Bombardier Engineering System throughout the product development cycle. The product development process is constantly refined to integrate the lessons learned from our programs and from the industry. The stages in the process are described hereafter and specific milestones must be met before a product can move from one stage of development to another. Gates consist of exit reviews with different levels of management and technical experts to demonstrate feasibility, customer acceptance and financial return. Designing products with minimal environmental impacts throughout their entire lifecycle is central to our product responsibility strategy. In addition to the Design for Environment approach, health and safety considerations are also embedded in product design.

PRODUCT DEVELOPMENT PROCESS		
Stage		**Description**
Conceptual definition	**JTAP**	**Joint Technical Assessment Phase -** Preliminary review with potential partners and suppliers to analyze technologies desired to build or modify an aircraft.
	JCDP	**Joint Conceptual Definition Phase -** Cooperative effort with potential partners and suppliers to perform a configuration trade-off study and define the system architecture and functionality.
Launch preparation		Continuation of the design definition and technical activities. Creation of a project plan to define the schedule, cost, scope, statement of work and resource requirements for the program.
Preliminary definition	**JDP**	**Joint Definition Phase -** Joint determination with partners and suppliers of the technical design of the aircraft and sharing of the work required. Optimization of the aircraft design with respect to manufacturing, assembly and total life-cycle costs.
Detail definition	**DDP**	**Detailed Design Phase -** Preparation of detailed production drawings and confirmation of the design based on the preliminary design definition agreed in the previous phase.
Product definition release		Formal issue of the engineering drawings to manufacturing, allowing for the completion of tool designs and the assembly of the first produced aircraft.
Product certification		Completion of certification activities to demonstrate that the aircraft complies with the original design requirements and all regulatory airworthiness standards.
Program completion		Conclusion of final design activity. Preparation for EIS.

The *C Series* aircraft program

Following the completion of the *CS100* aircraft certification comprehensive and rigorous flight testing program, including more than 3,000 flight test hours logged, the aircraft was awarded type certification from Transport Canada on December 17, 2015, paving the way for the aircraft's delivery and EIS with first operator SWISS expected in the second quarter of 2016.

During the fourth quarter of 2015, the *CS100* aircraft successfully completed the first phase of route proving, with completion of the initial 150 hour block of function and reliability testing. These tests, also called route-proving flights, are conducted using typical airline flight routings and operational procedures. Following the completion of the North American route-proving program, the aircraft will start European route-proving flights in the coming weeks. Testing supporting the certification of optional features required for specific customers, such as extended range operation with two-engine airplanes and steep approach landing, continues. All noise performance testing was completed, confirming the aircraft is the quietest in-production commercial jet in its class.[(1)]

The focus now shifts towards ensuring a flawless EIS alongside first operator SWISS, with first delivery planned in the second quarter of 2016.

*CS300 a*ircraft flight testing

The *CS300* aircraft's documentation for certification is over 70% complete. The first *CS300* FTV is undergoing upgrades to the latest software and hardware versions and continues planned tests, such as flutter, handling, cruise performance, cross-wind takeoff and landing, braking and anti-skid testing.

The second *CS300* FTV has joined the flight testing fleet in the first quarter of 2016. The EIS of the *CS300* aircraft is expected in the second half of 2016.

Flight and aircraft structural test performance results have exceeded original targets for fuel burn, payload, range and airfield performance.[(1)]

All the flight test aircraft are displaying a high level of reliability and the aircraft performance and test results are in line with expectations.

[(1)] Key performance targets under certain operating conditions when compared to aircraft currently in production for flights of 500 nautical miles. See the *C Series* family of aircraft program disclaimer at the end of this MD&A.

Full production ramp-up and EIS readiness

C Series program has begun the ramp-up to full production. On the manufacturing front, ramp-up is progressing to plan in the new assembly facilities in Mirabel, Canada, and more aircraft are moving down the line, including units for launch operator SWISS, with the airline's first aircraft structurally completed.

In December 2015, the *CS100* aircraft's full-flight simulator, which will play a significant role in pilot training for the all-new *CS100* aircraft, was awarded Interim Level C qualification from Transport Canada, the U.S. Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA). The regulatory authorities also qualified the flight training device for *CS100* aircraft.

Customer support activities are ramping up in preparation for first delivery.

Aircraft deliveries

Aircraft deliveries

	Fourth quarters ended December 31		Fiscal years ended December 31	
(in units)	**2015**	2014	**2015**	2014
Regional jets				
CRJ700	**—**	1	**2**	7
CRJ900	**6**	13	**38**	48
CRJ1000	**3**	—	**4**	4
Turboprops				
Q400	**10**	8	**29**	25
Amphibious	**1**	1	**3**	2
	20	23	**76**	86

Deliveries of commercial aircraft for the fiscal year ended December 31, 2015 decreased compared to last year, mainly due to higher deliveries of *CRJ900* aircraft in the previous fiscal year to Delta Air Lines, Inc.

For the three-year period ended December 31, 2015, we captured 28% of the market in the 60- to 100-seat category based on units delivered. This compares to a market share of 27% for the three-year period ended December 31, 2014.[(1)]

[(1)] Our estimates based on delivery data available from Ascend fleet database by Flightglobal.

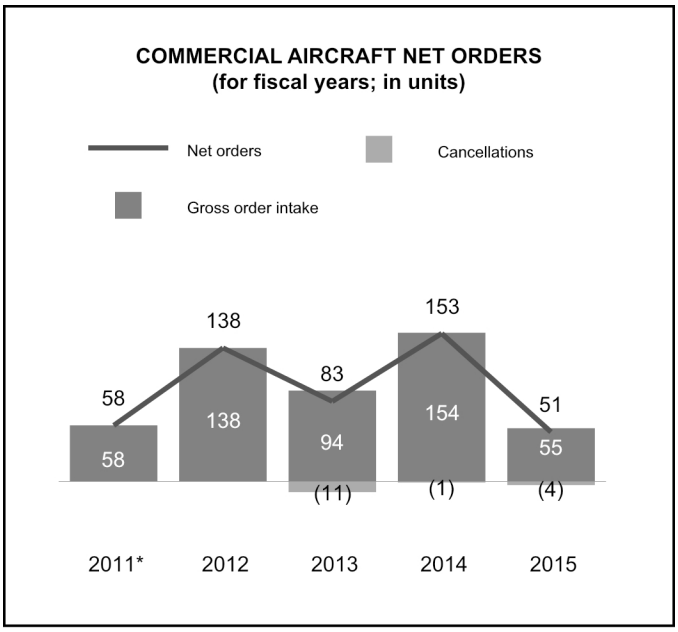
Aircraft orders

Net orders

	Fourth quarters ended December 31		Fiscal years ended December 31	
(in units)	**2015**	2014	**2015**	2014
Regional jets				
CRJ700	**—**	—	**2**	1
CRJ900	**18**	25	**25**	45
CRJ1000	**—**	—	**(2)**	—
Commercial jets				
CS300	**—**	—	**—**	61
Turboprops				
Q400	**3**	7	**26**	41
Amphibious	**—**	3	**—**	5
	21	35	**51**	153

There has been an order decrease in all aircraft categories in the year ended December 31, 2015, but mainly in the commercial jets category.

During the year ended December 31, 2014, significant orders were received from Macquarie AirFinance and Al Qahtani Aviation Company for 40 and 16 *CS300* aircraft respectively, and from American Airlines, Inc. and China Express Airlines for 24 and 16 *CRJ900* aircraft respectively.



* The fiscal year ended December 31, 2011 comprised 11 months of results.

The following significant orders were received during the fiscal year ended December 31, 2015:

Customer	Firm order	Value[1]	Options[2]
Fourth quarter			
China Express Airlines (China)[3]	10 *CRJ900*	$ 463	—
Undisclosed customer[4]	8 *CRJ900*	$ 369	6 *CRJ900*
First quarter			
Chorus Aviation Inc. (Canada)	13 *Q400*	$ 424	10 *Q400*
Mesa Airlines (U.S.)	7 *CRJ900*	$ 326	—

[1] Value of firm order based on list prices.
[2] Not included in the order backlog.
[3] With this transaction, China Express Airlines has exercised eight previously acquired options for *CRJ900* aircraft.
[4] The aircraft will be operated in Sweden's Scandinavian Airlines (SAS) network by Dublin-based CityJet.

Subsequent to the end of the fiscal year, we signed a Letter of Intent (LOI) with Air Canada for 45 *CS300* aircraft with options for an additional 30 *CS300* aircraft, including conversion rights to the *CS100* aircraft. Upon execution of a firm purchase agreement, Air Canada will become the first mainline, international network carrier based in North America for the *C Series* family of aircraft. This LOI complements our existing *C Series* aircraft orders in both Europe and Asia. The Air Canada deliveries are expected to start in 2019. Based on list price of the *CS300* aircraft, a firm order would be valued at approximately $3.8 billion. This LOI is not included in the order backlog as at December 31, 2015.

Order backlog and book-to-bill ratio

Order backlog

	As at December 31	
(in billions of dollars)	**2015**	2014
	$ 11.5	$ 12.5

The order backlog decreased during fiscal year 2015, mainly as a result of lower order backlog in regional jets as well as the sale of Military Aviation Training activities to CAE Inc. in the third quarter of 2015. The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand.

Commercial aircraft order backlog and options

			As at December 31	
		2015		2014
(in units)	**Firm orders**	**Options**	Firm orders	Options
Regional jets				
CRJ700	**10**	**—**	10	—
CRJ900	**44**	**24**	57	56
CRJ1000	**25**	**9**	31	22
Commercial jets				
CS100	**53** [1] [2]	**49**	63 [1]	49
CS300	**190** [1] [2]	**113**	180 [1]	113
Turboprops				
Q400	**39**	**77**	42	94
Amphibious	**—**	**—**	3	—
	361	**272**	386	334

[1] The total of 243 orders includes 86 firm orders with conversion rights to the other *C Series* aircraft model.

[2] On June 15, 2015, we announced that launch operator SWISS has converted 10 of its 30 firm-ordered *CS100* aircraft to the larger *CS300* aircraft.

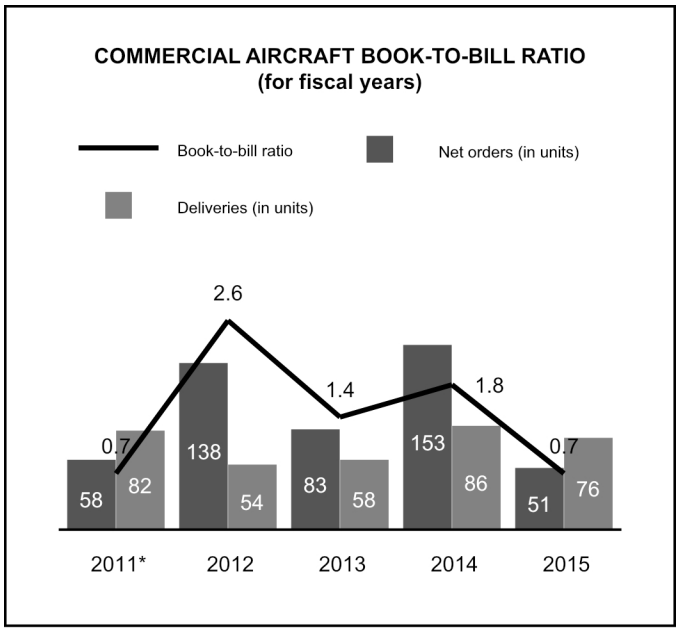
The total *C Series* firm order backlog comprises 243 aircraft with 14 customers in 14 countries as at December 31, 2015. As at the date of this report, firm orders and other agreements[1] for a total of 678 *C Series* aircraft have been signed with 23 customers in 20 countries, including 243 firm orders.

[1] The other agreements consist of conditional orders, letters of intent, options and purchase rights.

Book-to-bill ratio[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Net orders	**21**	35	**51**	153
Deliveries	**20**	23	**76**	86
	1.1	1.5	**0.7**	1.8

[1] Ratio of net orders received over aircraft deliveries, in units.



* The fiscal year ended December 31, 2011 comprises 11 months of results.

Workforce

Total number of employees

	As at December 31	
	2015	2014
Permanent[1]	**4,500**	4,900
Contractual[2]	**550**	200
	5,050	5,100
Percentage of permanent employees covered by collective agreements	**38%**	39%

[1] Including inactive employees.
[2] Including non-employees and agency outsourced personnel.

The workforce as at December 31, 2015 remains at a similar level compared to previous year. We anticipate a higher workforce in our Mirabel, Québec assembly site as we continue to ramp up the production rate on the *C Series* aircraft program.

Major collective agreements

Location	Union	Approximate number of permanent employees covered as at December 31, 2015	Expiration of current collective agreement
Toronto, Canada	Unifor - Locals 112 and 673	850	June 22, 2018
Montréal, Canada	International Association of Machinists and Aerospace Workers (IAMAW) – Local 712	800	November 30, 2018

STRATEGIC PARTNERSHIP

Government of Québec's investment in the *C Series* aircraft program

In October 2015, we entered into a memorandum of understanding which contemplates a $1.0 billion equity investment by the Ministère de l'Économie, de l'Innovation et des Exportations du Québec (through Investissement Québec) (the Government of Québec) for a 49.5% equity stake in a newly-created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will be owned 50.5% by Bombardier Inc. and, as a subsidiary of Bombardier Inc., will carry on the operations related to our *C Series* aircraft program. After the investment, the newly created limited partnership will be consolidated in our financial results. The investment remains conditional upon the completion of definitive agreements, the receipt of consents from third parties, the completion of an internal pre-closing reorganization, the receipt of required regulatory approvals and other customary conditions precedent.

The proceeds of the investment will be used entirely for cash flow purposes of the *C Series* aircraft program. We estimate that the *C Series* aircraft program will require cash of approximately $2.0 billion over the next five years at which time the program is expected to be cash flow positive, of which $1.0 billion will be funded by the Government of Québec's investment in the program.

The investment also includes the issuance of warrants to the Government of Québec exercisable to acquire up to 200,000,000 Class B Subordinate Voting Shares in the capital of Bombardier Inc., at an exercise price per share equal to the U.S. dollar equivalent of $2.21 Canadian dollars, using the exchange rate on the date of execution of definitive agreements. The warrants will have a five-year term from the date of issue and will not be listed on the Toronto Stock Exchange.

The execution of the definitive agreements and disbursement of the investment and issuance of the warrants are expected to take place in the second quarter of 2016, subject to the conditions to closing.

The investment contemplates a continuity undertaking providing that we maintain in the Province of Québec, for a period of 20 years, the newly-created limited partnership's operational, financial and strategic headquarters, manufacturing and engineering activities, shared services, policies, practices and investment plans for research and development, in each case in respect of the design, manufacture and marketing of the *CS100* and *CS300* aircraft and after-sales services for these aircraft and that we will operate the facilities located in Mirabel, Canada for these purposes.

The Government of Québec's interest in the partnership will be redeemable at our option, in certain circumstances.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	What we said for 2015	What we did in 2015	What's next for 2016[1]
Growth and deliveries	Approximately 80 deliveries.	76 deliveries.	Revenues of approximately $3.0 billion. Approximately 95 deliveries.
Profitability[2]	Negative EBIT of approximately $200 million including the dilutive impact of the initial years of production of the *C Series* aircraft program.[3]	Negative EBIT before special items[2] of $170 million.	Negative EBIT of approximately $550 million, mainly due to the dilutive impact of the initial years of production of the *C Series* aircraft program.[3]

[1] See Forward-looking statements hereafter.
[2] Profitability guidance is based on EBIT before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measure.
[3] Early production units in a new program incur higher costs and generally have lower selling prices than units produced later in the program's life cycle.

Deliveries were slightly lower than expected, while we slightly exceeded our profitability guidance for 2015.

The demand for new commercial aircraft is driven by the demand for air travel. The market is robust with strong passenger traffic levels and airlines are expected to reach record levels of profitability in 2015 and 2016.[1]

The *C Series* aircraft program is expected to drive our growth and as such, EIS of the program is a priority. With the *C Series* aircraft program, we have the best-in-class products. The *C Series* aircraft program is the first completely new aircraft designed specifically for the 100-150 seat category, a category which has not experienced much product development in the last 30 years. Fuel is one of the largest component of airlines' profitability and the price of fuel continues to be volatile. The *C Series* aircraft program is exceeding performance targets for range, fuel burn, payload and emissions. Its operating economics, which include lower trip and seat-mile costs, make it a compelling choice for airlines looking to retire older, less fuel efficient aircraft. Demo flights showcasing the aircraft to airlines and other interested operators around the world are ongoing.

The dilutive impact of the initial years of production of the *C Series* aircraft program will put pressure on our profitability in the short-term; however, a state-of-the art production system is in place to ensure an efficient ramp-up in order to reduce the costs associated with the initial units of production. We will work on building our order backlog and leverage our improved procurement process to lower unit costs.

We expect large regional jets and turboprops to continue to play an important role in the regional aircraft market of up to 100 seats. Due to the economic advantages of our *CRJ* family of regional jets and *Q400* turboprop, a large installed customer base and commonality benefits across the *CRJ* family of aircraft, we believe we are well positioned in the regional jet and turboprop categories.

With our strong product portfolio and our roadmap to 2020 which comprises our operational transformation plan to reduce our costs[2] ,we believe we have the right plan in place to grow our revenues and profitability.

[1] Per IATA's forecast in the "Economic Performance of the Airline Industry" December 2015 year-end report.
[2] Refer to the Strategic Priorities section in Overview for more details on our roadmap to 2020.

Forward-looking statements:

Forward-looking statements[1] in this section of the MD&A are based on:

- current firm order backlog and estimated future order intake;[2]
- ramp-up of the production of the *C Series* aircraft program including learning curve improvements;
- our ability to strengthen our market position and product value proposition for the *CRJ* and *Q400* aircraft programs;
- the continued deployment and execution of key transformation initiatives, especially those impacting direct and indirect procurement costs, labour efficiency and working capital improvement;
- our ability to meet scheduled EIS dates and planned costs for the *C Series* aircraft program;
- our ability to recruit and retain highly skilled resources to deploy our product development strategy;
- the ability of our supply base to support planned production rates; and
- stability of foreign exchange rates.

[1] Also see the Guidance and forward-looking statements section in Overview.
[2] Demand forecast is based on the analysis of main market indicators, including real GDP growth, passenger traffic levels, fuel prices, airline profitability, environmental regulations, aircraft shipments, replacement demand, installed base, aircraft utilization rates and average age of fleet. For more details, refer to the market indicators in the Industry and economic environment section.

AEROSTRUCTURES AND ENGINEERING SERVICES

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current year presentation. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which impacted period-over-period variances.

The data presented in 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 section in Overview for further detail.

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KEY PERFORMANCE MEASURES AND METRICS	Key performance measures and associated metrics that we use to monitor our progress	**88**
ANALYSIS OF RESULTS	Financial performance for the fourth quarter and fiscal year ended December 31, 2015 External order intake, external order backlog Our workforce	**88**
GUIDANCE AND FORWARD-LOOKING STATEMENTS	What we said, what we did and what's next Assumptions and risks related to our forward-looking statements	**91**

HIGHLIGHTS OF THE YEAR

Contributing to Bombardier's overall competitiveness

REVENUES	EBIT MARGIN BEFORE SPECIAL ITEMS[1]	NET ADDITIONS TO PP&E & INTANGIBLE ASSETS
$1.8 billion	**5.8%**	**$26 million**

RESULTS

For the fiscal years ended December 31	**2015**	2014	Variance
Revenues	**$ 1,797**	$ 1,919	(6)%
External order intake	**474**	556	(15)%
External book-to-bill ratio[2]	**0.9**	1.0	nmf
EBIT	**$ 105**	$ 83	27 %
EBIT margin	**5.8%**	4.3%	150 bps
EBIT before special items[1]	**$ 104**	$ 97	7 %
EBIT margin before special items[1]	**5.8%**	5.1%	70 bps
EBITDA before special items[1]	**$ 154**	$ 146	5 %
EBITDA margin before special items[1]	**8.6%**	7.6%	100 bps
Net additions to PP&E and intangible assets	**$ 26**	$ 38	(32)%
As at December 31	**2015**	2014	
External order backlog	**$ 80**	$ 113	(29)%

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics. Refer to the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(2) Ratio of new external orders over external revenues.

KEY EVENTS

- Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. Aerostructures and Engineering Services plans to reduce its workforce by an estimated 2,500 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. During the same period, this workforce reduction will be partially offset by hiring in certain growth areas, notably to support the ramp-up of strategic programs and projects worldwide. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness.

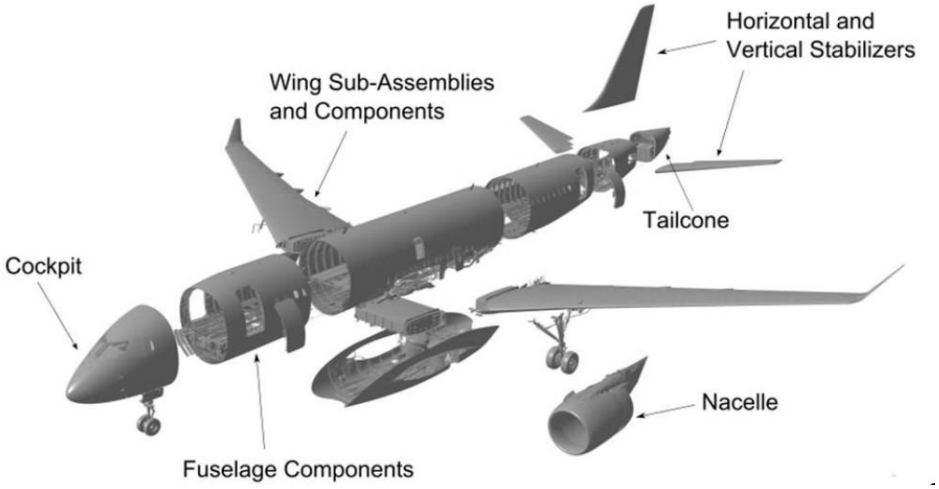
PROFILE

World class capabilities

Specialized in aerostructures manufacturing and engineering services, Aerostructures and Engineering Services designs and builds aerostructures for Bombardier and other aircraft and aerostructure manufacturers. Aerostructures and Engineering Services is the largest aerostructures supplier for Bombardier's sustaining programs as well as for the *C Series* and the *Global 7000* and *Global 8000* programs, providing structures such as cockpits, all-composite wings for the *C Series* aircraft program and the rear fuselage for the *Global 7000* and *Global 8000* aircraft program. Our key focus over the short to medium term remains to deliver on cost saving initiatives for current sustaining programs and programs under development.

Our people, capabilities, and state-of-the-art technologies provide customers with products and services in the following areas:

- Design, manufacturing and aftermarket support for complex composite and metallic aerostructures, including:
  - cockpit and fuselage components;
  - horizontal stabilizers, vertical stabilizers and tailcones;
  - complete composite wings, including wing sub-assemblies and components; and
  - engine nacelles.
- Design, manufacturing and aftermarket support for associated aircraft systems including:
  - electrical harnesses;
  - tubing components; and
  - high pressure ducting.
- Engineering solutions including:
  - aircraft structures design and stress analysis; and
  - ground test services.



We are present on four continents including manufacturing and engineering sites in Montréal, Canada; Belfast, Northern Ireland; Querétaro, Mexico; and Casablanca, Morocco. In addition, there are service centers in Dallas, U.S. and in Belfast, Northern Ireland, which provide maintenance services for structures, including major modifications and repairs. Certain new product development and sustaining engineering activities are performed in Bangalore, India.

INDUSTRY AND ECONOMIC ENVIRONMENT

Aerostructures and Engineering Services' key market drivers are strongly linked to factors such as economic growth (GDP per capita), air passenger traffic and aircraft retirement rates. More specifically, the aerostructures market is mainly 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.

The following key indicators are used to monitor the health of the aerostructures and engineering services industry in the short term:

Indicator	Current situation	Status
Number of new products in development or upgrades to existing platforms by original equipment manufacturers	New programs are expected to enter the market from China, Russia and India in the coming years. Boeing and Airbus do not currently have any new programs under development but existing programs are expected to remain stable.	▲
Original equipment manufacturer production rates / units delivered	Airbus and Boeing increased their production rates on their sustaining programs. Bombardier is expecting a ramp-up on its *C Series* aircraft program starting 2016. Despite the fact that Bombardier decreased its production rate on *Global 5000* and *Global 6000* aircraft, the business aircraft market is expected to grow at a CAGR of 5% up to 2020, in the market categories in which we compete.[1]	▲

▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

[1] Based on our "Business Aircraft Market Forecast", published in May 2015 and available on Bombardier's dedicated investor relations website at ir.bombardier.com

Given that the industry's revenues are generated from supplying aerostructures to original equipment manufacturers in the aerospace market, it is impacted by the same industry and economic environments 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 may affect the business.

The current status of some market drivers could potentially have a negative impact over the short-term for the aerostructures industry. The economic conditions and on-going geopolitical issues in China, Russia and Latin America have had a negative impact on both business and commercial aircraft orders. Industry confidence in the business jet market[1] has been significantly decreasing in the last four quarters. On the positive side, the demand for air travel (measured by RPK) has increased for commercial airlines compared to the same period last year and remains robust since the beginning of the current year.

The long-term outlook for Aerostructures and Engineering Services remains strong. Aerostructures and related aftermarket (including components repair and overhaul, spare parts and other engineering services) are currently estimated to be around a $70-billion market worldwide, with forecast annual growth of 2.8% to 2023.[2] The market is predominantly composed of the manufacture of wings and fuselages, mostly for large commercial aircraft.

[1] As measured by the UBS Business Jet Market index. See Industry and economic environment section in Business Aircraft for details.

[2] "Counterpoint Market Intelligence Limited (CPMIL) 2015 - The eleventh review of the Aerostructures Market" from Counterpoint and "ICF International - Aerostructures & Components MRO Market Overview, March 17, 2015".

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and associated metrics.

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
Growth and competitive positioning	• Revenue, as a measure of growth. • Market share in terms of revenues, as a measure of our competitive positioning.
Profitability	• EBIT, EBIT margin, EBIT before special items[1] and EBIT margin before special items[1], as measures of performance.
Liquidity	• Free cash flow[1], as a measure of liquidity generation.
Customer satisfaction	• On-time delivery of aerostructures, as a measure of meeting our commitment to customers.
Execution	• Achievement of program development milestones, as a measure of flawless execution.

Our incentive-based compensation plan for non-unionized employees across our sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of 4,200 employees worldwide, or 40% of permanent employees, participate in the program. In 2015, as part of this program, incentive-based compensation was linked to the achievement of targeted results, based on EBIT before special items and free cash flow.

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

ANALYSIS OF RESULTS

Focus on cost reduction

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Revenues				
Intersegment revenues	**$ 321**	$ 377	**$ 1,290**	$ 1,359
External revenues	**122**	145	**507**	560
	$ 443	$ 522	**$ 1,797**	$ 1,919
EBITDA before special items[1]	**$ 3**	$ 32	**$ 154**	$ 146
Amortization[2]	**12**	10	**50**	49
EBIT before special items[1]	**(9)**	22	**104**	97
Special items	**—**	—	**(1)**	14
EBIT	**$ (9)**	$ 22	**$ 105**	$ 83
EBIT margin before special items[1]	**(2.0)%**	4.2%	**5.8%**	5.1%
EBIT margin	**(2.0)%**	4.2%	**5.8%**	4.3%

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.
[2] Amortization is included in cost of sales, SG&A and R&D expense based on the underlying function of the asset.

Revenues by geographic region[1]

	Fiscal years ended December 31			
	2015		2014	
North America	**$ 1,328**	**74%**	$ 1,393	73%
Europe	**395**	**22%**	425	22%
Rest of world[2]	**43**	**2%**	58	3%
Asia-Pacific	**31**	**2%**	43	2%
	$ 1,797	**100%**	$ 1,919	100%

[1] Revenues are attributed to countries based on the location of the customer.
[2] The Rest of world region includes South America, Central America, Africa, the Middle East and the CIS.

Revenues
The $79 million decrease for the three-month period is due to:

- lower intersegment revenues ($56 million), mainly due to lower volume for business aircraft, partially offset by an increase in spare parts sales; and
- lower external revenues ($23 million), mainly due to lower volume.

The $122 million decrease for the fiscal year is due to:

- lower intersegment revenues ($69 million), mainly due to lower volume for both business and commercial aircraft, partially offset by higher pricing for business aircraft, reflecting changes to the intersegment pricing policy, and an increase in spare parts sales; and
- lower external revenues ($53 million), mainly due to lower volume, partially offset by an increase in spare parts sales.

Special items
Special items comprise items which do not reflect, in our opinion, our core performance such as the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.

The special item for fiscal year 2015 relates to an adjustment to a restructuring provision recorded in the prior year.

The special items for fiscal year 2014 included a $10-million expense related to the workforce reduction connected to the new organizational structure announced in July 2014, and a $4-million expense related to the workforce reduction announced in January 2014.

EBIT margin
The EBIT margin for the fourth quarter ended December 31, 2015 decreased by 6.2 percentage points compared to the same period last fiscal year, mainly as a result of the following items, which include timing elements:

- lower margins on intersegment contracts, mainly due to the recognition of expected losses on early units of the *C Series* aircraft program, under long-term contract accounting;
- higher spend on cost reduction initiatives;
- an increase in retirement benefit obligations as a result of changes to a pension plan under a new collective agreement, of which other provisions taking effect in 2016 and 2017 will result in lower pension expense in future years; and
- lower absorption of higher SG&A expenses.

Partially offset by:

- higher margins on external contracts, mainly due to improved pricing.

The EBIT margin percentage for the fiscal year ended December 31, 2015 increased by 1.5 percentage points compared to last fiscal year. The EBIT margin before special items (see explanation of special items above) for the fiscal year increased by 0.7 percentage points, mainly as a result of:

- higher margins on intersegment contracts, mainly due to higher pricing for business aircraft, reflecting changes to the intersegment pricing policy; lower cost, including costs incurred in foreign currencies translated at lower exchange rates after giving effect to hedges, partially offset by the recognition of expected losses on early units of the *C Series* aircraft program, under long-term contract accounting; and
- higher margins on external contracts, mainly due to improved pricing, costs incurred in foreign currencies translated at lower exchange rates after giving effect to hedges and a favourable long-term contract adjustment.

Partially offset by:

- higher spend on cost reduction initiatives;
- an increase in retirement benefit obligations as a result of changes to a pension plan under a new collective agreement, of which other provisions taking effect in 2016 and 2017 will result in lower pension expense in future years; and
- lower absorption of higher SG&A expenses.

Order backlog and book-to-bill ratio

External order backlog

	As at	
	December 31, 2015	December 31, 2014
	$ 80	$ 113

The external order backlog has decreased over the fiscal year mainly as a result of lower order intake on certain contracts.

External order intake and book-to-bill ratio

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
External order intake	**$ 103**	$ 136	**$ 474**	$ 556
External book-to-bill ratio[1]	**0.8**	0.9	**0.9**	1.0

[1] Ratio of new external orders over external revenues.

Workforce with diverse capabilities to deliver state-of-the-art technologies

Total number of employees

	As at	
	December 31, 2015	December 31, 2014
Permanent[1]	**10,400**	11,000
Contractual[2]	**1,700**	2,000
	12,100	13,000
Percentage of permanent employees covered by collective agreements	**70%**	68%

[1] Including inactive employees.
[2] Including non-employees and agency outsourced personnel.

The workforce as at December 31, 2015 decreased by 900 employees, or 7%, when compared to last year. The decrease is mainly due to the workforce reduction of approximately 400 employees announced in the first quarter of 2015 following the decision to pause the *Learjet 85* aircraft program, as well as the workforce reduction of approximately 200 employees announced in the second quarter of 2015 related to the production rate decrease of the *Global 5000* and *Global 6000* aircraft program.

Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. Aerostructures and Engineering Services plans to reduce its workforce by an estimated 2,500 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. During the same period, this workforce reduction will be partially offset by hiring in certain growth areas, notably to support the ramp-up of strategic programs and projects worldwide. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness. The *C Series* aircraft program continues to ramp up its production rate, generating new jobs at our our facility in Belfast, Northern Ireland.

Major collective agreements

Location	Union	Approximate number of permanent employees covered as at December 31, 2015	Expiration of current collective agreement
Belfast, Northern Ireland	Unite the Union and the General Machinists & Boilermakers	4,000	January 24, 2016
Montréal, Canada	International Association of Machinists and Aerospace Workers (IAMAW) – Local 712	2,200	November 30, 2018
Querétaro. Mexico	Confederación de Trabajadores de México	850	April 30, 2016
Casablanca, Morocco	Union Marocaine du Travail (UMT)	225	March 31, 2016

The agreement with Unite the Union and the General Machinists & Boilermakers in Belfast expired on January 24, 2016. We are currently in discussions with the union.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	What we said for 2015	What we did in 2015	What's next for 2016[1]
Growth	Revenues of approximately $1.8 billion, mainly from intersegment contracts with Business Aircraft and Commercial Aircraft segments.	Revenues of $1.8 billion, of which $1.3 billion was from intersegment contracts.	Revenues are expected to remain at approximately $1.8 billion, mainly from intersegment contracts with Business Aircraft and Commercial Aircraft.
Profitability[2]	EBIT margin of approximately 6%.	EBIT margin before special items[2] of 5.8%.	EBIT margin of approximately 7.5%.

Results for 2015 were essentially in line with guidance.

We have a solid plan in place which focuses on the following priorities: reduction of procurement cost and labour efficiency. We are also implementing tighter controls of our working capital through improved synchronization of our supply chain.

We recognize that there are significant savings opportunities by consolidating our spend with suppliers and leveraging economies of scale. We have put in place detailed strategies to reduce the cost of commodities such as those used in composites, fabricated metal parts, hardware and electrical components.

We have also launched initiatives focused on labour costs in order to continue improving efficiency in assembly and fabrication of parts. We are focused on reducing the learning curve costs as we ramp-up the production of components for the *C Series* aircraft program and we are leveraging our global footprint to create key centers of excellence with clear cost and performance mandates.

We are confident that our roadmap to 2020, which includes our operational transformation plan to reduce procurement and labour costs as well as to implement tighter controls over our working capital, will enable us to continue to contribute to Bombardier's overall competitiveness.[3]

[1] See Forward-looking statements in boxed text below.
[2] Profitability guidance is based on EBIT before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measure.
[3] Refer to the Strategic priorities section in Overview for more details on our roadmap to 2020.

Forward-looking statements:

Forward-looking statements[1] in this section of the MD&A are based on:

- a similar level of production in fiscal year 2016 compared to fiscal year 2015;[2]
- the continued deployment and execution of key transformation initiatives, especially those impacting direct and indirect procurement costs, labor efficiency and working capital improvement;
- the ability of our global manufacturing footprint to leverage lower cost geographies and emerging economies;
- our ability to meet scheduled EIS dates and planned costs for new aircraft programs;
- our ability to recruit and retain highly skilled resources to deploy our product development strategy;
- the ability of our supply base to support our planned production rates; and
- stability of foreign exchange rates.

[1] Also see the Guidance and forward-looking statements section in Overview.
[2] Demand forecast is based on the main market indicators including number of new products in development or upgrades to existing platforms by original equipment manufacturers and production rates. For details refer to the market indicators in the Industry and economic environment section.

TRANSPORTATION

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current year presentation.

The data presented in 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 section in Overview for further detail.

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HIGHLIGHTS OF THE YEAR	Highlights of the fiscal year with regard to our results and key events	**94**
PROFILE	Overview of our operations and products and services	**96**
INDUSTRY AND ECONOMIC ENVIRONMENT	Industry and economic factors affecting our business	**100**
KEY PERFORMANCE MEASURES AND METRICS	Key performance measures and associated metrics that we use to monitor our progress	**104**
ANALYSIS OF RESULTS	Financial performance for the fourth quarter and fiscal year ended December 31, 2015 Orders, order backlog and workforce	**105**
SALE OF A MINORITY SHARE	CDPQ's $1.5-billion convertible share investment in our rail transportation business	**109**
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HIGHLIGHTS OF THE YEAR

Increased EBIT margin and strong order intake

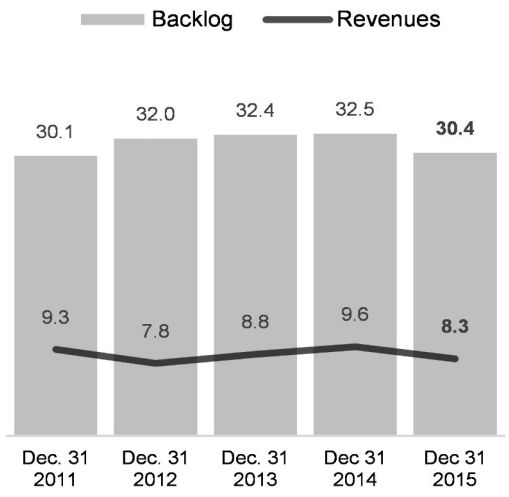
REVENUES	EBIT MARGIN BEFORE SPECIAL ITEMS[1]	ORDER INTAKE	ORDER BACKLOG
$8.3 billion	**5.6%**	**$8.8 billion**	**$30.4 billion**

RESULTS			
For the fiscal years ended December 31	**2015**	2014	Variance
Revenues	**$ 8,281**	$ 9,619	(14)%
Order intake (in billions of dollars)	**$ 8.8**	$ 12.6	(30)%
Book-to-bill ratio[2]	**1.1**	1.3	nmf
EBIT	**$ 465**	$ 469	(1)%
EBIT margin	**5.6%**	4.9%	70 bps
EBIT before special items[1]	**$ 465**	$ 526	(12)%
EBIT margin before special items[1]	**5.6%**	5.5%	10 bps
EBITDA before special items[1]	**$ 564**	$ 641	(12)%
EBITDA margin before special items[1]	**6.8%**	6.7%	10 bps
Net additions to PP&E and intangible assets	**$ 155**	$ 107	45 %
As at December 31	**2015**	2014	
Order backlog (in billions of dollars)	**$ 30.4**	$ 32.5	(6)%

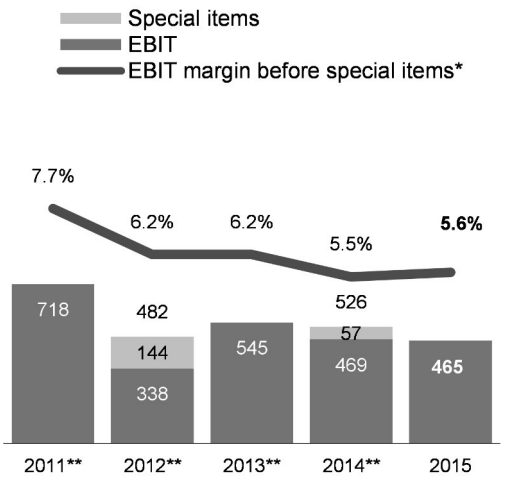
[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics. Refer to the Analysis of results section for reconciliations to the most comparable IFRS measures.

[2] Ratio of new orders over revenues.

BACKLOG AND REVENUES
(as at and for the fiscal years ended; in billions of dollars)



EBIT AND EBIT BEFORE SPECIAL ITEMS*
(for fiscal years; in millions of dollars)



* Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric. Refer to the Analysis of results section for reconciliations to the most comparable IFRS measures in 2015 and 2014.

** Restated for Corporate and elimination adjustments as per the new organizational structure.

KEY EVENTS

- In November 2015, we entered into a definitive agreement with the Caisse de dépôt et placement du Québec (CDPQ) for a $1.5-billion convertible share investment in Transportation's newly-created holding company, Bombardier Transportation (Investment) UK Ltd (BT Holdco). The CDPQ's shares are convertible into a 30% common equity stake of BT Holdco, subject to annual adjustments related to performance. BT Holdco will continue to be controlled by Bombardier Inc. and consolidated in our financial results. The investment was completed on February 11, 2016.
- Strong order intake of $8.8 billion across all product segments and geographic regions, leading to a book-to-bill ratio of 1.1 for the fiscal year and bringing the backlog to $30.4 billion at year end.
- On April 14, 2015, the V300ZEFIRO Italy very high-speed train received homologation and successfully completed its maiden trip from Milan to Rome before entering commercial service in June 2015.
- During the year, we strengthened our position in the Chinese market:
    - We signed an agreement with the New United Group (NUG) to establish a joint venture for signalling and rail control in China.
    - Bombardier-Sifang Transportation, a Chinese entity in which Bombardier holds a 50 percent interest, was awarded contracts with China Railway Corp. (CRC) to supply 15 CRH380D very high speed trains valued at approximately $381 million and 80 CRH1E-250 high-speed new generation sleeper train cars valued at approximately $165 million, and has delivered the first very high speed train to its customer, Shanghai Railway Bureau.
    - Our Chinese joint venture, CSR Puzhen Bombardier Transportation Systems Ltd., won its first contract for an *INNOVIA* APM 300 automated people mover (APM) to be delivered to its customer Shanghai Shentong Metro Co. Ltd.
- On December 9, 2015, Laurent Troger became President, Bombardier Transportation.
- Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. Transportation plans to reduce its workforce by an estimated 3,200 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. During the same period, this workforce reduction will be partially offset by hiring in certain growth areas, notably to support the ramp-up of strategic programs and projects worldwide. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness.

PROFILE

The broadest and most innovative portfolio in the industry serving customers worldwide

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

We have 61 production and engineering sites and 18 service centres in 28 countries. The global headquarters is located in Berlin, Germany.

MARKET SEGMENT: ROLLING STOCK

INTERCITY, HIGH SPEED TRAINS, AND VERY HIGH SPEED TRAINS

Application: Equipment for medium and long-distance operations.

Major products: *REGINA*, *TWINDEXX* Express and *ZEFIRO* family

Key features: Solutions offering very high operating flexibility, high comfort and safety standards for the passengers in combination with high efficiency covering the full spectrum of speed requirements: intercity (160-200 km/h), high speed (200-250 km/h) and very high speed (250-380 km/h).



ZEFIRO very high speed train

COMMUTER AND REGIONAL TRAINS

Application: Suburban and regional rail transit for urban centres and surrounding regions.

Major products: *AVENTRA*, *OMNEO*, *SPACIUM*, *TALENT* 2, *TWINDEXX* Vario, *ELECTROSTAR*

Key features: Broad product line featuring electric, diesel and dual mode multiple unit trains/vehicles, along with locomotive-hauled coaches in both single and double-deck configurations. Our modular train platforms offer very high flexibility to transit authorities and operators, as well as high levels of comfort and capacity.



SPACIUM Electric Multiple Unit

LIGHT RAIL VEHICLES

Application: Efficient surface transit in urban centres.

Major products: *FLEXITY* family (*FLEXITY* 2, Outlook, Freedom, Berlin, Classic, Swift)

Key features: Our broad portfolio of *FLEXITY* vehicles features high technical capabilities and low life-cycle costs.



FLEXITY tram

METROS

Application: High-capacity mobility for urban mass transit.

Major products: *MOVIA* and *INNOVIA* platforms

Key features: Flexible modular product platform adaptable to the requirements of customers across diverse markets, with a track record for rapid, reliable, cost and energy efficient operation, including driverless solutions.

ELECTRIC AND DIESEL LOCOMOTIVES

Application: Locomotives for intercity, regional and freight rail service.

Major products: *TRAXX* platform, *ALP* electric and dual-power locomotives

Key features: Versatile product platform offering electric, diesel-electric, dual-power and multi-system propulsion, last-mile diesel or battery drive features. Innovative solutions increase power and reliability in combination with high energy efficiency. Homologated in several countries in Europe, enabling cross-border service.



TRAXX dual power locomotive

PROPULSION AND CONTROLS

Application: Complete propulsion and control product portfolio for all rail vehicles and e-mobility applications, including traction and auxiliary converters, traction motors and train control and management systems for onboard solutions.

Major products: Products of the *MITRAC* platform, including traction and auxiliary converters, drives, train control management systems (TCMS), high voltage equipment and complete system solutions.

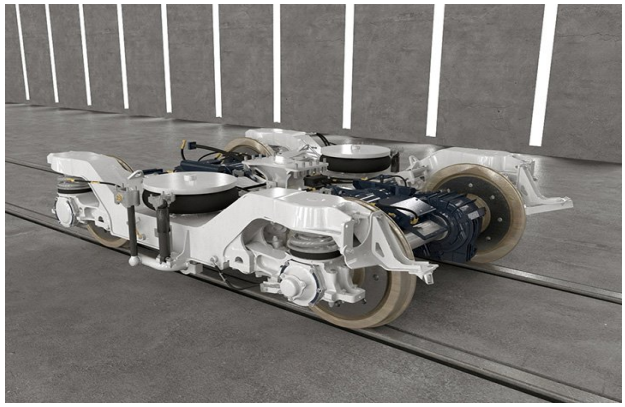
Key features: A leader in reliability, modular design, energy efficiency and ease of maintenance technologies, applicable to the full spectrum of rolling stock.

BOGIES

Application: Complete solutions for our full product portfolio and also third-party businesses.

Major products: *FLEXX* bogies portfolio including latest technologies: *FLEXX* Eco, *FLEXX* Urban, *FLEXX* Speed, *FLEXX* Power and the award-winning *WAKO* Technology

Key features: Advanced product technology and complete aftermarket services covering the full spectrum of rolling stock applications. Our track-friendly bogies are designed to ensure safe and smooth operation and reduce wheel and rail wear, minimizing operational costs and noise.



FLEXX metro bogie

MARKET SEGMENT: SYSTEM AND SIGNALLING

MASS TRANSIT AND AIRPORT SYSTEMS

Application: Fully Automated People Mover (APM), metro, monorail and light rail systems.

Major products: *INNOVIA* APM 300 system, *INNOVIA* Monorail 300 system, *INNOVIA* Metro 300 system, *FLEXITY* 2 tram systems

Key features: Broad rolling stock portfolio for urban and airport applications that can be customized to provide a complete turnkey system solution. Strong track record for reliability and availability across 60 complete systems around the world. In 2015, we won a GOOD DESIGN™ award for our *INNOVIA* Monorail 300 system from the Chicago Athenaeum: Museum of Architecture and Design.



INNOVIA Monorail 300 system

MAINLINE SYSTEMS

Application: System solutions for intercity and high speed applications covering medium- to long-distance operations.

Key features: Turnkey system approach to provide reliable rail systems for mainline applications featuring very high passenger comfort and safety standards. Highly experienced in systems integration and engineering as well as in operations and maintenance.

OPERATIONS AND MAINTENANCE OF SYSTEMS

Application: Operations and maintenance (O&M) services for fully automated transit and mass transit systems.

Key features: Strong O&M experience in automated, driverless technologies, including APM, metro and monorail systems as well as fleet management solutions for urban and intercity transportation systems.

PRIMOVE E-MOBILITY

Application: Our *PRIMOVE* portfolio offers vehicle manufacturers and operators a flexible package of zero-emission e-mobility solutions for several types of electric rail and road vehicles such as trams, buses, trucks and cars. The fully integrated system of fast inductive charging, long-life batteries and efficient propulsion equipment allows cities and the transportation industry to easily incorporate electric mobility.

Major products: *PRIMOVE* charging, *PRIMOVE* battery, *PRIMOVE* propulsion

Key features: *PRIMOVE* provides a convenient, automatic and wireless energy supply system that allows electric vehicles to be charged dynamically and statically at high power levels without affecting driving habits or journey times. The *PRIMOVE* propulsion and controls system integrates electrical driveline solutions with interfaces for all major vehicle components to optimize the overall efficiency and performance of electric buses.



PRIMOVE e-bus

MASS TRANSIT SIGNALLING

Application: Rail control and signalling solutions for mass transit systems such as metros, light rail or APMs.

Major products: *CITYFLO*

Key features: Complete portfolio of solutions ranging from manual applications to fully automated Communication-Based Train Control, which helps to increase infrastructure capacity and can be installed without interruption to service.

MAINLINE SIGNALLING

Application: Rail control and signalling solutions for mainline railways ranging from freight traffic to regional and commuter, intercity and high speed lines.

Major products: *INTERFLO* and *EBI* Cab Automatic Train Control onboard equipment

Key features: Complete portfolio of conventional signalling systems which uses the European Rail Traffic Management System technology and is already functioning in several countries inside and outside of Europe.

INDUSTRIAL SIGNALLING

Application: Rail control and signalling solutions for the industrial sector, major application in the surface and sub-surface mining industry.

Major products: *INTERFLO* 150

Key features: Innovative signalling system technologies used to increase transport capacity in a secure and cost effective manner. Our technology covers the whole process, enhancing not only the underground operation, but also the transfer of ore from the excavation site to the transportation hub.

MARKET SEGMENT: SERVICES

MATERIAL SOLUTIONS

Application: Supply chain, spare parts inventory management, obsolescence management and technical support services for rail operators.

Key features: Advanced material supply solutions together with global engineering and purchasing power through global network of parts and components suppliers. Logistics capability to source and deliver what is needed, when needed, where needed.

FLEET MANAGEMENT

Application: Comprehensive portfolio of fleet and operations management services.

Key features: Robust and effective ‘back office’ solutions support rail operators in delivering their ‘front line’ service every day. Engineering expertise, whole life maintenance techniques and tools optimize availability, reliability, punctuality, safety and cost over the whole life cycle of the fleet.

ASSET LIFE MANAGEMENT, COMPONENT RE-ENGINEERING AND OVERHAUL

Application: Upgrade, life extension and overhaul of rail vehicles and components.

Key features: Broad portfolio of system and component upgrades executed at Transportation specialist facilities and customer sites. We leverage our engineering and supply chain strength to bring operational performance and whole life cost advantages. More than 4,000 vehicles have been refurbished. Experience in more than 4,000 different component types.

INDUSTRY AND ECONOMIC ENVIRONMENT

Resilient growth and promising opportunities expected in the rail industry

Further consolidation increased competitiveness in the rail industry in 2015, however the future outlook for the rail market remains positive supported by favourable long-term trends in the rail industry. Urbanization, population growth, and government policies aimed at reducing greenhouse gas emissions are expected to continue to positively impact demand for public transportation.

The following key indicators are used to monitor the health of the rail market:

Indicator	Current situation	Status
Population growth and mass urbanization	The worldwide population is expected to increase from approximately 7.3 to 9.7 billion by 2050, together with the share of people living in urban areas growing from 54% to 66% in the same time period.[1] Population growth and urbanization create an increasing demand for high capacity public transport solutions especially in congested cities and areas.	▲
Environmental awareness	Governments increasingly commit to long-term climate and energy goals. Measures to reach these goals include investments in eco-friendly transport solutions such as rail transport. Rail is responsible for 3.3% of the transport energy-related CO_2 emissions compared to 72.6% for road transportation.[2]	▲
Public funding	Most of the rolling stock business is conducted with rail operators backed by the public sector. Rail infrastructure investments are expected to grow, as governments and multilateral institutions continue to fund projects in the rail industry to support and foster economic development. However public indebtedness and austerity measures may impede public tender processes for some new rail projects.	▲
Liberalization	Liberalization attracts more private operators to enter the market and invest in new rail equipment and services. The European Commission supports the liberalization of domestic passenger rail services within the European Union.	▲

▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on our view of the current environment.

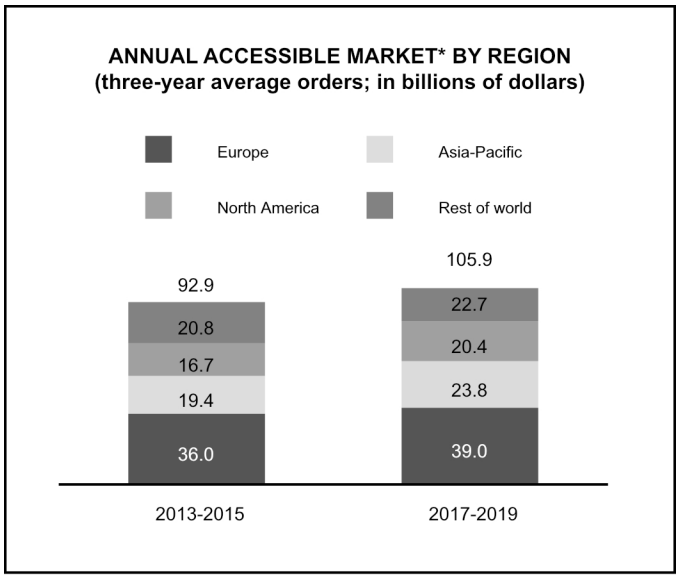
[1] According to the United Nations: "World Urbanization Prospects: The 2014 Revision" and "World Population Prospects: The 2015 Revision".

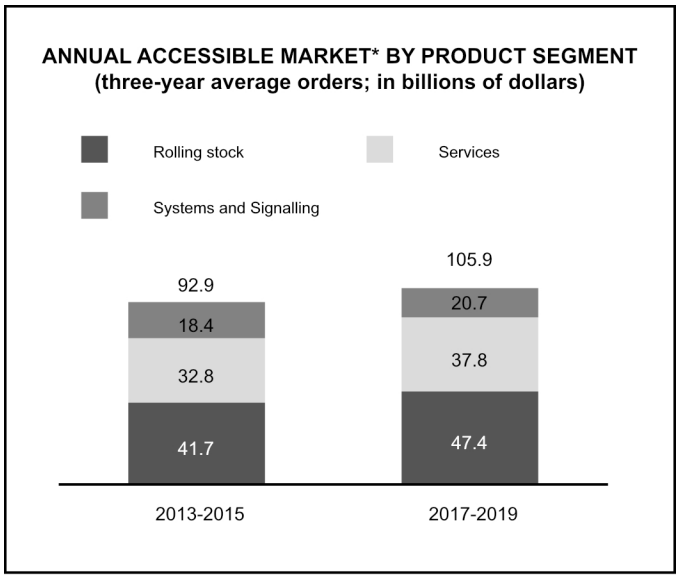
[2] According to the International Union of Railways: "Railway Handbook 2014. Energy Consumption & CO_2 Emissions".

The Association of the European Rail Industry (UNIFE) confirms the positive outlook for the global rail industry in its bi-annual World Rail Market Study published in September 2014. The study expects the overall accessible rail market* to grow with a CAGR of 2.7%. As large rail projects are often delayed by several months, single year market volumes can be subject to a high degree of volatility. UNIFE therefore focuses on three-year average annual market volumes in order to facilitate comparison between different periods. While Europe remains the largest region in terms of order volumes, the study expects Asia-Pacific and North America to show the highest annual growth rate. The overall order volume is expected to reach an annual average of approximately $105.9 billion in the period of 2017-2019[1]. Rolling stock will remain the largest segment, but systems and signalling and services will maintain the highest growth rates, with a CAGR of 3.4% and 3.3%, respectively compared with 1.9% for rolling stock.

* The overall accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition. Transportation's accessible market also excludes the infrastructure, freight wagon and shunter segments.

[1] Based on data from UNIFE World Rail Market Study "Forecast 2014 to 2019" published in September 2014 for Transportation's accessible markets only. UNIFE data is updated every two years based on the 55 largest rail markets worldwide. UNIFE figures are published in euro. An exchange rate of 1€ = $ 1.25581, the average cumulative exchange rate over the 2013-15 period, was used to convert all figures. Figures for 2013-15 were extrapolated based on UNIFE data for 2011-13 and 2014-16.





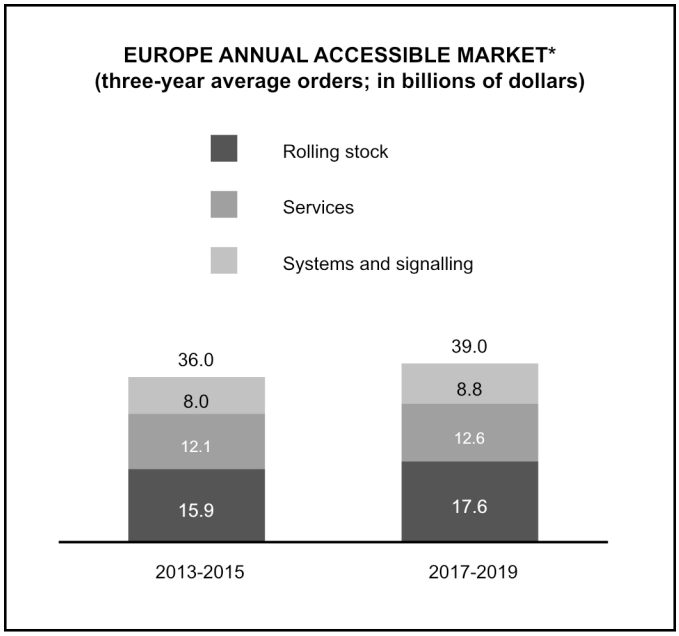
Source: UNIFE World Rail Market Study "Forecast 2014 to 2019" and extrapolated figures[1]

Europe

In 2015, the order volume exceeded the high level observed in 2014, driven mainly by a high number of medium-sized orders for commuter and regional trains in the U.K., Germany, France and Belgium. Furthermore, several cities in Western Europe awarded large contracts for Light Rail Vehicles (LRV) especially in Austria and Germany.

In the upcoming years, a high level of investment is expected in Western Europe, primarily in the high-speed, commuter and regional trains segments in Germany, France and the U.K. Large metro projects will be tendered in London and Paris.

Furthermore, the upgrade and expansion of high-speed networks in Turkey and Spain will create opportunities for rolling stock, services as well as signalling. In Eastern Europe, aging fleets still denote high potential demand for services and rolling stock solutions although budgeting and funding constraints persist.



Source: UNIFE World Rail Market Study "Forecast 2014 to 2019" and extrapolated figures[1]

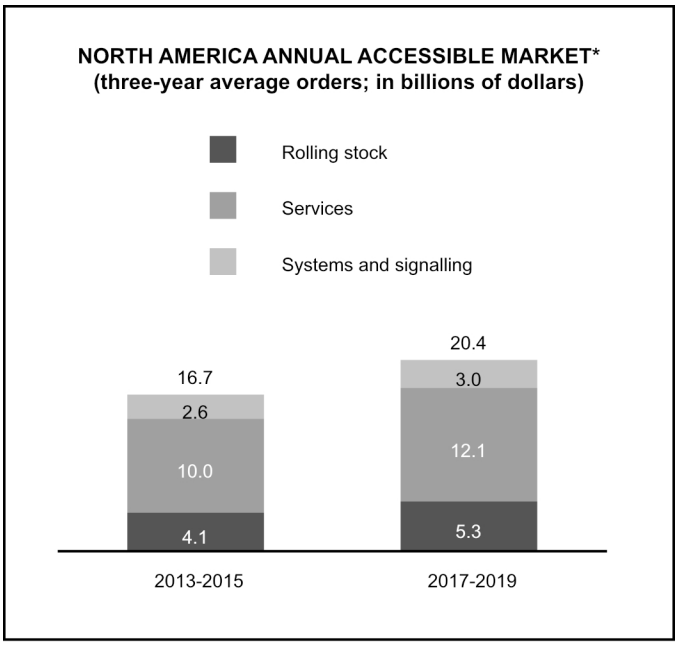
* The overall accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition. Transportation's accessible market also excludes the infrastructure, freight wagon and shunter segments.

(1) Based on data from UNIFE World Rail Market Study "Forecast 2014 to 2019" published in September 2014 for Transportation's accessible markets only. UNIFE data is updated every two years based on the 55 largest rail markets worldwide. UNIFE figures are published in euro. An exchange rate of 1€ = $ 1.25581, the average cumulative exchange rate over the 2013-15 period, was used to convert all figures. Figures for 2013-15 were extrapolated based on UNIFE data for 2011-13 and 2014-16.

North America

The order volume in North America in 2015 remained below the levels observed in the preceding year mainly due to very large metro orders in 2014. In 2015, investments in the U.S. were focused on urban solutions such as light rail and Automated People Mover (APM) for airports. Both in the U.S. and in Canada, large orders for services and signalling contracts were awarded.

In North America, strong order volume is expected in the next years as large metro orders are expected to be awarded in the U.S. The need for urban solutions and maintenance will drive investments in Canada. Mexico is expected to invest in the renewal of its metro fleets as well as in light rail and other urban applications.

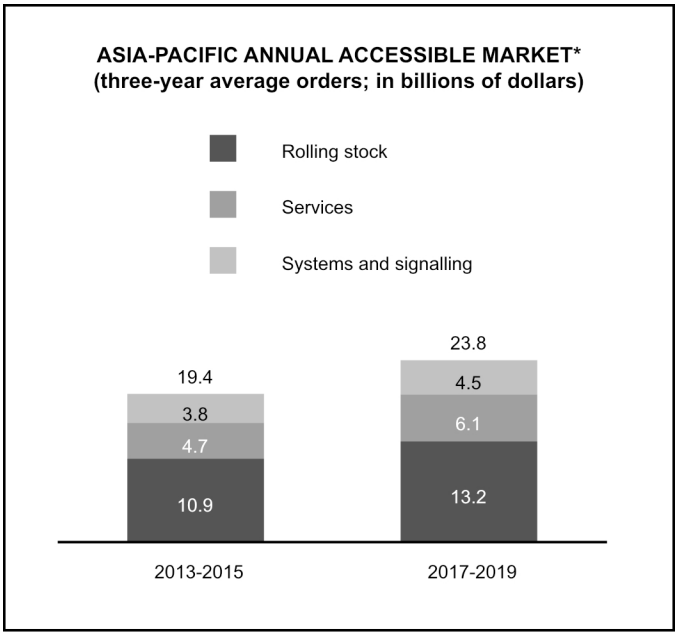


Source: UNIFE World Rail Market Study "Forecast 2014 to 2019" and extrapolated figures(1)

Asia-Pacific

In the Asia-Pacific region, investment increased compared to 2014 with significant order volume observed in 2015 mainly driven by China and India. Large domestic orders in the high-speed train and metro segments were awarded in China. In India, several cities invested in additional metro vehicles to meet the growing demand for urban transportation. The Indian government undertook significant investments to renew its locomotives fleet and to upgrade signalling installations on its freight network. In Australia, several cities continued to invest in LRV and commuter trains.

The outlook for the region remains positive since further investments are expected in India and China in the high speed train, commuter and regional train as well as metro segments. In Australia further investments are planned in the commuter and regional train segment giving rise to new services contracts. Mass transit opportunities will arise in large urban centers in South-East Asia in countries such as Taiwan, Thailand and Malaysia to address the need for higher capacity solutions.



Source: UNIFE World Rail Market Study "Forecast 2014 to 2019" and extrapolated figures(1)

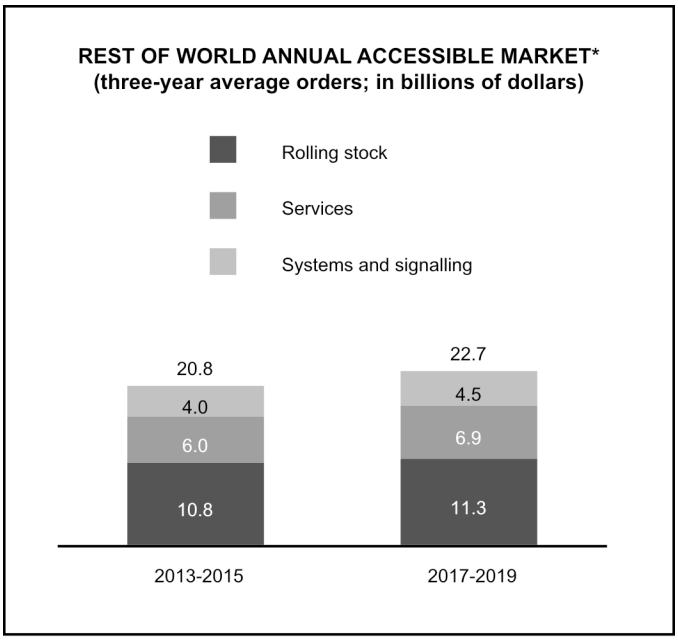
* The overall accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition. Transportation's accessible market also excludes the infrastructure, freight wagon and shunter segments.

(1) Based on data from UNIFE World Rail Market Study "Forecast 2014 to 2019" published in September 2014 for Transportation's accessible markets only. UNIFE data is updated every two years based on the 55 largest rail markets worldwide. UNIFE figures are published in euro. An exchange rate of 1€ = $ 1.25581, the average cumulative exchange rate over the 2013-15 period, was used to convert all figures. Figures for 2013-15 were extrapolated based on UNIFE data for 2011-13 and 2014-16.

Rest of world[1]

Investments in the Rest of world region decreased in 2015 compared to 2014 due to significant orders awarded in 2014 in South Africa. Despite international sanctions imposed on Russia, large domestic investments were made in the locomotive and services segments. In South and Central America, metro contracts have been awarded in Colombia and Panama.

In the Middle East and Northern Africa, demand for urban solutions remains high, leading to further expected investments in LRV, automated metros and commuter trains. Several metro and urban transport projects are forecast in South American countries to address rapid urbanization and congestion issues.



Source: UNIFE World Rail Market Study "Forecast 2014 to 2019" and extrapolated figures[2]

* The overall accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition. Transportation's accessible market also excludes the infrastructure, freight wagon and shunter segments.

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

(2) Based on data from the UNIFE World Rail Market Study "Forecast 2014 to 2019" published in September 2014 for Transportation's accessible markets only. UNIFE data is updated every two years based on the 55 largest rail markets worldwide. UNIFE figures are published in euro. An exchange rate of 1€ = $1.25581, the average cumulative exchange rate over the 2012-14 period, was used to convert all figures. Figures for 2013-15 were extrapolated based on UNIFE data for 2011-13 and 2014-16.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and associated metrics.

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
Growth and competitive positioning	• Order backlog, as a measure of future revenues. • Book-to-bill ratio[1], as an indicator of future revenues. • Revenues by product segments and the geographic diversification of revenues, as measures of growth and sustainability of competitive positioning. • Market position, as a measure of our competitive positioning.
Profitability	• EBIT, EBIT margin, EBIT before special items[2] and EBIT margin before special items[2], as measures of performance.
Liquidity	• Free cash flow[2], as a measure of liquidity generation.
Customer satisfaction	• Various customer satisfaction metrics, focusing on the four main dimensions: sales and prices, customer orientation, project execution and product offering.
Execution	• Achievement of product development and delivery milestones, as a measure of flawless execution.

In 2015, our employee incentive-based compensation was linked to the achievement of targeted results, based on EBIT before special items and free cash flow. A total of 2,900 employees worldwide, or 9% of permanent employees, participate in the program.

Five-year summary

For the fiscal years ended and as at December 31	**2015**	2014	2013	2012	2011
		restated[3]	*restated*[3]	*restated*[3]	*restated*[3]
Revenues					
External revenues	**$ 8,275**	$ 9,612	$ 8,766	$ 7,786	$ 9,310
Intersegment revenues	**6**	7	7	6	6
	$ 8,281	$ 9,619	$ 8,773	$ 7,792	$ 9,316
Order intake (in billions of dollars)	**$ 8.8**	$ 12.6	$ 8.8	$ 9.2	$ 9.5
Book-to-bill ratio[1]	**1.1**	1.3	1.0	1.2	1.0
Order backlog (in billions of dollars)	**$ 30.4**	$ 32.5	$ 32.4	$ 32.0	$ 30.1
EBIT	**$ 465**	$ 469	$ 545	$ 338	$ 718
EBIT margin	**5.6%**	4.9%	6.2%	4.3%	7.7%
EBIT before special items[2][4]	**$ 465**	$ 526	$ 545	$ 482	$ 718
EBIT margin before special items[2][4]	**5.6%**	5.5%	6.2%	6.2%	7.7%
Number of employees[5]	**39,400**	39,700	38,500	36,000	36,200

(1) Defined as new orders over revenues.

(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics. Refer to the Analysis of results section for reconciliations to the most comparable IFRS measures in 2015 and 2014.

(3) Restated for Corporate and elimination adjustments as per the new organizational structure.

(4) Refer to the Analysis of results section for details of special items recorded in 2015 and 2014. The special items for 2012 include restructuring charges of $119 million related to the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by 1,200 employee and a foreign exchange hedging loss of $25 million.

(5) Including contractual and inactive employees.

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Revenues				
External revenues	**$ 2,162**	$ 2,634	**$ 8,275**	$ 9,612
Intersegment revenues	**2**	2	**6**	7
	$ 2,164	$ 2,636	**$ 8,281**	$ 9,619
EBITDA before special items[(1)]	**$ 150**	$ 139	**$ 564**	$ 641
Amortization	**27**	28	**99**	115
EBIT before special items[(1)]	**123**	111	**465**	526
Special items	**—**	—	**—**	57
EBIT	**$ 123**	$ 111	**$ 465**	$ 469
EBIT margin before special items[(1)]	**5.7%**	4.2%	**5.6%**	5.5%
EBIT margin	**5.7%**	4.2%	**5.6%**	4.9%

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

External revenues by geographic region

	Fourth quarters ended December 31				Fiscal years ended December 31			
	2015		2014		**2015**		2014	
Europe[(1)]	**$ 1,476**	**68%**	$ 1,728	66%	**$ 5,345**	**64%**	$ 6,471	67%
North America	**294**	**14%**	393	15%	**1,297**	**16%**	1,527	16%
Asia-Pacific[(1)]	**285**	**13%**	366	14%	**1,047**	**13%**	1,041	11%
Rest of world[(1)(2)]	**107**	**5%**	147	5%	**586**	**7%**	573	6%
	$ 2,162	**100%**	$ 2,634	100%	**$ 8,275**	**100%**	$ 9,612	100%

(1) The decreases in Europe reflect negative currency impacts of $182 million for the fourth quarter and $960 million for the fiscal year ended December 31, 2015, while the variances in Asia-Pacific reflect negative currency impacts of $23 million and $105 million, respectively, and the variances in the Rest of world region reflect negative currency impacts of $28 million and $136 million, respectively.

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

Revenues

Revenues for the fourth quarter and fiscal year ended December 31, 2015, have decreased by $472 million, or 18%, and $1.3 billion, or 14%, respectively, compared to the same periods last fiscal year. Excluding negative currency impacts of $233 million and $1.2 billion, respectively, revenues have decreased by $239 million, or 9%, and $136 million, or 1%, compared to the same periods last fiscal year.

The $239 million decrease excluding currency impact for the fourth quarter is mainly explained by:

- lower activities in rolling stock in North America, Asia-Pacific and Europe following completion of some commuter and regional train contracts in the three regions, some high speed train contracts in Europe and Asia-Pacific, and some metro contracts in Europe as well as lower activities in some very high-speed train contracts in Asia-Pacific, partly compensated by ramp-up in production related to some intercity and very high speed train contracts in Europe ($183 million); and
- lower activities in systems mainly in the Rest of world region, and in signalling in Europe and Asia-Pacific ($139 million).

Partially offset by:

- higher activities in rolling stock in the Rest of world region, mainly related to ramp-up in production related to some locomotives and propulsion contracts ($52 million); and
- higher activities in systems in Asia-Pacific and in signalling in the Rest of world region ($34 million).

The $136 million decrease excluding currency impact for the fiscal year is mainly explained by:

- lower activities in rolling stock in North America and Europe following completion of some commuter and regional train contracts in both regions, some metro and LRV contracts in Europe, partly offset by ramp-up in production related to some very high speed train and locomotive contracts in Europe ($464 million); and
- lower activities in systems in the Rest of world region and in Europe ($123 million).

Partially offset by:

- higher activities in signalling in all regions ($203 million);
- higher activities in services mainly in Europe, Asia-Pacific and the Rest of world region ($140 million); and
- higher activities in rolling stock in the Rest of world region and Asia-Pacific, mainly due to ramp-up in production related to some propulsion contracts in both regions, some locomotive contracts in the Rest of world region and some commuter and regional train contracts in Asia-Pacific, partly compensated by completion of some commuter and regional train contracts in the Rest of world region ($100 million).

Special items

Special items comprise items which do not reflect, in our opinion, our core performance such as the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.

The special item for the fiscal year ended December 31, 2014 related to a restructuring charge of $57 million in connection with measures to further improve competitiveness and cost structure of indirect functions and align capacity, mainly the reduction of worldwide direct and indirect positions by approximately 900 employees.

EBIT margin

The EBIT margin for the fourth quarter increased by 1.5 percentage points mainly as a result of:

- a higher gross margin in rolling stock due to a favourable contract mix and a lower negative impact resulting from revised escalation assumptions for some contracts; and
- a higher share of income of joint ventures and associates.

Partially offset by:

- a lower gross margin in system and signalling;
- higher R&D expenses; and
- lower absorption of SG&A expenses.

The EBIT margin for the fiscal year increased by 0.7 percentage point. The EBIT margin before special items (see explanations of special items above) increased by 0.1 percentage points mainly as a result of:

- a higher share of income of joint ventures and associates;
- a higher gross margin in rolling stock due to a favourable contract mix; and
- lower SG&A expenses.

Partially offset by:

- a lower gross margin in system and signalling; and
- higher R&D expenses.

We have secured key strategic orders worldwide

Order backlog

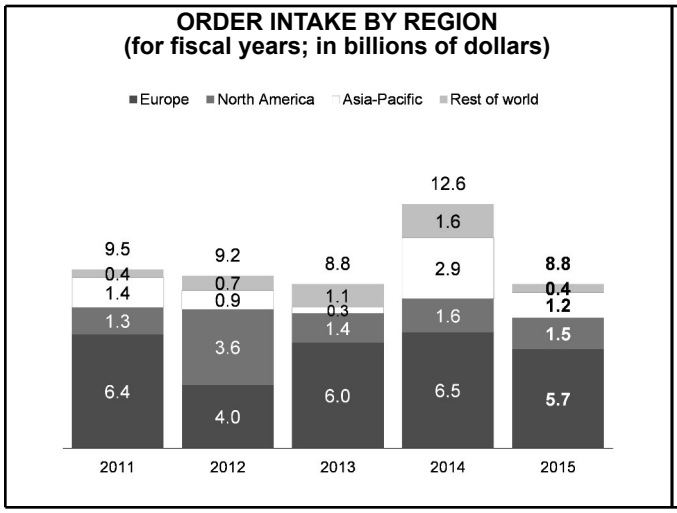
	As at	
	December 31, 2015	December 31, 2014
(in billions of dollars)	**$ 30.4**	$ 32.5

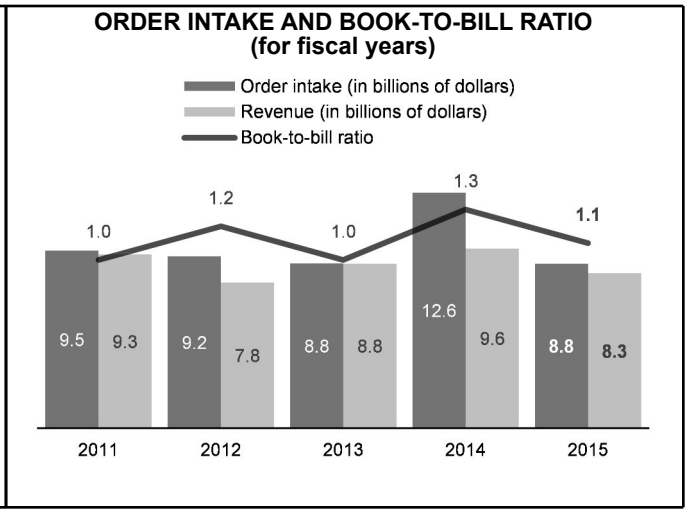
The $2.1-billion decrease in order backlog is due to the weakening of some foreign currencies versus the U.S. dollar as at December 31, 2015, compared to December 31, 2014 ($2.7 billion), mainly the euro, the South African Rand, the Australian dollar and the pound sterling, partially offset by order intake being higher than revenues recorded ($0.6 billion).

Order intake and book-to-bill ratio

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2015	2014	**2015**	2014
Order intake (in billions of dollars)	**$ 3.4**	1.8	**$ 8.8**	$ 12.6
Book-to-bill ratio[1]	**1.6**	0.7	**1.1**	1.3

[1] Ratio of new orders over revenues.





The order intake for the fourth quarter and fiscal year ended December 31, 2015 reflect negative currency impacts of $438 million and $1.3 billion, respectively. Excluding the net negative currency impacts, the order intake for the fourth quarter increased by $2.0 billion while the order intake for the fiscal year decreased by $2.5 billion compared to the same periods last fiscal year. The decrease for the fiscal year ended December 31, 2015 is mainly explained by the significant orders signed with the State of Queensland, Australia, with Transport for London, U.K., and with Transnet Freight Rail, South Africa, in the first quarter of 2014, for $6.0 billion.

In 2015, we won several small and medium orders across various regions and product segments and maintained a leading position[1] in the overall accessible rail market[2] with a cumulative order intake of $30.2 billion over the past three years.

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

[2] The overall 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. Our accessible market also excludes the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the fiscal year ended December 31, 2015 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value	
Fourth quarter						
Belgian National Railways (SNCB-NMBS)	Belgium	M7 double deck cars	355	Rolling stock	$ 853	(1)
Berlin Transport Authority (BVG)	Germany	*FLEXITY* trams	47	Rolling stock	$ 190	
Third quarter						
Transport for London (TfL)	U.K.	Electric multiple units (EMUs) and fleet maintenance	180	Rolling stock and Services	$ 558	
Crosslinx Transit Solutions Maintenance General Partnership	Canada	Fleet maintenance	n/a	Services	$ 308	
Israel Railways (ISR)	Israel	*TRAXX* locomotives	62	Rolling stock	$ 262	(2)
Second quarter						
Vienna Transport Authority Wiener Linien	Austria	*FLEXITY* trams and *FlexCare* fleet maintenance	119	Rolling stock and Services	$ 480	
Delhi Metro Rail Corporation Ltd (DMRC)	India	*MOVIA* metro cars	162	Rolling stock	$ 228	
Chicago Department of Aviation (CDA)	U.S.	*INNOVIA* APM 256 automated people mover	36	System	$ 180	
Syndicat des Transports d'Île-de-France (STIF) and Société Nationale des Chemins de fer Français (SNCF)	France	EMUs	133	Rolling stock	$ 141	
De Lijn (VVM)	Belgium	*FLEXITY* 2 trams	40	Rolling stock	$ 107	
First quarter						
National Express Group	U.K.	Fleet maintenance and spare parts	n/a	Services	$ 213	
Rheinbahn AG and Cologne transport authority (KVB)	Germany	*FLEXITY* trams	62	Rolling stock	$ 203	

(1) Contract signed as part of a consortium. Only our share of the value is stated.

(2) Based on 2015 list price.

n/a: Not applicable

Workforce

Total number of employees

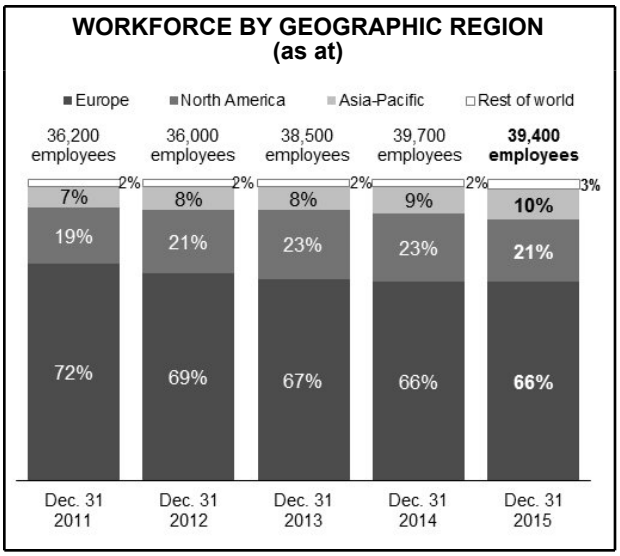
	As at	
	December 31, 2015	December 31, 2014
Permanent(1)	**34,650**	34,750
Contractual	**4,750**	4,950
	39,400	39,700
Percentage of permanent employees covered by collective agreements	**65%**	69%

(1) Including inactive employees.

Headcount in Europe and North America has decreased mainly as a result of a reduction in permanent workforce due to timing of work on orders received. Contractual workforce also reduced mainly due to lower workload in connection with the development of new products.

Headcount in Asia-Pacific and the Rest of world region has increased mainly as a result of the start of work on major orders received in these regions in previous fiscal years.

Subsequent to the end of the fiscal year, we decided to take steps to optimize our workforce with a combination of manpower reduction and strategic hiring. Transportation plans to reduce its workforce by an estimated 3,200 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. During the same period, this workforce reduction will be partially offset by hiring in certain growth areas, notably to support the ramp-up of strategic programs and projects worldwide. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness. Transportation has received large orders, which will mobilize additional employees in regions where it has limited presence.



Major collective agreements

Location	Union / Contractual partner	Approximate number of permanent employees covered as at December 31, 2015	Expiration of current collective agreement
Hennigsdorf and other sites, Germany	IG Metall (German Industrial Union of Metalworkers)	6,600	March 31, 2016[1]
Vaesteras and, Stockholm, Sweden	Swedish Union of Salaried Employees and Swedish Union of Industrial Supervisors	2,150	March 31, 2016
Crespin, France	Labor Code (Code du travail), negotiated at industry level	1,600	No expiry date[2]
U.K.	Various local unions (Unite; RMT; GMB; TSSA)	1,500	No expiry date[3]
Poland	Local trade unions	1,300	No expiry date[3]

(1) The date by which the tariff pay-related renegotiations are scheduled to commence.

(2) Per the France Labour Code, collective agreements within the metal industry must be applied without expiration and could evolve when new laws are issued.

(3) Per the U.K. and Poland Labour Code, there are no expiry dates for the collective agreements. Either party can request that the collective agreements be reviewed or terminated.

SALE OF A MINORITY SHARE

Sale of a 30% stake in Bombardier Transportation to the CDPQ for $1.5 billion

In November 2015, we entered into a definitive agreement with the Caisse de dépôt et placement du Québec (CDPQ) for a $1.5 billion convertible share investment in Bombardier Transportation's newly-created holding company, Bombardier Transportation (Investment) UK Ltd (BT Holdco). The investment was completed on February 11, 2016. Under the terms of the investment, Bombardier Inc. sold voting shares convertible into a 30% common equity stake of BT Holdco to the CDPQ, subject to annual adjustments related to performance.

Following the completion of the previously-announced corporate reorganization, BT Holdco owns essentially all of the assets of Bombardier's Transportation business segment, its operational headquarters remains in Germany and it will continue to be consolidated in Bombardier's financial results.

Key terms of the investment
The CDPQ will be entitled to its pro-rata portion (on an as-converted basis, initially equal to 30% of BT Holdco common shares) of any future dividends declared.

Dividends will be payable in cash or, subject to certain conditions, in additional convertible shares at the option of BT Holdco (any such issuance to increase the CDPQ's participation).

Performance incentives
The terms of the transaction provide strong performance incentives for Bombardier Transportation. For each of the first five years following the closing date, the CDPQ's ownership (on conversion) and return may be subject to upward or downward annual adjustments, based on a performance target jointly agreed to as part of Bombardier Transportation's business plan.

If Bombardier Transportation outperforms its business plan, the CDPQ's percentage of ownership on conversion of its shares decreases by 2.5% annually, down to a minimum threshold of 25%. In this circumstance, the convertible shares' minimum return also decreases from 9.5% to a floor of 7.5%.

Conversely, should Bombardier Transportation underperform relative to its plan, the CDPQ's percentage of ownership on conversion of its shares will increase by 2.5% annually, up to a maximum of 42.5% over a five-year period. In this case, the convertible shares' minimum return also increases from 9.5% up to 12%.

Shareholders rights and exit
Under the terms of the investment, the CDPQ has standard minority protection rights, including: pre-emptive rights, a right of first offer, and tag-along rights, and Bombardier has a right of first offer and customary drag-along rights, in each case subject to certain conditions.

Bombardier has the ability to buy back the CDPQ's investment upon specified terms at any time on or after the third anniversary of the closing of the investment, at the higher of the fair market value (on an as-converted basis) or a minimum of 15% compounded annual return to the CDPQ.

At any time on or after the fifth anniversary of the closing of the investment, and provided that Bombardier has not exercised its right to buy back CDPQ's investment before then, the CDPQ will have the right to cause BT Holdco to proceed with a secondary initial public offering (IPO) or a sale of 100% of its shares, and to receive the higher of the value of its shares on an as-converted basis, or based on the implied value of the IPO or sale to a third party, as the case may be.

Upon a change of control of Bombardier Inc. or, in certain circumstances, of BT Holdco, the CDPQ will have the right to require an IPO or a sale of 100% of the BT Holdco shares and to receive the higher of the value of the common shares held by the CDPQ on an as-converted basis, based on the implied value of the IPO or sale to a third party, as the case may be, or a minimum three-year 15% compounded annual return (or at any time after three years, a 15% compounded annual return).

Other details of the transaction
The parties have agreed to a consolidated Bombardier cash position of at least $1.25 billion. In the event Bombardier's cash position falls below that level, the Board of directors of Bombardier will create a Special Initiatives Committee composed of three independent directors acceptable to the CDPQ, who would be responsible to develop an action plan to improve cash. The implementation of the plan, once agreed with the CDPQ, would be overseen by the Special Initiatives Committee.

Warrants
The investment comprises the issuance by Bombardier to the CDPQ of warrants exercisable for a total number of 105,851,872 Class B shares (subordinate voting) in the capital of Bombardier Inc. (Class B Subordinate Voting Shares), equivalent to a 4.5% ownership of all outstanding Class A shares (multiple voting) in the capital of Bombardier Inc. (Class A Shares) and Class B Subordinate Voting Shares (after giving effect to the exercise of such warrants) (and approximately 4.7% of the aggregate outstanding Class A Shares and Class B Subordinate Voting Shares on a non-diluted basis). The warrants are exercisable for a period of seven years from the date of their issuance at an exercise price per Class B Subordinate Voting Share equal to $1.66, the U.S. dollar equivalent of $2.21 CDN at the date of execution of the subscription agreement, which represents a premium to the 5-day VWAP of the Class B Subordinate Voting Shares on the Toronto Stock Exchange (TSX) as of October 16, 2015.

The TSX has determined to accept notice of the private placement of warrants and has conditionally approved the listing of the Class B Subordinate Voting 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 warrants are not and will not be listed on the TSX, and contain market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations.

Security holder approval was required under TSX rules due to the fact that the warrants were issued later than 45 days from the date upon which the exercise price was established, as set out in Section 607(f)(i) of the TSX Company Manual. Such approval was obtained, as agreed with the TSX, by way of written consent of shareholders holding more than 50% of the voting rights attached to all of Bombardier's issued and outstanding shares.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	What we said for 2015	What we did in 2015	What's next for 2016[1]
Growth	Excluding currency impacts, revenues in 2015 are expected to be higher than in 2014, with percentage growth in the low-single digits.	Excluding currency impacts, revenue declined by 1%.	Revenues of approximately $8.5 billion, based on the assumption that foreign exchange rates will remain stable in 2016 compared to 2015.
Profitability[2]	Slight improvement in EBIT margin compared to 2014.	EBIT margin before special items[2] of 5.6% compared to 5.5% in 2014.	EBIT margin above 6%.

Revenues for 2015 were expected to be higher than in 2014, with percentage growth in the low-single digits. Excluding currency impacts, revenues in 2015 declined by 1%, mainly explained by the optimization of our supply chain, which delayed recognition of certain costs and therefore delayed recognition of revenue under long-term contract accounting.

Our book-to-bill[3] guidance for 2015 was a ratio in excess of 1.0. The book-to-bill ratio was 1.1 in 2015, in line with our guidance.

We also achieved a slight increase in EBIT margin before special items[2] in 2015, in line with our guidance. Revised escalation assumptions that negatively impacted remaining estimated contract revenues continued to impact contract margins in 2015 due to cumulative catch-up adjustments. However, rolling stock contracts with execution issues in the past were stabilized in 2015.

[1] See forward-looking statements below.
[2] Profitability guidance is based on EBIT before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measure.
[3] Ratio of new orders over revenues.

We are transforming for profitable growth in a resilient rail market

We maintained a strong level of order intake across all segments and geographies in 2015, confirming customers' continued confidence in our innovative products and services.

We ended the year with a strong order intake of $8.8 billion and an order backlog of $30.4 billion. We anticipate that an increased share of higher margin and lower risk contracts in the order backlog, as well as the balanced distribution of orders across segments and geographies, should reduce pressure on critical resources and enable us to grow our profitability.

Our future profitability growth is based on three key pillars: revenue growth and conversion, a better revenue mix and continuation of operational transformation. The transformation program OneBT, which was introduced in 2014, has been integrated with the overall Bombardier operational transformation initiative and is in place to streamline project execution and increase profitability.

Revenue growth is driven by our strong backlog as well as a growing future bid pipeline across all segments and geographies. As already demonstrated in the past, we aim to outgrow the rail market based on our differentiation factors and value proposition allowing us to secure contracts with superior technical solutions and value-based pricing. Increasing the share of revenues related to services, systems and signalling contracts remains a priority.

Several measures implemented under the operational transformation plan are expected to improve margins and focus on cash generation. We are focused on improving the revenue mix by implementing a selective bidding approach and increasing the revenue contribution of higher margin and lower risk projects. The new bid process has been designed to properly assess bid requirements and risks while ensuring bid competitiveness and profitability in execution. Enhanced product standardization and a platform-based approach will reduce complexity and lead times. The new structure further empowers project management and implements leaner processes and a customer centric organization.

We are confident that the measures implemented under the operational transformation plan as part of our roadmap to 2020,[(1)] which focuses on a growing and diversifying revenue mix, will reduce execution risk and contribute to sustainable profitability and growth.

[(1)] Refer to the Strategic Priorities section in Overview for more details on our roadmap to 2020.

Forward-looking statements

Forward-looking statements[(1)] in this section of the MD&A are based on:

- current order backlog;
- the realization of upcoming tenders and our ability to capture them;
- normal contract execution and the continued deployment and execution of key transformation initiatives, especially those impacting direct and indirect procurement costs, labor efficiency and working capital improvement;
- our ability to transfer best practices and technology across production;
- our ability to execute and deliver business model enhancement initiatives;
- our ability to recruit and retain highly skilled resources to deploy our product development strategy;
- revenue conversion and phase out of our legacy contracts;
- a sustained level of public sector spending;
- the ability of our supply base to support the execution of projects; and
- stability of foreign exchange rates.

[(1)] Also see the Guidance and forward-looking statements section in Overview.

OTHER

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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. For more details, refer to Note 16 - Trade and other receivables, to the consolidated financial statements.

Credit and residual value guarantees

In connection with the sale of certain of our products, mainly commercial aircraft, we have provided financing support in the form of credit and residual value guarantees to enhance the ability of certain customers to arrange third-party financing for their acquisitions.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing under the relevant financing arrangements. The remaining terms of these financing arrangements range from 1 to 11 years. In the event of default, we usually act as an agent for the guaranteed parties for the repossession, refurbishment and re-marketing of the underlying assets. We typically receive a fee for these services.

Residual value guarantees provide protection to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value at an agreed-upon date. In most cases, these guarantees are provided as part of a customer financing arrangement (these arrangements have remaining terms ranging from 1 to 12 years). The value of the underlying asset may be adversely affected by a number of factors. To mitigate the exposure, the financing arrangements generally require the aircraft used as collateral to meet certain contractual return conditions in order to exercise the guarantee. If a residual value guarantee is exercised, it provides for a contractually limited payment to the guaranteed parties, which is typically a specified maximum amount of the first losses incurred by the guaranteed party. A claim under the guarantee may typically be made only at the end of the financing arrangement, upon the sale of the underlying asset to a third party.

When credit and residual value guarantees are provided in connection with a financing arrangement for the same underlying asset, residual value guarantees can only be exercised if the credit guarantee expires without having been exercised and, as such, the guarantees are mutually exclusive.

For more details, refer to Note 38 – Commitments and contingencies, to the consolidated financial statements.

Financing commitments

We sometimes provide financing support to facilitate our customers' access to capital. This support may take a variety of forms, including providing assistance to customers in accessing and structuring debt and equity for aircraft acquisitions or providing assurance that debt and equity are available to finance such acquisitions.

As at December 31, 2015, we had no commitments to arrange financing for customers in relation to the future sale of aircraft.

Financing structures related to the sale of commercial aircraft

In connection with the sale of commercial aircraft, we have provided credit and/or residual value guarantees and subordinated debt to, and retained residual interests in, certain entities created solely to provide financing related to the sale of commercial aircraft. Commercial Aircraft also provides administrative services to certain of these entities in return for a market fee.

Typically, these entities are financed by third-party long-term debt and equity. Often, equity investors benefit from tax incentives. The aircraft serve as collateral for the entities' long-term debt.

For more details, refer to Note 37 – Unconsolidated structured entities, to the consolidated financial statements.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties described below are those that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations, but are not necessarily the only risks and uncertainties that we face. 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.

General economic risk	General economic risk is the risk of potential loss due to unfavourable economic conditions. These factors include government budget compression, reduced levels of public and private capital expenditures, declining business confidence, political and economic pressures, including those arising from increasing government deficits and sovereign debt overruns, and crises in the credit markets.
Business environment risk	Business environment risk is the risk of potential loss due to external risk factors. These factors may include the financial condition of the airline industry (including scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates) and business aircraft customers, the financial condition of the rail industry, trade policy, as well as increased competition from other businesses including new entrants in market segments in which we compete. In addition, political instability and force majeure events such as acts of terrorism, natural disasters, global health risks, or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of our products.
Operational risk	Operational risk is the risk of potential loss due to the nature of our operations. Sources of operational risk include development of new products and services, development of new business and the complexity of obtaining certification and homologation of products and services. In addition, the large and complex projects that are characteristic of our businesses are often structured as fixed-price contracts and thus exposed to production and project execution risks. Furthermore, our cash flows are subject to pressures based on project-cycle fluctuations and seasonality and our businesses are capital intensive, which require that we regularly incur significant capital expenditures and investment over multi-year periods prior to realizing cash flows under a project. Other sources of operational risk include our ability to successfully implement our strategy and transformation plan, actions of business partners, product performance warranty and casualty claim losses, the use of estimates and judgments in accounting, regulatory and legal conditions, environmental, health and safety issues, as well as dependence on customers, suppliers (including supply chain management) and human resources. We are also subject to risks related to problems with reliance on information systems, reliance on and protection of intellectual property rights and adequacy of insurance coverage.
Financing risk	Financing risk is the risk of potential loss due to the liquidity of our financial assets including counterparty credit risk, access to capital markets, restrictive debt covenants, financing support provided for the benefit of certain customers and government support.
Market risk	Market risk is the risk of potential loss due to adverse movements in market factors including foreign currency fluctuations, changing interest rates, decreases in residual values of assets, increases in commodity prices and inflation rate fluctuations.

General economic risk

The markets in which we operate may from time to time be affected by a number of local, regional and global factors that have an impact on economic development and, in consequence, the pace of economic growth and sustainability. These factors include government budget compression, reduced levels of public and private capital expenditures, declining business confidence, political and economic pressures, including those arising from increasing government deficits and sovereign debt overruns and crises in the credit markets.

Since our sales and operations are undertaken around the world, including through manufacturing and production capacity in Europe and in North America, and partnerships and joint ventures in regions such as Asia, Latin America and Africa, we may be directly or indirectly affected by an unfavourable political or economic slowdown occurring within these geographic zones and our business may be exposed to a number of related risks, such as fluctuations in exchange rates and restrictions on the transfer of capital.

Should the current uncertain global economic situation persist over time or deteriorate, should the economic headwinds in certain countries, regions or key markets intensify or spread to other countries, or should the global economic environment deteriorate, this could, in particular, result in potential buyers postponing the purchase of our products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, increase in our involvement in customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, paused or discontinued production of certain products, termination of employees or adverse impacts on suppliers.

Business environment risk

Financial condition of the airline industry and business aircraft customers

The airline industry's financial condition and viability, including airlines' ability to secure financing, can influence the demand for our commercial aircraft. The nature of the airline industry makes it difficult to predict when economic downturns or recoveries will impact the industry, and economic cycles may be longer than expected. Continued cost pressures and efforts to achieve acceptable profitability in the airline industry may constrain the selling price of our aerospace products. Scope clauses in pilot union agreements in the U.S. restrict the operation of smaller jetliners by major airlines or by their regional affiliates and, therefore, may restrict demand in the regional aircraft market.

The purchase of aerospace products and services may represent a significant investment for a corporation, an individual or a government. When economic or business conditions are unfavourable, potential buyers may delay the purchase of our aerospace products and services. The availability of financing is also an important factor and credit scarcity can cause customers to either defer deliveries or cancel orders.

An increased supply of used aircraft as companies restructure, downsize or discontinue operations could also add downward pressure on the selling price of new and used business and commercial aircraft. We could then be faced with the challenge of finding ways to further reduce costs and improve productivity to sustain a favourable market position at acceptable profit margins. The loss of any major commercial airline or fractional ownership or charter operator as a customer or the termination of a contract could significantly impact our financial results.

Financial condition of the rail industry

The rail industry has historically been resilient during economic downturns. Challenging economic and financial conditions in specific areas, however, may have a negative impact on some rail operators. As customers deal with budget pressures and discipline and even austerity measures, it may result in projects being reduced in size, postponed or even cancelled. Such actions by public or private rail operators may negatively impact our order intake and revenues and put significant pressure on our cost structure and prices. These conditions may be exacerbated in times of declining investment activity.

A significant proportion of our rail business in any given period relies on government agencies and other public institutions, which have historically represented the vast majority of the value of the orders that we book annually. The amount public institutions are able to invest and spend depends on complex political and economic factors and could vary from one fiscal year to the next. Economic slowdown and public budgetary restrictions can cause a decrease in infrastructure investments, delays in placing orders and delays in executing contracts or payments, as well as a decrease in fiscal and other incentive-based measures to promote research and development. In periods of over-indebtedness (or of a sovereign debt crisis), the implementation of austerity or public spending reduction programs can lead to a negative impact on the volume of orders placed for transportation infrastructure projects.

In addition, intense competition in the rail industry and demands by customers in the current economic environment have resulted in certain adverse impacts, including the lower level and later receipt of advance payments. This evolution of contract terms may adversely impact our cash flows and may require us to obtain and deploy increased amounts of capital from other sources, including factoring facilities, which may adversely affect our return on equity, financial condition and results of operations. In addition, there can be no assurance that if such customer payment and advances terms continue to evolve in a manner adverse to the manufacturers we will be able to access sufficient replacement working capital to finance the execution of projects on acceptable terms or at all.

Trade policy

As a globally operating organization, our businesses are subject to government policies related to import and export restrictions and business acquisitions, support for export sales, and world trade policies including specific regional trade practices. As a result, we are exposed to risks associated with changing priorities by government and supranational agencies.

In addition, protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as foreign exchange import and export controls, tariffs and other trade barriers and price or exchange controls, could affect our business in several national markets, impact our sales and profitability and make the repatriation of profits difficult, and may expose us to penalties, sanctions and reputational damage.

Increased competition from other businesses including new entrants in market segments in which we compete

In the aerospace market segments in which we compete, competitors are developing numerous aircraft programs, with entries-into-service expected throughout the next decade. We face the risk that market share may be eroded if potential customers opt for competitors' products. We may also be negatively impacted if we are not able to meet product support expectations or provide an international presence for our diverse customer base.

In the rail market, we face intense competition in the markets and geographies in which we operate. We face competition from strong competitors, some of which are larger and may have greater resources in a given business or region, as well as competitors from emerging markets and new entrants, which may have a better cost structure. Some rail transportation market segments in which we operate, and some of the significant market participants in our businesses, are undergoing consolidation. Such consolidation may increase pressure on prices and profit margins, as well as on payment terms and conditions, manufacturing timeframes and the technologies proposed and services provided to clients, which could weaken our position in certain markets. Furthermore, certain competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact our results, revenues and market share.

Political instability

Political instability, which may result from various factors, including social or economic factors, in certain regions of the world may be prolonged and unpredictable. Any prolonged political instability in markets in which we participate could lead to delays or cancellation of orders, deliveries or projects in which we have invested significant resources, particularly when the customers are state-owned or state-controlled entities.

Geopolitical and economic risks, international sanctions and the recent decreases in the price of oil affecting many energy-exporting nations have raised new concerns in international economies. Beyond any immediate impact, these developments may also negatively affect the evolution of the global economy.

In addition, geopolitical events in the geographic areas in which we operate can increase difficulties relative to the conditions under which the contracts we have signed are executed, extend execution periods or trigger unexpected legislative or regulatory changes that could significantly increase the costs of execution initially projected for these contracts and which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Force majeure events or natural disasters

Force majeure events and natural disasters (including seismic and severe weather-related events such as ice storms, hurricanes, flooding, tornadoes or other calamities) are unpredictable and may have significant adverse results such as: personal injury or fatality; damage to or destruction of ongoing projects, facilities or equipment; environmental damage; delays or cancellations of orders and deliveries; delays in the receipt of materials from our suppliers; delays in projects; or legal liability.

Operational risk

Developing new products and services

Changes resulting from global trends such as climate change, volatile fuel prices, the growth of developing markets, urbanization, population growth and demographic factors influence customer demands in our main aerospace and rail transportation markets. To remain competitive and meet customers' needs, we are required to anticipate these changes and must continuously develop and design new products, improve existing products and services and invest in and develop new technologies. Introducing new products or technologies requires a significant commitment to R&D investment, including maintaining a significant level of highly skilled employees. Furthermore, our investments in new products or technologies may or may not be successful.

Our results may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if new products are not approved by regulatory authorities (or if we fail to design or obtain homologation or accreditation for new products or technologies), are not brought to market in a timely manner, in particular, compared to our competitors, or if our products become obsolete. We may incur cost overruns in developing new products and there is the risk that our products will not meet performance specifications to which we have committed to customers.

Our results could also be negatively impacted if we fail to design or obtain accreditation for new technologies and platforms on budget and in a timely manner. Further, our long-term growth, competitiveness and continued profitability are dependent on our ability to anticipate and adapt to changes in markets and to reduce the costs of producing high-quality, new and existing products, to continue to develop our product mix and to align our global presence with worldwide market opportunities.

In a highly competitive environment, we are and will remain exposed to the risk that more innovative or more competitive products, services or technologies are developed by competitors or introduced on the market more quickly or that the products we develop are not accepted by the market.

Business development

Our businesses are dependent on obtaining new orders and customers, thus continuously replenishing our order backlog. Our results may be negatively impacted if we are unable to effectively execute strategies to gain access to new markets, capture growth or successfully establish roots in new markets. Our book-to-bill ratio, which we define as new orders over revenues or units delivered, is an indicator that we use to track potential future revenues. However, the realization of revenues from new orders is based on certain assumptions, including the assumption that our relevant contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts may have a material and adverse effect on future revenues. We cannot guarantee that we will realize all of the revenues initially anticipated in our new orders, and any such shortfall may be significant.

Although we have developed and continue to develop our presence in many geographic markets, access to certain markets can prove to be difficult to secure, particularly if there is a local competitor benefiting from a stronghold in its home market. These types of situations could put us in an unfavourable position relative to some of our competitors and present challenges to our strategy and competitive strength in those zones.

Certification and homologation process

We are subject to stringent certification and approval requirements, as well as to the ability of regulatory bodies to perform these assessments on a timely basis, which vary by country and can delay the certification of our products. Non-compliance with current or future regulatory requirements imposed by Transport Canada (TC), the U.S. Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), the Transport Safety Institute in the U.S. or other regulatory authorities could result in service interruption of our products, fewer sales or slower deliveries, an unplanned build-up of inventories, reduction in inventory values or impairment of assets.

The marketing and entry into service of our rail products require compliance with rail transportation security standards that differ widely at the global level and are governed by various relevant regulatory authorities. This creates a complex process for securing the homologation of trains. The process for securing the homologation of trains is highly involved and may take longer and be more costly than initially anticipated due to the extent of testing and other supporting technical elements required by the relevant authorities, which elements may change over time. Our contracts increasingly include language that requires us to bear the risks and obligations associated with the homologation process, including risks relating to changes in law or regulation or the interpretation or application of regulations in respect of homologation.

Delays caused by the homologation process, or increased engineering or production costs relating to homologation, may lead to delays in our ability to deliver our products and complete our contracts, as well as contract cost overruns relative to our estimates and models and the payment of significant penalties or damages, service interruptions affecting the products, or even the risk of cancellation of all or a portion of the contract in extreme cases of prolonged delays. There can be no assurance regarding the time frame required for obtaining certification or homologation.

Fixed-price and fixed-term commitments and production and project execution

We have historically offered, and expect to continue to offer, a significant portion of our products through pre-agreed fixed-price contracts with a stipulated delivery schedule, rather than contracts under which payment is determined solely on a time-and-material basis. Generally, we cannot terminate contracts unilaterally.

We are exposed to risks associated with these fixed-price contracts, including unexpected technological problems, difficulties with partners and subcontractors, logistical difficulties and other execution issues that could lead to cost overruns, late delivery penalties or delays in receiving milestone payments. We may also incur late delivery penalties if we are unable to increase production rates sufficiently quickly to meet our commitments. In addition, due to the nature of the bidding process, long-term contract revenues are based, in part, on cost estimates. Our estimates of the costs for completing a project are subject to a number of assumptions, including future economic conditions, cost and availability of labour and raw materials, labour productivity, employment levels and salaries, facility utilization rates, inflation rates, foreign exchange rates and construction and technical standards to be applied to the project, and are influenced by the nature and complexity of the work to be performed. Due to the complexity and the length of many of the projects in which we participate, the actual investment, costs and productivity may differ materially from what we had initially modelled or anticipated. In addition, many of our contracts contain requirements to comply with mandatory performance levels for the equipment we deliver or a fixed delivery schedule. If we are unable to comply with these obligations, our clients could request the payment of contractual penalties, or terminate the contract in question, or even claim compensation.

The revenue, cash flow and profitability of large, complex, long-term projects vary significantly in accordance with the progress of the project and depend on a variety of factors, some of which are beyond our control, such as specification modifications and change orders demanded by the customer, increasing regulatory requirements in relation to homologation, unexpected technological problems, logistical difficulties and other execution issues that could lead to engineering cost and time overruns, production cost overruns, late delivery penalties and liquidated damages payments and postponement or delays in contract execution. In the context of large, complex, long-term contracts, such overruns and issues can be material in terms of cost and time, may lead to withholding of payment by customers or risk of cancellation of all or a portion of contract by the customer, and may have a material adverse impact on our business, results, cash flows, financial position and reputation. In addition, we may incur late delivery penalties in the event of an inability to increase production rates quickly enough to meet commitments under such large contracts. The profit margins generated by some of these contracts can, as a result, prove to be lower than those initially projected, or even be zero-margin or loss contracts.

In addition, many of our long-term contracts are signed with customers that are governmental or quasi-public entities. These types of customers require that we comply with project bidding and open market specifications, which may limit our ability to negotiate certain contractual terms and conditions and can force us to accept less favourable conditions. For example, customers may require manufacturers to bear an increasing proportion of the homologation regulatory risk, may insist on payment schedules that reduce or eliminate advance payments or that lead to negative cash-flow during the execution of a project, and may require mandatory technical performance levels and requirements associated with the issuance of parent company guarantees. For the most part, our rail transportation business is subject to public procurement protocols, which often take the form of adherence contracts that cannot be amended in any meaningful sense, causing bidders to risk disqualification if they attempt to reflect contingencies or special considerations in their offers. Moreover, public procurement protocols often feature specifications that are subject to numerous change orders, which may result in disputes regarding allocation of costs in respect of such change orders or specification modifications. These particularities could potentially expose our business to significant additional risks or costs that could adversely affect the profitability of our projects.

Additionally, for certain projects, contracts in our rail transportation business impose manufacturing or purchasing requirements in the countries in which the project is being executed. Such contracts may require us to build local production capacities, partner with local entities, and/or secure third-party purchases from local suppliers. Such terms and conditions can lead to pressures on costs, target volumes and execution.

Cash flows and capital expenditures

Our businesses are cyclical and highly capital intensive due to their nature. In the ordinary course of our business, the structure and duration of many of our complex, long-term projects and product development programs require us to invest significantly in engineering, development and production for many years before deliveries are made and the product begins to generate cash flow. In addition, we are regularly required to incur capital expenditures in order to, among other matters, maintain equipment, increase operating efficiency, develop and design new products, improve existing products and services, invest in and develop new technologies and maintain a significant level of highly skilled employees. Our ability to negotiate and collect customer advances and progress payments is therefore an important element of our cash flow and working capital management. However, intense competition in the markets in which we operate and demands by customers in the current economic environment have resulted in fewer and lower advance payments, which could place significant financial pressures on our operations. Discrepancies between our disbursements and amounts received on orders placed, or even any reduction in the overall volume of orders placed or a deterioration of the payment terms on these orders has an automatic adverse impact on the evolution in working capital requirements and results of operations.

Seasonality

In addition, our cash flows are, to a certain degree, subject to seasonal fluctuations and we expect a disproportionate amount of our cash flows from operations to occur during our fourth quarter. We expect this trend to continue. While the payment terms with certain of our vendors extend beyond the amount of time necessary to collect proceeds from our customers, no assurance can be given that we will be able to maintain such terms. As a result of fourth quarter cash receipts, at December 31 of each year, our cash and cash equivalents balances typically reach their highest level (other than as a result of cash flows provided by or used in investing and financing activities). Our interim results can be affected by these seasonal fluctuations.

Deployment and execution of strategic initiatives related to cost reductions and working capital improvement

In 2015, we launched the Bombardier transformation plan focusing on three priorities: improve cash generation, reduce costs and drive performance. As with any large, company-wide transformation there are inherent risks in the expected timing of results and in the planned value to be achieved. More specifically, the timing and magnitude of benefits from strategic initiatives could be affected by any number of external and internal factors including, but not limited to: the outcome of negotiations with suppliers and unions, changing legislation, changes in socio-economic conditions in the countries in which we operate, variations in planned production volumes, evolutions in the labor market for key talent, and changes in the priorities of the business. There can be no assurance that these initiatives, or other initiatives, will enable us to reach our objectives, or that any such measures will be implemented successfully or within the set time frame. A failure to successfully implement our strategy and transformation initiatives, or if such measures prove insufficient, could have an adverse impact on our business activities, financial condition, profitability and outlook.

Business partners

In some of the projects carried out through consortia or other partnership vehicles in which we participate, partners are jointly and severally liable to the customer. The success of these partnerships is dependent on satisfactory performance by us and our business partners. Failure of the business partners to fulfill their contractual obligations could result in additional financial and performance obligations, which could result in increased costs, unforeseen delays or impairment of assets. In addition, a partner withdrawing from a consortium during the bid phase may result in the loss of a potential order.

In order to penetrate new markets and strengthen our partnerships, we have implemented a number of joint ventures and partnerships in various countries and regions, such as Africa, the Middle East, Latin America and Asia (in particular, China). These operations involve certain risks, in particular in relation to potential political or economic instability depending on the countries, in the difficulties that may arise in evaluating assets and liabilities relating to these operations, in integrating people, activities, technologies and products, as well as in implementing governance and compliance systems and procedures.

Product performance warranty and casualty claim losses

The products that we manufacture are highly complex and sophisticated and may contain defects that are difficult to detect or correct. These products are subject to detailed specifications, which are listed in the individual contracts with customers, as well as to stringent certification or approval requirements. Defects may be found in products before and after they are delivered to the customer. When discovered, we may incur significant additional costs to modify and/or retrofit our products and we may not be able to correct defects in a timely manner or at all. The occurrence of defects and failures in our products could give rise to non-conformity costs, including warranty and damage claims, negatively affect our reputation and profitability and result in the loss of customers. Correcting such defects could require significant investment.

In addition, due to the nature of our business, liability claims may arise from accidents, incidents or disasters involving products and services that we have provided, including claims for serious personal injuries or death. These accidents may be caused by climatic factors or human error.

If any of our products is proven to have quality issues, fails to meet the national or industrial standards or has potential risks to the safety of human and properties, we may have to recall such products, be subject to penalties, have our operating licences or permits revoked, suspend production and sale of our products, or be ordered to take corrective measures. A product recall may also affect our reputation and brand name, result in a decreased demand for our products and lead to stricter scrutiny by regulatory agencies over our operations.

We cannot be certain that current insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that we will be able to obtain insurance coverage at acceptable levels and costs in the future.

Regulatory and legal risks

We are subject to numerous risks relating to current and future regulations, as well as legal proceedings, both present or that may arise in the future. For example, the harmonization of the European railway market through the new European standards will require investment to upgrade our existing products to comply with regulatory requirements, without which regulatory authorities and thus our customer may not accept our products. Unavailability of compliant products may lead to a loss of market share.

We may become party to lawsuits in the ordinary course of business, including those involving allegations of late deliveries of goods or services, product liability, product defects, quality problems and intellectual property infringement. Material losses may be incurred related to litigation beyond the limits or outside the coverage of current insurance and existing provisions for litigation-related losses may not be sufficient to cover the ultimate loss or expenditure. In addition, employee, agent, supplier or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm our reputation, reduce revenues and profitability, and subject us to criminal and civil enforcement actions. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and place us at a disadvantage for future orders or contract awards.

Also refer to Note 38 – Commitments and contingencies, to our consolidated financial statements, for information regarding current litigation proceedings related to the investigation in Brazil.

Environmental, health and safety risks

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate, governing, among other things, product performance or materials content, energy use and greenhouse gas emissions, air, water and noise pollution, the use, storage, labelling, transportation and disposal or release of hazardous substances, human health risks arising from the exposure to hazardous or toxic materials and the remediation of soil and groundwater contamination on or under our properties (whether or not caused by us), or on or under other properties and caused by our current or past operations.

Environmental regulatory requirements, or enforcements thereof, may become more stringent in the future and we may incur additional costs to be compliant with such future requirements or enforcements. In addition, we may have contractual or other liabilities for environmental matters relating to businesses, products or properties that we have in the past closed, sold or otherwise disposed of, or will close, sell or dispose of in the future.

Dependence on customers

While we have a varied customer base, in any given period a limited number of contracts or customers may account for a significant portion of our revenues for some of our products. Although we constantly seek to expand our customer base, we believe that in any given period revenues and results may continue to be significantly affected by a limited number of customers due to the nature of some of our products. Consequently, the loss of such a customer or changes to their orders could result in fewer sales and/or a lower market share. Since the majority of our rail transportation customers are governments or public-sector companies or operate under public contracts, our order intake is also dependent to a significant degree on public-sector budgets and spending policies.

Dependence on suppliers

Our manufacturing operations are dependent on a limited number of suppliers for the delivery of raw materials (mainly aluminum, advanced aluminum alloy and titanium) and major systems (such as engines, wings, nacelles, landing gear, avionics, flight controls and fuselages) for our aerospace products, and raw materials (mainly steel and aluminum), services (mainly engineering, civil and electrical subcontracts) and major systems (such as brakes, doors, heating, ventilation and air conditioning) for our rail transportation products.

Disruptions in our supply chain can impact our ability to deliver on schedule. Moreover, failure by one or more suppliers to meet performance specifications, quality standards or delivery schedules could adversely affect our ability to meet our commitments to customers, in particular if we are unable to purchase the key components and parts from those suppliers upon agreed terms or in a cost-effective manner and if we cannot find alternative suppliers on commercially acceptable terms in a timely manner. Some of our suppliers participate in the development of products such as aircraft or rolling stock platforms. The advancement of many of our new product development programs also relies on the performance of these key suppliers and, therefore, supplier delays which go unmitigated could result in delays to a program as a whole. These suppliers subsequently deliver major components and own some of the intellectual property related to key components they have developed. Our contracts with these suppliers are therefore on a long-term basis. The replacement of such suppliers could be costly and take a significant amount of time.

Human resources (including collective agreements)

Employment market competition is fierce when it comes to hiring the highly qualified managers and specialists needed to complete the work we require, particularly in certain emerging countries. In many of our business areas we intend to expand our business activities, for which we will need highly skilled employees. The success of our development plans depends, in part, on our ability to develop skills, to retain employees, and to recruit and integrate additional managers and skilled employees. Human resource risk includes the risk of delays in the recruitment of or inability to retain and motivate highly skilled employees, including those involved in R&D and manufacturing activities that are essential to our success. There is no guarantee that we will be successful in recruiting, integrating and retaining such employees as needed to accompany our business development, in particular in emerging countries. Conversely, the measures to adapt headcount to evolution in demand may result in pressures from our workforce and social risks, which may have an adverse impact on our expected costs reductions and production capacities

In addition, we are party to several collective agreements that are due to expire at various times in the future. An inability to renew these collective agreements on mutually agreeable terms, as they become subject to renegotiation from time to time, could result in work stoppages or other labour disturbances such as strikes, walk-outs or lock-outs, and/or increased costs of labour, which could adversely affect our ability to deliver products and services in a timely manner and on budget.

Additionally, as a result of our continuing review of our businesses and processes to reduce cost, improve our manufacturing platform, and better position ourselves in the marketplace, it may be necessary to curtail production or permanently shut down facilities, leading to the transfer of employees to new production facilities and processes or to the reduction of our workforce. This could materially adversely impact our relationship with our employees, as well as result in asset write-downs at the affected facilities.

Reliance on information systems

Unauthorized access to our or our customers' information and systems could negatively impact our business. We face certain security threats, including threats to the confidentiality, availability and integrity of our data and systems. While management supervises and maintains what it considers to be appropriate control, enforcement and monitoring systems designed to prevent, detect and respond to unauthorized activity in our systems, no system is failsafe and certain types of attacks or system failures could result in significant financial or information losses and/or reputational harm.

Reliance on and protection of intellectual property

We regularly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing, or obtaining through licensing, alternative technologies that are substantially equivalent or superior to ours, and we cannot provide assurance that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual property. Furthermore, we cannot assure that all our registration applications will be successful, or our registered intellectual property rights will not be subject to any objection. If the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, and our competitors exploit our intellectual property in the manufacture and sale of competing products in the markets we operate, such events could materially and adversely affect our business.

We could also face claims by others that we are improperly using intellectual property owned by them or otherwise infringing their rights in intellectual property. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. Adverse rulings in any litigation or proceeding could result in the loss of our proprietary rights and subject us to significant liabilities or even business disruption. Any potential intellectual property litigation against us could also force us to, among other things, cease selling the challenged products, develop non-infringing alternatives or obtain licences from owner of the infringed intellectual property. We may not be successful in developing such alternatives or in obtaining such licences on reasonable terms or at all, which could damage our reputation and affect our financial condition and profitability.

Adequacy of insurance coverage for our business, products and properties

We maintain insurance policies in accordance with the needs of our business. However, we cannot guarantee that our insurance policies will provide adequate coverage should we face extraordinary occurrences that result in losses. We may not obtain certain insurance coverage or may experience difficulties in obtaining the insurance coverage we need, which could materially and adversely affect our business, financial condition and results of operations. We do not carry any insurance for business interruption or loss of profit arising from accidents at any of our manufacturing facilities or other disruptions of our operations.

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenues expected to be generated by the relevant facilities. Any material loss not covered by our insurance could adversely affect our business, financial condition and results of operations.

Financing risk

Liquidity and access to capital markets

Our businesses are cyclical and highly capital intensive. In the ordinary course of our business, we rely on cash and cash equivalents, cash flows generated by operations, capital market resources such as debt and equity and other financing arrangements such as revolving credit facilities and receivables factoring facilities to satisfy our financing needs. There can be no assurance that such working capital cash sources will be available to us in the future on acceptable terms or at all.

Our ability to achieve our business and cash generation plans is based on a number of assumptions which involve significant judgments and estimates of future performance, borrowing capacity and credit availability, which cannot at all times be assured.

From time to time, we undertake various financing initiatives to solidify our liquidity position. Notably, in 2015, we completed a public offering of subscription receipts and the issuance and refinancing of unsecured senior notes. We also entered into transactions with the Government of Québec, in relation to the ongoing financing of the *C Series* aircraft program, and with the Caisse de dépôt et placement du Québec (CDPQ), relating to a minority participation in the Transportation business. The investment by the CDPQ was completed on February 11, 2016. There are no assurances that we will satisfy all the conditions to complete the previously announced investment in the *C Series* aircraft program, or that we will receive the required third party, regulatory and other approvals in order to consummate this transaction.

While we believe that our expected cash flows from operating activities, combined with available short-term capital resources as well as the investments from the Government of Québec and from the CDPQ will enable the development of new products to enhance competitiveness and support growth and will enable us to meet all other expected financial requirements in the foreseeable future, there can be no assurance that this will be the case.

Furthermore, we plan to continue to explore other initiatives such as certain business activities' potential participation in industry consolidation. There are no assurances that we will be able to implement these or any other strategic options on favourable terms and timing or at all, and, if implemented, that such actions would have the planned results.

If our cash flows and other capital resources are insufficient to fund the required work on our ongoing contracts, programs and projects, as well as our capital expenditures and debt service obligations, we could be forced to reduce or delay deliveries, investments and capital expenditures or to seek additional debt or equity capital. We may not be able to obtain alternative capital resources, if necessary, on favourable terms or at all.

A decline in credit ratings, a significant reduction in the surety or financing market global capacity, widening credit spreads, significant changes in market interest rates or general economic conditions or an adverse perception in bank and capital markets of our financial condition or prospects could all significantly increase our cost of financing or impede our ability to access financial markets. Our credit ratings may be impacted by many factors, including factors outside of our control relating to the industries or countries and regions in which we operate, and, accordingly, no assurance can be given that our credit ratings may not be downgraded in the future. Actual or anticipated changes or downgrades in our credit ratings may increase our cost of financing.

Our right to convert into cash certain deposits or investments, held in financing structures to guarantee our obligations, may be subject to restrictions. Additionally, in some countries, cash generated by operations may be subject to restrictions on the right to convert and/or repatriate money and may thus not be available for immediate use.

Retirement benefit plan risk

We are required to make contributions to a number of pension plans, most of which are presently in a deficit position. Pension funding requirements are dependent on regulatory requirements and on the valuations of plan assets and liabilities, which are subject to a number of factors, including expected returns on plan assets, long-term interest rates, as well as applicable actuarial practices and various other assumptions. The potential requirement to make additional contributions as a result of changes to regulations, actuarial assumptions or other factors may reduce the amount of funds available for operating purposes, thus limiting our financial flexibility and weakening our financial condition.

There is no assurance that retirement benefit plan assets will earn the expected rates of return. The ability of our retirement benefit plan assets to earn these expected rates of return depends in large part on the performance of capital markets. Market conditions also affect the discount rates used to calculate our net retirement benefit liabilities and could also impact our retirement benefit costs, cash funding requirements and liquidity position.

The net retirement benefit liability is highly sensitive to variations to the underlying discount rate, which represents the market rate for high-quality corporate fixed-income investments at the end of each reporting period consistent with the currency and estimated term of the benefit obligations. As a result, the discount rates change is based on market conditions.

Credit risk

We are exposed to credit risk through our derivative financial instruments and other investing activities carried out as part of our normal treasury activities, as well as through our trade receivables arising from normal commercial activities and through financing activities provided to our aerospace customers primarily in the form of aircraft loans and lease receivables. Reduced liquidity may result if our customers or other counterparties are unable to make payment of amounts owed to us, or delay these payments, and we may incur impairment losses on these assets. Furthermore, if our customers experience deteriorating credit quality, we may need to provide additional direct or indirect financing support to maintain sales, increasing our exposure to credit risk, or reduce our customers' credit limits, which could negatively affect our revenues.

We also have exposure to banks in the form of periodically placed deposits and credit commitments. In the event the banks with which we transact are unable to withstand regulatory or liquidity pressures, credit facilities, including letter of credit facilities, may become unavailable or we may not be able to extend such facilities upon their maturity.

Substantial debt and significant interest payment requirements

We currently have, and expect to continue to have, a substantial amount of debt and significant interest payment requirements. Our level of indebtedness could have significant consequences, including the following:

- it may be more difficult to satisfy our obligations with respect to our indebtedness;
- our vulnerability to general adverse economic and industry conditions may be increased;
- we may be required to dedicate a substantial portion of our cash flows from operations to interest and principal repayments on our indebtedness, reducing the availability of cash flows to fund capital expenditures, working capital, acquisitions, new business initiatives and other general corporate purposes;
- our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate may be limited;
- we may be placed at a disadvantage compared to our competitors that have less debt or greater financial resources;
- it may limit, along with the financial and other restrictive covenants to which we are subject, among other things, our ability to borrow additional funds on commercially reasonable terms, or at all;
- we may be required to monetize assets on terms that are unfavourable to us; and
- we may be required to offer debt or equity securities on terms that are not favourable to us or our shareholders.

For more information regarding our long-term debt, see Note 27 - Long-term debt, to our consolidated financial statements.

Restrictive debt covenants

The indentures governing certain of our indebtedness, revolving credit facilities and letter of credit facilities contain covenants that, among other things, restrict our ability, and in some cases the ability of our subsidiaries, to:

- incur additional debt and provide guarantees;
- repay subordinated debt;
- create or permit certain liens;
- use the proceeds from the sale of assets and capital stock of subsidiaries;
- pay dividends and make certain other disbursements;
- allow our subsidiaries to pay dividends or make other payments;
- engage in certain transactions with affiliates; and
- enter into certain consolidations, mergers or transfers of all or certain assets.

These restrictions could impair our ability to finance future operations or capital needs, or engage in other business activities that may be beneficial.

We are subject to various financial covenants under our letter of credit facilities and unsecured revolving credit facilities which must be met on a quarterly basis. The $600-million letter of credit facility[(1)] and the $750-million unsecured revolving facility[(1)] include financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum net debt to EBITDA ratio and a minimum liquidity level of $750 million, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). Transportation's €3.64-billion letter of credit facility and €500-million unsecured revolving facility require a minimum liquidity level of €600 million as well as a minimum equity level and a maximum debt to EBITDA ratio, all calculated on a Transportation stand-alone basis. These terms and ratios are defined in their respective agreements and do not correspond to our global metrics or to 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.

Our ability to comply with these covenants may also be affected by events beyond our control. A breach of any of these agreements or our inability to comply with these covenants could result in a default under these facilities, which would permit our banks to request immediate defeasance or cash cover of all outstanding letters of credit, and our bond holders and other lenders to declare amounts owed to them to be immediately payable. If any of these facilities is accelerated, or we are subject to significant cash cover calls, we may not have access to sufficient liquidity or credit to refinance such facilities on terms acceptable to us or at all. Furthermore, if we incur additional debt in the future, we may be subject to additional covenants, which may be more restrictive than those to which we are subject now. In addition, failure to comply with the obligations contained in our existing or future indentures or loan agreements could require us to immediately cash cover, or repay debt under other agreements that may contain cross-acceleration or cross-default provisions. There can be no assurance that we would be able to obtain waivers or amendments of any such defaults, or be able to cash cover or refinance such facilities, on terms acceptable to us or at all.

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

Financing support provided for the benefit of certain customers

From time to time, we provide aircraft financing support to customers. We may provide, directly or indirectly, credit and residual value guarantees or guarantee of a maximum credit spread, to support financing for certain customers such as airlines or to support financing by certain special purpose entities created solely i) to purchase our commercial aircraft and to lease those aircraft to airline companies or ii) to purchase financial assets such as loans and lease receivables related to the sale of our commercial aircraft. Under these arrangements, we are obligated to make payments to a guaranteed party in the event that the original debtor or lessee does not make the loan or lease payments, or if the market or resale value of the aircraft is below the guaranteed residual value amount at an agreed-upon date. A substantial portion of these guarantees has been extended to support original debtors or lessees with less than investment grade credit ratings.

Government support

From time to time, we receive various types of government financial support. Some of these financial support programs require the repayment of amounts to the government at the time of product delivery. The level of government support reflects government policy and depends on fiscal spending levels and other political and economic factors. We cannot predict if future government-sponsored support will be available. The loss of or any substantial reduction in the availability of government support could negatively impact our liquidity assumptions related to the development of aircraft or rail products and services. In addition, any future government support received by our competitors could have a negative impact on our competitiveness, sales and market share.

Market risk

Foreign exchange risk

Our financial results are reported in U.S. dollars and a significant portion of our sales and operating costs are transacted in currencies other than U.S. dollars, most often euros, Canadian dollars, pounds sterling, Swiss francs and Swedish kronor. In situations where we are not fully hedged, our results of operations are affected by movements in these currencies against the U.S. dollar. Significant fluctuations in relative currency values against the U.S. dollar could thus have a significant impact on our future profitability. Additionally, the settlement timing of foreign currency derivatives could significantly impact our liquidity.

Interest rate risk

Changes in interest rates may result in fluctuations in our future cash flows related to variable rate financial assets and liabilities, including long-term fixed-rate debt synthetically converted to variable interest rates. Changes in interest rates may also affect our future cash flows related to commitments to provide financing support to facilitate customers' access to capital. For these items, cash flows could be impacted by changes in benchmark rates such as Libor, Euribor or Bankers' Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, including marketability risk, through our financial instruments carried at fair value such as certain aircraft loans and lease receivables, investments in securities and certain derivatives.

Residual value risk

We are exposed to residual value risks through RVGs provided in support of commercial aircraft sales. These RVGs may be provided either directly to an airline, a lessor or to a financing party that participates in a long-term financing associated with the sale of commercial aircraft. RVGs are offered as a strip of the value of an aircraft with a ceiling and a floor. If the underlying aircraft is sold at the end of the financing period (or during this period in limited circumstances), the resale value is compared to the RVG strip. We are required to make payments under these RVGs when the resale value of the aircraft falls below the ceiling of the strip covered by the guarantee, but our payment is capped at the floor of the strip if the resale value of the aircraft is below that level.

Commodity price risk

We are exposed to commodity price risk relating principally to fluctuations in the cost of materials used in our supply chain, such as aluminum, advanced aluminum alloy, titanium, steel and other materials that we use to manufacture our products, and which represent a significant portion of our cost of sales. We do not maintain significant inventories of raw materials and components and parts. The prices and availabilities of raw materials and components and parts may vary significantly from period to period due to factors such as consumer demand, supply, market conditions and costs of raw materials. In particular, raw materials required for our operations, may be subject to pricing cyclicality and periodic shortages from time to time. We cannot guarantee that corresponding variations in cost will be fully reflected in contract prices, and we may be unable to recoup these raw material price increases, which could affect the profitability of such contracts.

Inflation risk

Our aerospace businesses are exposed to inflation risk relating to fluctuations in costs and revenue for aircraft orders received but for which the delivery of the aircraft will take place several years in the future. Revenues for these orders are adjusted for price escalation clauses linked to inflation. At Transportation, contract cost estimates are subject to inflation rate assumptions. Estimated revenues at completion are adjusted for price escalation clauses, several of which are linked to inflation. Fluctuations in inflation rates could nevertheless have a significant impact on our future profitability if the inflation rate assumption used varies from the actual inflation rate, and this is a particularly acute risk in respect of large long-term contracts which may have an impact on our results for several years.

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies

Employee benefits

In November 2013, the IASB amended IAS 19, *Employee benefits*, in order to simplify the accounting for contributions of defined benefit plans that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment was adopted effective January 1, 2015. The adoption of this amendment had no significant impact on our consolidated financial statements.

Future 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, *Financial instruments* 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 at FVTP&L, will be presented in OCI rather than in the statement of income.

IFRS 9 also introduced a new expected-loss impairment model that will require 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 will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for our fiscal year beginning on January 1, 2018, with earlier application permitted. We are assessing the impact of the adoption of this standard on our consolidated financial statements.

Revenue Recognition

In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenues*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. 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. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 will be effective for our fiscal year beginning on January 1, 2018, with earlier application permitted. We are assessing the impact of the adoption of this standard on our consolidated financial statements.

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 our fiscal year beginning on January 1, 2019, with earlier application permitted only if we apply IFRS 15, *Revenue from contracts with customers*. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

FINANCIAL INSTRUMENTS

An important portion of the consolidated balance sheets is composed of financial instruments. Our financial assets include cash and cash equivalents, trade and other receivables, aircraft loans and lease receivables, investments in securities, investments in financing structures, long-term contract receivables, restricted cash and derivative financial instruments with a positive fair value. Our financial liabilities include trade and other payables, long-term debt, lease subsidies, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and derivative financial instruments with a negative fair value. Derivative financial instruments are mainly used to manage exposure to foreign exchange and interest rate risks. They consist mostly of forward foreign exchange contracts, interest rate swap agreements and cross-currency interest rate swap agreements.

The use of financial instruments exposes us primarily to credit, liquidity and market risks, including foreign exchange and interest rate risks. A description on how we manage these risks is included in the Risk management section of Overview and in Note 33 – Financial risk management, to the consolidated financial statements.

Fair value of financial instruments

All financial instruments are required to be recognized at their fair value on initial recognition, plus transaction costs for financial instruments not at FVTP&L. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments. Financial instruments classified as FVTP&L or AFS are carried at fair value, while all others are carried at amortized cost. The classification of financial instruments as well as the revenues, expenses, gains and losses associated with these instruments are provided in Note 2 - Summary of significant accounting policies and in Note 14 – Financial instruments, to the consolidated financial statements.

Note 34 - Fair value of financial instruments, to the consolidated financial statements, provides a detailed description of the methods and assumptions used to determine the fair values of financial instruments. These values 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 we have immediate access. However, there is no active market for most of our financial instruments. In the absence of an active market, we determine 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, we use 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.

Note 34 – Fair value of financial instruments, to the consolidated financial statements, also provides a three-level fair value hierarchy, categorizing financial instruments by the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In cases where the inputs used to measure fair value are categorized within different levels of hierarchy, the fair value measurement is reported at the lowest level of the input that is significant to the entire measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, taking into account factors specific to the asset or liability. The fair value hierarchy is not meant to provide insight on the liquidity characteristics of a particular asset or on the degree of sensitivity of an asset or liability to other market inputs or factors.

We consider gains and losses arising from certain changes in fair value of financial instruments incidental to our core performance, such as those arising from changes in market yields, as our intention is to continue to hold these instruments for the foreseeable future. These gains and losses are excluded from adjusted net income and adjusted EPS to provide users of the financial statements a better understanding of the core results of our business and enable better comparability of results from one period to another and with peers.

In connection with the sale of commercial aircraft, we hold financial assets and have incurred financial liabilities, measured at fair value, some of which are reported as Level 3 financial instruments, including certain aircraft loans and lease receivables, certain investments in financing structures and lease subsidies. The fair values of these financial instruments are determined using various assumptions, with the assumption on marketability risk being the most likely to change the fair value significantly from period to period. The fair value of aircraft loans and lease receivables was also moderately impacted by credit rating changes in the recent past.

Sensitivity analysis
Our main exposures to changes in fair value of financial instruments are related to changes in foreign exchange, interest rates, aircraft residual value curves, credit ratings and marketability adjustments. Note 33 – Financial risk management and Note 34 – Fair value of financial instruments, to the consolidated financial statements, present sensitivity analyses assuming variations in foreign exchange and interest rates.

RELATED PARTY TRANSACTIONS

Related parties, as defined by IFRS, are our joint ventures, associates and key management personnel. A description of our transactions with these related parties is included in Note 36 – Transactions with related parties, to the consolidated financial statements.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Our significant accounting policies and use of estimates and judgment are described in Note 2 – Summary of significant accounting policies and Note 5 – Use of estimates and judgment, to the consolidated financial statements. The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment. Critical accounting estimates, which are evaluated on a regular ongoing basis and can change from period to period, are described in this section. An accounting estimate is considered critical if:

- the estimate requires us to make assumptions about matters that are highly uncertain at the time the estimate is made; and
- we could have reasonably used different estimates in the current period, or changes in the estimate are reasonably likely to occur from period to period that would have a material impact on our financial condition, our changes in financial condition or our results of operations.

Our best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. We use historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

Our budget and strategic plan cover a five-year period and are fundamental information used as a basis for many estimates necessary to prepare financial information. We prepare a budget and a strategic plan covering a five-year period, on an annual basis, using a process whereby a detailed one-year budget and four-year strategic plan are prepared by each reportable segment and then consolidated. Cash flows and profitability included in the budget and strategic plan are based on existing and future contracts and orders, general market conditions, current cost structures, anticipated cost variations and in-force collective agreements. The budget and strategic plan are subject to approval at various levels, including senior management and the Board of Directors. We use the budget and strategic plan, as well as additional projections or assumptions, to derive the expected results for periods thereafter. We then track performance as compared to the budget and strategic plan at various levels within the Corporation. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's most critical estimates and judgments. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Long-term contracts

Transportation conducts most of its business under long-term manufacturing and service contracts and the aerospace segments have some long-term maintenance service contracts, as well as design and development contracts for third parties. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles and component overhaul) and service contracts are recognized using the percentage-of-completion method of accounting. The long-term nature of these contracts requires estimates of total contract costs and revenues at completion.

Estimated revenues at completion are adjusted for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur and the amount can be measured reliably, they are included in estimated revenues at completion.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material usage and costs, including escalation clauses, labour hours and costs, foreign exchange rates (including the effect of hedges) and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical performance trends, economic trends, collective agreements and contracts signed with suppliers. We apply judgment to determine the probability that we will incur additional costs from delays or other penalties and such costs, if probable, are included in estimated costs at completion.

Recognized revenues and margins are subject to revisions as contracts progress towards completion. We conduct quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis, including a review of escalation assumptions. In addition, a detailed annual review is performed on a contract-by-contract basis as part of the budget and strategic plan process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

Sensitivity analysis
A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased Transportation's gross margin for 2015 by approximately $82 million.

Aerospace program tooling

Our aerospace segments capitalize development costs as aerospace program tooling when certain criteria for deferral are met. Aerospace program tooling is amortized over the expected number of aircraft to be produced, beginning on the delivery date of the first aircraft of a program, and an impairment test is performed at least annually for aircraft programs under development and, for all programs, when there is an indication that the asset may be impaired. An impairment charge is recorded when the recoverable amount of a group of assets generating independent cash inflows (a CGU) is less than the carrying value of those assets. The recoverable amount of each aerospace CGU was based on fair value less costs of disposal, generally determined using a discounted cash flow model.

If key estimates change significantly, amortization expense may be understated or capitalized costs may not be recoverable and aerospace program tooling may be overstated.

Aerospace program tooling amortization and the calculation of recoverable amounts used in impairment testing require estimates of the expected number of aircraft to be delivered over the life of each program. The expected number of aircraft is based on management's aircraft market forecasts and our expected share of each market. Such estimates are reviewed in detail as part of the budget and strategic plan process. For purposes of impairment testing, we exercise judgment to identify independent cash inflows to identify CGUs by family of aircraft. Other key estimates used to determine the recoverable amount include the applicable discount rate, the expected future cash flows over the remaining life of each program, which include costs to complete the development activities, if any, as well as potential upgrades and derivatives expected over the life of the program. The estimated cost of potential upgrades and derivatives is based on past experience with previous programs. The expected future cash flows also include cash flows from aftermarket activities, as well as expected cost savings due to synergies from the perspective of a market participant.

The discount rate is based on a weighted average cost of capital calculated using market-based inputs, available directly from financial markets or based on a benchmark sampling of representative publicly-traded companies in the aerospace sector.

The estimated future cash flows for the first five years are based on the budget and strategic plan. After the initial five years, long-range forecasts prepared by management are used. Forecast future cash flows are based on management's risk-adjusted best estimate of future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedules, revenues from related services, procurement costs based on existing contracts with suppliers, labour costs, general market conditions, foreign exchange rates and applicable income tax rates. The recoverable amounts were established during the fourth quarter of 2015, using a post-tax discount rate of 8.75%.

In October 2015, we entered into a memorandum of understanding for the *C Series* aircraft program with the Government of Québec. Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the memorandum of understanding, we performed an impairment test on the *C Series* aircraft program CGU (the "*C Series* aircraft program"), which principally consisted of capitalized development costs. We determined that the *C Series* aircraft program carrying amount exceeded its recoverable amount, and accordingly recorded an impairment charge of $3.1 billion related to the *C Series* aircraft program aerospace program tooling in the third quarter of 2015.

In October 2015, due to the lack of sales following the prolonged market weakness, we cancelled the *Learjet 85* aircraft program. As a result, we recorded an impairment charge of $919 million related to the remaining *Learjet 85* aircraft program development costs in the third quarter of 2015.

In the fourth quarter of 2015, due to the lack of recent order intake as well as low firm order backlog, mainly stemming from pilot scope clauses in the U.S. which have restricted the use, number and seating capacity of regional aircraft flying on behalf of network carriers, we performed an impairment test on the *CRJ1000* aircraft program development costs. We determined that the *CRJ1000* aircraft program development costs recoverable amount was negligible and therefore we recorded an impairment charge of $243 million related to the remaining balance. Over the near term, we do not anticipate scope clause relaxation in the U.S., during which time, we will not be able to sell the *CRJ1000* aircraft in the U.S. market.

In the fourth quarter of 2015, mainly due to the lack of sales following the prolonged market weakness in the light business aircraft category, we performed an impairment test on the *Learjet* family CGU (the "*Learjet* family") which principally consists of capitalized development costs. We determined that the *Learjet* family aircraft program carrying amount exceeded its recoverable amount and therefore we recorded an impairment charge of $53 million related to the remaining *Learjet* family development costs.

Sensitivity analysis
The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

A 10% decrease in the expected future net cash inflows for the *C Series* aircraft program evenly distributed over future periods, would have resulted in an additional impairment charge of approximately $370 million in 2015. A 10% decrease in the expected future net cash inflows for all other aerospace programs evenly distributed over future periods, would have resulted in no additional impairment charges in 2015.

An increase of 100-basis points in the discount rate used to perform the impairment tests would have resulted in an additional impairment charge of approximately $170 million in 2015 for the *C Series* aircraft program and no additional impairment charges for other aerospace programs.

Goodwill

Goodwill is related to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. This goodwill is monitored by management at the Transportation operating segment level. An impairment assessment is performed at least annually, and whenever circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that goodwill might be impaired. We selected the fourth quarter to perform an annual impairment assessment of goodwill.

During the fourth quarter of 2015, an impairment test was completed. The recoverable amount of the Transportation operating segment was calculated based on fair value less costs to sell inferred by the definitive agreement with the CDPQ. We did not identify any impairment.

Valuation of deferred income tax assets

To determine the extent to which deferred income tax assets can be recognized, we estimate the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. We exercise judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies. See Note 12 - Income taxes for more details.

Tax contingencies

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of our international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between our actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. We establish tax provisions for possible consequences of audits by the tax authorities of each country in which we operate. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

Credit and residual value guarantees

Credit and residual value guarantees are generally provided to airlines or to participants in financing structures created in connection with the sale of commercial aircraft. A corresponding provision is recorded, measured at the amounts expected to be paid under the guarantees using an internal valuation model based on stochastic simulations.

The amounts expected to be paid under the guarantees may depend on whether credit defaults occur during the term of the original financing. When a credit default occurs, the credit guarantee may be called upon. In the absence of a credit default the RVG may be triggered. In both cases, the guarantees can only be called upon if there is a loss upon the sale of the aircraft. Therefore, the value of the guarantee is in large part impacted by the future value of the underlying aircraft, as well as on the likelihood that credit or residual value guarantees will be called upon at the expiry of the financing arrangements. Aircraft residual value curves, prepared by management based on information from external appraisals and adjusted to reflect specific factors of the current aircraft market and a balanced market in the medium and long term, are used to estimate the underlying aircraft future value. The amount of the liability is also significantly impacted by the current market assumption for interest rates since payments under these guarantees are mostly expected to be made in the medium to long term. Other key estimates in calculating the value of the guarantees include default probabilities, estimated based on published credit ratings when available or, when not available, on internal assumptions regarding the credit risk of customers. The estimates are reviewed on a quarterly basis.

Sensitivity analysis
The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

Assuming a decrease of 5% in the residual value curves of all commercial aircraft as at December 31, 2015, Commercial Aircraft's EBIT for 2015 would have been negatively impacted by $15 million.

Assuming an increase of 5% in the likelihood that residual value guarantees will be called upon at the expiry of the financing arrangements as at December 31, 2015, Commercial Aircraft's EBIT for 2015 would have been negatively impacted by $33 million.

Assuming a 100-basis point decrease in interest rates as at December 31, 2015, Commercial Aircraft's EBT for 2015 would have been negatively impacted by $18 million. Assuming a 100-basis point increase in interest rates as at December 31, 2015, Commercial Aircraft's EBT for 2015 would have been positively impacted by $17 million.

Retirement and other long-term employee benefits

The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities.

As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium- and long-term maturity bonds, we establish the discount rate for our Canadian pension and other post-employment plans by constructing a yield curve using four maturity ranges. The first maturity range of the curve is based on observed market rates for AA-rated corporate bonds with maturities of less than six years. In the longer maturity ranges, due to the smaller number of high-quality bonds available, the curve is derived using market observations and extrapolated data. The extrapolated data points are created by adding a term-based yield spread over long-term provincial bond yields. This spread is based on the observed spreads between AA-rated corporate bonds and AA-rated provincial bonds in the last three maturity ranges of the curve.

We determine the expected rates of compensation increases considering the current salary structure, as well as historical and anticipated wage increases, in the context of current economic conditions.

See Note 22 – Retirement benefits, to the consolidated financial statements, for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Consolidation

We consolidate entities when, based on an evaluation of the substance of our relationship, we establish that we control the investee. We control an investee when we are exposed to, or have rights to, variable returns from our involvement with the investee and the ability to use power over the investee to affect the amount of our returns. We reassess the initial determination of control if facts or circumstances indicate that there may be changes to one or more elements of control.

From time to time, we participate in structured entities where voting rights are not the dominant factor in determining control. In these situations, we may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether we are exposed to, or have rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether we are acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if we have power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control.

CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators' Regulation 52‑109, we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure controls and procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Internal controls over financial reporting

The CEO and the CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework).

Changes in internal controls over financial reporting

No changes were made to our internal controls over financial reporting that occurred during the quarter and fiscal year ended December 31, 2015 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 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:

	December 31, 2015	December 31, 2014	Decrease
Euro	**1.0887**	1.2141	(10%)
Canadian dollar	**0.7202**	0.8633	(17%)
Pound sterling	**1.4833**	1.5587	(5%)

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

	December 31, 2015	December 31, 2014	Decrease
Euro	**1.0954**	1.2496	(12%)
Canadian dollar	**0.7501**	0.8809	(15%)
Pound sterling	**1.5176**	1.5639	(3%)

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

	December 31, 2015	December 31, 2014	Decrease
Euro	**1.1092**	1.3297	(17%)
Canadian dollar	**0.7838**	0.9061	(13%)
Pound sterling	**1.5280**	1.6483	(7%)

SHAREHOLDER INFORMATION

Subsequent to the end of the fiscal year, we announced a plan to present a proposal to shareholders of the Corporation for a consolidation (also known as a “reverse stock split”) of the Class A shares (multiple voting) (Class A Shares), issued and unissued, and Class B shares (subordinate voting) (Class B Subordinate Voting Shares), issued and unissued, at the annual and special meeting planned for spring 2016 (the Share Consolidation). The consolidation ratio will be selected by the Board of Directors from within a range of ratios, subject to shareholder approval, which ratio would be expected, at that time, to result in an initial post-consolidation share price in the range of $10 to $20 Canadian dollars per Class A Share or Class B Subordinate Voting Share. Assuming receipt of shareholder and Toronto Stock Exchange approvals, the Share Consolidation, if any, would be completed at such time as the Board of Directors shall deem appropriate..

Authorized, issued and outstanding share data, as at February 15, 2016

	Authorized	Issued and outstanding	
Class A Shares (multiple voting)[1]	2,742,000,000	313,900,550	
Class B Shares (subordinate voting)[2]	2,742,000,000	1,906,316,489	[3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,692,521	
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,307,479	
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 26,194,908 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Share option, PSU, DSU and RSU data as at December 31, 2015

Options issued and outstanding under the share option plans	74,347,206
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	42,843,728
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	26,194,908

Information

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

The *C Series* and *Global 7000* and *Global 8000* aircraft programs are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind. On October 28, 2015, due to the lack of sales following the prolonged market weakness, we cancelled the *Learjet 85* aircraft program.

ALP, AVENTRA, Bombardier, Challenger, Challenger 300, Challenger 350, Challenger 605, Challenger 650, Challenger 850, CRJ, CRJ700, CRJ900, CRJ1000, CSeries, CS100, CS300, EBI, ELECTROSTAR, FlexCare, FLEXITY, FLEXX, Global, Global 5000, Global 6000, Global 7000, Global 8000, INNOVIA, INTERFLO, Learjet, Learjet 40, Learjet 45, Learjet 60, Learjet 70, Learjet 75, Learjet 85, MITRAC, MOVIA, OMNEO, PRIMOVE, Q400, REGINA, Smart Parts, Smart Parts Plus, Smart Parts Maintenance Plus, Smart Parts Preferred, SPACIUM, TALENT, The Evolution of Mobility, TRAXX, TWINDEXX, XR and *ZEFIRO* are trademarks of Bombardier Inc. or its subsidiaries.

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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.

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements for fiscal years ended December 31, 2015, 2014 and 2013.

The following table provides selected financial information for the last three fiscal years.

Fiscal years ended December 31	**2015**	2014	2013
Revenues	**$ 18,172**	$ 20,111	$ 18,151
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (5,347)**	$ (1,260)	$ 564
EPS (in dollars)			
Basic and diluted	**$ (2.58)**	$ (0.74)	$ 0.31
Cash dividends declared per share (in Canadian dollars)			
Class A Shares (multiple voting)	**$ —**	$ 0.10	$ 0.10
Class B Shares (subordinate voting)	**$ —**	$ 0.10	$ 0.10
Series 2 Preferred Shares	**$ 0.70**	$ 0.75	$ 0.75
Series 3 Preferred Shares	**$ 0.78**	$ 0.78	$ 0.78
Series 4 Preferred Shares	**$ 1.56**	$ 1.56	$ 1.56

As at December 31	**2015**	2014	2013
Total assets	**$ 22,903**	$ 27,614	$ 29,363
Non-current financial liabilities	**$ 9,527**	$ 8,229	$ 7,705

The quarterly data table is shown hereafter.

February 16, 2016

BOMBARDIER INC.
QUARTERLY DATA (UNAUDITED)
(the quarterly data has been prepared in accordance with IAS 34, Interim financial reporting, except market price ranges)
(in millions of U.S. dollars, except per share amounts)

Fiscal years	**2015**					2014				
	Total	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**	Total	Fourth quarter	Third quarter	Second quarter	First quarter
Revenues										
Business Aircraft	**$ 6,996**	**$ 2,086**	**$ 1,558**	**$ 1,815**	**$ 1,537**	$ 7,200	$ 2,462	$ 1,640	$ 1,624	$ 1,474
Commercial Aircraft	**2,395**	**644**	**480**	**598**	**673**	2,740	720	787	754	479
Aerostructures and Engineering Services	**1,797**	**443**	**411**	**472**	**471**	1,919	522	444	483	470
Transportation	**8,281**	**2,164**	**1,985**	**2,091**	**2,041**	9,619	2,636	2,336	2,380	2,267
Corporate and Elimination	**(1,297)**	**(320)**	**(296)**	**(356)**	**(325)**	(1,367)	(380)	(301)	(350)	(336)
	$ 18,172	**$ 5,017**	**$ 4,138**	**$ 4,620**	**$ 4,397**	$ 20,111	$ 5,960	$ 4,906	$ 4,891	$ 4,354
EBIT										
Business Aircraft	**$ (1,252)**	**$ (352)**	**$ (1,115)**	**$ 119**	**$ 96**	$ (903)	$ (1,183)	$ 68	$ 122	$ 90
Commercial Aircraft	**(3,970)**	**(327)**	**(3,624)**	**(10)**	**(9)**	(123)	(140)	(5)	17	5
Aerostructures and Engineering Services	**105**	**(9)**	**30**	**42**	**42**	83	22	23	22	16
Transportation	**465**	**123**	**109**	**115**	**118**	469	111	105	125	128
Corporate and Elimination	**(186)**	**(92)**	**(35)**	**(40)**	**(19)**	(92)	(11)	(20)	(29)	(32)
	(4,838)	**(657)**	**(4,635)**	**226**	**228**	(566)	(1,201)	171	257	207
Financing expense[1]	**418**	**95**	**129**	**92**	**108**	249	65	66	90	51
Financing income[1]	**(70)**	**(21)**	**(12)**	**(20)**	**(23)**	(75)	(17)	(15)	(49)	(17)
EBT	**(5,186)**	**(731)**	**(4,752)**	**154**	**143**	(740)	(1,249)	120	216	173
Income taxes	**154**	**(54)**	**136**	**29**	**43**	506	341	46	61	58
Net income (loss)	**$ (5,340)**	**$ (677)**	**$ (4,888)**	**$ 125**	**$ 100**	$ (1,246)	$ (1,590)	$ 74	$ 155	$ 115
Attributable to										
Equity holders of Bombardier Inc.	**$ (5,347)**	**$ (679)**	**$ (4,891)**	**$ 125**	**$ 98**	$ (1,260)	$ (1,594)	$ 68	$ 153	$ 113
NCI	**7**	**2**	**3**	**—**	**2**	14	4	6	2	2
	$ (5,340)	**$ (677)**	**$ (4,888)**	**$ 125**	**$ 100**	$ (1,246)	$ (1,590)	$ 74	$ 155	$ 115
EPS (in dollars)										
Basic and diluted	**$ (2.58)**	**$ (0.31)**	**$ (2.20)**	**$ 0.06**	**$ 0.05**	$ (0.74)	$ (0.92)	$ 0.03	$ 0.08	$ 0.06
Market price range of Class B Subordinate Voting Shares (in Canadian dollars)										
High	**$ 4.24**	**$ 1.82**	**$ 2.35**	**$ 2.79**	**$ 4.24**	$ 4.68	$ 4.43	$ 3.89	$ 4.43	$ 4.68
Low	**$ 1.03**	**$ 1.10**	**$ 1.03**	**$ 2.24**	**$ 2.26**	$ 3.41	$ 3.41	$ 3.42	$ 3.54	$ 3.44

[1] The amounts presented on a yearly basis may not correspond to the sum of the four quarters as certain reclassifications to quarterly figures to or from financing income and financing expense may be required on a cumulative basis.

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY
(in millions of U.S. dollars, except per share amounts, number of common shares and shareholders of record)

For the fiscal years ended December 31	2015	2014	2013	2012	2011 [2]
Revenues	**$ 18,172**	$ 20,111	$ 18,151	$ 16,414	$ 17,904
EBIT before special items[1]	**$ 554**	$ 923	$ 893	$ 806	$ 1,166
Special items	**5,392**	1,489	(30)	140	—
EBIT	**(4,838)**	(566)	923	666	1,166
Financing expense	**418**	249	271	295	380
Financing income	**(70)**	(75)	(119)	(165)	(70)
EBT	**(5,186)**	(740)	771	536	856
Income taxes	**154**	506	199	66	119
Net income (loss)	**$ (5,340)**	$ (1,246)	$ 572	$ 470	$ 737
Attributable to					
Equity holders of Bombardier Inc.	**$ (5,347)**	$ (1,260)	$ 564	$ 460	$ 737
NCI	**$ 7**	$ 14	$ 8	$ 10	$ —
Adjusted net income[1]	**$ 326**	$ 648	$ 608	$ 671	$ 887
EPS (in dollars)					
Basic and diluted	**$ (2.58)**	$ (0.74)	$ 0.31	$ 0.25	$ 0.41
Adjusted[1]	**$ 0.14**	$ 0.35	$ 0.33	$ 0.36	$ 0.49
General information					
Export revenues from Canada	**$ 7,335**	$ 8,086	$ 6,767	$ 6,129	$ 5,866
Net additions to PP&E and intangible assets	**$ 1,862**	$ 1,964	$ 2,287	$ 2,074	$ 1,447
Amortization	**$ 438**	$ 417	$ 391	$ 364	$ 325
Impairment charges on PP&E and intangible assets	**$ 4,300**	$ 1,266	$ —	$ 9	$ —
Dividend per common share (in Canadian dollars)					
Class A	**$ 0.00**	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Class B Subordinate Voting	**$ 0.00**	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Dividend per preferred share (in Canadian dollars)					
Series 2	**$ 0.70**	$ 0.75	$ 0.75	$ 0.75	$ 0.69
Series 3	**$ 0.78**	$ 0.78	$ 0.78	$ 1.05	$ 1.32
Series 4	**$ 1.56**	$ 1.56	$ 1.56	$ 1.56	$ 1.56
Market price ranges (in Canadian dollars)					
Class A Shares					
High	**$ 4.24**	$ 4.68	$ 5.42	$ 5.00	$ 7.29
Low	**$ 1.18**	$ 3.30	$ 3.81	$ 3.08	$ 3.41
Close	**$ 1.49**	$ 4.13	$ 4.60	$ 3.83	$ 4.06
Class B Subordinate Voting Shares					
High	**$ 4.24**	$ 4.68	$ 5.43	$ 4.93	$ 7.29
Low	**$ 1.03**	$ 3.41	$ 3.80	$ 2.97	$ 3.30
Close	**$ 1.34**	$ 4.15	$ 4.61	$ 3.76	$ 4.06
As at December 31					
Number of common shares (in millions)	**2,220**	1,740	1,739	1,730	1,724
Book value per common share (in dollars)	**$ (1.99)**	$ (0.18)	$ 1.20	$ 0.50	$ 0.10
Shareholders of record	**14,491**	14,166	13,503	13,544	13,427

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures for definitions of these metrics and reconciliations to the most comparable IFRS measures in 2015 and 2014.
[2] Fiscal year 2011 comprised 11 months of Bombardier Aerospace results and 12 months of Transportation results.

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY (CONTINUED)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31	2015	2014	2013	2012	2011
Assets					
Cash and cash equivalents	**$ 2,720**	$ 2,489	$ 3,397	$ 2,557	$ 2,892
Trade and other receivables	**1,473**	1,538	1,492	1,311	1,342
Inventories	**6,978**	7,970	8,234	7,540	7,305
Other financial assets	**450**	530	637	443	522
Other assets	**484**	592	626	564	559
Current assets	**12,105**	13,119	14,386	12,415	12,620
PP&E	**2,061**	2,092	2,066	1,933	1,779
Aerospace program tooling	**3,975**	6,823	6,606	4,770	3,168
Goodwill	**1,978**	2,127	2,381	2,316	2,244
Deferred income taxes	**761**	875	1,231	1,421	1,476
Investments in joint ventures and associates	**356**	294	318	311	275
Other financial assets	**870**	1,328	1,568	1,339	1,311
Other assets	**797**	956	807	670	466
Non-current assets	**10,798**	14,495	14,977	12,760	10,719
	$ 22,903	$ 27,614	$ 29,363	$ 25,175	$ 23,339
Liabilities					
Trade and other payables	**$ 4,040**	$ 4,216	$ 4,089	$ 3,310	$ 3,032
Provisions	**1,108**	990	881	1,000	1,019
Advances and progress billings in excess of long-term contract inventories	**1,408**	1,698	2,352	1,763	1,638
Advances on aerospace programs	**2,002**	3,339	3,228	3,053	2,788
Other financial liabilities	**991**	1,010	1,009	455	732
Other liabilities	**2,274**	2,182	2,227	2,212	2,208
Current liabilities	**11,823**	13,435	13,786	11,793	11,417
Provisions	**918**	562	584	608	726
Advances on aerospace programs	**1,534**	1,608	1,688	1,600	1,266
Long-term debt	**8,908**	7,627	6,988	5,360	4,748
Retirement benefits	**2,159**	2,629	2,161	2,999	3,231
Other financial liabilities	**619**	602	717	601	502
Other liabilities	**996**	1,096	990	957	902
Non-current liabilities	**15,134**	14,124	13,128	12,125	11,375
	26,957	27,559	26,914	23,918	22,792
Equity (deficit)					
Attributable to equity holders of Bombardier Inc.	**(4,067)**	42	2,426	1,211	515
Attributable to NCI	**13**	13	23	46	32
	(4,054)	55	2,449	1,257	547
	$ 22,903	$ 27,614	$ 29,363	$ 25,175	$ 23,339

BOMBARDIER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended
December 31, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and MD&A of Bombardier Inc. and all other information in the financial report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS as issued by the International Accounting Standards Board. The MD&A has been prepared in accordance with the requirements of Canadian Securities Administrators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects. Financial information presented in the MD&A is consistent with that in the consolidated financial statements.

Bombardier Inc.'s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed disclosure controls and procedures and internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to Bombardier Inc. has been made known to them; and information required to be disclosed in Bombardier Inc.'s filings is recorded, processed, summarized and reported within the time periods specified in Canadian securities legislation.

Bombardier Inc.'s CEO and CFO have also evaluated the effectiveness of Bombardier Inc.'s disclosure controls and procedures and internal controls over financial reporting as of the end of the fiscal year 2015. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures and internal controls over financial reporting were effective as of that date, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework). In addition, based on this assessment, they determined that there were no material weaknesses in internal control over financial reporting as of the end of the fiscal year 2015. In compliance with the Canadian Securities Administrators' National Instrument 52-109, Bombardier Inc.'s CEO and CFO have provided a certification related to Bombardier Inc.'s annual disclosure to the Canadian Securities Administrators, including the consolidated financial statements and MD&A.

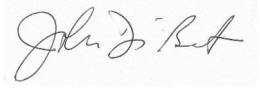
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board of Directors carries out this responsibility principally through 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 meets periodically with management, as well as with the internal and independent auditors, to review the consolidated financial statements, independent auditors' report, MD&A, auditing matters and financial reporting issues, to discuss internal controls over the financial reporting process, and to satisfy itself that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management, and to review and make recommendations to the Board of Directors with respect to the independence and the fees of the independent auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the consolidated financial statements and MD&A for issuance to shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditors have full and free access to the Audit Committee to discuss their audit and related matters.



Alain Bellemare
President and Chief Executive Officer



John Di Bert, CPA, CA
Senior Vice President and Chief Financial Officer

February 16, 2016

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BOMBARDIER INC.

We have audited the accompanying consolidated financial statements of Bombardier Inc. which comprise the consolidated statements of financial position as at December 31, 2015, 2014 and January 1, 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for fiscal years ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

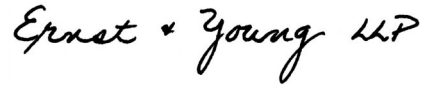
Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bombardier Inc. as at December 31, 2015, 2014 and January 1, 2014, and its financial performance and its cash flows for fiscal years ended December 31, 2015 and 2014 in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

[1]



Ernst & Young LLP
Montréal, Canada

February 16, 2016

[1] CPA auditor, CA, public accountancy permit no. A112431

CONSOLIDATED FINANCIAL STATEMENTS

For fiscal years 2015 and 2014
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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See MD&A for the abbreviations used in the consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ended December 31
(in millions of U.S. dollars, except per share amounts)

	Notes	2015	2014
Revenues		**$ 18,172**	$ 20,111
Cost of sales	17	**16,199**	17,534
Gross margin		**1,973**	2,577
SG&A		**1,213**	1,358
R&D	7	**355**	347
Share of income of joint ventures and associates	35	**(149)**	(89)
Other expense	8	**—**	38
Special items	9	**5,392**	1,489
EBIT		**(4,838)**	(566)
Financing expense	10	**418**	249
Financing income	10	**(70)**	(75)
EBT		**(5,186)**	(740)
Income taxes	12	**154**	506
Net loss		**$ (5,340)**	$ (1,246)
Attributable to			
Equity holders of Bombardier Inc.		**$ (5,347)**	$ (1,260)
NCI		**7**	14
		$ (5,340)	$ (1,246)
EPS (in dollars)	13		
Basic and diluted		**$ (2.58)**	$ (0.74)

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended December 31
(in millions of U.S. dollars)

	Notes	2015	2014
Net loss		**$ (5,340)**	$ (1,246)
OCI			
Items that may be reclassified to net income			
Net change in cash flow hedges			
Foreign exchange re-evaluation		**12**	17
Net loss on derivative financial instruments		**(508)**	(389)
Reclassification to income or to the related non-financial asset[1][2]		**449**	216
Income taxes	12	**(6)**	37
		(53)	(119)
AFS financial assets			
Net unrealized gain (loss)		**(5)**	7
CCTD			
Net investments in foreign operations		**(94)**	(146)
Net gain on related hedging items		**2**	4
		(92)	(142)
Items that are never reclassified to net income			
Retirement benefits			
Remeasurement of defined benefit plans[3]		**592**	(646)
Income taxes	12	**(11)**	(45)
		581	(691)
Total OCI		**431**	(945)
Total comprehensive loss		**$ (4,909)**	$ (2,191)
Attributable to			
Equity holders of Bombardier Inc.		**$ (4,914)**	$ (2,198)
NCI		**5**	7
		$ (4,909)	$ (2,191)

(1) Includes $327 million of loss reclassified to the related non-financial asset for fiscal year 2015 ($97 million of loss for fiscal year 2014).
(2) $300 million of net deferred loss is expected to be reclassified from OCI to the carrying amount of the related non-financial asset or to income during fiscal year 2016.
(3) Includes net actuarial gains (losses).

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

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

	Notes	December 31 2015	December 31 2014	January 1 2014
Assets				
Cash and cash equivalents	15	**$ 2,720**	$ 2,489	$ 3,397
Trade and other receivables	16	**1,473**	1,538	1,492
Inventories	17	**6,978**	7,970	8,234
Other financial assets	18	**450**	530	637
Other assets	19	**484**	592	626
Current assets		**12,105**	13,119	14,386
PP&E	20	**2,061**	2,092	2,066
Aerospace program tooling	21	**3,975**	6,823	6,606
Goodwill	21	**1,978**	2,127	2,381
Deferred income taxes	12	**761**	875	1,231
Investments in joint ventures and associates		**356**	294	318
Other financial assets	18	**870**	1,328	1,568
Other assets	19	**797**	956	807
Non-current assets		**10,798**	14,495	14,977
		$ 22,903	$ 27,614	$ 29,363
Liabilities				
Trade and other payables	23	**$ 4,040**	$ 4,216	$ 4,089
Provisions	24	**1,108**	990	881
Advances and progress billings in excess of long-term contract inventories	17	**1,408**	1,698	2,352
Advances on aerospace programs		**2,002**	3,339	3,228
Other financial liabilities	25	**991**	1,010	1,009
Other liabilities	26	**2,274**	2,182	2,227
Current liabilities		**11,823**	13,435	13,786
Provisions	24	**918**	562	584
Advances on aerospace programs		**1,534**	1,608	1,688
Long-term debt	27	**8,908**	7,627	6,988
Retirement benefits	22	**2,159**	2,629	2,161
Other financial liabilities	25	**619**	602	717
Other liabilities	26	**996**	1,096	990
Non-current liabilities		**15,134**	14,124	13,128
		26,957	27,559	26,914
Equity (deficit)				
Attributable to equity holders of Bombardier Inc.		**(4,067)**	42	2,426
Attributable to NCI		**13**	13	23
		(4,054)	55	2,449
		$ 22,903	$ 27,614	$ 29,363
Commitments and contingencies	38			

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

On behalf of the Board of Directors,

Pierre Beaudoin
Director

Sheila Fraser, FCPA, FCA
Director

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the fiscal years 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	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at January 1, 2014	$ 347	$ 1,380	$ 2,598	$ (1,970)	$ 92	$ 5	$ (203)	$ 177	$ 2,426	$ 23	$ 2,449
Total comprehensive income											
Net income (loss)	—	—	(1,260)	—	—	—	—	—	(1,260)	14	(1,246)
OCI	—	—	—	(691)	—	7	(119)	(135)	(938)	(7)	(945)
	—	—	(1,260)	(691)	—	7	(119)	(135)	(2,198)	7	(2,191)
Dividends											
Common shares	—	—	(160)	—	—	—	—	—	(160)	—	(160)
Preferred shares	—	—	(27)	—	—	—	—	—	(27)	—	(27)
Capital distribution	—	—	—	—	—	—	—	—	—	(17)	(17)
Shares distributed - DSU plans	—	1	—	—	(2)	—	—	—	(1)	—	(1)
Share-based expense	—	—	—	—	2	—	—	—	2	—	2
As at December 31, 2014	$ 347	$ 1,381	$ 1,151	$ (2,661)	$ 92	$ 12	$ (322)	$ 42	$ 42	$ 13	$ 55
Total comprehensive income											
Net income (loss)	—	—	(5,347)	—	—	—	—	—	(5,347)	7	(5,340)
OCI	—	—	—	581	—	(5)	(53)	(90)	433	(2)	431
	—	—	(5,347)	581	—	(5)	(53)	(90)	(4,914)	5	(4,909)
Issuance of share capital	—	822	—	—	—	—	—	—	822	—	822
Dividends											
Common shares	—	—	—	—	—	—	—	—	—	—	—
Preferred shares	—	—	(23)	—	—	—	—	—	(23)	—	(23)
Capital distribution	—	—	—	—	—	—	—	—	—	(4)	(4)
Shares distributed - DSU plans	—	1	—	—	—	—	—	—	1	—	1
Shares purchased - RSU plans	—	(9)	—	—	—	—	—	—	(9)	—	(9)
Share-based expense	—	—	—	—	14	—	—	—	14	—	14
Purchase of NCI	—	—	—	—	—	—	—	—	—	(1)	(1)
As at December 31, 2015	**$ 347**	**$ 2,195**	**$ (4,219)**	**$ (2,080)**	**$ 106**	**$ 7**	**$ (375)**	**$ (48)**	**$ (4,067)**	**$ 13**	**$ (4,054)**

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended December 31
(in millions of U.S. dollars)

	Notes	2015	2014
Operating activities			
Net loss		**$ (5,340)**	$ (1,246)
Non-cash items			
Amortization	20, 21	**438**	417
Impairment charges on PP&E and intangible assets	9, 20, 21	**4,300**	1,266
Deferred income taxes	12	**63**	354
Gains on disposals of PP&E and intangible assets	8	**(3)**	(3)
Share of income of joint ventures and associates	35	**(149)**	(89)
Share-based expense	29	**14**	2
Loss on repurchase of long-term debt	9	**22**	43
Dividends received from joint ventures and associates		**77**	101
Net change in non-cash balances	30	**598**	2
Cash flows from operating activities		**20**	847
Investing activities			
Additions to PP&E and intangible assets		**(1,879)**	(1,982)
Proceeds from disposals of PP&E and intangible assets		**17**	18
Proceeds from investment in financing structure		**150**	—
Additions to AFS investments in securities		**(64)**	(53)
Proceeds from disposal of AFS investments in securities		**54**	53
Net proceeds from disposal of a business[1]		**—**	25
Other		**(12)**	(17)
Cash flows from investing activities		**(1,734)**	(1,956)
Financing activities			
Net proceeds from issuance of long-term debt	27	**2,218**	1,820
Repayments of long-term debt	27	**(831)**	(1,334)
Dividends paid[2]		**(19)**	(182)
Purchase of Class B shares held in trust under the RSU plan		**(9)**	—
Net proceeds from issuance of shares	28	**822**	—
Other		**(132)**	66
Cash flows from financing activities		**2,049**	370
Effect of exchange rates on cash and cash equivalents		**(104)**	(169)
Net increase (decrease) in cash and cash equivalents		**231**	(908)
Cash and cash equivalents at beginning of year		**2,489**	3,397
Cash and cash equivalents at end of year		**$ 2,720**	$ 2,489
Supplemental information[3][4]			
Cash paid for			
Interest		**$ 427**	$ 354
Income taxes		**$ 92**	$ 111
Cash received for			
Interest		**$ 156**	$ 298
Income taxes		**$ 15**	$ 6

[1] Represents the balance of sale price related to the sale of the main assets and related liabilities of the Corporation's Flexjet activities.

[2] $19 million of dividends paid relate to preferred shares for fiscal year 2015 ($22 million for fiscal year 2014).

[3] 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.

[4] 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, if any, the interest portion of a gain related to the resolution of a litigation in connection with part IV of the Québec Income Tax Act, the Tax on Capital and the interest portion related to the settlement of a cross-currency interest-rate swap and an interest-rate swap.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended December 31, 2015 and 2014
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. is incorporated under the laws of Canada. The consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries ("the Corporation" or "our" or "we"). 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, effective January 1, 2015: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. The main activities of the Corporation are described in Note 6 - Segment disclosure.

The Corporation restated Note 6 - Segment disclosure for the comparative year to reflect its four reportable segments.

The Corporation's consolidated financial statements for fiscal years 2015 and 2014 were authorized for issuance by the Board of Directors on February 16, 2016.

Statement of compliance

The Corporation's consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IFRS, as issued by the IASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

Basis of consolidation

Subsidiaries – Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases.

The Corporation consolidates investees, including structured entities when, based on the evaluation of the substance of the relationship with the Corporation, it concludes that it controls the investees. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Corporation's principal subsidiaries, whose revenues represent more than 10% of total revenues of their respective segment, are as follows:

Subsidiary	Location
Bombardier Transportation GmbH	Germany
Bombardier Transportation (Holdings) UK Ltd	U.K.
Bombardier Transport France S.A.S.	France
Learjet Inc.	U.S.

Revenues of these subsidiaries combined with those of Bombardier Inc. totalled 70% of consolidated revenues for fiscal year 2015 (71% for fiscal year 2014).

Joint ventures – Joint ventures are those entities over which the Corporation exercises joint control, requiring unanimous consent of the parties sharing control of relevant activities such as, strategic financial and operating decision making and where the parties have rights to the net assets of the arrangement. The Corporation recognizes its interest in joint ventures using the equity method of accounting.

Associates – Associates are entities in which the Corporation has the ability to exercise significant influence over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting.

Foreign currency translation

The consolidated financial statements are expressed in U.S. dollars, the functional currency of Bombardier Inc. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency, the Euro, Pound sterling, various other European currencies and the U.S. dollar in Transportation, and mainly the U.S. dollar in the aerospace segments.

Foreign currency transactions – Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in income except for exchange differences related to retirement benefits asset and liability, as well as financial liabilities designated as hedges of the Corporation's net investments in foreign operations, which are recognized in OCI. Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined. Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

Foreign operations – Assets and liabilities of foreign operations whose functional currency is other than the U.S. dollar are translated into U.S. dollars using closing exchange rates. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI and are reclassified in income on disposal or partial disposal of the investment in the related foreign operation.

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

	Exchange rates as at			Average exchange rates for fiscal years	
	December 31 2015	December 31 2014	January 1 2014	**2015**	2014
Euro	**1.0887**	1.2141	1.3791	**1.1092**	1.3297
Canadian dollar	**0.7202**	0.8633	0.9400	**0.7838**	0.9061
Pound sterling	**1.4833**	1.5587	1.6542	**1.5280**	1.6483

Revenue recognition

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing specifically designed products (including rail vehicles and component overhaul) and service contracts are recognized using the percentage-of-completion method of accounting. The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. Estimated revenues at completion are adjusted for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur, and the amount can be measured reliably, they are included in estimated revenues at completion. If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in cost of sales in the period in which the negative gross margin is identified. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are expected to be recovered.

When a contract covers a number of products, the construction of each product is treated as a separate contract when (1) separate proposals have been submitted for each product, (2) each product has been subject to separate negotiation, and (3) the costs and revenues of each product can be identified. A group of contracts, whether with a single customer or with several customers, are treated as a single contract when (1) the group of contracts is negotiated as a single package, (2) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin, and (3) the contracts are performed concurrently or in a continuous sequence. Options for additional assets are treated as a separate contract when (1) the asset differs significantly in design, technology or function from the asset or assets covered by the original contract or (2) the price of the asset is negotiated without regard to the original contract price.

Aerospace programs – Revenues from the sale of new aircraft are recognized when the aircraft has been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. All costs incurred or to be incurred in connection with the sale, including warranty costs and sales incentives, are charged to cost of sales or as a deduction from revenues at the time revenue is recognized.

Multiple deliverables – Sales of goods and services sometimes involve the provision of multiple components. In these cases, the Corporation determines whether the contract or arrangement contains more than one unit of accounting. When certain criteria are met, such as when the delivered item has value to the customer on a stand-alone basis, the recognition criteria are applied to the separate identifiable components of a single transaction to reflect the substance of the transaction. Conversely, two or more transactions may be considered together for revenue recognition purposes, when the commercial effect cannot be understood without reference to a series of transactions as a whole. Revenue is allocated to the separate components based on their relative fair value.

Other – Revenues from the sale of pre-owned aircraft and spare parts are recognized when the goods have been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured.

Government assistance and refundable advances

Government assistance, including investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that the Corporation will comply with all relevant conditions. Government assistance related to the acquisition of inventories, PP&E and intangible assets is recorded as a reduction of the cost of the related asset. Government assistance related to current expenses is recorded as a reduction of the related expenses.

Government refundable advances are recorded as a financial liability if there is reasonable assurance that the amount will be repaid.

Special items

Special items comprise items which do not reflect, in management's opinion, the Corporation's core performance such as the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.

Income taxes

The Corporation applies the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred income tax assets and liabilities are recognized directly in income, OCI or equity based on the classification of the item to which they relate.

Earnings per share

Basic EPS is computed based on net income attributable to equity holders of Bombardier Inc. less dividends on preferred shares, including taxes, divided by the weighted-average number of Class A Shares (Multiple Voting) and Class B Shares (Subordinate Voting) outstanding during the fiscal year.

Diluted EPS are computed using the treasury stock method, giving effect to the exercise of all dilutive elements.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, trade and other receivables, aircraft loans and lease receivables, investments in securities, investments in financing structures, long-term contract receivables, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade and other payables, long-term debt, lease subsidies, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and derivative financial instruments with a negative fair value.

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as HFT, b) financial instruments designated as FVTP&L, c) AFS financial assets, d) L&R, or e) other than HFT financial liabilities. Their classification is determined by management on initial recognition based on the purpose for their acquisition. Financial instruments are subsequently measured at amortized cost, unless they are classified as AFS or HFT or designated as FVTP&L, in which case they are subsequently measured at fair value.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Corporation has transferred its rights to receive cash flows from the asset and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For transactions where it is not obvious whether the Corporation has transferred or retained substantially all the risks and rewards of ownership, the Corporation performs a quantitative analysis to compare its exposure to the variability in asset cash flows before and after the transfer. Judgment is applied in determining a number of reasonably possible scenarios that reflect the expected variability in the amount and timing of net cash flows, and then in assigning each scenario a probability with greater weighting being given to those outcomes which are considered more likely to occur.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

a) Financial instruments classified as HFT

Cash and cash equivalents – Cash and cash equivalents consist of cash and highly liquid investments held with investment-grade financial institutions and money market funds, with maturities of three months or less from the date of acquisition.

Derivative financial instruments – Derivative financial instruments are mainly used to manage the Corporation's exposure to foreign exchange and interest-rate market risks, generally through forward foreign exchange contracts, interest rate swap agreements and cross-currency interest-rate swap agreements. Derivative financial instruments include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts.

Derivative financial instruments are classified as HFT, unless they are designated as hedging instruments for which hedge accounting is applied (see below). Changes in the fair value of derivative financial instruments not designated in a hedging relationship, excluding embedded derivatives, are recognized in cost of sales or financing expense or financing income, based on the nature of the exposure.

Embedded derivatives of the Corporation include call options on long-term debt and foreign exchange instruments included in sale or purchase agreements. Call options on long-term debt that are not closely related to the host contract are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to net income using the effective interest method. Upon initial recognition, the fair value of the foreign exchange instruments not designated in a hedge relationship is recognized in cost of sales. Subsequent changes in fair value of embedded derivatives are recorded in cost of sales, other expense (income) or financing expense or financing income, based on the nature of the exposure.

b) Financial instruments designated as FVTP&L

Financial instruments may be designated on initial recognition as FVTP&L if any of the following criteria is met: (i) the financial instrument contains one or more embedded derivatives that otherwise would have to be accounted for separately; (ii) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or liability or recognizing the gains and losses on them on a different basis; or (iii) the financial asset and financial liability are part of a group of financial assets, financial liabilities, or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The Corporation has designated as FVTP&L, certain aircraft loans and lease receivables, certain investments in financing structures, trade-in commitments and lease subsidies, which were all designated as FVTP&L based on the above criterion (iii).

Subsequent changes in fair value of such financial instruments are recorded in other expense (income), except for the fair value changes arising from a change in interest rates which are recorded in financing expense or financing income.

c) AFS financial assets

Investments in securities are usually classified as AFS. They are accounted for at fair value if reliably measurable, with unrealized gains and losses included in OCI, except for foreign exchange gains and losses on monetary investments, such as fixed income investments, which are recognized in income. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost.

When a decline in the fair value of an AFS financial asset has been recognised in OCI and there is objective evidence that the asset is impaired, the cumulative loss equal to the difference between the acquisition cost of the investments and its current fair value, less any impairment loss on that financial asset previously recognized in net income, is removed from AOCI and recognized in net income. Impairment losses recognized in net income for financial instruments classified as AFS can be reversed, except for investments in equity instruments.

d) L&R

Trade and other receivables, restricted cash, certain aircraft loans and lease receivables, certain investments in financing structures, long-term contract receivables and other financial assets, are classified as L&R. Financial assets classified as L&R are measured at amortized cost using the effective interest rate method less any impairment losses.

Trade receivables as well as other financial assets classified as L&R are subject to periodic impairment review and are classified as impaired when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

e) Other than HFT financial liabilities

Trade and other payables, long-term debt, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and certain other financial liabilities are classified as other than HFT liabilities and are measured at amortized cost using the effective interest rate method.

Hedge accounting

Designation as a hedge is only allowed if, both at the inception of the hedge and throughout the hedge period, the changes in the fair value of the derivative and non-derivative hedging financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure.

The Corporation formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to forecasted cash flows or to a specific asset or liability. The Corporation also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are highly effective in offsetting the changes in the fair value or cash flows of the hedged items. There are three permitted hedging strategies.

Fair value hedges – The Corporation generally applies fair value hedge accounting to certain interest-rate derivatives and forward foreign exchange contracts hedging the exposures to changes in the fair value of recognised financial assets and financial liabilities. In a fair value hedge relationship, gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net income, while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in net income.

Cash flow hedges – The Corporation generally applies cash flow hedge accounting to forward foreign exchange contracts and interest-rate derivatives entered into to hedge foreign exchange risks on forecasted transactions and recognized assets and liabilities. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income as a reclassification adjustment when the hedged item affects net income. However, when an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in OCI are reclassified in the initial carrying amount of the related asset.

Hedge of net investments in foreign operations – The Corporation generally designates certain long-term debt as hedges of its net investments in foreign operations. The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when corresponding exchange gains or losses arising from the translation of the foreign operations are recorded in net income.

The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recorded as an adjustment of the cost or revenue of the related hedged item. Gains and losses on derivatives not designated in a hedge relationship and gains and losses on the ineffective portion of effective hedges are recorded in cost of sales or financing expense or financing income for the interest component of the derivatives or when the derivatives were entered into for interest rate management purposes.

Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

When the Corporation is the lessee – Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

When the Corporation is the lessor – Assets subject to finance leases, mainly commercial aircraft, are initially recognized at an amount equal to the net investment in the lease and are included in aircraft lease receivables. Interest income is recognized over the term of the applicable leases based on the effective interest rate method. Assets under operating leases, mostly pre-owned regional and business aircraft, are included in PP&E. Lease income from operating leases is recognized on a straight-line basis over the term of the lease and is included in revenues.

Inventory valuation

Long-term contracts – Long-term contract inventories include materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition, as well as estimated contract margins. Advances and progress billings received on accounts of work performed for long-term contracts are deducted from related long-term contract inventories. Advances and progress billings received in excess of related long-term contract inventories are shown as liabilities.

Aerospace program and finished products – Aerospace program work in progress, raw materials, and finished product inventories are valued at the lower of cost or net realizable value. Cost is generally determined using the unit cost method, except for the cost of spare part inventory that is determined using the moving average method. The cost of manufactured inventories comprises all costs that are directly attributable to the manufacturing process, such as materials, direct labour, manufacturing overhead, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs, except for raw materials for which it is determined using replacement cost. The Corporation estimates the net realizable value using both external and internal aircraft valuations, including information developed from the sale of similar aircraft in the secondary market.

Impairment of inventories – Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Retirement and other long-term employee benefits

Retirement benefit plans are classified as either defined benefit plans or defined contribution plans.

Defined benefit plans

Retirement benefit liability or asset recognised on the consolidated statement of financial position is measured at the difference between the present value of the defined benefit obligation and the fair value of plan asset at the reporting date. When the Corporation has a surplus in a defined benefit plan, the value of any plan asset recognized is restricted to the asset ceiling - i.e. the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (“asset ceiling test”). A minimum liability is recorded when legal minimum funding requirements for past services exceed economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. A constructive obligation is recorded as a defined benefit obligation when there is no realistic alternative but to pay employee benefits. Retirement benefit liability or asset includes the effect of any asset ceiling, minimum liability and constructive obligation.

The cost of pension and other benefits earned by employees is actuarially determined for each plan using the projected unit credit method, and management’s best estimate of salary escalation, retirement ages, life expectancy, inflation, discount rates and health care costs. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. These assets are measured at fair value at the end of the reporting period, which is based on published market mid-price information in the case of quoted securities. The discount rates are determined at each reporting date by reference to market yields at the end of the reporting

period on high quality corporate fixed-income investments consistent with the currency and the estimated terms of the related retirement benefit liability.

The remeasurement gains and losses (including the foreign exchange impact) arising on the plan assets and defined benefit obligation and the effect of any asset ceiling and minimum liability are recognized directly in OCI in the period in which they occur and are never reclassified to net income. Past service costs (credits) are recognized directly in income in the period in which they occur.

The accretion on net retirement benefit obligations is included in financing income or financing expense. The remaining components of the benefit cost are either capitalized as part of labour costs and included in inventories and in certain PP&E and intangible assets during their construction, or are recognized directly in income. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Defined contribution plans
Contributions to defined contribution plans are recognized in net income as incurred or are either capitalized as part of labour costs and included in inventories and in certain PP&E and intangible assets during their construction. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Other long-term employee benefits – The accounting method is similar to the method used for defined benefit plans, except that all actuarial gains and losses are recognized immediately in income. Other long-term employee benefits are included in other liabilities.

Property, plant and equipment

PP&E are carried at cost less accumulated amortization and impairment losses. The cost of an item of PP&E includes its purchase price or manufacturing cost, borrowing costs as well as other costs incurred in bringing the asset to its present location and condition. If the cost of certain components of an item of PP&E is significant in relation to the total cost of the item, the total cost is allocated between the various components, which are then separately depreciated over the estimated useful lives of each respective component. The amortization of PP&E is computed on a straight-line basis over the following useful lives:

Buildings	5 to 75 years
Equipment	2 to 15 years
Other	3 to 20 years

The amortization method and useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense and impairments are recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying asset or in special items. Amortization of assets under construction begins when the asset is ready for its intended use.

When a significant part is replaced or a major inspection or overhaul is performed, its cost is recognized in the carrying amount of the PP&E if the recognition criteria are satisfied, and the carrying amount of the replaced part or previous inspection or overhaul is derecognized. All other repair and maintenance costs are charged to income when incurred.

Intangible assets

Internally generated intangible assets include development costs (mostly aircraft prototype design and testing costs) and internally developed or modified application software. These costs are capitalized when certain criteria for deferral such as proven technical feasibility are met. The costs of internally generated intangible assets include the cost of materials, direct labour, manufacturing overheads and borrowing costs.

Acquired intangible assets include the cost of development activities carried out by vendors for which the Corporation controls the underlying output from the usage of the technology, as well as the cost related to externally acquired licences, patents and trademarks.

Intangible assets are recorded at cost less accumulated amortization and impairment losses and include goodwill, aerospace program tooling, as well as other intangible assets such as licenses, patents and trademarks. Other intangible assets are included in other assets.

Amortization of aerospace program tooling begins at the date of completion of the first aircraft of the program. Amortization of other intangibles begins when the asset is ready for its intended use. Amortization expense is recognized as follows:

	Method	Estimated useful life
Aerospace program tooling	Unit of production	Expected number of aircraft to be produced[1]
Other intangible assets		
Licenses, patents and trademarks	Straight-line	3 to 20 years
Other	Straight-line	3 to 5 years

[1] As at December 31, 2015, the remaining number of units to fully amortize the aerospace program tooling, except for aerospace program tooling under development, is expected to be produced over the next six years.

The amortization methods and estimated useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense is recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying assets.

The Corporation does not have indefinite-life intangible assets, other than goodwill. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Borrowing costs

Borrowing costs consist of interest on long-term debt and other costs that the Corporation incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset and are deducted from the financing expense to which they relate. The Corporation suspends the capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset. All other borrowing costs are expensed in the period they occur.

Impairment of PP&E and intangible assets

The Corporation assesses at each reporting date whether there is an indication that a PP&E or intangible asset may be impaired. If any indication exists, the Corporation estimates the recoverable amount of the individual asset, when possible.

When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the CGU level. Most of the Corporation's non-financial assets are tested for impairment at the CGU level. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

- The fair value less costs to sell reflects the amount the Corporation could obtain from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as discounted cash flow models.
- The value in use is calculated using estimated net cash flows, with detailed projections generally over a five-year period and subsequent years being extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

When the recoverable amount is less than the carrying value of the related asset or CGU, the related assets are written down to their recoverable amount and an impairment loss is recognized in net income.

For PP&E and intangible assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the recoverable amount of the asset or CGU. A previously

recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset or CGU to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized to income in the same line item where the original impairment was recognized.

Intangible assets and PP&E not yet available for use and goodwill are reviewed for impairment at least annually or more frequently if circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that the asset or CGU might be impaired. Impairment losses relating to goodwill are not reversed in future periods.

Provisions
Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. These liabilities are presented as provisions when they are of uncertain timing or amount. Provisions are measured at their present value.

Product warranties – A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The interest component associated with product warranties, when applicable, is recorded in financing expense. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of products sold and in service and counter-warranty coverage available from the Corporation's suppliers. Claims for reimbursement from third parties are recorded if their realization is virtually certain. Product warranties typically range from one to five years, except for aircraft structural and bogie warranties that extend up to 20 years.

Credit and residual value guarantees – Credit and residual value guarantees related to the sale of aircraft are recorded at the amount the Corporation expects to pay under these guarantees when the revenue for the related product is recognized. Subsequent to initial recognition, changes in the value of these guarantees are recorded in other expense (income), except for the changes in value arising from a change in interest rates, which are recorded in financing expense or financing income.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing.

Residual value guarantees provide protection, through contractually limited payments, to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value. In most cases, these guarantees are provided as part of a financing arrangement.

Restructuring provisions – Restructuring provisions are recognised only when the Corporation has an actual or a constructive obligation. The Corporation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

Onerous contracts – If it is more likely than not that the unavoidable costs of meeting the obligations under a contract, other than a long-term contract, exceed the economic benefits expected to be received under it, a provision for onerous contracts is recorded in cost of sales, except for the interest component, which is recorded in financing expense. Unavoidable costs include anticipated cost overruns, as well as expected costs associated with late delivery penalties and technological problems. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Termination benefits – Termination benefits are usually paid when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to terminate the employment of current employees. Termination benefits are included in provisions.

Environmental costs – A provision for environmental costs is recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Legal asset retirement obligations and environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in PP&E and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in cost of sales.

Litigation – A provision for litigation is recorded in case of legal actions, governmental investigations or proceedings when it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated.

Share-based payments

Equity-settled share-based payment plans – Equity-settled share-based payments are measured at fair value at the grant date. For the PSUs, DSUs and RSUs, the value of the compensation is measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs, DSUs and RSUs that are expected to vest. For share option plans, the value of the compensation is measured using a Black-Scholes option pricing model. The effect of any change in the number of options, PSUs, DSUs and RSUs that are expected to vest is accounted for in the period in which the estimate is revised. Compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

Cash-settled share-based payments – Cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in income. Limited DSUs and RSUs are cash-settled share-based payments, for which the value of the compensation is measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the DSUs and RSUs that are expected to vest.

Employee share purchase plan – The Corporation's contributions to the employee share purchase plan are measured at cost and accounted for in the same manner as the related employee payroll costs. Compensation expense is recorded at the time of the employee contribution.

3. CHANGES IN ACCOUNTING POLICIES

Employee benefits

In November 2013, the IASB amended IAS 19, *Employee benefits*, in order to simplify the accounting for contributions of defined benefit plans that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment was adopted effective January 1, 2015. The adoption of this amendment had no significant impact on the consolidated financial statements of the Corporation.

4. FUTURE 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, *Financial instruments* 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 at FVTP&L, will be presented in OCI rather than in the statement of income.

IFRS 9 also introduced a new expected-loss impairment model that will require 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 will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Corporation's fiscal year beginning on January 1, 2018, with earlier application permitted. The Corporation is assessing the impact of the adoption of this standard on its consolidated financial statements.

Revenue Recognition
In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenues*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and SIC-31, *Revenue – Barter Transactions Involving Advertising Services***.** 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. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 will be effective for the Corporation's fiscal year beginning on January 1, 2018, with earlier application permitted. The Corporation is assessing the impact of the adoption of this standard on its consolidated financial statements.

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, with earlier application permitted only if the Corporation applies IFRS 15, *Revenue from contracts with customers*. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

5. USE OF ESTIMATES AND JUDGMENT

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

Management's budget and strategic plan cover a five-year period and are fundamental information used as a basis for many estimates necessary to prepare financial information. Management prepares a budget and strategic plan covering a five-year period, on an annual basis, using a process whereby a detailed one-year budget and four-year strategic plan are prepared by each business unit and then consolidated at the reportable segment and Corporation levels. Cash flows and profitability included in the budget and strategic plan are based on existing and future contracts and orders, general market conditions, current cost structures, anticipated cost variations and in-force collective agreements. The budget and strategic plan are subject to approval at various levels, including senior management and the Board of Directors. Management uses the budget and strategic plan, as well as additional projections or assumptions, to derive the expected results for periods thereafter. Management then tracks performance as compared to the budget and strategic plan at various levels within the Corporation. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's most critical estimates and judgments. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Long-term contracts – Transportation conducts most of its business under long-term manufacturing and service contracts and the aerospace segments have some long-term maintenance service contracts, as well as design and development contracts for third parties. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles and component overhaul) and service contracts are recognized using the percentage-of-completion method of accounting. The long-term nature of these contracts requires estimates of total contract costs and revenues at completion.

Estimated revenues at completion are adjusted for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur, and the amount can be measured reliably, they are included in estimated revenues at completion.

Estimated contract costs at completion incorporate forecasts for material usage and costs, including escalation clauses, and labour hours and costs, foreign exchange rates (including the effect of hedges) and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical performance trends, economic trends, collective agreements and contracts signed with suppliers. Management applies judgment to determine the probability that the Corporation will incur additional costs from delays or other penalties and such costs, if probable, are included in estimated costs at completion.

Recognized revenues and margins are subject to revisions as contracts progress towards completion. Management conducts quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis, including a review of escalation assumptions. In addition, a detailed annual review is performed on a

contract-by-contract basis as part of the budget and strategic plan process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

Sensitivity analysis
A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased Transportation's gross margin for fiscal year 2015 by approximately $82 million.

Aerospace program tooling – Aerospace program tooling amortization and the calculation of recoverable amounts used in impairment testing require estimates of the expected number of aircraft to be delivered over the life of each program. The expected number of aircraft is based on management's aircraft market forecasts and the Corporation's expected share of each market. Such estimates are reviewed in detail as part of the budget and strategic plan process. For purposes of impairment testing, management exercises judgment to identify independent cash inflows to identify CGUs by family of aircraft. Other key estimates used to determine the recoverable amount include the applicable discount rate, the expected future cash flows over the remaining life of each program, which include costs to complete the development activities, if any, as well as potential upgrades, and derivatives expected over the life of the program, if any. The estimated cost of potential upgrades and derivatives is based on past experience with previous programs. The expected future cash flows also include future cash flows from aftermarket activities, as well as expected cost savings due to synergies from the perspective of a market participant. The inputs used in the discounted cash flow model are Level 3 inputs (inputs that are not based on observable market data).

The discount rate is based on a weighted average cost of capital calculated using market-based inputs, available directly from financial markets or based on a benchmark sampling of representative publicly-traded companies in the aerospace sector.

The estimated future cash flows for the first five years are based on the strategic plan. After the initial five years, long-range forecasts prepared by management are used. Forecast future cash flows are based on management's risk-adjusted best estimate of future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedule, revenues from related services, procurement costs based on existing contracts with suppliers, future labour costs, general market conditions, foreign exchange rates and applicable income tax rates. The recoverable amounts were established during the fourth quarter of 2015, using a post-tax discount rate of 8.75%.

***C Series* aircraft program**
In October 2015, the Corporation entered into a memorandum of understanding for the *C Series* aircraft program with the Government of Québec. Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the memorandum of understanding, the Corporation performed an impairment test on the *C Series* aircraft program cash generating unit (the "*C Series* aircraft program") which principally consists of capitalized development costs. The Corporation determined that the *C Series* aircraft program carrying amount exceeded its recoverable amount, and accordingly recorded an impairment charge of $3,070 million related to the *C Series* aircraft program aerospace program tooling in the third quarter of 2015. See Note 21 - Intangible assets for more details.

Sensitivity analysis
The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

A 10% decrease in the expected future net cash inflows for the *C Series* program evenly distributed over future periods, would have resulted in an additional impairment charge of approximately $370 million.

An increase of 100-basis points in the discount rate used to perform the impairment test would have resulted in an additional impairment charge of approximately $170 million.

***Learjet 85* aircraft program**
On October 28, 2015, due to the lack of sales following the prolonged market weakness, the Corporation announced the cancellation of the *Learjet 85* aircraft program. As a result, the Corporation recorded an

impairment charge of $919 million related to the remaining *Learjet 85* aircraft development costs. See Note 21 - Intangible assets for more details.

***CRJ1000* aircraft program**
The Corporation performed an impairment test on the *CRJ1000* aircraft program development costs since there were indicators of impairment due to the lack of recent order intake as well as low firm order backlog, mainly stemming from pilot scope clauses in the U.S. which have restricted the use, number and seating capacity of regional aircraft flying on behalf of network carriers. The Corporation determined that the *CRJ1000* aircraft program development costs recoverable amount was negligible and therefore recorded an impairment charge of $243 million related to the remaining balance. Over the near term, we do not anticipate scope clause relaxation in the U.S., during which time, we will not be able to sell the *CRJ1000* aircraft in the U.S. market. See Note 21 - Intangible assets for more details.

***Learjet* family of aircraft**
The Corporation performed an impairment test on the *Learjet* family cash generating unit (the "*Learjet* family") which principally consists of capitalized development costs. The Corporation determined that the *Learjet* family aircraft program carrying amount exceeded its recoverable amount, and accordingly recorded an impairment charge of $53 million related to the remaining *Learjet* family development costs for fiscal year 2015. See Note 21 - Intangible assets for more details.

***Global 7000* and *Global 8000* aircraft program**
Sensitivity analysis
The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

A 10% decrease in the expected future net cash inflows for the *Global 7000* and *Global 8000* aircraft program evenly distributed over future periods, would not have resulted in an impairment charge.

An increase of 100-basis points in the discount rate used to perform the impairment test would not have resulted in an impairment charge.

Goodwill – The recoverable amount of the Transportation operating segment, the group of CGUs at which level goodwill is monitored by management, is based on the higher of fair value less costs to sell and value in use. During the fourth quarter of 2015, the Corporation completed an impairment test. The recoverable amount was calculated based on fair value less costs to sell inferred by the definitive agreement with the CDPQ**.** The fair value measurement is categorized within Level 3 of the fair value hierarchy. The Corporation did not identify any impairment. See Note 40 - Events after the reporting date for more details.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies. See Note 12 - Income taxes for more details.

Tax contingencies – Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Corporation establishes tax provisions for possible consequences of audits by the tax authorities of each country in which it operates. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

Credit and residual value guarantees – The Corporation uses an internal valuation model based on stochastic simulations. The amounts expected to be paid under the guarantees may depend on whether credit defaults occur during the term of the original financing. When a credit default occurs, the credit guarantee may be called upon. In the absence of a credit default the residual value guarantee may be triggered. In both cases, the guarantees can only be called upon if there is a loss upon the sale of the aircraft. Therefore, the value of the guarantee is in large part impacted by the future value of the underlying aircraft, as well as on the likelihood that credit or residual value guarantees will be called upon at the expiry of the financing arrangements. Aircraft residual value curves, prepared by management based on information from external appraisals and adjusted to reflect specific factors of the current aircraft market and a balanced market in the medium and long term, are used to estimate the underlying aircraft future value. The amount of the liability is also significantly impacted by the current market assumption for interest rates since payments under these guarantees are mostly expected to be made in the medium to long term. Other key estimates in calculating the value of the guarantees include default probabilities, estimated based on published credit ratings when available or, when not available, on internal assumptions regarding the credit risk of customers. The estimates are reviewed on a quarterly basis.

Sensitivity analysis
The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

Assuming a decrease of 5% in the residual value curves of all commercial aircraft as at December 31, 2015, Commercial Aircraft's EBIT for 2015 would have been negatively impacted by $15 million.

Assuming an increase of 5% in the likelihood that residual value guarantees will be called upon at the expiry of the financing arrangements as at December 31, 2015, Commercial Aircraft's EBIT for 2015 would have been negatively impacted by $33 million.

Assuming a 100-basis point decrease in interest rates as at December 31, 2015, Commercial Aircraft's EBT for 2015 would have been negatively impacted by $18 million. Assuming a 100-basis point increase in interest rates as at December 31, 2015, Commercial Aircraft's EBT for 2015 would have been positively impacted by $17 million.

Retirement and other long-term employee benefits – The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities. As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium- and long- term maturity bonds, the discount rate for the Corporation's Canadian pension and other post-employment plans is established by constructing a yield curve using four maturity ranges. The first maturity range of the curve is based on observed market rates for AA-rated corporate bonds with maturities of less than six years. In the longer maturity ranges, due to the smaller number of high-quality bonds available, the curve is derived using market observations and extrapolated data. The extrapolated data points were created by adding a term-based yield spread over long-term provincial bond yields. This spread is based on the observed spreads between AA-rated corporate bonds and AA-rated provincial bonds in the last three maturity ranges of the curve.

Expected rates of compensation increases are determined considering the current salary structure, as well as historical and anticipated wage increases, in the context of current economic conditions.

See Note 22 – Retirement benefits for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Consolidation – From time to time, the Corporation participates in structured entities where voting rights are not the dominant factor in determining control. In these situations, management may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether the Corporation is exposed to, or has rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether the Corporation is acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if the Corporation has power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control.

6. SEGMENT DISCLOSURE

Following the reorganization announced in July 2014, the Corporation has adopted a new organizational structure with four reportable segments, effective January 1, 2015: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. The Corporation restated the comparative period to reflect its four reportable segments as described below. Each reportable segment offers different products and services and mostly requires different technology and marketing strategies.

Business Aircraft

A global leader in the design, manufacture and 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 *CRJ700, 900* and *1000* regional jets as well as the clean-sheet *CS100* and *CS300* 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, a global leader in rail technology, offers the broadest portfolio in the rail industry and delivers innovative products and services that set new standards in sustainable mobility.

The segmented information is prepared using the accounting policies described in Note 2 – Summary of significant accounting policies.

The revenue recognition policies of Aerostructures and Engineering Services follow the Corporation's policies for either long-term contracts or aerospace programs depending on the nature of the contracts. Profit on intercompany transactions is eliminated in the consolidated financial statements and corporate charges that were previously allocated to segments are now part of Corporate and Elimination. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which has not significantly impacted period-over-period variances.

Management assesses segment performance based on EBIT and EBIT before special items. The segmented results of operations and other information are as follows, for fiscal years:

						2015
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 8,275**	**$ 6,996**	**$ 2,394**	**$ 507**	**$ —**	**$ 18,172**
Intersegment revenues	**6**	**—**	**1**	**1,290**	**(1,297)**	**—**
Total revenues	**8,281**	**6,996**	**2,395**	**1,797**	**(1,297)**	**18,172**
EBIT before special items	**465**	**308**	**(170)**	**104**	**(153)**	**554**
Special items[1]	**—**	**1,560**	**3,800**	**(1)**	**33**	**5,392**
EBIT	**$ 465**	**$ (1,252)**	**$ (3,970)**	**$ 105**	**$ (186)**	**(4,838)**
Financing expense						**418**
Financing income						**(70)**
EBT						**(5,186)**
Income taxes						**154**
Net loss						**$ (5,340)**
Other information						
R&D[2]	**$ 150**	**$ 129**	**$ 63**	**$ 13**	**$ —**	**$ 355**
Net additions to PP&E and intangible assets[3]	**$ 155**	**$ 722**	**$ 963**	**$ 26**	**$ (4)**	**$ 1,862**
Amortization	**$ 99**	**$ 184**	**$ 104**	**$ 50**	**$ 1**	**$ 438**
Impairment charges on intangible assets[4]	**$ —**	**$ 983**	**$ 3,310**	**$ —**	**$ (3)**	**$ 4,290**
Impairment charges on PP&E[5]	**$ —**	**$ 10**	**$ —**	**$ —**	**$ —**	**$ 10**

						2014
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 9,612	$ 7,200	$ 2,739	$ 560	$ —	$ 20,111
Intersegment revenues	7	—	1	1,359	(1,367)	—
Total revenues	9,619	7,200	2,740	1,919	(1,367)	20,111
EBIT before special items	526	499	(107)	97	(92)	923
Special items[1]	57	1,402	16	14	—	1,489
EBIT	$ 469	$ (903)	$ (123)	$ 83	$ (92)	(566)
Financing expense						249
Financing income						(75)
EBT						(740)
Income taxes						506
Net loss						$ (1,246)
Other information						
R&D[2]	$ 148	$ 105	$ 84	$ 10	$ —	$ 347
Net additions to PP&E and intangible assets[3]	$ 107	$ 1,019	$ 801	$ 38	$ (1)	$ 1,964
Amortization	$ 115	$ 149	$ 102	$ 49	$ 2	$ 417
Impairment charges on intangible assets[4]	$ —	$ 1,266	$ —	$ —	$ —	$ 1,266

[1] See Note 9 – Special items for more details.
[2] Includes tooling amortization. See Note 7 – Research and development for more details.
[3] As per the consolidated statements of cash flows.
[4] See Note 21 – Intangible assets for more details.
[5] See Note 20 – Property, plant and equipment for more details.

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

	December 31, 2015	December 31, 2014	January 1, 2014
Assets			
Total assets	**$ 22,903**	$ 27,614	$ 29,363
Assets not allocated to segments			
Cash and cash equivalents	**2,720**	2,489	3,397
Income tax receivable[1]	**56**	64	27
Deferred income taxes	**761**	875	1,231
Segmented assets	**19,366**	24,186	24,708
Liabilities			
Total liabilities	**26,957**	27,559	26,914
Liabilities not allocated to segments			
Interest payable[2]	**154**	124	116
Income taxes payable[3]	**224**	248	198
Long-term debt[4]	**8,979**	7,683	7,203
Segmented liabilities	**$ 17,600**	$ 19,504	$ 19,397
Net segmented assets			
Transportation	**$ 354**	$ 226	$ 296
Business Aircraft	**$ 395**	$ 440	$ 1,306
Commercial Aircraft	**$ 467**	$ 3,693	$ 3,241
Aerostructures and Engineering Services	**$ 434**	$ 204	$ 221
Corporate and Elimination	**$ 116**	$ 119	$ 247

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

The Corporation's revenues and PP&E and intangible assets are, allocated to countries, as follows:

	Revenues for fiscal years [1]		PP&E and intangible assets as at [2]		
			December 31	December 31	January 1
	2015	2014	**2015**	2014	2014
North America					
United States	**$ 5,599**	$ 5,417	**$ 300**	$ 1,198	$ 2,003
Canada	**1,312**	1,096	**4,009**	5,839	4,746
Mexico	**108**	229	**36**	84	151
	7,019	6,742	**4,345**	7,121	6,900
Europe					
Germany	**1,901**	2,318	**983**	1,092	1,235
United Kingdom	**1,354**	1,691	**1,667**	1,801	1,767
France	**1,118**	1,412	**36**	43	50
Switzerland	**384**	450	**368**	368	398
Other	**2,487**	2,559	**645**	670	803
	7,244	8,430	**3,699**	3,974	4,253
Asia-Pacific					
China	**709**	815	**6**	7	7
Australia	**605**	748	**24**	28	20
India	**259**	171	**21**	24	27
Other	**815**	927	**4**	4	2
	2,388	2,661	**55**	63	56
Other					
Russia	**268**	505	**1**	1	1
Other	**1,253**	1,773	**28**	39	29
	1,521	2,278	**29**	40	30
	$ 18,172	$ 20,111	**$ 8,128**	$ 11,198	$ 11,239

[1] Allocated to countries based on the location of the customer.

[2] PP&E and intangible assets, excluding goodwill, are attributed to countries based on the location of the assets. Goodwill is attributed to countries based on the Corporation's allocation of the related purchase price.

7. RESEARCH AND DEVELOPMENT

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

	2015	2014
R&D expenditures	**$ 1,794**	$ 1,831
Less: development expenditures capitalized to aerospace program tooling	**(1,624)**	(1,656)
	170	175
Add: amortization of aerospace program tooling	**185**	172
	$ 355	$ 347

8. OTHER EXPENSE

Other expense was as follows, for fiscal years:

		2015		2014
Severance and other involuntary termination costs (including changes in estimates)[1]	**$**	**20**	$	4
Changes in estimates and fair value[1][2]		**(4)**		42
Gains on disposals of PP&E and intangible assets		**(3)**		(3)
Other		**(13)**		(5)
	$	**—**	$	38

(1) Excludes those presented in special items.

(2) 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.

9. SPECIAL ITEMS

Special items were as follows, for fiscal years:

		2015		2014
Impairment and other charges - *C Series* aircraft program[1]	**$**	**3,235**	$	—
Impairment and other charges - *Learjet 85* aircraft program[2]		**1,163**		1,357
Changes in estimates and fair value[3]		**353**		—
Impairment charge - *CRJ1000* aircraft program[4]		**243**		—
Write-off of deferred costs[5]		**194**		—
Termination of sales representative and distribution agreements[6]		**133**		—
Impairment charge - *Learjet* family of aircraft[7]		**53**		—
Tax litigation[8]		**50**		—
Loss on repurchase of long-term debt[9]		**22**		43
Restructuring charges[10]		**9**		142
Gain on resolution of a litigation[11]		**—**		(18)
Tax impacts of special items[12]		**106**		273
	$	**5,561**	$	1,797
Of which is presented in				
Special items in EBIT	**$**	**5,392**	$	1,489
Financing expense - loss on financial instruments[3]		**41**		—
Financing expense - loss on repurchase of long-term debt[9]		**22**		43
Financing income - interests related to the resolution of a litigation[11]		**—**		(8)
Income taxes - effect of special items[12]		**106**		273
	$	**5,561**	$	1,797

1. Represents an impairment charge of $3,070 million on aerospace program tooling, and inventory write-downs and other provisions of $165 million, following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the October 2015 memorandum of understanding. See Note 17 - Inventories, Note 21 - Intangible assets and Note 24 - Provisions.
2. Represents an impairment charge of $919 million on aerospace program tooling, and inventory write-downs, write-downs of other assets, PP&E and other intangible assets, other provisions and other financial liabilities of $244 million, as a result of the cancellation of the *Learjet 85* aircraft program due to the lack of sales following the prolonged market weakness, for fiscal year 2015 (an impairment charge of $1,266 million, an inventory write-down and other provisions of $92 million were recorded as a result of the decision to pause the *Learjet 85* aircraft program, for fiscal year 2014). See Note 17 - Inventories, Note 21 - Intangible assets and Note 24 - Provisions.

3. Related to an increase in provisions for credit guarantees and RVGs as a result of changes in assumptions concerning residual value curves of regional aircraft due to difficult market conditions for regional pre-owned aircraft and a higher probability that the guaranteed party will exercise the RVG given the recent experience with respect to RVG and a loss on certain financial instruments due to changes in estimated fair value.
4. Represents an impairment charge of $243 million on the remaining *CRJ1000* aircraft program development costs. The impairment is due to the lack of recent order intake as well as low firm order backlog for the *CRJ1000* aircraft, mainly stemming from pilot scope clauses in the U.S., which have restricted the use, number and seating capacity of regional aircraft flying on behalf of network carriers. Over the near term, we do not anticipate scope clause relaxation in the U.S., during which time, we will not be able to sell the *CRJ1000* aircraft in the U.S. market. See Note 21 - Intangible assets.
5. Mainly related to restructuring of customer commercial agreements.
6. Costs incurred in connection with the termination of third-party sales representative and distribution agreements to increase the number of direct-to-market channels.
7. Represents an impairment charge of $53 million on the remaining *Learjet* family aircraft program tooling following the prolonged market weakness in the light business aircraft category. See Note 21 - Intangible assets.
8. Represents a provision related to tax litigation.
9. Represents the loss related to the redemption of the $750-million Senior Notes for fiscal year 2015 ($43 million represents the loss related to the redemption of the €785-million ($1,093-million) Senior Notes for fiscal year 2014). See Note 27 - Long-term debt for more details.
10. Represents restructuring charges of $13 million related to the workforce reduction announced in January 2015 of approximately 1,000 positions, located mostly in Querétaro, Mexico and Wichita, U.S., as a result of the decision to pause the *Learjet 85* aircraft program, and a reversal of restructuring provisions taken in prior year of $4 million, for fiscal year 2015 (restructuring charges of $155 million and a curtailment gain of $13 million related to the workforce reduction announced in January and July 2014, of which $85 million relates to Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services and $57 million to Transportation, for fiscal year 2014).
11. Represents a gain at Business Aircraft and Commercial Aircraft upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital, of which $8 million represents the interest portion of the gain for fiscal year 2014.
12. Represents net write-downs of deferred income tax assets, mainly due to the reorganization and consolidation of Transportation under one holding entity necessary to facilitate the planned placement of a minority stake in Transportation, for fiscal year 2015. For fiscal year 2014, represents net write-downs of deferred tax assets as a result of changes in estimated future taxable profit following the decision to pause the *Learjet 85* aircraft program. These items have a significant impact on the effective income tax rates.

10. FINANCING EXPENSE AND FINANCING INCOME

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

		2015		2014	
Financing expense					
Net loss on certain financial instruments[1][2]	**$**	**82**	$	21	
Accretion on net retirement benefit obligations		**72**		76	
Accretion on other financial liabilities		**28**		19	
Loss on repurchase of long-term debt[3]		**22**		43	
Amortization of letter of credit facility costs		**20**		16	
Accretion on provisions		**7**		8	
Other		**30**		29	
		261		212	
Interest on long-term debt, after effect of hedges		**157**		37	
	$	**418** [4]	$	249 [4]	
Financing income					
Changes in discount rates of provisions	**$**	**(7)**	$	—	
Interest related to the resolution of a litigation[5]		**—**		(8)	
Other		**(20)**		(17)	
		(27)		(25)	
Interest on loans and lease receivables, after effect of hedges		**(21)**		(27)	
Income from investment in securities		**(15)**		(12)	
Interest on cash and cash equivalents		**(7)**		(11)	
		(43)		(50)	
	$	**(70)** [6]	$	(75) [6]	

[1] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[2] Includes $41 million of special items for fiscal year 2015. See Note 9 – Special items for more details.
[3] Represents the loss related to the redemption of the $750-million Senior Notes, which was recorded as a special item for fiscal year 2015 ($43 million represents the loss related to the redemption of the €785-million ($1,093-million) Senior Notes, which was recorded as a special item for fiscal year 2014).
[4] Of which $192 million represents the interest expense calculated using the effective interest rate method for financial liabilities classified as other than HFT for fiscal year 2015 ($70 million for fiscal year 2014).
[5] Represents the interest portion of a gain of $18 million for fiscal year 2014 upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital. The remaining $10 million of the gain was recorded in EBIT as special items for fiscal year 2014.
[6] Of which $14 million represents the interest income calculated using the effective interest rate method for financial assets classified as L&R for fiscal year 2015 ($9 million for fiscal year 2014).

Borrowing costs capitalized to PP&E and intangible assets totalled $305 million for fiscal year 2015, using an average capitalization rate of 5.31% ($293 million and 4.88% for fiscal year 2014). 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).

11. EMPLOYEE BENEFIT COSTS

Employee benefit costs[1] were as follows, for fiscal years:

	Notes		2015		2014
Wages, salaries and other employee benefits		**$**	**5,411**	$	5,893
Retirement benefits[2]	22		**478**		420
Share-based expense	29		**14**		2
Restructuring, severance and other involuntary termination costs	8, 9		**25**		142
		$	**5,928**	$	6,457

[1] Employee benefit costs include costs capitalized as part of the cost of inventories and other self-constructed assets.
[2] Includes defined benefit and defined contribution plans.

12. INCOME TAXES

Analysis of income tax expense

Details of income tax expense were as follows, for fiscal years:

		2015		2014
Current income taxes	**$**	**91**	$	152
Deferred income taxes		**63**		354
	$	**154**	$	506

The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax expense was as follows, for fiscal years:

		2015		2014	
EBT	**$**	**(5,186)**	$	(740)	
Canadian statutory tax rate		**26.8%**		26.8 %	
Income tax expense (recovery) at statutory rate		**(1,390)**		(198)	
Increase (decrease) resulting from					
Non-recognition of tax benefits related to tax losses and temporary differences		**1,618**		488	
Write-down of deferred income tax assets		**311**		409	
Income tax rates differential of foreign subsidiaries and other investees		**(130)**		(139)	
Recognition of previously unrecognized tax losses or temporary differences		**(284)**		(57)	
Permanent differences		**(49)**		(36)	
Effect of substantively enacted income tax rate changes		**(9)**		—	
Other		**87**		39	
Income tax expense	**$**	**154**	$	506	[1]
Effective tax rate		**(3.0)%**		(68.4)%	

[1] An income tax expense of $106 million was recorded for fiscal year 2015 as a result of the special item in relation to the reorganization and consolidation of Transportation under one holding entity necessary to facilitate the planned placement of a minority stake in Transportation. For fiscal year 2014, an income tax expense of $273 million was recorded as a result of the special item in relation to the decision to pause the *Learjet 85* aircraft program.

The Corporation's applicable Canadian statutory tax rate is the Federal and Provincial combined tax rate applicable in the jurisdiction in which the Corporation operates.

Details of deferred income tax expense were as follows, for fiscal years:

		2015		2014
Non-recognition of tax benefits related to tax losses and temporary differences	**$**	**1,618**	$	488
Origination and reversal of temporary differences		**(1,573)**		(486)
Write-down of deferred income tax assets		**311**		409
Recognition of previously unrecognized tax losses or temporary differences		**(284)**		(57)
Effect of substantively enacted income tax rate changes		**(9)**		—
	$	**63**	$	354

Deferred income taxes

The significant components of the Corporation's deferred income tax asset and liability were as follows, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Asset	**Liability**	Asset	Liability	Asset	Liability
Operating tax losses carried forward	**$ 1,928**	**$ —**	$ 1,919	$ —	$ 1,985	$ —
Retirement benefits	**459**	**—**	609	—	444	—
Advance and progress billings in excess of long-term contract inventories and advances on aerospace programs	**817**	**—**	1,007	—	927	—
Inventories	**469**	**—**	120	—	240	—
Provisions	**596**	**—**	428	—	370	—
Other financial assets and other assets	**(95)**	**—**	(161)	—	(172)	—
PP&E	**(30)**	**—**	(55)	—	(63)	—
Other financial liabilities and other liabilities	**253**	**—**	231	—	155	—
Intangible assets	**(48)**	**—**	(436)	—	(821)	—
Other	**173**	**—**	175	—	167	—
	4,522	**—**	3,837	—	3,232	—
Unrecognized deferred tax assets	**(3,761)**	**—**	(2,962)	—	(2,001)	—
	$ 761	**$ —**	$ 875	$ —	$ 1,231	$ —

The changes in the net deferred income tax asset were as follows for the fiscal years:

	2015	2014
Balance at beginning of year, net	**$ 875**	$ 1,231
In net income	**(63)**	(354)
In OCI		
Retirement benefits	**(11)**	(45)
Cash flow hedges	**(6)**	37
Other[(1)]	**(34)**	6
Balance at end of year, net	**$ 761**	$ 875

(1) Mainly comprises foreign exchange rate effects.

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $12,548 million as at December 31, 2015, of which $1,170 million relates to retirement benefits that will reverse through OCI ($9,688 million as at December 31, 2014 of which $1,718 million relates to retirement benefits that will reverse through OCI and $7,121 million as at January 1, 2014 of which $954 million relates to retirement benefits that will reverse through OCI). Of these amounts, approximately $9,832 million as at December 31, 2015 has no expiration date ($7,383 million as at December 31, 2014 and $6,506 million as at January 1, 2014) and approximately $1,846 million relates to the Corporation's operations in Germany where a minimum income tax is payable on 40% of taxable income ($2,214 million as at December 31, 2014 and $2,066 million as at January 1, 2014) and $476 million relate to the Corporation's operations in France where a minimum income tax is payable on 50% of taxable income ($444 million as at December 31, 2014 and $338 million as at January 1, 2014).

In addition, the Corporation has $1,467 million of unused investment tax credits, most of which can be carried forward for 20 years and $75 million of net capital losses carried forward for which deferred tax assets have not been recognized ($694 million and $80 million as at December 31, 2014 and $517 million and $57 million as at January 1, 2014). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

Net deferred tax assets of $663 million were recognized as at December 31, 2015 ($242 million as at December 31, 2014 and $639 million as at January 1, 2014) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is probable the Corporation will realize the benefits of these deductible differences and operating tax losses carried forward. See Note 5 – Use of estimates and judgment for more information on how the Corporation determines the extent to which deferred income tax assets are recognized.

No deferred tax liabilities have been recognized on undistributed earnings of the Corporation's foreign subsidiaries, joint ventures and associates when they are considered to be indefinitely reinvested, as the Corporation has control or joint control over the dividend policy, unless it is probable that these temporary differences will reverse. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to corporation and/or withholding taxes. Taxable temporary differences for which a deferred tax liability was not recognized amount to approximately $369 million as at December 31, 2015 ($343 million as at December 31, 2014 and $364 million as at January 1, 2014).

13. EARNINGS PER SHARE

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

		2015		2014
(Number of shares, stock options, PSUs, DSUs and RSUs, in thousands)				
Net loss attributable to equity holders of Bombardier Inc.	**$**	**(5,347)**	$	(1,260)
Preferred share dividends, including taxes		**(23)**		(27)
Net loss attributable to common equity holders of Bombardier Inc.	**$**	**(5,370)**	$	(1,287)
Weighted-average number of common shares outstanding		**2,082,683**		1,741,733
EPS (in dollars)				
Basic and diluted	**$**	**(2.58)**	$	(0.74)

The effect of the exercise of stock options, PSUs, DSUs and RSUs was included in the calculation of diluted EPS in the above table, except for 76,722,282 stock options, PSUs, DSUs and RSUs for fiscal year 2015 (50,983,909 stock options, PSUs and DSUs for fiscal year 2014) 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.

14. FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments recognized in income were as follows, for fiscal years:

		2015		2014
Financial instruments measured at amortized cost				
L&R - impairment charges	**$**	**(7)**	$	(5)
Financial instruments measured at fair value				
FVTP&L - changes in fair value				
Designated as FVTP&L				
Financial assets	**$**	**(101)**	$	15
Financial liabilities	**$**	**22**	$	(14)
Required to be classified as HFT				
Derivatives not designated in hedging relationships	**$**	**(70)**	$	(101)
Other[(1)]	**$**	**(26)**	$	(12)

[(1)] Excluding the interest income portion related to cash and cash equivalents of $7 million for the fiscal year 2015 ($11 million for fiscal year 2014).

Carrying amounts and fair value of financial instruments

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

	FVTP&L						
	HFT	Designated	AFS	Amortized cost [1]	DDHR	Total carrying value	Fair value
December 31, 2015							
Financial assets							
Cash and cash equivalents	**$ 2,720**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 2,720**	**$ 2,720**
Trade and other receivables	**—**	**—**	**—**	**1,473**	**—**	**1,473**	**1,473**
Other financial assets	**13**	**230**	**348**	**380**	**349**	**1,320**	**1,326**
	$ 2,733	**$ 230**	**$ 348**	**$ 1,853**	**$ 349**	**$ 5,513**	**$ 5,519**
Financial liabilities							
Trade and other payables	**$ —**	**$ 1**	**n/a**	**$ 4,039**	**$ —**	**$ 4,040**	**$ 4,040**
Long-term debt[2]	**—**	**—**	**n/a**	**8,979**	**—**	**8,979**	**6,767**
Other financial liabilities	**41**	**135**	**n/a**	**702**	**661**	**1,539**	**1,426**
	$ 41	**$ 136**	**n/a**	**$ 13,720**	**$ 661**	**$ 14,558**	**$ 12,233**
December 31, 2014							
Financial assets							
Cash and cash equivalents	$ 2,489	$ —	$ —	$ —	$ —	$ 2,489	$ 2,489
Trade and other receivables	—	—	—	1,538	—	1,538	1,538
Other financial assets	43	578	330	422	485	1,858	1,869
	$ 2,532	$ 578	$ 330	$ 1,960	$ 485	$ 5,885	$ 5,896
Financial liabilities							
Trade and other payables	$ —	$ 18	n/a	$ 4,198	$ —	$ 4,216	$ 4,216
Long-term debt[2]	—	—	n/a	7,683	—	7,683	7,692
Other financial liabilities	73	172	n/a	719	592	1,556	1,655
	$ 73	$ 190	n/a	$ 12,600	$ 592	$ 13,455	$ 13,563
January 1, 2014							
Financial assets							
Cash and cash equivalents	$ 3,397	$ —	$ —	$ —	$ —	$ 3,397	$ 3,397
Trade and other receivables	—	—	—	1,492	—	1,492	1,492
Other financial assets	129	673	315	425	663	2,205	2,203
	$ 3,526	$ 673	$ 315	$ 1,917	$ 663	$ 7,094	$ 7,092
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 4,089	$ —	$ 4,089	$ 4,089
Long-term debt[2]	—	—	n/a	7,203	—	7,203	7,346
Other financial liabilities	25	142	n/a	958	386	1,511	1,656
	$ 25	$ 142	n/a	$ 12,250	$ 386	$ 12,803	$ 13,091

[1] Financial assets are classified as L&R and financial liabilities as other than HFT.

[2] Includes the current portion of long-term debt.

n/a: Not applicable

Offsetting financial assets and financial liabilities

The Corporation is subject to enforceable master netting agreements related mainly to its derivative financial instruments and cash and cash equivalents which contain a right of set-off in case of default, insolvency or bankruptcy. The amounts that are subject to the enforceable master netting agreements, but which do not meet some or all of the offsetting criteria, are as follows as at:

Description of recognized financial assets and liabilities	Amount recognized in the financial statements	Amounts subject to master netting agreements	Net amount not subject to master netting agreements
December 31, 2015			
Derivative financial instruments - assets	**$ 362**	**$ (216)**	**$ 146**
Derivative financial instruments - liabilities	**$ (702)**	**$ 455**	**$ (247)**
Cash and cash equivalents	**$ 2,720**	**$ (239)**	**$ 2,481**
December 31, 2014			
Derivative financial instruments - assets	$ 528	$ (271)	$ 257
Derivative financial instruments - liabilities	$ (665)	$ 344	$ (321)
Cash and cash equivalents	$ 2,489	$ (73)	$ 2,416

Derivatives and hedging activities

The carrying amounts of all derivative and non-derivative financial instruments in a hedge relationship were as follows, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments designated as fair value hedges						
Cross-currency interest-rate swaps	**$ —**	**$ —**	$ —	$ —	$ 36	$ —
Interest-rate swaps	**93**	**—**	226	—	296	67
	93	**—**	226	—	332	67
Derivative financial instruments designated as cash flow hedges[1]						
Forward foreign exchange contracts	**256**	**661**	259	592	331	319
Derivative financial instruments classified as HFT[2]						
Forward foreign exchange contracts	**13**	**41**	29	72	27	22
Interest-rate swaps	**—**	**—**	—	1	—	2
Embedded derivative financial instruments						
Foreign exchange	**—**	**—**	—	—	1	1
Call options on long-term debt	**—**	**—**	14	—	101	—
	13	**41**	43	73	129	25
Total derivative financial instruments	**$ 362**	**$ 702**	$ 528	$ 665	$ 792	$ 411
Non-derivative financial instruments designated as hedges of net investment						
Long-term debt	**$ —**	**$ —**	$ —	$ 23	$ —	$ 517

(1) The maximum length of time of derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 23 months as at December 31, 2015.

(2) Held as economic hedges, except for embedded derivative financial instruments.

The net losses on hedging instruments designated in fair value hedge relationships and net gains on the related hedged items attributable to the hedged risk recognized in financing expense, amounted to $46 million and $50 million respectively for fiscal year 2015 (net gains of $173 million and net losses of $168 million respectively for fiscal year 2014).

The methods and assumptions used to measure the fair value of financial instruments are described in Note 34 – Fair value of financial instruments.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Cash	**$ 1,235**	$ 997	$ 1,475
Cash equivalents			
Term deposits	**746**	796	762
Money market funds	**739**	696	1,160
Cash and cash equivalents	**$ 2,720**	$ 2,489	$ 3,397

See Note 31 – Credit facilities for details on covenants related to cash and cash equivalents.

16. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

			Past due but not impaired [3]		
	Total	Not past due	less than 90 days	more than 90 days	Impaired [4]
December 31, 2015[1][2]					
Trade receivables, gross	**$ 1,372**	**$ 908**	**$ 263**	**$ 72**	**$ 129**
Allowance for doubtful accounts	**(36)**	**—**	**—**	**—**	**(36)**
	1,336	**$ 908**	**$ 263**	**$ 72**	**$ 93**
Other	**137**				
Total	**$ 1,473**				
December 31, 2014[1][2]					
Trade receivables, gross	$ 1,453	$ 717	$ 238	$ 381	$ 117
Allowance for doubtful accounts	(39)	—	—	—	(39)
	1,414	$ 717	$ 238	$ 381	$ 78
Other	124				
Total	$ 1,538				
January 1, 2014[1][2]					
Trade receivables, gross	$ 1,430	$ 796	$ 194	$ 359	$ 81
Allowance for doubtful accounts	(44)	—	—	—	(44)
	1,386	$ 796	$ 194	$ 359	$ 37
Other	106				
Total	$ 1,492				

(1) Of which $390 million and $452 million are denominated in euros and other foreign currencies, respectively, as at December 31, 2015 ($355 million and $475 million, respectively, as at December 31, 2014 and $465 million and $411 million, respectively, as at January 1, 2014).

(2) Of which $233 million represents customer retentions relating to long-term contracts as at December 31, 2015 based on normal terms and conditions ($419 million as at December 31, 2014 and $392 million as at January 1, 2014).

(3) Of which $243 million of trade receivables relates to Transportation long-term contracts as at December 31, 2015, of which $69 million were more than 90 days past due ($525 million as at December 31, 2014, of which $376 million were more than 90 days past due and $509 million as at January 1, 2014, of which $353 million were more than 90 days past due). Transportation assesses whether these receivables are collectible as part of its risk management practices applicable to long-term contracts as a whole.

(4) Of which a gross amount of $66 million of trade receivables are individually impaired as at December 31, 2015 ($71 million as at December 31, 2014 and $73 million as at January 1, 2014).

The factors that the Corporation considers to classify trade receivables as impaired are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears. Further information on financial risk is provided in Note 33 – Financial risk management.

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows, for fiscal years:

		2015		2014
Balance at beginning of year	**$**	**(39)**	$	(44)
Provision for doubtful accounts		**(7)**		(5)
Amounts written-off		**6**		(1)
Recoveries		**1**		8
Effect of foreign currency exchange rate changes		**3**		3
Balance at end of year	**$**	**(36)**	$	(39)

Off-balance sheet factoring facilities

In the normal course of its business, Transportation has factoring facilities in Europe to which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €871 million ($948 million) were outstanding under such facilities as at December 31, 2015 (€974 million ($1,183 million) as at December 31, 2014 and €1,084 million ($1,495 million) as at January 1, 2014). Trade receivables of €1,293 million ($1,435 million) were sold to these facilities during fiscal year 2015 (€1,287 million ($1,712 million) during fiscal year 2014).

17. INVENTORIES

Inventories were as follows, as at:

		December 31, 2015		December 31, 2014		January 1, 2014
Aerospace programs	**$**	**4,215**	$	4,600	$	4,847
Long-term contracts						
Production contracts						
Cost incurred and recorded margins		**7,064**		7,369		7,064
Less: advances and progress billings		**(5,490)**		(5,558)		(5,406)
		1,574		1,811		1,658
Service contracts						
Cost incurred and recorded margins		**223**		310		420
Less: advances and progress billings		**(17)**		(17)		(19)
		206		293		401
Finished products[(1)]		**983**		1,266		1,328
	$	**6,978**	$	7,970	$	8,234

(1) Finished products include 4 new aircraft not associated with a firm order and 54 pre-owned aircraft, totalling $279 million as at December 31, 2015 (1 new aircraft and 57 pre-owned aircraft, totaling $485 million as at December 31, 2014 and 11 new aircraft and 43 pre-owned aircraft, totalling $535 million as at January 1, 2014).

Finished products as at December 31, 2015 include $81 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($248 million as at December 31, 2014 and $134 million as at January 1, 2014). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $15,232 million for fiscal year 2015 ($16,616 million for fiscal year 2014). These amounts include $372 million of write-downs for fiscal year 2015 ($193 million for fiscal year 2014). An additional write-down of $57 million is recognized in special items for fiscal year 2015. See Note 9 – Special items for more details.

Under certain contracts, title to inventories is vested to the customer as the work is performed, in accordance with contractual arrangements and industry practice. In addition, in the normal course of business, the Corporation provides performance bonds, bank guarantees and other forms of guarantees to customers, mainly in Transportation, as security for advances received from customers pending performance under certain contracts. In accordance with industry practice, the Corporation remains liable to the purchasers for the usual contractor's obligations relating to contract completion in accordance with predetermined specifications, timely delivery and product performance.

Advances and progress billings received on long-term contracts in progress were $6,916 million as at December 31, 2015 ($7,273 million as at December 31, 2014 and $7,777 million as at January 1, 2014). Revenues include revenues from Transportation long-term contracts, which amounted to $6,208 million for fiscal year 2015 ($7,366 million for fiscal year 2014).

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) inventories and amounted to €334 million ($364 million) as at December 31, 2015. 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.

18. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Derivative financial instruments[1]	**$ 362**	$ 528	$ 792
Investments in securities[2][3]	**359**	346	335
Long-term contract receivables	**298**	321	319
Investments in financing structures[2]	**197**	360	331
Aircraft loans and lease receivables[2][4]	**81**	275	400
Restricted cash	**11**	17	19
Other	**12**	11	9
	$ 1,320	$ 1,858	$ 2,205
Of which current	**$ 450**	$ 530	$ 637
Of which non-current	**870**	1,328	1,568
	$ 1,320	$ 1,858	$ 2,205

(1) See Note 14 – Financial instruments.

(2) Carried at fair value, except for $2 million of aircraft loans and lease receivables, $11 million of investments in securities and $46 million of investment in financing structures carried at amortized cost as at December 31, 2015 ($12 million, $16 million and $45 million, respectively, as at December 31, 2014 and $12 million, $20 million and $46 million, respectively, as at January 1, 2014).

(3) Includes $80 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 December 31, 2015 ($70 million as at December 31, 2014 and January 1, 2014).

(4) Financing with three airlines represents 64% of the total aircraft loans and lease receivables as at December 31, 2015 (three airlines represented 64% as at December 31, 2014 and four airlines represented 59% as at January 1, 2014). Aircraft loans and lease receivables are generally collateralized by the related assets. The value of the collateral is closely related to commercial airline industry performance and aircraft-specific factors (age, type-variant and seating capacity), as well as other factors.

19. OTHER ASSETS

Other assets were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Prepaid expenses and deferred costs[1]	**$ 414**	$ 760	$ 620
Sales tax and other taxes	**300**	302	344
Retirement benefits[2]	**251**	159	174
Deferred financing charges	**173**	138	100
Intangible assets other than aerospace program tooling and goodwill[3]	**114**	156	186
Other	**29**	33	9
	$ 1,281	$ 1,548	$ 1,433
Of which current	**$ 484**	$ 592	$ 626
Of which non-current	**797**	956	807
	$ 1,281	$ 1,548	$ 1,433

(1) See Note 9 – Special items.

(2) See Note 22 – Retirement benefits.

(3) See Note 21 – Intangible assets.

20. PROPERTY, PLANT AND EQUIPMENT

PP&E were as follows, as at:

	Land	Buildings	Equipment	Construction in progress	Other	Total
Cost						
Balance as at December 31, 2014	**$ 91**	**$ 2,413**	**$ 1,347**	**$ 171**	**$ 422**	**$ 4,444**
Additions	**3**	**25**	**61**	**139**	**45**	**273**
Disposals	**(2)**	**(11)**	**(52)**	**—**	**(59)**	**(124)**
Transfers	**—**	**70**	**77**	**(148)**	**1**	**—**
Effect of foreign currency exchange rate changes	**(5)**	**(88)**	**(15)**	**(7)**	**(3)**	**(118)**
Balance as at December 31, 2015	**$ 87**	**$ 2,409**	**$ 1,418**	**$ 155**	**$ 406**	**$ 4,475**
Accumulated amortization and impairment						
Balance as at December 31, 2014	**$ —**	**$ (1,212)**	**$ (864)**	**$ —**	**$ (276)**	**$ (2,352)**
Amortization	**—**	**(75)**	**(108)**	**—**	**(25)**	**(208)**
Impairment	**—**	**—**	**(10)**	**—**	**—**	**(10)**
Disposals	**—**	**11**	**49**	**—**	**41**	**101**
Effect of foreign currency exchange rate changes	**—**	**60**	**(2)**	**—**	**(3)**	**55**
Balance as at December 31, 2015	**$ —**	**$ (1,216)**	**$ (935)**	**$ —**	**$ (263)**	**$ (2,414)**
Net carrying value	**$ 87**	**$ 1,193**	**$ 483**	**$ 155**	**$ 143**	**$ 2,061**

	Land	Buildings	Equipment	Construction in progress	Other	Total
Cost						
Balance as at January 1, 2014	$ 98	$ 2,218	$ 1,287	$ 356	$ 429	$ 4,388
Additions	—	41	45	228	2	316
Disposals	—	(5)	(81)	—	(12)	(98)
Transfers	—	279	124	(407)	4	—
Effect of foreign currency exchange rate changes	(7)	(120)	(28)	(6)	(1)	(162)
Balance as at December 31, 2014	$ 91	$ 2,413	$ 1,347	$ 171	$ 422	$ 4,444
Accumulated amortization and impairment						
Balance as at January 1, 2014	$ —	$ (1,232)	$ (825)	$ —	$ (265)	$ (2,322)
Amortization	—	(65)	(107)	—	(17)	(189)
Disposals	—	4	66	—	10	80
Effect of foreign currency exchange rate changes	—	81	2	—	(4)	79
Balance as at December 31, 2014	$ —	$ (1,212)	$ (864)	$ —	$ (276)	$ (2,352)
Net carrying value	$ 91	$ 1,201	$ 483	$ 171	$ 146	$ 2,092

Included in the table are assets under finance lease where the Corporation is the lessee, presented in Other, with cost and accumulated amortization amounting to $245 million and $105 million, respectively, as at December 31, 2015 ($243 million and $91 million, respectively, as at December 31, 2014 and $195 million and $83 million, respectively, as at January 1, 2014).

Also included in the table are aircraft under operating leases where the Corporation is the lessor, presented in Other, with a cost and accumulated amortization amounting to $46 million and $11 million, respectively, as at December 31, 2015 ($35 million and $14 million, respectively, as at December 31, 2014 and $40 million and $12 million, respectively, as at January 1, 2014). Rental income from operating leases and amortization of assets under operating leases amounted to $6 million and $16 million, respectively, for fiscal year 2015 ($5 million and $2 million, respectively, for fiscal year 2014).

21. INTANGIBLE ASSETS

Intangible assets were as follows, as at:

	Aerospace program tooling			Goodwill	Other [1][2]	Total
	Acquired	Internally generated	Total [3]			
Cost						
Balance as at December 31, 2014	**$ 1,639**	**$ 9,923**	**$ 11,562**	**$ 2,127**	**$ 714**	**$ 14,403**
Additions	**225**	**1,399**	**1,624**	**—**	**20**	**1,644**
Disposals	**—**	**(2)**	**(2)**	**—**	**(14)**	**(16)**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**(149)**	**(37)**	**(186)**
Balance as at December 31, 2015	**$ 1,864**	**$ 11,320**	**$ 13,184**	**$ 1,978**	**$ 683**	**$ 15,845**
Accumulated amortization and impairment						
Balance as at December 31, 2014	**$ (700)**	**$ (4,039)**	**$ (4,739)**	**$ —**	**$ (558)**	**$ (5,297)**
Amortization	**(25)**	**(160)**	**(185)**	**—**	**(45)**	**(230)**
Impairment	**(835)**	**(3,450)**	**(4,285)**	**—**	**(5)**	**(4,290)**
Disposals	**—**	**—**	**—**	**—**	**8**	**8**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**31**	**31**
Balance as at December 31, 2015	**$ (1,560)**	**$ (7,649)**	**$ (9,209)**	**$ —**	**$ (569)**	**$ (9,778)**
Net carrying value	**$ 304**	**$ 3,671**	**$ 3,975**	**$ 1,978**	**$ 114**	**$ 6,067**

	Aerospace program tooling			Goodwill	Other [1][2]	Total
	Acquired	Internally generated	Total [3]			
Cost						
Balance as at January 1, 2014	$ 1,404	$ 8,503	$ 9,907	$ 2,381	$ 739	$ 13,027
Additions	235	1,421	1,656	11	33	1,700
Disposals	—	(1)	(1)	—	(10)	(11)
Effect of foreign currency exchange rate changes	—	—	—	(265)	(48)	(313)
Balance as at December 31, 2014	$ 1,639	$ 9,923	$ 11,562	$ 2,127	$ 714	$ 14,403
Accumulated amortization and impairment						
Balance as at January 1, 2014	$ (620)	$ (2,681)	$ (3,301)	$ —	$ (553)	$ (3,854)
Amortization	(11)	(161)	(172)	—	(56)	(228)
Impairment	(69)	(1,197)	(1,266)	—	—	(1,266)
Disposals	—	—	—	—	10	10
Effect of foreign currency exchange rate changes	—	—	—	—	41	41
Balance as at December 31, 2014	$ (700)	$ (4,039)	$ (4,739)	$ —	$ (558)	$ (5,297)
Net carrying value	$ 939	$ 5,884	$ 6,823	$ 2,127	$ 156	$ 9,106

[1] Presented in Note 19 – Other assets.

[2] Includes internally generated intangible assets with a cost and accumulated amortization of $365 million and $278 million, respectively, as at December 31, 2015 ($367 million and $254 million, respectively, as at December 31, 2014 and $359 million and $243 million, respectively, as at January 1, 2014).

[3] Includes intangible assets under development with a cost of $3,622 million as at December 31, 2015 ($6,126 million as at December 31, 2014 and $5,923 million as at January 1, 2014).

Aerospace program tooling

The net carrying value of aerospace program tooling comprises $1,914 million for commercial aircraft, $2,041 million for business aircraft and $20 million for aerostructure and engineering services, respectively, as at December 31, 2015 ($4,347 million, $2,470 million and $9 million, respectively, as at December 31, 2014 and $3,738 million, $2,865 million and $5 million, respectively, as at January 1, 2014).

***C Series* aircraft program**
In October 2015, the Corporation entered into a memorandum of understanding for the *C Series* aircraft program with the Government of Québec. Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the memorandum of understanding, the Corporation performed an impairment test on the *C Series* aircraft program cash generating unit (the "*C Series* aircraft program") which principally consists of capitalized development costs. The Corporation determined that the *C Series* aircraft program carrying amount exceeded its recoverable amount, and accordingly recorded an impairment charge of $3,070 million, in special items, related to the *C Series* aircraft program development costs in fiscal year 2015. After the impairment charge, the remaining balance of the *C Series* aerospace program tooling is $1,850 million as at December 31, 2015.

***Learjet 85* aircraft program**
On October 28, 2015, due to the lack of sales following the prolonged market weakness, the Corporation announced the cancellation of the *Learjet 85* aircraft program. As a result, the Corporation recorded an impairment charge on the remaining $919 million of aerospace program tooling related to the *Learjet 85* aircraft program development costs and $5 million on other intangibles, in special items, in fiscal year 2015.

On January 15, 2015 the Corporation announced its decision to pause the *Learjet 85* aircraft program. The pause followed a downward revision of Bombardier's business aircraft market forecast, primarily due the continued weakness of the light aircraft category since the economic downturn. As a result, the Corporation performed an impairment test on the *Learjet 85* cash generating unit (the "*Learjet 85* aircraft program") which principally consisted of capitalized development costs. The Corporation determined that the *Learjet 85* aircraft program carrying amount exceeded its recoverable amount, and accordingly recorded an impairment charge of $1,266 million, in special items, related to the *Learjet 85* aircraft development costs in fiscal year 2014.

***CRJ1000* aircraft program**
The Corporation performed an impairment test on the *CRJ1000* aircraft program development costs since there were indicators of impairment due to the lack of recent order intake as well as low firm order backlog. The Corporation determined that the *CRJ1000* aircraft program development costs recoverable amount was negligible and therefore recorded an impairment charge of $243 million, in special items, related to the remaining balance.

***Learjet* family of aircraft**
The Corporation performed an impairment test on the *Learjet* family cash generating unit (the "*Learjet* family") which principally consists of capitalized development costs. The Corporation determined that the *Learjet* family carrying amount exceeded its recoverable amount, and accordingly recorded an impairment charge of $53 million, in special items, related to the *Learjet* family development costs in fiscal year 2015. The impairment is following the prolonged market weakness in the light business aircraft category. After the impairment charge, the remaining balance of the *Learjet* family aerospace program tooling is nil.

Recoverable amount
The recoverable amounts of all aerospace assets or CGUs were based on fair value less costs of disposal. The fair value measurements are categorized within Level 3 of the fair value hierarchy. The estimate of the fair value less costs of disposal was determined using forecasted cash flows using probability-based long-range forecasts prepared by management and a post-tax discount rate of 8.75% based on a benchmark sampling of publicly traded companies in the aerospace sector.

Additional information related to the Corporation's impairment testing methodology for aerospace program tooling is included in Note 5 - Use of estimates and judgment.

Goodwill
Goodwill is related to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. Goodwill is monitored by management at the Transportation operating segment level. During the fourth quarter of fiscal year 2015, the Corporation completed an impairment test. The Corporation did not identify any impairment. See Note 5 – Use of estimates and judgment for more details.

22. RETIREMENT BENEFITS

The Corporation sponsors several funded and unfunded defined benefit pension plans as well as defined contribution pension plans in Canada and abroad, covering a majority of its employees. The Corporation also provides other unfunded defined benefit plans, covering certain groups of employees mainly in Canada and the U.S.

Pension plans are categorized as defined benefit ("DB") or defined contribution ("DC"). DB plans specify the amount of benefits an employee is to receive at retirement, while DC plans specify how contributions are determined. As a result, there is no deficit or surplus for DC plans. Hybrid plans are a combination of DB and DC plans.

Funded plans are plans for which segregated plan assets are invested in trust. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice.

FUNDED DB PLANS

The Corporation's major DB plans reside in Canada, the U.K. and the U.S., therefore very significant portions of the DB pension plan assets and benefit obligation are located in those countries. The following text focuses mainly on plans registered in these three countries.

Governance

Under applicable pension legislations, the administrator of each plan is either the Corporation, in the case of U.S. plans and Canadian plans registered outside of Québec, or a pension committee, board of trustees or corporate trustee in the case of plans registered in Québec and the U.K.

Plan administrators are responsible for the management of plan assets and the establishment of investment policies, which define, for each plan, investment objectives, target asset allocation, risk mitigation strategies, and other elements required by pension legislation.

Plan assets are pooled in three common investment funds (CIFs) for Canadian, U.K. and U.S. plans, respectively, in order to achieve economies of scale and greater efficiency, diversification and liquidity. The CIFs are broken down by sub-funds or asset classes in order to allow each plan to have its own asset allocation given its associated pension obligation liability profile.

The management of the CIFs has been delegated to three (Canadian, U.K. and U.S.) investment committees (ICs). The ICs are responsible for allocating assets among various sub-funds and asset classes in accordance with each plan's investment policy. They are also responsible for hiring, monitoring and terminating investment managers and have established a multi-manager structure for each sub-fund and asset class. They are supported by Bombardier Inc. Pension Asset Management Services, who oversee the management of the plans' assets and of the CIFs on a daily basis. Daily administration of the plans is delegated to either Bombardier Inc. or to external pension administration service providers. The administrators, the ICs and Bombardier Inc. also rely on the expertise of external legal advisors, actuaries, auditors and investment consultants.

Benefit Policy

DB plan benefits are based on salary and years of service. In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (i.e. they no longer have the option of joining DB or hybrid plans). Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan.

In the U.K., seven out of nine DB plans are closed to new members. New employees join DC plans. Pension entitlements are indexed to inflation according to pension legislation and plan rules.

Funding requirements

Actuarial valuations are conducted by independent firms hired by the Corporation or the administrators, as required by pension legislation. The purpose of the valuations is to determine the plans' financial position and the annual contributions to be made by the Corporation to fund both benefits accruing in the year (normal cost) and deficits accumulated over prior years. Minimum funding requirements are set out by applicable pension legislations.

Pension plans in Canada are governed under the Supplemental Pension Plans Act in Québec, the Pension Benefits Act in Ontario, the Pension Benefits Standards Act of 1985 for plans under federal authority, and the Income Tax Act. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. Contributions are determined by the appointed actuary and cover the going-concern normal costs and deficits (established under the assumption that the plan will continue to be in force) or solvency deficits (established under the assumption that the plan stops its operations and is being liquidated), as prescribed by laws and actuarial practices. Under the laws in effect, minimum contributions are required to amortize the going-concern deficits over a period of fifteen years and solvency deficits over a period of five years. Temporary solvency relief measures put in place to mitigate the adverse effects of the 2008 financial crisis allow for the amortization of solvency deficits over a period of up to ten years.

Pension plans in the U.S. are mainly governed under the Employee Retirement Income Security Act, the Internal Revenue Code, the Pension Protection Act of 2006 and the Highway and Transportation Funding Act. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover normal cost and deficits as prescribed by law. Funding deficits are generally amortized over a period of seven years.

Pension plans in the U.K. are governed under the Pensions Act of 2004. Actuarial valuations are required at least every three years. The funding deficit amortization period is determined jointly by the administrators and the Corporation.

Investment Policy

The investment policies are established to achieve a long-term investment return so that, in conjunction with contributions, the plans have sufficient assets to pay for the promised benefits while maintaining a level of risk that is acceptable given the tolerance of plan stakeholders. See below for more information about risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk.

The plans' investment strategy is to invest broadly in fixed income and equity securities and to have a smaller portion of the funds' assets invested in real return asset securities (global infrastructure and real estate listed securities).

As at December 31, 2015, the average target asset allocation was as follows:

- 52%, 50% and 51% in fixed income securities, for Canadian, U.K. and U.S. plans, respectively;
- 38%, 35% and 44% in equity securities, for Canadian, U.K. and U.S. plans, respectively; and
- 10%, 15% and 5% in real return asset securities, for Canadian, U.K. and U.S. plans, respectively.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term Gilt forwards) were implemented in 2013 for most of the plans. The interest rate hedging overlay portfolios were liquidated in 2014 to crystallize the gains realized from declining bond yields. These portfolios will be re-implemented when the market will be favorable.

The plan administrators have also established dynamic de-risking strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve. Bombardier Inc. Pension Asset Management Services monitors the de-risking triggers on a daily basis to ensure timely and efficient implementation of these strategies. The Corporation and administrators periodically undertake asset and liability studies to determine the appropriateness of the investment policies and de-risking strategies.

Risk management initiatives

The Corporation's pension plans are exposed to various risks, including equity, interest rate, inflation, foreign exchange, liquidity and longevity risks. Several risk management strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of DB plans and on the future level of contributions by the Corporation. The following is a description of key risks together with the mitigation measures in place to address them.

Equity risk
Equity risk results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

Interest rate risk
Interest rate risk results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation. This is accomplished by having a portion of the portfolio invested in long-term fixed income securities and interest rate hedging overlay portfolios.

Inflation risk
Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the benefit indexation has been capped in certain plans and a portion of plan assets has been invested in real return fixed income securities and real return asset securities.

Foreign exchange risk
Currency risk exposure arises from fluctuations in the fair value of plan assets denominated in a currency other than the currency of the plan liabilities. Currency risk is managed with foreign currency hedging strategies as per plan investment policies.

Liquidity risk
Liquidity risk stems from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investments in treasury bills, government bonds and equity futures and by having no investments in private placements or hedge funds.

Longevity risk
Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality and mortality improvement tables to set the level of contributions.

UNFUNDED DB PLANS

Unfunded plans are located in countries where the establishment of funds for segregated plan assets is generally not permitted or not in line with local practice. The Corporation's main unfunded DB plans are located in Germany. Nearly half of the German unfunded DB plan liability relates to plans for which benefits no longer accrue. The Corporation contributes annually to the Pensions-Sicherungs-Verein, Germany's pension protection association, which provides protection for pension benefits up to certain limits in the event that plan sponsors become insolvent.

DC PLANS

A growing proportion of employees are participating in DC plans and, as a result, contributions to DC plans have increased over the past several years. The largest DC plans are located in Canada and in the U.S. The plan administrators and ICs oversee the management of DC plan assets.

OTHER PLANS

The Corporation also provides other unfunded defined benefit plans, consisting essentially of post-retirement healthcare coverage, life insurance benefits and retirement allowances. The Corporation provides post-retirement life insurance and post-retirement health care, with provisions that vary between groups of employees in Canada. New non-unionized hires are generally no longer offered post-retirement health care.

RETIREMENT BENEFITS PLANS

The following table provides the components of the retirement benefit cost, for fiscal years:

	2015			2014		
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Current service cost	**$ 302**	**$ 7**	**$ 309**	$ 273	$ 7	$ 280
Accretion expense	**60**	**12**	**72**	61	15	76
Past service cost (credit)	**25**	**—**	**25**	(2)	(3)	(5)
Curtailment	**(4)**	**—**	**(4)**	(22)	1	(21)
Settlement	**(3)**	**—**	**(3)**	(2)	—	(2)
Other	**1**	**—**	**1**	2	—	2
DB plans	**381**	**19**	**400**	310	20	330
DC plans	**78**	**—**	**78**	90	—	90
Total retirement benefit cost	**$ 459**	**$ 19**	**$ 478**	$ 400	$ 20	$ 420
Related to						
Funded DB plans	**$ 340**	**n/a**	**$ 340**	$ 264	n/a	$ 264
Unfunded DB plans	**$ 41**	**$ 19**	**$ 60**	$ 46	$ 20	$ 66
DC plans	**$ 78**	**n/a**	**$ 78**	$ 90	n/a	$ 90
Recorded as follows						
EBIT expense or capitalized cost	**$ 399**	**$ 7**	**$ 406**	$ 339	$ 5	$ 344
Financing expense	**$ 60**	**$ 12**	**$ 72**	$ 61	$ 15	$ 76

n/a: Not applicable

Changes in the cumulative amount of remeasurements gains (losses) of defined benefit plans recognized in OCI, and presented as a separate component of deficit, were as follows, for fiscal years:

Gains (losses)	
Balance as at January 1, 2014	$ (1,970)
Impact of asset ceiling	28
Actuarial losses, net	(767)
Effect of exchange rate changes	93
Income taxes	(45)
Balance as at December 31, 2014	(2,661)
Actuarial gains, net	407
Effect of exchange rate changes	185
Income taxes	(11)
Balance as at December 31, 2015	**$ (2,080)**

The following tables present the changes in the defined benefit obligation and fair value of pension plan assets, for fiscal years:

	2015			2014		
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Change in benefit obligation						
Obligation at beginning of year	**$ 10,963**	**$ 327**	**$ 11,290**	$ 9,955	$ 335	$ 10,290
Accretion	**378**	**12**	**390**	444	15	459
Current service cost	**302**	**7**	**309**	273	7	280
Plan participants' contributions	**34**	**—**	**34**	39	—	39
Past service cost (credit)	**25**	**—**	**25**	(2)	(3)	(5)
Actuarial losses (gains) - changes in financial assumptions	**(336)**	**(4)**	**(340)**	1,470	44	1,514
Actuarial losses (gains) - changes in experience adjustments	**(125)**	**(14)**	**(139)**	(98)	(23)	(121)
Actuarial losses (gains) - changes in demographic assumptions	**(21)**	**(1)**	**(22)**	58	(8)	50
Benefits paid	**(334)**	**(12)**	**(346)**	(333)	(16)	(349)
Curtailment	**(4)**	**—**	**(4)**	(22)	1	(21)
Settlement	**(10)**	**—**	**(10)**	(26)	—	(26)
Other	**(24)**	**(1)**	**(25)**	2	—	2
Effect of exchange rate changes	**(1,126)**	**(48)**	**(1,174)**	(797)	(25)	(822)
Obligation at end of year	**$ 9,722**	**$ 266**	**$ 9,988**	$ 10,963	$ 327	$ 11,290
Obligation is attributable to						
Active members	**$ 5,035**	**$ 163**	**$ 5,198**	$ 5,912	$ 200	$ 6,112
Deferred members	**1,368**	**—**	**1,368**	1,443	—	1,443
Retirees	**3,319**	**103**	**3,422**	3,608	127	3,735
	$ 9,722	**$ 266**	**$ 9,988**	$ 10,963	$ 327	$ 11,290
Change in plan assets						
Fair value at beginning of year	**$ 8,820**	**$ —**	**$ 8,820**	$ 8,332	$ —	$ 8,332
Employer contributions	**264**	**12**	**276**	370	16	386
Plan participants' contributions	**34**	**—**	**34**	39	—	39
Interest income on plan assets	**318**	**—**	**318**	383	—	383
Actuarial (losses) gains	**(94)**	**—**	**(94)**	676	—	676
Benefits paid	**(334)**	**(12)**	**(346)**	(333)	(16)	(349)
Settlement	**(7)**	**—**	**(7)**	(24)	—	(24)
Administration costs	**(10)**	**—**	**(10)**	(9)	—	(9)
Other	**(20)**	**—**	**(20)**	—	—	—
Effect of exchange rate changes	**(891)**	**—**	**(891)**	(614)	—	(614)
Fair value at end of year	**$ 8,080**	**$ —**	**$ 8,080**	$ 8,820	$ —	$ 8,820

The following table presents the reconciliation of plan assets and obligations to the amount recognized in the consolidated statements of financial position, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Present value of defined benefit obligation	**$ 9,722**	**$ 266**	$ 10,963	$ 327	$ 9,955	$ 335
Fair value of plan assets	**(8,080)**	**—**	(8,820)	—	(8,332)	—
	1,642	**266**	2,143	327	1,623	335
Impact of asset ceiling test[1]	**—**	**—**	—	—	29	—
Net amount recognized	**$ 1,642**	**$ 266**	$ 2,143	$ 327	$ 1,652	$ 335
Amounts included in:						
Retirement benefit						
Liability	**$ 1,893**	**$ 266**	$ 2,302	$ 327	$ 1,826	$ 335
Asset[2]	**(251)**	**—**	(159)	—	(174)	—
Net liability	**$ 1,642**	**$ 266**	$ 2,143	$ 327	$ 1,652	$ 335

(1) Comprises the effect of exchange rate changes.
(2) Presented in Note 19 – Other assets.

The following table presents the allocation of the net retirement benefit liability by major countries, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Funded pension plans						
Canada	**$ 589**	**$ —**	$ 826	$ —	$ 502	$ —
U.S.	**327**	**—**	347	—	186	—
U.K.	**(52)**	**—**	74	—	125	—
Other	**95**	**—**	103	—	114	—
	959	**—**	1,350	—	927	—
Unfunded pension plans						
Germany	**492**	**—**	560	—	515	—
Canada	**24**	**233**	29	290	29	301
U.S.	**33**	**22**	32	26	26	25
Other	**134**	**11**	172	11	155	9
	683	**266**	793	327	725	335
Net liability	**$ 1,642**	**$ 266**	$ 2,143	$ 327	$ 1,652	$ 335

The following table presents the allocation of benefit obligation and plan assets by major countries, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Benefit obligation	**Plan assets**	Benefit obligation	Plan assets	Benefit obligation	Plan assets
Funded pension plans						
Canada	**$ 4,214**	**$ 3,625**	$ 5,015	$ 4,189	$ 4,479	$ 4,006
U.K.	**3,527**	**3,579**	3,805	3,731	3,570	3,445
U.S.	**914**	**587**	946	599	750	564
Other	**384**	**289**	404	301	431	317
	9,039	**8,080**	10,170	8,820	9,230	8,332
Unfunded pension plans	**949**	**—**	1,120	—	1,060	—
	$ 9,988	**$ 8,080**	$ 11,290	$ 8,820	$ 10,290	$ 8,332

The fair value of plan assets by level of hierarchy, was as follows, as at:

	December 31, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 804**	**$ 655**	**$ 149**	**$ —**
Equity securities				
U.S.	**959**	**938**	**15**	**6**
U.K.	**282**	**282**	**—**	**—**
Canada	**343**	**343**	**—**	**—**
Other	**1,101**	**1,098**	**—**	**3**
	2,685	**2,661**	**15**	**9**
Fixed-income securities				
Corporate	**1,288**	**—**	**1,288**	**—**
Government	**2,199**	**—**	**2,199**	**—**
Other	**26**	**—**	**26**	**—**
	3,513	**—**	**3,513**	**—**
Real return asset securities	**983**	**927**	**—**	**56**
Other	**95**	**—**	**93**	**2**
	$ 8,080	**$ 4,243**	**$ 3,770**	**$ 67**

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 673	$ 548	$ 125	$ —
Equity securities				
U.S.	931	927	—	4
U.K.	389	371	18	—
Canada	359	359	—	—
Other	1,110	1,110	—	—
	2,789	2,767	18	4
Fixed-income securities				
Corporate	1,201	—	1,201	—
Government	2,642	—	2,642	—
Other	27	—	27	—
	3,870	—	3,870	—
Real return asset securities	911	911	—	—
Other	577	—	503	74
	$ 8,820	$ 4,226	$ 4,516	$ 78

	January 1, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 503	$ 398	$ 105	$ —
Equity securities				
U.S.	1,022	1,018	—	4
U.K.	509	489	20	—
Canada	409	409	—	—
Other	1,290	1,288	—	2
	3,230	3,204	20	6
Fixed-income securities				
Corporate	855	—	855	—
Government	2,483	—	2,483	—
Other	23	—	23	—
	3,361	—	3,361	—
Real return asset securities	876	876	—	—
Other	362	—	289	73
	$ 8,332	$ 4,478	$ 3,775	$ 79

Plan assets did not include any of the Corporation’s shares, nor any property occupied by the Corporation or other assets used by the Corporation as at December 31, 2015, 2014 and January 1, 2014.

The following table presents the contributions made for fiscal year 2015 and 2014 as well as the estimated contributions for fiscal year 2016:

	2016	**2015**	2014
	Estimated		
Contribution to			
Funded pension plans	$ 266	**$ 239**	$ 342
Unfunded pension plans	23	**25**	28
Other benefits	13	**12**	16
Total defined benefits plans	302	**276**	386
DC pension plans	87	**78**	90
Total contributions	$ 389	**$ 354**	$ 476

The following table presents information about the maturity profile of the defined benefit obligation expected to be paid, as at:

	December 31, 2015
Benefits expected to be paid	
Within 1 year	**$ 295**
Between 1 and 5 years	**1,381**
Between 5 and 10 years	**2,258**
Between 10 and 15 years	**2,880**
Between 15 and 20 years	**3,341**
	$ 10,155

The following table provides the weighted average duration of the defined benefit obligations related to pension plans, as at:

Duration in years as at	**December 31, 2015**
Funded pension plans	
Canada	**17.3**
U.S.	**15.8**
U.K.	**19.7**
Other	**14.0**
Unfunded pension plans	
Germany	**18.5**
Canada	**13.3**
U.S.	**14.2**
Other	**15.5**

The following table provides the expected payments to be made under the unfunded plans, as at December 31, 2015:

	Germany	**Other**	**Total**
Benefits expected to be paid			
Within 1 year	**$ 16**	**$ 19**	**$ 35**
Between 1 and 5 years	**71**	**85**	**156**
Between 5 and 10 years	**100**	**127**	**227**
Between 10 and 15 years	**120**	**138**	**258**
Between 15 and 20 years	**132**	**141**	**273**
	$ 439	**$ 510**	**$ 949**

The significant actuarial assumptions reflect the economic situation of each country. The weighted-average assumptions used to determine the benefit cost and obligation were as follows, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
(in percentage)	**Pension benefits**	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit cost						
Discount rate	**3.69%**	**4.07%**	4.59%	4.97%	4.25%	4.38%
Rate of compensation increase	**3.26%**	**3.25%**	3.36%	3.25%	3.35%	3.25%
Inflation rate	**2.21%**	**2.05%**	2.34%	2.40%	2.19%	2.00%
Ultimate health care cost trend rate	**n/a**	**4.99%**	n/a	4.98%	n/a	5.00%
Benefit obligation						
Discount rate	**3.80%**	**4.19%**	3.69%	4.07%	4.59%	4.97%
Rate of compensation increase	**3.02%**	**3.00%**	3.26%	3.25%	3.36%	3.25%
Inflation rate	**2.21%**	**2.05%**	2.21%	2.05%	2.34%	2.40%
Initial health care cost trend rate	**n/a**	**5.29%**	n/a	6.08%	n/a	6.55%
Ultimate health care cost trend rate	**n/a**	**5.12%**	n/a	4.99%	n/a	4.98%

n/a: Not applicable

The mortality tables and the average life expectancy in years of a member at age 45 or 65 is as follows, as at December 31:

(in years)		**Life expectancy over 65 for a male member currently**			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2015**	2014	**2015**	2014
Canada	2014 Private Sector Mortality Table (“CPM2014Priv”) projected generationally using the CMP Improvement Scale B (“CPM-B”)	**21.6**	21.6	**22.7**	22.7
U.K.	SNA07M_CMI 2013 and S1P(M/F)A CMI 2012[1]	**22.1**	22.0	**23.8**	23.8
U.S.	RP-2014 mortality table projected generationally using the MP-2015 improvement scale[2]	**21.3**	21.7	**22.9**	23.4
Germany	Dr. K Heubeck 2005	**18.9**	20.1	**21.5**	22.8

		Life expectancy over 65 for a female member currently			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2015**	2014	**2015**	2014
Canada	2014 Private Sector Mortality Table (“CPM2014Priv”) projected generationally using the CMP Improvement Scale B (“CPM-B”)	**24.0**	24.1	**25.0**	25.1
U.K.	SNA07M_CMI 2013 and S1P(M/F)A CMI 2012[1]	**24.2**	24.2	**26.1**	26.2
U.S.	RP-2014 mortality table projected generationally using the MP-2015 improvement scale[2]	**23.3**	23.9	**24.9**	25.5
Germany	Dr. K Heubeck 2005	**22.9**	23.9	**25.5**	26.4

[1] SNA02M_CMI 2010 and S1P(M/F)A CMI 2012 as at December 31, 2014.
[2] RP-2014 mortality table projected generationally using the MP-2014 improvement scale as at December 31, 2014.

A 0.25 percentage point increase in one of the following actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged:

Assumption	**Retirement benefit cost for fiscal year 2015**	**Net retirement benefit liability as at December 31, 2015**
Discount rate	$ (33)	$ (445)
Rate of compensation increase	$ 9	$ 78
Inflation rate	$ 8	$ 127

A one year additional life expectancy as at December 31, 2015 for all DB plans would increase the net retirement benefit liability by $254 million and the retirement benefit cost for fiscal year 2015 by $17 million, all other actuarial assumptions remaining unchanged.

As at December 31, 2015, the health care cost trend rate for retirement benefits other than pension, which is a weighted-average annual rate of increase in the per capita cost of covered health and dental care benefits, is assumed to be 5.29% and to decrease progressively to 5.12% by calendar year 2024 and then remain at that level for all participants. A one percentage point change in assumed health care cost trend rates would have the following effects, as at December 31, 2015 and for fiscal year 2015:

	One percentage point increase	One percentage point decrease
Effect on the net retirement benefit liability	$ 27	$ (22)
Effect on the retirement benefit cost	$ 2	$ (2)

23. TRADE AND OTHER PAYABLES

Trade and other payables were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Trade payables	**$ 2,812**	$ 3,037	$ 2,959
Accrued liabilities	**613**	566	623
Interest	**154**	124	116
Other	**461**	489	391
	$ 4,040	$ 4,216	$ 4,089

24. PROVISIONS

Changes in provisions were as follows, for fiscal years 2015 and 2014:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other [1]	Total
Balance as at December 31, 2014	$ 773	$ 456	$ 117	$ 206	$ 1,552
Additions	360	265 [2]	47 [3]	394 [4]	1,066
Utilization	(244)	(36)	(67)	(8)	(355)
Reversals	(118)	(15)	(25) [3]	(22)	(180)
Accretion expense	1	6	—	—	7
Effect of changes in discount rates	(1)	(6)	—	—	(7)
Effect of foreign currency exchange rate changes	(46)	—	(6)	(5)	(57)
Balance as at December 31, 2015	$ 725	$ 670	$ 66	$ 565	$ 2,026
Of which current	$ 562	$ 77	$ 65	$ 404	$ 1,108
Of which non-current	163	593	1	161	918
	$ 725	$ 670	$ 66	$ 565	$ 2,026

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other [1]	Total
Balance as at January 1, 2014	$ 863	$ 463	$ 81	$ 58	$ 1,465
Additions	354	51	178 [3]	173 [4]	756
Utilization	(321)	(50)	(114)	(6)	(491)
Reversals	(58)	(15)	(15)	(15)	(103)
Accretion expense	1	6	—	1	8
Effect of changes in discount rates	(1)	1	—	—	—
Effect of foreign currency exchange rate changes	(65)	—	(13)	(5)	(83)
Balance as at December 31, 2014	$ 773	$ 456	$ 117	$ 206	$ 1,552
Of which current	$ 607	$ 92	$ 115	$ 176	$ 990
Of which non-current	166	364	2	30	562
	$ 773	$ 456	$ 117	$ 206	$ 1,552

[1] Mainly comprised of claims, onerous contract provisions and litigations.
[2] See Note 9 – Special items for more details on changes in estimates and fair value related to Credit and residual value guarantees.
[3] See Note 9 – Special items for more details on the addition and the reversal related to restructuring charges.
[4] Includes other provisions related to the *C Series* aircraft program and to the cancellation of the *Learjet 85* aircraft program, which are included in special items, for fiscal year 2015 (includes other provisions related to the pause of the *Learjet 85* aircraft program, which is included in special items for fiscal year 2014). See Note 9 – Special items for more details.

25. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Derivative financial instruments[1]	**$ 702**	$ 665	$ 411
Government refundable advances	**411**	363	481
Lease subsidies[2]	**135**	172	142
Sale and leaseback obligations	**133**	260	138
Current portion of long-term debt[3]	**71**	56	215
Vendor non-recurring costs	**20**	36	38
Other	**138**	60	301
	$ 1,610	$ 1,612	$ 1,726
Of which current	**$ 991**	$ 1,010	$ 1,009
Of which non-current	**619**	602	717
	$ 1,610	$ 1,612	$ 1,726

(1) See Note 14 – Financial instruments.

(2) The amount contractually required to be paid is $182 million as at December 31, 2015 ($206 million as at December 31, 2014 and $172 million as at January 1, 2014).

(3) See Note 27 – Long-term debt.

Sale and leaseback obligations

The Corporation has set up sale and leaseback facilities, which may be used to sell pre-owned business aircraft. For accounting purposes, amounts outstanding under certain of these arrangements are considered financial obligations secured by the pre-owned business aircraft. The arrangements are generally for a term no longer than 24 months. The Corporation may settle the obligation at any time during the arrangement.

26. OTHER LIABILITIES

Other liabilities were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Employee benefits[1]	**$ 647**	$ 661	$ 750
Accruals for long-term contract costs	**606**	631	630
Supplier contributions to aerospace programs	**606**	601	529
Income and other taxes payable	**436**	367	368
Deferred revenues	**397**	450	460
Other	**578**	568	480
	$ 3,270	$ 3,278	$ 3,217
Of which current	**$ 2,274**	$ 2,182	$ 2,227
Of which non-current	**996**	1,096	990
	$ 3,270	$ 3,278	$ 3,217

(1) Comprises all employee benefits excluding those related to retirement benefits, which are reported in the line items Retirement benefits and in Other assets (see Note 22 – Retirement benefits).

27. LONG-TERM DEBT

Long-term debt was as follows, as at:

						December 31 2015	December 31 2014	January 1 2014
			Interest rate					
	Amount in currency of origin	**Currency**	**Contractual** [1]	**After effect of fair value hedges**	**Maturity**	**Amount**	Amount	Amount
Senior notes	650	USD	7.50%	3-month Libor + 4.18[2]	Mar. 2018	**$ 677**	$ 686	$ 695
	750	USD	5.50%	n/a	Sept. 2018	**740**	—	—
	600	USD	4.75%	n/a	Apr. 2019	**594**	593	—
	850	USD	7.75%	3-month Libor + 4.14[2]	Mar. 2020	**916**	922	915
	780	EUR	6.13%	3-month Euribor + 2.87[3]	May 2021	**985**	1,110	1,187
	500	USD	5.75%	3-month Libor + 3.36[2]	Mar. 2022	**510**	504	478
	1,200	USD	6.00%	3-month Libor + 3.57[2]	Oct. 2022	**1,234**	1,219	—
	1,250	USD	6.13%	3-month Libor + 3.48[2]	Jan. 2023	**1,290**	1,277	1,200
	1,500	USD	7.50%	n/a	Mar. 2025	**1,487**	—	—
	785	EUR	7.25%	3-month Libor + 4.83	n/a	**—**	—	1,171
	750[4]	USD	4.25%	n/a	n/a	**—**	746	742
Notes	250	USD	7.45%	n/a	May 2034	**248**	248	248
	162	USD	6.30%	3-month Libor + 1.59	n/a	**—**	—	164
Debentures	150	CAD	7.35%	n/a	Dec. 2026	**107**	129	140
Other[5]	Various[6]	Various	Various[6]	n/a	2016-2026	**191**	249	263
						$ 8,979	$ 7,683	$ 7,203
Of which current[7]						**$ 71**	$ 56	$ 215
Of which non-current						**8,908**	7,627	6,988
						$ 8,979	$ 7,683	$ 7,203

(1) Interest on long-term debt as at December 31, 2015 is payable semi-annually, except for the other debts for which the timing of interest payments is variable.

(2) The interest-rate swap agreement related to these Senior Notes were partially settled in the fourth quarter of fiscal year 2015. As these interest-rate swap were in a fair value hedge relationship, the related deferred gains recorded in the hedged item will be amortized in interest expense up to the maturity of these debts.

(3) The interest-rate swap agreement related to the €780-million Senior Notes was settled in the fourth quarter of fiscal year 2014. As this interest-rate swap was in a fair value hedge relationship, the related deferred gain recorded in the hedged item will be amortized in interest expense up to the maturity of the debt.

(4) Repurchased pursuant to an optional redemption exercised in April, 2015.

(5) Includes obligations under finance leases.

(6) The notional amount of other long-term debt is $191 million as at December 31, 2015 ($249 million as at December 31, 2014 and $263 million as at January 1, 2014). The contractual interest rate, which represents a weighted average rate, is 4.78% as at December 31, 2015 (4.46% as at December 31, 2014 and 4.62% as at January 1, 2014).

(7) See Note 25 – Other financial liabilities.

n/a: Not applicable

All Senior notes and Notes rank pari-passu and are unsecured. The Corporation is subject to various financial covenants under the letter of credit facilities, excluding the PSG facility, and the two unsecured revolving credit facilities, which must be met on a quarterly basis, see Note 31 - Credit facilities for more details. A breach of any of these agreements or the inability to comply with these covenants could result in a default under these facilities, which would permit the Corporation's banks to request immediate defeasance or cash cover of all outstanding

letters of credit, and bond holders and other lenders to declare amounts owed to them to be immediately payable. These conditions were all met as at December 31, 2015 and 2014 and January 1, 2014.

The carrying value of long-term debt includes principal repayments, transaction costs, unamortized discounts and the basis adjustments related to derivatives designated in fair value hedge relationships. The following table presents the contractual principal repayments of the long-term debt, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Within 1 year	**$ 71**	$ 56	$ 213
Between 1 and 5 years	**2,946**	2,127	2,630
More than 5 years	**5,680**	5,193	4,130
	$ 8,697	$ 7,376	$ 6,973

28. SHARE CAPITAL

Preferred shares

The preferred shares authorized were as follows, as at December 31, 2015, and 2014 and January 1, 2014:

	Authorized for the specific series
Series 2 Cumulative Redeemable Preferred Shares	12,000,000
Series 3 Cumulative Redeemable Preferred Shares	12,000,000
Series 4 Cumulative Redeemable Preferred Shares	9,400,000

The preferred shares issued and fully paid were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Series 2 Cumulative Redeemable Preferred Shares	**9,692,521**	9,692,521	9,692,521
Series 3 Cumulative Redeemable Preferred Shares	**2,307,479**	2,307,479	2,307,479
Series 4 Cumulative Redeemable Preferred Shares	**9,400,000**	9,400,000	9,400,000

Series 2 Cumulative Redeemable Preferred Shares	
Redemption:	Redeemable, at the Corporation's option, at $25.50 Cdn per share.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2017 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, then no Series 2 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	Since August 1, 2002, the variable cumulative preferential cash dividends are payable monthly on the 15th day of each month, if declared, with the annual variable dividend rate being set between 50% to 100% of the Canadian prime rate, and adjusted as follows. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of Series 2 Cumulative Redeemable Preferred Shares is less than $24.90 Cdn per share or more than $25.10 Cdn per share.

Series 3 Cumulative Redeemable Preferred Shares	
Redemption:	Redeemable, at the Corporation's option, at $25.00 Cdn per share on August 1, 2017 and on August 1 of every fifth year thereafter.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2017 and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, then no Series 3 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	For the five-year period from August 1, 2012 and including July 31, 2017, the Series 3 Cumulative Redeemable Preferred Shares carry fixed cumulative preferential cash dividends at a rate of 3.134% or $0.7835 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.195875 Cdn, if declared. For each succeeding five-year period, the applicable fixed annual rate of the cumulative preferential cash dividends calculated by the Corporation shall not be less than 80% of the Government of Canada bond yield, as defined in the Articles of Amalgamation.

Series 4 Cumulative Redeemable Preferred Shares	
Redemption:	The Corporation may, subject to certain provisions, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Cumulative Redeemable Preferred Shares at $25.00 Cdn.
Conversion:	The Corporation may, subject to the approval of the Toronto Stock Exchange and such other stock exchanges on which the Series 4 Cumulative Redeemable Preferred Shares are then listed, at any time convert all or any of the outstanding Series 4 Cumulative Redeemable Preferred Shares into fully paid and non-assessable Class B Shares (Subordinate Voting) of the Corporation. The number of Class B Shares (Subordinate Voting) into which each Series 4 Cumulative Redeemable Preferred Shares may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to, but excluding the date of conversion, by the greater of $2.00 Cdn and 95% of the weighted-average trading price of such Class B Shares (Subordinate Voting) on the Toronto Stock Exchange for the period of 20 consecutive trading days, which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day. The Corporation may, at its option, at any time, create one or more further series of Preferred Shares of the Corporation, into which the holders of Series 4 Cumulative Redeemable Preferred Shares could have the right, but not the obligation, to convert their shares on a share-for-share basis.
Dividend:	The holders of Series 4 Cumulative Redeemable Preferred Shares are entitled to fixed cumulative preferential cash dividends, if declared, at a rate of 6.25% or $1.5625 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.390625 Cdn per share.

Common shares

All common shares are without nominal or par value.

Class A Shares (Multiple Voting)	
Voting rights:	Ten votes each.
Conversion:	Convertible, at any time, at the option of the holder, into one Class B Share (Subordinate Voting).
Dividend:	After payment of the priority dividend on the Class B Shares (Subordinate Voting) mentioned below, the Class A Shares (Multiple Voting) shall share equally, share for share, with respect to any additional dividends which may be declared in respect of the Class A Shares (Multiple Voting) and Class B Shares (Subordinate Voting). These dividends, if declared, shall be payable quarterly on the last day of March, June, September and December of each year.

Class B Shares (Subordinate Voting)	
Voting rights:	One vote each.
Conversion:	Convertible, at the option of the holder, into one Class A Share (Multiple Voting): (i) if an offer made to Class A (Multiple Voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); or (ii) if such controlling shareholder ceases to hold more than 50% of all outstanding Class A Shares (Multiple Voting) of the Corporation.
Dividend:	The holders of Class B Shares (Subordinate Voting) are entitled, in priority to the holders of Class A Shares (Multiple Voting) to non-cumulative dividends of $0.0015625 Cdn per share, payable quarterly on the last day of March, June, September and December of each year at a rate of $0.000390625 Cdn per share, if declared. After payment of said priority dividend, the Class B Shares (Subordinate Voting) shall share equally, share for share, with respect to any additional dividends which may be declared in respect of the Class A Shares (Multiple Voting) and the Class B Shares (Subordinate Voting). These dividends, if declared, shall be payable quarterly on the last day of March, June, September and December of each year.

The change in the number of common shares issued and fully paid and in the number of common shares authorized was as follows as at:

Class A Shares (Multiple voting)

	December 31, 2015	December 31, 2014
Issued and fully paid		
Balance at beginning of year	**314,273,255**	314,530,462
Converted to Class B	**(372,705)**	(257,207)
Balance at end of year	**313,900,550**	314,273,255
Authorized	**2,742,000,000**	1,892,000,000

Class B Shares (Subordinate voting)

	December 31, 2015	December 31, 2014
Issued and fully paid		
Balance at beginning of year	**1,444,132,126**	1,443,496,418
Issuance of shares	**488,006,566**	378,501
Converted from Class A	**372,705**	257,207
	1,932,511,397	1,444,132,126
Held in trust under the PSU and RSU plans		
Balance at beginning of year	**(18,736,908)**	(18,736,908)
Purchased	**(7,458,000)**	—
	(26,194,908)	(18,736,908)
Balance at end of year	**1,906,316,489**	1,425,395,218
Authorized	**2,742,000,000**	1,892,000,000

In February 2015, the Corporation announced the closing of a public offering, with an over-allotment option having been exercised in full for an aggregate of 487,840,350 subscription receipts at a price of $2.21 Canadian dollars per subscription receipt for aggregate net proceeds of CDN $1,035 million ($822 million).

Following a resolution approved on March 27, 2015, the number of Class A shares and Class B shares (Subordinate voting) authorized has increased from 1,892,000,000 to 2,742,000,000.

Dividends
Dividends declared were as follows:

	Dividend declared for fiscal years				Dividend declared after	
	December 31, 2015		December 31, 2014		**December 31, 2015**	
		Total		Total		Total
	Per share (Cdn$)	**(in millions of U.S.$)**	Per share (Cdn$)	(in millions of U.S.$)	Per share (Cdn$)	(in millions of U.S.$)
Class A common shares	**0.00**	**$ —**	0.10	$ 29	0.00	$ —
Class B common shares	**0.00**	**—**	0.10	131	0.00	—
		—		160		—
Series 2 Preferred Shares	**0.70**	**5**	0.75	7	0.11	1
Series 3 Preferred Shares	**0.78**	**2**	0.78	2	0.20	—
Series 4 Preferred Shares	**1.56**	**12**	1.56	13	0.39	3
		19		22		4
		$ 19		$ 182		$ 4

29. SHARE-BASED PLANS

PSU, DSU and RSU plans
The Board of Directors of the Corporation approved a PSU and a RSU plan under which PSUs and RSUs may be granted to executives and other designated employees. The PSUs and the RSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (Subordinate Voting). The RSUs also give certain recipients the right to receive a cash payment equal to the value of the RSUs. The Board of Directors of the Corporation has also approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment. During fiscal year 2015, a combined value of $43 million of DSUs, PSUs and RSUs were authorized for issuance ($48 million during fiscal year 2014).

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

			2015			2014
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of year	**26,045,936**	**7,666,464**	**—**	23,596,681	8,169,850	—
Granted	**248,757**	**—**	**22,765,354**	9,971,382	2,377,003	—
Exercised	**—**	**(340,432)**	**—**	—	(500,771)	—
Forfeited	**(10,667,476)**	**(2,442,203)**	**(432,672)**	(7,522,127)	(2,379,618)	—
Balance at end of year	**15,627,217**	**4,883,829** [(1)]	**22,332,682**	26,045,936	7,666,464 [(1)]	—

[(1)] Of which 1,611,700 DSUs are vested as at December 31, 2015 (2,008,128 as at December 31, 2014).

PSUs and DSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested PSUs and DSUs ranges from 70% to 150%. PSUs and DSUs generally vest three years following the grant date if the financial performance thresholds are met. For grants issued between January 1, 2013 and December 31, 2015, the vesting dates range from August 2016 to August 2017. RSUs granted will vest regardless of the performance. RSUs generally vest three years following the grant date. For grants issued in August 2015, the vesting date will be in August 2018.

The weighted-average grant date fair value of PSUs and RSUs granted during fiscal year 2015 was $1.18 ($3.38 during fiscal year 2014). The fair value of each PSUs and RSUs granted was measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange.

From time to time, the Corporation provides instructions to a trustee under the terms of a Trust Agreement to purchase Class B Shares (Subordinate Voting) of the Corporation in the open market (see Note 28 – Share capital) in connection with the PSU and/or RSU plan. These shares are held in trust for the benefit of the

beneficiaries until the PSUs and RSUs become vested or are cancelled. The cost of these purchases has been deducted from share capital.

A compensation expense of $7 million was recorded during fiscal year 2015 with respect to the PSU, DSU and RSU plans (a compensation revenue of $3 million during fiscal year 2014).

Share option plans

Under share option plans, options are granted to key employees to purchase Class B Shares (Subordinate Voting). Of the 135,782,688 Class B Shares (Subordinate Voting) reserved for issuance, 18,167,801 were available for issuance under these share option plans, as at December 31, 2015.

Current share option plan - Effective June 1, 2009, the Corporation amended the share option plan for key employees for options granted after this date. The most significant terms and conditions of the amended plan are as follows:

- the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted;
- the options vest at the expiration of the third year following the grant date; and
- the options terminate no later than seven years after the grant date.

The summarized information on the current share option plan is as follows as at December 31, 2015:

	Issued and outstanding			Exercisable	
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**	**Number of options**	**Weighted-average exercise price (Cdn$)**
1 to 4	63,774,174	6.06	2.15	7,425,702	3.58
4 to 6	7,655,855	3.32	4.79	3,330,000	4.70
6 to 8	2,917,177	2.62	7.01	2,917,177	7.01
	74,347,206			13,672,879	

The weighted-average share price of options exercised during fiscal year 2014 was $3.71. No options were exercised during fiscal year 2015.

The number of options issued and outstanding under the current share option plan has varied as follows, for fiscal years:

	2015		2014	
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**27,811,724**	**4.39**	20,654,419	4.66
Granted	**49,704,570**	**1.69**	8,630,184	3.77
Exercised	**—**	**—**	(110,000)	3.45
Forfeited	**(2,808,698)**	**3.54**	(1,351,310)	4.62
Expired	**(360,390)**	**5.17**	(11,569)	3.45
Balance at end of year	**74,347,206**	**2.61**	27,811,724	4.39
Options exercisable at end of year	**13,672,879**	**4.58**	8,668,550	5.24

Performance share option plan - For options issued to key employees after May 27, 2003, and before June 1, 2009, the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted. These options vest at 25% per year during a period beginning one year following the grant date. However, predetermined target market price thresholds must be achieved in order for the options to be exercised. Such options may be exercised if within the 12-month period preceding the date on which such options vest, the weighted-average trading price on the stock exchange (during a period of 21 consecutive trading days) is greater than or equal to the target price threshold established at the time the options were granted. If within such 12-month period, the weighted-average trading

price has not been reached, the target price threshold applicable to the next vesting tranche becomes effective. The options terminate no later than seven years after the grant date.

The number of options has varied as follows, for fiscal years:

	2015		2014	
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**3,634,400**	**8.44**	8,701,338	7.08
Forfeited	**(270,000)**	**8.37**	(1,198,000)	8.15
Expired	**(3,364,400)**	**8.46**	(3,868,938)	5.48
Balance at end of year	**—**	**—**	3,634,400	8.44
Options exercisable at end of year	**—**	**—**	25,000	5.89

Share-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2015 was $0.40 per option ($0.78 per option for fiscal year 2014). The fair value of each option granted was determined using a Black-Scholes option pricing model, which incorporates the share price at the grant date, and the following weighted-average assumptions, for fiscal years:

	2015	2014
Risk-free interest rate	**0.79%**	1.52%
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**36.17%**	32.32%
Expected dividend yield	**0%**	2.51%

A compensation expense of $7 million was recorded during fiscal year 2015 with respect to share option plans ($5 million during fiscal year 2014).

Employee share purchase plan

Under the employee share purchase plan, employees of the Corporation are eligible to purchase Class B Shares (Subordinate Voting) of the Corporation up to a maximum of 20% of their base salary to a yearly maximum of $30,000 Cdn per employee. The Corporation contributes to the plan an amount equal to 20% of the employees' contributions. The contributions are used to purchase the Corporation's Class B Shares (Subordinate Voting) in the open market on monthly investment dates or as otherwise determined by the Corporation, but not less frequently than monthly. The Corporation's contribution to the plan amounted to $6 million for fiscal year 2015 ($8 million for fiscal year 2014). Shares purchased by the Corporation are subject to a mandatory 12-month holding period that must be completed at the anniversary date of January 1.

30. NET CHANGE IN NON-CASH BALANCES

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

	2015	2014
Trade and other receivables	**$ (39)**	$ (184)
Inventories	**786**	87
Other financial assets and liabilities, net	**385**	184
Other assets	**196**	(175)
Trade and other payables	**(7)**	327
Provisions	**531**	169
Advances and progress billings in excess of long-term contract inventories	**(199)**	(529)
Advances on aerospace programs	**(1,411)**	31
Retirement benefits liability	**196**	(104)
Other liabilities	**160**	196
	$ 598	$ 2

31. CREDIT FACILITIES

Letter of credit facilities

The letter of credit facilities and their maturities were as follows, as at:

	Amount committed		Letters of credit issued	Amount available	Maturity	
December 31, 2015						
Transportation facility	**$ 3,963**	(1)	**$ 3,195**	**$ 768**	**2019**	(2)
Corporation excluding Transportation facility	**600**		**221**	**379**	**2018**	(3)
PSG facility	**600**		**173**	**427**	**2016**	(4)
	$ 5,163		**$ 3,589**	**$ 1,574**		
December 31, 2014						
Transportation facility	$ 4,249	(1)	$ 3,573	$ 676	2018	
Corporation excluding Transportation facility	600		261	339	2017	
PSG facility	600		327	273	2015	(4)
	$ 5,449		$ 4,161	$ 1,288		
January 1, 2014						
Transportation facility	$ 4,827	(1)	$ 4,132	$ 695	2018	
Corporation excluding Transportation facility	600		403	197	2016	
PSG facility	600		393	207	2014	(4)
	$ 6,027		$ 4,928	$ 1,099		

(1) €3,640 million as at December 31, 2015 (€3,500 million as at December 31, 2014, and January 1, 2014).

(2) The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment amount of the facility, plus a one year amortization period during which new letters of credit cannot be issued. The final maturity date of the facility is 2019.

(3) The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment of the facility. The facility can be extended annually on the anniversary date for an additional year subject to approval by a majority of the bank syndicate members.

(4) The PSG facility is renewed and extended annually if mutually agreed. In June 2015, the facility was extended until August 2016 and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $1,721 million were outstanding under various bilateral agreements as at December 31, 2015 ($1,731 million as at December 31, 2014 and $1,018 million as at January 1, 2014).

The Corporation also uses numerous bilateral bonding facilities with insurance companies to support Transportation's operations. An amount of $2.6 billion was outstanding under such facilities as at December 31, 2015 ($2.4 billion as at December 31, 2014 and $2.3 billion as at January 1, 2014).

Revolving credit facilities

The Corporation has a $750-million unsecured revolving credit facility ("revolving credit facility") that matures in June 2018 and bears interest at the applicable base rate (Libor, in the case of a U.S. dollar cash drawing) plus a margin. This facility is available for cash drawings for the general working capital needs of the Corporation excluding Transportation. In addition, the Corporation has an unsecured revolving credit facility ("Transportation revolving credit facility") amounting to €500 million ($544 million), available to Transportation for cash drawings. The facility matures in March 2017 and bears interest at EURIBOR plus a margin.

Financial covenants

The Corporation is subject to various financial covenants under the letter of credit facilities, excluding the PSG facility, and the two unsecured revolving credit facilities, which must be met on a quarterly basis. The $600-million letter of credit and $750-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, include financial covenants requiring a minimum EBITDA to fixed charges ratio, as well as a maximum net debt to EBITDA ratio, all calculated based on an adjusted consolidated basis i.e. excluding Transportation. The Transportation letter of credit and revolving credit facilities include financial covenants requiring minimum equity as well as a maximum debt to EBITDA ratio, all calculated based on Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics as described in Note 32 – Capital management or to the specific terms used in the MD&A. In addition, the Corporation must maintain a minimum Transportation liquidity of €600 million ($653 million). The $600-million letter of credit and $750-million unsecured revolving facilities, which are available for the Corporation excluding Transportation, require minimum liquidity of $750 million at the end of each quarter of fiscal year 2015 (minimum liquidity of $500 million for fiscal year 2014 and 2013). Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position. These conditions were all met as at December 31, 2015 and 2014 and January 1, 2014.

The Corporation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met.

32. CAPITAL MANAGEMENT

The Corporation analyzes its 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. The Corporation manages and monitors its global metrics such that it can achieve an investment-grade profile.

The Corporation's objectives with regard to its 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.

Global metrics – The following global metrics do not represent the ratios required for bank covenants. A reconciliation of the global metrics to the most comparable IFRS financial measures are provided in the Non-GAAP financial measures section of the MD&A for fiscal year 2015.

		2015		2014
Adjusted EBIT[(1)]	**$**	**777**	$	1,262
Adjusted interest[(2)]	**$**	**503**	$	401
Adjusted EBIT to adjusted interest ratio		**1.5**		3.1
Adjusted debt[(3)]	**$**	**9,289**	$	8,401
Adjusted EBITDA[(4)]	**$**	**1,278**	$	1,775
Adjusted debt to adjusted EBITDA ratio		**7.3**		4.7

(1) Represents 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.

(2) Represents interest paid as per the supplemental information provided in the consolidated statements of cash flows, plus accretion expense on sale and leaseback obligations and interest adjustment for operating leases.

(3) Represents long-term debt adjusted for the fair value of derivatives (or settled derivatives) designated in related hedge relationships plus sale and leaseback obligations and the net present value of operating lease obligations.

(4) Represents adjusted EBIT plus amortization and impairment charges of PP&E and intangible assets and amortization adjustment for operating leases.

In addition to the above global level metrics, the Corporation separately monitors its net retirement benefit liability which amounted to $1.9 billion as at December 31, 2015 ($2.5 billion as at December 31, 2014). The measurement of this liability is dependent on numerous key long-term assumptions such as current 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. The Corporation closely monitors the impact of the net retirement benefit liability on its future cash flows and has introduced significant risk mitigation initiatives in recent years in this respect.

In order to adjust its capital structure, the Corporation may issue or reduce long-term debt, make discretionary contributions to pension funds, repurchase or issue share capital, or vary the amount of dividends paid to shareholders.

See Note 31 – Credit facilities for a description of bank covenants.

33. FINANCIAL RISK MANAGEMENT

The Corporation is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments.

Credit risk	Risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Liquidity risk	Risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.
Market risk	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is primarily exposed to foreign exchange risk and interest rate risk.

Credit risk

The Corporation is exposed to credit risk through its normal treasury activities on its derivative financial instruments and other investing activities. The Corporation is also exposed to credit risk through its trade receivables arising from its normal commercial activities. Credit exposures arising from lending activities relate primarily to aircraft loans and lease receivables provided to aerospace customers in connection with the sale of commercial aircraft.

The effective monitoring and controlling of credit risks is a key component of the Corporation's risk management activities. Credit risks arising from the treasury activities are managed by a central treasury function in accordance with the Corporate Foreign Exchange Risk Management Policy and Corporate Investment Management Policy (the "Policy"). The objective of the policy is to minimize the Corporation's exposure to credit risk from its treasury activities by ensuring that the Corporation transacts strictly with investment-grade financial institutions and money market funds based on pre-established consolidated counterparty risk limits per financial institution and fund.

Credit risks arising from the Corporation's normal commercial activities, lending activities and under indirect financing support are managed and controlled by the four reportable segments, Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. The main credit exposure managed by the segments arises from customer credit risk. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and the Corporation's experience with the customers. The credit risks and credit limits are dynamically reviewed based on fluctuations in the customer's financial results and payment behaviour.

These customer credit risk assessments and credit limits are critical inputs in determining the conditions under which credit or financing will be offered to customers, including obtaining collateral to reduce the Corporation's exposure to losses. Specific governance is in place to ensure that financial risks arising from large transactions are analyzed and approved by the appropriate management level before financing or credit support is offered to the customer.

Credit risk is monitored on an ongoing basis using different systems and methodologies depending on the underlying exposure. Various accounting and reporting systems are used to monitor trade receivables, lease receivables and other direct financings.

Maximum exposure to credit risk – The maximum exposures to credit risk for financial instruments is usually equivalent to their carrying value, as presented in Note 14 – Financial instruments, except for the financial instruments in the table below, for which the maximum exposures were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Aircraft loans and lease receivables	**$ 59**	$ 243	$ 371
Derivative financial instruments	**$ 362**	$ 514	$ 690
Investments in securities	**$ 304**	$ 295	$ 287
Investments in financing structures	**$ 169**	$ 331	$ 305

Credit quality – The credit quality, using external and internal credit rating system, of financial assets that are neither past due nor impaired is usually investment grade, except for aerospace segments' receivables, aircraft loans and lease receivables and certain investments in financing structures. Aerospace segments' receivables are

usually not externally or internally quoted, however the credit quality of customers are dynamically reviewed and is based on the Corporation's experience with the customers and payment behaviour. The Corporation usually holds underlying assets or security deposits as collateral or letters of credit for the receivables. The Corporation's customers for aircraft loans and lease receivables are mainly regional airlines with a credit rating below investment grade. The credit quality of the Corporation's aircraft loans and lease receivables portfolio is strongly correlated to the credit quality of the regional airline industry. The financed aircraft is used as collateral to reduce the Corporation's exposure to credit risk.

Refer to Note 38 – Commitment and Contingencies for the Corporation's off-balance sheet credit risk, including credit risk related to support provided for sale of aircraft.

Liquidity risk

The Corporation manages liquidity risk by maintaining detailed cash forecasts, as well as long-term operating and strategic plans. The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of the Corporation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. The Corporation uses scenario analyses to stress-test cash flow projections. Liquidity adequacy is continually monitored, taking into consideration historical volatility and seasonal needs, stress-test results, the maturity profile of indebtedness, access to capital markets, the level of customer advances, working capital requirements, the funding of product developments and other financial commitments. The Corporation also monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility. In addition, the Corporation engages in certain working capital financing initiatives such as the sale of receivables, aircraft sale and leaseback transactions and the negotiation of extended payment terms with certain suppliers.

Several steps were undertaken in 2015 in order to de-risk our business and liquidity. Over the last three months of 2015, the Corporation attracted key strategic investments in core businesses. In October 2015, the Corporation announced that the Government of Québec will make a $1.0-billion equity investment to support bringing the *C Series* aircraft program to market. The Corporation expects to enter into the definitive agreements in the second quarter of 2016. One month later, the Corporation further strengthened its liquidity position when we entered into a definitive agreement with the Caisse de dépôt et placement du Québec (CDPQ) for a $1.5 billion convertible share investment for a 30% stake in our rail transportation business. The investment was completed on February 11, 2016. See Note 39 – Significant transaction and Note 40 – Events after the reporting date for more details on those transactions.

Maturity analysis –The maturity analysis of financial assets and financial liabilities, excluding derivative financial instruments, was as follows, as at December 31, 2015:

	Carrying amount	Undiscounted cash flows (before giving effect to the related hedging instruments)						
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	Total
Cash and cash equivalents	$ 2,720	$ 2,720	$ —	$ —	$ —	$ —	$ —	$ 2,720
Trade and other receivables	$ 1,473	1,309	72	39	5	2	46	1,473
Other financial assets[(1)]	$ 958	143	174	109	569	145	63	1,203
Assets		4,172	246	148	574	147	109	5,396
Trade and other payables	$ 4,040	4,042	32	4	—	—	13	4,091
Other financial liabilities[(1)]	$ 837	310	121	139	414	330	—	1,314
Long-term debt								
Principal	$ 8,979	71	1,449	1,497	5,304	376	—	8,697
Interest		561	1,094	856	1,050	168	—	3,729
Liabilities		4,984	2,696	2,496	6,768	874	13	17,831
Net amount		$ (812)	$ (2,450)	$ (2,348)	$ (6,194)	$ (727)	$ 96	$ (12,435)

(1) The carrying amount of other financial assets excludes the carrying amount of derivative financial instruments and the carrying amount of other financial liabilities excludes the carrying amount of derivative financial instruments and the current portion of long-term debt.

Other financial assets include long-term contract receivables. Under the respective agreements, the Corporation will receive incentive payments related to the reliability of manufactured trains. Due to future variations in the

relevant index and reassessment of the achievement of the reliability targets, the amounts shown in the table above may vary. Also, termination of a related service contract in case of our non-performance would extinguish our right to future payments.

The Corporation, mainly in Transportation, negotiated extended payment terms of 240 days after delivery with certain of its suppliers. Trade payables with these extended terms totaled $386 million and bore interest at a weighted average rate of 1.95% as at December 31, 2015.

Other financial liabilities include government refundable advances. Under the respective agreements, the Corporation is required to pay amounts to governments at the time of the delivery of aircraft. Due to uncertainty about the number of aircraft to be delivered and the timing of delivery of aircraft, the amounts shown in the table above may vary.

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows, as at December 31, 2015:

	Nominal value (USD equivalent)	Undiscounted cash flows [1]					
		Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial assets							
Forward foreign exchange contracts	$ 7,398	$ 249	$ 25	$ —	$ —	$ —	$ 274
Interest-rate derivatives	1,750	38	26	16	11	4	95
	$ 9,148	$ 287	$ 51	$ 16	$ 11	$ 4	$ 369
Derivative financial liabilities							
Forward foreign exchange contracts	$ 11,792	$ (621)	$ (96)	$ —	$ —	$ —	$ (717)
Net amount		$ (334)	$ (45)	$ 16	$ 11	$ 4	$ (348)

[1] Amounts denominated in foreign currency are translated at the period end exchange rate.

Market risk

Foreign exchange risk

The Corporation is exposed to significant foreign exchange risks in the ordinary course of business through its international operations, in particular to the canadian dollar, pound sterling, swiss franc, swedish krona and euro. The Corporation employs various strategies, including the use of derivative financial instruments and by matching asset and liability positions, to mitigate these exposures.

The Corporation's main exposures to foreign currencies are managed by the segments and covered by a central treasury function. Foreign currency exposures are managed in accordance with the Corporation's Foreign Exchange Risk Management Policy (the "FX Policy"). The objective of the FX Policy is to mitigate the impact of foreign exchange movements on the Corporation's consolidated financial statements. Under the FX Policy, potential losses from adverse movements in foreign exchange rates should not exceed pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an unhedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-quarter period. The FX Policy also strictly prohibits any speculative foreign exchange transactions that would result in the creation of an exposure in excess of the maximum potential loss approved by the Board of Directors of the Corporation.

Under the FX Policy, it is the responsibility of the segments' management to identify all actual and potential foreign exchange exposures arising from their operations. This information is communicated to the central treasury group, which has the responsibility to execute the hedge transactions in accordance with the FX Policy.

In order to properly manage their exposures, each segment maintains long-term cash flow forecasts in each currency. The aerospace segments have adopted a progressive hedging strategy while Transportation hedges all its identified foreign currency exposures to limit the effect of currency movements on their results. The segments also mitigate foreign currency risks by maximizing transactions in their functional currency for their operations such as material procurement, sale contracts and financing activities.

In addition, the central treasury function manages balance sheet exposures to foreign currency movements by matching asset and liability positions. This program consists mainly in matching the long-term debt in foreign currency with long-term assets denominated in the same currency.

The Corporation mainly uses forward foreign exchange contracts to manage the Corporation's exposure from transactions in foreign currencies and to synthetically modify the currency of exposure of certain balance sheet items. The Corporation applies hedge accounting for a significant portion of anticipated transactions and firm commitments denominated in foreign currencies, designated as cash flow hedges. Notably, the Corporation enters into forward foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales and purchases and firm commitments.

The Corporation's foreign currency hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity, consistent with the objective to lock in currency rates on the hedged item.

Sensitivity analysis

Foreign exchange risk arises on financial instruments that are denominated in foreign currencies. The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments recorded in its statement of financial position. The following impact on EBT for fiscal year 2015 is before giving effect to cash flow hedge relationships.

								Effect on EBT
	Variation	CAD/USD	GBP/USD	EUR/USD	EUR/GBP	EUR/CHF		Other
Gain (loss)	+10%	$ 40	$ (3)	$ 163	$ 3	$ (36)	$	(66)

The following impact on OCI for fiscal year 2015 is for derivatives designated in a cash flow hedge relationship. For these derivatives, any change in fair value is mostly offset by the re-measurement of the underlying exposure.

								Effect on OCI before income taxes
	Variation	CAD/USD	GBP/USD	EUR/USD	EUR/GBP	EUR/CHF		Other
Gain (loss)	+10%	$ 170	$ 68	$ 32	$ 54	$ 82	$	16

Interest rate risk

The Corporation is exposed to fluctuations in its future cash flows arising from changes in interest rates through its variable-rate financial assets and liabilities including long-term debt synthetically converted to variable interest rate (see Note 27 – Long-term debt). The Corporation is exposed from time to time to changes in interest rates for certain financing commitments, when a financing rate has been guaranteed to a customer in the future. For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. These exposures are predominantly managed by a central treasury function as part of an overall risk management policy, including the use of financial instruments, such as interest-rate swap agreements. Derivative financial instruments used to synthetically convert interest-rate exposures consist mainly of interest-rate swap agreements and cross-currency interest-rate swap agreements.

In addition, the Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risk, through its financial instruments carried at fair value. These financial instruments include certain aircraft loans and lease receivables, certain investments in financing structures, investments in securities, lease subsidies and certain derivative financial instruments.

The Corporation's interest rate hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity to ensure proper assets/liabilities management matching, consistent with the objective to reduce risks arising from interest rates movements.

Sensitivity analysis
The interest rate risk primarily relates to financial instruments carried at fair value. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, excluding derivative financial instruments in a hedge relationship, as of December 31, 2015 and 2014, the impact on EBT would have been a negative adjustment of $22 million as at December 31, 2015 ($37 million as at December 31, 2014).

34. 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 AFS 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 an option-adjusted spread model and a discounted cash flow model to estimate the fair value of call features on long-term debt, using market data such as interest-rate swap curves and external quotations.

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, certain investments in securities, certain investments in financing structures, 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 December 31, 2015:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	**$ 79**	**$ —**	**$ —**	**$ 79**
Derivative financial instruments[1]	**362**	**—**	**362**	**—**
Investments in securities	**335** [2]	**42**	**293**	**—**
Investments in financing structures	**151**	**—**	**—**	**151**
	$ 927	**$ 42**	**$ 655**	**$ 230**
Financial liabilities				
Trade and other payables	**$ (1)**	**$ —**	**$ —**	**$ (1)**
Lease subsidies	**(135)**	**—**	**—**	**(135)**
Derivative financial instruments[1]	**(702)**	**—**	**(702)**	**—**
	$ (838)	**$ —**	**$ (702)**	**$ (136)**

[1] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.
[2] Excludes $13 million of AFS investments carried at cost.

Changes in the fair value of Level 3 financial instruments were as follows, for fiscal years 2015 and 2014:

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies
Balance as at January 1, 2014	$ 388	$ 135	$ —	$ (142)
Net gains (losses) and interest included in net income[1]	20	32	—	(19)
Issuances	3	—	(18)	(38)
Settlements	(148)	(2)	—	27
Balance as at December 31, 2014	263	165	(18)	(172)
Net gains (losses) and interest included in net income[1]	(54)	(12)	—	12
Issuances	10	—	(23)	—
Settlements	(140)	(2)	40	25
Balance as at December 31, 2015	**$ 79**	**$ 151**	**$ (1)**	**$ (135)**

[1] Of which an amount of $11 million represents realized gains for fiscal year 2015, which is recorded in financing income ($2 million represents realized losses for fiscal year 2014, which is recorded in financing income and other expense).

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 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 December 31, 2015:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between BB to CCC (B)	Between BB- to CCC+ (B+)	Between BB- to CCC (B+)
Discount rate adjustments for marketability	Between 7.81% and 10.36% (9.84%)	Between 1.91% and 8.90% (6.83%)	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.

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 December 31, 2015:

Impact on EBT		Change of assumptions		
Gain (loss)	Change in fair value recognized in EBT for fiscal year 2015	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	$ (76)	$ (2)	$ (2)	$ (3)
Investment in financing structures	$ (25)	$ (3)	$ (10)	$ (10)
Lease subsidies	$ 22	n/a	$ 2	n/a

n/a: Not applicable

Fair value hierarchy for items recorded at amortized cost

The following table presents financial assets and financial liabilities measured at amortized cost on a non-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).

The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2015:

	Total	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	**$ 1,473**	**$ —**	**$ 1,473**	**$ —**
Other financial assets				
Investments in financing structures	**46**	**—**	**—**	**46**
Other	**340**	**—**	**—**	**340**
	$ 1,859	**$ —**	**$ 1,473**	**$ 386**
Financial liabilities				
Trade and other payables	**$ (4,039)**	**$ —**	**$ (4,039)**	**$ —**
Long-term debt	**(6,767)**	**—**	**(6,767)**	**—**
Other financial liabilities				
Government refundable advances	**(300)**	**—**	**—**	**(300)**
Other	**(289)**	**—**	**—**	**(289)**
	$ (11,395)	**$ —**	**$ (10,806)**	**$ (589)**

35. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In the normal course of business, the Corporation carries out a portion of its businesses through joint ventures and associates, mainly in Transportation.

The Corporation's aggregate pro rata shares of net income of joint ventures and associates, were as follows, for fiscal years:

	2015	2014
Joint ventures	**$ 30**	$ 72
Associates	**119**	17
Net income	**$ 149**	$ 89

The Corporation has pledged shares in associates, with a carrying value of $18 million as at December 31, 2015 ($18 million as at December 31, 2014 and $12 million as at January 1, 2014).

36. TRANSACTIONS WITH RELATED PARTIES

The Corporation's related parties are its joint ventures, associates and key management personnel.

Joint ventures and associates
The Corporation buys and sells products and services on arm's length terms with some of its joint ventures and associates in the ordinary course of business. The following table presents the portion of these transactions that is attributable to the interests of the other venturers, and transaction with associates, for fiscal years:

	2015		2014	
	Joint ventures	**Associates**	Joint ventures	Associates
Sales of products and services, and other income	**$ 100**	**$ 46**	$ 128	$ —
Purchase of products and services, and other expenses	**$ 129**	**$ —**	$ 109	$ 6

The following table presents the Corporation's outstanding balances with joint ventures and associates, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Joint ventures	**Associates**	Joint ventures	Associates	Joint ventures	Associates
Receivables	**$ 31**	**$ 8**	$ 39	$ 5	$ 62	$ 1
Payables	**$ 3**	**$ 2**	$ 6	$ 6	$ 14	$ 10

Compensation paid to key management personnel
The annual remuneration and related compensation costs of the executive and non-executive board members and key Corporate management, defined as the President and Chief Executive Officer of Bombardier Inc., the Presidents and Chief Operating Officers of aerospace segments and Transportation, and the Senior Vice Presidents of Bombardier Inc., were as follows, for fiscal years:

	2015	2014
Share-based benefits	**$ 19**	$ 11
Salaries, bonuses and other short-term benefits	**12**	11
Retirement benefits	**4**	4
Termination and other long-term benefits	**11**	1
	$ 46	$ 27

37. UNCONSOLIDATED STRUCTURED ENTITIES

The following table presents the assets and liabilities of unconsolidated structured entities in which the Corporation had a significant exposure, as at:

	December 31, 2015		December 31, 2014		January 1, 2014	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Financing structures related to the sale of commercial aircraft	**$ 6,612**	**$ 4,102**	$ 7,380	$ 4,796	$ 7,965	$ 5,452

The Corporation has provided credit and/or residual value guarantees to certain structured entities created solely to provide financing related to the sale of commercial aircraft.

Typically, these structured entities are financed by third-party long-term debt and by third-party equity investors who benefit from tax incentives. The aircraft serve as collateral for the structured entities long-term debt. The Corporation retains certain interests in the form of credit and residual value guarantees, subordinated debt and residual interests. Residual value guarantees typically cover a percentage of the first loss from a guaranteed value upon the sale of the underlying aircraft at an agreed upon date. The Corporation also provides administrative services to certain of these structured entities in return for a market fee.

The Corporation's maximum potential exposure was $1.7 billion, of which $354 million was recorded as provisions and related liabilities as at December 31, 2015 ($1.8 billion and $295 million, respectively, as at December 31, 2014 and $1.8 billion and $291 million, respectively, as at January 1, 2014). The Corporation's maximum exposure under these guarantees is included in Note 38 – Commitments and contingencies.

The Corporation concluded that it did not control these structured entities.

38. COMMITMENTS AND CONTINGENCIES

The Corporation enters into various sale support arrangements, including credit and residual value guarantees and financing rate commitments, mostly provided in connection with sales of commercial aircraft and related financing commitments. The Corporation is also subject to other off-balance sheet risks described in the following table. These off-balance sheet risks are in addition to the commitments and contingencies described elsewhere in these consolidated financial statements. Some of these off-balance sheet risks are also included in Note 37 – Unconsolidated special purposes entities. The maximum potential exposure does not reflect payments expected to be made by the Corporation.

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

	December 31, 2015	December 31, 2014	January 1, 2014
Aircraft sales			
Residual value (a)	**$ 1,669**	$ 1,749	$ 1,828
Credit (a)	**1,248**	1,275	1,297
Mutually exclusive exposure[(1)]	**(598)**	(628)	(639)
Total credit and residual value exposure	**$ 2,319**	$ 2,396	$ 2,486
Trade-in commitments (b)	**$ 1,818**	$ 2,696	$ 3,416
Conditional repurchase obligations (c)	**$ 192**	$ 204	$ 472
Other[(2)]			
Credit (d)	**$ 48**	$ 48	$ 48
Performance guarantees (e)	**$ —**	$ 38	$ 43

(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.

(2) The Corporation has also provided other guarantees (see section f) below).

The Corporation's maximum exposure in connection with credit and residual value guarantees related to the sale of aircraft represents the face value of the guarantees before giving effect to the net benefit expected from the estimated value of the aircraft and other assets available to mitigate the Corporation's exposure under these guarantees. Provisions for anticipated losses amounting to $670 million as at December 31, 2015 ($456 million as at December 31, 2014 and $463 million as at January 1, 2014) have been established to cover the risks from these guarantees after considering the effect of the estimated resale value of the aircraft, which is based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balance market in the medium and long-term, and the anticipated proceeds from other assets covering such exposures. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $135 million as at December 31, 2015 ($172 million as at December 31, 2014 and $142 million as at January 1, 2014). The provisions for anticipated losses are expected to cover the Corporation's total credit and residual value exposure, after taking into account the anticipated proceeds from the sale of underlying aircraft and the extinguishment of certain lease subsidies obligations.

Aircraft sales

a) Credit and residual value guarantees - The Corporation has provided credit guarantees in the form of lease and loan payment guarantees, as well as services related to the remarketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to 2027. Substantially all financial support involving potential credit risk lies with regional airline customers. The credit risk relating to three regional airline customers accounted for 71% of the total maximum credit risk as at December 31, 2015 (71% as at December 31, 2014 and 70% as at January 1, 2014).

In addition, the Corporation may provide a guarantee for the residual value of aircraft at an agreed-upon date, generally at the expiry date of related financing and lease arrangements. The arrangements generally include operating restrictions such as maximum usage and minimum maintenance requirements. The guarantee provides for a contractually limited payment to the guaranteed party, which is typically a percentage of the first loss from a guaranteed value. In most circumstances, a claim under such guarantees may be made only upon resale of the underlying aircraft to a third party.

The following table summarizes the outstanding residual value guarantees, at the earliest exercisable date, and the period in which they can be exercised, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Less than 1 year	**$ 90**	$ 56	$ 64
From 1 to 5 years	**991**	777	860
From 5 to 10 years	**580**	880	872
From 10 to 15 years	**8**	36	32
	$ 1,669	$ 1,749	$ 1,828

b) Trade-in commitments - In connection with the signing of firm orders for the sale of new aircraft, the Corporation enters into specified-price trade-in commitments with certain customers. These commitments give customers the right to trade-in their pre-owned aircraft as partial payment for the new aircraft purchased.

The Corporation's trade-in commitments were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Less than 1 year	**$ 271**	$ 687	$ 1,452
From 1 to 3 years	**204**	627	355
Thereafter	**1,343**	1,382	1,609
	$ 1,818	$ 2,696	$ 3,416

c) Conditional repurchase obligations - In connection with the sale of new aircraft, the Corporation enters into conditional repurchase obligations with certain customers. Under these obligations, the Corporation agrees to repurchase the initial aircraft at predetermined prices, during predetermined periods or at predetermined dates, conditional upon mutually acceptable agreement for the sale of a new aircraft. At the time the Corporation enters into an agreement for the sale of a subsequent aircraft and the customer exercises its right to partially pay for the

subsequent aircraft by trading-in the initial aircraft to the Corporation, a conditional repurchase obligation is accounted for as a trade-in commitment.

The Corporation's conditional repurchase obligations, as at the earliest exercise date, were as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Less than 1 year	**$ 173**	$ 195	$ 378
From 1 to 3 years	**19**	9	94
	$ 192	$ 204	$ 472

Other guarantees

d) Credit and residual value guarantees - In connection with the sale of certain transportation rail equipment, the Corporation has provided a credit guarantee of lease payments amounting to $48 million as at December 31, 2015 ($48 million as at December 2014, and January 1, 2014). This guarantee matures in 2025.

e) Performance guarantees - In certain projects carried out through consortia or other partnership vehicles in Transportation, partners may be jointly and severally liable to the customer for a default by the other partners. In such cases partners would normally provide counter indemnities to each other. These obligations and guarantees typically extend until final product acceptance by the customer and in some cases to the warranty period.

The Corporation's maximum net exposure to projects for which the exposure of the Corporation is capped, amounted to nil as at December 31, 2015 ($38 million as at December 31, 2014 and $43 million as at January 1, 2014), assuming all counter indemnities are fully honoured. For projects where the Corporation's exposure is not capped, such exposure has been determined in relation to the Corporation's partners' share of the total contract value. Under this methodology, the Corporation's net exposure is not significant, assuming all counter indemnities are fully honoured. Such joint and several obligations and guarantees have been rarely called upon in the past.

f) Other - In the normal course of its business, the Corporation has entered into agreements that include indemnities in favour of third parties, mostly tax indemnities. These agreements generally do not contain specified limits on the Corporation's liability and therefore, it is not possible to estimate the Corporation's maximum liability under these indemnities.

Operating leases

The Corporation leases buildings and equipment and assumes aircraft operating lease obligations in connection with the sale of new aircraft. Future minimum lease payments, mostly related to buildings and equipment, under non-cancellable operating leases are due as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Within 1 year	**$ 146**	$ 165	$ 161
Between 1 to 5 years	**346**	438	413
More than 5 years	**346**	512	504
	$ 838	$ 1,115	$ 1,078

Rent expense was $181 million for fiscal year 2015 ($175 million for fiscal year 2014).

Other commitments

The Corporation also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

	December 31, 2015	December 31, 2014	January 1, 2014
Within 1 year	**$ 6,485**	$ 7,061	$ 8,026
Between 1 to 5 years	**3,925**	4,141	3,667
More than 5 years	**56**	233	207
	$ 10,466	$ 11,435	$ 11,900

The purchase obligations of the Corporation include capital commitments for the purchase of PP&E and intangible assets amounting to $176 million and $489 million, respectively, as at December 31, 2015 ($196 million and $432 million as at December 31, 2014 and $331 million and $435 million as at January 1, 2014).

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 December 31, 2015, 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.

S-Bahn claim

On March 20, 2015, Deutsche Bahn and Transportation announced that they had agreed on an out-of-court Settlement regarding various claims. The out-of-court Settlement terminated the claim filed on March 4, 2013 by S-Bahn Berlin GmbH ("SB") against Bombardier Transportation GmbH, a wholly owned subsidiary of the Corporation, in the Berlin District Court ("Landgericht Berlin"), concerning the trains of the 481 Series delivered to SB between 1996 and 2004. Under the out-of-court Settlement, Bombardier Transportation GmbH made no admission of liability.

Investigation in Brazil

On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a wholly owned 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 to 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.

39. SIGNIFICANT TRANSACTION

Ministère de l'Économie, de l'Innovation et des Exportations du Québec

In October 2015, the Corporation entered into a memorandum of understanding which contemplates a $1.0 billion equity investment by the Ministère de l'Économie, de l'Innovation et des Exportations du Québec (through Investissement Québec) (the Government of Québec) for a 49.5% equity stake in a newly-created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will be owned 50.5% by Bombardier Inc. and, as a subsidiary of Bombardier Inc., will carry on the operations related to our *C Series* aircraft program. After the investment, the newly created limited partnership will be consolidated in our financial results. The investment remains conditional upon the completion of definitive agreements, the receipt of consents from third parties, the completion of an internal pre-closing reorganization, the receipt of required regulatory approvals and other customary conditions precedent.

The proceeds of the investment will be used entirely for cash flow purposes of the *C Series* aircraft program.

The investment also includes the issuance of warrants to the Government of Québec exercisable to acquire up to 200,000,000 Class B Subordinate Voting Shares in the capital of Bombardier Inc., at an exercise price per share equal to the U.S. dollar equivalent of $2.21 Canadian dollars, using the exchange rate on the date of execution of definitive agreements. The warrants will have a five-year term from the date of issue and will not be listed on the Toronto Stock Exchange.

The execution of the definitive agreements and disbursement of the investment and issuance of the warrants are expected to take place in the second quarter of 2016, subject to the conditions to closing.

The investment contemplates a continuity undertaking providing that we maintain in the Province of Québec, for a period of 20 years, the newly-created limited partnership's operational, financial and strategic headquarters, manufacturing and engineering activities, shared services, policies, practices and investment plans for research and development, in each case in respect of the design, manufacture and marketing of the *CS100* and *CS300* aircraft and after-sales services for these aircraft and that we will operate the facilities located in Mirabel, Canada for these purposes.

The Government of Québec's interest in the partnership will be redeemable in certain circumstances, at the option of the Corporation.

40. EVENTS AFTER THE REPORTING DATE

Caisse de dépôt et placement du Québec

In November 2015, the Corporation entered into a definitive agreement with the Caisse de dépôt et placement du Québec (CDPQ) for a $1.5 billion convertible share investment in Bombardier Transportation's newly-created holding company, Bombardier Transportation (Investment) UK Ltd (BT Holdco). The investment was completed on February 11, 2016. Under the terms of the investment, Bombardier Inc. sold voting shares convertible into a 30% common equity stake of BT Holdco to the CDPQ, subject to annual adjustments related to performance.

Following the completion of the previously-announced corporate reorganization, BT Holdco owns essentially all of the assets of Bombardier's Transportation business segment, its operational headquarters remains in Germany and it will continue to be consolidated in Bombardier's financial results.

Key terms of the investment

The CDPQ will be entitled to its pro-rata portion (on an as-converted basis, initially equal to 30% of BT Holdco common shares) of any future dividends declared.

Dividends will be payable in cash or, subject to certain conditions, in additional convertible shares at the option of BT Holdco (any such issuance to increase the CDPQ's participation).

Performance incentives
The terms of the transaction provide strong performance incentives for Bombardier Transportation. For each of the first five years following the closing date, the CDPQ's ownership (on conversion) and return may be subject to upward or downward annual adjustments, based on a performance target jointly agreed to as part of Bombardier Transportation's business plan.

If Bombardier Transportation outperforms its business plan, the CDPQ's percentage of ownership on conversion of its shares decreases by 2.5% annually, down to a minimum threshold of 25%. In this circumstance, the convertible shares' minimum return also decreases from 9.5% to a floor of 7.5%.

Conversely, should Bombardier Transportation underperform relative to its plan, the CDPQ's percentage of ownership on conversion of its shares will increase by 2.5% annually, up to a maximum of 42.5% over a five-year period. In this case, the convertible shares' minimum return also increases from 9.5% up to 12%.

Shareholders rights and exit
Under the terms of the investment, the CDPQ has standard minority protection rights, including: pre-emptive rights, a right of first offer, and tag-along rights, and Bombardier has a right of first offer and customary drag-along rights, in each case subject to certain conditions.

Bombardier has the ability to buy back the CDPQ's investment upon specified terms at any time on or after the third anniversary of the closing of the investment, at the higher of the fair market value (on an as-converted basis) or a minimum of 15% compounded annual return to the CDPQ.

At any time on or after the fifth anniversary of the closing of the investment, and provided that Bombardier has not exercised its right to buy back CDPQ's investment before then, the CDPQ will have the right to cause BT Holdco to proceed with a secondary initial public offering (IPO) or a sale of 100% of its shares, and to receive the higher of the value of its shares on an as-converted basis, or based on the implied value of the IPO or sale to a third party, as the case may be.

Upon a change of control of Bombardier Inc. or, in certain circumstances, of BT Holdco, the CDPQ will have the right to require an IPO or a sale of 100% of the BT Holdco shares and to receive the higher of the value of the common shares held by the CDPQ on an as-converted basis, based on the implied value of the IPO or sale to a third party, as the case may be, or a minimum three-year 15% compounded annual return (or at any time after three years, a 15% compounded annual return).

Other details of the transaction
The parties have agreed to a consolidated Bombardier cash position of at least $1.25 billion. In the event Bombardier's cash position falls below that level, the Board of directors of Bombardier will create a Special Initiatives Committee composed of three independent directors acceptable to the CDPQ, who would be responsible to develop an action plan to improve cash. The implementation of the plan, once agreed with the CDPQ, would be overseen by the Special Initiatives Committee.

Warrants
The investment comprises the issuance by Bombardier to the CDPQ of warrants exercisable for a total number of 105,851,872 Class B shares (subordinate voting) in the capital of Bombardier Inc. (Class B Subordinate Voting Shares), equivalent to a 4.5% ownership of all outstanding Class A shares (multiple voting) in the capital of Bombardier Inc. (Class A Shares) and Class B Subordinate Voting Shares (after giving effect to the exercise of such warrants) (and approximately 4.7% of the aggregate outstanding Class A Shares and Class B Subordinate Voting Shares on a non-diluted basis). The warrants are exercisable for a period of seven years from the date of their issuance at an exercise price per Class B Subordinate Voting Share equal to $1.66, the U.S. dollar equivalent of $2.21 CDN at the date of execution of the subscription agreement, which represents a premium to the 5-day VWAP of the Class B Subordinate Voting Shares on the Toronto Stock Exchange (TSX) as of October 16, 2015.

The TSX has determined to accept notice of the private placement of warrants and has conditionally approved the listing of the Class B Subordinate Voting 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 warrants are not and

will not be listed on the TSX, and contain market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations.

Security holder approval was required under TSX rules due to the fact that the warrants were issued later than 45 days from the date upon which the exercise price was established, as set out in Section 607(f)(i) of the TSX Company Manual. Such approval was obtained, as agreed with the TSX, by way of written consent of shareholders holding more than 50% of the voting rights attached to all of Bombardier's issued and outstanding shares.

Reverse stock split

Subsequent to the end of the fiscal year, we announced a plan to present a proposal to shareholders of the Corporation for a consolidation (also known as a "reverse stock split") of the Class A shares (multiple voting) (Class A Shares), issued and unissued, and Class B shares (subordinate voting) (Class B Subordinate Voting Shares), issued and unissued, at the annual and special meeting planned for spring 2016 (the Share Consolidation). The consolidation ratio will be selected by the Board of Directors from within a range of ratios, subject to shareholder approval, which ratio would be expected, at that time, to result in an initial post-consolidation share price in the range of $10 to $20 Canadian dollars per Class A Share or Class B Subordinate Voting Share. Assuming receipt of shareholder and Toronto Stock Exchange approvals, the Share Consolidation, if any, would be completed at such time as the Board of Directors shall deem appropriate.

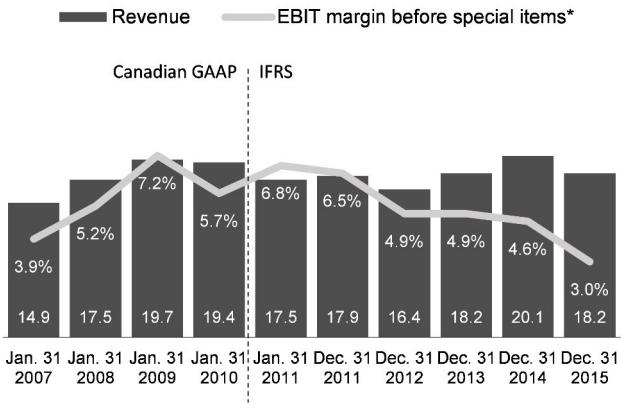
Restructuring

Subsequent to the end of the fiscal year, the Corporation decided to take steps to optimize its workforce with a combination of manpower reduction and strategic hiring. The Corporation plans to reduce its workforce by an estimated 7,000 production and non-production employees throughout 2016 and 2017, as we move forward with our transformation plan. During the same period, this workforce reduction will be partially offset by hiring in certain growth areas, notably to support the ramp-up of strategic programs and projects worldwide. These adjustments will enable us to resize our organization in line with current business needs and to increase our competitiveness. The manpower reduction includes approximately 2,000 contractual workers and 800 product development engineers. Restructuring charges consisting mainly of severance of approximately $250 million to $300 million will be recorded as special items primarily in 2016.

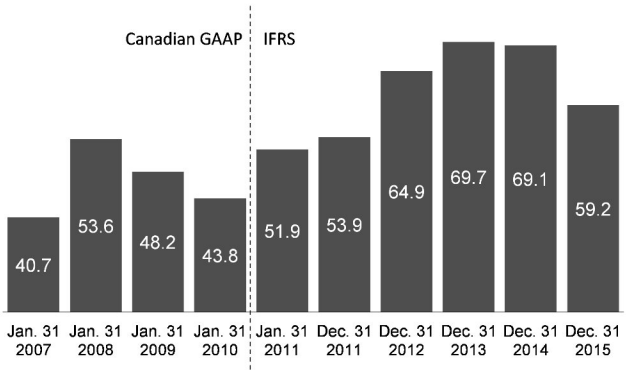
INVESTOR INFORMATION

Our performance at a glance

REVENUES[1] AND EBIT MARGIN BEFORE SPECIAL ITEMS[1]
(for fiscal years ended; in billions of dollars)



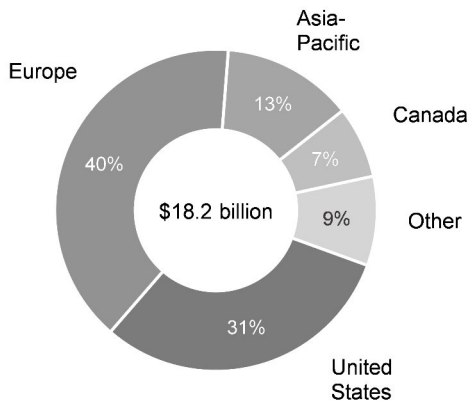
ORDER BACKLOG
(as at; in billions of dollars)



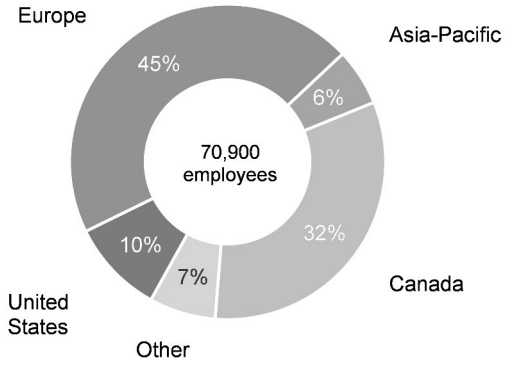
[1] Fiscal year ended December 31, 2011 comprises 11 months and 12 months of Bombardier Aerospace and Transportation results, respectively.

* Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in the MD&A for a definition of this metric and reconciliation to the most comparable IFRS measure.

GEOGRAPHIC SEGMENTATION OF REVENUES
(for fiscal year 2015)



GEOGRAPHIC SEGMENTATION OF EMPLOYEES
(as at December 31, 2015, including contractual and inactive employees)



STOCK EXCHANGE LISTINGS

Class A Shares and Class B Subordinate Voting Shares	Toronto (Canada)
Preferred Shares, Series 2, Series 3 and Series 4	Toronto (Canada)
Stock listing ticker	BBD (Toronto)

FISCAL YEAR 2016 FINANCIAL RESULTS

First quarterly report	April 28, 2016
Second quarterly report	August 5, 2016
Third quarterly report	November 10, 2016
2016 Annual Financial Report	February 9, 2017

PREFERRED DIVIDEND PAYMENT DATES

Payment subject to approval by the Board of Directors

Series 2

Record date	Payment date	Record date	Payment date
2015-12-31	2016-01-15	2016-06-30	2016-07-15
2016-01-29	2016-02-15	2016-07-29	2016-08-15
2016-02-29	2016-03-15	2016-08-31	2016-09-15
2016-03-31	2016-04-15	2016-09-30	2016-10-15
2016-04-29	2016-05-15	2016-10-31	2016-11-15
2016-05-31	2016-06-15	2016-11-30	2016-12-15

Series 3

Record date	Payment date
2016-01-15	2016-01-31
2016-04-15	2016-04-30
2016-07-15	2016-07-31
2016-10-14	2016-10-31

Series 4

Record date	Payment date
2016-01-15	2016-01-31
2016-04-15	2016-04-30
2016-07-15	2016-07-31
2016-10-14	2016-10-31

Please note that unless stated otherwise, all dividends paid by Bombardier since January 2006 on all of its common and preferred shares are considered “eligible dividends” as per the Canadian Income Tax Act and any corresponding provincial or territorial legislation. The same designation applies under the Quebec Taxation Act for dividends declared after March 23, 2006.

Our Board of Directors

BOARD MEMBERS[1]

Pierre Beaudoin	Executive Chairman of the Board of Directors of Bombardier
Laurent Beaudoin	Chairman Emeritus
Alain Bellemare	President and Chief Executive Officer of Bombardier
Joanne Bissonnette	Corporate Director
J. R. André Bombardier	Vice Chairman of the Board of Bombardier
Martha Finn Brooks	Corporate Director
L. Denis Desautels	Corporate Director
Jean-Louis Fontaine	Vice Chairman of the Board of Bombardier
Sheila Fraser	Corporate Director
Daniel Johnson	Counsel, McCarthy Tétrault LLP (barristers and solicitors)
Jean C. Monty	Corporate Director
Vikram Pandit	Chairman of TGG Group (a holding company for advisory and other businesses)
Patrick Pichette	Advisor to Google Inc. (an Internet related services and products company)
Carlos E. Represas	Corporate Director

BOARD COMMITTEES

Board committees	Board representation[1]	Responsibilities
Audit Committee	Sheila Fraser (Chair) L. Denis Desautels Daniel Johnson Jean C. Monty Patrick Pichette	• Help the directors meet their responsibilities with respect to accountability • Assist in maintaining good communication between the directors and Ernst & Young, Bombardier's independent auditors • Assist in maintaining the independance of Ernst & Young • Maintain the credibility and objectivity of our financial reports • Investigate and assess any material risk
Finance and Risk Management Committee	L. Denis Desautels (Chairman) Martha Finn Brooks Daniel Johnson Vikram Pandit Carlos E. Represas	• Review Bombardier's material financial risks and its monitoring, control and risk management • Review adequacy of policies, procedures and controls in place for risk management • Review and monitor significant or unusual transactions and/or projects related to ongoing activities, business opportunities, mergers, acquisitions, divestitures, significant asset sales or purchases and equity investments • Monitor matters or activities related to or involving Bombardier's financial standing
Corporate Governance and Nomination Committee	Carlos E. Represas (Chairman) Daniel Johnson Vikram Pandit Patrick Pichette[2]	• Monitor selection criteria and credentials for Board candidates • Monitor Board and Committees' composition and performance • Monitor Board remuneration
Human Resources and Compensation Committee	Jean C. Monty (Chairman) Martha Finn Brooks Patrick Pichette Carlos E. Represas	• Oversee succession planning of the President and CEO and other selected senior positions • Assess performance of the President and CEO • Review and approve total executive compensation policy accounting for base salary, short-term and long-term incentives as well as pension, benefits and perquisites

[1] Supplemental information regarding our Board of Directors can be found on our website at bombardier.com.

[2] Patrick Pichette was appointed to the Corporate Governance and Nomination Committee on May 7, 2015, following Heinrich Weiss' retirement.

SHAREHOLDERS

If you wish to obtain a copy of this Financial Report, or other corporate documents, we encourage you to download them from our website at bombardier.com, which provides practical, timely and environmentally friendly access. You can, however, order paper copies from our website or by contacting:

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Canada H3B 1Y8
Tel.: +1 514 861 9481, extension 13390
Fax: +1 514 861 2420

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Canada H3B 1Y8
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Email: investors@bombardier.com

DUPLICATION

Although Bombardier strives to ensure that registered shareholders receive only one copy of corporate documents, duplication is unavoidable if securities are registered under different names and addresses. If this is the case, please call Computershare Investor Services at one of the following numbers:
+1 514 982 7555 or +1 800 564 6253 (toll-free, North America only) or send an email to service@computershare.com.

ONLINE INFORMATION

For additional information, we invite you to visit our websites at:
bombardier.com
and
ir.bombardier.com

TRANSFER AGENT AND REGISTRAR

Shareholders with inquiries concerning their shares should contact:

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Canada M5J 2Y1
or
1500 Robert-Bourrassa Blvd., Suite 700
Montréal, Québec
Canada H3A 3S8
Tel.: +1 514 982 7555 or +1 800 564 6253
(toll-free, North America only)
Fax: +1 416 263 9394 or +1 888 453 0330
(toll-free, North America only)
Email: service@computershare.com

AUDITORS

Ernst & Young LLP
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1X9

ANNUAL MEETING

The annual meeting of shareholders will be held on Thursday, April 28, 2016, at 10:00 a.m. at the following address:

Montreal Science Centre
Perspective 235^{o} Room
2, de la Commune Street West
Montréal, Québec, Canada H2Y 4B2

The annual meeting will also be broadcast live on our website at bombardier.com.

Forward-looking statements[1] in this section are based on:

- current firm order backlog and estimated future order intake in our Aerospace reportable segments;[2]
- the realization of upcoming tenders and our ability to capture them in our Transporation reportable segment;
- increased share of higher margin and lower risk contracts in the order backlog, as well as a balanced distribution of orders across segments and geographies;
- stability of the global competitive and economic environment as well as continued favourable trends[2] impacting our Transportation business;
- our investment in new products and aircraft programs will drive revenue growth with the *C Series* aircraft program being the principal revenue driver for our Commercial Aircraft reportable segment and the *Global 7000* and *Global 8000* aircraft program being the principal revenue driver for our Business Aircraft reportable segment;
- an increased level of aircraft deliveries and improved pricing;
- a higher proportion of services revenue;
- the continued deployment and execution of key transformation initiatives, especially those impacting direct and indirect procurement costs, labor efficiency and working capital improvement and the effectiveness thereof on a sustainable basis;
- our ability to meet scheduled EIS dates and planned costs for the *C Series* and the *Global 7000* and *Global 8000* aircraft programs;
- ramp-up of the production of the *C Series* and *Global 7000* and *Global 8000* aircraft programs including learning curve improvements;
- our ability to execute and deliver business model enhancement initiatives;
- product development spend to decline over the coming years to reach more stable levels toward the end of our five-year plan in line with amortization;
- our ability to recruit and retain highly skilled resources to deploy our product development strategy;
- the ability of our supply base to support planned production rates;
- stability of foreign exchange rates;
- the satisfaction of all conditions to complete the previously announced investment in the *C Series* aircraft program by the Government of Québec including the completion of definitive agreements, the receipt of consents from third parties, the completion of an internal pre-closing reorganization and the receipt of required regulatory approvals;
- the sufficiency of our pro forma liquidity position to execute our plan over the planned period;
- the ability to identify and enter into further risk sharing partnerships; and
- the gradual de-leveraging of our balance sheet toward the end of our five-year plan, in the context of improved operating performance and earnings growth, conversion of our earnings into cash and disciplined capital deployment.

(1) Refer to the Guidance and forward-looking statements section and the forward-looking statement disclaimer in Overview as well as the Guidance and forward-looking statements section in each reportable segment.

(2) Demand forecast is based on the analysis of main market indicators. For more details, refer to the market indicators in the Industry and economic environment section for each reportable segment.

The *C Series*, and *Global 7000* and *Global 8000* aircraft programs are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind. On October 28, 2015, due to the lack of sales following the prolonged market weakness, we cancelled the Learjet 85 aircraft program.

ALP, AVENTRA, Bombardier, Challenger, Challenger 300, Challenger 350, Challenger 605, Challenger 650, Challenger 850, CRJ, CRJ700, CRJ900, CRJ1000, CSeries, CS100, CS300, EBI, ELECTROSTAR, FlexCare, FLEXITY, FLEXX, Global, Global 5000, Global 6000, Global 7000, Global 8000, INNOVIA, INTERFLO, Learjet, Learjet 40, Learjet 45, Learjet 60, Learjet 70, Learjet 75, Learjet 85, MITRAC, MOVIA, OMNEO, PRIMOVE, Q400, REGINA, Smart Parts, Smart Parts Plus, Smart Parts Maintenance Plus, Smart Parts Preferred, SPACIUM, TALENT, The Evolution of Mobility, TRAXX, TWINDEXX, XR and *ZEFIRO* are trademarks of Bombardier Inc. or its subsidiaries.

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