

BOMBARDIER INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended
December 31, 2018

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OVERVIEW	BUSINESS AIRCRAFT	COMMERCIAL AIRCRAFT	AEROSTRUCTURES AND ENGINEERING SERVICES	TRANSPORTATION	OTHER
6	52	68	85	94	115

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

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

The data presented in this MD&A is structured by reportable segment: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation.

IFRS and non-GAAP measures

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

Materiality for disclosures

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

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

The Financial Report for fiscal year 2018 comprises the message from our President and Chief Executive Officer to shareholders, this MD&A and our consolidated financial statements.

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

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

OVERVIEW

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HIGHLIGHTS OF THE YEAR	KEY PERFORMANCE MEASURES AND METRICS	STRATEGIC PRIORITIES	GUIDANCE AND FORWARD- LOOKING STATEMENTS	CONSOLIDATED RESULTS OF OPERATIONS	CONSOLIDATED FINANCIAL POSITION
7	9	11	17	21	27

LIQUIDITY AND CAPITAL RESOURCES	CAPITAL STRUCTURE	RETIREMENT BENEFITS	RISK MANAGEMENT	NON-GAAP FINANCIAL MEASURES
28	35	37	42	48

HIGHLIGHTS OF THE YEAR

Focused execution towards sustainable growth

RESULTS			
For the fiscal years ended December 31	2018	2017 <i>restated⁽¹⁾</i>	Variance
Revenues	\$ 16,236	\$ 16,199	— %
EBIT	\$ 1,001	\$ 299	235 %
EBIT margin	6.2%	1.8 %	440 bps
EBIT before special items ⁽²⁾	\$ 1,029	\$ 725	42 %
EBIT margin before special items ⁽²⁾	6.3%	4.5 %	180 bps
EBITDA before special items ⁽²⁾	\$ 1,304	\$ 1,046	25 %
EBITDA margin before special items ⁽²⁾	8.0%	6.5 %	150 bps
Net income (loss)	\$ 318	\$ (525)	nmf
Diluted EPS (in dollars)	\$ 0.09	\$ (0.24)	\$ 0.33
Adjusted net income ⁽²⁾	\$ 438	\$ 91	381 %
Adjusted EPS (in dollars) ⁽²⁾	\$ 0.14	\$ 0.04	\$ 0.10
Cash flows from operating activities	\$ 597	\$ 531	12 %
Net additions to PP&E and intangible assets	\$ 415	\$ 1,317	(68)%
Free cash flow (usage) ⁽²⁾	\$ 182	\$ (786)	nmf
As at December 31	2018	2017	Variance
Cash and cash equivalents ⁽³⁾	\$ 3,187	\$ 3,057	4 %
Available short-term capital resources ⁽³⁾⁽⁴⁾	\$ 4,373	\$ 4,225	4 %

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

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

⁽³⁾ Includes cash and cash equivalents of the C Series aircraft program presented under Assets held for sale amounting to \$69 million as of December 31, 2017. Refer to the strategic partnership section in Commercial Aircraft, Note 16 - Cash and cash equivalents and Note 31 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

⁽⁴⁾ Defined as cash and cash equivalents plus the amount available under our revolving credit facilities.

KEY HIGHLIGHTS AND EVENTS

Stronger financial performance positions Bombardier for profitable growth and cash generation

- Revenues reached \$16.2 billion, growing 3% year over year (excluding currency impacts) from Transportation, Business Aircraft and Aerostructures and Engineering Services, while Commercial Aircraft revenues reduced as it reshapes its portfolio.
- EBIT before special items⁽¹⁾ continued to improve in 2018, increasing 42% year over year from \$725 million to over \$1.0 billion. The 6.3% EBIT margin before special items⁽¹⁾ in 2018 represents a 330 bps increase since the start of the turnaround plan in 2015.
- EBIT increased 235% year over year to \$1.0 billion, representing a margin of 6.2%.
- Increasing backlogs at Business Aircraft and Transportation, combined with improving aftermarket and services mix provide a solid foundation to support future growth and margin expansion.

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

- Full year free cash flow⁽¹⁾ generation amounted to \$182 million, including net proceeds from transactions.
 - Fourth quarter free cash flow⁽¹⁾ generation reached \$1.0 billion, as Transportation actively works towards releasing working capital stemming from delivery challenges experienced in the second half of 2018 on certain legacy projects.
 - Approximately \$750 million of cash was generated in 2018 from the following transactions: the sale of the Downsview property (approximately \$600 million) and monetization of royalties under an Authorized Training Provider agreement with CAE (\$155 million).
- Cash flows from operating activities amounted to \$597 million for the full year, and to \$1.3 billion in the fourth quarter.
- Year-end cash and cash equivalents of \$3.2 billion; additional net proceeds of \$750 million expected in 2019 from the previously announced disposal of non-core businesses, increasing financial flexibility and positioning to initiate the deleveraging phase of the turnaround plan.

Reshaped portfolio streamlines and focuses the business

- Announced disposals of non-core assets⁽²⁾ to generate aggregate net proceeds of \$1.5 billion:⁽³⁾
 - Closed the sale of the Downsview property with gross proceeds of approximately \$635 million, representing net proceeds of approximately \$600 million.
 - Entered into an agreement to sell⁽²⁾ Business Aircraft's flight and technical training activities and monetize royalties under an existing Authorized Training Provider agreement with CAE, for expected gross proceeds of \$800 million. Both transactions expected to increase cash by \$650 million, of which \$155 million related to the royalties was received in 2018.
 - Entered into an agreement to sell⁽²⁾ the *Q Series* Aircraft program assets and aftermarket operations for gross proceeds of approximately \$300 million and expected net proceeds of approximately \$250 million.
- Closed the C Series partnership (CSALP) with Airbus on July 1, 2018, bringing together two complementary product lines, and the benefit of Airbus' global reach creating significant value potential for the newly rebranded A220.
- As the focus is on returning the *CRJ Series* program to profitability, the Corporation also announced it is exploring strategic options for the program.
- Subsequent to the fourth quarter, Bombardier acquired the *Global 7500* wing program from Triumph Group Inc., securing the production ramp-up and long-term success of its flagship business aircraft.

Transitioning to a sustainable growth cycle following the completion of the heavy investment phase

- The industry flagship *Global 7500* aircraft successfully entered into service in December 2018, on plan. With a strong backlog and unsurpassed performance in its category, the *Global 7500* is expected to be a key growth driver for Bombardier for years to come.⁽³⁾
 - As large development programs are completed, additions to PP&E and intangible assets decreased by \$225 million to \$1.2 billion; this is expected to further decrease in 2019-2020 through disciplined capital allocation.⁽³⁾
- Consolidated backlog reached \$53.1 billion in 2018, continuing to support 2020 growth objectives:⁽³⁾
 - Transportation's book-to-bill⁽⁴⁾ for the year was 1.1 leading to a \$34.5 billion backlog, covering more than 80% of 2019-2020 projected revenues.
 - Business Aircraft's revenue book-to-bill⁽⁴⁾ was also 1.1 for the year, achieving an industry-leading backlog of \$14.3 billion.
- Continued aftermarket and services growth leverages the power of a large installed base of aircraft and trains in service.

Transportation's results in 2018 did not reach the performance targets underlying CDPQ's investment in BT Holdco. Accordingly, for the 12-month period starting on February 12, 2019, Bombardier's percentage of ownership on conversion of CDPQ's shares will decrease by 2.5%, returning to the original 70%; and the preference return entitlement rate on liquidation of its shares will increase from 7.5% to 9.5% for this period. Any dividends paid by BT Holdco to its shareholders during this period will be distributed on the basis of each shareholder's percentage of ownership upon conversion, being 70% for Bombardier and 30% for the CDPQ. These adjustments will become effective once the audited consolidated financial statements of BT Holdco are duly approved by its board of directors.

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

- ⁽²⁾ The closings of the sale of Business Aircraft's flight and technical training activities and the Q Series aircraft program are expected by the end of the first quarter of 2019 and in the second half of 2019, respectively, subject to customary closing conditions and regulatory approvals.
- ⁽³⁾ Forward-looking statement. See the forward-looking statements assumptions on which the guidance is based and forward-looking statements disclaimer in Overview.
- ⁽⁴⁾ Ratio of new orders over revenues.

KEY PERFORMANCE MEASURES AND METRICS

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

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS					
PROFITABILITY	• Diluted EPS and adjusted EPS ⁽¹⁾ , as measures of global performance.				
LIQUIDITY	• Available short-term capital resources ⁽²⁾ , as a measure of liquidity adequacy. • Free cash flow ⁽¹⁾ , as a measure of liquidity generation.				
CAPITAL STRUCTURE	• Adjusted EBIT ⁽¹⁾ to adjusted interest ⁽¹⁾ ratio, as a measure of interest coverage. • Adjusted debt ⁽¹⁾ to adjusted EBITDA ⁽¹⁾ ratio, as a measure of financial leverage. • Weighted-average long-term debt maturity, as a measure of debt term structure.				

FIVE-YEAR SUMMARY					
For the fiscal years ended and as at December 31	2018	2017 <i>restated</i> ⁽³⁾	2016	2015	2014
Profitability					
Revenues	\$ 16,236	\$ 16,199	\$ 16,339	\$ 18,172	\$ 20,111
EBIT	\$ 1,001	\$ 299	\$ (58)	\$ (4,838)	\$ (566)
EBIT margin	6.2%	1.8 %	(0.4)%	(26.6)%	(2.8)%
EBIT before special items ⁽¹⁾⁽⁴⁾	\$ 1,029	\$ 725	\$ 427	\$ 554	\$ 923
EBIT margin before special items ⁽¹⁾⁽⁴⁾	6.3%	4.5 %	2.6 %	3.0 %	4.6 %
EBITDA before special items ⁽¹⁾⁽⁴⁾	\$ 1,304	\$ 1,046	\$ 798	\$ 992	\$ 1,340
Net income (loss)	\$ 318	\$ (525)	\$ (981)	\$ (5,340)	\$ (1,246)
Adjusted net income (loss) ⁽¹⁾	\$ 438	\$ 91	\$ (268)	\$ 326	\$ 648
Diluted EPS (in dollars)	\$ 0.09	\$ (0.24)	\$ (0.48)	\$ (2.58)	\$ (0.74)
Adjusted EPS (in dollars) ⁽¹⁾	\$ 0.14	\$ 0.04	\$ (0.15)	\$ 0.14	\$ 0.35
Liquidity					
Cash flows from operating activities	\$ 597	\$ 531	\$ 137	\$ 20	\$ 847
Net additions to PP&E and intangible assets	\$ 415	\$ 1,317	\$ 1,201	\$ 1,862	\$ 1,964
Free cash flow (usage) ⁽¹⁾	\$ 182	\$ (786)	\$ (1,064)	\$ (1,842)	\$ (1,117)
Cash and cash equivalents ⁽²⁾	\$ 3,187	\$ 3,057	\$ 3,384	\$ 2,720	\$ 2,489
Available short-term capital resources ⁽²⁾	\$ 4,373	\$ 4,225	\$ 4,477	\$ 4,014	\$ 3,846
Capital structure					
Interest coverage ratio ⁽⁵⁾	1.5	1.3	0.8	1.5	3.1
Financial leverage ratio ⁽⁵⁾	6.6	7.9	9.7	7.3	4.7
Weighted-average long-term debt maturity (in years)	4.3	5.3	5.8	6.3	6.4

⁽¹⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures, Consolidated results of operations and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽²⁾ Defined as cash and cash equivalents plus the amount available under the revolving credit facilities. Includes cash and cash equivalents of the C Series aircraft program presented under Assets held for sale amounting to \$69 million as of December 31, 2017. Refer to the strategic partnership section in Commercial Aircraft, Note 16 - Cash and cash equivalents and Note 31 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

⁽³⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

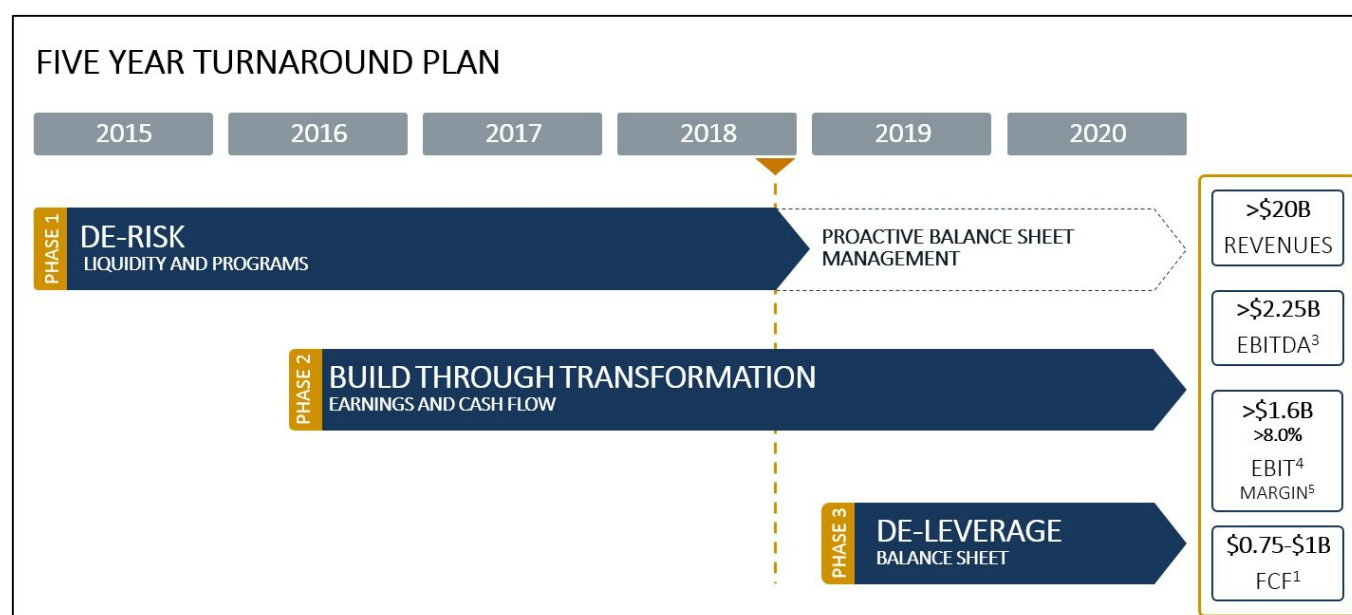
- ⁽⁴⁾ Refer to the Consolidated results of operations section for details of special items recorded in 2018 and 2017. In 2016, the special items related to \$492 million onerous contract provision in conjunction with the closing of C Series aircraft firm orders, \$215 million restructuring charges, \$86 million loss related to the redemption of the \$650-million and \$750-million Senior Notes due 2018, \$40 million representing a change in estimates used to determine the provision related to tax litigation, \$8 million transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco, \$139 million reversal on a constructive pension obligation for discretionary ad hoc indexation increases to certain pension plans, \$59 million reversal of *Learjet 85* aircraft program cancellation provisions, and \$38 million foreign exchange gains related to the sale of a minority stake in Transportation. In 2015, the special items related to impairment and other charges of \$3.2 billion following the completion of an in-depth review of the C Series aircraft program as well as discussions with the Government of Québec, \$1.2-billion impairment and other charges as a result of the cancellation of the *Learjet 85* aircraft program, \$353-million increase in provisions for credit guarantees and RVGs related to regional aircraft following changes in assumptions due to difficult market conditions, \$243-million impairment on remaining *CRJ1000* aircraft program development costs due to a lack of order intake, \$194-million write-off of deferred costs related to restructuring of customer commercial agreements, \$133 million incurred in connection with the termination of third-party sales representative and distribution agreements to increase the number of direct-to-market channels, \$106 million of net write-downs of deferred income tax assets mainly related to Transportation, \$53-million impairment charge on the remaining *Learjet* family aerospace program tooling, \$50 million related to tax litigation provision, \$22-million loss on redemption of the \$750-million Senior Notes due 2016 and \$9-million restructuring charges. In 2014, the special items related to impairment and other charges of \$1.4 billion related to the decision to pause the *Learjet 85* aircraft program and \$273 million of net write-downs of deferred tax assets following that decision, \$142 million of restructuring charges, a \$43-million loss on repurchase of long-term debt, and a \$18-million gain on resolution of a litigation in connection with Part IV of the Québec Income Tax Act of which \$8 million was recorded in financing income.
- ⁽⁵⁾ Refer to the Capital structure and Non-GAAP financial measures sections for computations of these ratios.

STRATEGIC PRIORITIES

Executing on 2020 plan: Driving efficiency through the growth cycle

In 2018, Bombardier reached a major inflection point in its turnaround journey. With the entry-into-service of the *Global 7500* in December 2018, the Corporation has transitioned from a multi-year heavy investment cycle to a strong growth cycle supported by solid backlogs. With the progress made over the past three years transforming the business, we grew EBIT margins before special items⁽¹⁾ by 330 bps and created a strong foundation for sustainable earnings and free cash flow generation.

The year was also marked by the reshaping of the business, streamlining Bombardier's portfolio to focus on Transportation, Business Aircraft, and Aerostructures and Engineering Services, while participating in the Commercial Aircraft segment through the *CRJ Series* program and our investment in the A220 jointly with Airbus. We entered into agreements to sell non-core assets, including the Downsview property in Toronto, the Business Aircraft's flight and technical training activities⁽²⁾ and the *Q Series* Aircraft program.⁽²⁾ Together, these transactions are expected to add over \$1.5 billion in liquidity, of which half was received in 2018. Through these transactions, we are proactively building financial flexibility as we enter into the third phase of the five year turnaround journey: deleveraging.



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

⁽²⁾ The closings of the sale of Business Aircraft's flight and technical training activities and the *Q Series* aircraft program are expected by the end of the first quarter of 2019 and in the second half of 2019, respectively, subject to customary closing conditions and regulatory approvals.

⁽³⁾ Refers to EBITDA before special items. Refer to the Non-GAAP financial measures section for a definition of this metric.

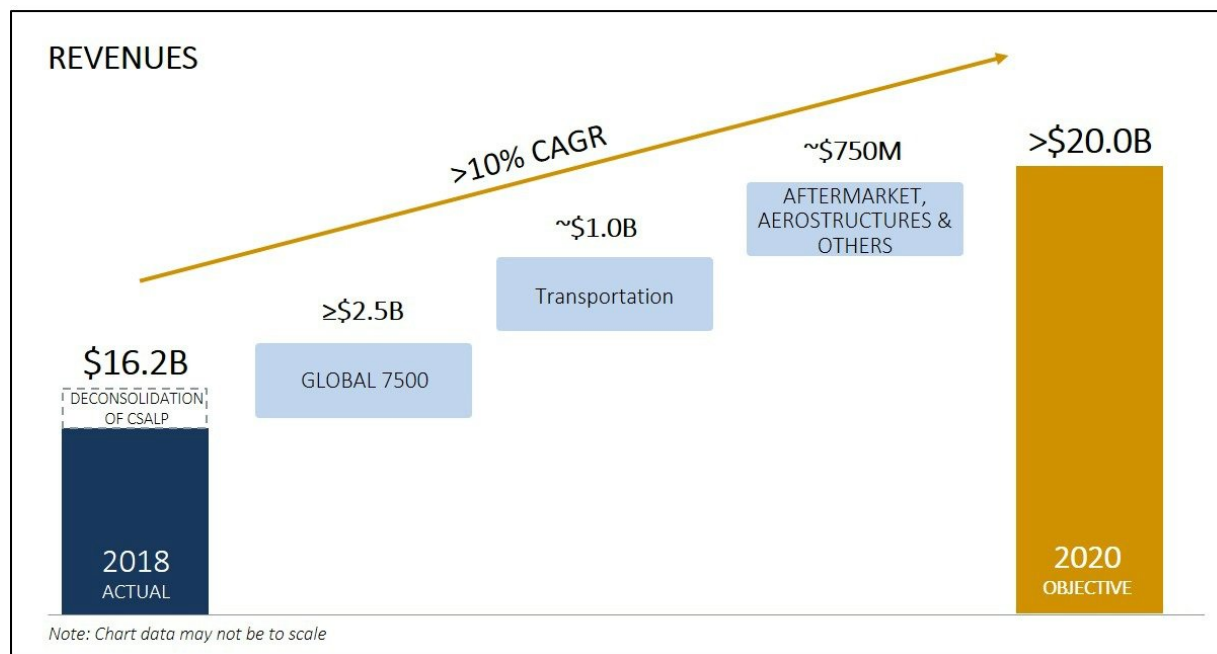
⁽⁴⁾ Refers to EBIT before special items. Refer to the Non-GAAP financial measures section for a definition of this metric.

⁽⁵⁾ Refers to EBIT margin before special items. Refer to the Non-GAAP financial measures section for a definition of this metric.

With clear progress made so far in the journey, and with the support of initiatives underway, we remain confident in our ability to achieve our 2020 objectives. As we begin 2019, more than halfway through our turnaround plan, we have a great product portfolio across planes and trains, strong backlogs totaling approximately \$53 billion, and further growth opportunities that extend well beyond 2020.

Revenues: Growing to >\$20 billion by 2020⁽¹⁾

Over the next two years, we aim to leverage our strong product portfolio and backlog to increase revenues by \$4 billion, to over \$20 billion, growing at a CAGR of more than 10%.



The *Global 7500* has successfully entered into service in December 2018. With a backlog sold-out through 2021, it is well positioned to be Bombardier's main growth driver towards our objective of generating an additional \$2.5 billion in revenues in 2020. Combined with our strategy to expand our service offering, we target Business Aircraft to grow revenues to over \$8.5 billion in 2020.

The rail infrastructure spend around the globe has shown resiliency to economic fluctuations and is expected to continue growing at a steady pace. This positions Transportation to capitalize on the growing demand for rail products and services and grow revenues by an additional \$1 billion, to become a \$10 billion franchise by 2020. Our \$34.5 billion backlog continues to grow with a healthy book-to-bill above 1 covering more than 80% of the next two years' projected revenues.

Our Aerostructures and Engineering Services segment is also poised for growth as it is anchored on new programs: our Bombardier Business Aircraft franchise, the A220, and the A320neo. With its strong global footprint - with centers of excellence in Montreal and Belfast and best-cost locations in Morocco and Queretaro - Aerostructures and Engineering Services targets to achieve over \$2.25 billion in revenues in 2020.

Finally, leveraging the power of our large installed base of 100,000 rail cars, 4,800 business aircraft and 1,250 *CRJ Series* aircraft in service, we aim to further grow our Aftermarket revenues to approximately \$4 billion in 2020. This objective is expected to be mainly accomplished by expanding our network of service centers for Business Aircraft, securing long-term maintenance contracts in train operations, and optimizing our overall commercial aftermarket strategy.

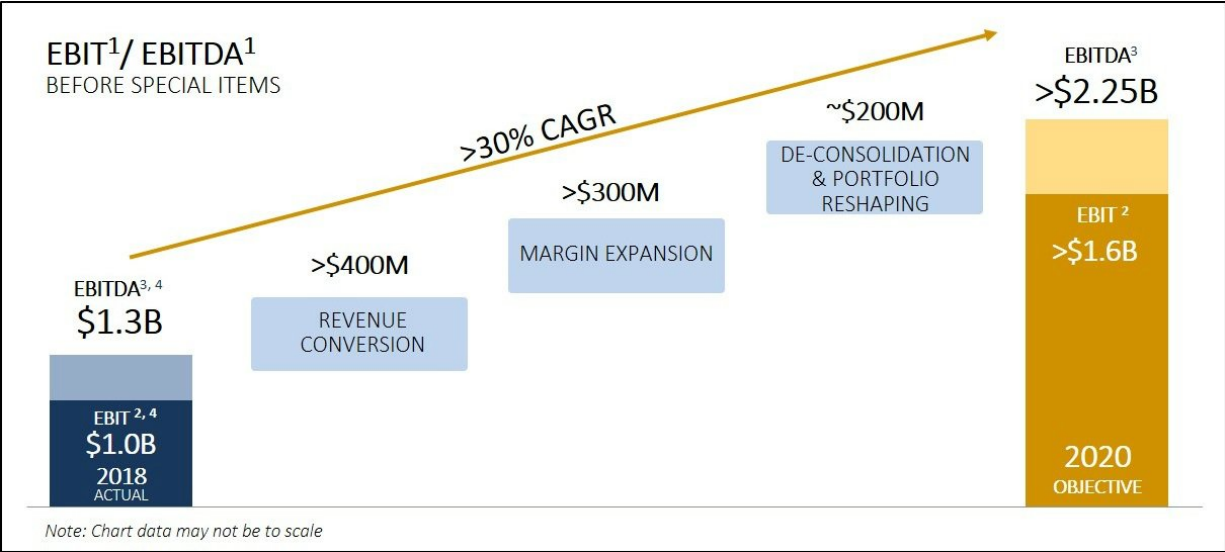
⁽¹⁾ Forward-looking statement. See the forward-looking statements assumptions on which the guidance is based and forward-looking statements disclaimer in Overview.

Profitability: Past execution drives earnings acceleration

Driving earnings power has been the focus of our transformation plan over the past three years, with clear results as we grew EBIT margins before special items⁽¹⁾ by 330 bps since 2015.

We target EBITDA before special items⁽¹⁾ to continue to grow to more than \$2.25 billion and EBIT before special items⁽¹⁾ to be over \$1.6 billion in 2020. The increase in revenues by over \$4 billion is projected to generate more than \$400 million in additional profit within our core businesses.⁽⁵⁾

We are also targeting further margin expansion from an improving product mix and rail project portfolio, as well as from aftermarket and services and continued transformation activities across the business, increasing earnings by more than \$300 million by 2020. Finally, the strategic de-risking and reshaping of the Commercial Aircraft portfolio is projected to increase earnings by approximately \$200 million.⁽⁵⁾



⁽¹⁾ Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.
⁽²⁾ Refers to EBIT before special items. Refer to the Non-GAAP financial measures section for a definition of this metric.
⁽³⁾ Refers to EBITDA before special items. Refer to the Non-GAAP financial measures section for a definition of this metric.
⁽⁴⁾ EBIT for the fiscal year 2018 is \$1.0 billion.
⁽⁵⁾ Forward-looking statement. See the forward-looking statements assumptions on which the guidance is based and forward-looking statements disclaimer in Overview.

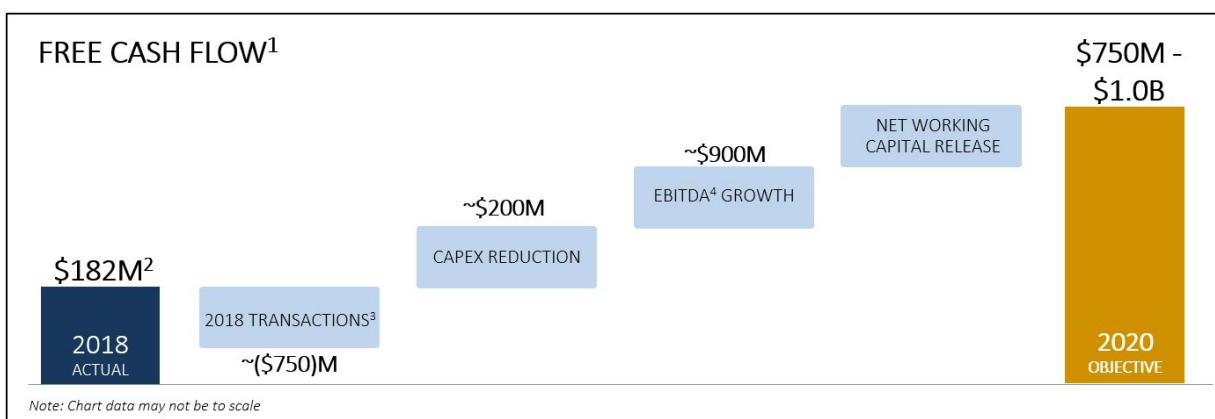
Free Cash Flow⁽¹⁾: Structural shift to sustainable cash generation⁽⁵⁾

With the entry-into-service of the *Global 7500* and closing of the Airbus partnership, we are exiting our major aerospace investment cycle and entering the cash generation phase of our plan. 2019 and 2020 are expected to demonstrate Bombardier's structural transition to free cash flow⁽¹⁾ generation, with a clear roadmap to achieve between \$750 million and \$1.0 billion of sustainable free cash flow⁽¹⁾ in 2020. Revenue growth and margin expansion, disciplined capital allocation and working capital efficiencies are the primary drivers to significantly increase the free cash flows.

By leveraging our revenue growth and margin expansion we aim to generate EBITDA before special items⁽¹⁾ growth of approximately \$900 million

over the next two years. With our major aerospace development cycle complete, we expect to achieve normalized capital expenditure levels of \$800 million or less in 2019 and 2020, producing a recurring cash flow improvement of approximately \$200 million over 2018. Finally, as Transportation continues to work through the intense delivery phase on its legacy projects, the working capital timing shift experienced in the latter part of 2018 is expected to significantly recover in 2019.

We further see potential for working capital efficiencies from maturing production levels, shorter train development cycles and operational initiatives. We anticipate those efficiencies to create a multi-year working capital tailwind for Bombardier.



Bombardier is a much stronger company in 2018 when compared to 2015. We are well positioned in rail as the mega trends towards transportation infrastructure investments continue. Our strong business aircraft portfolio is poised to lead the industry and our large installed base of products provides further opportunities for aftermarket and services growth.

We are building a Bombardier with great products, strong backlogs and an efficient cost-structure - capable of delivering superior financial performance. A company with talented employees and tremendous opportunity. While 2020 will mark the end-point of our turnaround journey, we believe it will also mark the beginning of a new, high-performing Bombardier. We are confident in our ability to deliver on our 2020 objectives, and we are even more excited about the runway we are creating and the value that lies beyond 2020.⁽⁵⁾

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

⁽²⁾ For the fiscal year 2018, cash flows from operating activities and net additions to PP&E and intangible assets were \$597 million and \$415 million, respectively.

⁽³⁾ Consists of proceeds from the sale of the Downsview property and the prepayment of royalties under Authorized Training Provider agreement with CAE.

⁽⁴⁾ Refers to EBITDA before special items. Refer to the Non-GAAP financial measures section for a definition of this metric.

⁽⁵⁾ Forward-looking statement. See the forward-looking statements assumptions on which the guidance is based and forward-looking statements disclaimer in Overview.

Forward-looking statements

Forward-looking statements⁽¹⁾ in this section of the MD&A are based on and subject to the following material assumptions:

All segments

- normal execution and delivery of current firm orders and projects in the backlog;
- the ability to understand customer needs and portfolio of products and services to drive increasing market demand and secure key strategic orders;
- continued deployment and execution of leading initiatives according to plan to improve revenue conversion into higher earnings and free cash flows⁽²⁾, through improved procurement cost, controlled spending and labour efficiency;
- delivering on the transformation plan targets, through restructurings and other initiatives addressing the direct and indirect cost structure, focusing on sustained cost reductions and operational improvements, while reducing working capital consumption;
- the ability to leverage the global manufacturing footprint and transfer best practices and technology across production sites, and by leveraging lower cost geographies and emerging economies;
- the ability of the supply base to support product development and planned production rates on commercially acceptable terms in a timely manner;
- the ability to identify and enter into further risk sharing partnerships and initiatives;
- the effectiveness of disciplined capital deployment measures in new programs and products to drive revenue growth;
- the ability to recruit and retain highly skilled resources to deploy the product development strategy;
- the stability of the competitive global environment and global economic conditions;
- the stability of foreign exchange rates at current levels;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities starting in 2020; and
- financials reflect IFRS 16 lease accounting starting January 1, 2019.

Aerospace segments

- closings of the *Q Series* aircraft program assets by the second half of 2019 and Business Aircraft flight and training activities transactions by the end of the first quarter of 2019;
- the alignment of production rates to market demand;
- the ability to manage the learning curve as we ramp up production and deliveries of the *Global 7500* aircraft;
- the ability to ramp up production and deliveries of new programs, and meet scheduled EIS date for the *Global 5500*, *Global 6500*, *Global 8000* and *CRJ550* aircraft programs;
- continued ability to capture and win campaigns and projects based on market forecasts⁽³⁾, leading to future order intake objectives;
- continued deployment and execution of growth strategies, and continued growth of the aftermarket business;
- the reduction of investments and development spend to normalized levels by 2019-2020;
- the realization of the anticipated benefits and synergies of the partnership with Airbus in the timeframe anticipated;
- satisfactory performance by Airbus of its obligations pursuant to the partnership and commercial agreements and absence of unanticipated inefficiencies or performance issues in connection therewith;
- the strength and quality of Airbus' scale and reach, sales, marketing or support networks, supply chain, operations, and customer relationships;
- the accuracy of the analyses and assumptions underlying our business case including estimated cash flows and revenues over the expected life of the program and thereafter;
- the accuracy of our assessment of anticipated growth drivers and sector trends;
- aircraft prices, unit costs and deliveries gradually improving during the acceleration phase; and
- our ability to continue with our current funding plan of CSALP and to fund, if required, any cash shortfalls and adequacy of cash planning and management and project funding.

Transportation

- our ability to execute and deliver business model enhancement initiatives;
- our ability to release working capital stemming from delivery challenges experienced in the latter part of 2018 on certain legacy projects, and recovery across these projects through 2019;
- revenue conversion and phase out of our legacy projects;
- a sustained level of public sector spending;
- the realization of upcoming tenders and our ability to capture them based on market forecasts⁽⁴⁾, leading to estimated future order intake; and
- successful deployment and execution of growth strategies, including the value chain approach and the creation of ecosystems, site specialization and the creation of engineering centers of excellence, and the evolution of the revenue mix towards more signalling and systems and operations and maintenance contracts.

For a discussion of the material risk factors associated with the forward-looking information, refer to the Risks and uncertainties section in Other.

- ⁽¹⁾ Also refer to the Guidance and forward-looking statements section for the forward-looking statements disclaimer.
- ⁽²⁾ Non-GAAP measure. Refer to the Non-GAAP measures for definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.
- ⁽³⁾ For more details, refer to the market indicators in the Industry and economic environment sections of the Aerospace segments.
- ⁽⁴⁾ For more details, refer to the market indicators in the Industry and economic environment section of the Transportation segment.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

		2018 guidance provided in our 2017 Financial Report ⁽¹⁾	Updated 2018 guidance ⁽²⁾	2018 results	2019 guidance ⁽³⁾⁽⁴⁾
CONSOLIDATED	Revenues	\$17.0-\$17.5 billion	~ \$16.5 billion	\$16.2 billion	≥ \$18.0 billion
	EBIT	N/A	N/A	\$1.0 billion	N/A
	EBITDA before special items ⁽⁵⁾	\$1.15-\$1.25 billion	\$1.25-\$1.35 billion	\$1.3 billion	\$1.65-\$1.80 billion
	EBIT before special items ⁽⁵⁾	\$800-\$900 million	~ \$1.0 billion	\$1.0 billion	\$1.15-\$1.25 billion
	Free cash flow ⁽⁵⁾	Breakeven ± \$150 million	Breakeven ± \$150 million including the net proceeds of ~ \$600 million from the sale of the Downsview property	\$182 million	Breakeven ± \$250 million
	Cash flows from operating activities	N/A	N/A	\$597 million	N/A
	Net additions to PP&E and intangible assets	N/A	N/A	\$415 million	N/A
BUSINESS AIRCRAFT	Revenues	≥ \$5.0 billion	No change	\$5.0 billion	~ \$6.25 billion
	EBIT margin	N/A	N/A	8.6%	N/A
	EBIT margin before special items ⁽⁵⁾	≥ 8.0%	No change	8.4%	~ 7.5%
	Aircraft deliveries (in units)	~ 135	No change	137	150 - 155
COMMERCIAL AIRCRAFT	Revenues	~ \$2.7 billion	~ \$1.7 billion	\$1.8 billion	~ \$1.4 billion
	EBIT	N/A	N/A	(\$755 million)	N/A
	EBIT before special items ⁽⁵⁾	~ (\$350 million)	~ (\$250 million)	(\$157 million)	~ (\$125 million)
	Aircraft deliveries (in units)	~ 75, including ~ 40 C Series and ~ 35 CRJ and Q400	~ 35 CRJ and Q400	35 CRJ and Q400	~ 35 CRJ and Q400
AEROSTRUCTURES AND ENGINEERING SERVICES	Revenues	~ \$2.0 billion	No change	\$2.0 billion	\$2.25-\$2.50 billion ⁽⁶⁾
	EBIT margin	N/A	N/A	7.5%	N/A
	EBIT margin before special items ⁽⁵⁾	> 8.5%	No change	9.6%	7.5% ⁽⁶⁾
TRANSPORTATION	Revenues	~ \$9.0 billion	No change	\$8.9 billion	~ \$9.5 billion
	EBIT margin	N/A	N/A	8.7%	N/A
	EBIT margin before special items ⁽⁵⁾	> 8.5%	No change	8.4%	~ 9.0%

⁽¹⁾ Refer to our 2017 Financial Report for further details.

⁽²⁾ Refer to our Second Quarterly Report for the period ended June 30, 2018 and our Third Quarterly Report for the period ended September 30, 2018 for further details.

⁽³⁾ Refer to the forward-looking statements disclaimer in Overview as well as the assumptions on which the guidance is based.

⁽⁴⁾ Assumes the continued inclusion of Business Aircraft flight and training business until March 31, 2019 and Q Series Aircraft program until September 30, 2019. Revenues guidance for Aerostructures and Engineering Services are mainly from intersegment contracts with Business Aircraft and Commercial Aircraft. Transportation's revenues guidance is based on the assumption that foreign exchange rates remain stable at 1.15 for the conversion of the amounts in Euro to U.S. dollars.

⁽⁵⁾ Profitability guidance is based on EBITDA before special items, EBIT before special items or EBIT margin before special items. These as well as free cash flow (usage) are non-GAAP measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and the Consolidated results of operations and Liquidity and capital resources sections, as well as each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures in 2018.

⁽⁶⁾ 2019 guidance changed from approximately \$2.0 billion revenues and approximately 9.0% EBIT margin before special items to reflect the completion of the acquisition of the Global 7500 aircraft wing program operations and assets from Triumph Group Inc., which closed in the first quarter of 2019.

Other objectives for 2019 and 2020

		2019 estimates	2020 estimates
CONSOLIDATED	Aftermarket revenues	N/A	~ \$4.0 billion
	Cash and cash equivalents	> \$3.0 billion	> \$3.5 billion
	Liquidity ⁽¹⁾	> \$4.0 billion	> \$4.5 billion
	Net additions to PP&E and intangible assets	~ \$800 million	N/A

⁽¹⁾ Defined as available short-term capital resources.

2018 guidance

CONSOLIDATED⁽¹⁾

During the second quarter of 2018, consolidated revenue guidance for the year was revised to \$16.5-\$17.0 billion as a result of the earlier than expected deconsolidation of CSALP revenues starting July 1, 2018. On the earnings front, the deconsolidation of the C Series losses, net of the offsetting equity pick-up, resulted in an increase in EBITDA before special items⁽²⁾ and EBIT before special items⁽²⁾ guidance by \$100 million to respectively \$1.25-\$1.35 billion and \$900 million-\$1.0 billion.

During the third quarter of 2018, consolidated revenues guidance was revised to approximately \$16.5 billion, the lower end of the previous guidance range. Revenues for the year were slightly below revised guidance at \$16.2 billion. EBIT before special items⁽²⁾ guidance was also revised to the top end of the previous guidance range at approximately \$1 billion. 2018 EBIT before special items⁽²⁾ and EBITDA before special items⁽²⁾ performance was in line with revised guidance at \$1.0 billion and \$1.3 billion respectively, demonstrating the improved earnings power of the business. Free cash flow⁽²⁾ guidance for 2018 was also adjusted in the third quarter to reflect higher working capital levels at Transportation, including the impacts of delivery delays on certain projects and lower cash advances from order mix and project milestones in the latter part of 2018. The free cash flow⁽²⁾ guidance was adjusted to breakeven plus or minus \$150 million including the net proceeds of approximately \$600 million from the sale of the Downsview property. Full year free cash flow⁽²⁾ generation for 2018 was at the top end of the revised guidance at \$182 million.

BUSINESS AIRCRAFT⁽¹⁾

With focused and disciplined execution, Business Aircraft delivered on its 2018 revenues, EBIT before special items⁽²⁾ and aircraft deliveries guidance.

COMMERCIAL AIRCRAFT⁽¹⁾

During the second quarter of 2018, Commercial Aircraft's full year guidance was revised to reflect the deconsolidation of CSALP from results starting in the third quarter, replaced by an equity pick-up representing Bombardier's share of net earnings. For 2018, revenues and deliveries were in line with the revised full year guidance. EBIT before special items⁽²⁾ was better than guidance, mainly from stronger than expected performance from CSALP.

AEROSTRUCTURES AND ENGINEERING SERVICES⁽¹⁾

Revenues for the year were in line with guidance while EBIT before special items⁽²⁾ exceeded expectations by 110 bps in part due to a one-time item linked to the settlement associated with the closing of the C Series partnership.

⁽¹⁾ Refer to the forward-looking statements disclaimer in Overview as well as the assumptions on which the guidance is based.

⁽²⁾ Profitability guidance is based on EBITDA before special items, EBIT before special items or EBIT margin before special items. These as well as free cash flow (usage) are non-GAAP measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and the Consolidated results of operations and Liquidity and capital resources sections, as well as each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures in 2018.

TRANSPORTATION⁽¹⁾

2018 revenues were in line with guidance supported by a favorable currency translation impact. EBIT margin before special items⁽²⁾ of 8.4% for the year largely met guidance of 8.5% or above.

Our strategy to achieve 2019 guidance⁽¹⁾

Expected revenues growth in 2019 will be mainly driven by the entry-into-service of the *Global 7500*, continued execution on Transportation's growing backlog and aftermarket growth, leveraging the company's large installed base of trains and planes. Guidance also assumes completion of previously announced non-core asset sale transactions and deconsolidation of these assets starting in the second quarter of 2019 for Business Aircraft's flight and technical training activities and in the fourth quarter of 2019 for the *Q Series* aircraft program.

Improved margins are anticipated as a result of the earnings power created by the transformation of the past three years while also managing the learning curve on the *Global 7500* program.

2019 free cash flow⁽²⁾ guidance is set at breakeven plus or minus \$250 million. This guidance reflects the following one-time items: Transportation expected working capital recovery of \$300-\$400 million, \$250 million cash cost expected for restructuring actions supporting future earnings growth, and an expected \$250 million working capital contingency largely to support the ramp-up of the *Global 7500*.

⁽¹⁾ Refer to the forward-looking statements disclaimer in Overview as well as the assumptions on which the guidance is based.

⁽²⁾ Profitability guidance is based on EBITDA before special items, EBIT before special items or EBIT margin before special items. These as well as free cash flow (usage) are non-GAAP measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and the Consolidated results of operations and Liquidity and capital resources sections, as well as each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures in 2018.

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected growth in demand for products and services; growth strategy, including in the business aircraft aftermarket business; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and project execution in general; competitive position; expectations regarding working capital recovery across Transportation legacy projects; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources, expected financial requirements and ongoing review of strategic and financial alternatives; the introduction of productivity enhancements, operational efficiencies and restructuring initiatives and anticipated costs, intended benefits and timing thereof; the expected objectives and financial targets underlying our transformation plan and the timing and progress in execution thereof, including the anticipated business transition to growth cycle and cash generation; expectations and objectives regarding debt repayments, expectations and timing regarding an opportunistic redemption of CDPQ's investment in BT Holdco; intentions and objectives for our programs, including the focus on returning to profitability and exploration of strategic options for the *CRJ Series* program; the funding and liquidity of C Series Aircraft Limited Partnership (CSALP); and the expected impact and intended benefits of our partnership with Airbus and investment in CSALP and the realization of intended benefits of our acquisition of Triumph Group Inc. (Triumph)'s *Global 7500* wing manufacturing operations and assets. As it relates to the strategic actions and proposed sale of the *Q Series* Aircraft program and Business Aircraft's flight and technical training activities (collectively, the Pending Transactions), this MD&A also contains forward-looking statements with respect to: the expected terms, conditions, and timing for completion thereof; the respective anticipated proceeds and use thereof and/or consideration therefor, related costs and expenses, as well as the anticipated benefits of such actions and transactions and their expected impact on our guidance and targets; and the fact that closing of these transactions will be conditioned on certain events occurring, including the receipt of necessary regulatory approval.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "shall", "can", "expect", "estimate", "intend", "anticipate", "plan", "foresee", "believe", "continue", "maintain" or "align", the negative of these terms, variations of them or similar terminology. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of our current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of our business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

By their nature, forward-looking statements require management to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions underlying the forward-looking statements made in this MD&A in relation to the Pending Transactions discussed herein include the following material assumptions: the satisfaction of all conditions of closing and the successful completion of such strategic actions and transactions within the anticipated timeframe, including receipt of regulatory approvals. For additional information, including with respect to the other assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in each reportable segment.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with

"Brexit", the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or global climate change), operational risks (such as risks related to developing new products and services; development of new business and awarding of new contracts; book-to-bill ratio and order backlog; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution, including challenges associated with certain Transportation's legacy projects and the release of working capital therefrom; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; risks associated with our ability to successfully implement and execute our strategy, transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives; doing business with partners; risks associated with our partnership with Airbus and investment in CSALP; risks associated with our ability to continue with our funding plan of CSALP and to fund, if required, the cash shortfalls; risks associated with our ability to successfully integrate our acquisition of Triumph's *Global 7500* wing manufacturing operations and assets; inadequacy of cash planning and management and project funding; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers, contracts and suppliers; supply chain risks; human resources; reliance on information systems; reliance on and protection of intellectual property rights; reputation risks; risk management; tax matters; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial existing debt and interest payment requirements; certain restrictive debt covenants and minimum cash levels; financing support provided for the benefit of certain customers; and reliance on government support), market risks (such as risks related to foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other. With respect to the Pending Transactions discussed herein specifically, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the failure to receive or delay in receiving regulatory approvals, or otherwise satisfy the conditions to the completion of such strategic actions and transactions or delay in completing and uncertainty regarding the length of time required to complete such strategic actions and transactions, and the funds and benefits thereof not being available to Bombardier in the time frame anticipated or at all; alternate sources of funding that would be used to replace the anticipated proceeds and savings from such strategic actions and transactions, as the case may be, may not be available when needed, or on desirable terms. Accordingly, there can be no assurance that any of the Pending Transactions will occur or that the anticipated benefits will be realized in their entirety, in part or at all. There can also be no assurance as to the completion, the form, or the timing of any BT Holdco buy-back.

Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. Other risks and uncertainties not presently known to us or that we presently believe are not material could also cause actual results or events to differ materially from those expressed or implied in our forward-looking statements. The forward-looking statements set forth herein reflect management's expectations as at the date of this report and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Revenues	\$ 4,303	\$ 4,611	\$ 16,236	\$ 16,199
Cost of sales	3,637	4,056	13,958	14,204
Gross margin	666	555	2,278	1,995
SG&A	292	331	1,156	1,194
R&D	72	81	217	240
Share of income of joint ventures and associates	(7)	(36)	(66)	(175)
Other expense (income)	23	40	(58)	11
EBIT before special items ⁽²⁾	286	139	1,029	725
Special items	(56)	66	28	426
EBIT	342	73	1,001	299
Financing expense	261	279	712	801
Financing income	(33)	(21)	(106)	(56)
EBT	114	(185)	395	(446)
Income taxes	59	3	77	79
Net income (loss)	\$ 55	\$ (188)	\$ 318	\$ (525)
Attributable to				
Equity holders of Bombardier Inc.	\$ 15	\$ (190)	\$ 232	\$ (494)
NCI	\$ 40	\$ 2	\$ 86	\$ (31)
EPS (in dollars)				
Basic	\$ 0.02	\$ (0.09)	\$ 0.10	\$ (0.24)
Diluted	\$ 0.02	\$ (0.09)	\$ 0.09	\$ (0.24)
As a percentage of total revenues				
EBIT before special items ⁽²⁾	6.6%	3.0%	6.3%	4.5%
EBIT	7.9%	1.6%	6.2%	1.8%

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.

Computation of diluted EPS

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Net income (loss) attributable to equity holders of Bombardier Inc.	\$ 15	\$ (190)	\$ 232	\$ (494)
Preferred share dividends, including taxes	25	(8)	4	(27)
Net income (loss) attributable to common equity holders of Bombardier Inc.	\$ 40	\$ (198)	\$ 236	\$ (521)
Weighted-average diluted number of common shares (in thousands of shares)	2,477,954	2,194,868	2,501,047	2,195,379
Diluted EPS (in dollars)	\$ 0.02	\$ (0.09)	\$ 0.09	\$ (0.24)

Computation of adjusted EPS⁽²⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Adjusted net income (loss)	\$ 149	\$ (28)	\$ 438	91
Net (income) loss attributable to NCI	(40)	(2)	(86)	31
Preferred share dividends, including taxes	25	(8)	4	(27)
Adjusted net income attributable to equity holders of Bombardier Inc.	\$ 134	\$ (38)	\$ 356	\$ 95
Weighted-average adjusted diluted number of common shares (in thousands of shares)	2,477,954	2,194,868	2,501,047	2,264,722
Adjusted EPS (in dollars)⁽²⁾	\$ 0.05	\$ (0.02)	\$ 0.14	\$ 0.04

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

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

Other non-GAAP financial measure⁽¹⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽²⁾	2018	2017 <i>restated</i> ⁽²⁾
EBITDA before special items	\$ 370	\$ 228	\$ 1,304	\$ 1,046

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

⁽²⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

Reconciliation of segment to consolidated results

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Revenues				
Business Aircraft	\$ 1,494	\$ 1,448	\$ 4,994	\$ 4,933
Commercial Aircraft	421	651	1,756	2,317
Aerostructures and Engineering Services	622	426	1,953	1,616
Transportation	2,161	2,415	8,915	8,551
Corporate and Elimination	(395)	(329)	(1,382)	(1,218)
	\$ 4,303	\$ 4,611	\$ 16,236	\$ 16,199
EBIT before special items ⁽²⁾				
Business Aircraft	\$ 122	\$ 120	\$ 420	\$ 419
Commercial Aircraft	(9)	(133)	(157)	(381)
Aerostructures and Engineering Services	48	20	188	88
Transportation	167	140	750	738
Corporate and Elimination	(42)	(8)	(172)	(139)
	\$ 286	\$ 139	\$ 1,029	\$ 725
Special Items				
Business Aircraft	\$ (23)	\$ (9)	\$ (10)	\$ 25
Commercial Aircraft	9	5	598	8
Aerostructures and Engineering Services	48	13	42	7
Transportation	(69)	11	(24)	295
Corporate and Elimination	(21)	46	(578)	91
	\$ (56)	\$ 66	\$ 28	\$ 426
EBIT				
Business Aircraft	\$ 145	\$ 129	\$ 430	\$ 394
Commercial Aircraft	(18)	(138)	(755)	(389)
Aerostructures and Engineering Services	—	7	146	81
Transportation	236	129	774	443
Corporate and Elimination	(21)	(54)	406	(230)
	\$ 342	\$ 73	\$ 1,001	\$ 299

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.

Analysis of consolidated results

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

Special items

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

The special items recorded as losses (gains) were as follows:

	Ref	Fourth quarters ended December 31		Fiscal years ended December 31	
		2018	2017	2018	2017
C Series transaction with Airbus	1	\$ 7	\$ —	\$ 616	\$ —
Gain on disposal of PP&E	2	—	—	(561)	—
Gains on disposal of PP&E under sale and leaseback transactions	3	(66)	—	(66)	—
Restructuring charges	4	23	37	41	285
Tax litigation	5	(31)	—	(35)	11
Changes in credit and residual value guarantees	6	—	—	(34)	—
Purchase of pension annuities	7	—	—	32	—
Loss on sale of long-term contract receivables	8	31	—	31	—
Reversal of <i>Learjet 85</i> aircraft program cancellation provisions	9	(28)	(17)	(29)	(28)
Pension equalization	10	28	—	28	—
Impairment of non-core operations	11	—	—	17	43
<i>Primove</i> impairment and other costs	12	—	46	4	91
Re-negotiation of a commercial agreement	13	—	—	—	35
Loss on repurchase of long-term debt	14	—	23	—	23
Income taxes		48	(6)	(23)	(15)
		\$ 12	\$ 83	\$ 21	\$ 445
Of which is presented in					
Special items in EBIT		\$ (56)	\$ 66	\$ 28	\$ 426
Financing expense - loss on sale of long-term contract receivables	8	31	—	31	—
Financing expense - loss on repurchase of long-term debt	14	—	23	—	23
Financing income - interest related to tax litigation	5	(11)	—	(15)	11
Income taxes		48	(6)	(23)	(15)
		\$ 12	\$ 83	\$ 21	\$ 445

1. 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 \$616 million (\$552 million after tax). 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 31 - Disposal of a business for more details in respect of the transaction.
2. Related to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments).
3. The Corporation sold and leased back two facilities in Transportation in line with our transformation plan.
4. For fiscal year 2018, represents severance charges of \$43 million partially offset by curtailment gains of \$10 million, and impairment charges of PP&E of \$8 million, all related to previously-announced restructuring actions. For fiscal year 2017, represents severance charges of \$253 million partially offset by curtailment gains of

\$6 million, and impairment charges of PP&E of \$38 million, all related to previously-announced restructuring actions.

5. Represents a change in the estimate used to determine the provision related to tax litigation.
6. 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.
7. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans in Ontario (Canada), the U.K. and the U.S. 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 fiscal year 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans, for which the premiums paid to insurers were \$516 million (paid from plans assets) and the respective defined benefit obligations were \$484 million.
8. For fiscal year 2018, the Corporation sold long-term contract receivables in Transportation, which resulted in a loss of \$31 million recorded in financing expense.
9. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by \$29 million for fiscal year 2018 (\$28 million for fiscal year 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.
10. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). The Corporation estimated the impact of the ruling on its pension plans and recognized an additional obligation of \$28 million as at December 31, 2018. The one-time P&L impact was recognized in fiscal year 2018 as a past service cost under IAS 19 - *Employee benefits*.
11. An impairment charge related to non-core operations of \$17 million recorded in fiscal year 2018 with respect to the expected sale of legal entities, as part of the Transportation transformation plan (\$43 million for fiscal year 2017).
12. 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 during the fiscal year 2018. For the fiscal year 2017, the Corporation recorded an inventory write-down of \$22 million, impairment charges of PP&E of \$6 million, and a contract loss provision of \$63 million. *Primove* offers e-mobility solutions for several types of electronic rail and road vehicles.
13. A provision was taken, for fiscal year 2017, to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.
14. For fiscal year 2017, represents the loss related to the redemption of the \$600-million Senior Notes due 2019.

Net financing expense

Net financing expense amounted to \$228 million and \$606 million, respectively, for the fourth quarter and fiscal year ended December 31, 2018, compared to \$258 million⁽¹⁾ and \$745 million⁽¹⁾ for the corresponding periods last fiscal year.

The \$30-million decrease for the fourth quarter is mainly due to:

- a loss on repurchase of long-term debt⁽²⁾ (\$23 million), recorded as special items last year;

⁽¹⁾ The net financing expense for the fourth quarter and fiscal year of 2017 has been restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other and *Note 10 - Financing expense and financing income in the Consolidated financial statements* for details regarding restatements of comparative period figures.

⁽²⁾ In the fourth quarter and fiscal year ended December 31, 2017, represents the loss related to the redemption of the \$600-million Senior Notes due 2019.

- lower interest component as a result of a change in the estimates used to determine the provision related to tax litigation provision (\$11 million), recorded as special items; and
- higher interest income from cash and cash equivalents (\$6 million).

Partially offset by:

- a loss related to the sale of long-term contract receivables in Transportation (\$31 million), recorded as a special item in 2018.

The \$139-million decrease for the fiscal year is mainly due to:

- higher borrowing costs capitalized to PP&E and intangible assets (\$64 million);
- a lower net loss related to certain financial instruments classified as FVTP&L (\$49 million);
- lower interest component as a result of a change in the estimates used to determine the provision related to tax litigation (\$26 million), recorded as special items;
- a loss on repurchase of long-term debt⁽¹⁾ (\$23 million), recorded as special items last year;
- higher interest income from cash and cash equivalent (\$14 million);
- lower accretion on retirement benefit obligations (\$13 million); and
- lower net financing expenses from changes in discount rates of provisions (\$10 million).

Partially offset by:

- higher interest on long-term debt, after the effect of hedges (\$52 million); and
- a loss related to the sale of long-term contract receivables in Transportation (\$31 million), recorded as a special item in 2018.

⁽¹⁾ In the fourth quarter and fiscal year ended December 31, 2017, represents the loss related to the redemption of the \$600-million Senior Notes due 2019.

Income taxes

The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2018 were 51.8% and 19.5%, respectively, compared to the statutory income tax rate in Canada of 26.7%.

The higher effective income tax rate in the fourth quarter is mainly due to:

- the negative impact of the write-down of deferred income tax assets; and
- the negative impact of the net non-recognition of tax benefits related tax losses and temporary differences.

Partially offset by:

- the positive impact of the permanent differences.

The lower effective income tax rate for the fiscal year ended December 31, 2018 is mainly due to:

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

Partially offset by:

- the negative impact of the write-down of deferred income tax assets.

The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2017 were (1.6)%⁽¹⁾ and (17.7)%⁽¹⁾, respectively, compared to the statutory income tax rate in Canada of 26.7%.

The negative effective income tax rate in the fourth quarter is mainly due to:

- the effect of substantively enacted income tax rate changes mainly in the U.S.; and
- permanent differences and other.

Partially offset by:

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

The negative effective income tax rate for the fiscal year ended December 31, 2017 is mainly due to:

- the net non-recognition of income tax benefits related to tax losses and temporary differences;
- the effect of substantively enacted income tax rate changes mainly in the U.S.; and
- permanent differences.

⁽¹⁾ The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2017 have been restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

CONSOLIDATED FINANCIAL POSITION

The total assets increased by \$42 million in the fiscal year, including a negative currency impact of \$382 million related to foreign exchange. The \$424-million increase excluding currency impacts is mainly explained by:

- a \$1.7-billion increase in investments in joint ventures and associates mainly due to use of equity method of accounting for the Corporation's investment in CSALP;⁽¹⁾
- a \$1.0-billion increase in gross inventories mainly in Business Aircraft, partially offset by a decrease in Transportation and Aerostructures and Engineering Services;
- a \$935-million increase in aerospace program tooling mainly in Business Aircraft. See the Investment in product development table in Business Aircraft for details;
- a \$457-million increase in trade and other receivables mainly in Transportation;
- a \$256-million increase contract assets mainly in Transportation; and
- a \$186-million increase in cash and cash equivalents. See the Free cash flow and the Variation in cash and cash equivalents tables for details.

Partially offset by:

- a \$4.2-billion decrease in assets held for sale due to the deconsolidation of CSALP.⁽¹⁾

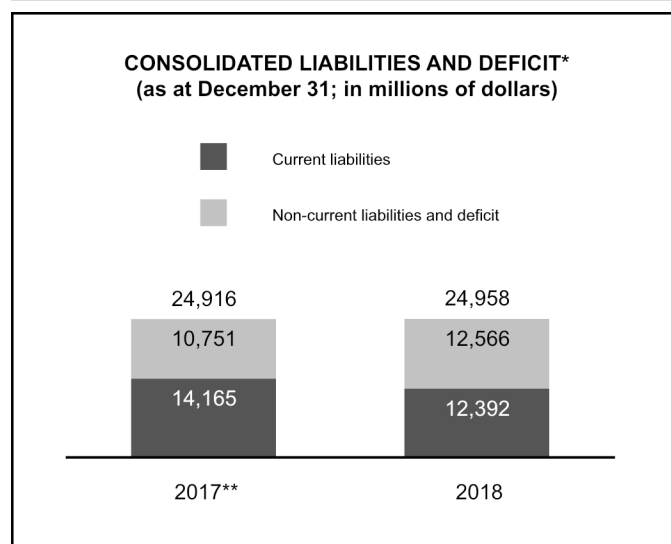
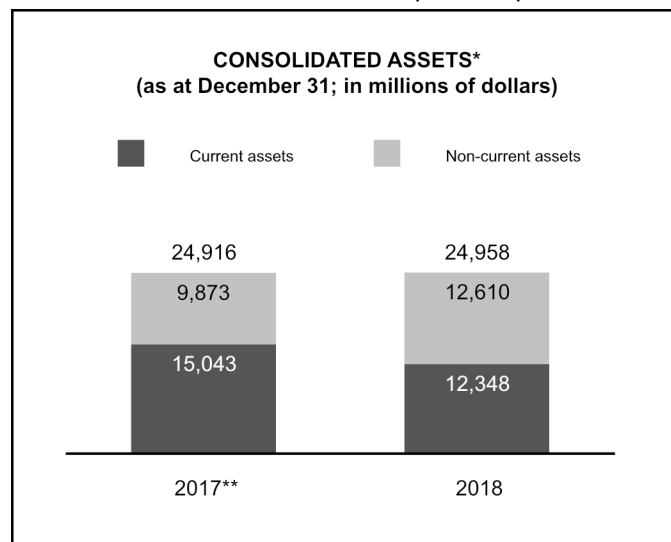
The total liabilities and equity increased by \$42 million in the fiscal year, including a currency impact of \$382 million. The \$424-million increase excluding currency impacts is mainly explained by:

- a \$1.2-billion increase in contract liabilities mainly in Business Aircraft;
- a \$846-million increase in other financial liabilities mainly due to changes in the fair value of derivative financial instruments, increase in government refundable advances and in vendor non-recurring costs;
- a \$779-million increase in trade and other payables mainly in Business Aircraft and Transportation; and
- a \$621-million increase in equity mainly due to a total comprehensive income of \$417 million, issuance of Class B Shares (subordinate voting) of \$475 million and issuance of warrants of \$270 million, partially offset by change in NCI of \$391 million.⁽¹⁾

Partially offset by:

- a \$2.7-billion decrease in liabilities directly associated with assets held for sale due to the deconsolidation of CSALP;⁽¹⁾

- a \$224-million decrease in other liabilities mainly in Transportation; and
- a \$215-million decrease in retirement benefit liability mainly due to remeasurement and settlements of defined benefit pension plans.



* The total assets and the total liabilities in the above graphs as at December 31, 2017 include \$4.2 billion and \$2.5 billion, respectively, related to CSALP, which are presented under Assets held for sale. On July 1, 2018, Airbus SAS (Airbus), a wholly-owned subsidiary of Airbus SE acquired the control of CSALP. Since the Corporation no longer controls CSALP, the transaction has been accounted as a disposal of CSALP. Accordingly, on July 1, 2018, all assets and all liabilities of CSALP were derecognized from the Corporation's consolidated statement of financial position. Refer to the Strategic Partnership section in Commercial Aircraft and to Note 31 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

** Refer to the Accounting and reporting development section in Other for details regarding restatements of comparative period figures.

⁽¹⁾ See Note 31 - Disposal of a business in the Consolidated financial statements for more details.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow⁽¹⁾

Free cash flow (usage)⁽¹⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated⁽²⁾</i>	2018	2017 <i>restated⁽²⁾</i>
Net income (loss)	\$ 55	\$ (188)	\$ 318	\$ (525)
Non-cash items				
Amortization	84	89	272	314
Impairment charges on PP&E and intangible assets	—	6	11	51
Deferred income taxes	(1)	(12)	(74)	35
Gains on disposals of PP&E and intangible assets	(61)	(8)	(636)	(38)
C Series transaction with Airbus	7	—	616	—
Share of income of joint ventures and associates	(7)	(36)	(66)	(175)
Share-based expense	(2)	13	65	45
Loss on repurchase of long-term debt	—	23	—	23
Loss on sale of long-term contract receivables	31	—	31	—
Dividends received from joint ventures and associates	23	25	72	55
Net change in non-cash balances	1,160	1,325	(12)	746
Cash flows from operating activities	1,289	1,237	597	531
Net additions to PP&E and intangible assets	(248)	(365)	(415)	(1,317)
Free cash flow (usage)⁽¹⁾	\$ 1,041	\$ 872	\$ 182	\$ (786)

Cash flows from operating activities

The \$52-million increase in cash flows from operating activities for the fourth quarter is mainly due to:

- higher net income before non-cash items (\$219 million).

Partially offset by:

- a negative period-over-period variation in net change in non-cash balances (\$165 million) (see explanations below).

The \$66-million increase in cash flows from operating activities for the fiscal year is mainly due to:

- higher net income before non-cash items (\$807 million).

Partially offset by:

- a negative period-over-period variation in net change in non-cash balances (\$758 million) (see explanations below).

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

⁽²⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

Net change in non-cash balances

For the fourth quarter ended December 31, 2018, the \$1.2-billion inflow is mainly due to:

- an increase in Business Aircraft's contract liabilities due to advances received on new and existing orders, as well as the prepayment of \$155 million of royalties by CAE under an extended Authorized Training Provider agreement;
- an increase in trade and other payables mainly in Transportation and Business Aircraft;
- a decrease in Transportation's other financial assets mainly due to the sale of long-term contract receivables for proceeds of \$133 million;
- a decrease in Transportation's contract assets following deliveries; and
- a decrease in trade and other receivables in Aerostructures and Engineering Services and Commercial Aircraft, partially offset by an increase in Transportation.

Partially offset by:

- an increase in inventories in Business Aircraft due to ramp up in production, partially offset by a decrease in Aerostructures and Engineering Services.

For the fourth quarter ended December 31, 2017, the \$1.3-billion inflow was mainly due to:

- an increase in trade and other payables mainly related to Transportation and Business Aircraft;
- a decrease in Transportation's contract assets following deliveries, partially offset by ramp-up in production;
- an increase in Transportation's contract liabilities on new orders and existing contracts;
- an increase in other liabilities in Transportation mainly related to sales taxes; and
- a decrease in aerospace programs inventories mainly in Business Aircraft, partially offset by an increase in Aerostructures and Engineering Services mainly due to the ramp-up in production for the *Global 7500* aircraft.

Partially offset by:

- a decrease in Business Aircraft's contract liabilities, partially offset by an increase in Commercial Aircraft.

For the fiscal year ended December 31, 2018, the \$12-million outflow is mainly due to:

- an increase in inventories in Business Aircraft due to ramp up in production;
- an increase in Transportation's contract assets following ramp up in production ahead of deliveries;
- a decrease in provisions mainly in Transportation;
- a decrease in Transportation's other liabilities mainly related to decrease in contract provisions and tax payable; and
- an increase in trade and other receivables in Transportation.

Partially offset by:

- an increase in contract liabilities in Business Aircraft, Transportation and Commercial Aircraft due to advances received on new and existing orders, as well as the prepayment of \$155 million of royalties by CAE under an extended Authorized Training Provider agreement;
- an increase in trade and other payables in Business Aircraft, Transportation, Commercial Aircraft and Aerostructures and Engineering Services; and
- a decrease in Transportation's other financial assets mainly due to the sale of long-term contract receivables for proceeds of \$133 million.

For the fiscal year ended December 31, 2017, the \$746-million inflow was mainly due to:

- an increase in trade and other payables mainly related to Transportation and Business Aircraft;
- an increase in Transportation's contract liabilities on new orders and existing contracts;
- a decrease in Transportation's trade and other receivables; and
- an increase in other liabilities in Transportation mainly related to sales taxes.

Partially offset by:

- an increase in Transportation's contract assets following ramp up in production ahead of deliveries;
- a decrease in Business Aircraft's contract liabilities; and
- an increase in aerospace programs inventories mainly in Commercial Aircraft mainly due to the ramp-up in production for the C Series aircraft program and in Aerostructures and Engineering Services due to the ramp-up in production for the *Global 7500* and the C Series aircraft, partially offset by a decrease in Business Aircraft's inventories.

Net additions to PP&E and intangible assets

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017	2018	2017
Additions to PP&E and intangible assets	\$ (334)	\$ (378)	\$ (1,164)	\$ (1,389)
Proceeds from disposals of PP&E and intangible assets	86	13	749	72
Net additions to PP&E and intangible assets	\$ (248)	\$ (365)	\$ (415)	\$ (1,317)

The \$117-million decrease in net additions to PP&E and intangible assets for the fourth quarter was mainly due to:

- lower additions to intangible assets mainly due to lower investments in aerospace program tooling; and
- higher proceeds from disposals of PP&E due to the sale and leaseback of two facilities in Transportation for \$77 million.

The \$902-million decrease in net additions to PP&E and intangible assets for the fiscal year was mainly due to:

- lower additions to intangible assets mainly due to lower investments in aerospace program tooling; and
- higher proceeds from disposals of PP&E due to the sale of the Downsview property to the Public Sector Pension Investment Board (PSP Investments) for approximately \$600 million and the sale and leaseback of two facilities in Transportation for \$77 million.

Available short-term capital resources

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

Variation in cash and cash equivalents

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017	2018	2017
Balance at the beginning of period/fiscal year	\$ 2,318	\$ 1,835	\$ 3,057	\$ 3,384
Cash flows from operating activities	1,289	1,237	597	531
Net additions to PP&E and intangible assets	(248)	(365)	(415)	(1,317)
Sale of investments in securities	133	—	133	—
Net proceeds from issuance of shares	2	—	506	—
Investments in non-voting units of CSALP	(140)	—	(225)	—
Dividends paid to NCI	(22)	(36)	(93)	(89)
Effect of exchange rate changes on cash and cash equivalents	(24)	(13)	13	34
Outflows related to a disposal of a business	(11)	—	(36)	—
Dividends paid on preferred shares	(5)	(3)	(20)	(18)
Repayments of long-term debt	(4)	(627)	(15)	(651)
Net proceeds from issuance of long-term debt	—	988	—	988
Net change in short-term borrowings	—	(167)	—	—
Deconsolidation of cash and cash equivalents of CSALP	—	—	(151)	—
Purchase of Class B shares held in trust under the PSU and RSU plans	—	—	(97)	—
Other	(101)	208	(67)	195
Balance at the end of period/fiscal year	\$ 3,187	\$ 3,057	\$ 3,187	\$ 3,057
Reclassified as assets held for sale ⁽¹⁾	—	69	—	69
Balance at the end of period/fiscal year	\$ 3,187	\$ 2,988	\$ 3,187	\$ 2,988

⁽¹⁾ Includes cash and cash equivalents of the C Series aircraft program presented under Assets held for sale amounting to \$69 million as of December 31, 2017. Refer to the strategic partnership section in Commercial Aircraft, Note 16 - Cash and cash equivalents and Note 31 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

Available short-term capital resources

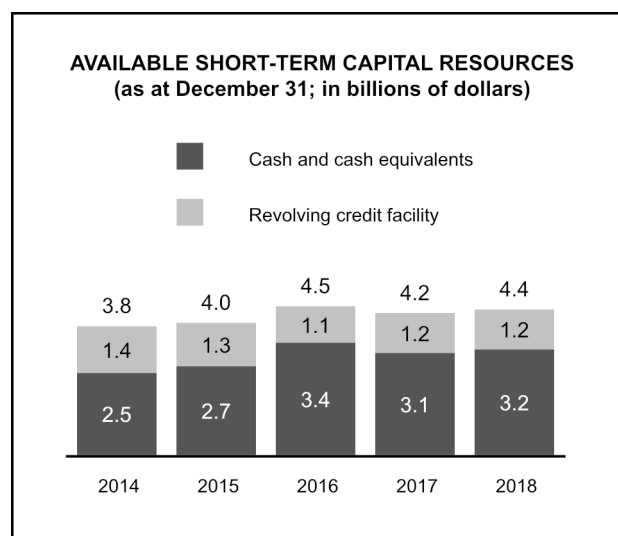
	December 31, 2018	As at December 31, 2017
Cash and cash equivalents	\$ 3,187	\$ 3,057 ⁽¹⁾
Available revolving credit facilities	1,186	1,168
Available short-term capital resources	\$ 4,373	\$ 4,225

⁽¹⁾ Includes cash and cash equivalents of the C Series aircraft program presented under Assets held for sale amounting to \$69 million as of December 31, 2017. Refer to the strategic partnership section in Commercial Aircraft, Note 16 - Cash and cash equivalents and Note 31 - Disposal of a business in the Consolidated financial statements for more details on the transaction as well as the accounting treatment.

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

In March 2018, we extended the maturity dates of Transportation's €640-million and the \$400-million⁽¹⁾ unsecured revolving credit facilities to May 2021 and June 2021, respectively. In addition, Transportation's €640-million unsecured revolving credit facility was increased to €722 million. In October 2018, it was reduced to €689 million. In June 2018, the \$400-million⁽¹⁾ unsecured revolving credit facilities was adjusted to \$397 million. These facilities were unused as of December 31, 2018.

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



Some totals do not agree due to rounding.

Letter of credit facilities

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

	Amount committed	Letters of credit issued	Amount available	Maturity
December 31, 2018				
Transportation facility	\$ 4,511	\$ 4,024	\$ 487	2022
Corporation excluding Transportation facility	361	188	173	2021
	\$ 4,872	\$ 4,212	\$ 660	
December 31, 2017				
Transportation facility	\$ 4,270	\$ 4,013	\$ 257	2021
Corporation excluding Transportation facility	400	169	231	2020
	\$ 4,670	\$ 4,182	\$ 488	

In 2018, the committed amount under Transportation's facility was increased to €3.94 billion (\$4.51 billion) from €3.56 billion (\$4.3 billion) as at December 31, 2017, and the \$400-million letter of credit facility, which is available for the Corporation excluding Transportation, was reduced to \$361 million. In January 2019, the committed amount under Transportation's letter of credit facility was increased to €3.96 billion (\$4.53 billion).

In addition to the outstanding letters of credit mentioned above, letters of credit of \$3.51 billion were outstanding under various bilateral agreements and letters of credit of \$362 million under the PSG facility as at December 31, 2018 (\$3.0 billion and \$377 million, respectively, as at December 31, 2017).

We also use numerous bilateral bonding facilities with insurance companies to support Transportation's operations. An amount of \$3.7 billion was outstanding under such facilities as at December 31, 2018 (\$3.4 billion as at December 31, 2017 and \$2.9 billion as at January 1, 2017).

See Note 35 – Credit facilities, to the consolidated financial statements, for additional information.

Financial covenants

The Corporation is subject to various financial covenants under the letter of credit facilities, excluding the PSG facility, and the two unsecured revolving credit facilities, which must be met on a quarterly basis.

The \$361-million letter of credit and \$397-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, include financial covenants requiring a minimum EBITDA to fixed charges ratio, as well as a maximum gross debt and minimum EBITDA thresholds, all calculated based on an adjusted consolidated basis i.e. excluding Transportation.

The Transportation letter of credit and revolving credit facilities include financial covenants requiring minimum equity as well as a maximum debt to EBITDA ratio, all calculated based on Transportation stand-alone financial data.

These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics as described in Note 36 – Capital management or to the specific terms used in the MD&A. In addition, the Corporation must maintain a minimum Transportation liquidity of €750 million (\$859 million). The \$361-million letter of credit and \$397-million unsecured revolving facilities, which are available for the Corporation excluding Transportation, require liquidity between \$600 million and \$850 million at the end of each quarter. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

The financial covenants under these credit facilities were all met on a quarterly basis and as at December 31, 2018 and 2017 and January 1, 2017.

The Corporation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met.

The Corporation is currently in negotiations for the annual extensions of each of its principal bank facilities as well as for certain other amendments, including amendments to its financial covenants and other technical amendments. These amendments are subject to prevailing market and other conditions that are beyond its control and there can be no assurance that the Corporation will be able to successfully negotiate such amendments on commercially reasonable terms, or at all. However, failure to successfully negotiate such amendments is not currently expected to have a material adverse effect on its business, financial condition, cash flows and results of operations.

Future liquidity requirements

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

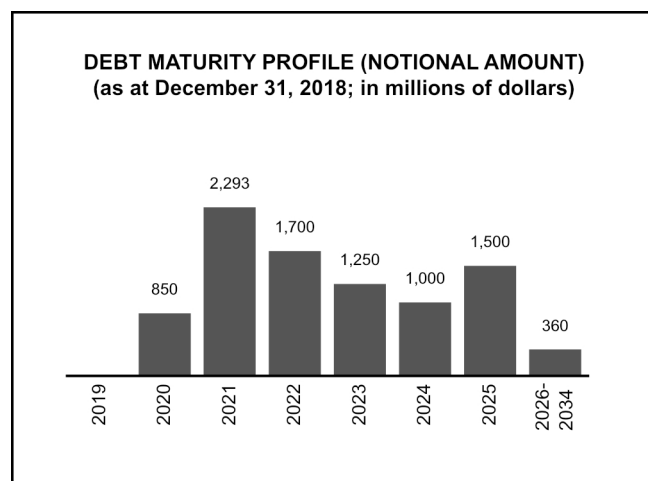
On an on-going basis, we manage our liabilities by taking into consideration expected free cash flows⁽¹⁾, debt repayments and other material cash outlays expected to occur in the future. We have a financing plan to position ourselves with a flexible and strong financial profile whereby we opportunistically access capital markets, depending on market conditions, for the issuance of equity and new long-term debt capital.

Following an agreement with a syndicate of underwriters that occurred on March 23, 2018, we issued 168,000,000 Class B Shares (subordinate voting) at a purchase price of CDN \$3.80, for aggregate gross proceeds of CDN \$638 million (approximately \$500 million). The net proceeds of \$475 million supplemented our working capital.

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

We continuously evaluate opportunities to strengthen our capital profile by improving leverage ratios, refinancing debt maturities, and reducing the overall cost of funds by diversifying sources of capital. While there is no significant debt maturing before 2020, Bombardier has the option to buy back CDPQ's investment in BT Holdco beginning in February 2019. The CDPQ instrument carries a 15% minimum return threshold under a Bombardier initiated buy back. Given the cost of this instrument, we may seek to opportunistically redeem this CDPQ security while preserving an appropriately capitalized balance sheet. There can be no assurances on the completion, the form, or the timing of such buy-back.

The weighted average long-term debt maturity was 4.3 years as at December 31, 2018. There is no significant debt maturing before 2020.



Expected timing of future liquidity requirements

		December 31, 2018				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter	
Long-term debt ⁽¹⁾	\$ 9,022	\$ 9	\$ 3,185	\$ 2,950	\$ 2,878	
Interest payments	2,758	635	1,143	592	388	
Operating lease obligations	875	167	225	127	356	
Purchase obligations ⁽²⁾	13,385	9,237	3,793	331	24	
Trade and other payables	4,634	4,631	2	—	1	
Other financial liabilities	1,825	343	283	246	953	
Derivative financial liabilities	1,036	628	408	—	—	
	\$ 33,535	\$ 15,650	\$ 9,039	\$ 4,246	\$ 4,600	

⁽¹⁾ Includes principal repayments only.

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

The table above presents the expected timing of contractual liquidity requirements. Other payments contingent on future events, such as payments in connection with credit and residual value guarantees related to the sale of aircraft and product warranties have not been included in the above table because of the uncertainty of the amount and timing of payments arising from their contingent nature. In addition, required pension contributions have not been reflected in this table as such contributions depend on periodic actuarial valuations for funding purposes. For 2019, contributions to retirement benefit plans are estimated at approximately \$369 million (see the Retirement benefits section for more details). The amounts presented in the table represent the undiscounted payments and do not give effect to the related hedging instruments, if applicable.

We believe our available short-term capital resources of \$4.4 billion should give us sufficient liquidity to execute our plan in the short-term. We currently anticipate that these resources will enable the development of new products to enhance our competitiveness and support our growth; will enable us to meet currently anticipated financial requirements in the foreseeable future; and will allow the payment of dividends on preferred shares, if and when declared by the Board of Directors.

Creditworthiness

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

Credit Ratings

	Investment-grade rating	Bombardier Inc.'s rating	
		February 13, 2019	December 31, 2017
Fitch Ratings Ltd.	BBB-	B-	B
Moody's Investors Service, Inc.	Baa3	B3	B3
Standard & Poor's Rating Services	BBB-	B-	B-

Over the long term, we strive for our credit ratings to improve as we progress towards profitability targets and return to a more normalized level of investment in product development.

CAPITAL STRUCTURE

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

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

Our objectives with regard to the global metrics are as follows:

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

Interest coverage ratio

	Fiscal years ended December 31	
	2018	2017 restated ⁽¹⁾
Adjusted EBIT ⁽²⁾	\$ 1,107	\$ 823
Adjusted interest ⁽²⁾	\$ 720	\$ 631
Adjusted EBIT to adjusted interest ratio	1.5	1.3

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures. EBIT for the fiscal years 2018 and 2017 is \$1,001 million and \$299 million, respectively; and as shown in the Corporation's consolidated statements of cash flows, interest paid for the fiscal years 2018 and 2017 is \$674 million and \$594 million, respectively.

Financial leverage ratio

	As at and for the fiscal years ended December 31	
	2018	2017 restated ⁽¹⁾
Adjusted debt ⁽²⁾	\$ 9,549	\$ 9,631
Adjusted EBITDA ⁽²⁾	\$ 1,449	\$ 1,215
Adjusted debt to adjusted EBITDA ratio	6.6	7.9

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures. Long-term debt as at December 31, 2018 and 2017 is \$9,102 million and \$9,218 million, respectively; EBIT for the fiscal years 2018 and 2017 is \$1,001 million and \$299 million, respectively.

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

In addition to the above global metrics, we separately monitor our net retirement benefit liability, which amounted to \$2.2 billion as at December 31, 2018 (\$2.4 billion as at December 31, 2017). The measurement of this liability is dependent on numerous key long-term assumptions such as discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. We closely monitor the impact of the net retirement benefit liability on our future cash flows and we have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with the retirement benefit plans. See the Retirement benefits section for further details.

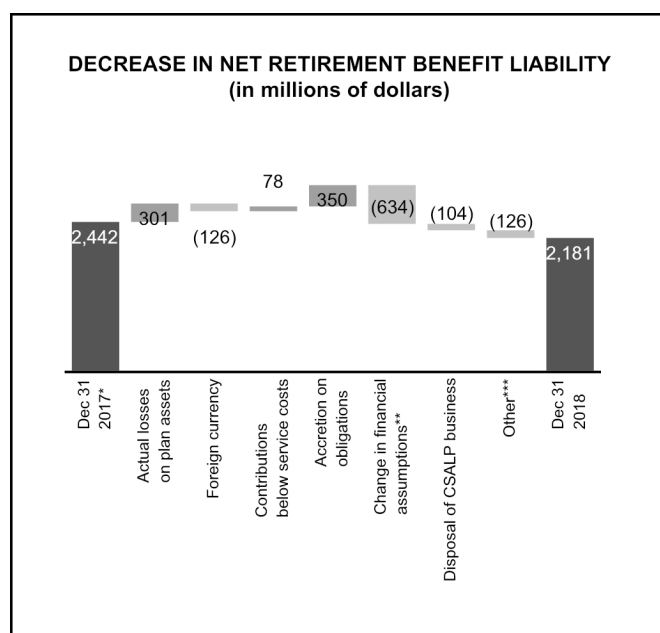
RETIREMENT BENEFITS

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

Pension plans are categorized as Defined benefit (DB) or Defined contribution (DC). DB plans specify the amount of benefits an employee is to receive at retirement, while DC plans specify how contributions

are determined. As a result, there is no deficit or surplus for DC plans. Hybrid plans are a combination of DB and DC plans.

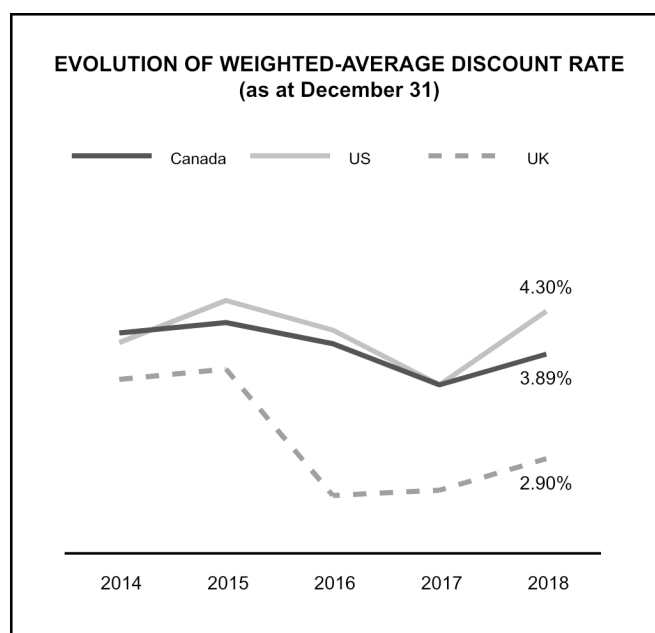
In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (they no longer have the option of joining DB or hybrid plans). In the U.K., all DB plans are closed to new members. Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan. As a result of these changes, contributions to DC plans have increased over the past several years.



* The balance includes net retirement benefit liability related to the C Series aircraft program in the amount of \$99 million reclassified as Liabilities directly associated with assets held for sale.

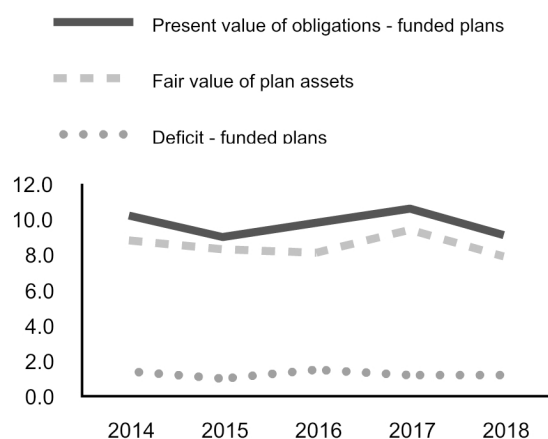
** Mainly comprised of changes in discount rates.

*** Other is mainly comprised of changes in other actuarial assumptions, experience adjustments and impact of asset ceiling.

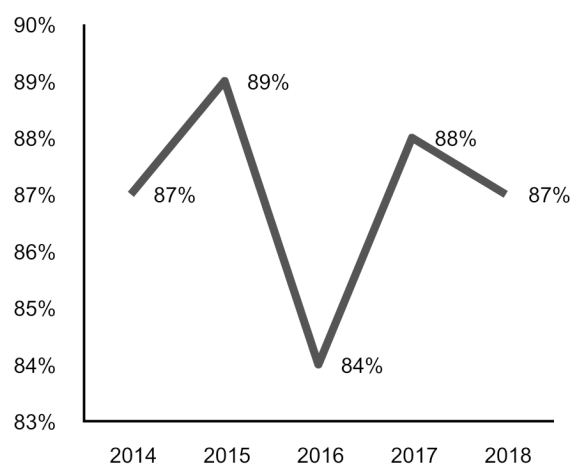


The value of plan assets is highly dependent on the pension funds' asset performance and on the level of contributions. The performance of the financial markets is a key driver in determining the funds' asset performance as assets in the plans are composed mostly of publicly traded equity and fixed income securities. IFRS requires that the excess (deficit) of actual return on plan assets compared to the estimated return be reported as an actuarial gain or loss in OCI. The estimated return on plan assets must be calculated using the discount rate that is used to measure the net retirement benefit liability, which is derived using high-quality corporate bond yields. During 2018, as the actual loss on plan assets of \$301 million was below expected return, an actuarial loss of \$586 million was recognized.

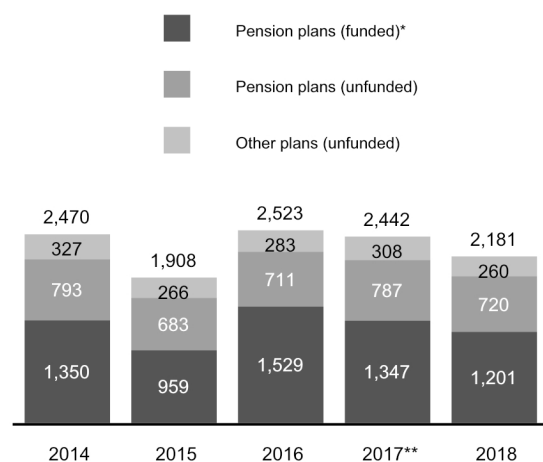
EVOLUTION OF PENSION PLAN ASSETS, FUNDED PLAN OBLIGATIONS AND DEFICIT
(as at December 31; in billions of dollars)



EVOLUTION OF FUNDING RATIO OF FUNDED PLANS
(as at December 31)

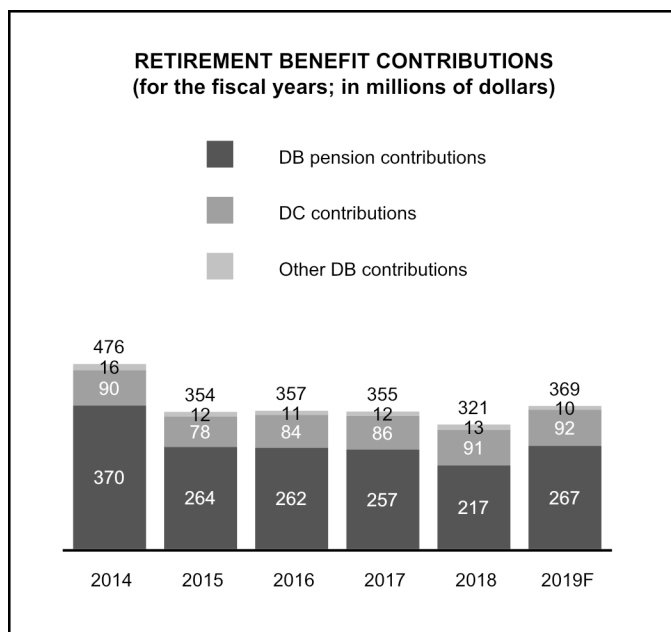


NET RETIREMENT BENEFIT LIABILITY
(as at December 31; in millions of dollars)



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

** The balance includes net retirement benefit liability related to the C Series aircraft program in the amount of \$99 million reclassified as Liabilities directly associated with assets held for sale.



F: Forecast

DB plan contributions were at \$230 million in 2018, compared to \$269 million the previous year. DB plan contributions are estimated at \$277 million for 2019. The future level of contributions will be impacted by the evolution of market interest rates and the actual return on plan assets.

In 2018, DC pension contributions totaled \$91 million. These contributions are estimated at \$92 million for 2019.

Investment Policy

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

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

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

As at December 31, 2018, the average target asset allocation was as follows:

- 49%, 57% and 50% in fixed income securities, for Canadian, U.K. and U.S. plans, respectively;
- 41%, 31% and 50% in equity securities, for Canadian, U.K. and U.S. plans, respectively; and
- 10% and 12% in real return asset securities, for Canadian and U.K. plans, respectively.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term bond forwards) will be implemented for the pension plans when the market will be favorable and the plans' triggers will be reached.

The plan administrators have also established dynamic risk management strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve and the plans become more mature.

Under certain pension legislations, and subject to compliance with certain conditions, the buy-out of annuities with insurance companies would discharge the Corporation and administrators of their respective obligations. Accordingly, in 2018, annuities were purchased for pensioners of seven pension plans registered in Ontario, the UK and the USA. The buy-out of annuities payable to pensioners of other pension plans will be contemplated in the coming years when these plans become fully funded on a buy-out basis.

Pension Asset Management Services monitors the de-risking triggers on a daily basis to ensure timely and efficient implementation of these strategies. The Corporation and administrators periodically undertake asset and liability studies to determine the appropriateness of the investment policies and de-risking strategies.

Risk management initiatives

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

Equity risk

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

Interest rate risk

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

Inflation risk

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

Foreign exchange risk

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

Liquidity risk

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

Longevity risk

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality and mortality improvement tables to set the level of contributions. The buy-out of annuities with insurance companies transfers all of the risks listed above to insurers for the annuities purchased.

Retirement benefit cost

	2018			2017		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
DB plans	\$ 357	\$ 16	\$ 373	\$ 320	\$ 18	\$ 338
DC plans	91	—	91	86	—	86
Total retirement benefit cost	\$ 448	\$ 16	\$ 464	\$ 406	\$ 18	\$ 424
Related to						
Funded DB plans	\$ 321	n/a	\$ 321	\$ 282	n/a	\$ 282
Unfunded DB plans	\$ 36	\$ 16	\$ 52	\$ 38	\$ 18	\$ 56
DC plans	\$ 91	n/a	\$ 91	\$ 86	n/a	\$ 86
Recorded as follows						
EBIT expense or capitalized cost	\$ 393	\$ 6	\$ 399	\$ 339	\$ 7	\$ 346
Financing expense	\$ 55	\$ 10	\$ 65	\$ 67	\$ 11	\$ 78

n/a: Not applicable

The retirement benefit cost for fiscal year 2019 for DB plans is estimated at \$318 million, of which \$249 million relates to EBIT expense or capitalized cost and \$69 million relates to net financing expense.

Sensitivity analysis

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

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

Increase (decrease)	Retirement benefit cost for fiscal year 2019 (Forecast)	Net retirement benefit liability as at December 31, 2018
Discount rate	\$ (27)	\$ (453)
Inflation rate	\$ 5	\$ 112
Rate of compensation increase	\$ 7	\$ 73

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

Increase	Retirement benefit cost for fiscal year 2019 (Forecast)	Net retirement benefit liability as at December 31, 2018
Canada	\$ 7	\$ 105
U.K.	\$ 5	\$ 116
U.S.	\$ 2	\$ 31

Details regarding assumptions used are provided in Note 25 – Retirement benefits, to the consolidated financial statements.

RISK MANAGEMENT

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

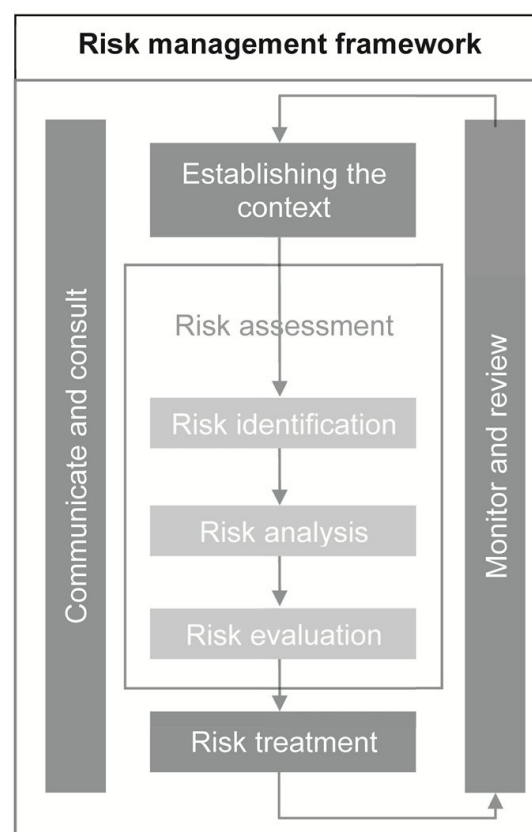
For each risk or category of risks, the risk management process includes activities performed in a continuous cycle. Risk assessment, including risk identification, analysis and evaluation, ensures that each risk is analyzed to identify the consequence and likelihood of the risk occurring and the adequacy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

In addition, every year, the Corporate Audit Services and Risk Assessment (CASRA) team assesses our major risks. Senior management reviews this risk assessment and develops action plans to address the identified risks.

The Board of Directors⁽¹⁾ is ultimately responsible for reviewing the overall risks faced by the Corporation. The Board exercises its duty through the Finance and Risk Management Committee, consisting of independent directors, which reviews material business risks and the measures that management takes to monitor, control and manage such risks, including the adequacy of policies, procedures and controls designed by management to assess and manage these risks. To complement the annual CASRA review of major risks, each reportable segment, in coordination with CASRA, has implemented an annual review process that results in standardized heat maps.

A primary area of focus is product development, where our biggest opportunities to create value reside, and also our most significant risks. Recognizing the long-term nature of product development activities and the significant human and financial resources required, we follow a rigorous gated product development process, designed to ensure early identification and efficient mitigation of potential risks. At the heart of this process is our Bombardier Engineering System, followed for all programs throughout the product development cycle. This process is regularly refined to integrate the lessons learned from our own programs and from the industry. Specific milestones must be met before a product can move from one stage of development to another. The gates consist of exit reviews with different levels of management and leading experts to demonstrate technical feasibility, customer acceptance and financial return.

⁽¹⁾ Refer to the Investor information section following the Notes to the consolidated financial statements for more information on Board members and Board Committees.



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

We continuously apply what we learn on one program to the other programs, by sharing ideas and learning in our various functional committees and through regular peer reviews, bringing together the expertise across all platforms to drive alignment and common approaches, establish best practices and leverage the knowledge and experience of our people. This review confirms the availability of human and financial resources, the maturity and manufacturing readiness of new technologies and the overall strength of the business case.

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

Key exposures to financing and market risks and related mitigation strategies

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

Exposure to foreign exchange risk

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

Foreign exchange management

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

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

Aerospace reportable segments

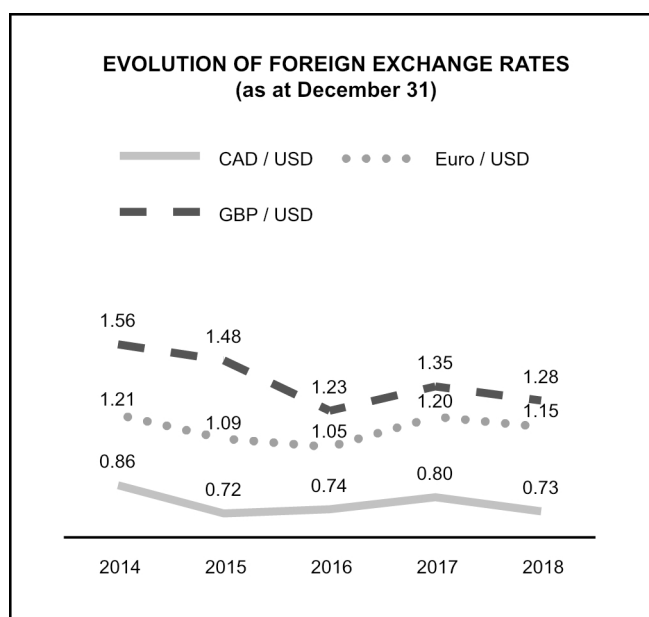
As at December 31, 2018, the hedged portion of our aerospace reportable segments' significant foreign currency denominated costs for the fiscal years ending December 31, 2019 and 2020 was as follows:

For fiscal years	Canadian dollars		Pounds sterling	
	2019	2020	2019	2020
Business Aircraft expected costs denominated in foreign currency	\$1,417	\$949	—	—
Commercial Aircraft expected costs denominated in foreign currency	\$307	\$231	—	—
Aerostructures and Engineering Services expected costs denominated in foreign currency	\$281	\$188	£228	£158
Hedged portion of expected costs denominated in foreign currency	82%	57%	87%	58%
Weighted-average hedge rates – foreign currency/USD	0.7858	0.7763	1.3767	1.3297

Sensitivity analysis

A U.S. one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services' expected costs for the year ending December 31, 2019 by approximately \$17 million, \$4 million and \$3 million, respectively, before giving effect to forward foreign exchange contracts (\$3 million, less than \$1 million and less than \$1 million impacts, respectively, after giving effect to such contracts).

A U.S. one-cent change in the value of the pound sterling compared to the U.S. dollar would impact Aerostructures and Engineering Services' expected costs for the fiscal year ending December 31, 2019 by approximately \$3 million, before giving effect to forward foreign exchange contracts (less than \$1 million impact after giving effect to such contracts).



Transportation and Corporate office

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

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

Sensitivity analysis

For investments in foreign operations exposed to foreign currency movements, a 1% fluctuation of the relevant currencies as at December 31, 2018 would have impacted equity, before the effect of income taxes, by \$24 million.

Exposure to credit risk

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

Credit risk management

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

Exposure to liquidity risk

The management of exposure to liquidity risk requires a constant monitoring of expected cash inflows and outflows, which is achieved through maintenance of detailed forecasts of cash flows and liquidity position, as well as long-term operating and strategic plans. Liquidity adequacy is continually monitored, taking into consideration historical volatility, the economic environment, seasonal needs, the maturity profile of indebtedness, access to capital markets, the level of customer advances, working capital requirements, the funding of product development and other financial commitments. We engage in certain working capital financing initiatives such as the sale of receivables, arrangements for advances from third parties, the negotiation of extended payment terms with certain suppliers, and sale and leaseback transactions (for more details, refer to Note 37 - Financial Risk Management, to the consolidated financial statements). We continually monitor any financing opportunities to optimize our capital structure and maintain appropriate financial flexibility.

Exposure to interest rate risk

Our future cash flows are exposed to fluctuations from changing interest rates, arising mainly from assets and liabilities indexed to variable interest rates, including fixed-rate long-term debt synthetically converted to variable interest rates. For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. The Corporate office central treasury function manages these exposures as part of the overall risk management policy.

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

Sensitivity analysis

A 100-basis point increase in interest rates impacting the measurement of financial instruments carried at fair value and credit and residual value guarantees, excluding net retirement benefit liabilities, would have negatively impacted EBIT for fiscal year 2018 by \$29 million.

NON-GAAP FINANCIAL MEASURES

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

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

Non-GAAP financial measures are mainly derived from the consolidated financial statements but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to compare the performance of those entities to ours based on these similarly-named non-GAAP measures.

EBIT before special items, EBITDA before special items, adjusted net income (loss) and adjusted EPS

Management uses EBIT before special items, EBITDA before special items, adjusted net income (loss) and adjusted EPS for purposes of evaluating underlying business performance. Management believes these non-GAAP earnings measures in addition to IFRS measures provide users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. EBIT before special items, EBITDA before special items, adjusted net income (loss) and adjusted EPS exclude items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on these financial measures. Management believes these measures help users of MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Free cash flow (usage)

Free cash flow is defined as cash flows from operating activities less net additions to PP&E and intangible assets. Management believes that this non-GAAP cash flow measure provides investors with an important perspective on the Corporation's generation of cash available for shareholders, debt repayment, and acquisitions after making the capital investments required to support ongoing business operations and long-term value creation. This non-GAAP cash flow measure does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. Management uses free cash flow as a measure to assess both business performance and overall liquidity generation.

Adjusted debt, adjusted EBIT, adjusted EBITDA and adjusted interest

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

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

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

Reconciliation of EBITDA before special items to EBIT

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
EBIT	\$ 342	\$ 73	\$ 1,001	\$ 299
Amortization	84	89	272	314
Impairment charges on PP&E and intangible assets ⁽²⁾	—	6	11	51
Special items excluding impairment charges on PP&E and intangible assets ⁽²⁾	(56)	60	20	382
EBITDA before special items	\$ 370	\$ 228	\$ 1,304	\$ 1,046

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Refer to the Consolidated results of operations section for details regarding special items.

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

	Fourth quarters ended December 31			
	2018		2017	
	(per share)		(per share)	
			restated ⁽¹⁾	
Net income (loss)	\$	55	\$	(188)
Adjustments to EBIT related to special items ⁽²⁾		(56)	\$	(0.02)
Adjustments to net financing expense related to:				
Loss on repurchase of long-term debt ⁽²⁾		—		0.00
Loss on sale of long-term contract receivables ⁽²⁾		31		0.01
Accretion on net retirement benefit obligations		15		0.00
Net change in provisions arising from changes in interest rates and net loss on certain financial instruments		67		0.00
Interest portion of gains related to special items ⁽²⁾		(11)		0.00
Tax impact of special ⁽²⁾ and other adjusting items		48		0.00
Adjusted net income (loss)		149		(28)
Net income attributable to NCI		(40)		(2)
Preferred share dividends, including taxes		25		(8)
Adjusted net income attributable to equity holders of Bombardier Inc.	\$	134	\$	(38)
Weighted-average adjusted diluted number of common shares (in thousands)		2,477,954		2,194,868
Adjusted EPS	\$	0.05	\$	(0.02)

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Fourth quarters ended December 31			
	2018		2017	
			restated ⁽¹⁾	
Diluted EPS	\$	0.02	\$	(0.09)
Impact of special ⁽²⁾ and other adjusting items		0.03		0.07
Adjusted EPS	\$	0.05	\$	(0.02)

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

	Fiscal years ended December 31			
	2018		2017	
	(per share)		(per share)	
			restated ⁽¹⁾	
Net income (loss)	\$	318	\$	(525)
Adjustments to EBIT related to special items ⁽²⁾		28	\$	0.01
Adjustments to net financing expense related to:				
Loss on repurchase of long-term debt ⁽²⁾		—		0.01
Loss on sale of long-term contract receivables ⁽²⁾		31		0.00
Accretion on net retirement benefit obligations		65		0.03
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments		36		0.01
Interest portion of gains related to special items ⁽²⁾		(15)		0.00
Tax impact of special ⁽²⁾ and other adjusting items		(25)		(0.01)
Adjusted net income		438		91
Net (income) loss attributable to NCI		(86)		31
Preferred share dividends, including taxes		4		(27)
Adjusted net income attributable to equity holders of Bombardier Inc.	\$	356	\$	95
Weighted-average adjusted diluted number of common shares (in thousands)		2,501,047		2,264,722
Adjusted EPS	\$	0.14	\$	0.04

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Refer to the Consolidated results of operations section for details regarding special items.

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Fiscal years ended December 31	
	2018	2017 restated ⁽¹⁾
Diluted EPS	\$ 0.09	\$ (0.24)
Impact of special ⁽²⁾ and other adjusting items	0.05	0.28
Adjusted EPS	\$ 0.14	\$ 0.04

Reconciliation of adjusted debt to long-term debt

	As at December 31	
	2018	2017
Long-term debt	\$ 9,102	\$ 9,218
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	(153)	(222)
Long-term debt, net	8,949	8,996
Operating lease obligations ⁽³⁾⁽⁴⁾	600	635
Adjusted debt	\$ 9,549	\$ 9,631

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Fiscal years ended December 31	
	2018	2017 restated ⁽¹⁾
EBIT	\$ 1,001	\$ 299
Special items ⁽²⁾	28	426
Interest received	32	61
Interest adjustment for operating leases ⁽⁴⁾⁽⁵⁾	46	37
Adjusted EBIT	1,107	823
Amortization	272	314
Impairment charges on PP&E and intangible assets ⁽⁶⁾	3	7
Amortization adjustment for operating leases ⁽⁷⁾	67	71
Adjusted EBITDA	\$ 1,449	\$ 1,215

Reconciliation of adjusted interest to interest paid

	Fiscal years ended December 31	
	2018	2017
Interest paid	\$ 674	\$ 594
Interest adjustment for operating leases ⁽⁴⁾⁽⁵⁾	46	37
Adjusted interest	\$ 720	\$ 631

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for further information regarding restatements of comparative period figures.

⁽²⁾ Refer to the Consolidated results of operations section for details regarding special items.

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

⁽⁴⁾ Calculations do not reflect IFRS 16, *Leases* accounting standard, which will be adopted by the Corporation on January 1, 2019. Refer to the Future changes in accounting policies section in Other for further information in respect of IFRS 16.

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

⁽⁶⁾ Excluding amounts recognized as special items.

⁽⁷⁾ Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

BUSINESS AIRCRAFT

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KEY PERFORMANCE MEASURES AND METRICS	AT A GLANCE	GUIDANCE AND FORWARD-LOOKING STATEMENTS	PROFILE	INDUSTRY AND ECONOMIC ENVIRONMENT	ANALYSIS OF RESULTS	RESHAPING THE PORTFOLIO
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KEY PERFORMANCE MEASURES AND METRICS

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

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
GROWTH AND COMPETITIVE POSITIONING	- Order backlog, as a measure of future revenues. - Book-to-bill ratio⁽¹⁾, as an indicator of future revenues. - Revenues and delivery units, as measures of growth. - Market share (in terms of revenues and units delivered), as measures of our competitive positioning.
PROFITABILITY	EBIT, EBIT margin, EBIT before special items⁽²⁾ and EBIT margin before special items⁽²⁾, as measures of performance.
LIQUIDITY	Free cash flow⁽²⁾, as a measure of liquidity generation.
CUSTOMER SATISFACTION	- On-time aircraft deliveries, as a measure of meeting our commitment to customers. - Fleet dispatch reliability, as a measure of our products' reliability. - Regional availability of parts and technical expertise to support customer requests in a timely manner, as a measure of meeting customer needs for the entire life of the aircraft. - On-time return to service and high-quality workmanship at Bombardier-owned maintenance facilities, as a measure of efficiency.
EXECUTION	Achievement of program development milestones, as a measure of flawless execution.

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

⁽²⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

AT A GLANCE

Focusing on *Global 7500* ramp up and aftermarket growth

RESULTS			
For the fiscal years ended December 31	2018	2017 <i>restated</i> ⁽¹⁾	Variance
Revenues	\$ 4,994	\$ 4,933	1 %
Aircraft deliveries (in units)	137	138	(1)
EBIT	\$ 430	\$ 394	9 %
EBIT margin	8.6%	8.0%	60 bps
EBIT before special items ⁽²⁾	\$ 420	\$ 419	0 %
EBIT margin before special items ⁽²⁾	8.4%	8.5%	(10) bps
EBITDA before special items ⁽²⁾	\$ 531	\$ 516	3 %
EBITDA margin before special items ⁽²⁾	10.6%	10.5%	10 bps
Net additions to PP&E and intangible assets	\$ 866	\$ 1,075	(19)%
As at December 31	2018	2017 <i>restated</i> ⁽¹⁾	Variance
Order backlog (in billions of dollars)	\$ 14.3	\$ 13.8	4 %

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures. The backlog figures as of December 31, 2017 and March 31, 2018 were also restated to \$13.8 billion and \$13.9 billion respectively in relation to some adjustments on certain long term services contracts.

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

KEY HIGHLIGHTS AND EVENTS

- Business Aircraft achieved a historical milestone in December 2018 with the on plan service entry of the largest and longest range industry flagship *Global 7500* aircraft. With a strong backlog and unsurpassed performance in its category, the *Global 7500* is expected to be Business Aircraft's key growth driver for years to come.
- Revenues, EBIT before special items⁽¹⁾ and deliveries were in line with guidance for 2018.
- The segment achieved industry leading deliveries at 137 aircraft for 2018, including 42 *Global*, 83 *Challenger* and 12 *Learjet*.
- Continued progress on the aftermarket strategy drove a 14.3% revenue increase year-over-year. Further expansion of our service network was also announced with the groundbreaking for a new center in Miami, Florida to service U.S. and Latin American customers.
- During the year, Business Aircraft unveiled the new *Global 5500* and *Global 6500* aircraft featuring an all-new Rolls-Royce engine and a newly optimized wing, increasing the aircraft range and fuel burn performance. With flight testing at advanced stages, these performance-leading aircraft are expected to enter into service at the end of 2019.⁽²⁾⁽³⁾

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

⁽²⁾ Currently under development. See the *Global 5500*, *Global 6500*, *Global 8000* and *CRJ550* aircraft disclaimer at the end of this MD&A.

⁽³⁾ Forward-looking statement. See the forward-looking statements assumptions on which the guidance is based and forward-looking statements disclaimer in Overview.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	2018 guidance provided in our 2017 Financial Report ⁽¹⁾	Updated 2018 guidance ⁽²⁾	2018 results	2019 guidance ⁽³⁾⁽⁴⁾
Revenues	≥ \$5.0 billion	No change	\$5.0 billion	~ \$6.25 billion
EBIT margin	N/A	N/A	8.6%	N/A
EBIT margin before special items ⁽⁵⁾	≥ 8.0%	No change	8.4%	~ 7.5%
Aircraft deliveries (in units)	~ 135	No change	137	150 - 155

2018 guidance

With focused and disciplined execution, Business Aircraft delivered on its 2018 revenues, EBIT before special items⁽⁵⁾ and aircraft deliveries guidance.

Our strategy to achieve 2019 guidance⁽³⁾

2019 is expected to initiate a substantial growth phase in Business Aircraft, driven by the successful service entry of the *Global 7500* in December 2018. Revenues are expected to grow by approximately 25% mainly from the delivery of 15 to 20 *Global 7500* aircraft and continued aftermarket growth. Managing the learning curve as we execute on the ramp-up of this flagship aircraft will be key to achieve our 2019 profitability target and unlock the full potential of the business aircraft franchise.

⁽¹⁾ Refer to our 2017 Financial Report for further details.

⁽²⁾ Refer to our Second Quarterly Report for the period ended June 30, 2018 for further details.

⁽³⁾ See Forward-looking statements in boxed text below for details regarding the assumptions on which the guidance is based. Also see forward-looking statements disclaimer in Overview.

⁽⁴⁾ Assumes the continued inclusion of Business Aircraft flight and training business until March 31, 2019.

⁽⁵⁾ Profitability guidance is based on EBIT margin before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

Forward-looking statements

Forward-looking statements⁽¹⁾ in this section of the MD&A are based on and subject to the following material assumptions:

- normal execution and delivery of current firm orders and projects in the backlog;
- the ability to understand customer needs and portfolio of products and services to drive increasing market demand and secure key strategic orders;
- continued deployment and execution of leading initiatives according to plan to improve revenue conversion into higher earnings and free cash flows⁽²⁾, through improved procurement cost, controlled spending and labour efficiency;
- delivering on the transformation plan targets, through restructurings and other initiatives addressing the direct and indirect cost structure, focusing on sustained cost reductions and operational improvements, while reducing working capital consumption;
- the ability to leverage the global manufacturing footprint and transfer best practices and technology across production sites, and by leveraging lower cost geographies and emerging economies;
- the ability of the supply base to support product development and planned production rates on commercially acceptable terms in a timely manner;
- the ability to identify and enter into further risk sharing partnerships and initiatives;
- the effectiveness of disciplined capital deployment measures in new programs and products to drive revenue growth;
- the ability to recruit and retain highly skilled resources to deploy the product development strategy;
- the stability of the competitive global environment and global economic conditions;
- the stability of foreign exchange rates at current levels;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities starting in 2020;
- financials reflect IFRS 16 lease accounting starting January 1, 2019;
- closing of Business Aircraft flight and training activities transactions by the end of the first quarter of 2019;
- the alignment of production rates to market demand;
- the ability to manage the learning curve as we ramp up production and deliveries of the *Global 7500* aircraft;
- the ability to ramp up production and deliveries of new programs, and meet scheduled EIS date for the *Global 5500*, *Global 6500* and *Global 8000* aircraft programs;
- continued ability to capture and win campaigns and projects based on market forecasts⁽³⁾, leading to future order intake objectives;
- continued deployment and execution of growth strategies, and continued growth of the aftermarket business;
- the reduction of investments and development spend to normalized levels by 2019-2020;
- the accuracy of the analyses and assumptions underlying our business case including estimated cash flows and revenues over the expected life of the program and thereafter; and
- the accuracy of our assessment of anticipated growth drivers and sector trends.

⁽¹⁾ Also refer to the Guidance and forward-looking statements section in Overview.

⁽²⁾ Non-GAAP measure. Refer to the Non-GAAP measures for definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

⁽³⁾ Demand forecast is based on the analysis of main market indicators, including real GDP growth, industry confidence, corporate profitability within our customer base, pre-owned business jet inventory levels, aircraft utilization, aircraft shipments and billings, installed base and average age of the fleet. For more details, refer to the market indicators in the Industry and economic environment section.

PROFILE

Strong portfolio positioned for growth

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

With more than 4,800 aircraft in service worldwide, Business Aircraft has developed a service and support network of service facilities including wholly-owned service centers in the U.S., Europe and Asia, regional support office (RSO) locations, mobile repair trucks and world-class aircraft parts availability sustained by parts facilities, including depots, hubs and repair facilities worldwide.

MARKET SEGMENT: BUSINESS AIRCRAFT

LIGHT BUSINESS JETS

Models: *Learjet 70* and *Learjet 75*

Market category: Light business jets

Key features⁽¹⁾: As part of the legendary *Learjet* family, of which more than 3,000 aircraft have been delivered to date, the class-defining *Learjet* aircraft continue to set the standard by bringing large jet features to a light jet platform. *Learjet* aircraft feature a flat floor throughout the cabin, offering a smooth ride and the ultimate in comfort. The *Learjet 75* further distinguishes itself as the only business jet in its class to feature an eight-seat double-club configuration, forward pocket door and Mach 0.81 performance.



Learjet 75 aircraft

MID-SIZE BUSINESS JETS

Models: *Challenger 350* and *Challenger 650*

Market category: Medium business jets

Key features⁽¹⁾: A masterful expression of high-end craftsmanship and functionality, the *Challenger* family of aircraft features productivity-enhancing business tools, with the most comfortable cabins in its category. Each aircraft offers low operating costs, high reliability, and the ultimate in-flight experience with industry-leading connectivity, immersive sound system and cabin management system that effortlessly bring it all together. The *Challenger 300 Series* has been the most delivered medium business jet for the last decade.

The *Challenger 600 Series* has been the most delivered business jet in its category.



Challenger 650 aircraft

⁽¹⁾ Under certain operating conditions, when compared to aircraft currently in service.

LARGE BUSINESS JETS

Models: *Global 5000*, *Global 5500*⁽¹⁾, *Global 6000*, *Global 6500*⁽¹⁾, *Global 7500* and *Global 8000*⁽¹⁾

Market category: Large business jets

Key features⁽²⁾: Skillfully designed to leave a lasting impression, the flagship *Global* aircraft family covers the large jet category with four aircraft models that feature a smooth ride and intelligently crafted interiors with the new Premier cabin that balances luxury with productivity and feature the industry's fastest worldwide inflight internet connectivity combined with comprehensive cabin management systems to keep passengers entertained and connected at all times.

The *Global 5000* and *Global 6000* aircraft are the most delivered large category aircraft. Bombardier also launched the *Global 5500* and *Global 6500* aircraft, which lead their respective segment in range and size, and are scheduled to enter service in 2019.

The segment-defining *Global 7500* aircraft extends the family with a true four-zone cabin, full crew-rest area and the longest range to link virtually any key city pair worldwide, non-stop. The *Global 7500* aircraft entered service in December 2018.



Global 7500 aircraft

⁽¹⁾ Currently under development. See the *Global 5500*, *Global 6500*, *Global 8000* and *CRJ550* aircraft disclaimer at the end of this MD&A.

⁽²⁾ Under certain operating conditions, when compared to aircraft currently in service.

MARKET SEGMENT: CUSTOMER SERVICES

MAINTENANCE: ADDING VALUE THROUGHOUT THE LIFECYCLE

Services portfolio: Extensive, worldwide capabilities to maximize scheduled maintenance as well as value added packages, including refurbishment and modification of business aircraft, and component repair and overhaul services. Through original equipment manufacturer expertise, a wide variety of services can be performed in house, as well as through dispatching mobile repair teams to customers' aircraft.

Key features: Offering worldwide service and support through wholly-owned service centers, line maintenance stations, 30 Bombardier mobile response vehicles, two aircraft and a network of authorized service facilities.

OFFERING PEACE OF MIND THROUGH PARTS AND SMART SERVICES

Services portfolio: Providing manufacturer approved parts backed by industry leading 2-year warranty, as well as repairs to customer owned parts, and a growing portfolio of innovative cost-per-flight-hour parts and maintenance plans available for *Learjet*, *Challenger* and *Global* aircraft. Options include the newest *Smart Services* offering, which can be tailored to include landing gear overhaul and unscheduled maintenance coverage.

Key features: Supporting 24/7 parts support with parts facilities worldwide anchored by three major hubs in Chicago, Frankfurt and Singapore, as well as seven regional depots. A sophisticated inventory management system ensures worldwide parts availability throughout the depot and hub network as well as the wholly-owned service centers. Repair facilities in North America and Europe provide repair services on customer-owned parts. Unlimited access to two *Parts Express* aircraft to shuttle parts in support of aircraft-on-ground requirements. From coverage on exchanges and repairs of airframe components, including flight deck avionics, *Smart Services* provides budget predictability and worldwide parts availability.

24/7 CUSTOMER SUPPORT

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

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

With **over 100+ Facilities around the globe**, we are equipped to respond to your immediate & future needs.



TRAINING

Services portfolio: Providing a complete range of flight crew and technical training services on business aircraft at two facilities and through a network of strategic partnerships worldwide. We also provide technical training services on site at customer locations.

On November 7, 2018, the Corporation entered into a definitive agreement to sell Business Aircraft's flight and technical training activities carried out principally in training centers located in Montreal, Quebec, and Dallas, Texas. The transaction is expected to close by the end of the first quarter of 2019.⁽¹⁾

⁽¹⁾ Refer to the Reshaping the portfolio section in Business Aircraft for more details on the transaction.

INDUSTRY AND ECONOMIC ENVIRONMENT

Business aviation has reached a healthy market balance entering into 2019

In 2018, Business Aviation showed signs of stability while indicators such as the industry confidence index, U.S. corporate profits and pre-owned business jet inventory levels were trending in the right direction compared to the previous year.

World GDP growth in 2018 remained constant at 3.0%, compared to 2017.⁽¹⁾ The continuity in global growth was due to a strong U.S. economy coupled with emerging markets maintaining impressive growth rates. Industry confidence, measured by the Barclays Business Jet Indicator, averaged 67 points for 2018, compared to an average of 51 for 2017, which is above the threshold of market stability.⁽²⁾ Forecasted U.S. corporate profits for 2018 are also expected to increase to an impressive \$2.3 trillion, largely thanks to tax cuts introduced in the U.S. at the end of 2017.⁽³⁾ Pre-owned aircraft inventory expressed as a percentage of the overall fleet has been decreasing and remains healthy at 8.7%. The continued improvement of these indicators should help create better conditions for future demand. Finally, the industry delivered an estimated total of 514 units⁽⁴⁾ in 2018, up 2% year-over-year, remaining at the lower end of total annual deliveries over the past 10 years.

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

INDICATOR	CURRENT SITUATION	STATUS
INDUSTRY CONFIDENCE	Based on the latest Barclays Business Jet Indicator, published in December 2018, the measure of industry confidence averaged at 67 points for 2018, ⁽²⁾ and was above the threshold of market stability.	▲
CORPORATE PROFITS	Forecasted U.S. corporate profits are expected to increase year-over-year by 10.4% to \$2.3 trillion for 2018. ⁽³⁾	▲
PRE-OWNED BUSINESS JETS INVENTORY LEVELS	The total number of pre-owned aircraft available for sale as a percentage of the total worldwide fleet has decreased over the past year to a healthy 8.7%, the lowest level in over a decade. The pre-owned inventory levels of the light, medium and large category aircraft have all experienced respective decreases in the past year.	▲
AIRCRAFT UTILIZATION RATES	Business jet utilization in the U.S. decreased by 2.0% in 2018 compared to 2017. Business jet utilization in Europe decreased by 2.1% in 2018 compared to 2017.	▼
AIRCRAFT SHIPMENTS AND BILLINGS	In the business aircraft market categories in which we compete, we estimate that business aircraft deliveries went up by 2% and total billings by 1% in 2018 compared to 2017. ⁽⁴⁾	▲

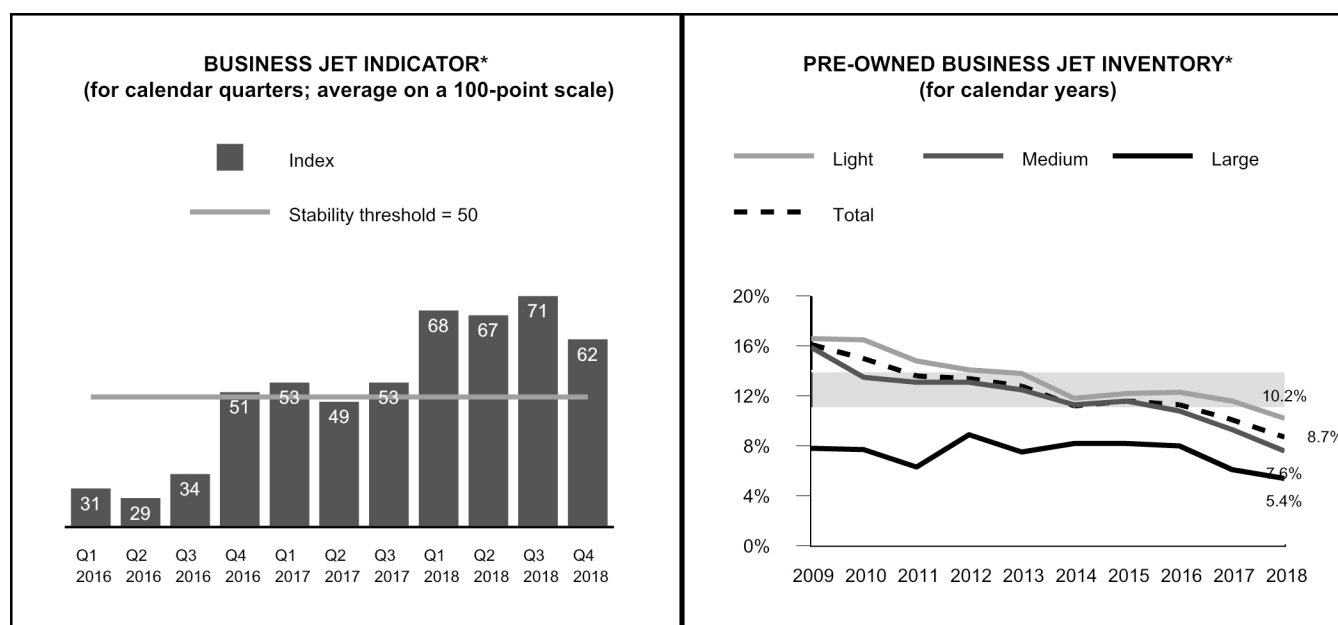
▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

⁽¹⁾ According to Oxford Economics Global Economic Databank dated January 22, 2019.

⁽²⁾ According to the Barclays Business Jet Survey dated December 6, 2018, data for 2017 from UBS.

⁽³⁾ According to the U.S. Bureau of Economic Analysis News Release dated December 21, 2018.

⁽⁴⁾ Based on our estimates and public disclosure records of certain competitors.

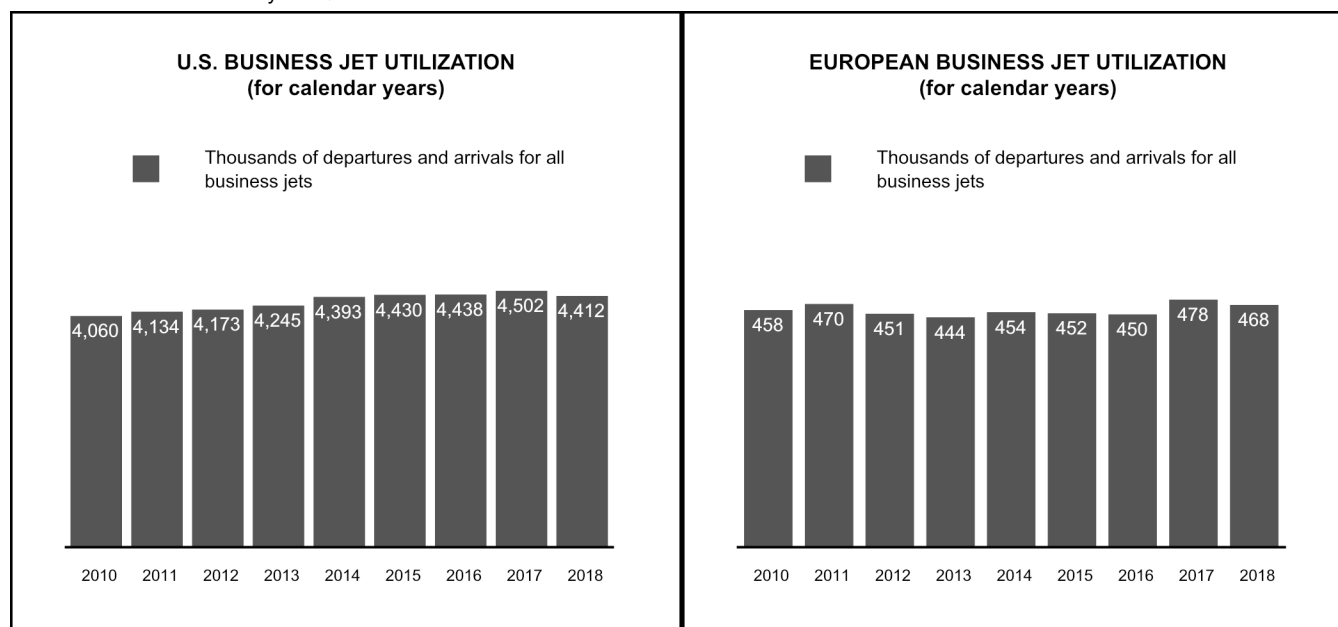


Source: Barclays from the start of 2018, previously UBS

* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others. Methodologies used in the calculation of the Business jet Indicator may differ following a change in the source of the data. UBS did not issue a survey for Q4 2017.

Sources: JETNET and Ascend online

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



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

Source: Eurocontrol

Short-term outlook

Despite volatility in financial markets around the world at the end of 2018, world GDP is expected to grow at a rate of 2.7% in 2019, in line with growth seen in recent years. The U.S. and Chinese economies are expected to reduce slightly, with the former seeing the impact of the recent tax cuts wear off, and the latter transitioning from an industrial to a consumption driven economy. GDP growth for the U.S. and China is expected to be 2.5% and 6.1% respectively.⁽¹⁾

⁽¹⁾ According to Oxford Economics Databank dated January 22, 2019.

This economic outlook combined with the evolution of new aircraft models and technologies should continue to support a stable business jet market.

Long-term outlook

In the longer term, all demand drivers are well-oriented. Wealth creation and the continued emergence of developing countries are expected to grow our customer base. The retirement of older models combined with the introduction of new models will help meet the needs of new customers. The evolution of new ownership models, such as fractional and charter businesses will make business aviation even more accessible.

Business aviation is poised for growth and with the industry's most comprehensive product portfolio, we believe we are well positioned.

Customer services

Business Aircraft's worldwide customer services network includes wholly owned service centers, parts hubs, parts depots, line maintenance facilities, regional support offices, customer response centers, mobile customer response teams, training centers as well authorized service facilities and authorized training providers.

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

Market indicators

INDICATOR	CURRENT SITUATION	STATUS
INSTALLED BASE	The installed base for Bombardier Business Aircraft increased by approximately 1% to more than 4,800 aircraft in 2018 when compared to 2017. ⁽¹⁾	▲
AVERAGE ANNUAL FLIGHTS HOURS	Based on our estimates, Bombardier business aircraft average annual flight hours increased by 0.6% in 2018 compared to last year.	▲
AVERAGE AGE OF FLEET	Typically, aircraft direct maintenance costs increase as an aircraft ages. Therefore, the average age of the fleet of Bombardier aircraft will impact the size of the maintenance market. The average age of the Bombardier Business Aircraft fleet has increased by 2.6% in 2018 when compared to 2017. ⁽¹⁾	▲

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

⁽¹⁾ Based on data obtained from Ascend fleet database by Flightglobal.

Short-term outlook

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

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

Long-term outlook

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

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Revenues				
Manufacturing and Other ⁽²⁾	\$ 1,177	\$ 1,171	\$ 3,794	\$ 3,883
Services ⁽³⁾	317	277	1,200	1,050
Total revenues	\$ 1,494	\$ 1,448	\$ 4,994	\$ 4,933
EBITDA before special items ⁽⁴⁾	\$ 162	\$ 151	\$ 531	\$ 516
Amortization	40	31	111	97
EBIT before special items ⁽⁴⁾	122	120	420	419
Special items	(23)	(9)	(10)	25
EBIT	\$ 145	\$ 129	\$ 430	\$ 394
EBIT margin before special items ⁽⁴⁾	8.2%	8.3%	8.4%	8.5%
EBIT margin	9.7%	8.9%	8.6%	8.0%

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Mainly composed of revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.

⁽³⁾ Composed of revenues from aftermarket services including parts, *Smart Services*, service centers, training and technical publication.

⁽⁴⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The \$6-million increase in manufacturing and other revenues for the fourth quarter is mainly due to higher revenues from sales of specialized aircraft solutions, partially offset by lower deliveries.

The \$40-million increase in services revenues for the fourth quarter is mainly due to increase in activities in service centers and increase in sales of spare parts.

The \$89-million decrease in manufacturing and other revenues for the fiscal year is mainly due to lower revenues from sales of pre-owned aircraft, reflecting a lower level of pre-owned aircraft inventory and unfavorable mix of aircraft deliveries, partially offset by higher revenues from sales of specialized aircraft solutions.

The \$150-million increase in services revenues for the fiscal year is mainly due to increase in sales of spare parts and increase in activities in service centers.

Special items

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

The special items recorded as losses (gains) in EBIT were as follows:

	Ref	Fourth quarters ended December 31		Fiscal years ended December 31	
		2018	2017	2018	2017
Purchase of pension annuities	1	\$ 1	\$ —	\$ 10	\$ —
Restructuring charges	2	3	8	8	18
Pension equalization	3	1	—	1	—
Re-negotiation of a commercial agreement	4	—	—	—	35
Reversal of <i>Learjet 85</i> aircraft program cancellation provisions	5	(28)	(17)	(29)	(28)
		\$ (23)	\$ (9)	\$ (10)	\$ 25
EBIT margin impact		1.5%	0.6%	0.2%	(0.5)%

1. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans in Ontario (Canada), the U.K. and the U.S. 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 fiscal year 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans, for which the premiums paid to insurers were \$516 million (paid from plans assets) and the respective defined benefit obligations were \$484 million.
2. Represents severance charges related to previously-announced restructuring actions.
3. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). The Corporation estimated the impact of the ruling on its pension plans and recognized an additional obligation of \$1 million for the fourth quarter and the fiscal year ended December 31, 2018. The one-time P&L impact was recognized in the fourth quarter of 2018 as a past service cost under IAS 19 - Employee Benefits.
4. A provision was taken, for fiscal year 2017, to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.
5. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by \$29 million for fiscal year 2018 (\$28 million for fiscal year 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.

EBIT margin

While aftermarket continued to grow, EBIT margin before special items⁽¹⁾ was slightly lower by 0.1 percentage points for the three-month period given the mix of aircraft deliveries and expected dilution coming from entry-into-service costs.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 0.8 percentage points compared to the same period last year.

For the fiscal year period, EBIT margin before special items⁽¹⁾ was slightly lower by 0.1 percentage points with continued growth in the aftermarket and expected dilution coming from entry-into-service costs.

Including the impact of special items (see explanation of special items above), the EBIT margin for the fiscal year increased by 0.6 percentage point compared to the last fiscal year.

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

The *Global 7500* aircraft achieved EIS as planned

Investment in product development

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017	2018	2017
Program tooling ⁽¹⁾	\$ 227	\$ 238	\$ 836	\$ 1,004
R&D expense ⁽²⁾	2	1	10	10
	\$ 229	\$ 239	\$ 846	\$ 1,014
As a percentage of revenues ⁽³⁾	15.3%	16.5%	16.9%	20.6%

⁽¹⁾ Net amount capitalized in aerospace program tooling.

⁽²⁾ Excluding amortization of aerospace program tooling of \$26 million and \$62 million, respectively, for the fourth quarter and fiscal year ended December 31, 2018 (\$21 million and \$51 million, respectively, for the fourth quarter and fiscal year ended December 31, 2017), as the related investments are already included in aerospace program tooling.

⁽³⁾ 2017 figures have been restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

The carrying amount of business aircraft program tooling⁽¹⁾ as at December 31, 2018 was \$4.5 billion, compared to \$3.6 billion as at December 31, 2017. The increase in the net carrying value of business aircraft program tooling as at December 31, 2018 is mainly due to tooling additions for the *Global 7500* and *Global 8000* aircraft program.

⁽¹⁾ Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to \$677 million as at December 31, 2018 (\$441 million as at December 31, 2017).

Reconciliation of the carrying amount of aerospace program tooling

Balance as at December 31, 2017 ⁽¹⁾	\$ 3,586
Investment in product development	836
Acquired development costs carried out by vendors ⁽²⁾	116
Amortization of aerospace program tooling	(62)
Balance as at December 31, 2018	\$ 4,476

⁽¹⁾ 2017 figures have been restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Amount recognized as aerospace program tooling at the first delivery of the *Global 7500* aircraft that is related to acquired development costs carried out by vendors. The amount is a non-cash item as it is repayable based on reception of parts from the relevant suppliers and will impact the net additions to intangibles in the cash flow once the payments are made to the suppliers.

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

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

The *Global 7500* and *Global 8000*⁽¹⁾ aircraft program

On December 20, 2018, Bombardier celebrated the entry-into-service of the *Global 7500* business jet, confirming its commitment to deliver the first customer aircraft in 2018. The program received Transport Canada Type Certification on September 27, 2018, U.S. Federal Aviation Administration (FAA) certification on November 7, 2018, and European Aviation Safety Agency (EASA) certification on February 7, 2019. In 2018, Bombardier announced that the *Global 7500* business jet can fly a range of 7,700 nautical miles, a full 300 nautical miles further than initial projections. In addition to its unsurpassed range, the *Global 7500* aircraft has exceeded takeoff and landing performance commitments, leading to a new published takeoff distance of 5,800 feet, at full fuel in standard operating conditions. This performance permits operators to use challenging airports without compromising for the larger cabin.

Delivering on the *Global 7500*'s significant backlog is a key priority for the Corporation with production ramp-up well under way. This includes working with our supply base to ensure every supplier is equipped to support the program's success. On February 6, 2019, the Corporation completed acquisition of the *Global 7500* aircraft wing program operations and assets from Triumph Group Inc. This business will be integrated into Bombardier Aerostructures and Engineering Services.

The category-defining *Global 7500* aircraft is expected to set the standard for a new category of large business jets, as the first and only clean-sheet business jet with four living spaces.

The *Global 5500* and *Global 6500* aircraft program⁽¹⁾

In May 2018, Bombardier unveiled the *Global 5500* and *Global 6500* aircraft. The two new business jets are built on the success of the *Global 5000* and *Global 6000* aircraft offering 500 and 600 nautical miles of additional range, respectively, for a class-leading 5,700 and 6,600 nautical miles, top speeds of Mach 0.90 and Bombardier's advanced wing design for a comfortable and smooth ride. The *Global 5500* and *Global 6500* jets also provide an up to 13-per-cent fuel burn advantage in certain operating conditions, contributing to highly favourable operating costs versus smaller competing aircraft with less range.

Flight testing for the new *Global 5500* and *Global 6500* business jets continues and is more than 75% complete. Bombardier's experienced flight test team reports that the two flight test vehicles, currently in active testing in Wichita, Kansas, are performing exceptionally well throughout the rigorous test program.

The program is progressing on track toward certification with the aircraft expected to enter into service at the end of 2019.

⁽¹⁾ Currently under development. See the *Global 5500*, *Global 6500*, *Global 8000* and *CRJ550* aircraft disclaimer at the end of this MD&A.

Aircraft deliveries exceeded guidance

Business aircraft deliveries

(in units)	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Light				
<i>Learjet 70/75</i>	3	2	12	14
Medium				
<i>Challenger 350</i>	20	22	60	56
<i>Challenger 650</i>	5	6	23	21
<i>Challenger 850</i>	—	—	—	2
Large				
<i>Global 5000/6000</i>	12	13	41	45
<i>Global 7500</i>	1	—	1	—
	41	43	137	138

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

Industry-leading backlog

Order backlog

(in billions of dollars)	December 31, 2018		December 31, 2017	
			<i>restated</i> ⁽¹⁾	
	\$	14.3	\$	13.8

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures. The backlog figures as of December 31, 2017 and March 31, 2018 were also restated to \$13.8 billion and \$13.9 billion respectively in relation to some adjustments on certain long term services contracts.

For the three-year period ended December 31, 2018, we captured a 32% market share in the overall market in which we compete, based on revenues, and 28% of the market share based on units delivered. We were the market leader in terms of units delivered and second in terms of revenues. This compares with a market share of 34% and 30% based on revenues and units delivered respectively for the three-year period ended December 31, 2017 during which we were also the market leader in terms of units delivered and second in terms of revenues.⁽¹⁾

⁽¹⁾ Based on our estimates, competitors' public disclosure, the General Aviation Manufacturers Association (GAMA) shipment reports, Ascend Flight Global and B&CA Magazine list prices.

Workforce

Total number of employees

	December 31, 2018	As at December 31, 2017
Permanent ⁽¹⁾	10,860	9,700
Contractual ⁽²⁾	540	460
	11,400	10,160
Percentage of permanent employees covered by collective agreements	49%	45%

⁽¹⁾ Including inactive employees.

⁽²⁾ Including non-employees and sub-contractors personnel. December 31, 2017 figure was restated to exclude agency outsourced personnel for comparative purposes.

The workforce as at December 31, 2018 increased by 1,240 employees, or 12%, when compared to last year.

This increase is mainly related to strategic hiring to support the production ramp-up for the *Global 7500* aircraft program and our growth strategy in aftermarket business, partially offset by reductions including impacts of previously-announced restructuring actions.

Our incentive-based compensation plan for non-unionized employees across our sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of approximately 5,800 employees worldwide, or 53% of permanent employees, participate in the program. As part of this program, incentive-based compensation is linked to the achievement of targeted results, based on EBIT before special items and free cash flow before net interest and income taxes.

Our agreement with the International Association of Machinists and Aerospace Workers (IAMAW) in Montreal expired in November 2018. Out of the 3,168 employees covered under this agreement, 1,136 employees are part of Business Aircraft workforce. We are currently in discussion with the IAMAW to renew the collective agreement.

RESHAPING THE PORTFOLIO

We entered into an agreement to sell Business Aircraft's flight and technical training activities to CAE

On November 7, 2018, we entered into a definitive agreement to sell Business Aircraft's flight and technical training activities carried out principally in training centers located in Montreal, Quebec, and Dallas, Texas to CAE Inc. (CAE), a long-time Bombardier training partner. This transaction once completed, will provide Bombardier's Business Aircraft customers the benefit of CAE's training expertise, while Bombardier focuses on aircraft development and services.

Concurrently with the sale agreement, Bombardier and CAE have entered into an agreement to extend their Authorized Training Provider (ATP) relationship whereby CAE agreed to prepay all royalties thereunder. This prepayment amounted to \$155 million and was received by Bombardier in the fourth quarter of 2018.

Combined 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 end of the first quarter of 2019, subject to customary closing conditions and regulatory approvals.⁽¹⁾

⁽¹⁾ See the forward-looking statements disclaimer.

COMMERCIAL AIRCRAFT

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KEY PERFORMANCE MEASURES AND METRICS	AT A GLANCE	GUIDANCE AND FORWARD-LOOKING STATEMENTS	PROFILE	INDUSTRY AND ECONOMIC ENVIRONMENT	ANALYSIS OF RESULTS	STRATEGIC PARTNERSHIP	RESHAPING THE PORTFOLIO
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KEY PERFORMANCE MEASURES AND METRICS

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

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
GROWTH AND COMPETITIVE POSITIONING	- Order backlog, as a measure of future revenues. - Book-to-bill ratio⁽¹⁾, as an indicator of future revenues. - Revenues and delivery units, as measures of growth. - Market share (in terms of revenues and units delivered), as measures of our competitive positioning.
PROFITABILITY	EBIT, EBIT margin, EBIT before special items⁽²⁾ and EBIT margin before special items⁽²⁾, as measures of performance.
LIQUIDITY	Free cash flow⁽²⁾, as a measure of liquidity generation.
CUSTOMER SATISFACTION	- On-time aircraft deliveries, as a measure of meeting our commitment to customers. - Fleet dispatch reliability, as a measure of our products' reliability. - Regional availability of parts and material to support customer requests, as a measure of meeting customer need for the entire life of the aircraft.

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

⁽²⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

AT A GLANCE

Reshaping the portfolio

RESULTS			
For the fiscal years ended December 31	2018	2017 <i>restated</i> ⁽¹⁾	Variance
Revenues ⁽²⁾	\$ 1,756	\$ 2,317	(24)%
Aircraft deliveries (in units) ⁽³⁾	35	56	(21)
Net orders (in units) ⁽⁴⁾	47	58	(11)
Book-to-bill ratio ⁽⁵⁾	1.3	1.0	0.3
EBIT ⁽⁶⁾	\$ (755)	\$ (389)	(94)%
EBIT margin ⁽⁶⁾	(43.0)%	(16.8)%	(2620) bps
EBIT before special items ⁽⁶⁾⁽⁷⁾	\$ (157)	\$ (381)	59 %
EBIT margin before special items ⁽⁶⁾⁽⁷⁾	(8.9)%	(16.4)%	750 bps
EBITDA before special items ⁽⁶⁾⁽⁷⁾	\$ (145)	\$ (309)	53 %
EBITDA margin before special items ⁽⁶⁾⁽⁷⁾	(8.3)%	(13.3)%	500 bps
Net additions to PP&E and intangible assets	\$ 53	\$ 107	(50)%
As at December 31	2018	2017	Variance
Order backlog (in units) ⁽⁸⁾	97	85	12

KEY HIGHLIGHTS AND EVENTS

- In 2018, Commercial Aircraft significantly reshaped its portfolio, focusing on the *CRJ Series* program and its aftermarket business, while also participating in the growth of the A220 through its partnership with Airbus:
 - The C Series partnership (CSALP) with Airbus closed on July 1, 2018 bringing together two complementary product lines, and the benefit of Airbus' global reach creating significant value potential for the newly rebranded A220.
 - A definitive agreement was reached with Longview Aircraft Company of Canada Limited for the sale of the *Q Series* Aircraft program assets, including aftermarket operations and assets, for gross proceeds of approximately \$300 million, on November 7, 2018. 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.
- Revenues and aircraft deliveries for 2018 were in line with guidance on the basis of the deconsolidation of CSALP results from Commercial Aircraft since July 1, 2018.
- EBIT loss before special items⁽⁷⁾ was \$157 million reflecting for the most part losses on the C Series program in the first half of the year and the post-closing CSALP equity pickup. EBIT loss of \$755 million includes a \$616 million pre-tax accounting charge related to the closing of the CSALP transaction.
- Commercial Aircraft continues to actively participate in the regional aircraft market with the established scope-compliant *CRJ Series* aircraft, with a focus on reducing costs and increasing volumes while optimizing the aftermarket for the large installed base in service around the world today. As the focus is to return the program to profitability, Bombardier also announced in 2018 it is exploring strategic options for the program.

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Including revenues from CSALP for the first six months of the fiscal year ended December 31, 2018 and for the fiscal year ended December 31, 2017.

⁽³⁾ Excluding 13 CS300 aircraft deliveries from the first six months of the fiscal year ended December 31, 2018 (3 CS100 and 14 CS300 aircraft deliveries from the fiscal year ended December 31, 2017).

⁽⁴⁾ Excluding 30 CS300 aircraft orders from the first six months of the fiscal year ended December 31, 2018 (12 CS300 from the fiscal year ended December 31, 2017).

⁽⁵⁾ Ratio of new orders received over aircraft deliveries, in units, excluding C Series aircraft orders and deliveries.

⁽⁶⁾ Including share of net loss from CSALP for the six months since July 1, 2018 amounting to \$40 million.

⁽⁷⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

⁽⁸⁾ Excluding 115 firm orders and 88 options of CS100 aircraft and 250 firm orders and 143 options of CS300 aircraft as at June 30, 2018 (115 firm orders and 94 options of CS100 aircraft and 233 firm orders and 128 options of CS300 aircraft as at December 31, 2017). Subsequent to the C Series partnership closing, Airbus rebranded CS100 and CS300 as A220-100 and A220-300, respectively.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	2018 guidance provided in our 2017 Financial Report ⁽¹⁾	Updated 2018 guidance ⁽²⁾	2018 results	2019 guidance ⁽³⁾⁽⁴⁾
Revenues	~ \$2.7 billion	~ \$1.7 billion	\$1.8 billion	~ \$1.4 billion
EBIT	N/A	N/A	(\$755 million)	N/A
EBIT before special items ⁽⁵⁾	~ (\$350 million)	~ (\$250 million)	(\$157 million)	~ (\$125 million)
Aircraft deliveries (in units)	~ 75, including ~ 40 C Series and ~ 35 CRJ and Q400	~ 35 CRJ and Q400	35 CRJ and Q400	~ 35 CRJ and Q400

2018 guidance

During the second quarter of 2018, Commercial Aircraft's full year guidance was revised to reflect the deconsolidation of CSALP from results starting in the third quarter, replaced by an equity pick-up representing Bombardier's share of net earnings. For 2018, revenues and deliveries were in line with the revised full year guidance. EBIT before special items⁽⁵⁾ was better than guidance, mainly from stronger than expected performance from CSALP.

Our strategy to achieve 2019 guidance⁽³⁾

2019 guidance assumes stable unit deliveries of CRJ and Q400 in aggregate, assuming the closing of the Q Series program sale on September 30, 2019. The EBIT loss before special items⁽⁵⁾ is anticipated to result largely from our currently expected equity pick-up of CSALP.

⁽¹⁾ Refer to our 2017 Financial Report for further details.

⁽²⁾ Refer to our Second Quarterly Report for the period ended June 30, 2018 for further details.

⁽³⁾ See Forward-looking statements in boxed text below for details regarding the assumptions on which the guidance is based. Also see forward-looking statements disclaimer in Overview.

⁽⁴⁾ Assumes the continued inclusion of Q Series aircraft program until September 30, 2019.

⁽⁵⁾ Profitability guidance is based on EBIT before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

Forward-looking statements:

Forward-looking statements⁽¹⁾ in this section of the MD&A are based on and subject to the following material assumptions:

- normal execution and delivery of current firm orders and projects in the backlog;
- the ability to understand customer needs and portfolio of products and services to drive increasing market demand and secure key strategic orders;
- continued deployment and execution of leading initiatives according to plan to improve revenue conversion into higher earnings and free cash flows⁽²⁾, through improved procurement cost, controlled spending and labour efficiency;
- delivering on the transformation plan targets, through restructurings and other initiatives addressing the direct and indirect cost structure, focusing on sustained cost reductions and operational improvements, while reducing working capital consumption;
- the ability to leverage the global manufacturing footprint and transfer best practices and technology across production sites, and by leveraging lower cost geographies and emerging economies;
- stable unit deliveries of *CRJ* and *Q400* in aggregate;
- the ability of the supply base to support product development and planned production rates on commercially acceptable terms in a timely manner;
- the ability to identify and enter into further risk sharing partnerships and initiatives;
- the effectiveness of disciplined capital deployment measures in new programs and products to drive revenue growth;
- the ability to recruit and retain highly skilled resources to deploy the product development strategy;
- the stability of the competitive global environment and global economic conditions;
- the stability of foreign exchange rates at current levels;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities starting in 2020;
- financials reflect IFRS 16 lease accounting starting January 1, 2019;
- closing of *Q Series* aircraft program assets transaction by the second half of 2019;
- the alignment of production rates to market demand;
- the ability to ramp up production and deliveries of new programs, and meet scheduled EIS date for the *CRJ550* aircraft program;
- continued ability to capture and win campaigns and projects based on market forecasts⁽³⁾, leading to future order intake objectives;
- continued deployment and execution of growth strategies, and continued growth of the aftermarket business;
- the reduction of investments and development spend to normalized levels by 2019-2020;
- the realization of the anticipated benefits and synergies of the partnership with Airbus in the timeframe anticipated;
- satisfactory performance by Airbus of its obligations pursuant to the partnership and commercial agreements and absence of unanticipated inefficiencies or performance issues in connection therewith;
- the strength and quality of Airbus' scale and reach, sales, marketing or support networks, supply chain, operations, and customer relationships;
- the accuracy of the analyses and assumptions underlying our business case including estimated cash flows and revenues over the expected life of the program and thereafter;
- the accuracy of our assessment of anticipated growth drivers and sector trends;
- aircraft prices, unit costs and deliveries gradually improving during the acceleration phase; and
- our ability to continue with our current funding plan of CSALP and to fund, if required, any cash shortfalls and adequacy of cash planning and management and project funding.

⁽¹⁾ Also see the Guidance and forward-looking statements section in Overview.

⁽²⁾ Non-GAAP measure. Refer to the Non-GAAP measures for definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

⁽³⁾ Demand forecast is based on the analysis of main market indicators, including real GDP growth, passenger traffic levels, fuel prices, airline profitability, environmental regulations, aircraft shipments, replacement demand, installed base, aircraft utilization rates and average age of fleet. For more details, refer to the market indicators in the Industry and economic environment section.

PROFILE

Focus on the regional jet platform and leveraging the A220 partnership

We design and manufacture a broad portfolio of commercial aircraft in the 50- to 100-seat segment, including the *CRJ550*, *CRJ700*, *CRJ900* and *CRJ1000* regional jets and the *Q400* turboprop, and participate in a partnership with Airbus on the A220 Family aircraft. Bombardier Commercial Aircraft has approximately 2,300 active in-service aircraft and provides aftermarket services and support for this large installed base.

On November 7, 2018, the Corporation entered into a definitive agreement for the sale of the *Q Series* Aircraft program assets. The transaction is expected to close by the second half of 2019.

Refer to the Strategic Partnership and Reshaping the Portfolio sections in Commercial Aircraft for more details on significant transactions during the year.

MARKET SEGMENT: COMMERCIAL AIRCRAFT

REGIONAL JETS

Models: *CRJ550*⁽¹⁾, *CRJ700*, *CRJ900* and *CRJ1000*

Market category: Large regional jets

Key features⁽²⁾: The *CRJ Series* aircraft revolutionized the regional aircraft market. Designed for hub expansion and point-to-point direct services, the *CRJ Series* aircraft family is optimized for medium to long distance regional routes. The most successful regional aircraft program, the *CRJ Series* family, offers up to a 10% cost advantage, up to 13% lower fuel burn and CO₂ emissions when compared to other regional jets. With a proven 99.5% dispatch reliability, an optimized maintenance plan and simplified tasks, the *CRJ Series* aircraft offers airlines unrivalled operational efficiency. Furthermore, the game changing ATMOSPHERE cabin of the *CRJ Series* family offers generous carry-on storage, spacious ambiance and contemporary design, delivering an enhanced passenger experience.



CRJ900 aircraft

⁽¹⁾ Currently under development. See the *Global 5500*, *Global 6500*, *Global 8000* and *CRJ550* aircraft disclaimer at the end of this MD&A.

⁽²⁾ Under certain operating conditions, when compared to aircraft currently in service for short-haul flights up to 500 nautical miles.

TURBOPROPS

Model: Q400

Market category: Large turboprop

Key features⁽¹⁾⁽²⁾: Designed as a modern, 21st-century turboprop, the Q400 aircraft has evolved to become a versatile asset to meet various business models and operational requirements. Thanks to its turboprop attributes and jet-like performance, the Q400 aircraft operators have the unique flexibility to select economical cruise speed to minimize fuel consumption or fly up to 30% faster than its competitor to minimize time and keep schedule integrity. It is the only turboprop that can be configured to accommodate up to 90 passengers for higher-density markets. Low cost carriers utilize the Q400 aircraft's exceptional operating cost advantage to penetrate regional markets. It is also the only in-production turboprop that can offer a true dual-class cabin. The cargo-passenger combi Q400 aircraft is available in various configurations and offers cargo capacity while accommodating passengers. The Q400 aircraft retains the Q Series heritage of rugged design with 99.5% dispatch reliability and optimized maintenance plan that create significant savings in direct maintenance costs.



Q400 aircraft

SINGLE AISLE COMMERCIAL JETS (PARTNERSHIP WITH AIRBUS)

Models: A220-100 and A220-300

Key features⁽¹⁾: As the only aircraft purpose-built for the 100- to 150-seat market, the A220 delivers unbeatable fuel efficiency and true widebody comfort in a single-aisle aircraft. The aircraft brings together state-of-the-art aerodynamics, advanced materials and Pratt & Whitney's latest-generation PW1500G geared turbofan engines to offer at least a 20% lower fuel burn per seat compared to previous generation aircraft. With a range of up to 3,200 nautical miles (5,920 km), the A220 offers the performance of larger single aisle aircraft.

With an order book of over 537 aircraft to date, the A220 has all the credentials to win the lion's share of the 100- to 150-seat aircraft market.



A220-100 aircraft

⁽¹⁾ Under certain operating conditions, when compared to aircraft currently in service for short-haul flights up to 500 nautical miles.

⁽²⁾ Refer to the Reshaping the Portfolio section in Commercial Aircraft for more details on significant transactions during the year.

MARKET SEGMENT: CUSTOMER SERVICES

MAINTENANCE SERVICES: MAXIMIZING THE LIFE OF THE AIRCRAFT

Services portfolio: Extensive capabilities to accommodate aircraft maintenance, refurbishment and modification for commercial aircraft, as well as mobile repair teams.

Key features: Offering worldwide service and support through Bombardier wholly-owned service centers, authorized service facilities (ASF) and Bombardier mobile response party teams.

MATERIAL SERVICES: PREDICTABILITY AND DEPENDABILITY

Services portfolio: Providing new parts, initial provisioning services, repairs for customer-owned parts, as well as a growing portfolio of innovative cost per-flight-hour plans.

Key features: Supporting customers for all their parts needs, with several parts depots worldwide, aircraft-on-the-ground (AOG) support, best-in-class off-the shelf performance, budget predictability and cost protection.

SUPPORT SERVICES: GLOBAL EXPERTISE 24/7

Services portfolio: Comprehensive portfolio of customer services including 24-hour customer response centers, customer services engineering, a network of field service personnel, regional support offices, technical publications, and entry-into-service support.

Key features: Providing operators with a single point of contact, 24 hours a day, 365 days a year, for all critical and AOG requests. Support all customer requirements from entry-into-service throughout ownership of the aircraft utilizing a global support network of strategically located teams.

TRAINING SERVICES: GET THE MOST OUT OF THE FLEET

Services portfolio: Provides a complete range of flight crew and technical training services on commercial aircraft through a network of strategic partnerships worldwide.

Key features: High-quality learning experience. As an original equipment manufacturer, Bombardier quickly modifies courseware and training devices to reflect ongoing aircraft enhancements.

INDUSTRY AND ECONOMIC ENVIRONMENT

Positive long-term outlook for the commercial aircraft market segments

The commercial aircraft market continues its strong performance as passenger traffic levels and airline's financial performance maintained impressive levels in 2018. The following key indicators are used to monitor the health of the commercial airline industry in the short term:

INDICATOR	CURRENT SITUATION	STATUS
AIRLINE PROFITABILITY	Global airline industry was estimated to report a net post-tax profits of \$32.3 billion for 2018. The average return on invested capital (ROIC) reached 8.6% in 2018. The trend improvement in average returns has given the industry the confidence to invest in new aircraft. ⁽¹⁾	▲
PASSENGER TRAFFIC	As connectivity by air continues to improve and the costs of air transport continue to fall, global passenger traffic, measured by revenue passenger kilometres (RPK), was 6.5% ⁽²⁾ higher for the calendar year ended December 2018 compared to the same period last year. Strong traffic growth was kept ahead of the capacity increase. Passenger load factor for the calendar year ended December 2018 is 81.9%, ⁽²⁾ a 30 bps year-on-year change compared to the same period last year.	▲ ▲
SCOPE CLAUSE	In North America, collective bargaining agreements (CBA) negotiated between mainline pilot unions and airline management contain a clause defining the scope of the regional operation. It usually dictates the type of regional aircraft in terms of Maximum Take-Off Weight (MTOW) and seating capacity, as well as how many regional aircraft are allowed in the fleet. Current scope clause of all mainline carriers limits the MTOW of regional aircraft, to below 86,000 lb and passenger capacity below 76 seats. ⁽³⁾ All <i>CRJ Series</i> family of aircraft as well as the <i>Q400</i> aircraft are qualified and being considered in airline fleet decisions. Some in-development regional aircraft currently have specifications exceeding the MTOW limit and therefore are disqualified for operation in the North America market.	►
GOVERNMENT POLICY	As the aviation industry is closely tied to country's economic development, government policies are established to support regional aviation so as to ensure air services have a broad reach into the country.	▲
FUEL PRICES	The average annual price of Brent crude oil increased from \$54 per barrel in 2017 to \$71 in 2018. ⁽⁴⁾ At the end of 2018, the price dropped to \$51 per barrel reflecting an excess of supply, as a result of increased crude oil production and export by the U.S. oil producers. ⁽⁴⁾ The price of fuel, one of the largest components of the airlines' operating costs, remains volatile and should result in continued demand for more fuel efficient aircraft.	▲

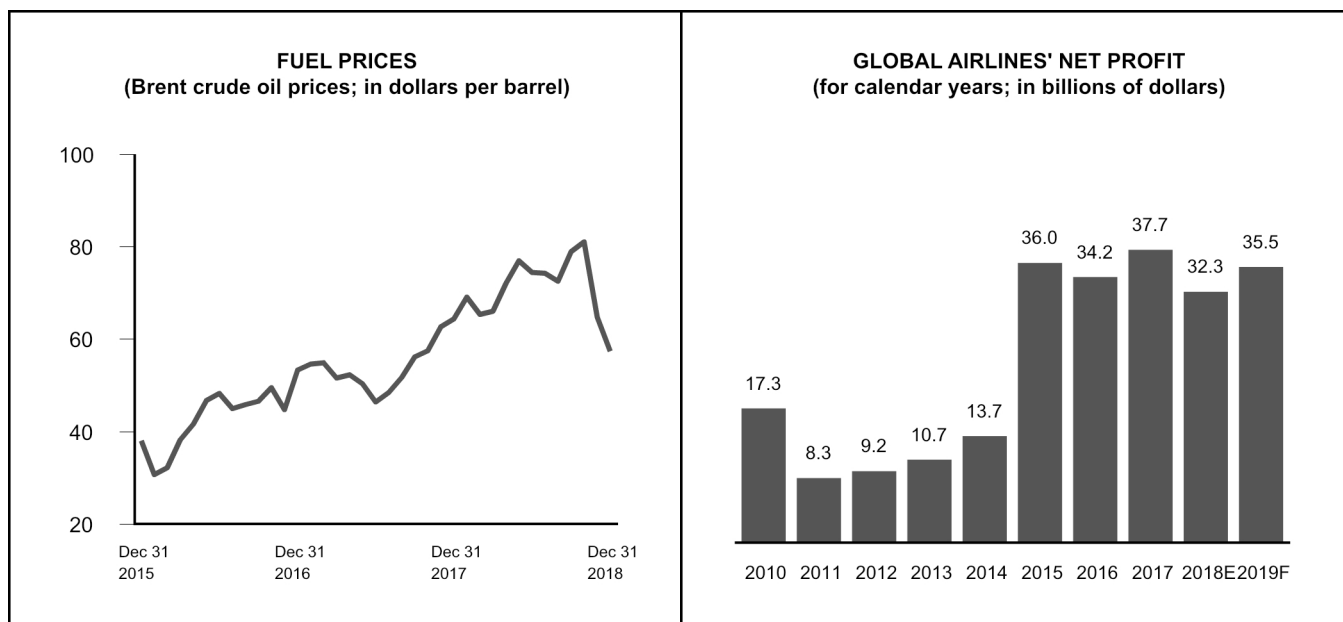
▲ ► ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

⁽¹⁾ Per IATA's forecast in the "Economic Performance of the Airline Industry" December 2018 year-end report.

⁽²⁾ Per IATA's December 2018 "Air Passenger Market Analysis" report.

⁽³⁾ According to the "ANALYSIS: Are US airlines at their next scope crossroads?" report date March 20, 2018 prepared by FlightGlobal.

⁽⁴⁾ According to the U.S. Energy Information Administration's (EIA) website.



Source: U.S. EIA

Sources: IATA's forecast in the "Economic Performance of the Airline Industry" December 2018 year-end report.
E: Estimate; F: Forecast

The state of the world economy and those of individual countries are key factors in the demand for air travel. As such, the health of the aerospace industry is a function of general economic conditions. Real GDP growth is a widely accepted measure of economic activity. Worldwide real GDP remained constant at 3.0% in 2018, compared to 2017.⁽¹⁾

According to IATA, the world's airlines are set to post a ninth consecutive year of positive net profits in 2018. Strong economic growth kept traffic ahead of capacity growth, but breakeven loads were rising as unit costs grew significantly. RPK growth is forecast to remain strong in 2019 in a backdrop of rising unit costs. Overall, IATA remains optimistic and forecasts higher airline industry profits in 2019 than in 2018.⁽²⁾

Short-term outlook

The current overall positive trend in market indicators as well as the future anticipated growth in GDP rates are expected to support a growing demand for air travel and the demand for new aircraft is expected to follow. IATA forecasts that the demand for air travel, measured by RPK, will continue to grow at 6.0% in 2019.⁽²⁾ This is supported by forecast of world GDP growth of 2.7% in 2019, and further by 2.7% growth in both 2020 and 2021.⁽¹⁾

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

Long-term outlook

We remain confident that continuing economic growth should increase demand for air travel over the next 20 years. As world's airlines continue on their growth path by adding new services and replacing ageing aircraft with new ones, it will drive demand for new aircraft.

⁽¹⁾ According to Oxford Economics Global Economic Databank dated January 22, 2019.

⁽²⁾ Per IATA's forecast in the "Economic Performance of the Airline Industry" December 2018 year-end report.

Customer services

Our worldwide customer services network includes parts hubs, parts depots, authorized service facilities, service centers, regional support offices, customer response centers, mobile repair team, as well as training centers and authorized training providers. Supplemental information regarding our support locations can be found in the Profile section.

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

Market indicators

INDICATOR	CURRENT SITUATION	STATUS
INSTALLED BASE	The installed base for active in-service Bombardier Commercial Aircraft has remained steady in 2018, compared to 2017, at approximately 2,300 aircraft. ⁽¹⁾	►
AVERAGE DAILY FLIGHT HOURS	Based on our estimates, Bombardier aircraft average daily flight hours has remained steady for Commercial Aircraft for the 12-month period ended October 31, 2018 compared to the same period last year.	►
AVERAGE AGE OF FLEET	Typically, aircraft direct maintenance costs increase as an aircraft ages. Therefore, the average age of the fleet of Bombardier aircraft is expected to impact the size of the maintenance market. There has been a slight increase in the average age of the Bombardier Commercial Aircraft fleet in 2018 compared to 2017. ⁽¹⁾	►

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

⁽¹⁾ Based on data obtained from Ascend fleet database by Flightglobal.

Short-term outlook

The installed base is expected to remain relatively stable. New deliveries are expected to offset life cycle retirements maintaining a stable fleet outlook for the aftermarket. Bombardier is focused on building on its wide array of services and continue enhancing its value proposition to the installed base.

Long-term outlook

Over 21,000 aircraft deliveries are anticipated over the next decade, 55% will represent additions to the fleet and the rest will replace in-service aircraft. The active global commercial fleet stands at over 27,000 aircraft and is expected to grow at a CAGR of 3.6% to reach over 39,000 aircraft by 2029. Over this period, North America's fleet is expected to remain the largest in absolute number of active aircraft with the majority of deliveries oriented towards a replacement cycle driving a modest growth of 1.4%. The Asian market active fleet, inclusive of India and China, is expected to see the highest growth rates. The Asian active fleet is expected to grow from an approximate 30% share in 2019 to an approximate 40% share by 2029. The established large North American installed base and the foreseeable growth in Asia will continue to drive an accretive maintenance, repair and overhaul (MRO) growth over the next 10 years. The commercial aircraft MRO demand is expected to grow from \$82 billion to approximately \$116 billion by 2029 at a CAGR of 3.5%.⁽¹⁾

⁽¹⁾ According to the "Global Fleet & MRO Market Forecast Commentary 2019-2029" report dated January 2019 prepared by Oliver Wyman.

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Revenues ⁽²⁾	\$ 421	\$ 651	\$ 1,756	\$ 2,317
EBITDA before special items ⁽³⁾⁽⁴⁾	\$ (6)	\$ (115)	\$ (145)	\$ (309)
Amortization	3	18	12	67
Impairment charges on PP&E and intangible assets	—	—	—	5
EBIT before special items ⁽³⁾⁽⁴⁾	(9)	(133)	(157)	(381)
Special items	9	5	598	8
EBIT ⁽²⁾⁽³⁾	\$ (18)	\$ (138)	\$ (755)	\$ (389)
EBIT margin before special items ⁽³⁾⁽⁴⁾	(2.1)%	(20.4)%	(8.9)%	(16.4)%
EBIT margin ⁽²⁾⁽³⁾	(4.3)%	(21.2)%	(43.0)%	(16.8)%

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Including revenues from CSALP for the first six months of 2018 and for the comparative periods of 2017.

⁽³⁾ Including the share of net loss from CSALP amounting to \$27 million and \$40 million for the fourth quarter of 2018 and the six months since July 1, 2018, respectively.

⁽⁴⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The \$230-million decrease for the three-month period is mainly due to the deconsolidation of C Series revenues starting third quarter and lower planned *CRJ Series* and *Q400* aircraft deliveries.

The \$561-million decrease for the fiscal year reflects the deconsolidation of C Series revenues starting in the third quarter and lower planned *CRJ Series* and *Q400* aircraft deliveries.

Special items

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

The special items recorded as losses (gains) in EBIT were as follows:

		Fourth quarters ended December 31		Fiscal years ended December 31	
	Ref	2018	2017	2018	2017
C Series transaction with Airbus	1	\$ 7	\$ —	\$ 616	\$ —
Purchase of pension annuities	2	—	—	11	—
Restructuring charges	3	2	5	5	8
Changes in credit and residual value guarantees	4	—	—	(34)	—
		\$ 9	\$ 5	\$ 598	\$ 8
EBIT margin impact		(2.2)%	(0.8)%	(34.1)%	(0.4)%

1. 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 \$616 million (\$552 million after tax). 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 31 - Disposal of a business for more details in respect of the transaction.

- Represents the loss (mainly non-cash) on settlement of defined benefit pension plans in Ontario (Canada), the U.K. and the U.S. 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 fiscal year 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans, for which the premiums paid to insurers were \$516 million (paid from plans assets) and the respective defined benefit obligations were \$484 million.
- Represents restructuring charges related to previously-announced restructuring actions.
- 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.

EBIT margin

The EBIT margin before special items⁽¹⁾ for the three-month period increased by 18.3 percentage points, mainly as a result of:

- the net impact of deconsolidation of CSALP;
- stronger contribution from aftermarket activities; and
- a variance of provisions for credit and residual value guarantees recorded in other expenses.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 16.9 percentage points compared to the same period last fiscal year.

The EBIT margin before special items⁽¹⁾ for the fiscal year increased by 7.5 percentage points, mainly as a result of:

- the net impact of deconsolidation of CSALP;
- stronger contribution from aftermarket activities; and
- a variance of provisions for credit and residual value guarantees recorded in other expenses.

Partially offset by:

- a gain in comparative period on the disposal of certain equipment.

Including the impact of special items (see explanation of special items above), the EBIT margin for the fiscal year decreased by 26.2 percentage points compared to the same period last fiscal year.

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

Product development

Investment in product development

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017	2018	2017
Program tooling ⁽¹⁾	\$ 3	\$ 29	\$ 33	\$ 122
R&D expense ⁽²⁾	4	3	9	6
	\$ 7	\$ 32	\$ 42	\$ 128
As a percentage of revenues ⁽³⁾	1.7%	4.9%	2.4%	5.5%

⁽¹⁾ Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers upon delivery of the aircraft for acquired development costs carried out by them. Including \$30 million for CSALP for the first six months of 2018 (\$29 million and \$122 million, respectively, for the fourth quarter and fiscal year ended December 31, 2017).

⁽²⁾ Excluding amortization of aerospace program tooling of \$2 million and \$7 million, respectively, for the fourth quarter and fiscal year ended December 31, 2018 (\$10 million and \$36 million, respectively, for the fourth quarter and fiscal year ended December 31, 2017), as the related investments are already included in aerospace program tooling.

⁽³⁾ 2017 figures have been restated due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

The carrying amount of commercial aircraft program tooling as at December 31, 2018 was \$32 million, compared to \$36 million⁽¹⁾ as at December 31, 2017.

⁽¹⁾ Excluding aerospace program tooling for the C Series program, which was presented as assets held for sale due to the C Series partnership with Airbus.

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

Aircraft deliveries⁽¹⁾

(in units)	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017	2018	2017
Regional jets				
CRJ700	1	—	2	1
CRJ900	5	4	13	18
CRJ1000	—	3	5	7
Turboprops				
Q400	6	10	15	30
	12	17	35	56

⁽¹⁾ Excluding 13 CS300 aircraft deliveries from the first six months of the fiscal year ended December 31, 2018 and 5 CS300 aircraft deliveries for the fourth quarter ended December 31, 2017 (3 CS100 and 14 CS300 aircraft deliveries for fiscal year ended December 31, 2017). Subsequent to the C Series Partnership closing on July 1, 2018, Airbus rebranded CS100 and CS300 as A220-100 and A220-300, respectively.

Net orders⁽¹⁾

(in units)	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017	2018	2017
Regional jets				
CRJ700	—	—	(6)	—
CRJ900 ⁽²⁾	—	6	34	16
CRJ1000 ⁽³⁾	(5)	—	(5)	—
Turboprops				
Q400 ⁽²⁾⁽³⁾	(8)	4	24	42
	(13)	10	47	58

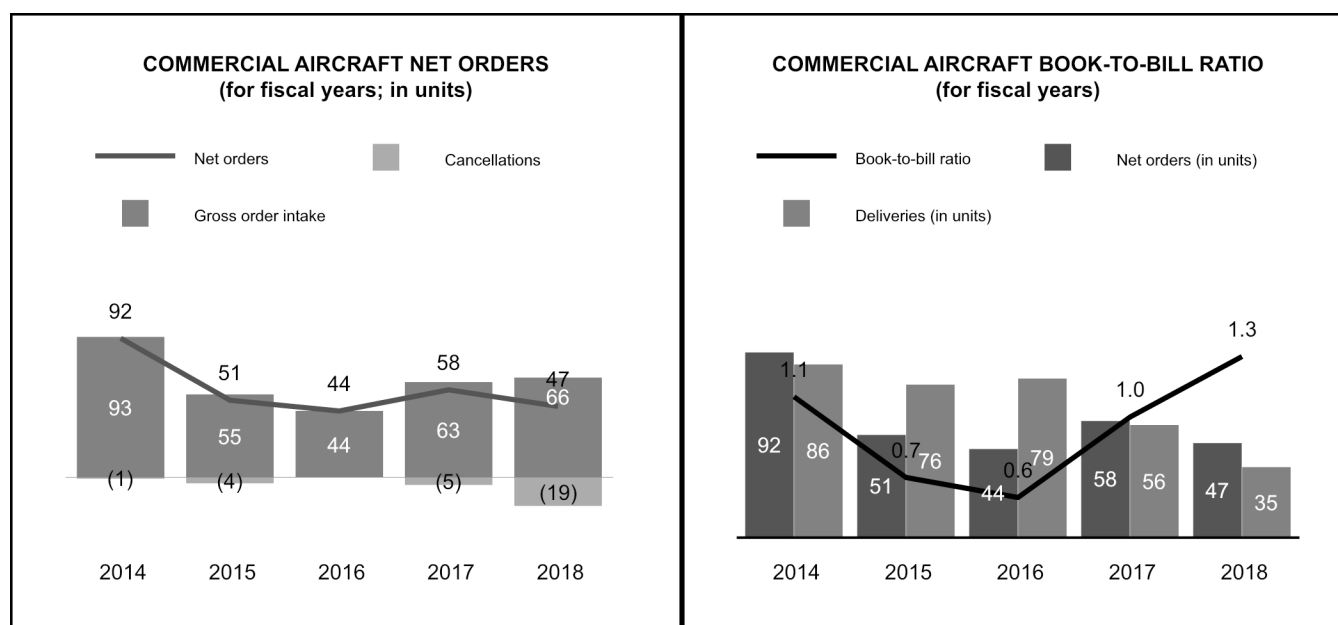
Book-to-bill ratio⁽⁴⁾	nmf	0.6	1.3	1.0
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⁽¹⁾ Excluding 30 CS300 aircraft orders from the first six months of the fiscal year ended December 31, 2018 (12 CS300 for the fourth quarter and for the fiscal year ended December 31, 2017). Subsequent to the C Series partnership closing on July 1, 2018, Airbus rebranded CS300 as A220-300.

⁽²⁾ Including the impact of order conversion of 5 CRJ900 aircraft to 5 Q400 aircraft by CIB Leasing during the fiscal year ended December 31 2018.

⁽³⁾ During the fourth quarter ended December 31, 2018, the Corporation removed a CRJ1000 order totalling 5 aircraft from backlog, and cancelled two orders totalling 8 aircraft including the order from African Aero Trading.

⁽⁴⁾ Ratio of net orders received over aircraft deliveries, in units, excluding C Series aircraft orders and deliveries.



The following orders were received during the fiscal year ended December 31, 2018:

Customer	Firm order	Value ⁽¹⁾
Third quarter⁽²⁾		
Uganda National Airlines	4 CRJ900	\$190 million
Biman Bangladesh Airlines	3 Q400	\$106 million
Undisclosed customers	4 Q400	\$133 million
Second quarter⁽³⁾		
Delta Air Lines	20 CRJ900	\$961 million
American Airlines	15 CRJ900	\$719 million
Ethiopian Airlines	10 Q400	\$332 million
African Aero Trading ⁽⁴⁾	6 Q400	\$198 million
First quarter		
Conair Group Inc.	4 Q400	\$137 million

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

⁽²⁾ During the third quarter CIB converted 5 CRJ900 aircraft of a previously announced order to 5 Q400 aircraft.

⁽³⁾ Excluding 30 CS300 aircraft firm order by airBaltic. Based on the list price, the firm order is valued at approximately \$2.9 billion. Subsequent to the C Series partnership closing on July 1, 2018, Airbus rebranded CS300 as A220-300.

⁽⁴⁾ During the fourth quarter, the Corporation cancelled this order.

Commercial aircraft order backlog and options⁽¹⁾

(in units)	As at December 31			
	2018	2018	2017	2017
	Firm orders	Options	Firm orders	Options
Regional jets				
CRJ700	—	—	8	—
CRJ900	45	4	24	6
CRJ1000 ⁽²⁾	—	—	10	—
Turboprops				
Q400 ⁽²⁾	52	—	43	—
	97	4	85	6

⁽¹⁾ Excluding 115 firm orders and 88 options of CS100 aircraft and 250 firm orders and 143 options of CS300 aircraft as at June 30, 2018 (115 firm orders and 94 options of CS100 aircraft and 233 firm orders and 128 options of CS300 aircraft as at December 31, 2017). Subsequent to the C Series partnership closing, Airbus rebranded CS100 and CS300 as A220-100 and A220-300, respectively.

⁽²⁾ During the fourth quarter ended December 31, 2018, the Corporation removed a CRJ1000 order totalling 5 aircraft from backlog, and cancelled two Q400 orders totalling 8 aircraft including the order from African Aero Trading.

Subsequent to the end of the fiscal year, we announced that we finalized a firm purchase agreement with a subsidiary of Chorus Aviation Inc. for nine *CRJ900* aircraft. Based on the list price, the firm order is valued at approximately \$437 million. This purchase agreement is not included in the order backlog as at December 31, 2018.

Workforce

Total number of employees

	December 31, 2018	As at December 31, 2017
Permanent ⁽¹⁾	2,560	4,700
Contractual ⁽²⁾	210	420
	2,770	5,120
Percentage of permanent employees covered by collective agreements	35%	42%

⁽¹⁾ Including inactive employees.

⁽²⁾ Including non-employees and sub-contractors personnel. December 31, 2017 figure was restated to exclude agency outsourced personnel for comparative purposes.

The workforce as at December 31, 2018 decreased by 2,350 employees, or 46%, when compared to previous year.

This decrease is mainly related to the deconsolidation of CSALP on July 1, 2018.

Our incentive-based compensation plan for non-unionized employees across Commercial Aircraft sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of approximately 1,600 employees worldwide, or 62% of permanent employees, participate in the program. As part of this program, incentive-based compensation is linked to the achievement of targeted results, based on EBIT before special items and free cash flow before net interest and income taxes.

Our agreement with the International Association of Machinists and Aerospace Workers (IAMAW) in Montreal expired in November 2018. Out of the 3,168 employees covered under this agreement, 219 employees are part of Commercial Aircraft workforce. We are currently in discussion with the IAMAW to renew the collective agreement.

STRATEGIC PARTNERSHIP

Airbus acquired a majority stake in the C Series Aircraft Limited Partnership effective July 1, 2018

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 July 1, 2018, 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 \$616 million (\$552 million after tax) in Special items, see Note 9 - Special items.

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. Airbus rebranded the C Series aircraft as A220. As of December 31, 2018, the Corporation invested \$225 million in CSALP in exchange for non-voting units of CSALP.

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 at CSALP's option, 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.

RESHAPING THE PORTFOLIO

We entered into an agreement to sell the *Q Series* aircraft program to Longview Aircraft Company of Canada Limited

On November 7, 2018, we 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.⁽¹⁾

⁽¹⁾ See the forward-looking statements disclaimer.

AEROSTRUCTURES AND ENGINEERING SERVICES

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KEY PERFORMANCE MEASURES AND METRICS

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

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
GROWTH AND COMPETITIVE POSITIONING	- Revenue, as a measure of growth. - Market share in terms of revenues, as a measure of our competitive positioning.
PROFITABILITY	EBIT, EBIT margin, EBIT before special items⁽¹⁾ and EBIT margin before special items⁽¹⁾, as measures of performance.
LIQUIDITY	Free cash flow⁽¹⁾, as a measure of liquidity generation.
CUSTOMER SATISFACTION	On-time delivery of aerostructures, as a measure of meeting our commitment to customers.
EXECUTION	Achievement of program development milestones, as a measure of flawless execution.

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

AT A GLANCE

Anchoring growth on key programs and broad capabilities

RESULTS			
For the fiscal years ended December 31	2018	2017 <i>restated</i> ⁽¹⁾	Variance
Revenues	\$ 1,953	\$ 1,616	21 %
EBIT	\$ 146	\$ 81	80 %
EBIT margin	7.5%	5.0%	250 bps
EBIT before special items ⁽²⁾	\$ 188	\$ 88	114 %
EBIT margin before special items ⁽²⁾	9.6%	5.4%	420 bps
EBITDA before special items ⁽²⁾	\$ 239	\$ 138	73 %
EBITDA margin before special items ⁽²⁾	12.2%	8.5%	370 bps
Net additions to PP&E and intangible assets	\$ 14	\$ 22	(36)%

KEY HIGHLIGHTS AND EVENTS

- Aerostructures and Engineering Services is positioned as a key supplier on early life cycle growth programs, including the new A220 and *Global 7500*, expected to drive sustainable growth.
- In 2018, the segment revenues grew 21% year-over-year to \$2.0 billion in line with guidance.
- Focused execution during the ramp-up of these programs and a one-time favorable item (approximately 50 bps) associated with the closing of the C Series partnership have enabled to deliver 9.6% EBIT before special items,⁽²⁾ above its guidance. EBIT margin for the segment was 7.5%.
- On February 6, 2019, the Corporation acquired the *Global 7500* aircraft wing program operations and assets from Triumph Group Inc., for a nominal cash consideration. This transaction is expected to strengthen Bombardier's position as a leading aerostructures manufacturer, to enable the company to leverage its extensive technical expertise to support the ramp-up of the *Global 7500* aircraft, and secure its long-term success. Bombardier will continue to operate the production line and integrate the employees currently supporting the program at Triumph's Red Oak, Texas facility.
- On February 7, 2019, Paul Sislian was appointed President Aerostructures and Engineering Services. Paul brings more than 20 years of aerospace and industrial experience including serving most recently as Chief Operating Officer for Bombardier Business Aircraft.

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

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

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	2018 guidance provided in our 2017 Financial Report ⁽¹⁾	Updated 2018 guidance ⁽²⁾	2018 results	2019 guidance ⁽³⁾⁽⁴⁾⁽⁵⁾
Revenues	~ \$2.0 billion	No change	\$2.0 billion	\$2.25-\$2.50 billion
EBIT margin	N/A	N/A	7.5%	N/A
EBIT margin before special items ⁽⁶⁾	> 8.5%	No change	9.6%	7.5%

2018 guidance

Revenues for the year were in line with guidance while EBIT before special items⁽⁶⁾ exceeded expectations by 110 bps in part due to a one-time item linked to the settlement associated with the closing of the C Series partnership.

Our strategy to achieve 2019 guidance⁽⁴⁾

Guidance for 2019 assumes the continued growth from the *Global 7500* and A220 in addition to the completion of the acquisition of the *Global 7500* aircraft wing program from Triumph Group Inc. Revenues are expected to increase to between \$2.25 billion to \$2.50 billion, assuming additional intersegment revenues from the *Global 7500* wing program while the segment's 2019 EBIT margin before special items⁽⁶⁾ guidance is expected to be at approximately 7.5%, reflecting marginal earnings from acquired revenues as we ramp up wing production.

⁽¹⁾ Refer to our 2017 Financial Report for further details.

⁽²⁾ Refer to our Second Quarterly Report for the period ended June 30, 2018 for further details.

⁽³⁾ See Forward-looking statements in boxed text below for details regarding the assumptions on which the guidance is based. Also see forward-looking statements disclaimer in Overview.

⁽⁴⁾ Revenues guidance for Aerostructures and Engineering Services is based mainly on currently anticipated revenues from intersegment contracts with Business Aircraft and Commercial Aircraft and from external contracts with Airbus on the A220. Reflects the acquisition of the *Global 7500* wing manufacturing program from Triumph Group Inc. completed in the first quarter of 2019.

⁽⁵⁾ 2019 guidance changed from approximately \$2.0 billion revenues and approximately 9.0% EBIT margin before special items to reflect the completion of the acquisition of the *Global 7500* aircraft wing program operations and assets from Triumph Group Inc., which closed in the first quarter of 2019.

⁽⁶⁾ Profitability guidance is based on EBIT margin before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

Forward-looking statements:

Forward-looking statements⁽¹⁾ in this section of the MD&A are based on and subject to the following material assumptions:

- normal execution and delivery of current firm orders and projects in the backlog;
- the ability to understand customer needs and portfolio of products and services to drive increasing market demand and secure key strategic orders;
- continued deployment and execution of leading initiatives according to plan to improve revenue conversion into higher earnings and free cash flows⁽²⁾, through improved procurement cost, controlled spending and labour efficiency;
- delivering on the transformation plan targets, through restructurings and other initiatives addressing the direct and indirect cost structure, focusing on sustained cost reductions and operational improvements, while reducing working capital consumption;
- the ability to leverage the global manufacturing footprint and transfer best practices and technology across production sites, and by leveraging lower cost geographies and emerging economies;
- the ability of the supply base to support product development and planned production rates on commercially acceptable terms in a timely manner;
- the ability to identify and enter into further risk sharing partnerships and initiatives;
- the effectiveness of disciplined capital deployment measures in new programs and products to drive revenue growth;
- the ability to recruit and retain highly skilled resources to deploy the product development strategy;
- the stability of the competitive global environment and global economic conditions;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities starting in 2020;
- financials reflect IFRS 16 lease accounting starting January 1, 2019;
- closing of *Q Series* Aircraft program assets by the second half of 2019 and Business Aircraft flight and training activities transactions by the end of the first quarter of 2019;
- the alignment of production rates to market demand;
- the ability to manage the learning curve as we ramp up production and deliveries of the *Global 7500* aircraft;
- the ability to ramp up production and deliveries of new programs, and meet scheduled EIS date for the *Global 5500*, *Global 6500*, *Global 8000* and *CRJ550* aircraft programs;
- continued ability to capture and win campaigns and projects based on market forecasts⁽³⁾, leading to future order intake objectives;
- continued deployment and execution of growth strategies, and continued growth of the aftermarket business;
- the reduction of investments and development spend to normalized levels by 2019-2020;
- the realization of the anticipated benefits and synergies of the partnership with Airbus in the timeframe anticipated.
- satisfactory performance by Airbus of its obligations pursuant to the partnership and commercial agreements and absence of unanticipated inefficiencies or performance issues in connection therewith;
- the strength and quality of Airbus' scale and reach, sales, marketing or support networks, supply chain, operations, and customer relationships;
- the accuracy of the analyses and assumptions underlying our business case including estimated cash flows and revenues over the expected life of the program and thereafter;
- the accuracy of our assessment of anticipated growth drivers and sector trends;
- aircraft prices, unit costs and deliveries gradually improving during the acceleration phase; and
- our ability to continue with our current funding plan of CSALP and to fund, if required, any cash shortfalls and adequacy of cash planning and management and project funding.

⁽¹⁾ Also see the Guidance and forward-looking statements section in Overview.

⁽²⁾ Non-GAAP measure. Refer to the Non-GAAP measures for definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

⁽³⁾ Demand forecast is based on the main market indicators including number of new products in development or upgrades to existing platforms by original equipment manufacturers and production rates. For details refer to the market indicators in the Industry and economic environment section.

PROFILE

Premium end-to-end aerostructure partner

Specializing in engineering and manufacturing, Bombardier takes aerostructures from design to reality. Our Aerostructures business offers a full suite of capabilities, including design, development, manufacture, assembly, systems integration, and aftermarket support for Bombardier and other aircraft and aerostructure manufacturers around the globe.

We have significantly developed and invested in our world-class airframer experience, inherent knowledge, and core manufacturing expertise over many years. Our balanced footprint comprises manufacturing and engineering sites in Montréal, Canada; Belfast, Northern Ireland; Querétaro, Mexico; and Casablanca, Morocco. In addition, our MRO facilities in Dallas, United States, and Belfast, Northern Ireland, provide a wide range of services, including overhaul, repair and major modification.

We are the largest aerostructure supplier for Bombardier programs, including fuselages, engine nacelles and horizontal stabilizers for the *Global* aircraft family. We also supply complex structures to Airbus and our ability to partner with original equipment manufacturers and other airframers is a major strength. This expertise is expected to drive our growth together with our aftermarket service portfolio, where we can leverage our engineering and manufacturing technology capabilities.

Our operational excellence program, which focuses on manufacturing efficiency, quality and safety, is expected to help us grow sustainably and profitably. As we increase our Bombardier and third-party work packages, we plan to continue to build more cost-competitive advantage, so that we can generate value for Bombardier, our customers, and ultimately, our shareholders.

With end-to-end capabilities and state-of-the-art technologies, our highly-skilled people:

- engineer complex structures;
- manufacture composite and metallic components;
- assemble aerostructures;
- integrate systems; and
- overhaul and repair structures.

We provide customers with products and services in the following areas:

Complex aerostructures and systems

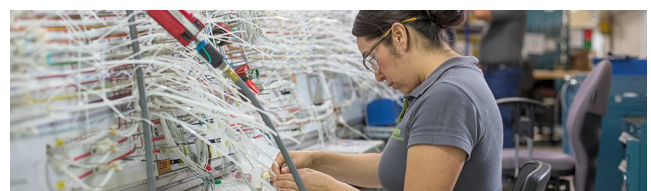
- cockpit and fuselage structures, including systems integration;
- complete composite wings, including wing sub-assemblies and components;
- engine nacelle systems and components;
- horizontal stabilizers, vertical stabilizers and tailcones; and
- electrical harnessing.

Engineering solutions

- aircraft structures design and stress analysis;
- ground test services; and
- certification and in-service support.

Maintenance, repair and overhaul

- operator support on Bombardier and third-party products;
- repair and overhaul solutions, including repair management;
- engineering consultancy; and
- component exchange and leasing services.



INDUSTRY AND ECONOMIC ENVIRONMENT

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

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

INDICATOR	CURRENT SITUATION	STATUS
Original equipment manufacturer production rates / units delivered	The order backlogs of commercial aircraft original equipment manufacturers in the industry remain at strong levels. The business aircraft market is expected to continue its stabilization. ⁽¹⁾	▲
Maintenance, repair and overhaul (MRO) growth	The commercial aircraft global MRO demand is expected to grow from \$82 billion to approximately \$116 billion by 2029 at a CAGR of 3.5%. The growth mainly comes from the global fleet, which is expected to grow at an average of 3.6% per year from over 27,000 aircraft to over 39,000 aircraft by 2029. ⁽²⁾	▲

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

⁽¹⁾ Refer to the Industry and economic environment section in Business Aircraft for details.

⁽²⁾ According to the "Global Fleet & MRO Market Forecast Commentary 2019-2029" report dated January 2019 prepared by Oliver Wyman.

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

The market is predominantly composed of the manufacture of wings, nacelles and fuselages, mostly for large commercial aircraft. The current status of some market drivers are expected to have a positive impact over the short-term for the aerostructures industry. The commercial aircraft market continues its strong performance as passenger traffic levels and airline's financial performance maintained impressive levels in 2018. Meanwhile, the positive economic outlook combined with the evolution of new aircraft models and technologies should continue to support a stable business jet market, as supported by the industry confidence above the threshold of market stability,⁽¹⁾ increased U.S. corporate profits and a lower level of pre-owned aircraft inventory. Overall, we remain confident in the long-term potential for significant growth in the aircraft industry.

⁽¹⁾ As measured by the Barclays Business Jet Market index. See Industry and economic environment section in Business Aircraft for details.

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated</i> ⁽¹⁾	2018	2017 <i>restated</i> ⁽¹⁾
Revenues				
Intersegment revenues	\$ 393	\$ 332	\$ 1,377	\$ 1,218
External revenues	229	94	576	398
	\$ 622	\$ 426	\$ 1,953	\$ 1,616
EBITDA before special items ⁽²⁾	\$ 63	\$ 34	\$ 239	\$ 138
Amortization	15	14	51	50
EBIT before special items ⁽²⁾	48	20	188	88
Special items	48	13	42	7
EBIT	\$ —	\$ 7	\$ 146	\$ 81
EBIT margin before special items ⁽²⁾	7.7%	4.7%	9.6%	5.4%
EBIT margin	—%	1.6%	7.5%	5.0%

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The \$196-million increase for the three-month period is due to:

- higher external revenues (\$135 million), mainly due to higher volume for the contracts with CSALP being presented as external revenues starting July 1, 2018, partially offset by lower volume for other external contracts; and
- higher intersegment revenues (\$61 million), mainly due to higher volume for new business aircraft contracts, partially offset by intersegment revenues from CSALP reclassified as external revenues starting July 1, 2018.

The \$337-million increase for the fiscal year is due to:

- higher external revenues (\$178 million), mainly due to higher volume for the contracts with CSALP being presented as external revenues starting July 1, 2018, partially offset by lower volume for other external contracts; and
- higher intersegment revenues (\$159 million), mainly due to higher volume for new business aircraft contracts, partially offset by intersegment revenues from CSALP reclassified as external revenues starting July 1, 2018 and lower volume for other commercial aircraft contracts.

Special items

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

The special items recorded as losses in EBIT were as follows:

	Ref	Fourth quarters ended December 31		Fiscal years ended December 31	
		2018	2017	2018	2017
Restructuring charges	1	\$ 24	\$ 13	\$ 18	\$ 7
Pension equalization	2	23	—	23	—
Purchase of pension annuities	3	1	—	1	—
		\$ 48	\$ 13	\$ 42	\$ 7
EBIT margin impact		(7.7)%	(3.1)%	(2.2)%	(0.4)%

1. For the fourth quarter ended December 31, 2018, represents severance charges of \$30 million partially offset by curtailment gains of \$6 million related to the restructuring actions announced in November 2018. For the fiscal year ended December 31, 2018, represents severance charges of \$24 million partially offset by curtailment gains of \$6 million related to restructuring actions. For the fourth quarter and the fiscal year ended December 31, 2017, represents severance charges of \$16 million and \$10 million, respectively, partially offset by curtailment gains of \$3 million, all related to previously-announced restructuring actions.
2. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). The Corporation estimated the impact of the ruling on its pension plans and recognized an additional obligation of \$23 million for the fourth quarter and the fiscal year ended December 31, 2018. The one-time P&L impact was recognized in the fourth quarter of 2018 as a past service cost under IAS 19 - Employee Benefits.
3. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans in Ontario (Canada), the U.K. and the U.S. 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 fiscal year 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans, for which the premiums paid to insurers were \$516 million (paid from plans assets) and the respective defined benefit obligations were \$484 million.

EBIT margin

The EBIT margin before special items⁽¹⁾ for the fourth quarter increased by 3.0 percentage points, mainly as a result of:

- higher margins on intersegment commercial aircraft contracts, mainly due to better performance and favorable foreign exchange rates; and
- higher absorption of SG&A expenses.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 1.6 percentage points compared to the same period last year.

The EBIT margin before special items⁽¹⁾ for the fiscal year increased by 4.2 percentage points, mainly as a result of higher margins on intersegment commercial aircraft contracts, mainly due to better performance and favorable foreign exchange rates and positive impact from one-time intersegment settlement, as well as the recognition of inventory net realizable value charges last year.

Including the impact of special items (see explanation of special items above), the EBIT margin for the fiscal year increased by 2.5 percentage points compared to last fiscal year.

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

Workforce

Total number of employees

	December 31, 2018	As at December 31, 2017
Permanent ⁽¹⁾	8,450	8,800
Contractual ⁽²⁾	740	850
	9,190	9,650
Percentage of permanent employees covered by collective agreements	71%	71%

⁽¹⁾ Including inactive employees.

⁽²⁾ Including non-employees and sub-contractors personnel. December 31, 2017 figure was restated to exclude agency outsourced personnel for comparative purposes.

The workforce as at December 31, 2018 decreased by 460 employees, or 5%, when compared to previous year.

The decrease is mainly related to reductions including the impacts of previously-announced restructuring actions, partially offset by strategic hiring to support *Global 7500* aircraft aerospace program.

Our incentive-based compensation plan for non-unionized employees across our sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of approximately 3,500 employees worldwide, or 41% of permanent employees, participate in the program. As part of this program, incentive-based compensation is linked to the achievement of targeted results, based on EBIT before special items and free cash flow before net interest and income taxes.

Our agreement with the International Association of Machinists and Aerospace Workers (IAMAW) in Montreal expired in November 2018. Out of the 3,168 employees covered under this agreement, 1,766 employees are part of Aerostructures and Engineering Services workforce. We are currently in discussion with the IAMAW to renew the collective agreement.

TRANSPORTATION

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KEY PERFORMANCE MEASURES AND METRICS

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

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

⁽¹⁾ Defined as new orders over revenues.

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

AT A GLANCE

Transitioning the project portfolio towards a stronger mix of platform-based and integrated solutions

RESULTS			
For the fiscal years ended December 31	2018	2017 restated ⁽¹⁾	Variance
Revenues	\$ 8,915	\$ 8,551	4 %
Order intake (in billions of dollars)	\$ 9.9	\$ 10.2	(3)%
Book-to-bill ratio ⁽²⁾	1.1	1.2	(0.1)
EBIT	\$ 774	\$ 443	75 %
EBIT margin	8.7%	5.2%	350 bps
EBIT before special items ⁽³⁾	\$ 750	\$ 738	2 %
EBIT margin before special items ⁽³⁾	8.4%	8.6%	(20) bps
EBITDA before special items ⁽³⁾	\$ 851	\$ 836	2 %
EBITDA margin before special items ⁽³⁾	9.5%	9.8%	(30) bps
Net additions to PP&E and intangible assets	\$ 108	\$ 123	(12)%
As at December 31	2018	2017 restated⁽¹⁾	Variance
Order backlog (in billions of dollars)	\$ 34.5	\$ 35.1	(2)%

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Defined as new orders over revenues.

⁽³⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and to the Analysis of results section for reconciliations to the most comparable IFRS measures.

KEY HIGHLIGHTS AND EVENTS

- In 2018, Transportation recorded orders totaling \$9.9 billion, fueled by a \$3.3 billion order intake in the fourth quarter. Book-to-bill⁽¹⁾ reached 1.5 for the fourth quarter, resulting in a 1.1 ratio for the full year, continuing to position the segment for growth in revenues and profitability, supported by strong industry fundamentals.
 - Order intake for the year reflects project wins across geographies, with notable contract awards in Europe, led by SNCF's repeat order in France, in Asia led by the Singapore Metro contract, and North America with Airport and Mass transit mobility solutions for Phoenix and Los Angeles.
 - The backlog reached \$34.5 billion as at December 31, 2018. The backlog growth (excluding currency fluctuations) was supported by a stronger mix of platform projects and increasing signalling and service contract orders, consistent with Transportation's strategy to increase speed-to-market; provide customers with end-to-end solutions; de-risk project execution while also growing margins.
 - Subsequent to the fourth quarter, in January 2019, Transportation was awarded a contract to supply 113 new generation passenger rail cars valued at \$669 million with options for up to 886 additional cars, by the New Jersey Transit Corporation.
- During the past year, Transportation continued to progress through its transformation journey, including ramping up and delivering on legacy projects. Challenges associated with certain legacy projects delayed certain deliveries and the corresponding expected release of working capital in the latter part of 2018 as we focused on reaching production cadence, finalizing system integration, obtaining homologation and aligning delivery of trains with customer infrastructure. The working capital timing shift across these projects is expected to significantly recover through 2019.

⁽¹⁾ Defined as new orders over revenues.

- Financial performance for 2018 positions Transportation to reach 2019 guidance and 2020 objectives:
 - Revenues grew 4% year-over-year to \$8.9 billion, in line with guidance, supported by a favourable currency impact in the first half of the year (2% growth excluding currency impact). Services and signalling grew to over 34% of revenues for the year, as increasing focus turns to integrated customer solutions.
 - EBIT before special items⁽¹⁾ grew to \$750 million for the year, representing an 8.4% margin (EBIT of \$774 million, or 8.7% margin). Fourth quarter margin before special items⁽¹⁾ was 7.7% (10.9% EBIT margin), as a result of contract estimate adjustments largely associated with a legacy project, resulting in full year margin before special items⁽¹⁾ slightly below the 8.5% guidance. With the expected recovery on these contracts, Transportation anticipates to grow margin before special items⁽¹⁾ to approximately 9% for 2019.
- Transportation's results in 2018 did not reach the performance targets underlying CDPQ's investment in BT Holdco. Accordingly, for the 12-month period starting on February 12, 2019, Bombardier's percentage of ownership on conversion of CDPQ's shares will decrease by 2.5%, returning to the original 70%; and the preference return entitlement rate on liquidation of its shares will increase from 7.5% to 9.5% for this period. Any dividends paid by BT Holdco to its shareholders during this period will be distributed on the basis of each shareholder's percentage of ownership upon conversion, being 70% for Bombardier and 30% for the CDPQ. These adjustments will become effective once the audited consolidated financial statements of BT Holdco are duly approved by its board of directors.
- On February 7, 2019, Danny Di Perna was appointed President, Bombardier Transportation. Danny brings more than 30 years of industrial experience to this new role. He has a proven record of success leading complex industrial projects and organizations, driving operational efficiency and improving quality. Most recently Danny led Bombardier's Aerostructures and Engineering Services segment.

⁽¹⁾ Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for definition of this metric and to the Analysis of results section for reconciliations to the most comparable IFRS measures.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	2018 guidance provided in our 2017 Financial Report ⁽¹⁾	Updated 2018 guidance ⁽²⁾	2018 results	2019 guidance ⁽³⁾⁽⁴⁾
Revenues	~ \$9.0 billion	No change	\$8.9 billion	~ \$9.5 billion
EBIT margin	N/A	N/A	8.7%	N/A
EBIT margin before special items ⁽⁵⁾	> 8.5%	No change	8.4%	~ 9.0%

2018 guidance

2018 revenues were in line with guidance supported by a favorable currency translation impact. EBIT margin before special items⁽⁵⁾ of 8.4% for the year largely met guidance of 8.5% or above.

Our strategy to achieve 2019 guidance⁽³⁾

With more than 80% of 2019 and 2020 revenues in its \$34.5 billion backlog and with strong industry fundamentals, Transportation is currently well positioned to continue on its growth path to approximately \$9.5 billion of revenues in 2019. EBIT margin before special items⁽⁵⁾ is expected to increase to approximately 9.0% as we aim to execute on a stronger mix of platforms projects and currently expect a growing share of signalling and services contracts from the segment's backlog.

⁽¹⁾ Refer to our 2017 Financial Report for further details.

⁽²⁾ Refer to our Second Quarterly Report for the period ended June 30, 2018 for further details.

- ⁽³⁾ See Forward-looking statements in boxed text below for details regarding the assumptions on which the guidance is based. Also see forward-looking statements disclaimer in Overview.
- ⁽⁴⁾ Transportation's revenues guidance is based on the assumption that foreign exchange rates remain stable at 1.15 for the conversion of the amounts in Euro to U.S. dollars.
- ⁽⁵⁾ Profitability guidance is based on EBIT margin before special items. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

Forward-looking statements

Forward-looking statements⁽¹⁾ in this section of the MD&A are based on and subject to the following material assumptions:

- normal execution and delivery of current firm orders and projects in the backlog;
- the ability to understand customer needs and portfolio of products and services to drive increasing market demand and secure key strategic orders;
- continued deployment and execution of leading initiatives according to plan to improve revenue conversion into higher earnings and free cash flows⁽²⁾, through improved procurement cost, controlled spending and improving labour efficiency;
- delivering on the transformation plan targets, through restructurings and other initiatives addressing the direct and indirect cost structure, focusing on sustained cost reductions and operational improvements, while reducing working capital consumption;
- the ability to leverage the global manufacturing footprint and transfer best practices and technology across production sites, and by leveraging lower cost geographies and emerging economies;
- the ability of the supply base to support product development and planned production rates on commercially acceptable terms in a timely manner;
- the ability to identify and enter into further risk sharing partnerships and initiatives;
- the effectiveness of disciplined capital deployment measures in new programs and products and working capital efficiencies to drive revenue growth;
- the ability to recruit and retain highly skilled resources to deploy the product development strategy;
- the stability of the competitive global environment and global economic conditions;
- the stability of foreign exchange rates at current levels;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities starting in 2020;
- financials reflect IFRS 16 lease accounting starting January 1, 2019;
- our ability to execute and deliver business model enhancement initiatives;
- our ability to release working capital stemming from delivery challenges experienced in the latter part of 2018 on certain legacy projects, and recovery across these projects through 2019;
- revenue conversion and phase out of our legacy projects;
- a sustained level of public sector spending;
- the realization of upcoming tenders and our ability to capture them based on market forecasts⁽³⁾, leading to future order intake objectives; and
- successful deployment and execution of growth strategies, including the value chain approach and the creation of ecosystems, site specialization and the creation of engineering centers of excellence, and the evolution of the revenue mix and backlog towards more platform projects and signalling and systems and operations and maintenance contracts.

⁽¹⁾ Also refer to the Guidance and forward-looking statements section in Overview.

⁽²⁾ Non-GAAP measure. Refer to the Non-GAAP measures for definition of this metric and to the Analysis of results section for a reconciliation to the most comparable IFRS measures.

⁽³⁾ For more details, refer to the market indicators in the Industry and economic environment section of the Transportation segment.

PROFILE

Positioned to capitalize on rising mobility needs

Transportation offers a wide-ranging portfolio of innovative and efficient solutions in the rail industry. We cover the full spectrum of rail solutions, ranging from global mobility solutions to a variety of trains and sub-systems, services, system integration and signalling to meet the market's needs and expectations. We have won orders across all product segments and major geographies, underlining the competitiveness of our products and services worldwide.

We have production, engineering and service centers around the world. The global headquarters is located in Berlin, Germany.

MARKET SEGMENT: ROLLING STOCK AND SYSTEMS

HIGH SPEED AND VERY HIGH SPEED TRAINS

Application: Equipment for medium and long-distance operations.

Major products: *ZEFIRO* family

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



ZEFIRO very high speed train

COMMUTER, REGIONAL AND INTERCITY TRAINS

Application: Suburban and regional rail transit for urban centers and surrounding regions and medium speed connections between cities.

Major products: *AVENTRA*, *TALENT*, *OMNEO*, *TWINDEXX* Vario, *BiLevel* and *MultiLevel* families

Key features: Broad product line featuring electric, diesel, dual mode and battery-powered multiple units, along with locomotive-hauled coaches in both single and double-deck configurations. Our modular train platforms offer very high flexibility to transit authorities and operators, as well as high levels of comfort and capacity. In 2018, the *TALENT 3* battery electric multiple unit was awarded the renowned Berlin Brandenburg award. The train operates emission-free, thereby making a significant contribution towards environmentally-friendly mobility.



TALENT 3 battery train

LIGHT RAIL VEHICLES

Application: Efficient surface transit in urban centers and surrounding suburban areas.

Major products: *FLEXITY* family

Key features: Our broad portfolio of *FLEXITY* vehicles feature innovative capabilities and performance while offering low lifecycle costs. Based on adaptable modular platforms, our vehicle range offers a full spectrum of smart light rail solutions to enhance the connectivity and identity of cities worldwide. Equipped with our award-winning Obstacle Detection Assistance System, our trams and light rail vehicles increase the safety of the driver, passengers and all other traffic participants.



FLEXITY tram

METROS

Application: Broad range of high capacity mobility solutions for every urban environment

Major products: *MOVIA* and *INNOVIA* platforms (metros, monorails and people movers)

Key features: Wide variety of urban mobility solutions developed from proven and innovative technology. Maximum system value for every capacity, in any type of environment. Safety, lifecycle cost, passenger comfort and smart city integration, to name a few, all drive the designs and innovations of our portfolio, covering a wide range of system needs. This includes quick-to-build and minimally intrusive technology such as the *INNOVIA* Monorail 300. Bombardier products have a long history of automation and are serving numerous cities around the world with driverless systems.



MOVIA platform

LOCOMOTIVES

Application: Electric and diesel locomotives for intercity, regional and freight rail service.

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

Key features: Versatile product platform offering electric, diesel-electric, dual-power and multi-system propulsion, last-mile diesel or battery drive features. Innovative solutions increase power and reliability in combination with high energy efficiency and low lifecycle costs. Homologated in several countries in Europe, enabling cross-border service. The *TRAXX* MS3 locomotive is the most advanced multi-systems locomotive on the market with the Last Mile function, letting it easily bridge non-electrified track sections often found in ports or freight terminals.



TRAXX MS3 locomotive

PROPULSION AND CONTROLS

Application: Complete propulsion and control product portfolio for all Bombardier and third-party rail vehicles and e-mobility applications, delivering electric power with strong reliability, power efficiency and high safety.

Major products: The *MITRAC* platform, which includes traction and auxiliary converters for underframe, rooftop and machine room mounting; drives (motors and gears), train control management systems (TCMS), high voltage equipment and complete system solutions. Innovative train to wayside communication solutions round off the portfolio.

Key features: A leader in reliability, modular design, energy safety (SIL 2 compliance), energy efficiency, integration of new technologies and ease of maintenance, which keep initial investments and lifecycle costs low.



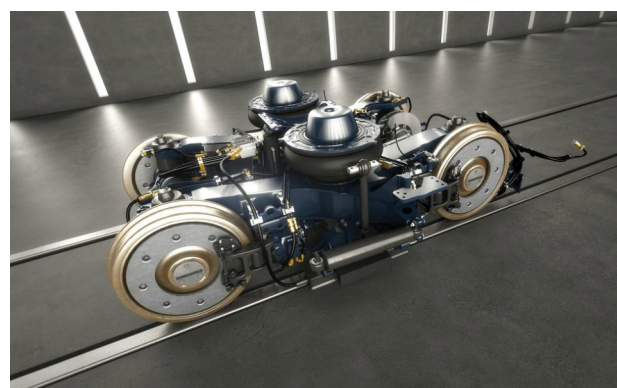
MITRAC converter

BOGIES

Application: Complete spectrum of bogies, which match the entire range of *Bombardier* vehicles.

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

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



MASS TRANSIT AND AIRPORT SYSTEMS

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

Major products: *INNOVIA* APM 300 system, *INNOVIA* monorail 300 system, *MOVIA* metro system, *FLEXITY* tram system

Key features: Broad rolling stock portfolio for urban and airport applications that can be customized to provide a complete turnkey system solution. Strong track record for reliability and availability across 60 complete systems around the world.



INNOVIA APM system

MAINLINE SYSTEMS

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

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

MARKET SEGMENT: SIGNALLING

MASS TRANSIT SIGNALLING

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

Major products: *CITYFLO* solution

Key features: Complete portfolio of solutions ranging from manual applications (GoA 0) to fully automated Communication-Based Train Control (GoA 4), which helps to increase infrastructure capacity and can be installed without interruption to service.



CITYFLO solution

MAINLINE SIGNALLING

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

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

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

INDUSTRIAL SIGNALLING

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

Major products: *INTERFLO* 150 solution

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

OPTIFLO - SERVICE SOLUTIONS FOR SIGNALLING

Application: Comprehensive portfolio of services for mass transit, mainline and industrial sector rail infrastructure and signalling solutions.

Key features: Infrastructure management, technical support, cyber security assessment and other service solutions tailored to ensure the highest levels of availability and reliability as well as cost effective maintenance of rail control signalling solutions.

MARKET SEGMENT: SERVICES

MATERIAL SOLUTIONS

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

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

FLEET MANAGEMENT

Application: Comprehensive portfolio of fleet and operations management services.

Key features: Robust and effective 'back office' solutions support rail operators in delivering their 'front line' service every day. Engineering expertise, whole life maintenance techniques and tools (ORBITA, AVIS, EMS, etc.) optimize availability, reliability, punctuality, safety and cost over the whole life cycle of the fleet. Broad experience in operations and maintenance of commuter and regional trains.

ASSET LIFE MANAGEMENT, COMPONENT RE-ENGINEERING AND OVERHAUL

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

Key features: Broad portfolio of system and component upgrades executed at our specialized facilities and customer sites. We leverage our engineering and supply chain strength to bring operational performance and whole life cost advantages.

OPERATIONS AND MAINTENANCE OF SYSTEMS

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

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

INDUSTRY AND ECONOMIC ENVIRONMENT

Positive growth prospects for the railway industry worldwide

The rail market remains strong with resilient growth opportunities and positive outlook mainly driven by long-term favourable megatrends in the rail industry. Population growth, urbanization, digitalization and environmental awareness will lead to growing demand for sustainable public transportation, which requires long-term public spending in infrastructures and mobility solutions.

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

INDICATOR	CURRENT SITUATION	STATUS
POPULATION GROWTH AND MASS URBANIZATION	The worldwide population is expected to increase from approximately 7.6 to 9.8 billion by 2050, together with the share of people living in urban areas growing from 55% to 68% by 2050. ⁽¹⁾ Population growth and urbanization create an increasing demand for high capacity public transport solutions especially in congested cities and areas.	▲
ENVIRONMENTAL AWARENESS	Governments increasingly commit to long-term climate and energy goals. Measures to reach these goals include investments in eco-friendly transport solutions such as rail transport. Rail is responsible for 4.2% of the transport energy-related CO ₂ emissions compared to 72.6% for road transportation. ⁽²⁾	▲
PUBLIC FUNDING	Most of the rolling stock business is conducted with rail operators backed by the public sector. Rail infrastructure investments are expected to grow, as governments and multilateral institutions continue to fund projects in the rail industry to support and foster economic development. However public indebtedness and austerity measures may impede public tender processes for some new rail projects.	▲
LIBERALIZATION	Liberalization attracts more private operators to enter the market and invest in new rail equipment and services. The European Commission supports the liberalization of domestic passenger rail services within the European Union.	▲
DIGITALIZATION	The rail industry is expecting positive change in the upcoming years due to the digital industry revolution especially in signalling and maintenance services. Using disruptive technologies such as Internet of things, automated trains and big data analytics, new business models will revolve especially towards more service-oriented approach. To ensure that, original equipment manufacturers should monitor closely the 'ecosystems' they serve to meet their future's needs.	▲

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

⁽¹⁾ According to the United Nations: "World Population Prospects: The 2017 Revision" and "World Urbanization Prospects: The 2018 Revision".

⁽²⁾ According to the International Union of Railways: "Railway Handbook 2017. Energy Consumption & CO₂ Emissions".

In September 2018, The Association of the European Rail Industry (UNIFE) confirmed its positive outlook for the global rail industry in its World Rail Market Study published every two years. The study expects the overall accessible rail market⁽¹⁾ to continue to grow with a CAGR of 2.6%.⁽²⁾ Transportation's relevant and accessible market⁽¹⁾ is expected to grow even faster with a CAGR of 2.7%.⁽²⁾ In this recent edition of the study, accessibility rates in markets outside of Europe, for example, China, Japan, Russia and South Korea, were adjusted downwards to better reflect for difficult market conditions.

The positive future market outlook is mainly driven by large order volumes for rolling stock, which remains the largest segment. In particular, consistent future investments in mature rail markets such as Western Europe and North America are foreseen for modernization and replacement, as well as the expansion of existing rolling stock fleets.

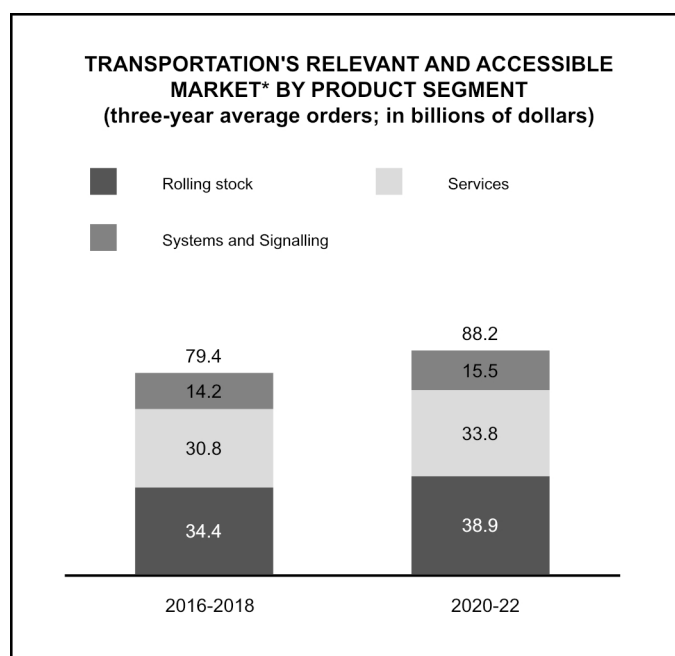
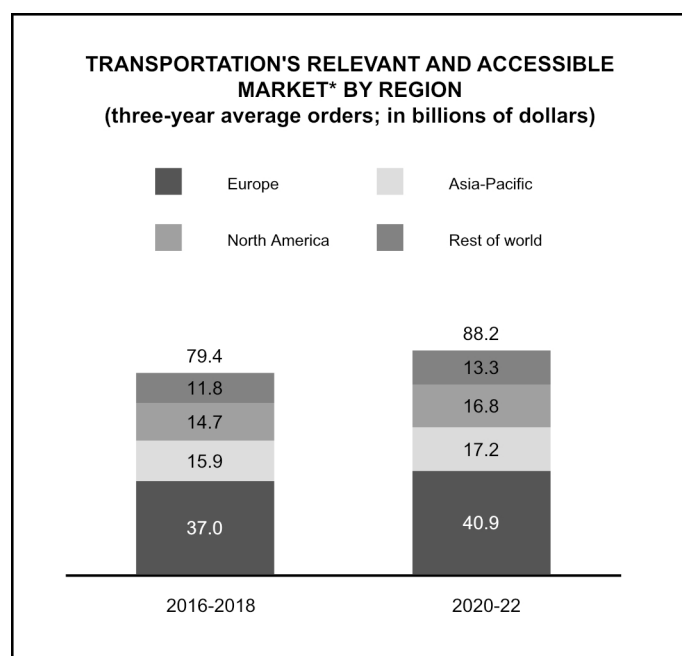
⁽¹⁾ The overall accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition. Transportation's relevant and accessible market also excludes the infrastructure, freight wagon and shunter segments.

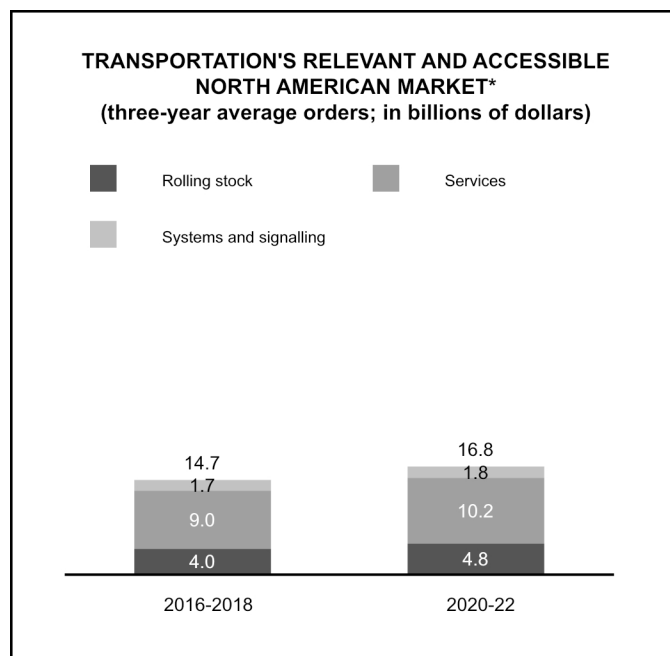
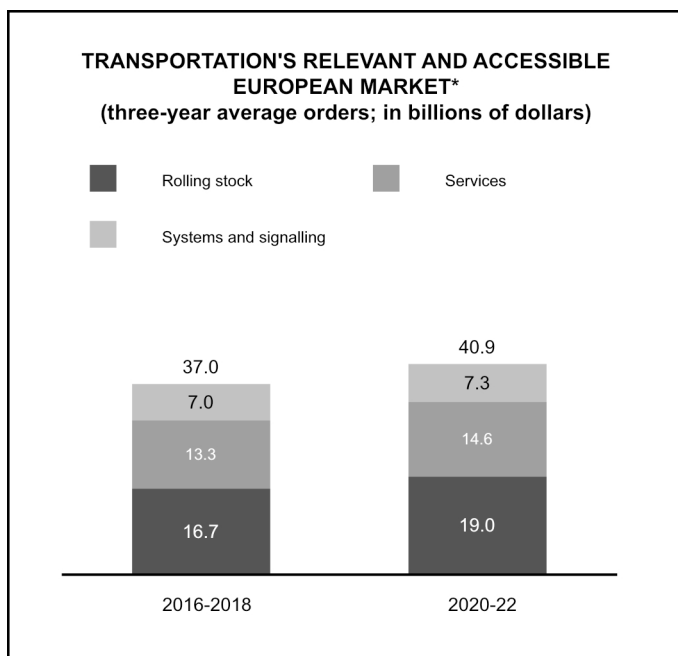
⁽²⁾ Based on data from UNIFE World Rail Market Study "Forecast 2018 to 2023" published in September 2018, based on 60 countries representing more than 95% of the world rail market. As large rail projects may significantly impact yearly volume, single year market volumes can be subject to a high degree of volatility. UNIFE therefore focuses on three-year average annual market volumes in order to facilitate comparison between different periods. UNIFE data is updated every two years and is published in euro. An exchange rate of 1€ = \$1.1392, the average cumulative exchange rate over the 2016-18 period, was used to convert all figures. Figures for 2016-18 were extrapolated based on UNIFE data for 2015-17 and 2018-20.

In the signalling segment, the study expects further investments in Western Europe to upgrade and modernize signalling systems through the European Train Control System (ETCS) national implementation plans across different countries, which will positively contribute to the growth in this segment and the overall rail market. Accessible rail control market is also expected to pursue high growth in Africa and Middle East as well as Latin America, driven by a heavy investment in urban and interurban rail control solutions in response to rapid urbanization and congestion issues.

Furthermore, gradual liberalization is expected to drive growth in the services market. Particularly, in mature markets, liberalization will continue to open the service market as private rail operators emerge and tend to outsource their maintenance and services needs to larger extent than incumbents, which were often performed in-house.

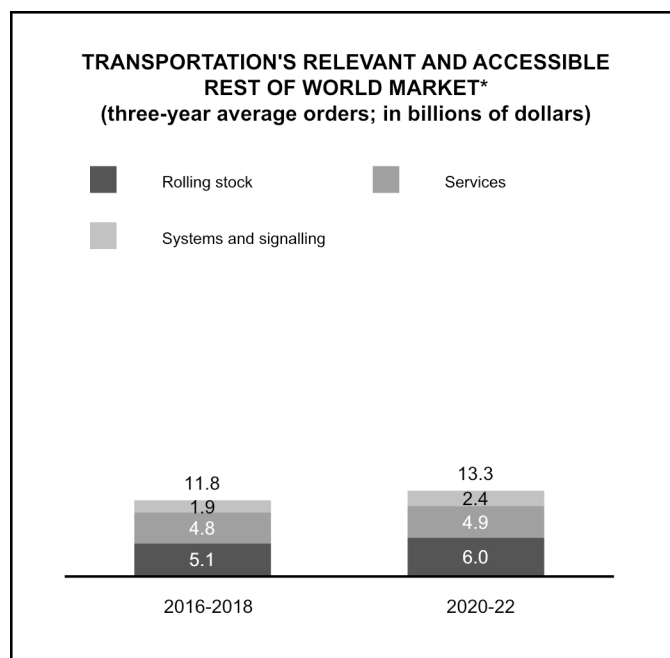
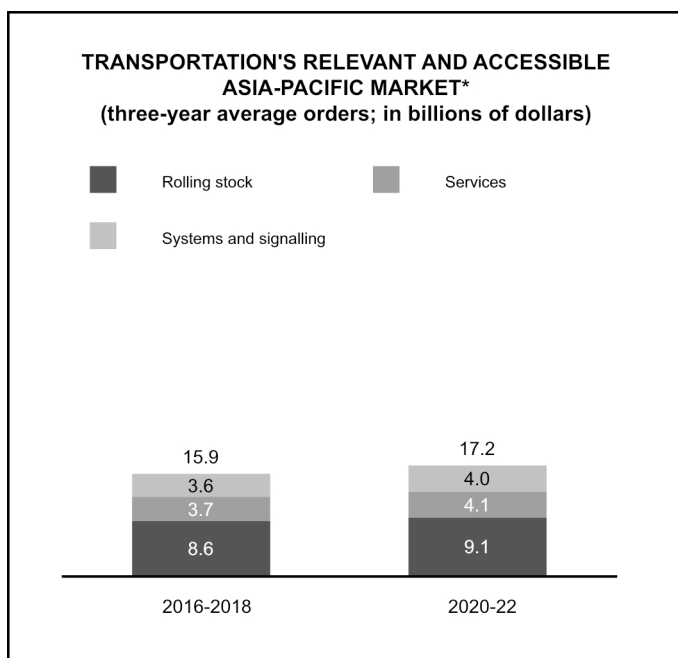
Similarly, other initiatives of the European Union Commission such as the Fourth Railway Package in 2016 and other regulations for technical standards have laid foundation for further improvement of the rail industry liberalization, which brought positive effects such as cost reduction, increased traffic volumes and growth of rail supply. Other initiatives of the European Commission such as Shift2Rail are set to continue to enhance passenger experience, safety and interoperability of rail transportation.





Source: UNIFE World Rail Market Study "Forecast 2018 to 2023" and extrapolated figures.

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



Source: UNIFE World Rail Market Study "Forecast 2018 to 2023" and extrapolated figures.

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

Due to the cyclical nature of the market and in line with common industry practice, our relevant and accessible market is stated as the average of a three-year period, in line with the methodology used by UNIFE for the global rail market. In certain years, large orders can be awarded particularly in rolling stock based on the availability of public funding. The outlook for the coming years remains positive with opportunities across all segments and geographies.

Year over year comparison by geographical area

Europe

The order volume in Europe during 2018 increased significantly compared to 2017, driven by several medium sized orders across Western Europe for commuter, regional and intercity trains primarily in Germany, France and Italy. In addition, large orders were granted for very high-speed trains in France and for metro trains in the U.K. In Eastern Europe, investments occurred primarily for mainline mobility solutions with major projects for high speed trains secured in Turkey and regional trains for Slovakia and Slovenia. Furthermore, many orders were awarded for light rail, especially in Czech Republic and Poland. The most sizeable signalling contracts were awarded in Norway and France. Many services agreements were secured across the region with the most significant orders placed in Czech Republic and Italy.

The outlook for Europe in the coming years remains strong and positive. Significant orders are expected for high speed trains in Switzerland, Netherlands and the U.K. Several large and mid-sized tenders are also expected for urban transit mobility solutions driven by further investments in Germany, France and the U.K., especially for commuter and regional trains as well as for metros and light rail vehicles (LRV). In addition, several projects are anticipated in the services segment especially for passenger fleet management in Germany, Spain and the U.K. and in the signalling segment in France and Austria. In Eastern Europe, many opportunities are foreseen across all segments especially for high speed trains, locomotives and commuter and regional trains as well as for urban solutions driven by investments in freight, urban and mainline infrastructure particularly in Turkey, Poland and Czech Republic.

North America

Overall order volume in the North American market increased compared to last year. In 2018, the increased market volume for rolling stock orders was mainly driven by urban mobility solutions for metro and LRVs in the U.S. and Canada. Significant signalling and services contracts were secured across the region with the most sizeable projects awarded for metro contracts in Canada and for automated people movers (APM) for U.S. airports.

Strong order volume is foreseen in North America in the upcoming years. In Canada, opportunities for commuter and regional trains are anticipated along with long-term services contracts. Urban transit will be the main driver for order volumes in Mexico with large tenders expected to be issued for monorail along with long-term services agreements. In the U.S., opportunities are expected across all segments especially for metro trains and commuter and regional trains. Furthermore, large orders are foreseen for very-high speed train as well for locomotives. Many large and medium-sized signalling and services opportunities are forecasted across all segments in North America.

Asia-Pacific

Order volume in Asia Pacific decreased in 2018 compared to the preceding year, mainly due to many significant contracts awarded for metro cars in China in 2017. During 2018, major rolling stock orders were secured largely for metro trains as well for commuter and regional trains across the region with the most sizeable projects awarded in China, Taiwan, Singapore, India and South Korea. Significant signalling contracts were signed in South Korea and Taiwan. In the services segment, many small and mid-sized contracts were awarded across the region with the most sizeable agreements secured in Thailand and Australia.

India is forecasted to resume its high investment in the upcoming years across all segments especially for commuter and metro trains as well as for locomotive trains were major orders are anticipated. Moreover, several opportunities are expected for metro trains in China, Taiwan and Singapore as well as for commuter and regional trains in China, Taiwan and Australia. A noteworthy project is foreseen to be tendered for high speed trains in Thailand. Significant contracts are expected in the signalling and services segments across the region with the most sizeable opportunities in Australia, Thailand and Taiwan.

Rest of World⁽¹⁾

In 2018, overall order volume in the Rest of World region increased slightly above the 2017 level. Higher market volume was mainly driven by large contracts for regional and commuter trains secured in Egypt, Russia, Israel and Argentina. In addition, a significant project was awarded for metro trains in Iran. Sizeable signalling contracts were secured mainly in Panama and Nigeria for urban transit solutions. In the services segment, the most significant agreements were awarded for mainline systems in Israel and Brazil.

Several opportunities are foreseen in the upcoming years for both mainline and urban mobility solutions in the region to address growing issues such urbanization and congestion. Large tenders are anticipated for commuter and regional trains in Brazil, Columbia and Russia. Urban transit solutions are expected to drive market volume across the region especially in Middle East and Northern Africa where demands remain high for capacity increase leading to further investment in metro trains and LRVs. In addition, a large contract is anticipated to be tendered for Panama metro trains. In the signalling segment large orders are forecasted across the region especially in Egypt and Saudi Arabia. Several services agreements are also expected to be secured with the most sizeable contracts to be tendered in Israel, Argentina, Brazil and Columbia.

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

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017 <i>restated⁽¹⁾</i>	2018	2017 <i>restated⁽¹⁾</i>
Revenues				
Rolling stock and systems ⁽²⁾	\$ 1,316	\$ 1,634	\$ 5,844	\$ 5,800
Services ⁽³⁾	562	510	2,096	1,882
Signalling ⁽⁴⁾	283	271	975	869
Total revenues	\$ 2,161	\$ 2,415	\$ 8,915	\$ 8,551
EBITDA before special items ⁽⁵⁾⁽⁶⁾	\$ 193	\$ 165	\$ 851	\$ 836
Amortization	26	25	101	98
EBIT before special items ⁽⁵⁾⁽⁶⁾	167	140	750	738
Special items	(69)	11	(24)	295
EBIT	\$ 236	\$ 129	\$ 774	\$ 443
EBIT margin before special items ⁽⁵⁾⁽⁶⁾	7.7%	5.8%	8.4%	8.6%
EBIT margin	10.9%	5.3%	8.7%	5.2%

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ 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.

⁽³⁾ Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.

⁽⁴⁾ Comprised of revenues from mass transit signalling, mainline signalling, industrial signalling and *OPTIFLO* service solutions for signalling.

⁽⁵⁾ Including share of income from joint ventures and associates amounting to \$36 million and \$111 million, respectively, for the fourth quarter and fiscal year ended December 31, 2018 (\$37 million and \$176 million for the fourth quarter and fiscal year ended December 31, 2017).

⁽⁶⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues by geographic region

	Fourth quarters ended December 31				Fiscal years ended December 31			
	2018		2017 <i>restated</i> ⁽¹⁾		2018		2017 <i>restated</i> ⁽¹⁾	
Europe ⁽²⁾	\$ 1,377	64%	\$ 1,426	59%	\$ 5,522	62%	\$ 5,073	59%
North America	330	15%	507	21%	1,757	20%	1,829	21%
Asia-Pacific ⁽²⁾	363	17%	300	12%	1,137	13%	1,062	13%
Rest of world ⁽³⁾	91	4%	182	8%	499	5%	587	7%
	\$ 2,161	100%	\$ 2,415	100%	\$ 8,915	100%	\$ 8,551	100%

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ The decrease in Europe and the increase in Asia-Pacific in the fourth quarter ended December 31, 2018 reflect negative currency impacts of \$39 million and \$14 million, respectively, while the increases in these regions in the fiscal year reflect a positive currency impact of \$221 million and a negative currency impact of \$11 million, respectively.

⁽³⁾ The Rest of world region includes South America, Central America, Africa, the Middle East and the CIS.

Revenues

Total revenues for the fourth quarter ended December 31, 2018 have decreased by \$254 million, while total revenues for the fiscal year ended December 31, 2018 have increased by \$364 million, compared to the same periods last fiscal year. Excluding a negative currency impact of \$55 million for the fourth quarter and a positive currency impact of \$208 million for the fiscal year, revenues for the fourth quarter have decreased by \$199 million, or 8%, while revenues for the fiscal year have increased by \$156 million, or 2%, compared to the same periods last fiscal year.

The \$199-million decrease excluding currency impact for the fourth quarter is mainly explained by:

- lower activities in rolling stock and systems in North America, the Rest of World region and Europe mostly due to some metro and light rail vehicle (LRV) contracts in North America, some commuter and regional, high-speed and intercity train contracts in Europe, and some mass transit system contracts in the Rest of World region nearing completion, partly offset by ramp-up in production related to some locomotive contracts in Europe (\$321 million).

Partially offset by:

- higher activities in services in North America, Asia-Pacific and the Rest of World region (\$70 million); and
- higher activities in signalling in Asia-Pacific and Europe (\$42 million).

The \$156-million increase excluding currency impact for the fiscal year is mainly explained by:

- higher activities in services in all regions (\$169 million); and
- higher activities in signalling in Asia-Pacific and Europe (\$130 million).

Partially offset by:

- lower activities in rolling stock and systems in North America, Asia-Pacific and the Rest of World region, mostly due to some light rail vehicle and metro contracts in North America and Asia-Pacific, some mass transit system contracts in the Rest of World region, and some automated people mover (APM) contracts in North America nearing completion, partly offset by ramp-up in production related to some commuter and regional train contracts in North America, some mass transit system, propulsion and APM contracts in Asia-Pacific, and some locomotive contracts in the Rest of World region (\$152 million).

Special items

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

The special items recorded as losses (gains) in EBIT were as follows:

	Ref	Fourth quarters ended December 31		Fiscal years ended December 31	
		2018	2017	2018	2017
Impairment of non-core operations	1	\$ —	\$ —	\$ 17	\$ 43
Purchase of pension annuities	2	—	—	12	—
Restructuring charges	3	(6)	11	10	252
Pension equalization	4	3	—	3	—
Gains on disposal of PP&E under sale and leaseback transactions	5	(66)	—	(66)	—
		\$ (69)	\$ 11	\$ (24)	\$ 295
EBIT margin impact		3.2%	(0.5)%	0.3%	(3.4)%

1. An impairment charge related to non-core operations of \$17 million recorded in fiscal year 2018 with respect to the expected sale of legal entities, as part of our transformation plan (\$43 million for fiscal year 2017).
2. Represents the loss (mainly non-cash) on settlement of defined benefit pension plans in Ontario (Canada), the U.K. and the U.S. 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 fiscal year 2018, on a consolidated basis, the Corporation bought-out annuities for more than 3,000 retirees of defined benefit pension plans, for which the premiums paid to insurers were \$516 million (paid from plans assets) and the respective defined benefit obligations were \$484 million.
3. Represents severance charges of \$2 million related to previously-announced restructuring actions, with a release of \$6 million recorded in the fourth quarter (charges of \$5 million and \$214 million for the fourth quarter and fiscal year ended December 31, 2017); in line with these initiatives, asset write-downs of \$8 million were also recorded in the second quarter of 2018 (\$6 million and \$38 million for the fourth quarter and fiscal year ended December 31, 2017).
4. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). The Corporation estimated the impact of the ruling on its pension plans and recognized an additional obligation of \$3 million for the fourth quarter and the fiscal year ended December 31, 2018. The one-time P&L impact was recognized in the fourth quarter of 2018 as a past service cost under IAS 19 - Employee Benefits.
5. Represents the impact from sale and leaseback of two facilities in line with our transformation plan.

EBIT margin

The EBIT margin before special items⁽¹⁾ for the fourth quarter increased by 1.9 percentage points, mainly as a result of:

- higher margin in services and in rolling stock and systems, mainly due to a favourable contract mix;
- lower SG&A expenses; and
- higher margin in signalling, mainly due to better performance.

Including the impact of special items (see explanation of special items above), the EBIT margin for the fourth quarter increased by 5.6 percentage points, compared to the same period last year.

The EBIT margin before special items⁽¹⁾ for the fiscal year decreased by 0.2 percentage points, mainly as a result of:

- a lower share of income from joint ventures and associates due to better performance in the same period last year.

Partially offset by:

- higher margin in services, mainly due to a favourable contract mix;
- lower SG&A expenses; and
- higher margin in rolling stock and systems, mainly due to better performance.

Including the impact of special items (see explanation of special items above), the EBIT margin for the fiscal year increased by 3.5 percentage points, compared to the same period last year.

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

Significant orders in all segments resulting in book-to-bill of 1.1

Order backlog

	December 31, 2018	As at December 31, 2017 <i>restated</i> ⁽¹⁾
(in billions of dollars)	\$ 34.5	\$ 35.1

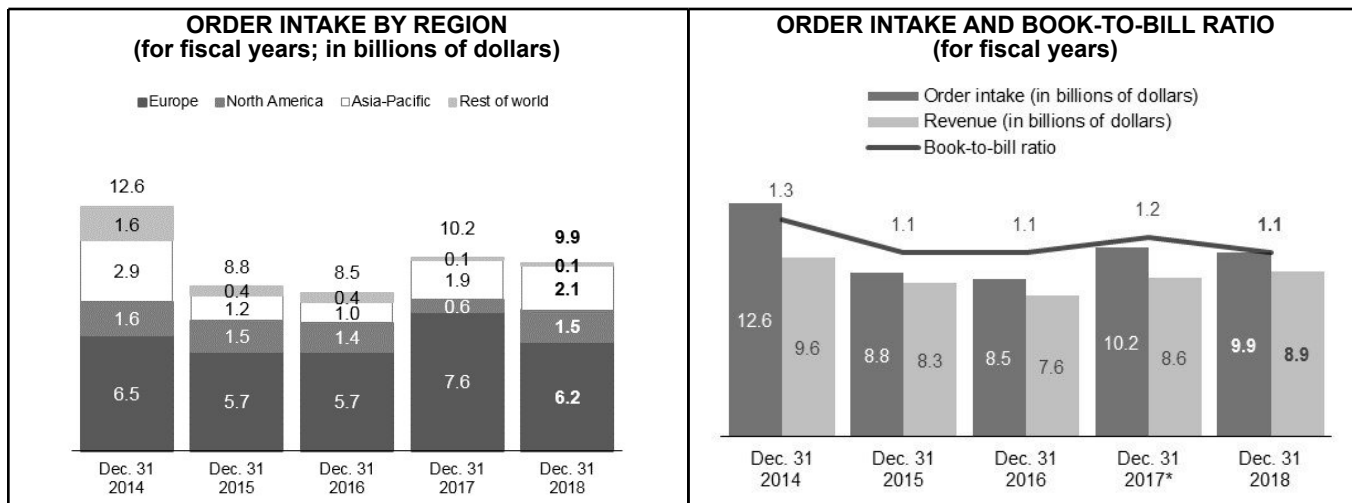
The \$0.6-billion decrease in order backlog is due to the weakening of some foreign currencies, mainly the euro, pound sterling, Australian dollar, South African rand and Swedish krona, versus the U.S. dollar as at December 31, 2018, compared to December 31, 2017 (\$1.5 billion), partly offset by higher order intake than revenues (\$0.9 billion).

Order intake and book-to-bill ratio

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2018	2017	2018	2017
Order intake (in billions of dollars)	\$ 3.3	\$ 3.5	\$ 9.9	\$ 10.2
Book-to-bill ratio ⁽²⁾	1.5	1.4	1.1	1.2

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Ratio of new orders over revenues.



* Due to the adoption of IFRS 15, *Revenue from contracts with customers*, 2017 revenue has been restated. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

With an increased overall order volume in the market in 2018 compared to 2017, we have obtained several significant orders during the year. Order intake for the fourth quarter and fiscal year ended December 31, 2018, is slightly below the order intake for the same periods last year. The variances include a negative currency impact of \$14 million in the fourth quarter, and a positive currency impact of \$227 million in the fiscal year. We maintained a leading position⁽¹⁾ in our relevant and accessible rail market⁽²⁾ with a cumulative order intake of \$28.6 billion over the past three years.

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

⁽²⁾ Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the fiscal year ended December 31, 2018 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value ⁽¹⁾
Fourth quarter					
Undisclosed	Europe	Undisclosed	N/A	Rolling stock and systems	\$ 500
Société Nationale des Chemins de fer Français (SNCF), on behalf of Île-de-France Mobilités	France	Exercise of an option for Francilien electric multiple units (EMUs)	334	Rolling stock and systems	\$ 378
SNCF, on behalf of Hauts-de-France Mobilités	France	Exercise of an option for OMNEO / Régio 2N double-deck EMUs	190	Rolling stock and systems	\$ 291
Société de transport de Montréal (STM)	Canada	Metro cars	153	Rolling stock and systems	\$ 213 ⁽²⁾
Akiem	Europe	TRAXX locomotives	33	Rolling stock and systems	\$ 128
Wiener Lokalbahnen	Austria	FLEXITY trams and FlexCare maintenance management system	18	Rolling stock and systems, and Services	\$ 107

⁽¹⁾ Contract values exclude price escalation. Exception: option for OMNEO / Régio 2N double deck EMUs for SNCF in the fourth quarter.

⁽²⁾ Contract signed in consortium with Alstom. The total contract is valued at \$340 million, and only our share of the contract is stated above.

Customer	Country	Product or service	Number of cars	Market segment	Value ⁽¹⁾
Third quarter					
Land Transport Authority (LTA)	Singapore	MOVIA metro cars	396	Rolling stock and systems	\$ 607
Société Nationale des Chemins de fer Français (SNCF), on behalf of Île-de-France Mobilités	France	Exercise of an option for Francilien EMUs	270	Rolling stock and systems	\$ 303
Siemens AG	Germany	Exercise of a call-off for the supply of components for additional ICE 4 high-speed trains for a Deutsche Bahn (DB) contract	176	Rolling stock and systems	\$ 229
Second quarter					
Västtrafik	Sweden	High-speed EMUs	120	Rolling stock and systems	\$ 452
Bangkok Mass Transit System Public Co. Ltd. (BTSC)	Thailand	Maintenance services for INNOVIA monorail 300 system	N/A	Services	\$ 287
Los Angeles Airport (LAX) via LAX Integrated Express Solutions (LINXS)	U.S.	Design and supply of INNOVIA automated people mover (APM) 300 cars, signalling, onboard and wayside communication systems	44	Rolling stock and systems, and Signalling	\$ 219 ⁽²⁾
Austrian Federal Railways (ÖBB)	Austria	Exercise of a call-off for TALENT 3 EMUs	150	Rolling stock and systems	\$ 218
Brussels Intercommunal Transportation Company (STIB)	Belgium	FLEXITY trams	60	Rolling stock and systems	\$ 206
First quarter					
City of Phoenix	U.S.	Extension of APM system and supply of INNOVIA APM 200 cars	24	Rolling stock and systems, and Signalling	\$ 305
Maryland Transit Administration (MTA)	U.S.	Extension of Operations and Maintenance (O&M) services contract	N/A	Services	\$ 288
Land Transport Authority (LTA)	Singapore	INNOVIA APM 300 cars, retrofit of INNOVIA APM 100 cars and signalling system upgrade	19	Rolling stock and systems, and Signalling	\$ 262
Transport for London (TfL)	U.K.	Extension of existing train service agreement (TSA)	N/A	Services	\$ 149
Société Nationale des Chemins de fer Français (SNCF), on behalf of Île-de-France Mobilités	France	Exercise of an option for OMNEO / Regio 2N double-deck EMUs	72	Rolling stock and systems	\$ 120
Transport for London (TfL)	U.K.	Exercise of an option for AVENTRA EMUs and TSA	45	Rolling stock and systems, and Services	\$ 104

⁽¹⁾ Contract values exclude price escalation. Exception: option for OMNEO / Régio 2N double deck EMUs for SNCF in the first quarter.

⁽²⁾ Contract signed as part of the LINXS consortium, which comprises Bombardier Transportation, ACS Infrastructure Development, Balfour Beatty Investments, Fluor Enterprises and HOCHTIEF PPP Solutions North America. The total contract is valued at \$4.9 billion, and only our share of the design and build portion is stated above. For the operations and maintenance portion of the contract, valued at \$576 million, see below.

During the fiscal year ended December 31, 2018, the following significant orders were awarded to our joint ventures and are not included in our backlog:

- During the second quarter, a joint venture in North America in which Transportation has a 55 percent share was awarded a contract from the LINXS consortium for the operations and maintenance portion at Los Angeles Airport (LAX) contract in the U.S., valued at \$576 million.
- During the third quarter, our Chinese joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), in which we own 50% of the shares and which is consolidated by our partner CRRC Sifang Co. Ltd., has been awarded a contract for the supply of 120 CR400AF new Chinese standard high-speed train cars from China Railway Corp. (CRC), China, valued at \$324 million.
- During the fourth quarter, our Chinese joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), in which we own 50% of the shares and which is consolidated by our partner CRRC Sifang Co. Ltd., has been awarded a contract for the supply of 168 CR400AF new Chinese standard high-speed train cars from China Railway Corp. (CRC), China, valued at \$453 million.

Subsequent to the end of the fiscal year, we obtained an order from the New Jersey Transit Corporation (NJ TRANSIT), U.S., for the supply of 113 MultiLevel III commuter rail cars, valued at \$669 million, with options for up to 886 additional cars. This order is not included in the backlog as at December 31, 2018.

Workforce

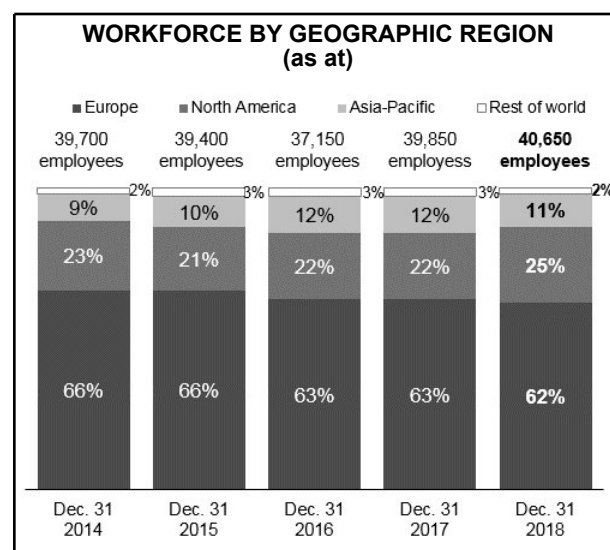
Total number of employees

	December 31, 2018	As at December 31, 2017
Permanent ⁽¹⁾	35,050	33,850
Contractual	5,600	6,000
	40,650	39,850
Percentage of permanent employees covered by collective agreements	62%	65%

⁽¹⁾ Including inactive employees.

Following on the key milestones achieved in 2017, which included reaching agreements with Supervisory Boards and unions in Switzerland and Belgium, and with the General Works Council of Bombardier Transportation GmbH in Germany, we continue to proceed with the deployment of our transformation initiatives with the goal of delivering increased value to customers and shareholders. These initiatives aim at improving productivity, setting up and exploring new partnerships and optimising our production worldwide footprint, while streamlining our administrative and non-production functions across the organization.

In 2018, the overall number of employees has increased by 2%, or 800 employees, worldwide, as a result of strategic hiring to support major rail contract wins in past years that are now ramping-up in production, as well as our growth strategy in aftermarket business, partially offset by restructuring actions.



In order to respond to project and operational requirements, we have increased our permanent and contractual workforce in North America, while headcount in Asia-Pacific remained relatively stable. In Europe, workforce also remained stable with the number of permanent employees increasing in Eastern Europe, offset by a decrease of contractual and permanent employees in Central Europe. In the Rest of World region, permanent workforce also reduced in line with our transformation plan.

Our global incentive-based employee compensation rewards the collective and personal efforts of our employees in achieving our objectives, using performance indicator targets. At the end of 2018, a total of 2,600 employees worldwide, or 7.4% of permanent employees, were eligible to participate in the program. In 2018, as part of this program, incentive-based compensation was linked to the achievement of targeted results, based on EBIT before special items and free cash flow before net interest and income taxes.

OTHER

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OFF-BALANCE SHEET ARRANGEMENTS

Sale of receivable facilities and arrangements for advances from third parties

In the normal course of its business, Transportation has facilities, to which it can sell, without credit recourse, qualifying receivables. For more details, refer to Note 17 - Trade and other receivables, to the consolidated financial statements.

In addition, 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. In addition, the third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations such as delivery delays beyond a specified date. Amounts received under these arrangements are included as advances and progress billings in reduction of contract assets. For more details, refer to Note 18 - Contract balances, to the consolidated financial statements.

Credit and residual value guarantees

In connection with the sale of certain of our products, mainly commercial aircraft, we have provided financing support in the form of credit and residual value guarantees to enhance the ability of certain customers to arrange third-party financing for their acquisitions.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing under the relevant financing arrangements. The remaining terms of these financing arrangements range

from 1 to 7 years. In the event of default, we usually act as an agent for the guaranteed parties for the repossession, refurbishment and re-marketing of the underlying assets. We typically receive a fee for these services.

Residual value guarantees provide protection to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value at an agreed-upon date. In most cases, these guarantees are provided as part of a customer financing arrangement (these arrangements have remaining terms ranging from 1 to 8 years). The value of the underlying asset may be adversely affected by a number of factors. To mitigate the exposure, the financing arrangements generally require the aircraft used as collateral to meet certain contractual return conditions in order to exercise the guarantee. If a residual value guarantee is exercised, it provides for a contractually limited payment to the guaranteed parties, which is typically a specified maximum amount of the first losses incurred by the guaranteed party. A claim under the guarantee may typically be made only at the end of the financing arrangement, upon the sale of the underlying asset to a third party.

When credit and residual value guarantees are provided in connection with a financing arrangement for the same underlying asset, residual value guarantees can only be exercised if the credit guarantee expires without having been exercised and, as such, the guarantees are mutually exclusive.

For more details, refer to Note 42 – Commitments and contingencies, to the consolidated financial statements.

Financing structures related to the sale of commercial aircraft

In connection with the sale of commercial aircraft, we have provided credit and/or residual value guarantees and subordinated debt to, and retained residual interests in, certain entities created solely to provide financing related to the sale of commercial aircraft. Commercial Aircraft also provides administrative services to certain of these entities in return for a market fee.

Typically, these entities are financed by third-party long-term debt and equity. Often, equity investors benefit from tax incentives. The aircraft serve as collateral for the entities' long-term debt.

For more details, refer to Note 41 – Unconsolidated structured entities, to the consolidated financial statements.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties described below are those that we currently believe could materially affect our business activities, financial condition, cash flows, results of operations and reputation, but are not necessarily the only risks and uncertainties that we face. If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows, results of operations and reputation could be materially adversely affected.

GENERAL ECONOMIC RISK	General economic risk is the risk of potential loss due to unfavourable economic conditions. These factors include, but are not limited to, government budget compression, reduced levels of public and private capital expenditures, declining business confidence, political and economic pressures, including those arising from increasing government deficits and sovereign debt overruns, and crises in the credit markets.
BUSINESS ENVIRONMENT RISK	Business environment risk is the risk of potential loss due to external risk factors. These factors may include the financial condition of the airline industry (including scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates) and business aircraft customers, the financial condition of the rail industry, trade policy, as well as increased competition from other businesses including new entrants in market segments in which we compete. In addition, political instability and force majeure events such as acts of terrorism, global climate change, global health risks, or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of our products.
OPERATIONAL RISK	Operational risk is the risk of potential loss due to the nature of our operations. Sources of operational risk include development of new products and services, development of new business and awarding of new contracts, book-to-bill ratio and order backlog, and the complexity of obtaining certification and homologation of products and services. In addition, the large and complex projects that are characteristic of our businesses are often structured as fixed-price contracts and thus exposed to production and project execution risks. Furthermore, our cash flows are subject to pressures based on project-cycle fluctuations and seasonality and our businesses are capital intensive, which require that we regularly incur significant capital expenditures and investment over multi-year periods prior to realizing cash flows under a project. Other sources of operational risk include our ability to successfully implement our strategy and transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives, actions of business partners, risks associated with our partnership with Airbus and investment in CSALP; risks associated with our ability to continue with our funding plan of CSALP and to fund, if required, the cash shortfalls; product performance warranty and casualty claim losses, the use of estimates and judgments in accounting, regulatory and legal conditions, environmental, health and safety issues, as well as dependence on customers and contracts, suppliers (including supply chain management) and human resources. We are also subject to risks related to reliance on information systems, reliance on and protection of intellectual property rights, reputation risks, risks of impairments and asset write-downs, risk management, tax matters and adequacy of insurance coverage.
FINANCING RISK	Financing risk is the risk of potential loss due to the liquidity of our financial assets including counterparty credit risk, access to capital markets, restrictive debt covenants, financing support provided for the benefit of certain customers and government support.
MARKET RISK	Market risk is the risk of potential loss due to adverse movements in market factors including foreign currency fluctuations, changing interest rates, decreases in residual values of assets, increases in commodity prices and inflation rate fluctuations.

General economic risk

The markets in which we operate may from time to time be affected by a number of local, regional and global factors. Since our sales and operations are undertaken around the world, including through manufacturing and production capacity in Europe and in North America, and partnerships and joint ventures in regions such as Asia and Africa, we may be directly or indirectly affected by an unfavourable political or economic slowdown occurring within these geographic zones and our business may be exposed to a number of related risks, such as fluctuations in exchange rates and restrictions on the transfer of capital.

Should the current uncertain global economic situation persist over time or deteriorate, should the economic headwinds in certain countries, regions or key markets intensify or spread to other countries, or should the global economic environment deteriorate, this could, in particular, result in potential buyers postponing the purchase of our products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, an increase in our involvement in customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, paused or discontinued production of certain products, termination of employees or adverse impacts on suppliers.

Brexit

On June 23, 2016, a referendum took place whereby British citizens voted to exit the European Union, commonly known as “Brexit”. Bombardier could be impacted by Brexit in both our aerospace and rail businesses. In 2018, 46% of our revenues were generated in Europe, of which 22% was generated in the U.K.

Brexit could result in increased geopolitical and economic risks and could cause disruptions to and create uncertainty surrounding our businesses, including affecting our relationships with existing and future customers, suppliers and employees, which could in turn have an adverse effect on our financial results and operations.

There could also be greater restrictions on imports and exports between the U.K. and European Union countries and could also result in increased regulatory complexities.

The announcement of Brexit caused significant currency exchange fluctuations. The U.S. dollar strengthened against other currencies, particularly the pound sterling and the euro. Our revenues are denominated mainly in U.S. dollars for aircraft sales and mainly in euro and other currencies for our rail business. The strengthening of the U.S. dollar relative to these other currencies could adversely affect our results of operations, particularly in the rail business, where a potential devaluation of the local currency or of the euro relative to the U.S. dollar coupled with potential increased inflation risk, may expose us to losses and could impair our customers’ purchasing power.

Business environment risk

Financial condition of the airline industry and business aircraft customers

The airline industry’s financial condition and viability, including airlines’ ability to secure financing, can influence the demand for our commercial aircraft. The nature of the airline industry makes it difficult to predict when economic downturns or recoveries will impact the industry, and economic cycles may be longer than expected. Continued cost pressures and efforts to achieve acceptable profitability in the airline industry may constrain the selling price of our aerospace products. Scope clauses in pilot union agreements in the U.S. restrict the operation of smaller jetliners by major airlines or by their regional affiliates and, therefore, may restrict demand in the regional aircraft market.

The purchase of aerospace products and services may represent a significant investment for a corporation, an individual or a government. When economic or business conditions are unfavourable, potential buyers may delay the purchase of our aerospace products and services. The availability of financing is also an important factor and credit scarcity can cause customers to either defer deliveries or cancel orders.

An increased supply of used aircraft as companies restructure, downsize or discontinue operations could also add downward pressure on the selling price of new and used business and commercial aircraft. We could then be faced with the challenge of finding ways to further reduce costs and improve productivity to sustain a favourable market position at acceptable profit margins. The loss of any major commercial airline or fractional ownership or charter operator as a customer or the termination of a contract could significantly impact our financial results.

Financial condition of the rail industry

The rail industry has historically been resilient during economic downturns. Challenging economic and financial conditions in specific areas, however, may have a negative impact on some rail operators. As customers deal with budget pressures and discipline and even austerity measures, it may result in projects being reduced in size, postponed or even cancelled. Such actions by public or private rail operators may negatively impact our order intake and revenues and put significant pressure on our cost structure and prices. These conditions may be exacerbated in times of declining investment activity.

A significant proportion of our rail business in any given period relies on government agencies and other public institutions, which have historically represented the vast majority of the value of the orders that we book annually. The amount public institutions are able to invest and spend depends on complex political and economic factors and could vary from one fiscal year to the next. Economic slowdown and public budgetary restrictions can cause a decrease in infrastructure investments, delays in placing orders and delays in executing contracts or payments, as well as a decrease in fiscal and other incentive-based measures to promote research and development. In periods of over-indebtedness (or of a sovereign debt crisis), the implementation of austerity or public spending reduction programs can lead to a negative impact on the volume of orders placed for transportation infrastructure projects.

In addition, intense competition in the rail industry and demands by customers in the current economic environment have resulted in certain adverse impacts, including the lower level and later receipt of advance payments. This evolution of contract terms may adversely impact our cash flows and may require us to obtain and deploy increased amounts of capital from other sources, including factoring facilities, which may adversely affect our return on equity, financial condition and results of operations. In addition, there can be no assurance that if such customer payment and advances terms continue to evolve in a manner adverse to the manufacturers we will be able to access sufficient replacement working capital to finance the execution of projects on acceptable terms or at all.

Trade policy

As a globally operating organization, our businesses are subject to government policies related to import and export restrictions and business acquisitions, support for export sales, and world trade policies including specific regional trade practices. As a result, we are exposed to risks associated with changing priorities by government and supranational agencies.

In addition, protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as foreign exchange import and export controls, tariffs and other trade barriers, price or exchange controls as well as potential changes to free trade arrangements in place between Canada, the U.S. and Mexico, could affect our business in several national markets, impact our sales and profitability and make the repatriation of profits difficult, and may expose us to penalties, sanctions and reputational damage.

Increased competition from other businesses including new entrants in market segments in which we compete

We face intense competition in the markets and geographies in which we operate. We face competition from strong competitors, some of which are larger and may have greater resources in a given business or region, as well as competitors from emerging markets and new entrants, which may have a better cost structure. In the aerospace market segments in which we compete, competitors are developing numerous aircraft programs, with entries-into-service expected throughout the next decade. We face the risk that market share may be eroded if potential customers opt for competitors' products. We may also be negatively impacted if we are not able to meet product support expectations or provide an international presence for our diverse customer base.

Some rail transportation market segments in which we operate, and some of the significant market participants in our businesses, are undergoing consolidation. Such consolidation may increase pressure on prices and profit margins, as well as on payment terms and conditions, manufacturing timeframes and the technologies proposed and services provided to clients, which could weaken our position in certain markets. Furthermore, certain competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact our results, revenues and market share.

Political instability

Political instability, which may result from various factors, including social or economic factors, in certain regions of the world may be prolonged and unpredictable. Any prolonged political instability in markets in which we participate could lead to delays or cancellation of orders, deliveries or projects in which we have invested significant resources, particularly when the customers are state-owned or state-controlled entities.

Geopolitical and economic risks, international sanctions and the price of oil affecting many energy-exporting nations have raised new concerns in international economies. Beyond any immediate impact, these developments may also negatively affect the evolution of the global economy.

In addition, geopolitical events in the geographic areas in which we operate can increase difficulties relative to the conditions under which the contracts we have signed are executed, extend execution periods or trigger unexpected legislative or regulatory changes that could significantly increase the costs of execution initially projected for these contracts, all of which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Force majeure

Force majeure events are unpredictable and may have significant adverse results such as: personal injury or fatality; damage to or destruction of ongoing projects, facilities or equipment; environmental damage; delays or cancellations of orders and deliveries; delays in the receipt of materials from our suppliers; delays in projects; or legal liability.

Global climate change

Global climate change could exacerbate certain of the threats facing our business, including the frequency and severity of weather-related events, which can disrupt our operations, damage our infrastructure or properties, create financial risk to our business or otherwise have a material adverse effect on our results of operations, financial position or liquidity. These may result in substantial costs to respond during the event, to recover from the event and possibly to modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs.

The potential physical impacts of climate change on our operations are highly uncertain, and could be particular to the geographic circumstances in areas in which we operate and may include changes in rainfall and storm patterns and intensities, water shortages, rising water levels and changing temperatures. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. We could also face indirect financial risks passed through the supply chain and process disruptions due to physical climate changes could result in price modifications for our products and the resources needed to produce them. These impacts may adversely impact the cost, production, and financial performance of our operations. In addition, concerns about the environmental impacts of air travel and tendencies towards “green” travel initiatives could have the effect of reducing demand for air travel and could materially adversely impact our Aerospace business.

Global climate change also results in regulatory risks which vary according to the national and local requirements implemented by each jurisdiction where we are present. Our products as well as our manufacturing and services activities are subject to environmental regulations by federal, provincial and local authorities in Canada as well as local regulatory authorities with jurisdiction over our operations outside of Canada. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Most countries where we carry out manufacturing activities are at various stages of developing binding emission allocations and trading schemes. During 2018, our regulatory risks associated with climate change mainly fell under our obligations to the European Union Emission Trading Scheme, the United Kingdom Climate Change Agreement, the United Kingdom's Carbon Reduction Commitment energy efficiency scheme (launched in April 2010) and the Québec carbon market trading scheme. Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas

emissions. The impact to us and our industry from legislation and increased regulation regarding climate change is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. We may be directly exposed to such measures, which could result in significant costs on us, on our customers and on our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs necessary to comply with such regulations that could adversely affect our business, financial condition, operating performance, and ability to compete.

Operational risk

Developing new products and services

Changes resulting from global trends such as climate change, volatile fuel prices, the growth of developing markets, urbanization, population growth and demographic factors influence customer demands in our main aerospace and rail transportation markets. To remain competitive and meet customers' needs, we are required to anticipate these changes and must continuously develop and design new products, improve existing products and services and invest in and develop new technologies. Introducing new products or technologies requires a significant commitment to R&D investment, including maintaining a significant level of highly skilled employees.

Furthermore, our investments in new products or technologies may or may not be successful. Our results may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if new products are not approved by regulatory authorities (or if we fail to design or obtain homologation or accreditation for new products or technologies), are not brought to market in a timely manner, in particular, as compared to our competitors, or if our products become obsolete. We may incur cost overruns in developing new products and there is the risk that our products will not meet performance specifications to which we have committed to customers.

Our results could also be negatively impacted if we fail to design or obtain accreditation for new technologies and platforms on budget and in a timely manner. Further, our long-term growth, competitiveness and continued profitability are dependent on our ability to anticipate and adapt to changes in markets and to reduce the costs of producing high-quality, new and existing products, to continue to develop our product mix and to align our global presence with worldwide market opportunities.

In a highly competitive environment, we are and will remain exposed to the risk that more innovative or more competitive products, services or technologies are developed by competitors or introduced on the market more quickly or that the products we develop are not accepted by the market.

Business development and awarding of new contracts

Our businesses are dependent on obtaining new orders and customers, thus continuously replenishing our order backlog. Our results may also be negatively impacted if we are unable to effectively execute strategies to gain access to new markets, capture growth or successfully establish roots in new markets. Although we have developed and continue to develop our presence in many geographic markets, access to certain markets can prove to be difficult to secure, particularly if there is a local competitor benefiting from a stronghold in its home market. These types of situations could put us in an unfavourable position relative to some of our competitors and present challenges to our strategy and competitive strength in those zones.

In addition, fluctuating demand cycles are common in the industries in which we operate and can have a significant impact on the degree of competition for available projects and the awarding of new contracts. As such, fluctuations in demand or the ability of the private and/or public sector to fund projects in a depressed economic climate could adversely affect the awarding of new contracts and margin and thus our financial results.

A substantial portion of our revenue and profitability is generated from large-scale project awards. The timing of when project awards will be made is unpredictable and outside of our control. We operate in highly competitive markets where it is difficult to predict whether and when we will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a

wide variety of factors including governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. In addition, we may not win contracts that we have bid upon due to price, a customer's perception of our reputation, ability to perform and/or perceived technology or other advantages held by competitors. Our competitors may be more inclined to take greater or unusual risks or accept terms and conditions in a contract that we might not otherwise deem market or acceptable. Furthermore, we may incur significant costs in order to bid on certain projects that may not be awarded to us, thus resulting in expenses that did not generate any profit for us.

Our estimates of future performance depend on, among other matters, whether and when we receive certain new contracts, including the extent to which we utilize our workforce. The rate at which we utilize our workforce is impacted by a variety of factors including: our ability to manage attrition; our ability to forecast our need for services which in turn allows us to maintain an appropriately sized workforce; our ability to transition employees from completed projects to new projects or between internal business groups; and our need to devote resources to activities such as training or business development. While our estimates are based upon our good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale projects where timing is often uncertain, it is particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, or if an ongoing contract is cancelled, we could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing our operational efficiency, margins and profits.

Our order book-to-bill ratio and our order backlog may not be indicative of future revenues

Our book-to-bill ratio, which we define as new orders over revenues or units delivered, is an indicator that we use to track potential future revenues. Backlog represents management's estimate of the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2018 as we perform under contracts at delivery or over time. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. Backlog does not include constrained variable consideration, unexercised options or letters of intent. However, the realization of revenues from new orders is based on certain assumptions, including the assumption that our relevant contracts will be performed in full in accordance with their terms and applicable construction and technical standards. The termination, modification, delay, suspension or reduction in scope of any one or more major contracts may have a material and adverse effect on future revenues and profitability. We cannot guarantee that the revenues initially anticipated in our new orders will be realized in full, in a timely manner, or at all, or that, even if realized, such revenues will result in profits as expected, and any shortfall may be significant. The materialisation of any of the risks described above could have a material adverse effect on our business, financial condition, cash flows and results of operations.

In addition, many of our contracts contain "termination for convenience" provisions, which permit the customer terminate or cancel the contract at its convenience upon providing us with notice a specified period of time before the termination date and/or paying us equitable compensation, depending on the specific contract terms. In the event a significant number of customers were to avail themselves of such "termination for convenience" provisions, or if one or more significant contracts were terminated for convenience, our reported backlog would be adversely affected with a corresponding adverse impact on expected future revenues and profitability.

Certification and homologation process

We are subject to stringent certification and approval requirements, as well as to the ability of regulatory bodies to perform these assessments on a timely basis, which vary by country and can delay the certification of our products. Non-compliance with current or future regulatory requirements imposed by Transport Canada (TC), the U.S. Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), the Transport Safety Institute in the U.S. or other regulatory authorities could result in service interruption of our products, fewer sales or slower deliveries, an unplanned build-up of inventories, reduction in inventory values or impairment of assets.

The marketing and EIS of our rail products require compliance with rail transportation security standards that differ widely at the global level and are governed by various relevant regulatory authorities. This creates a complex

process for securing the homologation of trains. The process for securing the homologation of trains is highly involved and may take longer and be more costly than initially anticipated due to the extent of testing and other supporting technical elements required by the relevant authorities, which elements may change over time. Our contracts increasingly include language that requires us to bear the risks and obligations associated with the homologation process, including risks relating to changes in law or regulation or the interpretation or application of regulations in respect of homologation.

Delays caused by the homologation process, or increased engineering or production costs relating to homologation, may lead to delays in our ability to deliver our products and complete our contracts, as well as contract cost overruns relative to our estimates and models and the payment of significant penalties or damages, service interruptions affecting the products, or even the risk of cancellation of all or a portion of the contract in extreme cases of prolonged delays. There can be no assurance regarding the time frame required for obtaining certification or homologation.

Fixed-price and fixed-term commitments and production and project execution

We have historically offered, and expect to continue to offer, a significant portion of our products through pre-agreed fixed-price contracts with a stipulated delivery schedule, rather than contracts under which payment is determined solely on a time-and-material basis. The revenue, cash flow and profitability of large, complex, long-term projects vary significantly in accordance with the progress of the project and depend on a variety of factors, some of which are beyond our control. Generally, we cannot terminate contracts unilaterally.

We are exposed to risks associated with these fixed-price contracts, including specification modifications and change orders demanded by customers, increasing regulatory requirements in relation to certification or homologation, unexpected technological problems, difficulties with partners, subcontractors and suppliers, logistical difficulties and other execution issues that could lead to cost and time overruns, late delivery penalties and liquidated damages payments, postponement or delays in contract execution or delays in receiving milestone payments. In the context of large, complex, long-term contracts, such overruns and issues can be material in terms of cost and time, may lead to restructuring of milestones and milestone payments, withholding of payment by customers or risk of cancellation of all or a portion of contract by the customer, and may have a material adverse impact on our business, results, cash flows, financial position and reputation. In addition, many of our contracts contain requirements to comply with mandatory performance levels for the equipment we deliver or a fixed delivery schedule. If we are unable to comply with these obligations, our clients could request the payment of contractual penalties, or terminate the contract in question, or even claim compensation. The profit margins generated by some of these contracts can, as a result, prove to be lower than those initially projected, or even be zero-margin or loss contracts. Challenges associated with certain Transportation's legacy projects delayed the expected release of working capital in the second half of 2018, and there can be no assurance that targeted recovery across these projects will be achieved in part or at all, or as to the timing of any such recovery.

Operational challenges impacting the production system for one or more of our programs could result in production delays and/or failure to meet customer demands, which would adversely affect our revenues and margins. Our production systems are extremely complex. Operational issues, including delays or defects in supplier components, failure to meet internal performance plans, or delays or failures to achieve required regulatory certifications or homologations, could result in significant out-of-sequence work and increased production costs, as well as delayed deliveries to customers, impacts to product performance and/or increased warranty or support costs. We may also incur late delivery penalties if we are unable to increase production rates sufficiently quickly to meet our commitments.

Moreover, due to the nature of the bidding process, long-term contract revenues are based, in part, on significant judgments and cost estimates. Our estimates of the costs for completing a project are subject to a number of assumptions, including future economic conditions, cost and availability of labour and raw materials, labour productivity, employment levels and salaries, facility utilization rates, inflation rates, foreign exchange rates and construction and technical standards to be applied to the project, and are influenced by the nature and complexity of the work to be performed. Due to the complexity and the length of many of the projects in which we participate, the actual investment, costs and productivity may differ materially from what we had initially modelled or anticipated. Because of the significance of our judgments and estimates described above, materially different revenues and profit margins could be recorded if we used different assumptions or if the underlying circumstances

were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect our future period financial performance.

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. In addition, the third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations such as delivery delays beyond a specified date.

In addition, many of our long-term contracts are signed with customers that are governmental or quasi-public entities. These types of customers require that we comply with project bidding and open market specifications, which may limit our ability to negotiate certain contractual terms and conditions and can force us to accept less favourable conditions. For example, customers may require manufacturers to bear an increasing proportion of the homologation regulatory risk, may insist on payment schedules that reduce or eliminate advance payments or that lead to negative cash-flow during the execution of a project, and may require mandatory technical performance levels and requirements associated with the issuance of parent company guarantees and bonds. For the most part, our rail transportation business is subject to public procurement protocols, which often take the form of adherence contracts that cannot be amended in any meaningful sense, causing bidders to risk disqualification if they attempt to reflect contingencies or special considerations in their offers. Moreover, public procurement protocols often feature specifications that are subject to numerous change orders, which may result in disputes regarding allocation of costs in respect of such change orders or specification modifications. These particularities could potentially expose our business to significant additional risks or costs that could adversely affect the profitability of our projects.

Additionally, for certain projects, contracts in our rail transportation business impose manufacturing or purchasing requirements in the countries in which the project is being executed. Such contracts may require us to build local production capacities, partner with local entities, and/or secure third-party purchases from local suppliers. Such terms and conditions can lead to pressures on costs, target volumes and execution.

Cash flows and capital expenditures

Our businesses are cyclical and highly capital intensive due to their nature. In the ordinary course of our business, the structure and duration of many of our complex, long-term projects and product development programs require us to invest significantly in engineering, development and production for many years before deliveries are made and the product begins to generate cash flow. In addition, we are regularly required to incur capital expenditures in order to, among other matters, maintain equipment, increase operating efficiency, develop and design new products, improve existing products and services, invest in and develop new technologies and maintain a significant level of highly skilled employees. Our ability to negotiate and collect customer advances and progress payments is therefore an important element of our cash flow and working capital management. However, intense competition in the markets in which we operate and demands by customers in the current economic environment have resulted in fewer and lower advance payments, which could place significant financial pressures on our operations. Discrepancies between our disbursements and amounts received on orders placed, or even any reduction in the overall volume of orders placed or a deterioration of the payment terms on these orders has an automatic adverse impact on the evolution in working capital requirements and results of operations.

Seasonality

Our cash flows are, to a certain degree, subject to periodic fluctuations and we expect a disproportionate amount of our cash flows from operations to be received or paid by us during our third and fourth quarters. We expect this trend to continue. While the payment terms with certain of our vendors extend beyond the amount of time necessary to collect proceeds from our customers, no assurance can be given that we will be able to maintain such terms. As a result of fourth quarter cash receipts, at December 31 of each year, our cash and cash equivalents balances typically reach their highest level (other than as a result of cash flows provided by or used in investing and financing activities). Our interim results can be affected by these periodic fluctuations, including as a result of timing variations that could push cash flows from one quarter to another.

Because a significant portion of our revenue is generated from large, complex, long-term projects with sculpted milestone payments, our results of operations can fluctuate significantly from quarter to quarter and year to year depending on whether and when project awards occur and the commencement and progress of work under awarded contracts. In addition, our customers may demand specification modifications, or change orders, milestones, milestone payments or delivery schedules. Given the cyclical nature of the industries in which we operate, our financial results, like others in such industries, may be impacted in any given period by a wide variety of factors beyond our control, and as a result there may, from time to time, be significant and unpredictable variations in our quarterly and annual financial results such that any historical results should not be considered indicative of the results to be expected for any future period.

Deployment and execution of strategic initiatives related to cost reductions and working capital improvement

In 2015, we launched the multi-phased, multi-year Bombardier transformation plan focusing on three priorities: improve cash generation, reduce costs and drive performance. As with any large, company-wide transformation there are inherent risks in the timing of the deployment and in the planned value to be achieved. More specifically, the timing and magnitude of the specific initiatives and subsequent benefits, if any, could be affected by a multitude of external and internal factors including, but not limited to: the evolution of the demands and requirements of our businesses, variations in planned production volumes and schedules, the outcome of negotiations with suppliers and unions, changing legislation, changes in socio-economic conditions in the countries in which we operate, evolutions in the labour market for key talent, and changes in the priorities of the business. There can be no assurance that these initiatives, or other initiatives, will enable us to reach our objectives, or that any such measures will be implemented successfully or within the set time frame. A failure to successfully implement our strategy and transformation initiatives, or if such measures prove insufficient, could have a material adverse impact on our business activities, financial condition, profitability and outlook.

We may not be able to successfully execute our manufacturing strategy and productivity enhancement initiatives

One of the priorities of the strategic plan and transformation initiatives established by management consists of sustained efforts in the areas of cost reduction and productivity enhancement / operational efficiencies. This priority aims in part at leveraging the strength of our engineering and manufacturing centers of excellence. In addition, our cost reduction and operational efficiencies / productivity enhancement efforts also focus on further implementing and leveraging our standardized product and service platforms. We believe that flexible manufacturing is the key element to enable improvements in our ability to respond to customers in a cost-effective manner. Our success in implementing this priority of our strategic plan is dependent on the involvement of management, production employees and suppliers. Any failure to achieve cost reduction and operational efficiencies / productivity enhancement priorities (including the anticipated levels of productivity and operational efficiencies) in our manufacturing facilities, could have a material adverse impact on our business activities, financial condition, profitability and outlook.

Business partners

In some of the projects carried out through consortia or other partnership vehicles in which we participate, partners are jointly and severally liable to the customer. The success of these partnerships is dependent on satisfactory performance by us and our business partners. Failure of the business partners to fulfill their contractual obligations could result in additional financial and performance obligations, which could result in increased costs, unforeseen delays or impairment of assets. In addition, a partner withdrawing from a consortium during the bid phase may result in the loss of a potential order.

In order to penetrate new markets and strengthen our partnerships, we have implemented a number of joint ventures and partnerships in various countries and regions, such as Africa, the Middle East and Asia (in particular, China). These operations involve certain risks, in particular in relation to potential political or economic instability depending on the countries, in the difficulties that may arise in evaluating assets and liabilities relating to these operations, in integrating people, activities, technologies and products, as well as in implementing governance and compliance systems and procedures.

The failure by a business partner to comply with applicable laws, rules or regulations, or contract requirements, could negatively impact our business and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

Partnership with Airbus and investment in CSALP

The success of our partnership with Airbus is dependent on satisfactory performance of CSALP, which relies heavily on Airbus' scale and reach, sales, marketing or support networks, supply chain, operations, and customer relationships. In addition, a number of estimates, judgments and assumptions, not derived from an observable market, made by management as part of the business case analysis can have a significant effect on the value of our investment in CSALP. Such estimates, judgments and assumptions include potential synergies from the procurement, sales and marketing and customer support expertise which Airbus is expected to bring to the program, the assessment of anticipated growth drivers and sector trends, future operating performance of the program and estimated cash flows and revenues over the expected life of the program and thereafter.

The inaccuracy of the analyses and assumptions underlying our business case over the expected life of the program and thereafter, or the occurrence of an event, change or other development having an adverse effect on Airbus' scale and reach, sales, marketing or support networks, supply chain, operations, or customer relationships, or the failure by Airbus to provide the required level of support to the partnership and satisfy and perform its obligations pursuant to the partnership and commercial agreements and/or unanticipated inefficiencies or performance issues arising in connection therewith, could result in our failure to realize, in the timeframe anticipated or at all, the anticipated benefits and synergies of our partnership with Airbus, which would have a material adverse impact on the value of our investment in CSALP. There can be no assurance that the anticipated strategic benefits and operational, competitive and cost synergies of our partnership with Airbus will be realized.

Product performance warranty and casualty claim losses

The products that we manufacture are highly complex and sophisticated and may contain defects that are difficult to detect or correct. These products are subject to detailed specifications, which are listed in the individual contracts with customers, as well as to stringent certification or approval requirements. Defects may be found in products before and after they are delivered to the customer. When discovered, we may incur significant additional costs to modify and/or retrofit our products and we may not be able to correct defects in a timely manner or at all. The occurrence of defects and failures in our products could give rise to non-conformity costs, including warranty and damage claims, negatively affect our reputation and profitability and result in the loss of customers. Correcting such defects, if possible, could require significant investment.

In addition, due to the nature of our business, liability claims may arise from accidents, incidents or disasters involving products and services that we have provided, including claims for serious personal injuries or death. These accidents may be caused by climatic factors or human error. If any of our products is proven to have quality issues, fails to meet the national or industrial standards or has potential risks to the safety of human and properties, we may have to recall such products, be subject to penalties, have our operating licences or permits revoked, suspend production and sale of our products, or be ordered to take corrective measures. A product recall may also affect our reputation and brand name, result in a decreased demand for our products and lead to stricter scrutiny by regulatory agencies over our operations.

We cannot be certain that current insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that we will be able to obtain insurance coverage at acceptable levels and costs in the future.

Regulatory and legal risks

We are subject to numerous risks relating to current and future regulations, as well as legal proceedings, both present or that may arise in the future. For example, the harmonization of the European railway market through the new European standards will require investment to upgrade our existing products to comply with regulatory requirements, without which regulatory authorities and thus our customer may not accept our products. Unavailability of compliant products may lead to a loss of market share.

Given our size, investigations, claims and lawsuits seeking damages and other relief are regularly threatened or pending against us. We are, and may become, party to lawsuits in the ordinary course of business, including those involving allegations of late deliveries of goods or services, product liability, product defects, quality problems and intellectual property infringement. These matters may divert financial and management resources that would otherwise be used to benefit our operations, and the cost to defend litigation may be significant. Material losses may be incurred related to litigation beyond the limits or outside the coverage of current insurance and existing provisions for litigation-related losses may not be sufficient to cover the ultimate loss or expenditure. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and place us at a disadvantage for future orders or contract awards. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect the public perception of our business or reputation, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation could materially adversely affect our business and financial results.

In addition, as part of the regulatory and legal environments in which we operate, we are subject to anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities or persons defined in those anti-bribery laws in order to obtain business or other improper advantages in the conduct of business. Notably, sales to foreign customers are subject to such laws. Pursuant to such laws, a company may be found liable for violations resulting not only from actions of certain of its employees, but also in certain circumstances from actions of its contractors and third party agents.

Our Code of Ethics and other corporate policies mandate compliance with these laws and regulations and we have implemented training programs, internal monitoring and controls, and reviews and audits to ensure compliance with such laws. However, there can be no assurance that our internal control policies and procedures will protect us from recklessness, fraudulent behavior, dishonesty or other inappropriate behavior on the part of our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners. Misconduct or failure by our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners to comply with anti-bribery laws and other applicable laws and regulations could impact Bombardier in various ways that include, but are not limited to, criminal, civil and administrative legal sanctions, debarment from bidding for or performing government contracts, and negative publicity, and could have a negative effect on our business, reputation, results of operations, profitability, share price and financial condition. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny of and punishment to companies convicted of violating anti-corruption and anti-bribery laws. See also "Supply chain risks" below.

Also refer to Note 42 – Commitments and contingencies to our consolidated financial statements.

Environmental, health and safety risks

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate, governing, among other things, product performance or materials content, energy use and greenhouse gas emissions, air, water and noise pollution, the use, storage, labelling, transportation and disposal or release of hazardous substances, human health and safety risks arising from the exposure to hazardous or toxic materials or defective products and the remediation of soil and groundwater contamination on or under our properties (whether or not caused by us), or on or under other properties and caused by our current or past operations, including our disposal of hazardous wastes at third party sites. These laws and regulations may cause us to incur costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations, and may negatively impact the market for our products.

Environmental, health and safety regulatory requirements, or enforcement thereof, may become more stringent in the future and we may incur additional costs to be compliant with such future requirements or enforcement. In addition, we may have contractual or other liabilities for environmental matters relating to businesses, products or properties that we have in the past closed, sold or otherwise disposed of, or will close, sell or dispose of in the future.

Dependence on limited number of contracts and customers

In any given period, a limited number of contracts or customers may account for a significant portion of our revenues and cash flows for some of our products. Although we constantly seek to expand our customer base, we believe that in any given period revenues and results may continue to be significantly affected by a limited number of contracts or customers due to the nature of some of our products. Consequently, the loss of such a customer or changes to their orders, milestones, milestone payments or cancellation of all or a portion of their contract, could result in fewer sales and/or a lower market share, and may have a material adverse impact on our business, results, cash flows and financial position. Since the majority of our rail transportation customers are governments or public-sector companies or operate under public contracts, our order intake is also dependent to a significant degree on public-sector budgets and spending policies.

Supply chain risks

Our manufacturing operations are dependent on a limited number of suppliers for the delivery of raw materials (mainly aluminum, advanced aluminum alloy and titanium) and major systems (such as engines, wings, nacelles, landing gear, avionics, flight controls and fuselages) for our aerospace products, and raw materials (mainly steel and aluminum), services (mainly engineering, civil and electrical subcontracts) and major systems (such as brakes, doors, heating, ventilation and air conditioning) for our rail transportation products.

Disruptions in our supply chain can impact our ability to deliver on schedule. Moreover, failure by one or more suppliers to meet performance specifications, quality standards or delivery schedules could adversely affect our ability to meet our commitments to customers, in particular if we are unable to purchase the key components and parts from those suppliers upon agreed terms or in a cost-effective manner and if we cannot find alternative suppliers on commercially acceptable terms in a timely manner. We may not be able to recover any costs or liability we incur (including liability to our customers) as a result of any such failure from the applicable supplier, which could have a material adverse effect on our financial condition and results of our operations.

Some of our suppliers participate in the development of products such as aircraft or rolling stock platforms. The advancement of many of our new product development programs also relies on the performance of these key suppliers and, therefore, supplier delays which go unmitigated could result in delays to a program as a whole. These suppliers subsequently deliver major components and own some of the intellectual property related to key components they have developed. Our contracts with these suppliers are therefore on a long-term basis. The replacement of such suppliers, if possible, could be costly and take a significant amount of time.

Our dependence on foreign suppliers and subcontractors and our global operations subject us to a variety of risks and uncertainties. All of our direct suppliers must comply with our Supplier Code of Conduct, which formalizes our expectations with respect to suppliers' business standards, and is designed to ensure that each of our suppliers' operations are conducted in a legal, ethical, and responsible manner. However, we do not control our independent suppliers or those indirect suppliers and companies with whom they do business and cannot guarantee their compliance with our Supplier Code of Conduct and with applicable laws and regulations or that violations will be reported to us in a timely manner. Any violation of applicable laws and regulations or failure to use ethical business practices by one or more third-party subcontractors or suppliers, including laws and regulations related to, among other things, labour practices, health and safety, and environmental protection, could also materially adversely affect our business and reputation and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on us.

Human resources (including collective agreements)

Our senior executives have extensive experience in the industries in which we operate and with our business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the loss of one or more members of our core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect our ability to develop and pursue other business strategies, which could materially adversely affect our business and financial results.

Employment market competition is fierce when it comes to hiring the highly qualified managers and specialists needed to complete the work we require, particularly in certain emerging countries. In many of our business areas we intend to expand our business activities, for which we will need highly skilled employees. The success of our development plans depends, in part, on our ability to develop skills, to retain employees, and to recruit and integrate additional managers and skilled employees. Human resource risk includes the risk of delays in the recruitment of or inability to retain and motivate highly skilled employees, including those involved in R&D and manufacturing activities that are essential to our success. There is no guarantee that we will be successful in recruiting, integrating and retaining such employees as needed to accompany our business development, in particular in emerging countries. Conversely, the measures to adapt headcount to evolution in demand may result in pressures from our workforce and social risks, which may have an adverse impact on our expected costs reductions and production capacities.

In addition, we are party to several collective agreements that are due to expire at various times in the future. An inability to renew these collective agreements on mutually agreeable terms, as they become subject to renegotiation from time to time, could result in work stoppages or other labour disturbances such as strikes, walkouts or lock-outs, and/or increased costs of labour, which could adversely affect our ability to deliver products and services in a timely manner and on budget and could adversely affect our financial condition and results.

Additionally, as a result of our continuing review of our businesses and processes to reduce cost, improve our manufacturing platform, and better position ourselves in the marketplace, it may be necessary to curtail production or permanently shut down facilities, leading to the transfer of employees to new production facilities and processes or to the reduction of our workforce. This could materially adversely impact our relationship with our employees, as well as result in asset write-downs at affected facilities.

Reliance on information systems

Like those of other large multinational companies, our technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of natural disasters, cyberattacks and cybersecurity threats, network communication failures, computer viruses and other security threats to the confidentiality, availability and integrity of our systems. Information security risks have increased in recent years due to the proliferation of new technologies and the increased sophistication of perpetrators of cyberattacks.

Information contained in our systems include proprietary or sensitive information on our customers, suppliers, partners, employees, business information, research and development activities and our intellectual property. Unauthorized third parties may be able to penetrate our network security and misappropriate or compromise our confidential information, deploy viruses, worms and other malware or phishing that would exploit any security vulnerabilities in our management information systems, create system disruptions or cause machinery or plant shutdowns. Such attacks could potentially lead to the publication, manipulation or leakage of information, improper use of our systems, defective products, production downtimes, and supply shortages. Our partners and suppliers also face risks of unauthorized access to their information systems which may contain our confidential information. The Cyber Security, Risk and Compliance team, under the direction of the Global CIO, and reporting to the Finance and Risk Management Committee of the Board of Bombardier, supervises and maintains technical and process controls, enforcement and comprehensive monitoring of systems and networks designed to prevent, detect and respond to unauthorized activity in our systems. Considering the complexity and evolving nature of the threats, as well as the unpredictability of the timing, nature and scope of disruptions from such threats, we cannot ensure that the measures taken will be sufficient to counter any such unauthorized access to information systems, nor that our assessment and mitigation measures are sufficient to avoid, or mitigate the impact of, a system failure.

The integrity, reliability and security of information in all forms are critical to our success. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, delayed reaction times to the resolution of problems, privacy breaches and/or or inappropriate disclosure or leaking of sensitive information. Any system failure, cyberattack or a breach of systems could result in disruption of activities and operational delays, information losses, significant remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, diminished competitive advantage and/or litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business, financial condition, and results of our operations. Material losses may be incurred related to the foregoing beyond the limits or outside the coverage of current insurance and existing provisions for such losses may not be sufficient to cover the ultimate loss or expenditure. Furthermore, media or other reports of perceived security vulnerabilities of our systems, even if no breach has been attempted or had occurred, could adversely impact our brand and reputation and materially impact our business and financial results.

Reliance on and protection of intellectual property

We regularly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing, or obtaining through licensing, alternative technologies that are substantially equivalent or superior to ours, and we cannot provide assurance that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual property. Furthermore, we cannot assure that all our registration applications will be successful, or our registered intellectual property rights will not be subject to any objection. If the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, and our competitors exploit our intellectual property in the manufacture and sale of competing products in the markets we operate, such events could materially and adversely affect our business.

We could also face claims by others that we are improperly using intellectual property owned by them or otherwise infringing their rights in intellectual property. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. Adverse rulings in any litigation or proceeding could result in the loss of our proprietary rights and subject us to significant liabilities or even business disruption. Any potential intellectual property litigation against us could also force us to, among other things, cease selling the challenged products, develop non-infringing alternatives or obtain licences from the owner of the infringed intellectual property. We may not be successful in developing such alternatives or in obtaining such licences on reasonable terms or at all, which could damage our reputation and affect our financial condition and profitability.

Reputation risks

Reputational risk may arise under many situations including, among others, quality or performance issues on our projects, product safety issues, a poor health and safety record, failure to maintain ethically and socially responsible operations, or alleged or proven non-compliance with laws or regulations by our employees, agents, subcontractors, suppliers and/or partners. Any negative publicity about, or significant damage to, our image and reputation could have an adverse impact on customer perception and confidence and may cause the cancellation of current projects and influence our ability to obtain future projects, which could materially adversely affect our business, results of operations and financial condition. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to our business practices and products.

Furthermore, any unethical conduct by a supplier or subcontractor or any allegations, whether or not founded, of unfair or illegal business practices by a supplier or subcontractor, including production methods, labour practices, health and safety and environmental protection, could also materially adversely affect our image and reputation, which could in turn materially adversely affect our business and financial results.

Adequacy of insurance coverage for our business, products and properties

We maintain insurance policies in accordance with the needs of our business. However, we cannot guarantee that our insurance policies will provide adequate coverage should we face extraordinary occurrences that result in losses. We may not obtain certain insurance coverage or may experience difficulties in obtaining the insurance coverage we need at acceptable levels and costs in the future, which could materially and adversely affect our business, financial condition and results of operations.

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenues expected to be generated by the relevant facilities. Any material loss not covered by our insurance could adversely affect our business, financial condition and results of operations.

Risk management policies, procedures and strategies

We have devoted significant resources to develop our risk management policies, procedures and strategies and expect to continue to do so in the future. Nonetheless, our policies, procedures and strategies may not be comprehensive. Many of our methods for identifying, analyzing and managing risk and exposures are based upon risk management processes that are embedded in governance and activities of each reportable segment, focusing on all stages of the product development process. Risk management methods depend upon the evaluation and/or reporting of information regarding product development, product management, industry outlooks, markets, customers, project execution, catastrophe occurrence or other matters publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated or reported.

Tax matters and changes in tax laws

As a multinational company conducting operations through subsidiaries in multiple jurisdictions, we are subject to income and other taxes, tax laws and fiscal policies in numerous jurisdictions. Our effective income tax rate in the future could be adversely affected as a result of a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, treaties or regulations or their interpretation, and the outcome of income tax audits in various jurisdictions around the world.

We regularly assess all of these matters to determine the adequacy of our tax liabilities. In determining our provisions for income taxes and our accounting for tax-related matters in general, we are required to exercise judgment. We regularly make estimates where the ultimate tax determination is uncertain. There can be no assurance that the final determination of any tax audit, appeal of the decision of a taxing authority, tax litigation or similar proceedings will not be materially different from that reflected in our historical financial statements. The assessment of additional taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

Our Canadian and foreign entities undertake certain operations with other currently existing or new subsidiaries in different jurisdictions around the world. The tax laws of these jurisdictions, including Canada, have detailed transfer pricing rules that require that all transactions with non-resident related parties be priced using arm's length pricing principles. The taxation authorities in the jurisdictions where we carry on business could challenge our arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge our transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalties. Any such increase in our income tax expense and related interest and penalties could have a material adverse effect on our business, results of operations or financial condition.

Financing risk

Liquidity and access to capital markets

Our businesses are cyclical and highly capital intensive. In the ordinary course of our business, we rely on cash and cash equivalents, cash flows generated by operations, capital market resources such as debt and equity and other financing arrangements such as revolving credit facilities, and certain working capital financing initiatives such as the sale of receivables, arrangements for advances from third parties, the negotiation of extended payment terms with certain suppliers, and sale and leaseback transactions to satisfy our financing needs. There can be no assurance that such working capital cash sources will be available to us in the future on acceptable terms or at all.

Our ability to achieve our business and cash generation plans is based on a number of assumptions which involve significant judgments and estimates of future performance, borrowing capacity and credit availability, which cannot at all times be assured.

The Corporation also routinely reviews its debt profile with a view to managing or extending maturities and/or negotiating more favourable terms and conditions with respect to its bank facilities. The Corporation also routinely reviews the terms and conditions of its bank facilities and seeks annual extensions of the availability periods thereunder. In this respect, the Corporation is currently in negotiations for the annual extensions of each of its principal bank facilities as well as for certain other amendments, including amendments to its financial covenants and other technical amendments. These amendments are subject to prevailing market and other conditions that are beyond its control and there can be no assurance that the Corporation will be able to successfully negotiate such amendments on commercially reasonable terms, or at all. However, failure to successfully negotiate such amendments is not currently expected to have a material adverse effect on its business, financial condition, cash flows and results of operations.

We continuously evaluate opportunities to strengthen our capital profile by improving leverage ratios, refinancing debt maturities, and reducing the overall cost of funds by diversifying sources of capital. While there is no significant debt maturing before 2020, Bombardier has the option to buy back CDPQ's investment in BT Holdco beginning in February 2019. The CDPQ instrument carries a 15% minimum return threshold under a Bombardier initiated buy back. Given the cost of this instrument, we may seek to opportunistically redeem this CDPQ security while preserving an appropriately capitalized balance sheet. There can be no assurances on the completion, the form, or the timing of such buy-back.

From time to time, we undertake various financing initiatives to solidify our liquidity position. We plan to continue to explore various initiatives such as certain business activities' potential participation in industry consolidation. There are no assurances that we will be able to implement these or any other strategic options on favourable terms and timing or at all, and, if implemented, that such actions would have the planned results.

There can be no assurance that our expected cash flows from operating activities, combined with available short-term capital resources will enable the development of new products to enhance competitiveness and support growth and will enable us to meet all other expected financial requirements in the foreseeable future.

If our cash flows and other capital resources are insufficient to fund the required work on our ongoing contracts, programs and projects, as well as our capital expenditures and debt service obligations, we could be forced to reduce or delay deliveries, investments and capital expenditures or to seek additional debt or equity capital. We may not be able to obtain alternative capital resources, if necessary, on favourable terms or at all.

A decline in credit ratings, a significant reduction in the surety or financing market global capacity, widening credit spreads, changes in our outlook or guidance, significant changes in market interest rates or general economic conditions or an adverse perception by banks and capital markets of our financial condition or prospects could all significantly increase our cost of financing or impede our ability to access financial markets. Our credit ratings may be impacted by many factors, including factors outside of our control relating to the industries or countries and regions in which we operate, and, accordingly, no assurance can be given that our credit ratings may not be downgraded in the future. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may increase our cost of financing.

Our right to convert into cash certain deposits or investments, held in financing structures to guarantee our obligations, may be subject to restrictions. Additionally, in some countries, cash generated by operations may be subject to restrictions on the right to convert and/or repatriate money and may thus not be available for immediate use.

Retirement benefit plan risk

We are required to make contributions to a number of pension plans, most of which are presently in a deficit position. Pension funding requirements are dependent on regulatory requirements and on the valuations of plan assets and liabilities, which are subject to a number of factors, including expected returns on plan assets, long-term interest rates, as well as applicable actuarial practices and various other assumptions. The potential requirement to make additional contributions as a result of changes to regulations, actuarial assumptions or other factors may reduce the amount of funds available for operating purposes, thus limiting our financial flexibility and weakening our financial condition.

There is no assurance that retirement benefit plan assets will earn the expected rates of return. The ability of our retirement benefit plan assets to earn these expected rates of return depends in large part on the performance of capital markets. Market conditions also affect the discount rates used to calculate our net retirement benefit liabilities and could also impact our retirement benefit costs, cash funding requirements and liquidity position.

The net retirement benefit liability is highly sensitive to variations to the underlying discount rate, which represents the market rate for high-quality corporate fixed-income investments at the end of each reporting period consistent with the currency and estimated term of the benefit obligations. As a result, the discount rates change is based on market conditions.

Credit risk

We are exposed to credit risk through our derivative financial instruments and other investing activities carried out as part of our normal treasury activities, as well as through our trade receivables arising from normal commercial activities and through financing activities provided to our aerospace customers primarily in the form of aircraft loans and lease receivables. Reduced liquidity may result if our customers or other counterparties are unable to make payment of amounts owed to us, or delay these payments, and we may incur impairment losses on these assets. Furthermore, if our customers experience deteriorating credit quality, we may need to provide additional direct or indirect financing support to maintain sales, increasing our exposure to credit risk, or reduce our customers' credit limits, which could negatively affect our revenues.

We also have exposure to banks in the form of periodically placed deposits and credit commitments. In the event the banks with which we transact are unable to withstand regulatory or liquidity pressures, credit facilities, including letter of credit facilities, may become unavailable or we may not be able to extend such facilities upon their maturity.

Substantial debt and significant interest payment requirements

We currently have, and expect to continue to have, a substantial amount of debt, and significant interest payment requirements. Our level of indebtedness could have significant consequences, including the following:

- it may be more difficult to satisfy our obligations with respect to our indebtedness;
- our vulnerability to general adverse economic and industry conditions may be increased;

- we may be required to dedicate a substantial portion of our cash flows from operations to interest and principal repayments on our indebtedness, reducing the availability of cash flows to fund capital expenditures, working capital, acquisitions, new business initiatives and other general corporate purposes;
- our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate may be limited;
- we may be placed at a disadvantage compared to our competitors that have less debt or greater financial resources;
- it may limit, along with the financial and other restrictive covenants to which we are subject, among other things, our ability to borrow additional funds on commercially reasonable terms, or at all;
- we may be required to monetize assets on terms that are unfavourable to us; and
- we may be required to offer debt or equity securities on terms that are not favourable to us or our shareholders.

We have various debt maturities ranging between 2020 and 2034, and we cannot provide assurance that this indebtedness will be refinanced on favourable terms or at all.

For more information regarding our long-term debt, see Note 30 - Long-term debt, to our consolidated financial statements.

Restrictive debt covenants

The indentures governing certain of our indebtedness, revolving credit facilities and letter of credit facilities contain covenants that, among other things, restrict our ability, and in some cases the ability of our subsidiaries, to:

- incur additional debt and provide guarantees;
- repay subordinated debt;
- create or permit certain liens;
- use the proceeds from the sale of assets and capital stock of subsidiaries;
- pay dividends and make certain other disbursements;
- allow our subsidiaries to pay dividends or make other payments;
- engage in certain transactions with affiliates; and
- enter into certain consolidations, mergers or transfers of all or certain assets.

These restrictions could impair our ability to finance future operations or capital needs, or engage in other business activities that may be beneficial.

The Corporation is subject to various financial covenants under the letter of credit facilities, excluding the PSG facility, and the two unsecured revolving credit facilities, which must be met on a quarterly basis. The \$361-million letter of credit and \$397-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, include financial covenants requiring a minimum EBITDA to fixed charges ratio, as well as a maximum gross debt and minimum EBITDA thresholds, all calculated based on an adjusted consolidated basis i.e. excluding Transportation. The Transportation letter of credit and revolving credit facilities include financial covenants requiring minimum equity as well as a maximum debt to EBITDA ratio, all calculated based on Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics as described in Note 36 – Capital management or to the specific terms used in the MD&A. In addition, the Corporation must maintain a minimum Transportation liquidity of €750 million (\$859 million). The \$361-million letter of credit and \$397-million unsecured revolving facilities, which are available for the Corporation excluding Transportation, require liquidity between \$600 million and \$850 million at the end of each quarter. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

Our ability to comply with these covenants may also be affected by events beyond our control. A breach of any of these agreements or our inability to comply with these covenants could result in a default under these facilities, which would permit our banks to request immediate defeasance or cash cover of all outstanding letters of credit, and our bond holders and other lenders to declare amounts owed to them to be immediately payable. If any of these facilities is accelerated, or we are subject to significant cash cover calls, we may not have access to sufficient liquidity or credit to refinance such facilities on terms acceptable to us or at all. Furthermore, if we incur

additional debt in the future, we may be subject to additional covenants, which may be more restrictive than those to which we are subject now. In addition, failure to comply with the obligations contained in our existing or future indentures or loan agreements could require us to immediately cash cover, or repay debt under other agreements that may contain cross-acceleration or cross-default provisions. There can be no assurance that we would be able to obtain waivers or amendments of any such defaults, or be able to cash cover or refinance such facilities, on terms acceptable to us or at all.

Financing support provided for the benefit of certain customers

From time to time, we provide aircraft financing support to customers. We may provide, directly or indirectly, credit and residual value guarantees or guarantee of a maximum credit spread, to support financing for certain customers such as airlines or to support financing by certain special purpose entities created solely i) to purchase our commercial aircraft and to lease those aircraft to airline companies or ii) to purchase financial assets such as loans and lease receivables related to the sale of our commercial aircraft. Under these arrangements, we are obligated to make payments to a guaranteed party in the event that the original debtor or lessee does not make the loan or lease payments, or if the market or resale value of the aircraft is below the guaranteed residual value amount at an agreed-upon date. A substantial portion of these guarantees has been extended to support original debtors or lessees with less than investment grade credit ratings.

Government support

From time to time, we receive various types of government financial support. Some of these financial support programs require the repayment of amounts to the government at the time of product delivery. The level of government support reflects government policy and depends on fiscal spending levels and other political and economic factors. We cannot predict if future government-sponsored support will be available. The loss of or any substantial reduction in the availability of government support could negatively impact our liquidity assumptions related to the development of aircraft or rail products and services. In addition, any future government support received by our competitors could have a negative impact on our competitiveness, sales and market share.

Market risk

Foreign exchange risk

Our financial results are reported in U.S. dollars and a significant portion of our sales and operating costs are transacted in currencies other than U.S. dollars, most often euros, Canadian dollars, pounds sterling, Swiss francs, Swedish kronor and Mexican pesos. The aerospace segments have adopted a progressive hedging strategy while Transportation aims to hedge all of its identified foreign currency exposures to limit the effect of currency movements on their results. Such contracts hedge foreign-currency denominated transactions and any change in the fair value of the contracts could be offset by changes in the underlying value of the transactions being hedged. The use of forward foreign exchange contracts also contains an inherent credit risk related to default on obligations by the counterparties to such contracts. Although we aim to have foreign-exchange hedging contracts with respect to all currencies in which we do business, there may be situations where we do not have hedging contracts or are not fully hedged for various reasons including regulation and market availability and accessibility. As a result, there can be no assurance that our approach to managing our exposure to foreign-exchange rate fluctuations will be effective in the future or that we will be able to enter into foreign-exchange hedging contracts as deemed necessary on satisfactory terms. In situations where we are not fully hedged, our results of operations are affected by movements in these currencies against the U.S. dollar. Significant fluctuations in relative currency values against the U.S. dollar could thus have a significant impact on our future profitability. Additionally, the settlement timing of foreign currency derivatives could significantly impact our liquidity. Fluctuations in foreign currency exchange rates could also have a material adverse effect on the relative competitive position of our products in markets where they face competition from competitors who are less affected by such fluctuations in exchange rates.

Interest rate risk

Changes in interest rates may result in fluctuations in our future cash flows related to variable-rate financial assets and liabilities, including long-term fixed-rate debt synthetically converted to variable interest rates. Changes in interest rates may also affect our future cash flows related to commitments to provide financing support to facilitate customers' access to capital. For these items, cash flows could be impacted by changes in benchmark rates such as Libor, Euribor or Bankers' Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, which includes marketability risks, through our financial instruments carried at fair value. These financial instruments include certain aircraft loans and lease receivables, investments in securities, investments in financing structures, lease subsidies and certain derivative financial instruments.

Residual value risk

We are exposed to residual value risks through RVGs provided in support of commercial aircraft sales. These RVGs may be provided either directly to an airline, a lessor or to a financing party that participates in a long-term financing associated with the sale of commercial aircraft. RVGs are offered as a strip of the value of an aircraft with a ceiling and a floor. If the underlying aircraft is sold at the end of the financing period (or during this period in limited circumstances), the resale value is compared to the RVG strip. We are required to make payments under these RVGs when the resale value of the aircraft falls below the ceiling of the strip covered by the guarantee, but our payment is capped at the floor of the strip if the resale value of the aircraft is below that level.

Commodity price risk

We are exposed to commodity price risk relating principally to fluctuations in the cost of materials used in our supply chain, such as aluminum, advanced aluminum alloy, titanium, steel and other materials that we use to manufacture our products, and which represent a significant portion of our cost of sales. We do not maintain significant inventories of raw materials and components and parts. The prices and availabilities of raw materials and components and parts may vary significantly from period to period due to factors such as consumer demand, supply, market conditions and costs of raw materials. In particular, raw materials required for our operations, may be subject to pricing cyclicalities and periodic shortages from time to time. We cannot guarantee that corresponding variations in cost will be fully reflected in contract prices, and we may be unable to recoup these raw material price increases, which could affect the profitability of such contracts.

Inflation risk

Our aerospace businesses are exposed to inflation risk relating to fluctuations in costs and revenue for aircraft orders received but for which the delivery of the aircraft will take place several years in the future. Revenues for these orders are adjusted for price escalation clauses linked to inflation. At Transportation, contract cost estimates are subject to inflation rate assumptions. Estimated revenues at completion are adjusted for price escalation clauses, several of which are linked to inflation. Fluctuations in inflation rates could nevertheless have a significant impact on our future profitability if the inflation rate assumption used varies from the actual inflation rate, and this is a particularly acute risk in respect of large long-term contracts which may have an impact on our results for several years.

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies

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, unless the effect of the changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

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 their 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 that 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 Aerostructures and Engineering Services on the contract for the A220 program with CSALP are recognized at delivery. Although this impacts the timing of revenues and profit recognition for the Aerostructures and Engineering Services segment there is no impact on the consolidated results of the Corporation for prior periods since CSALP was consolidated.

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. Refer to Note 3, Changes in accounting policies, to our annual consolidated financial statements, for further details on the impact of adopting IFRS 15.

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, and the Corporation elected to use the modified retrospective approach. The Corporation will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Corporation will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, the Corporation will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Corporation evaluated the impact the adoption of this standard will have on its consolidated financial statements. Where the Corporation is a lessee, 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. This change in policy is expected to result in the recognition of right-of-use assets and lease liabilities amounting to approximately \$565 million. In addition, the Corporation has existing capital leases amounting to \$41 million that are recorded in long-term debt and that will be reclassified to lease liability on January 1, 2019. The Corporation continues to assess the impact of adopting IFRS 16 on deferred tax balances.

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's analysis has not identified significant differences resulting from the adoption of IFRIC 23.

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 will apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

FINANCIAL INSTRUMENTS

An important portion of the consolidated balance sheets is composed of financial instruments. Our financial assets include cash and cash equivalents, trade and other receivables, aircraft loans and lease receivables, investments in securities, CSALP non-voting units, receivables from related party, investments in financing structures, long-term contract receivables, restricted cash and derivative financial instruments with a positive fair value. Our financial liabilities include trade and other payables, long-term debt, short-term borrowings, lease subsidies, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and derivative financial instruments with a negative fair value. Derivative financial instruments are mainly used to manage exposure to foreign exchange and interest rate risks. They consist mostly of forward foreign exchange contracts and interest rate swap agreements.

The use of financial instruments exposes us primarily to credit, liquidity and market risks, including foreign exchange and interest rate risks. A description on how we manage these risks is included in the Risk management section of Overview and in Note 37 – Financial risk management, to the consolidated financial statements.

Fair value of financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as FVTP&L, b) financial instruments designated as FVTP&L, c) FVOCI financial assets, or d) amortised cost. Financial instruments are subsequently measured at amortized cost, unless they are classified as FVOCI or FVTP&L or designated as FVTP&L, in which case they are subsequently measured at fair value. The classification of financial instruments as well as the revenues, expenses, gains and losses associated with these instruments are provided in Note 2 - Summary of significant accounting policies and in Note 15 – Financial instruments, to the consolidated financial statements.

Note 38 - Fair value of financial instruments, to the consolidated financial statements, provides a detailed description of the methods and assumptions used to determine the fair values of financial instruments. These values are point-in-time estimates that may change in subsequent reporting periods due to market conditions or

other factors. Fair value is determined by reference to quoted prices in the principal market for that instrument to which we have immediate access. However, there is no active market for most of our financial instruments. In the absence of an active market, we determine fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. Fair value determined using valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, discount rates, the creditworthiness of the borrower, the aircraft's expected future value, default probability, generic industrial bond spreads and marketability risk. In determining these assumptions, we use primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, credit spreads, default probabilities, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable. These calculations represent management's best estimates. Since they are based on estimates, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

Note 38 – Fair value of financial instruments, to the consolidated financial statements, also provides a three-level fair value hierarchy, categorizing financial instruments by the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In cases where the inputs used to measure fair value are categorized within different levels of hierarchy, the fair value measurement is reported at the lowest level of the input that is significant to the entire measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, taking into account factors specific to the asset or liability. The fair value hierarchy is not meant to provide insight on the liquidity characteristics of a particular asset or on the degree of sensitivity of an asset or liability to other market inputs or factors.

We consider gains and losses arising from certain changes in fair value of financial instruments incidental to our core performance, such as those arising from changes in market yields, as our intention is to continue to hold these instruments for the foreseeable future. These gains and losses are excluded from adjusted net income and adjusted EPS to provide users of the financial statements a better understanding of the core results of our business and enable better comparability of results from one period to another and with peers.

In connection with the sale of commercial aircraft, we hold financial assets and have incurred financial liabilities, measured at fair value, some of which are reported as Level 3 financial instruments, including certain aircraft loans and lease receivables, certain investments in financing structures and lease subsidies. In addition, we have other level 3 financial instruments, including the conversion option, the funding commitments and CSALP non-voting units. The fair values of these financial instruments are determined using various assumptions, with the assumption on marketability risk being the most likely to change the fair value significantly from period to period. 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. Refer to Note 38 - Fair value of Financial instruments for detailed sensitivity analysis on those financial instruments.

Sensitivity analysis

Our main exposures to changes in fair value of financial instruments are related to changes in foreign exchange, interest rates, aircraft residual value curves, credit ratings and marketability adjustments. Note 37 – Financial risk management and Note 38 – Fair value of financial instruments, to the consolidated financial statements, present sensitivity analyses assuming variations in foreign exchange and interest rates.

RELATED PARTY TRANSACTIONS

Related parties, as defined by IFRS, are our joint ventures, associates and key management personnel. A description of our transactions with these related parties is included in Note 40 – Transactions with related parties, to the consolidated financial statements.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Our significant accounting policies and use of estimates and judgment are described in Note 2 – Summary of significant accounting policies and Note 5 – Use of estimates and judgment, to the consolidated financial statements. The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment. Critical accounting estimates, which are evaluated on a regular ongoing basis and can change from period to period, are described in this section. An accounting estimate is considered critical if:

- the estimate requires us to make assumptions about matters that are highly uncertain at the time the estimate is made; and
- we could have reasonably used different estimates in the current period, or changes in the estimate are reasonably likely to occur from period to period that would have a material impact on our financial condition, our changes in financial condition or our results of operations.

Our best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. We use historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

Our budget and strategic plan cover a five-year period and are fundamental information used as a basis for many estimates necessary to prepare financial information. We prepare a budget and a strategic plan covering a five-year period, on an annual basis, using a process whereby a detailed one-year budget and four-year strategic plan are prepared by each reportable segment and then consolidated. Cash flows and profitability included in the budget and strategic plan are based on existing and future contracts and orders, general market conditions, current cost structures, anticipated cost variations and in-force collective agreements. The budget and strategic plan are subject to approval at various levels, including senior management and the Board of Directors. We use the budget and strategic plan, as well as additional projections or assumptions, to derive the expected results for periods thereafter. We then track performance as compared to the budget and strategic plan at various levels within the Corporation. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's most critical estimates and judgments. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Long-term contracts

Transportation conducts most of its business under long-term manufacturing and service contracts and the aerospace segments have some long-term maintenance service contracts, as well as design and development contracts for third parties. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles, vehicle overhaul and signalling contracts) and service contracts are recognized over time. The long-term nature of these contracts requires estimates of total contract costs and the transaction price. The measure of progress toward complete satisfaction of the performance obligation is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance.

The contract transaction price includes adjustments for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for the Corporation. Variable consideration such as assumptions for price escalation clauses and performance incentives is only 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.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material usage and costs, including escalation clauses, labour hours and costs, foreign exchange rates (including the effect of hedges) and labour

productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical performance trends, economic trends, collective agreements and contracts signed with suppliers. Management applies judgment to determine the probability that the Corporation will incur additional costs from delays or other penalties, and such costs, if probable, are included in estimated costs at completion, unless there is an adjustment to the transaction price in which case it is recorded as a reduction of estimated revenues at completion.

Recognized revenues and margins are subject to revisions as contracts progress towards completion. Management conducts quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis, including a review of escalation assumptions. In addition, a detailed annual review is performed on a contract-by-contract basis as part of the budget and strategic plan process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

Sensitivity analysis

A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased Transportation's gross margin for fiscal year 2018 by approximately \$91 million.

Aerospace program tooling

Aerospace program tooling amortization and the calculation of recoverable amounts used in impairment testing require estimates of the expected number of aircraft to be delivered over the life of each program. The expected number of aircraft is based on management's aircraft market forecasts and the Corporation's expected share of each market. Such estimates are reviewed in detail as part of the budget and strategic plan process. For purposes of impairment testing, management exercises judgment to identify independent cash inflows to identify CGUs by family of aircraft. Other key estimates used to determine the recoverable amount include the applicable discount rate, the expected future cash flows over the remaining life of each program, which include costs to complete the development activities, if any, as well as potential upgrades, and derivatives expected over the life of the program. The estimated cost of potential upgrades and derivatives is based on past experience with previous programs. The expected future cash flows also include cash flows from aftermarket activities, as well as expected cost savings due to synergies from the perspective of a market participant. The inputs used in the discounted cash flow model are Level 3 inputs (inputs that are not based on observable market data).

The recoverable amounts of aerospace assets or CGUs are based on fair value less costs of disposal. The recoverable amounts were established during the fourth quarter of 2018. The fair value measurements are categorized within Level 3 of the fair value hierarchy. The estimate of the fair value less costs of disposal was determined using forecast future cash flows. The estimated future cash flows for the first five years are based on the budget and strategic plan. After the initial five years, long-range forecasts prepared by management are used. Forecast future cash flows are based on management's best estimate of future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedules, revenues from related services, procurement costs based on existing contracts with suppliers, future labour costs, general market conditions, foreign exchange rates and applicable long-range forecast income tax rates and a post-tax discount rate of 10% based on a weighted average cost of capital calculated using market-based inputs, available directly from financial markets or based on a benchmark sampling of representative publicly-traded companies in the aerospace sector.

An impairment test was prepared for the *Global 7500* since it only entered into service in December 2018, and following this assessment the Corporation concluded there was no impairment.

Sensitivity analysis

The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

A 10% decrease, evenly distributed over future periods, in the expected future net cash inflows for the *Global 7500* aircraft program would not have resulted in an impairment charge in fiscal year 2018.

An increase of 100-basis points in the discount rate used to perform the impairment tests would not have resulted in an impairment charge in fiscal year 2018 for the *Global 7500* aircraft program.

Goodwill

Goodwill is related to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. Goodwill is monitored by management at the Transportation operating segment level. An impairment assessment is performed at least annually, and whenever circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that goodwill might be impaired. We selected the fourth quarter to perform an annual impairment assessment of goodwill.

The recoverable amount of the Transportation operating segment, the group of CGUs at which level goodwill is monitored by management, is based on fair value less costs of disposal using a discounted cash flow model. During the fourth quarter of 2018, the Corporation completed its annual goodwill impairment test for the Transportation segment and did not identify any impairment. The fair value measurement is categorized within Level 3 of the fair value hierarchy.

Estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 1% was applied to derive a terminal value beyond the initial 5-year period. The post-tax discount rate is also a key estimate in the discounted cash flow model and was based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2018 was 8.5%.

Sensitivity analysis

A 100-basis point change in the post-tax discount rate would not have resulted in an impairment charge in 2018.

Valuation of deferred income tax assets

To determine the extent to which deferred income tax assets can be recognized, we estimate the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. We exercise judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies. See Note 13 - Income taxes for more details.

Tax contingencies

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of our international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between our actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. We establish tax provisions for possible consequences of audits by the tax authorities of each country in which we operate. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

Credit and residual value guarantees

The Corporation uses an internal valuation model based on stochastic simulations. The amounts expected to be paid under the guarantees may depend on whether credit defaults occur during the term of the original financing. When a credit default occurs, the credit guarantee may be called upon. In the absence of a credit default the residual value guarantee may be triggered. In both cases, the guarantees can only be called upon if there is a loss upon the sale of the aircraft. Therefore, the value of the guarantee is in large part impacted by the future value of the underlying aircraft, as well as on the likelihood that credit or residual value guarantees will be called upon at the expiry of the financing arrangements. Aircraft residual value curves, prepared by management based on information from external appraisals and adjusted to reflect specific factors of the current aircraft market and a balanced market in the medium and long term, are used to estimate the underlying aircraft future value. The amount of the liability is also significantly impacted by the current market assumption for interest rates since payments under these guarantees are mostly expected to be made in the medium to long term. Other key estimates in calculating the value of the guarantees include default probabilities, estimated based on published credit ratings when available or, when not available, on internal assumptions regarding the credit risk of customers. The estimates are reviewed on a quarterly basis.

Sensitivity analysis

The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

Assuming a decrease of 10% in the residual value curves of all commercial aircraft as at December 31, 2018, Commercial Aircraft's EBIT for 2018 would have been negatively impacted by \$16 million.

Assuming an increase of 10% in the likelihood that residual value guarantees will be called upon at the expiry of the financing arrangements as at December 31, 2018, Commercial Aircraft's EBIT for 2018 would have been negatively impacted by \$22 million.

Assuming a 100-basis point decrease in interest rates as at December 31, 2018, Commercial Aircraft's EBT for 2018 would have been negatively impacted by \$7 million. Assuming a 100-basis point increase in interest rates as at December 31, 2018, Commercial Aircraft's EBT for 2018 would have been positively impacted by \$7 million.

Retirement and other long-term employee benefits

The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities.

As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium- and long- term maturity bonds, the discount rate for the Corporation's Canadian pension and other post-employment plans is established by constructing a yield curve using three maturity ranges. The first maturity range of the curve is based on observed market rates for AA-rated corporate bonds with maturities of less than six years. In the longer maturity ranges, due to the smaller number of high-quality bonds available, the curve is derived using market observations and extrapolated data. The extrapolated data points were created by adding a term-based yield spread over long-term provincial bond yields. This term-based spread is extrapolated between a base spread and a long spread. The base spread is based on the observed spreads between AA-rated corporate bonds and AA-rated provincial bonds for the 5 to 10 years to maturity range. The long spread is determined as the spread required at the point of average maturity of AA-rated provincial bonds in the 11 to 30 years to maturity range such that the average AA-rated corporate bond spread above AA-rated provincial bonds is equal to the extrapolated spread derived by applying the ratio of the observed spreads between A-rated corporate bonds and AA-rated provincial bonds for the 11 to 30 years to maturity range over the 5 to 10 years to maturity range, to the

base spread. For maturities longer than the average maturity of AA-rated provincial bonds in the 11 to 30 years to maturity range, the spread is assumed to remain constant at the level of the long spread.

As the U.K. high-quality corporate bond market, as defined under IFRS, includes relatively few long-term maturity bonds, the discount rate for our U.K. pension and other post-employment plans is established by constructing a hypothetical yield curve. The hypothetical yield curve is developed from Sterling corporate bond yield information for corporate bonds rated AA or equivalent quality. Target yields are developed from bonds across a range of maturity points, and a curve is fitted to those targets. Spot rates (zero coupon bond yields) are developed from the yield curve and used to discount benefit payment amounts associated with each future year. Since corporate bonds are generally not available for very long maturities, an assumption is made that spot rates remain level beyond the term of the longest data target point. The term of the longest data target point as at December 31, 2018 was 24 years.

Expected rates of compensation increases are determined considering the current salary structure, as well as historical and anticipated wage increases, in the context of current economic conditions.

See Note 25 – Retirement benefits, to the consolidated financial statements, for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Consolidation

We consolidate entities when, based on an evaluation of the substance of our relationship, we establish that we control the investee. We control an investee when we are exposed to, or have rights to, variable returns from our involvement with the investee and the ability to use power over the investee to affect the amount of our returns. This evaluation includes the use of judgment to determine whether rights held by NCI, such as the CDPQ's rights in respect of Transportation, are protective in nature as opposed to substantive. We reassess the initial determination of control if facts or circumstances indicate that there may be changes to one or more elements of control.

From time to time, we participate in structured entities where voting rights are not the dominant factor in determining control. In these situations, we may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether we are exposed to, or have rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether we are acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if we have power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control.

Onerous contract provision

An onerous contract provision is recorded if it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it. In most cases the economic benefit expected to be received under the contract consist of contract revenue. The calculation of the unavoidable costs require estimates of expected future costs, including anticipated future cost reductions related to performance improvements and transformation initiatives, anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. The measurement of the provision is impacted by anticipated delivery schedules since for new aircraft programs early production units require higher cost than units produced later in the progress, and for long term train manufacturing contracts delays result in penalties.

Sensitivity analysis

A 1% increase in the expected costs would have decreased EBIT for fiscal year 2018 by approximately \$161 million.

CDPQ investment equity and derivative liability components

The convertibles shares issued to the CDPQ contain no obligation for the Corporation to deliver cash or other financial assets to the CDPQ. Judgment was used to conclude that the CDPQ's convertible share investment in BT Holdco is considered a compound instrument comprised of an equity component, representing the discretionary dividends and liquidation preference, and a liability component that reflects a derivative to settle the instrument by delivering a variable number of common shares of BT Holdco, as opposed to the entire instrument being characterized as a liability. The Corporation presents convertible shares in its equity (NCI) and derivative component as a liability.

The fair value of the convertible shares at issuance was assigned to its respective equity and derivative liability components so that no gain or loss arose from recognizing each component separately, the fair value of the derivative liability being established first and the residual amount allocated to the equity component. The liability component is remeasured quarterly using the Corporation's best estimate of the present value of the settlement amount, other than a scenario where the Corporation initiates a purchase of CDPQ's interest. 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 the 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 Transportation 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, using the best estimate of Transportation's expected results over the remaining term of the instrument and a standard deviation derived from historic results. 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 Transportation, derived from the budget and strategic plan.

See Note 38 - Fair value of financial instruments for a sensitivity analysis on the variability in the fair value of the conversion option as a result of a reasonably likely change in the expected future performance of Transportation.

Investments in CSALP

On July 1, 2018 the Corporation recognized its equity investment in CSALP at \$1,761 million which represented the Corporation's 33.55% interest in the July 1, 2018 estimated fair value of CSALP. The estimated fair value of CSALP was determined using a discounted cash flow analysis following independent external professional advice and consultations with the controlling partner. This valuation incorporated assumptions regarding potential synergies from the procurement, sales and marketing and customer support expertise Airbus will bring to the program, which involves a significant amount of judgment regarding the future operating performance of the program.

For further information see Note 31- Disposal of business.

See Note 38 - Fair value of financing instruments for information regarding the estimates used in determining the fair value of the Corporation's funding commitments toward CSALP and the fair value of the Corporation's investment in CSALP non-voting units.

CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators' Regulation 52-109, we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure controls and procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Internal controls over financial reporting

The CEO and the CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework).

Changes in internal controls over financial reporting

No changes were made to our internal controls over financial reporting that occurred during the quarter and fiscal year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	December 31, 2018	December 31, 2017	Decrease
Euro	1.1450	1.1993	(5%)
Canadian dollar	0.7337	0.7975	(8%)
Pound sterling	1.2800	1.3517	(5%)

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

	December 31, 2018	December 31, 2017	Decrease
Euro	1.1422	1.1770	(3%)
Canadian dollar	0.7582	0.7878	(4%)
Pound sterling	1.2878	1.3262	(3%)

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

	December 31, 2018	December 31, 2017	Increase
Euro	1.1822	1.1281	5%
Canadian dollar	0.7729	0.7705	0%
Pound sterling	1.3367	1.2874	4%

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at February 12, 2019

	Authorized	Issued and outstanding
Class A Shares (multiple voting) ⁽¹⁾	3,592,000,000	308,750,749
Class B Shares (subordinate voting) ⁽²⁾	3,592,000,000	2,064,741,454 ⁽³⁾
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	5,811,736
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	6,188,264
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

⁽¹⁾ Ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share.

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

⁽³⁾ Net of 60,541,394 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Warrant, share option, PSU, DSU and RSU data as at December 31, 2018

Warrants issued and outstanding	305,851,872
Options issued and outstanding under the share option plans	111,545,290
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	89,344,947
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	60,541,394

Information

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

The *Global 5500*, *Global 6500*, *Global 8000* and *CRJ550* aircraft are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind.

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

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements for fiscal years ended December 31, 2018, 2017 and 2016.

The following table provides selected financial information for the last three fiscal years.

Fiscal years ended December 31	2018	2017 <i>restated</i> ⁽¹⁾	2016
Revenues	\$ 16,236	\$ 16,199	\$ 16,339
Net income (loss) attributable to equity holders of Bombardier Inc.	\$ 232	\$ (494)	\$ (1,022)
EPS (in dollars)			
Basic	\$ 0.10	\$ (0.24)	\$ (0.48)
Diluted	\$ 0.09	\$ (0.24)	\$ (0.48)
Cash dividends declared per share (in Canadian dollars)			
Class A Shares (multiple voting)	\$ —	\$ —	\$ —
Class B Shares (subordinate voting)	\$ —	\$ —	\$ —
Series 2 Preferred Shares	\$ 0.90	\$ 0.72	\$ 0.68
Series 3 Preferred Shares	\$ 1.00	\$ 0.89	\$ 0.78
Series 4 Preferred Shares	\$ 1.56	\$ 1.56	\$ 1.56

As at December 31	2018	2017 <i>restated</i> ⁽¹⁾	2016 <i>restated</i> ⁽¹⁾
Total assets	\$ 24,958	\$ 24,916	\$ 22,795
Non-current financial liabilities	\$ 10,619	\$ 10,165	\$ 9,737

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

The quarterly data table is shown hereafter.

February 13, 2019

BOMBARDIER INC.
QUARTERLY DATA (UNAUDITED)

(the quarterly data has been prepared in accordance with IAS 34, Interim financial reporting, except market price ranges)

(in millions of U.S. dollars, except per share amounts)

Fiscal years	2018					2017				
	Total	Fourth quarter	Third quarter	Second quarter	First quarter	Total restated ⁽¹⁾	Fourth quarter restated ⁽¹⁾	Third quarter restated ⁽¹⁾	Second quarter restated ⁽¹⁾	First quarter restated ⁽¹⁾
Revenues										
Business Aircraft	\$ 4,994	\$ 1,494	\$ 1,083	\$ 1,307	\$ 1,110	\$ 4,933	\$ 1,448	\$ 1,074	\$ 1,389	\$ 1,022
Commercial Aircraft	1,756	421	256	616	463	2,317	651	515	626	525
Aerostructures and Engineering Services	1,953	622	430	455	446	1,616	426	349	443	398
Transportation	8,915	2,161	2,140	2,259	2,355	8,551	2,415	2,146	2,038	1,952
Corporate and Elimination	(1,382)	(395)	(266)	(375)	(346)	(1,218)	(329)	(245)	(352)	(292)
	\$ 16,236	\$ 4,303	\$ 3,643	\$ 4,262	\$ 4,028	\$ 16,199	\$ 4,611	\$ 3,839	\$ 4,144	\$ 3,605
EBIT										
Business Aircraft	\$ 430	\$ 145	\$ 80	\$ 108	\$ 97	\$ 394	\$ 129	\$ 87	\$ 99	\$ 79
Commercial Aircraft	(755)	(18)	4	(668)	(73)	(389)	(138)	(75)	(119)	(57)
Aerostructures and Engineering Services	146	—	35	65	46	81	7	33	26	15
Transportation	774	236	184	163	191	443	129	140	10	164
Corporate and Elimination	406	(21)	(36)	523	(60)	(230)	(54)	(52)	(73)	(51)
	1,001	342	267	191	201	299	73	133	(57)	150
Financing expense ⁽²⁾	712	261	147	163	162	801	279	181	198	159
Financing income ⁽²⁾	(106)	(33)	(25)	(31)	(38)	(56)	(21)	(14)	(12)	(25)
EBT	395	114	145	59	77	(446)	(185)	(34)	(243)	16
Income taxes	77	59	(4)	(11)	33	79	3	66	—	10
Net income (loss)	\$ 318	\$ 55	\$ 149	\$ 70	\$ 44	\$ (525)	\$ (188)	\$ (100)	\$ (243)	\$ 6
Attributable to										
Equity holders of Bombardier Inc.	\$ 232	\$ 15	\$ 111	\$ 68	\$ 38	\$ (494)	\$ (190)	\$ (83)	\$ (227)	\$ 6
NCI	86	40	38	2	6	(31)	2	(17)	(16)	—
	\$ 318	\$ 55	\$ 149	\$ 70	\$ 44	\$ (525)	\$ (188)	\$ (100)	\$ (243)	\$ 6
EPS (in dollars)										
Basic	\$ 0.10	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.01	\$ (0.24)	\$ (0.09)	\$ (0.04)	\$ (0.11)	\$ 0.00
Diluted	\$ 0.09	\$ 0.02	\$ 0.04	\$ 0.02	\$ 0.01	\$ (0.24)	\$ (0.09)	\$ (0.04)	\$ (0.11)	\$ 0.00
Market price range of Class B Subordinate Voting Shares (in Canadian dollars)										
High	\$ 5.58	\$ 4.71	\$ 5.58	\$ 5.36	\$ 4.16	\$ 3.24	\$ 3.24	\$ 2.67	\$ 2.67	\$ 2.76
Low	\$ 1.59	\$ 1.59	\$ 4.10	\$ 3.55	\$ 2.80	\$ 1.96	\$ 2.15	\$ 1.96	\$ 2.01	\$ 1.99

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ The amounts presented on a yearly basis may not correspond to the sum of the four quarters as certain reclassifications to quarterly figures to or from financing income and financing expense may be required on a cumulative basis.

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY

(in millions of U.S. dollars, except per share amounts and number of common shares)

For the fiscal years ended December 31	2018	2017	2016	2015	2014
		<i>restated⁽¹⁾</i>			
Revenues	\$ 16,236	\$ 16,199	\$ 16,339	\$ 18,172	\$ 20,111
EBIT before special items⁽²⁾	\$ 1,029	\$ 725	\$ 427	\$ 554	\$ 923
Special items	28	426	485	5,392	1,489
EBIT	1,001	299	(58)	(4,838)	(566)
Financing expense	712	801	819	418	249
Financing income	(106)	(56)	(70)	(70)	(75)
EBT	395	(446)	(807)	(5,186)	(740)
Income taxes	77	79	174	154	506
Net income (loss)	\$ 318	\$ (525)	\$ (981)	\$ (5,340)	\$ (1,246)
Attributable to					
Equity holders of Bombardier Inc.	\$ 232	\$ (494)	\$ (1,022)	\$ (5,347)	\$ (1,260)
NCI	\$ 86	\$ (31)	\$ 41	\$ 7	\$ 14
Adjusted net income (loss)⁽²⁾	\$ 438	\$ 91	\$ (268)	\$ 326	\$ 648
EPS (in dollars)					
Basic	\$ 0.10	\$ (0.24)	\$ (0.48)	\$ (2.58)	\$ (0.74)
Diluted	\$ 0.09	\$ (0.24)	\$ (0.48)	\$ (2.58)	\$ (0.74)
Adjusted ⁽²⁾	\$ 0.14	\$ 0.04	\$ (0.15)	\$ 0.14	\$ 0.35
General information					
Export revenues from Canada	\$ 5,803	\$ 6,498	\$ 6,383	\$ 7,335	\$ 8,086
Net additions to PP&E and intangible assets	\$ 415	\$ 1,317	\$ 1,201	\$ 1,862	\$ 1,964
Amortization	\$ 272	\$ 314	\$ 371	\$ 438	\$ 417
Impairment charges on PP&E and intangible assets	\$ 11	\$ 51	\$ 10	\$ 4,300	\$ 1,266
Dividend per common share (in Canadian dollars)					
Class A	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.10
Class B Subordinate Voting	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.10
Dividend per preferred share (in Canadian dollars)					
Series 2	\$ 0.90	\$ 0.72	\$ 0.68	\$ 0.70	\$ 0.75
Series 3	\$ 1.00	\$ 0.89	\$ 0.78	\$ 0.78	\$ 0.78
Series 4	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56
Market price ranges (in Canadian dollars)					
Class A Shares					
High	\$ 5.60	\$ 3.25	\$ 3.35	\$ 4.24	\$ 4.68
Low	\$ 1.70	\$ 1.87	\$ 0.89	\$ 1.18	\$ 3.30
Close	\$ 2.08	\$ 3.05	\$ 2.33	\$ 1.49	\$ 4.13
Class B Subordinate Voting Shares					
High	\$ 5.58	\$ 3.24	\$ 2.28	\$ 4.24	\$ 4.68
Low	\$ 1.59	\$ 1.96	\$ 0.72	\$ 1.03	\$ 3.41
Close	\$ 2.03	\$ 3.03	\$ 2.16	\$ 1.34	\$ 4.15
As at December 31		<i>restated⁽¹⁾</i>			
Number of common shares (in millions)	2,373	2,194	2,193	2,220	1,740
Book value per common share (in dollars)	\$ (2.63)	\$ (3.20)	\$ (2.95)	\$ (1.99)	\$ (0.18)

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.

⁽²⁾ Non-GAAP financial measures. Refer to the Non-GAAP financial measures for definitions of these metrics and reconciliations to the most comparable IFRS measures in 2018 and 2017.

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY (CONTINUED)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31	2018	2017	2016	2015	2014
		restated ⁽¹⁾	restated ⁽¹⁾		
Assets					
Cash and cash equivalents	\$ 3,187	\$ 2,988	\$ 3,384	\$ 2,720	\$ 2,489
Trade and other receivables	1,575	1,174	1,220	1,473	1,538
Contract assets	2,617	2,460	1,631	—	—
Inventories	4,402	3,429	4,286	6,978	7,970
Other financial assets	210	415	336	450	530
Other assets	357	427	427	484	592
Assets held for sale	—	4,150	—	—	—
Current assets	12,348	15,043	11,284	12,105	13,119
PP&E	1,557	1,696	1,949	2,061	2,092
Aerospace program tooling	4,519	3,581	5,174	3,975	6,823
Goodwill	1,948	2,042	1,855	1,978	2,127
Deferred income taxes	746	595	698	761	875
Investments in joint ventures and associates	2,211	491	332	356	294
Other financial assets	1,030	825	915	870	1,328
Other assets	599	643	588	797	956
Non-current assets	12,610	9,873	11,511	10,798	14,495
	\$ 24,958	\$ 24,916	\$ 22,795	\$ 22,903	\$ 27,614
Liabilities					
Trade and other payables	\$ 4,634	\$ 3,964	\$ 3,045	\$ 4,040	\$ 4,216
Provisions	1,390	1,630	1,542	1,108	990
Contract liabilities	4,262	3,820	3,840	—	—
Advances and progress billings in excess of long-term contract inventories	—	—	—	1,408	1,698
Advances on aerospace programs	—	—	—	2,002	3,339
Other financial liabilities	607	342	608	991	1,010
Other liabilities	1,499	1,723	1,634	2,274	2,182
Liabilities directly associated with assets held for sale	—	2,686	—	—	—
Current liabilities	12,392	14,165	10,669	11,823	13,435
Provisions	1,110	781	1,561	918	562
Contract liabilities	1,933	1,272	1,673	—	—
Advances on aerospace programs	—	—	—	1,534	1,608
Long-term debt	9,093	9,200	8,738	8,908	7,627
Retirement benefits	2,381	2,633	2,647	2,159	2,629
Other financial liabilities	1,526	965	999	619	602
Other liabilities	537	595	891	996	1,096
Non-current liabilities	16,580	15,446	16,509	15,134	14,124
	28,972	29,611	27,178	26,957	27,559
Equity (deficit)					
Attributable to equity holders of Bombardier Inc.	(5,563)	(6,608)	(6,054)	(4,067)	42
Attributable to NCI	1,549	1,913	1,671	13	13
	(4,014)	(4,695)	(4,383)	(4,054)	55
	\$ 24,958	\$ 24,916	\$ 22,795	\$ 22,903	\$ 27,614

⁽¹⁾ Due to the adoption of IFRS 15, *Revenue from contracts with customers*. Refer to the Accounting and reporting developments section in Other for detail regarding restatements of comparative period figures.