BOMBARDIER INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three-month period ended March 31, 2015

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For the three-month period ended March 31, 2015
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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

		Three-month periods ended March 31	
	Notes	**2015**	2014
Revenues		**$ 4,397**	$ 4,354
Cost of sales	11	**3,831**	3,761
Gross margin		**566**	593
SG&A		**276**	338
R&D	5	**79**	76
Share of income of joint ventures and associates		**(16)**	(22)
Other income	6	**(10)**	(18)
Special items	7	**9**	12
EBIT		**228**	207
Financing expense	8	**108**	51
Financing income	8	**(23)**	(17)
EBT		**143**	173
Income taxes		**43**	58
Net income		**$ 100**	$ 115
Attributable to			
Equity holders of Bombardier Inc.		**$ 98**	$ 113
NCI		**2**	2
		$ 100	$ 115
EPS (in dollars)	9		
Basic and diluted		**$ 0.05**	$ 0.06

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

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

	Three-month periods ended March 31	
	2015	2014
Net income	**$ 100**	$ 115
OCI		
Items that may be reclassified to net income		
Net change in cash flow hedges		
Foreign exchange re-evaluation	**4**	—
Net loss on derivative financial instruments	**(438)**	(124)
Reclassification to income or to the related non-financial asset	**120**	40
Income taxes	**51**	20
	(263)	(64)
AFS financial assets		
Net unrealized gain	**3**	4
CCTD		
Net investments in foreign operations	**(7)**	10
Net gain on related hedging items	**1**	1
	(6)	11
Items that are never reclassified to net income		
Retirement benefits		
Remeasurements of defined benefit plans[1]	**(161)**	(239)
Income taxes	**15**	18
	(146)	(221)
Total OCI	**(412)**	(270)
Total comprehensive loss	**$ (312)**	$ (155)
Attributable to		
Equity holders of Bombardier Inc.	**$ (314)**	$ (157)
NCI	**2**	2
	$ (312)	$ (155)

[1] Includes net actuarial gains (losses).

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

	Notes	March 31 2015	December 31 2014	January 1 2014
Assets				
Cash and cash equivalents		**$ 4,733**	$ 2,489	$ 3,397
Trade and other receivables		**1,129**	1,538	1,492
Inventories	11	**7,919**	7,970	8,234
Other financial assets	12	**616**	530	637
Other assets	13	**604**	592	626
Current assets		**15,001**	13,119	14,386
PP&E		**2,052**	2,092	2,066
Aerospace program tooling		**7,125**	6,823	6,606
Goodwill		**1,981**	2,127	2,381
Deferred income taxes		**900**	875	1,231
Investments in joint ventures and associates		**303**	294	318
Other financial assets	12	**1,360**	1,328	1,568
Other assets	13	**925**	956	807
Non-current assets		**14,646**	14,495	14,977
		$ 29,647	$ 27,614	$ 29,363
Liabilities				
Trade and other payables		**$ 3,682**	$ 4,216	$ 4,089
Provisions	14	**899**	990	881
Advances and progress billings in excess of long-term contract inventories		**1,528**	1,698	2,352
Advances on aerospace programs		**2,796**	3,339	3,228
Other financial liabilities	15	**2,267**	1,010	1,009
Other liabilities	16	**2,139**	2,182	2,227
Current liabilities		**13,311**	13,435	13,786
Provisions	14	**575**	562	584
Advances on aerospace programs		**1,775**	1,608	1,688
Long-term debt	17	**9,046**	7,627	6,988
Retirement benefits		**2,720**	2,629	2,161
Other financial liabilities	15	**652**	602	717
Other liabilities	16	**1,006**	1,096	990
Non-current liabilities		**15,774**	14,124	13,128
		29,085	27,559	26,914
Equity				
Attributable to equity holders of Bombardier Inc.	18	**547**	42	2,426
Attributable to NCI		**15**	13	23
		562	55	2,449
		$ 29,647	$ 27,614	$ 29,363
Commitments and contingencies	23			

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

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

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings	Remeasurement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at December 31, 2014	$ 347	$ 1,381	$ 1,151	$ (2,661)	$ 92	$ 12	$ (322)	$ 42	$ 42	$ 13	$ 55
Total comprehensive income											
Net income	—	—	98	—	—	—	—	—	98	2	100
OCI	—	—	—	(146)	—	3	(263)	(6)	(412)	—	(412)
	—	—	98	(146)	—	3	(263)	(6)	(314)	2	(312)
Issuance of share capital	—	822	—	—	—	—	—	—	822	—	822
Dividends	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Share-based expense	—	—	—	—	4	—	—	—	4	—	4
As at March 31, 2015	**$ 347**	**$ 2,203**	**$ 1,242**	**$ (2,807)**	**$ 96**	**$ 15**	**$ (585)**	**$ 36**	**$ 547**	**$ 15**	**$ 562**
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	—	—	113	—	—	—	—	—	113	2	115
OCI	—	—	—	(221)	—	4	(64)	11	(270)	—	(270)
	—	—	113	(221)	—	4	(64)	11	(157)	2	(155)
Dividends	—	—	(48)	—	—	—	—	—	(48)	—	(48)
Share-based expense	—	—	—	—	6	—	—	—	6	—	6
As at March 31, 2014	$ 347	$ 1,380	$ 2,663	$ (2,191)	$ 98	$ 9	$ (267)	$ 188	$ 2,227	$ 25	$ 2,252

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

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

		Three-month periods ended March 31	
	Notes	**2015**	2014
Operating activities			
Net income		**$ 100**	$ 115
Non-cash items			
Amortization		**108**	93
Deferred income taxes		**12**	24
Gains on disposals of PP&E	6	**(3)**	—
Share of income of joint ventures and associates		**(16)**	(22)
Share-based expense	19	**4**	6
Loss on repurchase of long-term debt		**22**	—
Dividends received from joint ventures and associates		**4**	—
Net change in non-cash balances	20	**(597)**	(631)
Cash flows from operating activities		**(366)**	(415)
Investing activities			
Additions to PP&E and intangible assets		**(383)**	(509)
Proceeds from disposals of PP&E		**4**	9
Additions to AFS investments in securities		**(10)**	—
Net proceeds from disposal of a business[(1)]		**—**	25
Other		**(12)**	—
Cash flows from investing activities		**(401)**	(475)
Financing activities			
Net proceeds from issuance of long-term debt	17	**2,218**	27
Repayments of long-term debt		**(8)**	(7)
Dividends paid[(2)]		**(5)**	(46)
Net proceeds from issuance of shares	18	**822**	—
Other		**100**	18
Cash flows from financing activities		**3,127**	(8)
Effect of exchange rates on cash and cash equivalents		**(116)**	(11)
Net increase (decrease) in cash and cash equivalents		**2,244**	(909)
Cash and cash equivalents at beginning of period		**2,489**	3,397
Cash and cash equivalents at end of period		**$ 4,733**	$ 2,488
Supplemental information[(3)(4)]			
Cash paid for			
Interest		**$ 91**	$ 90
Income taxes		**$ 20**	$ 30
Cash received for			
Interest		**$ 5**	$ 10
Income taxes		**$ 1**	$ 1

(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) $5 million of dividends paid relate to preferred shares for the three-month period ended March 31, 2015 ($6 million for the three-month period ended March 31, 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 receivable after the effect of hedges, if any, and the interest portion of a gain related to the resolution of a litigation in connection with part IV of the Quebec Income Tax Act, the Tax on Capital.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2015
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. ("the Corporation") is incorporated under the laws of Canada. The Corporation is a manufacturer of transportation equipment, including business and commercial aircraft, as well as major aircraft structural components, and rail transportation equipment and systems, and is a provider of related services. The Corporation carries out its operations in four distinct segments, effective January 1, 2015 : Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation.

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Financial Report for the fiscal year ended December 31, 2014.

The Corporation restated Note 4 - Segment disclosure for the comparative period to reflect its four reportable segments.

These interim consolidated financial statements for the three-month period ended March 31, 2015 were authorized for issuance by the Board of Directors on May 6, 2015.

The results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year. The fourth quarter has generally been the strongest in terms of revenues, profitability and cash flows.

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

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

			Exchange rates as at
	March 31, 2015	December 31, 2014	January 1, 2014
Euro	**1.0845**	1.2141	1.3791
Canadian dollar	**0.7911**	0.8633	0.9400
Pound sterling	**1.4799**	1.5587	1.6542

		Average exchange rates for the three-month periods ended March 31
	2015	2014
Euro	**1.1278**	1.3697
Canadian dollar	**0.8076**	0.9066
Pound sterling	**1.5156**	1.6546

2. 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.

3. 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 has not yet assessed 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, 2017; however, at the April 2015 Board Meeting, the IASB decided to publish an Exposure Draft proposing a one-year deferral of the effective date to January 1, 2018. The IASB will consult on the proposed deferral of the effective date by one year before it is confirmed. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4. 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

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

Commercial Aircraft

Commercial Aircraft designs and manufactures a broad portfolio of commercial aircraft in the 60- to 149-seat categories, including the *Q400 NextGen* turboprops, the *CRJ700, 900* and *1000 NextGen* 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 same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2014.

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 are 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:

	Three-month period ended March 31, 2015					
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	$ 2,039	$ 1,537	$ 673	$ 148	$ —	$ 4,397
Intersegment revenues	2	—	—	323	(325)	—
Total revenues	2,041	1,537	673	471	(325)	4,397
EBIT before special items	118	107	(10)	41	(19)	237
Special items(1)	—	11	(1)	(1)	—	9
EBIT	$ 118	$ 96	$ (9)	$ 42	$ (19)	228
Financing expense						108
Financing income						(23)
EBT						143
Income taxes						43
Net income						$ 100
Other information						
R&D	$ 27	$ 28	$ 21	$ 3	$ —	$ 79
Net additions to PP&E and intangible assets(2)	$ 12	$ 159	$ 194	$ 14	$ —	$ 379
Amortization	$ 26	$ 42	$ 28	$ 12	$ —	$ 108

	Three-month period ended March 31, 2014					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 2,265	$ 1,474	$ 479	$ 136	$ —	$ 4,354
Intersegment revenues	2	—	—	334	(336)	—
Total revenues	2,267	1,474	479	470	(336)	4,354
EBIT before special items	128	100	3	20	(32)	219
Special items(1)	—	10	(2)	4	—	12
EBIT	$ 128	$ 90	$ 5	$ 16	$ (32)	207
Financing expense						51
Financing income						(17)
EBT						173
Income taxes						58
Net income						$ 115
Other information						
R&D	$ 36	$ 21	$ 16	$ 3	$ —	$ 76
Net additions to PP&E and intangible assets(2)	$ 16	$ 275	$ 197	$ 12	$ —	$ 500
Amortization	$ 29	$ 30	$ 20	$ 13	$ 1	$ 93

(1) See Note 7 – Special items for more details.
(2) As per the consolidated statements of cash flows.

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

	March 31, 2015	December 31, 2014	January 1, 2014
Assets			
Total assets	**$ 29,647**	$ 27,614	$ 29,363
Assets not allocated to segments			
Cash and cash equivalents	**4,733**	2,489	3,397
Income tax receivable(1)	**50**	64	27
Deferred income taxes	**900**	875	1,231
Segmented assets	**23,964**	24,186	24,708
Liabilities			
Total liabilities	**29,085**	27,559	26,914
Liabilities not allocated to segments			
Interest payable(2)	**113**	124	116
Income taxes payable(3)	**230**	248	198
Long-term debt(4)	**9,853**	7,683	7,203
Segmented liabilities	**$ 18,889**	$ 19,504	$ 19,397
Net segmented assets			
Transportation	**$ (194)**	$ 226	$ 296
Business Aircraft	**$ 874**	$ 440	$ 1,306
Commercial Aircraft	**$ 3,946**	$ 3,693	$ 3,241
Aerostructures and Engineering Services	**$ 195**	$ 204	$ 221
Corporate and Elimination	**$ 254**	$ 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.

5. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended March 31	
	2015	2014
R&D expenditures	**$ 381**	$ 474
Less: development expenditures capitalized to aerospace program tooling	**(348)**	(430)
	33	44
Add: amortization of aerospace program tooling	**46**	32
	$ 79	$ 76

6. OTHER INCOME

Other income was as follows:

	Three-month periods ended March 31			
		2015		2014
Changes in estimates and fair value(1)	**$**	**(10)**	$	(15)
Gains on disposals of PP&E		**(3)**		—
Severance and other involuntary termination costs (including changes in estimates)(2)		**1**		(3)
Other		**2**		—
	$	**(10)**	$	(18)

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

7. SPECIAL ITEMS

Special items were as follows:

	Three-month periods ended March 31			
		2015		2014
Loss on repurchase of long-term debt(1)	**$**	**22**	$	—
Restructuring charge(2)		**9**		22
Gain on resolution of a litigation(3)		**—**		(10)
	$	**31**	$	12
Of which is presented in				
Special items in EBIT	**$**	**9**	$	12
Financing expense - loss on repurchase of long-term debt		**22**		—
	$	**31**	$	12

(1) Represents the loss related to the repurchase of the $750 million Senior Notes. See Note 17 - Long-term debt for more details.
(2) 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 the three-month period ended March 31, 2015. For the three-month period ended March 31, 2014, relates to the Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services workforce reduction announced in January 2014 of approximately 1,700 positions, located mostly in Canada and the U.S.
(3) 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.

8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended March 31	
	2015	2014
Financing expense		
Loss on repurchase of long-term debt[1]	**$ 22**	$ —
Accretion on net retirement benefit obligations	**19**	19
Net loss on certain financial instruments[2]	**18**	5
Accretion on other financial liabilities	**5**	3
Amortization of letter of credit facility costs	**3**	4
Changes in discount rates of provisions	**3**	2
Accretion on provisions	**2**	2
Other	**5**	5
	77	40
Interest on long-term debt, after effect of hedges	**31**	11
	$ 108	$ 51
Financing income		
Income from investment in securities	**$ (6)**	$ (3)
Interest on loans and lease receivables, after effect of hedges	**(5)**	(8)
Interest on cash and cash equivalents	**(1)**	(2)
	(12)	(13)
Other	**(11)**	(4)
	$ (23)	$ (17)

(1) Represents the loss related to the repurchase of the $750 million Senior Notes, which was recorded as a special item.
(2) Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

Borrowing costs capitalized to PP&E and intangible assets totalled $63 million for the three-month period ended March 31, 2015, using an average capitalization rate of 4.56% ($72 million and 4.91% for the three-month period ended March 31, 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).

9. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended March 31	
	2015	2014
(Number of shares, stock options, PSUs and DSUs, in thousands)		
Net income attributable to equity holders of Bombardier Inc.	**$ 98**	$ 113
Preferred share dividends, including taxes	**(7)**	(8)
Net income attributable to common equity holders of Bombardier Inc.	**$ 91**	$ 105
Weighted-average number of common shares outstanding	**1,761,987**	1,741,746
Net effect of stock options, PSUs and DSUs	**—**	873
Weighted-average diluted number of common shares	**1,761,987**	1,742,619
EPS (in dollars)		
Basic and diluted	**$ 0.05**	$ 0.06

The effect of the exercise of stock options, PSUs and DSUs was included in the calculation of diluted EPS in the above table, except for 52,492,043 stock options, PSUs and DSUs for the three-month period ended March 31, 2015 (46,391,326 stock options, PSUs and DSUs for the three-month period ended March 31, 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.

10. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	HFT	Designated	AFS	Amortized cost (1)	DDHR	Total carrying value	Fair value
March 31, 2015							
Financial assets							
Cash and cash equivalents	**$ 4,733**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 4,733**	**$ 4,733**
Trade and other receivables	**—**	**—**	**—**	**1,129**	**—**	**1,129**	**1,129**
Other financial assets	**66**	**590**	**342**	**377**	**601**	**1,976**	**1,995**
	$ 4,799	**$ 590**	**$ 342**	**$ 1,506**	**$ 601**	**$ 7,838**	**$ 7,857**
Financial liabilities							
Trade and other payables	**$ —**	**$ 3**	**n/a**	**$ 3,679**	**$ —**	**$ 3,682**	**$ 3,682**
Long-term debt[2]	**—**	**—**	**n/a**	**9,853**	**—**	**9,853**	**9,326**
Other financial liabilities	**44**	**166**	**n/a**	**785**	**1,117**	**2,112**	**2,147**
	$ 44	**$ 169**	**n/a**	**$ 14,317**	**$ 1,117**	**$ 15,647**	**$ 15,155**
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

11. INVENTORIES

Inventories were as follows, as at:

	March 31, 2015	December 31, 2014	January 1, 2014
Aerospace programs	**$ 4,627**	$ 4,600	$ 4,847
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**7,359**	7,369	7,064
Less: advances and progress billings	**(5,685)**	(5,558)	(5,406)
	1,674	1,811	1,658
Service contracts			
Cost incurred and recorded margins	**286**	310	420
Less: advances and progress billings	**(18)**	(17)	(19)
	268	293	401
Finished products[1]	**1,350**	1,266	1,328
	$ 7,919	$ 7,970	$ 8,234

[1] Finished products include 1 new aircraft not associated with a firm order and 63 pre-owned aircraft, totalling $530 million as at March 31, 2015 (1 new aircraft and 57 pre-owned aircraft, totalling $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 March 31, 2015 include $354 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 $3,575 million for the three-month period ended March 31, 2015 ($3,520 million for the three-month period ended March 31, 2014). These amounts include $31 million of write-downs for the three-month period ended March 31, 2015 ($31 million for the three-month period ended March 31, 2014).

In connection with certain long-term construction 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 €231 million ($250 million) as at March 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 construction contract.

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

		March 31, 2015		December 31, 2014		January 1, 2014
Derivative financial instruments	**$**	**667**	$	528	$	792
Investments in financing structures[1]		**372**		360		331
Investments in securities[1] [2]		**356**		346		335
Long-term contract receivables		**290**		321		319
Aircraft loans and lease receivables[1]		**264**		275		400
Restricted cash		**15**		17		19
Other		**12**		11		9
	$	**1,976**	$	1,858	$	2,205
Of which current	**$**	**616**	$	530	$	637
Of which non-current		**1,360**		1,328		1,568
	$	**1,976**	$	1,858	$	2,205

(1) Carried at fair value, except for $1 million of aircraft loans and lease receivables, $14 million of investments in securities and $45 million of investment in financing structures carried at amortized cost as at March 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).

(2) 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 March 31, 2015 ($70 million as at December 31, 2014, and January 1, 2014).

13. OTHER ASSETS

Other assets were as follows, as at:

		March 31, 2015		December 31, 2014		January 1, 2014
Prepaid expenses	**$**	**769**	$	760	$	620
Sales tax and other taxes		**310**		302		344
Retirement benefits		**149**		159		174
Deferred financing charges		**140**		138		100
Intangible assets other than aerospace program tooling and goodwill		**138**		156		186
Other		**23**		33		9
	$	**1,529**	$	1,548	$	1,433
Of which current	**$**	**604**	$	592	$	626
Of which non-current		**925**		956		807
	$	**1,529**	$	1,548	$	1,433

14. PROVISIONS

Changes in provisions were as follows, for the three-month periods ended March 31:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other[(1)]	Total
Balance as at December 31, 2014	**$ 773**	**$ 456**	**$ 117**	**$ 206**	**$ 1,552**
Additions	**78**	**—**	**17** [(2)]	**13**	**108**
Utilization	**(56)**	**(6)**	**(30)**	**(1)**	**(93)**
Reversals	**(32)**	**(6)**	**(4)** [(2)]	**(2)**	**(44)**
Accretion expense	**—**	**2**	**—**	**—**	**2**
Effect of changes in discount rates	**—**	**3**	**—**	**—**	**3**
Effect of foreign currency exchange rate changes	**(44)**	**—**	**(6)**	**(4)**	**(54)**
Balance as at March 31, 2015	**$ 719**	**$ 449**	**$ 94**	**$ 212**	**$ 1,474**
Of which current	**$ 553**	**$ 65**	**$ 92**	**$ 189**	**$ 899**
Of which non-current	**166**	**384**	**2**	**23**	**575**
	$ 719	**$ 449**	**$ 94**	**$ 212**	**$ 1,474**

	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	77	—	28 [(2)]	2	107
Utilization	(71)	(21)	(27)	(1)	(120)
Reversals	(9)	(2)	(5)	(4)	(20)
Accretion expense	—	2	—	—	2
Effect of changes in discount rates	—	2	—	—	2
Effect of foreign currency exchange rate changes	1	—	—	—	1
Balance as at March 31, 2014	$ 861	$ 444	$ 77	$ 55	$ 1,437
Of which current	$ 714	$ 46	$ 73	$ 22	$ 855
Of which non-current	147	398	4	33	582
	$ 861	$ 444	$ 77	$ 55	$ 1,437

(1) Includes litigations and claims, as well as environmental liabilities.
(2) See Note 7 – Special items for more details on the addition and the reversal related to restructuring charges.

15. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	March 31, 2015	December 31, 2014	January 1, 2014
Derivative financial instruments	**$ 1,161**	$ 665	$ 411
Current portion of long-term debt	**807**	56	215
Sale and leaseback obligations	**359**	260	138
Government refundable advances	**341**	363	481
Lease subsidies	**166**	172	142
Vendor non-recurring costs	**34**	36	38
Other	**51**	60	301
	$ 2,919	$ 1,612	$ 1,726
Of which current	**$ 2,267**	$ 1,010	$ 1,009
Of which non-current	**652**	602	717
	$ 2,919	$ 1,612	$ 1,726

16. OTHER LIABILITIES

Other liabilities were as follows, as at:

	March 31, 2015	December 31, 2014	January 1, 2014
Employee benefits	**$ 669**	$ 661	$ 750
Supplier contributions to aerospace programs	**609**	601	529
Accruals for long-term contract costs	**571**	631	630
Deferred revenues	**417**	450	460
Income and other taxes payable	**325**	367	368
Other	**554**	568	480
	$ 3,145	$ 3,278	$ 3,217
Of which current	**$ 2,139**	$ 2,182	$ 2,227
Of which non-current	**1,006**	1,096	990
	$ 3,145	$ 3,278	$ 3,217

17. LONG-TERM DEBT

In March 2015, the Corporation issued, at par, unsecured Senior Notes comprised of $750 million, bearing interest at 5.50%, due on September 15, 2018 and $1,500 million, bearing interest at 7.50%, due on March 15, 2025.

The Corporation issued on March 30, 2015 a notice of redemption for the $750 million Senior Notes due January 15, 2016. The optional redemption was exercised on April 29, 2015.

The Corporation used the net proceeds of approximately $2,213 million to finance the redemption of the $750 million Senior Notes due January 15, 2016 with the remainder being for general corporate purposes.

18. SHARE-CAPITAL

Following a resolution approved on March 27, 2015, the number of Class A and Class B shares authorized has increased from 1,892,000,000 to 2,742,000,000. In addition, the Corporation issued 487 840 350 Class B shares (subordinate voting).

The Corporation used the net proceeds of CDN $1,035 million ($822 million) to supplement its working capital and for general corporate purposes.

19. SHARE-BASED PLANS

PSU and DSU plans
The number of PSUs and DSUs has varied as follows:

	Three-month periods ended March 31			
	2015		2014	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**26,045,936**	**7,666,464**	23,596,681	8,169,850
Granted	**218,573**	**—**	101,569	15,132
Exercised	**—**	**(73,855)**	—	—
Cancelled	**(456,073)**	**(328,224)**	(164,996)	—
Balance at end of period	**25,808,436**	**7,264,385** [1]	23,533,254	8,184,982 [1]

[1] Of which 1,934,272 DSUs are vested as at March 31, 2015 (2,463,704 as at March 31, 2014).

The compensation expense, with respect to the PSU and DSU plans, amounted to $3 million during the three-month period ended March 31, 2015 (compensation expense of $4 million during the three-month period ended March 31, 2014).

Share option plans
The number of options issued and outstanding to purchase Class B Shares (Subordinate Voting) has varied as follows:

	Three-month periods ended March 31	
	2015	2014
Balance at beginning of period	**31,446,124**	29,355,757
Granted	**2,025,773**	188,092
Cancelled	**(1,331,460)**	(57,593)
Expired	**(253,017)**	(61,569)
Balance at end of period	**31,887,420**	29,424,687

A compensation expense of $1 million was recorded during the three-month period ended March 31, 2015 with respect to share option plans ($2 million for the three-month period ended March 31, 2014).

20. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31	
	2015	2014
Trade and other receivables	**$ 347**	$ (195)
Inventories	**(111)**	(472)
Other financial assets and liabilities, net	**120**	(135)
Other assets	**(19)**	(27)
Trade and other payables	**(427)**	(173)
Provisions	**(23)**	(29)
Advances and progress billings in excess of long-term contract inventories	**(113)**	70
Advances on aerospace programs	**(375)**	389
Retirement benefits liability	**34**	11
Other liabilities	**(30)**	(70)
	$ (597)	$ (631)

21. CREDIT FACILITIES

In March 2015, the availability periods of the Transportation €3,500 million ($3,796 million) and the $600 million letter of credit facilities were extended by one year to May 2018 and June 2018, respectively. In addition, the maturity dates of the Transportation €500 million ($542 million) and the $750 million unsecured revolving credit facilities were also extended by one year to March 2017 and June 2018, respectively.

The minimum liquidity required at the end of each fiscal quarter to meet the financial covenants related to the $600 million letter of credit facility and $750 million unsecured revolving facility has increased from $500 million to $750 million. The Transportation €3,500 million ($3,796 million) letter of credit and €500 million ($542 million) unsecured revolving facilities still require a minimum liquidity level of €600 million ($651 million).

22. 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 March 31 2015:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	**$ 263**	**$ —**	**$ —**	**$ 263**
Derivative financial instruments[1]	**667**	**—**	**667**	**—**
Investments in securities	**330** [2]	**40**	**290**	**—**
Investments in financing structures	**327**	**—**	**150**	**177**
	$ 1,587	**$ 40**	**$ 1,107**	**$ 440**
Financial liabilities				
Trade and other payables	**$ (3)**	**$ —**	**$ —**	**$ (3)**
Lease subsidies	**(166)**	**—**	**—**	**(166)**
Derivative financial instruments[1]	**(1,161)**	**—**	**(1,161)**	**—**
	$ (1,330)	**$ —**	**$ (1,161)**	**$ (169)**

[1] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.
[2] Excludes $12 million of AFS investments carried at cost.

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

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies
Balance as at December 31, 2014	**$ 263**	**$ 165**	**$ (18)**	**$ (172)**
Net gains and interest included in net income(1)	**11**	**12**	**—**	**1**
Issuances	**—**	**—**	**(3)**	**—**
Settlements	**(11)**	**—**	**18**	**5**
Balance as at March 31, 2015	**$ 263**	**$ 177**	**$ (3)**	**$ (166)**

	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)	16	22	—	(3)
Issuances	2	—	—	—
Settlements	(8)	—	—	6
Balance as at March 31, 2014	$ 398	$ 157	$ —	$ (139)

(1) Of which an amount of $15 million represents realized losses for the three-month period ended March 31, 2015, which is recorded in other income ($3 million represents realized gains for the three-month period ended March 31, 2014, which is recorded in financing income).

Main assumptions developed internally for Level 3 hierarchy

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

These main assumptions are as follows as at March 31, 2015 :

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between BB to C (B+)	Between BB- to CCC+ (B+)	Between BB- to CCC (B+)
Discount rate adjustments for marketability	Between 3.15% and 5.25% (5.09%)	Between 1.57% and 7.35% (5.83%)	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 March 31, 2015:

Impact on EBT		**Change of assumptions**		
Gain (loss)	**Change in fair value recognized in EBT for the three-month period ended March 31, 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	$ 6	$ (4)	$ (11)	$ (15)
Investment in financing structures	$ 9	$ (4)	$ (11)	$ (12)
Lease subsidies	$ 2	n/a	$ 3	n/a

n/a: not applicable

23. COMMITMENTS AND CONTINGENCIES

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

		March 31, 2015		December 31, 2014		January 1, 2014
Aircraft sales						
Residual value	**$**	**1,711**	$	1,749	$	1,828
Credit		**1,251**		1,275		1,297
Mutually exclusive exposure[1]		**(612)**		(628)		(639)
Total credit and residual value exposure	**$**	**2,350**	$	2,396	$	2,486
Trade-in commitments	**$**	**2,487**	$	2,696	$	3,416
Conditional repurchase obligations	**$**	**209**	$	204	$	472
Other						
Credit	**$**	**48**	$	48	$	48
Performance guarantees	**$**	**34**	$	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.

Provisions for anticipated losses amounting to $449 million as at March 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 credit and residual value guarantees. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $166 million as at March 31, 2015 ($172 million as at December 31, 2014 and $142 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 March 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.

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 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.