BOMBARDIER

SECOND QUARTERLY REPORT

Three- and six-month periods ended June 30, 2020

GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership	FVTP&L	Fair value through profit and loss
bps	Basis points	GAAP	Generally accepted accounting principles
BT Holdco	Bombardier Transportation (Investment) UK Limited	GDP	Gross domestic product
CCTD	Cumulative currency translation difference	IAS	International Accounting Standard(s)
CDPQ	Caisse de dépôt et placement du Québec	IASB	International Accounting Standards Board
CIS	Commonwealth of Independent States	IFRS	International Financial Reporting Standard(s)
DDHR	Derivative designated in a hedge relationship	MD&A	Management's discussion and analysis
DSU	Deferred share unit	N/A	Not applicable
EBIT	Earnings (loss) before financing expense, financing income and income taxes	NCI	Non-controlling interests
		nmf	Information not meaningful
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	OCI	Other comprehensive income (loss)
		PP&E	Property, plant and equipment
		PSU	Performance share unit
EBT	Earnings (loss) before income taxes	R&D	Research and development
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	RSU	Restricted share unit
		SG&A	Selling, general and administrative
Euribor	Euro Interbank Offered Rate	U.K.	United Kingdom
FVOCI	Fair value through other comprehensive income (loss)	U.S.	United States of America

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The data presented in this MD&A is structured by reportable segment: Aviation and Transportation, which is reflective of our organizational structure.

The results of operations and cash flows for the three- and six-month periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year.

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

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

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

FORWARD-LOOKING STATEMENTS

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, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected 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 project execution in general; competitive position; expectations regarding challenging Transportation projects and the release of working capital therefrom; 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 and expected financial requirements; productivity enhancements, operational efficiencies and restructuring initiatives; expectations and objectives regarding debt repayments and refinancing of bank facilities and maturities; expectations regarding availability of government assistance programs, 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; and the impact of the COVID-19 pandemic on the foregoing and the effectiveness of plans and measures we have implemented in response thereto. As it relates to previously announced pending transactions, including the divestiture of our operations in Belfast and Morocco and the sale of the Transportation division to Alstom (collectively, the “Pending Transactions”), this MD&A also contains forward-looking statements with respect to the expected completion and timing thereof in accordance with their terms and conditions; the respective anticipated proceeds and use thereof, as well as the anticipated benefits of such transactions and their expected impact on our outlook, guidance and targets, operations, infrastructure, opportunities, financial condition, business plan and overall strategy.

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, 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 are set out throughout this MD&A (particularly, in the assumptions below the Forward-looking statements in this MD&A). For additional information, including with respect to other assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in the applicable reportable segment in the MD&A of our financial report for the fiscal year ended December 31, 2019. Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Corporation, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Corporation’s assumptions as compared to prior periods.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with “Brexit”, the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or global climate change), operational risks (such as risks related to developing new products and services; development of new business and awarding of new contracts; book-to-bill ratio and order backlog; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution, including challenges associated with certain Transportation projects; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; execution of our strategy, transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives; doing business with partners; inadequacy of cash planning and management and project funding; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers, contracts and suppliers; supply chain risks; human resources; reliance on information systems; reliance on and protection of intellectual property rights; reputation risks; risk management; tax matters; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial debt and interest payment requirements; restrictive debt covenants and minimum cash levels; financing support for the benefit of certain customers; and reliance on government support), market risks (such as foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in this MD&A and in the MD&A of our financial report for the fiscal year ended December 31, 2019. Any one or more of the foregoing factors may be exacerbated by the growing COVID-19 outbreak 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 outbreak. As a result of the current COVID-19 pandemic, additional factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: risks related to the impact and effects of the COVID-19 pandemic on economic conditions and financial markets and the resulting impact on our business, operations, capital resources, liquidity, financial condition, margins, prospects and results; uncertainty regarding the magnitude and length of economic disruption as a result of the COVID-19 outbreak and the resulting effects on the demand environment for our products and services; emergency measures and restrictions imposed by public health authorities or governments, fiscal and monetary policy responses by governments and financial institutions; disruptions to global supply chain, customers, workforce, counterparties and third-party service providers; further disruptions to operations, production, project execution and deliveries; technology, privacy, cyber security and reputational risks; and other unforeseen adverse events.

With respect to the Pending Transactions, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the failure to satisfy closing conditions, including regulatory approvals, or delay in completing such transactions and, as regards the sale of the Transportation division, the failure to enter into definitive documentation or the failure to receive Alstom shareholder approval in respect of the required capital increase or to complete relevant works council consultations, or the occurrence of a material adverse change; alternate sources of funding to replace the anticipated proceeds from the Pending Transactions may not be available when needed, or on desirable terms; the occurrence of an event which would allow the parties to terminate their obligations or agreements in principle; changes in the terms of the transactions; the failure by the parties to fulfill their obligations and agreements in principle; risks associated with the loss and replacement of key management and personnel; and the impact of the transactions on our relationships with third parties, including potentially resulting in the loss of clients, employees, suppliers, business partners or other benefits and goodwill of the business.

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. For more details, see the Risks and uncertainties sections in Other in this MD&A and in the MD&A of our financial report for the fiscal year ended December 31, 2019. 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 MD&A 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 in this MD&A are based on and subject to the following material assumptions:

Overall business

- general economic conditions, which include the impact on the economy and financial markets of the COVID-19 pandemic and other health risks;
- the ability of our supply base and third-party service providers to gradually resume support to product development and planned production rates on commercially acceptable terms in a timely manner;
- the effectiveness of our mitigation measures taken in response to the COVID-19 pandemic to minimize the resulting downward pressure on cash flow and manage liquidity;
- our ability to execute and deliver additional effective mitigation initiatives in response to future developments;
- the accuracy of our estimates and judgments regarding the duration, scope and impacts of the ongoing COVID-19 pandemic on our business, operations, liquidity, financial condition, margins, cash flows, prospects and results in future periods;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities;
- the expected impact of emergency measures implemented by governments;
- the effectiveness of government support programs, including wage subsidies, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis and our ability to qualify for same;
- the effectiveness of COVID-19 containment efforts and gradual recovery of global environment and global economic conditions beginning in the second quarter of 2020;
- our ability to orderly restart production and progressively resume work on suspended projects as soon as the travel restrictions to applicable locations have been lifted and temporary foreigner visa suspensions are lifted;
- the time frames for the ramp-down of current COVID-19 social distancing guidelines and other mitigation-related requirements;
- retention of key employees and management;

- our ability to successfully defend ourselves against litigation matters arising in the context of the COVID-19 pandemic;
- our ability to access the capital markets as needed; and
- the availability of working capital financing initiatives and ongoing provision of credit by financial institutions to subject parties.

Aviation

- closing of the sale of Belfast and Morocco aerostructures businesses and Dallas MRO in coming months in accordance with negotiated terms;
- alignment of adjusted production rates to reduced market demand and significant slowdown in order intake; and
- our ability to make required production rate adjustments as business aircraft operations gradually resume.

Transportation

- closing of the sale of the Transportation division to Alstom in the first half of 2021 in accordance with negotiated terms; and
- our ability to reestablish new contract schedules with customers and suppliers to optimize cash generation as production gradually resumes.

The assumptions underlying the forward-looking statements made in this MD&A in relation to each of the Pending Transactions specifically include the following material assumptions: the satisfaction of all closing conditions (including regulatory approvals, and, as regards to the sale of the Transportation division, the execution of definitive documentation, Alstom shareholder approval in respect of the required capital increase, completion of works council consultations and absence of a material adverse change) and receipt of expected proceeds within the anticipated timeframe; and fulfillment by the parties of their obligations and agreements in principle.

For additional information, including with respect to other assumptions underlying the forward looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in applicable reportable segment in the MD&A of our financial report for the fiscal year ended December 31, 2019. Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Corporation, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Corporation’s assumptions as compared to prior periods.

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

OVERVIEW

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30	2020	2019	Variance
Revenues	**$ 2,702**	$ 4,314	(37)%
Gross margin	**$ (223)**	$ 496	nmf
Adjusted EBITDA[1]	**$ (319)**	$ 312	nmf
Adjusted EBITDA margin[1]	**(11.8)%**	7.2 %	(1900) bps
Adjusted EBIT[1]	**$ (427)**	$ 206	nmf
Adjusted EBIT margin[1]	**(15.8)%**	4.8 %	(2060) bps
EBIT	**$ 26**	$ 371	(93)%
EBIT margin	**1.0 %**	8.6 %	(760) bps
Net loss	**$ (223)**	$ (36)	(519)%
Diluted EPS (in dollars)	**$ (0.13)**	$ (0.04)	$ (0.09)
Adjusted net loss[1]	**$ (631)**	$ (47)	(1,243)%
Adjusted EPS (in dollars)[1]	**$ (0.30)**	$ (0.04)	$ (0.26)
Net additions to PP&E and intangible assets	**$ 79**	$ 140	(44)%
Cash flows from operating activities	**$ (957)**	$ (289)	(231)%
Free cash flow usage[1]	**$ (1,036)**	$ (429)	(141)%
As at	**June 30, 2020**	December 31, 2019	Variance
Cash and cash equivalents[2]	**$ 1,724**	$ 2,629	(34)%
Available short-term capital resources[3]	**$ 2,462**	$ 3,925	(37)%
Order backlog (in billions of dollars)			
Aviation			
Business aircraft	**$ 12.9**	$ 14.4	(10)%
Other aviation[4]	**$ 1.0**	$ 1.9	(47)%
Transportation	**$ 33.7**	$ 35.8	(6)%

Key highlights and events

Operations Status and Financial performance

- Revenues of $2.7 billion during the quarter reflect a lower level of production activity and deliveries as operations at key Aviation and Transportation sites across North America and Europe were temporarily suspended due to the global COVID-19 pandemic. Revenues from services proved more resilient during this period.
- Starting in the last weeks of April and through the month of May, global operations safely and successfully resumed with new safety measures in place. With production rates and workforce realigned to current market conditions and customer requirements, the delivery outlook for Aviation and Transportation is expected to accelerate and peak seasonally in the fourth quarter.[5]
- Adjusted EBITDA[1] loss and adjusted EBIT[1] loss of $319 million and $427 million, respectively for the quarter, reflect an additional charge of $435 million at Transportation largely related to incremental engineering, certification and retrofit costs associated with a number of late-stage projects mainly in the U.K. and Germany. Consolidated earnings for the quarter were also lower year-over-year mainly as a result of direct disruption costs estimated at approximately $75 million from the global COVID-19 pandemic, including from higher than usual unabsorbed overhead costs due to lower volumes.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(2) Includes cash and cash equivalents of the aerostructures businesses presented under Assets held for sale totalling $50 million as of June 30, 2020 and $51 million as of December 31, 2019, respectively. Refer to Reshaping the portfolio section in Aviation section of this MD&A and Note 17 - Assets held for sale in the Consolidated financial statements for more details on the transaction and the accounting treatments.
(3) Defined as cash and cash equivalents plus the undrawn amount under our revolving credit facility.
(4) Included 20 firm orders for CRJ900 as of December 31, 2019. The backlog for the CRJ Series aircraft program amounting to $0.4 billion was removed as a result of the closing of the sale of the CRJ Series aircraft program to MHI on June 1, 2020.
(5) See the forward-looking statements disclaimer.

- Reported EBIT of $26 million during the quarter reflects the $496 million accounting gain on the disposal of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd. which closed on June 1, 2020.
- Free cash flow usage[1] of $1.0 billion for the quarter was better than anticipated as the Corporation resumed operations faster than expected and took additional actions to mitigate the full COVID-19 impact. These actions resulted in higher than expected customer deliveries both at Aviation and Transportation, lower inventory intake as production rates were realigned with market conditions and reduced discretionary spending across the business. The impact on free cash flows[1] of the COVID-19 pandemic during the quarter is estimated at $700 million to $900 million. Cash flows from operating activities for the quarter were a usage of $1.0 billion.
    - The impact of COVID-19 on the first six months of the year reflects lower deliveries following government-imposed travel restrictions, temporary production shutdowns of several key sites, and continued low order intake at both Aviation and Transportation.
    - Free cash flow usage[1] is expected to improve in the third quarter mainly as the pace of deliveries accelerates, while the fourth quarter is expected to generate free cash flow[1] through the release of working capital.[2]

Liquidity and Transaction Update

- Pro-forma liquidity[3] was $3.5 billion as of June 30, 2020, reflecting better than expected free cash flow usage[1] in the second quarter of 2020 and the new $1.0 billion senior secured credit facility announced on July 22, 2020 and expected to close in the third quarter[2]. Cash on hand and liquidity[4] as of June
- 30, 2020 were approximately $1.7 billion and $2.5 billion, respectively.
    - On June 1, 2020, the Corporation concluded the sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd for a gross cash consideration of $585 million at closing.
    - The Corporation secured a commitment from investment funds and accounts managed by HPS Investment Partners, LLC to provide a three-year senior secured term loan (the "Facility") of up to $1.0 billion, providing additional liquidity to operate the business through the COVID-19 pandemic as it works to close previously announced divestitures undertaken to reshape Bombardier's capital structure. Upon the sale of Bombardier Transportation, there will be a mandatory repayment of 50% of the then outstanding principal amount of the Facility. Drawings under the Facility will bear interest at an agreed margin over the LIBOR reference rate and will be secured by a security interest in certain aviation inventory and related accounts receivable. There are no financial covenants under the Facility.
    - Transportation secured further amendments to its revolving credit facility and letter of credit facility. These amendments provide for, among other things, temporary adjustments to certain financial covenants through the third quarter and will be reflected in the four-quarter trailing calculation of certain ratios until the period ending March 31, 2021.
- Progress has been made towards closing previously announced divestitures set to reshape Bombardier's capital structure.
    - On July 31, 2020, the European Commission provided conditional approval of the sale of Bombardier Transportation to Alstom, a significant milestone in obtaining the necessary regulatory approvals to complete the transaction. Bombardier and Alstom continue to work together to obtain the remaining approvals and complete the Works Councils consultations required prior to executing the definitive sale and purchase agreement, which is now expected to occur in September 2020.[2]
    - The aerostructures business sale to Spirit AeroSystems Holding, Inc. is expected to close this fall, further improving the Corporation's cash position by approximately $500 million.[2]

The Corporation announced that Mrs. Beatrice Weder di Mauro expressed her intention to resign from the Corporation's Board of Directors for personal reasons. The Board accepted Mrs. Weder di Mauro's resignation and thanks her for her four years of dedicated service and the insight and wisdom she brought to Bombardier during her tenure.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(2) See the forward-looking statements disclaimer.
(3) Non-GAAP financial measure. Pro-forma liquidity is defined as cash and cash equivalents of $1,724 million as at June 30, 2020 plus the undrawn amount under our revolving credit facility of $738 million as of June 30, 2020 plus the new senior secured credit facility of $1.0 billion.
(4) Liquidity is defined as cash and cash equivalents plus the undrawn amount under our revolving credit facility.

IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant economic uncertainty and disruption of financial markets. This section aims to assist users in better understanding the impact of the pandemic on the Corporation by aggregating the disclosure found elsewhere in this MD&A.

COVID-19 response

The Corporation has been closely monitoring and actively implementing and updating its response to the evolving COVID-19 pandemic and its impacts on employees, operations, the global economy and the demand for its products and services. The Corporation has formed a committee composed of the senior leadership team and key leaders in the organization to monitor, on a daily basis, the evolution of the pandemic, to evaluate the measures being put in place by local and national governments and the resulting impacts on the Corporation, and to implement necessary contingency plans in real time as the current situation continues to unfold, with a focus on three priorities: protecting employees' health and safety; supporting customers to the best of its abilities; and ensuring that the Corporation can successfully navigate through this global crisis. The Corporation's actions are in all cases closely aligned with both the health and safety mandates and support programs that have been announced by the local governments in every region it operates.

The COVID-19 pandemic started impacting several Bombardier operations across the globe, including key locations in Europe and North America through the second half of March 2020 where activities were significantly reduced or suspended for several weeks. Starting in the last weeks of April and through the month of May, operations globally gradually resumed with new safety measures in place.

On March 24, 2020, the Corporation suspended its 2020 financial outlook[(1)] to reflect the uncertainty related to the financial impact of the COVID-19 pandemic on its global operations.

On a consolidated basis for the six-month period ended June 30, 2020, the EBIT impact of direct disruption costs related to the COVID-19 pandemic was approximately $90 million, which is net of the impact of wage subsidies of approximately $70 million. The impact on free cash flows[(2)] was meaningfully higher, estimated at $1.4 billion to $1.6 billion for the six-month period ($700 million to $900 million during the second quarter), mainly from a higher working capital balance associated with lower deliveries and lower order intake. Approximately two thirds of this shortfall is the result of disruptions on Aviation's operations and markets.

Impacts of COVID-19 on Aviation

Canadian operations, where *Global* and *Challenger* aircraft are assembled and delivered, were temporarily suspended in the last week of March 2020 and through several weeks during the second quarter due to the global COVID-19 pandemic. Key aerostructures operations in Mexico and Belfast were similarly suspended, impacting a total of approximately 15,000 Aviation employees globally. These disruptions, combined with the impact of reduced order intake related to the economic uncertainty, meaningfully increased free cash flow usage[(2)] at Aviation.

On June 5, 2020, Bombardier Aviation announced workforce adjustments in response to COVID-19 pandemic. With industry-wide business jet deliveries forecasted to be down approximately 30% year-over-year due to the pandemic, Bombardier is adjusting its operations and workforce to ensure that it emerges from the current crisis on solid footing. Accordingly, Bombardier Aviation has made the difficult decision to reduce its workforce by approximately 2,500 employees. The majority of these reductions is impacting manufacturing operations in Canada and will be carried out progressively throughout 2020. Bombardier's worldwide customer service operations have continued to operate largely uninterrupted throughout the pandemic. Bombardier recorded a special charge of $41 million in the second quarter of 2020 for this workforce adjustment.

(1) Refer to our 2019 Financial Report for further details.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and reconciliation to the most comparable IFRS measures.

Impacts of COVID-19 on Transportation

Production at several locations, including key sites across Transportation's largest markets in Europe and the Americas, was temporarily suspended in the second half of March 2020 and through several weeks during the second quarter due to the global COVID-19 pandemic. Approximately 10,000 Transportation employees globally were affected by these shutdowns. These disruptions, combined with the impact of deferred order intake related to the crisis, meaningfully increased free cash flow usage(1) at Transportation.

While customers lost significant ridership during this period and saw their revenues decline meaningfully, the outlook for Transportation continues to be positive given its strong backlog, which stood at $33.7 billion. As production gradually resumes, Transportation is working with customers and suppliers to reestablish new production and delivery schedules.

Measures to bolster liquidity in response to COVID-19 pandemic

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, compliance with financial covenants in the Transportation credit facilities, the availability of working capital financing initiatives and the funding of product development and other financial commitments.

In response to the COVID-19 pandemic the Corporation has taken on or is pursuing the following actions to adapt to the current environment and manage liquidity:

- The Corporation is managing costs through aggressive company-wide actions, including workforce reduction, cutting non-essential spending. Discretionary capital expenditures is also being deferred, mainly improving Aviation's free cash flow(1) outlook.(2)
- Where applicable, the Corporation is participating in various government support programs, including wage subsidies, bonding and letter of credit facilities, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis.
- During the first quarter, cash on hand was increased through a $386 million (€350 million) equity injection in Transportation by CDPQ. Furthermore, Transportation secured amendments to its revolving credit facility and letter of credit facility. These amendments provide for, among other things, temporary adjustments to certain financial covenants through the third quarter and will be reflected in the four-quarter trailing calculation of certain ratios until the period ending March 31, 2021.
- The Corporation secured a commitment from investment funds and accounts managed by HPS Investment Partners, LLC to provide a three-year senior secured term loan (the "Facility") of up to $1.0 billion, providing additional liquidity to operate the business through the COVID-19 pandemic as it works to close previously announced divestitures undertaken to reshape Bombardier's capital structure.
    - The Facility is expected to be in place in the third quarter of 2020 and provides additional liquidity for working capital and general corporate purposes as Bombardier realigns production rates with current market conditions. The Facility will have a minimum utilization of $750 million and a term of three years. Bombardier will have the right to voluntarily prepay the outstanding amount of the Facility. In addition, the sale of Bombardier Transportation will result in a mandatory repayment of 50% of the then outstanding principal amount of the Facility. Drawings under the Facility will bear interest at an agreed margin over the LIBOR reference rate and will be secured by a security interest in certain aviation inventory and related accounts receivable. There are no financial covenants under the Facility.

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and reconciliation to the most comparable IFRS measures.
(2) See the forward-looking statements disclaimer.

- The Corporation concluded the sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd for a gross cash consideration of $585 million at closing on June 1, 2020.
- Progress was made towards closing the sale of Transportation to Alstom. On July 31, 2020, the European Commission provided conditional approval of the sale of Bombardier Transportation to Alstom, a significant milestone in obtaining the necessary regulatory approvals to complete the transaction. Bombardier and Alstom continue to work together to obtain the remaining approvals and complete the Works Councils consultations required prior to executing the definitive sale and purchase agreement, which is now expected to occur in September 2020.[(1)]
- The aerostructures business sale to Spirit AeroSystems Holding, Inc. is tracking to plan and is expected to close this fall, further improving the Corporation's cash position by approximately $500 million.[(1)]
- At Aviation, production rates were aligned to market demand, forecasted to be down by approximately 30% year-over-year due to the pandemic. This reflects the extraordinary industry interruptions and challenges caused by COVID-19. The production ramp-up of the G*lobal 7500* is largely unaffected by these rate changes given its solid backlog.
- The Corporation continues to engage in certain working capital financing initiatives which impact cash flows from operations such as the sale of receivables, arrangements for advances from third parties and the negotiation of extended payment terms with certain suppliers (as at June 30, 2020 trade payables with extended payments terms totalled $905 million of which $321 million related to Aviation and $584 million related to Transportation). These initiatives generally rely on the ongoing provision of credit by financial institutions to the parties subject to the arrangements, and the extent to which these initiatives are used may fluctuate over time based on availability, cost and requirements. Financial market conditions currently preclude the extension of payments terms of new Aviation trade payables while Transportation continues to access extended terms (refer to Note 10 - Contract balances and Note 22 - Net change in non-cash balances, to our interim consolidated financial statements).

Considering the current environment, Management performed an assessment of the Corporation's ability to continue as a going concern. The Corporation currently believes that there are no material uncertainties to this effect, however, this determination was a matter of significant judgment. More specifically, management believes that the above actions combined with its quarter end cash and cash equivalents of $1.7 billion, the Transportation revolving credit facility of approximately $1.3 billion ($738 million undrawn as at June 30, 2020), the new senior secured term loan of up to $1.0 billion, as well as expected proceeds upon closing of the previously announced sale of the aerostructures businesses, will enable the Corporation to meet its currently anticipated financial requirements for a period of at least, but not limited to, 12 months from the reporting date supporting the Corporation's ability to continue as a going concern. Furthermore, the previously announced sale of Transportation targeted to close in the first half of 2021, would generate significant net proceeds to pay down debt and strengthen the liquidity position.[(1)]

However, given the inherent uncertainties, the extent of the impact of the COVID-19 pandemic on the Corporation's results of operations and cash flows is difficult to estimate. Therefore, the above assessment required a significant amount of judgment including a range of operating forecasts for our two business segments, the timing of closure of previously announced business sales, as well as related stress test scenarios to assess liquidity adequacy and covenant compliance throughout the period. While the Corporation believes the judgments made are reasonable in the circumstances, if the economic disruption is significantly greater than assumed, it could negatively impact our assessment.

Other

Refer to the Risks and uncertainties section of this MD&A for details on risk factors related to COVID-19 pandemic. Refer to Note 2 - Impacts of COVID-19 pandemic, to our interim consolidated financial statements, for details on use of estimates and judgments in the application of accounting policies in the context of COVID-19 pandemic.

[(1)] See the forward-looking statements disclaimer.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Revenues	**$ 2,702**	$ 4,314	**$ 6,393**	$ 7,830
Cost of sales	**2,925**	3,818	**6,278**	6,878
Gross margin	**(223)**	496	**115**	952
SG&A	**194**	263	**416**	531
R&D	**65**	69	**138**	117
Share of income of joint ventures and associates	**(51)**	(23)	**(63)**	(40)
Other income	**(4)**	(19)	**(9)**	(33)
Adjusted EBIT[1]	**(427)**	206	**(367)**	377
Special items	**(453)**	(165)	**(549)**	(678)
EBIT	**26**	371	**182**	1,055
Financing expense	**231**	269	**557**	560
Financing income	**(20)**	(22)	**(14)**	(102)
EBT	**(185)**	124	**(361)**	597
Income taxes	**38**	160	**62**	394
Net income (loss)	**$ (223)**	$ (36)	**$ (423)**	$ 203
Attributable to				
Equity holders of Bombardier Inc.	**$ (298)**	$ (83)	**$ (556)**	$ 112
NCI	**$ 75**	$ 47	**$ 133**	$ 91
EPS (in dollars)				
Basic and diluted	**$ (0.13)**	$ (0.04)	**$ (0.24)**	$ 0.04
(as a percentage of total revenues)				
Adjusted EBIT[1]	**(15.8)%**	4.8 %	**(5.7)%**	4.8 %
EBIT	**1.0 %**	8.6 %	**2.8 %**	13.5 %

Non-GAAP financial measures[1]

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Adjusted EBITDA	**$ (319)**	$ 312	**$ (148)**	$ 578
Adjusted net loss	**$ (631)**	$ (47)	**$ (800)**	$ (169)
Adjusted EPS	**$ (0.30)**	$ (0.04)	**$ (0.39)**	$ (0.12)

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

Reconciliation of segment to consolidated results

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019 [1]	**2020**	2019 [1]
Revenues				
Aviation	**$ 1,223**	$ 2,120	**$ 2,746**	$ 3,530
Transportation	**1,479**	2,194	**3,648**	4,301
Corporate and Others	**—**	—	**(1)**	(1)
	$ 2,702	$ 4,314	**$ 6,393**	$ 7,830
Adjusted EBIT[2]				
Aviation	**$ (20)**	$ 151	**$ 5**	$ 295
Transportation	**(383)**	111	**(332)**	194
Corporate and Others[3]	**(24)**	(56)	**(40)**	(112)
	$ (427)	$ 206	**$ (367)**	$ 377
Special Items				
Aviation	**$ (462)**	$ (189)	**$ (444)**	$ (709)
Transportation	**(6)**	24	**(6)**	24
Corporate and Others	**15**	—	**(99)**	7
	$ (453)	$ (165)	**$ (549)**	$ (678)
EBIT				
Aviation	**$ 442**	$ 340	**$ 449**	$ 1,004
Transportation	**(377)**	87	**(326)**	170
Corporate and Others[3]	**(39)**	(56)	**59**	(119)
	$ 26	$ 371	**$ 182**	$ 1,055

(1) Comparative figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment announced during the second quarter of 2019.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.
(3) Includes share of income (loss) from ACLP of $(9) million for the second quarter of 2019 and $3 million and $(8) million for the first half of 2020 and 2019, respectively. On February 12, 2020, Bombardier transferred its remaining interest in ACLP to Airbus and the Government of Québec.

Analysis of consolidated results

Gross margin

The $719-million decrease for the three-month period is mainly due to:

- lower gross margin from Transportation, mainly due to lower margin in rolling stock and systems mainly due to revised estimates on a number of late-stage projects mainly in the U.K. and Germany, and temporary suspension of operations at various production facilities due to the COVID-19 pandemic and related under-absorption of expenses recorded in the cost of sales, partially offset by higher margin in signalling and in services mainly due to a favourable contract mix; and
- lower gross margin from Aviation, mainly due to the COVID-19 pandemic, ramp down of deliveries of commercial aircraft as planned in line with the divestiture to MHI on June 1, 2020 and the sale of the Q Series aircraft program on May 31, 2019.

The $837-million decrease for the six-month period is mainly due to:

- lower gross margin from Transportation, mainly due to lower margin in rolling stock and systems mainly due to revised estimates on a number of late-stage projects mainly in the U.K. and Germany, temporary suspension of operations at various production facilities due to the COVID-19 pandemic and related under-absorption of expenses recorded in the cost of sales, and a pension amendment related to past service recorded last year, partially offset by higher margin in signalling and in services mainly due to a favourable contract mix; and
- lower gross margin from Aviation, mainly due to the COVID-19 pandemic and the ramp-up of *Global 7500* deliveries, ramp down of deliveries of commercial aircraft as planned in line with the divestiture to MHI on June 1, 2020 and the sale of the Q Series aircraft program on May 31, 2019.

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

Special items

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

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

		Three-month periods ended June 30		Six-month periods ended June 30	
	Ref	**2020**	2019	**2020**	2019
Gain on disposal of a business - CRJ Series business	1	**$ (496)**	$ —	**$ (496)**	$ —
Gain on exit of ACLP and related aerostructures activities	2	**—**	—	**(119)**	—
Restructuring charges	3	**28**	57	**33**	62
Transaction costs	4	**15**	—	**27**	—
Disruption costs	5	**—**	—	**10**	—
Reversal of *Learjet 85* aircraft program cancellation provisions	6	**—**	(3)	**(4)**	(12)
Gain on disposal of a business - Training business	7	**—**	—	**—**	(516)
Gain on disposal of a business - Q Series business	8	**—**	(219)	**—**	(219)
Loss on repurchase of long-term debt	9	**—**	4	**—**	84
Primove impairment and other costs	10	**—**	—	**—**	7
Income taxes		**44**	106	**50**	239
		$ (409)	$ (55)	**$ (499)**	$ (355)
Of which is presented in					
Special items in EBIT		**$ (453)**	$ (165)	**$ (549)**	$ (678)
Financing expense - loss on repurchase of long-term debt		**—**	4	**—**	84
Income taxes - effect of special items		**44**	106	**50**	239
		$ (409)	$ (55)	**$ (499)**	$ (355)

1. Represents the sale of the CRJ Series aircraft program assets for gross proceeds of $585 million, at closing, including certain closing adjustments. The transaction resulted in a pre-tax accounting gain of $496 million ($448 million after tax impact). See Note 19 - Disposal of business for more details.
2. The sale of the Corporation's remaining interest in ACLP and its aerostructures activities supporting A220 and A330 resulted in a pre-tax accounting gain of $119 million. See Note 18 - Disposal of investment in associate for more details.
3. For the three- and six-month periods ended June 30, 2020, represents severance charges of $35 million and $29 million primarily following the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic, $8 million and $19 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions, and other related charges of $4 million and $4 million, partially offset by curtailment gains of $19 million and $19 million.

   For the three- and six-month periods ended June 30, 2019, represents severance charges of $47 million and $58 million partially offset by curtailment gains of nil and $2 million and by the reversal of previously-recorded impairment charges of $4 million and $8 million, related to previously-announced restructuring actions. Following the announcement that the CRJ production is expected to conclude after the delivery of the current backlog of aircraft, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million, and has recorded $10 million of other related charges for the three- and six-month periods ended June 30, 2019. In addition, the Corporation has recorded a write down of deferred tax assets of $84 million to reflect the expected impact of the conclusion of the CRJ announcement.
4. Represents direct and incremental costs incurred in respect of transactions for the sale of the Transportation business to Alstom SA and for the sale of CRJ business to MHI.
5. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, nil and $10 million were recorded as special items in the three- and six-month periods ended June 30, 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.
6. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by nil and $4 million for the three- and six-month periods ended June 30, 2020 ($3 million and $12 million for the three- and six-month periods ended June 30, 2019). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.
7. The sale of the Business Aircraft's flight and technical training activities for a total net consideration of $532 million resulted in a pre-tax accounting gain of $516 million ($383 million after deferred tax impact of $133 million).
8. The sale of the Q Series Aircraft program assets for gross proceeds of $298 million resulted in a pre-tax accounting gain of $219 million ($193 million after tax impact).
9. Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021
10. Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded an additional contract provision of $7 million for six-month period ended June 30, 2019.

Net financing expense

Net financing expense amounted to $211 million and $543 million, respectively, for the three- and six-month periods ended June 30, 2020, compared to $247 million and $458 million for the corresponding periods last fiscal year.

The $36-million decrease for the three-month period is mainly due to:

- higher net gains on certain financial instruments classified as FVTP&L ($35 million); and
- net gains from changes in discount rates of provisions ($9 million).

The $85-million increase for the six-month period is mainly due to:

- higher net losses on certain financial instruments classified as FVTP&L ($128 million); and
- higher interest on long-term debt, after the effect of hedges ($17 million).

Partially offset by:

- a loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021 in 2019 ($84 million);

Income taxes

The effective income tax rates for the three- and six-month periods ended June 30, 2020 were (20.5)% and (17.2)% respectively, compared to the statutory income tax rate in Canada of 26.5%. In the three-month period, the effective income tax rate is due to the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences and the write-down of deferred tax assets related to the closing of the CRJ business deal ($48 million) partially offset by the permanent differences. In the six-month period, the effective income tax rate is due to the negative impact of the non-recognition of income tax benefits related to tax losses and temporary differences and the write-down of deferred tax assets related to the closing of the CRJ business deal ($48 million) partially offset by the permanent differences.

The effective income tax rates for the three- and six-month periods ended June 30, 2019 were 129.0% and 66.0%, respectively, compared to the statutory income tax rate in Canada of 26.7%. In the three-month period, the higher effective income tax rate is due to the negative impact of the write-down of deferred tax assets related to the CRJ announcement and the closing of the Q Series aircraft program deals ($110 million), the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences partially offset by the permanent differences. In the six-month period, the higher effective income tax rate is due to the negative impact of the write-down of deferred tax assets mainly related to Business Aircraft's flight and technical training activities sale ($133 million), the CRJ announcement and the closing of the Q Series aircraft program deals ($110 million) and the debt refinancing ($63 million), the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences partially offset by the permanent differences.

CONSOLIDATED FINANCIAL POSITION

The total assets decreased by $1.5 billion in the six-month period(1), including a negative currency impact of $325 million. The $1.2-billion decrease excluding the currency impact is mainly explained by(2):

- a $794-million decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details; and
- a $491-million decrease in investments in joint ventures and associates due to the sale of the Corporation's remaining interest in ACLP.(3)

Partially offset by:

- a $289-million increase in contract assets in Transportation mainly due to lower advances on existing orders; and
- a $135-million net increase in inventories mainly in Aviation due to lower aircraft deliveries as a result of the COVID-19 pandemic, partially offset by a decrease due to the sale of the CRJ Series aircraft program.

The total liabilities and deficit decreased by $1.5 billion in the six-month period(1), including a currency impact of $325 million. The $736-million decrease in total liabilities excluding the currency impact is mainly explained by(2):

- a $639-million decrease in trade and other payables in Transportation and Aviation;
- a $541-million decrease in contract liabilities in Aviation and Transportation;
- a $257-million decrease in other financial liabilities; and
- a $160-million decrease in provisions mainly due to reversal of onerous contract provision following the sale of the Corporation's remaining interest in ACLP(3) and related aerostructures activities.

Partially offset by:

- a $564-million increase in short-term borrowings in Transportation;
- a $352-million increase in retirement benefit liability mainly due to remeasurement of defined benefits plans

The increase in shareholders deficit is mainly explained by:

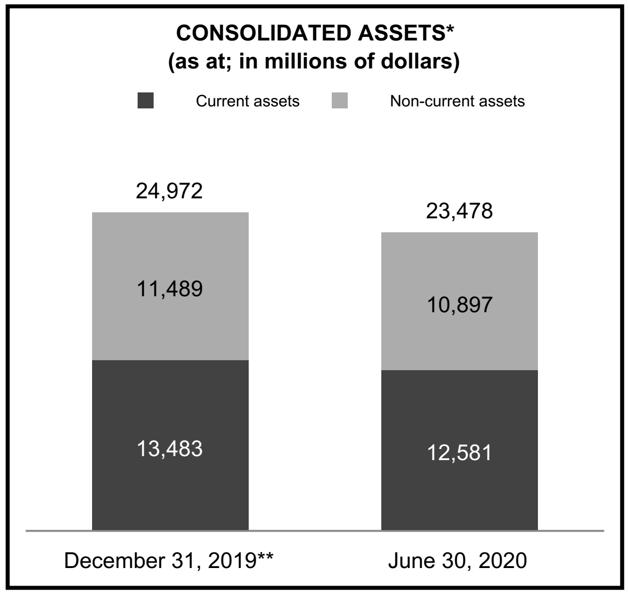
- the total comprehensive loss for the period, partially offset by a capital injection in Transportation by CDPQ.(4)

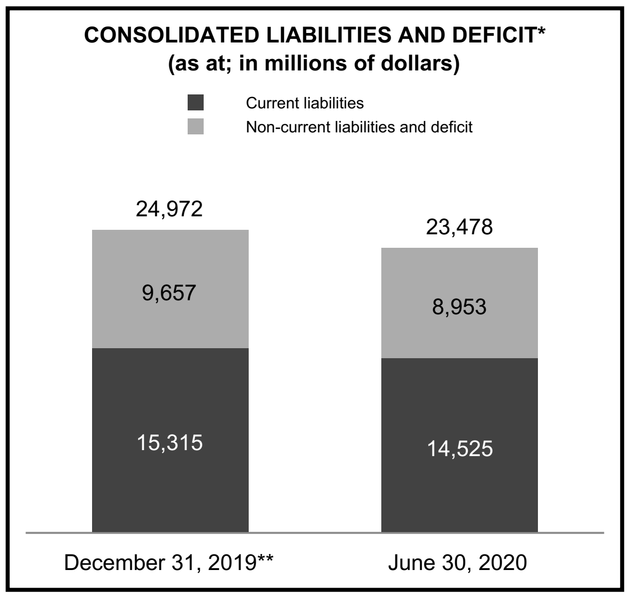
(1) For the purpose of the Consolidated financial position explanations included in this section, assets and liabilities include assets and liabilities reclassified as Assets held for sale. See Note 17 - Assets held for sale in our Interim consolidated financial statements for further details.

(2) For the purpose of the Consolidated financial position explanations included in this section do not include the impact of 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 Reshaping the Portfolio section in Aviation, Note 12 - Other financial assets and Note 15 - Other financial liabilities in our Interim consolidated financial statements for further details.

(3) Refer to Note 18 - Disposal of investment in associate in our Interim consolidated financial statements for further details.

(4) Refer to Note 20 - Non-controlling interest in our Interim consolidated financial statements for further details.





*The total assets and the total liabilities in the above graphs as at June 30, 2020 include $0.9 billion and $1.4 billion, respectively, related to the aerostructures businesses, which are presented under Assets held for sale ($0.8 billion and $1.3 billion, respectively, as at December 31, 2019). Refer to Reshaping the Portfolio section in Aviation and to Note 17 - Assets held for sale in our Interim consolidated financial statements for further details.

**The total assets and the total liabilities in the above graph as at December 31, 2019 include assets held for sale related to the CRJ Series aircraft program, which were derecognized as a result of the closing of the sale to MHI on June 1, 2020. Refer to Reshaping the Portfolio section in Aviation and to Note 19 - Disposal of business in our Interim consolidated financial statements for further details.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow[1]

Free cash flow usage[1]

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Net income (loss)	**$ (223)**	$ (36)	**$ (423)**	$ 203
Non-cash items				
Amortization	**108**	106	**219**	197
Impairment charges (reversals) on PP&E and intangible assets	**8**	(4)	**19**	(4)
Deferred income taxes	**(7)**	105	**28**	309
Losses (gains) on disposals of PP&E	**1**	(6)	**1**	(7)
Gains on disposal of investment in associate and businesses	**(496)**	(219)	**(615)**	(739)
Share of income of joint ventures and associates	**(51)**	(23)	**(63)**	(40)
Loss on repurchase of long-term debt	**—**	4	**—**	84
Share-based expense (income)	**(15)**	14	**(8)**	30
Dividends received from joint ventures and associates	**23**	18	**25**	19
Net change in non-cash balances[2]	**(305)**	(248)	**(1,683)**	(1,248)
Cash flows from operating activities	**(957)**	(289)	**(2,500)**	(1,196)
Net additions to PP&E and intangible assets	**(79)**	(140)	**(178)**	(277)
Free cash flow usage[1]	**(1,036)**	(429)	**(2,678)**	(1,473)

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.
[2] Refer to Note 22 - Net changes in non-cash balances, to our interim consolidated financial statements for further details.

Cash flows from operating activities
The $668-million decrease in cash flows from operating activities for the three-month period is mainly due to:
- lower net income before non-cash items ($616 million); and
- a negative period-over-period variation in net change in non-cash balances ($57 million) (see explanations below).

The $1.3-billion decrease in cash flows from operating activities for the six-month period is mainly due to:
- lower net income before non-cash items ($875 million); and
- a negative period-over-period variation in net change in non-cash balances ($435 million) (see explanations below).

Net change in non-cash balances
For the three-month period ended June 30, 2020, the $305-million outflow is mainly due to:
- a decrease in trade and other payables mainly in Aviation; and
- a decrease in contract liabilities in Aviation mainly due to lower order intake.

Partially offset by:
- a decrease in inventories in Aviation mainly due to lower production activity as a result of the temporary suspension of operations due to COVID-19 pandemic; and
- an increase in other liabilities mainly in Transportation.

For the three-month period ended June 30, 2019, the $248-million outflow is mainly due to:
- an increase in inventories in Aviation mainly due to the ramp-up in production for business aircraft;
- an increase in Transportation’s contract assets;
- an increase in trade and other receivables, and
- utilization of provisions mainly in Transportation.

Partially offset by:
- an increase in contract liabilities in Aviation mainly due to advances received on new and existing orders for business aircraft; and
- an increase in trade and other payables.

For the six-month period ended June 30, 2020, the $1.7-billion outflow is mainly due to:

- a decrease in trade and other payables in Transportation and Aviation;
- an increase in inventories in Aviation mainly due to lower aircraft deliveries as a result of the COVID-19 pandemic;
- a decrease in contract liabilities in Aviation mainly due to lower order intake; and
- an increase in Transportation's net contract assets mainly due to lower advances on new and existing orders.

For the six-month period ended June 30, 2019, the $1.2-billion outflow is mainly due to:

- an increase in inventories in Aviation mainly due to the ramp-up in production for business aircraft;
- an increase in Transportation's net contract assets;
- utilization of provisions mainly in Transportation;
- an increase in trade and other receivables; and
- a decrease in other liabilities in Transportation mainly related to sales tax.

Partially offset by:

- an increase in contract liabilities in Aviation mainly due to advances received on new and existing orders for business aircraft; and
- an increase in trade and other payables.

Net additions to PP&E and intangible assets

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Additions to PP&E and intangible assets	**$ (82)**	$ (151)	**$ (181)**	$ (293)
Proceeds from disposals of PP&E and intangible assets	**3**	11	**3**	16
Net additions to PP&E and intangible assets	**$ (79)**	$ (140)	**$ (178)**	$ (277)

The $61-million and $99-million decreases in net additions to PP&E and intangible assets for the three- and six-periods, respectively, are mainly due to lower investments in aerospace program tooling.

Available short-term capital resources

Variation in cash and cash equivalents

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Balance at the beginning of period	**$ 2,069**	$ 3,279	**2,629** (2)	$ 3,187
Free cash flow usage[1]	**(1,036)**	(429)	**(2,678)**	(1,473)
Investments in non-voting units of ACLP	**—**	(125)	**(100)**	(235)
Net proceeds from disposal of investment in associate and businesses	**580**	294	**1,111**	826
Net proceeds from issuance of long-term debt	**—**	—	**—**	1,956
Repayments of long-term debt	**—**	(176)	**—**	(1,762)
Net change in short-term borrowings	**138**	204	**551**	488
Payment of lease liabilities	**(26)**	(34)	**(52)**	(56)
Dividends paid - Preferred shares	**(5)**	(5)	**(10)**	(10)
Issuance of NCI	**—**	—	**386**	—
Dividends to NCI	**(1)**	(1)	**(1)**	(1)
Effect of exchange rate changes on cash and cash equivalents	**12**	(31)	**(111)**	36
Other	**(7)**	(19)	**(1)**	1
Balance at the end of period	**$ 1,724**	$ 2,957	**$ 1,724**	$ 2,957
Reclassified as assets held for sale[2]	**50**	—	**50**	—
Balance at the end of period	**$ 1,674**	$ 2,957	**$ 1,674**	$ 2,957

Available short-term capital resources

	June 30, 2020	December 31, 2019
Cash and cash equivalents[2]	**$ 1,724**	$ 2,629
Available revolving credit facilities[3]	**738**	1,296
Available short-term capital resources	**$ 2,462**	$ 3,925

Our available short-term capital resources include cash and cash equivalents and the amounts available under our unsecured revolving credit facility. The facility is available for cash drawings for the general needs of Transportation. Under this facility, the same financial covenants must be met as for Transportation's letter of credit facility. Refer to the Financial covenants section for details.

Transportation's unsecured revolving credit facility amounted to €1,154 million ($1,302 million) as at June 30, 2020 and is available for cash drawings. The facility matures in May 2022 and bears interest at Euribor plus a margin. €500 million ($564 million) under Transportation's facility was used as at June 30, 2020.

The Corporation announced on July 22, 2020 that it secured a commitment from investment funds and accounts managed by HPS Investment Partners, LLC to provide a three-year senior secured term loan (the "Facility") of up to $1.0 billion, providing additional liquidity to operate the business through the COVID-19 pandemic as it works to close previously announced divestitures undertaken to reshape Bombardier's capital structure. The Facility is expected to be in place in the third quarter of 2020 and provides additional liquidity for working capital and general corporate purposes as Bombardier realigns production rates with current market conditions. The Facility will have a minimum utilization of $750 million and a term of three years. Bombardier will have the right to voluntarily prepay the outstanding amount of the Facility. In addition, the sale of Bombardier Transportation will result in a mandatory repayment of 50% of the then outstanding principal amount of the Facility. Drawings under the Facility will bear interest at an agreed margin over the LIBOR reference rate and will be secured by a security interest in certain aviation inventory and related accounts receivable. There are no financial covenants under the Facility.

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and the Free cash flow usage table above for reconciliations to the most comparable IFRS measure.
(2) Includes cash and cash equivalents of the aerostructures businesses presented under Assets held for sale totalling $50 million as of June 30, 2020 and $51 million as of December 31, 2019, respectively. Refer to Reshaping the portfolio section in Aviation section of this MD&A and Note 17 - Assets held for sale in the Consolidated financial statements for more details on the transaction and the accounting treatments.
(3) Includes undrawn amount under Transportation's €1,154 million unsecured revolving credit facility.

In response to the COVID-19 pandemic, we are taking several initiatives to manage liquidity. Refer to Impacts of COVID-19 pandemic section for more details.

Uncommitted short term credit facilities

The Corporation has a €75 million ($85 million) uncommitted short term credit facility. This facility is available to Transportation for cash drawings. This facility was unused as of June 30, 2020.

Letter of credit facilities

Transportation has a letter of credit facility available for issuance of letters of credit. The committed amount under this letter of credit facility is €4,498 million ($5,075 million). The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment amount of the facility, plus a one year amortization period during which new letters of credit cannot be issued. The final maturity date of the facility is 2023.

Financial covenants

Transportation is subject to various financial covenants under the Transportation letter of credit facility and the Transportation revolving credit facility, which must be met on a quarterly basis.

Transportation secured further amendments to its revolving credit facility and letter of credit facility. These amendments provide for, among other things, temporary adjustments to certain financial covenants through the third quarter and will be reflected in the four-quarter trailing calculation of certain ratios until the period ending March 31, 2021.

The minimum liquidity required by the Transportation letter of credit and revolving credit facilities was €750 million. Effective in June 2020, the minimum liquidity is now varying between €500 million ($564 million) and €750 million ($846 million) at the end of each quarter. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation’s global metrics or to any specific terms used in the MD&A.

The financial covenants under these credit facilities were all met as at June 30, 2020 and December 31, 2019.

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

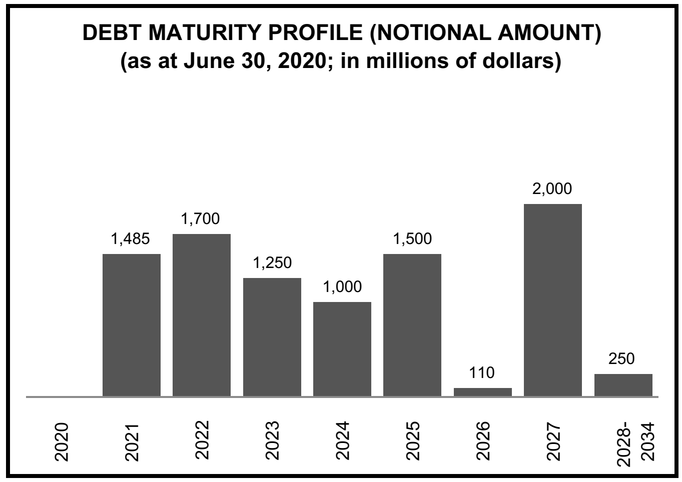
Future liquidity requirements

There is no significant debt maturing before 2021. $1,485 million of long-term debt due in 2021 is comprised of €414 million ($467 million) due in May 2021 and $1,018 million due in December 2021.

We believe our available short-term capital resources, along with the initiatives being taken to manage liquidity in response to the COVID-19 pandemic (refer to Impacts of COVID-19 pandemic section of this MD&A for more details), and the expected proceeds from the previously announced sale of the aerostructures businesses, will give us sufficient liquidity to execute our plan in the short term.

We currently anticipate that these resources, as well as proceeds from the previously announced sale of Transportation targeted to close in the first half of 2021 will enable the development of new products to enhance our competitiveness and support our growth; will enable us to meet currently anticipated financial requirements in the foreseeable future; and will allow the payment of dividends on preferred shares, if and when declared by the Board of Directors.[1]

[1] See the forward-looking statements disclaimer.



Creditworthiness

In February 2020, Fitch Ratings Ltd. changed their ratings from B- to CCC+. In the context of the COVID-19 pandemic, in March 2020, Standard & Poor's Rating Services and Fitch Ratings Ltd. changed their ratings from B to CCC+ and from CCC+ to CCC, respectively. In April 2020, also in the context of the COVID-19 pandemic, Moody's Investors Service, Inc. changed their rating from B3 to Caa2.

Credit Ratings

	Investment-grade rating	Bombardier Inc.'s issuer rating	
		August 5, 2020	December 31, 2019
Fitch Ratings Ltd.	BBB-	**CCC**	B-
Moody's Investors Service, Inc.	Baa3	**Caa2**	B3
Standard & Poor's Rating Services	BBB-	**CCC+**	B-

Over the long term, we believe that we will be in a good position to improve our credit ratings as we progress towards positive free cash flow[1] generation and more stable profitability, and as we close the previously announced sale of Transportation which would generate significant net proceeds to pay down debt and strengthen liquidity.[2]

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and the Free cash flow usage table above for reconciliations to the most comparable IFRS measure.
[2] See the forward-looking statements disclaimer.

CAPITAL STRUCTURE

We analyze our capital structure using a broad economic view of the Corporation, in order to assess its creditworthiness.

In order to accelerate the deleveraging of its balance sheet, the Corporation recently entered into a transformational transaction to sell its rail business to Alstom SA on the basis of an enterprise value of approximately $8.2 billion. Under the agreement, Bombardier would receive net proceeds of between $4.2 billion to $4.5 billion, inclusive of $550 million in the form of Alstom shares, which it intends to direct towards debt paydown under the most efficient debt reduction strategies. Refer to Note 26 - Transaction, to our interim consolidated financial statements, for more details on this transaction. The transformation nature of this transaction is expected to meaningfully strengthen the balance sheet.(1)

In addition to the deleveraging transaction above, we separately monitor our net retirement benefit liability which amounted to $2.6 billion as at June 30, 2020 ($2.7 billion(2) as at December 31, 2019), including $1.1 billion related to Transportation, part of the transaction with Alstom. The measurement of this liability is dependent on numerous key long-term assumptions such as discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. We closely monitor the impact of the net retirement benefit liability on our future cash flows and we have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with the retirement benefit plans. The $24-million decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability			
Balance as at December 31, 2019	$	2,666	(2)(3)
Changes in discount rates and other financial assumptions		523	
Service costs		126	
Accretion on net retirement benefit obligation		33	
Changes in foreign exchange rates		(83)	
Actuarial losses on pension plan assets		30	
Employer contributions		(114)	
Net gains on curtailment and settlement		(73)	
Other net actuarial gains on defined benefit obligations		(25)	
Other		12	
Reclassified as liabilities directly associated with assets held for sale(2)		(453)	
Balance as at June 30, 2020	**$**	**2,642**	(3)(4)

(1) See the forward-looking statements disclaimer.
(2) Opening balance is before the assets held for sale reclassification amounting to $414 million as at December 31, 2019. Net retirement benefit liabilities amounting to $453 million related to the aerostructures businesses to be sold to Spirit were reclassified as liabilities directly associated with assets held for sale as at June 30, 2020.
(3) Includes retirement benefit assets of $122 million as at June 30, 2020 ($193 million as at December 31, 2019).
(4) Transportation represents 41% of the net retirement benefit liabilities as of June 30, 2020; Aviation and Corporate represent 59% of the net retirement benefit liabilities as of June 30, 2020.

NON-GAAP FINANCIAL MEASURES

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

Non-GAAP financial measures	
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) excluding special items, accretion on net retirement benefit obligations, certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items.
Adjusted EPS	EPS calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements.
Free cash flow (usage)	Cash flows from operating activities less net additions to PP&E and intangible assets.

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

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

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

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

- adjusted EBIT to EBIT – see the Results of operations tables in the reporting segments and Consolidated results of operations section; and
- free cash flow usage to cash flows from operating activities – see the Free cash flow usage table in the Liquidity and capital resources section.

Reconciliation of adjusted EBITDA to EBIT

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
EBIT	**$ 26**	$ 371	**$ 182**	$ 1,055
Amortization	**108**	106	**219**	197
Impairment charges (reversals) on PP&E and intangible assets[1]	**8**	(4)	**19**	(4)
Special items excluding impairment charges (reversals) on PP&E and intangible assets[1]	**(461)**	(161)	**(568)**	(670)
Adjusted EBITDA	**$ (319)**	$ 312	**$ (148)**	$ 578

Reconciliation of adjusted net loss to net loss and computation of adjusted EPS

	Three-month periods ended June 30			
	2020	**(per share)**	2019	(per share)
Net loss	**$ (223)**		$ (36)	
Adjustments to EBIT related to special items[1]	**(453)**	**$ (0.19)**	(165)	$ (0.07)
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**(15)**	**(0.01)**	29	0.01
Accretion on net retirement benefit obligations	**16**	**0.01**	15	0.01
Loss on repurchase of long-term debt[1]	**—**	**—**	4	—
Tax impact of special[1] and other adjusting items	**44**	**0.02**	106	0.05
Adjusted net loss	**(631)**		(47)	
Net income attributable to NCI	**(75)**		(47)	
Preferred share dividends, including taxes	**(7)**		(7)	
Adjusted net loss attributable to equity holders of Bombardier Inc.	**$ (713)**		$ (101)	
Weighted-average diluted number of common shares (in thousands)	**2,402,633**		2,375,581	
Adjusted EPS (in dollars)	**$ (0.30)**		$ (0.04)	

[1] Refer to the Consolidated results of operations section for details regarding special items.

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended June 30	
	2020	2019
Diluted EPS	**$ (0.13)**	$ (0.04)
Impact of special[1] and other adjusting items	**(0.17)**	—
Adjusted EPS	**$ (0.30)**	$ (0.04)

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

	Six-month periods ended June 30			
	2020		2019	
		(per share)		(per share)
Net income (loss)	**$ (423)**		$ 203	
Adjustments to EBIT related to special items[1]	**(549)**	**$ (0.22)**	(678)	$ (0.29)
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net gain on certain financial instruments	**86**	**0.04**	(50)	(0.02)
Accretion on net retirement benefit obligations	**33**	**0.01**	33	0.01
Loss on repurchase of long-term debt[1]	**—**	**—**	84	0.04
Tax impact of special[1] and other adjusting items	**53**	**0.02**	239	0.10
Adjusted net loss	**(800)**		(169)	
Net income attributable to NCI	**(133)**		(91)	
Preferred share dividends, including taxes	**(13)**		(14)	
Adjusted net loss attributable to equity holders of Bombardier Inc.	**$ (946)**		$ (274)	
Weighted-average diluted number of common shares (in thousands)	**2,400,939**		2,375,223	
Adjusted EPS (in dollars)	**$ (0.39)**		$ (0.12)	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Six-month periods ended June 30	
	2020	2019
Diluted EPS	**$ (0.24)**	$ 0.04
Impact of special[1] and other adjusting items	**(0.15)**	(0.16)
Adjusted EPS	**$ (0.39)**	$ (0.12)

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

AVIATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30	2020	2019 [1]	Variance
Revenues			
Business aircraft	**$ 998**	$ 1,383	(28)%
Other aviation	**$ 225**	$ 737	(69)%
Total Revenues	**$ 1,223**	$ 2,120	(42)%
Aircraft deliveries (in units)			
Business aircraft	**20**	35	(15)
Commercial aircraft[2]	**—**	17	(17)
Adjusted EBITDA[3]	**$ 55**	$ 222	(75)%
Adjusted EBITDA margin[3]	**4.5 %**	10.5 %	(600) bps
Adjusted EBIT[3]	**$ (20)**	$ 151	nmf
Adjusted EBIT margin[3]	**(1.6)%**	7.1 %	(870) bps
EBIT	**$ 442**	$ 340	30 %
EBIT margin	**36.1 %**	16.0 %	2010 bps
Net additions to PP&E and intangible assets	**$ 58**	$ 103	(44)%

As at	June 30, 2020	December 31, 2019	Variance
Order backlog (in billions of dollars)			
Business aircraft	**$ 12.9**	$ 14.4	(10)%
Other aviation[4]	**$ 1.0**	$ 1.9	(47)%

Key highlights and events

- Revenues reached $1.2 billion during the second quarter, reflecting a lower level of production activity and deliveries as the Corporation suspended business aircraft operations in Canada and key aerostructures operations in Mexico and Belfast due to the COVID-19 pandemic.

- Starting in the last weeks of April and through the month of May, operations gradually resumed with new safety measures in place, allowing Aviation to deliver 20 business aircraft during the quarter, including five *Global 7500*.

- Bombardier’s worldwide customer service operations have continued to operate largely uninterrupted throughout the pandemic. Service centres have shown resilience maintaining a high level of activity at maintenance facilities, partially offset by lower revenues related to the decrease in customer flight utilization.

- Adjusted EBITDA[3] and adjusted EBIT[3] margins of 4.5% and (1.6)%, respectively, reflect lower volumes during the quarter as result of disruptions from the global COVID-19 pandemic, combined with low contribution of early *Global 7500* units. Reported EBIT of $442 million during the quarter reflects the $496 million accounting gain on the disposal of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd.

(1) Comparative figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment announced during the second quarter of 2019.
(2) On May 31, 2019, the Corporation completed the sale of the Q Series aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited). On June 1, 2020, the Corporation completed the sale of the regional jet program to Mitsubishi Heavy Industries, Ltd (MHI).
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section for reconciliations to the most comparable IFRS measures.
(4) Included 20 firm orders for CRJ900 as of December 31, 2019. The backlog for the CRJ Series aircraft program amounting to $0.4 billion was removed as a result of the closing of the sale of the CRJ Series aircraft program to MHI on June 1, 2020.
(5) See the forward-looking statements disclaimer.

    - On June 5, 2020, Aviation announced the reduction of its workforce by approximately 2,500 employees to align production with current market conditions, forecasted to be down approximately 30% year-over-year.[1] The reduction resulted in a special charge of $41 million in the second quarter.

- A significant share of the Corporation's free cash flow usage[2] during the first two quarters of 2020 is related to the impact of the COVID-19 pandemic on Aviation, mainly driven by a shortfall in deliveries and lower than anticipated advances associated with the low order intake environment.

- As operations recover in the second half of the year, aircraft deliveries are set to accelerate relative to the first half of the year, towards a seasonal peak in the fourth quarter supported by Aviation's $12.9 billion backlog.[1]

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

INDUSTRY AND ECONOMIC ENVIRONMENT

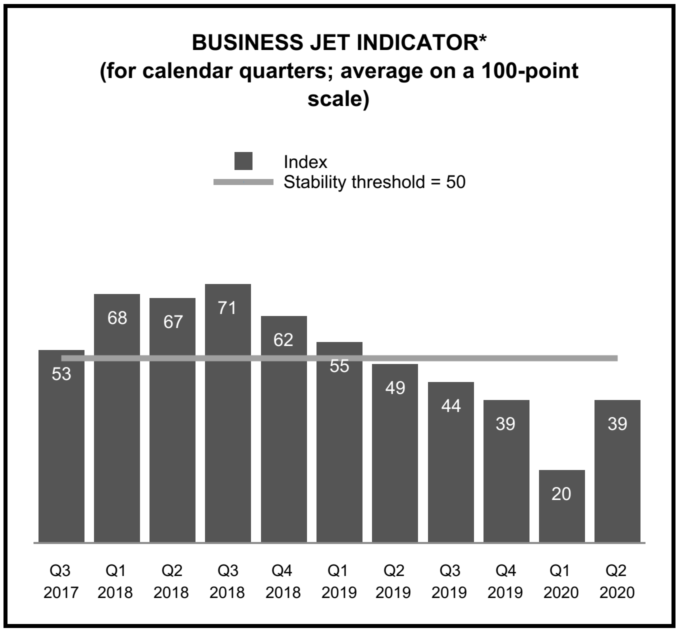
This section will focus on indices relevant for business aviation, following the announcement made by the Corporation during 2019 in relation to the definitive agreement with Spirit AeroSystems Holding, Inc. for the sale of Bombardier's aerostructures businesses in Belfast and Morocco, and supporting the completion of our exit from the commercial aviation market.

During March 2020, the World Health Organization declared a global COVID-19 pandemic resulting in travel restriction protocols being implemented by many developed countries which will see air travel greatly affected for the remainder of the year. As expected, industry indicators now reflect the impact of the COVID-19 pandemic on the business aviation industry. On June 21, 2020, the International Monetary Fund shared its projection of the global growth at (4.9)% for 2020. In this context of global recession coupled with air travel restrictions, we expect industry indicators to remain below 2019 trends this year.

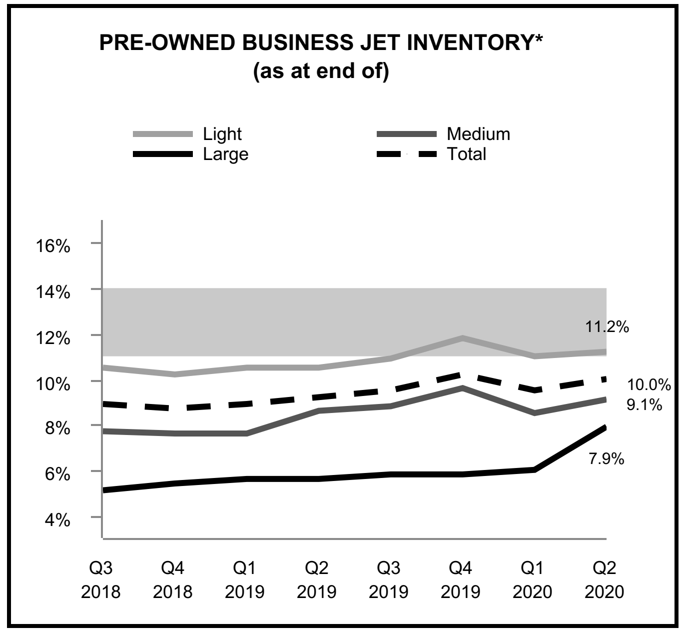
In the second quarter of 2020, we observed a 31% decline of industry deliveries year-over-year as a result of border closures and travel restrictions, which are counter measures to blunt the impact of the COVID-19 pandemic.(1) Business jet utilization in the U.S. decreased 33% year-over-year, for the first five months of the year. Europe has also seen a sharp year-over-year decline of 41% for the first half of the year as a result of the widespread lockdown protocols implemented throughout the region in March 2020.(2) However, with easing travel restrictions, business aviation flight activity has recorded a faster recovery than commercial aviation. According to WingX data, global business aviation flight activity for July is back at 80% of 2019 levels.(3) Despite reduced aircraft utilization, services have shown more resilience maintaining a high level of activity at maintenance facilities. Industry confidence levels have reached the bottom in March 2020 at 20 and have started to grow back up to 39 in June 2020.(4) Pre-owned aircraft inventory levels continued to remain at healthy levels in the second quarter of 2020. The total number of pre-owned aircraft available for sale, as a percentage of the total in-service fleet, was at 10.0% as at June 30, 2020,(5) contrary to the 2007-2008 financial crisis when the number of used aircraft for sale had climbed from around 10% of the active fleet to 18%.

Despite the short-term global shock caused by the COVID-19 pandemic, the business aviation industry is expected to grow in the long term due to strong demand combined with the introduction of new aircraft models and technologies. With the industry's most comprehensive product portfolio, Bombardier Aviation is well positioned.

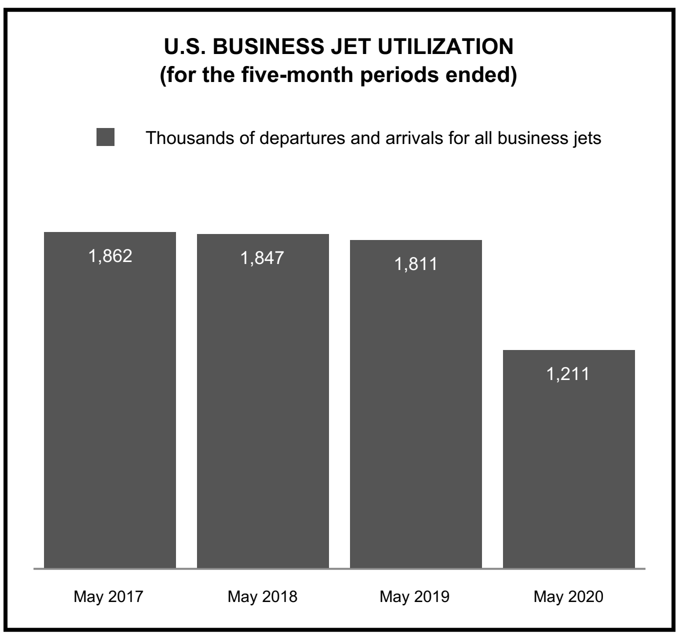
(1) Based on our estimates, public disclosure records of certain competitors, the General Aviation Manufacturers Association (GAMA) shipment reports and Ascend (by Cirium). Very light jets and large corporate airliners are excluded.
(2) According to the U.S. Federal Aviation Administration (FAA) and Eurocontrol websites.
(3) According to WingX data in Corporate Jet Investor article "Industry recovery slows as some travel restrictions reimposed" dated July 30, 2020.
(4) According to the Barclays Business Jet Survey dated June 16, 2020.
(5) According to JETNET and Ascend online.



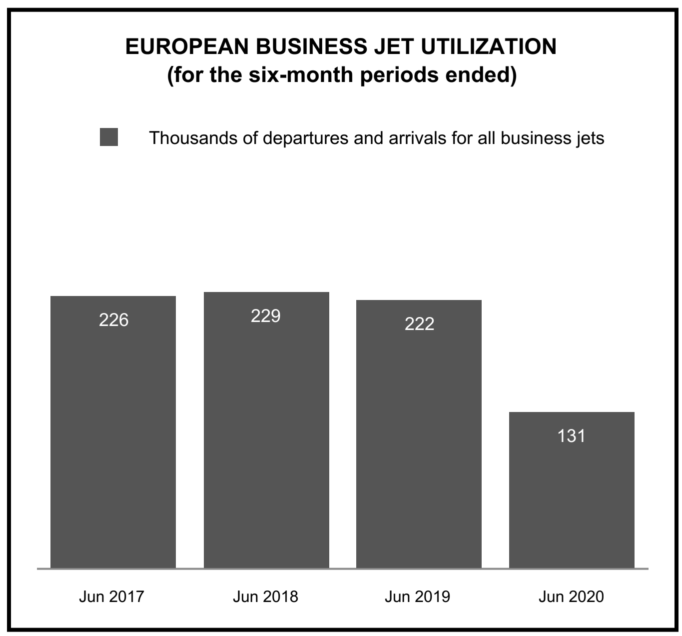
Source: Barclays from the start of 2018, previously UBS
* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.
Methodologies used in the calculation of the Business Jet Indicator may differ following a change in the source of the data. UBS did not issue a survey for Q4 2017.



Sources: JETNET and Ascend (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

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019 [1]	**2020**	2019 [1]
Revenues				
Business aircraft				
Manufacturing and other[2]	**769**	1,065	**1,618**	1,711
Services[3]	**229**	318	**502**	641
Commercial aircraft[4]	**73**	516	**294**	757
Aerostructures and engineering services[5]	**152**	221	**332**	421
Total revenues	**$ 1,223**	$ 2,120	**$ 2,746**	$ 3,530
Adjusted EBITDA[6]	**$ 55**	$ 222	**$ 157**	$ 424
Amortization	**75**	72	**152**	130
Impairment reversals on PP&E and intangible assets	**—**	(1)	**—**	(1)
Adjusted EBIT[6]	**(20)**	151	**5**	295
Special items	**(462)**	(189)	**(444)**	(709)
EBIT	**$ 442**	$ 340	**$ 449**	$ 1,004
Adjusted EBITDA margin[6]	**4.5 %**	10.5%	**5.7%**	12.0%
Adjusted EBIT margin[6]	**(1.6)%**	7.1%	**0.2%**	8.4%
EBIT margin	**36.1 %**	16.0%	**16.4%**	28.4%

(1) Comparative figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment announced during the second quarter of 2019.
(2) Represents revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
(3) Represents revenues from aftermarket services including parts, Smart Services, service centres, training and technical publication.
(4) Represents manufacturing, services and other.
(5) Represents external revenues.
(6) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $897-million decrease for the three-month period is mainly due to:

- lower revenues from commercial aircraft, mainly due to ramp down of deliveries as planned in line with the divestiture to Mitsubishi Heavy Industries, Ltd (MHI) on June 1, 2020 and the sale of the Q Series aircraft program on May 31, 2019; and
- lower revenues from business aircraft and aerostructures and engineering services, mainly due to the COVID-19 pandemic.

The $784-million decrease for the six-month period is mainly due to:

- lower revenues from commercial aircraft, mainly due to ramp down of deliveries as planned in line with the divestiture to MHI on June 1, 2020 and the sale of the Q Series aircraft program on May 31, 2019; and
- lower revenues from business aircraft and aerostructures and engineering services, mainly due to the COVID-19 pandemic and the sale of the business aircraft training activities on March 14, 2019.

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 recorded as (gains) losses in EBIT were as follows:

		Three-month periods ended June 30		Six-month periods ended June 30	
	Ref	**2020**	2019	**2020**	2019
Gain on disposal of a business - CRJ Series business	1	**$ (496)**	$ —	**$ (496)**	$ —
Restructuring charges	2	**34**	33	**45**	38
Reversal of *Learjet 85* aircraft program cancellation provisions	3	**—**	(3)	**(4)**	(12)
Transaction costs	4	**—**	—	**7**	—
Disruption costs	5	**—**	—	**4**	—
Gain on disposal of a business - Training business	6	**—**	—	**—**	(516)
Gain on disposal of a business - Q Series business	7	**—**	(219)	**—**	(219)
		$ (462)	$ (189)	**$ (444)**	$ (709)
EBIT margin impact		**37.7 %**	8.9 %	**16.2 %**	20.0 %

1. Represents the sale of the CRJ Series aircraft program assets for gross proceeds of $585 million, at closing, including certain closing adjustments. The transaction resulted in a pre-tax accounting gain of $496 million ($448 million after tax impact). See Note 19 - Disposal of business for more details.

2. For the three- and six-month periods ended June 30, 2020, represents severance charges of $41 million and $41 million following the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic, $8 million and $19 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions, and other related charges of $4 million and $4 million, partially offset by curtailment gains of $19 million and $19 million.

   For the three- and six-month periods ended June 30, 2019, represents severance charges of $19 million and $26 million partially offset by curtailment gains of nil and $2 million, related to previously-announced restructuring actions. Following the announcement that the CRJ production is expected to conclude after the delivery of the current backlog of aircraft, the Corporation recorded severance charges of $7 million partially offset by curtailment gains of $3 million, and recorded $10 million of other related charges for the three- and six-month periods ended June 30, 2019.

3. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by nil and $4 million for the three- and six-month periods ended June 30, 2020 ($3 million and $12 million for the three- and six-month periods ended June 30, 2019). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

4. Represents direct and incremental costs incurred in respect of the sale of CRJ business to MHI.

5. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, nil and $4 million were recorded as special items for Aviation in the three- and six-month periods ended June 30, 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

6. The sale of the Business Aircraft’s flight and technical training activities for a total net consideration of $532 million resulted in a pre-tax accounting gain of $516 million ($383 million after deferred tax impact of $133 million).

7. The sale of the Q Series Aircraft program assets for gross proceeds of $298 million resulted in a pre-tax accounting gain of $219 million ($193 million after tax impact).

EBIT margin

Adjusted EBIT margin[1] for the three-month period decreased by 8.7 percentage points mainly due to:

- lower contribution from business aircraft sales, mainly driven by lower deliveries due to the COVID-19 pandemic, the ramp-up of *Global 7500* deliveries and the associated increase in amortization of aerospace program tooling;
- lower contribution from commercial aircraft, mainly due to ramp down of deliveries as planned in line with the divestiture to MHI on June 1, 2020 and the sale of the Q Series aircraft program on May 31, 2019; and
- lower contribution from aerostructures and engineering services, mainly due to the COVID-19 pandemic.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 20.1 percentage points compared to the same period last year.

Adjusted EBIT margin[1] for the six-month period decreased by 8.2 percentage points mainly due to:

- lower contribution from business aircraft sales, mainly driven by lower deliveries due to the COVID-19 pandemic, the ramp-up of *Global 7500* deliveries and the associated increase in amortization of aerospace program tooling;
- lower contribution from commercial aircraft, mainly due to ramp down of deliveries as planned in line with the divestiture to MHI on June 1, 2020 and the sale of the Q Series aircraft program on May 31, 2019;
- lower contribution from aerostructures and engineering services, mainly due to the COVID-19 pandemic; and
- lower contribution from business aircraft services, mainly due to the sale of the business aircraft training activities on March 14, 2019 and lower services revenues due to the COVID-19 pandemic.

Including the impact of special items (see explanation of special items above), the EBIT margin for the six-month period decreased by 12.0 percentage points compared to the same period last year.

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric.

Product development

Investment in product development

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019 [1]	**2020**	2019 [1]
Program tooling[2]	**$ 34**	$ 78	**$ 74**	$ 160
R&D expense[3]	**2**	7	**6**	11
	$ 36	$ 85	**$ 80**	$ 171
As a percentage of revenues	**2.9%**	4.0%	**2.9%**	4.8%

The carrying amount of aerospace program tooling as at June 30, 2020 was $4.6 billion, at a similar level as at December 31, 2019. The net carrying value of aerospace program tooling remains stable due to completion of major development programs.

[1] Comparative figures are restated as a result of the formation of Bombardier Aviation, our new reportable segment announced during the second quarter of 2019.
[2] 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.
[3] Excluding amortization of aerospace program tooling of $48 million and $94 million, respectively, for the three- and six-month periods ended June 30, 2020 ($32 million and $51 million for the three- and six-month periods ended June 30, 2019), as the related investments are already included in aerospace program tooling.

The *Learjet 75 Liberty* aircraft program[1]
Bombardier debuted the *Learjet 75 Liberty* mock-up on October 22, 2019 at National Business Aviation Association Convention and Exhibition (NBAA-BACE) in Las Vegas following the launch of the business jet on July 2, 2019. On January 20, 2020, Bombardier announced the Garmin G5000 avionics upgrade would be a standard feature on the *Learjet 75 Liberty* aircraft, following U.S. Federal Aviation Administration (FAA) certification of the avionics upgrade on November 12, 2019.

Building on the industry's best light jet platform, the new *Learjet 75 Liberty* offers the largest cabin in its segment with a new Executive six-seat configuration. Standard features not found on other light jets in this segment include a flat floor and pocket door between the cockpit and Executive Suite for a quiet flight experience. With a lower price point than previous *Learjet* aircraft, the *Learjet 75 Liberty* offers better performance at the same operating costs as competitor aircraft.[2]

The first *Learjet 75 Liberty* aircraft is progressing on the assembly line in Wichita with first deliveries expected in the second half of 2020.

(1) Currently under development. See the *Global 8000* and *Learjet 75 Liberty* aircraft disclaimer at the end of this MD&A.
(2) Under certain operating conditions, when compared to aircraft currently in service.

Aircraft deliveries and order backlog

Aircraft deliveries

	Three-month periods ended June 30		Six-month periods ended June 30	
(in units)	**2020**	2019	**2020**	2019
Business aircraft				
Light	**2**	2	**5**	4
Medium	**9**	17	**23**	31
Large	**9**	16	**18**	24
	20	35	**46**	59
Commercial aircraft				
Regional jets[1]	**—**	11	**5**	14
Turboprops[2]	**—**	6	**—**	7
	—	17	**5**	21
	20	52	**51**	80

(1) On June 1, 2020, the Corporation completed the sale of the regional jet program to MHI.
(2) On May 31, 2019, the Corporation completed the sale of the Q Series aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited).

Order backlog

		As at
(in billions of dollars)	**June 30, 2020**	December 31, 2019
Business aircraft	**$ 12.9**	$ 14.4
Other aviation[1]	**$ 1.0**	$ 1.9
	$ 13.9	$ 16.3

(1) Included 20 firm orders for CRJ900 as of December 31, 2019. The backlog for the CRJ Series aircraft program amounting to $0.4 billion was removed as a result of the closing of the sale of the CRJ Series aircraft program to MHI on June 1, 2020.

The order backlog and the production horizon for business aircraft programs are monitored to align production rates to reflect market demand. We maintained our industry-leading position in terms of business aircraft order backlog at the end of the second quarter.

RESHAPING THE PORTFOLIO

Closing of the sale of our regional jet program to Mitsubishi Heavy Industries, Ltd.

On June 1, 2020, the Corporation confirmed the closing of the previously announced sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd (MHI).

Through this sale, MHI acquires the maintenance, support, refurbishment, marketing, and sales activities for the CRJ Series aircraft, including the related services and support network located in Montréal, Québec, and Toronto, Ontario, and its service centres located in Bridgeport, West Virginia, and Tucson, Arizona, as well as the type certificates.

Bombardier will continue to supply components and spare parts and will assemble the remaining CRJ Series aircraft in the backlog on behalf of MHI until the complete delivery of the current backlog, expected by the end of the first quarter of 2021.(1)

The Corporation has received gross proceeds of $585 million at closing, including certain closing adjustments. The net proceeds were $575 million at closing. A pre-tax gain of $496 million was recognized in Special items ($448 million after tax impact).

The Corporation has retained certain liabilities representing credit and residual value guarantees provisions and lease subsidies for which the Corporation has a back-to-back agreement with MHI. In addition, the Corporation has retained certain assets, mainly including the Corporation's regional aircraft securitization program (RASPRO) for which the Corporation has transferred the net beneficial interest through a back-to-back agreement with MHI.

For more details, refer to Note 19 - Disposal of business, to our interim consolidated financial statements.

Sale of Belfast and Casablanca aerostructures businesses and Dallas MRO to Spirit AeroSystems Holding, Inc. (Spirit)

On October 31, 2019, the Corporation and Spirit AeroSystems Holding, Inc. (Spirit) announced that they have entered into a definitive agreement, whereby Spirit will acquire Bombardier's aerostructures activities and aftermarket services operations in Belfast, U.K., and Casablanca, Morocco, and its aerostructures maintenance, repair and overhaul (MRO) facility in Dallas, U.S., for a cash consideration of $500 million and the assumption of liabilities, including government refundable advances and pension obligations. Following the transaction, Spirit will continue to supply structural aircraft components and spare parts to support the production and in-service fleet of Bombardier Aviation's *Learjet, Challenger* and *Global* families of aircraft.

The transaction follows the formation of Bombardier Aviation last year and streamlines its aerostructures footprint to focus on its core capabilities in Montreal, Mexico and its *Global 7500* wing operations in Texas. The transaction is expected to close this fall and remains subject to customary closing conditions.(1)

For more details, refer to Note 17 - Assets held for sale, to our interim consolidated financial statements.

(1) See the forward-looking statements disclaimer.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30	2020	2019	Variance
Revenues	**$ 1,479**	$ 2,194	(33)%
Order intake (in billions of dollars)	**$ 1.6**	$ 2.0	(20)%
Book-to-bill ratio(1)	**1.1**	0.9	0.2
Adjusted EBITDA(2)(3)	**$ (350)**	$ 146	nmf
Adjusted EBITDA margin(2)(3)	**(23.7)%**	6.7%	(3040) bps
Adjusted EBIT(2)(3)	**$ (383)**	$ 111	nmf
Adjusted EBIT margin(2)(3)	**(25.9)%**	5.1%	(3100) bps
EBIT(2)	**$ (377)**	$ 87	nmf
EBIT margin(2)	**(25.5)%**	4.0%	(2950) bps
Net additions to PP&E and intangible assets	**$ 21**	$ 36	(42)%
As at	**June 30, 2020**	December 31, 2019	
Order backlog (in billions of dollars)	**$ 33.7**	$ 35.8	(6)%

(1) Ratio of new orders over revenues.
(2) Including share of income from joint ventures and associates amounting to $51 million for the three-month period ended June 30, 2020 ($32 million for the three-month period ended June 30, 2019).
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

Key highlights and events

- Revenues for the quarter of $1.5 billion reflect a lower level of production activity as operations at key sites across Europe and the Americas were temporarily suspended due to the global COVID-19 pandemic and the impact of revised estimates on a number of late-stage projects mainly in the U.K. and Germany.

- Starting in the last weeks of April and through the month of May, operations gradually resumed with new safety measures in place. With operations returning to normal, production is expected to accelerate in the second half, peaking seasonally in the fourth quarter generally in line with 2019 levels. The engineering and production delays tied to the COVID-19 pandemic is expected to be recovered in 2021 and beyond, supporting future free cash flow(2) generation.(1)

- Adjusted EBIT(2) loss for the second quarter of $383 million was significantly below expectations, reflecting an additional charge of $435 million at Transportation, largely related to incremental engineering, certification and retrofit costs associated with a number of late-stage projects mainly in the U.K. and Germany. Over two thirds of this charge is expected to impact 2020 free cash flows as Transportation reaches key engineering and entry into service milestones. Reported EBIT loss for the quarter was $377 million.
    - During the quarter, a new, dedicated project team was mandated to conduct deep dives into challenging legacy projects, evaluating both project management processes and talent resources with a goal to fully understand the causes of excessive costs, and take the right corrective actions.

- The outlook for transportation remains positive and is supported by its $33.7 billion backlog and strong industry fundamentals.(1)
    - Order intake of $1.6 billion for the quarter reflects project wins across geographies, with notable contract awards with SNCF's repeat order in France and India's flagship Delhi–Meerut regional rapid transit system project in Asia.

(1) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

INDUSTRY AND ECONOMIC ENVIRONMENT

In the first half of 2020 the overall market volume decreased compared to the first half of 2019 across all regions, mainly due to the ongoing COVID-19 pandemic which caused a slowdown in order activity mainly due to order delays. The outlook for the rail industry remains resilient and positive with confirmed commitment from governments and operators to rail infrastructure investment plans in the medium and long term. As the demand for sustainable mobility is forecasted to continue its growth in the future, several orders are expected to be contracted across the regions in the upcoming quarters, positively driving market volume levels.

Europe

In Europe, overall order volume during the first half of 2020 has decreased compared to the same period last year due to significant contracts awarded for intercity and regional trains in the U.K., Italy and Germany during the first half of 2019. During the second quarter of 2020, many medium-sized contracts for commuter and regional trains were granted in Germany and France, as well as for light rail vehicles (LRVs) in Switzerland. Furthermore, many small services agreements, mainly for passenger fleet management and material solutions, were awarded in Germany and the U.K., as well as small signalling contracts in Sweden and Italy. In Eastern Europe, order volume was mainly driven by rolling stock orders in Poland and Turkey, with contracts granted in Poland for regional trains as well as LRVs, and in Turkey for metro trains. In the signalling segment, order volume was driven by contracts in Croatia and Romania.

The outlook in Europe is forecasted to be positive throughout the rest of 2020 with expected orders for intercity and high-speed trains in Sweden and Germany, while in Italy, Spain, Austria and Germany several significant orders are anticipated for commuter and regional trains. Urban transit solutions are expected to keep driving the level of activity with expected investments across many cities in the region for metro trains, especially in France and Italy, and significant orders are foreseen for LRVs in the U.K. and Germany. In the services and signalling segments, multiple large and medium-sized contracts are anticipated across all Western European countries, with the most significant services agreements expected in Germany, Spain and the U.K. and for signalling solutions in Italy and France. Poland, Turkey, Hungary and Czech Republic are forecasted to be the main drivers for order volume in Eastern Europe throughout 2020, with rolling stock orders expected for locomotives, regional and intercity trains, as well as LRVs. A sizeable order for metro trains is also anticipated in Serbia, and investments in the services and signalling segments are expected to grow, especially in Turkey and Poland.

North America

During the first half of 2020, the North American order volume decreased on a year-to-date basis, mainly due to large orders awarded during the same period last year in the U.S. for commuter trains, as well as for an automated people mover (APM) services agreement. During the second quarter, a contract for commuter trains and another for LRVs were awarded in the U.S. Additionally, a significant services agreement for fleet management was granted in Canada.

Multiple opportunities are expected in the North America region during the upcoming quarters of 2020. In the U.S., significant investments are anticipated, not only for urban transit solutions with many sizeable orders expected for metro trains, LRVs and APM trains, but also for commuter and very high-speed trains. In Canada, a noteworthy large contract is anticipated for commuter trains. Various contracts are also foreseen in the services and signalling segments across the U.S. and Canada, with the largest tenders expected in the U.S. for asset life management services agreements as well as for mainline signalling solutions for high-speed trains. A noteworthy services agreement is expected to be tendered for LRV fleet management in Canada. In Mexico, sizeable opportunities are expected for metro trains, along with services contracts.

Asia-Pacific

Overall activity in Asia-Pacific declined in the first half of 2020 compared to the same period last year, mainly due to large contracts awarded during the first half of 2019 for commuter trains in Australia and for intercity trains in Taiwan, as well as many metro trains orders in China. During the second quarter of 2020, order volume was mainly driven by medium-sized contracts awarded for commuter trains in India and for intercity trains in South Korea. In the services and signalling segments, India was the main driver of order volume with significant orders awarded for mainline signalling, as well as for an asset life management service agreement for commuter trains.

Good prospects for Asia-Pacific region are expected in the upcoming quarters with large orders expected for commuter and regional trains along with services agreement in Australia and Thailand, as well as various sizeable orders for metro trains in India, Taiwan and China. Furthermore, a significant order for very high-speed trains is anticipated to be tendered in Thailand. Investments in the signalling and services segments are also anticipated with many services agreements expected to be tendered for fleet management, especially in Thailand, China and Australia, as well as signalling contracts for both mainline and mass transit solutions, primarily in India and Taiwan.

Rest of World(1)

In the Rest of World region, order volume contracted during the first half of 2020, mainly due to contracts awarded for commuter trains as well as for intercity trains along with services agreements in Russia during same period last year. During the second quarter of 2020, order volume in the region was driven by a contract awarded in Brazil for monorail trains, along with a wayside signalling solution contract.

The outlook for the Rest of World region is optimistic with several upcoming opportunities anticipated during the next quarter, especially for urban transit solutions with orders expected for metro trains in Brazil, as well as for LRVs in in Russia, Columbia and Morocco. Moreover, a significant contract is also expected during the year for locomotives trains in Ukraine. Investments are also foreseen in the services and signalling segments, with significant services contracts expected to be tendered in Egypt and Saudi Arabia, and sizeable signalling orders expected, mainly for mainline solutions in Zambia and for urban solutions in Brazil.

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

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Revenues				
Rolling stock and systems[1]	**$ 747**	$ 1,490	**$ 2,198**	$ 2,897
Services[2]	**470**	510	**956**	998
Signalling[3]	**262**	194	**494**	406
Total revenues	**$ 1,479**	$ 2,194	**$ 3,648**	$ 4,301
Adjusted EBITDA[4][5]	**$ (350)**	$ 146	**$ (265)**	$ 264
Amortization	**33**	35	**67**	67
Impairment charges on PP&E and intangible assets	**—**	—	**—**	3
Adjusted EBIT[4][5]	**(383)**	111	**(332)**	194
Special items	**(6)**	24	**(6)**	24
EBIT[4]	**$ (377)**	$ 87	**$ (326)**	$ 170
Adjusted EBITDA margin[4][5]	**(23.7)%**	6.7%	**(7.3)%**	6.1%
Adjusted EBIT margin[4][5]	**(25.9)%**	5.1%	**(9.1)%**	4.5%
EBIT margin[4]	**(25.5)%**	4.0%	**(8.9)%**	4.0%

(1) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high-speed and very high-speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(2) Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(3) Comprised of signalling revenues from mass transit, mainline, industrial and *OPTIFLO* service solutions.
(4) Including share of income from joint ventures and associates amounting to $51 million and $61 million, respectively, for the three- and six-month periods ended June 30, 2020 ($32 million and $49 million for the three- and six-month periods ended June 30, 2019).
(5) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

Total revenues for the three- and six-month periods ended June 30, 2020, have decreased by $715 million and $653 million, respectively, compared to the same periods last year. Excluding negative currency impacts of $38 million and $76 million, respectively, revenues for the three-month period have decreased by $677 million, or 31%, while revenues for the six-month period have decreased by $577 million, or 13%, compared to the same periods last year.

The $677-million decrease excluding currency impact for the three-month period is mainly explained by:

- revised estimates on a number of late-stage projects mainly in the U.K. and Germany that negatively affect revenues of rolling stock in Europe in the second quarter;
- a negative impact on activities in rolling stock in North America and Europe due to the COVID-19 pandemic and related site closures; and
- lower activities in rolling stock and systems in all regions mostly due to some contracts nearing completion. The affected contracts mainly relate to commuter and regional trains in all regions, intercity trains in Europe, locomotives in Europe and the Rest of World region, metros in North America and Europe, and light rail vehicles (LRVs) in North America, partly offset by ramp-up in production related to some mass transit system contracts in the Rest of World region and Asia-Pacific.

Partially offset by:

- higher activities in signalling in North America, Asia-Pacific and Europe.

The $577-million decrease excluding currency impact for the six-month period is mainly explained by:

- revised estimates on a number of late-stage projects mainly in the U.K. and Germany that negatively affect revenues of rolling stock in Europe in the second quarter;
- a negative impact on activities in rolling stock in North America and Europe due to the COVID-19 pandemic and related site closures;
- lower activities in rolling stock and systems in all regions mostly due to some contracts nearing completion. The affected contracts mainly relate to commuter and regional trains in all regions, locomotives in Europe and the Rest of world region, metros in North America and Europe, intercity trains in Europe, and light rail vehicles in North America, partly offset by ramp-up in production related to some

mass transit system contracts in the Rest of World region and Asia-Pacific, some LRVs in Europe and some metros in Asia-Pacific; and
- lower activities in signalling in Rest of World region.

Partially offset by:
- higher activities in signalling in North America, Asia-Pacific and Europe.

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 recorded as (gains) losses in EBIT were as follows:

	Ref	Three-month periods ended June 30 **2020**	Three-month periods ended June 30 2019	Six-month periods ended June 30 **2020**	Six-month periods ended June 30 2019
Restructuring charges	1	**$ (6)**	$ 24	**$ (12)**	$ 24
Disruption costs	2	**—**	—	**6**	—
		$ (6)	$ 24	**$ (6)**	$ 24
EBIT margin impact		**(0.4)%**	1.1%	**(0.2)%**	0.6%

1. For the three- and six-month periods ended June 30, 2020, represents reversal of severance charges of $6 million and $12 million related to previously-announced restructuring actions.

   For the three- and six-month periods ended June 30, 2019, represents severance charges of $28 million and $32 million, partially offset by a reversal of asset write-downs of $4 million and $8 million.

2. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, nil and $6 million were recorded as special items for Transportation in the three- and six-month periods ended June 30, 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

EBIT margin

Adjusted EBIT margin(1) for the three-month period decreased by 31.0 percentage points, mainly as a result of:
- lower margin in rolling stock and systems, mainly due to revised estimates on a number of late-stage projects mainly in the U.K. and Germany; and
- temporary suspension of operations at various production facilities due to the COVID-19 pandemic and related under-absorption of expenses recorded in the cost of sales and of SG&A expenses.

Partially offset by:
- higher margin in signalling and in services, mainly due to a favourable contract mix; and
- a higher share of income from joint ventures and associates.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 29.5 percentage points, compared to the same period last year.

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

Adjusted EBIT margin[(1)] for the six-month period decreased by 13.6 percentage points, mainly as a result of:

- lower margin in rolling stock and systems, mainly due to revised estimates on a number of late-stage projects mainly in the U.K. and Germany;
- temporary suspension of operations at various production facilities due to the COVID-19 pandemic and related under-absorption of expenses recorded in the cost of sales and of SG&A expenses; and
- a pension amendment related to past service recorded in the first quarter last year that positively impacted our results in 2019.

Partially offset by:

- higher margin in signalling and in services, mainly due to a favourable contract mix; and
- a higher share of income from joint ventures and associates.

Including the impact of special items (see explanation of special items above), the EBIT margin for the six-month period decreased by 12.9 percentage points, compared to the same period last year.

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

Orders and backlog

Order backlog

	Three-month periods ended June 30		Six-month periods ended June 30	
(in billions of dollars)	**2020**	2019	**2020**	2019
Balance at the beginning of period	**$ 33.1**	$ 33.8	**$ 35.8**	$ 34.5
Order intake	**$ 1.6**	$ 2.0	**$ 2.4**	$ 3.7
Revenue	**$ (1.5)**	$ (2.2)	**$ (3.7)**	$ (4.3)
Foreign currency impact and other adjustments	**$ 0.5**	$ 0.0	**$ (0.8)**	$ (0.3)
Balance at the end of period	**$ 33.7**	$ 33.6	**$ 33.7**	$ 33.6
Book-to-bill ratio[(1)]	**1.1**	0.9	**0.7**	0.9

(1) Ratio of new orders over revenues.

Order intake for the three- and six-month periods ended June 30, 2020, has decreased by $0.4 billion and $1.3 billion, respectively, compared to the order intake for the same periods last year, due in part to the COVID-19 pandemic effect on the timing of order awards. We have obtained several orders across various product segments and regions during the first half of the year resulting in a book-to-bill ratio[(1)] of 0.7, and have maintained a leading position[(2)] in our relevant and accessible rail market.[(3)]

(1) Ratio of new orders over revenues.
(2) Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
(3) Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the six-month period ended June 30, 2020 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value [1]
Second quarter					
Société Nationale des Chemins de fer Français (SNCF), on behalf of the Region Normandie	France	Exercise of two options for *OMNEO* / Régio 2N double deck electric multiple units (EMUs)	270	Rolling stock and systems	$ 457
National Capital Region Transport Corporation (NCRTC)	India	Commuter and intracity mass transit cars and fleet maintenance services	210	Rolling stock and systems and Services	$ 340
Undisclosed	Asia-Pacific	Undisclosed	N/A	Rolling stock and systems	$ 139
Central Puget Sound Regional Transit Authority (Sound Transit)	U.S.	*BiLevel* commuter rail cars	28	Rolling stock and systems	$ 108
Undisclosed	North America	Undisclosed	N/A	Services	$ 108
First quarter					
Société Nationale des Chemins de fer Français (SNCF), on behalf of the Region Auvergne-Rhône Alpes	France	Exercise of an option for *OMNEO* / Régio 2N double deck EMUs	114	Rolling stock and systems	$ 193
Fraport AG	Germany	Extension of Operations and Maintenance (O&M) services of *INNOVIA* APM 100 automated people mover (APM) system and modernization of its signalling technology with *CITYFLO* 650 solution	N/A	Services and Signalling	$ 113

[1] Contract values exclude price escalation. Exception: options for *OMNEO* / Régio 2N double deck EMUs for SNCF in the first and second quarters.

Subsequent to the end of the second quarter, we obtained a Letter of Award (LoA) from India’s Uttar Pradesh Metro Rail Corporation (UPMRC) to build and deliver 201 *MOVIA* metro cars and advanced *CITYFLO* 650 rail control solution for the Agra-Kanpur Metro projects, valued at $275 million. This order is not included in the backlog as at June 30, 2020.

SALE OF THE TRANSPORTATION BUSINESS TO ALSTOM SA

On February 17, 2020, the Corporation signed a Memorandum of Understanding (MOU) with Alstom SA and CDPQ for the sale of the Transportation business to Alstom. Under the contemplated transaction, the Corporation and CDPQ would sell their interests in Transportation to Alstom on the basis of an enterprise value of approximately \$8.2 billion (€7.45 billion). Total proceeds under the contemplated transaction, after the deduction of debt-like items and transferred liabilities, including pension obligations, and net of Transportation cash, are expected to be approximately \$6.4 billion, subject to upward adjustments of up to \$440 million, and subject to other closing adjustments and indemnities, the achievement of a minimum cash balance at Transportation at the end of 2020, and the fluctuations in EUR to USD exchange rate. After deducting CDPQ's equity position between \$2.1 billion and \$2.3 billion, the Corporation would receive net proceeds of between \$4.2 billion to \$4.5 billion, inclusive of \$550 million in the form of Alstom shares (based on a fixed subscription price of €47.50 per share), monetizable after a three-month lock-up post-closing. If the additional equity investment of €350 million (\$386 million using an exchange rate of 1.1034) made by CDPQ in the three-month period ended March 31, 2020 and if the additional equity investment of €300 million (\$338 million) made by the Corporation in the three-month period ended June 30, 2020 in the Transportation business, see Note 20 - NCI for more details, are not redeemed before the closing of the transaction, the aggregate net proceeds of the transaction would be increased by the unredeemed amount and the increase resulting from the CDPQ equity investment would be allocated to CDPQ provided that the aggregate of such unredeemed amount would be added to the minimum cash balance Transportation is required to achieve at the end of 2020 and would be deducted from Transportation's cash balance for the purpose of calculating the closing purchase price adjustments. The Corporation intends to direct these proceeds towards debt paydown and will evaluate the most efficient debt reduction strategies.

Pursuant to the requirements of French law, Alstom and Bombardier have initiated Works Councils information and consultation procedures prior to the signing of the transaction documents. Accordingly, and consistent with customary practice in France, Alstom, Bombardier and CDPQ reached an agreement in principle on the main terms of the transaction and entered into the MOU prior to announcing the proposed transaction. The MOU organizes the information and consultation process by Bombardier and Alstom of their respective Works Councils and contains exclusive commitments by both parties. This process is ongoing and is anticipated to conclude in the summer 2020. Thereafter and subject to the views of the works councils the parties would expect to enter into the formal share purchase agreement.(1)

On July 9, 2020, the Corporation confirmed its support of the commitments announced by Alstom to address potential concerns raised by the European Commission in relation to Alstom's acquisition of the Transportation business, including the disposition of certain assets currently held by Transportation. Commitments to be submitted to the European Commission include:

- A transfer of Transportation's contribution to the V300 *ZEFIRO* very high-speed train platform;
- The divestment of the Bombardier *TALENT* 3 mainline train platform and dedicated production facilities located within the Hennigsdorf site in Germany; and
- Providing access to certain interfaces and products for some of Transportation's Signalling On-Board Units and Train Control Management Systems (TCMS).

These proposed commitments are subject to the European Commission's approval, and any disposition will be done in compliance with all required social processes and consultations with appropriate employee representative bodies.

On July 31, 2020, the European Commission provided conditional approval of the sale of Bombardier Transportation to Alstom, a significant milestone in obtaining the necessary regulatory approvals to complete the transaction. Bombardier and Alstom continue to work together to obtain the remaining approvals and complete the Works Councils consultations required prior to executing the definitive sale and purchase agreement, which is now expected to occur in September 2020.(1)

The closing of this transaction is conditioned on certain events occurring, including without limitation the receipt of necessary regulatory approvals, the execution of definitive documentation, receipt of Alstom shareholder approval in respect of the required capital increase and completion of relevant works council consultations discussed above.(1)

For more details, refer to Note 26 - Transaction, to our interim consolidated financial statements.

(1) See the forward-looking statements disclaimer.

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

Working capital financing initiatives

The Corporation engages in certain working capital financing initiatives which impact cash flows from operating activities such as the sale of receivables (refer to Note 22 - Net change in non-cash balances, to our interim consolidated financial statements, for more details), arrangements for advances from third parties (refer to Note 10 - Contract balances, to our interim consolidated financial statements, for more details), and the negotiation of extended payment terms with certain suppliers (refer to Note 22 - Net change in non-cash balances, to our interim consolidated financial statements, for more details).

Other arrangements

In the normal course of operations, we maintain other off-balance sheet arrangements including credit and residual value guarantees, financing commitments and financing structures related to the sale of commercial aircraft. There was no significant change in these arrangements during the six-month period ended June 30, 2020. Refer to the Off-balance sheet arrangements section in Other of our Financial Report for the year ended December 31, 2019 for a description of these arrangements, and to Note 25 - Commitments and Contingencies, to the interim consolidated financial statements for further details.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 2019 in Other, but are not necessarily the only risks and uncertainties that we face.

COVID-19 Pandemic Outbreak

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a pandemic. The COVID-19 pandemic continues to negatively impact the global economy, disrupt global supply chains and create significant economic uncertainty and disruption of financial markets. 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, are causing material disruption to businesses in Canada and globally which has resulted in an uncertain and 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.

This uncertainty has already materialized with falling global GDP growth, causing a global financial market shock which has directly impacted the Corporation’s share price. Uncertainties related to, and perceived or experienced negative effects from, COVID-19 may continue to cause significant volatility or decline in the trading price of our securities, capital market conditions and general economic conditions. In addition, severe disruption and instability in the global financial markets and continued 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.

As an emerging risk, the duration, scope and impact of the ongoing COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions and the pace of any subsequent recovery and economic normalization. Given the rapid and evolving nature of the COVID-19 pandemic, 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 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 spread of the COVID-19 around the globe and the responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, have led to a general slow-down in the global economy and the Corporation's business with temporary disruptions and slowdowns to our workforce and production at several locations and key sites, our customers, our revenues and operations and our supply chain.

Projects and contracts:

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 project and delivery delays resulting from reduced production activity, travel restrictions or the postponement of key production and homologation milestones, and extended or complete project shutdowns, which may, in each case, expose the Corporation to penalties or cancellations and negatively affect the revenue, cash flow and profitability of these projects.

Reduction in demand and deferred order intake:

The risks associated with the COVID-19 pandemic may cause significant and unpredictable reduction in the demand and order intake for our products and services as customers divert resources and priorities towards mitigating the impacts and effects of the COVID-19 pandemic and worsening economic conditions.

Customer and counterparty risks:

The adverse effects of the COVID-19 pandemic on the economies and financial markets of many countries increase the risk of defaults from customers and other counterparties (including parties to the Pending Transactions), delays in payments, and difficulties in enforcing agreements and collecting receivables. Our customers and other counterparties may seek to terminate or to amend their agreements for the purchase of our products or services in order to focus resources to meet the increasing demands of managing COVID-19, or in response to financial distress related to COVID-19 (including bankruptcy, lack of liquidity, lack of funding, operational failures, 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 outbreak have led to supply disruptions for the Corporation. Any prolonged disruption in the supply of raw materials and major systems could have a material adverse effect on the Corporation's operations, significantly increase the cost of operating its business and significantly reduce its margins and profitability.

Work force:

The risks to the Corporation of a pandemic, epidemic or other public health crisis, such as the ongoing COVID-19 pandemic, include risks to employee health and safety. Prolonged restrictive measures put in place in order to control the COVID-19 pandemic 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 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 immediate unanticipated rise in remote work arrangements implemented by the Corporation in response to the COVID-19 outbreak 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 in response to the COVID-19 pandemic. Regulatory authorities, including those that oversee the Pending Transactions, are 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 (including the Pending Transactions).

Heightened impact of other risks:

Several of the risks and uncertainties disclosed in our Financial Report for the fiscal year ended December 31, 2019 could be particularly exacerbated by extraordinary externalities such as the COVID-19 pandemic, including, but not limited to, risks described under "Our order book-to-bill ratio and our order backlog may not be indicative of future revenues", "Fixed-price and fixed-term commitments and production and project execution", "Cash flows and capital expenditures", "Seasonality and cyclicality 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, such efforts may be unsuccessful, and the effectiveness of these efforts and the extent to which the COVID-19 pandemic 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, and the measures taken or necessary to contain the spread of such outbreaks. Even after the COVID-19 pandemic is over, 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 the disruption in the global economy and any resulting recession.

Pending Transactions

There is no certainty, nor can the Corporation provide any assurance, that the conditions to closing of the Pending Transactions will be satisfied or, if satisfied, when they will be satisfied. As regards to the sale of the Transportation division in particular, there is a risk that a party may terminate its respective obligations under the agreements in principle and Memorandum of Understanding prior to or after definitive binding agreements being entered into, including due to circumstances surrounding the relevant Works Council. If the Pending Transactions are not completed for any reason, the anticipated proceeds therefrom would not be available to the Corporation, within the anticipated timeframe or at all, and alternate sources of funding may not be available when needed, or on commercially acceptable terms. If the Pending Transactions are not completed for any reason, there is a risk that the announcement of such transactions and the dedication of substantial resources of the Corporation to the completion thereof could have a negative impact on the Corporation’s operating results and business generally, and could have a material adverse effect on the current and future operations, financial condition and prospects of the Corporation, including the loss of investor confidence in connection with the Corporation’s ability to execute its strategic plan. In addition, failure to complete the Pending Transactions for any reason could materially negatively impact the market price of the Corporation’s securities. If the Pending Transactions are not completed for any reason, there can be no assurance that management will be successful in its efforts to identify and implement other strategic alternatives that would be in the best interests of the Corporation and its stakeholders within the context of existing market, regulatory and competitive conditions in the industries in which the Corporation operates, on favourable terms and timing or at all, and, if implemented, that such actions would have the planned results. We also have incurred significant transaction and related costs in connection with the Pending Transactions, and additional significant or unanticipated costs may be incurred.

Commitments and contingencies

Refer to Note 25 - Commitments and contingencies, to our interim consolidated financial statements.

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 and results of operations could be materially adversely affected.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the six-month period ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

We are subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of our 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:

	June 30, 2020	December 31, 2019	Decrease
Euro	**1.1284**	1.1234	0%
Canadian dollar	**0.7323**	0.7696	(5%)
Pound sterling	**1.2327**	1.3204	(7%)

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

	June 30, 2020	June 30, 2019	Decrease
Euro	**1.1001**	1.1240	(2%)
Canadian dollar	**0.7213**	0.7475	(4%)
Pound sterling	**1.2418**	1.2863	(3%)

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

	June 30, 2020	June 30, 2019	Decrease
Euro	**1.1013**	1.1303	(3%)
Canadian dollar	**0.7332**	0.7499	(2%)
Pound sterling	**1.2610**	1.2930	(2%)

SELECTED FINANCIAL INFORMATION

The following table provides selected financial information for the last eight quarters:

Fiscal years	**2020**				2019			2018
	Second	First	Fourth	Third	Second	First	Fourth	Third
Revenues	**$ 2,702**	$ 3,691	$ 4,205	$ 3,722	$ 4,314	$ 3,516	$ 4,303	$ 3,643
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (298)**	$ (258)	$ (1,770)	$ (139)	$ (83)	$ 195	$ 15	$ 111
EPS (in dollars)								
Basic and diluted	**$ (0.13)**	$ (0.11)	$ (0.74)	$ (0.06)	$ (0.04)	$ 0.08	$ 0.02	$ 0.04
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.[1]	**$ (713)**	$ (233)	$ (230)	$ (103)	$ (101)	$ (173)	$ 134	$ 122
Adjusted EPS (in dollars)[1]	**$ (0.30)**	$ (0.10)	$ (0.10)	$ (0.04)	$ (0.04)	$ (0.07)	$ 0.05	$ 0.04

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and reconciliations to the most comparable IFRS measures.

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at August 4, 2020

	Authorized	Issued and outstanding
Class A Shares (multiple voting)(1)	3,592,000,000	308,736,929
Class B Shares (subordinate voting)(2)	3,592,000,000	2,093,975,928 (3)
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	5,811,736
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	6,188,264
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) Ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share.
(2) Convertible at the option of the holder into one Class A Share under certain conditions.
(3) Net of 34,116,014 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU plans.

Warrant, share option, PSU, DSU and RSU data as at June 30, 2020

Warrants issued and outstanding	205,851,872
Options issued and outstanding under the share option plans	134,115,395
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	88,011,179
Class B Subordinate Voting Shares held in trust to satisfy PSU obligations	34,116,014

Expected issuance date of our financial reports for the next 12 months

Third Quarterly Report, for the period ending September 30, 2020	November 5, 2020
Financial Report, for the fiscal year ending December 31, 2020	February 11, 2021
First Quarterly Report, for the period ending March 31, 2021	May 6, 2021
Second Quarterly Report, for the period ending June 30, 2021	August 5, 2021

Information

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August 5, 2020

Additional information relating to the Corporation, including the financial report and 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* and *Learjet 75 Liberty* aircraft are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind.

The printed version of this quarterly report uses Rolland Enviro100 paper, containing 100% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 3 mature trees, 182 kg of CO_2 emissions (equivalent to 723 kilometres driven) and 1,000 litres of water.

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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2020
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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

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

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

		Three-month periods ended June 30		Six-month periods ended June 30	
	Notes	**2020**	2019	**2020**	2019
Revenues		**$ 2,702**	$ 4,314	**$ 6,393**	$ 7,830
Cost of sales	11	**2,925**	3,818	**6,278**	6,878
Gross margin		**(223)**	496	**115**	952
SG&A		**194**	263	**416**	531
R&D	4	**65**	69	**138**	117
Share of income of joint ventures and associates		**(51)**	(23)	**(63)**	(40)
Other income	5	**(4)**	(19)	**(9)**	(33)
Special items	6	**(453)**	(165)	**(549)**	(678)
EBIT		**26**	371	**182**	1,055
Financing expense	7	**231**	269	**557**	560
Financing income	7	**(20)**	(22)	**(14)**	(102)
EBT		**(185)**	124	**(361)**	597
Income taxes		**38**	160	**62**	394
Net income (loss)		**$ (223)**	$ (36)	**$ (423)**	$ 203
Attributable to					
Equity holders of Bombardier Inc.		**$ (298)**	$ (83)	**$ (556)**	$ 112
NCI		**75**	47	**133**	91
		$ (223)	$ (36)	**$ (423)**	$ 203
EPS (in dollars)	8				
Basic and diluted		**$ (0.13)**	$ (0.04)	**$ (0.24)**	$ 0.04

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

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Net income (loss)	**$ (223)**	$ (36)	**$ (423)**	$ 203
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**3**	—	**2**	(1)
Net gain (loss) on derivative financial instruments	**18**	65	**(89)**	62
Reclassification to income or to the related non-financial asset	**24**	18	**39**	12
Income taxes	**(2)**	(7)	**30**	(14)
	43	76	**(18)**	59
FVOCI financial assets				
Net unrealized gain	**8**	3	**9**	7
CCTD				
Net investments in foreign operations	**(14)**	(67)	**(116)**	33
Items that are never reclassified to net income				
FVOCI equity instruments				
Net unrealized gain	**11**	—	**1**	3
Retirement benefits				
Remeasurement of defined benefit plans	**(1,027)**	(229)	**(433)**	(693)
Income taxes	**64**	(5)	**41**	34
	(952)	(234)	**(391)**	(656)
Total OCI	**(915)**	(222)	**(516)**	(557)
Total comprehensive loss	**$ (1,138)**	$ (258)	**$ (939)**	$ (354)
Attributable to				
Equity holders of Bombardier Inc.	**$ (1,264)**	$ (327)	**$ (1,090)**	$ (434)
NCI	**126**	69	**151**	80
	$ (1,138)	$ (258)	**$ (939)**	$ (354)

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

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

	Notes		June 30 2020		December 31 2019		January 1 2019 [1]
Assets							
Cash and cash equivalents		**$**	**1,674**	$	2,578	$	3,187
Trade and other receivables			**1,834**		1,844		1,575
Contract assets	10		**2,650**		2,485		2,617
Inventories	11		**4,893**		4,599		4,402
Other financial assets	12		**284**		195		210
Other assets	13		**361**		473		357
Assets held for sale[2]	17		**885**		1,309		—
Current assets			**12,581**		13,483		12,348
PP&E			**1,666**		1,781		2,111
Aerospace program tooling			**4,582**		4,616		4,519
Goodwill			**1,923**		1,936		1,948
Deferred income taxes			**568**		546		746
Investments in joint ventures and associates			**557**		1,059		2,211
Other financial assets	12		**1,011**		989		1,030
Other assets	13		**590**		562		599
Non-current assets			**10,897**		11,489		13,164
		$	**23,478**	$	24,972	$	25,512
Liabilities							
Borrowings[3]		**$**	**564**	$	—	$	—
Trade and other payables			**4,071**		4,682		4,634
Provisions	14		**962**		1,060		1,390
Contract liabilities	10		**5,222**		5,739		4,262
Current portion of long-term debt			**476**		8		9
Other financial liabilities[4]	15		**570**		617		701
Other liabilities[4]	16		**1,280**		1,441		1,499
Liabilities directly associated with assets held for sale[2]	17		**1,380**		1,768		—
Current liabilities			**14,525**		15,315		12,495
Provisions	14		**293**		311		1,110
Contract liabilities	10		**1,430**		1,417		1,933
Long-term debt			**8,857**		9,325		9,052
Retirement benefits			**2,764**		2,445		2,381
Other financial liabilities[4]	15		**1,522**		1,605		2,032
Other liabilities[4]	16		**613**		465		523
Non-current liabilities			**15,479**		15,568		17,031
			30,004		30,883		29,526
Equity (deficit)							
Attributable to equity holders of Bombardier Inc.			**(8,818)**		(7,667)		(5,563)
Attributable to NCI			**2,292**		1,756		1,549
			(6,526)		(5,911)		(4,014)
		$	**23,478**	$	24,972	$	25,512
Commitments and contingencies	25						

(1) 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.
(2) Assets held for sale and liabilities directly associated with assets held for sale as at December 31, 2019 include $476 million and $447 million, respectively related to the sale of the CRJ business.
(3) Represent the short-term borrowings under Transportation facility.
(4) Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 27 - Reclassification.

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

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

	Attributable to equity holders of Bombardier Inc.										NCI	Total equity (deficit)
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at March 31, 2020	$ 347	$ 2,649	$ 73	$ (8,376)	$ (2,204)	$ 421	$ —	$ (112)	$ (330)	$ (7,532)	$ 2,167	$ (5,365)
Total comprehensive income												
Net income (loss)	—	—	—	(298)	—	—	—	—	—	(298)	75	(223)
OCI	—	—	—	—	(963)	—	19	43	(65)	(966)	51	(915)
	—	—	—	(298)	(963)	—	19	43	(65)	(1,264)	126	(1,138)
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Share-based income	—	—	—	—	—	(15)	—	—	—	(15)	—	(15)
As at June 30, 2020	**$ 347**	**$ 2,649**	**$ 73**	**$ (8,681)**	**$ (3,167)**	**$ 406**	**$ 19**	**$ (69)**	**$ (395)**	**$ (8,818)**	**$ 2,292**	**$ (6,526)**
As at March 31, 2019	$ 347	$ 2,624	$ 343	$ (6,106)	$ (2,730)	$ 192	$ 6	$ (85)	$ (251)	$ (5,660)	$ 1,560	$ (4,100)
Total comprehensive income												
Net income (loss)	—	—	—	(83)	—	—	—	—	—	(83)	47	(36)
OCI	—	—	—	—	(234)	—	3	76	(89)	(244)	22	(222)
	—	—	—	(83)	(234)	—	3	76	(89)	(327)	69	(258)
Options exercised	—	1	—	—	—	(1)	—	—	—	—	—	—
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Share-based expense	—	—	—	—	—	14	—	—	—	14	—	14
As at June 30, 2019	$ 347	$ 2,625	$ 343	$ (6,196)	$ (2,964)	$ 205	$ 9	$ (9)	$ (340)	$ (5,980)	$ 1,628	$ (4,352)

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at December 31, 2019	$ 347	$ 2,648	$ 343	$ (8,112)	$ (2,775)	$ 185	$ 9	$ (51)	$ (261)	$ (7,667)	$ 1,756	$ (5,911)
Total comprehensive income												
Net income (loss)	—	—	—	(556)	—	—	—	—	—	(556)	133	(423)
OCI	—	—	—	—	(392)	—	10	(18)	(134)	(534)	18	(516)
	—	—	—	(556)	(392)	—	10	(18)	(134)	(1,090)	151	(939)
Issuance of NCI[1]	—	—	—	—	—	—	—	—	—	—	386	386
Dividends	—	—	—	(13)	—	—	—	—	—	(13)	—	(13)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Shares distributed - PSU plan	—	1	—	—	—	(1)	—	—	—	—	—	—
Cancellation of warrants[2]	—	—	(270)	—	—	230	—	—	—	(40)	—	(40)
Share-based income	—	—	—	—	—	(8)	—	—	—	(8)	—	(8)
As at June 30, 2020	**$ 347**	**$ 2,649**	**$ 73**	**$ (8,681)**	**$ (3,167)**	**$ 406**	**$ 19**	**$ (69)**	**$ (395)**	**$ (8,818)**	**$ 2,292**	**$ (6,526)**
As at January 1, 2019	$ 347	$ 2,623	$ 343	$ (6,294)	$ (2,305)	$ 176	$ (1)	$ (68)	$ (384)	$ (5,563)	$ 1,549	$ (4,014)
Total comprehensive income												
Net income	—	—	—	112	—	—	—	—	—	112	91	203
OCI	—	—	—	—	(659)	—	10	59	44	(546)	(11)	(557)
	—	—	—	112	(659)	—	10	59	44	(434)	80	(354)
Options exercised	—	2	—	—	—	(1)	—	—	—	1	—	1
Dividends	—	—	—	(14)	—	—	—	—	—	(14)	—	(14)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Share-based expense	—	—	—	—	—	30	—	—	—	30	—	30
As at June 30, 2019	$ 347	$ 2,625	$ 343	$ (6,196)	$ (2,964)	$ 205	$ 9	$ (9)	$ (340)	$ (5,980)	$ 1,628	$ (4,352)

[1] CDPQ made a capital injection of €350 million ($386 million) in BT Holdco. See Note 20 - Non-controlling interest for more details.
[2] Following the sale of its remaining interests in ACLP, the Corporation cancelled the warrants held by Airbus, see Note 18 - Disposal of investment in associate for more details.

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

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

	Notes	Three-month periods ended June 30 2020	2019	Six-month periods ended June 30 2020	2019
Operating activities					
Net income (loss)		**$ (223)**	$ (36)	**$ (423)**	$ 203
Non-cash items					
Amortization[(1)]		**108**	106	**219**	197
Impairment charges (reversals) on PP&E and intangible assets	5,6	**8**	(4)	**19**	(4)
Deferred income taxes		**(7)**	105	**28**	309
Losses (gains) on disposals of PP&E	5	**1**	(6)	**1**	(7)
Gains on disposal of investment in associate and businesses	5,6	**(496)**	(219)	**(615)**	(739)
Share of income of joint ventures and associates		**(51)**	(23)	**(63)**	(40)
Share-based (income) expense	21	**(15)**	14	**(8)**	30
Loss on repurchase of long-term debt	6,7	**—**	4	**—**	84
Dividends received from joint ventures and associates		**23**	18	**25**	19
Net change in non-cash balances	22	**(305)**	(248)	**(1,683)**	(1,248)
Cash flows from operating activities		**(957)**	(289)	**(2,500)**	(1,196)
Investing activities					
Additions to PP&E and intangible assets		**(82)**	(151)	**(181)**	(293)
Proceeds from disposals of PP&E and intangible assets		**3**	11	**3**	16
Investments in non-voting units of ACLP	18	**—**	(125)	**(100)**	(235)
Net proceeds from disposal of investment in associate and businesses	18,19	**580**	294	**1,111**	826
Other		**(6)**	(15)	**—**	—
Cash flows from investing activities		**495**	14	**833**	314
Financing activities					
Net proceeds from issuance of long-term debt		**—**	—	**—**	1,956
Repayments of long-term debt		**—**	(176)	**—**	(1,762)
Net change in short-term borrowings		**138**	204	**551**	488
Payment of lease liabilities[(2)]		**(26)**	(34)	**(52)**	(56)
Dividends paid - Preferred shares		**(5)**	(5)	**(10)**	(10)
Issuance of NCI	20	**—**	—	**386**	—
Dividends to NCI		**(1)**	(1)	**(1)**	(1)
Other		**(1)**	(4)	**(1)**	1
Cash flows from financing activities		**105**	(16)	**873**	616
Effect of exchange rates on cash and cash equivalents		**12**	(31)	**(111)**	36
Net decrease in cash and cash equivalents		**(345)**	(322)	**(905)**	(230)
Cash and cash equivalents at beginning of period[(3)]		**2,069**	3,279	**2,629**	3,187
Cash and cash equivalents at end of period[(3)]		**$ 1,724**	$ 2,957	**$ 1,724**	$ 2,957
Supplemental information					
Cash paid for					
Interest		**$ 243**	$ 168	**$ 372**	$ 342
Income taxes		**$ 26**	$ 49	**$ 47**	$ 69
Cash received for					
Interest		**$ 2**	$ 7	**$ 14**	$ 13
Income taxes		**$ 16**	$ 2	**$ 17**	$ 2

(1) Includes $24 million and $50 million representing amortization charge related to right-of-use of assets for the three-and six-month periods ended June 30, 2020 ($26 million and $51 million for the three-and six-month periods ended June 30, 2019).
(2) Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for the three- and six-month periods ended June 30, 2020 amounted to $36 million and $73 million ($51 million and $88 million for the three-and six-month periods ended June 30, 2019).
(3) For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as asset held for sale. See Note 17 – Assets held for sale for more details on the assets and liabilities reclassification.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2020
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. ("the Corporation" or "our" or "we") is incorporated under the laws of Canada. The Corporation is a manufacturer of transportation equipment, including business and commercial aircraft, as well as major aircraft structural components, and rail transportation equipment and systems, and is a provider of related services. The Corporation carries out its operations in two distinct segments: Aviation and Transportation.

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Financial Report for the fiscal year ended December 31, 2019.

These interim consolidated financial statements for the three- and six-month periods ended June 30, 2020 were authorized for issuance by the Board of Directors on August 5, 2020.

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

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

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

			Exchange rates as at
	June 30, 2020	December 31, 2019	January 1, 2019
Euro	**1.1284**	1.1234	1.1450
Canadian dollar	**0.7323**	0.7696	0.7337
Pound sterling	**1.2327**	1.3204	1.2800

	Average exchange rates for the three-month periods ended		**Average exchange rates for the six-month periods ended**	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Euro	**1.1001**	1.1240	**1.1013**	1.1303
Canadian dollar	**0.7213**	0.7475	**0.7332**	0.7499
Pound sterling	**1.2418**	1.2863	**1.2610**	1.2930

2. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant economic uncertainty and disruption of financial markets.

COVID-19 response

The Corporation has been closely monitoring and actively implementing and updating its response to the evolving COVID-19 pandemic and its impacts on employees, operations, the global economy and the demand for its products and services. The Corporation has formed a committee composed of the senior leadership team and key leaders in the organization to monitor, on a daily basis, the evolution of the pandemic, to evaluate the measures being put in place by local and national governments and the resulting impacts on the Corporation, and to implement necessary contingency plans in real time as the current situation continues to unfold, with a focus on three priorities: protecting employees' health and safety; supporting customers to the best of its abilities; and ensuring that the Corporation can successfully navigate through this global crisis. The Corporation's actions are in all cases closely aligned with both the health and safety mandates and support programs that have been announced by the local governments in every region it operates.

The COVID-19 pandemic started impacting several Bombardier operations across the globe, including key locations in Europe and North America through the second half of March 2020 where activities were significantly reduced or suspended for several weeks. Starting in the last weeks of April and through the month of May, operations globally gradually resumed with new safety measures in place.

Impacts of COVID-19 on Aviation

Canadian operations, where *Global* and *Challenger* aircraft are assembled and delivered, were temporarily suspended in the last week of March 2020 and through several weeks during the second quarter due to the global COVID-19 pandemic. Key aerostructures operations in Mexico and Belfast were similarly suspended, impacting a total of approximately 15,000 Aviation employees globally.

On June 5, 2020, Bombardier Aviation announced workforce adjustments in response to COVID-19 pandemic. With industry-wide business jet deliveries forecasted to be down approximately 30% year-over-year due to the pandemic, Bombardier is adjusting its operations and workforce to ensure that it emerges from the current crisis on solid footing. Accordingly, Bombardier Aviation has made the difficult decision to reduce its workforce by approximately 2,500 employees. The majority of these reductions is impacting manufacturing operations in Canada and will be carried out progressively throughout 2020. Bombardier's worldwide customer service operations have continued to operate largely uninterrupted throughout the pandemic. Bombardier recorded a special charge of $41 million in the second quarter of 2020 for this workforce adjustment.

Impacts of COVID-19 on Transportation

Production at several locations, including key sites across Transportation's largest markets in Europe and the Americas, was temporarily suspended in the second half of March 2020 and through several weeks during the second quarter due to the global COVID-19 pandemic. Approximately 10,000 Transportation employees globally were affected by these shutdowns.

Measures to bolster liquidity in response to COVID-19 pandemic

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, compliance with financial covenants in the

Transportation credit facilities, the availability of working capital financing initiatives and the funding of product development and other financial commitments.

In response to the COVID-19 pandemic the Corporation has taken on or is pursuing the following actions to adapt to the current environment and manage liquidity:

- The Corporation is managing costs through aggressive company-wide actions, including cutting non-essential spending and deferring discretionary capital expenditures.
- Where applicable, the Corporation is participating in various government support programs, including wage subsidies, bonding and letter of credit facilities, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis. For the six-month period ended June 30, 2020, EBIT was negatively impacted by disruption costs related to the COVID-19 pandemic against which the Corporation recorded wage subsidies for which the impact was approximately $70 million.
- During the first quarter, cash on hand was increased through a $386 million (€350 million) equity injection in Transportation by CDPQ. Furthermore, Transportation secured amendments to its revolving credit facility and letter of credit facility. These amendments provide for, among other things, temporary adjustments to certain financial covenants through the third quarter and will be reflected in the four-quarter trailing calculation of certain ratios until the period ending March 31, 2021.
- The Corporation secured a commitment from investment funds and accounts managed by HPS Investment Partners, LLC to provide a three-year senior secured term loan (the "Facility") of up to $1.0 billion, providing additional liquidity to operate the business through the COVID-19 pandemic as it works to close previously announced divestitures undertaken to reshape Bombardier's capital structure.
    - The Facility is expected to be in place in the third quarter of 2020 and provides additional liquidity for working capital and general corporate purposes as Bombardier realigns production rates with current market conditions. The Facility will have a minimum utilization of $750 million and a term of three years. Bombardier will have the right to voluntarily prepay the outstanding amount of the Facility. In addition, the sale of Bombardier Transportation will result in a mandatory repayment of 50% of the then outstanding principal amount of the Facility. Drawings under the Facility will bear interest at an agreed margin over the LIBOR reference rate and will be secured by a security interest in certain aviation inventory and related accounts receivable. There are no financial covenants under the Facility.
- The Corporation concluded the sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd for a gross cash consideration of $585 million at closing on June 1, 2020.
- Progress was made towards closing the sale of Transportation to Alstom. On July 31, 2020, the European Commission provided conditional approval of the sale of Bombardier Transportation to Alstom, a significant milestone in obtaining the necessary regulatory approvals to complete the transaction. Bombardier and Alstom continue to work together to obtain the remaining approvals and complete the Works Councils consultations required prior to executing the definitive sale and purchase agreement, which is now expected to occur in September 2020.
- The aerostructures business sale to Spirit AeroSystems Holding, Inc. is tracking to plan and is expected to close this fall, further improving the Corporation's cash position by approximately $500 million.
- At Aviation, production rates were aligned to market demand, forecasted to be down by approximately 30% year-over-year due to the pandemic. This reflects the extraordinary industry interruptions and challenges caused by COVID-19. The production ramp-up of the G*lobal 7500* is largely unaffected by these rate changes given its solid backlog.
- The Corporation continues to engage in certain working capital financing initiatives which impact cash flows from operations such as the sale of receivables, arrangements for advances from third parties and the negotiation of extended payment terms with certain suppliers (as at June 30, 2020 trade payables with extended payments terms totalled $905 million of which $321 million related to Aviation and $584 million related to Transportation). These initiatives generally rely on the ongoing provision of credit by financial institutions to the parties subject to the arrangements, and the extent to which these initiatives are used may fluctuate over time based on availability, cost and requirements. Financial market conditions currently preclude the extension of payments terms of new Aviation trade payables while Transportation continues to access extended terms (refer to Note 10 - Contract balances and Note 22 - Net change in non-cash balances).

Considering the current environment, Management performed an assessment of the Corporation’s ability to continue as a going concern. The Corporation currently believes that there are no material uncertainties to this effect, however, this determination was a matter of significant judgment. More specifically, management believes that the above actions combined with its quarter end cash and cash equivalents of $1.7 billion, the Transportation revolving credit facility of approximately $1.3 billion ($738 million undrawn as at June 30, 2020), the new senior secured term loan of up to $1.0 billion, as well as expected proceeds upon closing of the previously announced sale of the aerostructures businesses, will enable the Corporation to meet its currently anticipated financial requirements for a period of at least, but not limited to, 12 months from the reporting date supporting the Corporation’s ability to continue as a going concern. Furthermore, the previously announced sale of Transportation targeted to close in the first half of 2021, would generate significant net proceeds to pay down debt and strengthen the liquidity position.

However, given the inherent uncertainties, the extent of the impact of the COVID-19 pandemic on the Corporation’s results of operations and cash flows is difficult to estimate. Therefore, the above assessment required a significant amount of judgment including a range of operating forecasts for our two business segments, the timing of closure of previously announced business sales, as well as related stress test scenarios to assess liquidity adequacy and covenant compliance throughout the period. While the Corporation believes the judgments made are reasonable in the circumstances, if the economic disruption is significantly greater than assumed, it could negatively impact our assessment.

Use of estimates and judgments in the application of accounting policies

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. 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.

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.

In addition to the judgments above on liquidity management, the Corporation has considered the impact of the COVID-19 pandemic on various other critical estimates and judgments.

In addition to the estimates and judgments disclosed in the 2019 annual consolidated financial statements, the following areas of judgments and estimates were updated.

Long-term contracts - As part of its financial statement close process, for the period ended June 30, 2020 the Corporation updated its long-term contract accounting for identified changes in estimated contract revenues, contract costs and progress toward completion. During the three-month period ended June 30, 2020, the Corporation updated project estimates leading to a charge of $435 million largely related to incremental engineering, certification and retrofit costs associated with a number of late-stage projects mainly in the U.K. and Germany. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic were recorded as expenses for the three- and six-month periods ended June 30, 2020.

Aerospace program tooling - An annual impairment test was prepared for the *Global 7500* in the fourth quarter of 2019, and following this assessment the Corporation had concluded there was no impairment. In the second quarter of 2020 the Corporation updated this assessment mainly to reflect production shut downs and impact on short-term forecasts for delivery schedules. The Corporation also reviewed procurement costs and future labour costs. Consistent with the analysis in the fourth quarter of 2019, a post-tax discount rate of 9% was used. Following this assessment the Corporation concluded there was no impairment.

Sensitivity analysis
The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

A 10% decrease, evenly distributed over future periods, in the expected future net cash inflows for the *Global 7500* aircraft program would not have resulted in an impairment charge for the six-month period ended June 30, 2020.

An increase of 100-basis points in the discount rate used to perform the impairment tests would not have resulted in an impairment charge for the six-month period ended June 30, 2020 for the *Global 7500* aircraft program.

Retirement and other long-term employee benefits - 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.
The significant market volatility and disruption of financial markets due to COVID-19 pandemic has increased the estimation uncertainty surrounding the discount rate assumption. The methodology used for discount rates has remained unchanged from December 31, 2019.

At June 30, 2020 the discount rate for Canadian plans was 2.9% compared with 4.2% at March 31, 2020 and 3.2% at December 31, 2019.

Sensitivity analysis
The following analyses are presented in isolation from one another, i.e. all other estimates left unchanged:

An increase of 100-basis points in the discount rate used for Canadian plans would have resulted in a decrease on the Corporation retirement benefits liability of $745 million as at June 30, 2020.

A decrease of 100-basis points in the discount rate used for Canadian plans would have resulted in an increase on the Corporation retirement benefits liability of $915 million as at June 30, 2020.

Valuation of deferred income tax assets - To determine the extent to which deferred income tax assets can be recognized, the Corporation estimated the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. We exercise judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies.

For the three- and six-month period ended June 30, 2020, the Corporation updated this assessment given the revised forecasts. Following this assessment, the Corporation concluded no significant write-down of deferred tax assets was necessary.

3. SEGMENT DISCLOSURE

The Corporation has two reportable segments: Aviation and Transportation. Each reportable segment offers different products and services and mostly requires different technology and marketing strategies.

Aviation

Aviation designs, manufactures, markets and provides aftermarket support for three families of business jets (*Learjet, Challenger* and *Global)*, spanning from the light to large categories; designs, manufactures and provides aftermarket support for a broad portfolio of commercial aircraft in the 50- to 100-seat categories, including the CRJ550, CRJ700, CRJ900 and CRJ1000 regional jets until the disposal of business on June 1, 2020, and the Q400 turboprop on May 31, 2019; and designs, develops and manufactures major aircraft structural components (such as engine nacelles, fuselages and wings) and provides aftermarket component repair and overhaul as well as other engineering services for both internal and external clients. Refer to Note 17 - Assets held for sale and Note 19 - Disposal of business for additional information.

Transportation

Transportation offers a wide-ranging portfolio of innovative and efficient solutions in the rail industry and cover the full spectrum of rail solutions, ranging from global mobility solutions to a variety of trains and sub-systems, services, system integration and signalling to meet the market's needs and expectations.

Corporate and Others

Corporate and Other comprise corporate charges that are not allocated to segments, elimination of profit on intercompany transactions between the segments, participation in a partnership with Airbus on the A220 Family aircraft until disposal of the participation in February 2020 and other adjustments. Refer to Note 18 - Disposal of investment in associate for additional information.

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2019.

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

	Three-month period ended June 30, 2020			
	Transportation	**Aviation**	**Corporate and Others**	**Total**
Results of operations				
External revenues	**$ 1,479**	**$ 1,223**	**$ —**	**$ 2,702**
Intersegment revenues	**—**	**—**	**—**	**—**
Total revenues	**1,479**	**1,223**	**—**	**2,702**
EBIT before special items	**(383)**	**(20)**	**(24)**	**(427)**
Special items[1]	**(6)**	**(462)**	**15**	**(453)**
EBIT	**$ (377)**	**$ 442**	**$ (39)**	**26**
Financing expense				**231**
Financing income				**(20)**
EBT				**(185)**
Income taxes				**38**
Net loss				**$ (223)**
Other information				
R&D[2]	**$ 15**	**$ 50**	**$ —**	**$ 65**
Share of loss (income) of joint ventures and associates	**$ (51)**	**$ 1**	**$ (1)**	**$ (51)**
Net additions to PP&E and intangible assets[3]	**$ 21**	**$ 58**	**$ —**	**$ 79**
Amortization	**$ 33**	**$ 75**	**$ —**	**$ 108**
Impairment charges on PP&E and intangible assets[4]	**$ —**	**$ 8**	**$ —**	**$ 8**

	Three-month period ended June 30, 2019			
	Transportation	Aviation	Corporate and Others	Total
Results of operations				
External revenues	$ 2,193	$ 2,120	$ 1	$ 4,314
Intersegment revenues	1	—	(1)	—
Total revenues	2,194	2,120	—	4,314
EBIT before special items	111	151	(56)	206
Special items[1]	24	(189)	—	(165)
EBIT	$ 87	$ 340	$ (56)	371
Financing expense				269
Financing income				(22)
EBT				124
Income taxes				160
Net loss				$ (36)
Other information				
R&D[2]	$ 30	$ 39	$ —	$ 69
Share of loss (income) of joint ventures and associates	$ (32)	$ (1)	$ 10	$ (23)
Net additions to PP&E and intangible assets[3]	$ 36	$ 103	$ 1	$ 140
Amortization	$ 35	$ 72	$ (1)	$ 106
Impairment charges (reversals) on PP&E and intangible assets[1]	$ (4)	$ (1)	$ 1	$ (4)

(1) See Note 6 – Special items for more details.
(2) Includes tooling amortization. See Note 4 – Research and development for more details.
(3) As per the consolidated statements of cash flows.
(4) Includes impairment charges related to right-of-use assets. See Note 6 – Special items for more details.

	Six-month period ended June 30, 2020			
	Transportation	**Aviation**	**Corporate and Others**	**Total**
Results of operations				
External revenues	**$ 3,647**	**$ 2,746**	**$ —**	**$ 6,393**
Intersegment revenues	**1**	**—**	**(1)**	**—**
Total revenues	**3,648**	**2,746**	**(1)**	**6,393**
EBIT before special items	**(332)**	**5**	**(40)**	**(367)**
Special items[1]	**(6)**	**(444)**	**(99)**	**(549)**
EBIT	**$ (326)**	**$ 449**	**$ 59**	**182**
Financing expense				**557**
Financing income				**(14)**
EBT				**(361)**
Income taxes				**62**
Net loss				**$ (423)**
Other information				
R&D[2]	**$ 38**	**$ 100**	**$ —**	**$ 138**
Share of loss (income) of joint ventures and associates	**$ (61)**	**$ 2**	**$ (4)**	**$ (63)**
Net additions to PP&E and intangible assets[3]	**$ 44**	**$ 134**	**$ —**	**$ 178**
Amortization	**$ 67**	**$ 152**	**$ —**	**$ 219**
Impairment charges on PP&E and intangible assets[4]	**$ —**	**$ 19**	**$ —**	**$ 19**

	Six-month period ended June 30, 2019			
	Transportation	Aviation	Corporate and Others	Total
Results of operations				
External revenues	$ 4,299	$ 3,530	$ 1	$ 7,830
Intersegment revenues	2	—	(2)	—
Total revenues	4,301	3,530	(1)	7,830
EBIT before special items	194	295	(112)	377
Special items[1]	24	(709)	7	(678)
EBIT	$ 170	$ 1,004	$ (119)	1,055
Financing expense				560
Financing income				(102)
EBT				597
Income taxes				394
Net income				$ 203
Other information				
R&D[2]	$ 55	$ 62	$ —	$ 117
Share of loss (income) of joint ventures and associates	$ (49)	$ 1	$ 8	$ (40)
Net additions to PP&E and intangible assets[3]	$ 64	$ 211	$ 2	$ 277
Amortization	$ 67	$ 130	$ —	$ 197
Impairment charges (reversals) on PP&E and intangible assets[1]	$ (5)	$ (1)	$ 2	$ (4)

[1] See Note 6 – Special items for more details.
[2] Includes tooling amortization. See Note 4 – Research and development for more details.
[3] As per the consolidated statements of cash flows.
[4] Includes impairment charges related to right-of-use assets. See Note 6 – Special items for more details.

The reconciliation of total assets and total liabilities to segmented assets and liabilities, before the assets held for sale reclassification, is as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Assets						
Total assets	**$**	**23,478**	$	24,972	$	25,512
Assets not allocated to segments						
Cash and cash equivalents		**1,724**		2,629		3,187
Income tax receivable(1)		**69**		90		49
Deferred income taxes		**720**		677		746
Segmented assets	**$**	**20,965**	$	21,576	$	21,530
Liabilities						
Total liabilities	**$**	**30,004**	$	30,883	$	29,526
Liabilities not allocated to segments						
Interest payable(2)		**155**		150		138
Income taxes payable(3)		**185**		202		173
Long-term debt		**9,333**		9,333		9,061
Segmented liabilities	**$**	**20,331**	$	21,198	$	20,154
Net segmented assets						
Transportation	**$**	**(140)**	$	(385)	$	(440)
Aviation	**$**	**1,255**	$	577	$	835
Corporate and Others	**$**	**(481)**	$	186	$	981

(1) Included in other assets.
(2) Included in trade and other payables.
(3) Included in other liabilities.

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

		Three-month periods ended June 30				Six-month periods ended June 30		
		2020		2019		**2020**		2019
Aviation								
Business Aircraft								
Manufacturing and Other(1)	**$**	**769**	$	1,065	**$**	**1,618**	$	1,711
Services(2)		**229**		318		**502**		641
Commercial Aircraft(3)		**73**		516		**294**		757
Aerostructures and Engineering Services		**152**		221		**332**		421
		1,223		2,120		**2,746**		3,530
Transportation								
Rolling stock and systems(4)		**747**		1,490		**2,198**		2,897
Services(5)		**470**		510		**956**		998
Signalling(6)		**262**		194		**494**		406
		1,479		2,194		**3,648**		4,301
Corporate and Others		**—**		—		**(1)**		(1)
	$	**2,702**	$	4,314	**$**	**6,393**	$	7,830

(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 centres, training and technical publication.
(3) Includes manufacturing, services and other.
(4) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(5) Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(6) Comprised of revenues from mass transit signalling, mainline signalling, industrial signalling and *OPTIFLO* service solutions for signalling.

4. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
R&D expenditures	**$ 46**	$ 117	**$ 104**	$ 215
Less: development expenditures capitalized to aerospace program tooling	**(29)**	(80)	**(60)**	(149)
	17	37	**44**	66
Add: amortization of aerospace program tooling	**48**	32	**94**	51
	$ 65	$ 69	**$ 138**	$ 117

5. OTHER INCOME

Other income was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Changes in estimates and fair value(1)	**$ (5)**	$ (14)	**$ (10)**	$ (29)
Losses (gains) on disposals of PP&E	**1**	(6)	**1**	(7)
Impairment of PP&E and intangible assets(2)	**—**	—	**—**	4
Gain on sale of a business(2)	**—**	—	**—**	(4)
Severance and other involuntary termination costs (including changes in estimates)(2)	**—**	—	**—**	1
Other	**—**	1	**—**	2
	$ (4)	$ (19)	**$ (9)**	$ (33)

(1) 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.
(2) Excludes those presented in special items.

6. 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.

Special items were as follows:

	Three-month periods ended June 30				Six-month periods ended June 30			
		2020		2019		**2020**		2019
Gain on disposal of a business - CRJ Series business(1)	**$**	**(496)**	$	—	**$**	**(496)**	$	—
Gain on exit of ACLP and related aerostructures activities(2)		**—**		—		**(119)**		—
Restructuring charges(3)		**28**		57		**33**		62
Transaction costs(4)		**15**		—		**27**		—
Disruption costs(5)		**—**		—		**10**		—
Reversal of *Learjet 85* aircraft program cancellation provisions(6)		**—**		(3)		**(4)**		(12)
Gain on disposal of a business - Training business(7)		**—**		—		**—**		(516)
Gain on disposal of a business - Q Series business(8)		**—**		(219)		**—**		(219)
Loss on repurchase of long-term debt(9)		**—**		4		**—**		84
Primove impairment and other costs(10)		**—**		—		**—**		7
Income taxes		**44**		106		**50**		239
	$	**(409)**	$	(55)	**$**	**(499)**	$	(355)
Of which is presented in								
Special items in EBIT	**$**	**(453)**	$	(165)	**$**	**(549)**	$	(678)
Financing expense - loss on repurchase of long-term debt		**—**		4		**—**		84
Income taxes - effect of special items		**44**		106		**50**		239
	$	**(409)**	$	(55)	**$**	**(499)**	$	(355)

1. Represents the sale of the CRJ Series aircraft program assets for gross proceeds of $585 million, at closing, including certain closing adjustments. The transaction resulted in a pre-tax accounting gain of $496 million ($448 million after tax impact). See Note 19 - Disposal of business for more details.
2. The sale of the Corporation's remaining interest in ACLP and its aerostructures activities supporting A220 and A330 resulted in a pre-tax accounting gain of $119 million. See Note 18 - Disposal of investment in associate for more details.
3. For the three- and six-month periods ended June 30, 2020, represents severance charges of $35 million and $29 million primarily following the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic, $8 million and $19 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions, and other related charges of $4 million and $4 million, partially offset by curtailment gains of $19 million and $19 million.
   For the three- and six-month periods ended June 30, 2019, represents severance charges of $47 million and $58 million partially offset by curtailment gains of nil and $2 million and by the reversal of previously-recorded impairment charges of $4 million and $8 million, related to previously-announced restructuring actions. Following the announcement that the CRJ production is expected to conclude after the delivery of the current backlog of aircraft, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million, and has recorded $10 million of other related charges for the three- and six-month periods ended June 30, 2019. In addition, the Corporation has recorded a write down of deferred tax assets of $84 million to reflect the expected impact of the conclusion of the CRJ announcement.
4. Represents direct and incremental costs incurred in respect of transactions for the sale of the Transportation business to Alstom SA and for the sale of CRJ business to MHI.
5. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, nil and $10 million were recorded as special items in the three- and six-month periods ended June 30, 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

6. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by nil and $4 million for the three- and six-month periods ended June 30, 2020 ($3 million and $12 million for the three- and six-month periods ended June 30, 2019). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.
7. The sale of the Business Aircraft's flight and technical training activities for a total net consideration of $532 million resulted in a pre-tax accounting gain of $516 million ($383 million after deferred tax impact of $133 million).
8. The sale of the Q Series Aircraft program assets for gross proceeds of $298 million resulted in a pre-tax accounting gain of $219 million ($193 million after tax impact).
9. Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021.
10. Following a reassessment of the value of the Primove e-mobility technology and the status of existing contractual obligations, the Corporation recorded an additional contract provision of $7 million for the six-month period ended June 30, 2019.

7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Financing expense				
Net loss on certain financial instruments[1]	**$ —**	$ 20	**$ 66**	$ —
Accretion on net retirement benefit obligations	**16**	15	**33**	33
Accretion on other financial liabilities	**17**	14	**32**	25
Accretion on advances	**11**	9	**20**	17
Changes in discount rates of provisions	**—**	9	**20**	12
Interest expense on lease liabilities	**7**	8	**15**	16
Amortization of letter of credit facility costs	**2**	4	**5**	8
Accretion on provisions	**1**	3	**4**	8
Loss on repurchase of long-term debt[2]	**—**	4	**—**	84
Other	**13**	20	**32**	44
	67	106	**227**	247
Interest on long-term debt, after effect of hedges	**164**	163	**330**	313
	$ 231	$ 269	**$ 557**	$ 560
Financing income				
Net gain on certain financial instruments[1]	**$ (15)**	$ —	**$ —**	$ (62)
Other	**(3)**	(6)	**(10)**	(11)
	(18)	(6)	**(10)**	(73)
Interest on cash and cash equivalents	**(1)**	(9)	**(2)**	(19)
Interest on loans and lease receivables, after effect of hedges	**(1)**	(5)	**(2)**	(6)
Income from investment in securities	**—**	(2)	**—**	(4)
	(2)	(16)	**(4)**	(29)
	$ (20)	$ (22)	**$ (14)**	$ (102)

(1) Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
(2) Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021, which was recorded as a special item. See Note 6 – Special items.

8. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
(Number of shares, stock options, PSUs, DSUs and warrants, in thousands)				
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (298)**	$ (83)	**$ (556)**	$ 112
Preferred share dividends, including taxes	**(7)**	(7)	**(13)**	(14)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$ (305)**	$ (90)	**$ (569)**	$ 98
Weighted-average number of common shares outstanding	**2,402,633**	2,375,581	**2,400,939**	2,375,223
Net effect of stock options, PSUs, DSUs and warrants	**—**	—	**—**	60,615
Weighted-average diluted number of common shares	**2,402,633**	2,375,581	**2,400,939**	2,435,838
EPS (in dollars)				
Basic and diluted	**$ (0.13)**	$ (0.04)	**$ (0.24)**	$ 0.04

The effect of the exercise of stock options, PSUs, DSUs and warrants was included in the calculation of diluted EPS in the above table, except for 421,581,994 and 452,272,309 for the three- and six-month periods ended June 30, 2020, respectively (526,426,083 and 254,620,139 for the three- and six-month periods ended June 30, 2019, respectively) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation’s Class B Shares (subordinate voting) or predetermined financial performance targets had not been met or the effect of the exercise would be antidilutive. The calculation of diluted EPS did not include the impact of the CDPQ conversion option as this was antidilutive. This is because CDPQ’s minimum return entitlement was greater than their share of the BT Holdco net income on an as converted basis assuming the maximum CDPQ ownership on conversion if Transportation does not achieve its performance targets.

9. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	FVTP&L	Designated	FVOCI [(1)]	Amortized cost	DDHR	Total carrying value	Fair value
June 30, 2020							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 1,674**	**$ —**	**$ 1,674**	**$ 1,674**
Trade and other receivables	**—**	**—**	**—**	**1,834**	**—**	**1,834**	**1,834**
Other financial assets	**624**	**—**	**258**	**276**	**137**	**1,295**	**1,295**
	$ 624	**$ —**	**$ 258**	**$ 3,784**	**$ 137**	**$ 4,803**	**$ 4,803**
Financial liabilities							
Borrowings	**$ —**	**$ —**	**$ —**	**$ 564**	**$ —**	**$ 564**	**$ 564**
Trade and other payables	**11**	**—**	**n/a**	**4,060**	**—**	**4,071**	**4,071**
Long-term debt	**—**	**—**	**n/a**	**9,333**	**—**	**9,333**	**6,524**
Other financial liabilities	**289**	**523**	**n/a**	**1,100**	**180**	**2,092**	**1,979**
	$ 300	**$ 523**	**n/a**	**$ 15,057**	**$ 180**	**$ 16,060**	**$ 13,138**
December 31, 2019							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 2,578	$ —	$ 2,578	$ 2,578
Trade and other receivables	—	—	—	1,844	—	1,844	1,844
Other financial assets	723	—	250	101	110	1,184	1,184
	$ 723	$ —	$ 250	$ 4,523	$ 110	$ 5,606	$ 5,606
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 4,682	$ —	$ 4,682	$ 4,682
Long-term debt	—	—	n/a	9,333	—	9,333	9,660
Other financial liabilities	378	468	n/a	1,219	157	2,222	2,239
	$ 378	$ 468	n/a	$ 15,234	$ 157	$ 16,237	$ 16,581
January 1, 2019							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 3,187	$ —	$ 3,187	$ 3,187
Trade and other receivables	—	—	—	1,575	—	1,575	1,575
Other financial assets	846	—	230	35	129	1,240	1,237
	$ 846	$ —	$ 230	$ 4,797	$ 129	$ 6,002	$ 5,999
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 4,634	$ —	$ 4,634	$ 4,634
Long-term debt	—	—	n/a	9,061	—	9,061	8,750
Other financial liabilities	597	438	n/a	1,410	288	2,733	3,021
	$ 597	$ 438	n/a	$ 15,105	$ 288	$ 16,428	$ 16,405

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

n/a: Not applicable

10. CONTRACT BALANCES

Contract assets were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Long-term contracts						
Production contracts						
Cost incurred and recorded margins	**$**	**9,268**	$	9,930	$	8,882
Less: advances and progress billings		**(7,240)**		(7,983)		(6,707)
		2,028		1,947		2,175
Service contracts						
Cost incurred and recorded margins		**727**		674		506
Less: advances and progress billings		**(105)**		(136)		(64)
		622		538		442
	$	**2,650**	$	2,485	$	2,617

Contract liabilities were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Advances on aerospace programs	**$**	**3,745**	$	4,018	$	3,075
Advances and progress billings in excess of long-term contract cost incurred and recorded margin		**2,038**		2,286		2,124
Other deferred revenues		**869**		852		996
	$	**6,652**	$	7,156	$	6,195
Of which current	**$**	**5,222**	$	5,739	$	4,262
Of which non-current		**1,430**		1,417		1,933
	$	**6,652**	$	7,156	$	6,195

In connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. Amounts received under these arrangements are included as advances and progress billings in reduction of long-term contracts (production contracts) in contract assets and amounted to €343 million ($386 million) as at June 30, 2020 (€503 million ($565 million) as at December 31, 2019 and €624 million ($714 million) as at January 1, 2019). The third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations such as delivery delays beyond a specified date.

11. INVENTORIES

Inventories were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Aerospace programs	**$**	**4,157**	$	3,990	$	3,546
Finished products[1]		**573**		468		733
Other		**163**		141		123
	$	**4,893**	$	4,599	$	4,402

[1] Finished products include $159 million of new aircraft not associated with a firm order and pre-owned aircraft, as at June 30, 2020 ($58 million as at December 31, 2019 and $53 million as at January 1, 2019).

The amount of inventories recognized as cost of sales totalled $987 million and $2,154 million for the three- and six-month periods ended June 30, 2020, respectively ($1,589 million and $2,565 million for the three- and six-month periods ended June 30, 2019, respectively). These amounts include $19 million and $54 million of write-downs and $2 million of reversal of write-downs for the three- and six-month periods ended June 30, 2020, respectively ($40 million and $68 million of write-downs and $7 million of reversal of write-downs for the three- and six-month periods ended June 30, 2019, respectively).

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	June 30, 2020	December 31, 2019	January 1, 2019
Receivables from ACLP[1]	**$ 332**	$ 468	$ 385
Investments in securities	**258**	250	230
Derivative financial Instruments	**166**	287	168
Restricted cash	**164**	62	21
Investments in financing structures[2]	**151**	—	173
Long-term contract receivables	**91**	99	75
Balance of payment on disposal of investment in associate[3]	**54**	—	—
Aircraft loans[2]	**30**	2	26
Receivable from MHI[4]	**15**	—	—
ACLP non-voting units[5]	**—**	—	150
Other	**34**	16	12
	$ 1,295	$ 1,184	$ 1,240
Of which current	**$ 284**	$ 195	$ 210
Of which non-current	**1,011**	989	1,030
	$ 1,295	$ 1,184	$ 1,240

(1) This receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. See Note 15 - Other financial liabilities for more information.

(2) 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 15 - Other financial liabilities and Note 19 - Disposal of business for more information. As of December 31, 2019, those assets were presented as Assets held for sale as part of the sale of the CRJ business.

(3) The balance of payment on disposal of investment in associate represents an amount owed by Stelia Aerospace. See Note 18 - Disposal of investment in associate.

(4) This receivable represents a back-to-back agreement that the Corporation has with MHI on lease subsidies of $12 million and certain other financial liabilities. See Note 15 - Other financial liabilities and Note 19 - Disposal of business for more information.

(5) See Note 18 - Disposal of investment in associate.

13. OTHER ASSETS

Other assets were as follows, as at:

	June 30, 2020	December 31, 2019	January 1, 2019
Intangible assets other than aerospace program tooling and goodwill	**$ 238**	$ 217	$ 195
Sales tax and other taxes	**173**	249	212
Prepaid expenses	**144**	141	107
Retirement benefits	**122**	193	200
Prepaid sales concessions and deferred contract costs	**88**	105	131
Receivable from MHI[1]	**85**	—	—
Income taxes receivable	**69**	90	49
Deferred financing charges	**21**	27	38
Other	**11**	13	24
	$ 951	$ 1,035	$ 956
Of which current	**$ 361**	$ 473	$ 357
Of which non-current	**590**	562	599
	$ 951	$ 1,035	$ 956

(1) This receivable represents a back to back agreement that the Corporation has with MHI on credit and residual value guarantees provisions. See Note 14 - Provisions and Note 19 - Disposal of business for more information.

14. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at December 31, 2019[2]	$ 432	$ 90	$ 134	$ 1,008	$ 130	$ 1,794
Additions	38	—	6 [3]	10	18	72
Utilization	(28)	—	(27)	(97)	(5)	(157)
Reversals	(6)	(3)	(12) [3]	(202) [4]	(1)	(224)
Accretion expense	1	1	—	1	—	3
Effect of changes in discount rates	1	2	—	17	—	20
Effect of foreign currency exchange rate changes	(10)	—	(3)	(12)	(1)	(26)
Balance as at March 31, 2020[2]	$ 428	$ 90	$ 98	$ 725	$ 141	$ 1,482
Additions	31	7	47 [3]	161	3	249
Utilization	(33)	—	(26)	(14)	(1)	(74)
Reversals	(14)	(1)	(10) [3]	(1)	(1)	(27)
Accretion expense	—	—	—	1	—	1
Reclassified as liabilities directly associated with assets held for sale[5]	—	—	(30)	(308)	(23)	(361)
Disposal of CRJ business[6]	(8)	(12)	—	(4)	—	(24)
Effect of foreign currency exchange rate changes	7	1	—	1	—	9
Balance as at June 30, 2020	**$ 411**	**$ 85 [7]**	**$ 79**	**$ 561**	**$ 119**	**$ 1,255**
Of which current	$ 316	$ 6	$ 78	$ 471	$ 91	$ 962
Of which non-current	95	79	1	90	28	293
	$ 411	$ 85	$ 79	$ 561	$ 119	$ 1,255

(1) Mainly comprised of claims and litigation.
(2) Opening balances are before the assets held for sale reclassification.
(3) See Note 6 – Special items for more details on additions and reversals related to restructuring charges.
(4) Related to disposal of the Corporation's remaining interest in ACLP and its aerostructures activities supporting A220 and A330 and the reversal of Learjet 85 aircraft program cancellation provisions. See Note 6 – Special items for more details.
(5) See Note 17 - Assets held for sale for more details.
(6) See Note 19 - Disposal of business for more information.
(7) Following the sale of the CRJ business, the Corporation retains those provisions and has a back-to-back agreement with MHI. See Note 13 - Other Assets and Note 19 - Disposal of business for more information.

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at January 1, 2019	$ 515	$ 456	$ 226	$ 1,146	$ 157	$ 2,500
Additions	38	—	11 [2]	13 [3]	10	72
Utilization	(48)	(96) [4]	(24)	(70)	—	(238)
Reversals	(25)	(11)	(1)	(16) [5]	(6)	(59)
Accretion expense	1	3	—	1	—	5
Effect of changes in discount rates	1	—	—	2	—	3
Effect of foreign currency exchange rate changes	(5)	—	(3)	(5)	(1)	(14)
Balance as at March 31, 2019	$ 477	$ 352	$ 209	$ 1,071	$ 160	$ 2,269
Additions	22	—	61 [2]	18	20	121
Utilization	(32)	(208) [4]	(59)	(115)	(45)	(459)
Reversals	(10)	(16)	(6)	(2) [5]	(9)	(43)
Accretion expense	—	2	—	—	1	3
Effect of changes in discount rates	—	2	—	7	—	9
Reclassified as liabilities directly associated with assets held for sale[6]	(7)	(132)	—	(7)	(2)	(148)
Effect of foreign currency exchange rate changes	3	—	2	4	—	9
Balance as at June 30, 2019	$ 453	$ —	$ 207	$ 976	$ 125	$ 1,761
Of which current	$ 361	$ —	$ 159	$ 476	$ 88	$ 1,084
Of which non-current	92	—	48	500	37	677
	$ 453	$ —	$ 207	$ 976	$ 125	$ 1,761

[1] Mainly comprised of claims and litigation.
[2] See Note 6 – Special items for more details on additions related to restructuring charges.
[3] See Note 6 – Special items for more details on additions related to Primove impairment and other costs.
[4] When Credit and residual value guarantees become due, the respective amounts are re-classified to Credit and residual value guarantees payable within other financial liabilities.
[5] See Note 6 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions.
[6] See Note 17 - Assets held for sale for more details.

15. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Government refundable advances[1]	$	**475**	$	585	$	759
Derivative financial instruments		**469**		535		885
Lease liabilities[2]		**445**		487		609
Credit and residual value guarantees payable		**291**		378		172
Liabilities related to RASPRO assets[3]		**151**		—		—
Vendor non-recurring costs		**95**		112		136
Payable to MHI[4]		**28**		—		—
Lease subsidies[5]		**12**		—		53
Other		**126**		125		119
	$	**2,092**	$	2,222	$	2,733
Of which current	$	**570**	$	617	$	701
Of which non-current		**1,522**		1,605		2,032
	$	**2,092**	$	2,222	$	2,733

(1) Of which $332 million has a back-to-back agreement with ACLP ($468 million as at December 31, 2019 and $385 million as at January 1, 2019). Refer to Note 12 - 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) Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 27 - Reclassification.

(3) 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 12 - Other financial assets and to Note 19 - Disposal of business for more information.

(4) This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans. Refer to Note 12 - Other financial assets and to Note 19 - Disposal of business for more information.

(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 12 - Other financial assets and to Note 19 - Disposal of business for more information. As of December 31, 2019, those liabilities were presented as liabilities directly associated with assets held for sale as part of the sale of the CRJ business.

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 June 30, 2020, since the lease has not yet commenced. The Corporation's undiscounted lease commitments were as follows, as at:

		June 30, 2020
Less than 1 year	$	**—**
From 1 to 3 years		**15**
Thereafter		**571**
	$	**586**

16. OTHER LIABILITIES

Other liabilities were as follows, as at:

		June 30, 2020		December 31, 2019 [1]		January 1, 2019
Employee benefits	$	**595**	$	532	$	643
Accruals for long-term contract costs		**415**		398		443
Supplier contributions to aerospace programs		**369**		389		389
Income taxes payable		**186**		202		173
Other taxes payable		**78**		165		181
Other		**250**		220		193
	$	**1,893**	$	1,906	$	2,022
Of which current	$	**1,280**	$	1,441	$	1,499
Of which non-current		**613**		465		523
	$	**1,893**	$	1,906	$	2,022

(1) Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 27 - Reclassification.

17. ASSETS HELD FOR SALE

Aerostructure Business
On October 31, 2019, the Corporation and Spirit AeroSystems Holding, Inc. (Spirit) announced that they have entered into a definitive agreement, whereby Spirit will acquire Bombardier's aerostructures activities and aftermarket services operations in Belfast, U.K., and Casablanca, Morocco, and its aerostructures maintenance, repair and overhaul (MRO) facility in Dallas, U.S., for a cash consideration of $500 million and the assumption of liabilities, including government refundable advances and pension obligations. Following the transaction, Spirit will continue to supply structural aircraft components and spare parts to support the production and in-service fleet of Bombardier Aviation's *Learjet, Challenger* and *Global* families of aircraft.

The transaction follows the formation of Bombardier Aviation last year and streamlines its aerostructures footprint to focus on its core capabilities in Montreal, Mexico and its *Global 7500* wing operations in Texas. The transaction is expected to close this fall and remains subject to customary closing conditions.

Assets held for sale
The major class of assets held for sale or liabilities directly associated with assets held for sale was as follows, as at:

		June 30, 2020		December 31, 2019
Cash and cash equivalents	**$**	**50**	$	51
Current assets[1]		**353**		334
Non-current assets[2]		**482**		448
Total assets	**$**	**885**	$	833
Current liabilities[3][4]	**$**	**379**	$	320
Non-current liabilities[4]		**1,001**		1,001
Total liabilities	**$**	**1,380**	$	1,321

(1) Mainly comprised of inventories and trade and other receivables.
(2) Mainly comprised of PP&E.
(3) Mainly comprised of trade and other payables and onerous contracts provision.
(4) Mainly comprised of onerous contracts provision, retirement benefits liabilities amounting to $760 million and government refundable advances amounting to $282 million as at June 30, 2020 ($414 million and $294 million respectively as at December 31, 2019).

These assets and liabilities are reported in the Bombardier Aviation reportable segment.

18. DISPOSAL OF INVESTMENT IN ASSOCIATE

On February 12, 2020, Bombardier transferred its remaining interest in ACLP to Airbus and the Government of Québec. Airbus now holds 75% of ACLP with the Government of Québec increasing its holding to 25% for no cash consideration. The Corporation's work packages for the A220 and A330, in St-Laurent, Québec was transferred to Airbus, through its subsidiary Stelia Aerospace.

The Corporation will receive $591 million, net of adjustments, of which $531 million was received at closing, and is released of its future funding capital requirement to Airbus Canada. Finally, the agreement provided for the cancellation of 100,000,000 Bombardier warrants by Airbus.

These non-core assets were previously reported in Bombardier Corporate and Others segment.

The net proceeds received were $536 million as at June 30, 2020. A gain of $119 million was recognized in Special items, see Note 6 - Special items.

19. DISPOSAL OF BUSINESS

On June 1, 2020, the Corporation confirmed the closing of the previously announced sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd (MHI).

Through this sale, MHI acquires the maintenance, support, refurbishment, marketing, and sales activities for the CRJ Series aircraft, including the related services and support network located in Montréal, Québec, and Toronto, Ontario, and its service centres located in Bridgeport, West Virginia, and Tucson, Arizona, as well as the type certificates.

Bombardier will continue to supply components and spare parts and will assemble the remaining CRJ Series aircraft in the backlog on behalf of MHI until the complete delivery of the current backlog, expected by the end of the first quarter of 2021.

The Corporation has received gross proceeds of $585 million at closing, including certain closing adjustments. The net proceeds were $575 million at closing. A pre-tax gain of $496 million was recognized in Special items, see Note 6 - Special items ($448 million after tax impact).

The Corporation has retained certain liabilities representing credit and residual value guarantees provisions and lease subsidies for which the Corporation has a back-to-back agreement with MHI. In addition, the Corporation has retained certain assets, mainly including the Corporation's regional aircraft securitization program (RASPRO) for which the Corporation has transferred the net beneficial interest through a back-to-back agreement with MHI.

These non-core assets were previously reported in Bombardier Aviation segment.

20. NON-CONTROLLING INTEREST

On February 11, 2016, Bombardier closed the sale to the CDPQ of a $1.5-billion convertible share investment in Bombardier Transportation's newly-created holding company, BT Holdco. Under the terms of the investment, the parties had agreed to a consolidated Bombardier cash position, as defined in the agreement, at the end of each quarter of at least $1.25 billion.

As this requirement was met at all relevant times since the closing of the investment, the obligation for Bombardier to maintain a minimum consolidated cash position, and the obligations resulting upon the occurrence of any shortfall, automatically terminated on February 11, 2020.

During the three-month period ended March 31, 2020, CDPQ made a capital injection of €350 million ($386 million) in BT Holdco in consideration for the issuance of additional convertible shares. These additional convertible shares are redeemable at the option of BT Holdco and otherwise having substantially the same terms as the previously issued convertible shares held by CDPQ. The Corporation did not participate in the capital injection.

During the three-month period ended June 30, 2020, the Corporation made a capital injection of €300 million ($338 million) indirectly in BT Holdco in consideration for the issuance of new redeemable shares. These new redeemable shares are redeemable at the option of BT Holdco and otherwise have substantially the same terms as the previously issued shares held by the Corporation. CDPQ did not participate in the capital injection.

As such, the equity ownership percentage of the Corporation and of CDPQ in Transportation as at June 30, 2020 is 65.35% and 34.65%, respectively.

21. SHARE-BASED PLANS

PSU, DSU and RSU plans

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

						Three-month periods ended June 30
			2020			2019
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**86,789,726**	**984,496**	**—**	87,396,331	1,101,849	—
Granted	**—**	**—**	**2,282,609**	35,858,474	—	—
Forfeited	**(2,045,652)**	**—**	**—**	(2,452,317)	—	—
Balance at end of period	**84,744,074**	**984,496** (1)	**2,282,609**	120,802,488	1,101,849 (1)	—

						Six-month periods ended June 30
			2020			2019
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**95,207,904**	**1,101,849**	**—**	88,243,098	1,101,849	—
Granted	**—**	**—**	**2,282,609**	37,275,637	—	—
Vested	**(5,044,471)**	**—**	**—**	—	—	—
Exercised	**—**	**(117,353)**	**—**	—	—	—
Forfeited	**(5,419,359)**	**—**	**—**	(4,716,247)	—	—
Balance at end of period	**84,744,074**	**984,496** (1)	**2,282,609**	120,802,488	1,101,849 (1)	—

(1) Of which 984,496 DSUs are vested as at June 30, 2020 (1,101,849 as at June 30, 2019).

The compensation income, with respect to the PSU, DSU and RSU plans, amounted to $20 million and $19 million during the three- and six-month periods ended June 30, 2020, respectively (compensation expense of $9 million and $21 million during the three- and six-month periods ended June 30, 2019, respectively). The compensation income is due to the revision of assumptions related to future performance.

Share option plans

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

		Three-month periods ended June 30		Six-month periods ended June 30
	2020	2019	**2020**	2019
Balance at beginning of period	**130,638,940**	110,038,407	**131,006,338**	111,545,290
Granted	**3,666,842**	27,134,344	**3,666,842**	29,169,916
Exercised	**—**	(394,736)	**—**	(1,281,498)
Forfeited	**(158,554)**	(1,685,069)	**(525,952)**	(4,340,762)
Expired	**(31,833)**	—	**(31,833)**	—
Balance at end of period	**134,115,395**	135,092,946	**134,115,395**	135,092,946

A compensation expense of $5 million and $11 million was recorded during the three- and six-month periods ended June 30, 2020, respectively, with respect to share option plans ($5 million and $10 million for the three- and six-month periods ended June 30, 2019, respectively).

22. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Trade and other receivables	**$ 105**	$ (149)	**$ 17**	$ (143)
Inventories	**171**	(182)	**(401)**	(950)
Contract assets	**(13)**	(151)	**(289)**	(392)
Contract liabilities	**(242)**	391	**(446)**	657
Other financial assets and liabilities, net	**(117)**	193	**(94)**	132
Other assets	**277**	(51)	**183**	(104)
Trade and other payables	**(610)**	133	**(636)**	306
Provisions	**148**	(364)	**46**	(589)
Retirement benefit liability	**(99)**	28	**3**	17
Other liabilities	**75**	(96)	**(66)**	(182)
	$ (305)	$ (248)	**$ (1,683)**	$ (1,248)

Off-balance sheet sale of receivables
In the normal course of its business, Transportation has facilities, to which it can sell, without credit recourse, qualifying receivables. Receivables of €518 million ($585 million) were outstanding under such facilities as at June 30, 2020 (€809 million ($909 million) as at December 31, 2019 and €799 million ($914 million) as at January 1, 2019). Receivables of €225 million ($248 million) and €550 million ($606 million) were sold to these facilities during the three- and six-month periods ended June 30, 2020, respectively (€520 million ($584 million) and €1,039 million ($1,174 million) during the three- and six-month periods ended June 30, 2019, respectively).

Trade and other payables
The Corporation negotiated extended payment terms of 240 to 360 days after delivery with certain of its suppliers. Trade payables with these extended terms totalled $905 million (of which $321 million related to Aviation and $584 million related to Transportation) and bore interest at a weighted average rate of 3.99% as at June 30, 2020 ($856 million and 6.40%, respectively, as at December 31, 2019 and $839 million and 3.83%, respectively, as at January 1, 2019). The amount of payables extended may fluctuate over time based on availability, cost, and requirements, and suppliers generally have the right to return to original payment terms for future payables upon providing a minimum notice period. Financial market conditions currently preclude the extension of payment terms of new Aviation trade payables while Transportation continues to access extended terms.

Contract balances
See Note 10 - Contract balances for more details regarding arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments.

23. CREDIT FACILITIES

Transportation secured further amendments to its revolving credit facility and letter of credit facility. These amendments provide for, among other things, temporary adjustments to certain financial covenants through the third quarter.

The minimum liquidity required by the Transportation letter of credit and revolving credit facilities was €750 million. Effective in June 2020, the minimum liquidity is now varying between €500 million ($564 million) and €750 million ($846 million) at the end of each quarter. The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data.

Refer to Note 28 - Event after the reporting date for more information on the new $1 billion Senior Secured credit facility.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at June 30, 2020:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans[5]	$ 28	$ —	$ —	$ 28
Derivative financial instruments[1]	166	—	166	—
Investments in securities	258	35	223	—
Receivable from ACLP[2]	332	—	—	332
Receivable from MHI[3]	12	—	—	12
Long-term contract receivable	72	—	72	—
Investments in financing structures[4]	151	—	—	151
	$ 1,019	$ 35	$ 461	$ 523
Financial liabilities				
Trade and other payables	$ 11	$ —	$ —	$ 11
Lease subsidies[3]	12	—	—	12
Government refundable advance[2]	332	—	—	332
Derivative financial instruments[1]	469	—	212	257
Liabilities related to RASPRO[4]	151	—	—	151
Payable to MHI[5]	28	—	—	28
	$ 1,003	$ —	$ 212	$ 791

(1) Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.
(2) The receivable from related party represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.
(3) This receivable represents a back to back agreement that the Corporation has with MHI related to lease subsidies.
(4) 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.
(5) This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans.

Changes in the fair value of Level 3 financial instruments, excluding assets and liabilities with a back-to-back agreement and their corresponding back-to-back assets and liabilities, were as follows, for the three- and six-month periods ended:

	Trade and other payables	Conversion option
Balance as at December 31, 2019	$ —	$ (325)
Net gains and interest included in net income	—	68
Issuances	(9)	—
Settlements	—	—
Effect of foreign currency exchange rate changes	—	6
Balance as at March 31, 2020	$ (9)	$ (251)
Issuances	(2)	—
Effect of foreign currency exchange rate changes	—	(6)
Balance as at June 30, 2020	**$ (11)**	**$ (257)**

	Aircraft loans	ACLP non-voting units	Investments in financing structures	Lease subsidies	Conversion option	Funding commit-ments
Balance as at January 1, 2019	$ 24	$ 150	$ 173	$ (53)	$ (314)	$ (235)
Net gains (losses) and interest included in net income	1	—	7	(2)	(8)	—
Issuances	—	73	—	—	—	—
Settlements	—	—	1	4	—	37
Effect of foreign currency exchange rate changes	—	—	—	—	6	—
Balance as at March 31, 2019	$ 25	$ 223	$ 181	$ (51)	$ (316)	$ (198)
Net gains (losses) and interest included in net income	2	10	8	(1)	(10)	10
Issuances	—	83	—	—	—	—
Settlements	—	—	(2)	4	—	42
Effect of foreign currency exchange rate changes	—	—	—	—	(3)	—
Balance as at June 30, 2019	$ 27	$ 316	$ 187	$ (48)	$ (329)	$ (146)
Reclassified as liabilities directly associated with assets held for sale[(1)]	(27)	—	(187)	48	—	—
Balance as at June 30, 2019	$ —	316	$ —	$ —	$ (329)	$ (146)

[(1)] Represent liabilities reclassified as held for sale related to the sale of the CRJ business.

Main assumptions developed internally for Level 3 hierarchy

When measuring Level 3 financial instruments at fair value, some assumptions are not derived from an observable market.

The value of the conversion option is determined by the value of CDPQ's equity interest in Transportation. See Note 26 - Transaction.

25. COMMITMENTS AND CONTINGENCIES

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

		June 30, 2020		December 31, 2019		January 1, 2019
Aircraft sales						
Residual value	**$**	**107**	$	163	$	695
Credit		**657**		734		1,034
Mutually exclusive exposure[(1)]		**(100)**		(128)		(473)
Total credit and residual value exposure	**$**	**664**	$	769	$	1,256
Trade-in commitments	**$**	**895**	$	998	$	1,165
Conditional repurchase obligations	**$**	**68**	$	73	$	100
Other						
Credit	**$**	**48**	$	48	$	48

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

Provisions for anticipated losses amounting to $85 million as at June 30, 2020 ($90 million as at December 31, 2019 and $456 million as at January 1, 2019) have been established to cover the risks from credit and residual value guarantees. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $12 million as at June 30, 2020 ($41 million as at December 31, 2019 and $53 million as at January 1, 2019).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 as at June 30, 2020.

When credit and residual value guarantees become due the respective amounts are re-classified from provision to credit and residual value guarantees payable within other financial liabilities. Credit and residual value guarantees payable amounted to $291 million as at June 30, 2020 ($435 million as at December 31, 2019 and $172 million as at January 1, 2019).

Litigation

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

While the Corporation cannot predict the final outcome of all legal proceedings pending as at June 30, 2020, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Sweden

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

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

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

The Corporation's internal review about the reported allegations regarding the ADY project 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.

In connection with this on-going review, the Corporation has requested information and documents from the World Bank's audit and continues to wait for such information and documents.

Investigation in Brazil

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

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

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

In December 2018, the Superintendent-General of CADE filed a formal opinion finding BT Brazil had engaged in anti-competitive behaviour. On February 18, 2019, CADE's Attorney General issued its opinion, substantially supporting the General Superintendence's recommendations. On June 20, 2019, the Brazil Superior Court of Justice granted an extraordinary recourse brought by CADE to overcome the effects of certain injunctions instituted by the defendants (including BT Brazil) and the matter was added to the following plenary session of the CADE Board, a quasi-judicial competition tribunal. On July 8, 2019, the CADE Board issued a bench ruling supporting the Superintendent-General of CADE's formal opinion filed in December 2018. This opinion found all the defendants (including BT Brazil) had engaged in anti-competitive behaviour and recommended the conviction of all the investigated parties. In the case of BT Brazil, the conviction includes a fine of 22 million Brazilian Real ($6 million), but no debarment. BT Brazil was not declared ineligible to participate in future public bids.

In parallel with the proceedings described above, the Corporation conducted an internal review to determine whether any kind of anti-competitive conduct had occurred. This review did not reveal any evidence of participation in an illicit agreement to allocate markets and influence the outcome of competitive bidding procedures as alleged by the competition authority.

The Corporation strongly disagrees with the conclusions of the CADE Board and BT Brazil has commenced the requisite steps to contest its decision before tribunals of competent jurisdiction and continues to vigorously defend itself against the allegations.

Transnet

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

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

The Corporation is conducting an internal review into the allegations by external advisors under the supervision of counsel. The review is still ongoing but based on information known to the Corporation at this time, there is no reason to believe that the Corporation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 *TRAXX* locomotives from Bombardier Transportation. Contrary to what has been reported by the media, the contract is still in full force and continues to be executed.

Spain

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

On August 28, 2018, BEI was informed that the CNMC was opening formal proceedings against eight competing companies active on the Spanish signalling equipment market and four directors, including BEI and its parent company, Bombardier Transportation (Global Holding) UK Limited. No Bombardier directors were named. The inclusion of the parent company is typical of European competition authorities at the early stage of the proceedings. The delays for CNMC to adopt a final decision on the case are currently suspended pending various appeals (including by BEI) filed in relation to various decisions rendered by CNMC regarding the involvement into the file of the public client ADIF.

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

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”) 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.

26. TRANSACTION

On February 17, 2020, the Corporation signed a Memorandum of Understanding (MOU) with Alstom SA and CDPQ for the sale of the Transportation business to Alstom. Under the contemplated transaction, the Corporation and CDPQ would sell their interests in Transportation to Alstom on the basis of an enterprise value of approximately $8.2 billion (€7.45 billion). Total proceeds under the contemplated transaction, after the deduction of debt-like items and transferred liabilities, including pension obligations, and net of Transportation cash, are expected to be approximately $6.4 billion, subject to upward adjustments of up to $440 million, and subject to other closing adjustments and indemnities, the achievement of a minimum cash balance at Transportation at the end of 2020, and the fluctuations in EUR to USD exchange rate. After deducting CDPQ’s equity position between $2.1 billion and $2.3 billion, the Corporation would receive net proceeds of between $4.2 billion to $4.5 billion, inclusive of $550 million in the form of Alstom shares (based on a fixed subscription price of €47.50 per share), monetizable after a three-month lock-up post-closing. If the additional equity investment of €350 million ($386 million using an exchange rate of 1.1034) made by CDPQ in the three-month period ended March 31, 2020 and if the additional equity investment of €300 million ($338 million) made by the Corporation in the three-month period ended June 30, 2020 in the Transportation business, see Note 20 - NCI for more details, are not redeemed before the closing of the transaction, the aggregate net proceeds of the transaction would be increased by the unredeemed amount and the increase resulting from the CDPQ equity investment would be allocated to CDPQ provided that the aggregate of such unredeemed amount would be added to the minimum cash balance Transportation is required to achieve at the end of 2020 and would be deducted from Transportation’s cash balance for the purpose of calculating the closing purchase price adjustments.

Pursuant to the requirements of French law, Alstom and Bombardier have initiated Works Councils information and consultation procedures prior to the signing of the transaction documents. Accordingly, and consistent with customary practice in France, Alstom, Bombardier and CDPQ reached an agreement in principle on the main terms of the transaction and entered into the MOU prior to announcing the proposed transaction. The MOU organizes the information and consultation process by Bombardier and Alstom of their respective Works Councils and contains exclusive commitments by both parties. This process is ongoing and is anticipated to conclude in the summer 2020. Thereafter and subject to the views of the works councils the parties would expect to enter into the formal share purchase agreement.

On July 9, 2020, the Corporation confirmed its support of the commitments announced by Alstom to address potential concerns raised by the European Commission in relation to Alstom’s acquisition of the Transportation business, including the disposition of certain assets currently held by Transportation. Commitments to be submitted to the European Commission include:

- A transfer of Transportation’s contribution to the V300 *ZEFIRO* very high-speed train platform;
- The divestment of the Bombardier *TALENT* 3 mainline train platform and dedicated production facilities located within the Hennigsdorf site in Germany; and
- Providing access to certain interfaces and products for some of Transportation’s Signalling On-Board Units and Train Control Management Systems (TCMS).

These proposed commitments are subject to the European Commission’s approval, and any disposition will be done in compliance with all required social processes and consultations with appropriate employee representative bodies.

On July 31, 2020, the European Commission provided conditional approval of the sale of Bombardier Transportation to Alstom, a significant milestone in obtaining the necessary regulatory approvals to complete the transaction. Bombardier and Alstom continue to work together to obtain the remaining approvals and complete the Works Councils consultations required prior to executing the definitive sale and purchase agreement, which is now expected to occur in September 2020.

The closing of this transaction is conditioned on certain events occurring, including without limitation the receipt of necessary regulatory approvals, the execution of definitive documentation, receipt of Alstom shareholder approval in respect of the required capital increase and completion of relevant works council consultations discussed above.

27. RECLASSIFICATION

Comparative figures have been reclassified to conform to the presentation adopted in the current period for lease liabilities, which resulted in a reclassification from other liabilities to other financial liabilities.

28. EVENT AFTER THE REPORTING DATE

The Corporation secured a commitment from investment funds and accounts managed by HPS Investment Partners, LLC to provide a three-year senior secured term loan (the "Facility") of up to $1.0 billion, providing additional liquidity to operate the business through the COVID-19 pandemic as it works to close previously announced divestitures undertaken to reshape Bombardier’s capital structure.

The Facility is expected to be in place in the third quarter of 2020 and provides additional liquidity for working capital and general corporate purposes as Bombardier realigns production rates with current market conditions. The Facility will have a minimum utilization of $750 million and a term of three years. Bombardier will have the right to voluntarily prepay the outstanding amount of the Facility. In addition, the sale of Bombardier Transportation will result in a mandatory repayment of 50% of the then outstanding principal amount of the Facility. Drawings under the Facility will bear interest at an agreed margin over the LIBOR reference rate and will be secured by a security interest in certain aviation inventory and related accounts receivable. There are no financial covenants under the Facility.