BOMBARDIER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended
December 31, 2023 and 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and MD&A of Bombardier Inc. and all other information in the financial report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS as issued by the International Accounting Standards Board. The MD&A has been prepared in accordance with the requirements of Canadian Securities Administrators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects. Financial information presented in the MD&A is consistent with that in the consolidated financial statements.

Bombardier Inc.'s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed disclosure controls and procedures and internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to Bombardier Inc. has been made known to them; and information required to be disclosed in Bombardier Inc.'s filings is recorded, processed, summarized and reported within the time periods specified in Canadian securities legislation.

Bombardier Inc.'s CEO and CFO have also evaluated the effectiveness of Bombardier Inc.'s disclosure controls and procedures and internal controls over financial reporting as of the end of the fiscal year 2023. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures and internal controls over financial reporting were effective as of that date, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework). In addition, based on this assessment, they determined that there were no material weaknesses in internal control over financial reporting as of the end of the fiscal year 2023. In compliance with the Canadian Securities Administrators' National Instrument 52-109, Bombardier Inc.'s CEO and CFO have provided a certification related to Bombardier Inc.'s annual disclosure to the Canadian Securities Administrators, including the consolidated financial statements and MD&A.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and 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 meets periodically with management, as well as with the internal and independent auditors, to review the consolidated financial statements, independent auditors' report, MD&A, auditing matters and financial reporting issues, to discuss internal controls over the financial reporting process, and to satisfy itself that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management, to approve the fees of the independent auditors and to review and make recommendations to the Board of Directors with respect to the independence of the independent auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the consolidated financial statements and MD&A for issuance to shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditors have full and free access to the Audit Committee to discuss their audit and related matters.

Eric Martel	Bart Demosky
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

February 7, 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOMBARDIER INC.

Opinion

We have audited the consolidated financial statements of Bombardier Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of *Global* 7500 aircraft program tooling	
As at December 31, 2023, the net carrying value of aerospace program tooling amounted to $3,566 million, of which a significant portion related to the Global 7500 CGU. As stated in Note 3 of the notes to the consolidated financial statements, the recoverable amount of the Global 7500 CGU is based on its fair value less costs of disposal. The fair value measurement is categorized within Level 3 of the fair value hierarchy and is determined using forecasted future cash flows. We believe that the determination of the recoverable amount of the Global 7500 aircraft program tooling is a key audit matter given management’s estimates and judgments required in estimating the fair value less costs of disposal of the balances recorded in the consolidated financial statements. The key drivers of the forecasted 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, potential upgrades and post-tax discount rate.	To evaluate the appropriateness of the valuation of the Global 7500 CGU, our audit procedures included the following, among others: • Reviewed the impairment model prepared by management and assessed key assumptions used with internally or externally available evidence with the focus on 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 and potential upgrades; • Evaluated the Group’s post-tax discount rate with the assistance of our valuation specialists; • Agreed the underlying cash flows to the budget and strategic plan approved by the Board of Directors; • Evaluated the changes in the above-mentioned key assumptions, compared to the previous impairment assessment, as well as evaluated the absence of such changes; • Evaluated the historical accuracy of management's estimates by comparing them to actual performance; • Evaluated the information presented in Note 3 of the notes to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises:

- Management’s discussion and analysis
- The information, other than the consolidated financial statements and our auditor’s report thereon, in the Financial Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion & Analysis and the Financial Report prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zahid Fazal.

Ernst & Young LLP[1]

Ernst & Young LLP
Montréal, Canada
February 7, 2024

[1] CPA auditor, public accountancy permit no. A122227

CONSOLIDATED FINANCIAL STATEMENTS

For fiscal years 2023 and 2022
(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	FVOCI	Fair value through other comprehensive income
CCTD	Cumulative currency translation difference	FVTP&L	Fair value through profit and loss
CDPQ	Caisse de dépôt et placement du Québec	IAS	International Accounting Standard(s)
CGU	Cash generating unit	IASB	International Accounting Standards Board
DB	Defined benefit	IFRS	International Financial Reporting Standard(s)
DC	Defined contribution	MHI	Mitsubishi Heavy Industries, Ltd
DDHR	Derivative designated in a hedge relationship	n/a	Not applicable
DSU	Deferred share unit	OCI	Other comprehensive income (loss)
EBIT	Earnings (loss) before financing expense, financing income and income taxes	PP&E	Property, plant and equipment
		PSU	Performance share unit
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	R&D	Research and development
		RSU	Restricted share unit
		SG&A	Selling, general and administrative
EBT	Earnings (loss) before income taxes	SOFR	Secured Overnight Financing Rate
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	U.K.	United Kingdom
		U.S.	United States of America

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ended December 31
(in millions of U.S. dollars, except per share amounts)

	Notes		**2023**		2022
Revenues	4	**$**	**8,046**	$	6,913
Cost of sales	15		**6,415**		5,656
Gross margin			**1,631**		1,257
SG&A			**447**		395
R&D	5		**373**		360
Other expense (income)[1]	6		**15**		(13)
Restructuring charges[1][2]			**1**		8
Gain related to disposal of business[1][3]			**(81)**		(22)
Impairment and program termination[1][4]			**83**		(9)
EBIT			**793**		538
Financing expense	7		**594**		817
Financing income	7		**(202)**		(33)
EBT			**401**		(246)
Income taxes (recovery)	9		**(89)**		(118)
Net income (loss) from continuing operations			**490**		(128)
Net income (loss) from discontinued operations[5]			**(45)**		(20)
Net income (loss)		**$**	**445**	$	(148)
EPS (in dollars)	10				
Continuing operations - basic		**$**	**4.81**	$	(1.67)
Continuing operations - diluted		**$**	**4.70**	$	(1.67)
Discontinued operations - basic[5]		**$**	**(0.47)**	$	(0.21)
Discontinued operations - diluted[5]		**$**	**(0.46)**	$	(0.21)
Total basic		**$**	**4.34**	$	(1.88)
Total diluted		**$**	**4.24**	$	(1.88)

[1] Special items and certain items of other expense (income) were mainly reclassified to gain related to disposal of business, impairment and program termination, and restructuring charges, including comparative figures. See Note 37 - Reclassification for more information.
[2] Includes severance charges or related reversal as well as curtailment losses (gains), if any.
[3] Includes changes in provisions related to past divestitures.
[4] Includes impairment or reversal of impairment of PP&E and intangible assets, as well as provisions related to program termination or their related reversal, if any. For fiscal year 2023, includes impairment of $85 million related to an aircraft product upgrade, started in 2018 and paused in 2020.
[5] Discontinued operations are related to the sale of the Transportation business. The expenses recorded in discontinued operations for fiscal years 2023 and 2022 principally relate to change in estimates of a provision for professional fees.

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended December 31
(in millions of U.S. dollars)

	Notes		2023		2022
Net income (loss)		**$**	**445**	$	(148)
OCI					
Items that may be reclassified to net income					
Net change in cash flow hedges					
Net gain (loss) on derivative financial instruments			**63**		(93)
Reclassification to income or to the related non-financial asset(1)(2)			**52**		62
Income taxes recovery (expense)	9		**(31)**		8
			84		(23)
FVOCI financial assets					
Net unrealized gain (loss)			**22**		(19)
CCTD					
Net investments in foreign operations			**—**		—
Items that are never reclassified to net income					
FVOCI equity instruments					
Net unrealized loss			**(4)**		(7)
Retirement benefits					
Remeasurement of defined benefit plans	21		**(227)**		565
Total OCI			**(125)**		516
Total comprehensive income		**$**	**320**	$	368
Total comprehensive income (loss)					
Continuing operations		**$**	**365**	$	388
Discontinued operations(3)			**(45)**		(20)
		$	**320**	$	368

(1) Includes $44 million of gain reclassified to the related non-financial asset for fiscal year 2023 ($27 million of loss for fiscal year 2022).
(2) Includes $29 million of net deferred gain that is expected to be reclassified from OCI to the carrying amount of the related non-financial asset or to expense during fiscal year 2024.
(3) Discontinued operations are related to the sale of the Transportation business. The expenses recorded in discontinued operations for fiscal years 2023 and 2022 principally relate to change in estimates of a provision for professional fees.

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

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

	Notes	**December 31 2023**	December 31 2022
Assets			
Cash and cash equivalents	12	**$ 1,594**	$ 1,291
Trade and other receivables	13	**258**	252
Contract assets	14	**84**	67
Inventories	15	**3,768**	3,322
Other financial assets	17	**97**	472
Other assets	18	**133**	181
Current assets		**5,934**	5,585
PP&E	19	**1,375**	1,214
Aerospace program tooling	20	**3,566**	3,873
Deferred income taxes	9	**455**	381
Other financial assets	17	**757**	899
Other assets	18	**371**	372
Non-current assets		**6,524**	6,739
		$ 12,458	$ 12,324
Liabilities			
Trade and other payables	22	**$ 1,820**	$ 1,286
Provisions	23	**78**	82
Contract liabilities	14	**3,455**	3,290
Other financial liabilities	24	**148**	345
Other liabilities	25	**437**	434
Current liabilities		**5,938**	5,437
Provisions	23	**90**	152
Contract liabilities	14	**1,209**	1,444
Long-term debt	26	**5,607**	5,980
Retirement benefits	21	**803**	598
Other financial liabilities	24	**972**	1,207
Other liabilities	25	**243**	268
Non-current liabilities		**8,924**	9,649
		14,862	15,086
Equity (deficit)			
Attributable to equity holders of Bombardier Inc.		**(2,404)**	(2,762)
		$ 12,458	$ 12,324
Commitments and contingencies	36		

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

On behalf of the Board of Directors

Pierre Beaudoin
Director

Diane Giard
Director

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the fiscal years 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 gains (losses)	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total equity (deficit)
As at January 1, 2022	$ 347	$ 2,643	$ 11	$ (3,984)	$ (2,557)	$ 475	$ 13	$ (22)	$ (15)	$ (3,089)
Total comprehensive income (loss)										
Net loss	—	—	—	(148)	—	—	—	—	—	(148)
OCI	—	—	—	—	565	—	(26)	(23)	—	516
	—	—	—	(148)	565	—	(26)	(23)	—	368
Dividends - preferred shares, including taxes	—	—	—	(29)	—	—	—	—	—	(29)
Shares purchased - PSU/RSU plans[1]	—	(38)	—	—	—	—	—	—	—	(38)
Shares distributed - PSU plan	—	1	—	—	—	(1)	—	—	—	—
Cancellation of Class B shares	—	(5)	—	—	—	3	—	—	—	(2)
Options exercised	—	14	—	—	—	(4)	—	—	—	10
Share-based expense	—	—	—	—	—	18	—	—	—	18
As at December 31, 2022	$ 347	$ 2,615	$ 11	$ (4,161)	$ (1,992)	$ 491	$ (13)	$ (45)	$ (15)	$ (2,762)
Total comprehensive income (loss)										
Net income	—	—	—	445	—	—	—	—	—	445
OCI	—	—	—	—	(227)	—	18	84	—	(125)
	—	—	—	445	(227)	—	18	84	—	320
Dividends - preferred shares, including taxes	—	—	—	(31)	—	—	—	—	—	(31)
Shares purchased - PSU/RSU plans[1]	—	(20)	—	—	—	—	—	—	—	(20)
Shares distributed - RSU plan	—	12	—	—	—	(12)	—	—	—	—
Cancellation of Class B shares	—	(3)	—	—	—	(1)	—	—	—	(4)
Options exercised	—	103	—	—	—	(34)	—	—	—	69
Share-based expense	—	—	—	—	—	24	—	—	—	24
Expiration of warrants[2]	—	—	(11)	—	—	11	—	—	—	—
As at December 31, 2023	**$ 347**	**$ 2,707**	**$ —**	**$ (3,747)**	**$ (2,219)**	**$ 479**	**$ 5**	**$ 39**	**$ (15)**	**$ (2,404)**

(1) In fiscal year 2023, the Corporation purchased 0.5 million (1.6 million in fiscal year 2022) of Class B shares (subordinate voting) in order to satisfy future obligations under the Corporation's employee PSU and RSU plans. Refer to Note 27 – Share capital.

(2) In February 2023, 4 million of warrants held by CDPQ expired. Refer to Note 27 – Share capital.

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended December 31
(in millions of U.S. dollars)

	Notes	2023	2022
Operating activities			
Net income (loss) from continuing operations		**$ 490**	$ (128)
Net income (loss) from discontinued operations[1]		**(45)**	(20)
Non-cash items			
Amortization[2]	19,20	**431**	415
Impairment charges on intangible assets	20	**73**	3
Deferred income taxes (recovery)	9	**(105)**	(123)
Losses (gains) on disposals of PP&E and intangible assets	6	**1**	(1)
Share-based expense	28	**24**	18
Losses (gains) on repayment of long-term debt	7	**54**	(1)
Net change in non-cash balances	29	**(300)**	909
Cash flows from operating activities - total		**623**	1,072
Cash flows from operating activities - discontinued operations[1]		**—**	—
Cash flows from operating activities - continuing operations		**623**	1,072
Investing activities			
Additions to PP&E and intangible assets		**(366)**	(355)
Proceeds from disposals of PP&E and intangible assets		**—**	18
Changes to restricted cash	17	**390**	43
Sale of investments in securities		**133**	—
Other		**(39)**	(31)
Cash flows from investing activities - total		**118**	(325)
Cash flows from investing activities - discontinued operations[1]		**(38)**	(21)
Cash flows from investing activities - continuing operations		**156**	(304)
Financing activities			
Net proceeds from issuance of long-term debt	26	**1,478**	—
Repayments of long-term debt	26	**(1,903)**	(1,058)
Payment of lease liabilities[3]		**(36)**	(24)
Dividends paid - Preferred shares	27	**(22)**	(20)
Repurchase of Class B shares	27	**(4)**	(2)
Issuance of Class B shares		**69**	10
Purchase of Class B shares held in trust under the PSU and RSU plans	27,28	**(20)**	(38)
Cash flows from financing activities - total		**(438)**	(1,132)
Cash flows from financing activities - discontinued operations[1]		**—**	—
Cash flows from financing activities - continuing operations		**(438)**	(1,132)
Effect of exchange rates on cash and cash equivalents		**—**	1
Net increase (decrease) in cash and cash equivalents		**303**	(384)
Cash and cash equivalents at beginning of year	12	**1,291**	1,675
Cash and cash equivalents at end of year	12	**$ 1,594**	$ 1,291
Supplemental information[4][5]			
Cash paid for			
Interest		**$ 462**	$ 521
Income taxes		**$ 13**	$ 10
Cash received for			
Interest		**$ 39**	$ 23
Income taxes		**$ 1**	$ —

(1) Discontinued operations are related to the sale of the Transportation business. The expenses recorded in discontinued operations for fiscal years 2023 and 2022 principally relate to change in estimates of a provision for professional fees.
(2) Includes $31 million of amortization charge related to right-of-use of assets for fiscal year 2023 ($28 million for fiscal year 2022).
(3) 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 fiscal year 2023 amounted to $76 million ($53 million for fiscal year 2022).
(4) Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets, in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.
(5) Interest paid comprises interest on long-term debt excluding up-front costs paid related to the negotiation of debts or credit facilities, interest paid on lease liabilities and interest paid on extended payment terms for trade payables. Interest received comprises interest received related to cash and cash equivalents and investments in securities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended December 31, 2023 and 2022
(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.

The Corporation’s consolidated financial statements for fiscal years 2023 and 2022 were authorized for issuance by the Board of Directors on February 7, 2024.

Statement of compliance

The Corporation’s consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IFRS, as issued by the IASB.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

Basis of consolidation

***Subsidiaries* –** Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases.

The Corporation consolidates investees, including structured entities when, based on the evaluation of the substance of the relationship with the Corporation, it concludes that it controls the investees. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Corporation’s principal subsidiary, whose revenues or assets represent more than 10% of the revenues or more than 10% of the assets, is Learjet Inc. (located in U.S.).

Revenues and assets of this subsidiary combined with those of Bombardier Inc. totaled 93% of consolidated revenues and 93% of consolidated assets for fiscal year 2023 (92% and 90% for fiscal year 2022, respectively).

***Joint ventures* –** Joint ventures are those entities over which the Corporation exercises joint control, requiring unanimous consent of the parties sharing control of relevant activities such as strategic, financial and operating decision making and where the parties have rights to the net assets of the arrangement. The Corporation recognizes its interest in joint ventures using the equity method of accounting.

***Associates* –** Associates are entities in which the Corporation has the ability to exercise significant influence over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting.

Foreign currency translation

The consolidated financial statements are expressed in U.S. dollars, the functional currency of Bombardier Inc. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is mainly the U.S. dollar.

***Foreign currency transactions* –** Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in income except for exchange differences related to retirement benefits asset and liability, as well as financial liabilities designated as hedges of the Corporation’s net investments in foreign operations, which are recognized in OCI. Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined. Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

***Foreign operations* –** Assets and liabilities of foreign operations whose functional currency is other than the U.S. dollar are translated into U.S. dollars using closing exchange rates. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI and are reclassified in income on disposal or partial disposal of the investment in the related foreign operation.

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

	Exchange rates as at		Average exchange rates for fiscal years	
	December 31	December 31		
	2023	2022	**2023**	2022
Euro	**1.1062**	1.0662	**1.0813**	1.0544
Canadian dollar	**0.7559**	0.7381	**0.7411**	0.7691

Revenue recognition

Manufacturing and Other – Revenues from the sale of new aircraft are considered a single performance obligation and are recognized at delivery, which is the point in time when the customer has obtained control of the aircraft and the Corporation has satisfied its performance obligation. All costs incurred or to be incurred in connection with the sale, including warranty costs and sales incentives, are charged to cost of sales or as a deduction from revenues at the time revenue is recognized.

For the bill-and-hold arrangements in respect of new aircraft, if any, revenue is recognized when the customer has obtained control of the aircraft and the customer has requested the arrangement, the aircraft is separately identified as belonging to the customer, the aircraft is ready for physical transfer to the customer and the Corporation does not have the ability to use the product or direct it to another customer.

The Corporation accounts for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. There are certain orders related to aircraft 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.

Revenues from the sale of pre-owned aircraft are recognized at the point in time when the customer has obtained control of the promised asset and the Corporation has satisfied the performance obligation.

Services – Aftermarket services are generally recorded over time. 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. The expected benefits to be received are generally limited to the revenues from the associated contract. Spare parts are recognized at the point in time when the customer has obtained control of the promised asset and the Corporation has satisfied the performance obligation.

Other – Revenues earned by the Corporation on the sale of components related to commercial aircraft programs are recognized at delivery.

Contract balances

Contract related balances comprise of contract assets and contract liabilities presented separately in the consolidated statements of financial position.

Contract assets – Are recognized when goods or services are transferred to customers before consideration is received or before the Corporation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to receivables when the right of payment becomes unconditional. Contract assets comprise cost incurred and recorded margins in excess of progress billings on service contracts.

Contract liabilities – Are recognized when amounts are received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts. Contract liabilities comprise advances on aerospace programs and other deferred revenues related to operation and maintenance of systems.

A net position of contract asset or contract liability is determined for each contract. The cash flows in respect of advances are classified as cash flows from operating activities.

Government assistance and refundable advances

Government assistance, including wage subsidies and investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that the Corporation will comply with all relevant conditions. Government assistance related to the acquisition of inventories, PP&E and intangible assets is recorded as a reduction of the cost of the related asset. Government assistance related to incurred expenses is recorded as a reduction of the related expenses. Wage subsidies are recorded as a reduction of inventories or the related wage expenses.

Government refundable advances are recorded as a financial liability if there is reasonable assurance that the amount will be repaid. Government refundable advances are adjusted if there is a change in the number of aircraft to be delivered and the timing of delivery of aircraft. Government refundable advances provided to the Corporation to finance research and development activities on a risk-sharing basis are considered part of the Corporation's operating activities and are therefore presented as cash flows from operating activities in the statement of cash flows.

Income taxes

The Corporation applies the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred income tax assets and liabilities are recognized directly in income, OCI or equity based on the classification of the item to which they relate.

Earnings per share

Basic EPS is computed based on net income attributable to equity holders of Bombardier Inc. less dividends on preferred shares, including taxes, divided by the weighted-average number of Class A Shares (multiple voting) and Class B Shares (subordinate voting) outstanding during the fiscal year.

Diluted EPS is computed using the treasury stock method, giving effect to the exercise of all dilutive elements.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, trade and other receivables, investments in securities, receivable from MHI, receivable from ACLP, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade and other payables, long-term debt, lease liabilities, government refundable advances, credit and residual value guarantees payable, vendor non-recurring costs and derivative financial instruments with a negative fair value.

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 issuance 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) amortized 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.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Corporation has transferred its rights to receive cash flows from the asset and either: a) the Corporation has transferred substantially all the risks and rewards of the asset, or b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For transactions where it is not obvious whether the Corporation has transferred or retained substantially all the risks and rewards of ownership, the Corporation performs a quantitative analysis to compare its exposure to the variability in asset cash flows before and after the transfer. Judgment is applied in determining a number of reasonably possible scenarios that reflect the expected variability in the amount and timing of net cash flows, and then in assigning each scenario a probability with greater weighting being given to those outcomes which are considered more likely to occur.

When the transfer of a customer receivable results in the derecognition of the asset, the corresponding cash proceeds are classified as cash flows from operating activities.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

a) Financial instruments classified at amortized cost

Cash and cash equivalents – Cash and cash equivalents consist of cash and highly liquid investments held with investment-grade financial institutions and money market funds, with maturities of three months or less from the date of acquisition.

Other financial instruments – Trade and other receivables, restricted cash, receivable from MHI and certain other financial assets are all financial assets measured at amortized cost using the effective interest rate method less any impairment losses. Trade and other payables, long-term debt, certain government refundable advances, lease liabilities, vendor non-recurring costs and certain other financial liabilities are measured at amortized cost using the effective interest rate method.

Trade receivables as well as other financial assets are subject to impairment review. Trade receivables and contract assets are reviewed for impairment based on the simplified approach which measures the loss allowance at an amount equal to the lifetime expected credit losses. For other financial assets for which the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. For other financial assets for which the credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

b) Financial instruments designated as FVTP&L

Financial instruments may be designated on initial recognition as FVTP&L if either of the following criteria are met: (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or liability or recognizing the gains and losses on them on a different basis; or (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The Corporation has designated as FVTP&L, trade-in commitments and certain government refundable advances.

Subsequent changes in fair value of such financial instruments are recorded in other expense (income), except for the fair value changes arising from a change in interest rates which are recorded in financing expense or financing income.

c) Financial instruments classified as FVTP&L

Receivable from ACLP is required to be classified as FVTP&L.

Subsequent changes in fair value of such financial instruments are recorded in other expense (income), except for the fair value changes arising from a change in interest rates or when the instrument is held for investing purposes which are recorded in financing expense or financing income.

Derivative financial instruments – Derivative financial instruments are mainly used to manage the Corporation's exposure to foreign exchange market risks, generally through forward foreign exchange contracts. Derivative financial instruments include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts.

Derivative financial instruments are classified as FVTP&L, unless they are designated as hedging instruments for which hedge accounting is applied (see below). Changes in the fair value of derivative financial instruments not designated in a hedging relationship, excluding embedded derivatives, are recognized in cost of sales or financing expense or financing income, based on the nature of the exposure.

Embedded derivatives of the Corporation include call options. Call options that are not closely related to the host contract are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to net income using the effective interest method.

Upon initial recognition, the fair value of the foreign exchange instruments not designated in a hedge relationship is recognized in cost of sales. Subsequent changes in fair value of embedded derivatives are recorded in cost of sales, other expense (income) or financing expense or financing income, based on the nature of the exposure.

d) FVOCI financial assets

Investments in securities are classified as FVOCI. Investments in securities, excluding equity instruments, are accounted for at fair value with unrealized gains and losses included in OCI, except for impairment gains or losses and foreign exchange gains and losses on monetary investments, such as fixed income investments, which are recognized in income. Equity instruments, included in investments in securities, were designated, on initial recognition, at FVOCI, where the subsequent changes in the fair value are recognized in OCI with no recycling to net income. Dividend income is recognized in financing income.

Hedge accounting

Designation as a hedge is only allowed if, both at the inception of the hedge and throughout the hedge period, the changes in the fair value of the derivative and non-derivative hedging financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure.

The Corporation formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to forecasted cash flows or to a specific asset or liability. The Corporation also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are effective in offsetting the changes in the fair value or cash flows of the hedged items. The Corporation applies the below hedging strategies.

Cash flow hedges – The Corporation generally applies cash flow hedge accounting to forward foreign exchange contracts entered into to hedge foreign exchange risks on forecasted transactions and recognized assets and liabilities. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income as a reclassification adjustment when the hedged item affects net income. However, when an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in OCI are reclassified in the initial carrying amount of the related asset.

The Corporation hedges its foreign currency exposure using foreign exchange contracts. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probable forecast transaction (i.e. notional amount and expected payment date).

To test the hedge effectiveness, the Corporation uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks. The hedge ineffectiveness can arise due to the time value of money, under a spot designation, as the expected timing between the forecasted transaction and the forward contract are not aligned, due to different indexes, and changes to the forecasted amount of cash flow of hedged items and hedging instruments. The Corporation has established a hedge ratio of 1:1.

The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recorded as an adjustment of the cost or revenue of the related hedged item. Gains and losses on derivatives not designated in a hedge relationship and gains and losses on the ineffective portion of effective hedges are recorded in cost of sales or financing expense or financing income for the interest component of the derivatives or when the derivatives were entered into for interest rate management purposes.

Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.

Leases accounting

When the Corporation is the lessee – Leases are recognized as a right-of-use asset in PP&E and a corresponding lease liability in other financial liabilities at the date at which the leased asset is available for use by the Corporation. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment testing.

The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payment of penalties for termination of a lease when the lease term reflects the lessee exercising a termination option. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded in financing expense. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income.

The Corporation periodically enters into sale and leaseback transactions whereby the Corporation sells an asset to a lessor and immediately leases it back. In a sale and leaseback transaction the transfer of an asset is recognized as a sale when the customer has obtained control of the asset, otherwise the Corporation continues to recognize the transferred asset on the statement of financial position and records a financial liability equal to the proceeds transferred. When the transfer of an asset satisfies the Corporation’s revenue recognition policy to be accounted for as a sale, a partial recognition of the profit from the sale is recorded in revenue immediately after the sale, which is equivalent to the proportion of the asset not retained by the Corporation through the lease. The proportion of the asset retained by the Corporation through the lease is recognized as a right-of-use asset and the lease liability is generally measured as the present value of future lease payments. The portion of the proceeds related to the retained interest is classified as cash flow related to financing activities whereas the remainder is treated either as cash flow from operating activities or cash flow from investing activities depending on the nature of the asset sold.

Inventory valuation

Aerospace program and finished products – Aerospace program work in progress, raw materials and finished product inventories are valued at the lower of cost or net realizable value. Cost is generally determined using the unit cost method, except for the cost of spare part inventory that is determined using the moving average method. The cost of manufactured inventories comprises all costs that are directly attributable to the manufacturing process, such as materials, direct labour, manufacturing overhead, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs, except for raw materials for which it is determined using replacement cost. The Corporation estimates the net realizable value using both external and internal aircraft valuations, including information developed from the sale of similar aircraft in the secondary market.

Impairment of inventories – Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Retirement and other long-term employee benefits

Retirement benefit plans are classified as either defined benefit plans or defined contribution plans.

Defined benefit plans

Retirement benefit liability or asset recognized on the consolidated statement of financial position is measured as the difference between the present value of the defined benefit obligation and the fair value of plan asset at the reporting date. When the Corporation has a surplus in a defined benefit plan, the value of any plan asset recognized is restricted to the asset ceiling - i.e. the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ("asset ceiling test"). A minimum liability is recorded when legal minimum funding requirements for past services exceed economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. A constructive obligation is recorded as a defined benefit obligation when there is no realistic alternative but to pay employee benefits. Retirement benefit liability or asset includes the effect of any asset ceiling, minimum liability and constructive obligation.

The cost of pension and other benefits earned by employees is actuarially determined for most of the plans using the projected unit credit method, and management's best estimate of assumptions such as salary escalation, retirement ages, life expectancy, inflation, discount rates and health care costs, as applicable. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. These assets are measured at fair value at the end of the reporting period, which is based on published market mid-price information in the case of quoted securities. The discount rates are determined at each reporting date by reference to market yields at the end of the reporting period on high quality corporate fixed-income investments consistent with the currency and the estimated terms of the related retirement benefit liability. Past service costs (recoveries) are generally recognized in income at the latest of i) the date of the plan amendment or curtailment or ii) the date that the Corporation recognized the restructuring costs. When plan amendments, curtailments and settlements occur, the Corporation uses updated actuarial assumptions to determine current service cost and net interest for the period after the plan amendment, curtailment or settlement.

The remeasurement gains and losses (including the foreign exchange impact) arising on the plan assets and defined benefit obligation and the effect of any asset ceiling and minimum liability are recognized directly in OCI in the period in which they occur and are never reclassified to net income. Past service costs (credits) are recognized directly in income in the period in which they occur.

The accretion on net retirement benefit obligations is included in financing income or financing expense. The remaining components of the benefit cost are either capitalized as part of labor costs and included in inventories and in certain PP&E and intangible assets during their construction, or are recognized directly in income. The benefit cost recorded in net income is allocated to labor costs based on the function of the employee accruing the benefits.

Defined contribution plans

Contributions to defined contribution plans are either recognized in net income as incurred or are capitalized as part of labor costs and included in inventories and in certain PP&E and intangible assets during their construction. The benefit cost recorded in net income is allocated to labor costs based on the function of the employee accruing the benefits.

Other long-term employee benefits – The accounting method is similar to the method used for defined benefit plans, except that all actuarial gains and losses are recognized immediately in income. Other long-term employee benefits are included in other liabilities.

Property, plant and equipment

PP&E are carried at cost less accumulated amortization and impairment losses. The cost of an item of PP&E includes its purchase price or manufacturing cost, borrowing costs as well as other costs incurred in bringing the asset to its present location and condition. If the cost of certain components of an item of PP&E is significant in relation to the total cost of the item, the total cost is allocated between the various components, which are then separately depreciated over the estimated useful lives of each respective component. The amortization of PP&E is computed on a straight-line basis over the following useful lives:

Buildings	5 to 40 years
Equipment	2 to 20 years
Other	3 to 20 years

The amortization method and useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense and impairments are recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying asset or in impairment and program termination. Amortization of assets under construction begins when the asset is ready for its intended use.

When a significant part is replaced or a major inspection or overhaul is performed, its cost is recognized in the carrying amount of the PP&E if the recognition criteria are satisfied, and the carrying amount of the replaced part or previous inspection or overhaul is derecognized. All other repair and maintenance costs are charged to income when incurred.

Intangible assets

Internally generated intangible assets include development costs (such as aircraft prototype design and testing costs) and internally developed or modified application software. These costs are capitalized when certain criteria such as proven technical feasibility are met. The costs of internally generated intangible assets include the cost of materials, direct labour, manufacturing overheads and borrowing costs and exclude costs which were not necessary to create the asset, such as identified inefficiencies.

Acquired intangible assets include the cost of development activities carried out by vendors for which the Corporation controls the underlying output from the usage of the technology.

Intangible assets are recorded at cost less accumulated amortization and impairment losses and include aerospace program tooling, as well as other intangible assets such as goodwill, software and courseware. Other intangible assets are included in other assets.

Amortization of aerospace program tooling begins at the date of completion of the first aircraft of the program. Amortization of other intangibles begins when the asset is ready for its intended use. Amortization expense is recognized as follows:

	Method	Estimated useful life
Aerospace program tooling	Unit of production	Expected number of aircraft to be produced[1]
Other intangible assets	Straight-line	3 to 5 years

(1) As at December 31, 2023, the remaining number of units to fully amortize the aerospace program tooling is expected to be produced over the next 13 years.

The amortization methods and estimated useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense for aerospace program tooling is recorded in R&D expense and for other intangible assets is recorded in cost of sales, SG&A or R&D expense based on the function of the underlying asset.

The Corporation does not have indefinite-life intangible assets, other than goodwill. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Borrowing costs
Borrowing costs consist of interest on long-term debt and other costs that the Corporation incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset and are deducted from the financing expense to which they relate. The Corporation suspends the capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset. All other borrowing costs are expensed in the period they occur.

Impairment of PP&E, right-of-use assets and intangible assets
The Corporation assesses at each reporting date whether there are indicators that an item of PP&E, right-of-use asset or intangible asset may be impaired. If any indication exists based on internal and external factors, the Corporation estimates the recoverable amount of the individual asset, when possible.

When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the CGU level. Most of the Corporation's non-financial assets are tested for impairment at the CGU level. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

- The fair value less costs to sell reflects the amount the Corporation could obtain from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as discounted cash flow models.
- The value in use is calculated using estimated net cash flows, with detailed projections generally over a five-year period and subsequent years being extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

When the recoverable amount is less than the carrying value of the related asset or CGU, the related assets are written down to their recoverable amount and an impairment loss is recognized in net income.

For PP&E and intangible assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. A reversal of an impairment loss reflects an increase in the estimated service potential of an asset. The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset or CGU to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized to income in the same line item where the original impairment was recognized.

Intangible assets not yet available for use and goodwill are reviewed for impairment at least annually or more frequently if circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that the asset or CGU might be impaired. Impairment losses relating to goodwill are not reversed in future periods.

Provisions
Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. These liabilities are presented as provisions when they are of uncertain timing or amount. Provisions are measured at their present value.

Product warranties – A provision for assurance type warranties is recorded in cost of sales when the revenue for the related product is recognized. The interest component associated with product warranties, when applicable, is recorded in financing expense. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of products sold and in service and counter-warranty coverage available from the Corporation's suppliers. Claims for reimbursement from third parties are recorded if their realization is virtually certain. Product warranties typically range from one to five years.

Credit and residual value guarantees – Credit and residual value guarantees related to the sale of commercial aircraft are recorded at the amount the Corporation expects to pay under these guarantees when the revenue for the related product is recognized. Subsequent to initial recognition, changes in the value of these guarantees are recorded in other expense (income), except for the changes in value arising from a change in interest rates, which are recorded in financing expense or financing income. In connection with the sale of the CRJ business, credit and residual value guarantees provisions are included in a back-to-back agreement with MHI.

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.

Residual value guarantees provide protection, through contractually limited payments, to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value. In most cases, these guarantees are provided as part of a financing arrangement.

Restructuring provisions – Restructuring provisions are recognized only when the Corporation has an actual or a constructive obligation. The Corporation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

Onerous contracts – 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, a provision for onerous contracts is recorded in cost of sales, except for the interest component, which is recorded in financing expense. Unavoidable costs include the costs that relate directly to the contract such as 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. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Termination benefits – Termination benefits are usually paid when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to terminate the employment of current employees.

Environmental costs – A provision for environmental costs is recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Legal asset retirement obligations and environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in PP&E and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in cost of sales.

Litigation – A provision for litigation is recorded in case of legal actions, governmental investigations or proceedings when it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated.

Non-current assets (or disposal group) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or a disposal group, excluding finance costs and income tax expense.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

The assets and liabilities of a disposal group classified as held for sale are presented separately as current items in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net income (loss) after tax from discontinued operations in the consolidated statements of income.

Share-based payments

Equity-settled share-based payment plans – Equity-settled share-based payments are measured at fair value at the grant date. For the PSUs, DSUs and RSUs, the value of the compensation is measured based on the closing price of a Class B Share (subordinate voting) of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs, DSUs and RSUs that are expected to vest. For share option plans, the value of the compensation is measured using a Black-Scholes option pricing model. The effect of any change in the number of options, PSUs, DSUs and RSUs that are expected to vest is accounted for in the period in which the estimate is revised. Compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

Cash-settled share-based payments – Cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in income. Limited PSUs, DSUs and RSUs are cash-settled share-based payments, for which the value of the compensation is measured based on the closing price of a Class B Share (subordinate voting) of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs, DSUs and RSUs that are expected to vest.

Employee share purchase plan – The Corporation’s contributions to the employee share purchase plan are measured at cost and accounted for in the same manner as the related employee payroll costs. Compensation expense is recorded at the time of the employee contribution.

3. USE OF ESTIMATES AND JUDGMENT

The application of the Corporation’s accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. An accounting estimate and judgment 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.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses 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 could differ from the estimates used, and such differences could be material.

Management's 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. Management prepares 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 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. Management uses the budget and strategic plan, as well as additional projections or assumptions, to derive the expected results for periods thereafter. Management then tracks 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.

Aerospace program tooling – The Corporation assesses at each reporting date whether there are any indicators that Aerospace program tooling may be impaired. If any indicators of impairment exist, the Corporation estimates the recoverable amount of the relevant CGU. The assessment of indicators of impairment, and the calculation of recoverable amounts, when indicators exist, requires judgements, which are reviewed in detail as part of the budget and strategic plan process during the fourth quarter of 2023. For purposes of impairment testing, management also exercises judgment to identify independent cash inflows to identify CGUs by family of aircraft. In addition, estimation is required in the determination of the amortization of the Aerospace program tooling.

Internal and external factors are considered in assessing whether indicators of impairment exist. If indicators of impairment exist, the recoverable amounts of the relevant CGUs are determined on fair value less costs of disposal, which are determined using forecasted future cash flows. The fair value measurements are categorized within Level 3 of the fair value hierarchy since the inputs used in the discounted cash flow model are Level 3 inputs (inputs that are not based on observable market data). 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.

Internal and external factors are considered by management in exercising judgment in assessing whether indicators of impairment are present that would necessitate a quantitative impairment test. Factors include 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 aftermarket activities, procurement costs based on existing contracts with suppliers, future labor costs, general market conditions, foreign exchange rates, costs to complete the development activities, if any, potential upgrades and derivatives expected over the life of the program based on past experience with previous programs, and applicable long-range forecast income tax rates and a post-tax discount rate 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. The same factors are used to determine the recoverable amount, when there are indicators of impairment.

An impairment test was performed for the *Global 7500* in the fourth quarter of 2023, 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 2023.

An increase of 100-basis points in the discount rate used to perform the impairment test would not have resulted in an impairment charge in fiscal year 2023 for the *Global 7500* aircraft program.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates 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. Management exercises 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 profits and availability of prudent tax planning strategies. See Note 9 - 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 international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. The Corporation establishes tax provisions for possible consequences of audits by the tax authorities of each country in which it operates. 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.

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 such as 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-term 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 five 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 4 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 4 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.

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 21 – Retirement benefits for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

4. SEGMENT DISCLOSURE

The Corporation is structured under one reportable segment that designs, develops, manufactures and markets two families of business jets (*Challenger* and *Global)*, spanning from the mid-size to large categories. The Corporation also provides aftermarket support for both of these aircraft, as well as for the *Learjet* family of aircraft(1). The Corporation has developed an aftermarket and support network of service facilities, including wholly-owned service centers, mobile response teams, and provides dedicated aircraft parts availability sustained by parts facilities, including depots, hubs and repair facilities worldwide.

The Corporation's revenues by categories were as follows, for fiscal years:

		2023		2022
Business Aircraft				
Manufacturing and Other(2)	**$**	**6,261**	$	5,345
Services(3)		**1,748**		1,508
Others(4)		**37**		60
	$	**8,046**	$	6,913

(1) The Corporation delivered its last *Learjet* aircraft in the first quarter of 2022.
(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 centers, training and technical publications.
(4) Includes revenues from sale of components related to commercial aircraft programs.

The Corporation's revenues are allocated to countries based on the location of the customer, as follows for fiscal years:

	2023	2022
North America		
United States	**$ 5,089**	$ 3,386
Canada	**567**	346
Mexico	**64**	90
	5,720	3,822
Europe		
Isle of Man	**265**	99
Germany	**201**	327
United Kingdom	**184**	156
France	**149**	8
Sweden	**94**	3
Malta	**76**	49
Switzerland	**20**	633
Other	**463**	258
	1,452	1,533
Asia-Pacific		
Australia	**202**	20
India	**95**	199
China	**20**	86
Other	**148**	470
	465	775
Other		
Africa	**223**	127
Central America	**126**	135
Middle East	**28**	469
Other	**32**	52
	409	783
Total	**$ 8,046**	$ 6,913

The Corporation's PP&E, right-of-use assets and intangible assets are allocated[1] to countries, as follows:

	December 31 2023	December 31 2022
North America		
Canada	**$ 4,499**	$ 4,656
United States	**289**	274
Mexico	**45**	37
	4,833	4,967
Europe		
United Kingdom	**78**	80
Germany	**34**	34
Other	**4**	6
	116	120
Asia-Pacific		
Other	**70**	75
	$ 5,019	$ 5,162

[1] PP&E, right-of-use assets and intangible assets, excluding goodwill, are attributed to countries based on the location of the assets. Goodwill is attributed to countries based on the Corporation's allocation of the related purchase price.

5. RESEARCH AND DEVELOPMENT

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

		2023		2022
R&D expenditures	$	139	$	104
Less: development expenditures capitalized to aerospace program tooling		(96)		(73)
		43		31
Add: amortization of aerospace program tooling		330		329
	$	373	$	360

6. OTHER EXPENSE (INCOME)

Other expense (income)[1] was as follows, for fiscal years:

		2023		2022
System implementation related costs	$	20	$	—
Pension related items[2]		3		—
Losses (gains) on disposals of PP&E and intangible assets		1		(1)
Sale of assets		—		(7)
Other		(9)		(5)
	$	15	$	(13)

[1] Special items and certain items of other expense (income) were mainly reclassified to gain related to disposal of business, impairment and program termination, and restructuring charges, including comparative figures. See Note 37 - Reclassification for more information.

[2] Includes the loss related to the purchase of pension annuities. See Note 21 — Retirement benefits for more information.

7. FINANCING EXPENSE AND FINANCING INCOME

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

		2023			2022	
Financing expense						
Losses on repayments of long-term debt[1]	**$**	**54**		$	—	
Interest expense on lease liabilities		**40**			32	
Accretion on advances		**32**			26	
Accretion on other financial liabilities		**26**			31	
Accretion on net retirement benefit obligations		**25**			31	
Accretion on provisions		**2**			2	
Changes in discount rates of provisions		**1**			—	
Net loss on certain financial instruments[2]		**—**			228	
Other		**19**			4	
		199			354	
Interest on long-term debt		**395**			463	
	$	**594**	**[3]**	$	817	[3]
Financing income						
Net gain on certain financial instruments[2]	**$**	**(160)**		$	—	
Changes in discount rates of provisions		**—**			(2)	
Gains on repayment of long-term debt[1]		**—**			(1)	
Other		**(2)**			(9)	
		(162)			(12)	
Interest on cash and cash equivalents		**(35)**			(18)	
Income from investments in securities		**(5)**			(3)	
		(40)			(21)	
	$	**(202)**	**[4]**	$	(33)	[4]

(1) Represents the losses related to the full repayment of the Senior Notes due 2024 and 2025 and the partial repayment of the Senior Notes due 2026 and 2027 for fiscal year 2023 (the gains related to the partial repayment of the Senior Notes due 2024, 2025 and 2027 for fiscal year 2022). Refer to Note 26 – Long-term debt for more information.
(2) Net losses (gains) on certain financial instruments classified as FVTP&L, which includes call options on long-term debt.
(3) Of which $421 million represents the interest expense calculated using the effective interest rate method for financial liabilities classified as amortized cost for fiscal year 2023 ($494 million for fiscal year 2022).
(4) Of which $35 million represents the interest income calculated using the effective interest rate method for financial assets classified as amortized cost and FVOCI for fiscal year 2023 ($18 million for fiscal year 2022).

Borrowing costs capitalized to PP&E and intangible assets totaled $37 million for fiscal year 2023, using an average capitalization rate of 7.48% ($28 million and 7.52% for fiscal year 2022). Capitalized borrowing costs are deducted from the related interest on long-term debt or accretion on other financial liabilities, if any.

8. EMPLOYEE BENEFIT COSTS

Employee benefit costs[1] were as follows, for fiscal years:

	Notes		2023		2022
Wages, salaries and other employee benefits		**$**	**1,539**	$	1,362
Retirement benefits[2]	21		**127**		151
Share-based expense	28		**24**		19
		$	**1,690**	$	1,532

(1) Employee benefit costs include costs capitalized as part of the cost of inventories and other self-constructed assets and exclude the impact of the wage subsidies.
(2) Includes defined benefit and defined contribution plans.

9. INCOME TAXES

Analysis of income tax expense (recovery)
Details of income tax expense (recovery) were as follows, for fiscal years:

	2023	2022
Current income taxes	**$ 16**	$ 5
Deferred income taxes	**(105)**	(123)
	$ (89)	$ (118)

The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax recovery was as follows, for fiscal years:

	2023	**2022**
EBT	**$ 401**	$ (246)
Canadian statutory tax rate	**26.5 %**	26.5 %
Income tax expense (recovery) at statutory rate	**106**	(65)
Increase (decrease) resulting from:		
Recognition of previously unrecognized tax losses or temporary differences	**(237)**	(189)
Permanent differences	**(34)**	117
Write-down of deferred income tax assets	**62**	11
Non-recognition of tax benefits related to tax losses and temporary differences	**7**	10
Other	**7**	(2)
Income tax recovery	**$ (89)**	$ (118)
Effective tax rate	**(22.2)%**	48.0 %

The Corporation's applicable Canadian statutory tax rate is the Federal and Provincial combined tax rate applicable in the jurisdiction in which the Corporation operates.

Details of deferred income tax expense (recovery) were as follows, for fiscal years:

	2023	2022
Recognition of previously unrecognized tax losses or temporary differences	**$ (237)**	$ (189)
Write-down of deferred income tax assets	**62**	11
Origination and reversal of temporary differences	**63**	45
Non-recognition of tax benefits related to tax losses and temporary differences	**7**	10
	$ (105)	$ (123)

Deferred income taxes

The significant components of the Corporation's deferred income tax asset and liability were as follows, as at:

	December 31, 2023		December 31, 2022	
	Asset	**Liability**	Asset	Liability
Operating tax losses carried forward	**$ 2,253**	**$ —**	$ 2,325	$ —
Inventories	**591**	**—**	581	—
Intangible assets	**270**	**—**	212	—
Retirement benefits	**155**	**—**	97	—
Provisions	**123**	**—**	135	—
Contract liabilities	**80**	**—**	37	—
Other financial liabilities and other liabilities	**13**	**—**	33	—
PP&E	**8**	**—**	10	—
Other financial assets and other assets	**(9)**	**—**	12	—
Other	**16**	**—**	38	—
	3,500	**—**	3,480	—
Unrecognized deferred tax assets	**(3,045)**	**—**	(3,099)	—
	$ 455	**$ —**	$ 381	$ —

The changes in the net deferred income tax asset were as follows, for the fiscal years:

	2023	2022
Balance at beginning of year, net	**$ 381**	$ 250
In net income	**105**	123
In OCI		
Cash flow hedges	**(31)**	8
Balance at end of year, net	**$ 455**	$ 381

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $11,614 million as at December 31, 2023, of which $565 million relates to retirement benefits that will reverse through OCI ($11,623 million as at December 31, 2022 of which $342 million relates to retirement benefits that will reverse through OCI). Of these amounts, approximately $3,098 million as at December 31, 2023 has no expiration date ($3,519 million as at December 31, 2022) and approximately $151 million relates to the Corporation's operations in U.K. where a minimum income tax is payable on 50% of taxable income ($136 million as at December 31, 2022), $137 million relates to the Corporation's operations in Germany where a minimum income tax is payable on 40% of taxable income ($131 million as at December 31, 2022) and $9 million relates to the Corporation's operations in France where a minimum income tax is payable on 50% of taxable income ($7 million as at December 31, 2022).

In addition, the Corporation has $1,072 million of unused investment tax credits which has not been recognized, most of which can be carried forward for 20 years and $1,047 million of net capital losses carried forward for which deferred tax assets have not been recognized ($1,076 million and $1,115 million as at December 31, 2022). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

Net deferred tax assets of $359 million were recognized as at December 31, 2023 ($356 million as at December 31, 2022) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical income, projections for future income, and prudent tax planning strategies, management believes it is probable the Corporation will realize the benefits of these deductible differences and operating tax losses carried forward. See Note 3 – Use of estimates and judgment for more information on how the Corporation determines the extent to which deferred income tax assets are recognized.

No deferred tax liabilities have been recognized on undistributed earnings of the Corporation's foreign subsidiaries, joint ventures and associates when they are considered to be indefinitely reinvested, as the Corporation has control or joint control over the dividend policy, unless it is probable that these temporary differences will reverse. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to corporation and/or withholding taxes. Taxable temporary differences for which a deferred tax liability was not recognized amount to approximately $10 million as at December 31, 2023 and as at December 31, 2022.

International Tax Reform - Pillar two model rules
In May 2023, the IASB amended IAS 12, Income taxes, for the International tax reform - Pillar two Model Rules. The amendments to IAS 12 have been introduced in response to the Organization for Economic Co-operation and Development's BEPS Pillar Two rules and include a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities. The mandatory temporary exception and disclosure requirements apply immediately for annual reporting periods beginning on or after January 1, 2023, which have been adopted by the Corporation as at December 31, 2023. The adoption of this amendment, the enactment of the Pillar Two legislation in the UK and the proposed Pillar Two legislation in certain jurisdictions the Corporation operates in is not expected to have a significant impact on the consolidated financial statements of the Corporation.

10. EARNINGS PER SHARE

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

		2023		2022
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants in thousands)				
Net income (loss)				
Continuing operations	**$**	**490**	$	(128)
Discontinued operations[1]		**(45)**		(20)
Preferred share dividends, including taxes		**(31)**		(29)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$**	**414**	$	(177)
Weighted-average number of common shares outstanding		**95,531**		94,496
Net effect of stock options, PSUs, DSUs, RSUs and warrants		**2,190**		—
Weighted-average diluted number of common shares		**97,721**		94,496
EPS (in dollars)				
Continuing operations - basic	**$**	**4.81**	$	(1.67)
Continuing operations - diluted	**$**	**4.70**	$	(1.67)
Discontinued operations - basic[1]	**$**	**(0.47)**	$	(0.21)
Discontinued operations - diluted[1]	**$**	**(0.46)**	$	(0.21)
Total basic	**$**	**4.34**	$	(1.88)
Total diluted	**$**	**4.24**	$	(1.88)

[1] Discontinued operations are related to the sale of the Transportation business. The expenses recorded in discontinued operations for fiscal years 2023 and 2022 principally relate to change in estimates of a provision for professional fees.

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 2,668,784 for fiscal year 2023 (12,056,358 for fiscal year 2022) 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.

11. FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments recognized in income were as follows, for fiscal years:

		2023		2022
Financial instruments measured at amortized cost				
Financial assets - expected credit loss allowance (impairment charges)	**$**	**(5)**	$	(5)
Interest on cash and cash equivalents	**$**	**35**	$	18
Financial instruments measured at fair value				
Required to be classified as FVTP&L				
Embedded derivatives and other	**$**	**160**	$	(228)

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

	FVTP&L					
	FVTP&L	Designated	FVOCI[(1)]	Amortized cost	DDHR	Total carrying value	Fair value
December 31, 2023							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 1,594**	**$ —**	**$ 1,594**	**$ 1,594**
Trade and other receivables	**—**	**—**	**—**	**258**	**—**	**258**	**258**
Other financial assets	**575**	**—**	**109**	**112**	**58**	**854**	**854**
	$ 575	**$ —**	**$ 109**	**$ 1,964**	**$ 58**	**$ 2,706**	**$ 2,706**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 1,820**	**$ —**	**$ 1,820**	**$ 1,820**
Long-term debt	**—**	**—**	**n/a**	**5,607**	**—**	**5,607**	**5,746**
Other financial liabilities	**1**	**359**	**n/a**	**753**	**7**	**1,120**	**1,129**
	$ 1	**$ 359**	**n/a**	**$ 8,180**	**$ 7**	**$ 8,547**	**$ 8,695**
December 31, 2022							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 1,291	$ —	$ 1,291	$ 1,291
Trade and other receivables	—	—	—	252	—	252	252
Other financial assets	606	—	235	522	8	1,371	1,371
	$ 606	$ —	$ 235	$ 2,065	$ 8	$ 2,914	$ 2,914
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 1,286	$ —	$ 1,286	$ 1,286
Long-term debt	—	—	n/a	5,980	—	5,980	5,875
Other financial liabilities	1	547	n/a	917	87	1,552	1,558
	$ 1	$ 547	n/a	$ 8,183	$ 87	$ 8,818	$ 8,719

(1) Includes investments in equity instruments designated at FVOCI.

Offsetting financial assets and financial liabilities

The Corporation is subject to enforceable master netting agreements related mainly to its derivative financial instruments and cash and cash equivalents which contain a right of set-off in case of default, insolvency or bankruptcy. The amounts that are subject to the enforceable master netting agreements, but which do not meet some or all of the offsetting criteria, are as follows as at:

Description of recognized financial assets and liabilities		Amount recognized in the financial statements		Amounts subject to master netting agreements		Net amount not subject to master netting agreements
December 31, 2023						
Derivative financial instruments - assets	**$**	**274**	**$**	**(8)**	**$**	**266**
Derivative financial instruments - liabilities	**$**	**(8)**	**$**	**8**	**$**	**—**
Cash and cash equivalents	**$**	**1,594**	**$**	**—**	**$**	**1,594**
December 31, 2022						
Derivative financial instruments - assets	$	69	$	(13)	$	56
Derivative financial instruments - liabilities	$	(88)	$	43	$	(45)
Cash and cash equivalents	$	1,291	$	(30)	$	1,261

Derivatives and hedging activities

The carrying amounts of all derivative were as follows, as at:

		December 31, 2023				December 31, 2022		
		Assets		**Liabilities**		Assets		Liabilities
Derivative financial instruments designated as cash flow hedges[1]								
Forward foreign exchange contracts	**$**	**58**	**$**	**7**	$	8	$	87
Derivative financial instruments classified as FVTP&L[2]								
Forward foreign exchange contracts		**12**		**1**		5		1
Embedded derivative financial instruments								
Call options on long-term debt		**204**		**—**		56		—
		216		**1**		61		1
Total derivative financial instruments	**$**	**274**	**$**	**8**	$	69	$	88

(1) The maximum length of time of derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 24 months as at December 31, 2023.
(2) Held as economic hedges, except for embedded derivative financial instruments.

The methods and assumptions used to measure the fair value of financial instruments are described in Note 33 – Fair value of financial instruments.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

	December 31, 2023		December 31, 2022	
Cash	**$**	**264**	$	693
Cash equivalents				
Money market funds		**1,319**		598
Term deposits		**11**		—
Cash and cash equivalents	**$**	**1,594**	$	1,291

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

					Past due but not impaired					
		Total		**Not past due**		**less than 90 days**		**more than 90 days**		**Impaired** (2)
December 31, 2023(1)										
Trade receivables, gross	**$**	**256**	**$**	**183**	**$**	**51**	**$**	**5**	**$**	**17**
Allowance for doubtful accounts		**(5)**		**—**		**—**		**—**		**(5)**
		251	**$**	**183**	**$**	**51**	**$**	**5**	**$**	**12**
Other		**7**								
Total	**$**	**258**								
December 31, 2022(1)										
Trade receivables, gross	$	257	$	190	$	43	$	9	$	15
Allowance for doubtful accounts		(12)		—		—		—		(12)
		245	$	190	$	43	$	9	$	3
Other		7								
Total	$	252								

(1) Of which $21 million and $13 million are denominated in Euros and other foreign currencies, respectively, as at December 31, 2023 ($14 million and $18 million, respectively, as at December 31, 2022).
(2) Of which a gross amount of $2 million of trade receivables are individually impaired as at December 31, 2023 ($10 million as at December 31, 2022).

The factors that the Corporation considers to classify trade receivables as impaired are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears. Further information on financial risk is provided in Note 32 – Financial risk management.

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows, for fiscal years:

	2023		2022	
Balance at beginning of year	**$**	**(12)**	$	(22)
Provision for doubtful accounts		**(5)**		(5)
Amounts written-off		**10**		6
Recoveries		**2**		9
Balance at end of year	**$**	**(5)**	$	(12)

14. CONTRACT BALANCES

Contract assets represent cost incurred and recorded margins on service contracts in the amount of $84 million and $67 million as at December 31, 2023 and December 31, 2022, respectively.

Contract liabilities were as follows, as at:

	December 31, 2023	December 31, 2022
Advances on aerospace programs	**$ 4,225**	$ 4,306
Long-term service contracts deferred revenues	**277**	265
Other deferred revenues	**162**	163
	$ 4,664	$ 4,734
Of which current	**$ 3,455**	$ 3,290
Of which non-current	**1,209**	1,444
	$ 4,664	$ 4,734

Revenues recognized were as follows, for fiscal years:

	2023	2022
Revenue recognized from:		
Contract liability balance at the beginning of the year		
Advances on aerospace programs	**$ 3,138**	$ 2,467
	$ 3,138	$ 2,467

15. INVENTORIES

Inventories were as follows, as at:

	December 31, 2023	December 31, 2022
Aerospace programs	**$ 3,159**	$ 2,826
Finished products	**609**	496
	$ 3,768	$ 3,322

The amount of inventories recognized as cost of sales totaled $5,644 million for fiscal year 2023 ($4,898 million for fiscal year 2022). This amount includes $41 million of write-downs for fiscal year 2023 ($27 million for fiscal year 2022) and $1 million of reversal of write-downs for fiscal year 2023 ($7 million for fiscal year 2022).

16. BACKLOG

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as we perform under contracts at delivery or recognized over time. The amounts disclosed below represent the value of firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include unexercised options or letters of intent.

Revenues from continuing operations expected to be recognized in:

(In billions of $)	December 31, 2023	December 31, 2022
Less than 24 months	**$ 10.0**	$ 10.5
Thereafter	**4.2**	4.3
Total	**$ 14.2**	$ 14.8

17. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	December 31, 2023	December 31, 2022
Receivable from ACLP[1]	$ 359	$ 341
Derivative financial instruments[2]	274	69
Investments in securities[3]	109	235
Restricted cash[4]	77	478
Receivable from MHI[5]	29	26
Investments in financing structures[6]	—	204
Other	6	18
	$ 854	$ 1,371
Of which current	$ 97	$ 472
Of which non-current	757	899
	$ 854	$ 1,371

(1) This receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. See Note 24 – Other financial liabilities for more information.
(2) See Note 11 – Financial instruments.
(3) Includes nil of equity instruments designated at FVOCI as at December 31, 2023 ($38 million as at December 31, 2022).
(4) Includes cash collateral supporting various bank guarantees. In January 2023, the bank guarantees issued in connection with the sale of Transportation to Alstom expired without being drawn and the restricted cash collateralized against these guarantees was released to the Corporation.
(5) This receivable represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees payable of $29 million as at December 31, 2023 ($26 million as at December 31, 2022). See Note 24 – Other financial liabilities for more information.
(6) Following the sale of the CRJ business, the Corporation had previously retained a portion of these other financial assets and had a back-to-back agreement with MHI. In fiscal year 2023, the Corporation has transferred the legal title of these assets and MHI has assumed the related liabilities. See Note 24 – Other financial liabilities for more information.

18. OTHER ASSETS

Other assets were as follows, as at:

	December 31, 2023	December 31, 2022
Prepaid expenses	$ 175	$ 131
Retirement benefits[1]	143	180
Sales tax and other taxes	87	90
Intangible assets other than aerospace program tooling[2]	78	75
Prepaid sales concessions and deferred contract costs	8	15
Other[3]	13	62
	$ 504	$ 553
Of which current	$ 133	$ 181
Of which non-current	371	372
	$ 504	$ 553

(1) See Note 21 – Retirement benefits.
(2) See Note 20 – Intangible assets.
(3) Includes $2 million of receivable from MHI that represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees provisions as at December 31, 2023 ($1 million as at December 31, 2022). See Note 23 – Provisions.

19. PROPERTY, PLANT AND EQUIPMENT

PP&E were as follows, as at:

	Land	Buildings	Equipment	Construction in progress	Other	Total	Right-of-use assets	Total
Cost								
Balance as at December 31, 2022	**$ 18**	**$ 809**	**$ 586**	**$ 392**	**$ 9**	**$ 1,814**	**$ 545**	**$ 2,359**
Additions	**—**	**—**	**81**	**240**	**32**	**353**	**28**	**381**
Disposals	**—**	**(1)**	**(130)**	**—**	**—**	**(131)**	**(11)**	**(142)**
Transfers	**(2)**	**392**	**96**	**(486)**	**1**	**1**	**(1)**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
Balance as at December 31, 2023	**$ 16**	**$ 1,200**	**$ 633**	**$ 146**	**$ 42**	**$ 2,037**	**$ 562**	**$ 2,599**
Accumulated amortization and impairment								
Balance as at December 31, 2022	**$ —**	**$ (495)**	**$ (492)**	**$ —**	**$ (8)**	**$ (995)**	**$ (150)**	**$(1,145)**
Amortization	**—**	**(24)**	**(36)**	**—**	**(4)**	**(64)**	**(31)**	**(95)**
Disposals	**—**	**1**	**8**	**—**	**—**	**9**	**7**	**16**
Transfers	**—**	**(3)**	**5**	**—**	**(2)**	**—**	**—**	**—**
Balance as at December 31, 2023	**$ —**	**$ (521)**	**$ (515)**	**$ —**	**$ (14)**	**$(1,050)**	**$ (174)**	**$(1,224)**
Net carrying value	**$ 16**	**$ 679**	**$ 118**	**$ 146**	**$ 28**	**$ 987**	**$ 388**	**$ 1,375**

	Land	Buildings	Equipment	Construction in progress	Other	Total	Right-of-use assets	Total
Cost								
Balance as at January 1, 2022	$ 13	$ 798	$ 589	$ 180	$ 9	$ 1,589	$ 345	$ 1,934
Additions	5	5	165	247	—	422	214	636
Disposals	—	(24)	(179)	—	—	(203)	(7)	(210)
Transfers	—	30	11	(35)	—	6	(6)	—
Effect of foreign currency exchange rate changes	—	—	—	—	—	—	(1)	(1)
Balance as at December 31, 2022	$ 18	$ 809	$ 586	$ 392	$ 9	$ 1,814	$ 545	$ 2,359
Accumulated amortization and impairment								
Balance as at January 1, 2022	$ —	$ (486)	$ (474)	$ —	$ (8)	$ (968)	$ (129)	$(1,097)
Amortization	—	(19)	(35)	—	—	(54)	(28)	(82)
Disposals	—	12	18	—	—	30	4	34
Transfers	—	(2)	(1)	—	—	(3)	3	—
Balance as at December 31, 2022	$ —	$ (495)	$ (492)	$ —	$ (8)	$ (995)	$ (150)	$(1,145)
Net carrying value	$ 18	$ 314	$ 94	$ 392	$ 1	$ 819	$ 395	$ 1,214

The net carrying value of right-of-use assets was as follows, as at:

	December 31, 2023	December 31, 2022
Buildings	**$ 329**	$ 342
Land	**50**	53
Equipment	**9**	—
	$ 388	$ 395

Amortization expense and impairment of right-of-use assets were as follows, for fiscal years:

		2023		2022
Buildings	$	26	$	25
Land		5		3
	$	31	$	28

The expense related to short-term leases and low value leases amounted to $4 million for fiscal year 2023 ($3 million for fiscal year 2022).

20. INTANGIBLE ASSETS

Intangible assets were as follows, as at:

	Aerospace program tooling			Other [1][2]	Total
	Acquired	Internally generated	Total		
Cost					
Balance as at December 31, 2022	**$ 1,632**	**$ 5,461**	**$ 7,093**	**$ 262**	**$ 7,355**
Additions	**11**	**85**	**96**	**9**	**105**
Balance as at December 31, 2023	**$ 1,643**	**$ 5,546**	**$ 7,189**	**$ 271**	**$ 7,460**
Accumulated amortization and impairment					
Balance as at December 31, 2022	**$ (803)**	**$ (2,417)**	**$ (3,220)**	**$ (187)**	**$ (3,407)**
Amortization	**(77)**	**(253)**	**(330)**	**(6)**	**(336)**
Impairment	**—**	**(73)**	**(73)**	**—**	**(73)**
Balance as at December 31, 2023	**$ (880)**	**$ (2,743)**	**$ (3,623)**	**$ (193)**	**$ (3,816)**
Net carrying value	**$ 763**	**$ 2,803**	**$ 3,566**	**$ 78**	**$ 3,644**

	Aerospace program tooling			Other [1][2]	Total
	Acquired	Internally generated	Total		
Cost					
Balance as at January 1, 2022	$ 1,762	$ 7,914	$ 9,676	$ 316	$ 9,992
Additions	—	73	73	11	84
Disposals	(130)	(2,526)	(2,656)	(64)	(2,720)
Effect of foreign currency exchange rate changes	—	—	—	(1)	(1)
Balance as at December 31, 2022	$ 1,632	$ 5,461	$ 7,093	$ 262	$ 7,355
Accumulated amortization and impairment					
Balance as at January 1, 2022	$ (854)	$ (4,693)	$ (5,547)	$ (244)	$ (5,791)
Amortization	(79)	(250)	(329)	(4)	(333)
Impairment	—	—	—	(3)	(3)
Disposals	130	2,526	2,656	64	2,720
Balance as at December 31, 2022	$ (803)	$ (2,417)	$ (3,220)	$ (187)	$ (3,407)
Net carrying value	$ 829	$ 3,044	$ 3,873	$ 75	$ 3,948

(1) Presented in Note 18 – Other assets.
(2) Includes internally generated intangible assets with a cost and accumulated amortization of $180 million and $135 million, respectively, as at December 31, 2023 ($180 million and $130 million, respectively, as at December 31, 2022).

21. RETIREMENT BENEFITS

The Corporation sponsors several funded and unfunded defined benefit pension plans as well as defined contribution pension plans in Canada, U.S., and abroad, covering a majority of its employees. The Corporation also provides other unfunded defined benefit plans, covering certain groups of employees mainly in Canada and the U.S.

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.

Funded plans are plans for which segregated plan assets are invested in a trust. 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.

FUNDED DB PLANS

The Corporation's major DB plans reside in Canada and the U.S., therefore very significant portions of the DB pension plan assets and benefit obligation are located in those countries. The following text focuses mainly on plans registered in these two countries.

Governance

Under applicable pension legislation, the administrator of each plan is either the Corporation, in the case of U.S. plans and Canadian plans registered outside of Québec, or a pension committee in the case of plans registered in Québec.

Plan administrators are responsible for the management of plan assets and the establishment of investment policies, which define, for each plan, investment objectives, target asset allocation, risk mitigation strategies, and other elements required by pension legislation.

With respect to the plans registered in Québec, the pension committees have delegated the management of plan assets to the Corporation. The Corporation has selected an outsourced investment management firm (the "OCIO Provider") for the management of the assets for each plan.

Assets of each plan are invested in common investment funds (the "CIF") offered by the OCIO Provider. The CIF are unitized multi-manager funds organized by asset class. This allows each plan to have its own target asset allocation as determined by the plan administrators.

Daily administration of the plans is delegated to external pension administration service providers. The plan administrators and the Corporation also rely on the expertise of external legal advisors, actuaries, and investment consultants.

Benefit Policy

DB plan benefits are usually based on salary and years of service. In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (i.e. they no longer have the option of joining DB or hybrid plans). Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan.

Funding requirements

Actuarial valuations are conducted by independent firms hired by the Corporation or the administrators, as required by pension legislation. The purpose of the valuations is to determine the plans' financial position and the annual contributions to be made by the Corporation to fund both benefits accruing in the year (normal cost) and deficits accumulated over prior years. Minimum funding requirements are set out by applicable pension legislation.

Pension plans in Canada are notably governed under the Supplemental Pension Plans Act in Québec, the Pension Benefits Act in Ontario and the Income Tax Act in Canada. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. Contributions are determined by the appointed actuary and cover future service costs and deficits, as prescribed by laws and actuarial practices.

For Québec pension plans, minimum contributions are required to amortize the going-concern deficits (established under the assumption that the plan will continue to be in force) over a period up to 10 years. Funding is based on going-concern valuation, including a stabilization provision. This provision is funded by special amortization and current service contributions, and by actuarial gains.

For Ontario pension plans, minimum contributions are required to amortize the going-concern deficits (established under the assumption that the plan will continue to be in force) over a period up to 10 years. Solvency deficiencies up to 85% of solvency liabilities are required to be funded over a period of 5 years. An explicit margin called a provision for adverse deviations is added to both the going concern liabilities and future service cost when determining minimum contributions.

Pension plans in the U.S. are mainly governed under the Employee Retirement Income Security Act, the Internal Revenue Code, the Pension Protection Act of 2006 and subsequent legislation including the American Rescue Plan Act, which was passed in 2021. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover future service costs and deficits, as prescribed by law. Funding deficits are generally amortized over a period of 15 years (funding deficits were amortized over 7 years before the American Rescue Plan Act).

Investment Policy and de-risking strategies

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, 2023, the asset allocation was as follows:

- Canadian plans: 52% in fixed income securities, 41% in equity securities and cash, and 7% in real return assets securities; and
- U.S. plans: 31% in fixed income securities, 56% in equity securities and cash, 3% in real return assets securities and 10% in others which include derivatives and private assets.

In addition, a customized liability driven investment strategy (the “LDI strategy”) has been implemented for the U.S. plans to reduce the sensitivity of the plan financial position to variation of interest rates.

The plan administrators have also established dynamic risk management strategies. As a result, asset allocation will likely become more conservative in the future as plan funding status and market conditions continue to improve and the plans become more mature. Under certain pension legislation, 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, 2019 and 2023, annuities were purchased for some pensioners, beneficiaries and deferred vested members of the Bombardier pension plans registered in Ontario. In 2022, annuities were purchased for some pensioners, beneficiaries and alternate payees of the Bombardier pension plan registered in the U.S. 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.

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 by implementing LDI strategies.

Inflation risk
Inflation risk is the risk that benefits indexed to inflation increase 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 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 limiting 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.

UNFUNDED DB PLANS

Unfunded plans are located in countries where the establishment of funds for segregated plan assets is generally not permitted or not in line with local practice.

DC PLANS

A growing proportion of employees are participating in DC plans. The largest DC plans are located in Canada and in the U.S. The plan administrators and the investment committee oversee the management of DC plan assets.

OTHER PLANS

The Corporation also provides other unfunded defined benefit plans, consisting essentially of post-retirement healthcare coverage, life insurance benefits and retirement allowances. The Corporation provides post-retirement life insurance and post-retirement health care, with provisions that vary between groups of employees in Canada and in the U.S. New non-unionized hires are generally no longer offered post-retirement health care.

RETIREMENT BENEFITS PLANS

The following table provides the components of the retirement benefit cost, for fiscal years:

			2023			2022
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Current service cost	**$ 56**	**$ 2**	**$ 58**	$ 82	$ 3	$ 85
Accretion expense	**18**	**7**	**25**	25	6	31
Past service costs	**2**	**—**	**2**	7	—	7
Settlement[1]	**3**	**—**	**3**	—	—	—
DB plans	**79**	**9**	**88**	114	9	123
DC plans	**39**	**—**	**39**	28	—	28
Total retirement benefit cost	**$ 118**	**$ 9**	**$ 127**	$ 142	$ 9	$ 151
Related to						
Funded DB plans	**$ 71**	**n/a**	**$ 71**	$ 110	n/a	$ 110
Unfunded DB plans	**$ 8**	**$ 9**	**$ 17**	$ 4	$ 9	$ 13
DC plans	**$ 39**	**n/a**	**$ 39**	$ 28	n/a	$ 28
Recorded as follows						
EBIT expense or capitalized cost	**$ 100**	**$ 2**	**$ 102**	$ 117	$ 3	$ 120
Financing expense	**$ 18**	**$ 7**	**$ 25**	$ 25	$ 6	$ 31

(1) Includes the loss related to the purchase of pension annuities presented in Note 6 - Other expense (income). Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies.

Changes in the cumulative amount of remeasurements gains (losses) of defined benefit plans recognized in OCI, and presented as a separate component of deficit, were as follows, for fiscal years:

Gains (losses)	
Balance as at January 1, 2022	$ (2,557)
Actuarial gains, net	540
Effect of exchange rate changes	25
Income taxes	—
Balance as at December 31, 2022	(1,992)
Actuarial losses, net	(217)
Effect of exchange rate changes	(10)
Income taxes	—
Balance as at December 31, 2023	**$ (2,219)**

The following tables present the changes in the defined benefit obligation and fair value of pension plan assets, for fiscal years:

			2023			2022
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Change in benefit obligation						
Obligation at beginning of year	**$ 3,656**	**$ 141**	**$ 3,797**	$ 5,189	$ 201	$ 5,390
Accretion	**196**	**7**	**203**	165	6	171
Current service cost	**56**	**2**	**58**	82	3	85
Plan participants' contributions	**12**	**—**	**12**	11	—	11
Past service cost	**2**	**—**	**2**	7	—	7
Actuarial (gains) losses - changes in financial assumptions	**311**	**14**	**325**	(1,360)	(48)	(1,408)
Actuarial (gains) losses - changes in experience adjustments	**43**	**—**	**43**	5	1	6
Actuarial (gains) losses - changes in demographic assumptions	**—**	**—**	**—**	10	—	10
Benefits paid	**(192)**	**(10)**	**(202)**	(200)	(13)	(213)
Settlement	**(207)** (1)	**—**	**(207)**	(35)	—	(35)
Other	**(1)**	**—**	**(1)**	—	—	—
Effect of exchange rate changes	**76**	**4**	**80**	(218)	(9)	(227)
Obligation at end of year	**$ 3,952**	**$ 158**	**$ 4,110**	$ 3,656	$ 141	$ 3,797
Obligation is attributable to						
Active members	**$ 1,789**	**$ 59**	**$ 1,848**	$ 1,571	$ 56	$ 1,627
Deferred members	**348**	**—**	**348**	357	—	357
Retirees	**1,815**	**99**	**1,914**	1,728	85	1,813
	$ 3,952	**$ 158**	**$ 4,110**	$ 3,656	$ 141	$ 3,797
Change in plan assets						
Fair value at beginning of year	**$ 3,379**	**$ —**	**$ 3,379**	$ 4,442	$ —	$ 4,442
Employer contributions	**71**	**10**	**81**	83	13	96
Plan participants' contributions	**12**	**—**	**12**	11	—	11
Interest income on plan assets	**178**	**—**	**178**	140	—	140
Actuarial gains (losses)	**151**	**—**	**151**	(852)	—	(852)
Benefits paid	**(192)**	**(10)**	**(202)**	(200)	(13)	(213)
Settlement	**(210)** (1)	**—**	**(210)**	(35)	—	(35)
Administration costs	**(9)**	**—**	**(9)**	(10)	—	(10)
Other	**(1)**	**—**	**(1)**	—	—	—
Effect of exchange rate changes	**71**	**—**	**71**	(200)	—	(200)
Fair value at end of year	**$ 3,450**	**$ —**	**$ 3,450**	$ 3,379	$ —	$ 3,379

(1) Includes the loss related to the purchase of pension annuities presented in Note 6 - Other expense (income). Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies.

The following table presents the reconciliation of plan assets and obligations to the amount recognized in the consolidated statements of financial position, as at:

	December 31, 2023		December 31, 2022	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Present value of defined benefit obligation	**$ 3,952**	**$ 158**	$ 3,656	$ 141
Fair value of plan assets	**(3,450)**	**—**	(3,379)	—
Net amount recognized	**$ 502**	**$ 158**	$ 277	$ 141
Amounts included in:				
Retirement benefit				
Liability	**$ 645**	**$ 158**	$ 457	$ 141
Asset(1)	**(143)**	**—**	(180)	—
Net liability	**$ 502**	**$ 158**	$ 277	$ 141

(1) Presented in Note 18 – Other assets.

The following table presents the allocation of the net retirement benefit liability by major countries, as at:

	December 31, 2023		December 31, 2022	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Funded pension plans				
Canada	**$ 234**	**$ —**	$ 52	$ —
U.S.	**185**	**—**	153	—
	419	**—**	205	—
Unfunded pension plans				
Canada	**20**	**154**	19	136
U.S.	**26**	**4**	25	5
Germany	**28**	**—**	24	—
Other	**9**	**—**	4	—
	83	**158**	72	141
Net liability	**$ 502**	**$ 158**	$ 277	$ 141

The following table presents the allocation of benefit obligation and plan assets by major countries, as at:

	December 31, 2023		December 31, 2022	
	Benefit obligation	**Plan assets**	Benefit obligation	Plan assets
Funded pension plans				
Canada	**$ 3,234**	**$ 3,000**	$ 3,008	$ 2,956
U.S.	**635**	**450**	576	423
	3,869	**3,450**	3,584	3,379
Unfunded pension plans	**241**	**—**	213	—
	$ 4,110	**$ 3,450**	$ 3,797	$ 3,379

The fair value of plan assets by level of hierarchy was as follows, as at:

				December 31, 2023
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 72**	**$ —**	**$ 72**	**$ —**
Equity Funds				
Canada	**1,091**	**—**	**1,091**	**—**
U.S.	**189**	**—**	**189**	**—**
	1,280	**—**	**1,280**	**—**
Fixed-income Funds and securities				
Canada	**1,516**	**—**	**1,516**	**—**
U.S.	**137**	**—**	**137**	**—**
	1,653	**—**	**1,653**	**—**
Real return assets equity Funds				
Canada	**193**	**—**	**193**	**—**
U.S.	**14**	**—**	**14**	**—**
	207	**—**	**207**	**—**
Private Investment	**11**	**—**	**—**	**11**
Other	**227**	**—**	**227**	**—**
	$ 3,450	**$ —**	**$ 3,439**	**$ 11**

				December 31, 2022
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 197	$ —	$ 197	$ —
Equity Funds				
Canada	949	—	949	—
U.S.	176	—	176	—
	1,125	—	1,125	—
Fixed-income Funds				
Canada	1,514	—	1,514	—
U.S.	133	—	133	—
	1,647	—	1,647	—
Real return assets equity Funds				
Canada	208	—	208	—
U.S.	14	—	14	—
	222	—	222	—
Other	188	—	188	—
	$ 3,379	$ —	$ 3,379	$ —

Plan assets did not include any of the Corporation's shares, nor any property occupied by the Corporation or other assets used by the Corporation as at December 31, 2023, and December 31, 2022.

The following table presents the contributions made for fiscal years 2023 and 2022 as well as the estimated contributions for fiscal year 2024:

	2024	**2023**	2022
	Estimated		
Contributions to:			
Funded pension plans	$ 111	**$ 67**	$ 80
Unfunded pension plans	3	**4**	3
Other benefits	10	**10**	13
Total defined benefits plans	124	**81**	96
DC pension plans	39	**39**	28
Total contributions	$ 163	**$ 120**	$ 124

The following table presents information about the maturity profile of the defined benefit obligation expected to be paid, as at:

	December 31, 2023
Benefits expected to be paid	
Within 1 year	$ **190**
Between 1 and 5 years	**833**
Between 5 and 10 years	**1,251**
Between 10 and 15 years	**1,450**
Between 15 and 20 years	**1,543**
	$ **5,267**

The following table provides the weighted-average duration of the defined benefit obligation related to pension plans, as at:

Duration in years	December 31, 2023
Funded pension plans	
Canada	**14.1**
U.S.	**12.2**
Unfunded pension plans	
Germany	**21.0**
Mexico	**12.9**
U.S.	**12.3**
Canada	**11.1**

The following table provides the expected payments to be made under the unfunded plans, as at December 31, 2023:

	Canada	Other	Total
Benefits expected to be paid			
Within 1 year	$ **8**	$ **3**	$ **11**
Between 1 and 5 years	**37**	**13**	**50**
Between 5 and 10 years	**54**	**20**	**74**
Between 10 and 15 years	**56**	**27**	**83**
Between 15 and 20 years	**54**	**39**	**93**
	$ **209**	$ **102**	$ **311**

The significant actuarial assumptions reflect the economic situation of each country. The weighted-average assumptions used to determine the benefit cost and obligation were as follows, as at:

	December 31, 2023		December 31, 2022	
(in percentage)	**Pension benefits**	**Other benefits**	Pension benefits	Other benefits
Benefit cost				
Discount rate	**5.31%**	**5.30%**	3.14%	3.19%
Rate of compensation increase	**3.10%**	**3.00%**	3.04%	3.00%
Inflation rate	**2.13%**	**n/a**	2.08%	n/a
Ultimate health care cost trend rate	**n/a**	**5.02%**	n/a	5.03%
Benefit obligation				
Discount rate	**4.68%**	**4.61%**	5.31%	5.30%
Rate of compensation increase	**3.09%**	**3.00%**	3.10%	3.00%
Inflation rate	**2.13%**	**n/a**	2.13%	n/a
Initial health care cost trend rate	**n/a**	**5.09%**	n/a	5.12%
Ultimate health care cost trend rate	**n/a**	**5.03%**	n/a	5.02%

The mortality tables and the average life expectancy in years of a member at age 45 or 65 is as follows, as at December 31:

(in years)		**Life expectancy over 65 for a male member currently**			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2023**	2022	**2023**	2022
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using CPM Improvement Scale B ("CPM-B") with adjustment	**22.2**	22.2	**23.2**	23.2
U.S.	Pri-2012 mortality table projected generationally using the MP-2021 improvement scale	**20.7**	20.6	**22.2**	22.1
Germany	Dr. K Heubeck 2018 G without any adjustment	**20.9**	20.8	**23.6**	23.5
		Life expectancy over 65 for a female member currently			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2023**	2022	**2023**	2022
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using CPM Improvement Scale B ("CPM-B") with adjustment	**24.6**	24.5	**25.5**	25.5
U.S.	Pri-2012 mortality table projected generationally using the MP-2021 improvement scale	**22.7**	22.6	**24.1**	24.0
Germany	Dr. K Heubeck 2018 G without any adjustment	**24.3**	24.2	**26.5**	26.4

A 0.25 percentage point increase in one of the following actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged, for the fiscal year 2023 and as at December 31, 2023:

Assumption	**Retirement benefit cost**	**Net retirement benefit liability**
Discount rate	$ (11)	$ (137)
Rate of compensation increase	$ 1	$ 13
Rate of price inflation	$ —	$ 1

A one year additional life expectancy as at December 31, 2023 for all DB plans would increase the net retirement benefit liability by $7 million and the retirement benefit cost by $100 million.

As at December 31, 2023, the health care cost trend rate for retirement benefits other than pension, which is a weighted-average annual rate of increase in the per capita cost of covered health and dental care benefits, is assumed to be 5.09% and to decrease progressively to 5.03% by calendar year 2031 and then remain at that level for all participants.

A one percentage point change in assumed health care cost trend rates would have the following effects, for the fiscal year 2023 and as at December 31, 2023:

	Retirement benefit cost	Net retirement benefit liability
One percentage point increase	$ 1	$ 10
One percentage point decrease	$ (1)	$ (9)

22. TRADE AND OTHER PAYABLES

Trade and other payables were as follows, as at:

	December 31, 2023	December 31, 2022
Trade payables	**$ 1,554**	$ 1,040
Accrued liabilities	**37**	38
Interest payable	**88**	88
Other	**141**	120
	$ 1,820	$ 1,286

23. PROVISIONS

Changes in provisions were as follows, for fiscal years 2023 and 2022:

		Product warranties		**Credit and residual value guarantees**		**Onerous contracts**		**Other** [1]		**Total**
Balance as at December 31, 2022	**$**	**184**	**$**	**1**	**$**	**36**	**$**	**13**	**$**	**234**
Additions		**84**		**2**		**2**		**3**		**91**
Utilization		**(41)**		**—**		**(13)**		**(2)**		**(56)**
Reversals		**(89)** [2]		**(1)**		**(12)** [2][3]		**(2)**		**(104)**
Accretion expense		**1**		**—**		**1**		**—**		**2**
Effect of changes in discount rates		**1**		**—**		**—**		**—**		**1**
Balance as at December 31, 2023	**$**	**140**	**$**	**2** [4]	**$**	**14**	**$**	**12**	**$**	**168**
Of which current	**$**	**66**	**$**	**—**	**$**	**2**	**$**	**10**	**$**	**78**
Of which non-current		**74**		**2**		**12**		**2**		**90**
	$	**140**	**$**	**2**	**$**	**14**	**$**	**12**	**$**	**168**

		Product warranties		Credit and residual value guarantees		Onerous contracts		Other [1]		Total
Balance as at January 1, 2022	$	166	$	52	$	70	$	42	$	330
Additions		83		—		14		5		102
Utilization		(35)		(1)		(37)		(9)		(82)
Reversals		(29)		(50)		(12) [3]		(25) [2]		(116)
Accretion expense		1		—		1		—		2
Effect of changes in discount rates		(2)		—		—		—		(2)
Balance as at December 31, 2022	$	184	$	1 [4]	$	36	$	13	$	234
Of which current	$	63	$	1	$	7	$	11	$	82
Of which non-current		121		—		29		2		152
	$	184	$	1	$	36	$	13	$	234

[1] Mainly comprised of claims and litigation.
[2] Includes changes in divestitures provisions.
[3] Includes reversal of *Learjet 85* aircraft program cancellation provisions.
[4] Following the sale of the CRJ business, the Corporation retains those provisions and has a back-to-back agreement with MHI. See Note 18 – Other assets.

24. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	December 31, 2023		December 31, 2022	
Government refundable advances[1]	**$**	**520**	$	507
Lease liabilities		**448**		448
Credit and residual value guarantees payable[2]		**48**		164
Derivative financial instruments[3]		**8**		88
Vendor non-recurring costs		**3**		20
Liabilities related to RASPRO assets[4]		**—**		206
Other[5]		**93**		119
	$	**1,120**	$	1,552
Of which current	**$**	**148**	$	345
Of which non-current		**972**		1,207
	$	**1,120**	$	1,552

(1) Of which $359 million has a back-to-back agreement with ACLP as at December 31, 2023 ($341 million as at December 31, 2022). Refer to Note 17 – Other financial assets for the receivable from ACLP. The Corporation is required to pay amounts to governments based on the number of deliveries of aircraft.
(2) Of which $29 million has a back-to-back agreement with MHI as at December 31, 2023 ($26 million as at December 31, 2022). Refer to Note 17 – Other financial assets for more information.
(3) See Note 11 – Financial instruments.
(4) The Corporation had previously retained the regional aircraft securitization program assets (RASPRO) for which the Corporation transferred the net beneficial interest through a back-to-back agreement with MHI. In fiscal year 2023, the Corporation has transferred the legal title of RASPRO assets and MHI has assumed the related liabilities. Refer to Note 17 – Other financial assets.
(5) Mainly represent liabilities related to various divestitures.

The Corporation has entered into leases for which the asset is still under construction, and therefore the right-of-use assets and the lease liabilities related to these leases are not recorded as at December 31, 2023, since the lease has not yet commenced. The Corporation’s undiscounted lease commitments were as follows, as at:

	December 31, 2023	
Less than 1 year	**$**	**—**
From 1 to 3 years		**1**
Thereafter		**53**
	$	**54**

25. OTHER LIABILITIES

Other liabilities were as follows, as at:

	December 31, 2023		December 31, 2022	
Employee benefits[1]	**$**	**287**	$	281
Supplier contributions to aerospace programs		**198**		228
Sales incentive and customer credit notes		**72**		73
Income taxes payable		**36**		32
Other		**87**		88
	$	**680**	$	702
Of which current	**$**	**437**	$	434
Of which non-current		**243**		268
	$	**680**	$	702

(1) Comprises all employee benefits excluding those related to retirement benefits, which are reported in the line items Retirement benefits and in Other assets, refer to Note 21 – Retirement benefits.

26. LONG-TERM DEBT

Long-term debt was as follows, as at:

	Amount in currency of origin	Currency	Contractual interest rate [1]	Maturity	**December 31 2023** Amount	December 31 2022 Amount
Senior Notes	1,001	USD	7.13% [2]	Jun. 2026	**$ 996**	$ 1,191
	1,733	USD	7.88% [2]	Apr. 2027	**1,724**	1,880
	750	USD	6.00%	Feb. 2028	**744**	743
	750	USD	7.50%	Feb. 2029	**748**	—
	750	USD	8.75%	Nov. 2030	**757**	—
	510	USD	7.45%	May 2034	**507**	507
	396	USD	7.50% [2]	n/a	**—**	395
	1,139	USD	7.50% [2]	n/a	**—**	1,136
Debentures	150	CAD	7.35%	Dec. 2026	**113**	110
Other	18	USD	7.95%	Apr. 2026	**18**	18
					$ 5,607	$ 5,980
Of which current					**$ —**	$ —
Of which non-current					**5,607**	5,980
					$ 5,607	$ 5,980

[1] Interest on long-term debt as at December 31, 2023 is payable semi-annually.
[2] The Corporation completed full repayment of the Senior Notes due 2024, 2025 and partial repayment of the Senior Notes due 2026, 2027 during fiscal year 2023 (partial repayment of the Senior Notes due 2024, 2025 and 2027 during fiscal year 2022).

All Senior Notes rank pari-passu and are unsecured.

The carrying value of long-term debt includes principal repayments, transaction costs and unamortized discounts. The following table presents the contractual principal repayments of the long-term debt, as at:

	December 31, 2023	December 31, 2022
Within 1 year	**$ —**	$ —
Between 1 and 5 years	**3,615**	4,756
More than 5 years	**2,010**	1,260
	$ 5,625	$ 6,016

27. SHARE CAPITAL

Preferred shares

The preferred shares authorized were as follows, as at December 31, 2023 and 2022:

	Authorized for the specific series
Series 2 Cumulative Redeemable Preferred Shares	12,000,000
Series 3 Cumulative Redeemable Preferred Shares	12,000,000
Series 4 Cumulative Redeemable Preferred Shares	9,400,000

The preferred shares issued and fully paid were as follows, as at:

	December 31, 2023	December 31, 2022
Series 2 Cumulative Redeemable Preferred Shares	**2,684,527**	2,684,527
Series 3 Cumulative Redeemable Preferred Shares	**9,315,473**	9,315,473
Series 4 Cumulative Redeemable Preferred Shares	**9,400,000**	9,400,000

Series 2 Cumulative Redeemable Preferred Shares	
Redemption:	Redeemable, at the Corporation's option, at $25.50 Cdn per share.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2027 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, then no Series 2 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	Since September 2002, the variable cumulative preferential cash dividends are payable monthly on the 15th day of each month, if declared, with the annual variable dividend rate being set between 50% to 100% of the Canadian prime rate, and adjusted as follows. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of Series 2 Cumulative Redeemable Preferred Shares is less than $24.90 Cdn per share or more than $25.10 Cdn per share.

Series 3 Cumulative Redeemable Preferred Shares	
Redemption:	Redeemable, at the Corporation's option, at $25.00 Cdn per share on August 1, 2027 and on August 1 of every fifth year thereafter.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2027 and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, then no Series 3 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	For the five-year period from August 1, 2022 and including July 31, 2027, the Series 3 Cumulative Redeemable Preferred Shares carry fixed cumulative preferential cash dividends at a rate of 4.588% or $1.147 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.28675 Cdn, if declared. For each succeeding five-year period, the applicable fixed annual rate of the cumulative preferential cash dividends calculated by the Corporation shall not be less than 80% of the Government of Canada bond yield, as defined in the Restated Articles of Incorporation.

Series 4 Cumulative Redeemable Preferred Shares	
Redemption:	The Corporation may, subject to certain provisions, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Cumulative Redeemable Preferred Shares at $25.00 Cdn.
Conversion:	The Corporation may, subject to the approval of the Toronto Stock Exchange and such other stock exchanges on which the Series 4 Cumulative Redeemable Preferred Shares are then listed, at any time convert all or any of the outstanding Series 4 Cumulative Redeemable Preferred Shares into fully paid and non-assessable Class B Shares (subordinate voting) of the Corporation. The number of Class B Shares (subordinate voting) into which each Series 4 Cumulative Redeemable Preferred Shares may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to, but excluding the date of conversion, by the greater of $2.00 Cdn and 95% of the weighted-average trading price of such Class B Shares (subordinate voting) on the Toronto Stock Exchange for the period of 20 consecutive trading days, which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day. The Corporation may, at its option, at any time, create one or more further series of Preferred Shares of the Corporation, into which the holders of Series 4 Cumulative Redeemable Preferred Shares could have the right, but not the obligation, to convert their shares on a share-for-share basis.
Dividend:	The holders of Series 4 Cumulative Redeemable Preferred Shares are entitled to fixed cumulative preferential cash dividends, if declared, at a rate of 6.25% or $1.5625 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.390625 Cdn per share.

Common shares

All common shares are without nominal or par value.

Class A Shares (multiple voting)	
Voting rights:	Ten votes each.
Conversion:	Convertible, at any time, at the option of the holder, into one Class B Share (subordinate voting).
Dividend:	After payment of the priority dividend on the Class B Shares (subordinate voting) mentioned below, the Class A Shares (multiple voting) shall share equally, share for share, with respect to any additional dividends which may be declared in respect of the Class A Shares (multiple voting) and Class B Shares (subordinate voting). These dividends, if declared, shall be payable quarterly on the last day of March, June, September and December of each year.

Class B Shares (subordinate voting)	
Voting rights:	One vote each.
Conversion:	Convertible, at the option of the holder, into one Class A Share (multiple voting): (i) if an offer made to Class A (multiple voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); or (ii) if such controlling shareholder ceases to hold more than 50% of all outstanding Class A Shares (multiple voting) of the Corporation.
Dividend:	The holders of Class B Shares (subordinate voting) are entitled, in priority to the holders of Class A Shares (multiple voting) to non-cumulative dividends at the rate of $0.0390625 Cdn per share, payable quarterly on the last day of March, June, September and December of each year at a rate of $0.00976562 Cdn per share, if declared. After payment of said priority dividend, the Class B Shares (subordinate voting) shall share equally, share for share, with respect to any additional dividends which may be declared in respect of the Class A Shares (multiple voting) and the Class B Shares (subordinate voting). These dividends, if declared, shall be payable quarterly on the last day of March, June, September and December of each year.

The change in the number of common shares issued and fully paid and in the number of common shares authorized was as follows as at:

Class A Shares (multiple voting)

	December 31, 2023	December 31, 2022
Issued and fully paid		
Balance at beginning of year	**12,349,370**	12,349,370
Converted to Class B	**—**	—
Balance at end of year	**12,349,370**	12,349,370
Authorized	**143,680,000**	143,680,000

Class B Shares (subordinate voting)

	December 31, 2023	December 31, 2022
Issued and fully paid		
Balance at beginning of year	**85,450,731**	85,311,960
Issuance of shares	**1,936,142**	288,363
Cancellation of shares	**(85,800)**	(149,592)
	87,301,073	85,450,731
Held in trust under the PSU and RSU plans		
Balance at beginning of year	**(3,704,417)**	(2,150,001)
Purchased	**(514,200)**	(1,578,085)
Distributed	**2,225,172**	23,669
	(1,993,445)	(3,704,417)
Balance at end of year	**85,307,628**	81,746,314
Authorized	**143,680,000**	143,680,000

On May 18, 2023, the Corporation confirmed that it had received approval from the Toronto Stock Exchange for its new normal course issuer bid to purchase, from May 23, 2023 to May 22, 2024, up to 600,000 Class B shares (subordinate voting) (880,000 Class B shares (subordinate voting) in 2022). All Class B shares (subordinate voting) are being purchased either for cancellation or to satisfy future obligations under the Corporation's employee PSU and RSU plans and are being delivered to a trustee for the benefit of the participants to such plans. As of December 31, 2023, the Corporation had purchased $20 million of Class B shares (subordinate voting) ($38 million as at December 31, 2022).

The change in the number of warrants exercisable was as follows as at:

	December 31, 2023	December 31, 2022
Balance at beginning of year	**4,234,074**	4,234,074
Expiration of warrants[1]	**(4,234,074)**	—
Balance at end of year	**—**	4,234,074

[1] In February 2023, 4 million of warrants held by CDPQ expired.

Dividends

Dividends declared were as follows:

	Dividends declared for fiscal years				Dividends declared after	
		2023		2022		**December 31, 2023**
		Total		Total		Total
	Per share (Cdn$)	**(in millions of U.S.$)**	Per share (Cdn$)	(in millions of U.S.$)	Per share (Cdn$)	(in millions of U.S.$)
Class A common shares	**—**	**$ —**	—	$ —	—	$ —
Class B common shares	**—**	**—**	—	—	—	—
		—		—		—
Series 2 Preferred Shares	**1.74**	**3**	1.03	3	0.15	—
Series 3 Preferred Shares	**1.15**	**8**	1.07	6	0.29	2
Series 4 Preferred Shares	**1.56**	**11**	1.56	11	0.39	3
		22		20		5
		$ 22		$ 20		$ 5

28. SHARE-BASED PLANS

PSU, DSU and RSU plans

The Board of Directors of the Corporation approved a PSU and a RSU plan under which PSUs and RSUs may be granted to executives and other designated employees. The PSUs and the RSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (subordinate voting). The PSUs and RSUs also give certain recipients the right to receive a cash payment equal to the value of the PSUs or RSUs. The Board of Directors of the Corporation has also approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment. During fiscal year 2023, a combined value of $19 million of DSUs, PSUs and RSUs were authorized for issuance ($16 million during fiscal year 2022).

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

			2023			2022
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of year	**738,403**	**38,609**	**2,953,698**	1,161,453	38,609	2,676,482
Granted	**215,489**	**—**	**202,172**	377,686	—	363,754
Vested	**—**	**—**	**(2,277,279)**	(23,669)	—	—
Forfeited	**(22,216)**	**—**	**(37,268)**	(777,067)	—	(86,538)
Balance at end of year	**931,676**	**38,609** [(1)]	**841,323**	738,403	38,609 [(1)]	2,953,698

[(1)] Of which 38,609 DSUs are vested as at December 31, 2023 (38,609 as at December 31, 2022).

PSUs and DSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested PSUs and DSUs ranges from 0% to 200%. PSUs and DSUs generally vest three years following the grant date if the financial performance thresholds are met. RSUs generally vest three years following the grant date regardless of the performance. For grants issued and outstanding between January 1, 2021 and December 31, 2023, the vesting dates range from June 2024 to May 2026.

The weighted-average grant date fair value of PSUs and RSUs granted during fiscal year 2023 was $40.08 (for PSUs and RSUs was $23.32 during fiscal year 2022). The fair value of each PSUs and RSUs granted was measured based on the closing price of a Class B Share (subordinate voting) of the Corporation on the Toronto Stock Exchange at the grant date.

From time to time, the Corporation provides instructions to a trustee or a broker, under the terms of a Trust Agreement or normal course issuer bid, as the case may be, to purchase Class B Shares (subordinate voting) of the Corporation in the open market (see Note 27 – Share capital) in connection with the PSU and/or RSU plan. These shares are held in trust for the benefit of the beneficiaries until the PSUs and RSUs become vested or are cancelled. The cost of these purchases has been deducted from share capital.

The compensation expense with respect to the PSU, DSU and RSU plans amounted to $22 million during the fiscal year 2023 ($15 million during fiscal year 2022).

Share option plan

Under share option plan, options are granted to key employees to purchase Class B Shares (subordinate voting). Of the 8,985,648 Class B Shares (subordinate voting) reserved for issuance, 2,574,276 were available for issuance under these share option plans, as at December 31, 2023.

The most significant terms and conditions of the plan are as follows:

- the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted;
- the options vest at the expiration of the third year following the grant date; and
- the options expire no later than seven years after the grant date.

The summarized information on the current share option plan is as follows as at December 31, 2023:

	Issued and outstanding				Exercisable
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**	**Number of options**	**Weighted-average exercise price (Cdn$)**
0 to 50	363,769	4.81	27.94	—	—
50 to 100	740,862	2.11	60.05	647,499	60.08
100 to 200	221,037	1.36	103.86	221,037	103.86
	1,325,668			868,536	

The number of options issued and outstanding under the current share option plan has varied as follows, for fiscal years:

		2023		2022
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**3,683,172**	**56.52**	4,922,748	55.50
Granted	**89,830**	**60.20**	149,592	29.75
Exercised	**(1,936,142)**	**48.18**	(288,363)	46.20
Forfeited	**(499,934)**	**84.24**	(348,601)	63.36
Expired	**(11,258)**	**49.40**	(752,204)	45.33
Balance at end of year	**1,325,668**	**58.54**	3,683,172	56.52
Options exercisable at end of year	**868,536**	**71.22**	3,030,875	63.53

Share-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2023 was $27.67 per option ($13.69 per option for fiscal year 2022). The fair value of each option granted was determined using a Black-Scholes option pricing model, which incorporates the share price at the grant date, and the following weighted-average assumptions, for fiscal years:

	2023	2022
Risk-free interest rate	**2.90 %**	2.73 %
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**74.31 %**	70.72 %
Expected dividend yield	**0.00 %**	0.00 %

A compensation expense of $2 million was recorded during fiscal year 2023 with respect to share option plan ($4 million during fiscal year 2022).

29. NET CHANGE IN NON-CASH BALANCES

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

		2023		2022
Trade and other receivables	$	**(6)**	$	12
Inventories		**(413)**		(87)
Contract assets		**(17)**		(13)
Contract liabilities		**(71)**		726
Other financial assets and liabilities, net		**(256)**		214
Other assets		**54**		—
Trade and other payables		**532**		125
Provisions		**(66)**		(97)
Retirement benefits liability		**(26)**		70
Other liabilities		**(31)**		(41)
	$	**(300)**	$	909

The following table presents the reconciliation of movements of liabilities to cash flows arising from financing activities:

		Long-term debt
Balance as at January 1, 2022	$	7,047
Changes from financing cash flows		
Repayment of long-term debt		(1,073)
Total changes from financing cash flows		(1,073)
Effect of changes in foreign exchange rates		(7)
Other		13
Balance as at December 31, 2022		5,980
Changes from financing cash flows		
Proceeds from long-term debt		1,500
Repayment of long-term debt		(1,893)
Transaction costs		(22)
Total changes from financing cash flows		(415)
Effect of changes in foreign exchange rates		3
Other		39
Balance as at December 31, 2023	**$**	**5,607**

30. CREDIT FACILITIES

Revolving credit facility
The Corporation has a committed secured revolving credit facility of $300 million (the “Revolving Credit Facility”). The Revolving Credit Facility matures in November 2027 and drawings will bear interest at SOFR plus a margin. This facility is available for cash drawings for the ongoing working capital needs of the Corporation and for the issuance of performance letters of credit. This facility was undrawn both for cash and letters of credit as at December 31, 2023 and the availability, which is based on the collateral (which may vary from time to time), was $251 million as at December 31, 2023.

Financial covenants
The Revolving Credit Facility includes financial covenants, among which a minimum liquidity to be maintained at all times. The terms are defined in the credit agreement and do not correspond to the Corporation’s global metrics as described in Note 31 – Capital management. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

The Corporation regularly monitors financial covenants and has controls in place to ensure that such covenants are met. The Corporation was in compliance with such covenants as at December 31, 2023.

Letter of credit facilities
Letters of credit of $29 million were outstanding under various bilateral agreements as at December 31, 2023 ($426 million as at December 31, 2022). In addition, the Corporation also uses bilateral bonding facilities with insurance companies to support its operations. An amount of $460 million was outstanding under such facilities as at December 31, 2023 ($318 million as at December 31, 2022).

31. CAPITAL MANAGEMENT

The Corporation analyzes its capital structure using established metrics, which are based on a broad economic view of the Corporation, in order to assess the creditworthiness of the Corporation. The Corporation has emphasized its plan to make deleveraging one of its key priorities and will execute on its plan through a phased approach.

As the Corporation progressively reshapes its business and reaps the benefits from its various initiatives, it aims to lower its adjusted net debt to adjusted EBITDA ratio to approximately 2x - 2.5x by 2025. The Corporation’s objective is to achieve this by continuing to grow its adjusted EBITDA towards its 2025 objective of greater than $1.625 billion and allocate excess available liquidity towards debt repayment.

The Corporation aims at maintaining an adequate debt maturity runway by opportunistically refinancing or deploying excess liquidity towards debt pay down thereby building manageable and flexible debt maturity stacks while focusing on reducing its interest expense.

Global metrics – The following global metrics do not represent the ratios required for any covenants.

	2023	2022
Interest paid(1)	**$ 425**	$ 492
Adjusted Net debt(2)	**$ 4,013**	$ 4,298
Adjusted EBITDA(3)	**$ 1,230**	$ 930
Adjusted net debt to adjusted EBITDA ratio	**3.3**	4.6

(1) Interest paid comprises interest on long-term debt excluding up-front costs paid related to the negotiation of debts or credit facilities.
(2) Represents long-term debt less cash and cash equivalent and certain restricted cash supporting various bank guarantees.
(3) Represents EBIT plus amortization and some adjustments including restructuring charges, loss (gain) related to disposal of business, impairment and program termination and loss (gain) on pension related items.

Bombardier continues to evaluate various options to address other debt maturities in an opportunistic manner and to improve its capital structure and credit quality so as to support its operations and the future development of its business.

Over the longer term, the Corporation's capital allocation strategy will focus on deploying, in a disciplined manner, the excess cash generated from the business towards investments in the Corporation's products and services, and to additional debt reduction. In order to adjust its capital structure, the Corporation may opportunistically issue or reduce long-term debt, make discretionary contributions to pension funds, repurchase or issue share capital, or vary the amount of dividends paid to shareholders. For debt reduction, the Corporation will continue to evaluate the most efficient debt reduction strategies, which for example could include redemptions, tenders or open market repurchases. The amount involved may be material.

In addition, the Corporation separately monitors its net retirement benefit liability which amounted to $0.7 billion as at December 31, 2023 ($0.4 billion as at December 31, 2022). The measurement of this liability is dependent on numerous key long-term financial and actuarial 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. The Corporation closely monitors the impact of the net retirement benefit liability on its future cash flows and has introduced significant risk mitigation initiatives in recent years in this respect such as buying out annuities on behalf of pensioners. Refer to Note 21 – Retirement benefits for more details.

32. FINANCIAL RISK MANAGEMENT

The Corporation is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments.

Credit risk	Risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Liquidity risk	Risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.
Market risk	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is primarily exposed to foreign exchange risk and interest rate risk.

Credit risk
The Corporation is exposed to credit risk through its normal treasury activities on its derivative financial instruments and other investing activities. The Corporation is also exposed to credit risk through its trade receivables arising from its normal commercial activities.

The effective monitoring and controlling of credit risks is a key component of the Corporation's risk management activities. Credit risks arising from the treasury activities are managed by a central treasury function in accordance with the Corporate Foreign Exchange Risk Management Policy and Corporate Investment Policy (the "Policy"). The objective of the policy is to minimize the Corporation's exposure to credit risk from its treasury activities by ensuring that the Corporation transacts strictly with investment-grade financial institutions and money market funds based on pre-established consolidated counterparty risk limits per financial institution and fund.

Credit risks are arising from the Corporation's normal commercial activities. The main credit exposure arises from customer credit risk. 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 the Corporation's experience with the customers. The credit risks and credit limits are dynamically reviewed based on fluctuations in the customer's financial results and payment behavior.

These customer credit risk assessments and credit limits are critical inputs in determining the conditions under which credit or financing will be offered to customers, including obtaining collateral to reduce the Corporation's exposure to losses. Specific governance is in place to ensure that financial risks arising from large transactions are analyzed and approved by the appropriate management level before financing or credit support is offered to the customer.

Credit risk is monitored on an ongoing basis using different systems and methodologies depending on the underlying exposure. Various accounting and reporting systems are used to monitor trade receivables and other direct financings.

Maximum exposure to credit risk – The maximum exposure to credit risk for financial instruments is usually equivalent to their carrying value, as presented in Note 11 – Financial instruments, except for the financial instruments in the table below, for which the maximum exposures were as follows, as at:

		December 31, 2023		December 31, 2022
Investments in financing structures[1]		**n/a**	$	—
Derivative financial instruments	**$**	**70**	$	13
Investments in securities	**$**	**109**	$	197

[1] Following the sale of the CRJ business, the Corporation has retained those other financial assets and has a back-to-back agreement with MHI as such there is no credit risk arising from other financial assets as at December 31, 2022. During fiscal year 2023, the Corporation has transferred the legal title of these assets and MHI has assumed the related liabilities. See Note 24 – Other financial liabilities.

Credit quality – The credit quality, using external and internal credit rating systems, of financial assets that are neither past due nor impaired is usually investment grade, except for receivables. Receivables are usually not externally or internally quoted, however the credit quality of customers are dynamically reviewed and is based on the Corporation's experience with the customers and payment behavior.

Refer to Note 36 – Commitment and contingencies for the Corporation's off-balance sheet credit risk, including credit risk related to support provided for sale of commercial aircraft.

Liquidity risk

The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of the Corporation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. The Corporation uses scenario analyses to stress-test cash flow projections. Liquidity adequacy is continually monitored which involves the application of judgment, taking into consideration historical volatility and seasonal needs, stress-test results, the maturity profile of indebtedness, access to capital markets, the level of customer advances, availability of letter of credit and similar facilities, working capital requirements, the availability of working capital financing initiatives and the funding of product development and other financial commitments.

The Corporation monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility. The Corporation also routinely reviews its debt profile with a view to managing or extending maturities and/or negotiating more favorable terms and conditions with respect to its bank facilities. The Corporation also routinely reviews the terms and conditions of its financing arrangements. 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.

Maturity analysis – The maturity analysis of financial assets and financial liabilities, excluding derivative financial instruments, was as follows, as at December 31, 2023:

	Carrying amount	Undiscounted cash flows (before giving effect to the related hedging instruments)						
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	Total
Cash and cash equivalents	$ 1,594	$ 1,594	$ —	$ —	$ —	$ —	$ —	$ 1,594
Trade and other receivables	258	258	—	—	—	—	—	258
Other financial assets[(1)]	551	29	167	105	233	143	16	693
Assets		1,881	167	105	233	143	16	2,545
Trade and other payables	$ 1,820	$ 1,820	$ —	$ —	$ —	$ —	$ —	$ 1,820
Other financial liabilities[(1)]	635	85	106	148	317	139	—	795
Long-term debt								
Principal	5,607	—	1,132	2,483	1,500	510	—	5,625
Interest		422	805	410	318	13	—	1,968
Liabilities		2,327	2,043	3,041	2,135	662	—	10,208
Net amount		$ (446)	$ (1,876)	$ (2,936)	$ (1,902)	$ (519)	$ 16	$ (7,663)

(1) The carrying amount of other financial assets excludes derivative financial instruments and the back-to-back agreement that the Corporation has with MHI related to credit and residual value guarantees payable. The carrying amount of other financial liabilities excludes derivative financial instruments, lease liabilities, and credit and residual value guarantees payable related to MHI.

Other financial assets include a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. Other financial liabilities include government refundable advances. Under the respective agreements, the Corporation is required to pay amounts to governments at the time of the delivery of aircraft. Due to uncertainty about the number of aircraft to be delivered and the timing of delivery of aircraft, the amounts shown in the table above may vary.

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows, as at December 31, 2023:

	Nominal value (USD equivalent)	Undiscounted cash flows[(1)]					
		Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial assets							
Forward foreign exchange contracts	$ 2,809	$ 46	$ 26	$ —	$ —	$ —	$ 72
Derivative financial liabilities							
Forward foreign exchange contracts	$ 398	$ (8)	$ —	$ —	$ —	$ —	$ (8)
Net amount		$ 38	$ 26	$ —	$ —	$ —	$ 64

(1) Amounts denominated in foreign currency are translated at the year end exchange rate.

Lease liabilities

The Corporation leases buildings, equipment and land.

Maturity analysis – The maturity analysis of lease liabilities (undiscounted cash flows) was as follows, as at:

	December 31, 2023
Within 1 year	**$ 65**
Between 1 to 5 years	**199**
More than 5 years	**722**
	$ 986

Market risk

Foreign exchange risk

The Corporation is exposed to significant foreign exchange risks in the ordinary course of business through its international operations, in particular to the Canadian dollar, Euro and Mexican Peso. The Corporation employs various strategies, including the use of derivative financial instruments and by matching asset and liability positions, to mitigate these exposures.

The Corporation's main exposures to foreign currencies are covered by the central treasury function. Foreign currency exposures are mitigated in accordance with the Corporation's Foreign Exchange Risk Management Policy (the "FX Policy"). The objective of the FX Policy is to reduce the impact of foreign exchange movements on the Corporation's consolidated financial statements to acceptable levels. Under the FX Policy, potential losses caused by adverse movements in foreign exchange rates on deviations from progressive policy hedge percentages should not exceed Board authorized pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an over-or under hedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-month period. Additionally, any trade that is increasing the overall currency risk of the Corporation is prohibited.

Under the FX Policy, it is the responsibility of the Corporation's management to identify all actual and potential foreign exchange exposures arising from the operations. Initially, the Corporation mitigates foreign currency risks by maximizing transactions in its functional currency for operations such as material procurement, sale contracts and financing activities. Secondly, the Corporation maintains long-term cash flow forecasts in each currency, which are communicated to the central treasury group, which has the responsibility to execute the hedge transactions in accordance with the FX Policy for hedge implementation.

The Corporation has adopted a progressive hedging strategy to limit the effect of currency movements on the results.

The Corporation mainly uses forward foreign exchange contracts to manage the Corporation's exposure in foreign currencies. The Corporation applies hedge accounting for a significant portion of anticipated transactions and firm commitments denominated in foreign currencies, designated as cash flow hedges. Cash flow hedges are meant to reduce the variability of future cash flows resulting from forecasted sales and purchases and firm commitments.

In addition, the Corporation manages balance sheet exposures to foreign currency movements by matching asset and liability positions. This program consists mainly in matching the long-term liabilities in foreign currency with long-term assets denominated in the same currency.

The Corporation's foreign currency hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity, consistent with the objective to lock in currency rates on the hedged item. These programs are reviewed annually and amended as necessary to reflect current market conditions or practices.

Sensitivity analysis

Foreign exchange risk arises on financial instruments that are denominated in foreign currencies. The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments recorded in its statement of financial position. The following impact on EBT for fiscal year 2023 is before giving effect to cash flow hedge relationships.

		Effect on EBT		
	Variation	**CAD/USD**	**EUR/USD**	**Other**
Gain (loss)	+10%	$ (29)	$ (1)	$ (2)

The following impact on OCI for fiscal year 2023 is for derivatives designated in a cash flow hedge relationship. For these derivatives, any change in fair value is mostly offset by the re-measurement of the underlying exposure.

		Effect on OCI before income taxes		
	Variation	**CAD/USD**	**EUR/USD**	**Other**
Gain (loss)	+10%	$ (171)	$ (3)	$ (15)

Interest rate risk
The Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risks, through its financial instruments carried at fair value. These financial instruments include certain derivative financial instruments.

Sensitivity analysis
The interest rate risk primarily relates to financial instruments carried at fair value. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, excluding derivative financial instruments in a hedge relationship, as at December 31, 2023, the impact on EBT would have been a negative adjustment of $83 million as at December 31, 2023 (negative adjustment of $38 million as at December 31, 2022).

33. 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 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, 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:

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.

Receivable from ACLP and the related 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 favorable contracts i.e. taking into consideration the counterparty credit risk, or pay to transfer unfavorable 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.

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, restricted cash, certain receivable from MHI 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 assets or liabilities 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 December 31, 2023:

	Total	Level 1	Level 2	Level 3
Financial assets				
Receivable from ACLP[1]	$ 359	$ —	$ —	$ 359
Investments in securities	109	—	109	—
Derivative financial instruments[2]	274	—	274	—
	$ 742	$ —	$ 383	$ 359
Financial liabilities				
Government refundable advances[1]	$ 359	$ —	$ —	$ 359
Derivative financial instruments[2]	8	—	8	—
	$ 367	$ —	$ 8	$ 359

(1) This receivable represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.
(2) Derivative financial instruments consist of forward foreign exchange contracts and embedded derivatives.

Level 3 financial instruments include only assets and liabilities with a back-to-back agreement and their corresponding back-to-back assets and liabilities.

Fair value hierarchy for items recorded at amortized cost
The following table presents financial assets and financial liabilities measured at amortized cost 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 assets or liabilities that are not based on observable market data (Level 3).

The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2023:

	Total	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	$ **258**	$ **—**	$ **258**	$ **—**
Other financial assets[1]	**112**	**—**	**112**	**—**
	$ **370**	$ **—**	$ **370**	$ **—**
Financial liabilities				
Trade and other payables	$ **1,820**	$ **—**	$ **1,820**	$ **—**
Long-term debt	**5,746**	**—**	**5,746**	**—**
Other financial liabilities				
Government refundable advances	**169**	**—**	**—**	**169**
Other[1]	**593**	**—**	**—**	**593**
	$ **8,328**	$ **—**	$ **7,566**	$ **762**

[1] Of which $29 million represents a back-to-back agreement that the Corporation has with MHI related to credit and residual value guarantees payable.

34. TRANSACTIONS WITH RELATED PARTIES

The Corporation's related parties are its joint ventures, associates and key management personnel.

Associates and Joint ventures
There were no material transactions or outstanding balances with associates and joint ventures for fiscal years 2023 and 2022 and as at December 31, 2023 and December 31, 2022.

Compensation paid to key management personnel
The annual remuneration and related compensation costs of the executive and non-executive board members and key Corporate management, defined as the President and Chief Executive Officer of Bombardier Inc., and the Senior/Executive Vice Presidents of Bombardier Inc., were as follows, for fiscal years:

		2023		2022
Salaries, bonuses and other short-term benefits	**$**	**15**	$	16
Share-based benefits		**13**		11
Retirement benefits		**1**		1
Termination and other long-term benefits		**1**		—
	$	**30**	$	28

35. UNCONSOLIDATED STRUCTURED ENTITIES

The following table presents the assets and liabilities of unconsolidated structured entities in which the Corporation had a significant exposure, as at:

	December 31, 2023				December 31, 2022			
		Assets		**Liabilities**		Assets		Liabilities
Financing structures related to the sale of commercial aircraft	**$**	**7**	**$**	**7**	$	749	$	129

The Corporation has provided credit and/or residual value guarantees to certain structured entities created solely to provide financing related to the sale of commercial aircraft.

Typically, these structured entities are financed by third-party long-term debt and by third-party equity investors. The aircraft serve as collateral for the structured entities long-term debt. The Corporation retains certain interests in the form of credit and residual value guarantees, subordinated debt and residual interests. Residual value guarantees typically cover a percentage of the first loss from a guaranteed value upon the sale of the underlying aircraft at an agreed upon date. The Corporation also provides administrative services to certain of these structured entities in return for a market fee.

The Corporation was holding investments in financing structure amounting to $204 million as at December 31, 2022. Following the sale of the CRJ business, the Corporation had previously retained a portion of the investments in financing structure and had a back-to-back agreement with MHI. In fiscal year 2023, the Corporation has transferred the legal title of those investments and MHI has assumed the related liabilities.

The Corporation's maximum potential exposure was $2 million, of which $2 million was recorded as provisions and related liabilities as at December 31, 2023 ($8 million and $1 million, respectively, as at December 31, 2022). The Corporation's maximum exposure under these guarantees is included in Note 36 – Commitments and contingencies. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI.

The Corporation concluded that it did not control these structured entities.

36. COMMITMENTS AND CONTINGENCIES

The Corporation enters into various sale support arrangements. The Corporation is also subject to other off-balance sheet risks described in the following table. These off-balance sheet risks are in addition to the commitments and contingencies described elsewhere in these consolidated financial statements. Some of these off-balance sheet risks are also included in Note 35 – Unconsolidated structured entities. The maximum potential exposure does not reflect payments expected to be made by the Corporation.

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

		December 31, 2023		December 31, 2022
Aircraft sales				
Residual value (a)	**$**	**2**	$	8
Credit (a)		**2**		8
Mutually exclusive exposure[1]		**(2)**		(8)
Total credit and residual value exposure	**$**	**2**	$	8
Trade-in commitments (b)	**$**	**277**	$	428
Conditional repurchase obligations (c)	**$**	**—**	$	62
Other[2]				

(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) The Corporation has also provided other guarantees (see section (d) below).

The Corporation's maximum exposure in connection with credit and residual value guarantees related to the sale of aircraft represents the face value of the guarantees before giving effect to the net benefit expected from the estimated value of the aircraft and other assets available to mitigate the Corporation's exposure under these guarantees. Provisions for anticipated losses amounting to $2 million as at December 31, 2023 ($1 million as at December 31, 2022) have been established to cover the risks from these guarantees after considering the effect of the estimated resale value of the aircraft, which is based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balanced market in the medium and long-term, and the anticipated proceeds from other assets covering such exposures. 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. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI.

Aircraft sales

a) Credit and residual value guarantees – The Corporation has provided credit guarantees in the form of lease and loan payment guarantees, as well as services related to the remarketing of commercial aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in 2025. Substantially all financial support involving potential credit risk lies with regional commercial airline customers.

In addition, the Corporation had provided guarantees for the residual value of commercial aircraft at an agreed-upon date, generally at the expiry date of related financing and lease arrangements. The arrangements generally include operating restrictions such as maximum usage and minimum maintenance requirements. The guarantee provides for a contractually limited payment to the guaranteed party, which is typically a percentage of the first loss from a guaranteed value. In most circumstances, a claim under such guarantees may be made only upon resale of the underlying aircraft to a third party.

The following table summarizes the outstanding residual value guarantees, at the earliest exercisable date, and the period in which they can be exercised, as at:

		December 31, 2023		December 31, 2022
Less than 1 year	**$**	**—**	$	6
From 1 to 5 years		**2**		2
	$	**2**	$	8

In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI.

b) Trade-in commitments – In connection with the signing of firm orders for the sale of new aircraft, the Corporation enters into specified-price trade-in commitments with certain customers. These commitments give customers the right to trade-in their pre-owned aircraft as partial payment for the new aircraft purchased.

The Corporation's trade-in commitments were as follows, as at:

	December 31, 2023		December 31, 2022	
Less than 1 year	**$**	**227**	$	294
From 1 to 3 years		**50**		114
Thereafter		**—**		20
	$	**277**	$	428

c) Conditional repurchase obligations – In connection with the sale of new aircraft, the Corporation enters into conditional repurchase obligations with certain customers. Under these obligations, the Corporation agrees to repurchase the initial aircraft at predetermined prices, during predetermined periods or at predetermined dates, conditional upon mutually acceptable agreement for the sale of a new aircraft. At the time the Corporation enters into an agreement for the sale of a subsequent aircraft and the customer exercises its right to partially pay for the subsequent aircraft by trading-in the initial aircraft to the Corporation, a conditional repurchase obligation is accounted for as a trade-in commitment.

The Corporation's conditional repurchase obligations, as at the earliest exercise date, were as follows, as at:

	December 31, 2023		December 31, 2022	
Less than 1 year	**$**	**—**	$	62

Other guarantees

d) Other – In the normal course of its business, the Corporation has entered into agreements that include indemnities in favour of third parties, mostly tax indemnities. These agreements generally do not contain specified limits on the Corporation's liability and therefore, it is not possible to estimate the Corporation's maximum liability under these indemnities.

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.

Other commitments

The Corporation also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at December 31, 2023:

		Total
Within 1 year	**$**	**3,708**
Between 1 to 5 years		**1,321**
	$	**5,029**

The purchase obligations of the Corporation include capital commitments for the purchase of PP&E amounting to $98 million as at December 31, 2023.

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, contractual disputes with customers or suppliers, claims and disputes arising from divestiture or acquisition transactions, and other legal proceedings with 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 December 31, 2023, based on information currently available and known by the Corporation, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Sweden

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.

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 signaling 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. The internal review is still 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 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. On June 9, 2021, charges were laid against a different former employee of the former Swedish subsidiary of the Corporation for aggravated bribery. The trial took place from November 11 to November 24, 2021. On December 22, 2021, the former employee was acquitted by the Swedish District Court. A notice of appeal was filed by the Prosecution Authority on January 12, 2022. The trial in appeal with the Swedish Court of Appeal took place in April 2023. In May 2023, the Court of Appeal confirmed the verdict of acquittal rendered in December 2021. This decision is now final and non-appealable.

World Bank

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 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.

U.S. Department of Justice

On February 10, 2020, Bombardier received a letter from the U.S. Department of Justice (the "DOJ") requesting the communication of documents and information regarding the ADY Contract. 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.

The DOJ also made requests regarding contracts in South Africa and Indonesia (see below), as well as requests with respect to other sales of aircraft and services. Bombardier is cooperating with the DOJ's requests.

South Africa (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. 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 in 2014. 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 1,064 locomotives by Transnet.

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. Following the sale of the Transportation business to Alstom, Alstom has been managing the Zondo Commission and SIU related aspects of the matter.

While the National Prosecution Agency ("NPA") of South Africa has not communicated any request to the Corporation, the Corporation understands that the NPA is investigating the Transnet contracts.

U.K. Serious Fraud Office ("SFO") (Indonesia)

In May 2020, the Indonesian Corruption Court convicted the former CEO of Garuda Indonesia (Persero) TBK ("Garuda") 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 (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 SFO commenced a formal investigation into the Garuda Transactions. The Corporation has communicated with the SFO regarding the Corporation's internal review and its potential assistance with the SFO investigation on a voluntary basis.

RCMP

In 2021, Bombardier also received a communication from the RCMP's Sensitive and International Investigation Unit advising that it would be undertaking an investigation on the Garuda Transactions, and requested communication of documents from the Corporation.

The various regulators' investigations here above mentioned and internal reviews are on-going.

Claim from Certain Holders of Senior Notes due 2034

On January 31, 2022, the Corporation received a letter (the "Letter") from counsel to certain holders of 7.450% Senior Notes due 2034 (the "2034 Notes"), and has learned that such holders also filed a complaint before the Supreme Court of the State of New York (the "Action"), reiterating claims made in a letter addressed to the Corporation in April 2021 (the "April 2021 Letter") substantially to the effect that the Corporation's divestitures of non-core assets, including its transportation business, regional jet program and aerostructures division, constitute a breach of certain covenants under the indenture governing the 2034 Notes and further alleging that the actions of the Corporation in May 2021, addressing the matters raised in the April 2021 Letter, breached the rights of such holders. The Corporation believes that these allegations are without merit and intends to vigorously defend itself against the Action.

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.

Alstom Request for Arbitration

The Corporation received a notice from Alstom S.A. requesting arbitration before the International Chamber of Commerce pursuant to the agreement relating to the sale by Bombardier of its Transportation business on January 29, 2021 (the "Transaction"). In its request for arbitration, Alstom is alleging that the Corporation is in breach of certain contractual provisions. While litigation proceedings inherently carry uncertainties, the Corporation has good grounds to defend itself against Alstom's claim and intends to do so vigorously. The Corporation also intends to challenge certain purchase price adjustments which resulted in proceeds from the Transaction being lower than initially estimated. Evidentiary hearing on the arbitration is currently expected in late 2025 and proceedings are subject to confidentiality provisions.

RSU Class Action

On April 21, 2023, a motion for authorization to institute a class action was filed with the Superior Court of Québec in the district of Montréal against Bombardier Inc. and Messrs. Pierre Beaudoin, Éric Martel and Alain Bellemare ("Motion") (respectively the Chairman of the Board of Directors, the President and Chief Executive Officer and the former President and Chief Executive Officer of Bombardier Inc.). The Motion seeks permission to represent all persons who received, in November 2020, Restricted Share Units vesting in November 2023 (the RSUs) and to claim on their behalf an unspecified amount equal to the value of the RSUs which were canceled when they were prorated at the closing of the sale of the Transportation segment on January 29, 2021.

Plaintiff alleges that the defendants engaged in fraudulent omissions and manoeuvres in not sharing their interpretation of the RSU plan pursuant to which former employees would not get the benefit of RSUs vesting after the closing date of a transaction leading to the end of their employment with Bombardier. The class action requires an authorization from the Court before it can move forward. Until it is authorized, there are no monetary claims pending against any of the defendants in the context of this Court proceeding.

Bombardier Inc. and the other defendants are contesting this Motion. The Corporation's preliminary view at this juncture is that the proposed class action is without merit, that the inclusion of Messrs. Beaudoin, Martel and Bellemare as defendants is unfounded and that the possibility that these Court proceedings will cause the Corporation to incur material monetary liability appears to be remote.

37. RECLASSIFICATION

Certain comparative figures in the consolidated statements of income have been reclassified to conform to the presentation adopted in the current period, mainly a reclassification from special items and other expense (income) to gain related to disposal of business, impairment and program termination, and restructuring charges.