BOMBARDIER

FIRST QUARTERLY REPORT

Three-month period ended March 31, 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 interest
		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.	SG&A	Selling, general and administrative
		U.K.	United Kingdom
Euribor	Euro Interbank Offered Rate	U.S.	United States of America
FVOCI	Fair value through other comprehensive income (loss)		

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 reporting segment: Aviation and Transportation, which is reflective of our organizational structure.

The results of operations and cash flows for the three-month period 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, the sale of the *CRJ* aircraft program, 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[(1)] 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;

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

- 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 our regional jet program on June 1, 2020 and 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 March 31	2020	2019	Variance
Revenues	**$ 3,691**	$ 3,516	5 %
Adjusted EBITDA[1]	**$ 171**	$ 266	(36)%
Adjusted EBITDA margin[1]	**4.6%**	7.6%	(300) bps
Adjusted EBIT[1]	**$ 60**	$ 171	(65)%
Adjusted EBIT margin[1]	**1.6%**	4.9%	(330) bps
EBIT	**$ 156**	$ 684	(77)%
EBIT margin	**4.2%**	19.5%	(1530) bps
Net income (loss)	**$ (200)**	$ 239	nmf
Diluted EPS (in dollars)	**$ (0.11)**	$ 0.08	$ (0.19)
Adjusted net loss[1]	**$ (169)**	$ (122)	(39)%
Adjusted EPS (in dollars)[1]	**$ (0.10)**	$ (0.07)	$ (0.03)
Cash flows from operating activities	**$ (1,543)**	$ (907)	(70)%
Net additions to PP&E and intangible assets	**$ 99**	$ 137	(28)%
Free cash flow usage[1]	**$ (1,642)**	$ (1,044)	(57)%
As at	**March 31, 2020**	December 31, 2019	Variance
Cash and cash equivalents[2]	**$ 2,069**	$ 2,629	(21)%
Available short-term capital resources[3]	**$ 2,928**	$ 3,925	(25)%
Order backlog (in billions of dollars)			
Aviation			
Business aircraft	**$ 13.6**	**$ 14.4**	(6)%
Other aviation[4]	**$ 1.5**	**$ 1.9**	(21)%
Transportation	**$ 33.1**	**$ 35.8**	(8)%

Key highlights and events

Appointment of Éric Martel as President and Chief Executive Officer

In March 2020, Bombardier appointed Éric Martel as President and Chief Executive Officer and Board of Directors member for the Corporation, effective April 6, 2020. Éric Martel joins Bombardier from Hydro-Québec, where he has served as President and Chief Executive Officer since July 2015. Prior to joining Hydro-Québec, Éric Martel spent 12 years at Bombardier where he held a number of leadership positions at Aviation and Transportation, including President of the Business Aircraft Division and President of the Customer Services and Specialized Aircraft.

First Quarter Financial performance

- Revenues totalled $3.7 billion for the quarter, growing by 8% and 5% year-over-year at Aviation and Transportation, respectively, and excluding currency translation impact. This growth was mainly driven by additional *Global 7500* deliveries at Aviation and the ongoing ramp-up of large rolling stock projects in the U.K. and Germany at Transportation, notwithstanding impacts of reduced activity and travel restrictions in the second half of March 2020 due to the global COVID-19 pandemic.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(2) Includes cash and cash equivalents of the aerostructures businesses presented under Assets held for sale totalling $43 million as of March 31, 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 as well as the accounting treatments.
(3) Defined as cash and cash equivalents plus the undrawn amount under our revolving credit facility.
(4) Including 15 firm orders for *CRJ900* as of March 31, 2020 and 20 firm orders for *CRJ900* as of December 31, 2019. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of the aircraft.

- Adjusted EBITDA[1] and adjusted EBIT[1] were $171 million and $60 million, respectively, for the quarter. These results reflect the impact of Transportation working through several low-margin, legacy rolling stock projects, as well as lower share of income from joint ventures and associates. At Aviation, earnings were lower year-over-year due to an unfavourable aircraft mix, including lower margin early *Global 7500* business jets and delayed deliveries related to the COVID-19 pandemic, combined with lower service revenues and higher dilution from commercial aircraft activities. Reported EBIT was $156 million for the quarter.
- Free cash flow usage[1] totalled $1.6 billion during the quarter, including an estimated $600 million to $800 million COVID-19 impact reflecting our inability to deliver aircraft following government-imposed travel restrictions, temporary production shutdowns of several key sites, and lower than expected order intake at both Transportation and Aviation. Cash flows from operations usage for the quarter was $1.5 billion.

Financial and Demand Outlook[2]

- On March 24, 2020, Bombardier suspended its 2020 financial outlook to reflect the uncertainty related to the financial impact of the COVID-19 pandemic on its global operations.
    - In the second half of March 2020, production at several Aviation and Transportation facilities was temporarily suspended, impacting first quarter financial results. The slowdown in activity and travel restrictions, which extended into April and May 2020, is expected to increase the financial impact on the second quarter. As production gradually resumes, we are working with customers and suppliers to reestablish new delivery schedules.
    - In parallel, the Corporation is managing costs through aggressive company-wide actions, including cutting non-essential spending. Discretionary capital expenditures is also being deferred, mainly improving Aviation's free cash flow[1] outlook.
- At Aviation, production rates are being aligned to market demand, which is expected to be down by 30% to 35% year-over-year. The *Global 7500* order book remains solid and the focus continues to be on ramping up production and driving down the learning curve.
- The outlook for Transportation continues to be positive given its strong backlog, which stood at $33.1 billion at the end of the quarter.

Liquidity and Transaction Update

- The Corporation has *pro forma* liquidity of approximately $3.5 billion, which includes $2.1 billion of cash on hand and access to the undrawn amount of approximately $860 million on Transportation's revolving credit facility as at March 31, 2020, and approximately $550 million of proceeds from the sale of the *CRJ* program, which is set to close on June 1, 2020 as all closing conditions have been met.[2]
    - On February 12, 2020, the Corporation closed the sale of its remaining interest in the Airbus Canada Limited Partnership (ACLP) to Airbus and the Government of Quebec for net proceeds received of $531 million, increasing its Cash on hand by $431 million, net of investments made in non-voting units earlier in the year.
    - Cash on hand was increased through a $386 million equity injection in Transportation by CDPQ to support working capital as part of our measures to deal with the COVID-19 pandemic. In connection with this contribution, the Corporation secured amendments to Transportation's revolving and letter of credit facilities. These amendments provide for, among other things, temporary adjustments to certain financial covenants.
    - Closing conditions pertaining to the acquisition of Canadair Regional Jet (*CRJ*) Program by Mitsubishi have been met and the parties have agreed to close the transaction on June 1, 2020, generating cash proceeds of approximately $550 million.
- All of the previously announced divestures are continuing to progress towards closing.[2]
    - The aerostructures business sale to Spirit AeroSystems Holding, Inc. is tracking to plan and is expected to close in coming months, further improving the Corporation's cash position by approximately $500 million.

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
[2] See the forward-looking statements disclaimer.

◦ 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 ~$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. The Corporation intends to direct these proceeds towards debt paydown. The closing of this transaction is expected in the first half of 2021 and is conditioned on certain events occurring, including 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.

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. On March 24, 2020, the Corporation announced that in support of mandates from the Governments of Quebec and Ontario to help slow the spread of the COVID-19 pandemic, it suspended all non-essential work at most of its Canadian based operations and furloughed corporate office employees whose support functions are less critical in the short-term. During this furlough period, Bombardier's CEO and senior leadership team have given up their pay, and the Chairman and members of Bombardier's Board of Directors agreed to forgo board compensation for the remainder of 2020.

Also 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. The uncertainty surrounding the duration of the current pandemic precludes Management from providing financial guidance with any reasonable confidence at this time.

Impacts of COVID-19 on Aviation

Canadian operations, where *Global* and *Challenger* aircraft are assembled and delivered, were suspended in the last week of March 2020 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.

As a result of this reduced activity and travel restrictions, certain aircraft deliveries were delayed from the first quarter. Combined with the impact of reduced order intake related to the economic uncertainty, free cash flow(2) was negatively impacted, creating an estimated shortfall of $400 million to $500 million for the quarter. The financial impact of the production slowdown, supply chain shortages and other disruptions is expected to increase as the situation extends into April and May 2020.(3)

COVID-19 is also expected to result in a significant reduction in business aircraft demand for 2020, as widespread lockdown protocols implemented, and economic uncertainty reduce business jet utilization around the world. The Corporation is modelling a number of scenarios for planning purposes based on the current backlog and anticipated customer demand and will make the required production rate adjustments as it gradually resumes operations. As announced on April 28, 2020, starting on May 4th, 2020, most Aviation employees are being brought back to work within the following few weeks. As production resumes, the *Global 7500* ramp-up is continuing given the aircraft strong backlog.(3)

(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.
(3) See the forward-looking statements disclaimer.

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 due to the global COVID-19 pandemic. Approximately 10,000 Transportation employees globally were affected by these shutdowns.

As a result of this reduced activity as well as supply chain disruptions, key production and homologation milestones were postponed from the first quarter. Combined with the impact of deferred order intake related to the crisis, free cash flow(1) for the quarter was negatively impacted, creating an estimated shortfall of $200 million to $300 million for the quarter. The financial impact of the production slowdown, supply chain shortages and other disruptions is expected to increase as the situation extends into April and May 2020.(2)

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 $33.1 billion. As production gradually resumes, Transportation is working with customers and suppliers to reestablish new contract schedules.(2)

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. 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, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis.
- Cash on hand was increased through a $386 million (€350 million) equity injection in Transportation by CDPQ. In connection with this contribution, Transportation secured amendments to its revolving credit facility and letter of credit facility. This amendment provides for, among other things, temporary adjustments to certain financial covenants.
- Closing conditions pertaining to the acquisition of Canadair Regional Jet (*CRJ*) Program by Mitsubishi have been met and the parties have agreed to close the transaction on June 1, 2020, generating cash proceeds of approximately $550 million.
- The aerostructures business sale to Spirit AeroSystems Holding, Inc. is tracking to plan and is expected to close in coming months, further improving the Corporation's cash position by approximately $500 million.

(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.

- At Aviation, production rates are being aligned to market demand, which is expected to be down 30% to 35% year-over-year. This reflects the significant slowdown in order intake during the month of March and the anticipated demand environment for the remainder of the year.[1] The production ramp-up of the *Global 7500* is largely unaffected by these rate changes given its solid backlog.
- At Transportation, engineering and production schedules are being re-baselined together with customers and suppliers, to optimize cash generation.
- 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 March 31, 2020 trade payables with extended payments terms totaled $875 million of which $363 million related to Aviation and $512 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 21 - 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 $2.1 billion, the Transportation revolving credit facility of approximately $1.3 billion ($859 million undrawn as at March 31, 2020), as well as expected proceeds of approximately $1.1 billion upon closing of the previously announced sales of the *CRJ* program and 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 assuming a gradual re-start of production in the second quarter and the new production schedule at Aviation noted above, 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 March 31	
	2020	2019
Revenues	**$ 3,691**	$ 3,516
Cost of sales	**3,353**	3,060
Gross margin	**338**	456
SG&A	**222**	268
R&D	**73**	48
Share of income of joint ventures and associates	**(12)**	(17)
Other income	**(5)**	(14)
Adjusted EBIT[(1)]	**60**	171
Special items	**(96)**	(513)
EBIT	**156**	684
Financing expense	**341**	311
Financing income	**(9)**	(100)
EBT	**(176)**	473
Income taxes	**24**	234
Net income (loss)	**$ (200)**	$ 239
Attributable to		
Equity holders of Bombardier Inc.	**$ (258)**	$ 195
NCI	**$ 58**	$ 44
EPS (in dollars)		
Basic and diluted	**$ (0.11)**	$ 0.08
(as a percentage of total revenues)		
Adjusted EBIT[(1)]	**1.6%**	4.9%
EBIT	**4.2%**	19.5%

Non-GAAP financial measures[(1)]

	Three-month periods ended March 31	
	2020	2019
Adjusted EBITDA	**$ 171**	$ 266
Adjusted net loss	**$ (169)**	$ (122)
Adjusted EPS	**$ (0.10)**	$ (0.07)

(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 March 31	
	2020	2019[1]
Revenues		
Aviation	**$ 1,523**	$ 1,410
Transportation	**2,169**	2,107
Corporate and Others	**(1)**	(1)
	$ 3,691	$ 3,516
Adjusted EBIT[2]		
Aviation	**$ 25**	$ 144
Transportation	**51**	83
Corporate and Others[3]	**(16)**	(56)
	$ 60	$ 171
Special Items		
Aviation	**$ 18**	$ (520)
Transportation	**—**	—
Corporate and Others	**(114)**	7
	$ (96)	$ (513)
EBIT		
Aviation	**$ 7**	$ 664
Transportation	**51**	83
Corporate and Others[3]	**98**	(63)
	$ 156	$ 684

(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 from ACLP of $3 million and $1 million for the first quarters of 2020 and 2019, respectively.

Analysis of consolidated results

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

Special items

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

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

		Three-month periods ended March 31	
	Ref	**2020**	2019
Gain on exit of ACLP and related aerostructures activities	1	**$ (119)**	$ —
Transaction costs	2	**12**	—
Disruption costs	3	**10**	—
Restructuring charges	4	**5**	5
Reversal of *Learjet 85* aircraft program cancellation provisions	5	**(4)**	(9)
Gain on disposal of a business - Training business	6	**—**	(516)
Loss on repurchase of long-term debt	7	**—**	80
Primove impairment and other costs	8	**—**	7
Income taxes		**6**	133
		$ (90)	$ (300)
Of which is presented in			
Special items in EBIT		**$ (96)**	$ (513)
Financing expense - loss on repurchase of long-term debt		**—**	80
Income taxes - effect of special items		**6**	133
		$ (90)	$ (300)

1. 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.

2. Represents direct and incremental costs incurred in respect of upcoming previously announced transactions for the sale of the *CRJ* business to MHI and the Transportation business to Alstom SA.

3. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic which were recorded as expenses of the quarter ended March 31, 2020 amounted to $14 million. Of these costs, $10 million were recorded as special items since they were direct and incremental to actions in response to the pandemic and they were non-recurring in nature. The remaining costs were recorded in cost of sales. 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.

4. For three-month period ended March 31, 2020, represents $11 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions, net of the reversal of severance charges of $6 million for three-month period ended March 31, 2020. For the three-month period ended March 31, 2019, represents severance charges of $11 million partially offset by curtailment gains of $2 million and by the reversal of previously-recorded impairment charges of $4 million.

5. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $4 million for the three-month period ended March 31, 2020 ($9 million for the three-month period ended March 31, 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.

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. Represents the loss related to the partial redemption of the $850-million Senior Notes due 2020, €780-million Senior Notes due 2021 and $1,400-million Senior Notes due 2021.

8. 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 three-month period ended March 31, 2019.

Net financing expense

Net financing expense amounted to $332 million for the three-month period ended March 31, 2020, compared to $211 million for the corresponding period last fiscal year.

The $121-million increase for the three-month period is mainly due to:

- higher net loss on certain financial instruments classified as FVTP&L ($163 million);
- higher interest on long-term debt, after the effect of hedges ($16 million); and
- net loss from changes in discount rates of provisions ($17 million).

Partially offset by:

- a loss related to the partial redemption of the $850-million Senior Notes due 2020, €780-million and $1,400-million Senior Notes due 2021, which was recorded as a special item in 2019 ($80 million).

Income taxes

The effective income tax rate for the three-month period ended March 31, 2020 is (13.6)% compared to the statutory income tax rate in Canada of 26.5%. The effective income tax rate is due to the negative impact of the net non-recognition of tax benefits related to tax losses and temporary differences and the write-down of deferred income tax assets.

The effective income tax rate for the three-month period ended March 31, 2019 was 49.5%, compared to the statutory income tax rate in Canada of 26.6%. The higher effective income tax rate is due to the negative impact of the write-down of deferred tax assets mainly related to the Business Aircraft's flight and technical training activities sale ($133 million) and the debt refinancing ($63 million), partially offset by the positive impact of the net recognition of previously unrecognized tax losses and temporary differences and permanent differences.

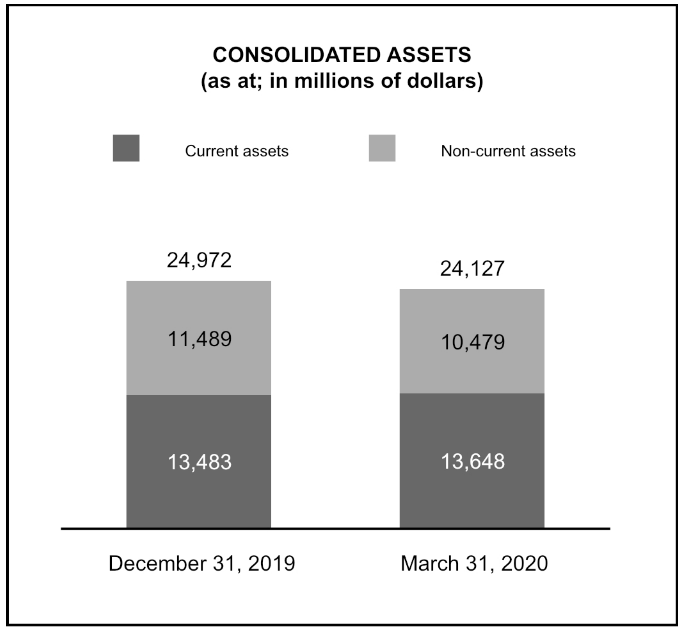
CONSOLIDATED FINANCIAL POSITION

The total assets decreased by $845 million in the three-month period[(1)], including a negative currency impact of $488 million. The $357-million decrease excluding the currency impact is mainly explained by[(2)]:

- a $520-million decrease in investments in joint ventures and associates due to the sale of the Corporation's remaining interest in ACLP[(3)]; and
- a $436-million decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details.

Partially offset by:

- a $517-million increase in inventories in Aviation mainly due to delayed aircraft deliveries as a result of the COVID-19 pandemic; and
- a $277-million increase in contract assets in Transportation.

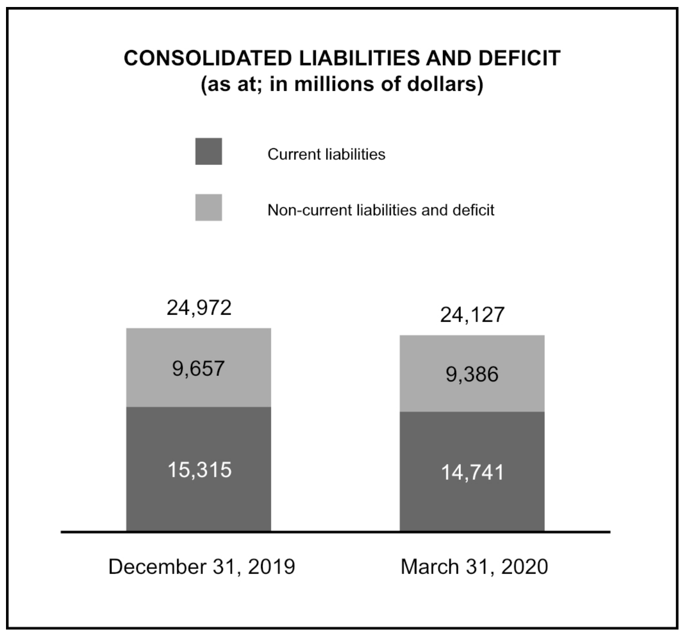


The total liabilities and deficit decreased by $845 million in the three-month period[(1)], including a currency impact of $488 million. The $357-million decrease excluding the currency impact is mainly explained by[(2)]:

- a $498-million decrease in retirement benefits mainly due to remeasurement of defined benefits plans;
- a $285-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, as well as utilization;
- a $226-million decrease in contract liabilities in Aviation and Transportation; and
- a $150-million decrease in other liabilities mainly in Transportation due income taxes and other taxes payable.

Partially offset by:

- a $718-million increase in equity mainly due to remeasurement of defined benefits plans of $594 million and a $386 million capital injection in Transportation by CDPQ[(4)]; and
- an increase in other financial liabilities mainly due to short-term borrowings in Transportation of $414 million.



*The total assets and the total liabilities in the above graphs as at March 31, 2020 include $1.3 billion and $1.6 billion, respectively, related to the *CRJ* program and aerostructures businesses, which are presented under Assets held for sale ($1.3 billion and $1.8 billion, respectively, as at December 31, 2019). Refer to the Reshaping the Portfolio section in Aviation and to Note 17 - Assets held for sale in our Interim consolidated financial statements for further details.

(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. Refer to Note 17 - Assets held for sale in our Interim consolidated financial statements for further details.
(2) Due to the back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances, the explanations above do not include the impact of receivables from ACLP within Other financial assets and government refundable advances within Other financial liabilities as these movements have no net impact on the Consolidated financial position.
(3) Refer to Note 18 - Disposal of investment in associate in our Interim consolidated financial statements for further details.
(4) Refer to Note 19 - Non-controlling interest 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 March 31		
		2020		2019
Net income (loss)	**$**	**(200)**	$	239
Non-cash items				
Amortization		**111**		91
Impairment charges on PP&E		**11**		—
Deferred income taxes		**35**		204
Gains on disposal of investment in associate and businesses		**(119)**		(520)
Share of income of joint ventures and associates		**(12)**		(17)
Loss on repurchase of long-term debt		**—**		80
Other		**7**		15
Dividends received from joint ventures and associates		**2**		1
Net change in non-cash balances[2]		**(1,378)**		(1,000)
Cash flows from operating activities	**$**	**(1,543)**	$	(907)
Net additions to PP&E and intangible assets		**(99)**		(137)
Free cash flow usage[1]	**$**	**(1,642)**	$	(1,044)

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for definitions of this metric.
(2) Refer to Note 21 - Net changes in non-cash balances, to our Interim consolidated financial statements for further details.

Cash flows from operating activities

The $636-million decrease in cash flows from operating activities for the three-month period is mainly due to:

- a negative period-over-period variation in net change in non-cash balances ($378 million) (see explanations below); and
- lower net income before non-cash items ($259 million).

Net change in non-cash balances

For the three-month period ended March 31, 2020, the $1.4-billion outflow is mainly due to:

- an increase in inventories in Aviation mainly due to delayed aircraft deliveries as a result of the COVID-19 pandemic;
- an increase in Transportation’s net contract assets mainly due to lower advances on new and existing orders;
- a decrease in contract liabilities in Aviation mainly due to lower order intake;
- a decrease in other liabilities mainly in Transportation due income taxes and other taxes payable; and
- utilization of provisions.

For the three-month period ended March 31, 2019, the $1.0-billion outflow is mainly due to:

- an increase in inventories in Aviation mainly due to a ramp-up in production for business aircraft;
- an increase in Transportation’s net contract assets; and
- utilization of provisions.

Partially offset by:

- an increase in contract liabilities in Aviation 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 March 31	
	2020	2019
Additions to PP&E and intangible assets	**$ (99)**	$ (142)
Proceeds from disposals of PP&E and intangible assets	**—**	5
Net additions to PP&E and intangible assets	**$ (99)**	$ (137)

The $38-million decrease in net additions to PP&E and intangible assets for the three-month period is mainly due to lower investments in aerospace program tooling.

Available short-term capital resources

Variation in cash and cash equivalents

	Three-month periods ended March 31	
	2020	2019
Balance at the beginning of period	**$ 2,629**	$ 3,187
Free cash flow usage[1]	**(1,642)**	(1,044)
Net proceeds from disposal of investment in associate and businesses	**531**	532
Investments in non-voting units of ACLP	**(100)**	(110)
Net proceeds from issuance of long-term debt	**—**	1,960
Repayments of long-term debt	**—**	(1,586)
Net change in short-term borrowings	**413**	284
Payment of lease liabilities	**(26)**	(22)
Dividends paid - Preferred shares	**(5)**	(5)
Issuance of NCI	**386**	—
Effect of exchange rate changes on cash and cash equivalents	**(123)**	67
Other	**6**	16
Balance at the end of period	**$ 2,069**	$ 3,279
Reclassified as assets held for sale[2]	**43**	—
Balance at the end of period	**$ 2,026**	$ 3,279

Available short-term capital resources

	March 31, 2020	December 31, 2019
Cash and cash equivalents[2]	**$ 2,069**	$ 2,629
Available revolving credit facility[3]	**859**	1,296
Available short-term capital resources	**$ 2,928**	$ 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 ($1,273 million) as at March 31, 2020 and is available for cash drawings. The facility matures in May 2022 and bears interest at Euribor plus a margin. €375 million ($414 million) under Transportation's facility was used as at March 31, 2020.

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.

(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 $43 million as of March 31, 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.

Uncommitted short term credit facilities
The Corporation has a €75 million ($83 million) uncommitted short term credit facility. This facility is available to Transportation for cash drawings. This facility was unused as of March 31, 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 ($4,963 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. Those facilities include financial covenants requiring minimum equity as well as a maximum debt to adjusted EBITDA ratio, all calculated based on Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics or to any specific terms used in the MD&A. In addition, the Corporation must maintain a minimum Transportation liquidity of €750 million. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

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

Transportation secured amendments to its revolving credit facility and letter of credit facility. This amendment provides for, among other things, temporary adjustments to certain financial covenants.

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.

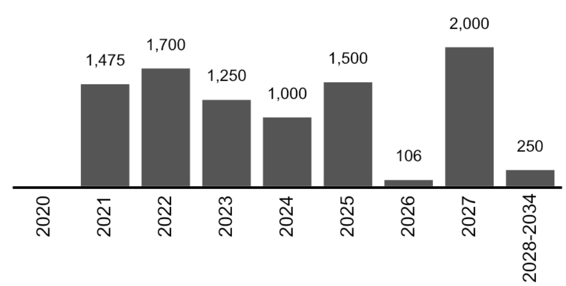
Future liquidity requirements

There is no significant debt maturing before 2021. $1,475 million of long-term debt due in 2021 is comprised of €414 million ($457 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 of approximately $1.1 billion from the previously announced sales of the *CRJ* program and 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.

DEBT MATURITY PROFILE (NOTIONAL AMOUNT)
(as at March 31, 2020; in millions of dollars)



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 rating	
		May 6, 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 24 - Transactions, 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 $1.8 billion as at March 31, 2020 ($2.7 billion(2) as at December 31, 2019), including $0.8 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 $865-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		(1,336)
Changes in foreign exchange rates		(105)
Employer contributions		(63)
Net gains on curtailment and settlement		(34)
Actuarial loss on pension plan assets		845
Service costs		65
Accretion on net retirement benefit obligation		17
Other		5
Reclassified as liabilities directly associated with assets held for sale(2)		(259)
Balance as at March 31, 2020	**$**	**1,801** (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 $259 million related to the aerostructures businesses to be sold to Spirit were reclassified as liabilities directly associated with assets held for sale as at March 31, 2020.
(3) Includes retirement benefit assets of $286 million as at March 31, 2020 ($193 million as at December 31, 2019).
(4) Transportation represents 47% of the net retirement benefit liabilities as of March 31, 2020; Aviation and Corporate represent 53% of the net retirement benefit liabilities as of March 31, 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 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 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 March 31	
	2020	2019
EBIT	**$ 156**	$ 684
Amortization	**111**	91
Special items[1]	**(96)**	(509)
Adjusted EBITDA	**$ 171**	$ 266

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

	Three-month periods ended March 31			
	2020	**(per share)**	2019	(per share)
Net income (loss)	**$ (200)**		$ 239	
Adjustments to EBIT related to special items[1]	**(96)**	**$ (0.04)**	(513)	$ (0.22)
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net gain on certain financial instruments	**101**	**0.04**	(79)	(0.03)
Accretion on net retirement benefit obligations	**17**	**0.01**	18	0.01
Loss on repurchase of long-term debt[1]	**—**	**—**	80	0.03
Tax impact of special[1] and other adjusting items	**9**	**0.00**	133	0.06
Adjusted net loss	**(169)**		(122)	
Net income attributable to NCI	**(58)**		(44)	
Preferred share dividends, including taxes	**(6)**		(7)	
Adjusted net loss attributable to equity holders of Bombardier Inc.	**$ (233)**		$ (173)	
Weighted-average diluted number of common shares (in thousands)	**2,398,860**		2,374,850	
Adjusted EPS (in dollars)	**$ (0.10)**		$ (0.07)	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended March 31	
	2020	2019
Diluted EPS	**$ (0.11)**	$ 0.08
Impact of special[1] and other adjusting items	**0.01**	(0.15)
Adjusted EPS	**$ (0.10)**	$ (0.07)

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

AVIATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31		2020		2019 [(1)]	Variance
Revenues	$	**1,523**	$	1,410	8 %
Aircraft deliveries (in units)					
Business aircraft		**26**		24	2
Commercial aircraft[(2)]		**5**		4	1
Adjusted EBITDA[(3)]	$	**102**	$	202	(50)%
Adjusted EBITDA margin[(3)]		**6.7%**		14.3%	(760) bps
Adjusted EBIT[(3)]	$	**25**	$	144	(83)%
Adjusted EBIT margin[(3)]		**1.6%**		10.2%	(860) bps
EBIT	$	**7**	$	664	(99)%
EBIT margin		**0.5%**		47.1%	(4660) bps
Net additions to PP&E and intangible assets	$	**76**	$	108	(30)%

As at		March 31, 2020		December 31, 2019	Variance
Order backlog (in billions of dollars)					
Business aircraft	$	**13.6**	$	14.4	(6)%
Other aviation[(4)]	$	**1.5**	$	1.9	(21)%

Key highlights and events

- Revenues during the quarter increased to $1.5 billion, 8% higher year-over-year, reflecting 16% growth from business aircraft activities driven by six *Global 7500* deliveries. This growth was offset mainly by the wind-down of commercial aircraft activities. Overall, 26 business aircraft and five commercial aircraft were delivered during the period.

- Adjusted EBITDA[(3)] and adjusted EBIT[(3)] margins were 6.7% and 1.6%, respectively, for the quarter, lower year-over-year, reflecting an unfavourable aircraft mix due in part to delayed deliveries caused by the global COVID-19 pandemic, combined with low contribution of early *Global 7500* units. Reported EBIT margin was 0.5%.

- In the last week of March 2020, Canadian operations, where *Global* and *Challenger* aircraft are assembled and delivered, were temporarily suspended due to the global COVID-19 pandemic. Key aerostructures operations in Mexico and Belfast were similarly suspended, impacting a total of approximately 15,000 employees globally.
    - Free cash flow[(3)] for the quarter was negatively impacted by delayed aircraft deliveries caused by travel restrictions and production shutdowns, as well as a slowdown in order intake tied to the economic uncertainty. This resulted in an estimated $400 million to $500 million free cash flow[(3)] shortfall for the quarter.
    - The revenues and earnings impact of the production slowdown, supply chain shortages and other disruptions is expected to increase as the situation extended into April and May 2020.[(5)]
    - As production gradually resumes, Aviation is working with customers and suppliers to reestablish new delivery schedules.

(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) The delivery for the three-month period ended March 31, 2019 included 1 Q Series aircraft. 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).
(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) Including 15 firm orders for *CRJ900* as of March 31, 2020 and 20 firm orders for *CRJ900* as of December 31, 2019. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of the aircraft.
(5) See the forward-looking statements disclaimer.

- Aviation experienced a significant slowdown in order intake during the month of March 2020, leading to a $13.6 billion business aircraft backlog at the end of the quarter. This low order environment is driving production rate adjustments across the industry.
    - Aviation's production rates are being aligned to market demand, which is expected to be down by 30% to 35% year-over-year.(1)
    - The solid order book on the *Global 7500* is largely intact, and the business continues to focus on ramping up production and driving down the learning curve.
    - In parallel, the Company is managing costs through aggressive company-wide actions, including cutting non-essential spending and deferring discretionary capital expenditures to make Aviation more profitable and a steadier cash-flow generating business even at lower production volumes.(1)

(1) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview.

INDUSTRY AND ECONOMIC ENVIRONMENT

This section will focus on indices relevant for business aviation, following the announcements 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 the definitive agreement with Mitsubishi Heavy Industries, Ltd. for the sale of the regional jet program.

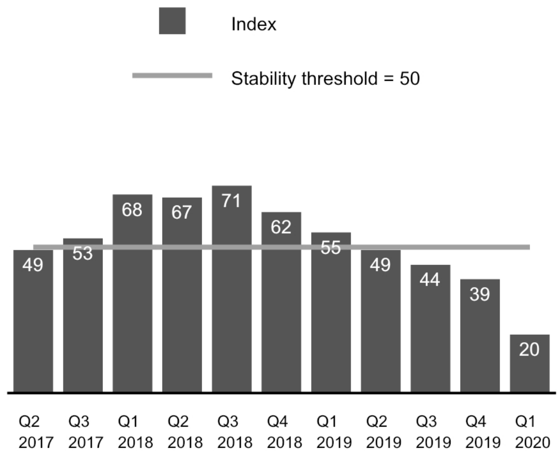
During March 2020, the World Health Organization declared a global COVID-19 pandemic resulting in lockdown protocols being implemented by many developed countries which will see air travel greatly affected for the remainder of the year. Some industry indicators have started to capture the impact of the COVID-19 pandemic on the business aviation industry. We expect those indicators to deteriorate further in the second quarter as the full impact of the pandemic becomes more evident.

In the first quarter of 2020, we observed an estimated 11% decline of industry deliveries year-over-year starting to reflect the impact of the COVID-19 pandemic.[(1)] Industry confidence levels have decreased from 39 in November 2019 to 20 in March 2020.[(2)] Business jet utilization in the U.S. decreased 1.5% year-over-year, for the first two months of the year prior to the COVID-19 pandemic outbreak. The decrease in U.S. utilization is primarily driven by old, out-of-production very light jets and light jets, while utilization of more recent and larger families of aircraft have generally been increasing year-over-year. Europe however has seen a sharper year-over-year decline of 12% for the first quarter as a result of the widespread lockdown protocols implemented throughout the region in March 2020.[(3)] Despite reduced aircraft utilization, services have shown more resilience benefiting from high capture rates at heavy maintenance facilities. Pre-owned aircraft levels continued to remain at healthy levels in the first quarter. The total number of pre-owned aircraft available for sale, as a percentage of the total in-service fleet, was at 9.5% as at March 31, 2020.[(4)] The marginal variance of 0.7 percentage points, compared to 10.2% for the fourth quarter of 2019, was largely driven by a drop in the available pre-owned aircraft in the light and medium categories.

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.

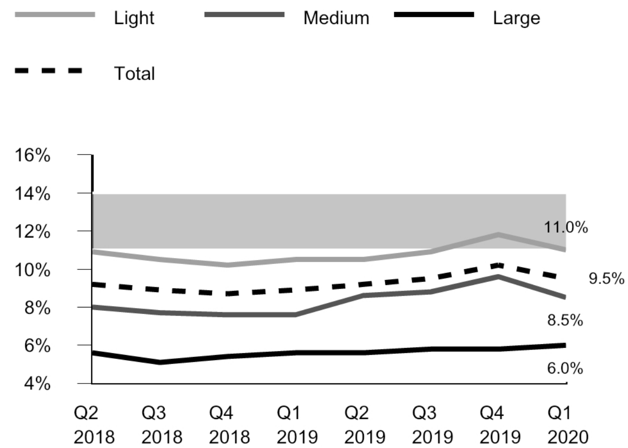
(1) Based on our estimates, public disclosure records of certain competitors, the General Aviation Manufacturers Association (GAMA) shipment reports and Ascend (by Cirium).
(2) According to the Barclays Business Jet Survey dated April 15, 2020.
(3) According to the U.S. Federal Aviation Administration (FAA) and Eurocontrol websites.
(4) According to JETNET and Ascend online.

BUSINESS JET INDICATOR*
(for calendar quarters; average on a 100-point scale)



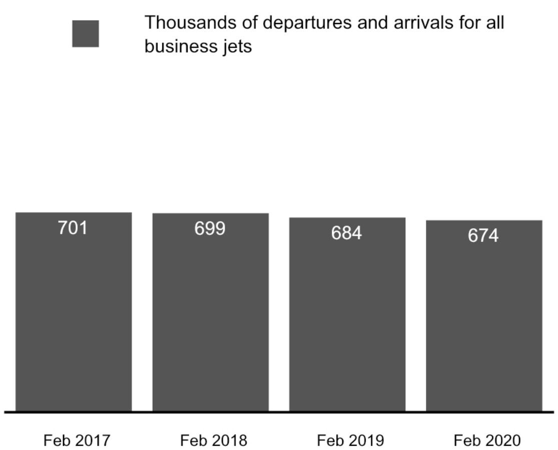
Source: Barclays from the start of 2018, previously UBS
* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.
Methodologies used in the calculation of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

PRE-OWNED BUSINESS JET INVENTORY*
(as at end of)



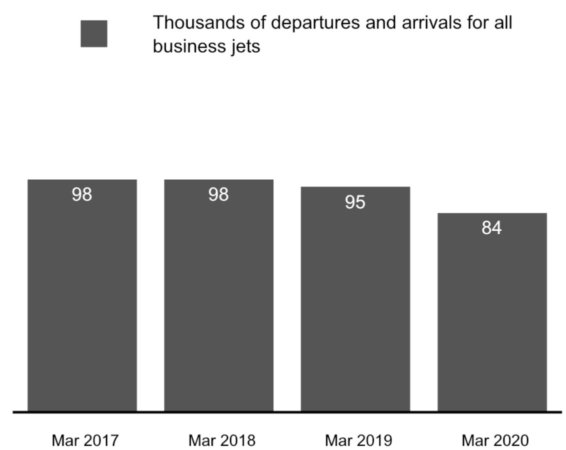
Sources: JETNET and Ascend (by Cirium)
* As a percentage of total business jet fleet, excluding very light jets.
Shaded area indicates what we consider to be the normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.

U.S. BUSINESS JET UTILIZATION
(for the two-month periods ended)



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

EUROPEAN BUSINESS JET UTILIZATION
(for the three-month periods ended)



Source: Eurocontrol

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31		
	2020	2019	[1]
Revenues			
Business aircraft			
Manufacturing and other[2]	**$ 849**	$ 646	
Services[3]	**273**	323	
Commercial aircraft[4]	**221**	241	
Aerostructures and engineering services[5]	**180**	200	
Total revenues	**$ 1,523**	$ 1,410	
Adjusted EBITDA[6]	**$ 102**	$ 202	
Amortization	**77**	58	
Adjusted EBIT[6]	**25**	144	
Special items	**18**	(520)	
EBIT	**$ 7**	$ 664	
Adjusted EBITDA margin[6]	**6.7%**	14.3%	
Adjusted EBIT margin[6]	**1.6%**	10.2%	
EBIT margin	**0.5%**	47.1%	

(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 $113-million increase for the three-month period is mainly due to:

- higher revenues from business aircraft manufacturing and other, mainly due to higher deliveries and contribution from larger aircraft.

Partially offset by:

- lower revenues from business aircraft services, mainly due to a decrease in customer flight utilization due to the COVID-19 pandemic and the sale of the business aircraft training activities on March 14, 2019;
- lower revenues from commercial aircraft, mainly due to the sale of the Q Series aircraft program on May 31, 2019, partially offset by an increase in *CRJ* aircraft deliveries; and
- lower revenues from aerostructures and engineering services, mainly due to a decrease in sales of spare parts due to the COVID-19 pandemic.

Special items

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

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

		Three-month periods ended March 31	
	Ref	**2020**	2019
Restructuring charges	1	**$ 11**	$ 5
Transaction costs	2	**7**	—
Disruption costs	3	**4**	—
Reversal of *Learjet 85* aircraft program cancellation provisions	4	**(4)**	(9)
Gain on disposal of training business	5	**—**	(516)
		$ 18	$ (520)
EBIT margin impact		**(1.1)%**	36.9%

1. For three-month period ended March 31, 2020, represents $11 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions. For the three-month period ended March 31, 2019 represents severance charges of $7 million partially offset by curtailment gains of $2 million.

2. Represents direct and incremental costs incurred in respect of upcoming previously announced transaction for the sale of the *CRJ* business to MHI.

3. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic which were recorded as expenses of the quarter ended March 31, 2020 amounted to $5 million for Aviation. Of these costs, $4 million were recorded as special items for Aviation since they were direct and incremental to actions in response to the pandemic and they were non-recurring in nature. The remaining costs were recorded in cost of sales. 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.

4. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $4 million for the three-month period ended March 31, 2020 ($9 million for the three-month period ended March 31, 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.

5. 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).

EBIT margin

Adjusted EBIT margin(1) for the three-month period decreased by 8.6 percentage points mainly due to:

- lower contribution from business aircraft sales, mainly driven by aircraft mix, the ramp-up of *Global 7500* deliveries and the associated increase in amortization of aerospace program tooling;
- 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;
- lower contribution from aerostructures and engineering services, mainly due to a decrease in aftermarket sales due to the COVID-19 pandemic; and
- increased dilution from commercial aircraft, mainly due to the sale of the Q Series aircraft program on May 31, 2019.

Partially offset by:

- lower SG&A expenses.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 46.6 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 March 31	
	2020	2019 [1]
Program tooling[2]	**$ 40**	$ 82
R&D expense[3]	**4**	4
	$ 44	$ 86
As a percentage of revenues	**2.9%**	6.1%

The carrying amount of aerospace program tooling as at March 31, 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 $46 million for the three-month period ended March 31, 2020 ($19 million for the three-month period ended March 31, 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 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

(in units)	Three-month periods ended March 31 2020	2019
Business aircraft		
Light	**3**	2
Medium	**14**	14
Large	**9**	8
	26	24
Commercial aircraft		
Regional jets[(1)]	**5**	3
Turboprops[(2)]	**—**	1
	5	4
	31	28

(1) The Corporation entered into a definitive agreement announced on June 25, 2019 whereby Mitsubishi Heavy Industries, Ltd (MHI) will acquire the Corporation's regional jet program. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of the aircraft.

(2) The delivery for the three-month period ended March 31, 2019 included 1 Q Series aircraft. 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

(in billions of dollars)		As at March 31, 2020		December 31, 2019
Business aircraft	**$**	**13.6**	$	14.4
Other aviation[(1)]	**$**	**1.5**	$	1.9
	$	**15.1**	$	16.3

(1) Including 15 firm orders for *CRJ900* as of March 31, 2020 and 20 firm orders for *CRJ900* as of December 31, 2019. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of the aircraft.

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 first quarter.

RESHAPING THE PORTFOLIO

Definitive agreement to sell our regional jet program to Mitsubishi Heavy Industries, Ltd.

On June 25, 2019, the Corporation and Mitsubishi Heavy Industries, Ltd. (MHI), announced they have entered into a definitive agreement, whereby MHI will acquire the Corporation's regional jet program for a cash consideration of $550 million, subject to closing adjustments, and the assumption by MHI of liabilities related to credit and residual value guarantees and lease subsidies amounting to approximately $200 million. Under the agreement, the Corporation's net beneficial interest in the Regional Aircraft Securitization Program (RASPRO), which was valued at approximately $170 million will be transferred to MHI.

Pursuant to the agreement, MHI will acquire 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.

The *CRJ* production facility in Mirabel, Québec will remain with Bombardier. Bombardier will continue to supply components and spare parts and will assemble the current *CRJ* backlog on behalf of MHI. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft.(1)

Bombardier will also retain certain liabilities representing a portion of the credit and residual value guarantees totalling $288 million as at March 31, 2020, which is net of $95 million of payments made in the three-month period ended March 31, 2020. Aside from the accrual of interest, this amount is fixed and not subject to future changes in aircraft value, and is mainly payable by Bombardier over the next four years. The amount is included in other financial liabilities. The agreement contemplates a reverse break fee payable by MHI under certain circumstances.

The Corporation and MHI have agreed that all closing conditions have been met and the transaction pertaining to the acquisition of the *CRJ* Program will close on June 1, 2020.(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.

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 in coming months and remains subject to regulatory approvals and 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 March 31	2020	2019	Variance
Revenues	**$ 2,169**	$ 2,107	3 %
Order intake (in billions of dollars)	**$ 0.8**	$ 1.7	(53)%
Book-to-bill ratio[(1)]	**0.4**	0.8	(0.4)
Adjusted EBITDA[(2)(3)]	**$ 85**	$ 118	(28)%
Adjusted EBITDA margin[(2)(3)]	**3.9%**	5.6%	(170) bps
Adjusted EBIT[(2)(3)]	**$ 51**	$ 83	(39)%
Adjusted EBIT margin[(2)(3)]	**2.4%**	3.9%	(150) bps
EBIT[(2)]	**$ 51**	$ 83	(39)%
EBIT margin[(2)]	**2.4%**	3.9%	(150) bps
Net additions to PP&E and intangible assets	**$ 23**	$ 28	(18)%
As at	**March 31, 2020**	December 31, 2019	Variance
Order backlog (in billions of dollars)	**$ 33.1**	$ 35.8	(8)%

(1) Ratio of new orders over revenues.
(2) Including share of income from joint ventures and associates amounting to $10 million for the three-month period ended March 31, 2020 ($17 million for the three-month period ended March 31, 2019).
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section for reconciliations to the most comparable IFRS measures.

Key highlights and events

- Revenues during the quarter grew 5% organically to $2.2 billion, excluding currency translation year-over-year, mainly from rolling stock and systems and signalling activities. This growth mainly reflects the ongoing production ramp-up in the U.K. and Germany, notwithstanding impacts of reduced activity in the second half of March 2020 due to the global COVID-19 pandemic.

- EBIT margin of 2.4% for the first quarter was generally in line with expectations, and reflects an unfavourable rolling stock contract mix. The margin dilution from mix is expected to continue as Transportation executes on low-margin contracts in the backlog expected to be realized in 2020.[(1)]

- Cash on hand was increased through a $386 million equity injection in Transportation by CDPQ to support working capital as part of our measures to deal with the COVID-19 pandemic. In connection with this contribution, the Corporation secured amendments to Transportation's revolving and letter of credit facilities. These amendments provide for, among other things, temporary adjustments to certain financial covenants.

- In the second half of March 2020, production at several locations, including key sites across Transportation's largest markets in Europe and the Americas, was temporarily suspended due to the global COVID-19 pandemic.
    - Approximately 10,000 employees were affected by shutdowns. The cost of these measures and other disruption costs are being expensed as incurred, as opposed to being charged to projects.
    - Additionally, certain Transportation suppliers have delayed, reduced or altogether stopped the manufacture, shipping and delivery of critical parts, further disrupting production.
    - The revenues and earnings impact of the production slowdown and disruptions is expected to increase as the situation extended into April and May 2020.[(1)]
    - Free cash flow[(2)] has been negatively impacted in the first quarter by the engineering, production and supply chain disruptions resulting in an estimated $200 million to $300 million of cash inflows delays mainly from the postponement of key production and homologation milestones. The future impact on cash flows is being mitigated through various initiatives.

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

    - As production gradually resumes, Transportation is working with customers and suppliers to reestablish new contract schedules.

- The outlook for Transportation continues to be positive given its strong backlog, which stood at $33.1 billion at the end of the quarter.[1]
    - Book-to-bill ratio[2] for the first quarter was lower than expected at 0.4, due in part to the COVID-19 pandemic effect on the timing of order awards. Approximately 80% of orders in the first quarter came from services contracts, signalling projects and options exercised on rolling stock contracts, carrying lower execution risks.

- During the quarter, Bombardier and its customer, Swiss Federal Railways (SBB), reached a commercial agreement leading to the title transfer and take-over by SBB of 32 trains in revenue service. This agreement reflects the significant in-service reliability improvement achieved since entry-into-service and significantly reduced the inventory balance and associated customer payment financing outstanding.

(1) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview.
(2) Ratio of new orders over revenues.

INDUSTRY AND ECONOMIC ENVIRONMENT

The overall order activity decreased in the first quarter of 2020 in all regions as the World Health Organization declared a global COVID-19 pandemic, causing governments worldwide to focus on the crisis, resulting in a slow-down in the overall order activity mainly as order awards are delayed. In the foreseeable future, many significant orders are expected across all regions accelerating market recovery.

Europe

In Europe, order volume during the first quarter of 2020 declined compared to the same period last year due to significant contracts awarded for commuter and regional trains in the U.K., Italy and Germany during the first quarter of 2019. During the first quarter of 2020, several medium-sized contracts for commuter and regional trains were awarded in Germany and France. A noteworthy order for light rail vehicles (LRVs) was also awarded in the U.K. Sizeable services agreements were granted in Germany and the U.K., as well as small signalling contracts in Spain and Sweden. In Eastern Europe, order volume was mainly driven by Poland and Czech Republic, with a contract awarded for commuter trains in Poland and for signalling solutions in Czech Republic.

The outlook in Europe continues to be positive as we progress forward given the long-term fundamentals of rail infrastructure spending, with multiple orders expected in Sweden, Italy and Denmark for intercity, high-speed and very high-speed trains, while in Germany, Spain and France significant contracts are anticipated for commuter and regional trains. Urban transit solutions are expected to remain the focus of many cities across the region with sizeable investments anticipated in metro trains, especially in Spain, France and Italy, as well as significant orders for LRVs in Germany and the U.K. In the services and signalling segments, many large and medium-sized contracts are expected across all Western European countries with the most significant orders for services agreements in Denmark and Germany, and for signalling solutions in Italy and France. Poland, Czech Republic and Hungary 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. A sizeable tender for metro trains is also anticipated in Serbia and growing investments in the services and signalling segments are foreseen to remain positive, especially in Turkey and Poland.

North America

In the first quarter of 2020, order volume in North America decreased compared to the same period last year, mainly due to a large order awarded during the first quarter of 2019 for commuter trains in the U.S. During the first quarter of 2020, a contract was awarded in Canada for LRVs and a significant services agreement was awarded for fleet management in the U.S.

Various significant opportunities are anticipated in the North America region in the future. In the U.S., investments are expected for urban transit solutions, with many sizeable orders anticipated for metro trains, LRVs and automated people mover (APM) trains, and in Canada, a noteworthy large contract is anticipated for commuter trains. Several contracts are also expected in the services and signalling segments across the U.S. and Canada, with the largest tenders anticipated in the U.S. for both passenger fleet management and asset life management services agreements, as well as for urban signalling solutions. A noteworthy mainline signalling solution contract for high-speed trains is also expected in the U.S. In Mexico, sizeable opportunities are expected for LRVs, along with services contracts.

Asia-Pacific

Order volume in Asia-Pacific contracted during the first quarter of 2020 compared to the same period last year, mainly due to large contracts awarded for commuter and regional trains in Australia and Taiwan during first quarter of 2019. During the first quarter of 2020, order volume was mainly driven by contracts for metro trains in China, India and Singapore. In the services and signalling segments, small orders were awarded in Australia for fleet management services.

Several opportunities are foreseen for the Asia-Pacific region, with large orders expected for commuter and regional trains, along with services agreements, in Australia, Thailand and Philippines, as well as various sizeable orders for metro trains in India and China. Additionally, a significant order for very high-speed trains is anticipated in Thailand. Further investments in the signalling and services segments are also anticipated, with services agreements expected 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)]

Order volume in the Rest of World region decreased during the first quarter of 2020 compared to the same period last year, mainly due a large contract awarded for commuter and regional trains in Russia during the first quarter of 2019. During the first quarter of 2020, order volume in the region was driven by a contract awarded in Russia for commuter trains.

Many upcoming opportunities are expected in the future in the Rest of World region, with orders forecasted for commuter and regional trains in Brazil and Algeria, as well as for intercity trains in Egypt. A large contract is also expected for locomotives in Ukraine. Investments in urban transit solutions are anticipated to retain a positive trend with contracts expected for LRVs, as well as for metro trains in Russia and Columbia. Furthermore, opportunities are foreseen in the services and signalling segments, with significant services contracts expected in Egypt and South Africa, and many upcoming signalling orders in Egypt and Zambia, mainly for mainline solutions, and in Brazil for urban solutions.

[(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 March 31	
	2020	2019
Revenues		
Rolling stock and systems[1]	**$ 1,451**	$ 1,407
Services[2]	**486**	488
Signalling[3]	**232**	212
Total revenues	**$ 2,169**	$ 2,107
Adjusted EBITDA[4][5]	**$ 85**	$ 118
Amortization	**34**	32
Impairment charge on PP&E and intangible assets	**—**	3
Adjusted EBIT[4][5]	**51**	83
Special items	**—**	—
EBIT[4]	**$ 51**	$ 83
Adjusted EBITDA margin[4][5]	**3.9%**	5.6%
Adjusted EBIT margin[4][5]	**2.4%**	3.9%
EBIT margin	**2.4%**	3.9%

(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 $10 million for the three-month period ended March 31, 2020 ($17 million for the three-month period ended March 31, 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-month period ended March 31, 2020, have increased by $62 million, compared to the same period last year. Excluding a negative currency impact of $38 million for the three-month period, revenues have increased by $100 million, or 5%, for the three-month period, compared to the same period last year.

The $100-million increase excluding currency impact for the three-month period is mainly explained by:

- higher activities in rolling stock and systems in Europe, Asia-Pacific and Rest of World region, mostly due to ramp-up in production related to some commuter and regional train, intercity train and light rail vehicle (LRV) contracts in Europe, some metro contracts in Asia-Pacific and some automated people mover (APM) contracts in the Rest of World region, partly offset by some locomotive contracts in Europe and the Rest of World region nearing completion; and
- higher activities in signalling mainly in North America and Asia-Pacific.

Partially offset by:

- overall lower revenues as a result of the COVID-19 pandemic and related site closures which negatively impacted our operations;
- lower activities in rolling stock and systems in North America mostly due to some contracts nearing completion. These contracts mainly relate to metros, commuter and regional trains and LRVs; and
- lower activities in signalling in the Rest of World region.

Special items

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

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

		Three-month periods ended March 31	
	Ref	**2020**	2019
Disruption costs	1	**$ 6**	$ —
Restructuring charges	2	**$ (6)**	$ —
		$ —	$ —
EBIT margin impact		**—%**	—%

1. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic which were recorded as expenses of the quarter ended March 31, 2020 amounted to $9 million for Transportation. Of these costs, $6 million were recorded as special items for Transportation since they were direct and incremental to actions in response to the pandemic and they were non-recurring in nature. The remaining costs were recorded in cost of sales. 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.

2. Represents reversal of severance charges of $6 million for the three-month period ended March 31, 2020 related to previously-announced restructuring actions.

EBIT margin

The adjusted EBIT margin(1) for the three-month period decreased by 1.5 percentage points, mainly as a result of:

- a pension amendment related to past service recorded in the same period last year that positively impacted our results in 2019;
- lower margin in rolling stock and systems, mainly due to an unfavourable contract mix;
- lower margin in services, mainly due to a positive impact from revised estimates on certain contracts in the same period last year; and
- a lower share of income from joint ventures and associates.

Partially offset by:

- lower SG&A expenses.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 1.5 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.

Orders and backlog

Order backlog

(in billions of dollars)		Three-month periods ended March 31 2020		2019
Balance at the beginning of period	**$**	**35.8**	$	34.5
Order intake		**0.8**		1.7
Revenues		**(2.2)**		(2.1)
Foreign currency impact and other adjustments		**(1.3)**		(0.3)
Balance at the end of period	**$**	**33.1**	$	33.8
Book-to-bill ratio[(1)]		**0.4**		0.8

(1) Ratio of new orders over revenues.

Order intake in the three-month period ended March 31, 2020, has decreased by $0.9 billion compared to the order intake for the same period last year, due in part to the COVID-19 pandemic effect on the timing of order awards. We have obtained several small orders across various product segments and regions during the quarter resulting in a book-to-bill ratio[(1)] of 0.4, 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 three-month period ended March 31, 2020 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value[(1)]
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 electric multiple units (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: option for *OMNEO* / Régio 2N double deck EMUs for SNCF.

During the three-month period ended March 31, 2020, our Chinese joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), in which we own 50% of the shares, was awarded a contract to provide maintenance services for 656 high-speed train cars from China State Railway Group Co. Ltd., China, valued at $357 million. This order is not included in our backlog since it is a joint venture.

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 Transportation business, see Note 19 - NCI for more details, is not redeemed before the closing of the transaction, the aggregate net proceeds of the transaction would be increased by the unredeemed amount and such increase would be allocated to CDPQ and such unredeemed amount would be added to the minimum cash balance Transportation is required to achieve at the end of 2020. 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 last until 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]

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 24 - Transactions, 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 21 - 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 21 - 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 three-month period ended March 31, 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 23 - 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 23 - 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 three-month period ended March 31, 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:

	March 31, 2020	December 31, 2019	Decrease
Euro	**1.1034**	1.1234	(2%)
Canadian dollar	**0.7061**	0.7696	(8%)
Pound sterling	**1.2412**	1.3204	(6%)

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

	March 31, 2020	March 31, 2019	Decrease
Euro	**1.1024**	1.1366	(3%)
Canadian dollar	**0.7455**	0.7522	(1%)
Pound sterling	**1.2803**	1.2996	(1%)

SELECTED FINANCIAL INFORMATION

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

Fiscal years	**2020**				2019			2018
	First	Fourth	Third	Second	First	Fourth	Third	Second
Revenues	**$ 3,691**	$ 4,205	$ 3,722	$ 4,314	$ 3,516	$ 4,303	$ 3,643	$ 4,262
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (258)**	$ (1,770)	$ (139)	$ (83)	$ 195	$ 15	$ 111	$ 68
EPS (in dollars)								
Basic	**$ (0.11)**	$ (0.74)	$ (0.06)	$ (0.04)	$ 0.08	$ 0.02	$ 0.04	$ 0.03
Diluted	**$ (0.11)**	$ (0.74)	$ (0.06)	$ (0.04)	$ 0.08	$ 0.02	$ 0.04	$ 0.02
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.[(1)]	**$ (233)**	$ (230)	$ (103)	$ (101)	$ (173)	$ 134	$ 122	$ 78
Adjusted EPS (in dollars)[(1)]	**$ (0.10)**	$ (0.10)	$ (0.04)	$ (0.04)	$ (0.07)	$ 0.05	$ 0.04	$ 0.03

[(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 May 5, 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 and DSU data as at March 31, 2020

Warrants issued and outstanding	205,851,872
Options issued and outstanding under the share option plans	130,638,940
PSUs and DSUs issued and outstanding under the PSU and DSU plans	87,774,221
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

Second Quarterly Report, for the period ending June 30, 2020	August 6, 2020
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	April 29, 2021

Information

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May 6, 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 4 mature trees, 259 kg of CO_2 emissions (equivalent to 1,030 kilometres driven) and 1,124 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 three-month period ended March 31, 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	FVTP&L	Fair value through profit and loss
bps	Basis points	IAS	International Accounting Standard(s)
BT Holdco	Bombardier Transportation (Investment) UK Limited	IASB	International Accounting Standards Board
CCTD	Cumulative currency translation difference	IFRS	International Financial Reporting Standard(s)
CDPQ	Caisse de dépôt et placement du Québec	NCI	Non-controlling interest
DDHR	Derivative designated in a hedge relationship	OCI	Other comprehensive income (loss)
DSU	Deferred share unit	PP&E	Property, plant and equipment
EBIT	Earnings (loss) before financing expense, financing income and income taxes	PSU	Performance share unit
		R&D	Research and development
EBT	Earnings (loss) before income taxes	SG&A	Selling, general and administrative
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	U.K.	United Kingdom
		U.S.	United States of America
FVOCI	Fair value through other comprehensive income (loss)		

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

	Notes	Three-month periods ended March 31 2020	2019
Revenues		**$ 3,691**	$ 3,516
Cost of sales	11	**3,353**	3,060
Gross margin		**338**	456
SG&A		**222**	268
R&D	4	**73**	48
Share of income of joint ventures and associates		**(12)**	(17)
Other income	5	**(5)**	(14)
Special items	6	**(96)**	(513)
EBIT		**156**	684
Financing expense	7	**341**	311
Financing income	7	**(9)**	(100)
EBT		**(176)**	473
Income taxes		**24**	234
Net income (loss)		**$ (200)**	$ 239
Attributable to			
Equity holders of Bombardier Inc.		**$ (258)**	$ 195
NCI		**58**	44
		$ (200)	$ 239
EPS (in dollars)	8		
Basic and diluted		**$ (0.11)**	$ 0.08

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

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

	Three-month periods ended March 31	
	2020	2019
Net income (loss)	**$ (200)**	$ 239
OCI		
Items that may be reclassified to net income		
Net change in cash flow hedges		
Foreign exchange re-evaluation	**(1)**	(1)
Net loss on derivative financial instruments	**(107)**	(3)
Reclassification to income or to the related non-financial asset	**15**	(6)
Income taxes	**32**	(7)
	(61)	(17)
FVOCI financial assets		
Net unrealized gain	**1**	4
CCTD		
Net investments in foreign operations	**(102)**	100
Items that are never reclassified to net income		
FVOCI equity instruments		
Net unrealized gain (loss)	**(10)**	3
Retirement benefits		
Remeasurement of defined benefit plans	**594**	(464)
Income taxes	**(23)**	39
	561	(422)
Total OCI	**399**	(335)
Total comprehensive income (loss)	**$ 199**	$ (96)
Attributable to		
Equity holders of Bombardier Inc.	**$ 174**	$ (107)
NCI	**25**	11
	$ 199	$ (96)

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

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

	Notes		March 31 2020		December 31 2019		January 1 2019 [1]
Assets							
Cash and cash equivalents		**$**	**2,026**	$	2,578	$	3,187
Trade and other receivables			**1,866**		1,844		1,575
Contract assets	10		**2,589**		2,485		2,617
Inventories	11		**5,061**		4,599		4,402
Other financial assets	12		**322**		195		210
Other assets	13		**469**		473		357
Assets held for sale	17		**1,315**		1,309		—
Current assets			**13,648**		13,483		12,348
PP&E			**1,682**		1,781		2,111
Aerospace program tooling			**4,601**		4,616		4,519
Goodwill			**1,878**		1,936		1,948
Deferred income taxes			**528**		546		746
Investments in joint ventures and associates			**526**		1,059		2,211
Other financial assets	12		**607**		989		1,030
Other assets	13		**657**		562		599
Non-current assets			**10,479**		11,489		13,164
		$	**24,127**	$	24,972	$	25,512
Liabilities							
Trade and other payables		**$**	**4,541**	$	4,682	$	4,634
Provisions	14		**856**		1,060		1,390
Contract liabilities	10		**5,360**		5,739		4,262
Other financial liabilities[2]	15		**1,065**		625		710
Other liabilities[2]	16		**1,294**		1,441		1,499
Liabilities directly associated with assets held for sale	17		**1,625**		1,768		—
Current liabilities			**14,741**		15,315		12,495
Provisions	14		**196**		311		1,110
Contract liabilities	10		**1,451**		1,417		1,933
Long-term debt			**9,312**		9,325		9,052
Retirement benefits			**2,087**		2,445		2,381
Other financial liabilities[2]	15		**1,268**		1,605		2,032
Other liabilities[2]	16		**437**		465		523
Non-current liabilities			**14,751**		15,568		17,031
			29,492		30,883		29,526
Equity (deficit)							
Attributable to equity holders of Bombardier Inc.			**(7,532)**		(7,667)		(5,563)
Attributable to NCI			**2,167**		1,756		1,549
			(5,365)		(5,911)		(4,014)
		$	**24,127**	$	24,972	$	25,512
Commitments and contingencies	23						

(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) Lease liabilities were reclassified from Other liabilities to Other financial liabilities as of March 31, 2020. Refer to Note 25 - 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.											
	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)	—	—	—	(258)	—	—	—	—	—	(258)	58	(200)
OCI	—	—	—	—	571	—	(9)	(61)	(69)	432	(33)	399
	—	—	—	(258)	571	—	(9)	(61)	(69)	174	25	199
Issuance of NCI[1]	—	—	—	—	—	—	—	—	—	—	386	386
Dividends	—	—	—	(6)	—	—	—	—	—	(6)	—	(6)
Shares distributed - PSU plans	—	1	—	—	—	(1)	—	—	—	—	—	—
Cancellation of warrants[2]	—	—	(270)	—	—	230	—	—	—	(40)	—	(40)
Share-based expense	—	—	—	—	—	7	—	—	—	7	—	7
As at March 31, 2020	**$ 347**	**$ 2,649**	**$ 73**	**$ (8,376)**	**$ (2,204)**	**$ 421**	**$ —**	**$ (112)**	**$ (330)**	**$ (7,532)**	**$ 2,167**	**$ (5,365)**
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	—	—	—	195	—	—	—	—	—	195	44	239
OCI	—	—	—	—	(425)	—	7	(17)	133	(302)	(33)	(335)
	—	—	—	195	(425)	—	7	(17)	133	(107)	11	(96)
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Options exercised	—	1	—	—	—	—	—	—	—	1	—	1
Share-based expense	—	—	—	—	—	16	—	—	—	16	—	16
As at March 31, 2019	$ 347	$ 2,624	$ 343	$ (6,106)	$ (2,730)	$ 192	$ 6	$ (85)	$ (251)	$ (5,660)	$ 1,560	$ (4,100)

[1] CDPQ made a capital injection of €350 million ($386 million) in BT Holdco. See Note 19 - 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 March 31 2020	2019
Operating activities			
Net income (loss)		**$ (200)**	$ 239
Non-cash items			
Amortization[1]		**111**	91
Impairment charges on PP&E and intangible assets	5, 6	**11**	—
Deferred income taxes		**35**	204
Gains on disposals of PP&E and intangible assets	5	**—**	(1)
Gains on disposal of investment in associate and businesses	5, 6	**(119)**	(520)
Share of income of joint ventures and associates		**(12)**	(17)
Share-based expense	20	**7**	16
Loss on repurchase of long-term debt	7	**—**	80
Dividends received from joint ventures and associates		**2**	1
Net change in non-cash balances	21	**(1,378)**	(1,000)
Cash flows from operating activities		**(1,543)**	(907)
Investing activities			
Additions to PP&E and intangible assets		**(99)**	(142)
Proceeds from disposals of PP&E and intangible assets		**—**	5
Net proceeds from disposal of investment in associate and businesses	18	**531**	532
Investments in non-voting units of ACLP	18	**(100)**	(110)
Other		**6**	15
Cash flows from investing activities		**338**	300
Financing activities			
Net proceeds from issuance of long-term debt		**—**	1,960
Repayments of long-term debt		**—**	(1,586)
Net change in short-term borrowings		**413**	284
Payment of lease liabilities[2]		**(26)**	(22)
Dividends paid - Preferred shares		**(5)**	(5)
Issuance of NCI	19	**386**	—
Other		**—**	1
Cash flows from financing activities		**768**	632
Effect of exchange rates on cash and cash equivalents		**(123)**	67
Net increase (decrease) in cash and cash equivalents		**(560)**	92
Cash and cash equivalents at beginning of period[3]		**2,629**	3,187
Cash and cash equivalents at end of period[3]		**$ 2,069**	$ 3,279
Supplemental information			
Cash paid for			
Interest		**$ 129**	$ 174
Income taxes		**$ 21**	$ 20
Cash received for			
Interest		**$ 12**	$ 6
Income taxes		**$ 1**	$ —

(1) Includes $26 million representing amortization charge related to right-of-use of assets for the three-month period ended March 31, 2020 ($25 million for the three-month period ended March 31, 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-month period ended March 31, 2020 amounted to $37 million ($37 million for the three-month period ended March 31, 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 three-month period ended March 31, 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-month period ended March 31, 2020 were authorized for issuance by the Board of Directors on May 6, 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
	March 31, 2020	December 31, 2019	January 1, 2019
Euro	**1.1034**	1.1234	1.1450
Canadian dollar	**0.7061**	0.7696	0.7337
Pound sterling	**1.2412**	1.3204	1.2800

		Average exchange rates for the three-month periods ended
	March 31, 2020	March 31, 2019
Euro	**1.1024**	1.1366
Canadian dollar	**0.7455**	0.7522
Pound sterling	**1.2803**	1.2996

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. On March 24, 2020, the Corporation announced that in support of mandates from the Governments of Quebec and Ontario to help slow the spread of the COVID-19 pandemic, it suspended all non-essential work at most of its Canadian based operations and furloughed corporate office employees whose support functions are less critical in the short-term. During this furlough period, Bombardier's CEO and senior leadership team have given up their pay, and the Chairman and members of Bombardier's Board of Directors agreed to forgo board compensation for the remainder of 2020.

Impacts of COVID-19 on Aviation

Canadian operations, where Global and Challenger aircraft are assembled and delivered, were suspended in the last week of March 2020 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.

As a result of this reduced activity and travel restrictions, certain aircraft deliveries were delayed from the first quarter. Combined with the impact of reduced order intake related to the economic uncertainty, operating cash flow was negatively impacted.

COVID-19 is also expected to result in a significant reduction in business aircraft demand for 2020, as widespread lockdown protocols implemented, and economic uncertainty reduce business jet utilization around the world. The Corporation is modelling a number of scenarios for planning purposes based on the current backlog and anticipated customer demand and will make the required production rate adjustments as it gradually resumes operations. As announced on April 28, 2020, starting on May 4, 2020, most Aviation employees are being brought back to work within the following few weeks.

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 due to the global COVID-19 pandemic. Approximately 10,000 Transportation employees globally were affected by these shutdowns.

As a result of this reduced activity as well as supply chain disruptions, key production and homologation milestones were postponed from the first quarter. Combined with the impact of deferred order intake related to the crisis, operating cash flow for the quarter was negatively impacted.

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, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis.
- Cash on hand was increased through a $386 million (€350 million) equity injection in Transportation by CDPQ. In connection with this contribution, Transportation secured amendments to its revolving credit facility and letter of credit facility. This amendment provides for, among other things, temporary adjustments to certain financial covenants.
- Closing conditions pertaining to the acquisition of Canadair Regional Jet (*CRJ*) Program by Mitsubishi have been met and the parties have agreed to close the transaction on June 1, 2020, generating cash proceeds of approximately $550 million.
- The aerostructures business sale to Spirit AeroSystems Holding, Inc. is tracking to plan and is expected to close in coming months, further improving the Corporation's cash position by approximately $500 million.
- At Aviation, production rates are being aligned to market demand, which is expected to be down 30% to 35% year-over-year. This reflects the significant slowdown in order intake during the month of March 2020 and the anticipated demand environment for the remainder of the year. The production ramp up of the *Global 7500* is largely unaffected by these rate changes given its solid backlog.
- At Transportation, engineering and production schedules are being re-baselined together with customers and suppliers, to optimize cash generation.
- 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 March 31, 2020 trade payables with extended payments terms totaled $875 million of which $363 million related to Aviation and $512 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 21 - 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 $2.1 billion, the Transportation revolving credit facility of approximately $1.3 billion ($859 million undrawn as at March 31, 2020), as well as expected proceeds of approximately $1.1 billion upon closing of the previously announced sales of the *CRJ* program and 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 assuming a gradual re-start of production in the second quarter and the new production schedule at Aviation noted above, 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 quarter ended March 31, 2020 the Corporation updated its long-term contract accounting for identified changes in estimated contract revenues, contract costs and progress toward completion. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic were recorded as expenses of the quarter ended March 31, 2020. Based on review of contractual terms including force majeure clauses, and government decrees, there was no significant adjustment recorded to our estimated contract costs. However, there remains some uncertainties as to the impact that COVID-19 related plant shut-downs and supply chain disruptions could have on contract profitability.

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 first 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 in the three-month period ended March 31, 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 in the three-month period ended March 31, 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. As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium- and long-term maturity bonds, the discount rate for the Corporation's Canadian pension and other post-employment plans is established by constructing a yield curve using three maturity ranges.

The significant market volatility and disruption of financial markets due to COVID-19 pandemic has increased the estimation uncertainty surrounding the discount rate assumption. Due to relatively few AA-rates corporate bonds of longer maturity in Canada, the determination of the discount rates requires modelling and extrapolation. In particular, a reduction in government bond yields, and an increase in the yield spreads of corporate bonds relative to government bonds, has introduced additional complexity to this modelling and extrapolation process. A wider range of discount rate outcomes for Canada has been observed at March 31, 2020. The methodology used for discount rates has remained unchanged from December 31, 2019. At March 31, 2020 the discount rate for Canadian plans was 4.2% compared with 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 $477 million as at March 31, 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 $698 million as at March 31, 2020.

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

In the first quarter of 2020 the Corporation updated this assessment given the revised forecasts. Following this assessment, the Corporation concluded no significant write-down of 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 and the Q400 turboprop until disposal of the business in May 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 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 Others 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 March 31, 2020			
	Transportation	**Aviation**	**Corporate and Others**	**Total**
Results of operations				
External revenues	**$ 2,168**	**$ 1,523**	**$ —**	**$ 3,691**
Intersegment revenues	**1**	**—**	**(1)**	**—**
Total revenues	**2,169**	**1,523**	**(1)**	**3,691**
EBIT before special items	**51**	**25**	**(16)**	**60**
Special items[1]	**—**	**18**	**(114)**	**(96)**
EBIT	**$ 51**	**$ 7**	**$ 98**	**156**
Financing expense				**341**
Financing income				**(9)**
EBT				**(176)**
Income taxes				**24**
Net loss				**$ (200)**
Other information				
R&D[2]	**$ 23**	**$ 50**	**$ —**	**$ 73**
Share of loss (income) of joint ventures and associates	**$ (10)**	**$ 1**	**$ (3)**	**$ (12)**
Net additions to PP&E and intangible assets[3]	**$ 23**	**$ 76**	**$ —**	**$ 99**
Amortization	**$ 34**	**$ 77**	**$ —**	**$ 111**
Impairment charges on PP&E [4]	**$ —**	**$ 11**	**$ —**	**$ 11**

	Three-month period ended March 31, 2019			
	Transportation	Aviation	Corporate and Others	Total
Results of operations				
External revenues	$ 2,106	$ 1,410	$ —	$ 3,516
Intersegment revenues	1	—	(1)	—
Total revenues	2,107	1,410	(1)	3,516
EBIT before special items	83	144	(56)	171
Special items[1]	—	(520)	7	(513)
EBIT	$ 83	$ 664	$ (63)	684
Financing expense				311
Financing income				(100)
EBT				473
Income taxes				234
Net income				$ 239
Other information				
R&D[2]	$ 25	$ 23	$ —	$ 48
Share of loss (income) of joint ventures and associates	$ (17)	$ 2	$ (2)	$ (17)
Net additions to PP&E and intangible assets[3]	$ 28	$ 108	$ 1	$ 137
Amortization	$ 32	$ 58	$ 1	$ 91
Impairment charges (reversals) on PP&E	$ (1)	$ —	$ 1	$ —

[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 is as follows, as at:

	March 31, 2020	December 31, 2019	January 1, 2019
Assets			
Total assets	**$ 24,127**	$ 24,972	$ 25,512
Assets not allocated to segments			
Cash and cash equivalents	**2,069**	2,629	3,187
Income tax receivable[(1)]	**79**	90	49
Deferred income taxes	**635**	677	746
Segmented assets	**21,344**	21,576	21,530
Liabilities			
Total liabilities	**29,492**	30,883	29,526
Liabilities not allocated to segments			
Interest payable[(2)]	**209**	150	138
Income taxes payable[(3)]	**159**	202	173
Long-term debt[(4)]	**9,320**	9,333	9,061
Segmented liabilities	**$ 19,804**	$ 21,198	$ 20,154
Net segmented assets			
Transportation	**$ 348**	$ (385)	$ (440)
Aviation	**$ 1,643**	$ 577	$ 835
Corporate and Others	**$ (451)**	$ 186	$ 981

(1) Included in other assets.
(2) Included in trade and other payables.
(3) Included in other liabilities.
(4) The current portion of long-term debt is included in other financial liabilities.

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

	Three-month periods ended March 31	
	2020	2019
Aviation		
Business Aircraft		
Manufacturing and Other[(1)]	**$ 849**	$ 646
Services[(2)]	**273**	323
Commercial Aircraft[(3)]	**221**	241
Aerostructures and Engineering Services	**180**	200
	1,523	1,410
Transportation		
Rolling stock and systems[(4)]	**1,451**	1,407
Services[(5)]	**486**	488
Signalling[(6)]	**232**	212
	2,169	2,107
Corporate and Others	**(1)**	(1)
	$ 3,691	$ 3,516

(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 March 31	
	2020	2019
R&D expenditures	**$ 58**	$ 98
Less: development expenditures capitalized to aerospace program tooling	**(31)**	(69)
	27	29
Add: amortization of aerospace program tooling	**46**	19
	$ 73	$ 48

5. OTHER INCOME

Other income was as follows:

	Three-month periods ended March 31	
	2020	2019
Changes in estimates and fair value[(1)]	**$ (5)**	$ (15)
Gains on sale of business	**—**	(4)
Impairment of PP&E and intangible assets[(2)]	**—**	4
Gains on disposals of PP&E and intangible assets	**—**	(1)
Severance and other involuntary termination costs (including changes in estimates)[(2)]	**—**	1
Other	**—**	1
	$ (5)	$ (14)

[(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 and significant impairment charges and reversals.

Special items were as follows:

	Three-month periods ended March 31	
	2020	2019
Gain on exit of ACLP and related aerostructures activities(1)	**$ (119)**	$ —
Transaction costs(2)	**12**	—
Disruption costs (3)	**10**	—
Restructuring charges(4)	**5**	5
Reversal of *Learjet 85* aircraft program cancellation provisions(5)	**(4)**	(9)
Gain on disposal of a business - Training business(6)	**—**	(516)
Loss on repurchase of long-term debt(7)	**—**	80
Primove impairment and other costs(8)	**—**	7
Income taxes	**6**	133
	$ (90)	$ (300)
Of which is presented in		
Special items in EBIT	**$ (96)**	$ (513)
Financing expense - loss on repurchase of long-term debt(7)	**—**	80
Income taxes - effect of special items	**6**	133
	$ (90)	$ (300)

1. 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.
2. Represents direct and incremental costs incurred in respect of upcoming previously announced transactions for the sale of the *CRJ* business to MHI and the Transportation business to Alstom SA.
3. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic which were recorded as expenses of the quarter ended March 31, 2020 amounted to $14 million. Of these costs, $10 million were recorded as special items since they were direct and incremental to actions in response to the pandemic and they were non-recurring in nature. The remaining costs were recorded in cost of sales. 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.
4. For three-month period ended March 31, 2020, represents $11 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions, net of the reversal of severance charges of $6 million for three-month period ended March 31, 2020. For the three-month period ended March 31, 2019, represents severance charges of $11 million partially offset by curtailment gains of $2 million and by the reversal of previously-recorded impairment charges of $4 million.
5. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $4 million for the three-month period ended March 31, 2020 ($9 million for the three-month period ended March 31, 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.
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. Represents the loss related to the partial redemption of the $850-million Senior Notes due 2020, €780-million Senior Notes due 2021 and $1,400-million Senior Notes due 2021.
8. 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 three-month period ended March 31, 2019.

7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

		Three-month periods ended March 31		
		2020		2019
Financing expense				
Net loss on certain financial instruments[1]	**$**	**81**	$	—
Changes in discount rates of provisions		**20**		3
Accretion on net retirement benefit obligations		**17**		18
Accretion on other financial liabilities		**15**		11
Accretion on advances		**9**		8
Interest expense on lease liabilities		**8**		8
Accretion on provisions		**3**		5
Amortization of letter of credit facility costs		**3**		4
Loss on repurchase of long-term debt[2]		**—**		80
Other		**19**		24
		175		161
Interest on long-term debt, after effect of hedges		**166**		150
	$	**341**	$	311
Financing income				
Net gain on certain financial instruments[1]	**$**	**—**	$	(82)
Other		**(5)**		(5)
		(5)		(87)
Income from investment in securities		**(2)**		(2)
Interest on cash and cash equivalents		**(1)**		(10)
Interest on loans and lease receivables, after effect of hedges		**(1)**		(1)
		(4)		(13)
	$	**(9)**	$	(100)

(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 partial redemption of the $850-million Senior Notes due 2020, €780-million 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 March 31	
	2020	2019
(Number of shares, stock options, PSUs, DSUs and warrants, in thousands)		
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (258)**	$ 195
Preferred share dividends, including taxes	**(6)**	(7)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$ (264)**	$ 188
Weighted-average number of common shares outstanding	**2,398,860**	2,374,850
Net effect of stock options, PSUs, DSUs and warrants	**—**	61,502
Weighted-average diluted number of common shares	**2,398,860**	2,436,352
EPS (in dollars)		
Basic and diluted	**$ (0.11)**	$ 0.08

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 474,110,706 for the three-month period ended March 31, 2020 (228,022,367 for the three-month period ended March 31, 2019) 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 for the three-month period ended March 31, 2020 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
March 31, 2020							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 2,026**	**$ —**	**$ 2,026**	**$ 2,026**
Trade and other receivables	**—**	**—**	**—**	**1,866**	**—**	**1,866**	**1,866**
Other financial assets	**325**	**—**	**232**	**156**	**216**	**929**	**929**
	$ 325	**$ —**	**$ 232**	**$ 4,048**	**$ 216**	**$ 4,821**	**$ 4,821**
Financial liabilities							
Trade and other payables	**$ 9**	**$ —**	**n/a**	**$ 4,532**	**$ —**	**$ 4,541**	**$ 4,541**
Long-term debt[(2)]	**—**	**—**	**n/a**	**9,320**	**—**	**9,320**	**6,815**
Other financial liabilities	**298**	**217**	**n/a**	**1,488**	**322**	**2,325**	**2,275**
	$ 307	**$ 217**	**n/a**	**$ 15,340**	**$ 322**	**$ 16,186**	**$ 13,631**
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[(2)]	—	—	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[(2)]	—	—	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.
[(2)] Includes the current portion of long-term debt.
n/a: Not applicable

10. CONTRACT BALANCES

Contract assets were as follows, as at:

	March 31, 2020	December 31, 2019	January 1, 2019
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**$ 9,054**	$ 9,930	$ 8,882
Less: advances and progress billings	**(7,041)**	(7,983)	(6,707)
	2,013	1,947	2,175
Service contracts			
Cost incurred and recorded margins	**725**	674	506
Less: advances and progress billings	**(149)**	(136)	(64)
	576	538	442
	$ 2,589	$ 2,485	$ 2,617

Contract liabilities were as follows, as at:

	March 31, 2020	December 31, 2019	January 1, 2019
Advances on aerospace programs	**$ 3,918**	$ 4,018	$ 3,075
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**2,045**	2,286	2,124
Other deferred revenues	**848**	852	996
	$ 6,811	$ 7,156	$ 6,195
Of which current	**$ 5,360**	$ 5,739	$ 4,262
Of which non-current	**1,451**	1,417	1,933
	$ 6,811	$ 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 €420 million ($463 million) as at March 31, 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:

	March 31, 2020	December 31, 2019	January 1, 2019
Aerospace programs	**$ 4,383**	$ 3,990	$ 3,546
Finished products(1)	**526**	468	733
Other	**152**	141	123
	$ 5,061	$ 4,599	$ 4,402

(1) Finished products include $102 million of new aircraft not associated with a firm order and pre-owned aircraft, as at March 31, 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 $1,167 million for the three-month period ended March 31, 2020 ($976 million for the three-month period ended March 31, 2019). These amounts include $35 million of write-downs and nil of reversal of write-downs for the three-month period ended March 31, 2020 ($28 million of write-downs and $9 million of reversal of write-downs for the three-month period ended March 31, 2019).

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	March 31, 2020	December 31, 2019	January 1, 2019
Derivative financial instruments	**$ 252**	$ 287	$ 168
Investments in securities	**232**	250	230
Receivables from ACLP[1]	**217**	468	385
Long-term contract receivables	**91**	99	75
Restricted cash	**62**	62	21
Balance of payment on disposal of business[2]	**59**	—	—
Aircraft loans and lease receivables	**2**	2	26
ACLP non-voting units[3]	**—**	—	150
Investments in financing structures	**—**	—	173
Other	**14**	16	12
	$ 929	$ 1,184	$ 1,240
Of which current	**$ 322**	$ 195	$ 210
Of which non-current	**607**	989	1,030
	$ 929	$ 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) The balance of payment on disposal of business represents an amount owed by Stelia Aerospace. See note 18 - Disposal of investment in associate.
(3) See Note 18 - Disposal of investment in associate.

13. OTHER ASSETS

Other assets were as follows, as at:

	March 31, 2020	December 31, 2019	January 1, 2019
Retirement benefits	**$ 286**	$ 193	$ 200
Sales tax and other taxes	**269**	249	212
Intangible assets other than aerospace program tooling and goodwill	**224**	217	195
Prepaid expenses	**138**	141	107
Prepaid sales concessions and deferred contract costs	**91**	105	131
Income taxes receivable	**79**	90	49
Deferred financing charges	**24**	27	38
Other	**15**	13	24
	$ 1,126	$ 1,035	$ 956
Of which current	**$ 469**	$ 473	$ 357
Of which non-current	**657**	562	599
	$ 1,126	$ 1,035	$ 956

14. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at December 31, 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**
Reclassified as liabilities directly associated with assets held for sale[5]	**(8)**	**(90)**	**(2)**	**(306)**	**(24)**	**(430)**
Effect of foreign currency exchange rate changes	**(10)**	**—**	**(3)**	**(12)**	**(1)**	**(26)**
Balance as at March 31, 2020	**$ 420**	**$ —**	**$ 96**	**$ 419**	**$ 117**	**$ 1,052**
Of which current	**$ 321**	**$ —**	**$ 95**	**$ 351**	**$ 89**	**$ 856**
Of which non-current	**99**	**—**	**1**	**68**	**28**	**196**
	$ 420	**$ —**	**$ 96**	**$ 419**	**$ 117**	**$ 1,052**

	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 [3]	13 [6]	10	72
Utilization	(48)	(96) [7]	(24)	(70)	—	(238)
Reversals	(25)	(11)	(1)	(16) [8]	(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
Of which current	$ 378	$ 99	$ 161	$ 540	$ 135	$ 1,313
Of which non-current	99	253	48	531	25	956
	$ 477	$ 352	$ 209	$ 1,071	$ 160	$ 2,269

(1) Mainly comprised of claims and litigations.
(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 6 – Special items for more details on the addition related to the *Primove* impairment and other costs.
(7) 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.
(8) See Note 6 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions.

15. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	March 31, 2020	December 31, 2019	January 1, 2019
Derivative financial instruments	**$ 620**	$ 535	$ 885
Lease liabilities[1]	**449**	487	609
Short-term borrowings under Transportation facility	**414**	—	—
Government refundable advances[2]	**333**	585	759
Credit and residual value guarantees payable	**288**	378	172
Vendor non-recurring costs	**100**	112	136
Current portion of long-term debt	**8**	8	9
Lease subsidies	**—**	—	53
Other	**121**	125	119
	$ 2,333	$ 2,230	$ 2,742
Of which current	**$ 1,065**	$ 625	$ 710
Of which non-current	**1,268**	1,605	2,032
	$ 2,333	$ 2,230	$ 2,742

(1) Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 25 - Reclassification.
(2) Of which $217 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 delivery of aircraft.

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 March 31, 2020, since the lease has not yet commenced. The Corporation's undiscounted lease commitments were as follows, as at:

	March 31, 2020
Less than 1 year	**$ —**
From 1 to 3 years	**6**
Thereafter	**580**
	$ 586

16. OTHER LIABILITIES

Other liabilities were as follows, as at:

	March 31, 2020	December 31, 2019[1]	January 1, 2019
Employee benefits	**$ 538**	$ 532	$ 643
Accruals for long-term contract costs	**391**	398	443
Supplier contributions to aerospace programs	**379**	389	389
Income taxes payable	**159**	202	173
Other taxes payable	**44**	165	181
Other	**220**	220	193
	$ 1,731	$ 1,906	$ 2,022
Of which current	**$ 1,294**	$ 1,441	$ 1,499
Of which non-current	**437**	465	523
	$ 1,731	$ 1,906	$ 2,022

(1) Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 25 - Reclassification.

17. ASSETS HELD FOR SALE

CRJ

On June 25, 2019, the Corporation and Mitsubishi Heavy Industries, Ltd. (MHI), announced they have entered into a definitive agreement, whereby MHI will acquire the Corporation’s regional jet program for a cash consideration of $550 million, subject to closing adjustments, and the assumption by MHI of liabilities related to credit and residual value guarantees and lease subsidies amounting to approximately $200 million. Under the agreement, the Corporation’s net beneficial interest in the Regional Aircraft Securitization Program (RASPRO), which was valued at approximately $170 million will be transferred to MHI.

Pursuant to the agreement, MHI will acquire 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.

The *CRJ* production facility in Mirabel, Québec will remain with Bombardier. Bombardier will continue to supply components and spare parts and will assemble the current *CRJ* backlog on behalf of MHI. *CRJ* production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft.

Bombardier will also retain certain liabilities representing a portion of the credit and residual value guarantees totalling $288 million as at March 31, 2020, which is net of $95 million of payments made in the three-month period ended March 31, 2020. Aside from the accrual of interest, this amount is fixed and not subject to future changes in aircraft value, and is mainly payable by Bombardier over the next four years. The amount is included in other financial liabilities. The agreement contemplates a reverse break fee payable by MHI under certain circumstances.

The Corporation and MHI have agreed that all closing conditions have been met and the transaction pertaining to the acquisition of the *CRJ* Program will close on June 1, 2020.

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:

		March 31, 2020		December 31, 2019
Current assets(1)	**$**	**244**	$	236
Non-current assets(2)		**235**		240
Total assets	**$**	**479**	$	476
Current liabilities(3)	**$**	**314**	$	319
Non-current liabilities(4)		**116**		128
Total liabilities	**$**	**430**	$	447

(1) Mainly comprised of inventories and trade and other receivables.
(2) Mainly comprised of RASPRO assets.
(3) Mainly comprised of trade and other payables, credit and residual value guarantees provisions, lease subsidies, credit and residual value guarantees payable and contract liabilities.
(4) Mainly comprised of credit and residual value guarantees provisions, lease subsidies, credit and residual value guarantees payable as well as contract liabilities and other financial liabilities.

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

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 in coming months and remains subject to regulatory approvals and 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:

		March 31, 2020		December 31, 2019
Cash and cash equivalents	**$**	**43**	$	51
Other current assets[(1)]		**366**		334
Non-current assets[(2)]		**427**		448
Total assets	**$**	**836**	$	833
Current liabilities[(3)]	**$**	**353**	$	320
Non-current liabilities[(4)]		**842**		1,001
Total liabilities	**$**	**1,195**	$	1,321

(1) Mainly comprised of inventories, 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 $259 million and government refundable advances amounting to $280 million ($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 provides 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 $531 million. A gain of $119 million was recognized in Special items, see Note 6 - Special items.

19. 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. As such, the equity ownership percentage of the Corporation and of CDPQ in Transportation is 63.66% and 36.34%, respectively.

20. SHARE-BASED PLANS

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

				Three-month periods ended March 31
		2020		2019
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**95,207,904**	**1,101,849**	88,243,098	1,101,849
Granted	**—**	**—**	1,417,163	—
Vested	**(5,044,471)**	**—**	—	—
Exercised	**—**	**(117,354)**	—	—
Forfeited	**(3,373,707)**	**—**	(2,263,930)	—
Balance at end of period	**86,789,726**	**984,495** [(1)]	87,396,331	1,101,849 [(1)]

[(1)] Of which 984,495 DSUs are vested as at March 31, 2020 (1,101,849 as at March 31, 2019).

The compensation expense, with respect to the PSU and DSU plans, amounted to $1 million during the three-month period ended March 31, 2020 ($12 million during the three-month period ended March 31, 2019).

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

		Three-month periods ended March 31
	2020	2019
Balance at beginning of period	**131,006,338**	111,545,290
Granted	**—**	2,035,572
Exercised	**—**	(886,762)
Forfeited	**(367,398)**	(2,655,693)
Expired	**—**	—
Balance at end of period	**130,638,940**	110,038,407

A compensation expense of $6 million was recorded during the three-month period ended March 31, 2020, with respect to share option plans ($5 million for the three-month period ended March 31, 2019).

21. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31	
	2020	2019
Trade and other receivables	**$ (88)**	$ 6
Inventories	**(572)**	(768)
Contract assets	**(276)**	(241)
Contract liabilities	**(204)**	266
Other financial assets and liabilities, net	**23**	(61)
Other assets	**(94)**	(53)
Trade and other payables	**(26)**	173
Provisions	**(102)**	(225)
Retirement benefit liability	**102**	(11)
Other liabilities	**(141)**	(86)
	$ (1,378)	$ (1,000)

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 €557 million ($615 million) were outstanding under such facilities as at March 31, 2020 (€809 million ($909 million) as at December 31, 2019 and €799 million ($914 million) as at January 1, 2019). Receivables of €325 million ($358 million) were sold to these facilities during the three-month period ended March 31, 2020 (€519 million ($590 million) during the three-month period ended March 31, 2019).

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 $875 million (of which $363 million related to Aviation and $512 million related to Transportation) and bore interest at a weighted average rate of 4.42% as at March 31, 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.

22. 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 and lease receivables and investments in financing structures – The Corporation uses an internal valuation model based on stochastic simulations and 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.

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 an internal valuation model based on stochastic simulations 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.

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 the 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 and lease receivables, 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 March 31, 2020:

	Total	Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments[1]	**$ 252**	**$ —**	**$ 252**	**$ —**
Investments in securities	**232**	**27**	**205**	**—**
Receivable from ACLP[2]	**217**	**—**	**—**	**217**
Long-term contract receivable	**72**	**—**	**72**	**—**
	$ 773	**$ 27**	**$ 529**	**$ 217**
Financial liabilities				
Trade and other payables	**$ 9**	**$ —**	**$ —**	**$ 9**
Government refundable advance [2]	**217**	**—**	**—**	**217**
Derivative financial instruments[1]	**620**	**—**	**369**	**251**
	$ 846	**$ —**	**$ 369**	**$ 477**

[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.

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

	Aircraft loans and lease receivables	Investments in financing structures	Lease Subsidies	Trade and other payables	Conversion option
December 31, 2019[1]	**$ 27**	**$ 197**	**$ (41)**	**$ —**	**$ (325)**
Net gains (losses) and interest included in net income	**1**	**(4)**	**7**	**—**	**68**
Issuances	**—**	**—**	**—**	**(9)**	**—**
Settlements	**—**	**(22)**	**3**	**—**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**6**
Balance as at March 31, 2020	**$ 28**	**$ 171**	**$ (31)**	**$ (9)**	**$ (251)**
Reclassified as liabilities directly associated with assets held for sale[2]	(28)	(171)	31	—	—
Balance as at March 31, 2020	**$ —**	**$ —**	**$ —**	**$ (9)**	**$ (251)**

	Aircraft loans and lease receivables	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)

[1] The balance as at December 31, 2019 is before the reclassification of the assets held for sale.
[2] Represents assets and liabilities reclassified as held for sale related to the sale of *CRJ* program and aerostructures businesses. See Note 17 - Assets held for sale for more details.

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 main assumptions developed internally for Aviation segment' level 3 financial instruments relate to credit risks of customers without published credit rating and marketability adjustments to discount rates specific to our financial assets.

These main assumptions are as follows as at March 31, 2020:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between B- to CCC+ (B-)	Between BB- to CCC+ (B)	Between BB- to B- (BB-)
Discount rate adjustments for marketability	13.25%	Between 2.77% and 12.94% (8.68%)	n/a

n/a: Not applicable

Also, aircraft residual value curves are important inputs in assessing the fair value of certain financial instruments. These curves are prepared by management based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balanced market in the medium and long term.

The projected future performance of the Transportation segment is an important input for the determination of the fair value of the embedded derivative option in the convertible shares issued to the CDPQ. The projected future performance of the Transportation segment is prepared by management based on budget and strategic plan.

Sensitivity to selected changes of assumptions for Level 3 hierarchy

These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows as at March 31, 2020:

Impact on EBT				**Change of assumptions**
	Change in fair value recognized in EBT for the :			
Gain (loss)	**Three-month period ended March 31, 2020**	**Decrease in aircraft residual value curves by 5%**	**Downgrade the internally assigned credit rating of unrated customers by 1 notch**	**Increase the marketability adjustments by 100 bps**
Aircraft loans and lease receivables	$ —	$ (1)	$ (2)	$ (1)
Investment in financing structures	$ (9)	$ (5)	$ (8)	$ (6)
Lease subsidies	$ 6	$ —	$ 1	$ —

Conversion option

Sensitivity analysis

A 5% decrease in the expected future performance of the Transportation segment would have resulted in a decrease in the fair value with a corresponding gain recognized in EBT for the three-month period ended March 31, 2020 of $42 million.

A 5% increase in the expected future performance of the Transportation segment would have resulted in an increase in the fair value with a corresponding loss recognized in EBT for the three-month period ended March 31, 2020 of $43 million.

23. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2020	December 31, 2019	January 1, 2019
Aircraft sales			
Residual value	**$ 163**	$ 163	$ 695
Credit	**711**	734	1,034
Mutually exclusive exposure[(1)]	**(128)**	(128)	(473)
Total credit and residual value exposure	**$ 746**	$ 769	$ 1,256
Trade-in commitments	**$ 974**	$ 998	$ 1,165
Conditional repurchase obligations	**$ 71**	$ 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 $90 million as at March 31, 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. 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 $346 million as at March 31, 2020 ($435 million as at December 31, 2019 and $172 million as at January 1, 2019). In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $31 million as at March 31, 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. All of the above are included in the assets held for sale related to the CRJ announcement, except for $288 million of credit and residual value guarantees payable, as at March 31, 2020 ($378 million as at December 31, 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 March 31, 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.

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

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.

24. 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 Transportation business, see Note 19 - NCI for more details, is not redeemed before the closing of the transaction, the aggregate net proceeds of the transaction would be increased by the unredeemed amount and such increase would be allocated to CDPQ and such unredeemed amount would be added to the minimum cash balance Transportation is required to achieve at the end of 2020.

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 last until 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.

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.

25. 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.