



2022 Financial Report

Fiscal year ended
December 31, 2022

BOMBARDIER

Bombardier is a global leader in aviation, focused on designing, manufacturing and servicing the world's most exceptional business jets.



A VISIONARY INDUSTRY LEADER

Headquartered in Greater Montréal, Québec, Bombardier is powered by a proud heritage and visionary innovation in the design, manufacture and support of world-class business aircraft. Its *Challenger* and *Global* aircraft families are renowned for their cutting-edge innovation, cabin design, performance and reliability.

Revenues⁽¹⁾

\$6.9 billion

Order backlog⁽²⁾

\$14.8 billion

Employees⁽³⁾

15,900

Bombardier has a worldwide fleet of approximately 5,000 aircraft in service with a wide variety of multinational corporations, charter and fractional ownership providers, governments and private individuals. Bombardier aircraft are also trusted around the world in special-mission roles, from surveillance and reconnaissance to medical evacuations and dignitary transport.

Bombardier boasts an extensive and growing network of aftermarket and support facilities, where it services the *Global*, *Challenger* and *Learjet*⁽⁴⁾ families of aircraft. These facilities include an increasing number of wholly owned service centers in the U.S., Europe and Asia-Pacific, as well as mobile response teams and dedicated aircraft parts availability sustained by parts facilities, including depots, hubs and repair facilities.

All amounts in this financial report are in U.S. dollars unless otherwise indicated.

⁽¹⁾ For fiscal year 2022.

⁽²⁾ As at December 31, 2022.

⁽³⁾ As at December 31, 2022, including contractual and approximately 700 inactive employees.

⁽⁴⁾ Bombardier delivered its last *Learjet* aircraft in the first quarter of 2022.

Executing the plan: Bombardier soaring above targets

In 2022, as Bombardier celebrated its 80th anniversary, its new strategic vision fully materialized into concrete initiatives and achievements. The themes of momentum and renewal were evident in product announcements, service facility expansions, the inauguration of Bombardier Defense, the designation of Wichita as our company's U.S. headquarters and the progress on our next-generation manufacturing facility in the greater Toronto area in Canada. With recruitment activities accelerating throughout the year around the world, Bombardier took great strides to deepen its commitment to a sustainable future for the industry, both through the use of sustainable fuels as well as continuing investment in revolutionary green aircraft research and technology. Above all, this renewed momentum saw 15,900 Bombardier employees work proudly together to achieve significant results that exceeded market expectations.

Dear Shareholders,

It is fantastic to celebrate Bombardier's 80th anniversary with the performance, passion and pride we witnessed throughout 2022. All our strategic paths were successful, from our footprint expansion to the launch of Bombardier Defense, and unveiling of the *Global 8000* aircraft, which sits atop the industry as the fastest and smoothest flying jet. Throughout the year, we accelerated our talent acquisition initiatives and grew our workforce by over 2,000 people, all the while exceeding our financial targets and significantly deleveraging our company.

The year began with Bombardier navigating a booming market as business jet demand and utilization surpassed expectations. We remained focused on executing our plan and ensuring that the fundamentals of our business remained central to delivering strong margins and overall performance, no matter the market conditions. I am immensely impressed by the Bombardier team's focus on execution, most notably on seizing opportunities to significantly grow our backlog and in turn ensure our predictability.

Our sights are firmly set on a future where Bombardier jets continue to lead their categories, our service network continues to grow and bring our jets home in more places around the world, governments increasingly seize the opportunities special-mission business jets bring, we continue to recruit and develop top talent, we deliver exceptional and predictable performance, and above all, lead the charge to a net zero business aviation industry and steward sustainability in all aspects of our operations⁽¹⁾. 2022 saw Bombardier significantly progress each of these elements with focus, energy and determination.

On the product side, the year began with the launch of the *Global 8000* jet. When it enters service in 2025, this aircraft will be the fastest flying plane in business aviation with a maximum operating speed of Mach 0.94, or 94% of the speed of sound. To unlock this, testing has begun, and we unveiled a mission in which our test vehicle broke the sound barrier. The aircraft will also offer a newly designed

Executive cabin, featuring the largest seating spaces in the category and introducing the *Nuage Cube*, the latest innovation from our Industrial Design team that can be deployed as a leg rest or additional seat to enhance how passengers network and collaborate. Next, we saw the certification and entry into service of our *Challenger 3500* jet. Unveiled the year prior, it is the newest member of the best-selling *Challenger 300* series. This latest model brings with it technological enhancements in the cockpit and cabin, as well as sustainable options for cabin completions, allowing customers to select materials like bamboos, wools or upcycled leathers, all contributing to a reduced carbon footprint over the lifecycle of the aircraft.

When it comes to maintaining a high-performing network of service professionals and stations for our exceptional jets, 2022 was a standout year. Beyond the financial growth you will read about in this report, we celebrated five significant milestones with the opening of new facilities in Miami (U.S.) and Melbourne (Australia), expanded facilities in London (U.K.) and Singapore, where we quadrupled the size of our existing facility, and finally a groundbreaking of a new service center in Abu Dhabi (U.A.E.). We also celebrated the one-year milestone of our Certified Pre-Owned Aircraft program, which in a short time has become a recognized and sought-after offering within the brokerage and pre-owned aircraft community thanks to the unique OEM-backed (Original Equipment Manufacturer) value proposition. Overall, our service growth curve is fully in line with our ambitions.

Special mission aircraft were also tapped as a growth vector in our long-term strategy. This past year saw Bombardier take a step forward by aligning all activities under the newly minted Bombardier Defense banner, which will help position our offering with a consistent and strong voice around the world. We have made significant inroads with various types of missions our business jets are well-suited for and publicly celebrated deliveries for both U.S. and German-based programs. Bombardier Defense will go forward as a premier partner of choice with the engineering know-how and high-performing products.

With these three businesses trending in positive directions, we have cemented our financial structure as we move toward landscapes in which we can consistently generate cash, deliver meaningful margin expansion and be seen by our stakeholders as a very predictable company. No achievement in our financial results stands out more to me in 2022 than repaying \$1.1 billion of debt utilizing cash from our balance sheet and generated by our operations.

Finally, performance in today's business landscape, whether it be through our people, products or results, must always factor in sustainability. At Bombardier, we pride ourselves on being the leaders in our industry in this regard. Our plan is bold, well-tracked and like all other aspects of our business in 2022, taking shape on the right track. Outside of the commitments we made for 2025 on Environmental, Social and Governance (ESG) metrics, in 2022 we signed a landmark agreement with Signature Aviation to cover all Bombardier internal flight operations with Sustainable Aviation Fuel (SAF) utilizing a book and claim system. This commitment immediately reduces CO2 emissions from flights by 25% on an annualized basis. We furthermore showcased our dedication to a sustainable future and revealed our no-longer-top-secret EcoJet research project. Why reveal it in 2022? With the industry facing increasing scrutiny, it is time to showcase once again that business aviation professionals are problem solvers. We generate ideas, jobs and innovations that help move world economies - and our industry has a clear path to net

zero emissions. Today, as we continue to pursue this project to one day bring a blended-wing-body jet to fruition, we must also inspire the next generation of professionals to contribute to accelerating these technologies. Working models like the ones we have do just that, and afford us the opportunity to work with academia and larger aerospace clusters to push the limits of what is possible.

The year ahead is filled with opportunities as well as more hard work to deliver on our commitments. Our journey to focus on business jets has yielded multiple new paths to explore and we will continue to do so responsibly and confidently.

We will continue to share our passion for what we do with you, our shareholders, as well as with many stakeholders throughout the communities where we operate. We will keep you informed on Bombardier's continuing success and we sincerely thank you for your support - our entire team values it immeasurably.

Wishing you all blue skies for the year ahead,



Eric Martel
President and Chief Executive Officer

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

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BOMBARDIER INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended
December 31, 2022

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

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

The data presented in this MD&A is structured under one reportable segment: Bombardier, which is reflective of our organizational structure.

IFRS and non-GAAP and other financial measures

This MD&A contains both IFRS and non-GAAP and other financial measures. Non-GAAP and other financial measures are defined and reconciled to the most comparable IFRS measure (see the Non-GAAP and other financial measures section).

Materiality for disclosures

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

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

The Financial Report for fiscal year 2022 comprises the message from our President and Chief Executive Officer to shareholders, this MD&A and our consolidated financial statements.

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

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership	GDP	Gross domestic product
bps	Basis points	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CGU	Cash generating unit	IFRS	International Financial Reporting Standard(s)
DB	Defined benefit	Libor	London Interbank Offered Rate
DC	Defined contribution	MD&A	Management's discussion and analysis
DDHR	Derivative designated in a hedge relationship	MHI	Mitsubishi Heavy Industries, Ltd
DSU	Deferred share unit	n/a	Not applicable
EBIT	Earnings (loss) before financing expense, financing income and income taxes	NCI	Non-controlling interests
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	nmf	Information not meaningful
EBT	Earnings (loss) before income taxes	OCI	Other comprehensive income (loss)
EIS	Entry-into-service	PP&E	Property, plant and equipment
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	PSU	Performance share unit
Euribor	Euro Interbank Offered Rate	R&D	Research and development
FVOCI	Fair value through other comprehensive income	RSU	Restricted share unit
FVTP&L	Fair value through profit and loss	SG&A	Selling, general and administrative
GAAP	Generally accepted accounting principles	SOFR	Secured Overnight Financing Rate
		U.A.E.	United Arab Emirates
		U.K.	United Kingdom
		U.S.	United States of America

OVERVIEW

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HIGHLIGHTS OF THE YEAR	STRATEGIC PRIORITIES	KEY PERFORMANCE MEASURES AND METRICS	GUIDANCE AND FORWARD-LOOKING STATEMENTS	PROFILE	INDUSTRY AND ECONOMIC ENVIRONMENT	CONSOLIDATED RESULTS OF OPERATIONS
7	10	11	13	18	22	26

CONSOLIDATED FINANCIAL POSITION	LIQUIDITY AND CAPITAL RESOURCES	CAPITAL STRUCTURE	RETIREMENT BENEFITS	RISK MANAGEMENT	NON-GAAP AND OTHER FINANCIAL MEASURES
32	33	39	41	47	51

HIGHLIGHTS OF THE YEAR

Bombardier confirms outstanding overperformance for 2022 and guides for continued growth in 2023

On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom. The results of the Transportation business have been classified as discontinued operations for current and comparative periods.

RESULTS			
For the fiscal years ended December 31	2022	2021	Variance
Revenues ⁽¹⁾	\$ 6,913	\$ 6,085	14 %
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 930	\$ 640	45 %
Adjusted EBITDA margin ⁽¹⁾⁽³⁾	13.5 %	10.5 %	300 bps
Adjusted EBIT ⁽¹⁾⁽²⁾	\$ 512	\$ 223	130 %
Adjusted EBIT margin ⁽¹⁾⁽³⁾	7.4 %	3.7 %	370 bps
EBIT ⁽¹⁾	\$ 538	\$ 241	123 %
EBIT margin ⁽¹⁾⁽⁴⁾	7.8 %	4.0 %	380 bps
Net loss from continuing operations	\$ (128)	\$ (249)	49 %
Net income (loss) from discontinued operations ⁽⁵⁾	\$ (20)	\$ 5,319	nmf
Net income (loss)	\$ (148)	\$ 5,070	nmf
Diluted EPS from continuing operations (in dollars) ⁽⁶⁾	\$ (1.67)	\$ (2.87)	\$ 1.20
Diluted EPS from discontinued operations (in dollars) ⁽⁶⁾	\$ (0.21)	\$ 53.41	\$ (53.62)
	\$ (1.88)	\$ 50.54	\$ (52.42)
Adjusted net income (loss) ⁽¹⁾⁽²⁾	\$ 101	\$ (326)	nmf
Adjusted EPS (in dollars) ⁽¹⁾⁽³⁾⁽⁶⁾	\$ 0.74	\$ (3.66)	\$ 4.40
Cash flows from operating activities			
Continuing operations	\$ 1,072	\$ 332	\$ 740
Discontinued operations	\$ —	\$ (621)	\$ 621
	\$ 1,072	\$ (289)	\$ 1,361
Net additions to PP&E and intangible assets			
Continuing operations	\$ (337)	\$ (232)	\$ (105)
Discontinued operations	\$ —	\$ —	\$ —
	\$ (337)	\$ (232)	\$ (105)
Free cash flow (usage) ⁽²⁾			
Continuing operations	\$ 735	\$ 100	\$ 635
Discontinued operations	\$ —	\$ (621)	\$ 621
	\$ 735	\$ (521)	\$ 1,256
As at December 31	2022	2021	Variance
Cash and cash equivalents	\$ 1,291	\$ 1,675	(23)%
Order backlog (in billions of dollars) ⁽⁷⁾	\$ 14.8	\$ 12.2	21 %

⁽¹⁾ Includes continuing operations only.

⁽²⁾ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

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⁽⁴⁾ Supplementary financial measure. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics.

⁽⁵⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

⁽⁶⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

⁽⁷⁾ Includes order backlog for both manufacturing and services.

KEY HIGHLIGHTS AND EVENTS

- 2022 reported revenues for the year of \$6.9 billion, up 14% year-over-year, driven by higher deliveries, a favorable aircraft mix and aftermarket reaching a new full-year peak of \$1.5 billion in revenues, up 22% year-over-year.
- 2022 adjusted EBITDA⁽¹⁾ rose 45% from last year to \$930 million, driven by increased *Global 7500* contribution, cost structure improvements, higher aftermarket contribution and a better aircraft mix. Full year reported EBIT is at \$538 million. Solid overall performance and fundamentals yield a positive adjusted EPS⁽²⁾⁽³⁾ of \$0.74 and diluted EPS⁽²⁾ from continuing operations of \$(1.67).
- Strong free cash flow⁽¹⁾ generation of \$735 million from continuing operations for 2022, representing an improvement of \$635 million year-over-year, driven by earnings growth and strong order intake. Cash flows from operating activities for the full year were \$1.1 billion and net additions to PP&E and intangible assets for the full year were \$337 million. Adjusted available liquidity⁽¹⁾ stands strong at \$1.9 billion; cash and cash equivalents were \$1.3 billion as of December 31, 2022.
- Backlog⁽⁴⁾ reached \$14.8 billion at year end, representing a \$2.6 billion increase year-over-year and a reflection of continued strong order intake and a steady demand profile. Full year unit book-to-bill⁽⁵⁾ reached 1.4.
- 2023 targets reflect third consecutive year of steady growth, with anticipated⁽⁶⁾ greater than 138 aircraft deliveries, greater than \$7.6 billion in revenues, greater than \$1,125 million in adjusted EBITDA⁽¹⁾, greater than \$695 million in adjusted EBIT⁽¹⁾, and generating greater than \$250 million in free-cash-flow⁽¹⁾.
- The Corporation will provide a strategic progress update during its virtual Investor Day on March 23, 2023.

Continued focus on deleveraging

Throughout 2022, Bombardier regularly took debt reduction actions which resulted in debt repayments of \$1.1 billion for the full year 2022. This represents a total debt reduction of \$4.1 billion since December 31, 2020. Adjusted net debt⁽¹⁾ stands at \$4.3 billion as at December 31, 2022. As of February 2023, Bombardier has no debt maturities up to March 2025, except for the Senior Notes due in 2024, which as previously announced, will be redeemed in full on February 16, 2023⁽⁶⁾.

Aftermarket expansion

Throughout 2022, Bombardier continued enhancements to its worldwide customer service network, including the expansion of Bombardier's service center network in Berlin, Miami, London-Biggin Hill, Singapore and Melbourne. Additionally, on December 6, 2022, Bombardier announced the official groundbreaking of its new service center at the Abu Dhabi International Airport (AUH) in Abu Dhabi, U.A.E. The new facility is targeted to open in 2025 and once fully operational, it should help Bombardier continue to expand and grow its aftermarket revenues beyond 2025.

Bombardier delivered 100th *Global 7500*

On March 29, 2022, Bombardier delivered its 100th *Global 7500* as VistaJet accepted the tenth *Global 7500* aircraft to its fleet. The 100th *Global 7500* delivery makes VistaJet the largest operator of *Global 7500* aircraft in the world and underscores the long-time relationship between Bombardier and VistaJet, and demonstrates the success of this unparalleled business jet.

⁽¹⁾ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽²⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

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⁽⁴⁾ Represents order backlog for both manufacturing and services.

⁽⁵⁾ Defined as net new aircraft orders in units over aircraft deliveries in units.

⁽⁶⁾ Forward-looking statement. See the forward-looking statements assumptions on which the guidance is based and forward-looking statements disclaimer in Overview.

Bombardier Challenger 3500 wins multiple awards and receives its Environmental Product Declaration

On April 14, 2022, Bombardier's newly launched *Challenger 3500* jet won the "Red Dot: Best of the Best" in the Red Dot Award: Product Design 2022. The prestigious Red Dot Award is one of the most sought-after international recognitions for design and innovation excellence. On September 19, 2022, *Challenger 3500* aircraft won the "Grand Winner" in the Industrial Design / Automotive & Transportation category at the 15th edition of the "Grands Prix du Design". The international award recognizes excellence in design and celebrates the talented professionals who inspire through their creative vision. In addition to these awards, Bombardier published, on May 20, 2022, the *Challenger 3500* Business Jet Environmental Product Declaration (EPD) that provides detailed information about the aircraft's life cycle environmental footprint. The validation, verification and confirmation of the EPD for the *Challenger 3500* represent another milestone for Bombardier, demonstrating its ongoing commitment to sustainability. The next-generation *Challenger 3500* business jet entered into service on September 20, 2022.

Bombardier launches its Defense business

On April 19, 2022, Bombardier launched Bombardier Defense as evolution of Specialized Aircraft division, designating Wichita site as its new U.S. Headquarters. Bombardier's footprint in Wichita reflects the Corporation's strategic expansion of its existing Specialized Aircraft division. The site also continues to operate one of the world's leading flight test centres that performs testing and certification of aircraft upgrades on all new Bombardier aircraft programs.

Bombardier introduces Global 8000 aircraft

On May 23, 2022, Bombardier introduced the newest member of its industry-leading business jet portfolio with the introduction of the *Global 8000* aircraft. The *Global 8000* aircraft leverages and enhances the outstanding attributes of the *Global 7500* aircraft. Expected to enter service in 2025, the *Global 8000* aircraft development is ongoing, and the program is progressing to plan. On November 29, 2022, Bombardier announced that NetJets, its long-time valued customer and a world leader in private aviation, will become the fleet launch customer for the *Global 8000* aircraft with a firm order of four *Global 8000* aircraft.

Milestone sustainable aviation fuel commitment

On October 17, 2022, Bombardier and Signature Aviation announced a multi-year agreement for the purchase of sustainable aviation fuel (SAF), at blend ratio of 30% SAF and 70% regular jet fuel quantities, utilizing the Book and Claim system, covering all of Bombardier's flight operations starting in January 2023. The initiative reinforces Bombardier's leadership role in the promotion, adoption and widespread use of SAF. Bombardier's decision will reduce annual greenhouse gas (GHG) emissions from fuel used in its flight operations by approximately 25%. This is a major annual gain in the near term, supporting Bombardier's previously announced objective of reducing GHG emissions from all its operations by 25% by 2025, compared to 2019 levels. Bombardier's 2025 objective is a step in line with the business aviation industry's goal of achieving a net carbon neutral footprint by 2050.

STRATEGIC PRIORITIES⁽¹⁾

During its February 2022 Investor Day, Bombardier reaffirmed the strategic priorities it had initially released in March 2021. These actions include capturing the value associated with maturing the *Global 7500* contribution; delivering on its productivity and profitability initiative; executing on the Corporation's aftermarket growth strategy and deleveraging its balance sheet. Over the past two years, Bombardier has progressed significantly on all its strategic priorities to achieve certain milestones ahead of its stated 2025 objectives, and expects to further update investors during its Investor Day scheduled for March 23, 2023.

Aftermarket expansion

With respect to its aftermarket growth strategy, Bombardier is expanding its worldwide services network and capabilities to position the Corporation to capture a greater share of a growing market and further diversify its overall revenues with more resilient and profitable aftermarket revenues. Specifically, the Corporation completed the openings of all the previously announced service centers and expects to grow its aftermarket revenues from \$1.0 billion in 2020 to \$2.0 billion in 2025.

Maturing *Global 7500* contribution

The Corporation will continue to work on unlocking the full potential of its flagship *Global 7500* aircraft as the program transitioned from negatively impacting earnings in 2020 to being the biggest EBITDA contributor through 2025.

Productivity and profitability initiative

The overall goal of this initiative is to make the Corporation more efficient and agile and capable of delivering stronger financial performance, while also establishing a lower cost base for growth once the market recovers. Importantly, the Corporation expects to achieve and complete the \$400 million in recurring savings by 2023 through labor productivity improvements, reduced corporate costs and indirect spending, and by optimizing its manufacturing footprint.

Deleveraging balance sheet

Bombardier has set out to substantially deleverage its balance sheet by 2025, by targeting to reach an adjusted net debt to adjusted net EBITDA ratio⁽²⁾ of ~3x as well as reducing annualized cash interest expense by more than \$250 million. Since December 2020, the Corporation reduced its long-term debt by approximately \$4.1 billion resulting in a gross debt of approximately \$6.0 billion as at December 31, 2022, which is expected to reduce its annualized interest charges by more than \$300 million compared to 2020. The Corporation intends to continue to opportunistically refinance or deploy excess liquidity towards debt pay down and continues to evaluate the most efficient debt reduction strategies, which for example could include redemptions, tenders or open market repurchases. The amounts involved may be material.

Bombardier will provide progress update on its five-year strategic plan during a virtual Investor Day on March 23, 2023.

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

⁽²⁾ Non-GAAP financial ratio. A non-GAAP financial ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes key performance measures and associated metrics evaluated.

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
GROWTH AND COMPETITIVE POSITIONING	<ul style="list-style-type: none"> Order backlog⁽¹⁾, as a measure of future revenues. Revenues and delivery units, as measures of growth. Market share (in terms of revenues and units delivered), as measures of our competitive positioning.
PROFITABILITY	<ul style="list-style-type: none"> EBIT, EBIT margin⁽²⁾, adjusted EBIT⁽³⁾, adjusted EBIT margin⁽⁴⁾, adjusted EBITDA⁽³⁾, adjusted EBITDA margin⁽⁴⁾, diluted EPS and adjusted EPS⁽⁴⁾, as measures of performance.
LIQUIDITY	<ul style="list-style-type: none"> Free cash flow⁽³⁾, as a measure of liquidity generation. Cash and cash equivalents, adjusted liquidity⁽³⁾⁽⁵⁾, available liquidity⁽³⁾⁽⁵⁾ and adjusted available liquidity⁽³⁾⁽⁵⁾, as measures of liquidity adequacy.
CAPITAL STRUCTURE	<ul style="list-style-type: none"> Adjusted net debt⁽³⁾⁽⁵⁾. Adjusted net debt to adjusted EBITDA ratio⁽⁴⁾⁽⁵⁾.
CUSTOMER SATISFACTION	<ul style="list-style-type: none"> On-time aircraft deliveries, as a measure of meeting our commitment to customers. Fleet dispatch reliability, as a measure of our products' reliability. Regional availability of parts and technical expertise to support customer requests in a timely manner, as a measure of meeting customer needs for the entire life of the aircraft. On-time return to service and high-quality workmanship at Bombardier-owned maintenance facilities, as a measures of efficiency.
EXECUTION	<ul style="list-style-type: none"> Achievement of program development milestones, as a measure of flawless execution.

⁽¹⁾ Represents order backlog for both manufacturing and services.

⁽²⁾ Supplementary financial measure. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics.

⁽³⁾ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

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⁽⁵⁾ Refer to Capital structure section of this MD&A for information on adjusted net debt and adjusted net debt to adjusted EBITDA ratio; refer to Liquidity and capital resources section of this MD&A for information on adjusted liquidity, available liquidity and adjusted available liquidity.

FIVE-YEAR SUMMARY

For the fiscal years ended December 31	2022	2021	2020	2019	2018
Profitability					
Revenues ⁽¹⁾	\$ 6,913	\$ 6,085	\$ 6,487	\$ 7,488	\$ 7,321
Adjusted EBITDA ⁽¹⁾⁽²⁾⁽³⁾	\$ 930	\$ 640	\$ 200	\$ 684	\$ 453
Adjusted EBITDA margin ⁽¹⁾⁽³⁾⁽⁴⁾	13.5 %	10.5 %	3.1 %	9.1 %	6.2 %
Adjusted EBIT ⁽¹⁾⁽²⁾⁽³⁾	\$ 512	\$ 223	\$ (211)	\$ 400	\$ 279
Adjusted EBIT margin ⁽¹⁾⁽³⁾⁽⁴⁾	7.4 %	3.7 %	(3.3)%	5.3 %	3.8 %
EBIT ⁽¹⁾	\$ 538	\$ 241	\$ 912	\$ (520)	\$ 227
EBIT margin ⁽¹⁾⁽⁵⁾	7.8 %	4.0 %	14.1 %	(6.9)%	3.1 %
Net loss from continuing operations	\$ (128)	\$ (249)	\$ (170)	\$ (1,541)	\$ (87)
Net income (loss) from discontinued operations ⁽⁶⁾	\$ (20)	\$ 5,319	\$ (398)	\$ (66)	\$ 405
Net income (loss)	\$ (148)	\$ 5,070	\$ (568)	\$ (1,607)	\$ 318
Diluted EPS (in dollars) ⁽⁷⁾	\$ (1.88)	\$ 50.54	\$ (9.19)	\$ (19.05)	\$ 2.35
Adjusted net income (loss) ⁽¹⁾⁽²⁾	\$ 101	\$ (326)	\$ (1,115)	\$ (406)	\$ (7)
Adjusted EPS (in dollars) ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁷⁾	\$ 0.74	\$ (3.66)	\$ (11.76)	\$ (4.47)	\$ 0.72

⁽¹⁾ Includes continuing operations only.

⁽²⁾ Non-GAAP financial measures. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽³⁾ Refer to the Consolidated results of operations section for details of special items recorded in 2022 and 2021.

⁽⁴⁾ Non-GAAP financial ratio. A non-GAAP financial ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽⁵⁾ Supplementary financial measure. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics.

⁽⁶⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

⁽⁷⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

FIVE-YEAR SUMMARY

For the fiscal years ended and as at December 31	2022	2021	2020	2019	2018
Liquidity					
Cash flows from operating activities					
Continuing operations	\$ 1,072	\$ 332	\$ (1,672)	\$ (253)	\$ 587
Discontinued operations	\$ —	\$ (621)	\$ (1,149)	\$ (427)	\$ 10
	<u>\$ 1,072</u>	<u>\$ (289)</u>	<u>\$ (2,821)</u>	<u>\$ (680)</u>	<u>\$ 597</u>
Net additions to PP&E and intangible assets					
Continuing operations	\$ 337	\$ 232	\$ 221	\$ 366	\$ 307
Discontinued operations	\$ —	\$ —	\$ 133	\$ 157	\$ 108
	<u>\$ 337</u>	<u>\$ 232</u>	<u>\$ 354</u>	<u>\$ 523</u>	<u>\$ 415</u>
Free cash flow (usage) ⁽¹⁾					
Continuing operations	\$ 735	\$ 100	\$ (1,893)	\$ (619)	\$ 280
Discontinued operations	\$ —	\$ (621)	\$ (1,282)	\$ (584)	\$ (98)
	<u>\$ 735</u>	<u>\$ (521)</u>	<u>\$ (3,175)</u>	<u>\$ (1,203)</u>	<u>\$ 182</u>
Cash and cash equivalents ⁽²⁾	\$ 1,291	\$ 1,675	\$ 2,450	\$ 2,629	\$ 3,187
Current portion of long-term debt	\$ —	\$ —	\$ 1,882	\$ 8	\$ 9
Long-term debt	\$ 5,980	\$ 7,047	\$ 8,193	\$ 9,325	\$ 9,093

⁽¹⁾ Non-GAAP financial measures. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽²⁾ Includes cash and cash equivalents from Transportation of \$671 million presented under Assets held for sale as of December 31, 2020, and \$51 million from the aerostructures businesses as of December 31, 2019, respectively.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

2022 Guidance and Results

Continuing operations only	2022 guidance provided in our 2021 Financial Report ⁽¹⁾	Updated 2022 guidance ⁽²⁾	2022 results
Aircraft deliveries (in units)	> 120	> 120	123
Revenues	> \$6.5 billion	> \$6.5 billion	\$6.9 billion
Adjusted EBITDA⁽³⁾	> \$825 million	> \$825 million	\$930 million
Adjusted EBIT⁽³⁾	> \$375 million	> \$375 million	\$512 million
EBIT	n/a	n/a	\$538 million
Free cash flow⁽³⁾	> \$50 million	> \$515 million	\$735 million
Cash flows from operating activities	n/a	n/a	\$1.1 billion
Net additions to PP&E and intangible assets	n/a	n/a	\$337 million

Revenues for the full year of \$6.9 billion were above guidance mainly due to a favorable aircraft mix and strong aftermarket performance.

Full year adjusted EBITDA⁽³⁾ and adjusted EBIT⁽³⁾ were \$930 million and \$512 million respectively as a result of margin conversion on higher revenues than guidance and execution of the Corporation's strategic priorities.

Free cash flow⁽³⁾ guidance for the full year was revised up from better than \$50 million to better than \$515 million. Full year free cash flow⁽³⁾ generation from continuing operations was \$735 million for 2022, driven by higher earnings generation and better working capital performance resulting from stronger order intake as the Corporation built its backlog⁽⁴⁾ to \$14.8 billion.

⁽¹⁾ Refer to our 2021 Financial Report for further details.

⁽²⁾ Refer to our Second Quarterly Report for the period ended June 30, 2022 for further details.

⁽³⁾ Non-GAAP financial measures. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽⁴⁾ Represents order backlog for both manufacturing and services.

2023 Guidance⁽¹⁾

	2023 Guidance
Aircraft deliveries (in units)	> 138
Revenues	> \$7.6 billion
Adjusted EBITDA⁽²⁾	> \$1,125 million
Adjusted EBIT⁽²⁾	> \$695 million
Free cash flow⁽²⁾	> \$250 million

Aircraft deliveries in 2023 are expected to be greater than 138 aircraft, with growth in both *Challenger* and *Global* aircraft platforms.

Revenues are expected to increase versus 2022 to greater than \$7.6 billion, based on higher aircraft deliveries, as well as a growth in our aftermarket business as new service facilities continue to ramp-up operations.

Adjusted EBITDA⁽²⁾ is expected to be greater than \$1,125 million in 2023, a 21% improvement over 2022. This growth is driven by margin conversion on increased revenues, increased contribution from the *Global 7500* platform, and finalizing the Corporation's \$400 million cost reduction plan partly offset by production and supply chain related cost increases. Adjusted EBIT⁽²⁾ is expected to be greater than \$695 million.

Free cash flow⁽²⁾ in 2023 is expected to be greater than \$250 million including one-time payments related to residual value guarantees estimated at approximately \$125 million, and net additions to PP&E and intangible assets around \$350 million.

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

⁽²⁾ Non-GAAP financial measures. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Forward-looking Statements Disclaimer

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and outlook or guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, financial performance, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; customer value; expected demand for products and services; growth strategy; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and execution of orders in general; competitive position; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources, expected financial requirements, and ongoing review of strategic and financial alternatives; the introduction of productivity enhancements, operational efficiencies, cost reduction and restructuring initiatives, and anticipated costs, intended benefits and timing thereof; the ability to continue business transition to growth cycle and cash generation; expectations, objectives and strategies regarding debt repayment, refinancing of maturities and interest cost reduction; compliance with restrictive debt covenants; expectations regarding the declaration and payment of dividends on our preferred shares; intentions and objectives for our programs, assets and operations; expectations regarding the availability of government assistance programs; both the repercussions of the COVID-19 pandemic and the impact of the ongoing military conflict between Ukraine and Russia on the foregoing and the effectiveness of plans and measures we have implemented in response thereto; and expectations regarding the strength of the market, inflationary and supply chain pressures, and ongoing economic recovery in the aftermath of the COVID-19 pandemic.

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

By their nature, forward-looking statements require management to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions underlying the forward-looking statements made in this MD&A include the following material assumptions: growth of the business aviation market and the Corporation’s share of such market; proper identification of recurring cost savings and executing on our cost reduction plan; optimization of our real estate portfolio, including through the sale or other transactions in respect of real estate assets on favorable terms; and access to working capital facilities on market terms. For additional information, including with respect to other assumptions underlying the forward-looking statements made in this MD&A, refer to the Forward-looking statements - Assumptions section hereinafter. Given the impact of the changing circumstances surrounding both the repercussions of the COVID-19 pandemic and the ongoing military conflict between Ukraine and Russia, including because of the emergence of COVID-19 variants and the imposition of financial and economic sanctions and export control limitations, and the related response from the Corporation, governments (federal, provincial and municipal, both domestic, foreign and multinational inter-governmental organizations), regulatory authorities, businesses, suppliers, customers, counterparties and third-party service providers, there is inherently more uncertainty associated with the Corporation’s assumptions as compared to prior years.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: risks associated with general economic conditions; operational risks (such as risks related to development of new business; order backlog; deployment and execution of our strategy, including cost reductions and working capital improvements and manufacturing and productivity enhancement initiatives; developing new products and services; the certification of products and services; pressures on cash flows and capital expenditures, including due to seasonality and cyclicity; doing business with partners; product performance warranty and casualty claim losses; environmental, health and safety concerns and regulations; dependence on limited number of contracts, customers and suppliers, including supply chain risks; human resources including the global availability of a skilled workforce; reliance on information systems (including technology vulnerabilities, cybersecurity threats and privacy breaches); reliance on and protection of intellectual property rights; reputation risks; adequacy of insurance coverage; risk management; and tax matters); financing risks (such as risks related to liquidity and access to capital markets; substantial debt and interest payment requirements, including execution of debt management and interest cost reduction strategies; restrictive and financial debt covenants; retirement benefit plan risk; exposure to credit risk; and reliance on government support); risks related to regulatory and legal proceedings; business environment risks (such as risks associated with the financial condition of business aircraft customers; trade policy; increased competition; political instability; financial and economic sanctions and export control limitations; global climate change; and force majeure events); market risks (such as foreign currency fluctuations; changing interest rates; increases in commodity prices; and inflation rate fluctuations); and other unforeseen adverse events. For more details, see the Risks and uncertainties section in Other in this MD&A. Any one or more of the foregoing factors may be exacerbated by the repercussions of the COVID-19 pandemic and the ongoing military conflict between Ukraine and Russia, and may have a significantly more severe impact on the Corporation’s business, results of operations and financial condition than in the absence of such events.

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

Forward-looking statements — Assumptions

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

- normal execution and delivery of current backlog;
- the alignment of production rates to market demand, including the ability of the supply base to support product development and planned production rates on commercially acceptable terms in a timely manner;
- continuing to mature margin contribution on the *Global 7500* and executing the ongoing development of the *Global 8000* on target;
- continued deployment and execution of growth strategies, and continued growth of the aftermarket and Defense business;
- the ability to invest in our product portfolio;
- the accuracy of the analyses and assumptions underlying our business case including estimated cash flows and revenues over the expected life of our programs and thereafter;
- the accuracy of our estimates and judgments regarding the duration, scope and impacts of the repercussions of the COVID-19 pandemic, and the ongoing military conflict between Ukraine and Russia, on the economy and financial markets, and on our business, operations, revenues, liquidity, financial condition, margins, cash flows, prospects and results in future periods;
- the accuracy of our assessment of anticipated growth drivers and sector trends;
- the accuracy of our assessment of pricing, supply chain and inflation trends;
- new program aircraft prices, unit costs and ramp-up;
- the ability to understand customer needs and portfolio of products and services to drive market demand and secure new orders and maintain the backlog level;
- continued deployment and execution of leading initiatives to improve revenue conversion into higher earnings and free cash flow⁽²⁾, through improved procurement cost, controlled spending and labour efficiency;
- delivering on our cost reduction plan, through restructurings and other initiatives addressing the direct and indirect cost structure, focusing on sustained cost reductions and operational improvements, while reducing working capital consumption;
- the effectiveness of disciplined capital deployment measures in new programs and products to drive revenue growth;
- our ability to offset a portion of our new Toronto Pearson Airport manufacturing facility construction costs through land sales or other opportunities and to keep project spend on track;
- the ability to recruit and retain highly skilled resources;
- the stability of the competitive global environment, global economic conditions and financial markets in the aftermath of the COVID-19 pandemic;
- the stability of foreign exchange rates at current levels;
- the ability to access the capital markets as needed or opportunistically;
- the ability to have sufficient liquidity to execute the strategic plan and to pay down long-term debt or refinance maturities; and
- the ability to successfully defend ourselves against ongoing and future legal and regulatory proceedings.

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

⁽¹⁾ Also refer to the Guidance and forward-looking statements section for the forward-looking statements disclaimer.

⁽²⁾ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

PROFILE

Strong portfolio positioned for growth

We skillfully design, develop, manufacture and market two class-leading families of business jets, *Global* and *Challenger*. We also provide robust aftermarket support for both of these aircraft, as well as for the *Learjet* family of aircraft⁽¹⁾. Our business jet portfolio spans from the large to medium categories, in addition to outfitting various aircraft platforms for specialized use. With approximately 5,000 aircraft in service worldwide, Bombardier has developed an extensive aftermarket and support network of service facilities across the U.S., Europe and Asia-Pacific. This network grew significantly in 2022, when several new or newly expanded service centers were inaugurated. Additional support is provided thanks to world-class facilities, depots, hubs, repair facilities and mobile response teams with available aircraft parts worldwide.

⁽¹⁾ Bombardier delivered its last *Learjet* aircraft in the first quarter of 2022 but continues to provide aftermarket support for the *Learjet* family of aircraft.

MARKET SEGMENT: BUSINESS AIRCRAFT

LARGE BUSINESS JETS

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

Market category: Large business jets

Key highlights⁽²⁾: Skillfully designed to leave a lasting impression, the flagship *Global* aircraft family covers the large jet category with six aircraft models. In 2022, Bombardier unveiled its newest member, the *Global 8000* aircraft. The new aircraft, set to enter service in 2025, stands alone as the world's fastest and longest-range purpose-built business jet, innovatively crafted with the industry's smoothest ride, healthiest cabin and lowest cabin altitude. With a top speed of Mach 0.94, the *Global 8000* is the fastest business jet in the skies.



Global 8000 aircraft

Since its entry into service in 2018, the segment-defining *Global 7500* aircraft has proven to be the highest performing aircraft in the industry, as well as the first business jet to receive an Environmental Product Declaration (EPD[®])⁽³⁾. With the longest range currently available in the industry, it can link virtually any key city pair worldwide, non-stop. Its four-zone cabin includes a full crew-rest area and provides an unprecedented array of floor plans and furnishing options.

In 2022, Bombardier introduced the *Executive* cabin, a new, three-workspace interior option for its *Global 7500* and *Global 8000* aircraft. The new setup provides an excellent option for those aircraft owners whose jet use is focused on maximizing corporate productivity. The *Executive* cabin also features a new member of Bombardier's revolutionary *Nuage* seating family, the versatile *Nuage Cube*.

Featuring a revolutionary wing design and efficient Pearl engines, the *Global 5500* and *Global 6500* jets boast farthest-in-class ranges, offering unrivalled performance and unsurpassed passenger comfort, all at exceptional operating costs.

All *Global* aircraft come equipped with Bombardier's *Pür Air* system, with an advanced HEPA filter that captures up to 99.99% of allergens, bacteria and viruses while completely replacing the cabin air with 100% fresh air in as little as 90 seconds. In addition, the industry's fastest worldwide inflight internet connectivity, combined with comprehensive cabin management systems, keep passengers entertained and connected at all times.

⁽¹⁾ The *Global 8000* aircraft is in development, with testing and certifications proceeding on schedule towards the planned entry into service in 2025. See the *Global 8000* aircraft disclaimer at the end of this MD&A.

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

⁽³⁾ The International EPD[®] System is an environmental declaration program based in Sweden. It discloses fully transparent environmental information about the product's life cycle, such as CO2 emissions, noise, water consumption and other key environmental impact indicators.

MEDIUM BUSINESS JETS

Models: *Challenger 3500* and *Challenger 650*

Market category: Medium business jets

Key highlights⁽¹⁾: A masterful expression of high-end craftsmanship and functionality, the *Challenger* family of aircraft features productivity-enhancing business tools, with the most comfortable cabins in its category. All *Challenger* aircraft offer low operating costs, high reliability, and the ultimate in-flight experience with industry-leading connectivity, immersive sound system and a cabin management system that effortlessly bring it all together.

Unveiled in September 2021, the first *Challenger 3500*, belonging to its launch customer, entered service in September 2022. An update to Bombardier's bestselling *Challenger 3500* platform, the *Challenger 3500* features a thoroughly redesigned, intelligent, and sustainably minded cabin that includes Bombardier's revolutionary *Nuage* seat. The aircraft is the first in the industry with a voice-controlled cabin, and the first super mid-size jet with an Environmental Product Declaration (EPD[®]). Its eco-friendly innovative technology helps pilots reduce fuel burn and carbon emissions.

The *Challenger 3500* has proven to be the right answer to the customers evolving needs and continues the platform's 8-year streak as the most delivered super mid-size aircraft.

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



Challenger 3500 aircraft

The *Challenger 600* series has been the most delivered business jet in its segment for the last decade. With its peak reliability, worldwide reach, widest-in-class cabin and lowest direct operating costs, the *Challenger 650* platform continues to be popular with corporate customers and fleet operators. It is also in demand for specialized missions: there are more specialized *Challenger 600* series aircraft in operation than all direct competitors combined.

BOMBARDIER DEFENSE

Models: *Challenger* and *Global* business jets

Market category: Special-mission aircraft

Key highlights: Bombardier Defense (previously Bombardier Specialized Aircraft) designs, develops and delivers a range of capabilities to operators around the world, with more than 500 special-mission *Learjet*, *Challenger* and *Global* aircraft in service with more than 160 operators in over 50 countries. Bombardier's diverse fleet of business aircraft platforms represent the ideal solution for government missions, from surveillance and reconnaissance to medical evacuations and VIP transport. Solutions range from turnkey packages of complete design, building, testing and certification to specialized engineering support and technical oversight of customer projects.

Bombardier has most notably successfully delivered platforms of choice in the intelligence, surveillance, and reconnaissance (ISR) platform sphere and is becoming the service provider of choice for multiple armed forces and foreign allies.



BOMBARDIER'S CERTIFIED PRE-OWNED AIRCRAFT PROGRAM

Models: *Learjet, Challenger* and *Global* business jets

Market category: Pre-owned aircraft

Key highlights⁽¹⁾: In 2021, Bombardier launched its certified pre-owned aircraft program that provides a premium pre-owned ownership experience by harnessing Bombardier's product knowledge, as well as its world-renowned refurbishment capabilities and valuation know-how. For buyers seeking a "like-new" experience, Bombardier's certified pre-owned aircraft program provides them with the premium class of pre-owned products, equipped with the latest safety and cabin enhancements – while providing the new aircraft delivery experience customers are looking for. Each available aircraft is meticulously selected, inspected and updated to adhere to Bombardier's highest quality and safety standards. A fresh coat of Matterhorn white provides the immaculate canvas for customers to apply their signature livery. Every Bombardier's certified pre-owned aircraft is backed by an exclusive manufacturer one-year warranty⁽²⁾ which extends to operational support during the first year, just like with new Bombardier aircraft.

⁽¹⁾ Excludes trade-in and resale sales.

⁽²⁾ One-year warranty on the airframe. Certain conditions apply.

MARKET SEGMENT: CUSTOMER SERVICES

MAINTENANCE: ADDING VALUE THROUGHOUT THE LIFECYCLE

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

Key highlights: Bombardier offers worldwide service and support through wholly owned service centers, line maintenance stations, mobile response teams, and a network of authorized service facilities and aircraft worldwide to support customers through aircraft-on-ground (AOG) resolutions. In 2022, Bombardier considerably expanded its service center network. The company opened new facilities in Miami - Opa Locka, Florida, and Melbourne, Australia, and inaugurated the significantly expanded Singapore and London - Biggin Hill service centers.

SERVICES: OFFERING PEACE OF MIND THROUGH PARTS AND SMART SERVICES

Services portfolio: Bombardier is providing manufacturer-approved parts backed by an industry leading two-year warranty, as well as repairs to customer owned parts. A growing portfolio of innovative cost-per-flight-hour parts and maintenance plans are also available for *Learjet, Challenger* and *Global* aircraft. Options include the *Smart Services* offering, which can be tailored to include landing gear overhaul and unscheduled maintenance coverage, among other selections.

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

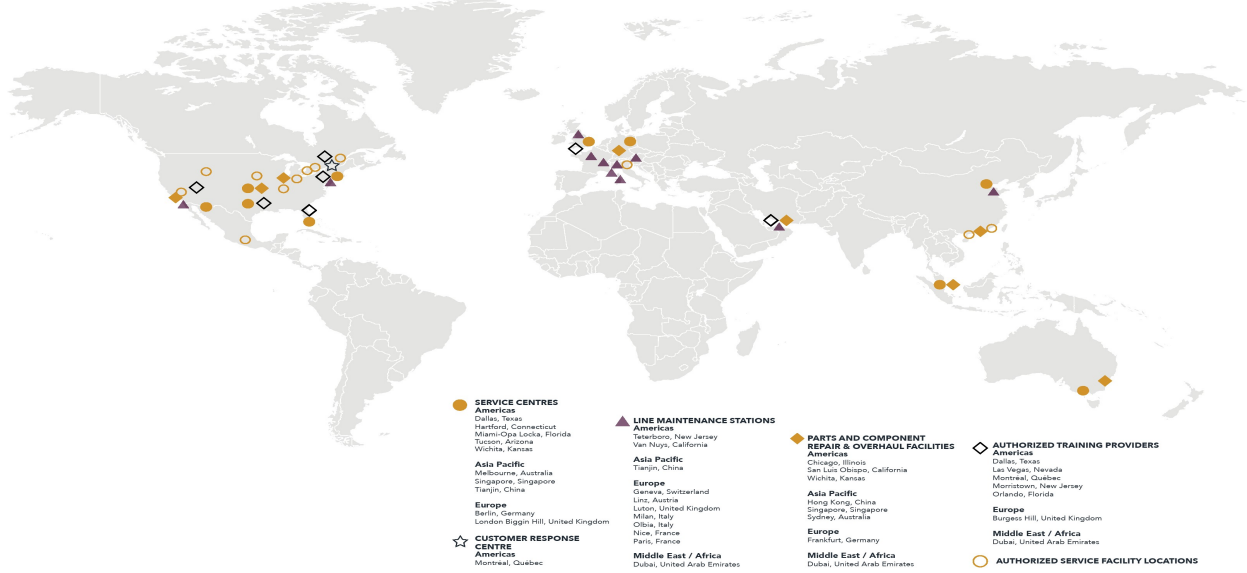
CUSTOMER SUPPORT: 24/7 ASSISTANCE

Services portfolio: Comprehensive portfolio of business aircraft customer support including 24-hour customer response centers, enhanced online service tools, customer services engineering, mobile response team trucks, structural repair, technical publications and EIS support.

Key highlights: Providing operators with a single point of contact, 24 hours a day, 365 days a year, for all critical and aircraft-on-the-ground requests and supporting all customer requirements from EIS throughout ownership of the aircraft by leveraging a global support network of strategically located teams. In 2022, Bombardier significantly enhanced its customer support footprint around the world with the inauguration of expanded service centers in Singapore and London - Biggin Hill, and the opening of new facilities in Miami - Opa Locka and Melbourne, Australia. In December 2022, Bombardier broke ground on a new service center in Abu Dhabi, set to open in 2025, which will become an important hub for Bombardier's customers in the region⁽¹⁾. This service support transformation underscores Bombardier's ongoing commitment to providing the most comprehensive onsite, mobile and aircraft-on-ground resolution services in the industry.

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

Bombardier's Worldwide Presence



Map reflects Bombardier's worldwide presence at the end of Q4 2022.

INDUSTRY AND ECONOMIC ENVIRONMENT

Performant and resilient industry driven by strong customer demand despite slowdown in economic outlook

In 2022, business aviation continued its impressive recovery from the global pandemic, reaching its lowest inventory level of aircraft in the pre-owned market, peak levels of flight activity across the industry and a healthy industry-wide backlog. The industry remained healthy and resilient in the second half of the year despite the rise in uncertainty of the global economic outlook. In fact, on October 11, 2022, the International Monetary Fund shared its latest economic outlook, projecting a global GDP growth of 3.2% for 2022, a smaller predicted growth compared to the average pre-pandemic GDP performances⁽¹⁾. This outlook is a result of central bank's policy across the globe responding to high levels of inflation, the impact of the war in Ukraine and the ongoing impact of supply chain disruptions. Despite this predicted economic slowdown, the industry confidence index, the inventory level of pre-owned business jet and flight utilization have trended in the right directions, reflecting favorable market conditions in 2022 for the business aviation industry.

Industry confidence, measured by the Barclays Business Jet Indicator, remained above the 50-point threshold of market stability for the entirety of 2022, setting at 55 in the last survey of 2022⁽²⁾. However, on January 19, 2023, Barclays released its latest survey⁽²⁾ results showing a decline to 45 for the index, falling below the 50-point threshold of worsening market conditions for the first time since late 2020. Remaining above the threshold had been a good indicator of favorable and improving market conditions, driven by historically low levels of pre-owned inventory and the rise of overall pricing. As of the latest survey, respondent sentiment has deteriorated, resulting from higher interest rates negatively impacting business activities. Nevertheless, the latest survey highlighted a remaining relatively low supply of pre-owned inventory available for sale⁽²⁾. In fact, at the end of the first half of 2022, the total number of pre-owned aircraft available for sale, as a percentage of the total in-service fleet, was estimated at 3.4% compared to 6.2% at the same period in 2021, its lowest level since 1989⁽³⁾. While this ratio has risen slightly in the last quarters of 2022, now at 4.8% in December 2022, it remains low when compared to the average ratio of 5.5% in 2021 and 9.4% in 2020⁽³⁾. Business jet utilization has also improved year-over-year in the U.S. and Europe in 2022 by 3.4% and 8.3%, respectively⁽⁴⁾. The increase is driven by easing of travel restrictions, lack of available commercial flights and growing demand for safety features offered by private aviation. The continued improvement of these indicators should help create better conditions for future demand.

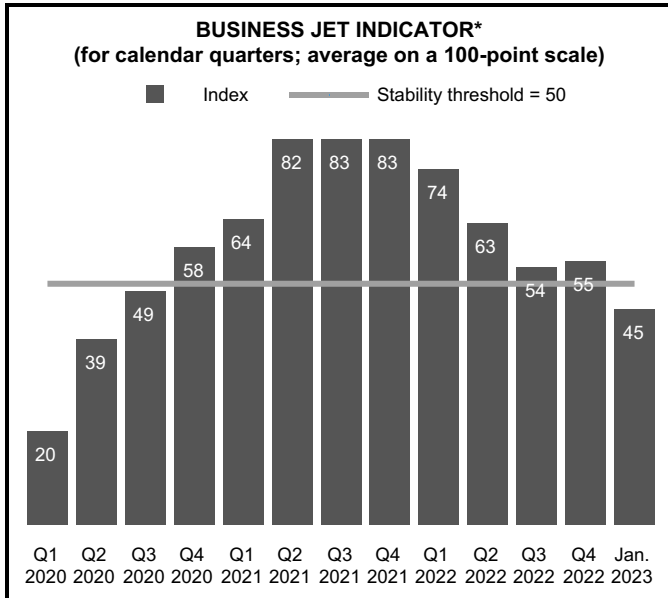
Finally, the industry delivered an estimated total of 523 units in 2022, up 3.0% year-over-year⁽⁵⁾. For reference, in the last 15 years the industry delivered 574 aircraft on average, indicating potential for delivery growth in the short term. Estimated industry revenues followed a similar trend, increasing by 4.8%⁽⁵⁾.

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

INDICATOR	CURRENT SITUATION	STATUS
INDUSTRY CONFIDENCE	The Barclays Business Jet Indicator has remained above the threshold of market stability for the whole of 2022. As of Q4 2022, the index was at 55 points ⁽²⁾ . In the latest survey of January 2023, the index fell to 45 ⁽²⁾ .	▼
CORPORATE PROFITS	Forecasted U.S. corporate profits are expected to remain strong for the remainder of 2022, with Q3 profits increasing to \$3.0 trillion for 2022, compared to \$2.9 trillion at the end of 2021 ⁽⁶⁾ .	▲
PRE-OWNED BUSINESS JETS INVENTORY LEVELS	The total number of pre-owned aircraft available for sale as a percentage of the total worldwide fleet has decreased to its lowest level since 1989 ⁽³⁾ in 2022, while it has increased slightly it remains fairly low for industry standards, now at 4.8%.	▲
AIRCRAFT UTILIZATION RATES	Business jet utilization in the U.S. increased by 3.4% in 2022 compared to 2021 ⁽⁴⁾ . Business jet utilization in Europe increased by 8.3% in 2022 compared to 2021 ⁽⁴⁾ .	▲
AIRCRAFT SHIPMENTS AND BILLINGS	In the business aircraft market categories in which we compete, we estimate that business aircraft deliveries increased by 3.0% ⁽⁵⁾ and total billings increased by 4.8% ⁽⁵⁾ in 2022 compared to 2021.	▲

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

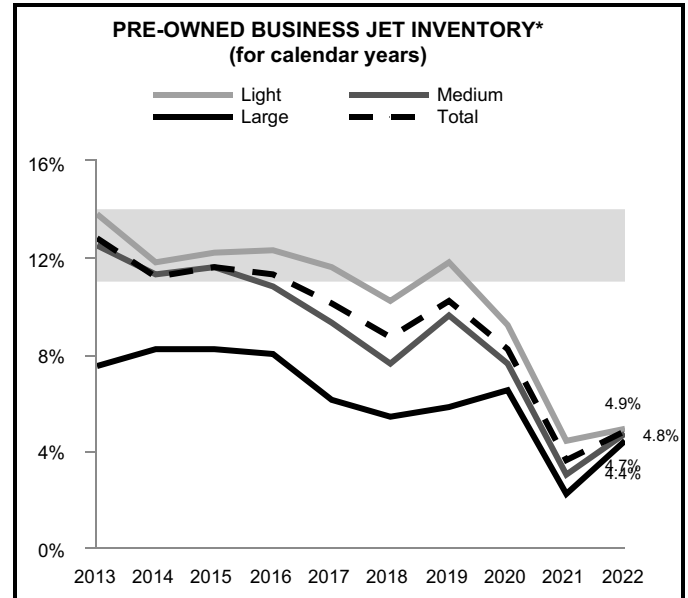
- (1) According to The International Monetary Fund publication dated October 11, 2022.
- (2) According to the Barclays Business Jet Survey dated October 14, 2022 and January 19, 2023.
- (3) According to JETNET and Ascend (by Cirium).
- (4) According to the U.S. Federal Aviation Administration (FAA) and Eurocontrol websites.
- (5) Based on our estimates, public disclosure records of certain competitors, the General Aviation Manufacturers Association (GAMA) shipment reports, Ascend (by Cirium) and B&CA Magazine list prices, as of January 25, 2023, excludes very light jets and large corporate airliners.
- (6) According to the U.S. Bureau of Economic Analysis News Release dated December 22, 2022.



Source: Barclays

* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.

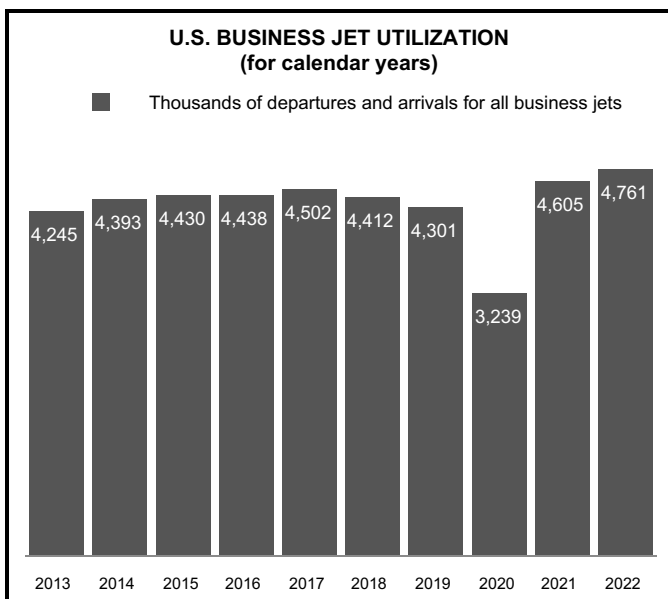
Methodologies used in the calculation of the Business Jet Indicator may differ following a change in the source of the data.



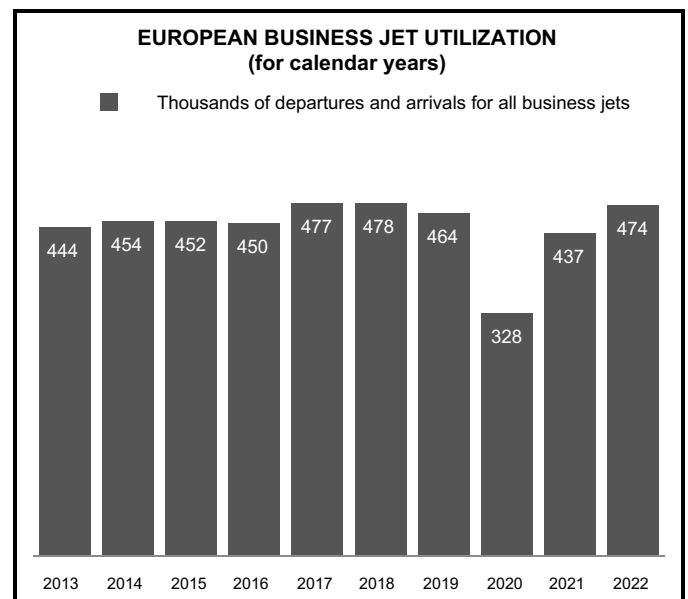
Sources: JETNET and Ascend (by Cirium)

* As a percentage of total business jet fleet, excluding very light jets.

Shaded area indicates what we consider to be the normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.



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



Source: Eurocontrol. All years from 2017 are restated due to Brexit where U.K. flights have been removed from business jet utilization.

Short-term outlook

As per the latest data available, global growth is expected to fall short at 3.1% in 2022 and 1.4% in 2023⁽¹⁾. While this forecast remains sensitive to changes in the geopolitical environment, expectations are that low pre-owned inventory levels are unlikely to reach pre-pandemic levels in the short-term. This coupled to a strong and balanced aircraft backlog for the industry to continue to support the growth of the business aviation market. We have begun to see signs of the impact of inflation, and supply chain constraint on business sentiment across the industry. Nonetheless, pre-owned inventory still remains low, and we continue to see growth in flight utilization across the industry. Furthermore, the potential exit of certain legacy platforms in the industry should offset the unit growth of new products. Industry revenues are expected to continue to recover driven by the increasing contribution of large aircraft in the overall industry delivery mix.

⁽¹⁾ According to Oxford Economics Databank dated January 31, 2023.

Long-term outlook

In the longer term, all demand drivers are well-oriented. Wealth creation and the continued emergence of developing countries are expected to grow our customer base. The retirement of older models combined with the introduction of new models will help meet the needs of new customers. The evolution of new ownership models, such as fractional and charter businesses will make business aviation even more accessible. Business aviation is poised for growth and with the industry's most comprehensive product portfolio, we believe we are well positioned.

Customer services

In 2022, Bombardier thrived to improve customer reach and customer experience through the completion of four service centers worldwide, including two expansions in Singapore and London and the grand opening of two new facilities in Melbourne and Miami. Bombardier also announced the ground breaking for a new service center in Abu Dhabi. By growing and improving its global footprint, Bombardier is insuring consistent and reliable access to aftermarket services for current and future customers across the globe. Business aircraft's worldwide customer services network includes wholly owned service centers, parts hubs, parts depots, line maintenance facilities, customer response centers, mobile customer response teams, as well as authorized service facilities and authorized training providers. The demand for service and support is driven by the size of the fleet of Bombardier business aircraft, by the number of hours flown by said fleet and the average age of the fleet.

Market indicators

INDICATOR	CURRENT SITUATION	STATUS
INSTALLED BASE	The installed base for Bombardier business aircraft increased by approximately 1.7% (or by 2.2% and 6.9% for medium and large categories, respectively) to 5,057 aircraft in 2022 when compared to 2021 ⁽¹⁾ .	▲
YEARLY TOTAL FLIGHT HOURS	Based on our estimates, Bombardier business aircraft fleet total flight hours increased by approximately 11% in 2022 compared to last year (or a 6% compound annual growth rate (CAGR) since 2019) ⁽²⁾ . Yearly average flight hours per aircraft have also increased by 7% in 2022 compared to 2021.	▲
AVERAGE AGE OF FLEET	Typically, aircraft direct maintenance costs increase as an aircraft age. Therefore, the average age of the fleet of Bombardier aircraft will impact the size of the maintenance market. The average age of the Bombardier business aircraft fleet increased by 2.6% in 2022 ⁽¹⁾ .	▲

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

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

⁽²⁾ Based on yearly data from internal Bombardier FRACAS database.

Short-term outlook

Flight activity in 2022 has completely recovered from the pandemic and is now above pre-pandemic levels. With the expansions and new builds accomplished in 2022, we will undoubtedly improve access and reach of our services to our customers across the globe. We will continue to actively evaluate strategic locations for additional expansions in order to continue the growth of the aftermarket service market share, move closer to customers to further improve response times and build stronger relationships around the globe.

Long-term outlook

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

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Revenues				
Business aircraft				
Manufacturing and other ⁽¹⁾	\$ 2,226	\$ 1,385	\$ 5,345	\$ 4,759
Services ⁽²⁾	416	363	1,508	1,237
Others ⁽³⁾	13	23	60	89
Total revenues	2,655	1,771	6,913	6,085
Cost of sales	2,195	1,458	5,656	5,161
Gross margin	460	313	1,257	924
SG&A	122	102	395	355
R&D	127	94	360	338
Other expense (income)	—	4	(10)	8
Adjusted EBIT⁽⁴⁾	211	113	512	223
Special items	4	(25)	(26)	(18)
EBIT	207	138	538	241
Financing expense	146	174	817	936
Financing income	(59)	(148)	(33)	(324)
EBT	120	112	(246)	(371)
Income taxes (recovery)	(121)	(127)	(118)	(122)
Net income (loss) from continuing operations	\$ 241	\$ 239	\$ (128)	\$ (249)
Net income (loss) from discontinued operations ⁽⁵⁾	—	(1)	(20)	5,319
Net income (loss)	\$ 241	\$ 238	\$ (148)	\$ 5,070
Attributable to				
Equity holders of Bombardier Inc.	\$ 241	\$ 238	\$ (148)	\$ 5,041
NCI ⁽⁵⁾	\$ —	\$ —	\$ —	\$ 29
EPS (in dollars)⁽⁶⁾				
Basic	\$ 2.48	\$ 2.41	\$ (1.88)	\$ 52.05
Diluted	\$ 2.40	\$ 2.34	\$ (1.88)	\$ 50.54
EPS from continuing operations (in dollars)⁽⁶⁾				
Basic	\$ 2.48	\$ 2.42	\$ (1.67)	\$ (2.87)
Diluted	\$ 2.40	\$ 2.35	\$ (1.67)	\$ (2.87)
As a percentage of total revenues				
Gross margin ⁽⁷⁾	17.3 %	17.7 %	18.2 %	15.2 %
Adjusted EBIT margin ⁽⁸⁾	7.9 %	6.4 %	7.4 %	3.7 %
EBIT margin ⁽⁷⁾	7.8 %	7.8 %	7.8 %	4.0 %

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

⁽²⁾ Includes revenues from aftermarket services including parts, *Smart Services*, service centers, training and technical publications.

⁽³⁾ Includes revenues from sale of components related to commercial aircraft programs.

⁽⁴⁾ Non-GAAP financial measure. A non-GAAP measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽⁵⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom and recognized a gain related to the sale in the fiscal year 2021. The expenses recorded in discontinued operations for the fiscal year 2022 principally relate to change in estimates of a provision for professional fees.

⁽⁶⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

⁽⁷⁾ Supplementary measures. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics.

⁽⁸⁾ Non-GAAP financial ratio. A non-GAAP ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Computation of diluted EPS⁽¹⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Net income (loss) attributable to equity holders of Bombardier Inc.	\$ 241	\$ 239	\$ (128)	\$ (249)
Preferred share dividends, including taxes	(7)	(7)	(29)	(27)
Net income (loss) attributable to common equity holders of Bombardier Inc.	\$ 234	\$ 232	\$ (157)	\$ (276)
Weighted-average diluted number of common shares (in thousands of shares)⁽²⁾	97,423	98,534	94,496	96,334
Diluted EPS (in dollars)⁽²⁾	\$ 2.40	\$ 2.35	\$ (1.67)	\$ (2.87)

⁽¹⁾ Includes continuing operations only.

⁽²⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

Other non-GAAP financial measures⁽²⁾, non-GAAP financial ratios⁽³⁾ and closest IFRS measures

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
EBIT ⁽¹⁾	\$ 207	\$ 138	\$ 538	\$ 241
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 352	\$ 232	\$ 930	\$ 640
Adjusted EBITDA margin ⁽¹⁾⁽³⁾	13.3 %	13.1 %	13.5 %	10.5 %
Net income (loss) from continuing operations	\$ 241	\$ 239	\$ (128)	\$ (249)
Adjusted net income (loss) ⁽¹⁾⁽²⁾	\$ 211	\$ 80	\$ 101	\$ (326)
Diluted EPS from continuing operations ⁽⁴⁾	\$ 2.40	\$ 2.35	\$ (1.67)	\$ (2.87)
Adjusted EPS ⁽¹⁾⁽³⁾⁽⁴⁾	\$ 2.09	\$ 0.74	\$ 0.74	\$ (3.66)

⁽¹⁾ Includes continuing operations only.

⁽²⁾ Non-GAAP financial measure. A non-GAAP measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽³⁾ Non-GAAP financial ratio. A non-GAAP ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽⁴⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

Analysis of consolidated results

Revenues

For the three-month period ended December 31, 2022,

- Manufacturing and other revenues increased by \$841 million year-over-year mainly due to higher deliveries and selling prices of medium and large aircraft, partly offset by lower deliveries of light aircraft.
- Services revenues increased by \$53 million year-over-year mainly due to increased fleet flight hours and an increased market share.

For the fiscal year ended December 31, 2022,

- Manufacturing and other revenues increased by \$586 million year-over-year mainly due to higher deliveries and selling prices of large and medium aircraft, partly offset by lower deliveries of light aircraft.
- Services revenues increased by \$271 million year-over-year mainly due to increased fleet flight hours and an increased market share.

Gross margin⁽¹⁾

Gross margin⁽¹⁾ for the fourth quarter ended December 31, 2022, decreased by 0.4 percentage point mainly due to start-up costs at the aftermarket service centers as the Corporation expands its service center footprint, despite an increase in the absolute value of the gross margin contributed by the aftermarket business. The Corporation witnessed higher margins from business aircraft manufacturing, mainly due to accretive margins on the *Global 7500*, reflecting learning curve improvements and execution of our cost reduction plan.

Gross margin⁽¹⁾ for the fiscal year ended December 31, 2022, increased by 3.0 percentage points mainly due to higher margins from business aircraft manufacturing, mainly due to accretive margins on the *Global 7500*, reflecting learning curve improvements and execution of our cost reduction plan. The aftermarket business witnessed an increase in contribution and margins from part services which was offset by higher service center start-up costs.

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

Special items

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

The special items were as follows:

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Changes in divestitures provisions and other ⁽¹⁾	\$ —	\$ 6	\$ (23)	\$ (4)
Reversal of <i>Learjet 85</i> aircraft program cancellation provisions ⁽²⁾	(4)	(37)	(11)	(37)
Restructuring charges ⁽³⁾	8	7	8	37
Losses (gains) on repayment of long-term debt ⁽⁴⁾	3	—	(1)	212
Gain on sale of EWIS ⁽⁵⁾	—	(1)	—	(14)
	\$ 7	\$ (25)	\$ (27)	\$ 194
Of which is presented in				
Special items in EBIT	\$ 4	\$ (25)	\$ (26)	\$ (18)
Financing expense (income) - losses (gains) on repayment of long-term debt ⁽⁴⁾	3	—	(1)	212
	\$ 7	\$ (25)	\$ (27)	\$ 194

1. Based on the ongoing activities with respect to past divestitures, the Corporation revised some related provisions. The changes in provisions is treated as a special item since the original provisions were also recorded as special items.
2. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by \$11 million in fiscal year 2022 (\$37 million for fiscal year 2021). The reduction in provisions is treated as a special item since the original provisions were also recorded as a special items in 2014 and 2015.
3. For fiscal year 2022, represents severance charges of nil and other related charges of \$8 million. For fiscal year 2021, represents severance charges of \$33 million, \$3 million of impairment of PP&E and other related charges of \$9 million, partially offset by curtailment gains of \$8 million.
4. For fiscal year 2022, represents the losses (gains) related to the partial repayment of Senior Notes due 2024, 2025 and 2027. For fiscal year 2021, represents the losses related to the repayment of the Senior Secured Term Loan, and the full repayment of Senior Notes due December 2021, the Senior Notes due March 2022, the Senior Notes due October 2022 and the Senior Notes due January 2023. Refer to Note 8 – Financing expense and financing income and Note 27 - Long-term debt, to our Consolidated financial statements for more information.
5. The sale of the Corporation's Electrical Wiring and Interconnection Systems (EWIS) business in Mexico for a total net consideration of \$37 million resulted in an accounting gain of \$14 million for fiscal year 2021.

EBIT margin⁽¹⁾

Adjusted EBIT margin⁽²⁾ for the fourth quarter increased by 1.5 percentage points, mainly due to:

- higher margins from manufacturing and other, mainly due to accretive margins on the *Global 7500*, reflecting learning curve improvements and execution of our cost reduction plan.

Partially offset by:

- higher amortization of aerospace program tooling owing to higher deliveries; and
- higher service center start-up costs as the Corporation expands its service center footprint.

Adjusted EBIT margin⁽²⁾ for the fiscal year increased by 3.7 percentage points, mainly due to:

- higher margins from manufacturing and other, mainly due to accretive margins on the *Global 7500*, reflecting learning curve improvements and execution of our cost reduction plan.

Partially offset by:

- higher amortization of aerospace program tooling owing to higher deliveries;
- higher administration and marketing personnel expense; and
- higher service center start-up costs.

Including the impact of special items (see explanation of special items above), the EBIT margin⁽¹⁾ remained unchanged for the fourth quarter and increased by 3.8 percentage points for the fiscal year compared to the same periods last year, respectively.

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

⁽²⁾ Non-GAAP financial ratio. A non-GAAP ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Net financing expense

Net financing expense amounted to \$87 million and \$784 million, respectively, for the fourth quarter and fiscal year ended December 31, 2022, compared to \$26 million and \$612 million for the corresponding periods last fiscal year.

The \$61-million increase for the fourth quarter is mainly due to:

- a net change in the fair value of certain financial instruments classified as FVTP&L (\$99 million), mainly due to non-cash change in fair value of embedded derivatives related to call options on long-term debt; and
- losses related to the partial repayment of certain Senior Notes (\$3 million).

Partially offset by:

- lower interest expense on long-term debt, after the effect of hedges (\$32 million).

The \$172-million increase for the fiscal year is mainly due to:

- a net change in the fair value of certain financial instruments classified as FVTP&L (\$538 million), mainly due to non-cash change in fair value of embedded derivatives related to call options on long-term debt.

Partially offset by:

- gains recorded in 2022 related to the partial repayment of certain Senior Notes compared to losses recorded in 2021 related to repayment of the Senior Secured Term Loan and full repayment of certain Senior Notes (\$213 million);
- lower interest on long-term debt, after the effect of hedges (\$113 million); and
- higher interest earned on cash and cash equivalents (\$15 million).

Income taxes

The effective income tax rate for the fourth quarter and fiscal year ended December 31, 2022 were (100.8)% and 48.0% respectively, compared to the statutory income tax rate in Canada of 26.5%.

In the three-month period and for the fiscal year ended December 31, 2022, the effective income tax rate is due to the positive impact of the net recognition of previously unrecognized tax losses and temporary differences partially offset by the negative impact of the permanent differences and the write-down of deferred income tax assets.

The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2021 were (113.4)% and 32.9%, respectively, compared to the statutory income tax rate in Canada of 26.5%.

In the three-month period and for the fiscal year ended December 31, 2021, the effective income tax rate is due to the positive impact of the net recognition of previously unrecognized tax losses or temporary differences and the permanent differences partially offset by the negative impact of the write-down of deferred income tax assets.

Product development

Investment in product development

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Additions to aerospace program tooling ⁽¹⁾	\$ 34	\$ 31	\$ 92	\$ 84
R&D expense ⁽²⁾	9	3	31	17
	\$ 43	\$ 34	\$ 123	\$ 101
As a percentage of revenues	1.6%	1.9%	1.8%	1.7%

⁽¹⁾ Represents the net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers based on reception of parts for acquired development costs carried out by them.

⁽²⁾ Excludes amortization of aerospace program tooling of \$118 million and \$329 million, respectively, for the fourth quarter and fiscal year ended December 31, 2022 (\$91 million and \$321 million, respectively, for the fourth quarter and fiscal year ended December 31, 2021), as the related investments are already included in aerospace program tooling.

In May 2022, Bombardier introduced the *Global 8000* aircraft, with updated performance indicators. With a top speed of 0.94 Mach and an industry-leading range of 8,000 nautical mile⁽¹⁾, on top of its proven reliability and the healthiest, best-connected cabin in the industry, the aircraft is the flagship of a new era in business aviation. Testing and certification activities are progressing on schedule, with planned entry-into-service in 2025.

In September 2022, Bombardier celebrated the entry-into-service of the *Challenger 3500* launch customer aircraft. The latest evolution in the highly successful *Challenger* family of aircraft, it offers many of the features of the *Global* family as standard equipment, including the stylish and exclusive *Nuage* seat. The advanced design of the *Challenger 3500* also prioritizes passenger wellness, with a dramatically lower cabin-pressure altitude for improved in-flight of comfort and well-being. In 2022, the *Challenger 3500* also became the second business aircraft in the industry, after the *Global 7500*, to receive the Environmental Product Declaration® (EPD).

Bombardier continued to demonstrate its leading role in the development of new, more sustainable ways to fly. Throughout 2022, the company showcased its EcoJet research project, a multi-disciplinary Research & Technology initiative to advance aerodynamics, systems and overall efficiency through an integrated wing-fuselage design (also known as blended wing body). The new aircraft concept, coupled with next-generation propulsion systems, aims to reduce greenhouse gas emissions by up to 50%.

In October 2022, Bombardier also announced a new three-zone *Executive* cabin for its *Global 7500* and *Global 8000* aircraft during the 2022 NBAA Business Aviation Convention & Exhibition (NBAA-BACE) in Orlando, FL. The new configuration option features three separate suites, the most spacious in the industry, to maximize corporate collaboration, productivity and networking with fellow passengers. As part of the *Executive* cabin announcement, the company also introduced the *Nuage Cube*, a versatile new member of Bombardier's groundbreaking *Nuage* seating family. The *Nuage Cube* is a multi-tasking piece of furniture that can be placed throughout the cabin and flipped on any side to be used as a footrest, stool or even a small table.

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

Aircraft deliveries and order backlog

Aircraft deliveries

(in units)	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Business aircraft				
Light ⁽¹⁾	—	2	3	10
Medium	20	18	50	44
Large	29	18	70	66
	49	38	123	120

⁽¹⁾ Bombardier delivered its last *Learjet* aircraft in the first quarter of 2022.

Order backlog

(in billions of dollars)	December 31, 2022	As at December 31, 2021
Order backlog ⁽¹⁾	\$ 14.8	\$ 12.2

⁽¹⁾ Represents order backlog for both manufacturing and services.

The order backlog has grown since the beginning of the year 2022. We finished the year with a strong order backlog at \$14.8 billion. Management continuously monitors backlog length and production rates to balance with sales activities, market demand and aircraft lead time.

Workforce

Total number of employees

	December 31, 2022	As at December 31, 2021
Regular ⁽¹⁾	15,200	13,400
Contractual ⁽²⁾	700	400
	15,900	13,800
Percentage of regular employees covered by collective agreements	47 %	42 %

⁽¹⁾ Including approximately 700 inactive employees as at December 31, 2022 and as at December 31, 2021.

⁽²⁾ Including sub-contractors personnel.

The workforce as at December 31, 2022 increased by 2,100 employees, or 15%, when compared to the previous year. The increase is mainly in support of our production ramp-up and our aftermarket growth during 2022.

Our incentive-based compensation plan for employees across our sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of approximately 8,700 employees worldwide, or 57% of regular employees, participate in the program. In 2022, as part of this program, incentive-based compensation is linked to the achievement of targeted results, based on adjusted EBITDA⁽¹⁾ and free cash flow⁽¹⁾.

The workforce as at December 31, 2022 located in Canada amounts to 67%, or 10,700 employees (10,300 regular employees including 600 inactive employees, and 400 contractual employees).

⁽¹⁾ Non-GAAP financial measure. A non-GAAP measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics.

CONSOLIDATED FINANCIAL POSITION

The \$440 million decrease in assets for the fiscal year is mainly explained by⁽¹⁾:

- a \$307 million decrease in other financial assets principally due to the change in the fair value of the call feature of embedded derivatives;
- a \$385 million decrease in cash and cash equivalents. See the Free cash flow and the Variation in cash and cash equivalents from continuing operations tables for details; and
- a \$257 million decrease in aerospace program tooling mainly due to amortization.

Partially offset by:

- a \$379 million increase in PP&E mainly due to an increase in right-of-use assets under leases relating to the new service centers and additions to the new Toronto Pearson Airport manufacturing facility which is currently under construction;
- a \$131 million increase in deferred income taxes; and
- a \$80 million increase in inventories mainly due to an increase of production of aircraft.

The \$440 million decrease in total liabilities and deficit is mainly explained by a \$767 million decrease in liabilities offset by a \$327 million decrease in deficit.

The \$772 million decrease in liabilities is mainly explained by⁽¹⁾:

- a \$1.1 billion decrease in long-term debt obligations⁽²⁾ due to repayment of certain Senior Notes; and
- a \$500 million decrease in retirement benefit liability mainly due to remeasurement of defined benefits plans.

Partially offset by:

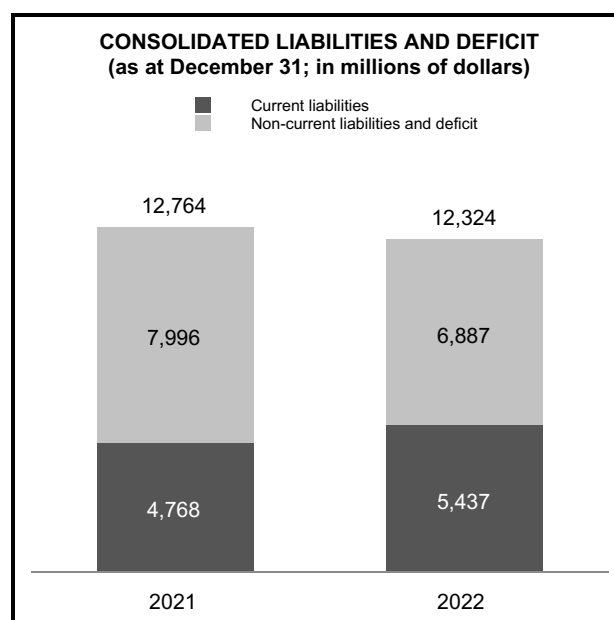
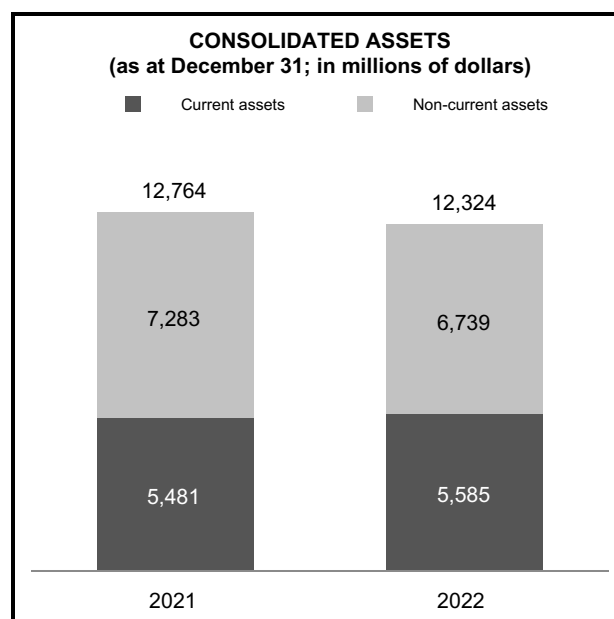
- a \$725 million increase in contract liabilities mainly due to cash received from new orders and customer progress payments; and
- a \$122 million increase trade and other payables.

The \$334 million decrease in deficit is mainly explained by⁽¹⁾:

- an increase in equity mainly due to the remeasurement of retirement benefit liability partially offset by net loss during the year.

⁽¹⁾ For the purpose of the Consolidated financial position, explanations included in this section do not include the impact of foreign exchange rates, and the back-to-back agreements the Corporation has with ACLP related to certain government refundable advances and MHI related to certain assets and liabilities. Refer to Note 18 – Other financial assets and Note 25 – Other financial liabilities, to our Consolidated financial statements for further details.

⁽²⁾ Refer to Note 27 – Long-term debt, to our Consolidated financial statements for more information.



LIQUIDITY AND CAPITAL RESOURCES

Free cash flow⁽¹⁾

Free cash flow from continuing operations⁽¹⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Net income (loss) from continuing operations	\$ 241	\$ 239	\$ (128)	\$ (249)
Non-cash items				
Amortization	140	119	415	417
Impairment charges on PP&E and intangible assets	1	—	3	3
Deferred income taxes (recovery)	(121)	(123)	(123)	(125)
Losses (gains) on disposals of PP&E and intangibles	1	—	(1)	1
Gains on disposal of businesses	—	(1)	—	(15)
Share of expense of joint ventures and associates	—	1	—	—
Share-based expense	7	2	18	14
Losses (gains) on repayment of long-term debt	3	—	(1)	212
Other	—	(3)	—	—
Net change in non-cash balances - continuing operations	39	159	889	74
Cash flows from operating activities - continuing operations	311	393	1,072	332
Net additions to PP&E and intangible assets	(142)	(79)	(337)	(232)
Free cash flow from continuing operations⁽¹⁾	\$ 169	\$ 314	\$ 735	\$ 100

⁽¹⁾ Non-GAAP financial measure. A non-GAAP measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Cash flows from operating activities - continuing operations

The \$82 million decrease in cash flows from operating activities for the fourth quarter is mainly due to:

- a negative period-over-period variation in net change in non-cash balances (\$120 million) (see explanations below).

Partially offset by:

- higher net income before non-cash items (\$38 million).

The \$740 million increase in cash flows from operating activities for the fiscal year is mainly due to:

- a positive period-over-period variation in net change in non-cash balances (\$815 million) (see explanations below).

Partially offset by:

- lower net income before non-cash items (\$75 million).

Net change in non-cash balances

For the fourth quarter ended December 31, 2022, the \$39 million inflow is mainly due to:

- a decrease in inventories mainly due to higher aircraft deliveries.

Partially offset by:

- a decrease in contract liabilities mainly due to aircraft deliveries; and
- a decrease in trade and other payables.

For the fourth quarter ended December 31, 2021, the \$159 million inflow was mainly due to:

- an increase in contract liabilities mainly due to customer progress payments as a result of order intake; and
- a decrease in inventories mainly due to higher aircraft deliveries.

Partially offset by:

- a decrease in trade and other payables; and
- an increase in other financial assets mainly due to a non-cash change in fair value of embedded derivatives related to call options on long-term debt.

For the fiscal year ended December 31, 2022, the \$889 million inflow is mainly due to:

- an increase in contract liabilities mainly due to customer progress payments as a result of order intake;
- a decrease in other financial assets mainly due to a non-cash change in fair value of embedded derivatives related to call options on long-term debt; and
- an increase in trade and other payables.

Partially offset by:

- an increase in inventories mainly due to increase of production of aircraft; and
- a decrease in provisions.

For the fiscal year ended December 31, 2021, the \$74 million inflow was mainly due to:

- an increase in contract liabilities mainly due to customer progress payments as a result of order intake; and
- a decrease in inventories mainly due to higher aircraft deliveries.

Partially offset by:

- a decrease in trade and other payables; and
- an increase in other financial assets mainly due to a non-cash change in fair value of embedded derivatives related to call options on long-term debt.

Net additions to PP&E and intangible assets⁽¹⁾

	Fourth quarter ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Additions to PP&E and intangible assets ⁽¹⁾	\$ (144)	\$ (79)	\$ (355)	\$ (237)
Proceeds from disposals of PP&E and intangible assets ⁽¹⁾	2	—	18	5
Net additions to PP&E and intangible assets⁽¹⁾	\$ (142)	\$ (79)	\$ (337)	\$ (232)

⁽¹⁾ Includes continuing operations only.

For the fourth quarter and the fiscal year of 2022, net additions to PP&E and intangible assets increased by \$63 million and \$105 million, respectively, mainly due to additions to the new Toronto Pearson Airport manufacturing facility which is currently under construction.

Available liquidity⁽¹⁾

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

Variation in cash and cash equivalents from continuing operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Balance at the beginning of period/fiscal year	\$ 1,345	\$ 1,380	\$ 1,675	\$ 2,450
Free cash flow from continuing operations ⁽¹⁾	169	314	735	100
Free cash flow usage from discontinued operations ⁽²⁾	—	—	—	(621)
Proceeds from sale of Alstom shares	—	—	—	611
Deconsolidation of cash and cash equivalents related to Transportation	—	—	—	(279)
Net proceeds from disposal of business ⁽²⁾	—	—	—	2,868
Changes to restricted cash ⁽³⁾	—	10	43	(459)
Net proceeds from issuance of long-term debt	—	—	—	2,180
Repayments of long-term debt	(209)	—	(1,058)	(5,421)
Net change in short-term borrowings related to Transportation	—	—	—	365
Payment of lease liabilities	(5)	(4)	(24)	(24)
Dividends paid - Preferred shares	(5)	(6)	(20)	(20)
Repurchase of Class B shares	—	—	(2)	—
Issuance of Class B shares	8	1	10	5
Purchase of Class B shares held in trust under the PSU and RSU plans	—	(20)	(38)	(51)
Effect of exchange rates on cash and cash equivalents	1	(5)	1	(21)
Other	(13)	5	(31)	(8)
Balance at the end of period/fiscal year	\$ 1,291	\$ 1,675	\$ 1,291	\$ 1,675

Adjusted available liquidity⁽¹⁾

	December 31, 2022	As at December 31, 2021
Cash and cash equivalents	\$ 1,291	\$ 1,675
Certain restricted cash supporting various bank guarantees	391	429
Undrawn amounts under available revolving credit facility ⁽⁴⁾	208	—
Adjusted available liquidity⁽¹⁾	\$ 1,890	\$ 2,104

Following the fourth quarter results, as well as the deployment actions towards debt repayments, the Corporation's adjusted liquidity⁽¹⁾ remains strong at approximately \$1.7 billion, which includes cash and cash equivalents of \$1.3 billion, as well as cash collateral supporting various bank guarantees which is included in restricted cash in our Consolidated statement of financial position. Furthermore, the Corporation has a committed secured revolving credit facility of \$300 million which matures in 2027 and is available for cash drawings for the ongoing working capital needs of the Corporation and for issuance of performance letters of credit. This facility was undrawn as at December 31, 2022 and the availability as at such date was \$208 million based on the collateral available, which may vary from time to time. Thus the adjusted available liquidity⁽¹⁾ of the Corporation stands at \$1.9 billion⁽⁴⁾.

On January 29, 2023, the two bank guarantees, in an aggregate amount of €350 million, which were issued in connection with the sale of Transportation to Alstom, expired without being drawn. Consequently, part of the restricted cash, namely an amount of approximately \$400 million, which collateralized such bank guarantees, was released to the Corporation.

- (1) Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP financial measures section for a definition of this metric and the free cash flow table above for reconciliations to the most comparable IFRS measure.
- (2) Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.
- (3) Includes cash collateral supporting various bank guarantees.
- (4) Based on collateral available as at December 31, 2022.

Future liquidity requirements

Our business operations require capital to develop industry-leading products and to seize strategic opportunities to increase competitiveness and execute growth strategies. On an on-going basis, we manage our liabilities by taking into consideration expected free cash flow, debt repayments and other material cash outlays expected to occur in the future. We take advantage of favorable capital market conditions when they materialize to extend debt maturity, reduce cost of funds and increase diversity of capital resources.

Bombardier has reduced its net long-term debt by approximately \$4.1 billion since December 31, 2020 and has successfully repaid and refinanced most of its near term debt maturities, creating a runway to focus on its operations and stabilizing the Corporation's need for liquidity.

During the year ended December, 31 2022, the Corporation repaid certain Senior Notes using its cash and cash equivalents as follows:

Repayments during the year

Repayment quarter	Due date of Senior Notes	Amount ⁽¹⁾
First quarter	2024 and 2025	\$ 400
Second quarter	2024, 2025 and 2027	\$ 373
Third quarter	2024, 2025 and 2027	\$ 92
Fourth quarter	2024 and 2025	\$ 208
		\$ 1,073

(1) Represents the notional amount of the long-term debt repaid during the year.

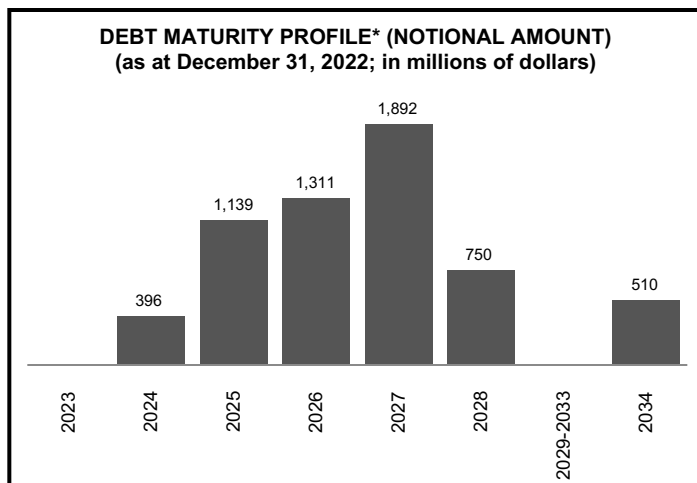
On January 20, 2023, Bombardier announced that it successfully closed its offering of Senior Notes due February 1, 2029 of \$750 million. The new Senior Notes will carry a coupon of 7.50% per annum and will be sold at par. Bombardier intends to use the proceeds of the offering together with its cash and cash equivalents to:

- fund the redemption of all of its outstanding 7.50% Senior Notes due 2024 (\$396 million);
- finance the offer to purchase its 7.50% Senior Notes due 2025 (up to \$354 million); and
- pay off the related fees and expenses.

We believe our cash and cash equivalents of \$1.3 billion will give us sufficient liquidity to execute our plan in the short-term. We currently anticipate that these resources will enable the development and upgrade of products and investments in PP&E to enhance our competitiveness and support our growth; will enable us to meet currently anticipated financial requirements in the foreseeable future; and will allow the payment of dividends on preferred shares, if and when declared by the Board of Directors⁽¹⁾. The Corporation intends to continue to opportunistically refinance or deploy excess liquidity towards debt pay down and continues to evaluate the most efficient debt reduction strategies, which for example could include redemptions, tenders or open market repurchases. The amounts involved may be material.

The weighted-average long-term debt maturity was 4.3 years as at December 31, 2022. See Note 27 – Long-term debt, to the Consolidated financial statements, for more details.

(1) See the forward-looking statements disclaimer.



* Excludes other long-term debt amounting to \$18 million as at December 31, 2022. See Note 27 – Long-term debt, to the Consolidated financial statements, for more details.

Expected timing of future liquidity requirements⁽¹⁾

	December 31, 2022				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Long-term debt ⁽¹⁾	\$ 6,016	\$ —	\$ 1,535	\$ 3,221	\$ 1,260
Interest payments	1,900	442	791	416	251
Purchase obligations ⁽²⁾	5,297	3,775	1,451	65	6
Trade and other payables	1,286	1,286	—	—	—
Other financial liabilities ⁽³⁾	1,051	246	119	144	542
Derivative financial liabilities	92	79	13	—	—
	\$ 15,642	\$ 5,828	\$ 3,909	\$ 3,846	\$ 2,059

⁽¹⁾ Includes principal repayments only.

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

⁽³⁾ The carrying amount of other financial liabilities excludes derivative financial instruments, lease liabilities, credit and residual value guarantees payable related to MHI and the back-to-back agreement that the Corporation has with MHI related to the regional aircraft securitization program assets (RASPRO).

The table above presents the expected timing of contractual liquidity requirements. 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. Required pension contributions have not been reflected in this table as such contributions depend on periodic actuarial valuations for funding purposes. See the Retirement benefits section of this MD&A for more details on contributions to retirement benefit plans. The amounts presented in the table represent the undiscounted payments and do not give effect to the related hedging instruments, if applicable.

The Corporation leases buildings and land. The maturity analysis of undiscounted lease liabilities, was as follows:

	As at December 31, 2022
Within 1 year	\$ 65
Between 1 to 5 years	196
More than 5 years	862
	\$ 1,123

Creditworthiness

In July 2022, Moody's Investors Service, Inc. upgraded Bombardier's issuer rating from Caa1 to B3. In August 2022, Standard & Poor's Rating Services upgraded Bombardier's issuer rating from CCC+ to B-.

Credit Ratings

Bombardier Inc.'s issuer rating	
December 31, 2022	
Moody's Investors Service, Inc.	B3
Standard & Poor's Rating Services	B-

Over the long term, we believe that we are in a good position to continue to improve our credit ratings as we continue to reduce debt while delivering positive free cash flow⁽¹⁾ generation and improving profitability⁽²⁾.

⁽¹⁾ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽²⁾ See the forward-looking statements disclaimer.

CAPITAL STRUCTURE

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 benefit from its various initiatives, it aims to lower adjusted net debt to adjusted EBITDA ratio⁽¹⁾⁽²⁾ to approximately 3x by 2025⁽¹⁾. The Corporation's objective is to achieve this by continue to grow its adjusted EBITDA⁽³⁾ towards its 2025 objective of \$1.5 billion and allocate excess available liquidity towards debt repayment⁽¹⁾.

The Corporation made significant progress on its debt reduction and deleveraging priorities since December 31, 2020. Bombardier has reduced its long-term debt by 41% (\$4.1 billion) since December 31, 2020. The Corporation's adjusted net debt to adjusted EBITDA ratio⁽²⁾ as at December 31, 2022 stands at 4.6. Additionally, the Corporation has now reduced more than \$300 million of annualized interest cost on long-term debt compared to the annualized interest cost as at December 31, 2020.

⁽¹⁾ See the forward-looking statements disclaimer.

⁽²⁾ Non-GAAP financial ratio. A non-GAAP financial ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽³⁾ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

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

	2022	2021
Interest paid on long-term debt⁽¹⁾	\$ 492	\$ 633
Long-term debt	\$ 5,980	\$ 7,047
Less: Cash and cash equivalents	1,291	1,675
Certain restricted cash supporting various bank guarantees	391	429
Adjusted net debt⁽²⁾	\$ 4,298	\$ 4,943
EBIT	\$ 538	\$ 241
Amortization	415	417
Impairment charges on PP&E and intangible assets	3	3
Special items excluding impairment charges on PP&E and intangible assets	(26)	(21)
Adjusted EBITDA⁽²⁾	\$ 930	\$ 640
Adjusted net debt to adjusted EBITDA ratio⁽³⁾	4.6	7.7

⁽¹⁾ Supplementary financial measure. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics.

⁽²⁾ Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽³⁾ Non-GAAP financial ratio. A non-GAAP financial ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

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 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.

In addition, the Corporation separately monitors its net retirement benefit liability which amounted to \$0.4 billion as at December 31, 2022 (\$0.9 billion as at December 31, 2021). 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. See note 22 – Retirement benefits, to our Consolidated financial statements, for more details.

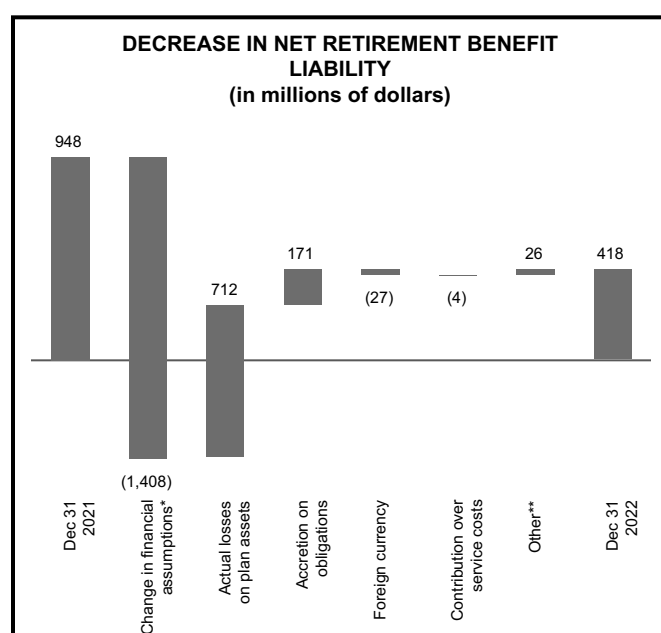
RETIREMENT BENEFITS

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

Pension plans are categorized as Defined benefit (DB) or Defined contribution (DC). DB plans specify

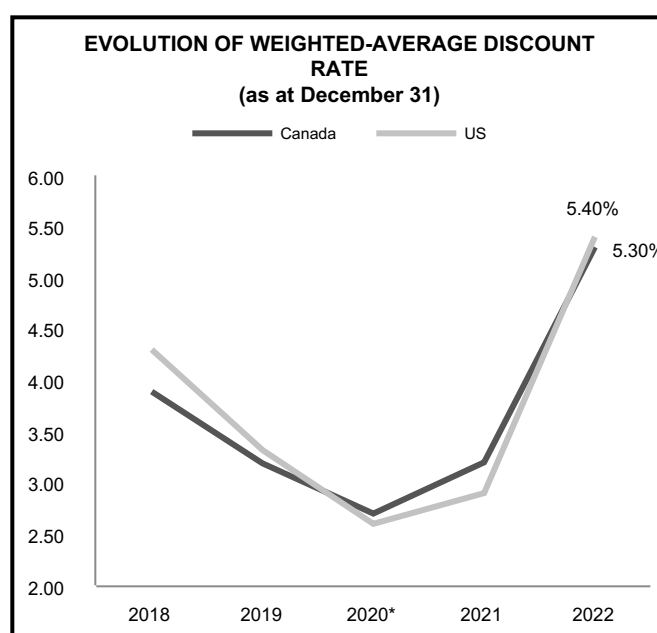
the amount of benefits an employee is to receive at retirement, while DC plans specify how contributions are determined. As a result, there is no deficit or surplus for DC plans. Hybrid plans are a combination of DB and DC plans.

In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (joining DB or hybrid plans is no longer an option). Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan.



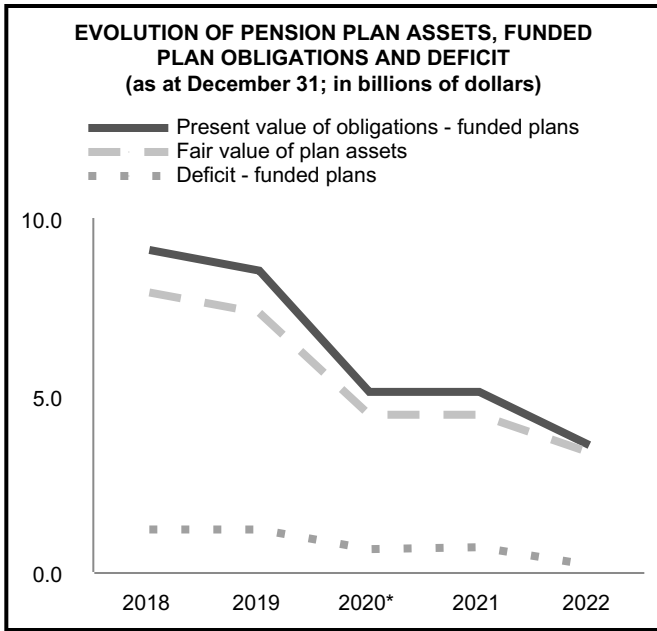
* Mainly comprised of changes in discount rates.

** Other is mainly comprised of changes in other actuarial assumptions and experience adjustments.

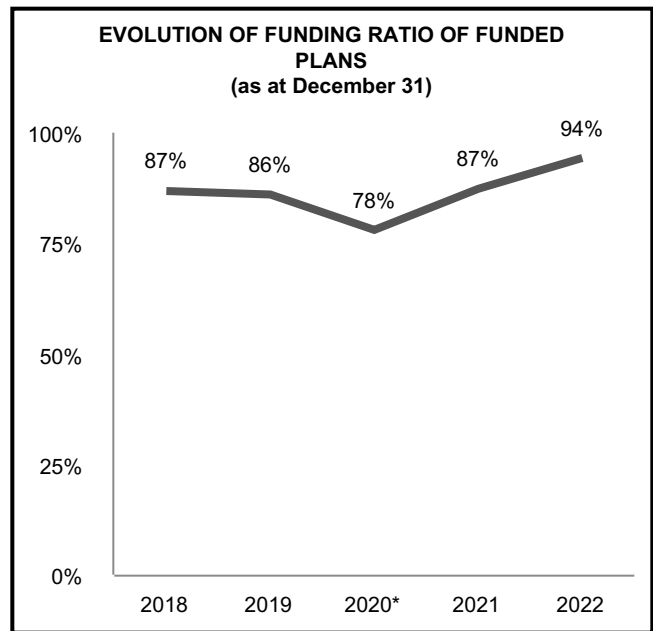


* Excludes Transportation.

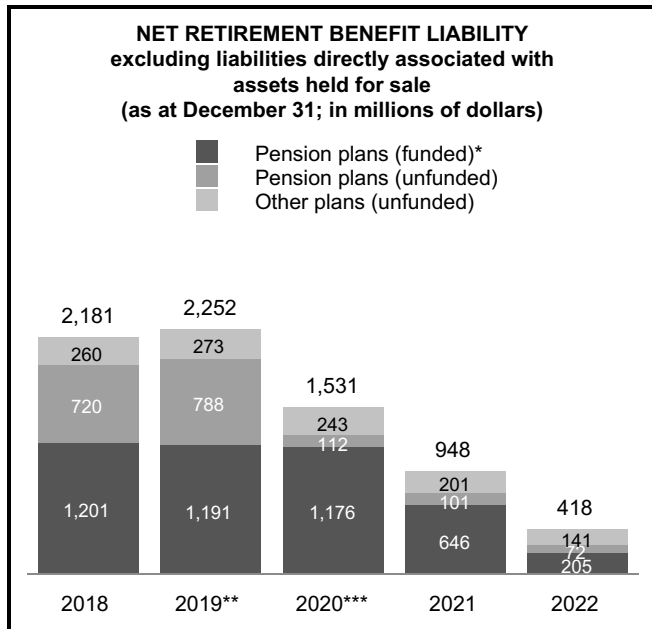
The value of plan assets is highly dependent on the pension funds' asset performance and on the level of contributions. The performance of the financial markets is a key driver in determining the funds' asset performance as assets in the plans are composed mostly of publicly traded equity and fixed income securities. IFRS requires that the excess (deficit) of actual return on plan assets compared to the estimated return be reported as an actuarial gain or loss in OCI. The estimated return on plan assets must be calculated using the discount rate that is used to measure the net retirement benefit liability, which is derived using high-quality corporate bond yields. During 2022, the actual losses on plan assets were \$712 million and the net actuarial gains recognized in OCI was \$540 million which is mainly due to changes in discount rates.



* Excludes Transportation.



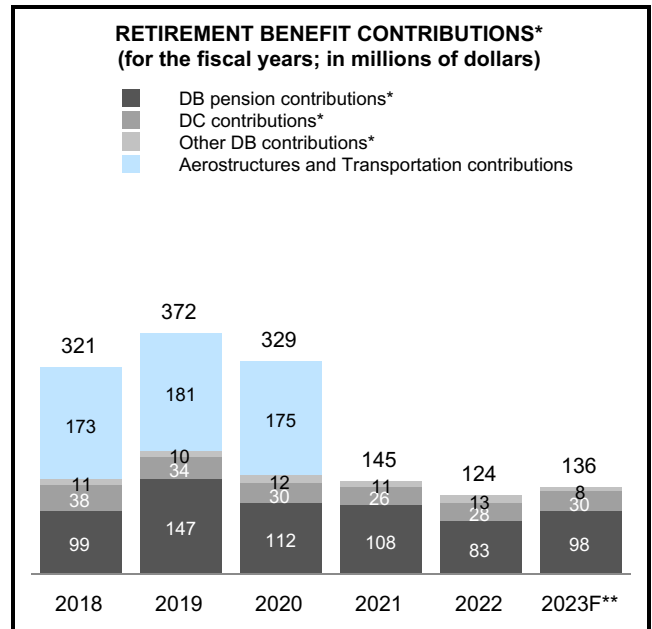
* Excludes Transportation.



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

** Excludes net retirement benefit liability amounting to \$414 million related to the aerostructures businesses reclassified as liabilities directly associated with assets held for sale.

*** Excludes net retirement benefit liability amounting to \$1,136 million related to Transportation reclassified as liabilities directly associated with assets held for sale.



F: Forecast

* Exclude contributions for the plans directly associated with the aerostructures businesses and Transportation.

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

DB plan contributions were at \$96 million in 2022, compared to \$119 million for the previous year. DB plan contributions are estimated at \$106 million for 2023⁽¹⁾. The future level of contributions will be impacted by the evolution of market interest rates and the actual return on plan assets.

In 2022, DC pension contributions totalled \$28 million. These contributions are estimated at \$30 million for 2023⁽¹⁾.

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

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, 2022, the average target asset allocation was as follows:

- Canadian plans: 53% in fixed income securities, 40% in equity securities and cash, and 7% in real return assets securities; and
- U.S. plans: 31% in fixed income securities, 65% in equity securities and cash, and 3% in real return assets securities.

In addition, a customized liability driven investment strategy (the "LDI strategy") has been implemented for the U.S. plan 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 and 2019, annuities were purchased for pensioners of the three 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.

The Corporation monitors the de-risking triggers on an ongoing basis to ensure timely and efficient implementation of these strategies.

Risk management initiatives

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

Equity risk

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

Interest rate risk

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

Retirement benefit cost

2022			
	Pension benefits	Other benefits	Total
DB plans	\$ 114	\$ 9	\$ 123
DC plans	\$ 28	\$ —	\$ 28
Total retirement benefit cost	\$ 142	\$ 9	\$ 151
Related to			
Funded DB plans	\$ 110	n/a	\$ 110
Unfunded DB plans	\$ 4	\$ 9	\$ 13
DC plans	\$ 28	n/a	\$ 28
Recorded as follows			
EBIT expense or capitalized cost	\$ 117	\$ 3	\$ 120
Financing expense	\$ 25	\$ 6	\$ 31
2021			
	Pension benefits	Other benefits	Total
DB plans	\$ 146	\$ 11	\$ 157
DC plans	\$ 26	\$ —	\$ 26
Total retirement benefit cost	\$ 172	\$ 11	\$ 183
Related to			
Funded DB plans	\$ 143	n/a	\$ 143
Unfunded DB plans	\$ 3	\$ 11	\$ 14
DC plans	\$ 26	n/a	\$ 26
Recorded as follows			
EBIT expense or capitalized cost	\$ 139	\$ 4	\$ 143
Financing expense	\$ 33	\$ 7	\$ 40

The retirement benefit cost for fiscal year 2023⁽¹⁾ for DB plans is estimated at \$79 million, of which \$57 million relates to EBIT expense or capitalized cost and \$22 million relates to net financing expense.

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

Sensitivity analysis

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

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

Increase (decrease)	Retirement benefit cost for fiscal year 2023 ⁽¹⁾ <i>(Forecast)</i>	Net retirement benefit liability as at December 31, 2022
Discount rate	\$ (9)	\$ (126)
Rate of compensation increase	\$ 1	\$ 12

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

Increase	Retirement benefit cost for fiscal year 2023 ⁽¹⁾ <i>(Forecast)</i>	Net retirement benefit liability as at December 31, 2022
Canada	\$ 6	\$ 86
U.S.	\$ 1	\$ 22

Details regarding assumptions used are provided in Note 22 – Retirement benefits to our Consolidated financial statements.

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

RISK MANAGEMENT

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

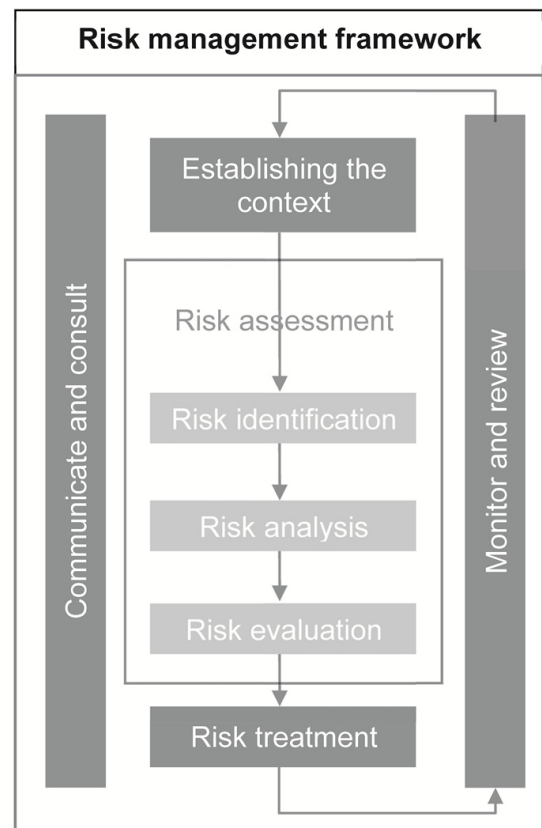
For each risk or category of risks, the risk management process includes activities performed in a continuous cycle. Risk assessment, including risk identification, analysis and evaluation, ensures that each risk is analyzed to identify the consequence and likelihood of the risk occurring and the adequacy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

In addition, every year, the Internal Audit team assesses our major risks. Senior management reviews this risk assessment and develops action plans to address the identified risks.

The Board of Directors⁽¹⁾ is ultimately responsible for reviewing the overall risks faced by the Corporation. The Board exercises its duty through the Audit Committee, consisting of independent directors, which reviews material business risks and the measures that management takes to monitor, control and manage such risks, including the adequacy of policies, procedures and controls designed by management to assess and manage these risks.

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

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



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

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

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

Key exposures to financing and market risks and related mitigation strategies

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

Exposure to foreign exchange risk

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

Foreign exchange management

Hedged exposures	Hedging policy ⁽¹⁾	Risk-mitigation strategies
Forecast cash outflows denominated in a currency other than the functional currency of the entity incurring the cash flows, mainly in Canadian dollars.	Hedge 85% of the identified exposures for the first three months, 75% for the next 15 months and up to 50% for the following six months.	Use of forward foreign exchange contracts, mainly to sell U.S. dollars and buy Canadian dollars.
Interest cash outflows in currencies other than the U.S. dollar, i.e. the Canadian dollar.	Hedge 100% of the identified exposure unless the exposure is recognized as an economic hedge of an exposure arising from the translation of financial statements in foreign currencies to the U.S. dollar.	Use of forward foreign exchange contracts mainly to sell U.S. dollars and buy Canadian dollars.
Balance sheet exposures.	Hedge 100% of the identified exposures affecting the Corporation's net income.	Asset/liability management techniques.

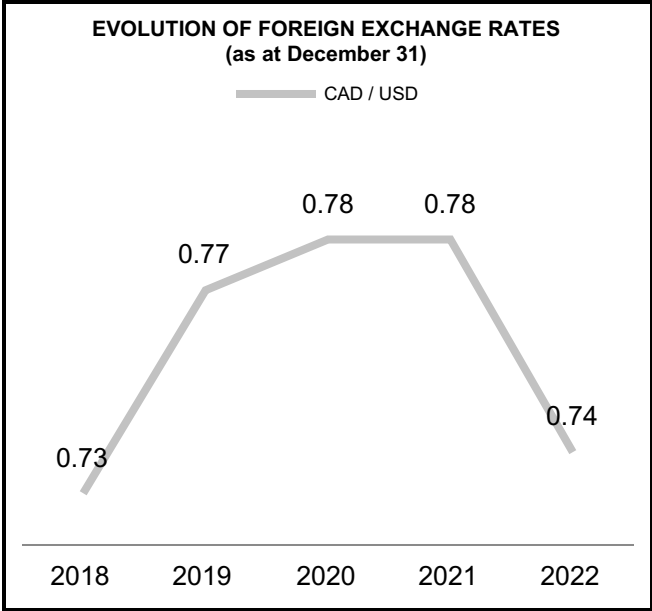
⁽¹⁾ Deviations from the policy are allowed, subject to pre-authorization and maximum pre-determined risk limits as well as market conditions.

As at December 31, 2022, the hedged portion of our significant foreign currency denominated costs for the fiscal years ending December 31, 2023 and 2024 was as follows:

For fiscal years	Canadian dollars	
	2023	2024
Expected costs denominated in foreign currency (in billions of dollars)	\$2.0	\$1.9
Hedged portion of expected costs denominated in foreign currency	78%	43%
Weighted-average hedge rates – foreign currency/USD	0.7880	0.7544

Sensitivity analysis

A U.S. one-percent change in the value of the Canadian dollar compared to the U.S. dollar would impact the expected costs for the year ending December 31, 2023 by approximately \$15 million, before giving effect to forward foreign exchange contracts (approximately \$3 million, after giving effect to such contracts).



Exposure to credit risk

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

Credit risk management

Key risks	Risk mitigation measures initiated by management
Through normal treasury activities, we are exposed to credit risk through derivative financial instruments and investing instruments.	Credit risks arising from treasury activities are managed by a central treasury function in accordance with the Corporate Foreign Exchange Risk Management Policy and the Corporate Investment Policy. The objective of these policies is to minimize exposure to credit risk from treasury activities by ensuring that we transact strictly with investment-grade financial institutions and money market funds, based on pre-established consolidated counterparty risk limits per financial institution and fund.
We are exposed to credit risk through trade receivables arising from normal commercial activities.	Credit risks are arising from normal commercial activities. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and our experience with the customers. The credit risk and credit limits are dynamically reviewed based on fluctuations in the customers' financial results and payment behavior. These customer credit ratings and credit limits are critical inputs in determining the conditions under which credit or financing is extended to customers, including obtaining collateral to reduce exposure to losses. Specific governance is in place to ensure that credit risk arising from large transactions is analyzed and approved by the appropriate level of management before financing or credit support is offered to the customer.

Exposure to 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.

For more details, refer to Note 33 - Financial Risk Management, to our Consolidated financial statements. We continually monitor any financing opportunities to optimize our capital structure and maintain appropriate financial flexibility.

Exposure to 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 of December 31, 2022, the impact on EBT would have been a negative adjustment of \$38 million as at December 31, 2022.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Non-GAAP and other financial measures	
Non-GAAP Financial Measures	
Adjusted EBIT	EBIT excluding special items. Special items comprise items which do not reflect the Corporation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding the Corporation's results for the period. Such items include, among others, the impact of restructuring charges, impact of business disposals and significant impairment charges and reversals.
Adjusted EBITDA	Adjusted EBIT plus amortization and impairment charges on PP&E and intangible assets.
Adjusted net income (loss)	Net income (loss) from continuing operations excluding special items, accretion on net retirement benefit obligations, certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items.
Free cash flow (usage)	Cash flows from operating activities - continued operations less net additions to PP&E and intangible assets.
Available liquidity	Cash and cash equivalents, plus undrawn amounts under credit facilities.
Adjusted liquidity	Cash and cash equivalents, plus certain restricted cash supporting various bank guarantees.
Adjusted available liquidity	Cash and cash equivalents, plus certain restricted cash supporting various bank guarantees and undrawn amounts under credit facilities.
Adjusted net debt	Long-term debt less cash and cash equivalents less certain restricted cash supporting various bank guarantees.
Non-GAAP Ratios	
Adjusted EPS	EPS calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements.
Adjusted EBIT margin	Adjusted EBIT, as a percentage of total revenues.
Adjusted EBITDA margin	Adjusted EBITDA, as a percentage of total revenues.
Adjusted net debt to adjusted EBITDA ratio	Adjusted net debt divided by adjusted EBITDA.
Supplementary Financial Measures	
Interest paid on long-term debt	Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities.
EBIT margin	EBIT, as a percentage of total revenues.
Gross margin percentage	Gross margin, as a percentage of total revenues.

Non-GAAP and other financial measures are measures mainly derived from the consolidated financial statements but are not standardized financial measures under the financial reporting framework used to prepare our financial statements. Therefore, these might not be comparable to similar non-GAAP and other financial measures used by other issuers. The exclusion of certain items from non-GAAP or other financial measures does not imply that these items are necessarily non-recurring.

Adjusted EBIT

Adjusted EBIT is defined as the EBIT excluding special items⁽¹⁾ which comprise items that do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period. Management uses adjusted EBIT for purposes of evaluating underlying business performance. Management believes presentation of this non-GAAP operating earnings measure in addition to IFRS measures provides users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. For these reasons, a significant number of users of the MD&A analyze our results based on this financial measure. Management believes this measure helps users of the MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

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

Adjusted EBITDA

Adjusted EBITDA is defined as the EBIT excluding special items⁽¹⁾, amortization and impairment charges on PP&E and intangible assets. Management uses adjusted EBITDA for purposes of evaluating underlying business performance. Management believes this non-GAAP operating earnings measure in addition to IFRS measures provides users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business, since it excludes the effects of items that are usually associated with investing or financing activities and items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on this financial measure. Management believes this measure helps users of the MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Adjusted net income (loss)

Adjusted net income (loss) is defined as the net income (loss) from continuing operations adjusted for certain specific items that are significant but are not, based on management's judgment, reflective of the Corporation's underlying operations. These include adjustments to EBIT related to special items⁽¹⁾, net financing expense (income) and other adjusting items for the period. Management uses adjusted net income (loss) for purposes of evaluating underlying business performance. Management believes this non-GAAP earnings measure in addition to IFRS measures provides users of our Financial Report with enhanced understanding of our results and related trends and increase the transparency and clarity of the core results of our business. Adjusted net income (loss) excludes items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on this financial measure. Management believes this measure helps users of the MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Adjusted EPS

Adjusted EPS is defined as the adjusted net income (loss) attributable to equity shareholders of Bombardier Inc., divided by the weighted-average diluted number of common shares for the period. Management uses adjusted EPS for purposes of evaluating underlying business performance. Management believes this non-GAAP financial ratio in addition to IFRS measures provides users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. Adjusted EPS excludes items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on this financial measure. Management believes this measure helps users of the MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Adjusted EBIT margin

Adjusted EBIT margin is defined as the adjusted EBIT expressed as a percentage of total revenues. Management uses adjusted EBIT margin for purposes of evaluating underlying business performance. Management believes this non-GAAP financial ratio in addition to IFRS measures provides users of our Financial Report with enhanced understanding of our results and related trends and increase the transparency and clarity of the core results of our business. Adjusted EBIT margin excludes items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on this financial measure. Management believes this measure helps users of the MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

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

Adjusted EBITDA margin

Adjusted EBITDA margin is defined as the adjusted EBITDA expressed as a percentage of total revenues. Management uses adjusted EBITDA margin for purposes of evaluating underlying business performance. Management believes this non-GAAP financial ratio in addition to IFRS measures provides users of our Financial Report with enhanced understanding of our results and related trends and increase the transparency and clarity of the core results of our business. Adjusted EBITDA margin excludes items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on this financial measure. Management believes this measure helps users of the MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Reconciliation of adjusted EBIT to EBIT and computation of adjusted EBIT margin⁽¹⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
EBIT	\$ 207	\$ 138	\$ 538	\$ 241
Special items	4	(25)	(26)	(18)
Adjusted EBIT	\$ 211	\$ 113	\$ 512	\$ 223
Total revenues	\$ 2,655	\$ 1,771	\$ 6,913	\$ 6,085
Adjusted EBIT margin	7.9%	6.4%	7.4%	3.7%

Reconciliation of adjusted EBITDA to EBIT and computation of adjusted EBITDA margin⁽¹⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
EBIT	\$ 207	\$ 138	\$ 538	\$ 241
Amortization	140	119	415	417
Impairment charges on PP&E and intangible assets ⁽²⁾	1	—	3	3
Special items excluding impairment charges on PP&E and intangible assets ⁽²⁾	4	(25)	(26)	(21)
Adjusted EBITDA	\$ 352	\$ 232	\$ 930	\$ 640
Total revenues	\$ 2,655	\$ 1,771	\$ 6,913	\$ 6,085
Adjusted EBITDA margin	13.3%	13.1%	13.5%	10.5%

Reconciliation of adjusted net income to net income and computation of adjusted EPS⁽¹⁾

	Fourth quarters ended December 31			
	2022		2021	
	(per share)		(per share)	
Net income from continuing operations	\$ 241		\$ 239	
Adjustments to EBIT related to special items ⁽²⁾	4	\$ 0.04	(25)	\$ (0.25)
Adjustments to net financing expense related to:				
Net gain on certain financial instruments	(44)	(0.45)	(143)	(1.45)
Accretion on net retirement benefit obligations	8	0.08	10	0.10
Losses on repayment of long-term debt ⁽²⁾	3	0.03	—	—
Tax impact of special ⁽²⁾ and other adjusting items	(1)	(0.01)	(1)	(0.01)
Adjusted net income	211		80	
Preferred share dividends, including taxes	(7)		(7)	
Adjusted net income attributable to equity holders of Bombardier Inc.	\$ 204		\$ 73	
Weighted-average adjusted diluted number of common shares (in thousands)⁽³⁾		97,423		98,534
Adjusted EPS (in dollars)⁽³⁾		\$ 2.09		\$ 0.74

⁽¹⁾ Includes continuing operations only.

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

⁽³⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

Reconciliation of adjusted EPS to diluted EPS (in dollars)⁽¹⁾

	Fourth quarters ended December 31	
	2022	2021
Diluted EPS from continuing operations ⁽³⁾	\$ 2.40	\$ 2.35
Impact of special ⁽²⁾ and other adjusting items	(0.31)	(1.61)
Adjusted EPS⁽³⁾	\$ 2.09	\$ 0.74

Reconciliation of adjusted net income (loss) to net loss and computation of adjusted EPS⁽¹⁾

	Fiscal years ended December 31			
	2022		2021	
	(per share)		(per share)	
Net loss from continuing operations	\$ (128)	\$ (249)		
Adjustments to EBIT related to special items ⁽²⁾	(26)	(18)	\$ (0.19)	
Adjustments to net financing expense related to:				
Net loss (gain) on certain financial instruments	228	(310)	(3.22)	
Accretion on net retirement benefit obligations	31	40	0.42	
Changes in discount rates of provisions	(2)	—	—	
Losses (gains) on repayment of long-term debt ⁽²⁾	(1)	212	2.20	
Tax impact of special ⁽²⁾ and other adjusting items	(1)	(1)	(0.01)	
Adjusted net income (loss)	101	(326)		
Preferred share dividends, including taxes	(29)	(27)		
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	\$ 72	\$ (353)		
Weighted-average adjusted diluted number of common shares (in thousands)⁽³⁾		97,642		96,334
Adjusted EPS (in dollars)⁽³⁾		\$ 0.74		\$ (3.66)

Reconciliation of adjusted EPS to diluted EPS (in dollars)⁽¹⁾

	Fiscal years ended December 31	
	2022	2021
Diluted EPS from continuing operations ⁽³⁾	\$ (1.67)	\$ (2.87)
Impact of special ⁽²⁾ and other adjusting items	2.41	(0.79)
Adjusted EPS⁽³⁾	\$ 0.74	\$ (3.66)

⁽¹⁾ Includes continuing operations only.

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

⁽³⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

Free cash flow (usage)

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

Reconciliation of free cash flow to cash flow from operating activities⁽¹⁾

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2022	2021	2022	2021
Cash flows from operating activities - continuing operations	\$ 311	\$ 393	\$ 1,072	\$ 332
Net additions to PP&E and intangible assets	(142)	(79)	(337)	(232)
Free cash flow from continuing operations	\$ 169	\$ 314	\$ 735	\$ 100

⁽¹⁾ Includes continuing operations only.

Available liquidity

This measure was previously referred to as available short-term capital resources from continuing operations. Available liquidity is defined as cash and cash equivalents plus undrawn amounts under credit facilities. Management believes that this non-GAAP financial measure provides investors with an important perspective on the Corporation's ability to meet expected liquidity requirements, including the support of product development initiatives and to ensure financial flexibility. This measure does not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

Reconciliation of available liquidity to cash and cash equivalents

	Fiscal years ended December 31	
	2022	2021
Cash and cash equivalents	\$ 1,291	\$ 1,675
Undrawn amounts under available revolving credit facility ⁽¹⁾	208	—
Available liquidity	\$ 1,499	\$ 1,675

Adjusted liquidity

Adjusted liquidity is defined as cash and cash equivalents, plus certain restricted cash supporting various bank guarantees. Management believes that this non-GAAP financial measure is a useful measure because it includes items in its results that management believes is a better reflection of the Corporation's liquidity. This measure does not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

Reconciliation of adjusted liquidity to cash and cash equivalents

	Fiscal years ended December 31	
	2022	2021
Cash and cash equivalents	\$ 1,291	\$ 1,675
Certain restricted cash supporting various bank guarantees	391	429
Adjusted liquidity	\$ 1,682	\$ 2,104

Adjusted available liquidity

Adjusted available liquidity is defined as cash and cash equivalents, plus certain restricted cash supporting various bank guarantees and undrawn amounts under credit facilities. Management believes that this non-GAAP financial measure is a useful measure because it includes items in its results that management believes is a better reflection of the Corporation's liquidity. This measure does not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

Reconciliation of adjusted available liquidity to cash and cash equivalents

	Fiscal years ended December 31	
	2022	2021
Cash and cash equivalents	\$ 1,291	\$ 1,675
Undrawn amounts under available revolving credit facility ⁽¹⁾	208	—
Certain restricted cash supporting various bank guarantees	391	429
Adjusted available liquidity	\$ 1,890	\$ 2,104

⁽¹⁾ A committed secured revolving credit facility of \$300 million which matures in 2027 and is available for cash drawings for the ongoing working capital needs of the Corporation and for issuance of performance letters of credit. This facility was undrawn as at December 31, 2022 and the availability as at such date was \$208 million based on the collateral available, which may vary from time to time.

Adjusted net debt

Adjusted net debt is defined as long-term debt less cash and cash equivalents less certain restricted cash supporting various bank guarantees. Management believes that this non-GAAP financial measure is a useful measure because it reflects the Corporation's ability to service its debt and other long term obligations. This measure does not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

Adjusted net debt to adjusted EBITDA ratio

Management uses adjusted net debt to adjusted EBITDA ratio as a useful credit measure for purposes of measuring the Corporation's ability to service its debt and other long-term obligations. This ratio does not have any standardized meaning prescribed by IFRS and therefore, may not be comparable to similar measures presented by other companies.

Reconciliation of adjusted net debt to long-term debt and computation of adjusted net debt to adjusted EBITDA ratio

	Fiscal years ended December 31	
	2022	2021
Long-term debt	\$ 5,980	\$ 7,047
Less: Cash and cash equivalents	1,291	1,675
Certain restricted cash supporting various bank guarantees	391	429
Adjusted net debt	\$ 4,298	\$ 4,943
Adjusted EBITDA	\$ 930	\$ 640
Adjusted net debt to adjusted EBITDA ratio	4.6	7.7

OTHER

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OFF-BALANCE SHEET ARRANGEMENTS	RISKS AND UNCERTAINTIES	FINANCIAL INSTRUMENTS	RELATED PARTY TRANSACTIONS	CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES	CONTROLS AND PROCEDURES
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OTHER	FOREIGN EXCHANGE RATES	SHAREHOLDER INFORMATION	SELECTED FINANCIAL INFORMATION	QUARTERLY DATA (UNAUDITED)	HISTORICAL FINANCIAL SUMMARY
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OFF-BALANCE SHEET ARRANGEMENTS

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 different periods up to 2027. 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. These arrangements have remaining terms ranging from 1 to 5 years.

In connection with the sale of the CRJ business, all of the credit and residual value guarantees are included in a back-to-back agreement with MHI.

For more details, refer to Note 37 – Commitments and contingencies, to the consolidated financial statements.

Financing structures related to the sale of commercial aircraft

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

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

The Corporation holds investments in financing structure amounting to \$204 million as at December 31, 2022 (\$177 million as at December 31, 2021). Following the sale of the CRJ business, the Corporation has retained those investments and has a back-to-back agreement with MHI.

For more details, refer to Note 36 – Unconsolidated structured entities, to the consolidated financial statements.

RISKS AND UNCERTAINTIES

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

OPERATIONAL RISK	Operational risk is the risk of potential loss due to the nature of our operations. Sources of operational risk include development of new business and awarding of new contracts, order backlog, development of new products and services, and the complexity of obtaining certification of products and services. Furthermore, our cash flows are subject to pressures based on seasonality and cyclicity, and our business is capital intensive, which require that we regularly incur significant capital expenditures and investment over multi-year periods prior to realizing cash flows. Other sources of operational risk include our ability to successfully implement our strategy, manufacturing and productivity enhancements and operational efficiencies, and actions of business partners, product performance warranty and casualty claim losses, the use of estimates and judgments in accounting, regulatory and legal conditions, environmental, health and safety issues, as well as dependence on a limited number of customers and contracts, suppliers (including supply chain management) and human resources. We are also subject to risks related to reliance on information systems, reliance on and protection of intellectual property rights, reputation risks, risks of impairments and asset write-downs, risk management, tax matters and adequacy of insurance coverage.
FINANCING RISK	Financing risk is the risk of potential loss due to the liquidity of our financial assets including counterparty credit risk, access to capital markets, having substantial debt and interest payments (and being able to properly manage those), restrictive debt covenants, obligations under retirement benefit plans, financing support provided for the benefit of certain customers and government support.
REGULATORY AND LEGAL RISK	Regulatory and legal risk is the risk of potential loss due to legal claims, lawsuits and investigations in connection with our business operations and contractual arrangements. It includes the risk of material losses which may be incurred following adverse judgements or findings against us, the risk of reputational harm which may put us at a disadvantage for future orders and the risk that certain litigation could materially adversely affect our business, financial results and cash flows.
COVID-19 PANDEMIC AND GENERAL ECONOMIC RISK	<p>The repercussions of the COVID-19 pandemic, including because of the emergence of variants, continues to negatively impact the global economy, disrupt global supply chains and create significant economic uncertainty and disruption of financial markets. The scope and long-term impact of the COVID-19 pandemic is still unknown at this time, as is the efficacy of the government and central bank interventions and the pace of recovery and economic normalization. The extent to which the prospects of the Corporation's business will be impacted, including its ability to generate revenues and be profitable, cannot be assessed with a sufficient level of certainty at this time.</p> <p>General economic risk is the risk of potential loss due to unfavourable economic conditions. These factors include, but are not limited to, government budget compression, reduced levels of public and private capital expenditures, declining business confidence, potential economic recession, political and economic pressures, including those arising from increasing government deficits and sovereign debt overruns, and crises in the credit markets.</p>
BUSINESS ENVIRONMENT RISK, INCLUDING UKRAINE-RUSSIA MILITARY CONFLICT	Business environment risk is the risk of potential loss due to external risk factors. These factors may include the financial condition of the business aircraft customers, trade policy, as well as increased competition from other businesses including new entrants in market segments in which we compete. In addition, political instability and force majeure events, such as acts of terrorism, global climate change, global health risks, or the outbreak of war or continued hostilities in certain regions of the world, including the ongoing military conflict between Ukraine and Russia, could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of our products.
MARKET RISK	Market risk is the risk of potential loss due to adverse movements in market factors including foreign currency fluctuations, changing interest rates, increases in commodity prices and inflation rate fluctuations.

Operational risk

Business development

Our business is dependent on obtaining new orders and customers, thus continuously replenishing our order backlog. Our results may also be negatively impacted if we are unable to effectively execute strategies to capture growth. Although we have developed and continue to develop our presence in many geographic markets, access to certain markets can prove to be difficult to secure.

In addition, fluctuating demand cycles are common in the industry in which we operate and can have a significant impact on the volume of new aircraft orders. Our estimates of future performance depend on, among other matters, whether and when we receive new orders.

Our order backlog may not be indicative of future revenues

Backlog represents management's estimate of the aggregate amount of the revenues expected to be realized in the future. The termination, modification, delay, or suspension of any one or more major contracts may have a material and adverse effect on future revenues and profitability. We cannot guarantee that the revenues initially anticipated in our new orders will be realized in full, in a timely manner, or at all, or that, even if realized, such revenues will result in profits or cash generation as expected, and any shortfall may be significant. The materialisation of any of the risks described above could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Deployment and execution of strategic initiatives related to cost reductions and working capital improvement

The Corporation has indicated that it was focusing on certain priorities, including improve cash generation, reduce costs and drive performance. As with any large, company-wide transformation, there are inherent risks in the timing of the deployment and in the planned value to be achieved. The timing and magnitude of the specific initiatives and associated benefits, if any, could be affected by a multitude of external and internal factors including, but not limited to: the evolution of the demands and requirements of our business, variations in planned production volumes and schedules, the outcome of negotiations with suppliers and unions, changing legislation, changes in socio-economic conditions in the countries in which we operate, evolutions in the labour market for key talent, and changes in the priorities of the business. There can be no assurance that these initiatives, or other initiatives, will enable us to reach our objectives, or that any such measures will be implemented successfully or within the set time frame. A failure to successfully implement our strategy and transformation initiatives, including as regards debt management and costs reduction, or if such measures prove insufficient, could have a material adverse impact on our business activities, financial condition, profitability and outlook.

Executing our manufacturing strategy and productivity enhancement initiatives

One of the priorities of the strategic plan established by management consists of sustained efforts in the areas of cost reduction and productivity enhancement / operational efficiencies. This priority aims in part at leveraging the strength of our engineering and manufacturing centres of excellence. In addition, our cost reduction and operational efficiencies / productivity enhancement efforts also focus on further implementing and leveraging our standardized product and service platforms. We believe that flexible manufacturing is the key element to enable improvements in our ability to respond to customers in a cost-effective manner. Our success in implementing this priority of our strategic plan is dependent on the involvement of management, production employees and suppliers. Any failure to achieve cost reduction and operational efficiencies / productivity enhancement priorities (including the anticipated levels of productivity and operational efficiencies) in our manufacturing facilities, could have a material adverse impact on our business activities, financial condition, profitability and outlook.

Developing new products and services

Changes resulting from global trends such as climate change, volatile fuel prices, the growth of developing markets, population growth and demographic factors influence customer demands. To remain competitive and meet customers' needs, we are required to anticipate these changes and must continuously develop and design new products and services, improve existing products and services and invest in and develop new technologies. Introducing new products, services or technologies, or expanding existing service offerings, requires a significant commitment to R&D, capital and other investment, including maintaining a significant level of highly skilled employees.

Furthermore, our investments in new products, services or technologies, or expanding existing service offerings, may or may not be successful. Our results may be impacted if we invest in products or services that are not accepted in the marketplace, if customer demand or preferences change, if new products are not approved by regulatory authorities (or if we fail to design or obtain certification or accreditation for new products or technologies), are not brought to market in a timely manner, in particular, as compared to our competitors, or if our products become obsolete. We may incur cost overruns in developing new products and there is the risk that our products will not meet performance specifications to which we have committed to customers.

Our results could also be negatively impacted if we fail to design or obtain accreditation for new technologies and platforms on budget and in a timely manner. Further, our long-term growth, competitiveness and continued profitability are dependent on our ability to anticipate and adapt to changes in markets and to reduce the costs of producing high-quality, new and existing products, to continue to develop our product mix and to align our global presence with worldwide market opportunities.

In a highly competitive environment, we are and will remain exposed to the risk that more innovative or more competitive products, services or technologies are developed by competitors or introduced on the market more quickly or that the products we develop or services we offer are not accepted by the market.

Certification process

We are subject to stringent certification and approval requirements, as well as to the ability of regulatory bodies to perform these assessments on a timely basis, which vary by country and can delay the certification of our products. Non-compliance with current or future regulatory requirements imposed by Transport Canada (TC), the U.S. Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), the Transport Safety Institute in the U.S. or other regulatory authorities could result in service interruption of our products, fewer sales or slower deliveries, an unplanned build-up of inventories, reduction in inventory values or impairment of assets.

Cash flows and capital expenditures

Our business is cyclical and highly capital intensive due to its nature. In the ordinary course of our business, the structure and duration of our product development programs require us to invest significantly in engineering, development and production for many years before deliveries are made and the product begins to generate cash flow. In addition, we are regularly required to incur capital expenditures in order to, among other matters, maintain equipment, increase operating efficiency, develop and design new products, improve existing products and services, invest in and develop new technologies and maintain a significant level of highly skilled employees. Our ability to negotiate and collect customer advances and progress payments is therefore an important element of our cash flow and working capital management. Discrepancies between our disbursements and amounts received on orders placed, or even any reduction in the overall number and size of orders placed have an automatic adverse impact on the evolution in working capital requirements and results of operations. Similarly, delays in the delivery and final transfer of possession to purchasers of our aircraft may have an adverse impact on our working capital and results of operations.

Seasonality and cyclicity of financial results

Our cash flows are subject to periodic fluctuations and we expect a disproportionate amount of our cash flows to be received or paid by us during any given quarter. We expect this trend to continue. In particular, as a result of fourth quarter cash receipts, at December 31 of each year, our cash and cash equivalents balances typically reach their highest level (other than as a result of cash flows provided by or used in investing and financing activities). Our interim and annual results can be affected by these periodic fluctuations, including as a result of timing variations that could push cash flows from one quarter to another.

Business partners

The failure by a business partner to comply with applicable laws, rules or regulations, or contract requirements, could negatively impact our business and could even result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

Product performance warranty and casualty claim losses

The products that we manufacture are highly complex and sophisticated and may contain defects that are difficult to detect or correct. These products are subject to detailed specifications, which are listed in the individual contracts with customers, as well as to stringent certification or approval requirements. Defects may be found in products before and after they are delivered to the customer. When discovered, we may incur significant additional costs to modify and/or retrofit our products and we may not be able to correct defects in a timely manner or at all. The occurrence of defects and failures in our products could give rise to non-conformity costs, including warranty and damage claims, negatively affect our reputation and profitability and result in the loss of customers. Correcting such defects, if possible, could require significant investment.

In addition, due to the nature of our business, liability claims may arise from accidents, incidents or disasters involving products and services that we have provided, including claims for serious personal injuries or death. These accidents may be caused by climatic factors or human error. If any of our products is proven to have quality issues, fails to meet the national or industrial standards or has potential risks to the safety of human and properties, we may have to recall such products, be subject to penalties, have our operating licences or permits revoked, suspend production and sale of our products, or be ordered to take corrective measures. A product recall may also affect our reputation and brand name, result in a decreased demand for our products and lead to stricter scrutiny by regulatory agencies over our operations.

We cannot be certain that current insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that we will be able to obtain or maintain insurance coverage at acceptable levels and costs or terms in the future.

Environmental, health and safety risks

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate, governing, among other things, product performance or materials content, energy use and greenhouse gas emissions, air, water and noise pollution, the use, storage, labelling, transportation and disposal or release of hazardous substances, human health and safety risks arising from the exposure to hazardous or toxic materials or defective products and the remediation of soil and groundwater contamination on or under our properties (whether or not caused by us), or on or under other properties and caused by our current or past operations, including our disposal of hazardous wastes at third party sites. These laws and regulations may cause us to incur costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations, and may negatively impact the market for our products.

Environmental, health and safety regulatory requirements, or enforcement thereof, may become more stringent in the future and we may incur additional costs to be compliant with such future requirements or enforcement. In addition, we may have contractual or other liabilities for environmental matters relating to business, products or properties that we have in the past closed, sold or otherwise disposed of, or will close, sell or dispose of in the future.

Dependence on limited number of contracts and customers

In any given period, a limited number of contracts, orders or customers may account for a significant portion of our revenues and cash flows for some of our products. Although we constantly seek to expand our customer base, we believe that revenues and results for any given period may continue to be significantly affected by a limited number of contracts, orders or customers due to the nature of some of our products. Consequently, the loss of such a customer or changes to their orders, or cancellation of all or a portion of their contract could result in fewer sales and/or a lower market share, and may have a material adverse impact on our business, results, cash flows and financial position.

Supply chain risks

Our manufacturing operations are dependent on a limited number of suppliers for the delivery of raw materials (mainly aluminum, advanced aluminum alloy and titanium) and major systems (such as engines, wings, nacelles, landing gear, avionics, flight controls and fuselages).

Disruptions in our supply chain can impact our ability to deliver on schedule. Moreover, failure by one or more suppliers to meet performance specifications, quality standards or delivery schedules could adversely affect our ability to meet our commitments to customers, in particular if we are unable to purchase the key components and parts from those suppliers upon agreed terms or in a cost-effective manner and if we cannot find alternative suppliers on commercially acceptable terms in a timely manner. We may not be able to recover any costs or liability we incur (including liability to our customers) as a result of any such failure from the applicable supplier, which could have a material adverse effect on our financial condition and results of our operations.

Some of our suppliers participate in the development of products such as aircraft or platforms. The advancement of many of our new product development programs also relies on the performance of these key suppliers and, therefore, supplier delays which go unmitigated could result in delays to a program as a whole. These suppliers subsequently deliver major components and own some of the intellectual property related to key components they have developed. Our contracts with these suppliers are therefore on a long-term basis. The replacement of such suppliers, if possible, could be costly and take a significant amount of time.

Our dependence on foreign suppliers and subcontractors and our global operations subject us to a variety of risks and uncertainties. All of our direct suppliers must comply with our Supplier Code of Conduct, which formalizes our expectations with respect to suppliers' business standards, and is designed to ensure that each of our suppliers' operations are conducted in a legal, ethical, and responsible manner. However, we do not control our independent suppliers or those indirect suppliers and companies with whom they do business and cannot guarantee their compliance with our Supplier Code of Conduct and with applicable laws and regulations or that violations will be reported to us in a timely manner. Any violation of applicable laws and regulations or failure to use ethical business practices by one or more third-party subcontractors or suppliers, including laws and regulations related to, among other things, labour practices, health and safety, and environmental protection, could also materially adversely affect our business and reputation and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on us.

Human resources (including collective agreements)

Our senior executives have extensive experience in the industry in which we operate and with our business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the loss of one or more members of our core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect our ability to develop and pursue other business strategies, which could materially adversely affect our business and financial results.

Employment market competition is fierce when it comes to hiring the highly qualified managers and specialists needed to complete the work we require, particularly in certain emerging countries. In many of our business areas we intend to expand our business activities, for which we will need highly skilled employees. The success of our development plans depends, in part, on our ability to develop skills, to retain employees, and to recruit and integrate additional managers and skilled employees. Human resource risk includes the risk of delays in the recruitment of or inability to retain and motivate highly skilled employees, including those involved in R&D and manufacturing activities that are essential to our success. There is no guarantee that we will be successful in recruiting, integrating and retaining such employees as needed to accompany our business development, in particular in emerging countries. Conversely, the measures to adapt headcount to evolution in demand may result in pressures from our workforce and social risks, which may have an adverse impact on our expected costs reductions and production capacities.

In addition, we are party to several collective agreements that are due to expire at various times in the future. An inability to renew these collective agreements on mutually agreeable terms, as they become subject to renegotiation from time to time, could result in work stoppages or other labour disturbances such as strikes, walkouts or lock-outs, and/or increased costs of labour, which could adversely affect our ability to deliver products and services in a timely manner and on budget and could adversely affect our financial condition and results.

Additionally, as a result of our continuing review of our business and processes to reduce costs, improve our manufacturing platform, and better position ourselves in the marketplace, it may be necessary to curtail production or permanently shut down facilities, leading to the transfer of employees to new production facilities and processes or to the reduction of our workforce. This could materially adversely impact our relationship with our employees, as well as result in asset write-downs at affected facilities.

Reliance on information systems

Like those of other large multinational companies, our technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of natural disasters, cyberattacks and cybersecurity threats, network communication failures, computer viruses and other security threats to the confidentiality, availability and integrity of our systems. Information security risks have increased in recent years due to the proliferation of new technologies and the increased sophistication of perpetrators of cyberattacks.

Information contained in our systems include proprietary or sensitive information on our customers, suppliers, partners, employees, business information, research and development activities and our intellectual property. Unauthorized third parties may be able to penetrate our network security and misappropriate or compromise our confidential information, deploy viruses, worms and other malware or phishing that would exploit any security vulnerabilities in our management information systems, create system disruptions or cause machinery or plant shutdowns. Such attacks could potentially lead to the publication, manipulation or leakage of information, improper use of our systems, defective products, production downtimes, and supply shortages. Our partners and suppliers also face risks of unauthorized access to their information systems which may contain our confidential information. The Cyber Security team, under the direction of the Chief Information Security Officer, and reporting to the Audit Committee of the Board of Bombardier, supervises and maintains technical and process controls, enforcement and comprehensive monitoring of systems and networks designed to prevent, detect and respond to unauthorized activity in our systems. Considering the complexity and evolving nature of the threats, as well as the unpredictability of the timing, nature and scope of disruptions from such threats, we cannot ensure that the measures taken are or will be sufficient to counter any such unauthorized access to information systems, nor that our assessment and mitigation measures are or will be sufficient to avoid, or mitigate the impact of, a system failure.

The integrity, reliability and security of information in all forms are critical to our success. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, delayed reaction times to the resolution of problems, privacy breaches and/or inappropriate disclosure or leaking of sensitive information. Any system failure, cyberattack or a breach of systems could result in disruption of activities and operational delays, information losses, significant remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, diminished competitive advantage and/or litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business, financial condition, and results of our operations. Material losses may be

incurred related to the foregoing beyond the limits or outside the coverage of current insurance and existing provisions for such losses may not be sufficient to cover the ultimate loss or expenditure. We may also be unable to maintain insurance to cover these risks at acceptable costs or terms, and may elect not to purchase insurance coverage against certain risks. Furthermore, media or other reports of perceived security vulnerabilities of our systems, even if no breach has been attempted or had occurred, could adversely impact our brand and reputation and materially impact our business and financial results.

Reliance on and protection of intellectual property

We regularly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing, or obtaining through licensing, alternative technologies that are substantially equivalent or superior to ours, and we cannot provide assurance that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual property. Furthermore, we cannot assure that all our registration applications will be successful, or our registered intellectual property rights will not be subject to any objection. If the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, and our competitors exploit our intellectual property in the manufacture and sale of competing products in the markets we operate, such events could materially and adversely affect our business.

We could also face claims by others that we are improperly using intellectual property owned by them or otherwise infringing their rights in intellectual property. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. Adverse rulings in any litigation or proceeding could result in the loss of our proprietary rights and subject us to significant liabilities or even business disruption. Any potential intellectual property litigation against us could also force us to, among other things, cease selling the challenged products, develop non-infringing alternatives or obtain licences from the owner of the infringed intellectual property. We may not be successful in developing such alternatives or in obtaining such licences on reasonable terms or at all, which could damage our reputation and affect our financial condition and profitability.

Reputation risks

Reputational risk may arise under many situations including, among others, quality or performance issues on our projects, product safety issues, a poor health and safety record, failure to maintain ethically and socially responsible operations, or alleged or proven non-compliance with laws or regulations by our employees, agents, subcontractors, suppliers and/or partners. Any negative publicity about, or significant damage to, our image and reputation could have an adverse impact on customer perception and confidence and may cause the cancellation of current projects and influence our ability to obtain future projects, which could materially adversely affect our business, results of operations and financial condition. Also, the pervasiveness and viral nature of social media could perpetuate or exacerbate any negative publicity with respect to our business practices and products.

Furthermore, any unethical conduct by a supplier or subcontractor or any allegations, whether or not founded, of unfair or illegal business practices by a supplier or subcontractor, including production methods, labour practices, health and safety and environmental protection, could also materially adversely affect our image and reputation, which could in turn materially adversely affect our business and financial results.

Adequacy of insurance coverage for our business, products and properties

We maintain insurance policies in accordance with the needs of our business. However, we cannot guarantee that our insurance policies will provide adequate coverage should we face extraordinary occurrences that result in losses. We may not obtain certain insurance coverage, may experience difficulties in obtaining or maintaining the insurance coverage we need at acceptable levels, costs or terms, and may elect not to purchase insurance coverage against some risks, which could materially and adversely affect our business, financial condition and results of operations.

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose

all or a portion of our production capacity as well as future revenues expected to be generated by the relevant facilities. Any material loss not covered by our insurance could adversely affect our business, financial condition and results of operations.

Risk management policies, procedures and strategies

We have devoted significant resources to develop our risk management policies, procedures and strategies and expect to continue to do so in the future. Nonetheless, our policies, procedures and strategies may not be comprehensive. Many of our methods for identifying, analyzing and managing risk and exposures are based upon risk management processes that are embedded in governance and our business activities, focusing on all stages of the product development and manufacturing process. Risk management methods depend upon the evaluation and/or reporting of information regarding product development, manufacturing and management, industry outlooks, markets, customers, project execution, catastrophe occurrence or other matters publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated or reported.

Tax matters and changes in tax laws

As a multinational company conducting operations through subsidiaries in multiple jurisdictions, we are subject to income and other taxes, tax laws and fiscal policies in numerous jurisdictions. Our effective income tax rate in the future could be adversely affected as a result of a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, treaties or regulations or their interpretation, and the outcome of income tax audits in various jurisdictions around the world.

We regularly assess all of these matters to determine the adequacy of our tax liabilities. In determining our provisions for income taxes and our accounting for tax-related matters in general, we are required to exercise judgment. We regularly make estimates where the ultimate tax determination is uncertain. There can be no assurance that the final determination of any tax audit, appeal of the decision of a taxing authority, tax litigation or similar proceedings will not be materially different from that reflected in our historical financial statements. The assessment of additional taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

Our Canadian and foreign entities undertake certain operations with other currently existing or new subsidiaries in different jurisdictions around the world. The tax laws of these jurisdictions, including Canada, have detailed transfer pricing rules that require that all transactions with non-resident related parties be priced using arm's length pricing principles. The taxation authorities in the jurisdictions where we carry on business could challenge our arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge our transfer pricing policies, our income tax expense may be adversely affected, and we could also be subjected to interest and penalties. Any such increase in our income tax expense and related interest and penalties could have a material adverse effect on our business, results of operations or financial condition.

Financing risk

Liquidity and access to capital markets

Our business is cyclical and highly capital intensive. In the ordinary course of our business, we rely on cash and cash equivalents, cash flows generated by operations, capital market resources such as debt and equity and other financing arrangements, and certain working capital financing initiatives such as the sale of receivables, arrangements for advances from third parties and the negotiation of extended payment terms with certain suppliers to satisfy our financing needs. There can be no assurance that such working capital cash sources will be available to us in the future on acceptable terms or at all.

Our ability to achieve our business and cash generation plans is based on a number of assumptions which involve significant judgments and estimates of future performance, borrowing capacity and credit availability, which cannot at all times be assured.

The Corporation also routinely reviews its debt profile with a view to managing or extending maturities and/or negotiating more favorable terms and conditions with respect to its financing arrangements.

From time to time, we undertake various financing initiatives to solidify our liquidity position. We plan to continue to explore various initiatives such as certain business activities' potential participation in industry consolidation. There are no assurances that we will be able to implement these or any other strategic options on favorable terms and timing or at all, and, if implemented, that such actions would have the planned results.

There can be no assurance that our expected cash flows from operating activities, combined with available liquidity will be sufficient to enable the development of new products to enhance competitiveness and support growth and will enable us to meet all other expected financial requirements or plans in the foreseeable future.

If our cash flows and other capital resources are insufficient to fund the required work on our ongoing contracts, programs and projects, as well as our capital expenditures and debt service obligations, we could be forced to reduce or delay deliveries, investments and capital expenditures or to seek additional debt or equity capital. We may not be able to obtain alternative capital resources, if necessary, on favourable terms or at all.

A decline in credit ratings, a significant reduction in the surety or financing market global capacity, widening credit spreads, changes in our outlook or guidance, significant changes in market interest rates or general economic conditions or an adverse perception by banks and capital markets of our financial condition or prospects could all significantly increase our cost of financing or impede our ability to access financial markets. Our credit ratings may be impacted by many factors, including factors outside of our control relating to our industry or countries and regions in which we operate, and, accordingly, no assurance can be given that our credit ratings may not be downgraded in the future. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may increase our cost of financing.

Our right to convert into cash certain deposits or investments, held in financing structures to guarantee our obligations, may be subject to restrictions. Our right to access and use cash or other deposits, held in trust or in escrow arrangements to guarantee certain obligations, may be challenged or subject to restrictions. Additionally, in some countries, cash generated by operations may be subject to restrictions on the right to convert and/or repatriate money and may thus not be available for immediate use.

Substantial debt and significant interest payment requirements

We currently have, and expect to continue to have, a substantial amount of debt, and significant interest payment requirements. Our level of indebtedness could have significant consequences, including the following:

- it may be more difficult to satisfy our obligations with respect to our indebtedness;
- our vulnerability to general adverse economic and industry conditions may be increased;
- we may be required to dedicate a substantial portion of our cash flows from operations to interest and principal repayments on our indebtedness, reducing the availability of cash flows to fund capital expenditures, working capital, acquisitions, new business initiatives and other general corporate purposes;
- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited;
- we may be placed at a disadvantage compared to our competitors that have less debt or greater financial resources;
- it may limit, along with other covenants to which we are subject, among other things, our ability to borrow additional funds on commercially reasonable terms, or at all;
- we may be required to monetize assets on terms that are unfavourable to us; and
- we may be required to offer debt or equity securities on terms that are not favourable to us or our shareholders.

We have various debt maturities ranging between 2024 and 2034, and we cannot provide assurance that this indebtedness will be refinanced on favourable terms or at all.

For more information regarding our long-term debt, see Note 27 – Long-term debt, to our Consolidated financial statements.

Restrictive and financial debt covenants

Restrictive covenants in certain agreements and instruments governing our indebtedness, including our outstanding senior notes and certain credit facilities, may materially restrict our financial flexibility or may have other material adverse effects on our business, results of operations, financial condition, liquidity, and cash flows. We are, and may be increasingly in the future, party to certain credit facilities and other asset-based and asset-backed financing arrangements which contain covenants that, among other things, restrict our and our subsidiaries' ability to: (i) dispose or acquire assets or enter into mergers; (ii) incur additional indebtedness; (iii) incur guarantee obligations; (iv) declare dividends and distributions, prepay indebtedness, or amend certain financing arrangements; (v) create liens; (vi) make certain investments, loans, advances or capital expenditures; (vii) change our business; and (viii) engage in certain transactions with affiliates. In addition, certain of these agreements and instruments may from time to time also include financial covenants which may be required to be met at all times or under specified circumstances. The breach of any of these restrictive covenants or financial covenants could result in draw limitations or default under the relevant agreement, which could, in turn, cause cross-acceleration or cross-defaults under our other financing arrangements. In such event, we may be unable to borrow under our financing arrangements and may not be able to repay the amounts due under such arrangements, which could have a material adverse effect on our business, results of operations, financial condition, liquidity, and cash flows.

Our ability to comply with these covenants may also be affected by events beyond our control. A breach of any of these agreements or our inability to comply with these covenants could result in a default under these financing arrangements, which would permit our banks to request immediate defeasance or cash cover of all outstanding letters of credit, and our bondholders and other lenders to declare amounts owed to them to be immediately payable. If any of these financing arrangements is accelerated, or we are subject to significant cash cover obligations, we may not be able to refinance such facilities on terms acceptable to us or at all. There can be no assurance that we would be able to obtain waivers or amendments of any such breaches or defaults or be able to cash cover or refinance such arrangements, on terms acceptable to us or at all.

Although the terms of our credit facilities and certain of our other debt instruments contain or may from time-to-time contain restrictions on the incurrence of additional debt, including secured debt, or to enter into new senior secured facilities, these restrictions are subject to a number of exceptions provided certain conditions are met. If we incur additional debt in the future, we may be subject to additional or more restrictive covenants than those to which we are subject now.

Retirement benefit plan risk

We are required to make contributions to a number of pension plans, some of which are presently in a deficit position. Pension funding requirements are dependent on regulatory requirements and on the valuations of plan assets and liabilities, which are subject to a number of factors, including expected returns on plan assets, long-term interest rates, as well as applicable actuarial practices and various other assumptions. The potential requirement to make additional contributions as a result of changes to regulations, actuarial assumptions or other factors may reduce the amount of funds available for operating purposes, thus limiting our financial flexibility and weakening our financial condition.

There is no assurance that retirement benefit plan assets will earn the expected rates of return. The ability of our retirement benefit plan assets to earn these expected rates of return depends in large part on the performance of capital markets. Market conditions also affect the discount rates used to calculate our net retirement benefit liabilities⁽¹⁾ and could also impact our retirement benefit costs, cash funding requirements and liquidity position.

The net retirement benefit liability is highly sensitive to variations to the underlying discount rate, which represents the market rate for high-quality corporate fixed-income investments at the end of each reporting period consistent with the currency and estimated term of the benefit obligations. As a result, the discount rates change is based on market conditions.

Credit risk

We are exposed to credit risk through our derivative financial instruments and other investing activities carried out as part of our normal treasury activities, as well as through our trade receivables arising from normal commercial activities.

We also have exposure to banks in the form of periodically placed deposits and credit commitments. In the event the banks with which we transact are unable to withstand regulatory or liquidity pressures, financing arrangements, including letter of credit facilities, may become unavailable or we may not be able to extend such arrangements upon their maturity.

Government support

From time to time, including since the COVID-19 pandemic was declared, we have or may receive various types of government financial support. Some of these financial support programs require the repayment of amounts to the government at the time of product delivery. The level of government support reflects government policy and depends on fiscal spending levels and other political and economic factors. We cannot predict if future government-sponsored support will be available. The loss of or any substantial reduction in the availability of government support could negatively impact our assumptions related to the development of aircraft products and services. In addition, any future government support received by our competitors could have a negative impact on our competitiveness, sales and market share.

Regulatory and legal risk

We are subject to numerous risks relating to current and future regulations, as well as legal proceedings, both present or that may arise in the future.

Given our size and current and historical operations, including in respect of the Transportation business which was divested on January 29, 2021, we are, and may become, in the normal course of business, party to lawsuits, investigations and claims seeking damages and other relief, including those involving allegations of late deliveries of goods or services, product liability, product defects, quality problems, intellectual property infringement, claims arising from divestiture or acquisition transactions, obligations under our financing arrangements and general liability arising from applicable laws and regulations (see below for more details). In addition, while clients and subcontractors may agree under various contractual arrangements to indemnify us against certain liabilities, such third parties may refuse or be unable to pay. These matters may also divert financial and management resources that would otherwise be used to benefit our operations, and the cost to defend litigation or address investigations may be significant.

Due to the inherent uncertainties of litigation and investigations, it is not possible to (a) predict the final outcome of these and other related proceedings generally or (b) determine the amount of potential losses, if any, that may be incurred in connection with any final judgment or decision on these matters. In connection with the settlement of litigations and investigations, a number of conditions may be imposed on Bombardier, and we may be required to undergo certain changes to our business practices which could impose additional costs and adversely affect our ability to pursue business opportunities.

While we maintain insurance coverage for various aspects of our business and operations, our insurance programs have varying coverage limits and exceptions. Material losses may be incurred related to litigation beyond the limits or outside the coverage of current insurance and existing provisions for litigation-related losses may not be sufficient to cover the ultimate loss or expenditure. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and place us at a disadvantage for future orders or contract awards. There may also be adverse publicity associated with litigation, including, without limitation, litigation related to product safety, which could negatively affect our clients and our ability to attract new clients, the public perception of our business or our reputation, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation could materially adversely affect our business and financial results.

In addition, as part of the regulatory and legal environments in which we operate, we are subject to and we face risks relating to non-compliance with local and foreign laws, regulations, rules and other current, new or changing legal requirements enforced by governments or other authorities, including with respect to export controls, tariffs, embargoes, international sanctions and other trade restrictions, lobbying or similar activities, securities, antitrust, data privacy, domestic and international taxes, environmental and labour relations, as well as laws related to corruption, anti-competitive acts, bribery, and ethics-related issues, which could have a significant adverse impact on our business. Notably, sales to customers are subject to such laws and regulations. Under some of these, a company may be found liable for violations resulting not only from actions of certain of its employees, but also in certain circumstances from actions of its contractors and third-party agents.

Our Code of Ethics and other corporate policies mandate compliance with laws and regulations regarding anti-bribery and anti-corruption, insider trading and tipping, fraud, money-laundering, competition and anti-trust, sanctions and export controls, lobbying and others, and we have implemented training programs, internal monitoring and controls, and reviews and audits to ensure compliance with such laws. However, there can be no assurance that our internal control policies and procedures will allow us to timely detect and protect us from recklessness, fraudulent behaviour, dishonesty or other inappropriate behaviour on the part of our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners. Misconduct or failure by our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners to comply with applicable laws and regulations, and notably anti-bribery and anti-corruption laws, could impact Bombardier in various ways that include, but are not limited to, criminal, civil and administrative legal sanctions, debarment from bidding for or performing government contracts, and negative publicity, and could have a significant negative effect on our business, results of operations, profitability, share price, financial condition, the public perception of our business, reputation, expansion effort, and ability to attract and retain employees and clients. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny of and punishment to companies convicted of violating anti-corruption and anti-bribery laws. See also the subsection “Operational Risks—Supply chain risks” hereinabove.

Also refer to our Risk Factor on “Financing Risks” and our Note 37 – Commitments and contingencies, to our consolidated financial statements.

COVID-19 Pandemic and General Economic Risk

The markets in which we operate may from time to time be affected by a number of local, regional and global factors, including continuing repercussions from the COVID-19 pandemic (discussed below) and the ongoing military conflict between Ukraine and Russia (see “Business Environment Risk—The Ukraine-Russia military conflict and financial and economic sanctions and export control limitations” hereinafter for more detail). Since our sales and operations are undertaken around the world, we may be directly or indirectly affected by an unfavourable political conditions or economic slowdown occurring within these geographic zones and our business may be exposed to a number of related risks.

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

COVID-19 pandemic

Repercussions from the COVID-19 pandemic continue to negatively impact the global economy, disrupt global supply chains, significantly increase inflation and create significant economic uncertainty and disruption of financial markets. While emergency measures being enacted by governments worldwide to contain the spread of the virus, including the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and the closure of non-essential businesses, have eased somewhat compared to earlier periods

in the pandemic, an increase in new infections or the spread of new variants could cause some governments to reinstate such measures, which could bring new or exacerbate existing material disruptions to businesses in Canada and globally resulting in uncertainty and a challenging economic environment. Global debt and equity capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Uncertainties related to, and perceived or experienced negative effects from, COVID-19, including an increase in infection rates or the emergence of variants, could cause significant volatility or decline in the trading price of our securities, capital market conditions and general economic conditions. In addition, any severe disruption and instability in the global financial markets and deteriorations in credit and financing conditions may increase the likelihood of litigation, increase the cost of or limit or restrict our ability to access debt and equity capital or other sources of funding on favourable terms, or at all, lead to consolidation that negatively impacts our business, increase competition, result in reductions in our work force, cause us to further reduce our capital spend or otherwise disrupt our business or make it more difficult to implement our strategic plans. Sustained adverse effects may also prevent us from satisfying debt financial covenants and minimum cash requirements or result in possible credit ratings watch or downgrades in our credit ratings.

The duration, scope and impact of the COVID-19 pandemic is still unknown at this time, as is the efficacy of government and central bank interventions on the repercussions of the pandemic, and the pace and stability of any subsequent recovery, including worldwide vaccination efforts, and economic normalization. Given the global and evolving nature of the COVID-19 pandemic and its repercussions, any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly it is challenging for the Corporation to estimate or quantify the extent to which the repercussions of the COVID-19 pandemic may, directly or indirectly, affect the Corporation's business activities, financial condition, cash flows, profitability, prospects and results of operations in future periods.

Business disruptions and slowdown

The continued presence of COVID-19 around the globe, including the emergence of variants, and the responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, have caused continuing slow-downs and disruptions to the global economy. While the impacts on the Corporation's business and operations have lessened in certain areas compared to earlier periods of the pandemic, there are still ongoing repercussions impacting our workforce, our customers, our supply chain and our operations. The reimposition of restrictions by governmental authorities in response to an increase in infection rates or hospital capacity, including through mandated or voluntary shutdowns, could have a material negative impact on the Corporation's business activities, financial condition, cash flows, profitability, prospects and results of operations in future periods.

Contract fulfillment

Our worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from delivery delays resulting from reduced production activity, availability of necessary workers, supply chain issues, the postponement of key production and certification milestones, and potential travel restrictions or operations shutdowns, which may, in each case, expose the Corporation to penalties or cancellations under contracts and negatively affect revenues, cash flow and profitability.

Reduction in demand and deferred order intake

Disruptions to the global economy, including from continuing repercussions of the COVID-19 pandemic, or a material economic slowdown or recession, may cause significant and unpredictable reduction in the demand for our products and services as customers divert resources and priorities.

Counterparty risks

The uncertain global economic situation, including continuing repercussions of the COVID-19 pandemic and the ongoing military conflict between Ukraine and Russia, is having an adverse effect on the economies and financial markets of many countries, which increases the risk of defaults from our suppliers, customers and other counterparties, delays in deliveries of goods or services or payments by such counterparties, and difficulties in enforcing our agreements and collecting receivables. Our suppliers, customers and other counterparties may seek to terminate or to amend their agreements for the supply or purchase of products or services as a result of distress on their operational or financial situation (including bankruptcy, operational shutdowns or failures, lack of liquidity or funding, or other reasons).

If we or any of the third parties with whom we engage, including suppliers, service providers, customers and other third parties with whom we conduct business, were to experience long-term effects such as prolonged or permanent shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted, including the impairment of our product development activities for a period of time, which could also lead to loss of customers, as well as reputational, competitive, or business harm.

Supply chain

Production stoppages and slowdowns resulting from government regulation and prevention measures undertaken in response to the COVID-19 pandemic, from workforce shortages and from transportation disruptions have led to supply disruptions for the Corporation. While the Corporation has implemented various initiatives to mitigate such disruptions, any prolonged disruption in the supply of raw materials, specialized parts or components and major systems could have a material adverse effect on our operations, significantly impact our aircraft delivery schedule and significantly increase the cost of operating our business, with resulting material negative impacts on our liquidities and working capital requirements, our margins and our profitability.

Work force

The risks to the Corporation of a pandemic, epidemic or other public health crisis, such as the COVID-19 pandemic, include risks to employee health and safety. The reintroduction of restrictive measures in order to control the spread of COVID-19 or other public health crises and limitations on travel may result in temporary shortages of staff or unavailability of certain employees or consultants with key expertise or knowledge of the Corporation, impact on workforce productivity and increased medical costs/insurance premiums. While the Corporation has proactively implemented measures to protect the health and safety of its employees across the world, including remote work arrangements, these measures present logistical challenges and incremental costs to the Corporation.

Diversion of management attention

Preparing for and responding to the continuing pandemic and repercussions on the global economy resulting therefrom, has and may continue to divert management's attention from our key strategic priorities, increase costs as we prioritize health and safety matters for our personnel and the continuation of critical ongoing projects, and cause us to reduce, delay, alter or abandon initiatives that may otherwise increase our long-term value.

IT risks and inefficiencies

The remote work arrangements that were implemented by the Corporation in response to the COVID-19 pandemic and changing demands and expectations of the workforce may cause inefficiencies and increased pressure on the Corporation's information technology infrastructure, and may increase the Corporation's vulnerability to information technology and cybersecurity related risks and disruption to the Corporation's information systems.

Regulatory backlog

There may be difficulties and inconsistencies relating to the enforcement of laws, rules, and regulations as a result of ongoing repercussions of the COVID-19 pandemic. Many regulatory authorities have a significant backlog of demands and files due to being heavily occupied with their response to the pandemic. These regulators, as well as other executive and legislative bodies in the jurisdictions in which we and our counterparties operate, may not be able to provide the level of support and attention to day-to-day regulatory functions that they would otherwise have provided. Such regulatory backlog may materially hinder the development of the Corporation's business by delaying such activities as homologation or certification process for new products or technologies, site openings and the completion of strategic transactions.

Heightened impact of other risks

Several of the other risks and uncertainties disclosed in this Financial Report for the fiscal year ended December 31, 2022 could be particularly exacerbated by extraordinary externalities such as the ongoing military conflict between Ukraine and Russia, including, but not limited to, risks described under "Our order backlog may not be indicative of future revenues", "Cash flows and capital expenditures", "Seasonality and cyclicity of financial results", "Environmental, health and safety risks", "Dependence on limited number of contracts and customers", "Supply chain risks", "Liquidity and access to capital markets", "Credit risk", "Substantial debt and significant interest payment requirements", "General economic risk", "Business environment risk", and "Market Risk".

Mitigation measures

While the Corporation has made efforts to manage and mitigate the aforementioned risk factors, the continuing effectiveness of these efforts and the extent to which the repercussions of the COVID-19 pandemic and the ongoing military conflict between Ukraine and Russia affects the Corporation's business will depend on factors beyond its control, including the likelihood, timing, duration and scope of the pandemic or any subsequent waves of COVID-19, including the emergence of variants, or an escalation or expansion of the military conflict between Ukraine and Russia, and the measures taken or necessary to contain the spread of such outbreaks, including the worldwide vaccination efforts. The Corporation may experience material adverse effects to its business, operations, financial condition, cash flows, margins, prospects and results of operations as a result of prolonged or new disruptions in the global economy and any resulting recession.

Business environment risk

Financial condition of business aircraft customers

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

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

Trade policy

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

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

Increased competition from other businesses

We face intense competition in the markets and geographies in which we operate. We face competition from strong competitors, some of which are larger and may have greater resources in a given business or region, as well as competitors from emerging markets and new entrants, which may have a better cost structure. In the markets and geographies in which we compete, competitors are developing numerous aircraft programs, with entries-into-service expected throughout the next decade. We face the risk that market share may be eroded if potential customers opt for competitors' products. We may also be negatively impacted if we are not able to meet product support expectations or provide an international presence for our diverse customer base.

Political instability

Political instability, which may result from various factors, including social or economic factors, in certain regions of the world may be prolonged and unpredictable. Any prolonged political instability in markets in which we participate could lead to delays or cancellation of orders.

Geopolitical and economic risks, international sanctions and the price of oil affecting many energy-exporting nations have raised new concerns in international economies. Beyond any immediate impact, these developments may also negatively affect the evolution of the global economy.

The Ukraine-Russia military conflict and financial and economic sanctions and export control limitations

On February 24, 2022, Russia launched a military invasion of Ukraine. The ongoing military conflict between Ukraine and Russia has provoked strong reactions from Canada, the U.S., the United Kingdom, Europe and various other countries around the world, including the imposition of broad financial and economic sanctions and export control limitations against Russia and against certain persons and entities (collectively, "Sanctions and Export Control Limitations").

As a result of the foregoing, Bombardier is abiding by all Sanctions and Export Control Limitations. When such Sanctions and Export Control Limitations may be eased or lifted is not known at this time. As of December 31, 2022, we have not been materially adversely impacted by the Ukraine-Russia military conflict and the Sanctions and Export Control Limitations; however, we are continuously monitoring developments to assess any potential future impact that may arise. If the sanctions and other retaliatory measures imposed by the global community are expanded, we cannot provide assurance that this may not adversely impact the Corporation's overall business activities, financial condition, cash flows, profitability, prospects and results of operations in future periods.

While the precise effects of the ongoing military conflict and Sanctions and Export Control Limitations on the Russian and global economies remain uncertain, they have already resulted in significant volatility in financial markets, as well as in an increase in energy and commodity prices globally. Should the conflict continue or escalate, there may be various economic and security consequences including, but not limited to: supply shortages of different kinds; further increases in prices of commodities, including gas, oil and metals; increases in interest and borrowing rates; and significant disruptions in logistics infrastructure, among others. The resulting impacts to the global economy, financial markets (including access to capital on favorable terms), supply chains, inflation, interest rates, borrowing costs and unemployment, among others, could adversely impact economic and financial conditions, and may disrupt the global economy's ongoing recovery following the COVID-19 pandemic.

A protracted conflict between Ukraine and Russia, any escalation of that conflict, and the resulting impact on our business activities (both in that region and generally) and on the wider global economy and market conditions could, in turn, affect the Corporation's ability to access capital markets on favorable conditions and the Corporation's business activities, financial condition, cash flows, profitability, prospects and results of operations in future periods.

Global climate change

Global climate change could exacerbate certain of the threats facing our business which can be categorized as physical risks or transition risks.

- **Physical risks:**
Physical risks include the increase in frequency and severity of weather-related events, which can disrupt our operations, damage our infrastructure or properties, create financial risk to our business or otherwise have a material adverse effect on our results of operations, financial position or liquidity. These may result in substantial costs to respond during the event, to recover from the event and possibly to modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs.

The potential physical impacts of climate change on our operations are highly uncertain, and could be particular to the geographic circumstances in areas in which we operate and may include changes in rainfall and storm patterns and intensities, water shortages, rising water levels and changing temperatures. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. We could also face indirect financial risks passed through the supply chain and process disruptions due to physical climate changes could result in price modifications for our products and the resources needed to produce them. These impacts may adversely impact the cost, production, and financial performance of our operations.

- **Transition risks:**
In addition, concerns about the environmental impacts of air travel and tendencies towards “green” travel initiatives, and in particular social media movements drawing negative attention to business jet travel by executives and celebrities, have contributed to higher levels of scrutiny with respect to emissions which could have the effect of reducing demand for air travel and could materially adversely impact our business and reputation.

Global climate change also results in regulatory risks which vary according to the national and local requirements implemented by each jurisdiction where we are present. Our products as well as our manufacturing and services activities are subject to environmental regulations by federal, provincial and local authorities in Canada as well as local regulatory authorities with jurisdiction over our operations outside of Canada. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty.

Most countries where we carry out manufacturing activities are at various stages of developing binding emission allocations and trading schemes. During 2022, our regulatory risks associated with climate change mainly fell under our obligations to the European Union Emission Trading Scheme, the United Kingdom Climate Change Agreement, the United Kingdom's Carbon Reduction Commitment energy efficiency scheme (launched in April 2010), the Energy Savings Opportunity Scheme and the Québec carbon market trading scheme. Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas emissions. The impact to us and our industry from legislation and increased regulation regarding climate change is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. We may be directly exposed to such measures, which could result in significant costs on us, on our customers and on our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs necessary to comply with such regulations that could adversely affect our business, financial condition, operating performance, and ability to compete. In addition, such regulatory changes could necessitate us to develop new technologies, requiring significant investments of capital and resources.

Force majeure

Force majeure events are unpredictable and may have significant adverse results such as: personal injury or fatality; damage to or destruction of ongoing projects, facilities or equipment; environmental damage; delays or cancellations of orders and deliveries; delays in the receipt of materials from our suppliers; delays in projects; or legal liability.

Market risk

Foreign exchange risk

Our financial results are reported in U.S. dollars and a significant portion of our sales and operating costs are transacted in currencies other than U.S. dollars, most often Canadian dollars, Mexican pesos and euros. We have adopted a progressive hedging strategy to limit the effect of currency movements on our results. Such contracts hedge foreign-currency denominated transactions and any change in the fair value of the contracts could be offset by changes in the underlying value of the transactions being hedged. The use of forward foreign exchange contracts also contains an inherent credit risk related to default on obligations by the counterparties to such contracts. Although we aim to have foreign-exchange hedging contracts with respect to all currencies in which we do business, there may be situations where we do not have hedging contracts or are not fully hedged for various reasons including regulation and market availability and accessibility. As a result, there can be no assurance that our approach to managing our exposure to foreign-exchange rate fluctuations will be effective in the future or that we will be able to enter into foreign-exchange hedging contracts as deemed necessary on satisfactory terms. In situations where we are not fully hedged, our results of operations are affected by movements in these currencies against the U.S. dollar. Significant fluctuations in relative currency values against the U.S. dollar could thus have a significant impact on our future profitability. Additionally, the settlement timing of foreign currency derivatives could significantly impact our liquidity. Fluctuations in foreign currency exchange rates could also have a material adverse effect on the relative competitive position of our products in markets where they face competition from competitors who are less affected by such fluctuations in exchange rates.

Interest rate risk

Changes in interest rates may result in fluctuations in our future cash flows related to variable-rate financial assets and liabilities, including long-term fixed-rate debt synthetically converted to variable interest rates. Changes in interest rates may also affect our future cash flows related to commitments to provide financing support to facilitate customers' access to capital. For these items, cash flows could be impacted by changes in benchmark rates such as Libor, Euribor or Bankers' Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, which includes marketability risks, through our financial instruments carried at fair value. These financial instruments include certain aircraft loans and lease receivables, investments in securities, investments in financing structures, lease subsidies and certain derivative financial instruments.

Commodity price risk

We are exposed to commodity price risk relating principally to fluctuations in the cost of materials used in our supply chain, such as aluminum, advanced aluminum alloy, titanium, steel and other materials that we use to manufacture our products, and which represent a significant portion of our cost of sales. We do not maintain significant inventories of raw materials and components and parts. The prices and availabilities of raw materials and components and parts may vary significantly from period to period due to factors such as consumer demand, supply, market conditions and costs of raw materials. In particular, raw materials required for our operations, may be subject to pricing cyclicality and periodic shortages from time to time. We cannot guarantee that corresponding variations in cost will be fully reflected in contract prices, and we may be unable to recoup these raw material price increases, which could affect the profitability of such contracts.

Inflation risk

Our business is exposed to inflation risk relating to fluctuations in costs and revenue for aircraft orders received but for which the delivery of the aircraft will take place several years in the future. Revenues for these orders are adjusted for price escalation clauses linked to inflation. Fluctuations in inflation rates could nevertheless have a significant impact on our future profitability if the inflation rate assumption used varies from the actual inflation rate, and this is a particularly acute risk in respect of large long-term contracts which may have an impact on our results for several years.

FINANCIAL INSTRUMENTS

An important portion of the consolidated balance sheets is composed of financial instruments. Financial assets of the Corporation include cash and cash equivalents, trade and other receivables, aircraft loans, investments in securities, receivable from MHI, receivables from ACLP, investments in financing structures, 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 subsidies, lease liabilities, liabilities related to RASPRO assets, government refundable advances, credit and residual value guarantees payable, vendor non-recurring costs and derivative financial instruments with a negative fair value. 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.

The use of financial instruments exposes us primarily to credit, liquidity and market risks, including foreign exchange and interest rate risks. A description on how we manage these risks is included in the Risk management section of Overview and in Note 33 – Financial risk management, to the consolidated financial statements.

Fair value of financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as FVTP&L, b) financial instruments designated as FVTP&L, c) FVOCI financial assets, or d) amortised cost. Financial instruments are subsequently measured at amortised cost, unless they are classified as FVOCI or FVTP&L or designated as FVTP&L, in which case they are subsequently measured at fair value. The classification of financial instruments as well as the revenues, expenses, gains and losses associated with these instruments are provided in Note 2 – Summary of significant accounting policies and in Note 12 – Financial instruments, to the consolidated financial statements.

Note 34 – Fair value of financial instruments, to the consolidated financial statements, provides a detailed description of the methods and assumptions used to determine the fair values of financial instruments. These values are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the principal market for that instrument to which we have immediate access. However, there is no active market for most of our financial instruments. In the absence of an active market, we determine fair value based on internal or external valuation models, such as discounted cash flow models. Fair value determined using valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, discount rates, the creditworthiness of the borrower, the aircraft's expected future value, default probability, generic industrial bond spreads and marketability risk. In determining these assumptions, we use primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, credit spreads, default probabilities, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable. These calculations represent management's best estimates. Since they are based on estimates, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

Note 34 – Fair value of financial instruments, to the consolidated financial statements, also provides a three-level fair value hierarchy, categorizing financial instruments by the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In cases where the inputs used to measure fair value are categorized within different levels of hierarchy, the fair value measurement is reported at the lowest level of the input that is significant to the entire measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, taking into account factors specific to the asset or liability. The fair

value hierarchy is not meant to provide insight on the liquidity characteristics of a particular asset or on the degree of sensitivity of an asset or liability to other market inputs or factors.

We consider gains and losses arising from certain changes in fair value of financial instruments incidental to our core performance, such as those arising from changes in market yields, as our intention is to continue to hold these instruments for the foreseeable future. These gains and losses are excluded from adjusted net income (loss) and adjusted EPS to provide users of the financial statements a better understanding of the core results of our business and enable better comparability of results from one period to another and with peers.

In connection with the sale of commercial aircraft, we hold financial assets and have incurred financial liabilities, measured at fair value, some of which are reported as Level 3 financial instruments, including derivative financial instruments, receivable from ACLP, certain receivable from MHI, investments in financing structures, lease subsidies, government refundable advance and liabilities related to RASPRO assets. The fair values of these financial instruments are determined using various assumptions, with the assumption on marketability risk being the most likely to change the fair value significantly from period to period. These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities.

Receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. Certain receivable from MHI represents a back to back agreement that the Corporation has with MHI related to credit and residual value guarantees payable. The liabilities related to RASPRO assets include a back-to-back agreement that the Corporation has with MHI related to the transfer of the net beneficial interest related to the investments in financing structures. Refer to Note 34 – Fair value of financial instruments, to our Consolidated financial statements, for detailed sensitivity analysis on those financial instruments.

Sensitivity analysis

Our main exposures to changes in fair value of financial instruments are related to changes in foreign exchange, and interest rates. Note 33 – Financial risk management and Note 34 – Fair value of financial instruments, to the consolidated financial statements, present sensitivity analyses assuming variations in foreign exchange and interest rates.

RELATED PARTY TRANSACTIONS

Related parties, as defined by IFRS, are our joint ventures, associates and key management personnel. A description of our transactions with these related parties is included in Note 35 – Transactions with related parties, to the consolidated financial statements.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Our significant accounting policies and use of estimates and judgment are described in Note 2 – Summary of significant accounting policies and Note 3 – Use of estimates and judgment, to our Consolidated financial statements. The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment. Critical accounting estimates, which are evaluated on a regular ongoing basis and can change from period to period, are described in this section. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Our best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. We use historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

Our budget and strategic plan cover a five-year period and are fundamental information used as a basis for many estimates necessary to prepare financial information. We prepare a budget and a strategic plan covering a five-year period, on an annual basis, using a process whereby a detailed one-year budget and four-year strategic plan are prepared and then consolidated. Cash flows and profitability included in the budget and strategic plan are based on existing and future contracts and orders, general market conditions, current cost structures, anticipated cost variations and in-force collective agreements. The budget and strategic plan are subject to approval at various levels, including senior management and the Board of Directors. We use the budget and strategic plan, as well as additional projections or assumptions, to derive the expected results for periods thereafter. We then track performance as compared to the budget and strategic plan at various levels within the Corporation. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's most critical estimates and judgments, including the impact of the COVID-19 pandemic and the ongoing conflict between Russia and Ukraine, if any. 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 2022. 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 Corporation assessed whether there were any indicators of impairment for the *Global 7500* in the fourth quarter of 2022. Following this assessment, the Corporation concluded there were no indicators of impairment as at December 31, 2022.

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, forecasted gain on closing of transactions, if any, the history of profits and availability of prudent tax planning strategies. See Note 10 – Income taxes, to our Consolidated financial statements, 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 regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities.

As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium-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 22 – Retirement benefits, to the consolidated financial statements, for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Consolidation

From time to time, the Corporation participates in structured entities where voting rights are not the dominant factor in determining control. In these situations, management may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether the Corporation is exposed to, or has rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether the Corporation is acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if the Corporation has power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control.

CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators' Regulation 52-109, we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure controls and procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Internal controls over financial reporting

The CEO and the CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework).

Changes in internal controls over financial reporting

No changes were made to our internal controls over financial reporting that occurred during the quarter and fiscal year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

OTHER

On June 23, 2022, the Corporation confirmed that it had received approval from the Toronto Stock Exchange for the renewal of its normal course issuer bid (NCIB) to purchase, from June 28, 2022 to June 27, 2023, up to 880,000 Class B shares (subordinate voting). Class B shares (subordinate voting) purchased under the NCIB will be cancelled if purchased in order to mitigate the dilutive effect of granting stock options under the Corporation's stock option plan, or will be placed in trust and eventually be used to settle the Corporation's obligations under certain of its employee share-based incentive plans, including its PSU and RSU plans.

For more details, refer to Consolidated statements of changes in equity and Note 28 – Share capital, to our Consolidated financial statements.

FOREIGN EXCHANGE RATES

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

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

	December 31, 2022	December 31, 2021	Decrease
Euro	1.0662	1.1325	(6%)
Canadian dollar	0.7381	0.7849	(6%)
Pound sterling	1.2055	1.3499	(11%)

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the fourth quarters ended:

	December 31, 2022	December 31, 2021	Decrease
Euro	1.0204	1.1439	(11%)
Canadian dollar	0.7366	0.7932	(7%)
Pound sterling	1.1734	1.3479	(13%)

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the fiscal years ended:

	December 31, 2022	December 31, 2021	Decrease
Euro	1.0544	1.1834	(11%)
Canadian dollar	0.7691	0.7977	(4%)
Pound sterling	1.2380	1.3756	(10%)

SHAREHOLDER INFORMATION

On June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the numbers for the average basic and diluted Class A shares and Class B shares (subordinate voting) outstanding, the number of PSUs, RSUs, DSUs, stock options, warrants and the EPS for the current and prior periods have been adjusted and restated to reflect the effect of the Share Consolidation. See Note 11 – Earnings per share and Note 29 – Sharebased plans, to our Consolidated financial statements for more information.

Authorized, issued and outstanding share data, as at February 7, 2023

	Authorized	Issued and outstanding
Class A Shares (multiple voting) ⁽¹⁾	143,680,000	12,349,370
Class B Shares (subordinate voting) ⁽²⁾	143,680,000	82,225,583 ⁽³⁾
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	2,684,527
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	9,315,473
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

⁽¹⁾ Ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share.

⁽²⁾ Convertible at the option of the holder into one Class A Share under certain conditions.

⁽³⁾ Net of 3,704,417 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Warrant, share option, PSU, DSU, RSU, data as at December 31, 2022

Warrants issued and outstanding	4,234,074
Options issued and outstanding under the share option plans	3,683,172
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	3,730,710
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	3,704,417

Information

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

The *Global 8000* aircraft is currently under development and remains to be finalized and certified. It is expected to enter service in 2025. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions.

Bombardier, Bombardier Pür Air, Chaise, Challenger, Challenger 300, Challenger 350, Challenger 3500, Challenger 600, Challenger 601, Challenger 604, Challenger 605, Challenger 650, Exceptional by Design, Executive, Global, Global 5000, Global 5500, Global 6000, Global 6500, Global 7500, Global 8000, Global Express, Global Vision, Global XRS, Learjet, Learjet 40, Learjet 45, Learjet 70, Learjet 75, Learjet 75 Liberty, L'Opéra, Nuage, Nuage Cube, PrecisionPlus, Smart Parts, Smart Parts Maintenance Plus, Smart Parts Plus, Smart Parts Preferred, Smart Services, Smartfix, Smartfix Plus, Smartlink, Smartlink Plus, Smooth Flëx Wing, Soleil, Touch and Vision Flight Deck are trademarks of Bombardier Inc. or its subsidiaries.

The printed version of this financial report uses Rolland Opaque paper, containing 30% sustainable recycled fiber. Using this paper, instead of virgin paper, saves the equivalent of 1 mature tree, 267 kg of CO2 emissions (equivalent to 1,061 kilometres driven) and 2,000 litres of water.

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Un exemplaire en français est disponible sur demande adressée auprès du service des Relations avec les investisseurs ou sur le site Internet de la Société dédié aux relations avec les investisseurs, à l'adresse ri.bombardier.com.

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements for fiscal years ended December 31, 2022, 2021 and 2020.

The following table provides selected financial information for the last three fiscal years.

Fiscal years ended December 31	2022	2021	2020 ⁽¹⁾
Revenues	\$ 6,913	\$ 6,085	\$ 6,487
Net income (loss) attributable to equity holders of Bombardier Inc.			
Continuing operations	\$ (128)	\$ (249)	\$ (170)
Discontinued operations ⁽¹⁾	\$ (20)	\$ 5,290	\$ (698)
Total	\$ (148)	\$ 5,041	\$ (868)
EPS (in dollars) ⁽²⁾			
Continuing operations - basic and diluted	\$ (1.67)	\$ (2.87)	\$ (1.95)
Discontinued operations - basic ⁽¹⁾	\$ (0.21)	\$ 54.92	\$ (7.24)
Discontinued operations - diluted ⁽¹⁾	\$ (0.21)	\$ 53.41	\$ (7.24)
Total basic	\$ (1.88)	\$ 52.05	\$ (9.19)
Total diluted	\$ (1.88)	\$ 50.54	\$ (9.19)
Cash dividends declared per share (in Canadian dollars)			
Class A Shares (multiple voting)	\$ —	\$ —	\$ —
Class B Shares (subordinate voting)	\$ —	\$ —	\$ —
Series 2 Preferred Shares	\$ 1.03	\$ 0.61	\$ 0.72
Series 3 Preferred Shares	\$ 1.07	\$ 1.00	\$ 1.00
Series 4 Preferred Shares	\$ 1.56	\$ 1.56	\$ 1.56

As at December 31	2022	2021	2020
Total assets	\$ 12,324	\$ 12,764	\$ 23,090
Non-current financial liabilities	\$ 7,187	\$ 8,299	\$ 9,418

⁽¹⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

⁽²⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

The quarterly data table is shown hereafter.

This MD&A for the three- and twelve-month periods ended December 31, 2022 was authorized for issuance by the Board of Directors on February 8, 2023.

BOMBARDIER INC.
QUARTERLY DATA (UNAUDITED)

(the quarterly data has been prepared in accordance with IAS 34, Interim financial reporting, except market price ranges)

(in millions of U.S. dollars, except per share amounts)

Fiscal years	2022					2021				
	Total	Fourth quarter	Third quarter	Second quarter	First quarter	Total	Fourth quarter	Third quarter	Second quarter	First quarter
Revenues	\$ 6,913	\$ 2,655	\$ 1,455	\$ 1,557	\$ 1,246	\$ 6,085	\$ 1,771	\$ 1,449	\$ 1,524	\$ 1,341
EBIT	\$ 538	\$ 207	\$ 145	\$ 101	\$ 85	\$ 241	\$ 138	\$ 48	\$ 36	\$ 19
Financing expense ⁽¹⁾	817	146	142	233	376	936	174	426	286	290
Financing income ⁽¹⁾	(33)	(59)	(25)	(25)	(4)	(324)	(148)	(3)	(389)	(24)
EBT	(246)	120	28	(107)	(287)	(371)	112	(375)	139	(247)
Income taxes (recovery)	(118)	(121)	1	2	—	(122)	(127)	1	—	4
Net income (loss) from continuing operations	\$ (128)	\$ 241	\$ 27	\$ (109)	\$ (287)	\$ (249)	\$ 239	\$ (376)	\$ 139	\$ (251)
Net income (loss) from discontinued operations	(20)	—	—	(20)	—	5,319	(1)	(1)	—	5,321
Net income (loss)	\$ (148)	\$ 241	\$ 27	\$ (129)	\$ (287)	\$ 5,070	\$ 238	\$ (377)	\$ 139	\$ 5,070
Attributable to										
Equity holders of Bombardier Inc.	\$ (148)	\$ 241	\$ 27	\$ (129)	\$ (287)	\$ 5,041	\$ 238	\$ (377)	\$ 139	\$ 5,041
NCI	—	—	—	—	—	29	—	—	—	29
	\$ (148)	\$ 241	\$ 27	\$ (129)	\$ (287)	\$ 5,070	\$ 238	\$ (377)	\$ 139	\$ 5,070
EPS (in dollars)⁽²⁾⁽³⁾										
Continuing operations - basic	\$ (1.67)	\$ 2.48	\$ 0.20	\$ (1.22)	\$ (3.09)	\$ (2.87)	\$ 2.42	\$ (3.97)	\$ 1.36	\$ (2.66)
Continuing operations - diluted	\$ (1.67)	\$ 2.40	\$ 0.20	\$ (1.22)	\$ (3.09)	\$ (2.87)	\$ 2.35	\$ (3.97)	\$ 1.34	\$ (2.59)
Discontinued operations - basic	\$ (0.21)	\$ 0.00	\$ 0.00	\$ (0.21)	\$ 0.00	\$ 54.92	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 54.60
Discontinued operations - diluted	\$ (0.21)	\$ 0.00	\$ 0.00	\$ (0.21)	\$ 0.00	\$ 53.41	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ 53.31
Market price range of Class B Subordinate Voting Shares (in Canadian dollars)										
High ⁽³⁾	\$ 55.50	\$ 55.50	\$ 35.09	\$ 37.25	\$ 46.00	\$ 57.00	\$ 57.00	\$ 55.75	\$ 33.00	\$ 24.50
Low ⁽³⁾	\$ 18.30	\$ 24.39	\$ 18.30	\$ 18.67	\$ 29.00	\$ 11.50	\$ 36.25	\$ 31.50	\$ 21.25	\$ 11.50

⁽¹⁾ The amounts presented on a yearly basis may not correspond to the sum of the four quarters as certain reclassifications to quarterly figures to or from financing income and financing expense may be required on a cumulative basis.

⁽²⁾ The amounts presented on a yearly basis may not correspond to the sum of the four quarters as certain share repurchases and dilutive potential shares on an interim basis may not be applicable on an annual basis.

⁽³⁾ Restated retroactively for the Share Consolidation.

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY

(in millions of U.S. dollars, except per share amounts and number of common shares)

For the fiscal years ended December 31	2022	2021	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾
Revenues	\$ 6,913	\$ 6,085	\$ 6,487	\$ 7,488	\$ 7,321
Adjusted EBIT ⁽²⁾	\$ 512	\$ 223	\$ (211)	\$ 400	\$ 279
Special items	(26)	(18)	(1,123)	920	52
EBIT	538	241	912	(520)	227
Financing expense	817	936	1,060	996	593
Financing income	(33)	(324)	(27)	(226)	(87)
EBT	(246)	(371)	(121)	(1,290)	(279)
Income taxes (recovery)	(118)	(122)	49	251	(192)
Net loss from continuing operations	(128)	(249)	(170)	(1,541)	(87)
Net income (loss) from discontinued operations ⁽¹⁾	(20)	5,319	(398)	(66)	405
Net income (loss)	\$ (148)	\$ 5,070	\$ (568)	\$ (1,607)	\$ 318
Attributable to					
Equity holders of Bombardier Inc.	\$ (148)	\$ 5,041	\$ (868)	\$ (1,797)	\$ 232
NCI	\$ —	\$ 29	\$ 300	\$ 190	\$ 86
Adjusted net income (loss) from continuing operations ⁽²⁾	\$ 101	\$ (326)	\$ (1,115)	\$ (406)	\$ (7)
EPS (in dollars) ⁽³⁾					
Continuing operations - basic	\$ (1.67)	\$ (2.87)	\$ (1.95)	\$ (16.37)	\$ (0.09)
Continuing operations - diluted	\$ (1.67)	\$ (2.87)	\$ (1.95)	\$ (16.37)	\$ (0.09)
Discontinued operations - basic	\$ (0.21)	\$ 54.92	\$ (7.24)	\$ (2.68)	\$ 2.63
Discontinued operations - diluted	\$ (0.21)	\$ 53.41	\$ (7.24)	\$ (2.68)	\$ 2.44
Continuing operations - adjusted ⁽⁴⁾	\$ 0.74	\$ (3.66)	\$ (11.76)	\$ (4.47)	\$ 0.72
General information					
Export revenues from Canada	\$ 5,256	\$ 4,575	\$ 5,182 ⁽⁵⁾	\$ 5,187 ⁽⁵⁾	\$ 5,803 ⁽⁵⁾
Net additions to PP&E and intangible assets ⁽⁶⁾	\$ 337	\$ 232	\$ 354	\$ 523	\$ 415
Amortization ⁽⁶⁾	\$ 415	\$ 417	\$ 510	\$ 422	\$ 272
Impairment charges (reversals) on PP&E and intangible assets ⁽⁶⁾	\$ 3	\$ 3	\$ 42	\$ (4)	\$ 11
Dividend per common share (in Canadian dollars)					
Class A	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Class B Subordinate Voting	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Dividend per preferred share (in Canadian dollars)					
Series 2	\$ 1.03	\$ 0.61	\$ 0.72	\$ 0.99	\$ 0.90
Series 3	\$ 1.07	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Series 4	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56
Market price ranges (in Canadian dollars)					
Class A Shares ⁽³⁾					
High	\$ 56.03	\$ 58.25	\$ 50.50	\$ 77.00	\$ 140.00
Low	\$ 21.46	\$ 19.00	\$ 9.50	\$ 39.25	\$ 42.50
Close	\$ 52.92	\$ 43.25	\$ 20.50	\$ 48.50	\$ 52.00
Class B Subordinate Voting Shares ⁽³⁾					
High	\$ 55.50	\$ 57.00	\$ 49.25	\$ 75.75	\$ 139.50
Low	\$ 18.30	\$ 11.50	\$ 6.50	\$ 38.25	\$ 39.75
Close	\$ 52.27	\$ 42.00	\$ 12.00	\$ 48.25	\$ 50.75
As at December 31					
Number of common shares (in millions) ⁽³⁾	94	96	97	96	95
Book value per common share (in dollars) ⁽³⁾	\$ (33.16)	\$ (36.09)	\$ (100.68)	\$ (87.14)	\$ (65.86)

⁽¹⁾ Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

⁽²⁾ Non-GAAP financial measures. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽³⁾ Restated retroactively for the Share Consolidation.

⁽⁴⁾ Non-GAAP financial ratio. A non-GAAP ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics and reconciliations to the most comparable IFRS measures.

⁽⁵⁾ Includes Transportation.

⁽⁶⁾ As per the consolidated statement of cash flows of our Consolidated financial statements.

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY (CONTINUED)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31	2022	2021	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽²⁾
Assets					
Cash and cash equivalents	\$ 1,291	\$ 1,675	\$ 1,779	\$ 2,578	\$ 3,187
Trade and other receivables	252	269	294	1,844	1,575
Contract assets	67	55	61	2,485	2,617
Inventories	3,322	3,242	3,650	4,599	4,402
Other financial assets	472	76	227	195	210
Other assets	181	164	218	473	357
Assets held for sale	—	—	10,417	1,309	—
Current assets	5,585	5,481	16,646	13,483	12,348
PP&E	1,214	837	668	1,781	1,557
Aerospace program tooling	3,873	4,129	4,396	4,616	4,519
Goodwill	—	—	—	1,936	1,948
Deferred income taxes	381	250	111	546	746
Investments in joint ventures and associates	—	—	—	1,059	2,211
Other financial assets	899	1,680	912	989	1,030
Other assets	372	387	357	562	599
Non-current assets	6,739	7,283	6,444	11,489	12,610
	\$ 12,324	\$ 12,764	\$ 23,090	\$ 24,972	\$ 24,958
Liabilities					
Trade and other payables	\$ 1,286	\$ 1,164	\$ 1,611	\$ 4,682	\$ 4,634
Provisions	82	101	146	1,060	1,390
Contract liabilities	3,290	2,853	2,356	5,739	4,262
Current portion of long-term debt	—	—	1,882	8	9
Other financial liabilities	345	216	239	617	598
Other liabilities	434	434	447	1,441	1,499
Liabilities directly associated with assets held for sale	—	—	10,146	1,768	—
Current liabilities	5,437	4,768	16,827	15,315	12,392
Provisions	152	229	289	311	1,110
Contract liabilities	1,444	1,156	1,219	1,417	1,933
Long-term debt	5,980	7,047	8,193	9,325	9,093
Retirement benefits	598	1,100	1,606	2,445	2,381
Other financial liabilities	1,207	1,252	1,225	1,605	1,526
Other liabilities	268	301	388	465	537
Non-current liabilities	9,649	11,085	12,920	15,568	16,580
	15,086	15,853	29,747	30,883	28,972
Equity (deficit)					
Attributable to equity holders of Bombardier Inc.	(2,762)	(3,089)	(9,325)	(7,667)	(5,563)
Attributable to NCI	—	—	2,668	1,756	1,549
	(2,762)	(3,089)	(6,657)	(5,911)	(4,014)
	\$ 12,324	\$ 12,764	\$ 23,090	\$ 24,972	\$ 24,958

⁽¹⁾ Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

⁽²⁾ Balances do not include the impact of the adoption of IFRS 16, Leases which resulted in the recognition of right-of-use assets, in PP&E, and lease liabilities, in Other financial liabilities, amounting to \$554 million and \$568 million, respectively as of January 1, 2019.

BOMBARDIER INC.

CONSOLIDATED FINANCIAL STATEMENTS

**For the fiscal years ended
December 31, 2022 and 2021**

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 2022. 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 2022. 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, and to review and make recommendations to the Board of Directors with respect to the independence and the fees 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
President and Chief Executive Officer



Bart Demosky
Executive Vice President and Chief Financial Officer

February 8, 2023

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, 2022 and 2021, 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 a summary of significant accounting policies.

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, 2022 and 2021, 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

Assessing indicators of impairment of *Global 7500* aircraft program tooling

As at December 31, 2022, the net carrying value of aerospace program tooling amounted to \$3,873 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 Group assesses at each reporting date whether there are potential indicators of impairment. If there are events that indicate a risk of impairment of *Global 7500* program tooling, management performs a quantitative impairment test to determine their recoverable amount, defined as fair value less costs to sell.

We believe that determining if there are any indicators of impairment for *Global 7500* aircraft program tooling is a key audit matter given management's estimates and judgements required in making this determination.

Internal and external factors are considered by management 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 services, procurement costs based on existing contracts with suppliers, future labour costs, potential upgrades and derivatives and post-tax discount rates.

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.

Key audit matter

To evaluate the Group's assessment of potential indicators of impairment of the *Global 7500* program tooling, our audit procedures included the following, among others:

- Obtaining an understanding of management's impairment assessment process;
- Assessing the completeness of internal or external factors identified by management that could be considered as indicators of impairment on the *Global 7500* program tooling;
- Comparing actual results to the assumptions for the year ended December 31, 2022, used in the impairment test performed during the year ended December 31, 2021;
- Assessing whether there are relevant changes in assumptions underlying the factors used by management to determine indicators of impairment;
- Evaluating the accuracy of the information presented in Note 3 of the notes to the consolidated financial statements.

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.

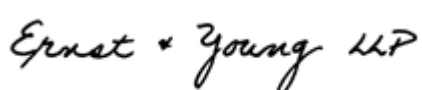
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely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

⁽¹⁾


Ernst & Young LLP
Montréal, Canada
February 8, 2023

⁽¹⁾ CPA auditor, public accountancy permit no. A122227

CONSOLIDATED FINANCIAL STATEMENTS

For fiscal years 2022 and 2021

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

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

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership	IASB	International Accounting Standards Board
CCTD	Cumulative currency translation difference	IFRS	International Financial Reporting Standard(s)
CGU	Cash generating unit	MD&A	Management's discussion and analysis
DB	Defined benefit	MHI	Mitsubishi Heavy Industries, Ltd
DC	Defined contribution	n/a	Not applicable
DDHR	Derivative designated in a hedge relationship	NCI	Non-controlling interests
DSU	Deferred share unit	n/d	Not disclosed
EBIT	Earnings (loss) before financing expense, financing income and income taxes	OCI	Other comprehensive income (loss)
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	PP&E	Property, plant and equipment
		PSU	Performance share unit
		R&D	Research and development
EBT	Earnings (loss) before income taxes	RSU	Restricted share unit
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	SG&A	Selling, general and administrative
FVOCI	Fair value through other comprehensive income	SOFR	Secured Overnight Financing Rate
		U.K.	United Kingdom
FVTP&L	Fair value through profit and loss	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	2022	2021
Revenues	4	\$ 6,913	\$ 6,085
Cost of sales	16	5,656	5,161
Gross margin		1,257	924
SG&A		395	355
R&D	5	360	338
Other expense (income)	6	(10)	8
Special items	7	(26)	(18)
EBIT		538	241
Financing expense	8	817	936
Financing income	8	(33)	(324)
EBT		(246)	(371)
Income taxes (recovery)	10	(118)	(122)
Net loss from continuing operations		(128)	(249)
Net income (loss) from discontinued operations ⁽¹⁾		(20)	5,319
Net income (loss)		\$ (148)	\$ 5,070
Attributable to			
Equity holders of Bombardier Inc.		\$ (148)	\$ 5,041
NCI ⁽¹⁾		—	29
		\$ (148)	\$ 5,070
Net income (loss) attributable to equity holders of Bombardier Inc.		\$ (128)	\$ (249)
Continuing operations		(128)	(249)
Discontinued operations ⁽¹⁾		(20)	5,290
		\$ (148)	\$ 5,041
EPS (in dollars)⁽²⁾	11		
Continuing operations basic and diluted		\$ (1.67)	\$ (2.87)
Discontinued operations basic ⁽¹⁾		\$ (0.21)	\$ 54.92
Discontinued operations diluted ⁽¹⁾		\$ (0.21)	\$ 53.41
Total basic		\$ (1.88)	\$ 52.05
Total diluted		\$ (1.88)	\$ 50.54

⁽¹⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom and recognized a gain related to the sale for fiscal year 2021. The expenses recorded in discontinued operations for fiscal year 2022 principally relate to change in estimates of a provision for professional fees.

⁽²⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation.

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	2022	2021
Net income (loss)		\$ (148)	\$ 5,070
OCI			
Items that may be reclassified to net income			
Net change in cash flow hedges			
Net loss on derivative financial instruments		(93)	(10)
Reclassification to income or to the related non-financial asset ⁽¹⁾⁽²⁾		62	(56)
Income taxes	10	8	17
		(23)	(49)
FVOCI financial assets			
Net unrealized loss		(19)	(11)
CCTD			
Net investments in foreign operations		—	19
Items that are never reclassified to net income			
FVOCI equity instruments			
Net unrealized gain (loss)		(7)	4
Retirement benefits			
Remeasurement of defined benefit plans	22	565	632
Income taxes	10	—	(1)
		565	631
Total OCI		516	594
Total comprehensive income		\$ 368	\$ 5,664
Attributable to			
Equity holders of Bombardier Inc.		\$ 368	\$ 5,674
NCI ⁽³⁾		—	(10)
		\$ 368	\$ 5,664
Total comprehensive income (loss) attributable to equity holders of Bombardier Inc.			
Continuing operations		\$ 388	\$ 345
Discontinued operations ⁽³⁾		(20)	5,329
		\$ 368	\$ 5,674

⁽¹⁾ Includes \$27 million of loss reclassified to the related non-financial asset for fiscal year 2022 (\$29 million of gain for fiscal year 2021).

⁽²⁾ \$52 million of net deferred loss is expected to be reclassified from OCI to the carrying amount of the related non-financial asset or to expense during fiscal year 2023.

⁽³⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom and recognized a gain related to the sale for fiscal year 2021. The expenses recorded in discontinued operations for fiscal year 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 2022	December 31 2021
Assets			
Cash and cash equivalents	13	\$ 1,291	\$ 1,675
Trade and other receivables	14	252	269
Contract assets	15	67	55
Inventories	16	3,322	3,242
Other financial assets	18	472	76
Other assets	19	181	164
Current assets		5,585	5,481
PP&E	20	1,214	837
Aerospace program tooling	21	3,873	4,129
Deferred income taxes	10	381	250
Other financial assets	18	899	1,680
Other assets	19	372	387
Non-current assets		6,739	7,283
		\$ 12,324	\$ 12,764
Liabilities			
Trade and other payables	23	\$ 1,286	\$ 1,164
Provisions	24	82	101
Contract liabilities	15	3,290	2,853
Other financial liabilities	25	345	216
Other liabilities	26	434	434
Current liabilities		5,437	4,768
Provisions	24	152	229
Contract liabilities	15	1,444	1,156
Long-term debt	27	5,980	7,047
Retirement benefits	22	598	1,100
Other financial liabilities	25	1,207	1,252
Other liabilities	26	268	301
Non-current liabilities		9,649	11,085
		15,086	15,853
Equity (deficit)			
Attributable to equity holders of Bombardier Inc.		(2,762)	(3,089)
		\$ 12,324	\$ 12,764
Commitments and contingencies	37		

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					Total	NCI	Total equity (deficit)
	Preferred shares	Common shares ⁽¹⁾	Warrants ⁽¹⁾	Other retained earnings (deficit)	Remeasurement gains (losses)	Contributed surplus	FVOCI	Cash flow hedges	CCTD				
As at January 1, 2021	\$ 347	\$ 2,676	\$ 73	\$ (8,998)	\$ (3,188)	\$ 413	\$ 20	\$ (31)	\$ (637)	\$ (9,325)	\$ 2,668	\$ (6,657)	
Total comprehensive income (loss)													
Net income	—	—	—	5,041	—	—	—	—	—	5,041	29	5,070	
OCI	—	—	—	—	631	—	(7)	(49)	58	633	(39)	594	
	—	—	—	5,041	631	—	(7)	(49)	58	5,674	(10)	5,664	
Disposal of business ⁽²⁾	—	—	—	—	—	—	—	58	564	622	(2,658)	(2,036)	
Options exercised	—	7	—	—	—	(2)	—	—	—	5	—	5	
Dividends - preferred shares, net of taxes	—	—	—	(27)	—	—	—	—	—	(27)	—	(27)	
Shares purchased - PSU/RSU plans ⁽³⁾	—	(51)	—	—	—	—	—	—	—	(51)	—	(51)	
Shares distributed - PSU plan	—	11	—	—	—	(11)	—	—	—	—	—	—	
Expiration of warrants ⁽⁴⁾	—	—	(62)	—	—	62	—	—	—	—	—	—	
Share-based expense	—	—	—	—	—	13	—	—	—	13	—	13	
As at December 31, 2021	\$ 347	\$ 2,643	\$ 11	\$ (3,984)	\$ (2,557)	\$ 475	\$ 13	\$ (22)	\$ (15)	\$ (3,089)	\$ —	\$ (3,089)	
Total comprehensive income (loss)													
Net loss	—	—	—	(148)	—	—	—	—	—	(148)	—	(148)	
OCI	—	—	—	—	565	—	(26)	(23)	—	516	—	516	
	—	—	—	(148)	565	—	(26)	(23)	—	368	—	368	
Dividends - preferred shares, net of taxes	—	—	—	(29)	—	—	—	—	—	(29)	—	(29)	
Shares purchased - PSU/RSU plans ⁽³⁾	—	(38)	—	—	—	—	—	—	—	(38)	—	(38)	
Shares distributed - PSU plan	—	1	—	—	—	(1)	—	—	—	—	—	—	
Options exercised	—	14	—	—	—	(4)	—	—	—	10	—	10	
Cancellation of Class B shares	—	(5)	—	—	—	3	—	—	—	(2)	—	(2)	
Share-based expense	—	—	—	—	—	18	—	—	—	18	—	18	
As at December 31, 2022	\$ 347	\$ 2,615	\$ 11	\$ (4,161)	\$ (1,992)	\$ 491	\$ (13)	\$ (45)	\$ (15)	\$ (2,762)	\$ —	\$ (2,762)	

⁽¹⁾ As of June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the comparative periods have been retroactively restated to reflect the Share Consolidation for numbers of shares and warrants. See Note 11 – Earnings per share and Note 28 – Share capital for more information.

⁽²⁾ Related to the sale of Transportation to Alstom, which closed on January 29, 2021.

⁽³⁾ In fiscal year 2022, the Corporation purchased 1.6 million (1.6 million⁽¹⁾ in fiscal year 2021) of Class B shares (subordinate voting) in order to satisfy future obligations under the Corporation's employee PSU and RSU plans. Refer to Note 28 – Share capital.

⁽⁴⁾ On June 30, 2021 and September 1, 2021, 4 million⁽¹⁾ of warrants held by Investissement Quebec expired. Refer to Note 28 – 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	2022	2021
Operating activities			
Net loss from continuing operations		\$ (128)	\$ (249)
Net income (loss) from discontinued operations ⁽¹⁾		(20)	5,319
Non-cash items			
Amortization ⁽²⁾	20,21	415	417
Impairment of PP&E and intangible assets	6,7,20,21	3	3
Deferred income taxes (recovery)	10	(123)	(125)
Losses (gains) on disposals of PP&E and intangible assets	6	(1)	1
Gains on disposal of businesses ⁽¹⁾		—	(5,334)
Share-based expense	29	18	14
Losses (gains) on repayment of long-term debt	7,8	(1)	212
Net change in non-cash balances	30	909	(547)
Cash flows from operating activities - total		1,072	(289)
Cash flows from operating activities - discontinued operations ⁽¹⁾		—	(621)
Cash flows from operating activities - continuing operations		1,072	332
Investing activities			
Additions to PP&E and intangible assets		(355)	(237)
Proceeds from disposals of PP&E and intangible assets		18	5
Proceeds from sale of Alstom shares		—	611
Deconsolidation of cash and cash equivalents related to Transportation ⁽¹⁾		—	(279)
Net proceeds from disposal of business ⁽¹⁾		—	2,868
Changes to restricted cash	18	43	(459)
Other		(31)	(9)
Cash flows from investing activities - total		(325)	2,500
Cash flows from investing activities - discontinued operations ⁽¹⁾		(21)	2,589
Cash flows from investing activities - continuing operations		(304)	(89)
Financing activities			
Net proceeds from issuance of long-term debt		—	2,180
Repayments of long-term debt	27	(1,058)	(5,421)
Net change in short-term borrowings related to Transportation ⁽¹⁾		—	365
Payment of lease liabilities ⁽³⁾		(24)	(24)
Dividends paid - Preferred shares	28	(20)	(20)
Issuance of Class B shares		10	5
Purchase of Class B shares held in trust under the PSU and RSU plans	28	(38)	(51)
Repurchase of Class B shares	28	(2)	—
Other		—	1
Cash flows from financing activities - total		(1,132)	(2,965)
Cash flows from financing activities - discontinued operations ⁽¹⁾		—	240
Cash flows from financing activities - continuing operations		(1,132)	(3,205)
Effect of exchange rates on cash and cash equivalents		1	(21)
Net decrease in cash and cash equivalents		(384)	(775)
Cash and cash equivalents at beginning of year⁽⁴⁾	13	1,675	2,450
Cash and cash equivalents at end of year	13	\$ 1,291	\$ 1,675
Supplemental information⁽⁵⁾⁽⁶⁾			
Cash paid for			
Interest		\$ 521	\$ 656
Income taxes		\$ 10	\$ 12
Cash received for			
Interest		\$ 23	\$ 18
Income taxes		\$ —	\$ 1

⁽¹⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

⁽²⁾ Includes \$28 million of amortization charge related to right-of-use of assets for fiscal year 2022 (\$28 million for fiscal year 2021).

⁽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 2022 amounted to \$53 million (\$49 million for fiscal year 2021).

⁽⁴⁾ For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash related to Transportation reclassified as assets held for sale as at December 31, 2020.

⁽⁵⁾ 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.

⁽⁶⁾ Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities, interest 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, 2022 and 2021

(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.

On September 16, 2020, the Transportation business was classified as discontinued operations.

On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom. Following the sale, the Corporation carries out its operations under one segment.

On June 13, 2022, Bombardier proceeded with a share consolidation of the Corporation’s Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1 (the “Share Consolidation”). As a result, the numbers for the average basic and diluted shares outstanding, the EPS, and the number of PSUs, RSUs, DSUs, stock options and warrants for all periods presented in the annual consolidated financial statements have been restated to reflect the effect of the Share Consolidation.

The Corporation’s consolidated financial statements for fiscal years 2022 and 2021 were authorized for issuance by the Board of Directors on February 8, 2023.

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 SIGNIFICANT 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 92% of consolidated revenues and 90% of consolidated assets, for fiscal year 2022 (94% and 92% for fiscal year 2021).

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 2022	December 31 2021	2022	2021
Euro	1.0662	1.1325	1.0544	1.1834
Canadian dollar	0.7381	0.7849	0.7691	0.7977
Pound sterling	1.2055	1.3499	1.2380	1.3756

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 its contract with ACLP for the A220 program 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.

Special items

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

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 are 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, aircraft loans, investments in securities, receivable from MHI, receivables from ACLP, investments in financing structures, 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 subsidies, lease liabilities, liabilities related to RASPRO assets, 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 issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as FVTP&L, b) financial instruments designated as FVTP&L, c) FVOCI financial assets, or

d) 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, aircraft loans, certain 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, 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, contract assets and lease receivables 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, lease subsidies, liabilities related to RASPRO assets 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

Receivables from ACLP, investments in financing structures and certain receivable from MHI are all 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.

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 are 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 recognized in net income as incurred or are either 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 special items. 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 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, 2022, the remaining number of units to fully amortize the aerospace program tooling is expected to be produced over the next 11 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 capitalised as part of the cost of that asset and are deducted from the financing expense to which they relate. The Corporation suspends the capitalisation 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 judgement 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 will 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, including the impact of the COVID-19 pandemic and the ongoing conflict between Russia and Ukraine, if any. 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 2022. 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 Corporation assessed whether there were any indicators of impairment for the *Global 7500* in the fourth quarter of 2022. Following this assessment, the Corporation concluded there were no indicators of impairment as at December 31, 2022.

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, forecasted gain on closing of transactions, if any, the history of profits and availability of prudent tax planning strategies. See Note 10 - 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 22 – Retirement benefits for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Consolidation – From time to time, the Corporation participates in structured entities where voting rights are not the dominant factor in determining control. In these situations, management may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether the Corporation is exposed to, or has rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether the Corporation is acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if the Corporation has power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control.

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:

	2022	2021
Business Aircraft		
Manufacturing and Other ⁽²⁾	\$ 5,345	\$ 4,759
Services ⁽³⁾	1,508	1,237
Others ⁽⁴⁾	60	89
	\$ 6,913	\$ 6,085

⁽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:

	2022	2021
North America		
United States	\$ 3,386	\$ 2,540
Canada	346	476
Mexico	90	21
	3,822	3,037
Europe		
Switzerland	633	373
Germany	327	81
United Kingdom	156	161
Isle of Man	99	203
Malta	49	227
Other	269	537
	1,533	1,582
Asia-Pacific		
India	199	125
China	86	325
Australia	20	218
Other	470	255
	775	923
Other		
Middle East	469	195
Central America	135	13
Africa	127	122
Other	52	213
	783	543
Total	\$ 6,913	\$ 6,085

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

	December 31 2022 ⁽¹⁾	December 31 2021 ⁽¹⁾
North America		
Canada	\$ 4,656	\$ 4,752
United States	274	149
Mexico	37	21
	4,967	4,922
Europe		
United Kingdom	80	2
Germany	34	39
Other	6	6
	120	47
Asia-Pacific		
Other	75	69
	\$ 5,162	\$ 5,038

⁽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:

	2022	2021
R&D expenditures	\$ 104	\$ 71
Less: development expenditures capitalized to aerospace program tooling	(73)	(54)
	31	17
Add: amortization of aerospace program tooling	329	321
	\$ 360	\$ 338

6. OTHER EXPENSE (INCOME)

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

	2022	2021
Sale of assets	\$ (7)	\$ —
Impairment of PP&E and intangible assets ⁽¹⁾	3	—
Losses (gains) on disposals of PP&E and intangible assets	(1)	1
Changes in estimates and fair value ⁽²⁾	—	7
Gain on sale of a business	—	(1)
Other	(5)	1
	\$ (10)	\$ 8

⁽¹⁾ Excludes those presented in special items.

⁽²⁾ Includes net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding losses (gains) arising from changes in interest rates.

7. SPECIAL ITEMS

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

Special items were as follows, for fiscal years:

	2022	2021
Changes in divestitures provisions and other ⁽¹⁾	\$ (23)	\$ (4)
Reversal of Learjet 85 aircraft program cancellation provisions ⁽²⁾	(11)	(37)
Restructuring charges ⁽³⁾	8	37
Losses (gains) on repayment of long-term debt ⁽⁴⁾	(1)	212
Gain on sale of EWIS ⁽⁵⁾	—	(14)
	\$ (27)	\$ 194
Of which is presented in		
Special items in EBIT	\$ (26)	\$ (18)
Financing expense (income) - losses (gains) on repayment of long-term debt ⁽⁴⁾	(1)	212
	\$ (27)	\$ 194

1. Based on the ongoing activities with respect to past divestitures, the Corporation revised some related provisions. The changes in provisions is treated as a special item since the original provisions were also recorded as special items.
2. Based on the ongoing activities with respect to the cancellation of the Learjet 85 aircraft program, the Corporation reduced the related provisions by \$11 million in fiscal year 2022 (\$37 million for fiscal year 2021). The reduction in provisions is treated as a special item since the original provisions were also recorded as a special items in 2014 and 2015.
3. For fiscal year 2022, represents severance charges of nil and other related charges of \$8 million. For fiscal year 2021, represents severance charges of \$33 million, \$3 million of impairment of PP&E and other related charges of \$9 million, partially offset by curtailment gains of \$8 million.
4. For fiscal year 2022, represents the losses (gains) related to the partial repayment of Senior Notes due 2024, 2025 and 2027. For fiscal year 2021, represents the losses related to the repayment of the Senior Secured Term Loan, and the full repayment of Senior Notes due December 2021, the Senior Notes due March 2022, the Senior Notes due October 2022 and the Senior Notes due January 2023. Refer to Note 8 – Financing expense and financing income and Note 27 – Long-term debt for more information.
5. The sale of the Corporation's Electrical Wiring and Interconnection Systems (EWIS) business in Mexico for a total net consideration of \$37 million resulted in an accounting gain of \$14 million for fiscal year 2021.

8. FINANCING EXPENSE AND FINANCING INCOME

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

	2022	2021
Financing expense		
Net loss on certain financial instruments ⁽¹⁾	\$ 228	\$ —
Interest expense on lease liabilities	32	23
Accretion on net retirement benefit obligations	31	40
Accretion on other financial liabilities	31	30
Accretion on advances	26	35
Accretion on provisions	2	3
Losses on repayment of long-term debt ⁽²⁾	—	212
Consent fees ⁽³⁾	—	12
Other	4	5
	354	360
Interest on long-term debt, after effect of hedges	463	576
	\$ 817⁽⁴⁾	\$ 936⁽⁴⁾
Financing income		
Changes in discount rates of provisions	\$ (2)	\$ —
Gains on repayment of long-term debt ⁽²⁾	(1)	—
Net gain on certain financial instruments ⁽¹⁾	—	(310)
Other	(9)	(1)
	(12)	(311)
Interest on cash and cash equivalents	(18)	(3)
Income from investments in securities	(3)	(10)
	(21)	(13)
	\$ (33)⁽⁵⁾	\$ (324)⁽⁵⁾

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

⁽²⁾ Represents the losses (gains) related to the partial repayment of the Senior Notes due 2024, 2025, and 2027 for fiscal year 2022 (the losses related to the repayment of the Senior Secured Term Loan, and the full repayment of the Senior Notes due December 2021, the Senior Notes due March 2022, the Senior Notes due October 2022 and the Senior Notes due January 2023 for fiscal year 2021). Refer to Note 27 – Long-term debt for more information.

⁽³⁾ Represents the consent payments made in May 2021 to certain noteholders with respect to the Consent Solicitations process conducted by the Corporation whereby it sought consents from noteholders under certain outstanding indentures to obtain certain amendments and waivers.

⁽⁴⁾ Of which \$494 million representing the interest expense calculated using the effective interest rate method for financial liabilities classified as amortized cost for fiscal year 2022 (\$606 million for fiscal year 2021).

⁽⁵⁾ Of which \$18 million representing the interest income calculated using the effective interest rate method for financial assets classified as amortized cost and FVOCI, for fiscal year 2022 (\$3 million for fiscal year 2021).

Borrowing costs capitalized to PP&E and intangible assets totaled \$28 million for fiscal year 2022, using an average capitalization rate of 7.52% (\$15 million and 7.17% for fiscal year 2021). Capitalized borrowing costs are deducted from the related interest on long-term debt or accretion on other financial liabilities, if any.

9. EMPLOYEE BENEFIT COSTS

Employee benefit costs⁽¹⁾ were as follows, for fiscal years:

	Notes	2022	2021
Wages, salaries and other employee benefits		\$ 1,362	\$ 1,238
Retirement benefits ⁽²⁾	22	151	183
Share-based expense	29	19	14
Restructuring, severance and other involuntary termination costs	7	—	33
		\$ 1,532	\$ 1,468

⁽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.

10. INCOME TAXES

Analysis of income tax expense (recovery)

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

	2022	2021
Current income taxes	\$ 5	\$ 3
Deferred income taxes	(123)	(125)
	\$ (118)	\$ (122)

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

	2022	2021
EBT	\$ (246)	\$ (371)
Canadian statutory tax rate	26.5 %	26.5 %
Income tax recovery at statutory rate	(65)	(98)
Increase (decrease) resulting from:		
Recognition of previously unrecognized tax losses or temporary differences	(189)	(158)
Permanent differences	117	(4)
Write-down of deferred income tax assets	11	46
Non-recognition of tax benefits related to tax losses and temporary differences	10	108
Income tax rates differential of foreign subsidiaries and other investees	1	(4)
Other	(3)	(12)
Income tax recovery	\$ (118)	\$ (122)
Effective tax rate	48.0 %	32.9 %

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:

	2022	2021
Recognition of previously unrecognized tax losses or temporary differences	\$ (189)	\$ (158)
Origination and reversal of temporary differences	45	(121)
Write-down of deferred income tax assets	11	46
Non-recognition of tax benefits related to tax losses and temporary differences	10	108
	\$ (123)	\$ (125)

Deferred income taxes

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

	December 31, 2022		December 31, 2021	
	Asset	Liability	Asset	Liability
Operating tax losses carried forward	\$ 2,325	\$ —	\$ 2,064	\$ —
Inventories	581	—	523	—
Intangible assets	212	—	243	—
Provisions	135	—	144	—
Retirement benefits	97	—	238	—
Contract liabilities	37	—	38	—
Other financial liabilities and other liabilities	33	—	12	—
Other financial assets and other assets	12	—	(3)	—
PP&E	10	—	(3)	—
Other	38	—	64	—
	3,480	—	3,320	—
Unrecognized deferred tax assets	(3,099)	—	(3,070)	—
	\$ 381	\$ —	\$ 250	\$ —

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

	2022	2021
Balance at beginning of year, net	\$ 250	\$ 111
In net income	123	125
In OCI		
Retirement benefits	—	(1)
Cash flow hedges	8	17
Other ⁽¹⁾	—	(2)
Balance at end of year, net	\$ 381	\$ 250

⁽¹⁾ Includes mainly foreign exchange rate effects.

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to \$11,623 million as at December 31, 2022, of which \$342 million relates to retirement benefits that will reverse through OCI (\$11,659 million as at December 31, 2021 of which \$898 million relates to retirement benefits that will reverse through OCI). Of these amounts, approximately \$3,519 million as at December 31, 2022 has no expiration date (\$4,351 million as at December 31, 2021) and approximately \$131 million relates to the Corporation's operations in Germany where a minimum income tax is payable on 40% of taxable income (\$194 million as at December 31, 2021), \$136 million relates to the Corporation's operations in U.K. where a minimum income tax is payable on 50% of taxable income (\$90 million as at December 31, 2021) and \$7 million relates to the Corporation's operations in France where a minimum income tax is payable on 50% of taxable income (\$4 million as at December 31, 2021).

In addition, the Corporation has \$1,076 million of unused investment tax credits, most of which can be carried forward for 20 years and \$1,115 million of net capital losses carried forward for which deferred tax assets have not been recognized (\$1,341 million and \$757 million as at December 31, 2021). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

Net deferred tax assets of \$356 million were recognized as at December 31, 2022 (\$246 million as at December 31, 2021) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical income, projections for future income, forecasted gain on closing of transactions, if any, 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, 2022 and as at December 31, 2021.

11. EARNINGS PER SHARE

On June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the numbers for the average basic and diluted shares outstanding, the number of PSUs, RSUs, DSUs, stock options and warrants and the EPS for the current and prior periods have been adjusted and restated to reflect the effect of the Share Consolidation.

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

	2022	2021
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants in thousands)		
Net income (loss) attributable to equity holders of Bombardier Inc.		
Continuing operations	\$ (128)	\$ (249)
Discontinued operations ⁽¹⁾	(20)	5,290
Preferred share dividends, including taxes	(29)	(27)
Net income (loss) attributable to common equity holders of Bombardier Inc.	\$ (177)	\$ 5,014
Weighted-average number of common shares outstanding ⁽²⁾	94,496	96,334
Net effect of stock options, PSUs, DSUs, RSUs and warrants ⁽²⁾	—	2,713
Weighted-average diluted number of common shares ⁽²⁾	94,496	99,047
EPS (in dollars)⁽²⁾		
Continuing operations basic and diluted	\$ (1.67)	\$ (2.87)
Discontinued operations basic ⁽¹⁾	\$ (0.21)	\$ 54.92
Discontinued operations diluted ⁽¹⁾	\$ (0.21)	\$ 53.41
Total basic	\$ (1.88)	\$ 52.05
Total diluted	\$ (1.88)	\$ 50.54

⁽¹⁾ Transportation business was classified as discontinued operations. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

⁽²⁾ Restated retroactively for the Share Consolidation.

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 12,056,358 for fiscal year 2022 (11,942,529 for fiscal year 2021) 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.

12. FINANCIAL INSTRUMENTS

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

	2022	2021
Financial instruments measured at amortized cost		
Financial assets - expected credit loss allowance (impairment charges)	\$ (5)	\$ (11)
Interest on cash and cash equivalents	\$ 18	\$ 3
Financial instruments measured at fair value		
Required to be classified as FVTP&L		
Financial assets ⁽¹⁾	\$ —	\$ 13
Derivatives not designated in hedging relationships	\$ —	\$ 2
Embedded derivatives and other	\$ (228)	\$ 297

⁽¹⁾ Gains (losses) related to the regional aircraft securitization program assets (RASPRO), lease subsidies and their related back-to-back agreement with MHI are presented on a net basis in financial assets required to be classified as FVTP&L.

Carrying amounts and fair value of financial instruments

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

	FVTP&L					DDHR	Total carrying value	Fair value
	FVTP&L	Designated	FVOCI ⁽¹⁾	Amortized cost				
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	
December 31, 2021								
Financial assets								
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 1,675	\$ —	\$ 1,675	\$ 1,675	
Trade and other receivables	—	—	—	269	—	269	269	
Other financial assets	944	—	262	549	1	1,756	1,756	
	\$ 944	\$ —	\$ 262	\$ 2,493	\$ 1	\$ 3,700	\$ 3,700	
Financial liabilities								
Trade and other payables	\$ —	\$ —	n/a	\$ 1,164	\$ —	\$ 1,164	\$ 1,164	
Long-term debt	—	—	n/a	7,047	—	7,047	7,418	
Other financial liabilities	5	652	n/a	779	32	1,468	1,498	
	\$ 5	\$ 652	n/a	\$ 8,990	\$ 32	\$ 9,679	\$ 10,080	

⁽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, 2022			
Derivative financial instruments - assets	\$ 69	\$ (13)	\$ 56
Derivative financial instruments - liabilities	\$ (88)	\$ 43	\$ (45)
Cash and cash equivalents	\$ 1,291	\$ (30)	\$ 1,261
December 31, 2021			
Derivative financial instruments - assets	\$ 296	\$ (1)	\$ 295
Derivative financial instruments - liabilities	\$ (37)	\$ 22	\$ (15)
Cash and cash equivalents	\$ 1,675	\$ (21)	\$ 1,654

Derivatives and hedging activities

The carrying amounts of all derivative and non-derivative financial instruments in a hedge relationship were as follows, as at:

	December 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments designated as cash flow hedges⁽¹⁾				
Forward foreign exchange contracts	\$ 8	\$ 87	\$ 1	\$ 32
Derivative financial instruments classified as FVTP&L⁽²⁾				
Forward foreign exchange contracts	5	1	3	5
Embedded derivative financial instruments				
Call options on long-term debt	56	—	292	—
	61	1	295	5
Total derivative financial instruments	\$ 69	\$ 88	\$ 296	\$ 37

⁽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 19 months as at December 31, 2022.

⁽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 34 – Fair value of financial instruments.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

	December 31, 2022	December 31, 2021
Cash	\$ 693	\$ 949
Cash equivalents		
Money market funds	598	327
Corporate deposits	—	290
Term deposits	—	109
Cash and cash equivalents	\$ 1,291	\$ 1,675

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

	Total	Not past due	Past due but not impaired		Impaired ⁽²⁾
			less than 90 days	more than 90 days	
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				
December 31, 2021⁽¹⁾					
Trade receivables, gross	\$ 267	\$ 164	\$ 64	\$ 7	\$ 32
Allowance for doubtful accounts	(22)	—	—	—	(22)
	245	\$ 164	\$ 64	\$ 7	\$ 10
Other	24				
Total	\$ 269				

⁽¹⁾ Of which \$14 million and \$18 million are denominated in euros and other foreign currencies, respectively, as at December 31, 2022 (\$14 million and \$22 million, respectively, as at December 31, 2021).

⁽²⁾ Of which a gross amount of \$10 million of trade receivables are individually impaired as at December 31, 2022 (\$15 million as at December 31, 2021).

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 33 – Financial risk management.

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

	2022	2021
Balance at beginning of year	\$ (22)	\$ (23)
Provision for doubtful accounts	(5)	(11)
Amounts written-off	6	7
Recoveries	9	5
Balance at end of year	\$ (12)	\$ (22)

15. CONTRACT BALANCES

Contract assets represent cost incurred and recorded margins on service contracts in the amount of \$67 million and \$55 million as at December 31, 2022 and December 31, 2021, respectively.

Contract liabilities were as follows, as at:

	December 31, 2022	December 31, 2021
Advances on aerospace programs	\$ 4,306	\$ 3,594
Long term service contracts deferred revenues	265	244
Other deferred revenues	163	171
	\$ 4,734	\$ 4,009
Of which current	\$ 3,290	\$ 2,853
Of which non-current	1,444	1,156
	\$ 4,734	\$ 4,009

Revenues recognized were as follows, for fiscal years:

	2022	2021
Revenue recognized from:		
Contract liability balance at the beginning of the year		
Advances on aerospace programs	\$ 2,467	\$ 2,205
	\$ 2,467	\$ 2,205

16. INVENTORIES

Inventories were as follows, as at:

	December 31, 2022	December 31, 2021
Aerospace programs	\$ 2,826	\$ 2,826
Finished products	496	416
	\$ 3,322	\$ 3,242

The amount of inventories recognized as cost of sales totaled \$4,898 million for fiscal year 2022 (\$4,558 million for fiscal year 2021). This amount includes \$27 million of write-downs for fiscal year 2022 (\$54 million for fiscal year 2021) and \$7 million of reversal of write-downs for fiscal year 2022 (\$16 million for fiscal year 2021).

For the year ended December 31, 2022, the Corporation recorded wage subsidies in the amount of \$33 million in cost of sales (\$143 million for fiscal year 2021) and nil in SG&A (\$9 million for fiscal year 2021). As at December 31, 2022, there were no amount remaining as a reduction of inventory related to wage subsidies.

17. 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, 2022	December 31, 2021
Less than 24 months	\$ 10.5	\$ 8.5
Thereafter	4.3	3.7
Total	\$ 14.8	\$ 12.2

18. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	December 31, 2022	December 31, 2021
Restricted cash ⁽¹⁾	\$ 478	\$ 527
Receivable from ACLP ⁽²⁾	341	467
Investments in securities ⁽³⁾	235	262
Investments in financing structures ⁽⁴⁾	204	177
Derivative financial instruments ⁽⁵⁾	69	296
Receivable from MHI ⁽⁶⁾	26	5
Aircraft loans	1	2
Balance of payment on disposal of investment in associate ⁽⁷⁾	—	8
Other	17	12
	\$ 1,371	\$ 1,756
Of which current	\$ 472	\$ 76
Of which non-current	899	1,680
	\$ 1,371	\$ 1,756

⁽¹⁾ Includes cash collateral supporting various bank guarantees.

⁽²⁾ This receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. See Note 25 – Other financial liabilities for more information.

⁽³⁾ Includes \$38 million of equity instruments designated as FVOCI as at December 31, 2022 (\$40 million as at December 31, 2021).

⁽⁴⁾ Following the sale of the CRJ business, the Corporation has retained a portion of those other financial assets and has a back-to-back agreement with MHI. See Note 25 – Other financial liabilities for more information.

⁽⁵⁾ See Note 12 – Financial instruments.

⁽⁶⁾ This receivable represents a back-to-back agreement that the Corporation has with MHI on lease subsidies and credit and residual value guarantees payable of nil and \$26 million, respectively as at December 31, 2022 (\$5 million and nil as at December 31, 2021). See Note 25 – Other financial liabilities for more information.

⁽⁷⁾ The balance of payment on disposal of investment in associate was representing an amount owed by Stelia Aerospace.

19. OTHER ASSETS

Other assets were as follows, as at:

	December 31, 2022	December 31, 2021
Retirement benefits ⁽¹⁾	\$ 180	\$ 152
Prepaid expenses	131	99
Sales tax and other taxes	90	87
Intangible assets other than aerospace program tooling ⁽²⁾	75	72
Prepaid sales concessions and deferred contract costs	15	84
Deferred financing charges	3	—
Income taxes receivable	2	2
Receivable from MHI ⁽³⁾	1	52
Other	56	3
	\$ 553	\$ 551
Of which current	\$ 181	\$ 164
Of which non-current	372	387
	\$ 553	\$ 551

⁽¹⁾ See Note 22 – Retirement benefits.

⁽²⁾ See Note 21 – Intangible assets.

⁽³⁾ This receivable represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees provisions. See Note 24 – Provisions.

20. 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, 2021	\$ 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 December 31, 2021	\$ —	\$ (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

	Land	Buildings	Equipment	Construction in progress	Other	Total	Right-of- use assets	Total
Cost								
Balance as at January 1, 2021	\$ 11	\$ 799	\$ 541	\$ 68	\$ 25	\$ 1,444	\$ 307	\$ 1,751
Additions	1	1	116	138	—	256	64	320
Disposals	—	(6)	(90)	—	(16)	(112)	(23)	(135)
Transfers	1	4	22	(26)	—	1	(1)	—
Effect of foreign currency exchange rate changes	—	—	—	—	—	—	(2)	(2)
Balance as at December 31, 2021	\$ 13	\$ 798	\$ 589	\$ 180	\$ 9	\$ 1,589	\$ 345	\$ 1,934
Accumulated amortization and impairment								
Balance as at January 1, 2021	\$ —	\$ (473)	\$ (470)	\$ —	\$ (20)	\$ (963)	\$ (120)	\$ (1,083)
Amortization	—	(19)	(43)	—	—	(62)	(28)	(90)
Impairment	—	—	(3)	—	—	(3)	(1)	(4)
Disposals	—	6	42	—	12	60	20	80
Balance as at December 31, 2021	\$ —	\$ (486)	\$ (474)	\$ —	\$ (8)	\$ (968)	\$ (129)	\$ (1,097)
Net carrying value	\$ 13	\$ 312	\$ 115	\$ 180	\$ 1	\$ 621	\$ 216	\$ 837

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

	December 31, 2022	December 31, 2021
Buildings	\$ 342	\$ 160
Land	53	56
	\$ 395	\$ 216

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

	2022	2021
Buildings	\$ 25	\$ 22
Land	3	3
Equipment	—	4
	\$ 28	\$ 29

The expense related to short-term leases and low value leases amounted to \$3 million for fiscal year 2022 (\$5 million for fiscal year 2021).

21. 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, 2021	\$ 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 December 31, 2021	\$ (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

	Aerospace program tooling			Other ⁽¹⁾⁽²⁾	Total
	Acquired	Internally generated	Total		
Cost					
Balance as at January 1, 2021	\$ 1,762	\$ 7,860	\$ 9,622	\$ 312	\$ 9,934
Additions	—	54	54	7	61
Disposals	—	—	—	(2)	(2)
Effect of foreign currency exchange rate changes	—	—	—	(1)	(1)
Balance as at December 31, 2021	\$ 1,762	\$ 7,914	\$ 9,676	\$ 316	\$ 9,992
Accumulated amortization and impairment					
Balance as at January 1, 2021	\$ (777)	\$ (4,449)	\$ (5,226)	\$ (240)	\$ (5,466)
Amortization	(77)	(244)	(321)	(6)	(327)
Disposals	—	—	—	2	2
Balance as at December 31, 2021	\$ (854)	\$ (4,693)	\$ (5,547)	\$ (244)	\$ (5,791)
Net carrying value	\$ 908	\$ 3,221	\$ 4,129	\$ 72	\$ 4,201

⁽¹⁾ Presented in Note 19 – Other assets.

⁽²⁾ Includes internally generated intangible assets with a cost and accumulated amortization of \$180 million and \$130 million, respectively, as at December 31, 2022 (\$238 million and \$176 million, respectively, as at December 31, 2021).

22. 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 plans 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, 2022, the average target asset allocation was as follows:

- Canadian plans: 53% in fixed income securities, 40% in equity securities and cash, and 7% in real return assets securities; and
- U.S. plans: 31% in fixed income securities, 65% in equity securities and cash, and 3% in real return assets securities.

In addition, a customized liability driven investment strategy (the "LDI strategy") has been implemented for the U.S. plan 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 and 2019, annuities were purchased for pensioners of the three 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:

	2022			2021		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
Current service cost	\$ 82	\$ 3	\$ 85	\$ 100	\$ 5	\$ 105
Accretion expense	25	6	31	33	7	40
Past service costs	7	—	7	2	(1)	1
Settlement	—	—	—	(2)	—	(2)
Termination benefits ⁽¹⁾	—	—	—	13	—	13
DB plans	114	9	123	146	11	157
DC plans	28	—	28	26	—	26
Total retirement benefit cost	\$ 142	\$ 9	\$ 151	\$ 172	\$ 11	\$ 183
Related to						
Funded DB plans	\$ 110	n/a	\$ 110	\$ 143	n/a	\$ 143
Unfunded DB plans	\$ 4	\$ 9	\$ 13	\$ 3	\$ 11	\$ 14
DC plans	\$ 28	n/a	\$ 28	\$ 26	n/a	\$ 26
Recorded as follows						
EBIT expense or capitalized cost	\$ 117	\$ 3	\$ 120	\$ 139	\$ 4	\$ 143
Financing expense	\$ 25	\$ 6	\$ 31	\$ 33	\$ 7	\$ 40

⁽¹⁾ Includes, for fiscal year 2021, termination benefits related to the Q Series disposal in fiscal year 2018 to De Havilland Aircraft Canada following the plants closure in fiscal year 2021.

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, 2021	\$ (3,188) ⁽¹⁾
Actuarial gains, net	639
Effect of exchange rate changes	(7)
Income taxes	(1)
Balance as at December 31, 2021	(2,557)
Actuarial gains, net	540
Effect of exchange rate changes	25
Income taxes	—
Balance as at December 31, 2022	\$ (1,992)

⁽¹⁾ Includes the changes in cumulative amount of remeasurement gains (losses) of defined benefit plans recognized in OCI related to Transportation.

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

	2022			2021		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
Change in benefit obligation						
Obligation at beginning of year	\$ 5,189	\$ 201	\$ 5,390	\$ 5,560	\$ 243	\$ 5,803
Accretion	165	6	171	154	7	161
Current service cost	82	3	85	100	5	105
Plan participants' contributions	11	—	11	10	—	10
Past service costs	7	—	7	2	(1)	1
Actuarial gains - changes in financial assumptions	(1,360)	(48)	(1,408)	(394)	(16)	(410)
Actuarial (gains) losses - changes in experience adjustments	5	1	6	(46)	(27)	(73)
Actuarial losses - changes in demographic assumptions	10	—	10	3	—	3
Benefits paid	(200)	(13)	(213)	(211)	(11)	(222)
Settlement	(35)	—	(35)	(2)	—	(2)
Termination benefits ⁽¹⁾	—	—	—	13	—	13
Other	—	—	—	(6)	—	(6)
Effect of exchange rate changes	(218)	(9)	(227)	6	1	7
Obligation at end of year	\$ 3,656	\$ 141	\$ 3,797	\$ 5,189	\$ 201	\$ 5,390
Obligation is attributable to						
Active members	\$ 1,571	\$ 56	\$ 1,627	\$ 2,718	\$ 80	\$ 2,798
Deferred members	357	—	357	471	—	471
Retirees	1,728	85	1,813	2,000	121	2,121
	\$ 3,656	\$ 141	\$ 3,797	\$ 5,189	\$ 201	\$ 5,390
Change in plan assets						
Fair value at beginning of year	\$ 4,442	\$ —	\$ 4,442	\$ 4,272	\$ —	\$ 4,272
Employer contributions	83	13	96	108	11	119
Plan participants' contributions	11	—	11	10	—	10
Interest income on plan assets	140	—	140	121	—	121
Actuarial gains (losses)	(852)	—	(852)	159	—	159
Benefits paid	(200)	(13)	(213)	(211)	(11)	(222)
Settlement	(35)	—	(35)	—	—	—
Administration costs	(10)	—	(10)	(10)	—	(10)
Other	—	—	—	(5)	—	(5)
Effect of exchange rate changes	(200)	—	(200)	(2)	—	(2)
Fair value at end of year	\$ 3,379	\$ —	\$ 3,379	\$ 4,442	\$ —	\$ 4,442

⁽¹⁾ Includes, for fiscal year 2021, termination benefits related to the Q Series disposal in fiscal year 2018 to De Havilland Aircraft Canada following the plants closure in fiscal year 2021.

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, 2022		December 31, 2021	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Present value of defined benefit obligation	\$ 3,656	\$ 141	\$ 5,189	\$ 201
Fair value of plan assets	(3,379)	—	(4,442)	—
Net amount recognized	\$ 277	\$ 141	\$ 747	\$ 201
Amounts included in:				
Retirement benefit				
Liability	\$ 457	\$ 141	\$ 899	\$ 201
Asset ⁽¹⁾	(180)	—	(152)	—
Net liability	\$ 277	\$ 141	\$ 747	\$ 201

⁽¹⁾ Presented in Note 19 – Other assets.

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

	December 31, 2022		December 31, 2021	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Funded pension plans				
Canada	\$ 52	\$ —	\$ 458	\$ —
U.S.	153	—	188	—
	205	—	646	—
Unfunded pension plans				
Canada	19	136	26	194
U.S.	25	5	35	7
Germany	24	—	37	—
Other	4	—	3	—
	72	141	101	201
Net liability	\$ 277	\$ 141	\$ 747	\$ 201

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

	December 31, 2022		December 31, 2021	
	Benefit obligation	Plan assets	Benefit obligation	Plan assets
Funded pension plans				
Canada	\$ 3,008	\$ 2,956	\$ 4,253	\$ 3,795
U.S.	576	423	835	647
	3,584	3,379	5,088	4,442
Unfunded pension plans				
	213	—	302	—
	\$ 3,797	\$ 3,379	\$ 5,390	\$ 4,442

The fair value of plan assets⁽¹⁾ by level of hierarchy was as follows, as at:

	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	\$ —
	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 329	\$ 145	\$ 184	\$ —
Equity securities				
U.S.	687	687	—	—
U.K.	101	101	—	—
Canada	291	291	—	—
Other	596	596	—	—
	1,675	1,675	—	—
Fixed-income securities				
Corporate	481	—	481	—
Government	1,570	—	1,570	—
Other	11	—	11	—
	2,062	—	2,062	—
Real return asset securities	344	344	—	—
Other	32	—	32	—
	\$ 4,442	\$ 2,164	\$ 2,278	\$ —

⁽¹⁾ In Fiscal year 2022, Goldman Sachs Asset Management was appointed by the Corporation to provide investment management services for pension plan assets which resulted in a transfer of the investments to registered funds.

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, 2022, and December 31, 2021.

The following table presents the contributions made for fiscal years 2022 and 2021 as well as the estimated contributions for fiscal year 2023:

	2023	2022	2021
	<i>Estimated</i>		
Contributions to:			
Funded pension plans	\$ 94	\$ 80	\$ 105
Unfunded pension plans	4	3	3
Other benefits	8	13	11
Total defined benefits plans	106	96	119
DC pension plans	30	28	26
Total contributions	\$ 136	\$ 124	\$ 145

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

	December 31, 2022
Benefits expected to be paid	
Within 1 year	\$ 192
Between 1 and 5 years	835
Between 5 and 10 years	1,247
Between 10 and 15 years	1,440
Between 15 and 20 years	1,542
	\$ 5,256

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

Duration in years	December 31, 2022
Funded pension plans	
Canada	13.5
U.S.	12.1
Unfunded pension plans	
Germany	20.7
Canada	10.8
U.S.	12.5
Other	13.9

The following table provides the expected payments to be made under the unfunded plans, as at December 31, 2022:

	Canada	Other	Total
Benefits expected to be paid			
Within 1 year	\$ 8	\$ 3	\$ 11
Between 1 and 5 years	37	11	48
Between 5 and 10 years	53	17	70
Between 10 and 15 years	55	22	77
Between 15 and 20 years	53	29	82
	\$ 206	\$ 82	\$ 288

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:

(in percentage)	December 31, 2022		December 31, 2021	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit cost				
Discount rate	3.14%	3.19%	2.67%	2.70%
Rate of compensation increase	3.04%	3.00%	2.86%	2.75%
Inflation rate	2.08%	n/a	1.88%	n/a
Ultimate health care cost trend rate	n/a	5.03%	n/a	5.03%
Benefit obligation				
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
Initial health care cost trend rate	n/a	5.12%	n/a	5.09%
Ultimate health care cost trend rate	n/a	5.02%	n/a	5.03%

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			
Country	Mortality tables	Aged 65 on December		Aged 45 on December	
		2022	2021	2022	2021
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using CPM Improvement Scale B ("CPM-B") with adjustment	22.2	22.1	23.2	23.1
U.S.	Pri-2012 mortality table projected generationally using the MP-2021 improvement scale ⁽¹⁾	20.6	20.6	22.1	22.0
Germany	Dr. K Heubeck 2018 G without any adjustment	20.8	20.6	23.5	23.4
		Life expectancy over 65 for a female member currently			
Country	Mortality tables	Aged 65 on December		Aged 45 on December	
		2022	2021	2022	2021
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using CPM Improvement Scale B ("CPM-B") with adjustment	24.5	24.5	25.5	25.4
U.S.	Pri-2012 mortality table projected generationally using the MP-2021 improvement scale ⁽¹⁾	22.6	22.5	24.0	24.0
Germany	Dr. K Heubeck 2018 G without any adjustment	24.2	24.0	26.4	26.3

⁽¹⁾ Using the MP-2020 improvement scale for fiscal year 2021.

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 2022 and as at December 31, 2022:

Assumption	Retirement benefit cost	Net retirement benefit liability
Discount rate	\$ (10)	\$ (126)
Rate of compensation increase	\$ 1	\$ 12

A one year additional life expectancy as at December 31, 2022 for all DB plans would increase the net retirement benefit liability by \$108 million and the retirement benefit cost by \$8 million.

As at December 31, 2022, 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 5.12% and to decrease progressively to 5.02% 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 2022 and as at December 31, 2022:

	Retirement benefit cost	Net retirement benefit liability
One percentage point increase	\$ 1	\$ 11
One percentage point decrease	\$ (1)	\$ (10)

23. TRADE AND OTHER PAYABLES

Trade and other payables were as follows, as at:

	December 31, 2022	December 31, 2021
Trade payables	\$ 1,040	\$ 880
Interest payable	88	101
Accrued liabilities	38	36
Other	120	147
	\$ 1,286	\$ 1,164

24. PROVISIONS

Changes in provisions were as follows, for fiscal years 2022 and 2021:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other ⁽¹⁾	Total
Balance as at December 31, 2021	\$ 166	\$ 52	\$ 4	\$ 70	\$ 38	\$ 330
Additions	83	—	2 ⁽²⁾	14	3	102
Utilization	(35)	(1)	(4)	(37)	(5)	(82)
Reversals	(29)	(50)	(2) ⁽²⁾	(12) ⁽³⁾	(23) ⁽⁴⁾	(116)
Accretion expense	1	—	—	1	—	2
Effect of changes in discount rates	(2)	—	—	—	—	(2)
Balance as at December 31, 2022	\$ 184	\$ 1 ⁽⁵⁾	\$ —	\$ 36	\$ 13	\$ 234
Of which current	\$ 63	\$ 1	\$ —	\$ 7	\$ 11	\$ 82
Of which non-current	121	—	—	29	2	152
	\$ 184	\$ 1	\$ —	\$ 36	\$ 13	\$ 234

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other ⁽¹⁾	Total
Balance as at January 1, 2021	\$ 154	\$ 80	\$ 5	\$ 111	\$ 85	\$ 435
Additions	82	—	33 ⁽²⁾	9	2	126
Utilization	(53)	—	(29)	(13)	(35)	(130)
Reversals	(17)	(28)	(5) ⁽²⁾	(40) ⁽³⁾	(14) ⁽⁴⁾	(104)
Accretion expense	—	—	—	3	—	3
Balance as at December 31, 2021	\$ 166	\$ 52 ⁽⁵⁾	\$ 4	\$ 70	\$ 38	\$ 330
Of which current	\$ 52	\$ —	\$ 4	\$ 9	\$ 36	\$ 101
Of which non-current	114	52	—	61	2	229
	\$ 166	\$ 52	\$ 4	\$ 70	\$ 38	\$ 330

⁽¹⁾ Mainly comprised of claims and litigations.

⁽²⁾ See Note 7 – Special items and for more details on additions and reversals related to restructuring charges.

⁽³⁾ Includes the reversal of *Learjet 85* aircraft program cancellation provisions. See Note 7 – Special items for more details.

⁽⁴⁾ Related to changes in divestitures provisions. See Note 7 – Special items for more details.

⁽⁵⁾ Following the sale of the CRJ business, the Corporation retains those provisions and has a back-to-back agreement with MHI. See Note 19 – Other assets.

25. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	December 31, 2022	December 31, 2021
Government refundable advances ⁽¹⁾	\$ 507	\$ 647
Lease liabilities	448	269
Liabilities related to RASPRO assets ⁽²⁾	206	180
Credit and residual value guarantees payable ⁽³⁾	164	169
Derivative financial instruments ⁽⁴⁾	88	37
Vendor non-recurring costs	20	39
Lease subsidies ⁽⁵⁾	—	5
Other ⁽⁶⁾	119	122
	\$ 1,552	\$ 1,468
Of which current	\$ 345	\$ 216
Of which non-current	1,207	1,252
	\$ 1,552	\$ 1,468

⁽¹⁾ Of which \$341 million has a back-to-back agreement with ACLP (\$467 million as at December 31, 2021). Refer to Note 18 – Other financial assets for the receivables from ACLP. The Corporation is required to pay amounts to governments based on the number of deliveries of aircraft.

⁽²⁾ The Corporation has retained the regional aircraft securitization program assets (RASPRO) for which the Corporation has transferred the net beneficial interest through a back-to-back agreement with MHI. Refer to Note 18 – Other financial assets.

⁽³⁾ Of which \$26 million has a back-to-back agreement with MHI (nil as at December 31, 2021). Refer to Note 18 – Other financial assets for the receivable from MHI.

⁽⁴⁾ See Note 12 – Financial instruments.

⁽⁵⁾ Following the sale of the CRJ business, the Corporation retained those lease subsidies and has a back-to-back agreement with MHI. Refer to Note 18 – Other financial assets.

⁽⁶⁾ 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, 2022, since the lease has not yet commenced. The Corporation's undiscounted lease commitments were as follows, as at:

	December 31, 2022
Less than 1 year	\$ —
From 1 to 3 years	—
Thereafter	54
	\$ 54

26. OTHER LIABILITIES

Other liabilities were as follows, as at:

	December 31, 2022	December 31, 2021
Employee benefits ⁽¹⁾	\$ 281	\$ 260
Supplier contributions to aerospace programs	228	271
Sales incentive and customer credit notes	73	64
Income taxes payable	32	28
Other	88	112
	\$ 702	\$ 735
Of which current	\$ 434	\$ 434
Of which non-current	268	301
	\$ 702	\$ 735

⁽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 22 – Retirement benefits.

27. LONG-TERM DEBT

Long-term debt was as follows, as at:

					December 31 2022	December 31 2021
	Amount in currency of origin	Currency	Contractual interest rate	Maturity	Amount	Amount
Senior Notes	396	USD	7.50%	Dec. 2024	\$ 395	\$ 995
	1,139	USD	7.50%	Mar. 2025	1,136	1,495
	1,200	USD	7.13%	Jun. 2026	1,191	1,189
	1,892	USD	7.88%	Apr. 2027	1,880	1,984
	750	USD	6.00%	Feb. 2028	743	742
	510	USD	7.45%	May 2034	507	507
Debentures	150	CAD	7.35%	Dec. 2026	110	117
Other	18	USD	7.95%	Apr. 2026	18	18
					\$ 5,980	\$ 7,047
Of which current					\$ —	\$ —
Of which non-current					5,980	7,047
					\$ 5,980	\$ 7,047

⁽¹⁾ Interest on long-term debt as at December 31, 2022 is payable semi-annually.

⁽²⁾ The Corporation completed partial repayments of those Senior Notes during fiscal year 2022. See Note 7 – Special items for more information.

All Senior Notes rank pari-passu and are unsecured.

The carrying value of long-term debt includes principal repayments, transaction costs, unamortized discounts and the basis adjustments related to derivatives designated in fair value hedge relationships. The following table presents the contractual principal repayments of the long-term debt, as at:

	December 31, 2022	December 31, 2021
Within 1 year	\$ —	\$ —
Between 1 and 5 years	4,756	3,838
More than 5 years	1,260	3,260
	\$ 6,016	\$ 7,098

Refer to Note 38 – Subsequent events.

28. SHARE CAPITAL

Preferred shares

The preferred shares authorized were as follows, as at December 31, 2022 and 2021:

	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, 2022	December 31, 2021
Series 2 Cumulative Redeemable Preferred Shares	2,684,527	5,811,736
Series 3 Cumulative Redeemable Preferred Shares	9,315,473	6,188,264
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, 2022 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, 2022 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, 2022 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

On June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares (multiple voting) and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the numbers for the average basic and diluted shares outstanding, the number of PSUs, RSUs, DSUs, stock options and warrants and the EPS for the current and prior periods have been adjusted and restated to reflect the effect of the Share Consolidation.

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, 2022	December 31, 2021 ⁽¹⁾
Issued and fully paid		
Balance at beginning of year	12,349,370	12,349,478
Converted to Class B	—	(108)
Balance at end of year	12,349,370	12,349,370
Authorized	143,680,000	143,680,000

⁽¹⁾ Restated retroactively for the Share Consolidation.

Class B Shares (subordinate voting)

	December 31, 2022	December 31, 2021 ⁽¹⁾
Issued and fully paid		
Balance at beginning of year	85,311,960	85,123,678
Issuance of shares	288,363	188,174
Cancellation of shares	(149,592)	—
Converted from Class A	—	108
	85,450,731	85,311,960
Held in trust under the PSU and RSU plans		
Balance at beginning of year	(2,150,001)	(681,918)
Purchased	(1,578,085)	(1,632,323)
Distributed	23,669	164,240
	(3,704,417)	(2,150,001)
Balance at end of year	81,746,314	83,161,959
Authorized	143,680,000	143,680,000

⁽¹⁾ Restated retroactively for the Share Consolidation.

On June 23, 2022, the Corporation confirmed that it had received approval from the Toronto Stock Exchange for the renewal of its normal course issuer bid to purchase, from June 28, 2022 to June 27, 2023, up to 880,000 Class B shares (subordinate voting) (2,480,000⁽¹⁾ Class B shares (subordinate voting) in 2021). All Class B shares (subordinate voting) are being purchased 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, 2022, the Corporation had purchased \$38 million of Class B shares (subordinate voting) (\$51 million as at December 31, 2021).

⁽¹⁾ Restated retroactively for the Share Consolidation.

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

	December 31, 2022	December 31, 2021 ⁽¹⁾
Balance at beginning of year	4,234,074	8,234,074
Cancellation of warrants ⁽²⁾	—	(4,000,000)
Balance at end of year	4,234,074	4,234,074

⁽¹⁾ Restated retroactively for the Share Consolidation.

⁽²⁾ On June 30, 2021 and September 1, 2021, 4 million⁽¹⁾ of warrants held by Investissement Quebec expired.

Dividends

Dividends declared were as follows:

	Dividends declared for fiscal years				Dividends declared after	
	2022		2021		December 31, 2022	
	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	0.00	\$ —	0.00	\$ —	0.00	\$ —
Class B common shares	0.00	—	0.00	—	0.00	—
		—		—		—
Series 2 Preferred Shares	1.03	3	0.61	3	0.13	—
Series 3 Preferred Shares	1.07	6	1.00	5	0.29	2
Series 4 Preferred Shares	1.56	11	1.56	12	0.39	3
		20		20		5
	\$	20	\$	20	\$	5

29. 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 2022, a combined value of \$16 million of DSUs, PSUs and RSUs were authorized for issuance (\$15 million during fiscal year 2021).

On June 13, 2022, Bombardier proceeded with a Share Consolidation of the Corporation's Class A shares and Class B shares (subordinate voting) at a consolidation ratio of 25-for-1. As a result, the number of PSUs, DSUs, RSUs and stock options for the current and prior periods have been adjusted and restated to reflect the effect of the Share Consolidation.

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

	2022			2021 ⁽¹⁾		
	PSU	DSU	RSU	PSU	DSU	RSU
Balance at beginning of year	1,161,453	38,609	2,676,482	1,897,169	39,379	5,069,938
Granted	377,686	—	363,754	372,337	—	314,884
Vested	(23,669)	—	—	(168,747)	—	—
Exercised	—	—	—	—	(770)	—
Forfeited	(777,067)	—	(86,538)	(939,306)	—	(2,708,340) ⁽²⁾
Balance at end of year	738,403	38,609 ⁽³⁾	2,953,698	1,161,453	38,609 ⁽³⁾	2,676,482

⁽¹⁾ Restated retroactively for the Share Consolidation.

⁽²⁾ Of which 2,289,785⁽¹⁾ RSUs were cancelled following the sale of Transportation.

⁽³⁾ Of which 38,609 DSUs are vested as at December 31, 2022 (38,609⁽¹⁾ as at December 31, 2021).

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, 2020 and December 31, 2022, the vesting dates range from November 2023 to May 2025.

The weighted-average grant date fair value of PSUs and RSUs granted during fiscal year 2022 was \$23.32 (for PSUs and RSUs was \$24.03⁽¹⁾ during fiscal year 2021). 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.

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 28 – 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 \$15 million during the fiscal year 2022 (\$8 million during fiscal year 2021).

⁽¹⁾ Restated retroactively for the Share Consolidation.

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, 2,152,914 were available for issuance under these share option plans, as at December 31, 2022.

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 terminate 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, 2022⁽¹⁾:

Exercise price range (Cdn\$)	Number of options	Issued and outstanding		Exercisable	
		Weighted-average remaining life (years)	Weighted-average exercise price (Cdn\$)	Number of options	Weighted-average exercise price (Cdn\$)
0 to 50	1,317,808	3.00	34.73	669,044	45.34
50 to 100	1,877,217	2.51	59.56	1,873,684	59.58
100 to 200	488,147	2.36	103.62	488,147	103.62
	3,683,172			3,030,875	

⁽¹⁾ Restated retroactively for the Share Consolidation.

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

	2022		2021 ⁽¹⁾	
	Number of options	Weighted-average exercise price (Cdn\$)	Number of options	Weighted-average exercise price (Cdn\$)
Balance at beginning of year	4,922,748	55.50	5,356,700	57.50
Granted	149,592	29.75	227,838	27.25
Exercised	(288,363)	46.20	(187,407)	33.25
Forfeited	(348,601)	63.36	(317,954)	57.00
Expired	(752,204)	45.33	(156,429)	100.50
Balance at end of year	3,683,172	56.52	4,922,748	55.50
Options exercisable at end of year	3,030,875	63.53	3,405,571	61.25

⁽¹⁾ Restated retroactively for the Share Consolidation.

Share-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2022 was \$13.69 per option (\$12.75⁽¹⁾ per option for fiscal year 2021). 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:

	2022	2021
Risk-free interest rate	2.73 %	0.83 %
Expected life	5 years	5 years
Expected volatility in market price of shares	70.72 %	69.84 %
Expected dividend yield	0.00 %	0.00 %

A compensation expense of \$4 million was recorded during fiscal year 2022 with respect to share option plan (\$6 million during fiscal year 2021).

⁽¹⁾ Restated retroactively for the Share Consolidation.

30. NET CHANGE IN NON-CASH BALANCES

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

	2022	2021
Trade and other receivables	\$ 12	\$ 24
Inventories	(87)	318
Contract assets	(13)	(196)
Contract liabilities	726	434
Other financial assets and liabilities, net	214	(637)
Other assets	—	13
Trade and other payables	125	(416)
Provisions	(97)	(121)
Retirement benefits liability	70	134
Other liabilities	(41)	(100)
	\$ 909	\$ (547)

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, 2021	\$ 10,075
Changes from financing cash flows	
Proceeds from long-term debt	2,210
Repayment of long-term debt	(5,223)
Transaction costs	(30)
Total changes from financing cash flows	(3,043)
Effect of changes in foreign exchange rates	(3)
Other	18
Balance as at December 31, 2021	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

31. 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, 2022 and the availability, which is based on the collateral available (which may vary from time to time), was \$208 million as at December 31, 2022.

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 32 – 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, 2022.

Letter of credit facilities

Letters of credit of \$426 million were outstanding under various bilateral agreements as at December 31, 2022 (\$476 million as at December 31, 2021). In addition, the Corporation also uses bilateral bonding facilities with insurance companies to support its operations. An amount of \$318 million was outstanding under such facilities as at December 31, 2022 (\$343 million as at December 31, 2021).

32. 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 net debt to EBITDA multiple to approximately 3x by 2025. The Corporation’s objective is to achieve this by continue to grow its adjusted EBITDA towards its 2025 objective of \$1.5 billion and allocate excess available liquidity towards debt repayment.

The Corporation made significant progress on its debt reduction and deleveraging priorities since December 31, 2020. Bombardier has reduced its long-term debt by 41% (\$4.1 billion) since December 31, 2020. The Corporation’s net debt to EBITDA ratio as at December 31, 2022 stands at 4.6. Additionally, the Corporation has now reduced more than \$300 million of annualized interest cost on long-term debt compared to the annualized interest cost as at December 31, 2020.

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

	2022	2021
Interest paid⁽¹⁾	\$ 492	\$ 633
Net debt ⁽²⁾	\$ 4,298	\$ 4,943
EBITDA before special items ⁽³⁾	\$ 930	\$ 640
Net debt to EBITDA ratio	4.6	7.7

⁽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 before special items plus amortization and impairment charges of PP&E and intangible assets.

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 \$0.4 billion as at December 31, 2022 (\$0.9 billion as at December 31, 2021). 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 22 – Retirement benefits for more details.

33. 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 12 – Financial instruments, except for the financial instruments in the table below, for which the maximum exposures were as follows, as at:

	December 31, 2022	December 31, 2021
Investments in financing structures ⁽¹⁾	\$ —	\$ —
Derivative financial instruments	\$ 13	\$ 4
Investments in securities	\$ 197	\$ 222

⁽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. See Note 25 – 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. The Corporation holds underlying assets as collateral for certain financial assets.

Refer to Note 37 – 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, 2022:

	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	\$ 1,291	\$ 1,291	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,291
Trade and other receivables	252	252	—	—	—	—	—	252
Other financial assets ⁽¹⁾	1,072	451	106	114	349	246	53	1,319
Assets		1,994	106	114	349	246	53	2,862
Trade and other payables	\$ 1,286	\$ 1,286	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,286
Other financial liabilities ⁽¹⁾	784	246	119	144	339	203	—	1,051
Long-term debt								
Principal	5,980	—	1,535	3,221	750	510	—	6,016
Interest		442	791	416	197	54	—	1,900
Liabilities		1,974	2,445	3,781	1,286	767	—	10,253
Net amount		\$ 20	\$ (2,339)	\$ (3,667)	\$ (937)	\$ (521)	\$ 53	\$ (7,391)

⁽¹⁾ The carrying amount of other financial assets excludes derivative financial instruments, investments in financing structures 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, credit and residual value guarantees payable related to MHI and the back-to-back agreement that the Corporation has with MHI related to the regional aircraft securitization program assets (RASPRO).

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, 2022:

	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	\$ 626	\$ 11	\$ 4	\$ —	\$ —	\$ —	\$ 15
Derivative financial liabilities							
Forward foreign exchange contracts	\$ 1,646	\$ 79	\$ 13	\$ —	\$ —	\$ —	\$ 92
Net amount		\$ (68)	\$ (9)	\$ —	\$ —	\$ —	\$ (77)

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

Lease liabilities

The Corporation leases buildings and land.

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

	December 31, 2022
Within 1 year	\$ 65
Between 1 to 5 years	196
More than 5 years	862
	\$ 1,123

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, Mexican Peso and Singapore dollar. 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 mitigate the impact of foreign exchange movements on the Corporation's consolidated financial statements. Under the FX Policy, potential losses from adverse movements in foreign exchange rates should not exceed Board authorized pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an unhedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-quarter period. The FX Policy also strictly prohibits any speculative foreign exchange transactions that would result in the creation of an exposure in excess of the maximum potential loss approved by the Board of Directors of the Corporation.

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. This information is communicated to the central treasury group, which has the responsibility to execute the hedge transactions in accordance with the FX Policy.

In order to properly manage the exposures, the Corporation maintains long-term cash flow forecasts in each currency and has adopted a progressive hedging strategy to limit the effect of currency movements on the results. The Corporation also mitigates foreign currency risks by maximizing transactions in its functional currency for the operations such as material procurement, sale contracts and financing activities.

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 mainly uses forward foreign exchange contracts to manage the Corporation's exposure from transactions in foreign currencies and to synthetically modify the currency of exposure of certain balance sheet items. The Corporation applies hedge accounting for a significant portion of anticipated transactions and firm commitments denominated in foreign currencies, designated as cash flow hedges. Notably, the Corporation enters into forward foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales and purchases and firm commitments.

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 2022 is before giving effect to cash flow hedge relationships.

	Effect on EBT			
	Variation	CAD/USD	EUR/USD	Other
Gain (loss)	+10%	\$ (33)	\$ 1	\$ (8)

The following impact on OCI for fiscal year 2022 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%	\$ (96)	\$ (1)	\$ 5

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 of December 31, 2022, the impact on EBT would have been a negative adjustment of \$38 million as at December 31, 2022 (negative adjustment of \$108 million as at December 31, 2021).

34. 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, the aircraft's expected future value, default probability, generic industrial bond spreads and marketability risk. In determining these assumptions, the Corporation uses primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, credit spreads, default probabilities, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable. These calculations represent management's best estimates. Since they are based on estimates, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

Methods and assumptions

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

Investments in financing structures, certain receivable from MHI and liabilities related to RASPRO

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

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

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

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

Derivative financial instruments – Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive to sell favorable contracts i.e. taking into consideration the counterparty credit risk, or pays 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 foreign exchange spot rate to estimate the fair value of forward agreements derivatives.

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

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

Financial instruments whose carrying value approximates fair value – The fair values of cash and cash equivalents, trade and other receivables, aircraft loans, 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 asset or liability that are not based on observable market data (Level 3).

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2022:

	Total	Level 1	Level 2	Level 3
Financial assets				
Receivable from ACLP ⁽¹⁾	\$ 341	\$ —	\$ —	\$ 341
Investments in securities	235	38	197	—
Investment in financing structures ⁽²⁾	204	—	—	204
Derivative financial instruments ⁽³⁾	69	—	69	—
	\$ 849	\$ 38	\$ 266	\$ 545
Financial liabilities				
Government refundable advance ⁽¹⁾	\$ 341	\$ —	\$ —	\$ 341
Liabilities related to RASPRO ⁽²⁾	206	—	—	206
Derivative financial instruments ⁽³⁾	88	—	88	—
	\$ 635	\$ —	\$ 88	\$ 547

⁽¹⁾ This receivable represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.

⁽²⁾ The liabilities related to RASPRO includes a back-to-back agreement that the Corporation has with MHI related to the transfer of the net beneficial interest related to the investments in financing structures.

⁽³⁾ 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 asset or liability 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, 2022:

	Total	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	\$ 252	\$ —	\$ 252	\$ —
Other financial assets ⁽¹⁾	522	—	522	—
	\$ 774	\$ —	\$ 774	\$ —
Financial liabilities				
Trade and other payables	\$ 1,286	\$ —	\$ 1,286	\$ —
Long-term debt	5,875	—	5,875	—
Other financial liabilities				
Government refundable advances	166	—	—	166
Other ⁽¹⁾	757	—	—	757
	\$ 8,084	\$ —	\$ 7,161	\$ 923

⁽¹⁾ Of which \$26 million represents a back-to-back agreement that the Corporation has with MHI related to credit and residual value guarantees payable.

35. 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 2022 and 2021 and as at December 31, 2022 and December 31, 2021.

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:

	2022	2021
Salaries, bonuses and other short-term benefits	\$ 16	\$ 17
Share-based benefits	11	11
Retirement benefits	1	2
Termination and other long-term benefits	—	3
	\$ 28	\$ 33

36. 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, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Financing structures related to the sale of commercial aircraft	\$ 749	\$ 129	\$ 1,155	\$ 191

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 holds investments in financing structure amounting to \$204 million as at December 31, 2022 (\$177 million as at December 31, 2021). Following the sale of the CRJ business, the Corporation has retained those investments and has a back-to-back agreement with MHI.

The Corporation's maximum potential exposure was \$8 million, of which \$1 million was recorded as provisions and related liabilities as at December 31, 2022 (\$398 million and \$57 million, respectively, as at December 31, 2021). The Corporation's maximum exposure under these guarantees is included in Note 37 – 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.

37. COMMITMENTS AND CONTINGENCIES

The Corporation enters into various sale support arrangements, including credit and residual value guarantees and financing rate commitments, mostly provided in connection with sales of commercial aircraft and related financing commitments. 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 36 – 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, 2022		December 31, 2021	
Aircraft sales				
Residual value (a)	\$	8	\$	65
Credit (a)		8		398
Mutually exclusive exposure ⁽¹⁾		(8)		(65)
Total credit and residual value exposure	\$	8	\$	398
Trade-in commitments (b)	\$	428	\$	249
Conditional repurchase obligations (c)	\$	62	\$	51
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 \$1 million as at December 31, 2022 (\$52 million as at December 31, 2021) 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. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to nil as at December 31, 2022 (\$5 million as at December 31, 2021). The provisions for anticipated losses are expected to cover the Corporation's total credit and residual value exposure, after taking into account the anticipated proceeds from the sale of underlying aircraft and the extinguishment of certain lease subsidies obligations. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI and certain credit exposure has been transferred to MHI during the fiscal year 2022.

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 different periods up to 2027. Substantially all financial support involving potential credit risk lies with regional commercial airline customers. The credit risk relating to one regional airline customer accounted for 100% of the total maximum credit risk as at December 31, 2022 (87% as at December 31, 2021 for three regional 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, 2022	December 31, 2021
Less than 1 year	\$ 6	\$ 15
From 1 to 5 years	2	50
From 5 to 10 years	—	—
From 10 to 15 years	—	—
	\$ 8	\$ 65

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, 2022	December 31, 2021
Less than 1 year	\$ 294	\$ 179
From 1 to 3 years	114	70
Thereafter	20	—
	\$ 428	\$ 249

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, 2022	December 31, 2021
Less than 1 year	\$ 62	\$ —
From 1 to 3 years	—	51
Thereafter	—	—
	\$ 62	\$ 51

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. In connection with the sale of Transportation to Alstom, the Corporation provided a €100 million (\$107 million) bank guarantee in favour of Alstom to secure certain indemnities and guarantee obligations of the Corporation. Also, the Corporation has agreed to an additional compliance-related indemnity. Under this indemnity, the Corporation is to indemnify Alstom or its affiliates for certain known compliance-related matters as well as for compliance-related violation or alleged violation (of any applicable laws or regulations, and including for any audits or other proceedings conducted by a governmental authority) arising within two years following the closing of the sale of Transportation to Alstom and

relating to events which occurred prior to January 29, 2021. To secure this indemnity, the Corporation provided a €250 million (\$267 million) bank guarantee in favour of Alstom, the value of such guarantee will be reduced over time upon certain conditions or milestones being achieved.

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, 2022:

	Total
Within 1 year	\$ 3,775
Between 1 to 5 years	1,516
More than 5 years	6
	\$ 5,297

The purchase obligations of the Corporation include capital commitments for the purchase of PP&E amounting to \$140 million as at December 31, 2022.

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, 2022, 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 has been scheduled with the Swedish Court of Appeal in April 2023.

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 hereabove 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.

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. Arbitration proceedings could last several years and are subject to confidentiality provisions.

38. SUBSEQUENT EVENTS

Senior Notes

On January 20, 2023, Bombardier announced that it successfully closed its offering of Senior Notes due February 1, 2029 of \$750 million. The new Senior Notes will carry a coupon of 7.50% per annum and will be sold at par. Bombardier intends to use the proceeds of the offering together with its cash and cash equivalents to:

- fund the redemption of all of its outstanding 7.50% Senior Notes due 2024 (\$396 million);
- finance the offer to purchase its 7.50% Senior Notes due 2025 (up to \$354 million); and
- pay off the related fees and expenses.

Bank guarantees

On January 29, 2023, the two bank guarantees, in an aggregate amount of €350 million, which were issued in connection with the sale of Transportation to Alstom, expired without being drawn. Consequently, part of the restricted cash, namely an amount of approximately \$400 million, which collateralized such bank guarantees, was released to the Corporation.

Bombardier, Bombardier Pür Air, Chaise, Challenger, Challenger 300, Challenger 350, Challenger 3500, Challenger 600, Challenger 601, Challenger 604, Challenger 605, Challenger 650, Exceptional by Design, Executive, Global, Global 5000, Global 5500, Global 6000, Global 6500, Global 7500, Global 8000, Global Express, Global Vision, Global XRS, Learjet, Learjet 40, Learjet 45, Learjet 70, Learjet 75, Learjet 75 Liberty, L'Opéra, Nuage, Nuage Cube, PrecisionPlus, Smart Parts, Smart Parts Maintenance Plus, Smart Parts Plus, Smart Parts Preferred, Smart Services, Smartfix, Smartfix Plus, Smartlink, Smartlink Plus, Smooth Flëx Wing, Soleil, Touch and Vision Flight Deck are trademarks of Bombardier Inc. or its subsidiaries.

INVESTOR INFORMATION

Our Board of Directors

BOARD MEMBERS⁽¹⁾

Pierre Beaudoin	Chair of the Board of Directors and director since 2004
Éric Martel	President and Chief Executive Officer and director since 2020
Joanne Bissonnette	Corporate Director and a director of Bombardier since 2012
Charles Bombardier	Corporate Director and a director of Bombardier since 2019
Diane Fontaine	Senior Portfolio Manager and Investment Advisor of RBC Dominion Securities Inc. and a director of Bombardier since 2019
Ji-Xun Foo	Global Managing Partner of GGV Capital and a director of Bombardier since 2022
Diane Giard	Corporate Director and a director of Bombardier since 2017
Anthony R. Graham	Chairman, President and Chief Executive Officer of Sumarria Inc. (an investment holding company) and a director of Bombardier since 2019
August W. Henningsen	Corporate Director and a director of Bombardier since 2016
Douglas (Doug) R. Oberhelman	Corporate Director and a director of Bombardier since 2017
Melinda Rogers-Hixon	Deputy Chair, Rogers Communications Inc. and a director of Bombardier since 2021
Eric Sprunk	Corporate Director and a director of Bombardier since 2021
Antony N. Tyler	Corporate Director and a director of Bombardier since 2017

⁽¹⁾ As at December 31, 2022. Supplemental information regarding our Board of Directors can be found on our website at bombardier.com.

BOARD COMMITTEES

Board committees	Board representation ⁽¹⁾	Responsibilities
Audit Committee	Diane Giard (Chair) Anthony R. Graham August W. Henningsen Eric Sprunk Ji-Xun Foo	<ul style="list-style-type: none"> Assist the directors in fulfilling their responsibilities with respect to accountability and financial reporting Assist in maintaining good communication between the Board of directors and Bombardier's independent auditors, Ernst & Young, and in approving the annual audit plan Assist in maintaining the independence of Ernst & Young Ensure that an appropriate system of internal accounting and financial controls, and an appropriate risk management framework, are maintained in light of the risks and exposures faced by Bombardier, including reviewing the reports of the Director Internal Audit and the corporate audit services and the risk assessment plan, findings, and recommendations Maintain the credibility and objectivity of Bombardier's financial reports Investigate and evaluate any matter that raises significant concerns with the Audit Committee, the Director Internal Audit or the independent auditor Review Bombardier's material financial risks and the monitoring, control and management of such risks Review the adequacy of the policies, procedures and controls in place for risk management Review and monitor significant or unusual transactions and/or projects related to ongoing activities, business opportunities, mergers, acquisitions, divestitures, significant asset sales or purchases and equity investments Oversee matters or activities relating to or affecting Bombardier's financial condition, including capital structure, liquidity, debt profile, capital availability and dividend policy
Corporate Governance and Nominating Committee	Douglas (Doug) R. Oberhelman (Chair) Diane Giard Melinda Rogers-Hixon Antony N. Tyler	<ul style="list-style-type: none"> Oversee the size, independence and composition of the Board of directors Oversee the selection criteria, including competencies and other characteristics, for Board candidates Oversee the composition and performance of the Board of directors and its committees Oversee Board remuneration and share ownership guidelines Oversee corporate governance matters, including the Code of Ethics and other governance policies, and environmental, social and governance (ESG) matters, and the orientation and continuing education of directors
Human Resources and Compensation Committee	Anthony R. Graham (Chair) Douglas (Doug) R. Oberhelman Melinda Rogers-Hixon Antony N. Tyler	<ul style="list-style-type: none"> Oversee succession planning of the President and CEO, and the executives reporting to the CEO, including their total compensation and the terms and conditions of their employment Evaluate the performance of the President and CEO Review and approve the overall executive compensation policy for the executive officers, including base salary, short-term and long-term incentives as well as pensions, benefits and perquisites Oversee compensation plans, including key performance indicators and targets

⁽¹⁾ As at December 31, 2022. Supplemental information regarding our Board of Directors can be found on our website at bombardier.com.

STOCK EXCHANGE LISTINGS

Class A Shares (Multiple Voting) and Class B Subordinate Voting Shares	Toronto (Canada)
Preferred Shares, Series 2, Series 3 and Series 4	Toronto (Canada)
Stock listing ticker	BBD (Toronto)

FISCAL YEAR 2023 FINANCIAL RESULTS

First Quarterly Report	April 27, 2023
Second Quarterly Report	August 3, 2023
Third Quarterly Report	November 2, 2023
2023 Annual Financial Report	February 8, 2024

PREFERRED DIVIDEND PAYMENT DATES

Payment subject to approval by the Board of Directors

Series 2

Record date	Payment date	Record date	Payment date
2022-12-30	2023-01-15	2023-06-30	2023-07-15
2023-01-31	2023-02-15	2023-07-31	2023-08-15
2023-02-28	2023-03-15	2023-08-31	2023-09-15
2023-03-31	2023-04-15	2023-09-29	2023-10-15
2023-04-28	2023-05-15	2023-10-31	2023-11-15
2023-05-31	2023-06-15	2023-11-30	2023-12-15

Series 3

Record date	Payment date
2023-01-13	2023-01-31
2023-04-14	2023-04-30
2023-07-14	2023-07-31
2023-10-13	2023-10-31

Series 4

Record date	Payment date
2023-01-13	2023-01-31
2023-04-14	2023-04-30
2023-07-14	2023-07-31
2023-10-13	2023-10-31

Please note that unless stated otherwise, all dividends paid by Bombardier since January 2006 on all of its common and preferred shares are considered “eligible dividends” as per the Canadian Income Tax Act and any corresponding provincial or territorial legislation. The same designation applies under the Quebec Taxation Act for dividends declared after March 23, 2006.

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Email: investors@bombardier.com

DUPLICATION

Although Bombardier strives to ensure that registered shareholders receive only one copy of corporate documents, duplication is unavoidable if securities are registered under different names and addresses. If this is the case, please call Computershare Investor Services at one of the following numbers: +1 514 982 7555 or +1 800 564 6253 (toll-free, North America only) or send an email to service@computershare.com.

ONLINE INFORMATION

For additional information, we invite you to visit our websites at:
bombardier.com and ir.bombardier.com

TRANSFER AGENT AND REGISTRAR

Shareholders with inquiries concerning their shares should contact:

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AUDITORS

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Montréal, Québec
Canada H3A 0A8

ANNUAL MEETING

The annual meeting of shareholders will be held on Thursday, April 27, 2023, at 10:30 a.m. (Montréal time). The annual meeting will be held virtually via live webcast. The annual meeting will also be broadcast live on our website at bombardier.com.

The *Global 8000* aircraft is currently under development and remains to be finalized and certified. It is expected to enter service in 2025. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions.

Bombardier, Bombardier Pür Air, Chaise, Challenger, Challenger 300, Challenger 350, Challenger 3500, Challenger 600, Challenger 601, Challenger 604, Challenger 605, Challenger 650, Exceptional by Design, Executive, Global, Global 5000, Global 5500, Global 6000, Global 6500, Global 7500, Global 8000, Global Express, Global Vision, Global XRS, Learjet, Learjet 40, Learjet 45, Learjet 70, Learjet 75, Learjet 75 Liberty, L'Opéra, Nuage, Nuage Cube, PrecisionPlus, Smart Parts, Smart Parts Maintenance Plus, Smart Parts Plus, Smart Parts Preferred, Smart Services, Smartfix, Smartfix Plus, Smartlink, Smartlink Plus, Smooth Flëx Wing, Soleil, Touch and Vision Flight Deck are trademarks of Bombardier Inc. or its subsidiaries.

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mature tree,
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of water, equal to
14 10-minute
showers
consumption in
Northern America

⁽¹⁾Data issued by the paper manufacturer.



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