

BOMBARDIER

the evolution of mobility

FIRST QUARTERLY REPORT

Three-month period ended March 31, 2015

GLOSSARY

The following table shows the abbreviations used in this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FORWARD-LOOKING STATEMENTS	2
OVERVIEW	3
NEW ORGANIZATIONAL STRUCTURE	3
HIGHLIGHTS	5
GUIDANCE	6
CONSOLIDATED RESULTS OF OPERATIONS	7
LIQUIDITY AND CAPITAL RESOURCES	10
CAPITAL STRUCTURE	13
NON-GAAP FINANCIAL MEASURES	14
CONSOLIDATED FINANCIAL POSITION	17
BUSINESS AIRCRAFT	18
COMMERCIAL AIRCRAFT	23
AEROSTRUCTURES AND ENGINEERING SERVICES	29
TRANSPORTATION	33
OTHER	38
OFF-BALANCE SHEET ARRANGEMENTS	38
RISKS AND UNCERTAINTIES	38
ACCOUNTING AND REPORTING DEVELOPMENTS	38
CONTROLS AND PROCEDURES	39
FOREIGN EXCHANGE RATES	40
SELECTED FINANCIAL INFORMATION	40
SHAREHOLDER INFORMATION	41
INTERIM CONSOLIDATED FINANCIAL STATEMENTS	42
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS	48

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of Bombardier Inc. (the "Corporation", "Management" 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 the Corporation fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the MD&A and financial statements for issuance to shareholders.

The data presented in this MD&A is structured by reporting segment: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation, which is reflective of the Corporation's organizational structure effective as of January 1, 2015.

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 the reporting segment Analysis of results sections).

Materiality for disclosures

Management determines whether information is material based on whether they 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.

FORWARD-LOOKING STATEMENTS

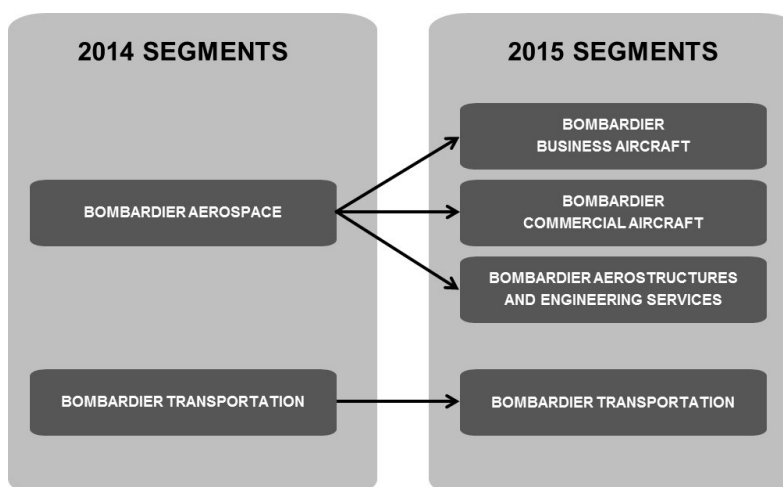
This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to the Corporation's objectives, guidance, targets, goals, priorities, its market and strategies, financial position, beliefs, prospects, plans, expectations, anticipations, estimates and 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; and the expected impact of the legislative and regulatory environment and legal proceedings on the Corporation's business and operations. Forward-looking statements generally can 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 forecasted 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 risks associated with general economic conditions, risks associated with the Corporation's business environment (such as risks associated with the financial condition of the airline industry and rail industry, political instability and force majeure), operational risks (such as risks related to developing new products and services; fixed-price commitments and production and project execution; 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), 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) and market risks (such as risks related to foreign currency fluctuations, changing interest rates, decreases in residual values and increases in commodity prices). For more details, see the Risks and uncertainties section in Other in the MD&A for the fiscal year ended December 31, 2014. 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 management's expectations as at the date of this report and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

NEW ORGANIZATIONAL STRUCTURE

Following the reorganization announced in July 2014, Bombardier has adopted a new organizational structure. The former Bombardier Aerospace has been divided into three segments: Bombardier Business Aircraft, Bombardier Commercial Aircraft and Bombardier Aerostructures and Engineering Services. Along with Transportation, these segments now report directly to the President and CEO in order to enhance agility. Corporate office expenses, previously allocated to Aerospace and Transportation, will now be presented separately, along with intersegment eliminations. This new structure was effective as of January 1, 2015.



The following briefly describes the new business segments and their restated fiscal 2014 results. See www.bombardier.com for further details of business segments and restated 2014 quarterly results.

Business Aircraft	Revenues	EBIT before special items ⁽¹⁾	Net additions to PP&E and intangibles
2014 Results	\$7.2 billion	\$499 million	\$1.0 billion

Business Aircraft, consisting of 11,600⁽²⁾ employees, 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	Revenues	EBIT before special items ⁽¹⁾	Net additions to PP&E and intangibles
2014 Results	\$2.7 billion	\$(107) million	\$801 million

Commercial Aircraft, consisting of 5,100⁽²⁾ employees, 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	Revenues	EBIT before special items ⁽¹⁾	Net additions to PP&E and intangibles
2014 Results	\$1.9 billion	\$97 million	\$38 million

Aerostructures and Engineering Services, consisting of 13,000⁽²⁾ employees, 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	Revenues	EBIT before special items ⁽¹⁾	Net additions to PP&E and intangibles
2014 Results	\$9.6 billion	\$526 million	\$107 million

Transportation, a global leader in rail technology consisting of 39,700 employees, offers the broadest portfolio in the rail industry and delivers innovative products and services that set new standards in sustainable mobility.

⁽¹⁾ Non-GAAP financial measure. See the following page for reconciliation to the most comparable IFRS measure, and the Non-GAAP financial measures section for definition of this metric.

⁽²⁾ The headcount by segment excludes 4,400 aerospace shared services employees including product development engineers as well as other support function employees. Costs associated with these employees are allocated to the aerospace business segments.

The following table presents the reconciliation of the segmented EBIT before special items to EBIT as presented on the prior page:

For the fiscal year ended December 31, 2014 ⁽¹⁾					
	<i>Ref</i>	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Transportation
EBIT		\$ (903)	\$ (123)	\$ 83	\$ 469
Special Items					
Pause of the <i>Learjet 85</i> program	1	1,357	—	—	—
Restructuring charge	2	48	23	14	57
Gain on resolution of litigation	3	(3)	(7)	—	—
EBIT before special items		\$ 499	\$ (107)	\$ 97	\$ 526

⁽¹⁾ Financial results for the year ending December 31, 2014 have been reclassified to conform with current period presentation. See reclassification at the beginning of reporting segment analysis of results sections and New organizational structure on the prior page for more details.

1. Loss related to the pause of the *Learjet 85* aircraft program announced in January 2015, mainly comprised of a \$1.3 billion impairment charge taken on the related aerospace program tooling.
2. Restructuring charges in fiscal year 2014 related to:
 - A \$63 million expense for the aerospace segments' workforce reduction of approximately 2,000 positions, located mostly in Canada, the U.S. and the U.K., related to the new organizational structure announced in July 2014;
 - A \$57 million expense related to the reduction of worldwide direct and indirect personnel by approximately 900 positions in Transportation; and
 - A \$22 million expense for the aerospace segments' workforce reduction announced in January 2014 of approximately 1,700 positions, located mostly in Canada and the U.S.
3. Represents a gain upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31	2015	2014	Variance
Revenues	\$ 4,397	\$ 4,354	1 %
EBIT	\$ 228	\$ 207	10 %
EBIT margin	5.2%	4.8%	40 bps
EBIT before special items ⁽¹⁾	\$ 237	\$ 219	8 %
EBIT margin before special items ⁽¹⁾	5.4%	5.0%	40 bps
Net income	\$ 100	\$ 115	(13)%
Diluted EPS (in dollars)	\$ 0.05	\$ 0.06	(17)%
Adjusted net income ⁽¹⁾	\$ 170	\$ 151	13 %
Adjusted EPS (in dollars) ⁽¹⁾	\$ 0.09	\$ 0.08	13 %
Net additions to PP&E and intangible assets	\$ 379	\$ 500	(24)%
Free cash flow usage ⁽¹⁾	\$ (745)	\$ (915)	19 %
As at	March 31, 2015	December 31, 2014	
Order backlog (in billions of dollars)	\$ 65.8	\$ 69.1	(5)%
Available short-term capital resources ⁽²⁾	\$ 6,025	\$ 3,846	57 %

⁽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 the revolving credit facilities.

Key events

- On February 12, 2015, the Corporation announced that Laurent Beaudoin would be retiring as Chairman of the Board of Directors after more than 50 years at the helm of the Corporation. He remains on the Board with the honorary title of Chairman Emeritus. Pierre Beaudoin was appointed Executive Chairman, while Alain Bellemare became President and Chief Executive Officer and a member of the Board of Directors. These appointments were all effective February 13, 2015.
- On February 27, 2015, the maiden flight of the first CS300 FTV was successfully completed. The aircraft and its systems performed as expected. There are now six CSeries FTVs in the flight testing program.
- On March 13, 2015, the Corporation issued a \$2.25 billion aggregate amount of unsecured Senior Notes, comprised of \$750 million of notes bearing interest at 5.5% due on September 15, 2018 and \$1.5 billion bearing interest at 7.5% due on March 15, 2025. The net proceeds were used on April 29, 2015 to finance the redemption of \$750 million of existing debt which was due in 2016 and for general corporate purposes. See the Liquidity and capital resources section for further details.
- During the first quarter, the Corporation closed a \$1.1 billion Canadian dollar (\$868 million) public offering of equity. The net proceeds will be used to supplement working capital and for general corporate purposes. See the Liquidity and capital resources section for further details.
- Subsequent to the end of the quarter, on April 9, 2015, the Corporation announced that Pierre Alary will retire as Senior Vice President and Chief Financial Officer, Bombardier Inc. In order to ensure a smooth transition, he will remain in his position until an international search for his successor has been completed. The Corporation also announced that Fred Cromer is the newly appointed President, Bombardier Commercial Aircraft, effective immediately, replacing Mike Arcamone.
- Subsequent to the first quarter, on May 7, 2015, Bombardier Commercial Aircraft and Swiss International Air Lines (SWISS) announced that SWISS will be the first customer to take delivery and operate the CSeries aircraft when the CS100 aircraft enters into service in the first half of 2016.
- Subsequent to the first quarter, on May 7 2015, the Corporation announced that it is preparing for an initial public offering (IPO) of a minority stake in Bombardier Transportation, which is currently expected to take place in the fourth quarter of this year, subject to market conditions. After the IPO, Bombardier Transportation will continue to be controlled by Bombardier Inc. and consolidated in the Corporation's financial results.

GUIDANCE

In the financial report for the fiscal year ended December 31, 2014, the Corporation provided the following liquidity guidance for the fiscal year ended December 31, 2015, by segment:

	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Transportation
Liquidity	Cash flow from operating activities between \$1.0 billion and \$1.4 billion. Net additions to PP&E and intangible assets of approximately \$1.0 billion.	Neutral cash flows from operating activities. Net additions to PP&E and intangible assets of approximately \$900 million.	Neutral cash flows from operating activities. Net additions to PP&E and intangible assets of approximately \$100 million.	Improvement in free cash flow ⁽¹⁾ compared to 2014 although it is expected to remain below EBIT.

⁽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 the context of the new organizational structure, the Corporation conducted a benchmark analysis of disclosures. Following this analysis, management decided to change the liquidity guidance by business segment to a consolidated one. Consequently, the segmented liquidity guidance above has been withdrawn and will be replaced with consolidated liquidity guidance at a future date pending the completion of its review.

CONSOLIDATED RESULTS OF OPERATIONS

The results of operations and cash flows for the three-month 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.

Results of operations

	Three-month periods ended March 31	
	2015	2014
Revenues	\$ 4,397	\$ 4,354
Cost of sales	3,831	3,761
Gross margin	566	593
SG&A	276	338
R&D	79	76
Share of income of joint ventures and associates	(16)	(22)
Other income	(10)	(18)
EBIT before special items⁽¹⁾	237	219
Special items	9	12
EBIT	228	207
Financing expense	108	51
Financing income	(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
EPS (in dollars)		
Basic and diluted	\$ 0.05	\$ 0.06
(as a percentage of total revenues)		
EBIT before special items	5.4%	5.0%
EBIT	5.2%	4.8%

Non-GAAP financial measures⁽¹⁾

	Three-month periods ended March 31	
	2015	2014
EBITDA	\$ 336	\$ 300
EBITDA before special items	\$ 345	\$ 312
Adjusted net income	\$ 170	\$ 151
Adjusted EPS	\$ 0.09	\$ 0.08

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

Reconciliation of segment to consolidated results

	Three-month periods ended March 31	
	2015	2014 ⁽¹⁾
Revenues		
Business Aircraft	\$ 1,537	\$ 1,474
Commercial Aircraft	673	479
Aerostructures and Engineering Services	471	470
Transportation	2,041	2,267
Corporate and eliminations	(325)	(336)
	\$ 4,397	\$ 4,354
EBIT before special items⁽²⁾		
Business Aircraft	\$ 107	\$ 100
Commercial Aircraft	(10)	3
Aerostructures and Engineering Services	41	20
Transportation	118	128
Corporate and eliminations	(19)	(32)
	\$ 237	\$ 219
Special Items		
Business Aircraft	\$ 11	\$ 10
Commercial Aircraft	(1)	(2)
Aerostructures and Engineering Services	(1)	4
	\$ 9	\$ 12
EBIT		
Business Aircraft	\$ 96	\$ 90
Commercial Aircraft	(9)	5
Aerostructures and Engineering Services	42	16
Transportation	118	128
Corporate and eliminations	(19)	(32)
	\$ 228	\$ 207

⁽¹⁾ Financial results for the year ending December 31, 2014 have been reclassified to conform with current period presentation. See reclassification at the beginning of reporting segment analysis of results sections and New organizational structure for more details.

⁽²⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and the reporting segment Analysis of results sections for reconciliations to the most comparable IFRS measures.

Analysis of consolidated results

A detailed analysis of revenues and EBIT is provided in the reporting segment Analysis of results sections.

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.

The special items for the three-month period ended March 31, 2015 relate to a \$13 million net charge resulting from a workforce reduction in business aircraft of approximately 1,000 employees following the decision to pause the *Learjet 85* aircraft program, partially offset by an adjustment to a restructuring provision taken in the prior year.

The special items for the three-month period ended March 31, 2014 were related to a \$22 million charge for the aerospace segments' workforce reduction announced in January 2014 of approximately 1,700 positions, partially offset by a \$10 million gain upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

Net financing expense

Net financing expense amounted to \$85 million for the three-month period ended March 31, 2015, compared to \$34 million for the corresponding period last fiscal year.

The \$51 million increase for the three-month period is mainly due to:

- a loss on repurchase of long-term debt⁽¹⁾ (\$22 million);
- a higher net financing expense related to certain financial instruments classified as FVTP&L (\$13 million); and
- higher interest on long-term debt, after the effect of hedges (\$12 million).

⁽¹⁾ Following the announcement of the redemption of the \$750 million Senior notes due in 2016, the Corporation recorded in financing expense a related loss of \$22 million, which is treated as a special item.

Income taxes

The effective income tax rates for the three-month period ended March 31, 2015 was 30.1%, compared to the statutory income tax rate in Canada of 26.8%. The higher effective income tax rate is mainly due to the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences, partially offset by the income tax rate differential of foreign subsidiaries.

The effective income tax rate for the three-month period ended March 31, 2014 was 33.5%, compared to the statutory income tax rate in Canada of 26.8%. The higher effective income tax rate was mainly due to the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences, partially offset by net positive permanent differences.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow usage⁽¹⁾

	Three-month periods ended March 31	
	2015	2014
Net income	\$ 100	\$ 115
Non-cash items		
Amortization	108	93
Deferred income taxes	12	24
Share of income of joint ventures and associates	(16)	(22)
Loss on repurchase of long-term debt	22	—
Other	5	6
Net change in non-cash balances	(597)	(631)
Cash flows from operating activities	(366)	(415)
Net additions to PP&E and intangible assets	(379)	(500)
Free cash flow usage	\$ (745)	\$ (915)

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

The \$170 million improvement for the three-month period is mainly due to:

- lower net additions to PP&E and intangible assets (\$121 million) mainly in the Business Aircraft segment as a result of the pause of the *Learjet 85* aircraft program; and
- a positive period-over-period variation in net change in non-cash balances (\$34 million) (see explanation below).

Net change in non-cash balances

For the three-month period ended March 31, 2015, the \$597 million outflow is mainly due to:

- an increase in Transportation's inventories following ramp-up of production ahead of deliveries;
- a decrease in trade and other payables mainly related to the Transportation and the Business Aircraft segments;
- a decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries for the large and medium business aircraft categories and for regional jets; and
- an increase in Business Aircraft finished product inventories mainly due to an increase in pre-owned business aircraft inventories.

Partly offset by:

- an increase in Transportation's advances and progress billings on existing contracts and new orders; and
- a decrease in trade and other receivables mainly related to the Transportation segment.

For the three-month period ended March 31, 2014, the \$631 million outflow was mainly due to:

- an increase in Transportation's inventories following ramp-up in production ahead of deliveries in a few contracts;
- an increase in finished product inventories mainly due to business aircraft not associated with a firm order;
- an increase in trade and other receivables mainly related to the Transportation segment;
- a decrease in trade and other payables mainly related to the Business Aircraft segment; and
- a decrease in other financial liabilities, mainly in the Business Aircraft segment.

Partially offset by:

- an increase in advances on aerospace programs mainly resulting from higher order intake than deliveries in the medium business aircraft category and in commercial aircraft; and
- an increase in Transportation's advances and progress billings on new orders and existing contracts.

Variation in cash and cash equivalents

	Three-month periods ended March 31	
	2015	2014
Balance at the beginning of period	\$ 2,489	\$ 3,397
Net proceeds from issuance of long-term debt	2,218	27
Net proceeds from issuance of shares	822	—
Free cash flow usage ⁽¹⁾	(745)	(915)
Effect of exchange rate changes on cash and cash equivalents	(116)	(11)
Net variation in AFS investments in securities	(10)	—
Repayments of long-term debt	(8)	(7)
Dividends paid	(5)	(46)
Net proceeds from disposal of a business ⁽²⁾	—	25
Other	88	18
Balance at the end of period	\$ 4,733	\$ 2,488

⁽¹⁾ Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for definition of this metric and the Free cash flow usage table on the prior page for reconciliation to the most comparable IFRS measure.

⁽²⁾ Represents the balance of sale price related to the sale of the main assets and related liabilities of the Corporation's Flexjet activities.

Available short-term capital resources

	March 31, 2015	December 31, 2014
Cash and cash equivalents	\$ 4,733	\$ 2,489
Available revolving credit facility	1,292	1,357
Available short-term capital resources	\$ 6,025	\$ 3,846

The Corporation's available short-term capital resources include cash and cash equivalents and the amounts available under the 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 the Corporation's letter of credit facilities.

In March 2015, the availability periods of the Transportation €3,5 billion (\$3.8 billion) 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.

Financing plan

On February 12, 2015, Bombardier announced a plan to position the Corporation with a flexible and strong financial profile whereby the Corporation would access the capital markets, depending on market conditions, for the issuance of equity and new long-term debt capital.

In keeping with the Corporation's objectives, the Board of Directors has concluded that the Corporation's free cash flow⁽¹⁾ would be more appropriately applied to bolstering the Corporation's financial structure and investing in its core programs and businesses. Therefore, the Corporation suspended the declaration of dividends on Class A and Class B shares. To complement this financing plan, the Corporation will explore other initiatives such as potential participation in industry consolidation in order to improve the financial profile, create shareholder value and reduce debt.

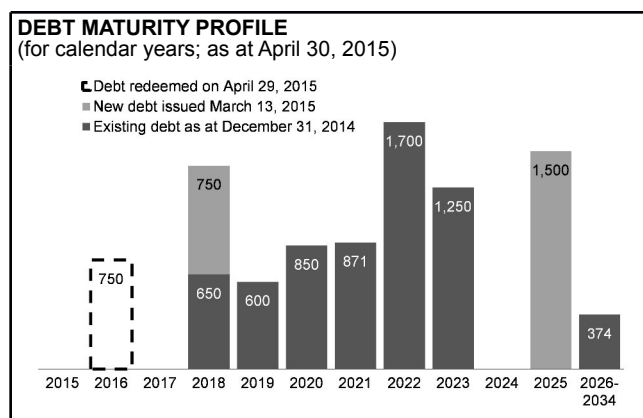
On February 27, 2015, the Corporation announced the closing of the public offering, with an over-allotment option having been exercised in full for an aggregate of 487,840,350 subscription receipts at a price of \$2.21 Canadian dollars per subscription receipt for aggregate gross proceeds of \$1.1 billion Canadian dollars, or \$868 million. The net proceeds of the offering are to be used for general corporate purposes.

⁽¹⁾ Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for definition of this metric and the Free cash flow usage table on the prior page for reconciliation to the most comparable IFRS measure.

The Corporation was not, at the time, authorized to issue a sufficient number of its Class B shares to realize the capital raising plan and provide ongoing flexibility to raise additional funds in the future. Accordingly, a special meeting of holders of Class A and Class B shares, for the purpose of approving an amendment of the articles of the Corporation to increase the number of authorized Class A and Class B shares the Corporation from 1,892,000,000 to 2,742,000,000, took place on March 27, 2015. The special resolution approving the proposed amendment to the Corporation's articles was then adopted. Following the adoption of this resolution, the amendment to the articles of the Corporation became effective on March 27, 2015, the subscription receipts were converted into class B common shares and the proceeds of issuance were released to the Corporation.

On March 13, 2015, the Corporation issued a \$2.25 billion aggregate amount of unsecured Senior Notes, comprised of \$750 million of notes bearing interest at 5.5% due on September 15, 2018 and \$1.5 billion bearing interest at 7.5% due on March 15, 2025.

Pursuant to an optional early redemption, on April 29, 2015, the proceeds from the Senior Notes were used to finance the redemption of the \$750 million Senior Notes bearing interest at 4.25% due in January 2016. The remainder was used to pay fees and expenses related to this offering and for general corporate purposes.



Pursuant to this financing plan, the minimum liquidity required at the end of each fiscal quarter to meet the financial covenants related to the \$600 million letter of credit facilities and \$750 million unsecured revolving facility has increased from \$500 million to \$750 million. The Transportation €3,5 billion (\$3.8 billion) letter of credit and €500 million (\$542 million) unsecured revolving facilities still require a minimum liquidity level of €600 million (\$651 million).

Management considers that the Corporation's expected cash flows from operating activities, combined with available short-term capital resources of \$6.0 billion, will enable the development of new products to enhance competitiveness and support growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable the Corporation to meet all other expected financial requirements in the foreseeable future.

CAPITAL STRUCTURE

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

Reconciliations of these measures to the most comparable IFRS financial measures are in the Non-GAAP financial measures section. Adjusted EBIT and adjusted EBITDA exclude special items, such as restructuring charges, significant impairment charges and reversals, as well as other significant unusual items, which management does not believe to be representative of the Corporation's core performance.

The Corporation's objectives with regard to global metrics are as follows:

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

Global metrics⁽¹⁾

	March 31, 2015	December 31, 2014	Explanation of significant variances
Interest coverage ratio			
Adjusted EBIT ⁽²⁾	\$ 1,283	\$ 1,262	No significant variance noted.
Adjusted interest ⁽²⁾	\$ 411	\$ 401	
Adjusted EBIT to adjusted interest ratio	3.1	3.1	
Financial leverage ratio			
Adjusted debt	\$ 10,544	\$ 8,401	Deteriorated as a result of the issuance of \$2.25 billion of long-term debt in March 2015.
Adjusted EBITDA ⁽²⁾	\$ 1,802	\$ 1,775	
Adjusted debt to adjusted EBITDA ratio	5.9	4.7	

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

⁽²⁾ For the four-quarter trailing periods.

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

In addition to the above global metrics, management separately monitors the Corporation's net retirement benefit liability which amounted to \$2.6 billion as at March 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. Management closely monitors the impact of the net retirement benefit liability on the Corporation's future cash flows and has introduced significant risk mitigation initiatives in recent years to gradually reduce risks associated with the retirement benefit plans. The \$101 million increase in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability

Balance as at December 31, 2014	\$ 2,470 ⁽¹⁾
Changes in discount rates	570
Actuarial gains on pension plan assets	(305)
Changes in foreign exchange rates	(185)
Employer contributions	(71)
Service costs	74
Accretion on net retirement benefit obligation	19
Other	(1)
Balance as at March 31, 2015	\$ 2,571 ⁽¹⁾

⁽¹⁾ Includes retirement benefit assets of \$149 million as at March 31, 2015 (\$159 million as at December 31, 2014).

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 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 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.
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.

Management believes that providing certain non-GAAP financial measures in addition to IFRS measures provides users of the interim consolidated financial statements with enhanced understanding of the results and related trends and increases the transparency and clarity of the core results of the business. For these reasons a significant number of users of the MD&A analyze the Corporation's 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 management's opinion, core performance and help users of the MD&A to better analyze results, enabling better comparability of these results from one period to another and with peers.

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

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

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

Reconciliation of EBITDA before special items and EBITDA to EBIT

	Three-month periods ended March 31	
	2015	2014
EBIT	\$ 228	\$ 207
Amortization	108	93
EBITDA	336	300
Special items ⁽¹⁾	9	12
EBITDA before special items	\$ 345	\$ 312

Reconciliation of adjusted net income to net income

	Three-month periods ended March 31			
	2015		2014	
	(per share)		(per share)	
Net income	\$ 100		\$ 115	
Adjustments to EBIT related to special items ⁽¹⁾	9	\$ 0.01	12	\$ 0.01
Adjustments to net financing expense related to:				
Loss on repurchase of long-term debt ⁽¹⁾	22	0.01	—	—
Net change in provisions arising from changes in interest rates and net loss on certain financial instruments	21	0.01	7	—
Accretion on net retirement benefit obligations	19	0.01	19	0.01
Tax impact of special and other adjusting items	(1)	—	(2)	—
Adjusted net income	\$ 170		\$ 151	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended March 31	
	2015	2014
Diluted EPS	\$ 0.05	\$ 0.06
Impact of special and other adjusting items	0.04	0.02
Adjusted EPS	\$ 0.09	\$ 0.08

⁽¹⁾ Refer to the analysis of results sections in Overview and the reporting segments for details regarding special items.

Reconciliation of adjusted debt to long-term debt

	As at	
	March 31, 2015	December 31, 2014
Long-term debt	\$ 9,853	\$ 7,683
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	(448)	(407)
Long-term debt, net	9,405	7,276
Sale and leaseback obligations	359	260
Operating lease obligations ⁽¹⁾	780	865
Adjusted debt	\$ 10,544	\$ 8,401

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended	
	March 31, 2015	December 31, 2014
EBIT	\$ (545)	\$ (566)
Special items ⁽²⁾	1,486	1,489
Interest received	293	298
Interest adjustment for operating leases ⁽³⁾	49	41
Adjusted EBIT	1,283	1,262
Amortization adjustment for operating leases ⁽⁴⁾	87	96
Amortization	432	417
Adjusted EBITDA	\$ 1,802	\$ 1,775

Reconciliation of adjusted interest to interest paid

	Four-quarter trailing periods ended	
	March 31, 2015	December 31, 2014
Interest paid	\$ 355	\$ 354
Accretion expense on sale and leaseback obligations	7	6
Interest adjustment for operating leases ⁽³⁾	49	41
Adjusted interest	\$ 411	\$ 401

⁽¹⁾ Discounted using the average five-year U.S. Treasury Notes plus the average credit spread, given the Corporation's credit rating, for the corresponding period.

⁽²⁾ Refer to the analysis of results sections in Overview and the reporting segments for details of the special items for the three-month periods ended March 31, 2015 and 2014. The special items for the nine-month period ended December 31, 2014 relate to a \$1.4 billion charge related to the pause of the *Learjet 85* program, restructuring charges totaling \$120 million and a \$10 million gain on resolution of litigation in connection with capital tax.

⁽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 the Corporation's 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.

CONSOLIDATED FINANCIAL POSITION

The total assets for the quarter increased by \$2.0 billion including a negative currency impact of \$605 million. The \$2.6 billion increase excluding the currency impact is mainly explained by:

- a \$2.4 billion increase in cash and cash equivalents. See the Variation in cash and cash equivalents table and Free cash flow in Overview for details;
- a \$661 million increase in gross inventory mainly due to a ramp-up of production ahead of deliveries in Transportation and an increase in Business Aircraft finished product inventories; and
- a \$302 million increase in Aerospace program tooling. See Investment in product development table in Business Aircraft and Commercial Aircraft for details.

Partially offset by:

- a \$583 million increase in Advances and progress billings related to Transportation; and
- a \$347 million decrease in Trade and other receivables mainly related to Transportation.

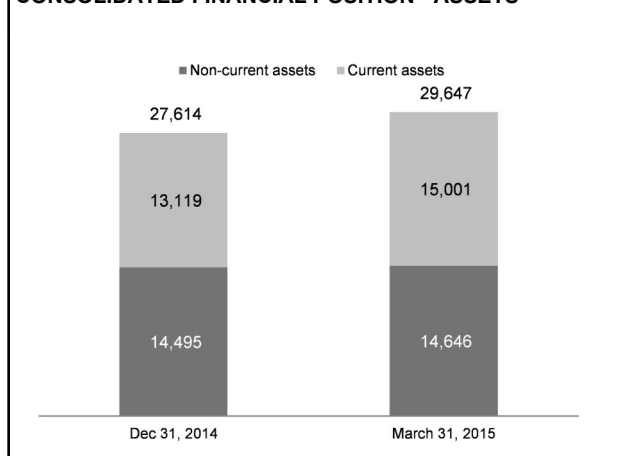
The total liabilities and equity for the quarter increased by \$2.0 billion including a decrease of liabilities of \$620 million related to foreign exchange. The \$2.6 billion increase excluding the currency impact is mainly explained by:

- an increase in long-term debt, mainly related to the \$2.25 billion issuance of Senior Notes;
- a \$529 million increase in derivative financial liabilities mainly in Transportation and Business Aircraft; and
- a \$507 million increase in equity, mainly due to the issuance of share capital of \$822 million offset of by a net loss of \$263 million on derivative financial instruments designated as cash flow hedges.

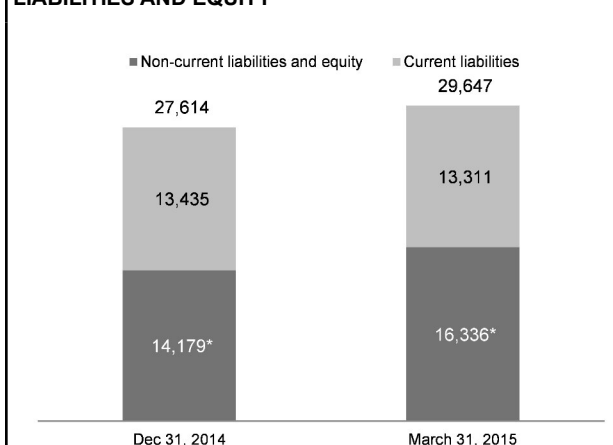
Partially offset by:

- a \$405 million decrease in Trade and other payables mainly in Transportation and Business Aircraft; and
- a \$375 million decrease in Advances on aerospace programs mainly due to lower order intake than deliveries for the large and medium business aircraft categories and for regional jets.

CONSOLIDATED FINANCIAL POSITION - ASSETS



CONSOLIDATED FINANCIAL POSITION - LIABILITIES AND EQUITY



* Includes equity of \$562 million (\$55 million as at December 31, 2014).

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 current period 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. See the New organizational structure section in Overview for details of the new reporting segments.

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31	2015	2014	Variance
Revenues	\$ 1,537	\$ 1,474	4 %
Aircraft deliveries (in units)	45	43	2
Net orders (in units)	19	46	(27)
Book-to-bill ratio ⁽¹⁾	0.4	1.1	nmf
EBIT	\$ 96	\$ 90	7 %
EBIT margin	6.2%	6.1%	10 bps
EBIT before special items ⁽²⁾	\$ 107	\$ 100	7 %
EBIT margin before special items ⁽²⁾	7.0%	6.8%	20 bps
EBITDA before special items ⁽²⁾	\$ 149	\$ 130	15 %
EBITDA margin before special items ⁽²⁾	9.7%	8.8%	90 bps
Net additions to PP&E and intangible assets	\$ 159	\$ 275	(42)%
As at	March 31, 2015	December 31, 2014	
Order backlog (in billions of dollars)	\$ 23.4	\$ 24.0	(3)%

⁽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 and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

Key events

- In January 2015, as a result of the decision to pause the *Learjet 85* business aircraft program, Business Aircraft announced a workforce reduction of approximately 1,000 employees at the sites in Querétaro, Mexico, and Wichita, United States. A severance provision of \$13 million was recorded as a special item during the first quarter of 2015.
- On February 26, 2015, the first *Challenger 650* production aircraft successfully completed its first flight.

INDUSTRY AND ECONOMIC ENVIRONMENT

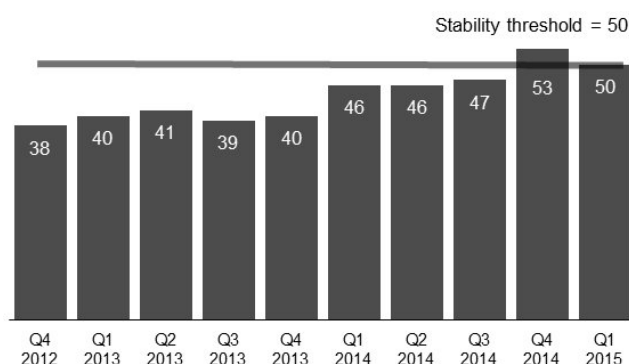
Overall, the business aircraft market indicators and overall market conditions have been stable since the fourth quarter of 2014.

Industry confidence⁽¹⁾ decreased during the first quarter of 2015 but is in line with the threshold of market stability. The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet has slightly increased in the first quarter of 2015 and stands at 11.4% as at March 31, 2015. Management considers this level of pre-owned inventory to be within the normal range for the overall market. The level of light pre-owned aircraft inventory has been trending downward. The level of medium and large pre-owned aircraft inventory have increased in the first quarter compared to the previous quarter. In the two-month period ended February 2015, business jet utilization in the U.S. remained stable compared to the same period in the last three years. Business jet utilization in Europe remained stable in the three-month period ended March 31, 2015 compared to the same period in the last three years.

⁽¹⁾ As measured by the UBS Business Jet Market Index.

UBS BUSINESS JET MARKET INDEX⁽¹⁾

(average on a 100-point scale)

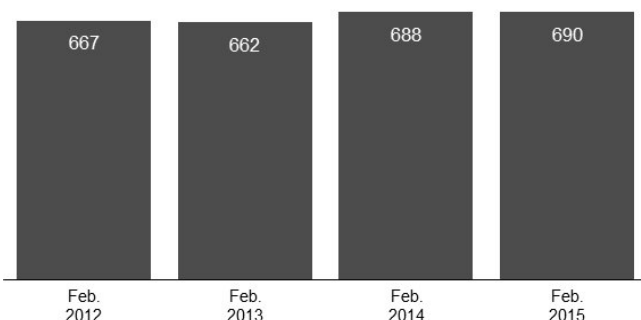


Source: UBS

⁽¹⁾ The UBS Business Jet Market Index is a measure of market confidence from U.S. and international industry professionals, gathered through bi-monthly surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.

U.S. BUSINESS JET UTILIZATION

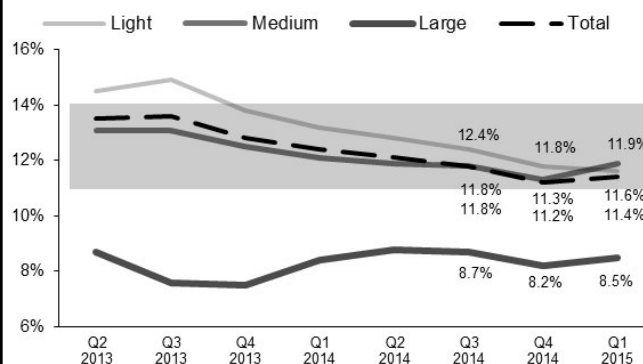
(for the two-month periods ended; in thousands of departures and arrivals for all business jets)



Source: U.S. Federal Aviation Administration (FAA) website. Comparative figures have been restated to reflect an updated population of aircraft models.

PRE-OWNED BUSINESS JET INVENTORY

(as a percentage of total business jet fleet, excluding very light jets)

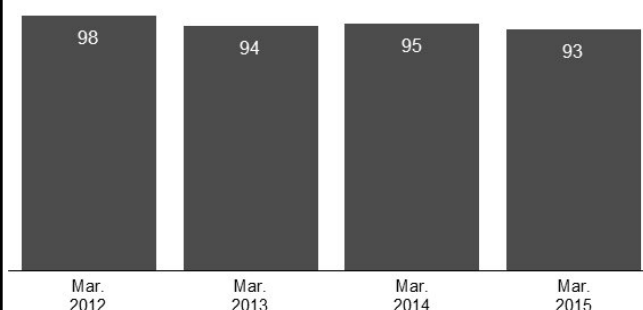


Sources: JETNET and Ascend.

Shaded area indicates what management considers to be a normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.

EUROPEAN BUSINESS JET UTILIZATION

(for the three-month periods ended; in thousands of departures and arrivals for all business jets)



Source: latest data available from Eurocontrol

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31	
	2015	2014
Revenues	\$ 1,537	\$ 1,474
EBITDA before special items⁽¹⁾	\$ 149	\$ 130
Amortization	42	30
EBIT before special items⁽¹⁾	107	100
Special items	11	10
EBIT	\$ 96	\$ 90
(as a percentage of total revenues)		
EBIT before special items	7.0%	6.8%
EBIT	6.2%	6.1%
Aircraft deliveries	45	43

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

Revenues

The \$63 million increase for the three-month period is mainly due to the mix of deliveries for large business aircraft and higher deliveries of light business aircraft, partially offset by one fewer delivery of medium business aircraft.

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.

The special items for the three-month period ended March 31, 2015 included a \$13-million restructuring charge related to the workforce reduction of 1,000 employees in Querétaro, Mexico, and Wichita, United States following the decision to pause the *Learjet 85* program, partially offset by an adjustment to a restructuring provision recorded in the prior year.

The special items for the three-month period ended March 31, 2014 included a \$13-million restructuring charge related to the workforce reduction announced in January 2014, partially offset by a \$3-million gain on a resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

EBIT margin

The EBIT margin percentage for the three-month period increased by 0.1 percentage points compared to the same period last year. The EBIT margin before special items for the three-month period increased by 0.2 percentage points mainly as a result of:

- higher absorption of lower SG&A expense; and
- higher margins on large business aircraft, partially offset by lower margins on medium business aircraft.

Partially offset by:

- higher R&D expenses as a result of the amortization of aerospace program tooling following the EIS of the *Challenger 350* aircraft at the end of the second quarter of 2014.

Product development

Investment in product development

	Three-month periods ended March 31	
	2015	2014
Program tooling ⁽¹⁾	\$ 158	\$ 260
R&D expense ⁽²⁾	2	3
	\$ 160	\$ 263
As a percentage of revenues	10.4%	17.8%

⁽¹⁾ Net amount capitalized in aerospace program tooling.

⁽²⁾ Excluding amortization of aerospace program tooling of \$26 million for the three-month period ended March 31, 2015 (\$18 million for the three-month period ended March 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 as well as the *Challenger 650* aircraft programs.

The carrying amount of program tooling⁽¹⁾ as at March 31, 2015 for business aircraft was \$2.6 billion, compared to \$2.5 billion as at December 31, 2014.

⁽¹⁾ Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to \$223 million as at March 31, 2015 (\$208 million as at December 31, 2014).

The *Global 7000* and *Global 8000* aircraft programs

Development is progressing as planned, with the majority of the production drawings already released to manufacturing. The experimental and ground test teams are progressing on the build and the commissioning of the various ground test rigs that should be used throughout the development and certification of the aircraft. The rear, center and forward fuselages and the wing of FTV1 have been joined.

Both internal and external major structural suppliers are progressing with the assembly of components for the remaining FTVs and the Complete Airframe Static Test (CAST) article. Major system level test rigs have been commissioned and various systems development and certification tests are ongoing. Engine development as well as ground and flight testing of the engine on GE Aviation's flying test bed are progressing as expected.

The *Challenger 650* aircraft program

The *Challenger 650* aircraft program, the evolution of the *Challenger 605* aircraft, was launched in October 2014. A *Challenger 605* aircraft with upgraded avionics is being used to perform certification testing. The first *Challenger 650* production aircraft successfully completed its first flight on February 26, 2015. The *Challenger 650* certification program is currently 75% complete and is progressing towards EIS in the second half of 2015.

Aircraft deliveries

Aircraft deliveries

(in units)	Three-month periods ended March 31	
	2015	2014
Light		
<i>Learjet 70/75</i>	9	6
Medium		
<i>Challenger 300/350</i>	14	14
<i>Challenger 605</i>	5	6
Large		
<i>Global 5000/Global 6000</i>	17	17
	45	43

Aircraft orders

Net orders

	Three-month periods ended March 31	
(in units)	2015	2014
Net orders	19	46

There was lower net order intake in all business aircraft categories in the three-month period ended March 31, 2015 when compared to the same period last fiscal year, mainly in the medium and large categories. The net orders include nine cancellations for the *Learjet 85* program during the three-month period ended March 31, 2015 compared to five cancellations for this program during the same period last fiscal year.

Book-to-bill ratio and order backlog

Book-to-bill ratio⁽¹⁾

	Three-month periods ended March 31	
	2015	2014
Net orders	19	46
Deliveries	45	43
	0.4	1.1

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

Order backlog

	As at	
(in billions of dollars)	March 31, 2015	December 31, 2014
	\$ 23.4	\$ 24.0

The decrease in the order backlog and in the book-to-bill ratio as at March 31, 2015 reflects lower order intake than deliveries for business aircraft. The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand.

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 current period 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. See the New organizational structure section in Overview for details of the new reporting segments.

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31	2015	2014	Variance
Revenues	\$ 673	\$ 479	41 %
Aircraft deliveries (in units)	23	13	10
Net orders (in units)	25	45	(20)
Book-to-bill ratio ⁽¹⁾	1.1	3.5	nmf
EBIT	\$ (9)	\$ 5	nmf
EBIT margin	(1.3)%	1.0%	(230) bps
EBIT before special items ⁽²⁾	\$ (10)	\$ 3	nmf
EBIT margin before special items ⁽²⁾	(1.5)%	0.6%	(210) bps
EBITDA before special items ⁽²⁾	\$ 18	\$ 23	(22)%
EBITDA margin before special items ⁽²⁾	2.7 %	4.8%	(210) bps
Net additions to PP&E and intangible assets	\$ 194	\$ 197	(2)%
As at	March 31, 2015	December 31, 2014	
Order backlog (in billions of dollars)	\$ 12.5	\$ 12.5	— %

⁽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 and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

Key events

- On February 2, 2015, a firm purchase agreement was signed with Chorus Aviation Inc., the parent company of Jazz Aviation LP for 13 Q400 NextGen aircraft, with options for an additional ten. Based on list price, the firm order is valued at approximately \$424 million.
- On February 27, 2015, the maiden flight of the first CS300 FTV was successfully completed. The aircraft and its systems performed as expected. On March 18, 2015, the fifth CS100 FTV, fitted with a full interior, successfully completed its maiden flight. There are now six FTVs in the flight test program. Approximately 50% of the planned flight test hours have been logged to date.
- On March 12, 2015, a firm purchase agreement was signed with Mesa Airlines, for seven CRJ900 NextGen aircraft. Based on list price, the firm order is valued at approximately \$326 million.
- Subsequent to the first quarter, on April 9, 2015, Bombardier announced that Fred Cromer is the newly appointed President, Bombardier Commercial Aircraft and replaces Mike Arcamone.
- Subsequent to the first quarter, on May 7, 2015, Bombardier Commercial Aircraft and Swiss International Air Lines (SWISS) announced that SWISS will be the first customer to take delivery and operate the CSeries aircraft when the CS100 aircraft enters into service in the first half of 2016. SWISS, alongside parent company Deutsche Lufthansa AG (Lufthansa), was previously announced as the launch customer of the CSeries aircraft program when they signed a firm purchase agreement for 30 CS100 aircraft and options for an additional 30 CSeries aircraft in March 2009.

INDUSTRY AND ECONOMIC ENVIRONMENT

The demand for air travel, measured by revenue passenger kilometres (“RPK”)⁽¹⁾, has increased for commercial airlines compared to the same period last year; however, passenger load factors⁽²⁾ have remained essentially unchanged for both commercial and regional airlines.

Scheduled domestic and international commercial air travel, measured by RPK, were 5.7% and 6.3% higher, respectively, during the year-to-date period ended March 2015 compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors of 80.0% and 78.1%, respectively, during the year-to-date period ended March 2015, compared to the 79.6% and 77.8% respective levels experienced during the same period ended March 2014.⁽³⁾

North American commercial airlines experienced solid growth of RPK in the three-month period ended March 2015 compared to the same period last year as the US economy remains a stand-out performer among developed nations. European airlines’ RPK growth has held up despite the Eurozone reporting weak economic growth. On domestic markets, the India, China, Brazil and Russia markets have shown improvement compared to the same period last year; however, growth of RPK in Russia has been trending downwards in 2015.⁽³⁾

Regional passenger traffic measured by RPK for the four leading U.S. network carriers⁽⁴⁾ and their affiliates, which represent a major portion of the regional airline passenger traffic in the U.S., Commercial Aircraft’s largest market, remained essentially unchanged during the year-to-date period ended March 2015 compared to the same period last year. These airlines achieved an average passenger load factor of 78.3% during the year-to-date period ended March 2015 compared to the 78.6% experienced during the same period ended March 2014.

The price of Brent crude oil dropped significantly in the last quarter of fiscal year 2014 and remained at a low level of \$56 per barrel in March 2015⁽⁵⁾. The decline in oil prices over recent months should help support economic activity and passenger demand in 2015⁽³⁾.

⁽¹⁾ RPK is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported over one kilometre.

⁽²⁾ Passenger load factor is defined as the percentage of available seat kilometres used (revenue passenger kilometres divided by available seat kilometres). Available seat kilometres are measured as the number of seats multiplied by the kilometres flown, whether a passenger occupied the seat or not.

⁽³⁾ Per IATA’s March 2015 Air Passenger Market Analysis report.

⁽⁴⁾ Delta Air Lines, American Airlines, United Airlines, and Alaska Air.

⁽⁵⁾ According to the U.S. Energy Information Administration’s (EIA).

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31	
	2015	2014
Revenues	\$ 673	\$ 479
EBITDA before special items⁽¹⁾	\$ 18	\$ 23
Amortization	28	20
EBIT before special items⁽¹⁾	(10)	3
Special items	(1)	(2)
EBIT	\$ (9)	\$ 5
(as a percentage of total revenues)		
EBIT before special items	(1.5)%	0.6%
EBIT	(1.3)%	1.0%
Aircraft deliveries	23	13

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

Revenues

The \$194 million increase for the three-month period is mainly due to higher deliveries of regional jets.

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.

The special item for the three-month period ended March 31, 2015 is related to an adjustment to a restructuring provision recorded in the prior year.

The special items for the three-month period ended March 31, 2014 related to a \$5-million restructuring charge due to the workforce reduction announced in January 2014, partially offset by a \$7-million gain on a resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

EBIT margin

The EBIT margin percentage for the three-month period decreased by 2.3 percentage points compared to the same period last year. The EBIT margin before special items for the three-month period decreased by 2.1 percentage points mainly as a result of:

- higher losses related to early production units of the *C-Series* aircraft program⁽¹⁾;
- the unfavourable mix of aircraft deliveries versus services activities; and
- lower other income, mainly due to a net negative variance for financial instruments carried at fair value.

Partially offset by:

- higher absorption of lower SG&A expense.

⁽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.

Product development

Investment in product development

	Three-month periods ended March 31	
	2015	2014
Program tooling ⁽¹⁾	\$ 188	\$ 170
R&D expense ⁽²⁾	1	2
	\$ 189	\$ 172
As a percentage of revenues	28.1%	35.9%

⁽¹⁾ Net amount capitalized in aerospace program tooling.

⁽²⁾ Excluding amortization of aerospace program tooling of \$20 million for the three-month period ended March 31, 2015 (\$14 million for the three-month period ended March 31, 2014), as the related investments are already included in aerospace program tooling.

Program tooling additions essentially relate to the development of the *CSeries* family of aircraft.

Carrying amount of program tooling⁽¹⁾

	As at	
	March 31, 2015	December 31, 2014
<i>CRJ Series and Q400 NextGen</i>	\$ 340	\$ 358
<i>CSeries</i>	4,175	3,989
	\$ 4,515	\$ 4,347

⁽¹⁾ Capitalized borrowing costs included in the commercial aircraft aerospace program tooling balance amounted to \$566 million as at March 31, 2015 (\$523 million as at December 31, 2014).

The *CSeries* aircraft programs

The type certification for the *CS100* aircraft is targeted for completion by the end of 2015 and the *CS300* aircraft's type certification is expected to follow approximately six months afterwards. The EIS of the *CS100* aircraft is expected to occur in the first half of 2016 with SWISS, the launch customer of the *CSeries* aircraft program.

On March 18, 2015, the fifth *CS100* FTV, successfully completed its first flight in Mirabel, Québec. Flight testing activities on the five *CS100* FTVs are ongoing with multiple milestone tests completed. The aircraft are being flown with the fly-by-wire in normal mode, and the systems are performing well. FTV5, which is fitted with a full interior, is being used to test passenger-related systems.

On February 27, 2015, the first *CS300* FTV successfully completed its maiden flight in Mirabel, Québec and is flying regularly. Assembly of the second *CS300* FTV is ongoing at the *CSeries* aircraft's assembly facility in Mirabel, Québec and is expected to come off the production line later this year.

The program has a fleet of six aircraft in the flight test program. All the aircraft are showing a high level of reliability. Approximately 50% of the planned flight test hours have been logged to date. Ground testing is progressing to plan and the initial on-the-ground, flight and aircraft structural test performance results are in line with expectations. The data received to date confirms that the aircraft development programs are on track to reach key performance targets⁽¹⁾.

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

Aircraft deliveries

Aircraft deliveries

	Three-month periods ended March 31	
(in units)	2015	2014
Regional jets		
CRJ700 NextGen	1	—
CRJ900 NextGen	13	8
CRJ1000 NextGen	1	1
Turboprops		
Q400 NextGen	8	4
	23	13

The increase in aircraft deliveries in the three-month period ended March 31, 2015 compared to the same period last year is mainly related to the significant orders received from American Airline Group Inc. for regional jets and WestJet Encore Ltd. for turboprops in December 2013 and August 2012 respectively.

Aircraft orders

Net orders

	Three-month periods ended March 31	
(in units)	2015	2014
Regional jets		
CRJ700 NextGen	—	1
CRJ900 NextGen	7	4
Commercial jets		
CS300	—	21
Turboprops		
Q400 NextGen	18	17
Amphibious aircraft	—	2
	25	45

The decrease in the net orders in the three-month period ended March 31, 2015 compared to the same period last year is mainly due to the significant order received in January 2014 from Al Qahtani Aviation Company for 16 CS300 aircraft.

The following significant orders were received during the three-month period ended March 31, 2015:

Customer	Firm order	Value ⁽¹⁾	Options ⁽²⁾
Chorus Aviation Inc. (Canada)	13 Q400 NextGen	\$ 424	10 Q400 NextGen
Mesa Airlines (U.S.)	7 CRJ900 NextGen	\$ 326	—

⁽¹⁾ Value of firm order based on list prices.

⁽²⁾ Not included in the order backlog.

On March 17, 2015, a new airline in Malaysia, flymojo, signed a letter of intent (LOI) for 20 CS100 aircraft with options for an additional 20 CS100 aircraft. Upon execution of a firm purchase agreement, flymojo is expected to become the first customer and operator of the CS100 aircraft in the region. Based on the list price of the CS100 aircraft, a firm order would be valued at approximately \$1.5 billion, and could increase to \$2.9 billion, should flymojo exercise all its options.

Book-to-bill ratio and order backlog

Book-to-bill ratio⁽¹⁾

	Three-month periods ended March 31	
	2015	2014
Net orders	25	45
Deliveries	23	13
	1.1	3.5

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

The decrease in the book-to-bill ratio for the three-month period ended March 31, 2015 compared to the same period last year is mainly due to the significant order for 16 CS300 aircraft from Al Qahtani in January 2014 as well as higher deliveries in the three-month period ended March 31, 2015.

Order backlog

(in billions of dollars)	As at	
	March 31, 2015	December 31, 2014
	\$ 12.5	\$ 12.5

The order backlog remained stable during the three-month period ended March 31, 2015 with a higher order backlog in turboprops offset by lower backlog in regional jets. The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand.

Order backlog and options

(in units)	March 31, 2015		December 31, 2014	
	Firm orders	Options	Firm orders	Options
Regional jets				
CRJ700 NextGen	9	—	10	—
CRJ900 NextGen	51	26	57	56
CRJ1000 NextGen	30	16	31	22
Commercial jets				
CS100	63 ⁽¹⁾	49	63 ⁽¹⁾	49
CS300	180 ⁽¹⁾	113	180 ⁽¹⁾	113
Turboprops				
Q400 NextGen	52	92	42	94
Amphibious aircraft	3	—	3	—
	388	296	386	334

⁽¹⁾ The total of 243 orders includes 86 firm orders with conversion rights to the other CSeries aircraft model.

The total CSeries firm order backlog comprises 243 aircraft with 14 customers in 14 countries as at March 31, 2015. As at the date of this report, firm orders and other agreements⁽¹⁾ for a total of 603 CSeries aircraft have been signed with 22 customers in 20 countries, including 243 firm orders.

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

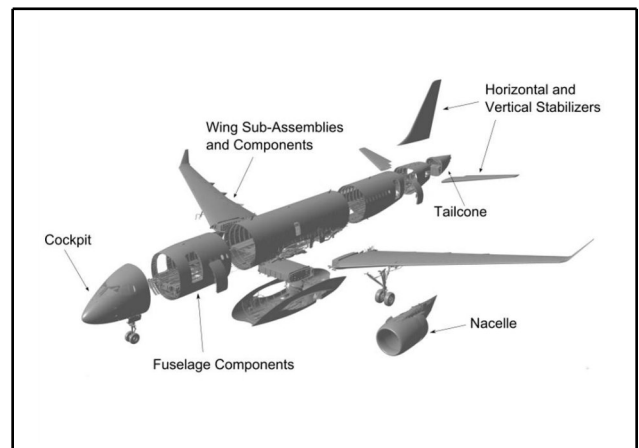
AEROSTRUCTURES AND ENGINEERING SERVICES

Aerostructures and Engineering Services was established as a reportable segment within Bombardier Inc. following a reorganization of the company's reporting structure announced in the third quarter of 2014. It offers its products and services to aircraft and aerostructure manufacturers.

Specialized in aerostructures manufacturing and engineering services, Aerostructures and Engineering Services designs and builds aerostructures for Bombardier and other aircraft manufacturers. Aerostructures and Engineering Services is the largest aerostructures supplier for Bombardier's sustaining programs as well as the *CSeries* and *Global 7000/8000* platforms, providing structures such as cockpits, all-composite wings for the *CSeries* program and the rear fuselage for the *Global 7000/8000* aircraft.

Aerostructures and Engineering Services' people, capabilities, and state-of-the-art technologies provide customers with products and services in the following areas:

- Design, build, and aftermarket support for complex composite and metallic aerostructures, including:
 - Cockpit and fuselage components
 - Horizontal stabilizers, vertical stabilizers and tailcones
 - Wing sub-assemblies and components
 - Engine nacelles
- Design, build, and aftermarket support for associated aircraft systems including:
 - Electric harnesses
 - Tubing components
 - High pressure ducting
- Engineering solutions including:
 - Aircraft structures design and stress analysis
 - Ground test services



Aerostructures and Engineering Services is present on four continents including manufacturing plants in Saint-Laurent, Canada; Belfast, Northern Ireland; Queretaro, Mexico; and Casablanca, Morocco. In addition, there is a service center in Dallas, U.S. which provides maintenance services for structures, including major modifications and repairs. Certain new product development and sustaining engineering activities are performed in Bangalore, India.

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 current period 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. See the New organizational structure section in Overview for details of the new reporting segments.

HIGHLIGHTS**Results of the quarter**

Three-month periods ended March 31	2015	2014	Variance
Revenues	\$ 471	\$ 470	— %
External order intake	\$ 130	\$ 133	(2)%
External book-to-bill ratio ⁽¹⁾	0.9	1.0	nmf
EBIT	\$ 42	\$ 16	163 %
EBIT margin	8.9%	3.4%	550 bps
EBIT before special items ⁽²⁾	\$ 41	\$ 20	105 %
EBIT margin before special items ⁽²⁾	8.7%	4.3%	440 bps
EBITDA before special items ⁽²⁾	\$ 53	\$ 33	61 %
EBITDA margin before special items ⁽²⁾	11.3%	7.0%	430 bps
Net additions to PP&E and intangible assets	\$ 14	\$ 12	17 %

⁽¹⁾ Defined as new orders over revenues.

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

INDUSTRY AND ECONOMIC ENVIRONMENT

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 the various aircraft sectors. Opportunities could thus present themselves in the form of internal organic growth via existing or in-development Bombardier programs as well as external organic growth of current contracts or re-sourcing of sustaining programs.

Refer to the Industry and Economic Environment and product development sections of Business Aircraft and Commercial Aircraft for further discussion of the overall aerospace market and internal program development which may affect the business.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31	
	2015	2014
Revenues		
External revenues	\$ 148	\$ 136
Intersegment revenues	323	334
	471	470
EBITDA before special items⁽¹⁾	\$ 53	\$ 33
Amortization	12	13
EBIT before special items⁽¹⁾	41	20
Special items	(1)	4
EBIT	\$ 42	\$ 16
(as a percentage of total revenues)		
EBIT before special items	8.7%	4.3%
EBIT	8.9%	3.4%

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

Revenues

Revenues remained at a similar level as the same period last fiscal year. Higher external revenues (\$12 million) mainly due to improved pricing, an increase in spare parts sales and a higher level of activities related to a long-term contract were offset by lower intersegment revenues (\$11 million), mainly due to lower pricing for Commercial Aircraft as a result of changes to the intersegment pricing policy.

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.

The special item for the three-month period ended March 31, 2015 relates to an adjustment to a restructuring provision recorded in the prior year.

The special item for the three-month period ended March 31, 2014 related to a \$4 million expense for the workforce reduction announced in January 2014.

EBIT margin

The EBIT margin percentage for the three-month period increased by 5.5 percentage points compared to the same period last year. The EBIT margin before special items for the three-month period increased by 4.4 percentage points mainly as a result of phasing, and:

- higher margins on external contracts due to a favourable long-term contract adjustment as well as accelerated delivery and better performance on certain contracts;
- higher margins on intersegment contracts, mainly due to price increases for certain business aircraft components as a result of changes to the intersegment pricing policy; and
- costs incurred in pounds sterling and Canadian dollars translated at lower exchange rates after giving effect to hedges.

Book-to-bill ratio and order backlog

External order intake and book-to-bill ratio

	Three-month periods ended March 31	
	2015	2014
External order intake	\$ 130	\$ 133
External book-to-bill ratio ⁽¹⁾	0.9	1.0

⁽¹⁾ Defined as new orders over revenues.

External order backlog

As at	March 31, 2015	December 31, 2014
External backlog	\$ 95	\$ 113

The decrease in external order backlog over the three-month period reflects lower order intake than revenues on these contracts.

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 current period presentation. See the New organizational structure section in Overview for details of the new reporting segments.

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31	2015	2014	Variance
Revenues	\$ 2,041	\$ 2,267	(10)%
Order intake (in billions of dollars)	\$ 1.2	\$ 8.0	(85)%
Book-to-bill ratio ⁽¹⁾	0.6	3.5	nmf
EBIT	\$ 118	\$ 128	(8)%
EBIT margin	5.8%	5.6%	20 bps
EBITDA ⁽²⁾	\$ 144	\$ 157	(8)%
EBITDA margin ⁽²⁾	7.1%	6.9%	20 bps
Net additions to PP&E and intangible assets	\$ 12	\$ 16	(25)%
As at	March 31, 2015	December 31, 2014	
Order backlog (in billions of dollars)	\$ 29.8	\$ 32.5	(8)%

⁽¹⁾ Defined as new orders over revenues.

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

Key events

- In February 2015, Transportation signed an agreement with the New United Group (NUG) to establish a joint venture for Signalling and rail control in China. The new company will focus on rail transportation communication, signalling and integrated monitoring systems for the Chinese mass transit and light rail markets, and be committed to introducing moving-block signalling technology for metro applications. The new joint venture underlines Transportation's strong position in the Chinese rail market.
- In March 2015, Deutsche Bahn and Transportation agreed on an out-of-court settlement for claims regarding various vehicle projects.
- In March 2015, Bombardier-Sifang Transportation, a Chinese entity in which Bombardier holds a 50 percent interest, delivered the first *ZEFIRO* 380 very high speed train to its customer, Shanghai Railway Bureau.
- Subsequent to the first quarter, on April 14, 2015, the V300*ZEFIRO* Italy very high speed train received homologation and successfully completed its maiden trip from Milan to Rome.
- Subsequent to the end of the first quarter, on May 7th, 2015, the Corporation announced that, following proactive review of strategic options for its rail business, it is preparing for an IPO of a minority stake in Bombardier Transportation. When completed, the IPO is expected to crystallize the full value of Bombardier Transportation and further strengthen the Corporation's financial position, while preserving flexibility should the Corporation wish to participate in future rail equipment industry consolidation. The IPO is expected to take place in the fourth quarter of this year, subject to market conditions, with the primary listing venue likely to be Germany, where the business segment is headquartered. After the IPO, Bombardier Transportation will continue to be controlled by Bombardier Inc. and consolidated in its financial results.

INDUSTRY AND ECONOMIC ENVIRONMENT

In the first quarter of 2015, large orders have been awarded in Western Europe and in the Middle East region such as contracts for regional trains in Germany and a turnkey contract for rolling stock and railway systems for Doha metro, Qatar. However, the overall market volume decreased compared to the first quarter of 2014 which was driven by extraordinary large contracts awarded in Australia (Electrical Multiple Units (EMUs) for Queensland, \$4.1 billion) and South Africa (locomotives for \$4.7 billion). In the remaining quarters of 2015, large orders are expected to be awarded and the total order volume in 2015 is expected to increase compared to 2014, in line with the forecasted annual UNIFE growth rate of 2.7%.⁽¹⁾

Compared to the same period last year, the European rail market increased in the first quarter of 2015, primarily due to large orders for regional trains in Germany and the U.K. During the next quarters, both these markets as well as France and Belgium are expected to continue to place orders in the commuter and regional segment. In addition, Spain is expected to further develop its very high speed network. In Eastern Europe, the outlook remains positive driven by expected high speed train orders and signalling solutions in Turkey. Further demand remains for modernization and replacements of aging fleets in Hungary, Poland and the Czech Republic. However, related projects in some of the Eastern European countries have not materialized so far due to budgetary and funding constraints.













Investments in the North American rail market have been slightly lower compared to the same quarter of last year. The market is expected to regain growth across segments in the upcoming quarters. In the U.S., investments are forecasted in the metro, electric commuter, high speed and services segments and Canada is expected to invest in light rail vehicles, signalling and services solutions. Mexico has promising opportunities in the metro segment, but experienced some delays and cancellations of tender processes in the past.

The order volume in the Asia-Pacific region decreased in the first quarter of 2015 compared to the same quarter of last year, mainly driven by the large rolling stock order for Queensland in Australia awarded in the first quarter of 2014. Nevertheless, the region's outlook remains positive as significant orders are expected in India, China and Australia. Besides the extension of fleets in several Indian cities, large investments for locomotives and signalling solutions are planned in India to develop its freight rail network in the coming years. In China, the rail market is expected to grow across all segments, with significant orders expected in commuter and urban rail solutions. Large investments are further expected in Australia, particularly for commuter, light rail vehicles and signalling.

In the first quarter of 2015, investments in the Rest of world region showed a decrease compared to the same quarter of last year which is mostly attributable to large locomotive orders in South Africa; however, significant contracts were awarded in the region, such as a large metro contract in the Middle East. Due to urban development programs, large investments for automated mass transit systems in Saudi Arabia and Kuwait are expected in the upcoming quarters. Also, other markets of the Rest of World region show growth potential due to a strong need for mobility solutions to support rapid urbanization, especially in South America.

⁽¹⁾ Based on data from the UNIFE World Rail Market Study "Forecast 2014 to 2019" published in September 2014 for the overall accessible rail market only. 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.

Upcoming key opportunities for Transportation by region

Key projects Europe		
Commuter & Regional Trains		Germany
Regional Trains & Light Rail Vehicles		Belgium
High Speed Trains		Turkey
Key projects North America		
Metro & Services		USA
Light Rail Vehicles & Services		Canada
Metro & Signalling		Mexico
Key projects Rest of World		
Urban Transit & Signalling		Peru
Regional Trains		Israel
Automated People Mover, Metros & Signalling		GCC ⁽¹⁾
Key projects Asia-Pacific		
Locomotives, Metro & Signalling		India
Commuter Trains & Signalling		Australia
Monorail, Automated People Mover & High Speed Trains		China

⁽¹⁾ Gulf Cooperation Council. Member states: United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31	
	2015	2014
Revenues		
External revenues	\$ 2,039	\$ 2,265
Intersegment revenues	2	2
	2,041	2,267
EBITDA⁽¹⁾	\$ 144	\$ 157
Amortization	26	29
EBIT	\$ 118	\$ 128
(as a percentage of total revenues)		
EBIT	5.8%	5.6%

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

Total external revenues for the three-month period ended March 31, 2015, have decreased by \$226 million. Excluding a negative currency impact of \$308 million, revenues have increased by \$82 million, or 4%, compared to the same period last fiscal year.

The \$82 million increase excluding currency impact for the three-month period is mainly explained by:

- higher activities in rolling stock in Europe and Asia-Pacific, mainly due to ramp-up in production related to some locomotive, commuter and regional train, high speed train and very high speed contracts in Europe and some commuter and regional train and very high speed train and metro contracts in Asia-Pacific, partly offset by completion of some metro and light rail vehicle contracts in Europe (\$164 million);
- higher activities in signalling mainly in Europe (\$51 million); and
- higher activities in services in Asia-Pacific (\$38 million).

Partially offset by:

- lower activities in rolling stock in North America following completion of some commuter and regional train contracts (\$91 million);
- lower activities in systems mainly in Europe following completion of a systems contract (\$49 million); and
- lower activities in services in the Rest of world region, Europe and North America (\$15 million).

EBIT margin

The EBIT margin for the three-month period increased by 0.2 percentage points mainly as a result of:

- higher absorption of lower SG&A expenses; and
- a higher gross margin in rolling stock and services.

Partially offset by:

- a lower gross margin in system and signalling; and
- a lower share of income of joint ventures and associates.

Orders and backlog

Order intake and book-to-bill ratio

	Three-month periods ended March 31	
	2015	2014
Order intake (in billions of dollars)	\$ 1.2	\$ 8.0
Book-to-bill ratio ⁽¹⁾	0.6	3.5

⁽¹⁾ Ratio of new orders over revenues.

The order intake for the three-month period ended March 31, 2015 reflects a negative currency impact of \$203 million.

Several small and medium orders across various regions and product segments were won in the first quarter of 2015 and Transportation maintained a leading position in the rail industry.⁽¹⁾ The significant orders obtained during the three-month period ended March 31, 2015 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value
National Express Group	U.K.	Fleet maintenance and spare parts	n/a	Services	\$ 213
Rheinbahn AG and Cologne transport authority (KVB)	Germany	<i>FLEXITY</i> trams	62	Rolling stock	\$ 203

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

n/a: Not applicable

Order backlog

(in billions of dollars)	As at	
	March 31, 2015	December 31, 2014
	\$ 29.8	\$ 32.5

The \$2.7 billion decrease in order backlog is due to the weakening of some foreign currencies versus the U.S. dollar as at March 31, 2015, compared to December 31, 2014 (\$1.9 billion), mainly the euro, pound sterling, Australian dollar and Swedish krona, and revenues recorded being higher than order intake (\$0.8 billion).

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

Factoring facilities

In the normal course of its business, Transportation has set up factoring facilities in Europe, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €1.0 billion (\$1.1 billion) were outstanding under such facilities as at March 31, 2015 (€974 million (\$1.2 billion) as at December 31, 2014). During the three-month period ended March 31, 2015, trade receivables of €394 million (\$444 million) were sold to these facilities (€231 million (\$317 million) during the three-month period ended March 31, 2014).

Other arrangements

In the normal course of operations, the Corporation maintains other off-balance sheet arrangements including credit and residual value guarantees, financing commitments and financing structures related to the sale of commercial aircraft. There was no significant change in these arrangements during the three-month period ended March 31, 2015. Refer to the Off-balance sheet arrangements section of the Financial Report for the year ended December 31, 2014 in Other for a description of these arrangements, and to Note 23, Commitments and Contingencies, to the interim consolidated financial statements for further details.

RISKS AND UNCERTAINTIES

The Corporation operates in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties that could materially affect the Corporation's business, financial condition and results of operations are described in the Financial Report for the fiscal year ended December 31, 2014 in Other, but are not necessarily the only risks and uncertainties it faces. Additional risks and uncertainties not presently known to management, or that management currently believe to be immaterial, may also adversely affect the Corporation's business.

There was no significant change to these risks and uncertainties during the three-month period ended March 31, 2015, other than those described elsewhere in this MD&A. Also refer to Note 23, Commitments and contingencies, to the interim consolidated financial statements for information regarding current litigation proceedings including the S-Bahn claim and the allegations of cartel activity in Brazil.

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 the consolidated financial statements of the Corporation.

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 FVTPL, 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.

CONTROLS AND PROCEDURES

No changes were made to the Corporation's internal controls over financial reporting during the three-month period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

	March 31, 2015	December 31, 2014	Increase (decrease)
Euro	1.0845	1.2141	(11%)
Canadian dollar	0.7911	0.8633	(8%)
Pound sterling	1.4799	1.5587	(5%)

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

	March 31, 2015	March 31, 2014	Increase (decrease)
Euro	1.1278	1.3697	(18%)
Canadian dollar	0.8076	0.9066	(11%)
Pound sterling	1.5156	1.6546	(8%)

SELECTED FINANCIAL INFORMATION

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

Fiscal years	2015	2014				2013			
	First	Fourth	Third	Second	First	Fourth	Third	Second	
Revenues	\$ 4,397	\$ 5,960	\$ 4,906	\$ 4,891	\$ 4,354	\$ 5,324	\$ 4,058	\$ 4,430	
Net income (loss)	\$ 100	\$ (1,590)	\$ 74	\$ 155	\$ 115	\$ 97	\$ 147	\$ 180	
EPS (in dollars)									
Basic and diluted	\$ 0.05	\$ (0.92)	\$ 0.03	\$ 0.08	\$ 0.06	\$ 0.05	\$ 0.08	\$ 0.10	
Adjusted net income ⁽¹⁾	\$ 170	\$ 83	\$ 222	\$ 192	\$ 151	\$ 129	\$ 165	\$ 158	
Adjusted EPS (in dollars) ⁽¹⁾									
Basic and diluted	\$ 0.09	\$ 0.04	\$ 0.12	\$ 0.10	\$ 0.08	\$ 0.07	\$ 0.09	\$ 0.09	

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

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at May 5, 2015

	Authorized	Issued and outstanding
Class A Shares (multiple voting) ⁽¹⁾	2,742,000,000	314,273,255
Class B Shares (subordinate voting) ⁽²⁾	2,742,000,000	1,913,276,685 ⁽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 Share (subordinate voting).

⁽²⁾ Convertible at the option of the holder into one Class A Share (multiple voting) under certain conditions.

⁽³⁾ Net of 18,736,908 Class B Shares (subordinate voting) purchased and held in trust in connection with the PSU plan.

Share option, PSU and DSU data as at March 31, 2015

Options issued and outstanding under the share option plans	31,887,420
PSUs and DSUs issued and outstanding under the PSU and DSU plans	33,072,821
Class B Shares held in trust to satisfy PSU obligations	18,736,908

Expected issuance date of financial reports for the next 12 months

Second Quarterly Report, for the period ending June 30, 2015	July 30, 2015
Third Quarterly Report, for the period ending September 30, 2015	October 29, 2015
Financial Report, for the fiscal year ending December 31, 2015	February 11, 2016
First Quarterly Report, for the period ending March 30, 2016	April 29, 2016

Information

Bombardier Inc.
Investor Relations
800 René-Lévesque Blvd. West
Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514 861 9481, extension 13273
Fax: +1 514 861 2420
Email: investors@bombardier.com

May 6, 2015

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

The CSeries family of aircraft, Global 7000 and Global 8000 aircraft and Challenger 650 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.

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Bombardier Inc., 800 René-Lévesque Blvd. West, Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514 861 9481; fax: +1 514 861 2420; website: bombardier.com

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2015

(Unaudited)

(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Interim consolidated financial statements	42
Notes to interim consolidated financial statements	48
1. BASIS OF PREPARATION	48
2. CHANGES IN ACCOUNTING POLICIES	49
3. FUTURE CHANGES IN ACCOUNTING POLICIES	49
4. SEGMENT DISCLOSURE	50
5. RESEARCH AND DEVELOPMENT	52
6. OTHER INCOME	53
7. SPECIAL ITEMS	53
8. FINANCING EXPENSE AND FINANCING INCOME	54
9. EARNINGS PER SHARE	55
10. FINANCIAL INSTRUMENTS	56
11. INVENTORIES	57
12. OTHER FINANCIAL ASSETS	58
13. OTHER ASSETS	58
14. PROVISIONS	59
15. OTHER FINANCIAL LIABILITIES	60
16. OTHER LIABILITIES	60
17. LONG-TERM DEBT	60
18. SHARE-CAPITAL	61
19. SHARE-BASED PLANS	61
20. NET CHANGE IN NON-CASH BALANCES	62
21. CREDIT FACILITIES	62
22. FAIR VALUE OF FINANCIAL INSTRUMENTS	63
23. COMMITMENTS AND CONTINGENCIES	66

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).

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

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

	Notes	March 31 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)		Contributed surplus	Accumulated OCI			Total	NCI	Total Equity
	Preferred shares	Common shares	Other retained earnings	Remeasurement losses		AFS financial assets	Cash flow hedges	CCTD			
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		
	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
Gain (loss)				
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.