BOMBARDIER

# FIRST QUARTERLY REPORT

Three-month period ended March 31, 2017

## GLOSSARY

The following table shows the abbreviations used in this report.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

# FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, guidance, targets, goals, priorities, market and strategies, financial position, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected growth in demand for products and services; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and project execution in general; competitive position; the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations; available liquidities and ongoing review of strategic and financial alternatives; the impact and expected benefits of the investment by the Government of Québec in the C Series Aircraft Limited Partnership and of the private placement of a minority stake in Transportation by the CDPQ on our operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; and the impact of such investments on our balance sheet and liquidity position.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as “may”, “will”,“shall”, “can”, “expect”, “estimate”, “intend”, “anticipate”, “plan”, “foresee”, “believe”, “continue”, “maintain” or “align”, the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require management to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure), operational risks (such as risks related to developing new products and services; development of new business; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution; pressures on cash flows based on project-cycle fluctuations and seasonality; our ability to successfully implement and execute our strategy and transformation plan; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; the environment; dependence on certain customers and suppliers; human resources; reliance on information systems; reliance on and protection of intellectual property rights; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial existing debt and interest payment requirements; certain restrictive debt covenants and minimum cash levels; financing support provided for the benefit of certain customers; and reliance on government support), market risks (such as risks related to foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in the MD&A of our financial report for the fiscal year ended December 31, 2016. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the Guidance and forward-looking statements sections in the MD&A of our financial report for the fiscal year ended December 31, 2016.

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, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

# OVERVIEW

## HIGHLIGHTS

**Results of the quarter**

| **Three-month periods ended March 31** | **2017** | 2016 | Variance |
|---|---|---|---|
| Revenues | **$ 3,576** | $ 3,914 | (9)% |
| EBIT | **$ 105** | $ 56 | 88 % |
| EBIT margin | **2.9 %** | 1.4% | 150 bps |
| EBIT before special items[1] | **$ 128** | $ 130 | (2)% |
| EBIT margin before special items[1] | **3.6 %** | 3.3% | 30 bps |
| EBITDA before special items[1] | **$ 206** | $ 219 | (6)% |
| EBITDA margin before special items[1] | **5.8 %** | 5.6% | 20 bps |
| Net loss | **$ (31)** | $ (138) | nmf |
| Diluted EPS (in dollars) | **$ (0.02)** | $ (0.07) | nmf |
| Adjusted net income (loss)[1] | **$ 2** | $ (34) | nmf |
| Adjusted EPS (in dollars)[1] | **$ 0.00** | $ (0.03) | nmf |
| Net additions to PP&E and intangible assets | **$ 276** | $ 294 | (6)% |
| Cash flows from operating activities | **$ (317)** | $ (456) | 30 % |
| Free cash flow usage[1] | **$ (593)** | $ (750) | 21 % |
| **As at** | **March 31, 2017** | December 31, 2016 | |
| Available short-term capital resources[2] | **$ 3,867** | $ 4,477 | (14)% |

## Key highlights and events

- **Strong start to 2017 with results for the first quarter showing continued improvement:**
  - Overall revenues according to plan, with Transportation re-gaining top-line momentum with a growth in revenues of 5% before currency impact, while aerospace segments' performance was aligned to expectations.
  - Margins continue to demonstrate the benefits of transforming our cost structure, with EBIT margin before special items[1] growing to a robust 8.0% in Transportation and achieving 7.6% in Business Aircraft and 7.5% in Aerostructures and Engineering Services.
  - Improvement in free cash flow usage[1] to $593 million, while we continued to invest in the *Global 7000* and *Global 8000* aircraft program testing and certification phase as well as inventories supporting the production ramp-up of the *C Series* aircraft program and certain key Transportation projects.
  - In light of the first quarter results, we reiterate our 2017 guidance for the full year.
- **Significant progress on key aircraft program milestones:**
  - Subsequent to the end of the quarter, Transport Canada and the European Aviation Safety Agency awarded the *CS100* aircraft its steep approach certifications, allowing the aircraft to operate at challenging airports such as London City Airport.
  - We continued to make significant strides in the development of the *Global 7000* and *Global 8000* aircraft program, with two FTVs in flight testing demonstrating a high degree of maturity. Subsequent to the end of the quarter, the third FTV joined the flight test program. The two remaining FTVs are in advanced stages of production.
- Subsequent to the end of the quarter, we announced that Pierre Beaudoin will step down as Executive Chairman of the Board of Directors effective June 30, 2017, which culminates a smooth transition of executive leadership responsibilities. Mr. Beaudoin will continue to serve as Non-Executive Chairman. The change to Mr. Beaudoin's position is subject to the formal approval of Bombardier's Board of Directors, which is expected following the Corporation's Annual General Meeting on May 11, 2017.

[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.

# CONSOLIDATED RESULTS OF OPERATIONS

## Results of operations

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Revenues | **$ 3,576** | $ 3,914 |
| Cost of sales | **3,167** | 3,488 |
| **Gross margin** | **409** | 426 |
| SG&A | **260** | 264 |
| R&D | **44** | 60 |
| Share of income of joint ventures and associates | **(32)** | (14) |
| Other expense (income) | **9** | (14) |
| **EBIT before special items**[1] | **128** | 130 |
| Special items | **23** | 74 |
| **EBIT** | **105** | 56 |
| Financing expense | **154** | 170 |
| Financing income | **(25)** | (10) |
| **EBT** | **(24)** | (104) |
| Income taxes | **7** | 34 |
| **Net loss** | **$ (31)** | $ (138) |
| Attributable to | | |
| Equity holders of Bombardier Inc. | **$ (28)** | $ (161) |
| NCI | **$ (3)** | $ 23 |
| **EPS (in dollars)** | | |
| Basic and diluted | **$ (0.02)** | $ (0.07) |
| (as a percentage of total revenues) | | |
| EBIT before special items[1] | **3.6%** | 3.3% |
| EBIT | **2.9%** | 1.4% |

## Non-GAAP financial measures[1]

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| EBITDA | **$ 183** | $ 145 |
| EBITDA before special items | **$ 206** | $ 219 |
| Adjusted net income (loss) | **$ 2** | $ (34) |
| Adjusted EPS | **$ 0.00** | $ (0.03) |

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

## Reconciliation of segment to consolidated results

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| **Revenues** | | |
| Business Aircraft | **$ 1,007** | $ 1,303 |
| Commercial Aircraft | **540** | 616 |
| Aerostructures and Engineering Services | **388** | 468 |
| Transportation | **1,923** | 1,880 |
| Corporate and Elimination | **(282)** | (353) |
| | **$ 3,576** | $ 3,914 |
| **EBIT before special items**[(1)] | | |
| Business Aircraft | **$ 77** | $ 87 |
| Commercial Aircraft | **(55)** | (66) |
| Aerostructures and Engineering Services | **29** | 35 |
| Transportation | **153** | 115 |
| Corporate and Elimination | **(76)** | (41) |
| | **$ 128** | $ 130 |
| **Special Items** | | |
| Business Aircraft | **$ 3** | $ 5 |
| Commercial Aircraft | **1** | — |
| Aerostructures and Engineering Services | **—** | 20 |
| Transportation | **19** | 92 |
| Corporate and Elimination | **—** | (43) |
| | **$ 23** | $ 74 |
| **EBIT** | | |
| Business Aircraft | **$ 74** | $ 82 |
| Commercial Aircraft | **(56)** | (66) |
| Aerostructures and Engineering Services | **29** | 15 |
| Transportation | **134** | 23 |
| Corporate and Elimination | **(76)** | 2 |
| | **$ 105** | $ 56 |

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

## *Analysis of consolidated results*

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

### *Special items*

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

Special items were as follows:

| | | Three-month periods ended March 31 | |
|---|---|---|---|
| | Ref | **2017** | 2016 |
| Restructuring charges | 1 | **$ 23** | $ 112 |
| Foreign exchange gains related to the sale of a minority stake in Transportation | 2 | **—** | (38) |
| Transaction costs related to the conversion option embedded in the CDPQ investment | 3 | **—** | 8 |
| Tax impacts of special items | | **(1)** | (10) |
| | | **$ 22** | $ 72 |
| **Of which is presented in** | | | |
| Special items in EBIT | | **$ 23** | $ 74 |
| Financing expense - transaction costs related to the conversion option embedded in the CDPQ investment | 3 | **—** | 8 |
| Income taxes - effect of special items | | **(1)** | (10) |
| | | **$ 22** | $ 72 |

1. In 2017, represents restructuring charges of $23 million related to restructuring actions announced in 2016.

   In 2016, comprised restructuring charges of $125 million, partially offset by curtailment gains of $13 million, related to workforce optimizations announced in 2016.
2. Represents foreign exchange gains related to the reorganization of Transportation under one holding entity necessary to facilitate the placement of a minority stake in Transportation.
3. Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco.

### *Net financing expense*

Net financing expense amounted to $129 million for the three-month period ended March 31, 2017, compared to $160 million for the corresponding period last fiscal year.

The $31-million decrease is mainly due to:
- a net gain related to certain financial instruments classified as FVTP&L compared to a net loss in the corresponding period last year ($19 million);
- higher borrowing costs capitalized to PP&E and intangible assets ($12 million);
- transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco recognized in the corresponding period last year ($8 million); and
- higher income from investment in securities ($5 million).

Partially offset by:
- higher interest on long-term debt, after the effect of hedges ($13 million).

### *Income taxes*

The effective income tax rate for the three-month period ended March 31, 2017 is (29.2)%, compared to the statutory income tax rate in Canada of 26.7%. The negative effective tax rate is due to the net non-recognition of income tax benefits related to tax losses and temporary differences, partially offset by permanent differences.

The effective income tax rates for the three-month period ended March 31, 2016 was (32.7)%, compared to the statutory income tax rate in Canada of 26.8%. The negative effective income tax rate was mainly due to the net non-recognition of income tax benefits related to tax losses and temporary differences and to permanent differences.

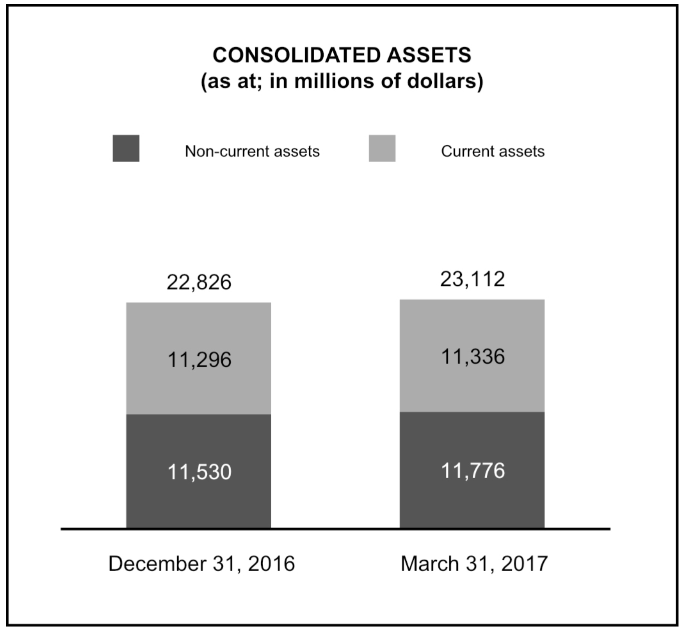
# CONSOLIDATED FINANCIAL POSITION

The total assets increased by $286 million in the three-month period, including a positive currency impact of $151 million. The $135-million increase excluding the currency impact is mainly explained by:

- a $803-million increase in gross inventories across all segments; and
- a $199-million increase in aerospace program tooling. See the Investment in product development tables in Business Aircraft and Commercial Aircraft for details.

Partially offset by:

- a $509-million decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details;
- a $221-million increase in advances and progress billings related to Transportation; and
- a $118-million decrease in trade and other receivables mainly in Transportation.

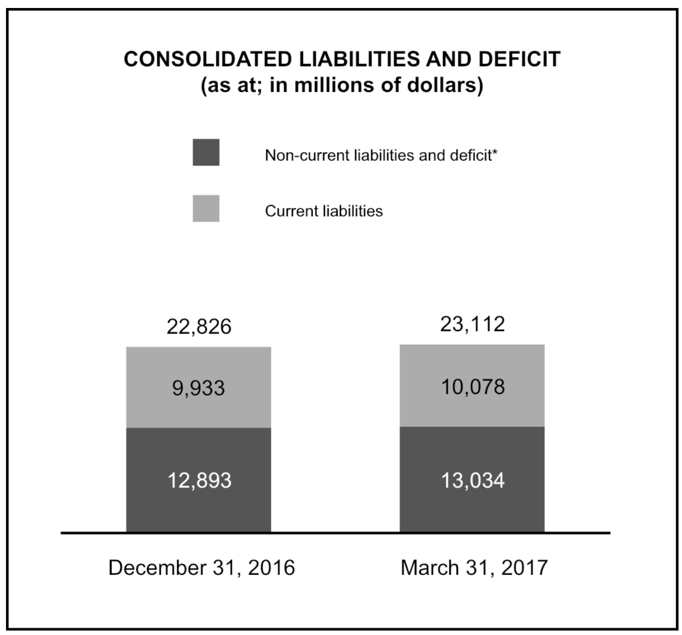



The total liabilities and deficit increased by $286 million in the three-month period, including a currency impact of $151 million. The $135-million increase excluding the currency impact is mainly explained by:

- a $308-million increase in trade and other payables mainly in Transportation and Commercial Aircraft; and
- a $131-million increase in other financial liabilities mainly due to a $107-million increase in short-term borrowings.

Partially offset by:

- a $190-million decrease in advances and progress billings in excess of long term contracts inventories related to Transportation; and
- a $112-million decrease in provisions, mainly due to utilization.




*Includes a deficit of $3.6 billion as at March 31, 2017 (a deficit of $3.5 billion as at December 31, 2016).

# LIQUIDITY AND CAPITAL RESOURCES

## *Free cash flow*

**Free cash flow usage[1]**

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| **Net loss** | **$ (31)** | $ (138) |
| Non-cash items | | |
| Amortization | **78** | 89 |
| Deferred income taxes | **(3)** | (4) |
| Share of income of joint ventures and associates | **(32)** | (14) |
| Other | **7** | (4) |
| Dividends received from joint ventures and associates | **2** | 46 |
| Net change in non-cash balances | **(338)** | (431) |
| Cash flows from operating activities | **(317)** | (456) |
| Net additions to PP&E and intangible assets | **(276)** | (294) |
| **Free cash flow usage[1]** | **(593)** | (750) |
| Net interest and income taxes paid | **(141)** | (203) |
| **Free cash flow usage before net interest and income taxes paid[1]** | **$ (452)** | $ (547) |

The $157-million improvement of free cash flow usage[1] for the three-month period is mainly due to:

- lower net loss ($107 million) mainly explained by lower restructuring charges, recorded in special items, compared to last year; and
- a positive period-over-period variation in net change in non-cash balances ($93 million) (see explanations below).

Partially offset by:

- lower dividends received from joint ventures and associates ($44 million).

**Net change in non-cash balances**

For the three-month period ended March 31, 2017, the $338-million outflow is mainly due to:

- an increase in Transportation's gross inventories following ramp-up in production ahead of deliveries;
- an increase in the *C Series* aircraft program inventory, due to the ramp-up in production and including the impacts of write-downs on early production units;[2] and
- an increase in Business Aircraft aerospace program inventories.

Partially offset by:

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

For the three-month period ended March 31, 2016, the $431-million outflow was mainly due to:

- an increase in Transportation's gross inventories following ramp-up in production ahead of deliveries;
- a decrease in trade and other payables mainly related to the Commercial Aircraft and Transportation segments;
- a decrease in Business Aircraft's advances on aerospace programs; and
- an increase in the *C Series* aircraft program inventory, due to the ramp-up in production, partially offset by write-downs on early production units.[2]

Partially offset by:

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

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics.
[2] Early production units in a new aircraft program require higher costs than the units produced later in the program and the selling prices of early units are generally lower.

## *Available short-term capital resources*

**Variation in cash and cash equivalents**

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Balance at the beginning of period | **$ 3,384** | $ 2,720 |
| Free cash flow usage[1] | **(593)** | (750) |
| Net change in short-term borrowings | **107** | — |
| Dividends paid to NCI | **(48)** | (42) |
| Effect of exchange rate changes on cash and cash equivalents | **12** | (9) |
| Repayments of long-term debt | **(9)** | (8) |
| Dividends paid on preferred shares | **(4)** | (4) |
| Net proceeds from the sale of minority stakes in subsidiaries | **—** | 1,466 |
| Other | **38** | (14) |
| Balance at the end of period | **$ 2,887** | $ 3,359 |

**Available short-term capital resources**

| | **March 31, 2017** | December 31, 2016 |
|---|---|---|
| Cash and cash equivalents | **$ 2,887** | $ 3,384 |
| Available revolving credit facilities | **980** | 1,093 |
| Available short-term capital resources | **$ 3,867** | $ 4,477 |

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

In March 2017, we extended the maturity dates of Transportation's €658-million and the $400-million[2] unsecured revolving credit facilities to May 2020 and June 2020, respectively. In addition, Transportation's €658-million unsecured revolving credit facility was decreased to €640 million ($687 million).

Short-term borrowings of €100 million ($107 million) remain outstanding under Transportation's €640-million ($687-million) unsecured revolving credit facility as at March 31, 2017 (nil as at December 31, 2016).

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and the Free cash flow usage table above for reconciliations to the most comparable IFRS measure.
(2) Available for other than Transportation's usage.

## *Letter of credit facilities*

In March 2017, we extended the availability periods of Transportation's €3.31-billion ($3.6 billion) and the $400-million[1] letter of credit facilities by one year to May 2020 and June 2020, respectively. In May 2017, the committed amount under Transportation's facility was increased to €3.5 billion ($3.8 billion).

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

## *Financial covenants*

Effective March 2017, the minimum liquidity level of $750 million at the end of each quarter required by the $400-million[(1)] letter of credit facility and the $400-million[(1)] unsecured revolving credit facility, is now between $750 million and $850 million depending on the level of the EBITDA to fixed charges ratio. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and a minimum EBITDA threshold, all calculated based on an adjusted consolidated basis, i.e. excluding Transportation.

Transportation's letter of credit facility and unsecured revolving facility continue to require a minimum liquidity level of €600 million ($644 million) at the end of each quarter, as well as a minimum equity level and a maximum debt to EBITDA ratio, all calculated on a Transportation stand-alone basis.

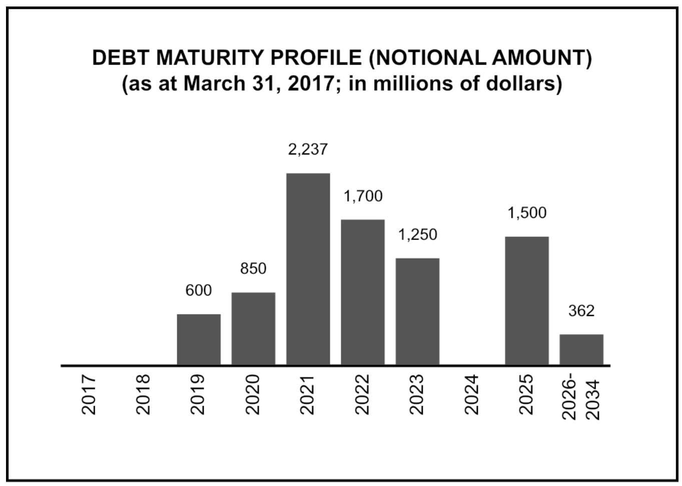
These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to any specific terms used in the MD&A. Minimum liquidity is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

The financial covenants under these credit facilities were all met as at March 31, 2017 and December 31, 2016.

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

## *Future liquidity requirements*

We consider that our cash flows from operating activities, combined with our available short-term capital resources of $3.9 billion will enable the development of new products to enhance our competitiveness and support our growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable us to meet all other expected financial requirements in the foreseeable future. There is no significant debt maturing before 2019.



# CAPITAL STRUCTURE

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

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

Our objectives with regard to global metrics are as follows:

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

**Interest coverage ratio**

| | For the four-quarter trailing periods ended | |
|---|---|---|
| | **March 31, 2017** | December 31, 2016 |
| Adjusted EBIT[(1)] | **$ 488** | $ 498 |
| Adjusted interest[(1)] | **$ 569** | $ 618 |
| **Adjusted EBIT to adjusted interest ratio** | **0.9** | 0.8 |

The interest coverage ratio improved as a result of lower adjusted interest, mainly due to lower interest paid.

**Financial leverage ratio**

| | As at and for the four-quarter trailing periods ended | |
|---|---|---|
| | **March 31, 2017** | December 31, 2016 |
| Adjusted debt[(1)] | **$ 9,336** | $ 9,184 |
| Adjusted EBITDA[(1)] | **$ 924** | $ 943 |
| **Adjusted debt to adjusted EBITDA ratio** | **10.1** | 9.7 |

The financial leverage ratio deteriorated as a result of:

- lower adjusted EBITDA, mainly due to the ramp-up of the *C Series* aircraft program; and
- higher adjusted debt, mainly due to an increase in short-term borrowings.

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

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

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $2.6 billion as at March 31, 2017 ($2.5 billion as at December 31, 2016). The measurement of this liability is dependent on numerous key long-term assumptions such as discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. We closely monitor the impact of the net retirement benefit liability on our future cash flows and we have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with the retirement benefit plans. The $96-million increase in the net retirement benefit liability is explained as follows:

**Variation in net retirement benefit liability**

| | | |
|---|---|---|
| Balance as at December 31, 2016 | $ | 2,523 [1] |
| Changes in discount rates and other financial assumptions | | 249 |
| Actuarial gains on pension plan assets | | (202) |
| Employer contributions | | (70) |
| Accretion on net retirement benefit obligation | | 19 |
| Service costs | | 68 |
| Changes in foreign exchange rates | | 28 |
| Other | | 4 |
| **Balance as at March 31, 2017** | **$** | **2,619** [1] |

[1] Includes retirement benefit assets of $119 million as at March 31, 2017 ($124 million as at December 31, 2016).

# NON-GAAP FINANCIAL MEASURES

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

| Non-GAAP financial measures | |
|---|---|
| EBITDA | Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets. |
| EBIT before special items | EBIT excluding the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items. |
| EBITDA before special items | EBIT before special items, amortization and impairment charges on PP&E and intangible assets. |
| Adjusted net income (loss) | Net income (loss) excluding special items, accretion on net retirement benefit obligations, certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items. |
| Adjusted EPS | EPS calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements. |
| Free cash flow (usage) | Cash flows from operating activities less net additions to PP&E and intangible assets. |
| Free cash flow (usage) before net interest and income taxes paid or received | Free cash flow (usage) excluding cash paid and received for interest and income taxes, as per the consolidated statements of cash flows. |
| Adjusted debt | Long-term debt as presented in the consolidated statements of financial position adjusted for the fair value of derivatives (or settled derivatives) designated in related hedge relationships plus short-term borrowings, sale and leaseback obligations and the net present value of operating lease obligations. |
| Adjusted EBIT | EBIT before special items plus interest adjustment for operating leases and interest received (as per the supplemental information provided in the consolidated statements of cash flows, adjusted, if needed, for the settlement of fair value hedge derivatives before their contractual maturity dates). |
| Adjusted EBITDA | Adjusted EBIT plus amortization and impairment charges on PP&E and intangible assets, and amortization adjustment for operating leases. |
| Adjusted interest | Interest paid, as per the supplemental information provided in the consolidated statements of cash flows, plus accretion expense on sale and leaseback obligations and interest adjustment for operating leases. |

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

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

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

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

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

**Reconciliation of EBITDA before special items and EBITDA to EBIT**

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| **EBIT** | **$ 105** | $ 56 |
| Amortization | **78** | 89 |
| **EBITDA** | **183** | 145 |
| Special items[1] | **23** | 74 |
| **EBITDA before special items** | **$ 206** | $ 219 |

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

| | Three-month periods ended March 31 | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | | **(per share)** | | (per share) |
| **Net loss** | **$ (31)** | | $ (138) | |
| Adjustments to EBIT related to special items[1] | **23** | **$ 0.01** | 74 | $ 0.03 |
| Adjustments to net financing expense related to: | | | | |
| Net change in provisions arising from changes in interest rates and net (gain) loss on certain financial instruments | **(8)** | **0.00** | 15 | 0.01 |
| Accretion on net retirement benefit obligations | **19** | **0.01** | 17 | 0.01 |
| Transaction costs related to the conversion option embedded in the CDPQ investment[1] | **—** | **—** | 8 | 0.00 |
| Tax impact of special[1] and other adjusting items | **(1)** | **0.00** | (10) | (0.01) |
| **Adjusted net income (loss)** | **2** | | (34) | |
| Net loss (income) attributable to NCI | **3** | | (23) | |
| Preferred share dividends, including taxes | **(6)** | | (5) | |
| **Adjusted net loss attributable to equity holders of Bombardier Inc.** | **$ (1)** | | $ (62) | |
| Weighted-average diluted number of common shares (in thousands) | **2,194,840** | | 2,221,787 | |
| **Adjusted EPS (in dollars)** | **$ 0.00** | | $ (0.03) | |

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

### Reconciliation of adjusted EPS to diluted EPS (in dollars)

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| **Diluted EPS** | **$ (0.02)** | $ (0.07) |
| Impact of special[1] and other adjusting items | **0.02** | 0.04 |
| **Adjusted EPS** | **$ 0.00** | $ (0.03) |

### Reconciliation of adjusted debt to long-term debt

| | As at | |
|---|---|---|
| | **March 31, 2017** | December 31, 2016 |
| **Long-term debt** | **$ 8,761** | $ 8,769 |
| Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships | **(253)** | (278) |
| Long-term debt, net | **8,508** | 8,491 |
| Short-term borrowings[2] | **107** | — |
| Operating lease obligations[3] | **683** | 668 |
| Sale and leaseback obligations | **38** | 25 |
| **Adjusted debt** | **$ 9,336** | $ 9,184 |

### Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

| | Four-quarter trailing periods ended | |
|---|---|---|
| | **March 31, 2017** | December 31, 2016 |
| **EBIT** | **$ (9)** | $ (58) |
| Special items[4] | **434** | 485 |
| Interest received | **21** | 20 |
| Interest adjustment for operating leases[5] | **42** | 51 |
| **Adjusted EBIT** | **488** | 498 |
| Amortization | **360** | 371 |
| Amortization adjustment for operating leases[6] | **76** | 74 |
| **Adjusted EBITDA** | **$ 924** | $ 943 |

### Reconciliation of adjusted interest to interest paid

| | Four-quarter trailing periods ended | |
|---|---|---|
| | **March 31, 2017** | December 31, 2016 |
| Interest paid | **$ 526** | $ 565 |
| Interest adjustment for operating leases[5] | **42** | 51 |
| Accretion expense on sale and leaseback obligations | **1** | 2 |
| **Adjusted interest** | **$ 569** | $ 618 |

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

(2) Relates to amounts drawn under Transportation's €640-million ($687-million) unsecured revolving credit facility. Also see Note 18 - Credit facilities.

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

(4) Refer to the Consolidated results of operations section for details regarding special items for the three-month periods ended March 31, 2017 and 2016. The special items included in EBIT in the second, third and fourth quarters of 2016 relate to: onerous contract provision of $492 million in conjunction with the closing of *C Series* aircraft firm orders in the second quarter of 2016, restructuring charges of $103 million, reversal of constructive pension obligation of $139 million, $59 million of reduction of provisions related to the cancellation of the *Learjet 85* aircraft program and a $40-million increase in the provision related to tax litigation of which $14 million was included in EBIT.

(5) Represents the interest cost of a debt equivalent to operating lease obligations included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related period, given our credit rating.

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

# BUSINESS AIRCRAFT

## HIGHLIGHTS

**Results of the quarter**

| **Three-month periods ended March 31** | **2017** | 2016 | Variance |
|---|---|---|---|
| Revenues | **$ 1,007** | $ 1,303 | (23)% |
| Aircraft deliveries (in units) | **29** | 31 | (2) |
| EBIT | **$ 74** | $ 82 | (10)% |
| EBIT margin | **7.3%** | 6.3% | 100 bps |
| EBIT before special items[1] | **$ 77** | $ 87 | (11)% |
| EBIT margin before special items[1] | **7.6%** | 6.7% | 90 bps |
| EBITDA before special items[1] | **$ 97** | $ 112 | (13)% |
| EBITDA margin before special items[1] | **9.6%** | 8.6% | 100 bps |
| Net additions to PP&E and intangible assets | **$ 208** | $ 153 | 36 % |
| **As at** | **March 31, 2017** | December 31, 2016 | |
| Order backlog (in billions of dollars) | **$ 15.2** | $ 15.4 | (1)% |

### Key highlights and events

- Deliveries and revenues for the first quarter reflect typical seasonal patterns, achieving in excess of 20% of full year guidance of 135 deliveries.
- EBIT margin before special items[1] improved by 90 bps from 6.7% to 7.6% in the first quarter.
- Continued to make significant strides in the development of the *Global 7000* and *Global 8000* aircraft program, with two FTVs in flight testing demonstrating a high degree of maturity. Subsequent to the end of the quarter, the third FTV joined the flight test program. The two remaining FTVs are in advanced stages of production. The *Global 7000* aircraft is expected to enter into service in the second half of 2018.

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

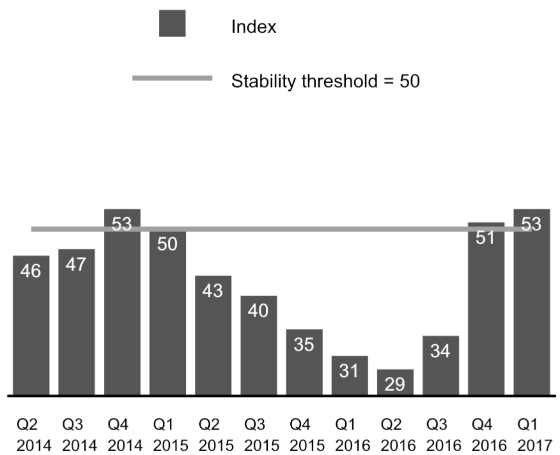
## INDUSTRY AND ECONOMIC ENVIRONMENT

The business aviation market continues to show signs of stabilization since the economic downturn. Industry short-term indicators are stable or positive. Industry confidence[1] increased in the first quarter of 2017 and as at the date of publication of this report, it was above the threshold of market stability at a level similar to the fourth quarter of 2016.[2] As indicated in the graphs below, overall business jet utilization in the U.S. remained stable compared to the same periods in the last three years, while European business jet utilization experienced a notable increase compared to the prior year. The global economy is expected to grow at a rate of 2.7% in 2017, higher than growth of 2.3% in 2016.[3] The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet stood at 11.3% as at March 31, 2017, unchanged compared to December 31, 2016. We consider this level of pre-owned inventory to be within the normal range for the overall market.

We project the continued stabilization of the business jet market due to a better economic outlook combined with the introduction of new aircraft models and technologies. We remain confident in the potential of the business aircraft industry, with significant growth expected in the long term.

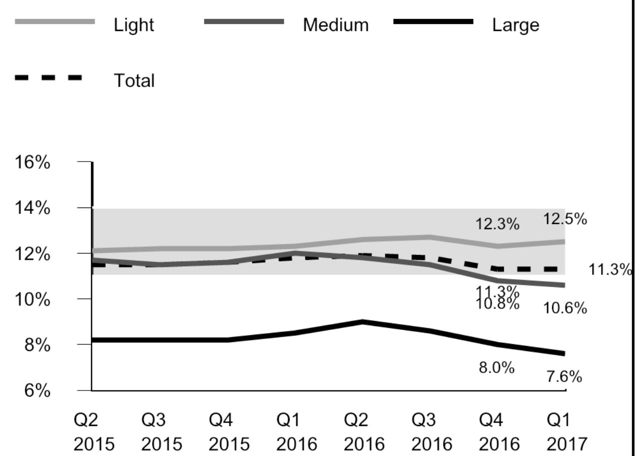
[1] As measured by the UBS Business Jet Market Index.
[2] According to the March and April 2017 UBS Business Jet Survey.
[3] According to “Oxford Economics Global Data Report” dated April 13, 2017.

**UBS BUSINESS JET MARKET INDEX***
**(for calendar quarters; average on a 100-point scale)**



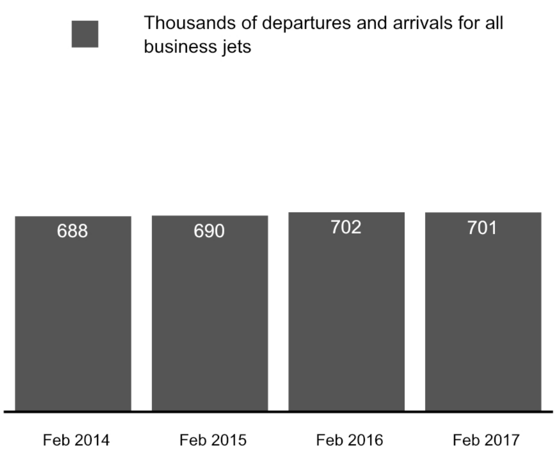

Source: UBS
* The UBS Business Jet Market Index is a measure of market confidence from industry professionals, gathered through bi-monthly surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.

**PRE-OWNED BUSINESS JET INVENTORY***
**(as at end of)**



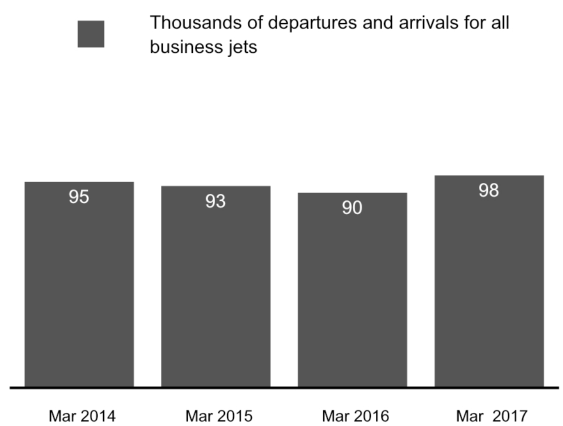

Sources: JETNET and Ascend online
* As a percentage of total business jet fleet, excluding very light jets.
Shaded area indicates what we consider to be the normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.

**U.S. BUSINESS JET UTILIZATION**
**(for the two-month periods ended)**




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

**EUROPEAN BUSINESS JET UTILIZATION**
**(for the three-month periods ended)**




Source: Eurocontrol

# ANALYSIS OF RESULTS

**Results of operations**

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Revenues | **$ 1,007** | $ 1,303 |
| **EBITDA before special items[1]** | **$ 97** | $ 112 |
| Amortization | **20** | 25 |
| **EBIT before special items[1]** | **77** | 87 |
| Special items | **3** | 5 |
| **EBIT** | **$ 74** | $ 82 |
| EBIT margin before special items[1] | **7.6%** | 6.7% |
| EBIT margin | **7.3%** | 6.3% |

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

**Revenues**

While the number of aircraft deliveries remained stable for the three-month period compared to the same period last year, the $296-million decrease in revenues is mainly due to the unfavourable mix of aircraft deliveries, as well as lower revenues from sales of pre-owned aircraft.

**Special items**

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

The special item for the three-month period ended March 31, 2017 represents restructuring charges related to the restructuring actions announced in 2016.

The special item for the three-month period ended March 31, 2016 represents restructuring charges related to workforce optimizations announced in 2016.

**EBIT margin**

The EBIT margin for the three-month period increased by 1.0 percentage point compared to the same period last fiscal year. The EBIT margin before special items (see explanation of special items above) for the three-month period increased by 0.9 percentage point, mainly as a result of:

- lower R&D expense due to lower aerospace program tooling amortization; and
- improved margins on pre-owned aircraft activities.

Partially offset by:

- lower absorption of aircraft program costs due to lower revenues as well as an unfavourable mix of aircraft deliveries, partially offset by a favourable Canadian dollar exchange rate, after giving effect to hedges; and
- lower absorption of SG&A expenses.

# Product development

**Investment in product development**

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Program tooling[1] | **$ 176** | $ 162 |
| R&D expense[2] | **2** | 1 |
| | **$ 178** | $ 163 |
| As a percentage of revenues | **17.7%** | 12.5% |

[1] Net amount capitalized in aerospace program tooling.
[2] Excluding amortization of aerospace program tooling of $9 million for the three-month period ended March 31, 2017 ($25 million for the three-month period ended March 31, 2016), as the related investments are already included in aerospace program tooling.

The carrying amount of business aircraft program tooling[1] as at March 31, 2017 was $2.8 billion, compared to $2.6 billion as at December 31, 2016.

[1] Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to $303 million as at March 31, 2017 ($266 million as at December 31, 2016).

**The *Global 7000* and *Global 8000* aircraft program**

Our *Global 7000* and *Global 8000* aircraft program recorded significant milestones with the first flight of the second FTV on March 4, 2017 followed closely by the first FTV achieving Mach 0.995, an impressive speed only five months following the start of the flight test program.

Subsequent to the end of the quarter, the third FTV joined the flight test program on May 10, 2017. Progress continues on building the program's other *Global 7000* FTVs, which are in various stages of final assembly.

In parallel to the flight test program, we are completing testing on the *Global 7000* aircraft interior test rig, which simulates real-world flexing and bending conditions of the fuselage with interiors installed. We have successfully validated the aircraft interior installation process for all cabin elements destined for the fourth FTV.

In addition, ground testing continues with several test rigs to ensure all systems operate with the highest level of reliability when the aircraft enters into service.

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

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

# Aircraft deliveries and order backlog

**Aircraft deliveries**

| | **Three-month periods ended March 31** | |
|---|---|---|
| (in units) | **2017** | 2016 |
| **Light** | | |
| *Learjet 70/75* | **5** | 1 |
| **Medium** | | |
| *Challenger 350* | **9** | 14 |
| *Challenger 605/650* | **6** | 2 |
| *Challenger 850* | **1** | — |
| **Large** | | |
| *Global 5000/Global 6000* | **8** | 14 |
| | **29** | 31 |

**Order backlog**

| | | **As at** |
|---|---|---|
| (in billions of dollars) | **March 31, 2017** | December 31, 2016 |
| | **$ 15.2** | $ 15.4 |

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

# COMMERCIAL AIRCRAFT

## HIGHLIGHTS

**Results of the quarter**

| **Three-month periods ended March 31** | **2017** | 2016 | Variance |
|---|---|---|---|
| Revenues | **$ 540** | $ 616 | (12)% |
| Aircraft deliveries (in units) | **15** | 20 | (5) |
| Net orders (in units) | **11** | 2 | 9 |
| Book-to-bill ratio[1] | **0.7** | 0.1 | 0.6 |
| EBIT | **$ (56)** | $ (66) | 15 % |
| EBIT margin | **(10.4)%** | (10.7)% | 30 bps |
| EBIT before special items[2] | **$ (55)** | $ (66) | 17 % |
| EBIT margin before special items[2] | **(10.2)%** | (10.7)% | 50 bps |
| EBITDA before special items[2] | **$ (37)** | $ (40) | 8 % |
| EBITDA margin before special items[2] | **(6.9)%** | (6.5)% | (40) bps |
| Net additions to PP&E and intangible assets | **$ 75** | $ 113 | (34)% |
| **As at** | **March 31, 2017** | December 31, 2016 | |
| Order backlog (in units) | **432** | 436 | (4) |

(1) Ratio of 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 highlights and events

- The *C Series* aircraft are performing well with now 10 *C Series* aircraft in service with both Swiss International Air Lines (SWISS) and Air Baltic Corporation AS (airBaltic).
- Significantly ramped-up *C Series* aircraft production in the first quarter in preparation for an acceleration of deliveries in the second half of 2017, which will be driven by the recently awarded London City Airport steep approach certification for the *CS100* aircraft as well as the anticipated delivery of the first *CS300* aircraft to SWISS and the entry into revenue generating service of the *CS300* aircraft in Korean Air's fleet.
- During the quarter, we received orders for 10 *CRJ900* aircraft from CityJet, increasing its *CRJ Series* fleet to 22 aircraft. Based on list price, the firm orders are valued at $467 million.
- Subsequent to the end of the quarter, Transport Canada and the European Aviation Safety Agency awarded the *CS100* aircraft its steep approach certifications, allowing the aircraft to operate at challenging airports such as London City Airport.

## INDUSTRY AND ECONOMIC ENVIRONMENT

Since the beginning of 2017, the demand for air travel, measured by revenue passenger kilometres ("RPK")[1], continues to show a strong upward trend for commercial airlines compared to the same period last year, supported by lower airfares and stronger economic conditions.[2]

Scheduled domestic and international commercial air travel, measured by RPK, were 6.7% and 7.1% higher, respectively, during the year-to-date period ended March 2017, compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors[3] of 81.6% and 79.2%, respectively, during the year-to-date period ended March 2017, and were higher than the 80.1% and 78.0% respective levels experienced during the same period in 2016.[2]

(1) RPK is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported over one kilometre.
(2) Per IATA's March 2017 Air Passenger Market Analysis report.
(3) Passenger load factor is defined as the percentage of available seat kilometres used (RPK divided by available seat kilometres). Available seat kilometres are measured as the number of seats multiplied by the kilometres flown, whether a passenger occupied the seat or not.

For domestic commercial air travel specifically, increases in China, the U.S. and India account for most of the 6.7% increase in RPK compared to the same period last year. On the international commercial air travel side, increases in Europe, Asia-Pacific and the Middle-East account for most of the 7.1% increase in RPK compared to the same period last year.[(1)]

Regional passenger traffic measured by RPK for the four leading U.S. network carriers[(2)] and their affiliates, which represent a major portion of the regional airline passenger traffic in the U.S., Commercial Aircraft's largest market, decreased by 0.4% during the year-to-date period ended March 2017, compared to the same period last year. These airlines achieved an average passenger load factor of 77.1% during the year-to-date period ended March 2017, compared to 77.2% during the same period in 2016.

In early March, crude oil prices declined as U.S. crude oil inventories were at a multi-decade high and as U.S. crude oil production rose.[(3)] There are clear indications that a rebalancing in the oil market is underway. The financial markets are pointing to a modest rise in oil prices to $60 per barrel over the coming years.[(4)] This could lead some airlines to delay their decision to renew their fleet in the short term, but low fuel prices should continue to help improve airline profitability, which in turn provides an opportunity for airlines to reinvest in their fleets. In addition, volatility in crude oil prices should result in continued demand for more fuel efficient aircraft.

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

(1) Per IATA's March 2017 Air Passenger Market Analysis report.
(2) Delta Air Lines, American Airlines, United Airlines, and Alaska Air.
(3) Per U.S. Energy Information Administration April 2017 Short-Term Energy Outlook.
(4) Per IATA's February-March 2017 Airlines Financial Monitor report.

# ANALYSIS OF RESULTS

**Results of operations**

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Revenues | **$ 540** | $ 616 |
| **EBITDA before special items[(1)]** | **$ (37)** | $ (40) |
| Amortization | **18** | 26 |
| **EBIT before special items[(1)]** | **(55)** | (66) |
| Special items | **1** | — |
| **EBIT** | **$ (56)** | $ (66) |
| EBIT margin before special items[(1)] | **(10.2)%** | (10.7)% |
| EBIT margin | **(10.4)%** | (10.7)% |

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

**Revenues**
The $76-million decrease for the three-month period is mainly due to fewer deliveries of regional jets.

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

The special item for the three-month period ended March 31, 2017 represents restructuring charges related to restructuring actions announced in 2016.

**EBIT margin**

The EBIT margin for the three-month period increased by 0.3 percentage point compared to the same period last fiscal year. The EBIT margin before special items (see explanation of special items above) for the three-month period increased by 0.5 percentage point, mainly as a result of:

- stronger contribution from aftermarket activities as well as a favourable mix between services activities and aircraft deliveries;
- lower losses related to pre-owned aircraft activities; and
- slightly improved aircraft margins including favourable Canadian dollar exchange rate, after giving effect to hedges, partially offset by lower absorption of *C Series* costs due to lower overall revenues.

Partially offset by:

- higher other expenses related to a net negative variance of certain financial instruments carried at fair value and provisions for credit and residual value guarantees; and
- lower absorption of SG&A expenses.

# Product development

**Investment in product development**

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Program tooling[1] | **$ 67** | $ 95 |
| R&D expense[2] | **1** | 1 |
| | **$ 68** | $ 96 |
| As a percentage of revenues | **12.6%** | 15.6% |

The carrying amount of commercial aircraft program tooling[3] as at March 31, 2017 was $2.6 billion, at a similar level compared to the amount as at December 31, 2016.

(1) Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers upon delivery of the aircraft for acquired development costs carried out by them.

(2) Excluding amortization of aerospace program tooling of $8 million for the three-month period ended March 31, 2017 ($5 million for the three-month period ended March 31, 2016), as the related investments are already included in aerospace program tooling.

(3) Capitalized borrowing costs included in the commercial aircraft aerospace program tooling balance amounted to $299 million as at March 31, 2017 ($299 million as at December 31, 2016).

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

## Aircraft deliveries

| (in units) | Three-month periods ended March 31 **2017** | 2016 |
|---|---|---|
| **Commercial jets** | | |
| *CS300* | **1** | — |
| **Regional jets** | | |
| *CRJ900* | **7** | 12 |
| *CRJ1000* | **1** | 2 |
| **Turboprops** | | |
| *Q400* | **6** | 6 |
| | **15** | 20 |

## Net orders

| (in units) | Three-month periods ended March 31 **2017** | 2016 |
|---|---|---|
| **Regional jets** | | |
| *CRJ900* | **10** | 2 |
| **Turboprops** | | |
| *Q400* | **1** | — |
| | **11** | 2 |
| **Book-to-bill ratio**(1) | **0.7** | 0.1 |

## Commercial aircraft order backlog and options

| | As at | | | |
|---|---|---|---|---|
| | **March 31, 2017** | | December 31, 2016 | |
| (in units) | **Firm orders** | **Options** | Firm orders | Options |
| **Commercial jets** | | | | |
| *CS100* | **118** (2) | **99** | 118 (2) | 99 |
| *CS300* | **234** (2) | **133** | 235 (2) | 133 |
| **Regional jets** | | | | |
| *CRJ700* | **9** | **—** | 9 | — |
| *CRJ900* | **29** | **16** | 26 | 18 |
| *CRJ1000* | **16** | **—** | 17 | — |
| **Turboprops** | | | | |
| *Q400* | **26** | **6** | 31 | 12 |
| | **432** | **254** | 436 | 262 |

In February 2017, we signed a firm order with CityJet for six *CRJ900* aircraft with options for an additional four *CRJ900* aircraft. CityJet exercised these four options in March 2017. Based on list price, the firm order for the 10 aircraft is valued at $467 million.

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

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

(2) The total of 352 orders includes 137 firm orders with conversion rights to the other *C Series* aircraft model as at March 31, 2017 (total of 353 orders included 137 firm orders with conversion rights to the other *C Series* aircraft model as at December 31, 2016).

# AEROSTRUCTURES AND ENGINEERING SERVICES

## HIGHLIGHTS

**Results of the quarter**

| **Three-month periods ended March 31** | | **2017** | | 2016 | Variance |
|---|---|---|---|---|---|
| Revenues | **$** | **388** | $ | 468 | (17)% |
| External order intake | **$** | **103** | $ | 99 | 4 % |
| External book-to-bill ratio[1] | | **1.0** | | 0.9 | 0.1 |
| EBIT | **$** | **29** | $ | 15 | 93 % |
| EBIT margin | | **7.5%** | | 3.2% | 430 bps |
| EBIT before special items[2] | **$** | **29** | $ | 35 | (17)% |
| EBIT margin before special items[2] | | **7.5%** | | 7.5% | — |
| EBITDA before special items[2] | **$** | **45** | $ | 49 | (8)% |
| EBITDA margin before special items[2] | | **11.6%** | | 10.5% | 110 bps |
| Net additions to PP&E and intangible assets | **$** | **8** | $ | 4 | 100 % |
| **As at** | | **March 31, 2017** | | December 31, 2016 | |
| External order backlog | **$** | **38** | $ | 42 | (10)% |

[1] Ratio of new external orders over external 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

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

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

The current status of some market drivers are expected to have a positive impact over the short-term for the aerostructures industry. In the commercial aircraft market, passenger traffic levels and load factors continued to increase in 2017. Meanwhile, the business jet market continues to show signs of stabilization. Overall, we remain confident in the long-term potential for significant growth in the aircraft industry.

# ANALYSIS OF RESULTS

**Results of operations**

| | | Three-month periods ended March 31 | | |
|---|---|---|---|---|
| | | **2017** | | 2016 |
| Revenues | | | | |
| External revenues | **$** | **107** | $ | 115 |
| Intersegment revenues | | **281** | | 353 |
| | | **388** | | 468 |
| **EBITDA before special items**[1] | **$** | **45** | $ | 49 |
| Amortization | | **16** | | 14 |
| **EBIT before special items**[1] | | **29** | | 35 |
| Special items | | **—** | | 20 |
| **EBIT** | **$** | **29** | $ | 15 |
| EBIT margin before special items[1] | | **7.5%** | | 7.5% |
| EBIT margin | | **7.5%** | | 3.2% |

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

**Revenues**

The $80-million decrease for the three-month period is mainly due to lower intersegment revenues, mostly due to lower volume for regional and business aircraft.

**Special items**

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

The special item for the three-month period ended March 31, 2016 represented restructuring charges related to workforce optimizations announced in 2016.

**EBIT margin**

The EBIT margin for the three-month period increased by 4.3 percentage points compared to the same period last fiscal year. The EBIT margin before special items (see explanation of special items above) for the three-month period remained stable, mainly as a result of:

- higher margins in intersegment contracts as a result of improvements to the cost structure, including favourable Canadian dollars and pounds sterling exchange rates, after giving effect to hedges.

Partially offset by:

- lower margins on external contract; and
- lower absorption of SG&A expenses.

## Order backlog and book-to-bill ratio

**External order backlog**

| | | | | As at |
|---|---|---|---|---|
| | | **March 31, 2017** | | December 31, 2016 |
| | **$** | **38** | $ | 42 |

**External order intake and book-to-bill ratio**

| | | Three-month periods ended March 31 | | |
|---|---|---|---|---|
| | | **2017** | | 2016 |
| External order intake | **$** | **103** | $ | 99 |
| External book-to-bill ratio[1] | | **1.0** | | 0.9 |

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

# TRANSPORTATION

## HIGHLIGHTS

**Results of the quarter**

| **Three-month periods ended March 31** | | **2017** | | 2016 | Variance |
|---|---|---|---|---|---|
| Revenues | **$** | **1,923** | $ | 1,880 | 2 % |
| Order intake (in billions of dollars) | **$** | **2.2** | $ | 1.2 | 83 % |
| Book-to-bill ratio[1] | | **1.1** | | 0.7 | 0.4 |
| EBIT | **$** | **134** | $ | 23 | 483 % |
| EBIT margin | | **7.0%** | | 1.2% | 580 bps |
| EBIT before special items[2] | **$** | **153** | $ | 115 | 33 % |
| EBIT margin before special items[2] | | **8.0%** | | 6.1% | 190 bps |
| EBITDA before special items[2] | **$** | **177** | $ | 139 | 27 % |
| EBITDA margin before special items[2] | | **9.2%** | | 7.4% | 180 bps |
| Net additions to PP&E and intangible assets | **$** | **6** | $ | 23 | (74)% |
| **As at** | | **March 31, 2017** | | December 31, 2016 | |
| Order backlog (in billions of dollars) | **$** | **30.9** | $ | 30.1 | 3 % |

## Key highlights and events

- Revenue growth is gaining momentum as execution of key projects progresses, increasing 5% compared to the same period last fiscal year excluding the currency impact.
- EBIT margin before special items[2] increased by 190 bps compared to the same period last fiscal year, reaching 8.0%, including the positive impacts of transformation initiatives.
- During the first quarter of 2017, we won several significant orders in Europe, mainly in France, Germany and Switzerland, as well as in Malaysia, resulting in a book to bill ratio[1] of 1.1. The majority of our order intake in the first quarter of 2017 is based on current product platforms, supporting the re-use of existing technologies.

(1) Ratio of new orders over revenues.

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

# INDUSTRY AND ECONOMIC ENVIRONMENT

In the first quarter of 2017, the overall market volume has increased compared to the same period of 2016 due to strong order intake in Europe in the commuter and regional train segment, with a majority of orders being awarded in Germany and France. In 2017, the annual order volume for Transportation's relevant and accessible market[(1)] is expected to increase compared to 2016, in line with the Association of the European Rail Industry's (UNIFE's) forecast annual growth of 3.4% over the next five years.[(2)]

In Europe, the level of activity significantly increased in the first quarter of 2017 compared to the same period in 2016. The market was mainly driven by orders in the regional and commuter train, light rail vehicle (LRV) and locomotive segments. In the regional and commuter train and locomotive segments medium-sized orders were placed mostly in Western Europe, as well as a large order for commuter trains for Paris, France. In the remaining quarters of 2017, several medium-sized orders are expected to be tendered in multiple segments in France, Germany and the U.K., including two large orders in the commuter and regional train and metro segments in the U.K. In Eastern Europe, market activity was driven by several orders granted in the commuter and regional train and LRV segments in Poland. In the upcoming quarters several tenders are expected, such as the largest LRV tender ever issued in Eastern Europe for the city of Warsaw, Poland. Demand in Eastern Europe is anticipated to increase, especially in Poland, Czech Republic and Hungary, due to the 2014-2020 European financial framework defining the European Union investment plan.

The North American market has declined compared to the same quarter last year due to a large contract awarded in the metro segment in Chicago, U.S., in 2016. During the first quarter of 2017, two orders were awarded in the U.S. for new metro cars and maintenance on commuter trains. In the upcoming quarters, noteworthy opportunities are foreseen particularly in the metro segment across all of North America and in the commuter and regional train segment in Canada and the U.S. In the U.S., a major order is expected in the locomotive segment, as well as several medium-sized orders for LRVs. In signalling and services, small and medium projects are expected to be awarded throughout North America.

In Asia-Pacific, market volumes declined when compared to the same period last year mainly due to several medium-sized systems orders awarded during the first quarter of 2016 in Thailand, The Philippines and South Korea. The market volume during the first quarter of 2017 was primarily driven by projects awarded in the metro segment in Malaysia, China and Vietnam as well as in the very high-speed train segment in China. In Australia, several small contracts were signed in the services and signalling segments as well as one order for additional commuter trains. Over the next quarters, monorail orders are expected in China and Thailand, as well as orders for metros in India and China. In the commuter and regional train segment, contracts are expected to materialize in India and Taiwan. In the signalling and services segments, tenders are expected in Australia, The Philippines and Thailand.

In the Rest of world region, the market volume contracted compared to the same quarter last year due to fewer orders in the services and systems market segments. The main volume was secured in Russia in the metro and locomotive segments, as well as a contract in Egypt in the metro segment. In the upcoming quarters, significant investments are expected in Argentina and Israel in the commuter and regional train segment. A large system opportunity is anticipated in Panama for monorail. Other markets of the Rest of world also show growth potential due to a strong need for mobility solutions to support rapid urbanization, especially in South America.

(1) Transportation's relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

(2) Based on data from the UNIFE World Rail Market Study "Forecast 2016 to 2021" published in September 2016, based on 60 countries representing more than 95% of the world rail market.

# ANALYSIS OF RESULTS

## Results of operations

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Revenues | **$ 1,923** | $ 1,880 |
| **EBITDA before special items[1]** | **$ 177** | $ 139 |
| Amortization | **24** | 24 |
| **EBIT before special items[1]** | **153** | 115 |
| Special items | **19** | 92 |
| **EBIT** | **$ 134** | $ 23 |
| EBIT margin before special items[1] | **8.0%** | 6.1% |
| EBIT margin | **7.0%** | 1.2% |

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

### Revenues

Revenues for the three-month period ended March 31, 2017, have increased by $43 million, compared to the same period last fiscal year. Excluding a negative currency impact of $55 million, revenues have increased by $98 million, or 5%, for the three-month period, compared to the same period last fiscal year.

The $98-million increase excluding currency impact for the three-month period is mainly explained by:

- higher activities in rolling stock in North America and Europe, mainly due to ramp-up in production related to some intercity train contracts in Europe and some light rail vehicle and commuter and regional train contracts in North America, partly offset by some very high-speed train and metro contracts in Europe nearing completion ($134 million).

Partially offset by:

- lower activities in rolling stock in Asia-Pacific, following completion of some propulsion contracts as well as a very high-speed train contract ($32 million).

### Special items

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

The special item for the three-month period ended March 31, 2017 represent restructuring charges of $19 million related to workforce actions announced in 2016.

The special items for the three-month period ended March 31, 2016 represented:

- restructuring charges of $87 million related to workforce optimizations announced in 2016; and
- a foreign exchange loss of $5 million related to the reorganization of Transportation under one holding entity necessary to facilitate the placement of a minority stake in Transportation.

### EBIT margin

The EBIT margin for the three-month period increased by 5.8 percentage points, compared to the same period last year. The EBIT margin before special items (see explanation of special items above) for the three-month period increased by 1.9 percentage points, mainly as a result of:

- higher margin in rolling stock, mainly due to a favourable contract mix and a positive impact of transformation initiatives;
- higher share of income from joint ventures and associates, partly driven by higher volume; and
- higher absorption of lower SG&A expenses, including a positive impact from transformation initiatives.

Partially offset by:

- lower margin in systems.

# Orders and backlog

## Order backlog

| (in billions of dollars) | As at March 31, 2017 | As at December 31, 2016 |
|---|---|---|
| | **$ 30.9** | $ 30.1 |

The $0.8 billion increase in order backlog is due to higher order intake than revenues ($0.2 billion), and the strengthening of some foreign currencies, mainly the euro, Australian dollar, South African rand and pound sterling, versus the U.S. dollar as at March 31, 2017, compared to December 31, 2016 ($0.6 billion).

## Order intake and book-to-bill ratio

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Order intake (in billions of dollars) | **$ 2.2** | $ 1.2 |
| Book-to-bill ratio[1] | **1.1** | 0.7 |

The $1.0-billion increase in order intake in the first quarter of 2017 reflects several orders across various regions and product segments, and includes a negative currency impact of $76 million. We maintained a leading position[2] in our relevant and accessible rail market.[3]

The significant orders obtained during the three-month period ended March 31, 2017 were as follows:

| Customer | Country | Product or service | Number of cars | Market segment | Value |
|---|---|---|---|---|---|
| Société Nationale des Chemins de fer Français (SNCF) | France | Design and build of intermediate cars, design of air conditioning and passenger access systems | 299 | Rolling stock | $ 395 [4] |
| Zurich Public Transport (VBZ) | Switzerland | *FLEXITY* trams | 70 | Rolling stock | $ 296 |
| Prasarana Malaysia Berhad | Malaysia | *INNOVIA* metro 300 cars | 108 | Rolling stock | $ 266 [5] |
| Deutsche Bahn AG (DB) | Germany | *TRAXX* locomotives<br>*TWINDEXX* Vario double-deck intercity cars | 25<br>124 | Rolling stock | n/a [6] |

In March 2017, our Chinese joint venture, Bombardier Sifang (Qingdao) Transportation Ltd. (BST), of which we own 50% of the shares, has been awarded a contract with China Railway Corp. (CRC) to supply 144 CRH1A-A new generation high-speed train cars for China's evolving high speed rail network. The contract for 18 eight-car trainsets is valued at approximately $284 million. Our joint ventures' contracts are not included in our order backlog.

(1) Ratio of new orders over revenues.
(2) Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
(3) Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.
(4) Contract signed as part of a consortium with Alstom. The order is valued at $1.22 billion, and only our share is stated above.
(5) Contract signed together with local partner HARTASUMA SDN BHD. The order is valued at $388 million, and only our share is stated above.
(6) Contract value not disclosed.

# OTHER

## OFF-BALANCE SHEET ARRANGEMENTS

### *Factoring facilities*

In the normal course of its business, Transportation has set up factoring facilities, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €853 million ($916 million) were outstanding under such facilities as at March 31, 2017 (€820 million ($864 million) as at December 31, 2016). During the three-month period ended March 31, 2017, trade receivables of €248 million ($264 million) were sold to these facilities (€275 million ($303 million) during the three-month period ended March 31, 2016).

### *Other arrangements*

In the normal course of operations, we maintain other off-balance sheet arrangements including credit and residual value guarantees, financing commitments and financing structures related to the sale of commercial aircraft. There was no significant change in these arrangements during the three-month period ended March 31, 2017. Refer to the Off-balance sheet arrangements section in Other of our Financial Report for the year ended December 31, 2016 for a description of these arrangements, and to Note 20, Commitments and Contingencies, to the interim consolidated financial statements for further details.

## RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 2016 in Other, but are not necessarily the only risks and uncertainties that we face.

There was no significant change to these risks and uncertainties during the three-month period ended March 31, 2017, other than those described elsewhere in this MD&A. Also refer to Note 20, Commitments and contingencies, to our interim consolidated financial statements.

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

## ACCOUNTING AND REPORTING DEVELOPMENTS

## 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. Refer to Note 2, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

IFRS 9 will be effective for our fiscal year beginning on January 1, 2018. We are currently assessing the impact of the adoption of this standard on our consolidated financial statements. We do not expect significant hedge accounting differences in respect of our aerospace segments. We continue to analyze the application of hedge accounting under the new standard in respect of long-term contracts in our Transportation segment. Our preliminary analysis has not identified significant recognition or measurement differences in respect of classification and measurement.

### *Revenue Recognition*

In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* as well as other related interpretations. Refer to Note 2, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

The standard will be effective for our fiscal year beginning on January 1, 2018. We are continuing to assess the impact of the new standard on our consolidated financial statements.

The majority of long-term manufacturing and service contracts at Transportation currently accounted for under the percentage-of-completion method are expected to meet the requirements for revenue recognition over time. We anticipate our accounting for customer options will change, in particular with respect to when the options are considered in estimated revenues at completion. This change will result in the deferral of revenue and margin and a reduction of equity at transition. We are currently assessing whether the new standard will result in the deferral of revenue recognition in respect of certain variable consideration such as estimated price escalation and penalties.

Revenues from the sale of new aircraft will continue to be recognized when the aircraft have been delivered.

We are assessing whether there is a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. When the new revenue standard is adopted all loss provisions for contracts with customers will need to follow the same policy. We are assessing whether it would be appropriate to measure loss provisions on contracts with customers based on all costs that will be attributed to a contract, consistent with the approach currently used for long-term contracts. This change in accounting policy, if adopted, would increase the amount of onerous contract provisions and result in a reduction of equity at transition.

While these changes will impact the timing of revenue and margin recognition, and will result in a reduction of equity at transition, there will be no changes to the treatment of cash flows and cash will still be collected in line with contractual terms.

We will provide further updates during the course of 2017 as we advance in our assessment.

### *Leases*

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations. Refer to Note 2, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

IFRS 16 will be effective for our fiscal year beginning on January 1, 2019. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements. Where we are a lessee, we expect IFRS 16 will result in on-balance sheet recognition of most of our leases that are considered operating leases under IAS 17. This will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense.

# CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the three-month period ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

# FOREIGN EXCHANGE RATES

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

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

| | **March 31, 2017** | December 31, 2016 | Increase |
|---|---|---|---|
| Euro | **1.0737** | 1.0541 | 2% |
| Canadian dollar | **0.7498** | 0.7430 | 1% |
| Pound sterling | **1.2459** | 1.2312 | 1% |

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, 2017** | March 31, 2016 | Increase (Decrease) |
|---|---|---|---|
| Euro | **1.0645** | 1.1014 | (3%) |
| Canadian dollar | **0.7557** | 0.7264 | 4% |
| Pound sterling | **1.2376** | 1.4315 | (14%) |

# SELECTED FINANCIAL INFORMATION

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

| Fiscal years | **2017** | | | 2016 | | | 2015 |
|---|---|---|---|---|---|---|---|
| | **First** | Fourth | Third | Second | First | Fourth | Third | Second |
| Revenues | **$ 3,576** | $ 4,380 | $ 3,736 | $ 4,309 | $ 3,914 | $ 5,017 | $ 4,138 | $ 4,620 |
| Net income (loss) | **$ (31)** | $ (259) | $ (94) | $ (490) | $ (138) | $ (677) | $ (4,888) | $ 125 |
| EPS (in dollars) | | | | | | | | |
| Basic and diluted | **$ (0.02)** | $ (0.12) | $ (0.04) | $ (0.24) | $ (0.07) | $ (0.31) | $ (2.20) | $ 0.06 |
| Adjusted net income (loss)(1) | **$ 2** | $ (141) | $ (10) | $ (83) | $ (34) | $ 9 | $ 2 | $ 145 |
| Adjusted EPS (in dollars)(1) | **$ 0.00** | $ (0.07) | $ 0.00 | $ (0.06) | $ (0.03) | $ 0.00 | $ 0.00 | $ 0.06 |

(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 9, 2017**

| | Authorized | Issued and outstanding |
|---|---|---|
| Class A Shares (multiple voting)[(1)] | 3,592,000,000 | 313,900,550 |
| Class B Shares (subordinate voting)[(2)] | 3,592,000,000 | 1,879,142,745 [(3)] |
| Series 2 Cumulative Redeemable Preferred Shares | 12,000,000 | 9,692,521 |
| Series 3 Cumulative Redeemable Preferred Shares | 12,000,000 | 2,307,479 |
| Series 4 Cumulative Redeemable Preferred Shares | 9,400,000 | 9,400,000 |

(1) Ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share.
(2) Convertible at the option of the holder into one Class A Share under certain conditions.
(3) Net of 53,533,118 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

**Warrant, share option, PSU, DSU and RSU data as at March 31, 2017**

| | |
|---|---|
| Warrants issued and outstanding | 205,851,872 |
| Options issued and outstanding under the share option plans | 97,258,265 |
| PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans | 63,508,513 |
| Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations | 53,533,118 |

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

| | |
|---|---|
| Second Quarterly Report, for the period ending June 30, 2017 | July 28, 2017 |
| Third Quarterly Report, for the period ending September 30, 2017 | November 2, 2017 |
| Financial Report, for the fiscal year ending December 31, 2017 | February 15, 2018 |
| First Quarterly Report, for the period ending March 31, 2018 | April 26, 2018 |

## Information

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**May 10, 2017**

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

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



The printed version of this quarterly report uses Rolland Enviro100 paper, containing 100% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 11 mature trees, 493 kg of waste, 1,620 kg of $CO_2$ emissions (equivalent to 10,838 kilometres driven) and 40,227 litres of water.

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, 2017**
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)



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

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

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

| | Notes | Three-month periods ended March 31 **2017** | 2016 |
|---|---|---|---|
| Revenues | | **$ 3,576** | $ 3,914 |
| Cost of sales | 10 | **3,167** | 3,488 |
| **Gross margin** | | **409** | 426 |
| SG&A | | **260** | 264 |
| R&D | 4 | **44** | 60 |
| Share of income of joint ventures and associates | | **(32)** | (14) |
| Other expense (income) | 5 | **9** | (14) |
| Special items | 6 | **23** | 74 |
| **EBIT** | | **105** | 56 |
| Financing expense | 7 | **154** | 170 |
| Financing income | 7 | **(25)** | (10) |
| **EBT** | | **(24)** | (104) |
| Income taxes | | **7** | 34 |
| **Net loss** | | **$ (31)** | $ (138) |
| Attributable to | | | |
| Equity holders of Bombardier Inc. | | **$ (28)** | $ (161) |
| NCI | | **(3)** | 23 |
| | | **$ (31)** | $ (138) |
| **EPS (in dollars)** | 8 | | |
| Basic and diluted | | **$ (0.02)** | $ (0.07) |

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 | |
|---|---|---|
| | **2017** | 2016 |
| **Net loss** | **$ (31)** | $ (138) |
| **OCI** | | |
| **Items that may be reclassified to net income** | | |
| **Net change in cash flow hedges** | | |
| Foreign exchange re-evaluation | **(4)** | (6) |
| Net gain (loss) on derivative financial instruments | **(7)** | 130 |
| Reclassification to income or to the related non-financial asset | **60** | 109 |
| Income taxes | **(12)** | (56) |
| | **37** | 177 |
| **AFS financial assets** | | |
| Net unrealized gain | **2** | 4 |
| **CCTD** | | |
| Net investments in foreign operations | **33** | (75) |
| **Items that are never reclassified to net income** | | |
| **Retirement benefits** | | |
| Remeasurement of defined benefit plans | **(61)** | (609) |
| Income taxes | **(1)** | 6 |
| | **(62)** | (603) |
| **Total OCI** | **10** | (497) |
| **Total comprehensive loss** | **$ (21)** | $ (635) |
| Attributable to | | |
| Equity holders of Bombardier Inc. | **$ (41)** | $ (659) |
| NCI | **20** | 24 |
| | **$ (21)** | $ (635) |

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 2017** | December 31 2016 | January 1 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | | **$ 2,887** | $ 3,384 | $ 2,720 |
| Trade and other receivables | | **1,193** | 1,291 | 1,473 |
| Inventories | 10 | **6,471** | 5,844 | 6,978 |
| Other financial assets | 11 | **314** | 336 | 450 |
| Other assets | 12 | **471** | 441 | 484 |
| **Current assets** | | **11,336** | 11,296 | 12,105 |
| PP&E | | **1,960** | 1,949 | 2,061 |
| Aerospace program tooling | | **5,373** | 5,174 | 3,975 |
| Goodwill | | **1,887** | 1,855 | 1,978 |
| Deferred income taxes | | **704** | 705 | 761 |
| Investments in joint ventures and associates | | **368** | 332 | 356 |
| Other financial assets | 11 | **919** | 915 | 870 |
| Other assets | 12 | **565** | 600 | 797 |
| **Non-current assets** | | **11,776** | 11,530 | 10,798 |
| | | **$ 23,112** | $ 22,826 | $ 22,903 |
| **Liabilities** | | | | |
| Trade and other payables | | **$ 3,581** | $ 3,239 | $ 4,040 |
| Provisions | 13 | **737** | 822 | 1,108 |
| Advances and progress billings in excess of long-term contract inventories | | **1,376** | 1,539 | 1,408 |
| Advances on aerospace programs | | **1,560** | 1,550 | 2,002 |
| Other financial liabilities | 14 | **672** | 608 | 991 |
| Other liabilities | 15 | **2,152** | 2,175 | 2,274 |
| **Current liabilities** | | **10,078** | 9,933 | 11,823 |
| Provisions | 13 | **1,430** | 1,444 | 918 |
| Advances on aerospace programs | | **1,563** | 1,535 | 1,534 |
| Long-term debt | | **8,733** | 8,738 | 8,908 |
| Retirement benefits | | **2,738** | 2,647 | 2,159 |
| Other financial liabilities | 14 | **1,075** | 999 | 619 |
| Other liabilities | 15 | **1,050** | 1,019 | 996 |
| **Non-current liabilities** | | **16,589** | 16,382 | 15,134 |
| | | **26,667** | 26,315 | 26,957 |
| **Equity (deficit)** | | | | |
| Attributable to equity holders of Bombardier Inc. | | **(5,361)** | (5,243) | (4,067) |
| Attributable to NCI | | **1,806** | 1,754 | 13 |
| | | **(3,555)** | (3,489) | (4,054) |
| | | **$ 23,112** | $ 22,826 | $ 22,903 |
| Commitments and contingencies | 20 | | | |

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

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

| | Attributable to equity holders of Bombardier Inc. | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | | | Retained earnings (deficit) | | | Accumulated OCI | | | | | |
| | Preferred shares | Common shares | Warrants | Other retained earnings (deficit) | Remea-surement losses | Contributed surplus | AFS financial assets | Cash flow hedges | CCTD | Total | NCI | Total equity (deficit) |
| As at December 31, 2016 | $ 347 | $ 2,152 | $ 73 | $ (4,905) | $ (2,772) | $ 128 | $ 6 | $ (123) | $ (149) | $ (5,243) | $ 1,754 | $ (3,489) |
| Total comprehensive income | | | | | | | | | | | | |
| Net loss | — | — | — | (28) | — | — | — | — | — | (28) | (3) | (31) |
| OCI | — | — | — | — | (59) | — | 2 | 37 | 7 | (13) | 23 | 10 |
| | — | — | — | (28) | (59) | — | 2 | 37 | 7 | (41) | 20 | (21) |
| Dividends | — | — | — | (6) | — | — | — | — | — | (6) | — | (6) |
| Dividends to NCI | — | — | — | — | — | — | — | — | — | — | (48) | (48) |
| Share-based expense | — | — | — | — | — | 9 | — | — | — | 9 | — | 9 |
| Change in NCI | — | — | — | (80) | — | — | — | — | — | (80) | 80 | — |
| **As at March 31, 2017** | **$ 347** | **$ 2,152** | **$ 73** | **$ (5,019)** | **$ (2,831)** | **$ 137** | **$ 8** | **$ (86)** | **$ (142)** | **$ (5,361)** | **$ 1,806** | **$ (3,555)** |
| | | | | | | | | | | | | |
| As at January 1, 2016 | $ 347 | $ 2,195 | $ — | $ (4,219) | $ (2,080) | $ 106 | $ 7 | $ (375) | $ (48) | $ (4,067) | $ 13 | $ (4,054) |
| Total comprehensive income | | | | | | | | | | | | |
| Net income (loss) | — | — | — | (161) | — | — | — | — | — | (161) | 23 | (138) |
| OCI | — | — | — | — | (603) | — | 4 | 177 | (76) | (498) | 1 | (497) |
| | — | — | — | (161) | (603) | — | 4 | 177 | (76) | (659) | 24 | (635) |
| Issuance of warrants | — | — | 10 | — | — | — | — | — | — | 10 | — | 10 |
| Issuance of NCI[(1)] | — | — | — | — | — | — | — | — | — | — | 1,281 | 1,281 |
| Dividends | — | — | — | (5) | — | — | — | — | — | (5) | — | (5) |
| Dividends to NCI | — | — | — | — | — | — | — | — | — | — | (42) | (42) |
| Share-based expense | — | — | — | — | — | 3 | — | — | — | 3 | — | 3 |
| As at March 31, 2016 | $ 347 | $ 2,195 | $ 10 | $ (4,385) | $ (2,683) | $ 109 | $ 11 | $ (198) | $ (124) | $ (4,718) | $ 1,276 | $ (3,442) |

(1) Related to the convertible shares issued to the CDPQ, on February 11, 2016, in relation to the sale of a minority stake in Transportation.

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 | **2017** | 2016 |
| **Operating activities** | | | |
| Net loss | | **$ (31)** | $ (138) |
| Non-cash items | | | |
| Amortization | | **78** | 89 |
| Deferred income taxes | | **(3)** | (4) |
| Gains on disposals of PP&E | 5 | **(2)** | (7) |
| Share of income of joint ventures and associates | | **(32)** | (14) |
| Share-based expense | 16 | **9** | 3 |
| Dividends received from joint ventures and associates | | **2** | 46 |
| Net change in non-cash balances | 17 | **(338)** | (431) |
| **Cash flows from operating activities** | | **(317)** | (456) |
| **Investing activities** | | | |
| Additions to PP&E and intangible assets | | **(281)** | (308) |
| Proceeds from disposals of PP&E and intangible assets | | **5** | 14 |
| Other | | **28** | (3) |
| **Cash flows from investing activities** | | **(248)** | (297) |
| **Financing activities** | | | |
| Repayments of long-term debt | | **(9)** | (8) |
| Net change in short-term borrowings | 14 | **107** | — |
| Dividends paid[1] | | **(4)** | (4) |
| Issuance of NCI, net of transaction costs[2] | | **—** | 1,466 |
| Dividends to NCI | | **(48)** | (42) |
| Other | | **10** | (11) |
| **Cash flows from financing activities** | | **56** | 1,401 |
| Effect of exchange rates on cash and cash equivalents | | **12** | (9) |
| **Net increase (decrease) in cash and cash equivalents** | | **(497)** | 639 |
| **Cash and cash equivalents at beginning of period** | | **3,384** | 2,720 |
| **Cash and cash equivalents at end of period** | | **$ 2,887** | $ 3,359 |
| **Supplemental information[3][4]** | | | |
| Cash paid for | | | |
| Interest | | **$ 136** | $ 175 |
| Income taxes | | **$ 13** | $ 35 |
| Cash received for | | | |
| Interest | | **$ 6** | $ 5 |
| Income taxes | | **$ 2** | $ 2 |

(1) Related to preferred shares.
(2) Related to the convertible shares issued to the CDPQ in relation to the sale of a minority stake in Transportation, which are compound instruments.
(3) Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets, in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.
(4) Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities. Interest received comprises interest received related to cash and cash equivalents, investments in securities, loans and lease receivables after the effect of hedges and the interest portion related to the settlement of an interest-rate swap, if any.

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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the three-month period ended March 31, 2017**
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

## 1. BASIS OF PREPARATION

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

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. 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, 2016.

These interim consolidated financial statements for the three-month period ended March 31, 2017 were authorized for issuance by the Board of Directors on May 10, 2017.

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

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

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

| | | | **Exchange rates as at** |
|---|---|---|---|
| | **March 31, 2017** | December 31, 2016 | January 1, 2016 |
| Euro | **1.0737** | 1.0541 | 1.0887 |
| Canadian dollar | **0.7498** | 0.7430 | 0.7202 |
| Pound sterling | **1.2459** | 1.2312 | 1.4833 |

| | | **Average exchange rates for the three-month periods ended** |
|---|---|---|
| | **March 31, 2017** | March 31, 2016 |
| Euro | **1.0645** | 1.1014 |
| Canadian dollar | **0.7557** | 0.7264 |
| Pound sterling | **1.2376** | 1.4315 |

## 2. 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. The Corporation is currently assessing the impact of the adoption of this standard on its consolidated financial statements. The Corporation does not expect significant hedge accounting differences in respect of aerospace segments. The Corporation continues to analyze the application of hedge accounting under the new standard in respect of long-term contracts in the Transportation segment. The Corporation’s preliminary analysis has not identified significant recognition or measurement differences in respect of classification and measurement.

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

For the Corporation the standard comes into effect January 1, 2018, and as a result IFRS 15 will be adopted in the first quarter of 2018. At that time the Corporation will restate its 2017 results, with an opening adjustment to equity as at January 1, 2017.

The Corporation is continuing to assess the impact of the new standard on its consolidated financial statements.

The majority of long-term manufacturing and service contracts at Transportation currently accounted for under the percentage-of-completion method are expected to meet the requirements for revenue recognition over time. The Corporation anticipates its accounting for customer options will change, in particular with respect to when the options are considered in estimated revenues at completion. This change will result in the deferral of revenue and margin and a reduction of equity at transition. The Corporation is currently assessing whether the new standard will result in the deferral of revenue recognition in respect of certain variable consideration such as estimated price escalation and penalties.

Revenues from the sale of new aircraft will continue to be recognized when the aircraft have been delivered.

The Corporation is assessing whether there is a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. When the new revenue standard is adopted all loss provisions for contracts with customers will need to follow the same policy. The Corporation is assessing whether it would be appropriate to measure loss provisions on contracts with customers based on all costs that will be attributed to a contract, consistent with the approach currently used for long-term contracts. This change in accounting policy, if adopted, would increase the amount of onerous contract provisions and result in a reduction of equity at transition.

While these changes will impact the timing of revenue and margin recognition, and will result in a reduction of equity at transition, there will be no changes to the treatment of cash flows and cash will still be collected in line with contractual terms.

The Corporation will provide further updates during the course of fiscal year 2017 as it advances in its assessment.

**Leases**

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

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

## 3. SEGMENT DISCLOSURE

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

***Business Aircraft***

A global leader in the design, manufacture and aftermarket support for three families of business jets (*Learjet, Challenger* and *Global)*, spanning from the light to large categories.

***Commercial Aircraft***

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

***Aerostructures and Engineering Services***

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

***Transportation***

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

***Corporate and Elimination***

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

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2016.

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

| | | | | | | Three-month period ended March 31, 2017 |
|---|---|---|---|---|---|---|
| | **Transportation** | **Business Aircraft** | **Commercial Aircraft** | **Aerostructures and Engineering Services** | **Corporate and Elimination** | **Total** |
| **Results of operations** | | | | | | |
| External revenues | **$ 1,922** | **$ 1,007** | **$ 539** | **$ 107** | **$ 1** | **$ 3,576** |
| Intersegment revenues | **1** | **—** | **1** | **281** | **(283)** | **—** |
| Total revenues | **1,923** | **1,007** | **540** | **388** | **(282)** | **3,576** |
| **EBIT before special items** | **153** | **77** | **(55)** | **29** | **(76)** | **128** |
| Special items[1] | **19** | **3** | **1** | **—** | **—** | **23** |
| **EBIT** | **$ 134** | **$ 74** | **$ (56)** | **$ 29** | **$ (76)** | **105** |
| Financing expense | | | | | | **154** |
| Financing income | | | | | | **(25)** |
| **EBT** | | | | | | **(24)** |
| Income taxes | | | | | | **7** |
| **Net loss** | | | | | | **$ (31)** |
| **Other information** | | | | | | |
| R&D[2] | **$ 19** | **$ 11** | **$ 9** | **$ 1** | **$ 4** | **$ 44** |
| Net additions to PP&E and intangible assets[3] | **$ 6** | **$ 208** | **$ 75** | **$ 8** | **$ (21)** | **$ 276** |
| Amortization | **$ 24** | **$ 20** | **$ 18** | **$ 16** | **$ —** | **$ 78** |

| | | | | | | Three-month period ended March 31, 2016 |
|---|---|---|---|---|---|---|
| | Transportation | Business Aircraft | Commercial Aircraft | Aerostructures and Engineering Services | Corporate and Elimination | Total |
| **Results of operations** | | | | | | |
| External revenues | $ 1,879 | $ 1,303 | $ 616 | $ 115 | $ 1 | $ 3,914 |
| Intersegment revenues | 1 | — | — | 353 | (354) | — |
| Total revenues | 1,880 | 1,303 | 616 | 468 | (353) | 3,914 |
| **EBIT before special items** | 115 | 87 | (66) | 35 | (41) | 130 |
| Special items[1] | 92 | 5 | — | 20 | (43) | 74 |
| **EBIT** | $ 23 | $ 82 | $ (66) | $ 15 | $ 2 | 56 |
| Financing expense | | | | | | 170 |
| Financing income | | | | | | (10) |
| **EBT** | | | | | | (104) |
| Income taxes | | | | | | 34 |
| **Net loss** | | | | | | $ (138) |
| **Other information** | | | | | | |
| R&D[2] | $ 23 | $ 26 | $ 6 | $ 2 | $ 3 | $ 60 |
| Net additions to PP&E and intangible assets[3] | $ 23 | $ 153 | $ 113 | $ 4 | $ 1 | $ 294 |
| Amortization | $ 24 | $ 25 | $ 26 | $ 14 | $ — | $ 89 |

(1) See Note 6 – Special items for more details.
(2) Includes tooling amortization. See Note 4 – Research and development for more details.
(3) 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, 2017** | | December 31, 2016 | | January 1, 2016 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Total assets | **$** | **23,112** | $ | 22,826 | $ | 22,903 |
| Assets not allocated to segments | | | | | | |
| Cash and cash equivalents | | **2,887** | | 3,384 | | 2,720 |
| Income tax receivable[(1)] | | **85** | | 41 | | 56 |
| Deferred income taxes | | **704** | | 705 | | 761 |
| **Segmented assets** | | **19,436** | | 18,696 | | 19,366 |
| **Liabilities** | | | | | | |
| Total liabilities | | **26,667** | | 26,315 | | 26,957 |
| Liabilities not allocated to segments | | | | | | |
| Interest payable[(2)] | | **146** | | 141 | | 154 |
| Income taxes payable[(3)] | | **270** | | 222 | | 224 |
| Long-term debt[(4)] | | **8,761** | | 8,769 | | 8,979 |
| **Segmented liabilities** | **$** | **17,490** | $ | 17,183 | $ | 17,600 |
| **Net segmented assets** | | | | | | |
| Transportation | **$** | **158** | $ | (33) | $ | 354 |
| Business Aircraft | **$** | **1,625** | $ | 1,448 | $ | 395 |
| Commercial Aircraft | **$** | **466** | $ | 434 | $ | 467 |
| Aerostructures and Engineering Services | **$** | **172** | $ | 142 | $ | 434 |
| Corporate and Elimination | **$** | **(475)** | $ | (478) | $ | 116 |

(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.

## 4. RESEARCH AND DEVELOPMENT

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

| | | **Three-month periods ended March 31** | | |
|---|---|---|---|---|
| | | **2017** | | 2016 |
| R&D expenditures | **$** | **243** | $ | 287 |
| Less: development expenditures capitalized to aerospace program tooling | | **(216)** | | (258) |
| | | **27** | | 29 |
| Add: amortization of aerospace program tooling | | **17** | | 31 |
| | **$** | **44** | $ | 60 |

## 5. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Changes in estimates and fair value[(1)] | **$ 10** | $ (8) |
| Severance and other involuntary termination costs (including changes in estimates)[(2)] | **1** | 1 |
| Gains on disposals of PP&E | **(2)** | (7) |
| | **$ 9** | $ (14) |

(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.

## 6. SPECIAL ITEMS

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

Special items were as follows:

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| Restructuring charges[(1)] | **$ 23** | $ 112 |
| Foreign exchange gains related to the sale of a minority stake in Transportation[(2)] | **—** | (38) |
| Transaction costs[(3)] | **—** | 8 |
| Tax impacts of special items | **(1)** | (10) |
| | **$ 22** | $ 72 |
| **Of which is presented in** | | |
| Special items in EBIT | **$ 23** | $ 74 |
| Financing expense - transaction costs | **—** | 8 |
| Income taxes - effect of special items | **(1)** | (10) |
| | **$ 22** | $ 72 |

(1) Represents severance charges of $23 million related to restructuring actions announced in 2016 for the three-month period ended March 31, 2017. For the three-month period ended March 31, 2016, represents restructuring charges of $125 million and a curtailment gain of $13 million related to workforce optimizations announced in 2016.
(2) Represents foreign exchange gains related to the reorganization of Transportation under one holding entity necessary to facilitate the placement of a minority stake in Transportation.
(3) Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco.

## 7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| **Financing expense** | | |
| Accretion on net retirement benefit obligations | **$ 19** | $ 17 |
| Accretion on other financial liabilities | **13** | 14 |
| Changes in discount rates of provisions | **5** | 9 |
| Accretion on provisions | **5** | 3 |
| Amortization of letter of credit facility costs | **4** | 5 |
| Net loss on certain financial instruments[1] | **—** | 6 |
| Transaction costs[2] | **—** | 8 |
| Other | **13** | 14 |
| | **59** | 76 |
| Interest on long-term debt, after effect of hedges | **95** | 94 |
| | **$ 154** | $ 170 |
| **Financing income** | | |
| Net gain on certain financial instruments[1] | **$ (13)** | $ — |
| Other | **(2)** | (4) |
| | **(15)** | (4) |
| Income from investment in securities | **(5)** | — |
| Interest on cash and cash equivalents | **(3)** | (4) |
| Interest on loans and lease receivables, after effect of hedges | **(2)** | (2) |
| | **(10)** | (6) |
| | **$ (25)** | $ (10) |

[1] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[2] Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco.

Borrowing costs capitalized to PP&E and intangible assets totalled $38 million for the three-month period ended March 31, 2017, using an average capitalization rate of 5.95% ($26 million and 5.08% for the three-month period ended March 31, 2016). 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).

## 8. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

| | Three-month periods ended March 31 | |
|---|---|---|
| | **2017** | 2016 |
| (Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands) | | |
| Net loss attributable to equity holders of Bombardier Inc. | **$ (28)** | $ (161) |
| Preferred share dividends, including taxes | **(6)** | (5) |
| Net loss attributable to common equity holders of Bombardier Inc. | **$ (34)** | $ (166) |
| Weighted-average number of common shares outstanding | **2,194,840** | 2,221,787 |
| Net effect of stock options, PSUs, DSUs, RSUs, warrants and conversion option | **—** | — |
| Weighted-average diluted number of common shares | **2,194,840** | 2,221,787 |
| **EPS (in dollars)** | | |
| Basic and diluted | **$ (0.02)** | $ (0.07) |

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 353,224,055 for the three-month period ended March 31, 2017 (159,424,103 for the three-month period ended March 31, 2016) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation's Class B Shares (subordinate voting) or predetermined financial performance targets had not been met or the effect of the exercise would be antidilutive. The calculation of diluted EPS did not include the impact of the CDPQ conversion option since the minimum return entitlement was greater than CDPQ's shares of the BT Holdco net income on an as converted basis assuming Transportation does not achieve its performance targets. The Corporation's obligation to fund the CSALP through issuance of additional units is not dilutive since the subscription price approximates the fair value of the equity to be acquired.

## 9. 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, 2017** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | $ 2,887 | $ — | $ — | $ — | $ — | $ 2,887 | $ 2,887 |
| Trade and other receivables | — | — | — | 1,193 | — | 1,193 | 1,193 |
| Other financial assets | 138 | 225 | 348 | 312 | 210 | 1,233 | 1,257 |
| | $ 3,025 | $ 225 | $ 348 | $ 1,505 | $ 210 | $ 5,313 | $ 5,337 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | $ — | $ 6 | n/a | $ 3,575 | $ — | $ 3,581 | $ 3,581 |
| Long-term debt[2] | — | — | n/a | 8,761 | — | 8,761 | 8,856 |
| Other financial liabilities | 204 | 133 | n/a | 1,052 | 330 | 1,719 | 1,694 |
| | $ 204 | $ 139 | n/a | $ 13,388 | $ 330 | $ 14,061 | $ 14,131 |
| **December 31, 2016** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | $ 3,384 | $ — | $ — | $ — | $ — | $ 3,384 | $ 3,384 |
| Trade and other receivables | — | — | — | 1,291 | — | 1,291 | 1,291 |
| Other financial assets | 144 | 227 | 374 | 310 | 196 | 1,251 | 1,272 |
| | $ 3,528 | $ 227 | $ 374 | $ 1,601 | $ 196 | $ 5,926 | $ 5,947 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | $ — | $ 6 | n/a | $ 3,233 | $ — | $ 3,239 | $ 3,239 |
| Long-term debt[2] | — | — | n/a | 8,769 | — | 8,769 | 8,624 |
| Other financial liabilities | 259 | 141 | n/a | 808 | 368 | 1,576 | 1,616 |
| | $ 259 | $ 147 | n/a | $ 12,810 | $ 368 | $ 13,584 | $ 13,479 |
| **January 1, 2016** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | $ 2,720 | $ — | $ — | $ — | $ — | $ 2,720 | $ 2,720 |
| Trade and other receivables | — | — | — | 1,473 | — | 1,473 | 1,473 |
| Other financial assets | 13 | 230 | 348 | 380 | 349 | 1,320 | 1,326 |
| | $ 2,733 | $ 230 | $ 348 | $ 1,853 | $ 349 | $ 5,513 | $ 5,519 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | $ — | $ 1 | n/a | $ 4,039 | $ — | $ 4,040 | $ 4,040 |
| Long-term debt[2] | — | — | n/a | 8,979 | — | 8,979 | 6,767 |
| Other financial liabilities | 41 | 135 | n/a | 702 | 661 | 1,539 | 1,426 |
| | $ 41 | $ 136 | n/a | $ 13,720 | $ 661 | $ 14,558 | $ 12,233 |

(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

## 10. INVENTORIES

Inventories were as follows, as at:

| | March 31, 2017 | December 31, 2016 | January 1, 2016 |
|---|---|---|---|
| Aerospace programs | **$ 3,345** | $ 3,187 | $ 4,215 |
| Long-term contracts | | | |
| Production contracts | | | |
| Cost incurred and recorded margins | **7,475** | 6,995 | 7,064 |
| Less: advances and progress billings | **(5,710)** | (5,457) | (5,490) |
| | **1,765** | 1,538 | 1,574 |
| Service contracts | | | |
| Cost incurred and recorded margins | **447** | 221 | 223 |
| Less: advances and progress billings | **(69)** | (6) | (17) |
| | **378** | 215 | 206 |
| Finished products[(1)] | **983** | 904 | 983 |
| | **$ 6,471** | $ 5,844 | $ 6,978 |

(1) Finished products include 2 new aircraft not associated with a firm order and 14 pre-owned aircraft, totaling $104 million as at March 31, 2017 (1 new aircraft and 12 pre-owned aircraft, totaling $67 million as at December 31, 2016 and 4 new aircraft and 54 pre-owned aircraft, totaling $279 million as at January 1, 2016).

Finished products as at March 31, 2017 include $32 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($19 million as at December 31, 2016 and $81 million as at January 1, 2016). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $2,946 million for the three-month period ended March 31, 2017 ($3,323 million for the three-month period ended March 31, 2016). These amounts include $79 million of write-downs and $8 million of reversal of write-downs for the three-month period ended March 31, 2017 ($29 million and nil for the three-month period ended March 31, 2016).

In connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. Amounts received under these arrangements are included as advances and progress billings in reduction of long-term contracts (production contracts) inventories and amounted to €535 million ($575 million) as at March 31, 2017 (€471 million ($496 million) as at December 31, 2016 and (€334 million ($364 million) as at January 1, 2016). The third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations under the related long-term contract.

## 11. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

| | **March 31, 2017** | December 31, 2016 | January 1, 2016 |
|---|---|---|---|
| Investments in securities[1][2] | **$ 351** | $ 380 | $ 359 |
| Derivative financial instruments | **348** | 340 | 362 |
| Long-term contract receivables | **235** | 231 | 298 |
| Investments in financing structures[1] | **211** | 211 | 197 |
| Aircraft loans and lease receivables[1] | **62** | 64 | 81 |
| Restricted cash | **11** | 10 | 11 |
| Other | **15** | 15 | 12 |
| | **$ 1,233** | $ 1,251 | $ 1,320 |
| Of which current | **$ 314** | $ 336 | $ 450 |
| Of which non-current | **919** | 915 | 870 |
| | **$ 1,233** | $ 1,251 | $ 1,320 |

(1) Carried at fair value, except for $2 million of aircraft loans and lease receivables, $3 million of investments in securities and $46 million of investment in financing structures carried at amortized cost as at March 31, 2017 ($2 million, $6 million and $46 million, respectively, as at December 31, 2016 and $2 million, $11 million and $46 million, respectively, as at January 1, 2016).

(2) Includes $51 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, 2017 ($78 million as at December 31, 2016, and $80 million as at January 1, 2016).

## 12. OTHER ASSETS

Other assets were as follows, as at:

| | **March 31, 2017** | December 31, 2016 | January 1, 2016 |
|---|---|---|---|
| Prepaid sales concessions and deferred contract costs | **$ 296** | $ 300 | $ 341 |
| Sales tax and other taxes | **206** | 238 | 244 |
| Prepaid expenses | **149** | 145 | 174 |
| Retirement benefits | **119** | 124 | 251 |
| Intangible assets other than aerospace program tooling and goodwill | **107** | 112 | 114 |
| Income taxes receivable | **85** | 41 | 56 |
| Deferred financing charges | **41** | 51 | 72 |
| Other | **33** | 30 | 29 |
| | **$ 1,036** | $ 1,041 | $ 1,281 |
| Of which current | **$ 471** | $ 441 | $ 484 |
| Of which non-current | **565** | 600 | 797 |
| | **$ 1,036** | $ 1,041 | $ 1,281 |

## 13. 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, 2016** | **$** | **670** | **$** | **562** | **$** | **111** | **$** | **923** | **$** | **2,266** |
| Additions | | **53** | | **4** | | **24** [2] | | **28** | | **109** |
| Utilization | | **(44)** | | **—** | | **(42)** | | **(115)** | | **(201)** |
| Reversals | | **(14)** | | **(13)** | | **(2)** | | **(1)** | | **(30)** |
| Accretion expense | | **—** | | **2** | | **—** | | **3** | | **5** |
| Effect of changes in discount rates | | **—** | | **—** | | **—** | | **5** | | **5** |
| Effect of foreign currency exchange rate changes | | **9** | | **—** | | **3** | | **1** | | **13** |
| **Balance as at March 31, 2017** | **$** | **674** | **$** | **555** | **$** | **94** | **$** | **844** | **$** | **2,167** |
| Of which current | **$** | **522** | **$** | **62** | **$** | **89** | **$** | **64** | **$** | **737** |
| Of which non-current | | **152** | | **493** | | **5** | | **780** | | **1,430** |
| | **$** | **674** | **$** | **555** | **$** | **94** | **$** | **844** | **$** | **2,167** |

| | | Product warranties | | Credit and residual value guarantees | | Restructuring, severance and other termination benefits | | Other[1] | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance as at January 1, 2016 | $ | 725 | $ | 670 | $ | 66 | $ | 565 | $ | 2,026 |
| Additions | | 53 | | — | | 126 [2] | | 10 | | 189 |
| Utilization | | (51) | | (3) | | (15) | | (1) | | (70) |
| Reversals | | (10) | | (22) | | (2) | | (56) | | (90) |
| Accretion expense | | — | | 3 | | — | | — | | 3 |
| Effect of changes in discount rates | | 1 | | 8 | | — | | — | | 9 |
| Effect of foreign currency exchange rate changes | | 15 | | — | | 2 | | 1 | | 18 |
| Balance as at March 31, 2016 | $ | 733 | $ | 656 | $ | 177 | $ | 519 | $ | 2,085 |
| Of which current | $ | 573 | $ | 76 | $ | 176 | $ | 335 | $ | 1,160 |
| Of which non-current | | 160 | | 580 | | 1 | | 184 | | 925 |
| | $ | 733 | $ | 656 | $ | 177 | $ | 519 | $ | 2,085 |

(1) Mainly comprised of onerous contract provisions, claims and litigations.

(2) See Note 6 – Special items for more details on additions related to restructuring charges.

## 14. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

| | | March 31, 2017 | | December 31, 2016 | | January 1, 2016 |
|---|---|---|---|---|---|---|
| Derivative financial instruments | **$** | **534** | $ | 627 | $ | 702 |
| Government refundable advances | | **469** | | 395 | | 411 |
| Vendor non-recurring costs | | **358** | | 351 | | 20 |
| Lease subsidies | | **133** | | 141 | | 135 |
| Short-term borrowings[(1)] | | **107** | | — | | — |
| Sale and leaseback obligations | | **38** | | 25 | | 133 |
| Current portion of long-term debt | | **28** | | 31 | | 71 |
| Other | | **80** | | 37 | | 138 |
| | **$** | **1,747** | $ | 1,607 | $ | 1,610 |
| Of which current | **$** | **672** | $ | 608 | $ | 991 |
| Of which non-current | | **1,075** | | 999 | | 619 |
| | **$** | **1,747** | $ | 1,607 | $ | 1,610 |

(1) Relates to amounts drawn under Transportation's €640-million ($687-million) unsecured revolving credit facility. Also see Note 18 – Credit facilities.

## 15. OTHER LIABILITIES

Other liabilities were as follows, as at:

| | | March 31, 2017 | | December 31, 2016 | | January 1, 2016 |
|---|---|---|---|---|---|---|
| Employee benefits | **$** | **714** | $ | 652 | $ | 647 |
| Supplier contributions to aerospace programs | | **649** | | 650 | | 606 |
| Accruals for long-term contract costs | | **609** | | 579 | | 606 |
| Deferred revenues | | **446** | | 422 | | 397 |
| Income taxes payable | | **270** | | 222 | | 224 |
| Other taxes payable | | **69** | | 163 | | 212 |
| Other | | **445** | | 506 | | 578 |
| | **$** | **3,202** | $ | 3,194 | $ | 3,270 |
| Of which current | **$** | **2,152** | $ | 2,175 | $ | 2,274 |
| Of which non-current | | **1,050** | | 1,019 | | 996 |
| | **$** | **3,202** | $ | 3,194 | $ | 3,270 |

## 16. SHARE-BASED PLANS

**PSU, DSU and RSU plans**
The number of PSUs, DSUs and RSUs has varied as follows:

| | | | | | | Three-month periods ended March 31 |
|---|---|---|---|---|---|---|
| | | | **2017** | | | 2016 |
| | **PSU** | **DSU** | **RSU** | PSU | DSU | RSU |
| Balance at beginning of period | **39,324,712** | **2,677,843** | **22,058,924** | 15,627,217 | 4,883,829 | 22,332,682 |
| Granted | **637,022** | **—** | **—** | — | — | 588,466 |
| Exercised | **—** | **—** | **—** | — | (87,003) | — |
| Forfeited | **(840,383)** | **—** | **(349,605)** | (327,966) | (142,207) | (429,125) |
| Balance at end of period | **39,121,351** | **2,677,843** [(1)] | **21,709,319** | 15,299,251 | 4,654,619 [(1)] | 22,492,023 |

[(1)] Of which 1,260,639 DSUs are vested as at March 31, 2017 (1,524,697 as at March 31, 2016).

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to $6 million during the three-month period ended March 31, 2017 ($2 million during the three-month period ended March 31, 2016).

**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 |
|---|---|---|
| | **2017** | 2016 |
| Balance at beginning of period | **97,039,186** | 74,347,206 |
| Granted | **1,356,607** | 1,067,207 |
| Forfeited | **(1,006,798)** | (612,487) |
| Expired | **(130,730)** | — |
| Balance at end of period | **97,258,265** | 74,801,926 |

A compensation expense of $3 million was recorded during the three-month period ended March 31, 2017, with respect to share option plans ($1 million for the three-month period ended March 31, 2016).

## 17. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

| | | Three-month periods ended March 31 |
|---|---|---|
| | **2017** | 2016 |
| Trade and other receivables | **$ 118** | $ 220 |
| Inventories | **(582)** | (119) |
| Other financial assets and liabilities, net | **56** | (11) |
| Other assets | **5** | 61 |
| Trade and other payables | **309** | (283) |
| Provisions | **(111)** | 41 |
| Advances and progress billings in excess of long-term contract inventories | **(190)** | 27 |
| Advances on aerospace programs | **38** | (149) |
| Retirement benefit liability | **13** | (93) |
| Other liabilities | **6** | (125) |
| | **$ (338)** | $ (431) |

## 18. CREDIT FACILITIES

In March 2017, the availability periods of Transportation's €3,310-million ($3,554-million) letter of credit facility and the $400-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2020 and June 2020, respectively. In addition, the maturity dates of Transportation's €658-million ($706-million) unsecured revolving credit facility and the $400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, were also extended by one year to May 2020 and June 2020, respectively.

Also, in March 2017, Transportation's €658-million ($706-million) unsecured revolving credit facility was decreased to €640 million ($687 million). Short-term borrowings of €100 million ($107 million) remain outstanding under Transportation's €640-million ($687-million) unsecured revolving credit facility as at March 31, 2017 (nil as at December 31, 2016 and January 1, 2016).

Effective in March 2017, the minimum liquidity required by the $400-million letter of credit facility and the $400-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now between $750 million and $850 million depending on the level of the EBITDA to fixed charges ratio, calculated based on an adjusted consolidated basis (i.e. excluding Transportation) at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the Transportation letter of credit and revolving credit facilities financial covenants continue to require a minimum equity, a maximum debt to EBITDA ratio as well as minimum liquidity of €600 million ($644 million) at the end of each quarter, all calculated based on Transportation stand-alone financial data.

In May 2017, the committed amount under Transportation's €3,310-million ($3,554-million) letter of credit facility was increased to €3,530 million ($3,790 million).

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

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

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

***Financial instruments whose carrying value approximates fair value*** – The fair values of trade and other receivables, certain aircraft loans and lease receivables, certain investments in securities, certain investments in financing structures, restricted cash, trade and other payables, short-term borrowings 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, 2017:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Aircraft loans and lease receivables | **$ 60** | **$ —** | **$ —** | **$ 60** |
| Derivative financial instruments[1] | **348** | **—** | **348** | **—** |
| Investments in securities | **335** [2] | **13** | **322** | **—** |
| Investments in financing structures | **165** | **—** | **—** | **165** |
| | **$ 908** | **$ 13** | **$ 670** | **$ 225** |
| **Financial liabilities** | | | | |
| Trade and other payables | **$ (6)** | **$ —** | **$ —** | **$ (6)** |
| Lease subsidies | **(133)** | **—** | **—** | **(133)** |
| Derivative financial instruments[1] | **(534)** | **—** | **(359)** | **(175)** |
| | **$ (673)** | **$ —** | **$ (359)** | **$ (314)** |

[1] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.
[2] Excludes $13 million of AFS investments carried at cost.

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

| | **Aircraft loans and lease receivables** | **Investments in financing structures** | **Trade and other payables** | **Lease subsidies** | **Conversion option** |
|---|---|---|---|---|---|
| Balance as at December 31, 2016 | **$ 62** | **$ 165** | **$ (6)** | **$ (141)** | **$ (170)** |
| Net gains (losses) and interest included in net income[1] | **2** | **1** | **—** | **(1)** | **(2)** |
| Settlements | **(4)** | **(1)** | **—** | **9** | **—** |
| Effect of foreign currency exchange rate changes | **—** | **—** | **—** | **—** | **(3)** |
| **Balance as at March 31, 2017** | **$ 60** | **$ 165** | **$ (6)** | **$ (133)** | **$ (175)** |

| | Aircraft loans and lease receivables | Investments in financing structures | Trade and other payables | Lease subsidies | Conversion option |
|---|---|---|---|---|---|
| Balance as at January 1, 2016 | $ 79 | $ 151 | $ (1) | $ (135) | $ — |
| Net gains (losses) and interest included in net income[1] | 5 | 10 | — | (12) | (2) |
| Issuances | — | — | (6) | — | (120) |
| Settlements | (5) | — | 1 | 8 | — |
| Balance as at March 31, 2016 | $ 79 | $ 161 | $ (6) | $ (139) | $ (122) |

[1] Of which $1 million represents realized gains for the three-month periods ended March 31, 2017 and 2016, which are recorded in financing income.

**Main assumptions developed internally for Level 3 hierarchy**

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

These main assumptions are as follows as at March 31, 2017:

| Main assumptions (weighted average) | Aircraft loans and lease receivables | Investments in financing structures | Lease subsidies |
|---|---|---|---|
| Internally assigned credit rating | Between BB to CCC (B) | Between BB- to CCC+ (B+) | Between BB- to CCC (B+) |
| Discount rate adjustments for marketability | Between 7.5% and 9.84% (9.37%) | Between 1.75% and 8.17% (6.44%) | n/a |

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

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

**Sensitivity to selected changes of assumptions for Level 3 hierarchy**

These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows as at March 31, 2017:

| Impact on EBT | | Change of assumptions | | |
|---|---|---|---|---|
| Gain (loss) | Change in fair value recognized in EBT for the three-month period ended March 31, 2017 | Decrease in aircraft residual value curves by 5% | Downgrade the internally assigned credit rating of unrated customers by 1 notch | Increase the marketability adjustments by 100 bps |
| Aircraft loans and lease receivables | $ 1 | $ (2) | $ (1) | $ (3) |
| Investment in financing structures | $ (3) | $ (4) | $ (11) | $ (8) |
| Lease subsidies | $ — | n/a | $ 1 | n/a |

n/a: not applicable

**Conversion option**

*Sensitivity analysis*

A 5% decrease in the expected future performance of the Transportation segment would have resulted in a decrease in the fair value with a corresponding gain recognized in EBT for the three-month period ended March 31, 2017 of $18 million.

A 5% increase in the expected future performance of the Transportation segment would have resulted in an increase in the fair value with a corresponding loss recognized in EBT for the three-month period ended March 31, 2017 of $25 million.

## 20. COMMITMENTS AND CONTINGENCIES

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

| | March 31, 2017 | December 31, 2016 | January 1, 2016 |
|---|---|---|---|
| **Aircraft sales** | | | |
| Residual value | **$ 1,302** | $ 1,300 | $ 1,669 |
| Credit | **1,232** | 1,233 | 1,248 |
| Mutually exclusive exposure[1] | **(555)** | (562) | (598) |
| Total credit and residual value exposure | **$ 1,979** | $ 1,971 | $ 2,319 |
| Trade-in commitments | **$ 1,514** | $ 1,721 | $ 1,818 |
| Conditional repurchase obligations | **$ 207** | $ 207 | $ 192 |
| **Other** | | | |
| Credit | **$ 48** | $ 48 | $ 48 |

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

Provisions for anticipated losses amounting to $555 million as at March 31, 2017 ($562 million as at December 31, 2016 and $670 million as at January 1, 2016) 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 $133 million as at March 31, 2017 ($141 million as at December 31, 2016 and $135 million as at January 1, 2016).

The Corporation has committed to invest additional capital contributions in CSALP up to a maximum amount of $1.0 billion in case of any liquidity shortfall in CSALP, of which as at March 31, 2017, the Corporation has contributed $337 million in CSALP.

**Litigation**

In the normal course of operations, the Corporation is a defendant in certain legal proceedings currently pending before various courts in relation to product liability and contract disputes with customers and other third parties. The Corporation intends to vigorously defend its position in these matters.

While the Corporation cannot predict the final outcome of all legal proceedings pending as at March 31, 2017, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Transportation

Since the fourth quarter of 2016, one of the Corporation's subsidiaries is cooperating with police authorities in relation to an on-going investigation alleging questionable actions in regard to a 2013 contract for the supply of signaling equipment to Azerbaijan Railways ADY. The Corporation's subsidiary has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. To date, no charges have been laid against the subsidiary, or any of its employees, and the investigation and the internal review are still ongoing. The underlying contract in Transportation that has given rise to this matter is currently also being audited by the World Bank Group pursuant to its contractual audit rights. The audit is still ongoing and no results have been communicated to the Corporation or its subsidiary. The Corporation's policy is to comply with all applicable laws and it is fully cooperating with the investigation and the audit. Due to the nature of these proceedings, it is not possible at this time to identify the potential outcome of this investigation.

Investigation in Brazil

On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a wholly owned subsidiary of the Corporation, received notice that it was among the 18 companies and over 100 individuals named in administrative proceedings initiated by governmental authorities in Brazil, including the Administrative Council for Economic Protection ("CADE"), and the Sao Paulo Public Prosecutor's office, following previously disclosed investigations carried on by such governmental authorities with respect to allegations of cartel activity in the public procurement of railway equipment and the construction and maintenance of railway lines in Sao Paulo and other areas. Since the service of process in 2014 on BT Brazil, the competition authority has decided to detach the proceedings against 43 individuals whom it claims to have been difficult to serve process and has also issued additional technical notes dealing with various procedural objections raised by the defendant corporations and individuals. BT Brazil is currently contesting before the courts both the decision to detach the proceedings against 43 individuals and decisions by CADE restricting physical access to some of the forensic evidence.

BT Brazil as a result of the administrative proceedings initiated by CADE in 2014 became a party as defendant to legal proceedings brought by the Sao Paulo State prosecution service against it and other companies for alleged 'administrative improbity' in relation to refurbishment contracts awarded in 2009 by the Sao Paulo metro operator CMSP and for 'cartel' in relation to a five year-maintenance contract with the Sao Paulo urban transit operator CPTM signed in 2002. In September 2015, the prosecution service of Sao Paulo announced a second public civil action for 'cartel' in relation to the follow-on five year maintenance contract covering the period 2007 to 2012. In addition, BT Brazil was served notice and joined in December 2014 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.

Triumph litigation

Triumph Aerostructures LLC ("Triumph"), a supplier to the Corporation on the *Global 7000* and *Global 8000* aircraft program, filed a lawsuit against the Corporation with the Québec Superior Court, District of Montréal on December 22, 2016 seeking approximately $340 million in compensation for alleged directed changes by the Corporation to the wing requirements that Triumph claims are outside the scope of the contract as well as for alleged delays and disruption in connection with the contract. The Corporation intends to vigorously defend itself against the claims asserted in the litigation, and, at the appropriate time, file its claims against Triumph to recover the costs incurred by the Corporation for the two year adjournment of the EIS of the *Global 7000* aircraft announced in July 2015 and for other program disruptions attributable to Triumph. Despite the litigation, Triumph remains bound under the contract to support the *Global 7000* and *8000* aircraft program.

Metrolinx

In July 2016, Bombardier Transportation Canada Inc. (BTCI) received a notice of default in respect of its contract to supply 182 Light vehicles to Metrolinx. The contract was entered into on June 14, 2010. The value of the contract is $770 million CDN ($577 million). The Corporation is actively opposing the notice of default utilizing the Dispute Resolution Process under the contract. On October 28, 2016, Metrolinx served BTCI with a Notice of Intention to Terminate the Contract on the basis of the notice of default. In order to prevent Metrolinx from serving a notice of termination until such time as the dispute resolution process is concluded including all adjudication by the Dispute Resolution Panel and any subsequent appeals, BTCI filed an application in Ontario Superior Court on February 10, 2017 seeking an order maintaining the status quo and declaring that Metrolinx is not permitted to terminate the contract. On April 19, 2017, the Superior Court of Ontario granted BTCI's application thereby preventing Metrolinx to terminate its contract with BTCI without first submitting the matter to the Dispute Resolution Board, as provided for in the contract. BTCI intends to fulfill its obligations under the contract.

Petition before the U.S. Department of Commerce and the U.S. International Trade Commission

On April 27, 2017, The Boeing Company filed a petition before the U.S. Department of Commerce and the U.S. International Trade Commission seeking the imposition of antidumping and countervailing duties on imports from Canada to the U.S. of large civil aircraft with 100 to 150 seats. The petition was filed pursuant to sections 701 and 731 of the Tariff Act of 1930, 19 U.S.C. § 1671 and 1673. The Boeing petition alleged that the Corporation's *C Series* aircraft program has received government subsidies, that the Corporation is "dumping" the *C Series* aircraft into the U.S. market, and that such sales represent a threat to the domestic aerospace industry in the U.S. The Corporation disagrees with the assertions in the petition and will respond to the petition in the U.S. Department of Commerce and the U.S. International Trade Commission proceedings. At this time, the Corporation is not able to predict the potential outcome of the proceedings.