BOMBARDIER INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three-month period ended March 31, 2021

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

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

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership	FVTP&L	Fair value through profit and loss
BT Holdco	Bombardier Transportation (Investment) UK Limited	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CDPQ	Caisse de dépôt et placement du Québec	NCI	Non-controlling interest
DDHR	Derivative designated in a hedge relationship	OCI	Other comprehensive income (loss)
DSU	Deferred share unit	PP&E	Property, plant and equipment
EBIT	Earnings (loss) before financing expense, financing income and income taxes	PSU	Performance share unit
		R&D	Research and development
EBT	Earnings (loss) before income taxes	RSU	Restricted share unit
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	SG&A	Selling, general and administrative
		U.K.	United Kingdom
FVOCI	Fair value through other comprehensive income (loss)	U.S.	United States of America

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

		Three-month periods ended March 31	
	Notes	**2021**	2020 [1]
Revenues	2	**$ 1,341**	$ 1,522
Cost of sales	10	**1,157**	1,357
Gross margin		**184**	165
SG&A		**81**	113
R&D	3	**74**	50
Other income	4	**—**	(7)
Special items	5	**10**	(96)
EBIT		**19**	105
Financing expense	6	**290**	402
Financing income	6	**(24)**	(12)
EBT		**(247)**	(285)
Income taxes		**4**	(4)
Net loss from continuing operations		**$ (251)**	$ (281)
Net income from discontinued operations	17	**5,321**	81
Net income (loss)		**$ 5,070**	$ (200)
Attributable to			
Equity holders of Bombardier Inc.		**$ 5,041**	$ (258)
NCI[2]		**29**	58
		$ 5,070	$ (200)
Net income (loss) attributable to equity holders of Bombardier Inc.			
Continuing operations		**$ (251)**	$ (281)
Discontinued operations	17	**5,292**	23
		$ 5,041	$ (258)
EPS (in dollars)	7		
Continuing operations basic and diluted		**$ (0.10)**	$ (0.12)
Discontinued operations basic	17	**$ 2.18**	$ 0.01
Discontinued operations diluted	17	**$ 2.13**	$ 0.01
Total basic		**$ 2.08**	$ (0.11)
Total diluted		**$ 2.03**	$ (0.11)

[1] Restated for the sale of Transportation, refer to Note 17 – Disposal of business for more details.
[2] Net income attributable to NCI is related to discontinued operations, refer to Note 17 – Disposal of business.

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

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

	Three-month periods ended March 31	
	2021	2020
Net income (loss)	**$ 5,070**	$ (200)
OCI		
Items that may be reclassified to net income		
Net change in cash flow hedges		
Foreign exchange re-evaluation	**—**	(1)
Net gain (loss) on derivative financial instruments	**8**	(107)
Reclassification to income or to the related non-financial asset	**(16)**	15
Income taxes	**2**	32
	(6)	(61)
FVOCI financial assets		
Net unrealized gain (loss)	**(11)**	1
CCTD		
Net investments in foreign operations	**19**	(102)
Items that are never reclassified to net income		
FVOCI equity instruments		
Net unrealized gain (loss)	**1**	(10)
Retirement benefits		
Remeasurement of defined benefit plans	**559**	594
Income taxes	**—**	(23)
	559	571
Total OCI	**562**	399
Total comprehensive income	**$ 5,632**	$ 199
Attributable to		
Equity holders of Bombardier Inc.	**$ 5,642**	$ 174
NCI	**(10)**	25
	$ 5,632	$ 199
Total comprehensive income attributable to equity holders of Bombardier Inc.		
Continuing operations	**$ 311**	$ 62
Discontinued operations(1)	**5,331**	112
	$ 5,642	$ 174

(1) Refer to Note 17 – Disposal of business for more details.

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

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

	Notes		March 31 2021		December 31 2020
Assets					
Cash and cash equivalents		**$**	**3,153**	$	1,779
Trade and other receivables			**290**		294
Contract assets	9		**56**		61
Inventories	10		**3,595**		3,650
Other financial assets	11		**1,237**		227
Other assets	12		**196**		218
Assets held for sale	17		**—**		10,417
Current assets			**8,527**		16,646
PP&E			**662**		668
Aerospace program tooling			**4,333**		4,396
Deferred income taxes			**108**		111
Other financial assets	11		**923**		912
Other assets	12		**387**		357
Non-current assets			**6,413**		6,444
		$	**14,940**	$	23,090
Liabilities					
Trade and other payables		**$**	**1,711**	$	1,611
Provisions	13		**160**		146
Contract liabilities	9		**2,226**		2,356
Current portion of long-term debt	16		**2,004**		1,882
Other financial liabilities	14		**237**		239
Other liabilities	15		**410**		447
Liabilities directly associated with assets held for sale	17		**—**		10,146
Current liabilities			**6,748**		16,827
Provisions	13		**251**		289
Contract liabilities	9		**972**		1,219
Long-term debt	16		**7,332**		8,193
Retirement benefits			**1,118**		1,606
Other financial liabilities	14		**1,216**		1,225
Other liabilities	15		**364**		388
Non-current liabilities			**11,253**		12,920
			18,001		29,747
Equity (deficit)					
Attributable to equity holders of Bombardier Inc.			**(3,061)**		(9,325)
Attributable to NCI			**—**		2,668
			(3,061)		(6,657)
		$	**14,940**	$	23,090
Commitments and contingencies	21				

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at December 31, 2020	$ 347	$ 2,676	$ 73	$ (8,998)	$ (3,188)	$ 413	$ 20	$ (31)	$ (637)	$ (9,325)	$ 2,668	$ (6,657)
Total comprehensive income												
Net income	—	—	—	5,041	—	—	—	—	—	5,041	29	5,070
OCI	—	—	—	—	559	—	(10)	(6)	58	601	(39)	562
	—	—	—	5,041	559	—	(10)	(6)	58	5,642	(10)	5,632
Disposal of business[1]	—	—	—	—	—	—	—	58	564	622	(2,658)	(2,036)
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Shares distributed - PSU plans	—	2	—	—	—	(2)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	7	—	—	—	7	—	7
As at March 31, 2021	**$ 347**	**$ 2,678**	**$ 73**	**$ (3,964)**	**$ (2,629)**	**$ 418**	**$ 10**	**$ 21**	**$ (15)**	**$ (3,061)**	**$ —**	**$ (3,061)**
As at January 1, 2020	$ 347	$ 2,634	$ 343	$ (8,112)	$ (2,775)	$ 199	$ 9	$ (51)	$ (261)	$ (7,667)	$ 1,756	$ (5,911)
Total comprehensive income												
Net income (loss)	—	—	—	(258)	—	—	—	—	—	(258)	58	(200)
OCI	—	—	—	—	571	—	(9)	(61)	(69)	432	(33)	399
	—	—	—	(258)	571	—	(9)	(61)	(69)	174	25	199
Issuance of NCI[2]	—	—	—	—	—	—	—	—	—	—	386	386
Dividends	—	—	—	(6)	—	—	—	—	—	(6)	—	(6)
Cancellation of warrants[3]	—	—	(270)	—	—	230	—	—	—	(40)	—	(40)
Shares purchased - PSU plans	—	9	—	—	—	(9)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	7	—	—	—	7	—	7
As at March 31, 2020	$ 347	$ 2,643	$ 73	$ (8,376)	$ (2,204)	$ 427	$ —	$ (112)	$ (330)	$ (7,532)	$ 2,167	$ (5,365)

[1] Related to the sale of Transportation, refer to Note 17 – Disposal of business for more details.
[2] CDPQ made a capital injection of €350 million ($386 million) in BT Holdco.
[3] Following the sale of its remaining interests in ACLP, the Corporation cancelled the warrants held by Airbus.

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

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

	Notes		Three-month periods ended March 31 2021		2020
Operating activities					
Net loss from continuing operations		**$**	**(251)**	$	(281)
Net income from discontinuing operations			**5,321**		81
Non-cash items					
Amortization[1]			**94**		111
Impairment charges on PP&E			**3**		11
Deferred income taxes			**2**		35
Gains on disposal of investment in associate and businesses	17		**(5,335)**		(119)
Loss on disposals of PP&E and intangible assets	4		**1**		—
Share of income of joint ventures and associates	4		**(1)**		(12)
Share-based expense	18		**7**		7
Loss on repurchase of long-term debt	6		**76**		—
Dividends received from joint ventures and associates			**—**		2
Net change in non-cash balances	19		**(910)**		(1,378)
Cash flows from operating activities - total			**(993)**		(1,543)
Cash flows from operating activities - discontinued operations			**(621)**		(857)
Cash flows from operating activities - continuing operations			**(372)**		(686)
Investing activities					
Additions to PP&E and intangible assets			**(37)**		(99)
Proceeds from disposals of PP&E and intangible assets			**4**		—
Net proceeds from disposal of business	17		**2,909**		531
Deconsolidation of cash and cash equivalents related to Transportation	17		**(279)**		—
Investments in non-voting units of ACLP			**—**		(100)
Additions to restricted cash	11		**(477)**		—
Other			**22**		6
Cash flows from investing activities - total			**2,142**		338
Cash flows from investing activities - discontinued operations			**2,630**		(23)
Cash flows from investing activities - continuing operations			**(488)**		361
Financing activities					
Repayments of long-term debt	16		**(795)**		—
Net change in short-term borrowings related to Transportation			**365**		413
Payment of lease liabilities[2]			**(8)**		(26)
Dividends paid - Preferred shares			**(5)**		(5)
Issuance of NCI			**—**		386
Other			**1**		—
Cash flows from financing activities - total			**(442)**		768
Cash flows from financing activities - discontinued operations			**240**		788
Cash flows from financing activities - continuing operations			**(682)**		(20)
Effect of exchange rates on cash and cash equivalents			**(4)**		(123)
Net increase (decrease) in cash and cash equivalents - total			**703**		(560)
Cash and cash equivalents at beginning of period[3]- total			**2,450**		2,629
Cash and cash equivalents at end of period[3]		**$**	**3,153**	$	2,069
Supplemental information					
Cash paid for					
Interest		**$**	**129**	$	129
Income taxes		**$**	**2**	$	21
Cash received for					
Interest		**$**	**5**	$	12
Income taxes		**$**	**—**	$	1

(1) Includes $9 million representing amortization charge related to right-of-use of assets for the three-month period ended March 31, 2021 ($26 million for the three-month period ended March 31, 2020).
(2) Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for the three-month period ended March 31, 2021 amounted to $13 million ($37 million for the three-month period ended March 31, 2020).
(3) For the purpose of the statement of cash flows, cash and cash equivalents as at December 31, 2020 includes $671 million of cash reclassifed as asset held for sale related to the Transportation business (as at March 31, 2020 includes $43 million related to the aerostructure business).

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2021
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. (“the Corporation” or “our” or “we”) is incorporated under the laws of Canada. The Corporation is a manufacturer of business aircraft, as well as certain major aircraft structural components, and is a provider of related services.

Effective September 16, 2020, the Transportation business was classified as discontinued operations and comparative information for prior periods presented in the interim consolidated statement of income was restated. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom. Refer to Note 17 – Disposal of business for more details. Following the sale, the Corporation carries out its operations under one segment.

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s Financial Report for the fiscal year ended December 31, 2020.

In the current environment due to COVID-19 pandemic, the judgments, estimates and assumptions are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management.

These interim consolidated financial statements for the three-month period ended March 31, 2021 were authorized for issuance by the Board of Directors on May 5, 2021.

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

2. REVENUES

The Corporation's revenues by categories were as follows:

	Three-month periods ended March 31	
	2021	2020 [1]
Bombardier		
Business Aircraft		
Manufacturing and Other[2]	**$ 1,050**	$ 849
Services[3]	**269**	273
Aerostructures and Engineering Services[4]	**—**	180
Commercial Aircraft[5]	**—**	221
Others[6]	**22**	(1)
Total	**$ 1,341**	$ 1,522

[1] Restated, refer to Note 17 – Disposal of business for more details.
[2] Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
[3] Includes revenues from aftermarket services including parts, *Smart Services*, service centres, training and technical publication.
[4] Includes revenues related to Aerostructure prior to the disposal of the Aerostructure business on October 30, 2020.
[5] Includes revenues related to Commercial aircraft prior to the disposal of the CRJ businesses on June 1, 2020.
[6] Includes revenues from sale of components related to commercial aircraft programs.

3. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended March 31	
	2021	2020 [1]
R&D expenditures	**$ 10**	$ 35
Less: development expenditures capitalized to aerospace program tooling	**(5)**	(31)
	5	4
Add: amortization of aerospace program tooling	**69**	46
	$ 74	$ 50

[1] Restated, refer to Note 17 – Disposal of business for more details.

4. OTHER INCOME

Other income was as follows:

	Three-month periods ended March 31	
	2021	2020 [1]
Changes in estimates and fair value[2]	**$ 1**	$ (5)
Share of income of joint ventures and associates	**(1)**	(2)
Gain on sale of business	**(1)**	—
Loss on disposal of PP&E and intangible assets	**1**	—
	$ —	$ (7)

[1] Restated, refer to Note 17 – Disposal of business for more details.
[2] Includes net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding losses (gains) arising from changes in interest rates.

5. SPECIAL ITEMS

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

Special items were as follows:

	Three-month periods ended March 31	
	2021	2020 [1]
Loss on repayment of the senior secured term loan[2]	**$ 76**	$ —
Restructuring charges[3]	**23**	11
Gain on sale of EWIS[4]	**(13)**	—
Gain on exit of ACLP and related aerostructures activities[5]	**—**	(119)
Transaction costs[6]	**—**	12
Disruption costs[7]	**—**	4
Reversal of *Learjet 85* aircraft program cancellation provisions[8]	**—**	(4)
	$ 86	$ (96)
Of which is presented in		
Special items in EBIT	**$ 10**	$ (96)
Financing expense - loss on repayment of the senior secured term loan[2]	**76**	—
	$ 86	$ (96)

1. Restated, refer to Note 17 - Disposal of business for more details.
2. Represents the loss related to the repayment of the senior secured term loan, refer to Note 6 - Financing expense and Financing income and Note 16 - Long-term debt for more information.
3. For three-month period ended March 31, 2021, represents severance charges of $28 million, impairment of PP&E of $3 million, partly offset by $8 million of curtailment gains. For three-month period ended March 31, 2020, represents $11 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions.
4. The sale of the Corporation's Electrical Wiring and Interconnection Systems (EWIS) business in Mexico for a total net consideration of $37 million resulted in an accounting gain of $13 million for the three-month period ended March 31, 2021.
5. The sale of the Corporation's remaining interest in ACLP and its aerostructures activities supporting A220 and A330 resulted in a pre-tax accounting gain of $119 million for the three-month period ended March 31, 2020.
6. Represents direct and incremental costs incurred in respect of transactions for the sale of the Transportation business to Alstom SA and for the sale of CRJ business to MHI for the three-month period ended March 31, 2020.
7. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, $4 million were recorded as special items. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.
8. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $4 million for the three-month period ended March 31, 2020. The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

6. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended March 31	
	2021	2020 [1]
Financing expense		
Loss on repayment of the senior secured term loan[2]	**$ 76**	$ —
Net loss on certain financial instruments[3]	**—**	162
Changes in discount rates of provisions	**—**	20
Accretion on net retirement benefit obligations	**11**	13
Accretion on advances	**9**	9
Interest expense on lease liabilities	**6**	6
Accretion on other financial liabilities	**4**	15
Accretion on provisions	**1**	3
Other	**3**	8
	110	236
Interest on long-term debt, after effect of hedges	**180**	166
	$ 290	$ 402
Financing income		
Net gain on certain financial instruments[3]	**$ (19)**	$ —
Other	**—**	(5)
	(19)	(5)
Income from investment in securities	**(4)**	(2)
Interest on cash and cash equivalents	**(1)**	(4)
Interest on loans and lease receivables, after effect of hedges	**—**	(1)
	(5)	(7)
	$ (24)	$ (12)

(1) Restated, refer to Note 17 – Disposal of business for more details.
(2) Represents the loss related to the repayment of the senior secured term loan, which was reported as a special item. See Note 5 - Special items and Note 16 - Long-term debt for more information.
(3) Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

7. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

		Three-month periods ended March 31		
		2021		2020 (1)
(Number of shares, stock options, PSUs, RSUs, DSUs and warrants, in thousands)				
Net income (loss) attributable to equity holders of Bombardier Inc.				
Continuing operations	**$**	**(251)**	$	(281)
Discontinued operations		**5,292**		23
Preferred share dividends, including taxes		**(7)**		(6)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$**	**5,034**	$	(264)
Weighted-average number of common shares outstanding		**2,423,565**		2,398,860
Net effect of stock options, PSUs, RSUs, DSUs and warrants		**58,616**		—
Weighted-average diluted number of common shares		**2,482,181**		2,398,860
EPS (in dollars)				
Continuing operations basic and diluted	**$**	**(0.10)**	$	(0.12)
Discontinued operations basic		**2.18**		0.01
Discontinued operations diluted		**2.13**		0.01
Total basic	**$**	**2.08**	$	(0.11)
Total diluted	**$**	**2.03**	$	(0.11)

(1) Restated, refer to Note 17 – Disposal of business for more details.

The effect of the exercise of stock options, PSUs, RSUs, DSUs and warrants was included in the calculation of discontinued diluted EPS in the above table, except for 352,974,994 for the three-month period ended March 31, 2021 (474,110,706 for the three-month period ended March 31, 2020) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation’s Class B Shares (subordinate voting) or predetermined financial performance targets had not been met or the effect of the exercise would be antidilutive.

8. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	FVTP&L	Designated	FVOCI [1]	Amortized cost	DDHR	Total carrying value	Fair value
March 31, 2021							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 3,153**	**$ —**	**$ 3,153**	**$ 3,153**
Trade and other receivables	**—**	**—**	**—**	**290**	**—**	**290**	**290**
Other financial assets	**1,218**	**—**	**250**	**635**	**57**	**2,160**	**2,160**
	$ 1,218	**$ —**	**$ 250**	**$ 4,078**	**$ 57**	**$ 5,603**	**$ 5,603**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 1,711**	**$ —**	**$ 1,711**	**$ 1,711**
Long-term debt	**—**	**—**	**n/a**	**9,336**	**—**	**9,336**	**9,434**
Other financial liabilities	**5**	**632**	**n/a**	**812**	**4**	**1,453**	**1,469**
	$ 5	**$ 632**	**n/a**	**$ 11,859**	**$ 4**	**$ 12,500**	**$ 12,614**
December 31, 2020							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 1,779	$ —	$ 1,779	$ 1,779
Trade and other receivables	—	—	—	294	—	294	294
Other financial assets	664	—	266	140	69	1,139	1,139
	$ 664	$ —	$ 266	$ 2,213	$ 69	$ 3,212	$ 3,212
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 1,611	$ —	$ 1,611	$ 1,611
Long-term debt	—	—	n/a	10,075	—	10,075	9,812
Other financial liabilities	40	629	n/a	793	2	1,464	1,466
	$ 40	$ 629	n/a	$ 12,479	$ 2	$ 13,150	$ 12,889

[1] Includes investments in equity instruments designated at FVOCI.

n/a: Not applicable

9. CONTRACT BALANCES

Contract assets represent cost incurred and recorded margins on service contracts in the amount of $56 million and $61 million as at March 31, 2021 and December 31, 2020, respectively.

Contract liabilities were as follows, as at:

	March 31, 2021	December 31, 2020
Advances on aerospace programs	**$ 2,804**	$ 3,187
Other deferred revenues	**394**	388
	$ 3,198	$ 3,575
Of which current	**$ 2,226**	$ 2,356
Of which non-current	**972**	1,219
	$ 3,198	$ 3,575

10. INVENTORIES

Inventories were as follows, as at:

	March 31, 2021	December 31, 2020
Aerospace programs	**$ 3,173**	$ 3,254
Finished products(1)	**422**	396
	$ 3,595	$ 3,650

(1) Finished products include pre-owned aircraft, as at March 31, 2021 (nil as at December 31, 2020).

The amount of inventories recognized as cost of sales totaled $1,026 million for the three-month period ended March 31, 2021 ($1,167 million for the three-month period ended March 31, 2020). These amounts include $21 million of write-downs and $2 million of reversal of write-downs for the three-month period ended March 31, 2021 ($35 million of write-downs and nil of reversal of write-downs for the three-month period ended March 31, 2020).

For the three-month period ended March 31, 2021, the Corporation recorded wage subsidies in the amount of $34 million in cost of sales and $4 million in SG&A. As at March 31, 2021, there is an amount of $84 million remaining in inventory related to wage subsidies.

11. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

		March 31, 2021		December 31, 2020
Investments in securities[1]	$	817	$	266
Restricted cash[2]		560		89
Receivables from ACLP[3]		436		439
Investments in financing structures[4]		157		150
Derivative financial instruments		79		103
Balance of payment on disposal of investment in associate[5]		30		38
Aircraft loans[4]		29		32
Receivable from MHI[6]		16		18
Other		36		4
	$	2,160	$	1,139
Of which current	$	1,237	$	227
Of which non-current		923		912
	$	2,160	$	1,139

(1) Includes $567 million of Alstom shares as at March 31, 2021. See Note 17 – Disposal of business for more information.
(2) Includes cash collateral supporting various bank guarantees.
(3) This receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. See Note 14 – Other financial liabilities for more information.
(4) Following the sale of the CRJ business, the Corporation has retained a portion of those other financial assets and has a back-to-back agreement with MHI. See Note 14 – Other financial liabilities for more information.
(5) The balance of payment on disposal of investment in associate represents an amount owed by Stelia Aerospace.
(6) This receivable represents a back-to-back agreement that the Corporation has with MHI on lease subsidies of $10 million and certain other financial liabilities. See Note 14 – Other financial liabilities for more information.

12. OTHER ASSETS

Other assets were as follows, as at:

		March 31, 2021		December 31, 2020
Retirement benefits	$	150	$	75
Prepaid expenses		112		101
Prepaid sales concessions and deferred contract costs		98		124
Sales tax and other taxes		87		106
Intangible assets other than aerospace program tooling and goodwill		69		72
Receivable from MHI[1]		53		80
Other		14		17
	$	583	$	575
Of which current	$	196	$	218
Of which non-current		387		357
	$	583	$	575

(1) This receivable represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees provisions. See Note 13 - Provisions.

13. PROVISIONS

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

		Product warranties		Credit and residual value guarantees		Restructuring, severance and other termination benefits		Onerous contracts		Other[1]		Total
Balance as at December 31, 2020[2]	**$**	**154**	**$**	**80**	**$**	**5**	**$**	**111**	**$**	**85**	**$**	**435**
Additions		**10**		**—**		**22** [3]		**1**		**1**		**34**
Utilization		**(12)**		**—**		**(15)**		**(2)**		**(1)**		**(30)**
Reversals		**—**		**(27)**		**—**		**(1)**		**(1)**		**(29)**
Accretion expense		**—**		**—**		**—**		**1**		**—**		**1**
Effect of changes in discount rates		**—**		**—**		**—**		**—**		**—**		**—**
Balance as at March 31, 2021	**$**	**152**	**$**	**53** [4]	**$**	**12**	**$**	**110**	**$**	**84**	**$**	**411**
Of which current	**$**	**53**	**$**	**1**	**$**	**12**	**$**	**11**	**$**	**83**	**$**	**160**
Of which non-current		**99**		**52**		**—**		**99**		**1**		**251**
	$	**152**	**$**	**53**	**$**	**12**	**$**	**110**	**$**	**84**	**$**	**411**

		Product warranties		Credit and residual value guarantees		Restructuring, severance and other termination benefits		Onerous contracts		Other[1]		Total
Balance as at January 1, 2020	$	432	$	90	$	134	$	1,008	$	130	$	1,794
Additions		38		—		6 [3]		10		18		72
Utilization		(28)		—		(27)		(97)		(5)		(157)
Reversals		(6)		(3)		(12) [3]		(202) [5]		(1)		(224)
Accretion expense		1		1		—		1		—		3
Effect of changes in discount rates		1		2		—		17		—		20
Reclassified as liabilities directly associated with assets held for sale[6]		(8)		(90)		(2)		(306)		(24)		(430)
Effect of foreign currency exchange rate changes		(10)		—		(3)		(12)		(1)		(26)
Balance as at March 31, 2020	$	420	$	—	$	96	$	419	$	117	$	1,052
Of which current	$	321	$	—	$	95	$	351	$	89	$	856
Of which non-current		99		—		1		68		28		196
	$	420	$	—	$	96	$	419	$	117	$	1,052

[1] Mainly comprised of claims and litigations.
[2] Opening balances are after the assets held for sale reclassification related to the disposal of Transportation.
[3] See Note 5 – Special items for more details on additions and reversals related to restructuring charges.
[4] Following the sale of the CRJ business, the Corporation retains those provisions and has a back-to-back agreement with MHI. See Note 12 – Other Assets.
[5] Related to disposal of the Corporation’s remaining interest in ACLP and its aerostructures activities supporting A220 and A330 and the reversal of *Learjet 85* aircraft program cancellation provisions. See Note 5 – Special items for more details.
[6] Related to the disposal of the CRJ and the Aerostructure businesses.

14. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	March 31, 2021	December 31, 2020
Government refundable advances[1]	**$ 589**	$ 595
Lease liabilities	**227**	232
Credit and residual value guarantees payable	**204**	223
Liabilities related to RASPRO assets[2]	**158**	149
Vendor non-recurring costs	**72**	81
Payable to MHI[3]	**28**	30
Lease subsidies[4]	**10**	11
Derivative financial instruments	**9**	42
Other[5]	**156**	101
	$ 1,453	$ 1,464
Of which current	**$ 237**	$ 239
Of which non-current	**1,216**	1,225
	$ 1,453	$ 1,464

(1) Of which $436 million has a back-to-back agreement with ACLP ($439 million as at December 31, 2020). Refer to Note 11 - Other financial assets for the receivables from ACLP. The Corporation is required to pay amounts to governments based on the number of deliveries of aircraft.
(2) The Corporation has retained the regional aircraft securitization program assets (RASPRO) for which the Corporation has transferred the net beneficial interest through a back-to-back agreement with MHI. Refer to Note 11 - Other financial assets for more information.
(3) This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans. Refer to Note 11 - Other financial assets for more information.
(4) Following the sale of the CRJ business, the Corporation retained those lease subsidies and has a back-to-back agreement with MHI. Refer to Note 11 - Other financial assets for more information.
(5) Mainly represent liabilities related to various divestitures.

15. OTHER LIABILITIES

Other liabilities were as follows, as at:

	March 31, 2021	December 31, 2020
Supplier contributions to aerospace programs	**$ 318**	$ 332
Employee benefits	**229**	253
Income taxes payable	**31**	31
Other	**196**	219
	$ 774	$ 835
Of which current	**$ 410**	$ 447
Of which non-current	**364**	388
	$ 774	$ 835

16. LONG-TERM DEBT

On August 19, 2020, the Corporation closed the three-year $1.0 billion senior secured term loan (the "Facility") with HPS Investment Partners, LLC, acting as administrative agent, collateral agent and the lead lender for a group that included investment funds and accounts managed by HPS Investment Partners LLC and Apollo Capital Management, L.P., or their respective affiliates, and Special Opportunities and Direct Lending Funds managed by Ares Management LLC.

On February 19, 2021, the Corporation repaid the total outstanding balance of $750 million drawn on the Facility including all accrued interest and associated fees which resulted in a loss of $76 million recognized in Financing expense and financing income, see Note 6 - Financing expense and financing income and Note 5 - Special items for more information.

In April 2021, the Corporation repurchased and retired through a cash tender offer an amount of $956 million aggregate principal amount of the outstanding $1,018 million Notes due December 2021, $319 million aggregate principal amount of the outstanding $500 million Notes due March 2022 and $226 million aggregate principal amount of the outstanding $1,250 million Notes due January 2023, for a total consideration of $1,575 million.

On May 3, 2021, although the Corporation has not breached any covenant under its indentures, the Corporation commenced a consent solicitation process with respect to its outstanding indentures (the “Consent Solicitations”). In the Consent Solicitations, the Corporation is seeking consents from its noteholders (i) to amendments to the applicable Indenture to clarify that certain divestitures of non-core assets by the Corporation, including its transportation business, regional jet program and aerostructures division (the “Transactions”), are permitted by the applicable indenture and do not and will not give rise to any defaults, events of default or change of control under the applicable indenture and (ii) for the avoidance of doubt, to waive any default or event of default that is alleged to have, has or may have arisen under the applicable indenture in connection with, related to or as a result of the consummation or performance of the Transactions.

17. DISPOSAL OF BUSINESS

On September 16, 2020, the Corporation, Alstom and CDPQ and certain related parties signed a definitive sale and purchase agreement for the sale of the Transportation business through the sale of the entire issued share capital of BT Holdco. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

See Note 21- Commitments and contingencies for more information regarding the indemnities and guarantees related to the sale of Transportation.

The transaction resulted in a gain of $5,321 million reflected in net income from discontinued operations.

In addition, the Corporation announced on May 4, 2021 that it reached an agreement to sell approximately $0.6 billion worth of Alstom shares received by the Corporation as part of the proceeds from the sale of its Transportation business to Alstom, which closed on January 29, 2021. The sale is expected to complete on or about May 7, 2021.

The details of the impact of the transaction was as follows:

		January 29, 2021
Cash received	$	2,920
Alstom shares received		593
Less: Transaction costs		(52) [1]
Net Proceeds		3,461
Derecognition of assets, liabilities, CCTD and non-controlling interest		
Cash and cash equivalents		(279)
Other current assets		(5,226)
Non-current assets		(4,723)
Total assets		(10,228)
Current liabilities		8,585
Non-current liabilities		1,458
Total liabilities		10,043
CCTD		(564)
Non-controlling interest		2,658
Other		(49)
Gain on sale	$	5,321

[1] Of which $11 million was paid as of March 31, 2021.

Discontinued operations for comparative period

Transportation was classified as discontinued operations. The results of Transportation were as follows for the period:

		Three-month period ended March 31
		2020
Revenues	$	2,169
Cost of sales		1,996
Gross margin		173
SG&A		109
R&D		23
Share of income of joint ventures and associates		(10)
EBIT		51
Financing expense		23
Financing income		(81)
EBT		109
Income taxes		28
Net income from discontinued operations	$	81
EPS from discontinued operations(in dollars)		
Basic and diluted[1]	$	0.01

[1] For the total number of ordinary shares used in the calculation of basic and diluted EPS from discontinued operations, refer to Note 7 -Earnings per share.

Assets held for sale

The major classes of assets held for sale or liabilities directly associated with assets held for sale were as follows, as at:

		December 31, 2020
Cash and cash equivalents	$	671
Trade and other receivables		1,217
Contract assets[(1)]		3,260
PP&E		1,041
Goodwill		2,101
Investments in joint ventures and associates		626
Deferred income taxes		462
Other assets[(2)]		1,039
Total assets	$	10,417
Borrowings	$	798
Trade and other payables		2,831
Contract liabilities		2,749
Provisions		959
Retirement benefits		1,202
Other liabilities[(3)]		1,607
Total liabilities	$	10,146

[(1)] Includes $7,792 million of advances and progress billings.
[(2)] Mainly comprised of inventories, long-term contract receivables, derivative financial instruments and retirement benefit assets of $49 million.
[(3)] Mainly comprised of employee benefits, accruals for long-term contract costs, lease liabilities, derivative financial instruments and deferred income tax liability of $15 million.

Accumulated OCI was as follows as at:

		December 31, 2020
CCTD	$	(530)
Cash flow hedges		
Net loss on derivative financial instruments		(64)
Income taxes		6
		(58)
Retirement benefits		
Retirement benefits remeasurement		(961)
Income taxes		115
		(846)
Accumulated OCI	$	(1,434)

18. SHARE-BASED PLANS

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

						Three-month periods ended March 31
			2021			2020
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**47,491,033**	**984,494**	**126,742,045**	95,207,904	1,101,849	—
Vested	**(1,183,433)**	**—**	**—**	(5,044,471)	—	—
Exercised	**—**	**(19,246)**	**—**	—	(117,354)	—
Forfeited	**(8,328,491)**	**—**	**(64,590,274)** (2)	(3,373,707)	—	—
Balance at end of period	**37,979,109**	**965,248** (1)	**62,151,771**	86,789,726	984,495 (1)	—

(1) Of which 965,248 DSUs are vested as at March 31, 2021 (984,495 as at March 31, 2020).
(2) Of which 57,244,617 RSUs were cancelled following the sale of Transportation.

The compensation expense, excluding Transportation, with respect to the PSU, DSU and RSU plans, amounted to $5 million during the three-month period ended March 31, 2021 (compensation income, excluding Transportation, of $1 million during the three-month period ended March 31, 2020).

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

		Three-month periods ended March 31
	2021	2020
Balance at beginning of period	**134,061,653**	131,006,338
Forfeited	**(5,035,961)**	(367,398)
Expired	**(51,298)**	—
Balance at end of period	**128,974,394**	130,638,940

A compensation expense, excluding Transportation, of nil was recorded during the three-month period ended March 31, 2021, with respect to share option plans ($5 million, excluding Transportation, for the three-month period ended March 31, 2020).

19. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31	
	2021	2020 [(1)]
Trade and other receivables	**$ 3**	$ (88)
Inventories	**26**	(572)
Contract assets	**(197)**	(276)
Contract liabilities	**(377)**	(204)
Other financial assets and liabilities, net	**(401)**	23
Other assets	**(16)**	(94)
Trade and other payables	**47**	(26)
Provisions	**(44)**	(102)
Retirement benefit liability	**73**	102
Other liabilities	**(24)**	(141)
	$ (910)	$ (1,378)

(1) Includes net change in non-cash balances related to Transportation. Refer to Note 17 – Disposal of business.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Aircraft loans, investments in financing structures, receivable from MHI, liabilities related to RASPRO assets and payable to MHI – The Corporation uses internal valuation models based on stochastic simulations or discounted cash flow analysis to estimate fair value. Fair value is calculated using market data for interest rates, published credit ratings when available, yield curves and default probabilities. The Corporation uses market data to determine the marketability adjustments and also uses internal assumptions to take into account factors that market participants would consider when pricing these financial assets. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In addition, the Corporation uses aircraft residual value curves reflecting specific factors of the current aircraft market and a balanced market in the medium and long term. In connection with the sale of the CRJ business, the aircraft loans are included in a back-to-back agreement with MHI and for the investments in financing structures (RASPRO) the Corporation has transferred the net beneficial interest through a back-to-back agreement with MHI. The corresponding liabilities are measured using the same model.

Investments in securities – The Corporation uses discounted cash flow models to estimate the fair value of unquoted investments in fixed-income securities, using market data such as interest rates. For quoted investments, the Corporation uses quoted prices in active markets, adjusted if required.

Lease subsidies – The Corporation uses internal valuation models based on stochastic simulations or discounted cash flow analysis to estimate fair value of lease subsidies incurred in connection with the sale of commercial aircraft. Fair value is calculated using market data for interest rates, published credit ratings when available, default probabilities from rating agencies and the Corporation's credit spread. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In connection with the sale of the CRJ business, the lease subsidies are included in a back-to-back agreement with MHI, and the corresponding asset is measured using the same model.

Government refundable advances – The Corporation uses discounted cash flow analysis to estimate the fair value using market data for interest rates and credit spreads.

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

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

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

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

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

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

Fair value hierarchy

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at March 31, 2021:

	Total	Level 1	Level 2	Level 3
Financial assets				
Receivable from ACLP[1]	$ 436	$ —	$ —	$ 436
Investments in securities[2]	817	36	781	—
Investments in financing structures[3]	157	—	—	157
Derivative financial instruments[4]	79	—	79	—
Aircraft loans[5]	28	—	—	28
Receivable from MHI[6]	8	—	—	8
	$ 1,525	$ 36	$ 860	$ 629
Financial liabilities				
Liabilities related to RASPRO[3]	$ 158	$ —	$ —	$ 158
Payable to MHI[5]	28	—	—	28
Lease subsidies[6]	10	—	—	10
Government refundable advance [1]	436	—	—	436
Derivative financial instruments[4]	9	—	9	—
	$ 641	$ —	$ 9	$ 632

(1) The receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.
(2) Includes $567 million of Alstom shares, see Note 17 – Disposal of business for more information.
(3) The liabilities related to RASPRO includes a back-to-back agreement that the Corporation has with MHI related to the transfer of the net beneficial interest related to the investments in financing structures.
(4) Derivative financial instruments consist of forward foreign exchange contracts and interest-rate swap agreements.
(5) This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans.
(6) This receivable represents a back-to-back agreement that the Corporation has with MHI related to lease subsidies.

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

		Prepayment option
Balance as at December 31, 2020	$	**25**
Net gains and interest included in net income		**10**
Settlements		**(35)**
Balance as at March 31, 2021	**$**	**—**

		Aircraft loans and lease receivables		Investments in financing structures		Lease subsidies		Conversion option		Trade and other payables
Balance as at January 1, 2020	$	27	$	197	$	(41)	$	(325)	$	—
Net gains (losses) and interest included in net income		1		(4)		7		68		—
Issuances		—		—		—		—		(9)
Settlements		—		(22)		3		—		—
Effect of foreign currency exchange rate changes		—		—		—		6		—
Balance as at March 31, 2020	$	28	$	171	$	(31)	$	(251)	$	(9)
Reclassified as liabilities directly associated with assets held for sale[(1)]		(28)		(171)		31		—		—
Balance as at March 31, 2020	$	—	$	—	$	—	$	(251)	$	(9)

(1) Represents assets and liabilities reclassified as held for sale related to the sale of the CRJ program.

21. COMMITMENTS AND CONTINGENCIES

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

		March 31, 2021		December 31, 2020
Aircraft sales				
Residual value	**$**	**65**	$	72
Credit		**454**		473
Mutually exclusive exposure[(1)]		**(65)**		(65)
Total credit and residual value exposure	**$**	**454**	$	480
Trade-in commitments	**$**	**407**	$	330
Conditional repurchase obligations	**$**	**40**	$	40
Other[(2)]				
Credit	**$**	**—**	$	48

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

Provisions for anticipated losses amounting to $53 million as at March 31, 2021 ($80 million as at December 31, 2020) have been established to cover the risks from credit and residual value guarantees. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $10 million as at March 31, 2021 ($11 million as at December 31, 2020). The provisions for anticipated losses are expected to cover the Corporation's total credit and residual value exposure, after taking into account the anticipated proceeds from the sale of underlying aircraft and the extinguishment of certain lease subsidies obligations. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI.

In connection with the disposal of businesses and the disposal of investment in associate, the Corporation has entered into arrangements that include indemnities and guarantees which are typically limited as to their duration and maximum potential financial exposure to the Corporation. In connection with the sale of Transportation to Alstom, the Corporation was required to provide a €100 million ($117 million) bank guarantee in favour of Alstom to secure certain indemnities and guarantees obligations of the Corporation. Also the Corporation has agreed to an additional compliance-related indemnity. Under this indemnity, the Corporation is to indemnify Alstom or its affiliates for certain known compliance-related matters as well as for compliance-related violation or alleged violation (of any applicable laws or regulations, and including for any audits or other proceedings conducted by a governmental authority) arising within two years following the closing of the sale of Transportation to Alstom and relating to events which occurred prior to January 29, 2021. To secure this indemnity, the Corporation was required to provide a €250 million ($294 million) bank guarantee in favour of Alstom, the value of such guarantee will be reduced over time upon certain conditions or milestones being achieved.

Legal proceedings

In the normal course of operations, the Corporation is a defendant in certain legal proceedings before various courts or other tribunals including in relation to product liability and contractual disputes with customers and other third parties. The Corporation's approach is to vigorously defend its position in these matters.

While the Corporation cannot predict the final outcome of all legal proceedings pending as at March 31, 2021, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Sweden

Since the fourth quarter of 2016, the Swedish police authorities have been conducting an investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment and services to Azerbaijan Railways ADY (the "ADY Contract"). In October 2016, the Corporation launched an internal review into the allegations which is conducted by external forensic advisors, under the supervision of the General Counsel and external counsel. Both the investigation and the internal review are on-going. On August 18, 2017, charges were laid against a then employee of the Swedish subsidiary of the Corporation for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of the Corporation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed regarding all charges on October 25, 2017 by the Prosecution Authority. On June 19, 2019, the Prosecution Authority confirmed that the acquittal on charge of influence trafficking is no longer being appealed; accordingly, this acquittal on this charge stands as a final judgment. The case is still pending with the Swedish Court of Appeal with a likely scenario that the Swedish Court of Appeal will set a date for the appeal trial.

The ADY Contract is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is on-going. The Corporation's policy is to comply with all applicable laws and it is cooperating to the extent possible with the investigation and the audit. As reported publicly in the media, on November 15, 2018, the World Bank Integrity Vice Presidency ("INT") issued a 'show cause' letter to Bombardier, outlining INT's position regarding alleged collusion, corruption, fraud and obstruction in the ADY Contract. The Corporation was invited to respond to these preliminary findings and has done so. As the World Bank's audit process is governed by strict confidentiality requirements, the Corporation can only reiterate that it strongly disagrees with the allegations and preliminary conclusions contained in the letter.

On February 10, 2020, counsel assisting Bombardier with the World Bank Group audit received a letter from the U.S. Department of Justice (the "DOJ") requesting the communication of documents and information regarding the ADY Contract. Bombardier is cooperating with the DOJ's ongoing requests and is currently providing documents and information in response to same.

The Corporation's internal review about the reported allegations is on-going but based on information known to the Corporation at this time, there is no evidence that suggests a corrupt payment was made or offered to a public official or that any other criminal activity involving Bombardier took place.

While this matter relates to the Transportation business, which has been divested as part of the sale to Alstom on January 29, 2021, the Corporation remains involved in this legal proceeding and remains liable to Alstom, as acquirer of Transportation, in the event of any damage suffered in connection thereof.

Transnet

While this matter relates to the Transportation business, which has been divested as part of the sale to Alstom on January 29, 2021, the Corporation remains involved in this matter and remains liable to Alstom, as acquirer of Transportation, under certain circumstances.

The Corporation learned through various media reports of the appointment of a Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state (the “Zondo Commission”) for which the terms of reference were published by presidential proclamation on January 25, 2018. Before and after the creation of the Zondo Commission, the media reported allegations of irregularities with respect to multiple procurements regarding the supply of 1,064 locomotives by South African train operator Transnet Freight Rail. On September 7, 2018, Bombardier Transportation South Africa (Pty.) Ltd. (“BTSA”) was informed that the Special Investigation Unit (“SIU”), a forensic investigation agency under the Department of Justice in South Africa, had opened an investigation with respect to the acquisition of the 1064 locomotives by Transnet, in 2014.

On February 4, 2019, BTSA submitted a confidential written statement with supporting documents that sets out its position on public allegations. In December 2019, BTSA has made a further submission including affidavits. In June 2019, BTSA was requested by SIU to provide information and explanation about the costs of the relocation to Durban. Although the written statement previously communicated to the Zondo Commission could not be shared with SIU, BTSA did provide SIU with the information in its possession regarding the price evolution during tender phase, the relocation as well as explanation about the costs for same.

The Corporation conducted an internal review into the allegations by external advisors under the supervision of counsel. Based on information known to the Corporation at this time, there is no reason to believe that the Corporation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 TRAXX locomotives from Bombardier Transportation.

On January 11, 2021, counsel for Bombardier received an additional request from the DOJ for the communication of documents and information regarding contracts with Transnet and the Passenger Rail Agency of South Africa, and also about an alleged related sale of a Global 6000. Bombardier is cooperating with the DOJ’s ongoing requests.

Indonesia

In May 2020, the Indonesian Corruption Court convicted the former CEO of Garuda Indonesia (Persero) TBK and his associate of corruption and money laundering in connection with five procurement processes involving different manufacturers, including the 2011-2012 acquisition and lease of Bombardier CRJ1000 aircraft by Garuda Indonesia (Persero) TBK (the “Garuda Transactions”). No charges were laid against the Corporation or any of its directors, officers or employees. Shortly thereafter, the Corporation launched an internal review into the Garuda Transactions, which is being conducted by external counsel.

The Corporation understands that the U.K. Serious Fraud Office (“SFO”) has commenced a formal investigation into the same transactions. The Corporation has met with the SFO to discuss the status of the Corporation’s internal review and its potential assistance with the SFO investigation on a voluntary basis.

Both the SFO investigation and the internal review are on-going. In addition, on February 26, 2021, counsel for Bombardier received a request from the DOJ for the communication of documents and information regarding the Garuda Transactions.

Class action

On February 15, 2019, the Corporation was served with a Motion for authorization to bring an action pursuant to Section 225.4 of the Quebec Securities Act and application for authorization to institute a class action before the Superior Court of Québec in the district of Montréal against Bombardier Inc. and Messrs. Alain Bellemare and John Di Bert ("Motion") (formerly the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer, respectively, of Bombardier) to claim monetary damages in an unspecified amount in connection with alleged false and misleading representations about the Corporation's business, operations, revenues and free cash flow, including an alleged failure to make timely disclosure of material facts concerning its guidance for 2018. In the class action component of the Motion, the Plaintiff Denis Gauthier seeks to represent all persons and entities who have purchased or acquired Bombardier's securities during the period of August 2, 2018 to November 8, 2018, inclusively and held all or some of these securities until November 8, 2018. Both the action pursuant to the Quebec Securities Act and the class action require an authorization from the Court before they can move forward. Until they are authorized, there are no monetary claims pending against the defendants in the context of these Court proceedings.

Bombardier Inc. and Messrs. Bellemare and Di Bert are contesting this Motion. The Corporation's preliminary view at this juncture is that the possibility that these Court proceedings will cause the Corporation to incur material monetary liability appears to be remote.