

# **BOMBARDIER INC.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**For the three- and nine-month periods ended September 30, 2018**

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2018

(Unaudited)

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

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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	IFRIC	International Financial Reporting Interpretation Committee
CSALP	C Series Aircraft Limited Partnership	IFRS	International Financial Reporting Standard(s)
DDHR	Derivative designated in a hedge relationship	L&R	Loans and receivables
DSU	Deferred share unit	NCI	Non-controlling interests
EBIT	Earnings (loss) before financing expense, financing income and income taxes	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
EBT	Earnings (loss) before income taxes	PSU	Performance share unit
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	R&D	Research and development
FVOCI	Fair value through other comprehensive income (loss)	RSU	Restricted share unit
		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 September 30		Nine-month periods ended September 30	
		2018	2017 <i>restated</i> <sup>(1)</sup>	2018	2017 <i>restated</i> <sup>(1)</sup>
Revenues		\$ 3,643	\$ 3,839	\$ 11,933	\$ 11,588
Cost of sales	13	3,073	3,355	10,321	10,148
<b>Gross margin</b>		<b>570</b>	484	<b>1,612</b>	1,440
SG&A		269	300	864	863
R&D	5	50	53	145	159
Share of income of joint ventures and associates	24	(9)	(52)	(59)	(139)
Other income	6	(11)	—	(81)	(29)
Special items	7	4	50	84	360
<b>EBIT</b>		<b>267</b>	133	<b>659</b>	226
Financing expense	8	147	181	465	522
Financing income	8	(25)	(14)	(87)	(35)
<b>EBT</b>		<b>145</b>	(34)	<b>281</b>	(261)
Income taxes		(4)	66	18	76
<b>Net income (loss)</b>		<b>\$ 149</b>	\$ (100)	<b>\$ 263</b>	\$ (337)
Attributable to					
Equity holders of Bombardier Inc.		\$ 111	\$ (83)	\$ 217	\$ (304)
NCI		38	(17)	46	(33)
		\$ 149	\$ (100)	\$ 263	\$ (337)
<b>EPS (in dollars)</b>	9				
Basic		\$ 0.04	\$ (0.04)	\$ 0.09	\$ (0.15)
Diluted		\$ 0.04	\$ (0.04)	\$ 0.08	\$ (0.15)

<sup>(1)</sup> Refer to Note 2 for the impact of changes in accounting policies.

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

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 <i>restated</i> <sup>(1)</sup>	2018	2017 <i>restated</i> <sup>(1)</sup>
<b>Net income (loss)</b>	<b>\$ 149</b>	<b>\$ (100)</b>	<b>\$ 263</b>	<b>\$ (337)</b>
<b>OCI</b>				
<b>Items that may be reclassified to net income</b>				
<b>Net change in cash flow hedges</b>				
Net gain (loss) on derivative financial instruments	(4)	123	(181)	217
Reclassification to income or to the related non-financial asset	31	(5)	(18)	85
Income taxes	(4)	(9)	41	(38)
Foreign exchange re-evaluation	(2)	3	(3)	(2)
	<b>21</b>	<b>112</b>	<b>(161)</b>	<b>262</b>
<b>FVOCI financial assets</b>				
Net unrealized loss	(1)	(5)	(6)	(4)
<b>CCTD</b>				
Net investments in foreign operations	(27)	(76)	1	(147)
<b>Items that are never reclassified to net income</b>				
<b>Retirement benefits</b>				
Remeasurement of defined benefit plans	127	264	621	185
Income taxes	4	(1)	(38)	(25)
	<b>131</b>	<b>263</b>	<b>583</b>	<b>160</b>
<b>Total OCI</b>	<b>124</b>	<b>294</b>	<b>417</b>	<b>271</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 273</b>	<b>\$ 194</b>	<b>\$ 680</b>	<b>\$ (66)</b>
Attributable to				
Equity holders of Bombardier Inc.	\$ 217	\$ 153	\$ 682	\$ (187)
NCI	56	41	(2)	121
	<b>\$ 273</b>	<b>\$ 194</b>	<b>\$ 680</b>	<b>\$ (66)</b>

<sup>(1)</sup> Refer to Note 2 for the impact of changes in accounting policies.

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

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

	Notes	September 30 2018	December 31 2017 <i>restated</i> <sup>(1)</sup>	January 1 2017 <i>restated</i> <sup>(1)</sup>
<b>Assets</b>				
Cash and cash equivalents	11	\$ 2,318	\$ 2,988	\$ 3,384
Trade and other receivables		1,582	1,174	1,220
Contract assets	12	2,743	2,460	1,631
Inventories	13	4,410	3,429	4,286
Other financial assets	14	157	415	336
Other assets	15	375	427	427
Assets held for sale	19	—	4,150	—
<b>Current assets</b>		<b>11,585</b>	<b>15,043</b>	<b>11,284</b>
PP&E		1,568	1,696	1,949
Aerospace program tooling		4,202	3,581	5,174
Goodwill		1,985	2,042	1,855
Deferred income taxes		658	595	698
Investments in joint ventures and associates	19, 24	2,239	491	332
Other financial assets	14	1,289	825	915
Other assets	15	743	643	588
<b>Non-current assets</b>		<b>12,684</b>	<b>9,873</b>	<b>11,511</b>
		\$ 24,269	\$ 24,916	\$ 22,795
<b>Liabilities</b>				
Trade and other payables		\$ 4,439	\$ 3,964	\$ 3,045
Provisions	16	1,317	1,630	1,542
Contract liabilities	12	3,897	3,820	3,840
Other financial liabilities	17	474	342	608
Other liabilities	18	1,365	1,723	1,634
Liabilities directly associated with assets held for sale	19	—	2,686	—
<b>Current liabilities</b>		<b>11,492</b>	<b>14,165</b>	<b>10,669</b>
Provisions	16	1,269	781	1,561
Contract liabilities	12	1,929	1,272	1,673
Long-term debt		9,125	9,200	8,738
Retirement benefits		2,157	2,633	2,647
Other financial liabilities	17	1,470	965	999
Other liabilities	18	581	595	891
<b>Non-current liabilities</b>		<b>16,531</b>	<b>15,446</b>	<b>16,509</b>
		<b>28,023</b>	<b>29,611</b>	<b>27,178</b>
<b>Equity (deficit)</b>				
Attributable to equity holders of Bombardier Inc.		(5,319)	(6,608)	(6,054)
Attributable to NCI		1,565	1,913	1,671
		(3,754)	(4,695)	(4,383)
		\$ 24,269	\$ 24,916	\$ 22,795
Commitments and contingencies	26			

<sup>(1)</sup> Refer to Note 2 for the impact of changes in accounting policies.

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

**BOMBARDIER INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)  
For the three-month periods ended  
(in millions of U.S. dollars)

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)		Accumulated OCI						Total equity (deficit)
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remeasurement losses	Contributed surplus	FVOCI financial assets	Cash flow hedges	CCTD	Total	NCI	
As at June 30, 2018	\$ 347	\$ 2,633	\$ 73	\$ (6,438)	\$ (2,125)	\$ 217	\$ (1)	\$ (48)	\$ (406)	\$ (5,748)	\$ 1,919	\$ (3,829)
Total comprehensive income												
Net income	—	—	—	111	—	—	—	—	—	111	38	149
OCI	—	—	—	—	131	—	(1)	21	(45)	106	18	124
	—	—	—	111	131	—	(1)	21	(45)	217	56	273
Issuance of warrants <sup>(1)</sup>	—	—	270	—	—	—	—	—	—	270	—	270
Options exercised	—	37	—	—	—	(11)	—	—	—	26	—	26
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(19)	(19)
Shares purchased - PSU plan	—	(97)	—	—	—	—	—	—	—	(97)	—	(97)
Shares distributed - RSU plan	—	49	—	—	—	(49)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	20	—	—	—	20	—	20
Change in NCI <sup>(2)</sup>	—	—	—	—	—	—	—	—	—	—	(391)	(391)
<b>As at September 30, 2018</b>	<b>\$ 347</b>	<b>\$ 2,622</b>	<b>\$ 343</b>	<b>\$ (6,334)</b>	<b>\$ (1,994)</b>	<b>\$ 177</b>	<b>\$ (2)</b>	<b>\$ (27)</b>	<b>\$ (451)</b>	<b>\$ (5,319)</b>	<b>\$ 1,565</b>	<b>\$ (3,754)</b>
As at June 30, 2017 <sup>(3)</sup>	\$ 347	\$ 2,152	\$ 73	\$ (6,089)	\$ (2,863)	\$ 146	\$ 7	\$ 25	\$ (326)	\$ (6,528)	\$ 1,843	\$ (4,685)
Total comprehensive income												
Net loss	—	—	—	(83)	—	—	—	—	—	(83)	(17)	(100)
OCI	—	—	—	—	257	—	(5)	106	(122)	236	58	294
	—	—	—	(83)	257	—	(5)	106	(122)	153	41	194
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(5)	(5)
Share-based expense	—	—	—	—	—	14	—	—	—	14	—	14
Change in NCI	—	—	—	(38)	—	—	—	—	—	(38)	38	—
<b>As at September 30, 2017<sup>(3)</sup></b>	<b>\$ 347</b>	<b>\$ 2,152</b>	<b>\$ 73</b>	<b>\$ (6,217)</b>	<b>\$ (2,606)</b>	<b>\$ 160</b>	<b>\$ 2</b>	<b>\$ 131</b>	<b>\$ (448)</b>	<b>\$ (6,406)</b>	<b>\$ 1,917</b>	<b>\$ (4,489)</b>

<sup>(1)</sup> Related to the convertible shares issued to Airbus on July 1, 2018 in relation to the sale of a majority stake in CSALP. See Note 19 – Disposal of business for more details.

<sup>(2)</sup> Represents the derecognition of the non-controlling interest related to the disposal of CSALP. See Note 19 – Disposal of business for more details.

<sup>(3)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

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

**BOMBARDIER INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)  
For the nine-month periods ended  
(in millions of U.S. dollars)

	Attributable to equity holders of Bombardier Inc.												
	Share capital			Retained earnings (deficit)		Accumulated OCI							Total equity (deficit)
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remeasurement losses	Contributed surplus	FVOCI financial assets	Cash flow hedges	CCTD	Total	NCI		
As at December 31, 2017 <sup>(1)</sup>	\$ 347	\$ 2,154	\$ 73	\$ (6,414)	\$ (2,577)	\$ 171	\$ 4	\$ 127	\$ (493)	\$ (6,608)	\$ 1,913	\$ (4,695)	
Total comprehensive income													
Net income	—	—	—	217	—	—	—	—	—	217	46	263	
OCI	—	—	—	—	583	—	(6)	(154)	42	465	(48)	417	
	—	—	—	217	583	—	(6)	(154)	42	682	(2)	680	
Issuance of warrants <sup>(2)</sup>	—	—	270	—	—	—	—	—	—	270	—	270	
Issuance of share capital <sup>(3)</sup>	—	475	—	—	—	—	—	—	—	475	—	475	
Options exercised	—	41	—	—	—	(12)	—	—	—	29	—	29	
Dividends	—	—	—	(21)	—	—	—	—	—	(21)	—	(21)	
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(71)	(71)	
Shares purchased - PSU plan	—	(97)	—	—	—	—	—	—	—	(97)	—	(97)	
Shares distributed - RSU plan	—	49	—	—	—	(49)	—	—	—	—	—	—	
Share-based expense	—	—	—	—	—	67	—	—	—	67	—	67	
Change in NCI <sup>(4)</sup>	—	—	—	(116)	—	—	—	—	—	(116)	(275)	(391)	
<b>As at September 30, 2018</b>	<b>\$ 347</b>	<b>\$ 2,622</b>	<b>\$ 343</b>	<b>\$ (6,334)</b>	<b>\$ (1,994)</b>	<b>\$ 177</b>	<b>\$ (2)</b>	<b>\$ (27)</b>	<b>\$ (451)</b>	<b>\$ (5,319)</b>	<b>\$ 1,565</b>	<b>\$ (3,754)</b>	
As at January 1, 2017 <sup>(1)</sup>	\$ 347	\$ 2,152	\$ 73	\$ (5,716)	\$ (2,772)	\$ 128	\$ 6	\$ (123)	\$ (149)	\$ (6,054)	\$ 1,671	\$ (4,383)	
Total comprehensive income													
Net loss	—	—	—	(304)	—	—	—	—	—	(304)	(33)	(337)	
OCI	—	—	—	—	166	—	(4)	254	(299)	117	154	271	
	—	—	—	(304)	166	—	(4)	254	(299)	(187)	121	(66)	
Dividends	—	—	—	(19)	—	—	—	—	—	(19)	—	(19)	
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(53)	(53)	
Share-based expense	—	—	—	—	—	32	—	—	—	32	—	32	
Change in NCI	—	—	—	(178)	—	—	—	—	—	(178)	178	—	
<b>As at September 30, 2017<sup>(1)</sup></b>	<b>\$ 347</b>	<b>\$ 2,152</b>	<b>\$ 73</b>	<b>\$ (6,217)</b>	<b>\$ (2,606)</b>	<b>\$ 160</b>	<b>\$ 2</b>	<b>\$ 131</b>	<b>\$ (448)</b>	<b>\$ (6,406)</b>	<b>\$ 1,917</b>	<b>\$ (4,489)</b>	

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> Related to the convertible shares issued to Airbus on July 1, 2018 in relation to the sale of a majority stake in CSALP. See Note 19 – Disposal of business for more details.

<sup>(3)</sup> See Note 20 – Share Capital for more details.

<sup>(4)</sup> Includes \$391 million for the derecognition of the non-controlling interest related to the disposal of CSALP. See Note 19 – Disposal of business for more details.

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

**BOMBARDIER INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(in millions of U.S. dollars)

	Notes	Three-month periods ended September 30		Nine-month periods ended September 30	
		2018	2017 <i>restated</i> <sup>(1)</sup>	2018	2017 <i>restated</i> <sup>(1)</sup>
<b>Operating activities</b>					
Net income (loss)		\$ 149	\$ (100)	\$ 263	\$ (337)
Non-cash items					
Amortization		62	69	188	225
Impairment charges on PP&E and intangible assets	6, 7	—	2	11	45
Deferred income taxes		(50)	32	(73)	47
Gains on disposals of PP&E and intangible assets	6, 7	(11)	—	(575)	(30)
C Series transaction with Airbus	7	10	—	609	—
Share of income of joint ventures and associates	24	(9)	(52)	(59)	(139)
Share-based expense	21	20	14	67	32
Dividends received from joint ventures and associates		30	27	49	30
Net change in non-cash balances	22	(342)	(200)	(1,172)	(579)
<b>Cash flows from operating activities</b>		<b>(141)</b>	<b>(208)</b>	<b>(692)</b>	<b>(706)</b>
<b>Investing activities</b>					
Additions to PP&E and intangible assets		(253)	(287)	(830)	(1,011)
Proceeds from disposals of PP&E and intangible assets	7	24	—	663	59
Deconsolidation of cash and cash equivalents of CSALP	19	(151)	—	(151)	—
Outflows related to a disposal of a business	19	(25)	—	(25)	—
Investments in non-voting units of CSALP	19	(85)	—	(85)	—
Other		—	(7)	37	15
<b>Cash flows from investing activities</b>		<b>(490)</b>	<b>(294)</b>	<b>(391)</b>	<b>(937)</b>
<b>Financing activities</b>					
Repayments of long-term debt		(3)	(7)	(11)	(24)
Net change in short-term borrowings		—	113	—	167
Dividends paid <sup>(2)</sup>		(5)	(7)	(15)	(15)
Purchase of Class B Shares held in trust under the PSU plans		(97)	—	(97)	—
Issuance of Class B Shares	20	28	—	504	—
Dividends to NCI		(19)	(5)	(71)	(53)
Other		61	—	(3)	(28)
<b>Cash flows from financing activities</b>		<b>(35)</b>	<b>94</b>	<b>307</b>	<b>47</b>
Effect of exchange rates on cash and cash equivalents		10	26	37	47
<b>Net decrease in cash and cash equivalents</b>		<b>(656)</b>	<b>(382)</b>	<b>(739)</b>	<b>(1,549)</b>
<b>Cash and cash equivalents at beginning of period<sup>(3)</sup></b>	11	<b>2,974</b>	<b>2,217</b>	<b>3,057</b>	<b>3,384</b>
<b>Cash and cash equivalents at end of period<sup>(3)</sup></b>	11	<b>\$ 2,318</b>	<b>\$ 1,835</b>	<b>\$ 2,318</b>	<b>\$ 1,835</b>
<b>Supplemental information<sup>(4)(5)</sup></b>					
Cash paid for					
Interest		\$ 150	\$ 136	\$ 488	\$ 433
Income taxes		\$ 36	\$ 39	\$ 107	\$ 71
Cash received for					
Interest		\$ 6	\$ 45	\$ 22	\$ 56
Income taxes		\$ 2	\$ 3	\$ 5	\$ 16

<sup>(1)</sup> Refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> Related to preferred shares.

<sup>(3)</sup> For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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 nine-month period ended September 30, 2018

(Unaudited)

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

## 1. BASIS OF PREPARATION

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

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements except for the changes in accounting policies described in Note 2 – Changes in accounting policies. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s Financial Report for the fiscal year ended December 31, 2017.

These interim consolidated financial statements for the three- and nine-month periods ended September 30, 2018 were authorized for issuance by the Board of Directors on November 7, 2018.

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

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

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

	<b>Exchange rates as at</b>		
	<b>September 30, 2018</b>	December 31, 2017	January 1, 2017
Euro	<b>1.1707</b>	1.1993	1.0541
Canadian dollar	<b>0.7651</b>	0.7975	0.7430
Pound sterling	<b>1.3158</b>	1.3517	1.2312

  

	<b>Average exchange rates for the three-month periods ended</b>		<b>Average exchange rates for the nine-month periods ended</b>	
	<b>September 30, 2018</b>	September 30, 2017	<b>September 30, 2018</b>	September 30, 2017
Euro	<b>1.1636</b>	1.1729	<b>1.1956</b>	1.1118
Canadian dollar	<b>0.7644</b>	0.7962	<b>0.7778</b>	0.7647
Pound sterling	<b>1.3044</b>	1.3068	<b>1.3530</b>	1.2744

## 2. CHANGES IN ACCOUNTING POLICIES

### Financial instruments

In July 2014, the IASB completed the three-part project to replace IAS 39, *Financial instruments: recognition and measurement* by issuing IFRS 9, *Financial instruments*. IFRS 9 includes classification and measurement of financial assets and financial liabilities, a forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability designated at FVTP&L, is presented in OCI rather than in the statement of income.

IFRS 9 also introduced a new expected credit loss impairment model that requires more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

Lastly, IFRS 9 introduced a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 was adopted effective January 1, 2018 and resulted in no adjustments.

### Revenue Recognition

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

The majority of long-term manufacturing and service contracts at Transportation previously accounted for under the percentage-of-completion method meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method. The principal differences identified in respect of the Corporation's accounting for long-term contracts at Transportation relate to the treatment of customer options for additional trains and the recognition of variable consideration such as price escalation clauses.

Under IAS 11, estimated revenues at completion included anticipated customer options for additional trains if it was probable that the customer will exercise the options and the amount can be measured reliably. Under IFRS 15, customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional trains. This change results in the deferral of revenue and margin until the customer exercises its option.

Under IAS 11, variable considerations such as price escalation clauses were included in estimated revenues at completion when the amount is considered probable and can be reliably measured. IFRS 15 introduces the concept of a constraint on the recognition of variable consideration whereby amounts can only be included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The introduction of this constraint results in the transaction price recognizing the effect of price escalation for certain indices at a later point in time.

For the aerospace segments, revenues from the sale of aircraft continue to be recognized when the aircraft have been delivered.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. On adoption of IFRS 15, all loss provisions for contracts with customers follow the same policy for the definition of unavoidable costs of fulfilling the contract. In line with one of the two approaches identified as reasonable by the IFRS Interpretations Committee in its June 13, 2017 tentative agenda decision, the Corporation defines unavoidable costs as the costs that the Corporation cannot avoid because it has the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract). This approach was used for long-term contracts, and has been applied to other contracts in the aerospace segments increasing the amount of onerous contract provisions and thereby lower subsequent inventory net realizable value charges.

The Corporation accounts for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. Most of the Corporation's contracts do not have a significant financing component. However, there are several orders in the Business Aircraft segment where advances were received well before expected delivery and therefore a financing component has been accounted for separately. The result is that interest expense is accrued during the advance period and the transaction price will be increased by a corresponding amount.

Under IFRS 15, revenues earned by the Aerostructures and Engineering Services on the contract for the *C Series* program will be recognized at a point in time (delivery) as opposed to the current policy whereby it is recognized over-time (long-term contract accounting).

While these changes impact the timing of revenue and margin recognition, and result in a reduction of equity at transition, there is no change to cash flows. Furthermore, there is no change in profitability over the life of the contracts.

IFRS 15 was adopted effective January 1, 2018 and the changes have been accounted for retroactively in accordance with the transition rules of IFRS 15.

#### **Impact of adopting IFRS 15 changes in accounting policies**

The following tables summarize the Corporation's retroactive restatements to its consolidated financial statements resulting from the adoption of IFRS 15, *Revenue from contracts with customers*, including the impact of reclassification.

The impacts on the consolidated statements of comprehensive income and on the consolidated equity position, net of income taxes, are as follows:

	<b>As at January 1, 2017</b>
<b>Equity as previously reported</b>	<b>\$ (3,489)</b>
Customer options	(635)
Variable consideration	(85)
Onerous contract provisions	(154)
Significant financing component	(25)
CCTD, taxes and other	5
Net change to equity	(894)
<b>Equity as restated</b>	<b>\$ (4,383)</b>

	<b>Three-month period ended September 30, 2017</b>
<b>Comprehensive income as previously reported</b>	<b>\$ 200</b>
Net income:	
Customer options	15
Variable consideration	(4)
Onerous contract provisions	9
Significant financing component	(6)
Taxes and other	3
Net change to net income	17
OCI	
CCTD	(23)
Net decrease to comprehensive income	(6)
<b>Comprehensive income as restated</b>	<b>\$ 194</b>
	<b>Nine-month period ended September 30, 2017</b>
<b>Comprehensive loss as previously reported</b>	<b>\$ (94)</b>
Net loss:	
Customer options	81
Variable consideration	22
Onerous contract provisions	31
Significant financing component	(15)
Taxes and other	(12)
Net change to net loss	107
OCI	
CCTD	(79)
Net decrease to comprehensive loss	28
<b>Comprehensive loss as restated</b>	<b>\$ (66)</b>
	<b>As at September 30, 2017</b>
<b>Equity as previously reported</b>	<b>\$ (3,623)</b>
Customer options	(554)
Variable consideration	(63)
Onerous contract provisions	(123)
Significant financing component	(40)
CCTD, taxes and other	(86)
Net change to equity	(866)
<b>Equity as restated</b>	<b>\$ (4,489)</b>

	<b>Three-month period ended December 31, 2017</b>
<b>Comprehensive loss as previously reported</b>	<b>\$ (85)</b>
Net loss:	
Customer options	(83)
Variable consideration	7
Onerous contract provisions	(1)
Significant financing component	(5)
Taxes and other	3
Net change to net loss	(79)
OCI	
CCTD	(18)
Net increase to comprehensive loss	(97)
<b>Comprehensive loss as restated</b>	<b>\$ (182)</b>
	<b>Fiscal year ended December 31, 2017</b>
<b>Comprehensive loss as previously reported</b>	<b>\$ (179)</b>
Net loss:	
Customer options	(2)
Variable consideration	29
Onerous contract provisions	30
Significant financing component	(20)
Taxes and other	(9)
Net change to net loss	28
OCI	
CCTD	(97)
Net increase to comprehensive loss	(69)
<b>Comprehensive loss as restated</b>	<b>\$ (248)</b>
	<b>As at December 31, 2017</b>
<b>Equity as previously reported</b>	<b>\$ (3,732)</b>
Customer options	(637)
Variable consideration	(56)
Onerous contract provisions	(124)
Significant financing component	(45)
CCTD, taxes and other	(101)
Net change to equity	(963)
<b>Equity as restated</b>	<b>\$ (4,695)</b>

The impacts on the consolidated statements of income are as follows, for:

<b>Three-month period ended September 30, 2017</b>				
	As previously reported	Adjustments		As restated
Revenues	\$ 3,835	\$ 4		\$ 3,839
Cost of sales	3,369	(14)		3,355
<b>Gross margin</b>	466	18		484
SG&A	300	—		300
R&D	53	—		53
Share of income of joint ventures and associates	(52)	—		(52)
Special items	50	—		50
<b>EBIT</b>	115	18		133
Financing expense	175	6		181
Financing income	(14)	—		(14)
<b>EBT</b>	(46)	12		(34)
Income taxes	71	(5)		66
<b>Net income (loss)</b>	\$ (117)	\$ 17		\$ (100)
Attributable to				
Equity holders of Bombardier Inc.	\$ (91)	\$ 8		\$ (83)
NCI	(26)	9		(17)
	\$ (117)	\$ 17		\$ (100)
<b>EPS (in dollars)</b>				
Basic and diluted	\$ (0.05)	\$ 0.01		\$ (0.04)
<b>Nine-month period ended September 30, 2017</b>				
	As previously reported	Adjustments		As restated
Revenues	\$ 11,503	\$ 85		\$ 11,588
Cost of sales	10,192	(44)		10,148
<b>Gross margin</b>	1,311	129		1,440
SG&A	863	—		863
R&D	159	—		159
Share of income of joint ventures and associates	(139)	—		(139)
Other income	(29)	—		(29)
Special items	360	—		360
<b>EBIT</b>	97	129		226
Financing expense	507	15		522
Financing income	(35)	—		(35)
<b>EBT</b>	(375)	114		(261)
Income taxes	69	7		76
<b>Net income (loss)</b>	\$ (444)	\$ 107		\$ (337)
Attributable to				
Equity holders of Bombardier Inc.	\$ (408)	\$ 104		\$ (304)
NCI	(36)	3		(33)
	\$ (444)	\$ 107		\$ (337)
<b>EPS (in dollars)</b>				
Basic and diluted	\$ (0.19)	\$ 0.04		\$ (0.15)

<b>Three-month period ended December 31, 2017</b>				
	As previously reported	Adjustments		As restated
Revenues	\$ 4,715	\$ (104)		\$ 4,611
Cost of sales	4,084	(28)		4,056
<b>Gross margin</b>	631	(76)		555
SG&A	331	—		331
R&D	81	—		81
Share of income of joint ventures and associates	(36)	—		(36)
Other expense	40	—		40
Special items	66	—		66
<b>EBIT</b>	149	(76)		73
Financing expense	273	8		281
Financing income	(23)	—		(23)
<b>EBT</b>	(101)	(84)		(185)
Income taxes	8	(5)		3
<b>Net loss</b>	\$ (109)	\$ (79)		\$ (188)
Attributable to				
Equity holders of Bombardier Inc.	\$ (108)	\$ (82)		\$ (190)
NCI	(1)	3		2
	\$ (109)	\$ (79)		\$ (188)
<b>EPS (in dollars)</b>				
Basic and diluted	\$ (0.05)	\$ (0.04)		\$ (0.09)

<b>Fiscal year ended December 31, 2017</b>				
	As previously reported	Adjustments		As restated
Revenues	\$ 16,218	\$ (19)		\$ 16,199
Cost of sales	14,276	(72)		14,204
<b>Gross margin</b>	1,942	53		1,995
SG&A	1,194	—		1,194
R&D	240	—		240
Share of income of joint ventures and associates	(175)	—		(175)
Other expense	11	—		11
Special items	426	—		426
<b>EBIT</b>	246	53		299
Financing expense	778	23		801
Financing income	(56)	—		(56)
<b>EBT</b>	(476)	30		(446)
Income taxes	77	2		79
<b>Net income (loss)</b>	\$ (553)	\$ 28		\$ (525)
Attributable to				
Equity holders of Bombardier Inc.	\$ (516)	\$ 22		\$ (494)
NCI	(37)	6		(31)
	\$ (553)	\$ 28		\$ (525)
<b>EPS (in dollars)</b>				
Basic and diluted	\$ (0.25)	\$ 0.01		\$ (0.24)

In addition to changes impacting net income (loss), contract penalties were reclassified from cost of sales to revenues.

The restated amounts of the segmented results of operations are as follows, for:

<b>Three-month period ended March 31, 2017</b>						
	<b>Transportation</b>	<b>Business Aircraft</b>	<b>Commercial Aircraft</b>	<b>Aerostructures and Engineering Services</b>	<b>Corporate and Elimination</b>	<b>Total</b>
Revenues	\$ 1,952	\$ 1,022	\$ 525	\$ 398	\$ (292)	\$ 3,605
EBIT before special items	\$ 183	\$ 82	\$ (56)	\$ 15	\$ (51)	\$ 173
EBIT	\$ 164	\$ 79	\$ (57)	\$ 15	\$ (51)	\$ 150
<b>Three-month period ended June 30, 2017</b>						
	<b>Transportation</b>	<b>Business Aircraft</b>	<b>Commercial Aircraft</b>	<b>Aerostructures and Engineering Services</b>	<b>Corporate and Elimination</b>	<b>Total</b>
Revenues	\$ 2,038	\$ 1,389	\$ 626	\$ 443	\$ (352)	\$ 4,144
EBIT before special items	\$ 223	\$ 127	\$ (118)	\$ 26	\$ (28)	\$ 230
EBIT	\$ 10	\$ 99	\$ (119)	\$ 26	\$ (73)	\$ (57)
<b>Three-month period ended September 30, 2017</b>						
	<b>Transportation</b>	<b>Business Aircraft</b>	<b>Commercial Aircraft</b>	<b>Aerostructures and Engineering Services</b>	<b>Corporate and Elimination</b>	<b>Total</b>
Revenues	\$ 2,146	\$ 1,074	\$ 515	\$ 349	\$ (245)	\$ 3,839
EBIT before special items	\$ 192	\$ 90	\$ (74)	\$ 27	\$ (52)	\$ 183
EBIT	\$ 140	\$ 87	\$ (75)	\$ 33	\$ (52)	\$ 133
<b>Three-month period ended December 31, 2017</b>						
	<b>Transportation</b>	<b>Business Aircraft</b>	<b>Commercial Aircraft</b>	<b>Aerostructures and Engineering Services</b>	<b>Corporate and Elimination</b>	<b>Total</b>
Revenues	\$ 2,415	\$ 1,448	\$ 651	\$ 426	\$ (329)	\$ 4,611
EBIT before special items	\$ 140	\$ 120	\$ (133)	\$ 20	\$ (8)	\$ 139
EBIT	\$ 129	\$ 129	\$ (138)	\$ 7	\$ (54)	\$ 73
<b>Fiscal year ended December 31, 2017</b>						
	<b>Transportation</b>	<b>Business Aircraft</b>	<b>Commercial Aircraft</b>	<b>Aerostructures and Engineering Services</b>	<b>Corporate and Elimination</b>	<b>Total</b>
Revenues	\$ 8,551	\$ 4,933	\$ 2,317	\$ 1,616	\$ (1,218)	\$ 16,199
EBIT before special items	\$ 738	\$ 419	\$ (381)	\$ 88	\$ (139)	\$ 725
EBIT	\$ 443	\$ 394	\$ (389)	\$ 81	\$ (230)	\$ 299

The impacts on the consolidated statements of financial position are as follows, as at:

	December 31, 2017		
	As previously reported	Adjustments	As restated
<b>Assets</b>			
Trade and other receivables	\$ 1,231	\$ (57)	\$ 1,174
Contract assets	—	2,460	2,460
Inventories	5,890	(2,461)	3,429
Other assets	1,094	(24)	1,070
Deferred income taxes	603	(8)	595
Other current assets	7,553	—	7,553
Other non-current assets	8,635	—	8,635
	\$ 25,006	\$ (90)	\$ 24,916
<b>Liabilities</b>			
Trade and other payables	\$ 4,194	\$ (230)	\$ 3,964
Provisions	1,751	660	2,411
Contract liabilities	—	5,092	5,092
Advances and progress billings in excess of long-term contract inventories	1,990	(1,990)	—
Advances on aerospace programs	2,074	(2,074)	—
Other liabilities	3,056	(738)	2,318
Liabilities directly associated with assets held for sale	2,533	153	2,686
Other current liabilities	342	—	342
Other non-current liabilities	12,798	—	12,798
	28,738	873	29,611
<b>Equity (deficit)</b>			
Attributable to equity holders of Bombardier Inc.	(5,702)	(906)	(6,608)
Attributable to NCI	1,970	(57)	1,913
	(3,732)	(963)	(4,695)
	\$ 25,006	\$ (90)	\$ 24,916
<b>January 1, 2017</b>			
	As previously reported	Adjustments	As restated
<b>Assets</b>			
Trade and other receivables	\$ 1,291	\$ (71)	\$ 1,220
Contract assets	—	1,631	1,631
Inventories	5,844	(1,558)	4,286
Other assets	1,041	(26)	1,015
Deferred income taxes	705	(7)	698
Other current assets	3,720	—	3,720
Other non-current assets	10,225	—	10,225
	\$ 22,826	\$ (31)	\$ 22,795
<b>Liabilities</b>			
Trade and other payables	\$ 3,239	\$ (194)	\$ 3,045
Provisions	2,266	837	3,103
Contract liabilities	—	5,513	5,513
Advances and progress billings in excess of long-term contract inventories	1,539	(1,539)	—
Advances on aerospace programs	3,085	(3,085)	—
Other liabilities	3,194	(669)	2,525
Other current liabilities	608	—	608
Other non-current liabilities	12,384	—	12,384
	26,315	863	27,178
<b>Equity (deficit)</b>			
Attributable to equity holders of Bombardier Inc.	(5,243)	(811)	(6,054)
Attributable to NCI	1,754	(83)	1,671
	(3,489)	(894)	(4,383)
	\$ 22,826	\$ (31)	\$ 22,795

In addition to changes impacting equity, there were certain reclassifications made. Contract related balances were reclassified from inventories, advances and progress billings in excess of long-term contract inventories, advances on aerospace programs, other assets and other liabilities to contract assets and contract liabilities. Refer to Note 12 - Contract balances for more details.

Furthermore, since IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets* should be applied to onerous contracts, the onerous contract provisions related to long-term contracts in Transportation are no longer netted against contract related balances and instead were reclassified from inventories to provisions. In the interim consolidated financial statements for the nine-month period ended September 30, 2018, to better reflect provision utilization based on contract percentage of completion, the reclassification of onerous contract provisions were reduced by \$674 million, \$741 million, \$1,082 million and \$1,221 million as at January 1, 2017, March 31, 2017, December 31, 2017 and March 31, 2018 respectively, compared with the amounts in the interim consolidated financial statements for the three-month period ended March 31, 2018. These reclassifications between contract related balances and provisions in the statement of financial position had no impact on results of operations, equity or cash flows. Refer to Note 12 - Contract balances and Note 16 - Provisions for more details.

There was no impact on cash flows from operating activities, investing activities and financing activities as a result of adopting IFRS 15.

As a result of the above mentioned adjustments and reclassifications, certain disclosures that are required in annual financial statements in accordance with IFRS 15, which were not included in the Corporation's most recent annual consolidated financial statements, have been included in these interim consolidated financial statements. Refer to Note 27 - Additional annual disclosures for more details.

### 3. FUTURE CHANGES IN ACCOUNTING POLICIES

#### **Leases**

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

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

#### **Income taxes**

In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatments*. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

IFRIC 23 will be effective for the Corporation's fiscal year beginning on January 1, 2019, with earlier application permitted. The Corporation is assessing the impact of the adoption of this standard on its consolidated financial statements and will provide further updates as it advances in its assessment.

#### **Retirement and other long-term employee benefits**

In February 2018, the IASB released an amendment to IAS 19, *Employee Benefits*, effective on January 1, 2019. The amendment relates to accounting for plan amendments, curtailments and settlements on defined benefit plans. The amendment requires the use of updated actuarial assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. The Corporation is assessing the impact of this amendment and will provide further updates as it advances in its assessment.

## 4. SEGMENT DISCLOSURE

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

### ***Business Aircraft***

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

### ***Commercial Aircraft***

Commercial Aircraft designs and manufactures commercial aircraft in the 60- to 100-seat categories, including the *Q400* turboprops and the *CRJ Series* family of regional jets. Commercial Aircraft provides aftermarket support for these aircraft as well as for the 20- to 59-seat range category. Commercial Aircraft also has an investment in associate, in CSALP for the A220 aircraft.

### ***Aerostructures and Engineering Services***

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

### ***Transportation***

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

### ***Corporate and Elimination***

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

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2017, except for the changes in accounting policies described in Note 2 – Changes in accounting policies.

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

Three-month period ended September 30, 2018						
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
<b>Results of operations</b>						
External revenues	\$ 2,139	\$ 1,082	\$ 256	\$ 165	\$ 1	\$ 3,643
Intersegment revenues	1	1	—	265	(267)	—
Total revenues	2,140	1,083	256	430	(266)	3,643
<b>EBIT before special items</b>	187	89	(9)	36	(32)	271
Special items <sup>(1)</sup>	3	9	(13)	1	4	4
<b>EBIT</b>	\$ 184	\$ 80	\$ 4	\$ 35	\$ (36)	267
Financing expense						147
Financing income						(25)
<b>EBT</b>						145
Income taxes						(4)
<b>Net income</b>						\$ 149
<b>Other information</b>						
R&D <sup>(2)</sup>	\$ 32	\$ 13	\$ 3	\$ 2	\$ —	\$ 50
Share of loss (income) of joint ventures and associates	\$ (22)	\$ —	\$ 13	\$ —	\$ —	\$ (9)
Net additions (proceeds) to PP&E and intangible assets <sup>(3)</sup>	\$ 36	\$ 198	\$ —	\$ 9	\$ (14)	\$ 229
Amortization	\$ 25	\$ 24	\$ 3	\$ 11	\$ (1)	\$ 62

<sup>(1)</sup> See Note 7 – Special items for more details.

<sup>(2)</sup> Includes tooling amortization. See Note 5 – Research and development for more details.

<sup>(3)</sup> As per the consolidated statements of cash flows.

Three-month period ended September 30, 2017 <sup>(1)</sup>						
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
<b>Results of operations</b>						
External revenues	\$ 2,145	\$ 1,071	\$ 515	\$ 107	\$ 1	\$ 3,839
Intersegment revenues	1	3	—	242	(246)	—
Total revenues	2,146	1,074	515	349	(245)	3,839
<b>EBIT before special items</b>	192	90	(74)	27	(52)	183
Special items <sup>(2)</sup>	52	3	1	(6)	—	50
<b>EBIT</b>	\$ 140	\$ 87	\$ (75)	\$ 33	\$ (52)	133
Financing expense						181
Financing income						(14)
<b>EBT</b>						(34)
Income taxes						66
<b>Net loss</b>						\$ (100)
<b>Other information</b>						
R&D <sup>(3)</sup>	\$ 25	\$ 12	\$ 10	\$ 1	\$ 5	\$ 53
Share of income of joint ventures and associates	\$ (52)	\$ —	\$ —	\$ —	\$ —	\$ (52)
Net additions to PP&E and intangible assets <sup>(4)</sup>	\$ 18	\$ 242	\$ 16	\$ 4	\$ 7	\$ 287
Amortization	\$ 22	\$ 21	\$ 15	\$ 11	\$ —	\$ 69
Impairment charges on PP&E	\$ 1	\$ —	\$ —	\$ —	\$ 1	\$ 2

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> See Note 7 – Special items for more details.

<sup>(3)</sup> Includes tooling amortization. See Note 5 – Research and development for more details.

<sup>(4)</sup> As per the consolidated statements of cash flows.

Nine-month period ended September 30, 2018						
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
<b>Results of operations</b>						
External revenues	\$ 6,750	\$ 3,498	\$ 1,335	\$ 347	\$ 3	\$ 11,933
Intersegment revenues	4	2	—	984	(990)	—
Total revenues	6,754	3,500	1,335	1,331	(987)	11,933
<b>EBIT before special items</b>	<b>583</b>	<b>298</b>	<b>(148)</b>	<b>140</b>	<b>(130)</b>	<b>743</b>
Special items <sup>(1)</sup>	45	13	589	(6)	(557)	84
<b>EBIT</b>	<b>\$ 538</b>	<b>\$ 285</b>	<b>\$ (737)</b>	<b>\$ 146</b>	<b>\$ 427</b>	<b>659</b>
Financing expense						465
Financing income						(87)
<b>EBT</b>						<b>281</b>
Income taxes						18
<b>Net income</b>						<b>\$ 263</b>
<b>Other information</b>						
R&D <sup>(2)</sup>	\$ 86	\$ 44	\$ 10	\$ 5	\$ —	\$ 145
Share of loss (income) of joint ventures and associates	\$ (75)	\$ 3	\$ 13	\$ —	\$ —	\$ (59)
Net additions (proceeds) to PP&E and intangible assets <sup>(1)(3)</sup>	\$ 107	\$ 618	\$ 46	\$ 18	\$ (622)	\$ 167
Amortization	\$ 75	\$ 71	\$ 9	\$ 36	\$ (3)	\$ 188
Impairment charges on PP&E and intangible assets <sup>(1)</sup>	\$ 8	\$ —	\$ —	\$ —	\$ 3	\$ 11

<sup>(1)</sup> See Note 7 – Special items for more details.

<sup>(2)</sup> Includes tooling amortization. See Note 5 – Research and development for more details.

<sup>(3)</sup> As per the consolidated statements of cash flows.

Nine-month period ended September 30, 2017 <sup>(1)</sup>						
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
<b>Results of operations</b>						
External revenues	\$ 6,132	\$ 3,482	\$ 1,666	\$ 304	\$ 4	\$ 11,588
Intersegment revenues	4	3	—	886	(893)	—
Total revenues	6,136	3,485	1,666	1,190	(889)	11,588
<b>EBIT before special items</b>	<b>598</b>	<b>299</b>	<b>(248)</b>	<b>68</b>	<b>(131)</b>	<b>586</b>
Special items <sup>(2)</sup>	284	34	3	(6)	45	360
<b>EBIT</b>	<b>\$ 314</b>	<b>\$ 265</b>	<b>\$ (251)</b>	<b>\$ 74</b>	<b>\$ (176)</b>	<b>226</b>
Financing expense						522
Financing income						(35)
<b>EBT</b>						<b>(261)</b>
Income taxes						76
<b>Net loss</b>						<b>\$ (337)</b>
<b>Other information</b>						
R&D <sup>(3)</sup>	\$ 74	\$ 39	\$ 29	\$ 2	\$ 15	\$ 159
Share of income of joint ventures and associates	\$ (139)	\$ —	\$ —	\$ —	\$ —	\$ (139)
Net additions to PP&E and intangible assets <sup>(4)</sup>	\$ 42	\$ 823	\$ 77	\$ 15	\$ (5)	\$ 952
Amortization	\$ 73	\$ 66	\$ 49	\$ 36	\$ 1	\$ 225
Impairment charges on intangible assets	\$ —	\$ —	\$ 5	\$ —	\$ —	\$ 5
Impairment charges on PP&E <sup>(2)</sup>	\$ 33	\$ —	\$ —	\$ —	\$ 7	\$ 40

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> See Note 7 – Special items for more details.

<sup>(3)</sup> Includes tooling amortization. See Note 5 – Research and development for more details.

<sup>(4)</sup> 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:

	September 30, 2018	December 31, 2017 <sup>(1)</sup>	January 1, 2017 <sup>(1)</sup>
<b>Assets</b>			
Total assets	\$ 24,269	\$ 24,916	\$ 22,795
Assets not allocated to segments			
Cash and cash equivalents <sup>(2)</sup>	2,318	3,057	3,384
Income tax receivable <sup>(3)</sup>	67	60	41
Deferred income taxes	658	595	698
<b>Segmented assets</b>	<b>21,226</b>	<b>21,204</b>	<b>18,672</b>
<b>Liabilities</b>			
Total liabilities	28,023	29,611	27,178
Liabilities not allocated to segments			
Interest payable <sup>(4)</sup>	155	139	141
Income taxes payable <sup>(5)</sup>	157	187	217
Long-term debt <sup>(6)</sup>	9,136	9,218	8,769
<b>Segmented liabilities</b>	<b>\$ 18,575</b>	<b>\$ 20,067</b>	<b>\$ 18,051</b>
<b>Net segmented assets</b>			
Transportation	\$ (29)	\$ (1,106)	\$ (754)
Business Aircraft	\$ 2,498	\$ 2,178	\$ 1,393
Commercial Aircraft	\$ 918	\$ 311	\$ 293
Aerostructures and Engineering Services	\$ (318)	\$ 190	\$ 62
Corporate and Elimination	\$ (418)	\$ (436)	\$ (373)

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> Refer to Note 11 – Cash and cash equivalents.

<sup>(3)</sup> Included in other assets.

<sup>(4)</sup> Included in trade and other payables.

<sup>(5)</sup> Included in other liabilities.

<sup>(6)</sup> The current portion of long-term debt is included in other financial liabilities.

The Corporation's revenues by market segment were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
<b>Business Aircraft</b>				
Manufacturing and Other <sup>(2)</sup>	\$ 777	\$ 802	\$ 2,617	\$ 2,712
Services <sup>(3)</sup>	306	272	883	773
	<b>1,083</b>	<b>1,074</b>	<b>3,500</b>	<b>3,485</b>
<b>Commercial Aircraft<sup>(4)</sup></b>	<b>256</b>	<b>515</b>	<b>1,335</b>	<b>1,666</b>
<b>Aerostructures and Engineering Services</b>				
External revenues	165	107	347	304
Intersegment revenues	265	242	984	886
	<b>430</b>	<b>349</b>	<b>1,331</b>	<b>1,190</b>
<b>Transportation</b>				
Rolling stock and systems <sup>(5)</sup>	1,447	1,462	4,529	4,166
Services <sup>(6)</sup>	475	479	1,534	1,372
Signalling <sup>(7)</sup>	218	205	691	598
	<b>2,140</b>	<b>2,146</b>	<b>6,754</b>	<b>6,136</b>
<b>Corporate and Elimination</b>	<b>(266)</b>	<b>(245)</b>	<b>(987)</b>	<b>(889)</b>
	<b>\$ 3,643</b>	<b>\$ 3,839</b>	<b>\$ 11,933</b>	<b>\$ 11,588</b>

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.

<sup>(3)</sup> Includes revenues from aftermarket services including parts, *Smarts Services*, service centres, training and technical publication.

<sup>(4)</sup> Includes manufacturing, services and other.

<sup>(5)</sup> Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.

<sup>(6)</sup> Comprised of revenues from fleet maintenance, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.

<sup>(7)</sup> Comprised of revenues from mass transit signalling, mainline signalling, industrial signalling and *OPTIFLO* service solutions for signalling.

## 5. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
R&D expenditures	\$ 260	\$ 270	\$ 746	\$ 932
Less: development expenditures capitalized to aerospace program tooling	(222)	(234)	(642)	(829)
	38	36	104	103
Add: amortization of aerospace program tooling	12	17	41	56
	\$ 50	\$ 53	\$ 145	\$ 159

## 6. OTHER INCOME

Other income was as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
Changes in estimates and fair value <sup>(1)</sup>	\$ (1)	\$ 2	\$ (72)	\$ (2)
Gains on disposals of intangible assets and PP&E <sup>(2)</sup>	(11)	—	(14)	(30)
Impairment of PP&E and intangible assets <sup>(2)</sup>	—	2	3	7
Severance and other involuntary termination costs (including changes in estimates) <sup>(2)</sup>	1	(3)	2	—
Other	—	(1)	—	(4)
	\$ (11)	\$ —	\$ (81)	\$ (29)

<sup>(1)</sup> 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.

<sup>(2)</sup> Excludes those presented in special items.

## 7. SPECIAL ITEMS

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

Special items were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
<i>C Series</i> transaction with Airbus <sup>(1)</sup>	\$ 10	\$ —	\$ 609	\$ —
Gain on disposal of PP&E <sup>(2)</sup>	—	—	(561)	—
Changes in credit and residual value guarantees <sup>(3)</sup>	(34)	—	(34)	—
Purchase of pension annuities <sup>(4)</sup>	22	—	32	—
Restructuring charges <sup>(5)</sup>	2	7	18	248
Impairment of non-core operations <sup>(6)</sup>	—	43	17	43
<i>Primove</i> impairment and other costs <sup>(7)</sup>	4	—	4	45
Reversal of <i>Learjet 85</i> aircraft program cancellation provisions <sup>(8)</sup>	—	—	(1)	(11)
Re-negotiation of a commercial agreement <sup>(9)</sup>	—	—	—	35
Tax litigation <sup>(10)</sup>	(4)	11	(4)	11
Tax impacts of special items <sup>(1)</sup>	(1)	—	(71)	(9)
	\$ (1)	\$ 61	\$ 9	\$ 362
<b>Of which is presented in</b>				
Special items in EBIT	\$ 4	\$ 50	\$ 84	\$ 360
Financing expense - interest related to tax litigation <sup>(10)</sup>	(4)	11	(4)	11
Income taxes - effect of special items	(1)	—	(71)	(9)
	\$ (1)	\$ 61	\$ 9	\$ 362

<sup>(1)</sup> The acquisition by Airbus of 50.01% of CSALP, the entity that manufactures and sells the *C Series* aircraft resulted in a pre-tax accounting charge of \$609 million (\$545 million after tax), of which \$599 million was recorded in the three-month period ended June 30, 2018 and \$10 million in the three-month period ended September 30, 2018. The pre-tax accounting charge reflects all elements of the transaction, including: (i) the \$270 million fair value of warrants issued by Bombardier to Airbus on July 1, 2018, (ii) a \$310 million derivative liability which is associated with the expected off-market return on units to be issued to Bombardier by CSALP under Bombardier's funding commitments, and (iii) other Bombardier obligations towards CSALP, which mainly comprise supply chain obligations for Aerostructure and Engineering Services. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220. See Note 19 - Disposal of a business for more details in respect of the transaction.

<sup>(2)</sup> Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments).

<sup>(3)</sup> The provisions for credit and residual value guarantees were reduced following a change in credit risk assumption for an airline. The reduction of the provisions was treated as a special item since the original provisions were recorded as special items in 2015.

<sup>(4)</sup> Represents the loss (mainly non-cash) on settlement of defined benefit pension plans resulting from the purchase of annuities from insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations. In Q3 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans in Ontario, for which the premiums paid to insurers were \$479M (paid from plans assets) and the respective defined benefit obligations were \$457 million.

<sup>(5)</sup> For the three- and nine-month periods ended September 30, 2018, represents severance charges of \$2 million and \$14 million partially offset by curtailment gains of \$4 million, and impairment charges of PP&E of \$8 million, all related to previously-announced restructuring actions, respectively. For the three- and nine-month periods ended September 30, 2017, represents severance charges of \$7 million and \$218 million partially offset by curtailment gains of \$2 million, and impairment charges of PP&E of \$32 million, all related to previously-announced restructuring actions, respectively.

<sup>(6)</sup> An impairment charge related to non-core operations of \$17 million recorded in the nine-month period ended September 30, 2018 with respect to the expected sale of legal entities, as part of the Transportation transformation plan (\$43 million in the three- and nine-month periods ended September 30, 2017).

<sup>(7)</sup> Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded an additional contract provision of \$4 million in the three-month period ended September 30, 2018 (in the second quarter of 2017, the Corporation recorded an inventory write-down of \$22 million, impairment charges of PP&E of \$6 million, and a contract provision of \$17 million). *Primove* offers e-mobility solutions for several types of electronic rail and road vehicles.

<sup>(8)</sup> Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by \$1 million for the nine-month period ended September 30, 2018 (\$11 million for the nine-month period ended September 30, 2017). The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.

<sup>(9)</sup> A provision was taken during the nine-month period ended September 30, 2017 to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.

<sup>(10)</sup> Represents a change in the estimates used to determine the provision related to tax litigation.

## 8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
<b>Financing expense</b>				
Accretion on net retirement benefit obligations	\$ 16	\$ 21	\$ 50	\$ 59
Accretion on other financial liabilities	9	16	47	44
Accretion on provisions	6	4	19	14
Accretion on advances <sup>(2)</sup>	2	6	14	15
Amortization of letter of credit facility costs	4	4	12	12
Net loss on certain financial instruments <sup>(3)</sup>	7	8	—	36
Tax litigation <sup>(4)</sup>	—	11	—	11
Changes in discount rates of provisions	—	—	—	2
Other	19	26	61	58
	<b>63</b>	<b>96</b>	<b>203</b>	<b>251</b>
Interest on long-term debt, after effect of hedges	<b>84</b>	<b>85</b>	<b>262</b>	<b>271</b>
	<b>\$ 147</b>	<b>\$ 181</b>	<b>\$ 465</b>	<b>\$ 522</b>
<b>Financing income</b>				
Changes in discount rates of provisions	\$ (2)	\$ (1)	\$ (20)	\$ —
Net gain on certain financial instruments <sup>(3)</sup>	—	—	(11)	—
Tax Litigation <sup>(4)</sup>	(4)	—	(4)	—
Other	(10)	(3)	(24)	(8)
	<b>(16)</b>	<b>(4)</b>	<b>(59)</b>	<b>(8)</b>
Interest on cash and cash equivalents	(6)	(3)	(17)	(9)
Income from investment in securities	(2)	(6)	(8)	(13)
Interest on loans and lease receivables, after effect of hedges	(1)	(1)	(3)	(5)
	<b>(9)</b>	<b>(10)</b>	<b>(28)</b>	<b>(27)</b>
	<b>\$ (25)</b>	<b>\$ (14)</b>	<b>\$ (87)</b>	<b>\$ (35)</b>

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> Represents adjustments to transaction prices for certain orders with a significant financing component due to a significant delay between timing of cash receipt and revenue recognition.

<sup>(3)</sup> Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

<sup>(4)</sup> See Note 7 – Special items for more details on tax litigation.

Borrowing costs capitalized to PP&E and intangible assets totalled \$66 million and \$188 million for the three- and nine-month periods ended September 30, 2018, using an average capitalization rate of 6.63% and 6.62%, respectively (\$49 million and \$131 million and 6.27% and 6.15% for the three- and nine-month periods ended September 30, 2017, respectively). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

## 9. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)				
Net income (loss) attributable to equity holders of Bombardier Inc.	\$ 111	\$ (83)	\$ 217	\$ (304)
Preferred share dividends, including taxes	(7)	(7)	(21)	(19)
Net income (loss) attributable to common equity holders of Bombardier Inc.	\$ 104	\$ (90)	\$ 196	\$ (323)
Dilutive impact of CDPQ conversion option	(13)	—	(6)	—
Diluted net income (loss) attributable to common equity holders of Bombardier Inc.	\$ 91	\$ (90)	\$ 190	\$ (323)
Weighted-average number of common shares outstanding	2,364,820	2,195,330	2,299,261	2,195,501
Net effect of stock options, PSUs, DSUs, warrants and conversion option	260,123	—	204,071	—
Weighted-average diluted number of common shares	2,624,943	2,195,330	2,503,332	2,195,501
<b>EPS (in dollars)</b>				
Basic	\$ 0.04	\$ (0.04)	\$ 0.09	\$ (0.15)
Diluted	\$ 0.04	\$ (0.04)	\$ 0.08	\$ (0.15)

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 15,465,047 and 24,859,524 for the three- and nine-month periods ended September 30, 2018, respectively (379,359,763 and 365,276,210 for the three- and nine-month periods ended September 30, 2017, respectively) 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.

## 10. FINANCIAL INSTRUMENTS

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

	FVTP&L					DDHR	Total carrying value	Fair value
	FVTP&L	Designated	FVOCI	Amortized cost				
<b>September 30, 2018</b>								
<b>Financial assets</b>								
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 2,318	\$ —	\$ 2,318	\$ 2,318	
Trade and other receivables	—	—	—	1,582	—	1,582	1,582	
Other financial assets	784	—	320	280	62	1,446	1,464	
	<b>\$ 784</b>	<b>\$ —</b>	<b>\$ 320</b>	<b>\$ 4,180</b>	<b>\$ 62</b>	<b>\$ 5,346</b>	<b>\$ 5,364</b>	
<b>Financial liabilities</b>								
Trade and other payables	\$ —	\$ —	n/a	\$ 4,439	\$ —	\$ 4,439	\$ 4,439	
Long-term debt <sup>(1)</sup>	—	—	n/a	9,136	—	9,136	9,481	
Other financial liabilities	675	483	n/a	615	160	1,933	1,966	
	<b>\$ 675</b>	<b>\$ 483</b>	<b>n/a</b>	<b>\$ 14,190</b>	<b>\$ 160</b>	<b>\$ 15,508</b>	<b>\$ 15,886</b>	
<b>December 31, 2017</b>								
<b>Financial assets</b>								
Cash and cash equivalents	\$ 2,988	\$ —	\$ —	\$ —	\$ —	\$ 2,988	\$ 2,988	
Trade and other receivables	—	—	—	1,174	—	1,174	1,174	
Other financial assets	79	216	361	331	253	1,240	1,278	
	<b>\$ 3,067</b>	<b>\$ 216</b>	<b>\$ 361</b>	<b>\$ 1,505</b>	<b>\$ 253</b>	<b>\$ 5,402</b>	<b>\$ 5,440</b>	
<b>Financial liabilities</b>								
Trade and other payables	\$ —	\$ 6	n/a	\$ 3,958	\$ —	\$ 3,964	\$ 3,964	
Long-term debt <sup>(1)</sup>	—	—	n/a	9,218	—	9,218	9,354	
Other financial liabilities	354	74	n/a	677	184	1,289	1,329	
	<b>\$ 354</b>	<b>\$ 80</b>	<b>n/a</b>	<b>\$ 13,853</b>	<b>\$ 184</b>	<b>\$ 14,471</b>	<b>\$ 14,647</b>	
<b>January 1, 2017</b>								
<b>Financial assets</b>								
Cash and cash equivalents	\$ 3,384	\$ —	\$ —	\$ —	\$ —	\$ 3,384	\$ 3,384	
Trade and other receivables	—	—	—	1,220	—	1,220	1,220	
Other financial assets	144	227	374	310	196	1,251	1,272	
	<b>\$ 3,528</b>	<b>\$ 227</b>	<b>\$ 374</b>	<b>\$ 1,530</b>	<b>\$ 196</b>	<b>\$ 5,855</b>	<b>\$ 5,876</b>	
<b>Financial liabilities</b>								
Trade and other payables	\$ —	\$ 6	n/a	\$ 3,039	\$ —	\$ 3,045	\$ 3,045	
Long-term debt <sup>(1)</sup>	—	—	n/a	8,769	—	8,769	8,624	
Other financial liabilities	259	141	n/a	808	368	1,576	1,616	
	<b>\$ 259</b>	<b>\$ 147</b>	<b>n/a</b>	<b>\$ 12,616</b>	<b>\$ 368</b>	<b>\$ 13,390</b>	<b>\$ 13,285</b>	

<sup>(1)</sup> Includes the current portion of long-term debt.

n/a: Not applicable

## 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

	September 30, 2018	December 31, 2017	January 1, 2017
Cash and cash equivalents <sup>(1)</sup>	\$ 2,318	\$ 3,057	\$ 3,384
Reclassified as assets held for sale	—	69	—
<b>Cash and cash equivalents</b>	<b>\$ 2,318</b>	<b>\$ 2,988</b>	<b>\$ 3,384</b>

<sup>(1)</sup> For purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

## 12. CONTRACT BALANCES

Contract assets were as follows, as at:

	September 30, 2018	December 31, 2017 <sup>(1)</sup>	January 1, 2017 <sup>(1)</sup>
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	\$ 9,060	\$ 8,306	\$ 6,796
Less: advances and progress billings	(6,788)	(6,171)	(5,362)
	<b>2,272</b>	<b>2,135</b>	<b>1,434</b>
Service contracts			
Cost incurred and recorded margins	533	367	270
Less: advances and progress billings	(62)	(42)	(73)
	<b>471</b>	<b>325</b>	<b>197</b>
	<b>\$ 2,743</b>	<b>\$ 2,460</b>	<b>\$ 1,631</b>

Contract liabilities were as follows, as at:

	September 30, 2018	December 31, 2017 <sup>(1)</sup>	January 1, 2017 <sup>(1)</sup>
Advances on aerospace programs	\$ 2,852	\$ 2,120	\$ 3,110
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	2,137	1,981	1,497
Other deferred revenues	837	991	906
	<b>\$ 5,826</b>	<b>\$ 5,092</b>	<b>\$ 5,513</b>
Of which current	\$ 3,897	\$ 3,820	\$ 3,840
Of which non-current	1,929	1,272	1,673
	<b>\$ 5,826</b>	<b>\$ 5,092</b>	<b>\$ 5,513</b>

<sup>(1)</sup> Restated, refer to Note 2 - Changes in accounting policies for more details.

In connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. Amounts received under these arrangements are included as advances and progress billings in reduction of long-term contracts (production contracts) in contract assets and amounted to €617 million (\$723 million) as at September 30, 2018 (€434 million (\$520 million) as at December 31, 2017 and €471 million (\$496 million) as at January 1, 2017). The third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations under the related long-term contract.

### 13. INVENTORIES

Inventories were as follows, as at:

	September 30, 2018	December 31, 2017 <sup>(1)</sup>	January 1, 2017 <sup>(1)</sup>
Aerospace programs	\$ 3,411	\$ 2,472	\$ 3,187
Finished products <sup>(2)</sup>	808	749	904
Other	191	208	195
	<b>\$ 4,410</b>	<b>\$ 3,429</b>	<b>\$ 4,286</b>

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> Finished products include 2 new aircraft not associated with a firm order and 4 pre-owned aircraft, totalling \$70 million as at September 30, 2018 (3 new aircraft and 5 pre-owned aircraft, totalling \$93 million as at December 31, 2017 and 1 new aircraft and 12 pre-owned aircraft, totalling \$67 million as at January 1, 2017).

The amount of inventories recognized as cost of sales totalled \$1,061 million and \$3,863 million for the three- and nine-month periods ended September 30, 2018, respectively (\$1,265 million and \$4,205 million for the three- and nine-month periods ended September 30, 2017, respectively). These amounts include \$43 million and \$203 million of write-downs and \$1 million and \$10 million of reversal of write-downs for the three- and nine-month periods ended September 30, 2018, respectively (\$46 million and \$245 million of write-downs and nil and \$14 million of reversal of write-downs for the three- and nine-month periods ended September 30, 2017, respectively).

### 14. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	September 30, 2018	December 31, 2017	January 1, 2017
Receivables from related party <sup>(1)</sup>	\$ 425	\$ —	\$ —
Investments in securities <sup>(2)(3)</sup>	320	361	380
Long-term contract receivables	241	253	231
Investments in financing structures <sup>(3)</sup>	178	219	211
Derivative financial instruments	163	332	340
CSALP non-voting units <sup>(4)</sup>	57	—	—
Aircraft loans and lease receivables <sup>(3)</sup>	25	49	64
Restricted cash	23	12	10
Other	14	14	15
	<b>\$ 1,446</b>	<b>\$ 1,240</b>	<b>\$ 1,251</b>
Of which current	\$ 157	\$ 415	\$ 336
Of which non-current	1,289	825	915
	<b>\$ 1,446</b>	<b>\$ 1,240</b>	<b>\$ 1,251</b>

<sup>(1)</sup> This receivable from CSALP represents a back-to-back agreement that the Corporation has with CSALP related to certain government refundable advances. See note 17 - Other financial liabilities for more information.

<sup>(2)</sup> Includes \$16 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 September 30, 2018 (\$51 million as at December 31, 2017, and \$78 million as at January 1, 2017).

<sup>(3)</sup> Carried at fair value, except for \$2 million of aircraft loans and lease receivables at amortized cost as at September 30, 2018. Carried at fair value, except for \$2 million of aircraft loans and lease receivables, nil of investments in securities and \$50 million of investment in financing structures carried at amortized cost as at December 31, 2017 (\$2 million, \$6 million and \$46 million, respectively, as at January 1, 2017).

<sup>(4)</sup> See note 19 - Disposal of a business for more details.

## 15. OTHER ASSETS

Other assets were as follows, as at:

	September 30, 2018	December 31, 2017 <sup>(1)</sup>	January 1, 2017 <sup>(1)</sup>
Retirement benefits	\$ 334	\$ 290	\$ 124
Sales tax and other taxes	215	262	238
Intangible assets other than aerospace program tooling and goodwill	173	120	112
Prepaid sales concessions	143	174	274
Prepaid expenses	125	107	145
Income taxes receivable	67	60	41
Deferred financing charges	43	40	51
Other	18	17	30
	<b>\$ 1,118</b>	<b>\$ 1,070</b>	<b>\$ 1,015</b>
Of which current	\$ 375	\$ 427	\$ 427
Of which non-current	743	643	588
	<b>\$ 1,118</b>	<b>\$ 1,070</b>	<b>\$ 1,015</b>

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

## 16. PROVISIONS

Changes in provisions were as follows, for the three- and nine-month periods ended September 30:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other <sup>(1)</sup>	Total
Balance as at December 31, 2017 <sup>(2)(3)</sup>	\$ 672	\$ 554	\$ 277	\$ 1,420	\$ 196	\$ 3,119
Additions	69	—	26 <sup>(4)</sup>	101	12	208
Utilization	(104)	(69)	(43)	(353)	(4)	(573)
Reversals	(20)	(5)	(18) <sup>(4)</sup>	(73)	(1)	(117)
Accretion expense	1	6	—	6	—	13
Effect of changes in discount rates	—	(7)	—	(11)	—	(18)
Effect of foreign currency exchange rate changes	(18)	—	(10)	(9)	(2)	(39)
Balance as at June 30, 2018 <sup>(3)</sup>	\$ 600	\$ 479	\$ 232	\$ 1,081	\$ 201	\$ 2,593
Additions	99 <sup>(5)</sup>	—	5 <sup>(4)</sup>	554 <sup>(5)</sup>	—	658
Utilization	(54)	(19)	(18)	(85)	(19)	(195)
Reversals	(33)	(36) <sup>(6)</sup>	(3) <sup>(4)</sup>	(18)	(2)	(92)
Accretion expense	—	3	—	3	—	6
Effect of changes in discount rates	(1)	(1)	—	—	—	(2)
Disposal of CSALP business <sup>(7)</sup>	(15)	—	—	(378)	—	(393)
Effect of foreign currency exchange rate changes	6	1	3	1	—	11
<b>Balance as at September 30, 2018</b>	<b>\$ 602</b>	<b>\$ 427</b>	<b>\$ 219</b>	<b>\$ 1,158</b>	<b>\$ 180</b>	<b>\$ 2,586</b>
Of which current	\$ 488	\$ 65	\$ 77	\$ 531	\$ 156	\$ 1,317
Of which non-current	114	362	142	627	24	1,269
	<b>\$ 602</b>	<b>\$ 427</b>	<b>\$ 219</b>	<b>\$ 1,158</b>	<b>\$ 180</b>	<b>\$ 2,586</b>

<sup>(1)</sup> Mainly comprised of claims and litigations.

<sup>(2)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(3)</sup> Opening balances are before the assets held for sale reclassification. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

<sup>(4)</sup> See Note 7 – Special items for more details on additions and reversals related to restructuring charges.

<sup>(5)</sup> Includes the additional obligations the Corporation's had recorded related to the disposal of CSALP. See Note 19 – Disposal of a business for more details. In addition, includes a provision for onerous contracts related to Primove, see Note 7 – Special items for more details.

<sup>(6)</sup> See Note 7 – Special items for more details on reversals related to credit and residual value guarantees.

<sup>(7)</sup> See Note 19 – Disposal of a business for more details on CSALP disposal.

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other <sup>(1)</sup>	Total
Balance as at January 1, 2017 <sup>(2)</sup>	\$ 670	\$ 562	\$ 111	\$ 1,594	\$ 166	\$ 3,103
Additions	103	2	212 <sup>(3)</sup>	176 <sup>(4)</sup>	46	539
Utilization	(77)	(17)	(67)	(309) <sup>(5)</sup>	(29)	(499)
Reversals	(36)	(3)	(2)	(26)	(3)	(70)
Accretion expense	1	4	—	4	1	10
Effect of changes in discount rates	—	(2)	—	5	—	3
Effect of foreign currency exchange rate changes	30	—	17	42	3	92
Balance as at June 30, 2017 <sup>(2)</sup>	\$ 691	\$ 546	\$ 271	\$ 1,486	\$ 184	\$ 3,178
Additions	63	8	13 <sup>(3)</sup>	9	36 <sup>(6)</sup>	129
Utilization	(49)	—	(11)	(58)	(30)	(148)
Reversals	(47)	(3)	(9) <sup>(3)</sup>	(11)	(1)	(71)
Accretion expense	—	2	—	1	1	4
Effect of changes in discount rates	(1)	(3)	—	3	—	(1)
Effect of foreign currency exchange rate changes	14	—	4	8	3	29
Balance as at September 30, 2017 <sup>(2)</sup>	\$ 671	\$ 550	\$ 268	\$ 1,438	\$ 193	\$ 3,120
Of which current	\$ 571	\$ 90	\$ 187	\$ 716	\$ 160	\$ 1,724
Of which non-current	100	460	81	722	33	1,396
	\$ 671	\$ 550	\$ 268	\$ 1,438	\$ 193	\$ 3,120

<sup>(1)</sup> Mainly comprised of claims and litigations.

<sup>(2)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(3)</sup> See Note 7 – Special items for more details on additions and reversals related to restructuring charges.

<sup>(4)</sup> See Note 7 – Special items for more details on the addition related to the re-negotiation of a commercial agreement and on the addition related to the *Primove* impairment and other costs.

<sup>(5)</sup> See Note 7 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions.

<sup>(6)</sup> See Note 7 – Special items for more details on the addition related to the tax litigation provision.

## 17. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	September 30, 2018	December 31, 2017	January 1, 2017
Derivative financial instruments	\$ 835	\$ 538	\$ 627
Government refundable advances	795 <sup>(1)</sup>	550	395
Lease subsidies	58	74	141
Current portion of long-term debt	11	18	31
Vendor non-recurring costs	17	13	351
Sale and leaseback obligations	—	—	25
Other	228	114	37
	\$ 1,944	\$ 1,307	\$ 1,607
Of which current	\$ 474	\$ 342	\$ 608
Of which non-current	1,470	965	999
	\$ 1,944	\$ 1,307	\$ 1,607

<sup>(1)</sup> Of which \$425 million has a back-to-back agreement with CSALP. Refer to Note 14 - Other financial assets for the receivables from related party. The Corporation is required to pay amounts to governments based on the number of delivery of aircraft.

## 18. OTHER LIABILITIES

Other liabilities were as follows, as at:

	September 30, 2018	December 31, 2017 <sup>(1)</sup>	January 1, 2017 <sup>(1)</sup>
Employee benefits	\$ 621	\$ 690	\$ 652
Accruals for long-term contract costs	490	640	579
Supplier contributions to aerospace programs	386	388	650
Income taxes payable	157	187	217
Other taxes payable	90	234	163
Other	202	179	264
	<b>\$ 1,946</b>	<b>\$ 2,318</b>	<b>\$ 2,525</b>
Of which current	\$ 1,365	\$ 1,723	\$ 1,634
Of which non-current	581	595	891
	<b>\$ 1,946</b>	<b>\$ 2,318</b>	<b>\$ 2,525</b>

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

## 19. DISPOSAL OF A BUSINESS

On July 1, 2018, Airbus SAS (Airbus), a wholly-owned subsidiary of Airbus SE acquired the control of CSALP, the entity that manufactures and sells the *C Series* aircraft. Under the terms of the transaction Airbus provides procurement, sales and marketing, and customer support expertise to CSALP. Effective July 1, 2018, Airbus owns a 50.01% interest in CSALP. The Corporation and Investissement Québec (IQ) own 33.55% and 16.44% respectively. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220.

Since the Corporation no longer controls CSALP, the transaction has been accounted as a disposal of CSALP on July 1, 2018 in exchange for an equity interest in CSALP that is accounted for using the equity method of accounting and recorded in the Commercial Aircraft segment. The transaction resulted in a pre-tax accounting charge of \$609 million (\$545 million after tax) in Special items, see Note 7 - Special items, of which \$599 million was recorded in the three-month period ended June 30, 2018 as a reduction of the CSALP assets held for sale balance and \$10 million in the three-month period ended September 30, 2018.

The details of the impact of the transactions were as follows, as at:

		July 1, 2018	
Fair value of CSALP <sup>(1)</sup>		\$	5,250
Ownership interest			33.55%
Bombardier investment in associate at fair value		\$	1,761
<u>Derecognition of assets, liabilities and non-controlling interest <sup>(2)</sup></u>			
Cash and cash equivalents	\$		151
Other current assets <sup>(3)</sup>			1,018
Non-current assets <sup>(4)</sup>			3,072
Total assets	\$		4,241
Current liabilities <sup>(5)</sup>	\$		(1,092)
Non-current liabilities <sup>(6)</sup>			(1,709)
Total liabilities	\$		(2,801)
Non-controlling interest	\$	(391)	\$ (1,049)
<u>Other elements provided by Bombardier</u>			
Fair value of warrants <sup>(7)</sup>			(270)
Funding commitments <sup>(7)</sup>			(310)
Other Bombardier obligations <sup>(7)</sup>			(741)
Pre-tax accounting charge		\$	(609)
Tax recoveries			64
Accounting charge		\$	(545)

<sup>(1)</sup> The fair value of CSALP as of July 1, 2018 was determined following an independent external professional advice and consultations with the controlling partner.

<sup>(2)</sup> Carrying values are before the special charges that were recorded as a reduction of assets held for sale for the three-month period ended June 30, 2018.

<sup>(3)</sup> Mainly comprised of inventories.

<sup>(4)</sup> Mainly comprised of aerospace program tooling.

<sup>(5)</sup> Mainly comprised of other financial liabilities, trade and other payables and contract liabilities.

<sup>(6)</sup> Mainly comprised of provisions, contract liabilities and other financial liabilities.

<sup>(7)</sup> Furthermore, on July 1, 2018 the Corporation recorded (i) the \$270 million fair value of warrants issued by Bombardier to Airbus in shareholders' equity, (ii) a \$310 million derivative liability associated with the expected off-market return on non-voting units to be issued to Bombardier by CSALP under Bombardier's funding commitments which was included in other financial liabilities, and (iii) other Bombardier obligations towards CSALP, which mainly comprise supply chain obligations for Aerostructures and Engineering Services.

### Ownership Structure and Agreement Highlights

Effective July 1, 2018, Airbus is also responsible to provide (i) sales and marketing support services for the *C Series* aircraft program, (ii) management of procurement, which includes leading negotiations to improve CSALP level supplier agreements, and (iii) customer support for the *C Series* aircraft program. CSALP's headquarters and primary assembly line and related functions remain in Mirabel, Québec, with the support of Airbus' global reach and scale. Airbus' global industrial footprint expands with the final assembly line in Canada and additional *C Series* aircraft production at Airbus' manufacturing site in Alabama, U.S. No cash contribution was made at closing by any of the partners, nor did CSALP assume any financial debt. Due to the early closing of the transaction, the terms of the Corporation's funding plan were updated according to the following schedule: Bombardier will fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of \$225 million; during 2019, up to a maximum of \$350 million; and up to a maximum aggregate amount of \$350 million over the following two years, the whole in consideration for non-voting units of CSALP with cumulative annual dividends of 2%. Any excess shortfall during such periods will be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion. As of September 30, 2018, the Corporation invested \$85 million in CSALP in exchange for non-voting units of CSALP. Subsequent to the closing, Airbus rebranded the *C Series* aircraft as A220.

Airbus benefits from a call right in respect of all of Bombardier's interest in CSALP at fair market value, including its non-voting units (which shall for such purposes each have the same fair market value as each participating unit held by Bombardier), exercisable no earlier than 7.5 years following the closing of the transaction, except in certain circumstances such as an adverse change in the control of Bombardier, where the right is then accelerated. Bombardier benefits from a corresponding put right whereby it could require that Airbus acquires its interest at fair market value after the expiry of such 7.5-year period. Airbus also benefits from a call right exercisable any time before the expiry of such 7.5-year period in respect of the non-voting units of CSALP held by Bombardier, for an amount equal to the invested amount plus the cumulative annual preferred return of 2%. IQ's interest is redeemable at fair market value by CSALP, under certain conditions, starting on June 30, 2023. IQ also benefits from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

The Board of Directors of CSALP consists of seven directors, four of whom were nominated by Airbus, two of whom were nominated by Bombardier, and one of whom was nominated by IQ. Airbus is entitled to designate the Chairman of CSALP.

Furthermore, upon closing, Bombardier issued warrants to Airbus, exercisable on a one for one basis for a total number of 100,000,000 Class B shares (subordinate voting) at an exercise price per share equal to \$1.74, being the U.S. dollar equivalent of CDN \$2.29 for a period of five years. The warrants contain market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations.

### Assets held for sale

This transaction was presented as assets held for sale as at December 31, 2017. The major classes of assets held for sale or liabilities directly associated with assets held for sale, which were reported in the Commercial aircraft reportable segment, was as follows, as at:

	December 31, 2017 <sup>(1)</sup>
Cash and cash equivalents	\$ 69
Other current assets <sup>(2)</sup>	1,043
Non-current assets <sup>(3)</sup>	3,038
<b>Total assets</b>	<b>\$ 4,150</b>
Current liabilities <sup>(4)</sup>	\$ 971
Non-current liabilities <sup>(5)</sup>	1,715
<b>Total liabilities</b>	<b>\$ 2,686</b>

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

<sup>(2)</sup> Mainly comprised of inventories.

<sup>(3)</sup> Mainly comprised of aerospace program tooling.

<sup>(4)</sup> Mainly comprised of other financial liabilities, trade and other payables and contract liabilities.

<sup>(5)</sup> Mainly comprised of provisions, contract liabilities and other financial liabilities.

## 20. SHARE CAPITAL

Following an agreement with a syndicate of underwriters that occurred on March 23, 2018, the Corporation issued 168,000,000 Class B Shares (subordinate voting) at a purchase price of CDN \$3.80, for an aggregate gross proceeds of CDN \$638 million (approximately \$500 million).

The net proceeds of \$475 million are to supplement our working capital and for general corporate purposes.

## 21. SHARE-BASED PLANS

### PSU, DSU and RSU plans

The number of PSUs, DSUs and RSUs has varied as follows:

	Three-month periods ended September 30					
	2018			2017		
	PSU	DSU	RSU	PSU	DSU	RSU
Balance at beginning of period	87,811,681	1,154,381	20,499,201	40,063,630	2,677,843	21,356,181
Granted	988,421	—	—	36,272,136	439	—
Exercised	—	(52,532)	(20,460,527)	—	—	—
Forfeited	(1,984,613)	—	(38,674)	(8,545,499)	(1,372,230)	(227,215)
Balance at end of period	86,815,489	1,101,849 <sup>(1)</sup>	—	67,790,267	1,306,052 <sup>(1)</sup>	21,128,966

  

	Nine-month periods ended September 30					
	2018			2017		
	PSU	DSU	RSU	PSU	DSU	RSU
Balance at beginning of period	67,131,352	1,154,381	20,798,101	39,324,712	2,677,843	22,058,924
Granted	23,152,030	—	—	38,454,421	439	—
Exercised	—	(52,532)	(20,460,527)	—	—	—
Forfeited	(3,467,893)	—	(337,574)	(9,988,866)	(1,372,230)	(929,958)
Balance at end of period	86,815,489	1,101,849 <sup>(1)</sup>	—	67,790,267	1,306,052 <sup>(1)</sup>	21,128,966

<sup>(1)</sup> Of which 1,101,849 DSUs are vested as at September 30, 2018 (1,306,052 as at September 30, 2017).

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to \$14 million and \$50 million during the three- and nine-month periods ended September 30, 2018, respectively (\$9 million and \$20 million during the three- and nine-month periods ended September 30, 2017, respectively).

### 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 September 30		Nine-month periods ended September 30	
	2018	2017	2018	2017
	Balance at beginning of period	129,531,924	93,815,621	116,307,725
Granted	836,416	25,793,617	16,257,940	27,721,382
Exercised	(17,762,188)	—	(18,703,321)	—
Forfeited	(1,062,621)	(1,316,739)	(1,062,621)	(3,789,339)
Expired	(1,211,874)	(176,654)	(2,468,066)	(2,855,384)
Balance at end of period	110,331,657	118,115,845	110,331,657	118,115,845

A compensation expense of \$6 million and \$17 million was recorded during the three- and nine-month periods ended September 30, 2018, respectively, with respect to share option plans (\$5 million and \$12 million for the three- and nine-month periods ended September 30, 2017, respectively).

## 22. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018 <sup>(1)</sup>	2017 <sup>(2)</sup>	2018 <sup>(1)</sup>	2017 <sup>(2)</sup>
Trade and other receivables	\$ (213)	\$ 65	\$ (416)	\$ 32
Inventories	(424)	(108)	(843)	(263)
Contract assets	(232)	(342)	(404)	(932)
Contract liabilities	307	142	806	(40)
Other financial assets and liabilities, net	59	176	104	210
Other assets	(42)	35	(40)	60
Trade and other payables	397	29	502	640
Provisions	(27)	(110)	(528)	(156)
Retirement benefit liability	88	83	127	77
Other liabilities	(255)	(170)	(480)	(207)
	\$ (342)	\$ (200)	\$ (1,172)	\$ (579)

<sup>(1)</sup> For the purpose of the statement of cash flows, net change in non-cash balances comprise all assets and liabilities of CSALP reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

<sup>(2)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies.

## 23. CREDIT FACILITIES

In March 2018, the availability periods of Transportation's €3,560-million (\$4,168-million) letter of credit facility and the \$400-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2021 and June 2021, respectively. In addition, the maturity dates of Transportation's €640-million (\$749-million) unsecured revolving credit facility and the \$400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, were also extended by one year to May 2021 and June 2021, respectively.

Effective in March 2018, the minimum liquidity required by the \$400-million letter of credit facility and the \$400-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now varying between \$600 million and \$850 million at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds at the end of each quarter, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the minimum liquidity required by the Transportation letter of credit and revolving credit facilities is now increased from €600 million (\$702 million) to €750 million (\$878 million) at the end of each quarter. The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data.

In May 2018, the committed amount under Transportation's €640-million (\$749-million) unsecured revolving credit facility was increased to €722 million (\$845 million). In June 2018, the \$400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, was adjusted to \$397 million.

In June 2018, the committed amount under Transportation's €3,560-million (\$4,168-million) letter of credit facility was increased to €3,725-million (\$4,361-million) and the \$400-million letter of credit facility, which is available for the Corporation excluding Transportation, was reduced to \$361 million.

## 24. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The corporation's aggregate pro rata shares of assets and liabilities of its joint ventures and associates was as follows, as at September 30, 2018:

	CSALP <sup>(1)</sup>		Other		Total
Cash and cash equivalents	\$	17	\$	354	\$ 371
Other current assets	\$	278	\$	769	\$ 1,047
Non-current assets	\$	3,267	\$	215	\$ 3,482
Current liabilities	\$	(369)	\$	(797)	\$ (1,166)
Non-current liabilities	\$	(1,411)	\$	(52)	\$ (1,463)

<sup>(1)</sup> As of September 30, 2018, the Corporation invested \$85 million in CSALP in exchange for non-voting units of CSALP. CSALP has recorded that contribution as equity while for the Corporation, the fair value of the \$85 million investment in non-voting units was estimated to be \$57 million and was recorded as other financial asset. The loss of \$28 million was recorded against the funding commitments derivative liability. See Note 25 - Fair value of financial instruments for more details.

The Corporation's pro rata share of net income of its joint ventures and associates was as follows:

	Three-month period ended September 30, 2018			Nine-month period ended September 30, 2018		
	CSALP	Other	Total	CSALP	Other	Total
Net income (loss)	\$ (13)	\$ 22	\$ 9	\$ (13)	\$ 72	\$ 59

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed in these consolidated financial statements represent the Corporation's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the principal market for that instrument to which the Corporation has immediate access. However, there is no active market for most of the Corporation's financial instruments. In the absence of an active market, the Corporation determines fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. Fair value determined using valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, discount rates, the creditworthiness of the borrower, the aircraft's expected future value, default probability, generic industrial bond spreads and marketability risk. In determining these assumptions, the Corporation uses primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, credit spreads, default probabilities, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable. These calculations represent management's best estimates. Since they are based on estimates, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

### Methods and assumptions

The methods and assumptions used to measure fair value for items recorded at FVTP&L and FVOCI are as follows:

**Aircraft loans and lease receivables and investments in financing structures** – The Corporation uses an internal valuation model based on stochastic simulations and discounted cash flow analysis to estimate fair value. Fair value is calculated using market data for interest rates, published credit ratings when available, yield curves and default probabilities. The Corporation uses market data to determine the marketability adjustments and also uses internal assumptions to take into account factors that market participants would consider when pricing these financial assets. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In addition, the Corporation uses aircraft residual value curves reflecting specific factors of the current aircraft market and a balanced market in the medium and long term.

**Investments in securities** – The Corporation uses discounted cash flow models to estimate the fair value of unquoted investments in fixed-income securities, using market data such as interest-rate.

**Lease subsidies** – The Corporation uses an internal valuation model based on stochastic simulations to estimate fair value of lease subsidies incurred in connection with the sale of commercial aircraft. Fair value is calculated using market data for interest rates, published credit ratings when available, default probabilities from rating agencies and the Corporation's credit spread. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating.

**Derivative financial instruments** – Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive to sell favourable contracts i.e. taking into consideration the counterparty credit risk, or pays to transfer unfavourable contracts i.e. taking into consideration the Corporation's credit risk, at the reporting dates. The Corporation uses discounted cash flow analyses and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements and interest-rate derivatives.

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

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

Airbus benefits from a call option, exercisable any time before the end of 2025 in respect of the non-voting units of CSALP held by Bombardier, for an amount equal to the invested amount plus the cumulative annual preferred return capped at 2%.

The cap on the Corporation's return from any future investments in non-voting units of CSALP represents a derivative liability which is accounted for at fair value and is re-measured each period through financing expense. To estimate the fair value of the derivative liability the Corporation uses an internal valuation model based on stochastic simulations considering Bombardier's expected investments in non-voting units due to CSALP cash shortfalls, the timing of such investments, the fair value of CSALP, expected volatility of CSALP's fair value and the relative values of different classes of CSALP units.

The Corporation's investment in CSALP non-voting units is accounted for at fair value and re-measured each period through financing income. The fair value reflects the Corporation's return on the units being capped at 2% and Airbus' call right thereon. To estimate the fair value of the non-voting units the Corporation uses an internal valuation model based on stochastic simulations considering the fair value of CSALP, expected volatility of CSALP's fair value and the relative values of different classes of CSALP units. The fair value of the \$85 million investment in non-voting units during the third quarter of 2018 was estimated to be \$57 million. The initial loss of \$28 million was recorded against the above-mentioned derivative liability that was recorded on July 1, 2018 in respect of the Corporation's funding commitments toward CSALP.

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

**Financial instruments whose carrying value approximates fair value** – The fair values of trade and other receivables, certain aircraft loans and lease receivables, restricted cash, trade and other payables and sales and leaseback obligations measured at amortized cost, approximate their carrying value due to the short-term maturities of these instruments, because they bear variable interest-rate or because the terms and conditions are comparable to current market terms and conditions for similar items.

**Long-term contract receivables** – The Corporation uses discounted cash flow analyses to estimate the fair value using market data for interest rates.

**Long-term debt** – The fair value of long-term debt is estimated using public quotations, when available, or discounted cash flow analyses, based on the current corresponding borrowing rate for similar types of borrowing arrangements.

**Government refundable advances and vendor non-recurring costs** – The Corporation uses discounted cash flow analyses to estimate the fair value using market data for interest rates and credit spreads.

### Fair value hierarchy

The following tables present financial assets and financial liabilities measured at fair value on a recurring basis categorized using the fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs from observable markets other than quoted prices included in Level 1, including indirectly observable data (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at September 30, 2018:

	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Aircraft loans and lease receivables	\$ 23	\$ —	\$ —	\$ 23
Derivative financial instruments <sup>(1)</sup>	163	—	163	—
Investments in securities	320	52	268	—
Receivable from related party	425	—	—	425
CSLAP non-voting units	57	—	—	57
Investments in financing structures	178	—	—	178
	<b>\$ 1,166</b>	<b>\$ 52</b>	<b>\$ 431</b>	<b>\$ 683</b>
<b>Financial liabilities</b>				
Lease subsidies	\$ (58)	\$ —	\$ —	\$ (58)
Government refundable advance	(425)	—	—	(425)
Derivative financial instruments <sup>(1)</sup>	(835)	—	(232)	(603)
	<b>\$ (1,318)</b>	<b>\$ —</b>	<b>\$ (232)</b>	<b>\$ (1,086)</b>

<sup>(1)</sup> Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.

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

	Aircraft loans and lease receivables	CSALP non-voting units	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option	Funding commit- ments
Balance as at December 31, 2017	\$ 47	\$ —	\$ 219 <sup>(1)</sup>	\$ (6)	\$ (122)	\$ (304)	\$ —
Net gains (losses) and interest included in net income <sup>(2)</sup>	(3)	—	6	—	(2)	(24)	—
Issuances	—	—	—	—	—	—	—
Settlements	(21)	—	(8)	6	22	—	—
Effect of foreign currency exchange rate changes	—	—	—	—	—	10	—
Balance as at June 30, 2018	\$ 23	\$ —	\$ 217	\$ —	\$ (102)	\$ (318)	\$ —
Net gains (losses) and interest included in net income <sup>(2)</sup>	—	—	7	—	—	—	—
Issuances	—	57	—	—	—	—	(310) <sup>(3)</sup>
Settlements	—	—	(46)	—	(4)	—	28 <sup>(4)</sup>
Disposal of CSALP business <sup>(5)</sup>	—	—	—	—	48	—	—
Effect of foreign currency exchange rate changes	—	—	—	—	—	(3)	—
<b>Balance as at September 30, 2018</b>	<b>\$ 23</b>	<b>\$ 57</b>	<b>\$ 178</b>	<b>\$ —</b>	<b>\$ (58)</b>	<b>\$ (321)</b>	<b>\$ (282)</b>

<sup>(1)</sup> Restated, refer to Note 2 for the impact of changes in accounting policies. Following the adoption of IFRS 9, an investment in financing structures was reclassified as FVTP&L.

<sup>(2)</sup> Of which an amount of nil represents realized gains for the three- and nine-month periods ended September 30, 2018 which is recorded in financing income.

<sup>(3)</sup> See Note 19 – Disposal of a business for more information on the Corporation's funding commitments to CSALP.

<sup>(4)</sup> As of September 30, 2018, the Corporation invested \$85 million in CSALP. This investment was recorded in other financial assets at its estimated fair value of \$57 million which is lower than the amount paid since the upside on this investment is capped at 2%. The \$28 million difference represents the day one loss on this investment which was offset against the funding commitments for off-market funding commitments provided by Bombardier as part of the transaction. See Note 19 – Disposal of a business for more information.

<sup>(5)</sup> See Note 19 – Disposal of a business for more details on CSALP disposal.

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option
Balance as at January 1, 2017	\$ 62	\$ 165	\$ (6)	\$ (141)	\$ (170)
Net gains (losses) and interest included in net income <sup>(1)</sup>	2	1	—	(3)	(48)
Issuances	—	—	(3)	—	—
Settlements	(17)	(2)	—	14	—
Effect of foreign currency exchange rate changes	—	—	—	—	(13)
Balance as at June 30, 2017	\$ 47	\$ 164	\$ (9)	\$ (130)	\$ (231)
Net gains and interest included in net income <sup>(1)</sup>	2	4	—	—	14
Settlements	(1)	(1)	3	5	—
Effect of foreign currency exchange rate changes	—	—	—	—	(8)
Balance as at September 30, 2017	\$ 48	\$ 167	\$ (6)	\$ (125)	\$ (225)

<sup>(1)</sup> Of which an amount of nil and \$1 million represents realized gains for the three- and nine-month periods ended September 30, 2017, respectively, which is recorded in financing income.

### Main assumptions developed internally for Level 3 hierarchy

When measuring Level 3 financial instruments at fair value, some assumptions are not derived from an observable market. The main assumptions developed internally 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 September 30, 2018:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between B- to CCC+ (B-)	Between BB- to CCC+ (B+)	Between BB- to B- (BB-)
Discount rate adjustments for marketability	10.03%	Between 1.81% and 8.44% (5.66%)	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 September 30, 2018:

Impact on EBT		Change of assumptions			
Change in fair value recognized in EBT for the :					
	Three-month period ended September 30, 2018	Nine-month period ended September 30, 2018	Decrease in aircraft residual value curves by 5%	Downgrade the internally assigned credit rating of unrated customers by 1 notch	Increase the marketability adjustments by 100 bps
Gain (loss)					
Aircraft loans and lease receivables	\$ —	\$ (5)	\$ (1)	\$ (1)	\$ (1)
Investment in financing structures	\$ 2	\$ (1)	\$ (5)	\$ (11)	\$ (8)
Lease subsidies	\$ —	\$ (1)	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 financing expense and financing income for the nine-month period ended September 30, 2018 of \$9 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 financing expense and financing income for the nine-month period ended September 30, 2018 of \$15 million.

### Funding commitments

#### Sensitivity analysis

A 5% change in value of CSALP would have resulted in a change in the fair value with a corresponding impact recognized in financing expense and financing income for the nine-month period ended September 30, 2018 of \$25 million.

A 5% change in volatility of CSALP value would have resulted in a change in the fair value with a corresponding impact recognized in financing expense and financing income for the nine-month period ended September 30, 2018 of \$40 million.

## 26. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2018	December 31, 2017	January 1, 2017
<b>Aircraft sales</b>			
Residual value	\$ 721	\$ 1,060	\$ 1,300
Credit	1,049	1,221	1,233
Mutually exclusive exposure <sup>(1)</sup>	(474)	(540)	(557)
Total credit and residual value exposure	\$ 1,296	\$ 1,741	\$ 1,976
Trade-in commitments	\$ 1,188	\$ 1,437	\$ 1,721
Conditional repurchase obligations	\$ 101	\$ 143	\$ 207
<b>Other</b>			
Credit	\$ 48	\$ 52	\$ 48

<sup>(1)</sup> 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 \$427 million as at September 30, 2018 (\$554 million as at December 31, 2017 and \$562 million as at January 1, 2017) have been established to cover the risks from credit and residual value guarantees. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to \$58 million as at September 30, 2018 (\$122 million as at December 31, 2017 and \$141 million as at January 1, 2017).

The Corporation has committed to fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of \$225 million; during 2019, up to a maximum of \$350 million; and up to a maximum aggregate amount of \$350 million over the following two years, the whole in consideration for non-voting units of CSALP with cumulative annual dividends of 2%. As of September 30, 2018, the Corporation invested \$85 million in CSALP in exchange for non-voting units of CSALP. See Note 19 - Disposal of a business for more details.

### 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 September 30 2018, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

### Transportation

Since the fourth quarter of 2016, the Swedish police authorities are conducting an on-going investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment to Azerbaijan Railways ADY. The Corporation's subsidiary has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. Both the investigation and the internal review are ongoing. On August 18, 2017, charges were laid against a then employee of the subsidiary for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of the Corporation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed on October 25, 2017 by the Prosecution Authority. The appeal is to be heard from January 16 to February 4, 2019. The underlying contract that gave rise to this matter is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is still ongoing and no results have been communicated so far regarding the same. The Corporation's policy is to comply with all applicable laws and it is cooperating to the extent possible with the investigation and the audit. The Moscow office of Bombardier Transportation (Signal), a Russian joint venture, were visited by a unit of the Moscow Region Custom on April 2, 2018. Due to the nature of the above proceedings, it is not possible at this time to identify potential outcomes.

### Investigation in Brazil

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

BT Brazil as a result of the administrative proceedings initiated by CADE in 2014 became a party as defendant to legal proceedings brought by the Sao Paulo State prosecution service against it and other companies for alleged ‘administrative improbity’ in relation to refurbishment contracts awarded in 2009 by the Sao Paulo metro operator CMSP and for ‘cartel’ in relation to a five year-maintenance contract with the Sao Paulo urban transit operator CPTM signed in 2002. In September 2015, the prosecution service of Sao Paulo announced a second public civil action for ‘cartel’ in relation to the follow-on five year maintenance contract covering the period 2007 to 2012. In addition, BT Brazil was served notice and joined in December 2014 a civil suit as co-defendant first commenced by the Sao Paulo state government against Siemens AG in the fall of 2013 and with which the State government seeks to recover loss for alleged cartel activities.

Companies found to have engaged in unlawful cartel conduct are subject to administrative fines, state actions for repayment of overcharges and potentially disqualification for a certain period. The Corporation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

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

On April 27, 2017, The Boeing Company filed a petition before the U.S. Department of Commerce and the U.S. International Trade Commission (“USITC”) seeking the imposition of antidumping and countervailing duties on imports from Canada to the U.S. of large civil aircraft with 100 to 150 seats. The Boeing petition alleged that the Corporation’s *C Series* aircraft program has received government subsidies, that the Corporation is “dumping” the *C Series* aircraft into the U.S. market, and that such sales represent a threat to the domestic aerospace industry in the U.S. On December 18, 2017, the U.S. Department of Commerce issued a final affirmative countervailing duty determination of 212.39% and a final affirmative antidumping duty determination of 79.82%, subject to the final ruling by the USITC. On January 26, 2018, the USITC ruled in favour of the Corporation and issued its final determination on the threat of injury, finding that the U.S. industry is not injured or threatened with material injury by reason of imports of 100- to 150-seat large civil aircraft from Canada. This decision means that the U.S. Commerce Department will not publish and apply antidumping or countervailing duty orders against imports of such aircraft from Canada. The Boeing Company has not appealed the USITC decision within the deadline and accordingly this decision is now final and the Corporation has withdrawn the notices it had filed of its intention to appeal the U.S. Department of Commerce determinations since they are now moot, thereby concluding all proceedings in this matter.

### Transnet

The Corporation has learned through relevant media reports of the appointment of a *Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state* (“Inquiry”) for which the terms of reference were published by presidential proclamation on January 25, 2018. The Judicial Commission started on August 20, 2018. The purpose of the Commission is to investigate allegations of State Capture, Corruption and Fraud in the South African Public Sector, in particular with regard to Transnet and Eskom (the public electricity utility). Before and after the Inquiry, the media made allegations of irregularities with respect to multiple procurements regarding the supply of 1,064 locomotives by South African train operator Transnet Freight Rail. On September 7, 2018, Bombardier Transportation South Africa (Pty.) Ltd. (“BTSA”) was informed that the Special Investigation Unit (“SIU”), a forensic investigation agency under the Department of Justice in South Africa, has opened an investigation with respect to the relocation, in 2014, of the manufacturing site from Pretoria to Durban and the costs claimed in regard to this relocation. BTSA has not

received any other communication or request for information from the authorities conducting the inquiries. The Corporation has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. The review is still ongoing but based on information known to the Corporation at this time, there is no reason to believe that the Corporation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 *TRAXX* locomotives from Bombardier Transportation in one of numerous aforementioned procurements.

#### Spain

In December, 2017, the Spanish Competition Authority (“CNMC”) conducted an inspection at the offices of Bombardier European Investments, S.L.U. (“BEI”) in Madrid. According to the Inspection Order, CNMC’s inspection follows information it learned about possible irregularities in public tenders with the Railway Infrastructures Administrator (“ADIF”). On January 2, 2018, BEI received an information request from the CNMC regarding the legal and operational organization of BEI. BEI is cooperating with the authorities to the extent possible and responded to the information request. There are currently no charges nor allegations that BEI breached any law.

On August 28, 2018, BEI was informed that the CNMC was opening formal proceedings against 8 competing companies active on the Spanish signalling equipment market and four directors, including BEI and its parent company, Bombardier Transportation (Global Holding) UK Limited. No Bombardier directors were named. The inclusion of the parent company is typical of European competition authorities at the early stage of the proceedings. The CNMC now has until February 28, 2020 to investigate and adopt a final decision on the case.

The Corporation's policy is to comply with all applicable laws, including antitrust and competition laws. In light of the early stage of the preliminary investigation, management is unable to predict its duration or outcome, including whether any operating division of the Corporation could be found liable for any violation of law or the extent of any fine, if found to be liable.

## 27. ADDITIONAL ANNUAL DISCLOSURES

As a result of the adjustments discussed in Note 2 – Changes in accounting policies, certain disclosures that are required in annual financial statements in accordance with IFRS 15, which were not included in the Corporation's most recent annual consolidated financial statements, have been included in these interim consolidated financial statements.

Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Corporation's interim financial information.

### A. SEGMENT DISCLOSURE

The Corporation's revenues by market segment were as follows, for fiscal year:

	2017
<b>Business Aircraft</b>	
Manufacturing and Other <sup>(1)</sup>	\$ 3,883
Services <sup>(2)</sup>	1,050
	4,933
<b>Commercial Aircraft<sup>(3)</sup></b>	2,317
<b>Aerostructures and Engineering Services</b>	
External revenues	398
Intersegment revenues	1,218
	1,616
<b>Transportation</b>	
Rolling stock and systems <sup>(4)</sup>	5,800
Services <sup>(5)</sup>	1,882
Signalling <sup>(6)</sup>	869
	8,551
<b>Corporate and Elimination</b>	(1,218)
	\$ 16,199

<sup>(1)</sup> Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.

<sup>(2)</sup> Includes revenues from aftermarket services including parts, *Smarts Services*, service centres, training and technical publication.

<sup>(3)</sup> Includes manufacturing, services and other.

<sup>(4)</sup> Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.

<sup>(5)</sup> Comprised of revenues from fleet maintenance, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.

<sup>(6)</sup> Comprised of revenues from mass transit signalling, mainline signalling, industrial signalling and *OPTIFLO* service solutions for signalling.

## B. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows, for fiscal year:

	2017
<b>Financing expense</b>	
Net loss on certain financial instruments <sup>(1)</sup>	\$ 102
Accretion on net retirement benefit obligations	78
Accretion on other financial liabilities	59
Loss on repurchase of long-term debt <sup>(2)</sup>	23
Accretion on provisions	22
Accretion on advances <sup>(3)</sup>	21
Amortization of letter of credit facility costs	17
Tax litigation <sup>(4)</sup>	11
Other	103
	436
Interest on long-term debt, after effect of hedges	365
	\$ 801 <sup>(5)</sup>
<b>Financing income</b>	
Changes in discount rates of provisions	\$ (7)
Other	(18)
	(25)
Income from investment in securities	(13)
Interest on cash and cash equivalents	(11)
Interest on loans and lease receivables, after effect of hedges	(7)
	(31)
	\$ (56) <sup>(6)</sup>

<sup>(1)</sup> Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

<sup>(2)</sup> Represents the loss related to the redemption of the \$600-million Senior Notes due 2019 for fiscal year 2017, which was recorded as a special item.

<sup>(3)</sup> Represents adjustments to transaction prices for certain orders with a significant financing component due to a significant delay between timing of cash receipt and revenue recognition.

<sup>(4)</sup> Represents a change in the estimates used to determine the provision related to tax litigation.

<sup>(5)</sup> Of which \$453 million represents the interest expense calculated using the effective interest rate method for financial liabilities classified as other than HFT for fiscal year 2017.

<sup>(6)</sup> Of which \$7 million represents the interest income calculated using the effective interest rate method for financial assets classified as L&R for fiscal year 2017.

## C. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows, for fiscal year:

	2017
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)	
Net loss attributable to equity holders of Bombardier Inc.	\$ (494)
Preferred share dividends, including taxes	(27)
Net loss attributable to common equity holders of Bombardier Inc.	\$ (521)
Weighted-average number of common shares outstanding	2,195,379
Net effect of stock options, PSUs, DSUs, RSUs, warrants and conversion option	—
Weighted-average diluted number of common shares	2,195,379
<b>EPS (in dollars)</b>	
Basic and diluted	\$ (0.24)

## D. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

	Total	Not past due	Past due but not impaired		Impaired
			less than 90 days	more than 90 days	
<b>December 31, 2017</b>					
Trade receivables, gross	\$ 1,149	\$ 669	\$ 195	\$ 171	\$ 114
Allowance for doubtful accounts	(70)	—	—	—	(70)
	\$ 1,079	\$ 669	\$ 195	\$ 171	\$ 44
<b>Other</b>	95				
<b>Total</b>	\$ 1,174				
<b>January 1, 2017</b>					
Trade receivables, gross	\$ 1,138	\$ 790	\$ 118	\$ 121	\$ 109
Allowance for doubtful accounts	(44)	—	—	—	(44)
	\$ 1,094	\$ 790	\$ 118	\$ 121	\$ 65
<b>Other</b>	126				
<b>Total</b>	\$ 1,220				

## E. CONTRACT BALANCES

Revenues recognized were as follows for fiscal year:

	2017
<b>Revenues recognized from:</b>	
<b>Contract liability balance at the beginning of the period</b>	
Long term production and service contracts	\$ 1,672
Advances on aerospace programs	1,158
	\$ 2,830

Impairment losses recognized were as follows for fiscal year:

	2017
<b>Impairment losses recognized on:</b>	
<b>Receivables arising from:</b>	
Production contracts	\$ 28
Service contracts	1
	\$ 29

## F. PROVISIONS

Changes in provisions were as follows:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other <sup>(1)</sup>	Total
Balance as at January 1, 2017	\$ 670	\$ 562	\$ 111	\$ 1,594	\$ 166	\$ 3,103
Additions	227	81	265	303	89	965
Utilization	(167)	(86)	(104)	(477)	(59)	(893)
Reversals	(108)	(2)	(14)	(64)	(11)	(199)
Accretion expense	1	8	—	8	5	22
Effect of changes in discount rates	(1)	(9)	—	3	—	(7)
Reclassified as liabilities directly associated with assets held for sale <sup>(2)</sup>	(13)	—	—	(695)	—	(708)
Effect of foreign currency exchange rate changes	50	—	19	53	6	128
Balance as at December 31, 2017	\$ 659	\$ 554	\$ 277	\$ 725	\$ 196	\$ 2,411
Of which current	\$ 557	\$ 72	\$ 126	\$ 708	\$ 167	\$ 1,630
Of which non-current	102	482	151	17	29	781
	\$ 659	\$ 554	\$ 277	\$ 725	\$ 196	\$ 2,411

<sup>(1)</sup> Mainly comprised of claims and litigations.

<sup>(2)</sup> See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

## G. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows, for fiscal year:

	2017 <sup>(1)</sup>
Trade and other receivables	\$ 82
Inventories	(42)
Contract assets	(664)
Contract liabilities	85
Other financial assets and liabilities, net	325
Other assets	(73)
Trade and other payables	1,028
Provisions	(201)
Retirement benefit liability	166
Other liabilities	40
	\$ 746

<sup>(1)</sup> For the purpose of the statement of cash flows, net change in non-cash balances comprise all assets and liabilities of CSALP reclassified as asset held for sale. See Note 19 – Disposal of a business for more details on the CSALP assets and liabilities reclassification.

## 28. EVENTS AFTER THE REPORTING DATE

### Flight and technical training

On November 7, 2018, the Corporation entered into a definitive agreement to sell its activities consisting of flight and technical training for Bombardier Business Aircraft carried out principally in training centers located in Montreal, Quebec, and Dallas, Texas to CAE, a long-time Bombardier training partner. This transaction provides Bombardier's Business Aircraft customers the benefit of CAE's training expertise, while Bombardier focuses on aircraft development and services. Concurrently with the sale, Bombardier and CAE have entered into an agreement to extend their Authorized Training Provider (ATP) relationship whereby CAE will prepay all royalties under the agreement. Combined the total value of both transactions is \$800 million, including \$645 million for the sale of the training activities. Net of fees, liabilities and normal closing adjustments, we expect net proceeds of approximately \$650 million. Closing of the sale transaction is expected by the second half of 2019, subject to customary closing conditions and regulatory approvals.

### Q Series Aircraft program

On November 7, 2018, the Corporation entered into a definitive agreement for the sale of the Q Series Aircraft program assets, including aftermarket operations and assets, to Longview Aircraft Company of Canada Limited, a wholly owned subsidiary of Longview Aviation Capital Corp., for gross proceeds of approximately \$300 million. The agreement covers all assets and intellectual property and Type Certificates associated with the Dash 8 Series 100, 200 and 300 as well as the Q400 program operations at the Downsview manufacturing facility in Ontario, Canada. The transaction is expected to close by the second half of 2019, subject to customary closing conditions and regulatory approvals. Net proceeds for this transaction are expected at approximately \$250 million net of fees, liabilities and normal closing adjustments.

### Restructuring

The Corporation is launching a major new restructuring program to increase productivity. With the heavy aerospace investment phase behind the Corporation, it is right-sizing its central aerospace engineering team, enabling the reduction of capital spending anticipated for 2019 and 2020. It is also redeploying key engineering team members to its Business Aircraft, Transportation and Aerostructures segments, ensuring it has all the necessary capabilities to continue leading innovation in the industries. It is concurrently launching a new company-wide initiative to improve productivity.

This program will result in a reduction of about 5,000 positions across the organization over the next 12 to 18 months, leading to annualized savings estimated at \$250 million at full run rate, which we expect by 2021. The Corporation anticipates recording a restructuring charge of approximately \$250 million in 2019 that will be reported as special items.