Fiscal year ended
December 31, 2020

Financial Report 2020

BOMBARDIER

Bombardier is a global leader in aviation[1], creating innovative and game-changing planes. Our products and services provide world-class experiences that set new standards in passenger comfort, energy efficiency, reliability and safety.

Headquartered in Montréal, Canada, Bombardier is present in more than 12 countries including its production/engineering sites and its customer support network. The Corporation supports a worldwide fleet of approximately 4,900 aircraft in service with a wide variety of multinational corporations, charter and fractional ownership providers, governments and private individuals.

A VISIONARY INDUSTRY LEADER

Bombardier is powered by a proud heritage and visionary innovation in the design, manufacture and support of world-class business aircraft. Its comprehensive line of industry-leading business jets is the largest of any original equipment manufacturer, with three leading aircraft families – *Learjet*, *Challenger* and *Global* – spanning the light to large categories in addition to modifying these aircraft platforms for special mission purposes, from surveillance and reconnaissance to medical evacuations and dignitary transport.

With a fleet of approximately 4,900 aircraft in service worldwide, Bombardier boasts an extensive aftermarket and support network of service facilities, including wholly-owned service centers in the U.S., Europe and Asia, regional support offices, mobile response teams, and dedicated aircraft parts availability sustained by parts facilities, including depots, hubs and repair facilities.

Revenues[2]
$6.5 billion

Order backlog[3]
$10.7 billion

Employees[4]
16,000

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

[1] On January 29, 2021, the Corporation closed the sale of the Transportation Business to Alstom. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
[2] For fiscal year 2020. Aviation revenues for 2020 also included $895 million from commercial aircraft and aerostructures activities which were divested during the course of the year.
[3] As at December 31, 2020.
[4] As at December 31, 2020, including contractual and 670 inactive employees. Approximately 150 Corporate office employees are not allocated to a reportable segment.

BUILDING A NEW PATH FORWARD

Bombardier is beginning an exciting new chapter focused exclusively on designing, building and servicing the world's best business jets. After a year of unprecedented challenges due to the global pandemic, we are excited to begin this new journey. With an unmatched product portfolio, a world class customer services network and incredibly talented employees, we have a strong foundation to build on. With clarity and focus, we are hard at work to bring the same exceptional performance that has defined our aircraft to every aspect of our company and each customer interaction. While there is much work to be done to achieve this goal, I'm confident we are on the right path to a brighter future.

Dear Shareholders,

Despite the unprecedented challenges that hit our world in 2020, I am extremely proud of how the Bombardier team responded.

At the onset of the global pandemic, which significantly impacted nearly every aspect of our operations, our team acted swiftly to protect the health and safety of our employees; to support government mandates to slow the spread of the virus; and to support our customers to the best of our ability. As the crisis spread and we experienced the sharpest decline in passenger rail traffic ever, and business jet usage fell to levels far worse than during the 2007-08 financial crisis, we took immediate steps to reduce costs, preserve cash and improve liquidity. After absorbing the initial impact, we moved quickly to reset our production rates and global supply chains to align with the new market conditions and customer requirements.
This was a massive undertaking, involving close coordination with thousands of suppliers and customers and the rapid implementation of a new set of safety protocols across all our sites to ensure the health and safety of our employees and communities. At the same time, we were able to keep all our strategic divestitures moving forward to complete our repositioning to a pure-play business aviation company.

While we have chosen to exit the rail and commercial aerospace businesses, we can all be very proud of the innovation and advances Bombardier brought to these industries. And, I'd like to take this opportunity to recognize all of our employees, past and present, who contributed to these incredible chapters in our history.

In addition to successfully navigating the pandemic, there were many notable accomplishments and recognitions for Bombardier in 2020. They include the successful production ramp-up of the *Global 7500* aircraft. With nearly 50 *Global 7500* aircraft now in service, including 35 delivered in 2020, the aircraft continues to set the standard in the industry with its unmatched combination of size, performance and cabin comfort. Further highlighting the strength of Bombardier's portfolio, the *Global 5500* and *Global 6500* were recognized by *AIN* magazine as the best new business jets in 2020.

Bombardier also continued to position itself to capture future growth opportunities by adding significant new capacity to its global aftermarket customer services network with major expansion projects underway in Singapore, London, Melbourne and Miami. The versatility of our aircraft for specialized missions, such as Medivac, intelligence, surveillance and reconnaissance operations — another growth opportunity — was also highlighted in 2020. For example, our *Global* platform was part of three winning project bids in the fourth quarter alone, making it one of the most sought-after platforms in this space.

None of our achievements in 2020 would have been possible without the hard work of many talented people across Bombardier. On behalf of all our shareholders, I want to thank them for their many contributions and their dedication to the company, to each other and to our customers.

I would like to especially recognize the Bombardier employees who supported essential workers on the frontlines fighting the COVID-19 pandemic. This included our colleagues out in the field, ensuring that public transportation systems remained operational, as well as employee volunteers who worked to provide first responders with the critical protective equipment and life-saving tools they needed. To go from making rail cars and business jets to assembling life-saving protective equipment and ventilators in just days is a testament to the skills and commitment of our people.

While the world changed dramatically in 2020, Bombardier remained a company defined by its high-performing products and its thousands of smart, passionate and thoughtful people who want to be part of a winning team.

As always, all our accomplishments in 2020 were achieved with a complete commitment to the highest ethical standards, sustainable business practices and to supporting the communities where we operate. One of many examples is the leading role Bombardier has taken in educating and developing the next generation of Canadian innovators and business leaders by again offering more than 1,000 paid internship positions for 2021, notwithstanding

the ongoing health and economic crisis. In 2020, we also reaffirmed diversity, inclusion and equality as integral parts of Bombardier's culture and committed to intensifying our focus on recruiting and developing a more diverse workforce.

Looking ahead, to our future as a smaller, more focused company, our goals are clear: to deliver exceptional value to our customers and predictable financial performance to our shareholders. To achieve this, we are resetting our culture; to become an organization that is people and customer-centric; that values performance; operational excellence and team spirit. A company that is transparent and authentic at all times and at every level.
We begin 2021 with the business aviation market showing signs of recovery. The pandemic has also brought new attention and customers to private air travel and the enhanced safety it provides. Nevertheless, we expect that a full market recovery will take several years. This harsh market reality, combined with the higher than expected debt load we are carrying due to the pandemic, requires immediate action in the coming months.

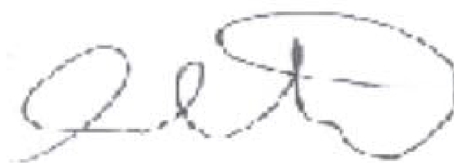
First, we'll need an effective debt management strategy; one that minimizes interest costs while creating runway to execute our strategy. Second, we need to address our cost structure to be profitable in the current market conditions. Despite past restructuring actions, Bombardier still has an infrastructure that is too large for the current market conditions. This means that we need to fundamentally transform the way we operate; and we have already begun to act, launching a company-wide initiative to drive productivity.

Specific actions include optimizing Bombardier's manufacturing footprint with the consolidation of *Global* aircraft completion work and reviewing options for underutilized hangar and industrial space at the company's Québec facilities. We have also made the difficult decision to end production of *Learjet* aircraft later this year.

With more than 3,000 aircraft delivered since the entry-into-service of the very first *Learjet* in 1963, the iconic *Learjet* has had a remarkable and lasting impact on business aviation. Pilots and passengers all over the world love to fly this trailblazing aircraft and count on its unmatched performance and reliability. However, given the number of new entrants into the light-jet segment and the increasingly challenging market dynamics, we will focus our future efforts on our more profitable *Challenger* and *Global* aircraft families, while continuing to fully support the *Learjet* fleet well into the future.[(1)]

With these and other actions, we aim to generate $400 million annually in recurring savings by 2023, ensuring a sustainable business in the near term and better position the company for profitable growth when the market improves.[(1)]

Of course, I fully recognize that our results, not our words, will dictate your views and confidence in our future. Nevertheless, I'm confident that we are taking the right steps to make Bombardier an exceptional company – a company which can compete and win on the global stage - ethically, responsibly and profitably. And, we look forward to updating you on our progress throughout the coming year.



Eric Martel
President and Chief Executive Officer

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

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BOMBARDIER INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended
December 31, 2020

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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 and Risk Committee. The Audit and Risk Committee is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors. The Audit and Risk Committee reports its findings to the Board of Directors for its consideration when it approves the MD&A and financial statements for issuance to shareholders.

The data presented in this MD&A is structured by reportable segment: Aviation and Transportation.

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 reportable 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.

The Financial Report for fiscal year 2020 comprises the message from our President and Chief Executive Officer to shareholders, this MD&A and our consolidated financial statements.

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

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

OVERVIEW

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HIGHLIGHTS OF THE YEAR	KEY PERFORMANCE MEASURES AND METRICS	IMPACTS OF COVID-19 PANDEMIC	GUIDANCE AND FORWARD-LOOKING STATEMENTS	CONSOLIDATED RESULTS OF OPERATIONS	CONSOLIDATED FINANCIAL POSITION
6	10	12	14	18	24

LIQUIDITY AND CAPITAL RESOURCES	CAPITAL STRUCTURE	RETIREMENT BENEFITS	RISK MANAGEMENT	NON-GAAP FINANCIAL MEASURES
25	32	33	39	45

HIGHLIGHTS OF THE YEAR

Focused on Bombardier as a pure-play business aviation company

On January 29, 2021, the Corporation closed the sale of the Transportation Business to Alstom. The results of the Transportation business have been classified as discontinued operations for current and comparative periods, and the related assets and liabilities are presented as held for sale as of December 31, 2020. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

For clarity, continuing operations for 2020 include financial results of Aviation, including those related to aerostructures businesses which were disposed on October 30, 2020, as well as the existing corporate cost supporting both Aviation and Transportation, and the debt service costs of the current capital structure before applying the proceeds from the sale of Transportation. As such, continuing operations should not be interpreted as representing the future results of Aviation following the sale of Transportation.

RESULTS			
For the fiscal years ended December 31	**2020**	2019 *restated*[1]	Variance
Revenues[3]	**$ 6,487**	$ 7,488	(13)%
Adjusted EBITDA[2][3]	**$ 200**	$ 684	(71)%
Adjusted EBITDA margin[2][3]	**3.1 %**	9.1 %	(600) bps
Adjusted EBIT[2][3]	**$ (211)**	$ 400	nmf
Adjusted EBIT margin[2][3]	**(3.3)%**	5.3 %	(860) bps
EBIT[3]	**$ 912**	$ (520)	nmf
EBIT margin[3]	**14.1 %**	(6.9)%	2100 bps
Net loss from continuing operations	**$ (170)**	$ (1,541)	89 %
Net loss from discontinued operations	**$ (398)**	$ (66)	(503)%
Net loss	**$ (568)**	$ (1,607)	65 %
Diluted EPS from continuing operations (in dollars)	**$ (0.08)**	$ (0.65)	$ 0.57
Diluted EPS from discontinued operations (in dollars)	**$ (0.29)**	$ (0.11)	$ (0.18)
	$ (0.37)	$ (0.76)	$ 0.39
Adjusted net loss[2][3]	**$ (1,115)**	$ (406)	(175)%
Adjusted EPS (in dollars)[2][3]	**$ (0.47)**	$ (0.18)	$ (0.29)
Cash flows from operating activities			
Continuing operations	**$ (1,672)**	$ (253)	(561)%
Discontinued operations	**$ (1,149)**	$ (427)	(169)%
	$ (2,821)	$ (680)	(315)%
Net additions to PP&E and intangible assets			
Continuing operations	**$ 221**	$ 366	(40)%
Discontinued operations	**$ 133**	$ 157	(15)%
	$ 354	$ 523	(32)%
Free cash flow usage[2]			
Continuing operations	**$ (1,893)**	$ (619)	(206)%
Discontinued operations	**$ (1,282)**	$ (584)	(120)%
	$ (3,175)	$ (1,203)	(164)%

As at December 31	**2020**	2019	Variance
Cash and cash equivalents excluding Transportation[4]	**$ 1,779**	$ 2,089	(15)%
Cash and cash equivalents from Transportation	**$ 671**	$ 540	24 %
	$ 2,450	$ 2,629	(7)%
Available short-term capital resources[5]	**$ 3,203**	$ 3,925	(18)%
Aviation order backlog (in billions of dollars)			
Business aircraft	**$ 10.7**	$ 14.4	(26)%
Other aviation[6]	**$ —**	$ 1.9	(100)%

[1] Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
[2] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and to the Analysis of results section and Liquidity and capital resources section for reconciliations to the most comparable IFRS measures.
[3] Includes continuing operations only.
[4] Includes cash and cash equivalents of $51 million from the aerostructures businesses presented under Assets held for sale as of December 31, 2019. Refer to Reshaping the portfolio section in Aviation section and Sale of Transportation business section of this MD&A, Note 30 - Disposal of businesses and Note 31 - Discontinued operations to our Consolidated financial statements for more details on the transaction and the accounting treatments.
[5] Defined as cash and cash equivalents including cash and cash equivalents from Transportation plus the undrawn amounts under Transportation's revolving credit facility and our senior secured term loan.

[6] Included the firm orders amounting to $1.1 billion from the aerostructures businesses presented under Assets held for sale as of December 31, 2019. Also included 20 firm orders for CRJ900 as of December 31, 2019. The backlog for the CRJ Series aircraft program amounting to $0.4 billion was removed as a result of the closing of the sale of the CRJ Series aircraft program to MHI on June 1, 2020.

KEY HIGHLIGHTS AND EVENTS

- Full year revenues of $5.6 billion from business aircraft activities, reflect a 3% year-over-year growth driven by the ramp up of *Global 7500* aircraft deliveries, notwithstanding production rate adjustments on other platforms to align with market conditions, impacted by the COVID-19 pandemic.

- 2021 business aircraft revenues are expected to be better than 2020 assuming a gradual market recovery.[1]

- 2020 Aviation revenues also included $895 million from commercial aircraft and aerostructures activities which were divested during the course of the year.

- Adjusted EBITDA[2] and adjusted EBIT[2] from continuing operations of $200 million and $(211) million, respectively, reflect the impact of the COVID-19 pandemic on aircraft deliveries and services activities at Aviation, and include the full corporate costs supporting both Aviation and Transportation. Reported EBIT of $912 million reflects the accounting gains on disposals of the CRJ and aerostructures businesses.

- Adjusted EBITDA[2] is expected to be greater than $500 million in 2021, while adjusted EBIT[2] is expected to be greater than $100 million.[1]
  - The adjusted EBITDA growth in 2021 is expected to be driven by the progress on the *Global 7500* learning curve, potential growth in aftermarket services and the impact of the Corporation's actions to improve profitability and cash generation announced in February 2021. The goal of these actions is to make the organization more efficient and agile, capable of delivering stronger financial performance under current market conditions. Such initiatives include a workforce reduction of 1,600 positions, the consolidation of *Global* aircraft completion work in Montréal, a review of options to address underutilized hangar and industrial space at the company's Québec facilities and the decision to end production of the *Learjet* in 2021. Collectively, the Corporation aims to generate $400 million annually in recurring cash savings from these actions by 2023. The Corporation anticipates recording a restructuring charge of approximately $50 million in 2021 in addition to a charge of $26 million recorded in the fourth quarter of 2020, both of which will be reported as special items.[1]

- Fourth quarter free cash flow[2] generation from continuing activities before interest and taxes[3] reached $523 million, ahead of plan. Full year free cash flow usage[2] from continuing operations of $1.9 billion reflects pandemic-related disruptions, mainly due to unfavorable changes in working capital, and also include the full long-term debt interest cost and corporate expenses before the deployment of cash from the sale of Transportation. Continuing operations' cash flow usage from operating activities of $1.7 billion for the full year.

- Free cash flow usage[2] from continuing operations in 2021 is expected to be better than $500 million including one-time costs and investments estimated at approximately $200 million.[1]

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

[2] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and to the Analysis of results section and Liquidity and capital resources section for reconciliations to the most comparable IFRS measures.

[3] Non-GAAP financial measure, defined as cash flow from continuing operations amounting to $316 million for the fourth quarter of 2020, minus net additions to PP&E and intangibles from continuing operations amounting to $51 million during the fourth quarter of 2020, plus net interest and income taxes paid for continuing operations amounting to $258 million in the fourth quarter of 2020.

- Bombardier begins 2021 with pro forma cash and cash equivalents[(1)] of approximately $5.4 billion, including $1.8 billion of cash and cash equivalents at Bombardier Inc. (excluding Transportation) as of December 31, 2020 and the approximately $3.6 billion of proceeds from the recently closed sale of Transportation once it becomes fully available, and a pro forma net debt[(1)] of approximately $4.7 billion.

- Bombardier will be hosting its 2021 Analyst day on Thursday March 4, 2021. The event will feature updates from Eric Martel, Chief Executive Officer and the leadership team on the market outlook, the actions to drive profitability and productivity, and give the opportunity to meet the leadership team. This event will be virtual and followed by a Q&A session.

Completed divestitures to re-position Bombardier as a Business Aircraft Company

- On June 1, 2020, the Corporation concluded the sale of the CRJ Series commercial aircraft program to Mitsubishi Heavy Industries, Ltd for a gross cash consideration of $585 million at closing.

- On October 30, 2020, the Corporation closed the sale of its aerostructures activities and aftermarket services operations in Belfast, U.K.; Casablanca, Morocco; and its aerostructures maintenance, repair and overhaul (MRO) facility in Dallas, U.S. to Spirit AeroSystems Holding, Inc for cash consideration of $275 million, Spirit's assumption of liabilities, including government refundable advances, pension obligations, as well as certain adjustments to the parties' trading agreements favourable to Bombardier. The total transaction value is approximately $1.2 billion.

- On January 29, 2021, Bombardier closed the sale of its Transportation business to Alstom for net proceeds of approximately $3.6 billion, including approximately $600 million in Alstom shares.[(2)]

(1) Non-GAAP financial measures. Pro-forma cash and cash equivalents include cash and cash equivalents at Bombardier Inc. (excluding Transportation) of $1.8 billion as of December 31, 2020 and net proceeds of approximately $3.6 billion from the sale of Bombardier Transportation, which assumes the full monetization of Alstom shares worth approximately $600 million, the release of any cash not immediately available and is before the deployment of proceeds against any debt payment. Pro-forma net debt is defined as long-term debt of $10.1 billion less cash and cash equivalents at Bombardier Inc. (excluding Transportation) of $1.8 billion as of December 31, 2020 less net proceeds of approximately $3.6 billion from the sale of Bombardier Transportation.

(2) Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details on the transaction and the accounting treatments.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes key performance measures and associated metrics evaluated only on a consolidated basis. Our reportable segments use multiple other key performance measures to evaluate various key metrics. Refer to each reportable segment's Key performance measures and metrics section for further details.

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS	
PROFITABILITY	• EBIT, adjusted EBIT[1] and adjusted EBITDA[1] as measures of performance. • Diluted EPS and adjusted EPS[1], as measures of global performance.
LIQUIDITY	• Available short-term capital resources[2], as a measure of liquidity adequacy. • Free cash flow[1], as a measure of liquidity generation.
CAPITAL STRUCTURE	• Debt service cost. • Debt maturity runway.

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures, Consolidated results of operations and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.

[2] Defined as cash and cash equivalents including cash and cash equivalents from Transportation plus the undrawn amounts under Transportation's revolving credit facility and our senior secured term loan.

FIVE-YEAR SUMMARY					
For the fiscal years ended and as at December 31	**2020**	2019 *restated*[1]	2018 *restated*[1]	2017 *restated*[1]	2016 *restated*[1]
Profitability					
Revenues[2]	**$ 6,487**	$ 7,488	$ 7,321	$ 7,648	$ 8,765
Adjusted EBITDA[2][3][4]	**$ 200**	$ 684	$ 453	$ 210	$ 141
Adjusted EBITDA margin[2][3][4]	**3.1 %**	9.1 %	6.2 %	2.7 %	1.6 %
Adjusted EBIT[2][3][4]	**$ (211)**	$ 400	$ 279	$ (13)	$ (133)
Adjusted EBIT margin[2][3][4]	**(3.3)%**	5.3 %	3.8 %	(0.2)%	(1.5)%
EBIT[2]	**$ 912**	$ (520)	$ 227	$ (144)	$ (454)
EBIT margin[2]	**14.1 %**	(6.9)%	3.1 %	(1.9)%	(5.2)%
Net loss from continuing operations	**$ (170)**	$ (1,541)	$ (87)	$ (667)	$ (1,099)
Net income (loss) from discontinued operations	**$ (398)**	$ (66)	$ 405	$ 142	$ 118
Net income (loss)	**$ (568)**	$ (1,607)	$ 318	$ (525)	$ (981)
Diluted EPS (in dollars)[5]	**$ (0.37)**	$ (0.76)	$ 0.09	$ (0.24)	$ (0.48)
Adjusted net loss[2][3]	**$ (1,115)**	$ (406)	$ (7)	$ (468)	$ (635)
Adjusted EPS (in dollars)[2][3]	**$ (0.47)**	$ (0.18)	$ 0.03	$ (0.14)	$ (0.25)

[1] Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
[2] Includes continuing operations only.
[3] Non-GAAP financial measures. Refer to the Non-GAAP financial measures, Consolidated results of operations and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.
[4] Refer to the Consolidated results of operations section for details of special items recorded in 2020 and 2019.
[5] Includes both continuing operations and discontinued operations.

FIVE-YEAR SUMMARY						
For the fiscal years ended and as at December 31	**2020**	2019 *restated*(1)	2018 *restated*(1)		2017 *restated*(1)	2016 *restated*(1)
Liquidity						
Cash flows from operating activities						
Continuing operations	**$ (1,672)**	$ (253)	$ 587		$ (358)	$ (621)
Discontinued operations	**$ (1,149)**	$ (427)	$ 10		$ 889	$ 758
	$ (2,821)	$ (680)	$ 597		$ 531	$ 137
Net additions to PP&E and intangible assets						
Continuing operations	**$ 221**	$ 366	$ 307	(5)	$ 1,195	$ 1,085
Discontinued operations	**$ 133**	$ 157	$ 108		$ 122	$ 116
	$ 354	$ 523	$ 415	(5)	$ 1,317	$ 1,201
Free cash flow (usage)(2)						
Continuing operations	**$ (1,893)**	$ (619)	$ 280	(5)	$ (1,553)	$ (1,706)
Discontinued operations	**$ (1,282)**	$ (584)	$ (98)		$ 767	$ 642
	$ (3,175)	$ (1,203)	$ 182	(5)	$ (786)	$ (1,064)
Cash and cash equivalents(3)	**$ 2,450**	$ 2,629	$ 3,187		$ 3,057	$ 3,384
Available short-term capital resources(4)	**$ 3,203**	$ 3,925	$ 4,373		$ 4,225	$ 4,477
Current portion of long-term debt	**$ 1,882**	$ 8	$ 9		$ 18	$ 31
Long-term debt	**$ 8,193**	$ 9,325	$ 9,093		$ 9,200	$ 8,738

(1) Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures, Consolidated results of operations and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(3) Includes cash and cash equivalents from Transportation of $671 million presented under Assets held for sale as of December 31, 2020, and $51 million from the aerostructures businesses as of December 31, 2019, respectively. Refer to Reshaping the portfolio section in Aviation section and Sale of Transportation business section of this MD&A, Note 30 - Disposal of businesses and Note 31 - Discontinued operations to our Consolidated financial statements for more details on the transaction and the accounting treatments. Also included cash and cash equivalents of the C Series aircraft program presented under Assets held for sale amounting to $69 million as of December 31, 2017.
(4) Defined as cash and cash equivalents including cash and cash equivalents from Transportation plus the undrawn amounts under Transportation's revolving credit facility and our senior secured term loan.
(5) Included the proceeds from the sale of the Downsview property for approximately $600 million in 2018.

IMPACTS OF COVID-19 PANDEMIC

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

COVID-19 response

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

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

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

On a consolidated basis, the COVID-19 pandemic had a material negative impact on free cash flow[2] for the full year, mainly from a higher working capital balance associated with lower deliveries and lower order intake.

Impacts of COVID-19 on Aviation

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

On June 5, 2020, Bombardier Aviation announced workforce adjustments in response to the COVID-19 pandemic. With industry-wide business jet deliveries down by approximately 20% year-over-year due to the pandemic, Bombardier adjusted its operations and workforce to ensure that it emerges from the current crisis on solid footing. Accordingly, Bombardier Aviation made the difficult decision to reduce its workforce by approximately 2,500 employees. The majority of these reductions impacted manufacturing operations in Canada and is carried out progressively. Bombardier's worldwide customer service operations have continued to operate largely uninterrupted throughout the pandemic. Bombardier recorded a special charge of $56 million in 2020, including $4 million in the fourth quarter of 2020 for this workforce adjustment.

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

Impacts of COVID-19 on Transportation

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

Measures to bolster liquidity in response to the 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, the availability of working capital financing initiatives and the funding of product development and other financial commitments.

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

- The Corporation is managing costs through aggressive company-wide actions, including workforce reduction, cutting non-essential spending. Discretionary capital expenditures is also being deferred, mainly improving Aviation's free cash flow[(1)] outlook.[(2)]
- Where applicable, the Corporation is participating in various government support programs, including wage subsidies, bonding and letter of credit facilities, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis.
- The Corporation concluded the sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd for a gross cash consideration of $585 million at closing on June 1, 2020.
- At Aviation, production rates were aligned to market demand. This reflects the extraordinary industry interruptions and challenges caused by COVID-19. The production ramp-up of the G*lobal 7500* is largely unaffected by these rate changes given its solid backlog.
- During the third quarter, the Corporation obtained a three-year senior secured term loan (the "Facility") of up to $1.0 billion from investment funds and accounts managed by HPS Investment Partners, LLC, providing additional liquidity to operate the business through the COVID-19 pandemic as it worked to close previously announced divestitures undertaken to reshape Bombardier's capital structure.
- On October 30, 2020, the Corporation closed the previously announced sale of its aerostructures businesses to Spirit AeroSystems Holding, Inc. (Spirit) for cash consideration of $275 million and the assumption of liabilities by Spirit, including government refundable advances and pension obligations, as well as certain adjustments to the parties' trading agreements favourable to the Corporation.
- On January 29, 2021, the Corporation closed the sale of Transportation to Alstom with net proceeds of approximately $3.6 billion.

Management believes that the net proceeds from the sale of Transportation, combined with its year end cash and cash equivalents of $1.8 billion excluding Transportation, will enable the Corporation to meet its currently anticipated financial requirements for a period of at least, but not limited to, twelve months from the reporting date supporting the Corporation's ability to continue as a going concern.

Other

Refer to the Risks and uncertainties section of this MD&A for details on risk factors related to the COVID-19 pandemic. Refer to Note 4 - Use of estimates and judgment, to our Consolidated financial statements, for details on use of estimates and judgments in the application of accounting policies in the context of the COVID-19 pandemic.

(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.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

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.

2021 Guidance[(2)]

Continuing operations only	2021 Guidance
Revenues	> $5.6B
Adjusted EBITDA[(3)]	> $500 million
Adjusted EBIT[(3)]	> $100 million
Free cash flow usage[(3)]	Usage better than $500 million including ~$200 million of non-recurring outflows
Aircraft deliveries (in units)	110 - 120

Revenues from business aircraft activities in 2021 are expected to be better than 2020 based on a gradual economic recovery scenario. Growth opportunities are expected to come from increasing market share in the large category and higher service revenues driven by increasing flight hours as well as an expansion of the global services network with major projects underway in Singapore, London, Melbourne and Miami.

Adjusted EBITDA[(3)] for continuing operations including corporate costs is expected to be greater than $500 million in 2021. This improvement is mainly driven by the progress on the *Global 7500* learning curve, potential growth in aftermarket services and the partial impact of the actions announced in February 2021 to improve the Corporation's profitability and cash generation. With amortization expected to be stable year-over-year at approximately $400 million, adjusted EBIT[(3)] is expected to be greater than $100 million.

Free cash flow usage[(3)] from continuing operations in 2021 is expected to be better than $500 million including one-time costs and investments estimated at approximately $200 million. Free cash flow[(1)] from continuing operations in 2021 is expected to be driven by:

- adjusted EBITDA[(3)] of greater than $500 million;
- negative changes in net working capital as customer advances are consumed, partially offset by improving order intake activity;
- net additions to PP&E and intangible assets expected to be approximately in line with prior year;
- lower cash interest, reflecting the deployment of the proceeds from the sale of Transportation towards debt pay down; and
- non-recurring items totaling approximately $200 million, including legacy outflows related to credit and residual value guarantee liabilities and reverse factoring, and approximately $50 million of restructuring costs.

(1) Refer to our 2019 Financial Report for further details.
(2) Forward-looking statement. See the forward-looking statements assumptions on which the guidance is based and forward-looking statements disclaimer in Overview.
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Forward-looking Statements Disclaimer

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and outlook or guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, financial performance, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; customer value; expected demand for products and services; growth strategy; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and execution of orders in general; competitive position; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources, expected financial requirements, and ongoing review of strategic and financial alternatives; the introduction of, productivity enhancements, operational efficiencies, cost reduction and restructuring initiatives, and anticipated costs, intended benefits and timing thereof; the anticipated business transition to growth cycle and cash generation; expectations, objectives and strategies regarding debt repayment, refinancing of maturities and interest cost reduction; 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; and expectations regarding gradual market and economic recovery in the aftermath of the COVID-19 pandemic. As it relates to the sale of the Transportation business to Alstom, this MD&A also contains forward-looking statements with respect to the benefits of such transaction, the use of the proceeds derived from the transaction and its 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 underlying the forward-looking statements made in this MD&A in relation to the sale of the Transportation business to Alstom discussed herein include the following material assumptions: the realization of the intended benefits from this transaction and the deployment of proceeds towards debt pay down. For additional information, including with respect to other assumptions underlying the forward-looking statements made in this MD&A, refer to the Forward-looking statements — Assumptions section below. 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, suppliers, customers, counterparties and third-party service providers, there is inherently more uncertainty associated with the Corporation’s assumptions as compared to prior years.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of business aircraft customers; 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 ; order backlog; the transition to a pure-play business aviation company; the certification of products and services; the execution of orders; pressures on cash flows and capital expenditures based on seasonality and cyclicality; execution of our strategy, productivity enhancements, operational efficiencies, restructuring and cost reduction initiatives; doing business with partners; 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; reliance on debt management and interest cost reduction strategies; and reliance on government support), market risks (such as foreign currency fluctuations; changing interest rates; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in this MD&A. Any one or more of the foregoing factors may be exacerbated by the ongoing 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; uncertainty regarding market and economic recovery in the aftermath of the COVID-19 pandemic; 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, orders and deliveries; technology, privacy, cyber security and reputational risks; and other unforeseen adverse events.

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

Forward-looking statements — Assumptions

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

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

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

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

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019 *restated*[1]	**2020**	2019 *restated*[1]
Revenues	**$ 2,337**	$ 2,412	**$ 6,487**	$ 7,488
Cost of sales	**2,248**	2,109	**5,971**	6,447
Gross margin	**89**	303	**516**	1,041
SG&A	**117**	126	**420**	557
R&D	**144**	65	**320**	156
Share of income of joint ventures and associates	**—**	(56)	**(2)**	(34)
Other income	**(7)**	—	**(11)**	(38)
Adjusted EBIT[2]	**(165)**	168	**(211)**	400
Special items	**(598)**	1,628	**(1,123)**	920
EBIT	**433**	(1,460)	**912**	(520)
Financing expense	**240**	236	**1,060**	996
Financing income	**(28)**	(93)	**(27)**	(226)
EBT	**221**	(1,603)	**(121)**	(1,290)
Income taxes	**236**	(75)	**49**	251
Net loss from continuing operations	**$ (15)**	$ (1,528)	**$ (170)**	$ (1,541)
Net loss from discontinued operations	**$ (322)**	$ (191)	**$ (398)**	$ (66)
Net loss	**$ (337)**	$ (1,719)	**$ (568)**	$ (1,607)
Attributable to				
Equity holders of Bombardier Inc.	**$ (423)**	$ (1,770)	**$ (868)**	$ (1,797)
NCI	**$ 86**	$ 51	**$ 300**	$ 190
EPS (in dollars)				
Basic and diluted	**$ (0.18)**	$ (0.74)	**$ (0.37)**	$ (0.76)
EPS from continuing operations (in dollars)				
Basic and diluted	**$ (0.01)**	$ (0.64)	**$ (0.08)**	$ (0.65)
As a percentage of total revenues				
Gross margin	**3.8 %**	12.6 %	**8.0 %**	13.9 %
Adjusted EBIT[2]	**(7.1)%**	7.0 %	**(3.3)%**	5.3 %
EBIT	**18.5 %**	(60.5)%	**14.1 %**	(6.9)%

(1) Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric.

Computation of diluted EPS[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019 *restated*[2]	**2020**	2019 *restated*[2]
Net loss attributable to equity holders of Bombardier Inc.	**$ (15)**	$ (1,528)	**$ (170)**	$ (1,541)
Preferred share dividends, including taxes	**1**	(7)	**(18)**	(21)
Net loss attributable to common equity holders of Bombardier Inc.	**$ (14)**	$ (1,535)	**$ (188)**	$ (1,562)
Weighted-average diluted number of common shares (in thousands of shares)	**2,419,541**	2,397,868	**2,408,209**	2,383,987
Diluted EPS (in dollars)	**$ (0.01)**	$ (0.64)	**$ (0.08)**	$ (0.65)

(1) Includes continuing operations only.
(2) Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

Other non-GAAP financial measures[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019 *restated*[2]	**2020**	2019 *restated*[2]
Adjusted EBITDA	**$ (1)**	$ 259	**$ 200**	$ 684
Adjusted net income (loss)	**$ (475)**	$ 11	**$ (1,115)**	$ (406)
Adjusted EPS	**$ (0.20)**	$ 0.00	**$ (0.47)**	$ (0.18)

(1) Includes continuing operations only. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(2) Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

Reconciliation of segment to consolidated results

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019 [1]	**2020**	2019 [1]
Revenues				
Aviation	**$ 2,337**	$ 2,413	**$ 6,488**	$ 7,501
Transportation[1]	**2,076**	1,793	**7,844**	8,269
Corporate and Others	**—**	(1)	**(1)**	(13)
	4,413	4,205	**14,331**	15,757
Reclassification[1]	**(2,076)**	(1,793)	**(7,844)**	(8,269)
	$ 2,337	$ 2,412	**$ 6,487**	$ 7,488
Adjusted EBIT[2]				
Aviation	**$ (149)**	$ 143	**$ (125)**	$ 531
Transportation[1]	**(340)**	(234)	**(610)**	70
Corporate and Others[3]	**(16)**	25	**(86)**	(131)
	(505)	(66)	**(821)**	470
Reclassification[1]	**340**	234	**610**	(70)
	$ (165)	$ 168	**$ (211)**	$ 400
Special Items				
Aviation	**$ (628)**	$ 49	**$ (1,062)**	$ (663)
Transportation[1]	**(4)**	2	**8**	48
Corporate and Others	**30**	1,579	**(61)**	1,583
	(602)	1,630	**(1,115)**	968
Reclassification[1]	**4**	(2)	**(8)**	(48)
	$ (598)	$ 1,628	**$ (1,123)**	$ 920
EBIT				
Aviation	**$ 479**	$ 94	**$ 937**	$ 1,194
Transportation[1]	**(336)**	(236)	**(618)**	22
Corporate and Others[3]	**(46)**	(1,554)	**(25)**	(1,714)
	97	(1,696)	**294**	(498)
Reclassification[1]	**336**	236	**618**	(22)
	$ 433	$ (1,460)	**$ 912**	$ (520)

(1) Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
(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 for fiscal year ended December 31, 2020. ($57 million and $37 million for the fourth quarter and fiscal year ended December 31, 2019, respectively. The share of net gains from ACLP in the fourth quarter of 2019 includes certain provision reversals within ACLP amounting to approximately $60 million). On February 12, 2020, Bombardier transferred its remaining interest in ACLP to Airbus and the Government of Québec.

Analysis of consolidated results

Gross margin[1]

Gross margin as a percentage of revenues for the fourth quarter and fiscal year ended December 31, 2020 decreased by 8.8% and 5.9%, respectively.

Since Transportation is classified as discontinued operations, the variance in gross margin as a percentage of revenues for the fourth quarter and the fiscal year can be principally explained by Aviation, refer to the EBIT variance explanations within the Aviation segment section for further details. The EBIT variance explanations provided in the Aviation section also explain gross margin variances except for the variance in amortization of aerospace program tooling which is recorded as R&D expense.

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

(1) Related to continuing operations. Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

Special items[1]

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

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

		Fourth quarters ended December 31		Fiscal years ended December 31	
	Ref	**2020**	2019 [1]	**2020**	2019 [1]
Gain on disposal of a business - aerostructure business	2	**$ (678)**	$ —	**$ (678)**	$ —
Gain on disposal of a business - CRJ Series business	3	**8**	—	**(488)**	—
Gain on exit of ACLP and related aerostructures activities	4	**3**	—	**(120)**	—
Restructuring charges	5	**23**	13	**85**	51
Transaction costs	6	**20**	—	**56**	—
Learjet program end of production and other	7	**26**	—	**26**	—
Reversal of *Learjet 85* aircraft program cancellation provisions	8	**—**	(3)	**(7)**	(18)
Disruption costs	9	**—**	—	**3**	—
Impairment on ACLP investments	10	**—**	1,578	**—**	1,578
Gain on disposal of a business - Training business	11	**—**	—	**—**	(516)
Gain on disposal of a business - Q Series business	12	**—**	9	**—**	(210)
Loss on repurchase of long-term debt	13	**—**	—	**—**	84
Pension adjustments	14	**—**	26	**—**	26
Primove impairment and other costs	15	**—**	1	**—**	5
Purchase of pension annuities	16	**—**	4	**—**	4
Income taxes	17	**148**	(26)	**(32)**	217
		$ (450)	$ 1,602	**$ (1,155)**	$ 1,221
Of which is presented in					
Special items in EBIT		**$ (598)**	$ 1,628	**$ (1,123)**	$ 920
Financing expense - loss on repurchase of long-term debt	13	**—**	—	**—**	84
Income taxes		**148**	(26)	**(32)**	217
		$ (450)	$ 1,602	**$ (1,155)**	$ 1,221

1. Restated, refer to Note 31 - Discontinued operations for more details.

2. Represents the sale of the aerostructure business for gross proceeds of $275 million. The transaction resulted in a gain of $678 million. See Note 30 - Disposal of businesses for more details.

3. Represents the sale of the CRJ Series aircraft program assets for gross proceeds of $585 million, at closing, including certain closing adjustments. The transaction resulted in a pre-tax accounting gain of $488 million ($440 million after tax impact). See Note 30 - Disposal of businesses for more details.

4. 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 $120 million for the fiscal year 2020. See Note 29 - Disposal of investment in associate for more details.

5. For fiscal year 2020, represents severance charges of $61 million following the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic, $38 million of impairment of right-of-use assets related to lease contracts as a consequence of previously-announced restructuring actions, and other related charges of $7 million, partially offset by curtailment gains of $21 million.
   For fiscal year 2019, represents severance charges of $25 million partially offset by curtailment gains of $2 million. Following the announcement that the CRJ production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million, and has recorded $24 million of other related charges for fiscal year 2019. In addition, the Corporation has recorded a write down of deferred tax assets of $87 million to reflect the expected impact of the conclusion of the CRJ announcement.

6. Represents direct and incremental costs incurred in respect of transactions for the sale of the Transportation business to Alstom SA and for the sale of CRJ business to MHI.

7. Following the decision to end production of the *Learjet* aircraft in 2021 and the decision to consolidate the Global aircraft completion work in Montréal, the Corporation has recorded $12 million of inventory write-down, $4 million of impairment of PP&E and $10 million of other charges.

8. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $7 million in fiscal year 2020 ($18 million for fiscal year 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.

9. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, $3 million were recorded as special items in fiscal year 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

10. The Corporation performed an impairment test in the fourth quarter of 2019 on its investments in ACLP since there were indicators of impairment. The Corporation determined that the carrying amount of its investment in ACLP exceeded its recoverable amount, and accordingly recorded an impairment charge of $1,578 million.

11. The sale of 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).

12. The sale of the Q Series Aircraft program assets for net proceeds of $285 million resulted in a pre-tax accounting gain of $210 million ($184 million after tax impact).

13. Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021. See Note 28 - Long-term debt.

14. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods (“GMP equalization”). In fiscal year 2019, the Corporation adjusted the pension obligation related to equalization for an Aviation plan in the U.K. The adjustments of $26 million was recorded as a past service cost under IAS 19 - Employee Benefits.

15. Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded in fiscal year 2019 an additional contract provision of $5 million.

16. Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies in fiscal year 2019.

17. Following the announcement that the sale of the Transportation business to Alstom was expected to close in the first quarter of 2021, the Corporation revised its estimated future taxable profits and recorded deferred tax assets of $100 million based on the final proceeds of the sale. The impact of recognizing these deferred tax assets was non-cash. The transaction closed on January 29, 2021.

Net financing expense[1]

Net financing expense amounted to $212 million and $1,033 million, respectively, for the fourth quarter and fiscal year ended December 31, 2020, compared to $143 million[1] and $770 million[1] for the corresponding periods last fiscal year.

The $69-million increase for the fourth quarter is mainly due to:

- net loss on certain financial instruments classified as FVTP&L ($51 million); and
- higher interest on long-term debt, after the effect of hedges ($38 million).

The $263-million increase for the fiscal year is mainly due to:

- net loss on certain financial instruments classified as FVTP&L ($301 million); and
- higher interest on long-term debt, after the effect of hedges ($71 million).

Partially offset by:

- Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021, which was recorded as a special item in 2019 ($84 million).

[1] Related to continuing operations. Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

Income taxes[1]

The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2020 were 106.8% and (40.5)%, respectively, compared to the statutory income tax rate in Canada of 26.5%.

The higher effective income tax rate in the fourth quarter is mainly due to:

- the negative impact of the write-down of deferred income tax assets including the impact of the conclusion of the sale of the Transportation business to Alstom ($149 million); and
- the negative impact of the net non-recognition of tax benefits related to tax losses and temporary differences.

Partially offset by:

- the positive impact of income tax rates differential of foreign subsidiaries; and
- the positive impact of the permanent differences.

[1] Related to continuing operations. Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Noted 31 - Discontinued operations to our Consolidated financial statements for more details.

The effective income tax rate for the fiscal year ended December 31, 2020 is mainly due to:
- the negative impact of the net non-recognition of tax benefits related to tax losses and temporary differences partially offset by the net impact of the conclusion of the sale of the Transportation business to Alstom ($100 million) reduced by the impact related to the closing of the CRJ business and Aerostructure deals ($74 million); and
- the negative impact of the write-down of deferred income tax assets .

Partially offset by:
- the positive impact of the permanent differences; and
- the positive impact of income tax rates differential of foreign subsidiaries.

The effective income tax rates for the fourth quarter and fiscal year ended December 31, 2019 were 4.7% and (19.5)%, respectively, compared to the statutory income tax rate in Canada of 26.6%.

The lower effective income tax rate in the fourth quarter is mainly due to:
- the negative impact of the non-recognition of tax benefits related to tax losses and temporary differences; and
- the negative impact of of the permanent differences.

The effective income tax rate for the fiscal year ended December 31, 2019 is mainly due to:
- the negative impact of the net non-recognition of tax benefits related to tax losses and temporary differences;
- the negative impact of the net write-down of deferred income tax assets; and
- the negative impact of the permanent differences .

CONSOLIDATED FINANCIAL POSITION

The total assets decreased by $1.9-billion in the fiscal year[(1)], including a positive currency impact of $457 million related to foreign exchange. The $2.3-billion decrease excluding currency impacts is mainly explained by[(2)]:

- a $1.2-billion net decrease in inventories in Aviation mainly due to deliveries of business aircraft, reset of production rates and disposal of businesses[(5)];
- a $472-million decrease in investments in joint ventures and associates due to the sale of the Corporation's remaining interest in ACLP[(3)];
- a $447-million decrease in trade and other receivables;
- a $432-million decrease in PP&E mainly due to disposal of businesses[(5)] and amortization;
- a $259-million decrease in aerospace program tooling mainly due to amortization; and
- a $141-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:

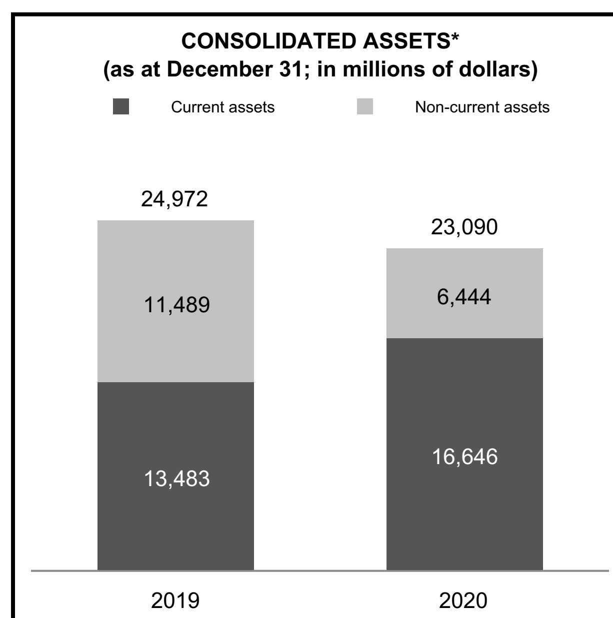
- a $736-million increase in contract assets mainly in Transportation.

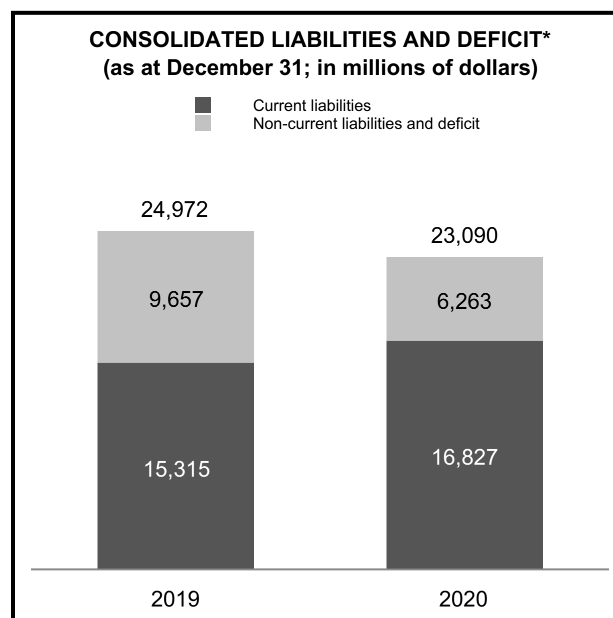
The total liabilities and equity decreased by $1.9-billion in the fiscal year[(1)], including a currency impact of $457 million. The $2.3-billion decrease excluding currency impacts is mainly explained by[(2)]:

- a $1.1-billion decrease in contract liabilities;
- a $651-million decrease in trade and other payables;
- a $460-million decrease in provisions mainly due to disposal of businesses and reversal of onerous contract provision following the sale of the Corporation's remaining interest in ACLP[(3)] and related aerostructures activities.
- a $598-million decrease in equity mainly due to the remeasurement of defined benefits plans of $413-million;
- a $137-million decrease in retirement benefit liability mainly due disposal of businesses[(5)], offset by remeasurement of defined benefits plans;

Partially offset by:

- a $697-million increase in long-term debt mainly due to the new secured term loan.[(4)]





*The total assets and the total liabilities in the above graphs as at December 31, 2020 include $10.4-billion and $10.1-billion, respectively, related to Transportation, which are presented under Assets held for sale and Liabilities directly associated with assets held for sale. Refer to Note 31 - Discontinued operations in our 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. See Note 31 - Discontinued operations in our Consolidated financial statements for further details.
(2) For the purpose of the Consolidated financial position explanations included in this section do not include the impact of the back-to-back agreements the Corporation has with ACLP related to certain government refundable advances and MHI related to certain assets and liabilities. Refer to Reshaping the Portfolio section in Aviation, Note 19 - Other financial assets.
(3) Refer to Note 29 - Disposal of investment in associate in our Consolidated financial statements for further details.
(4) Refer to Note 28 - Long-term debt in our Consolidated financial statements for further details.
(5) Refer to Note 30 - Disposal of businesses in our Consolidated financial statements for further details.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow[1]

Free cash flow usage[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019	**2020**	2019
Net loss	**$ (337)**	$ (1,719)	**$ (568)**	$ (1,607)
Non-cash items				
Amortization	**166**	129	**510**	422
Impairment charges on ACLP investments	**—**	1,578	**—**	1,578
Impairment charges (reversals) on PP&E and intangible assets	**17**	—	**42**	(4)
Deferred income taxes	**214**	(173)	**32**	113
Gains on disposals of PP&E	**(2)**	(3)	**(3)**	(10)
Losses (gains) on disposal of investment in associate and businesses	**(667)**	9	**(1,286)**	(730)
Share of income of joint ventures and associates	**(18)**	(81)	**(110)**	(128)
Share-based expense (income)	**17**	(4)	**26**	30
Loss on repurchase of long-term debt	**—**	—	**—**	84
Dividends received from joint ventures and associates	**25**	29	**52**	49
Net change in non-cash balances[2]	**908**	1,308	**(1,516)**	(477)
Cash flows from operating activities	**323**	1,073	**(2,821)**	(680)
Net additions to PP&E and intangible assets	**(114)**	(121)	**(354)**	(523)
Free cash flow (usage)[1]	**$ 209**	$ 952	**$ (3,175)**	$ (1,203)

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for definitions of this metric.
(2) Refer to Note 35 - Net changes in non-cash balances, to our Consolidated financial statements for further details.

Cash flows from operating activities

The $750-million decrease in cash flows from operating activities for the fourth quarter is mainly due to:

- lower net income before non-cash items ($346 million).

Partially offset by:

- a negative period-over-period variation in net change in non-cash balances ($400 million) (see explanations below).

The $2,141-million decrease in cash flows from operating activities for the fiscal year is mainly due to:

- lower net income before non-cash items ($1,105 million); and
- a negative period-over-period variation in net change in non-cash balances ($1,039 million) (see explanations below).

Net change in non-cash balances

For the fourth quarter ended December 31, 2020, the $0.9-billion inflow is mainly due to:

- a decrease in inventories in Aviation mainly due to deliveries of business aircraft in the fourth quarter;
- a decrease in trade and other receivables; and
- an increase in trade and other payables.

Partially offset by:

- a decrease in contract liabilities in Aviation mainly driven by deliveries of business aircraft and lower order intake.

For the fourth quarter ended December 31, 2019, the $1.3-billion inflow was mainly due to:

- a decrease in Transportation's net contract assets due to deliveries and advances received on new and existing orders;
- a decrease in inventories in Aviation mainly due to deliveries for business aircraft; and
- an increase in trade and other payables in Aviation and Transportation.

For the fiscal year ended December 31, 2020, the $1.5-billion outflow is mainly due to:

- a decrease in contract liabilities in Aviation and Transportation mainly driven by deliveries of business aircraft and lower order intake;
- an increase in Transportation's contract assets due to a ramp-up in production ahead of deliveries;
- a net decrease in trade and other payables; and
- a decrease in other financial liabilities in Aviation and Transportation related to revised sales assumptions for forgivable loans and a decrease in embedded derivative liabilities.

Partially offset by:

- a decrease in inventories in Aviation mainly due to deliveries of business aircraft; and
- a decrease in trade and other receivables.

For the fiscal year ended December 31, 2019, the $477-million outflow was mainly due to:

- an increase in inventories in Aviation mainly due to the ramp-up in production for business aircraft;
- utilization of provisions in Transportation and Aviation;
- an increase in trade and other receivables in Transportation and Aviation; and
- a decrease in other liabilities mainly in Transportation.

Partially offset by:

- an increase in contract liabilities in Aviation mainly related to advances received on new and existing orders for business aircraft;
- an increase in trade and other payables in Aviation; and
- a decrease in Transportation's net contract assets.

Net additions to PP&E and intangible assets

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019	**2020**	2019
Additions to PP&E and intangible assets	**$ (116)**	$ (135)	**$ (364)**	$ (552)
Proceeds from disposals of PP&E and intangible assets	**2**	14	**10**	29
	$ (114)	$ (121)	**$ (354)**	$ (523)

The $7-million decrease in net additions to PP&E and intangible assets for the fourth quarter is mainly due to lower investment in aerospace program tooling.

The $169-million decrease in net additions to PP&E and intangible assets for the fiscal year is mainly due to lower investment in aerospace program tooling.

Available short-term capital resources

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

Variation in cash and cash equivalents

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019	**2020**	2019
Balance at the beginning of period/fiscal year	**$ 1,870** [1]	$ 2,255	**$ 2,629** [1]	$ 3,187
Cash flows from operating activities	**323**	1,073	**(2,821)**	(680)
Net additions to PP&E and intangible assets	**(114)**	(121)	**(354)**	(523)
Investments in non-voting units of ACLP	**—**	—	**(100)**	(350)
Net proceeds from disposal of investment in associate and businesses	**265**	—	**1,385**	826
Capital injection in joint ventures and associates	**—**	(52)	**—**	(64)
Net proceeds from issuance of long-term debt	**—**	—	**707**	1,956
Repayments of long-term debt	**(8)**	—	**(8)**	(1,762)
Net change in short-term borrowings	**11**	(533)	**742**	—
Payment of lease liabilities	**(16)**	(31)	**(93)**	(112)
Dividends paid - preferred shares	**(5)**	(5)	**(19)**	(20)
Issuance of NCI	**—**	—	**386**	49
Dividends to NCI	**—**	—	**(2)**	(4)
Effect of exchange rates on cash and cash equivalents	**96**	47	**(38)**	130
Other	**28**	(4)	**36**	(4)
Balance at the end of period/fiscal year	**$ 2,450**	$ 2,629	**$ 2,450**	$ 2,629
Reclassified as assets held for sale[1]	**(671)**	(51)	**(671)**	(51)
Balance at the end of period/fiscal year	**$ 1,779**	$ 2,578	**$ 1,779**	$ 2,578

Available short-term capital resources

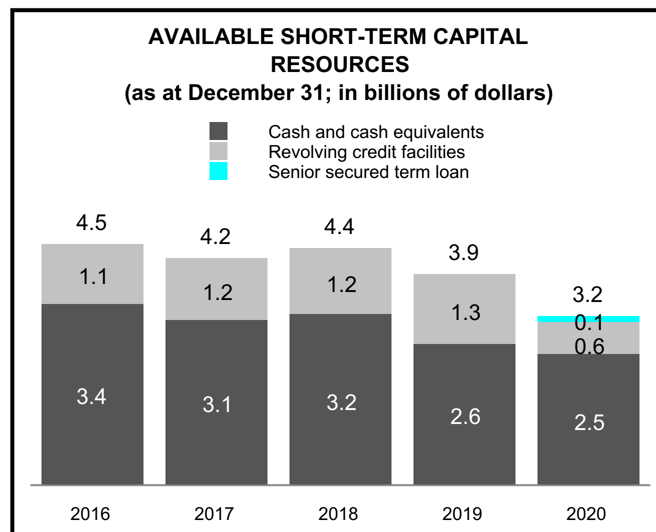
		As at
	December 31, 2020	December 31, 2019
Cash and cash equivalents excluding Transportation	**$ 1,779**	$ 2,089
Available senior secured term loan[2]	**135**	—
	$ 1,914	$ 2,089
Cash and cash equivalents from Transportation	**671**	540
Available Transportation revolving credit facilities[3]	**618**	1,296
	$ 1,289	$ 1,836
Available short-term capital resources	**$ 3,203**	$ 3,925

(1) Includes cash and cash equivalents from Transportation amounting to $671 million presented under Assets held for sale as of December 31, 2020, and $51 million from the aerostructures businesses presented under Assets held for sale as of December 31, 2019, respectively. Cash and cash equivalents from Transportation as of December 31, 2019 amounted to $540 million. Refer to Reshaping the portfolio section in Aviation section and Sale of Transportation Business section of this MD&A, Note 30 - Disposal of businesses and Note 31 - Discontinued operations to our Consolidated financial statements for more details on the transaction and the accounting treatments.
(2) Based on collateral available at December 31, 2020.
(3) Includes undrawn amount under Transportation's €1,154 million unsecured revolving credit facility. This facility is no longer available for the Corporation following the sale of Transportation Business to Alstom on January 29, 2021. Refer to Note 36 - Credit facilities and Note 31 - Discontinued operations to our Consolidated financial statements for more details.

On January 29, 2021, Bombardier closed the sale of its Transportation Business to Alstom for net proceeds of approximately $3.6 billion, including approximately $600 million in Alstom shares.

On August 19, 2020, the Corporation closed the three-year $1.0 billion senior secured term loan (the "Facility") with HPS Investment Partners, LLC, acting as administrative agent, collateral agent and the lead lender for a group that included investment funds and accounts managed by HPS Investment Partners LLC and Apollo Capital Management, L.P., or their respective affiliates, and Special Opportunities and Direct Lending Funds managed by Ares Management LLC. The Facility provides additional liquidity for working capital and general corporate purposes as the Corporation realigns production rates with current market conditions. The Facility has a minimum utilization of $750 million and a term of three years. The Corporation has the right to voluntarily prepay the outstanding amount of the Facility. In addition, the sale of Transportation requires the Corporation to make an offer to repay 50% of the then outstanding principal amount of the Facility. Drawings under the Facility bear interest at an agreed margin over the LIBOR references rate and are secured by a security interest in certain aviation inventory and related accounts receivable. There are no financial covenants under the Facility. $750 million was outstanding as at December 31, 2020 out of which $375 million was presented as current liabilities.

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.



Some totals do not agree due to rounding.

Transportation credit facilities

On January 29, 2021, the Corporation closed the sale of the Transportation Business to Alstom.

At December 31, 2020, Transportation had a revolving credit facility which was available for cash drawings for the general needs of Transportation. Under this facility, the same financial covenants were required to be met as for Transportation's letter of credit facility. Transportation's unsecured revolving credit facility amounted to €1,154 million ($1,416 million) as at December 31, 2020 and was available for cash drawings. The facility maturity was in May 2022 and bore interest at Euribor plus a margin. €650 million ($798 million) under Transportation's facility was used as at December 31, 2020.

At December 31, 2020, Transportation also had a €75 million ($92 million) uncommitted Short Term credit facility. This facility was available to Transportation for cash drawings. This facility was unused as of December 31, 2020.

Letter of credit facilities

Letter of credit facilities are only available for the issuance of letters of credit. As these facilities are unfunded commitments from banks, they typically provide better pricing for the Corporation than credit facility that is available for cash drawings. Letters of credit are generally issued in support of performance obligations and advance payments received from customers.

At December 31, 2020, the Corporation's letters of credit facilities were mainly in Transportation. Transportation was sold to Alstom on January 29, 2021. The details of these facilities at December 31, 2020 were as follows.

	Amount committed	Letters of credit issued	Amount available	Maturity
December 31, 2020				
Transportation facility[1]	**$ 5,519** [2]	**$ 5,123**	**$ 396**	**2023** [3]
Corporation excluding Transportation facility[4]	**n/a**	**n/a**	**n/a**	**n/a**
	$ 5,519	**$ 5,123**	**$ 396**	
December 31, 2019				
Transportation facility[1]	$ 5,052 [2]	$ 4,846	$ 206	2023
Corporation excluding Transportation facility[4]	n/a	n/a	n/a	n/a
	$ 5,052	$ 4,846	$ 206	

(1) Part of the disposal group in connection with the sale of Transportation business. Refer to Sale of Transportation business section of this MD&A and Note 31 - Discontinued operations to our Consolidated financial statements for more details on the transaction.
(2) €4,498 million as at December 31, 2020 (€4,498 million as at December 31, 2019).
(3) 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.
(4) The Corporation voluntarily cancelled the $361 million letter of credit facility in 2019 which was replaced by various bilateral agreements.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $5,572 million were outstanding under various bilateral agreements as at December 31, 2020, out of which $5,471 million is related to Transportation ($4,395 million were outstanding as at December 31, 2019).

The Corporation also uses numerous bilateral bonding facilities with insurance companies to support Transportation's operations. An amount of $3.0 billion was outstanding under such facilities as at December 31, 2020 ($3.8 billion as at December 31, 2019).

See Note 36 – Credit facilities, to the consolidated financial statements, for additional information.

Financial covenants

Transportation was sold to Alstom on January 29, 2021. As at December 31, 2020, Transportation was subject to various financial covenants under the Transportation letter of credit facility and its revolving credit facility, which were required to be met on a quarterly basis. Those facilities included financial covenants requiring minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics as described in Note 37 – Capital management or to the specific terms used in the MD&A. In addition, Transportation was required to maintain a minimum liquidity varying between €500 million ($614 million) and €750 million ($920 million) at the end of each quarter, except for the quarter ending December 31, 2020. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position. For the quarter ending December 31, 2020, these financial covenants were amended prior to year-end in order to not apply for the fourth quarter. Transportation was in compliance with all covenants on a quarterly basis and as at December 31, 2020 and 2019 and January 1, 2019.

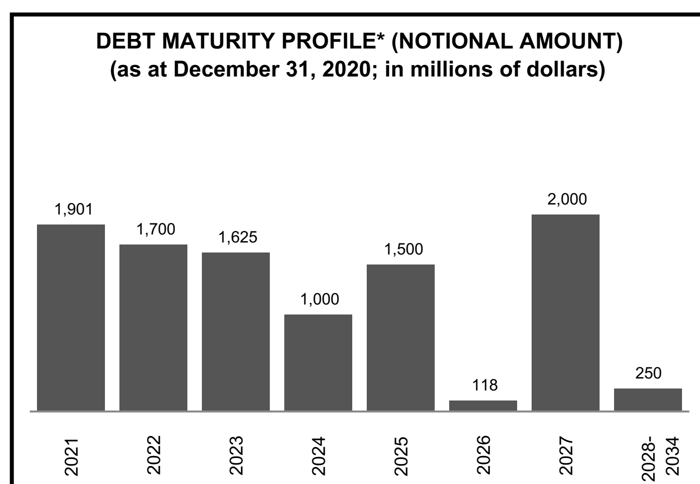
The Corporation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met.

Future liquidity requirements

Our Aviation business requires capital to develop industry-leading products and to seize strategic opportunities to increase competitiveness and execute growth strategies. On an on-going basis, we manage our liabilities by taking into consideration expected free cash flow[(1)] , debt repayments and other material cash outlays expected to occur in the future. We take advantage of favorable capital market conditions when they materialize to extend debt maturity, reduce cost of funds and increase diversity of capital resources.

We continuously evaluate opportunities to strengthen our capital profile by improving leverage ratios, refinancing debt maturities, and reducing the overall cost of funds by diversifying sources of capital.

The weighted average long-term debt maturity was 3.4 years as at December 31, 2020. The $1,901 million of long-term debt due in 2021 is comprised of $375 million representing 50% of the outstanding principal amount of our three-year term loan to be repaid, at the discretion of the lenders, upon the sale of Transportation on January 29, 2021, €414 million ($508 million) due in May 2021, and $1,018 million due in December 2021. See Note 28 - Long-term debt, to the consolidated financial statements, for more details.



* Excludes other long-term debt amounting to $19 million as at December 31, 2020. See Note 28 - Long-term debt, to the Consolidated financial statements, for more details.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and to the Analysis of results section and Liquidity and capital resources section for reconciliations to the most comparable IFRS measures.

Expected timing of future liquidity requirements[(1)]

					December 31, 2020
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Long-term debt[(1)]	$ 10,111	$ 1,901	$ 3,325	$ 2,500	$ 2,385
Interest payments	2,730	699	1,010	616	405
Purchase obligations[(2)(3)]	3,518	2,773	730	15	—
Trade and other payables	1,611	1,611	—	—	—
Other financial liabilities[(4)]	1,347	184	334	163	666
Derivative financial liabilities	9	9	—	—	—
	$ 19,326	$ 7,177	$ 5,399	$ 3,294	$ 3,456

(1) Includes principal repayments only; before the proceeds from the sale of Transportation.
(2) Purchase obligations represent contractual agreements to purchase goods or services in the normal course of business that are legally binding and specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, variable or indexed price provisions; and the appropriate timing of the transaction. These agreements are generally cancellable with a substantial penalty. Purchase obligations are generally matched with revenues over the normal course of operations.
(3) Excludes Transportation.
(4) The carrying amount of other financial assets excludes derivative financial instruments, investments in financing structures, certain aircraft loans and the back to back agreement that the Corporation has with MHI related to lease subsidies. The carrying amount of other financial liabilities excludes derivative financial instruments, lease liabilities, lease subsidies and the back-to-back agreement that the corporation has with MHI related to the regional aircraft securitization program assets (RASPRO) and to certain aircraft loans.

The table above presents the expected timing of contractual liquidity requirements. Other financial assets include a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. Other financial liabilities include government refundable advances. Under the respective agreements, the Corporation is required to pay amounts to governments at the time of the delivery of aircraft. Due to uncertainty about the number of aircraft to be delivered and the timing of delivery of aircraft, the amounts shown in the table above may vary. Required pension contributions have not been reflected in this table as such contributions depend on periodic actuarial valuations for funding purposes. See the Retirement benefits section of this MD&A for more details on contributions to retirement benefit plans. The amounts presented in the table represent the undiscounted payments and do not give effect to the related hedging instruments, if applicable.

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

	As at December 31, 2020 [(1)]	
Within 1 year	$	**56**
Between 1 to 5 years		**132**
More than 5 years		**311**
	$	**499**

[(1)] Excludes Transportation.

Pro-forma net debt[(1)] is approximately $4.7 billion, which includes long-term debt of $10.1 billion, net of $1.8 billion cash on hand at Bombardier Inc. (excluding Transportation) as of December 31, 2020, and the approximately $3.6 billion proceeds from the Transportation sale. The Corporation intends to deploy available proceeds from the sale of Transportation towards debt pay down and continues to evaluate the most efficient debt reduction strategies.

[(1)] Non-GAAP financial measure. Pro-forma net debt is defined as long-term debt of $10.1 billion less cash and cash equivalents at Bombardier Inc. (excluding Transportation) of $1.8 billion as of December 31, 2020 less net proceeds of approximately $3.6 billion from the sale of Bombardier Transportation, which includes approximately $600 million of Alstom shares.

Creditworthiness

In the context of the COVID-19 pandemic, in March 2020, Standard & Poor's Rating Services changed their issuer credit rating from B- to CCC+. In April 2020, also in the context of the COVID-19 pandemic, Moody's Investors Service, Inc. changed their corporate family rating from B3 to Caa2. In January 2020, also in the context of the COVID-19 pandemic, Fitch Ratings changed their long-term issuer default rating from B- to CCC+ and in March they changed it to CCC from CCC+. On January 15, 2021, Fitch announced plans to withdraw its ratings of Bombardier Inc. on or about February 15, 2021. The reason for the withdrawal is purely commercial since Fitch had provided an unsolicited rating since 2016.

Credit Ratings

	Investment-grade rating	Bombardier Inc.'s issuer rating	
		February 10, 2021	December 31, 2020
Fitch Ratings Ltd.	BBB-	**CCC**	CCC
Moody's Investors Service, Inc.	Baa3	**Caa2**	Caa2
Standard & Poor's Rating Services	BBB-	**CCC+**	CCC+

CAPITAL STRUCTURE

Throughout 2020, the main focus of the Corporation's capital management was the closing of sale of business transactions in order to allow deleveraging.

The sale of the Transportation business completed on January 29, 2021 is expected to have a significant impact on Bombardier's capital management, since the Corporation intends to deploy available proceeds from the sale of Transportation towards debt pay down and continues to evaluate the most efficient debt reduction strategies. CDPQ's convertible shares were eliminated since they were in Transportation.

While the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant economic uncertainty and disruption of financial markets, the Corporation has responded with adjustments to its Aviation operations, production rates and workforce, and prudently managed liquidity in order to adapt to the current environment.

While the Corporation is currently reviewing its strategy for deleveraging and ongoing capital management, as the markets and business recover, the Corporation's objective is to restore and grow earnings to achieve a lower net debt to EBITDA multiple. The Corporation's objective is to achieve this by executing on its cost reduction plan to align its infrastructure to current market, by progressing on the *Global 7500* learning curve and through continued growth of the service and support network. The Corporation expects to prioritize debt repayment ahead of major capital investments.

In addition, the Corporation separately monitors its net retirement benefit liability which amounted to $1.5 billion as at December 31, 2020 ($2.3 billion as at December 31, 2019). 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. Furthermore, the net retirement benefit liability has decreased meaningfully as a result of the business sales, including Transportation. The Corporation closely monitors the impact of the net retirement benefit liability on its future cash flows and has introduced significant risk mitigation initiatives in recent years in this respect such as buying out annuities on behalf of pensioners. See the Retirement benefits section for further details.

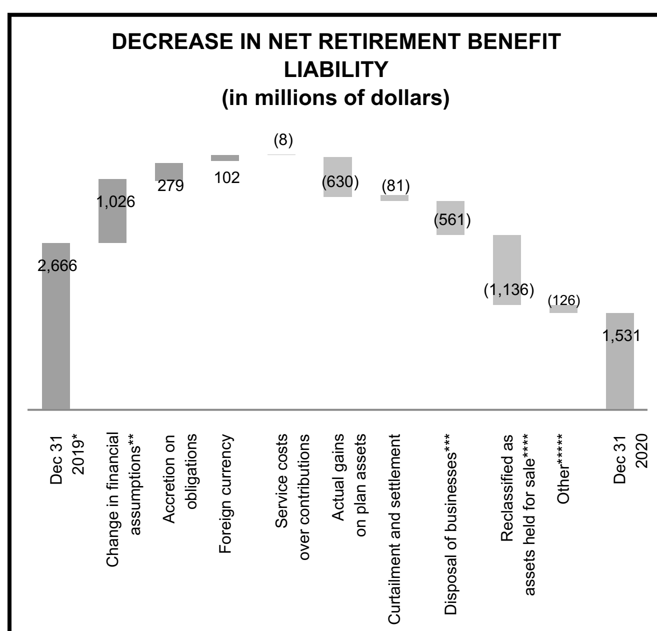
In order to adjust its capital structure, the Corporation may issue or reduce long-term debt, make discretionary contributions to pension funds, repurchase or issue share capital, or vary the amount of dividends paid to shareholders.

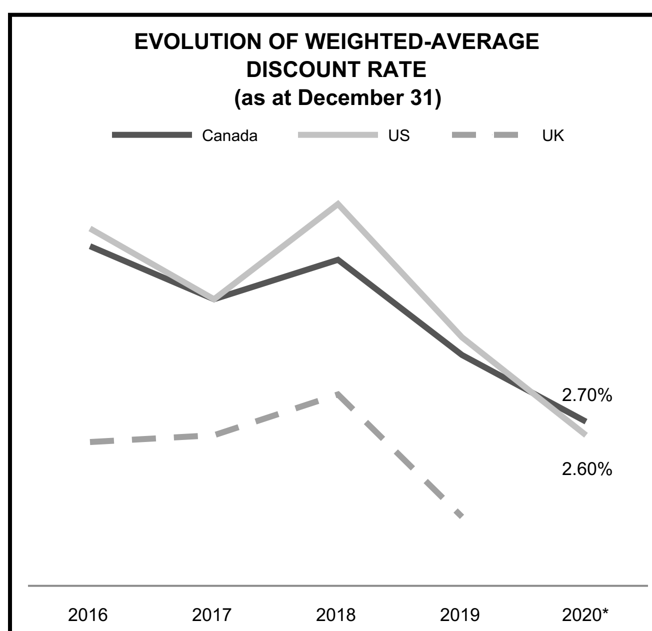
RETIREMENT BENEFITS

Bombardier sponsors several Canadian and foreign retirement benefit plans consisting of funded and unfunded defined benefit pension plans, as well as other unfunded defined benefit plans. Funded plans are plans for which segregated plan assets are invested in trusts. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice. After the divestitures of businesses to Spirit on October 30, 2020 and to Alstom on January 29, 2021, the vast majority of Bombardier pension plans are now in Canada and the U.S.

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

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





* Includes net retirement benefit liability amounting to $414 million reclassified as liabilities directly associated with assets held for sale.

** Mainly comprised of changes in discount rates.

*** Refer to Note 30 - Disposal of businesses to our Consolidated financial statements for more details.

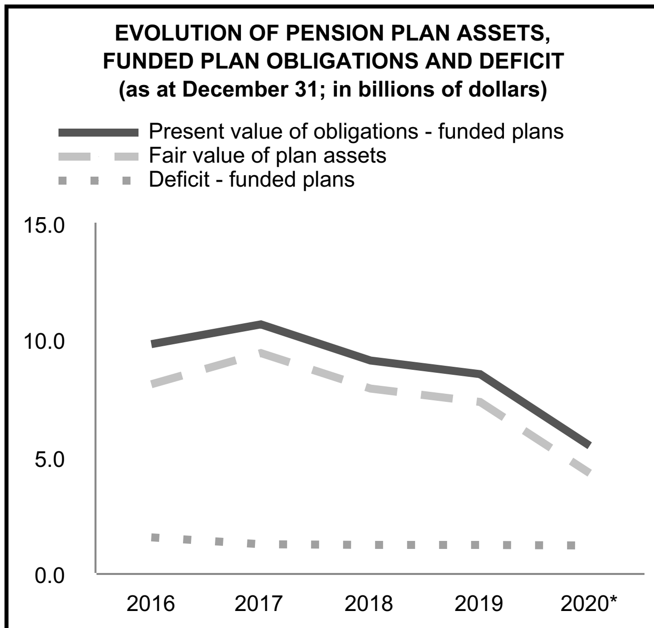
**** Net retirement benefit liabilities amounting to $1,136 million related to the Transportation business were reclassified as liabilities directly associated with assets held for sale. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

***** Other is mainly comprised of changes in other actuarial assumptions, experience adjustments and impact of asset ceiling and a $27 million increase in pension liabilities related to an acquisition. See Note 32 - Acquisition for more details on the transaction.

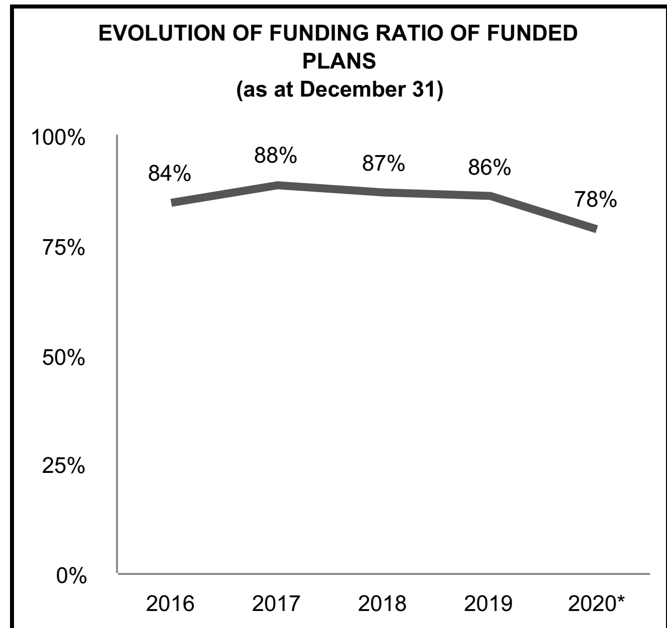
* Excludes Transportation.

The value of plan assets is highly dependent on the pension funds' asset performance and on the level of contributions. The performance of the financial markets is a key driver in determining the funds' asset performance as assets in the plans are composed mostly of publicly traded equity and fixed income securities. IFRS requires that the excess (deficit) of actual return on plan assets compared to the estimated return be reported as an actuarial gain or loss in OCI. The estimated return on plan assets must be calculated using the

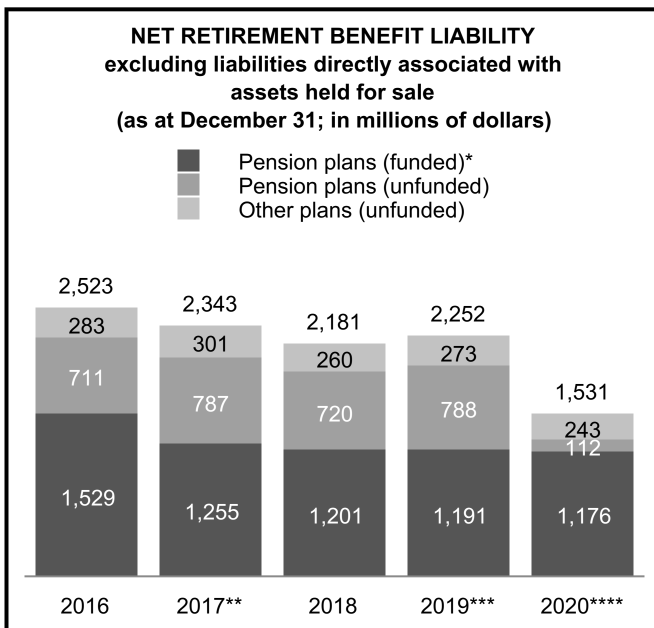
discount rate that is used to measure the net retirement benefit liability, which is derived using high-quality corporate bond yields. During 2020, as the actual gains on plan assets of $630 million was above expected return, an actuarial gain of $417 million was recognized.



* Excludes Transportation.



* Excludes Transportation.

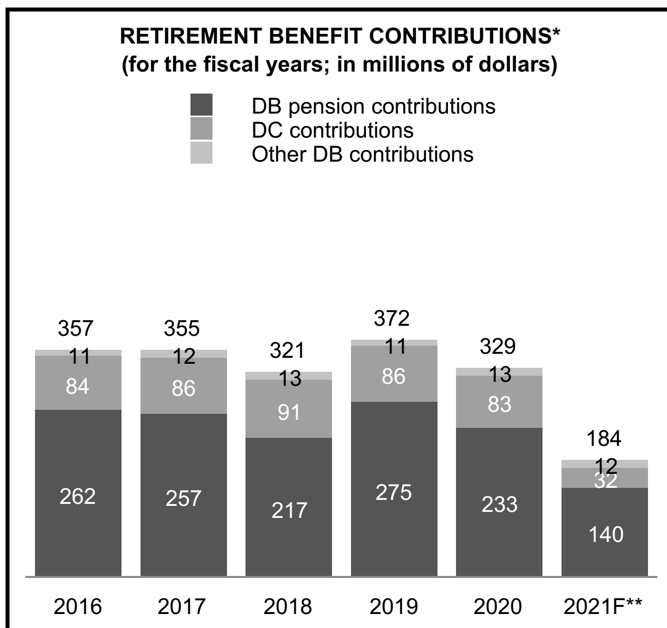


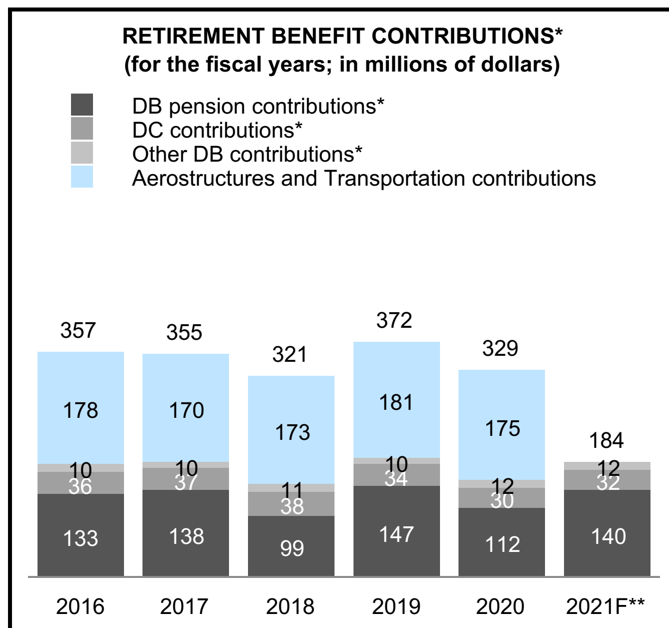
* Includes liability arising from minimum funding requirement and impact of asset ceiling test, if any.

** Restated to exclude net retirement benefit liability in the amount of $99 million reclassified as liabilities directly associated with assets held for sale.

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

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





F: Forecast

* Include contributions for the plans directly associated with the aerostructures businesses and Transportation amounting to $48 million and $127 million for 2020, respectively. ($39 million and $142 million for 2019, $40 million and $133 million for 2018, $42 million and $128 million for 2017, and $48 million and $130 million for 2016, respectively)

** Excludes the estimated total contribution for Transportation's pension plans for 2021.

F: Forecast

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

** Excludes the estimated total contribution for Transportation's pension plans for 2021.

DB plan contributions were at $246 million in 2020, compared to $286 million for the previous year. DB plan contributions are estimated at $152 million for 2021, excluding the estimated total contribution for Transportation's pension plans of approximately $105 million for 2021. The future level of contributions will be impacted by the evolution of market interest rates and the actual return on plan assets.

In 2020, DC pension contributions totalled $83 million including Transportation. These contributions are estimated at $32 million excluding Transportation for 2021.

Investment Policy and De-risking Strategies

The investment policies are established to achieve a long-term investment return so that, in conjunction with contributions, the plans have sufficient assets to pay for the promised benefits while maintaining a level of risk that is acceptable given the tolerance of plan stakeholders. See below for more information about risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk.

The plans' investment strategy is to invest broadly in fixed income and equity securities and to have a smaller portion of the funds' assets invested in real return asset securities (global infrastructure and real estate listed securities).

As at December 31, 2020, the average target asset allocation, after the assets held for sale reclassification, was as follows:

- 50.5% and 50% in fixed income securities, for Canadian and U.S. plans, respectively;
- 41% and 50% in equity securities, for Canadian and U.S. plans, respectively; and
- 8.5% in real return asset securities for Canadian plans.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term bond forwards) will be implemented for the pension plans when the market will be favorable and the plans' triggers will be reached.

The plan administrators have also established dynamic risk management strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve and the plans become more mature. Under certain pension legislations, and subject to compliance with certain conditions, the buy-out of annuities with insurance companies would discharge the Corporation and administrators of their respective obligations. Accordingly, in 2018 and 2019, annuities were purchased for pensioners of the three Bombardier Aviation pension plans registered in Ontario. The buy-out of annuities payable to pensioners of other pension plans will be contemplated in the coming years when these plans become fully funded on a buy-out basis.

Bombardier Global Pension Asset Management Inc. (BGPAM) monitors the de-risking triggers on an ongoing basis to ensure timely and efficient implementation of these strategies.

Risk management initiatives

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

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

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

Inflation risk
Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the benefit indexation has been capped in certain plans and a portion of plan assets has been invested in real return fixed income securities and real return asset securities.

Foreign exchange risk
Currency risk exposure arises from fluctuations in the fair value of plan assets denominated in a currency other than the currency of the plan liabilities. Currency risk is managed with foreign currency hedging strategies as per plan investment policies.

Liquidity risk
Liquidity risk stems from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investments in treasury bills, government bonds and equity futures and by having no investments in private placements or hedge funds.

Longevity risk
Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality and mortality improvement tables to set the level of contributions. The buy-out of annuities with insurance companies transfers all of the risks listed above to insurers for the annuities purchased.

Retirement benefit cost

					2020
	Pension benefits	**Other benefits**	**Total continuing operations**	**Discontinued operations**	**Total**
DB plans	**$ 121**	**$ 9**	**$ 130**	**$ 95**	**$ 225**
DC plans	**$ 31**	**$ —**	**$ 31**	**$ 52**	**$ 83**
Total retirement benefit cost	**$ 152**	**$ 9**	**$ 161**	**$ 147**	**$ 308**
Related to					
Funded DB plans	**$ 117**	**n/a**	**$ 117**	**$ 65**	**$ 182**
Unfunded DB plans	**$ 4**	**$ 9**	**$ 13**	**$ 30**	**$ 43**
DC plans	**$ 31**	**n/a**	**$ 31**	**$ 52**	**$ 83**
Recorded as follows					
EBIT expense or capitalized cost	**$ 107**	**$ 2**	**$ 109**	**$ 133**	**$ 242**
Financing expense	**$ 45**	**$ 7**	**$ 52**	**$ 14**	**$ 66**

					2019
	Pension benefits	Other benefits	Total continuing operations (1)	Discontinued operations (1)	Total
DB plans	$ 205	$ (10)	$ 195	$ 62	$ 257
DC plans	$ 33	$ —	$ 33	$53	$ 86
Total retirement benefit cost	$ 238	$ (10)	$ 228	$ 115	$ 343
Related to					
Funded DB plans	$ 201	n/a	$ 201	$ 30	$ 231
Unfunded DB plans	$ 4	$ (10)	$ (6)	$ 32	$ 26
DC plans	$ 33	n/a	$ 33	$ 53	$ 86
Recorded as follows					
EBIT expense or capitalized cost	$ 191	$ (19)	$ 172	$ 98	$ 270
Financing expense	$ 47	$ 9	$ 56	$ 17	$ 73

(1) Restated for the sale of Transportation, refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

The retirement benefit cost for fiscal year 2021 for DB plans[1] is estimated at $159 million, of which $117 million relates to EBIT expense or capitalized cost and $42 million relates to net financing expense.

(1) Includes continuing operations only.

Sensitivity analysis

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

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

Increase (decrease)	**Retirement benefit cost for fiscal year 2021**		**Net retirement benefit liability as at December 31, 2020**	
	(Forecast) **Continuing operations**	*(Forecast)* **Total**[1]	**Continuing operations**	**Total**[1]
Discount rate	**$ (11)**	**$ (16)**	**$ (247)**	**$ (438)**
Inflation rate	**$ —**	**$ 2**	**$ 1**	**$ 92**
Rate of compensation increase	**$ 2**	**$ 4**	**$ 30**	**$ 49**

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

Increase	**Retirement benefit cost for fiscal year 2021**		**Net retirement benefit liability as at December 31, 2020**	
	(Forecast) **Continuing operations**	*(Forecast)* **Total**[1]	**Continuing operations**	**Total**[1]
Canada	**$ 6**	**$ 6**	**$ 113**	**$ 128**
U.K.	**n/a**	**$ 2**	**n/a**	**$ 87**
U.S.	**$ 1**	**$ 2**	**$ 33**	**$ 43**

Details regarding assumptions used are provided in Note 23 – Retirement benefits, to the consolidated financial statements.

[1] Includes Transportation.

RISK MANAGEMENT

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

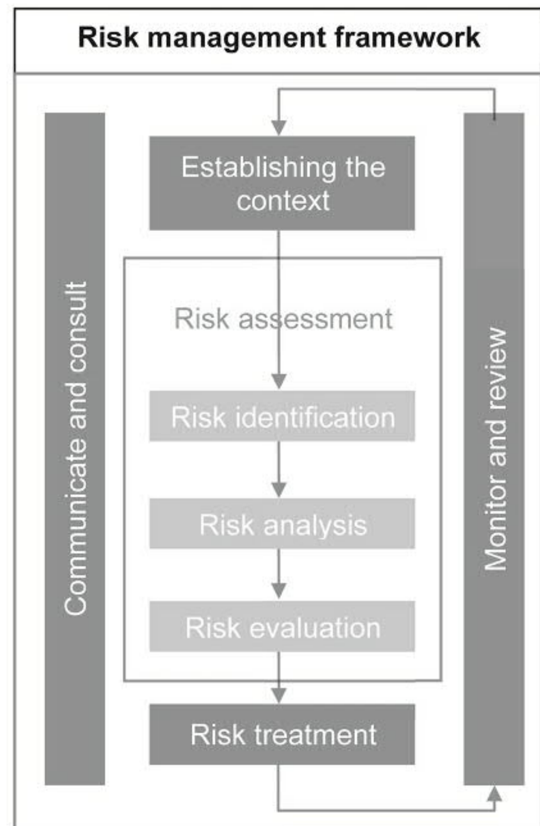
For each risk or category of risks, the risk management process includes activities performed in a continuous cycle. Risk assessment, including risk identification, analysis and evaluation, ensures that each risk is analyzed to identify the consequence and likelihood of the risk occurring and the adequacy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

In addition, every year, the Corporate Audit Services and Risk Assessment (CASRA) team assesses our major risks. Senior management reviews this risk assessment and develops action plans to address the identified risks.

The Board of Directors[(1)] is ultimately responsible for reviewing the overall risks faced by the Corporation. The Board exercises its duty through the Audit and Risk Committee, consisting of independent directors, which reviews material business risks and the measures that management takes to monitor, control and manage such risks, including the adequacy of policies, procedures and controls designed by management to assess and manage these risks. To complement the annual CASRA review of major risks, each reportable segment, in coordination with CASRA, has implemented an annual review process.

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

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



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

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

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

Key exposures to financing and market risks and related mitigation strategies

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

Exposure to foreign exchange risk

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

Foreign exchange management

Owner	Hedged exposures	Hedging policy[1]	Risk-mitigation strategies
AVIATION	Forecast cash outflows denominated in a currency other than the functional currency of the entity incurring the cash flows, mainly in Canadian dollars and pounds sterling.	Hedge 85% of the identified exposures for the first three months, 75% for the next 15 months and up to 50% for the following six months.	Use of forward foreign exchange contracts, mainly to sell U.S. dollars and buy Canadian dollars and pounds sterling.
TRANSPORTATION[2]	Forecast cash inflows and outflows denominated in a currency other than the functional currency of the entity incurring the cash flows.	Hedge 100% of the identified exposures at the time of order intake.	Use of forward foreign exchange contracts, mainly to sell or purchase Canadian dollars, euros, U.S. dollars, Swiss francs, Swedish krona and other Western European currencies.
CORPORATE OFFICE	Forecast cash outflows other than interest, denominated in a currency other than the functional currency of the entity incurring the cash flows, mainly in Canadian dollars.	Hedge 85% of the identified exposures for the first 18 months and up to 75% for the following six months.	Use of forward foreign exchange contracts mainly to sell U.S. dollars and buy Canadian dollars.
	Interest cash outflows in currencies other than the U.S. dollar, i.e. the euro and the Canadian dollar.	Hedge 100% of the identified exposure unless the exposure is recognized as an economic hedge of an exposure arising from the translation of financial statements in foreign currencies to the U.S. dollar.	Use of forward foreign exchange contracts mainly to sell U.S. dollars and buy euros and Canadian dollars.
	Balance sheet exposures, including long-term debt and net investments in foreign operations with non-U.S. dollar functional currencies.	Hedge 100% of the identified exposures affecting the Corporation's net income.	Asset/liability management techniques. Designation of long-term debt as hedges of our net investments in foreign operations with non-U.S. dollar functional currencies.

[1] Deviations from the policy are allowed, subject to pre-authorization and maximum pre-determined risk limits as well as market conditions.
[2] Transportation was classified as discontinued operations as of December 31, 2020. On January 29, 2021, the Transportation Business was sold to Alstom. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

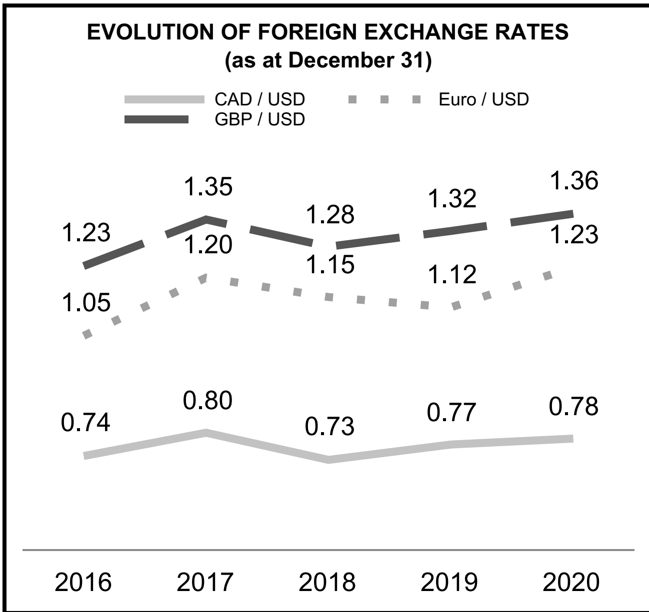
Aviation

As at December 31, 2020, the hedged portion of our Aviation's significant foreign currency denominated costs for the fiscal years ending December 31, 2021 and 2022 was as follows:

	Canadian dollars	
For fiscal years	2021	2022
Expected costs denominated in foreign currency	$1,633	$1,664
Hedged portion of expected costs denominated in foreign currency	84%	7%
Weighted-average hedge rates – foreign currency/USD	0.7574	0.7896

Sensitivity analysis

A U.S. one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact Aviation's expected costs for the year ending December 31, 2021 by approximately $16 million, before giving effect to forward foreign exchange contracts ($3 million, after giving effect to such contracts).



Corporate office

The identified cash flow exposures at our Corporate office are not significant and mainly arise from expenses denominated in Canadian dollars. Balance sheet exposure at Corporate office arises mainly from investments in foreign operations and long-term debt. Despite our risk mitigation strategies, the impact of foreign currency fluctuations on equity can be significant given the size of our investments in foreign operations with non-U.S. dollar functional currencies, mainly the euro.

Exposure to credit risk

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

Credit risk management

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

Exposure to liquidity risk

The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of the Corporation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. The Corporation uses scenario analyses to stress-test cash flow projections. Liquidity adequacy is continually monitored which involves the application of judgment, taking into consideration historical volatility and seasonal needs, stress-test results, the maturity profile of indebtedness, access to capital markets, the level of customer advances, availability of letter of credit and similar facilities, working capital requirements, the availability of working capital financing initiatives and the funding of product development and other financial commitments. The Corporation engages in certain working capital financing initiatives which impact cash flow from operating activities such as the negotiation of extended payment terms with certain suppliers (for more details, refer to Note 38 - Financial Risk Management, to our Consolidated financial statements). We continually monitor any financing opportunities to optimize our capital structure and maintain appropriate financial flexibility.

Exposure to interest rate risk

The Corporation is exposed to fluctuations in its future cash flows arising from changes in interest rates through its variable-rate financial assets and liabilities, including fixed-rate long-term debt synthetically converted to variable interest rates (see Note 28 – Long-term debt, to our Consolidated financial statements). For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. These exposures are predominantly managed by a central treasury function as part of an overall risk management policy, including the use of financial instruments, such as interest-rate swap agreements. Derivative financial instruments used to synthetically convert interest-rate exposures consist mainly of interest-rate swap agreements.

In addition, the Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risks, through its financial instruments carried at fair value. These financial instruments include investments in securities, and certain derivative financial instruments.

The Corporation's interest rate hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity to ensure proper assets/liabilities management matching, consistent with the objective to reduce risks arising from interest rates movements. These programs are reviewed annually and amended as necessary to reflect current market conditions or practices.

Sensitivity analysis
The interest rate risk primarily relates to financial instruments carried at fair value. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, excluding derivative financial instruments in a hedge relationship, as of December 31, 2020, the impact on EBT from continuing operations would have been a negative adjustment of $17 million as at December 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, impact of business disposals and significant impairment charges and reversals.
Adjusted EBITDA	Adjusted EBIT plus amortization and impairment charges on PP&E and intangible assets.
Adjusted net income (loss)	Net income (loss) excluding special items, accretion on net retirement benefit obligations, certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items.
Adjusted EPS	EPS calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements.
Free cash flow (usage)	Cash flows from operating activities less net additions to PP&E and intangible assets.

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

Adjusted EBIT, adjusted EBITDA, adjusted net income (loss) and adjusted EPS

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

Free cash flow (usage)

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

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

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

Reconciliation of adjusted EBITDA to EBIT[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019	**2020**	2019
EBIT	**$ 433**	(1,460)	**$ 912**	$ (520)
Amortization	**164**	91	**411**	283
Impairment charges on PP&E and intangible assets[2]	**17**	—	**42**	1
Special items excluding impairment charges on PP&E and intangible assets[2]	**(615)**	1,628	**(1,165)**	920
Adjusted EBITDA	**$ (1)**	$ 259	**$ 200**	$ 684

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

	Fourth quarters ended December 31			
	2020		2019	
		(per share)		(per share)
Net loss from continuing operations	**$ (15)**		$ (1,528)	
Adjustments to EBIT related to special items[2]	**(598)**	**$ (0.25)**	1,628	$ 0.68
Adjustments to net financing expense related to:				
Accretion on net retirement benefit obligations	**13**	**0.01**	17	—
Net change in provisions arising from changes in interest rates and net loss on certain financial instruments	**(24)**	**(0.01)**	(78)	(0.03)
Tax impact of special[2] and other adjusting items	**149**	**0.06**	(28)	(0.01)
Adjusted net income (loss)	**(475)**		11	
Preferred share dividends, including taxes	**1**		(7)	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**$ (474)**		$ 4	
Weighted-average adjusted diluted number of common shares (in thousands)		**2,419,541**		2,397,868
Adjusted EPS		**$ (0.20)**		$ 0.00

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

	Fourth quarters ended December 31	
	2020	2019
Diluted EPS from continuing operations	**$ (0.01)**	$ (0.64)
Impact of special[2] and other adjusting items	**(0.19)**	0.64
Adjusted EPS	**$ (0.20)**	$ 0.00

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

Reconciliation of adjusted net loss to net loss and computation of adjusted EPS[1]

	Fiscal years ended December 31			
	2020		2019	
		(per share)		(per share)
Net loss from continuing operations	**$ (170)**		$ (1,541)	
Adjustments to EBIT related to special items[2]	**(1,123)**	**$ (0.47)**	920	$ 0.39
Adjustments to net financing expense related to:				
Loss on repurchase of long-term debt[2]	**—**	**—**	84	0.03
Accretion on net retirement benefit obligations	**52**	**0.02**	56	0.02
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**159**	**0.07**	(140)	(0.06)
Tax impact of special[2] and other adjusting items	**(33)**	**(0.01)**	215	0.09
Adjusted net loss	**(1,115)**		(406)	
Preferred share dividends, including taxes	**(18)**		(21)	
Adjusted net loss attributable to equity holders of Bombardier Inc.	**$ (1,133)**		$ (427)	
Weighted-average adjusted diluted number of common shares (in thousands)		**2,408,209**		2,383,987
Adjusted EPS		**$ (0.47)**		$ (0.18)

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

	Fiscal years ended December 31	
	2020	2019
Diluted EPS from continuing operations	**$ (0.08)**	$ (0.65)
Impact of special[2] and other adjusting items	**(0.39)**	0.47
Adjusted EPS	**$ (0.47)**	$ (0.18)

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

AVIATION

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KEY PERFORMANCE MEASURES AND METRICS	HIGHLIGHTS	PROFILE	INDUSTRY AND ECONOMIC ENVIRONMENT	ANALYSIS OF RESULTS	RESHAPING THE PORTFOLIO
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KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and related metrics.

	KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS
GROWTH AND COMPETITIVE POSITIONING	• Order backlog, as a measure of future revenues. • Revenues and delivery units, as measures of growth. • Market share (in terms of revenues and units delivered), as measures of our competitive positioning.
PROFITABILITY	• EBIT, EBIT margin, adjusted EBIT[(1)] and adjusted EBIT margin[(1)], as measures of performance.
LIQUIDITY	• Free cash flow[(1)], as a measure of liquidity generation.
CUSTOMER SATISFACTION	• On-time aircraft deliveries, as a measure of meeting our commitment to customers. • Fleet dispatch reliability, as a measure of our products' reliability. • Regional availability of parts and technical expertise to support customer requests in a timely manner, as a measure of meeting customer needs for the entire life of the aircraft. • On-time return to service and high-quality workmanship at Bombardier-owned maintenance facilities, as a measure of efficiency.
EXECUTION	• Achievement of program development milestones, as a measure of flawless execution.

(1) 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.

HIGHLIGHTS

Global 7500 drives growth as production rates are aligned to current market environment

RESULTS			
For the fiscal years ended December 31	**2020**	2019	Variance
Revenues			
Business aircraft	**5,593**	5,417	3 %
Other aviation	**895**	2,084	(57)%
Total Revenues	**6,488**	7,501	(14)%
Aircraft deliveries (in units)			
Business aircraft	**114**	142	(28)
Commercial aircraft[1]	**5**	33	(28)
Adjusted EBITDA[2]	**$ 286**	$ 812	(65)%
Adjusted EBITDA margin[2]	**4.4 %**	10.8 %	(640) bps
Adjusted EBIT[2]	**$ (125)**	$ 531	(124)%
Adjusted EBIT margin[2]	**(1.9)%**	7.1 %	(900) bps
EBIT	**$ 937**	$ 1,194	(22)%
EBIT margin	**14.4 %**	15.9 %	(150) bps
Net additions to PP&E and intangible assets	**$ 221**	$ 373	(41)%

As at December 31	**2020**	2019	Variance
Order backlog (in billions of dollars)			
Business aircraft	**$ 10.7**	$ 14.4	(26)%
Other aviation[3]	**$ —**	$ 1.9	(100)%

[1] On May 31, 2019, the Corporation completed the sale of the Q Series aircraft program assets, including aftermarket operations and assets, to De Havilland Aircraft of Canada Limited (formerly Longview Aircraft Company of Canada Limited). On June 1, 2020, the Corporation completed the sale of the regional jet program to Mitsubishi Heavy Industries, Ltd (MHI).
[2] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
[3] Included the firm orders amounting to $1.1 billion from the aerostructures businesses presented under Assets held for sale as of December 31, 2019. Also included 20 firm orders for CRJ900 as of December 31, 2019. The backlog for the CRJ Series aircraft program amounting to $0.4 billion was removed as a result of the closing of the sale of the CRJ Series aircraft program to MHI on June 1, 2020.

KEY HIGHLIGHTS AND EVENTS

- Revenues from Business Aircraft activities reached $5.6 billion in 2020, growing 3% year-over-year driven by the continued ramp up of *Global 7500* aircraft deliveries, notwithstanding production rate adjustments on other platforms to align with market conditions and customer requirements in response to the COVID-19 pandemic.
  - Business aircraft manufacturing revenues increased 11% year-over-year, driven by the *Global 7500* market shares gains in the extra long-range segment.
  - Services revenues were $988 million, 21% lower year-over-year, as the COVID-19 pandemic drove business jet utilization across the industry lower. The Corporation continues to position itself to capture future growth opportunities in aftermarket services by adding significant new capacity to its global network with major expansion projects underway in Singapore, London, Melbourne and Miami.
- Business aircraft delivered 114 aircraft including specialized aircraft during the year, comprised of 59 *Global*, 44 *Challenger*, and 11 *Learjet*.
  - Deliveries peaked during the fourth quarter with 44 aircraft delivered, including a record 16 *Global 7500* deliveries.
- Other aviation revenues from commercial aircraft and aerostructures activities which were divested during the course of the year, were $895 million.

- Adjusted EBITDA[1] and adjusted EBIT[1] of 4.4% and (1.9)%, respectively, reflect lower aircraft deliveries and services activities, and low contribution of early *Global 7500* units as the program continues to progress on its production learning curve, combined with the impact of reshaping a commercial agreement. Reported EBIT of $0.9 billion reflects the accounting gains on disposals of the CRJ and aerostructures businesses.

- Business aircraft's multi-year backlog totalled $10.7 billion at the end of the year, reflecting higher order activity in the fourth quarter, net of reshaping a commercial agreement reclaiming 12 *Global 7500* positions.
    - In December, Bombardier announced a firm order for 10 *Challenger 350* aircraft in a transaction valued at $267 million, based on 2020 list prices. The firm commitment from an undisclosed customer represents one of the largest business jet orders of 2020 and underscores the desirability of best-selling *Challenger 350* aircraft amid strong interest in business aviation and the enhanced safety it provides.

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

PROFILE

Strong portfolio positioned for growth

We skillfully design, develop, manufacture, market and provide aftermarket support for three class-leading families of business jets - *Learjet*, *Challenger* and *Global*. Our business jet portfolio spans from the light to the large categories, in addition to outfitting various aircraft platforms for specialized use.

With approximately 4,900 aircraft in service worldwide, Bombardier has developed an aftermarket and support network of service facilities including wholly-owned service centres in the U.S., Europe and Asia, regional support office (RSO) locations, mobile repair trucks and world-class aircraft parts availability sustained by parts facilities, including depots, hubs and repair facilities worldwide.

MARKET SEGMENT: BUSINESS AIRCRAFT

LIGHT BUSINESS JETS

Models: *Learjet 75 Liberty*

Market category: Light business jets

Key features[1] : The class-defining *Learjet* aircraft continues to set the standard by bringing large jet features to a light jet platform. *Learjet* aircraft features a flat floor throughout the cabin, offering a smooth ride and the ultimate in comfort.
The new *Learjet 75 Liberty* aircraft is Bombardier's most accessible business jet, offering the only Executive Suite in the light jet category featuring the option of a spacious six- or eight-seat configuration with a standard pocket door between the cockpit and cabin for the quietest flight experience. The *Learjet 75 Liberty* aircraft is certified to more stringent Part 25 regulations prescribed by the U.S. Federal Aviation Administration (FAA), applicable to commercial airliners, unlike most competitors in the light jet category that are certified to Part 23 regulations.

Learjet 75 Liberty aircraft

[1] Under certain operating conditions, when compared to aircraft currently in service.

MID-SIZE BUSINESS JETS

Models: *Challenger 350* and *Challenger 650*

Market category: Medium business jets

Key features[1]: A masterful expression of high-end craftsmanship and functionality, the *Challenger* family of aircraft features productivity-enhancing business tools, with the most comfortable cabins in its category. Each aircraft offers low operating costs, high reliability, and the ultimate in-flight experience with industry-leading connectivity, immersive sound system and a cabin management system that effortlessly bring it all together. Bombardier has continually invested in the *Challenger* platform. In recent years, Bombardier announced a suite of updates to its *Challenger 350* aircraft, further underscoring its leadership position in the super mid-size segment. The most recent enhancements include high-speed Ka-band connectivity and a refreshed CMS interface that further elevate the cabin experience.
In 2020, Bombardier delivered the 350th *Challenger 350* business jet, marking the aircraft's sixth consecutive year as world's most delivered super mid-size business jet. The Challenger 600 Series has been the most delivered business jet in its segment for the last decade.

Challenger 350 aircraft

[1] Under certain operating conditions, when compared to aircraft currently in service.

LARGE BUSINESS JETS

Models: *Global 5000, Global 5500, Global 6000, Global 6500, Global 7500* and *Global 8000*[2]

Market category: Large business jets

Key features[1]: Skillfully designed to leave a lasting impression, the flagship *Global* aircraft family covers the large jet category with six aircraft models that feature a smooth ride and intelligently crafted interiors with redesigned cabins that balance luxury with productivity. All *Global* aircraft come equipped with Pũr Air, an advanced HEPA filter that captures up to 99.99% of allergens, bacteria and viruses while completely replacing the cabin air with 100% fresh air in as little as 90 seconds. In addition, the industry's fastest worldwide inflight internet connectivity combined with comprehensive cabin management systems keep passengers entertained and connected at all times.
Featuring a new wing design and efficient Pearl engines, the *Global 5500* and *Global 6500* jets boast farthest-in-class ranges, offering unrivalled performance and unsurpassed passenger comfort, all at exceptional operating costs.
The segment-defining *Global 7500* aircraft extends the family with a true four-zone cabin, full crew-rest area and the longest range to link virtually any key city pair worldwide, non-stop. Since its entry into service in 2018, the *Global 7500* aircraft has proven itself to be the highest-performing aircraft in the industry as well as the first business jet to receive an Environmental Product Declaration (EPD).

Global 7500 aircraft

[1] Under certain operating conditions, when compared to aircraft currently in service.
[2] Currently under development. See the *Global 8000* aircraft disclaimer at the end of this MD&A.

BOMBARDIER SPECIALIZED AIRCRAFT

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

Market category: Special mission aircraft

Key features: Bombardier Specialized Aircraft designs, develops and delivers a range of capabilities to operators around the world, with more than 500 specialized aircraft in service. Bombardier's diverse fleet, which includes the *Learjet*, *Challenger* and *Global* business aircraft platforms, represents the ideal solution for government missions, from surveillance and reconnaissance to medical and dignitary transport. Solutions range from turnkey packages comprising the complete design, building, testing and certification activity, through to specialist engineering support and technical oversight of customer specific projects.

MARKET SEGMENT: CUSTOMER SERVICES

MAINTENANCE: ADDING VALUE THROUGHOUT THE LIFECYCLE

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

Key features: Offering worldwide service and support through wholly-owned service centres, line maintenance stations, more than 30 Bombardier mobile response vehicles, and a network of authorized service facilities and more than 600 aircraft worldwide to support customers in the event of an AOG.

OFFERING PEACE OF MIND THROUGH PARTS AND SMART SERVICES

Services portfolio: Providing manufacturer approved parts backed by industry leading 2-year warranty, as well as repairs to customer owned parts, and a growing portfolio of innovative cost-per-flight-hour parts and maintenance plans available for *Learjet*, *Challenger* and *Global* aircraft. Options include the *Smart Services* offering, which can be tailored to include landing gear overhaul and unscheduled maintenance coverage, among other selections.

Key features: Supporting 24/7 parts support with parts facilities worldwide anchored by three major hubs in Chicago, Frankfurt and Singapore, as well as six regional depots. A sophisticated inventory management system ensures worldwide parts availability throughout the depot and hub network as well as the wholly-owned service centres. Repair facilities in North America and Europe provide repair services on customer-owned parts. Unlimited access to a network of more than 600 aircraft to shuttle parts in support of aircraft-on-ground requirements. From coverage on exchanges and repairs of airframe components, including flight deck avionics, *Smart Services* provides budget predictability and worldwide parts availability.

24/7 CUSTOMER SUPPORT

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

Key features: Providing operators with a single point of contact, 24 hours a day, 365 days a year, for all critical and aircraft-on-the-ground requests and supporting all customer requirements from EIS throughout ownership of the aircraft by leveraging a global support network of strategically located teams. Bombardier is enhancing its customer support footprint around the world with service centre footprint expansion announcements for Singapore, Miami Opa-Locka, Biggin Hill, Melbourne, Berlin, and new line maintenance stations in the U.S. These initiatives underscore Bombardier's ongoing, transformational commitment to providing the most comprehensive onsite, mobile and aircraft-on-ground resolution services in the industry.

INDUSTRY AND ECONOMIC ENVIRONMENT

Short-term demand for business aviation affected by global pandemic Recovery expected to be driven by increasing interest for private aviation

During March 2020, the World Health Organization declared a global COVID-19 pandemic resulting in travel restriction protocols being implemented by many developed countries which saw air travel greatly affected for the year. Industry indicators reflect the impact of the COVID-19 pandemic on the business aviation industry. On October 13, 2020, the International Monetary Fund shared its latest projection of the global GDP decline of 4% for 2020. In this context of global recession coupled with air travel restrictions, some industry indicators remain below 2019 trends.

Business aviation deliveries dropped in 2020, driven by travel restrictions and economic uncertainty caused by the pandemic. The impact of the pandemic was offset by strength of certain key indicators for the industry. World GDP contracted in 2020 by 4%, from 2.5% growth in 2019.(1) After hitting a low point in Q1 2020, industry confidence, measured by the Barclays Business Jet Indicator, ended the year at 58 points, the strongest since November 2018.(2) This coincides with a drop in used inventory, which was the lowest since the turn of the century. Pre-owned aircraft inventory expressed as a percentage of the overall fleet has been decreasing since Q2 2020 and remains healthy at 8.2%.(3) Forecasted U.S. corporate profits for 2020 are expected to maintain stability compared to 2019, arriving at $2.3 trillion.(4) Business aviation utilization has decreased year-over-year in the U.S. and Europe in 2020, as a result of widespread lockdown protocols and border closing implemented by governments to contain the pandemic. However, in the context of gradual easing of travel restrictions, business aviation has recorded a faster recovery than commercial aviation, as it offers better safety control and point-to-point flexibility to travelers. According to WingX, global business aviation flight activity for December 2020 was at 89% of 2019 levels, back from the lowest point recorded in April 2020 at 21% of 2019 levels. (5)

Finally, the industry delivered an estimated total of 479 units in 2020, down 20% year-over-year. Large aircraft category deliveries increased as a percentage of total deliveries in 2020, due to solid backlog and strong resilience.(6) Industry revenues dropped less than deliveries, 15% down compared to 2019, following stronger large category deliveries compared to smaller categories.(7)

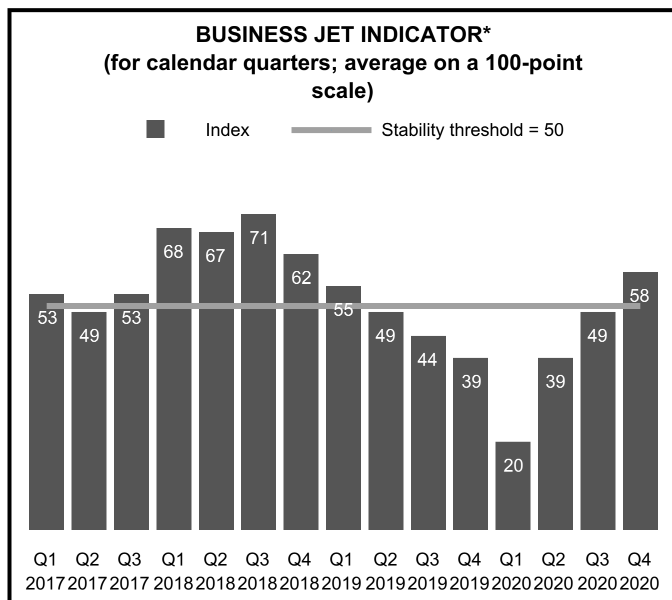
The following key indicators are used to monitor the health of the business aviation market in the short term:

INDICATOR	CURRENT SITUATION	STATUS
INDUSTRY CONFIDENCE	Based on the latest Barclays Business Jet Indicator, published in December 2020, the measure is currently at 58 points, above the threshold of market stability.	▲
CORPORATE PROFITS	Forecasted U.S. corporate profits are expected to maintain stability at $2.3 trillion for 2020.(4)	▶
PRE-OWNED BUSINESS JETS INVENTORY LEVELS	The total number of pre-owned aircraft available for sale as a percentage of the total worldwide fleet has decreased over the past year to 8.2%, and remains at healthy levels.(3)	▲
AIRCRAFT UTILIZATION RATES	Business jet utilization in the U.S. decreased by 24.7% in 2020 compared to 2019. Business jet utilization in Europe decreased by 29.3% in 2020 compared to 2019.(8)	▼
AIRCRAFT SHIPMENTS AND BILLINGS	In the business aircraft market categories in which we compete, we estimate that business aircraft deliveries decreased by 20% (6) and total billings by 15% (7) in 2020 compared to 2019.	▼

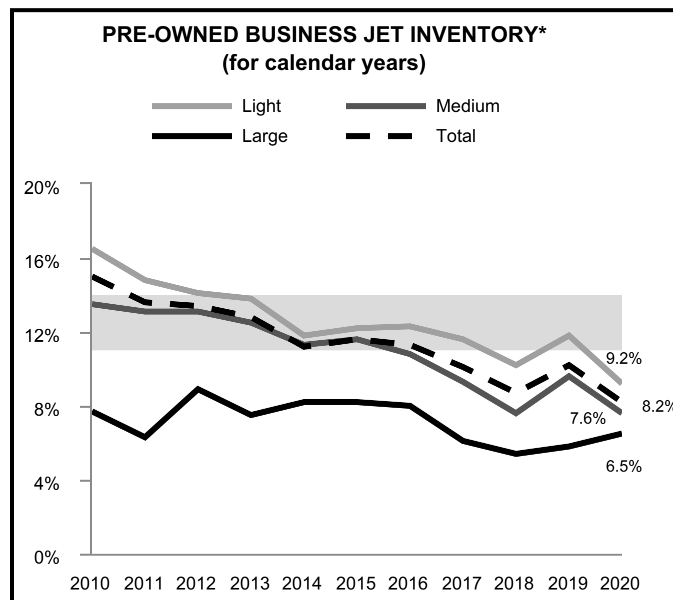
▲ ▶ ▼ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

(1) According to Oxford Economics Global Economic Databank dated January 4, 2021.
(2) According to the Barclays Business Jet Survey dated January 5, 2021. Average has been calculated using the monthly data.
(3) According to JETNET and Ascend (by Cirium).
(4) According to the U.S. Bureau of Economic Analysis News Release dated December 20, 2020.
(5) According to WingX article “December Holiday Travel Provides Private Aviation Boost” dated January 7, 2021.

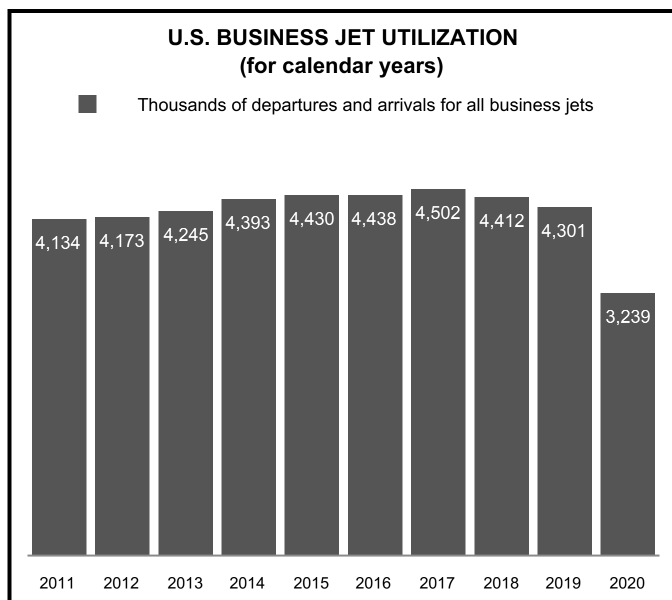
(6) Based on our estimates, public disclosure records of certain competitors, the General Aviation Manufacturers Association (GAMA) shipment reports and Ascend (by Cirium), as of January 20, 2021.
(7) Based on our estimates, public disclosure records of certain competitors, the General Aviation Manufacturers Association (GAMA) shipment reports, Ascend (by Cirium) and B&CA Magazine list prices, as of January 20, 2021.
(8) According to the U.S. Federal Aviation Administration (FAA) and Eurocontrol websites.



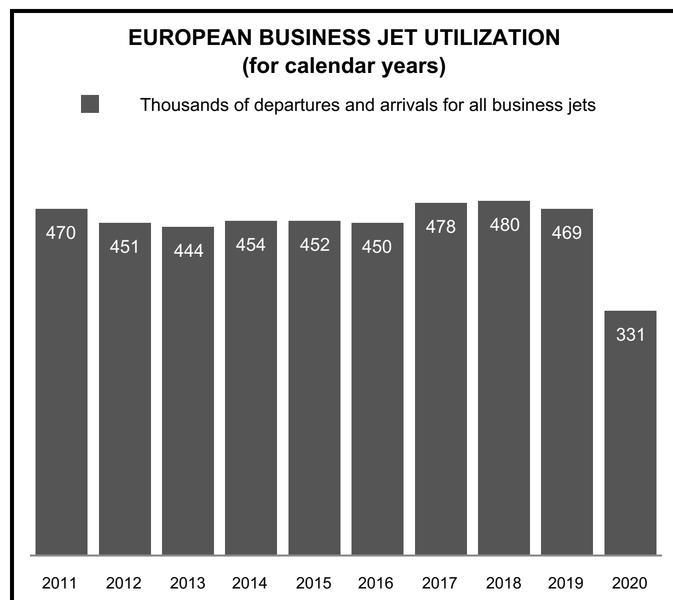
Source: Barclays from the start of 2018, previously UBS
* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.
Methodologies used in the calculation of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



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



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



Source: Eurocontrol

Short-term outlook
Global growth is expected to reach 5.2% in 2021[1], the highest in recent years due to the recovery of the global pandemic. This economic outlook combined with low pre-owned inventory levels and balanced aircraft backlog should continue to support gradual recovery of the business aviation market. The business environment for the year is reinforced by the Barclays Business Jet Indicator which jumped 9 points to 58 points for December 2020[2], on the back of increasing customer interest. The potential exit of certain legacy platforms in the industry should offset the unit growth of new products. Industry revenues are expected to continue to recover driven by the increasing contribution of large aircraft in the overall industry delivery mix.

[1] According to Oxford Economics Databank dated January 4, 2021.
[2] According to the Barclays Business Jet Survey dated January 5, 2021.

Long-term outlook
In the longer term, all demand drivers are well-oriented. Wealth creation and the continued emergence of developing countries are expected to grow our customer base. The retirement of older models combined with the introduction of new models will help meet the needs of new customers. The evolution of new ownership models, such as fractional and charter businesses will make business aviation even more accessible.

Business aviation is poised for gradual recovery from 2020 levels and with the industry's most comprehensive product portfolio, we believe we are well positioned.

Customer services

Business Aircraft's worldwide customer services network includes wholly owned service centres, parts hubs, parts depots, line maintenance facilities, regional support offices, customer response centres, mobile customer response teams, as well authorized service facilities and authorized training providers.

The demand for service and support is driven by the size of the fleet of Bombardier business aircraft, by the number of hours flown by said fleet and the average age of the fleet. Based on the large installed base of business aircraft, we will continue to focus on these high margin activities.

Market indicators

INDICATOR	CURRENT SITUATION	STATUS
INSTALLED BASE	The installed base for Bombardier business aircraft increased by approximately 1% to 4,930 aircraft in 2020 when compared to 2019.[1]	▲
AVERAGE ANNUAL FLIGHTS HOURS	Based on our estimates, Bombardier business aircraft average annual flight hours decreased by approximately 24% in 2020 compared to last year[2] resulting from the enforcement of worldwide travel restrictions to address the Covid-19 pandemic.	▼
AVERAGE AGE OF FLEET	Typically, aircraft direct maintenance costs increase as an aircraft ages. Therefore, the average age of the fleet of Bombardier aircraft will impact the size of the maintenance market. The average age of the Bombardier business aircraft fleet has decreased by 3.8% in 2020 when compared to 2019.[1]	▼

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

[1] Based on data obtained from fleet database Ascend (by Cirium).
[2] Based on data from internal Bombardier FRACAS database

Short-term outlook
The COVID-19 pandemic gave rise to the enforcement of travel restrictions worldwide. As a result, overall business jet utilization in 2020 dropped significantly below 2019 trends as did Bombardier business aircraft average annual flight hours. Although we have seen a recovery in the flight hours during the second half of 2020, we still see a gap versus pre-pandemic levels. We expect this trend to continue for as long as countries maintain travel restrictions in place and come back to normal thereafter.

Long-term outlook

Beyond the short-term impact of the pandemic, the continued growth of the installed base is expected to stimulate demand for customer services. While traditional markets such as North America should dominate in terms of market size, the business aircraft fleet growth in non-traditional markets should create new opportunities for aftermarket services. We continue to actively seek out strategic locations for expansion in order to grow our share of our aftermarket, move closer to customers to further improve response times and build stronger relationships around the globe.

ANALYSIS OF RESULTS

Results of operations

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	**2019**	**2020**	**2019**
Revenues				
Business aircraft				
Manufacturing and other[(1)]	**$ 1,996**	$ 1,640	**$ 4,605**	$ 4,163
Services[(2)]	**252**	311	**988**	1,254
Commercial aircraft[(3)]	**8**	231	**314**	1,227
Aerostructures and engineering services[(4)]	**81**	231	**581**	857
Total revenues	**$ 2,337**	$ 2,413	**$ 6,488**	$ 7,501
Adjusted EBITDA[(5)]	**$ 15**	$ 234	**$ 286**	$ 812
Amortization	**164**	91	**411**	282
Impairment reversals on PP&E and intangible assets	**—**	—	**—**	(1)
Adjusted EBIT[(5)]	**(149)**	143	**(125)**	531
Special items	**(628)**	49	**(1,062)**	(663)
EBIT	**$ 479**	$ 94	**$ 937**	$ 1,194
Adjusted EBITDA margin[(5)]	**0.6%**	9.7%	**4.4%**	10.8%
Adjusted EBIT margin[(5)]	**(6.4)%**	5.9%	**(1.9)%**	7.1%
EBIT margin	**20.5%**	3.9%	**14.4%**	15.9%

(1) Represents revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
(2) Represents revenues from service and support network including parts, *Smart Services*, service centres, training and technical publication.
(3) Represents manufacturing, services and other.
(4) Represents external revenues.
(5) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $76-million decrease for the fourth quarter is mainly due to:

- lower revenues from aerostructures and engineering services, mainly due to the divestiture to Spirit AeroSystems Holding, Inc. (Spirit) on October 30, 2020 and the COVID-19 pandemic;
- lower revenues from commercial aircraft, due to the divestiture to Mitsubishi Heavy Industries, Ltd (MHI) on June 1, 2020; and
- lower revenues from business aircraft services, mainly due to the COVID-19 pandemic.

Partially offset by:

- higher revenues from business aircrafts, mainly due to higher deliveries of the large aircraft driven by *Global 7500* aircraft deliveries, partially offset by lower deliveries of the medium aircraft.

The $1,013-million decrease for the fiscal year is due to:

- lower revenues from commercial aircraft, mainly due to ramp down of deliveries as planned in line with the divestiture to MHI on June 1, 2020 and the sale of the Q Series aircraft program on May 31, 2019;
- lower revenues from aerostructures and engineering services, mainly due to the COVID-19 pandemic and the divestiture to Spirit on October 30, 2020; and
- lower revenues from business aircraft services, mainly due to the COVID-19 pandemic and the sale of the business aircraft training activities on March 14, 2019.

Partially offset by:

- higher revenues from business aircrafts, mainly due to higher deliveries of the large aircraft driven by *Global 7500* aircraft deliveries, partially offset by lower deliveries of the medium aircraft..

Special items

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

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

		Fourth quarters ended December 31		Fiscal years ended December 31	
	Ref	**2020**	2019	**2020**	2019
Gain on disposal of a business - aerostructure business	1	**$ (678)**	$ —	**$ (678)**	$ —
Gain on disposal of a business - CRJ Series business	2	**8**	—	**(488)**	$ —
Reversal of *Learjet 85* aircraft program cancellation provisions	3	**—**	(3)	**(7)**	(18)
Restructuring charges	4	**16**	13	**74**	51
Learjet program end of production and other	5	**26**	—	**26**	—
Transaction costs	6	**—**	—	**7**	—
Disruption costs	7	**—**	—	**4**	—
Gain on disposal of a business - Training business	8	**—**	—	**—**	(516)
Gain on disposal of a business - Q Series business	9	**—**	9	**—**	(210)
Purchase of pension annuities	10	**—**	4	**—**	4
Pension adjustments	11	**—**	26	**—**	26
		$ (628)	$ 49	**$ (1,062)**	$ (663)
EBIT margin impact		**26.9 %**	(2.0)%	**16.3 %**	8.8 %

1. Represents the sale of the aerostructure business for gross proceeds of $275 million. The transaction resulted in a gain of $678 million. See Note 30 - Disposal of businesses for more details.
2. Represents the sale of the CRJ Series aircraft program assets for gross proceeds of $585 million, at closing, including certain closing adjustments. The transaction resulted in a pre-tax accounting gain of $488 million ($440 million after tax impact). See Note 30 - Disposal of businesses for more details.
3. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $7 million for the fiscal year ended December 31, 2020

($3 million and $18 million for the fourth quarter and fiscal year ended December 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.

4. For the fourth quarter and fiscal year ended December 31, 2020, represents severance charges of $4 million and $56 million following the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic, $13 million and $34 million of impairment of right-of-use assets related to lease contracts as a consequence of previously-announced restructuring actions, and other related charges of $1 million and $5 million, partially offset by curtailment gains of $2 million and $21 million, respectively.

   For the fourth quarter and fiscal year ended December 31, 2019, represents change in severance charges of $(1) million and $24 million, respectively, partially offset by curtailment gains of nil and $2 million, respectively, related to previously-announced restructuring actions.

   Following the announcement that the CRJ production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million in the first quarter of 2019, and has recorded $14 million and $24 million of other related charges for the fourth quarter and the fiscal year of 2019, respectively.

5. Following the decision to end production of the *Learjet* aircraft in 2021 and the decision to consolidate the Global aircraft completion work in Montréal, the Corporation has recorded $12 million of inventory write-down, $4 million of impairment of PP&E and $10 million of other charges.

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

7. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, nil and $4 million were recorded as special items for Aviation in the fourth quarter and fiscal year ended December 31, 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

8. The sale of 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).

9. The sale of the Q Series Aircraft program assets for net proceeds of $285 million resulted in a pre-tax accounting gain of $210 million ($184 million after tax impact).

10. Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations.

11. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods (“GMP equalization”). In fiscal year 2019, the Corporation adjusted the pension obligation related to equalization for an Aviation plan in the U.K. The adjustments of $26 million was recorded as a past service cost under IAS 19 - Employee Benefits.

EBIT margin

Adjusted EBIT margin[1] for the fourth quarter and the fiscal year decreased by 12.3 and 9.0 percentage points, respectively, mainly due to:

- lower contribution from business aircraft sales, mainly driven by lower deliveries due to the COVID-19 pandemic, the ramp-up of *Global 750*0 deliveries and the associated increase in amortization of aerospace program tooling, combined with the impact of reshaping a commercial agreement;
- lower contribution from aerostructures and engineering services, mainly due to the divestiture to Spirit on October 30, 2020 and the COVID-19 pandemic; and
- lower contribution from commercial aircraft, mainly due to the divestiture to MHI on June 1, 2020.

Including the impact of special items (see explanation of special items above), the EBIT margin increased by 16.6 for the fourth quarter and decreased by 1.5 percentage points for and the fiscal year compared to the same periods last year.

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

Product development

Investment in product development

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019	**2020**	2019
Program tooling[1]	**$ 29**	$ 62	**$ 127**	$ 280
R&D expense[2]	**5**	6	**20**	24
	$ 34	$ 68	**$ 147**	$ 304
As a percentage of revenues	**1.5 %**	2.8 %	**2.3 %**	4.1 %

[1] Represents the net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers based on reception of parts or delivery of the aircraft for acquired development costs carried out by them; excludes program tooling adjustments related to the divestitures of the CRJ business and aerostructures businesses.

[2] Excludes amortization of aerospace program tooling of $141 million and $302 million, respectively, for the fourth quarter and fiscal year ended December 31, 2020 ($59 million and $132 million, respectively, for the fourth quarter and fiscal year ended December 31, 2019), as the related investments are already included in aerospace program tooling.

The carrying amount of aerospace program tooling as at December 31, 2020 was $4.4 billion, compared to $4.6 billion as at December 31, 2019. The decrease in aerospace program tooling investment is mainly due to the entry-into-service of the *Global 7500* aircraft program in December 2018, although the net carrying value of aerospace program tooling remains stable due to completion of major development programs.

Bombardier is coming off a substantial period of heavy investment cycle that saw the company introduce innovative technologies and industry-leading new products and services. This period included the entry into service of the *Global 7500*, *Global 6500*, *Global 5500*, *Learjet 75 Liberty*, in addition to ongoing major enhancements to the *Challenger 350* platform. Going forward, Bombardier will continue to explore incremental, competitive product enhancements and develop new service programs throughout its product portfolio.

Aircraft deliveries and order backlog

Aircraft deliveries

(in units)	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019	**2020**	2019
Business aircraft				
Light	**4**	3	**11**	12
Medium	**12**	28	**44**	76
Large	**28**	21	**59**	54
	44	52	**114**	142
Commercial aircraft				
Regional jets[1]	**—**	6	**5**	26
Turboprops[2]	**—**	—	**—**	7
	—	6	**5**	33
	44	58	**119**	175

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

Order backlog

(in billions of dollars)		**December 31, 2020**		As at December 31, 2019
Business aircraft	**$**	**10.7**	$	14.4
Other aviation[1]		**—**		1.9
	$	**10.7**	$	16.3

[1] Included the firm orders amounting to $1.1 billion from the aerostructures businesses presented under Assets held for sale as of December 31, 2019. Also included 20 firm orders for CRJ900 as of December 31, 2019. The backlog for the CRJ Series aircraft program amounting to $0.4 billion was removed as a result of the closing of the sale of the CRJ Series aircraft program to MHI on June 1, 2020.

During the fourth quarter of 2020, the Corporation has engaged with a *Global 7500* launch customer to reshape a commercial agreement which includes reclaiming 12 positions for delivery in 2023, the elimination of certain trade-in obligations and other contractual adjustments. While the contract amendments impacted the backlog and financial results of the Corporation for the fourth quarter, the ability to remarket these aircraft at more favorable terms provides an opportunity to improve future profitability[1].

The order backlog and the production horizon for business aircraft programs are monitored to align production rates to reflect market demand. We maintained a strong business aircraft order backlog as at December 31, 2020.

[1] See the forward-looking statements disclaimer.

Workforce

Total number of employees

		As at
	December 31, 2020	December 31, 2019
Permanent[1]	**14,600**	22,150
Contractual[2]	**1,200**	2,200
	15,800	24,350
Percentage of permanent employees covered by collective agreements	**47 %**	52 %

(1) Including 670 inactive employees as at December 31, 2020 (750 inactive employees as at December 31, 2019).
(2) Including non-employees and sub-contractors personnel.

The workforce as at December 31, 2020 decreased by 8,550 employees, or 35%, when compared to the previous year. The decrease is mainly related to the divestitures in 2020 including the sale of manufacturing activities on A220 subassembly to Stelia Aerospace, the sale of regional jet program to MHI, and the sale of aerostructures business to Spirit AeroSystems Holdings, Inc.

Our incentive-based compensation plan for non-unionized employees across our sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of approximately 8,750 employees worldwide, or 60% of permanent employees, participate in the program. In 2020, as part of this program, incentive-based compensation is linked to the achievement of targeted results, based on adjusted EBIT[1] and free cash flow[1].

The workforce as at December 31, 2020 located in Canada amounts to 65% or 10,300 employees (9,750 permanent employees including 600 inactive employees, and 550 contractual employees).

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

RESHAPING THE PORTFOLIO

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

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

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

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

The Corporation has received gross proceeds of $585 million at closing, including certain closing adjustments. The net proceeds were $574 million at closing. A pre-tax gain of $488 million for the fiscal year 2020 was recognized in Special items, see Note 8 - Special items ($440 million after tax impact).

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

For more details, refer to Note 30 - Disposal of businesses, to our Consolidated financial statements.

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

On October 30, 2020, the Corporation concluded the sale of the aerostructure business to Spirit AeroSystems Holding, Inc. (Spirit). Through this sale, Spirit acquired Bombardier's aerostructures activities and aftermarket services operations in Belfast, U.K.; Casablanca, Morocco; and its aerostructures maintenance, repair and overhaul (MRO) facility in Dallas, U.S. for cash consideration of $275 million, Spirit's assumption of liabilities, including government refundable advances and pension obligations.

The Corporation has received gross proceeds of $275 million at closing. The net proceeds were $257 million. A gain of $678 million for fiscal year 2020 was recognized in Special items, see Note 8 - Special items.

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.

For more details, refer to Note 30 - Disposal of businesses, to our Consolidated financial statements.

Completion of acquisition to gain full ownership of aircraft service centre in Berlin

On December 31, 2020, the Corporation completed the acquisition, to gain full control, of the aircraft service center in Berlin. The Corporation purchased the shares from Lufthansa Technik AG and ExecuJet Aviation Group AG, thereby allowing the Corporation to establish a wholly-owned service center in Berlin and further expand its worldwide customer support footprint.

For more details, refer to Note 32 - Acquisition of a business, to our Consolidated financial statements.

TRANSPORTATION

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SALE OF THE TRANSPORTATION BUSINESS TO ALSTOM SA

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

Total proceeds to the vendors after the deduction of debt-like items and transferred liabilities are $6.0 billion, including the amount paid by Alstom to redeem the Corporation and CDPQ's capital injections of €400 million ($488 million at an exchange rate of 1.22) and €350 million ($427 million at an exchange rate of 1.22), respectively, in Transportation made in fiscal year 2020 to support working capital. After deducting CDPQ's equity position of $2.5 billion, transaction costs, and including the impact from closing adjustments and obligations related to achieving a minimum cash balance at Transportation at the end of fiscal year 2020, the Corporation expects net proceeds of approximately $3.6 billion. This amount includes €400 million ($488 million at an exchange rate of 1.22) of cash from the redemption of equity and €103 million ($125 million at an exchange rate of 1.22) of intercompany loan reimbursement by Transportation, settled in conjunction with the transaction closing. Net proceeds also include approximately $600 million of Alstom shares (€500 million representing 11.5 million shares for a fixed subscription price of €43.46 per share), monetizable starting in late April 2021.

Proceeds from the transaction were lower than previous estimates as a result of Transportation's lower than expected cash generation in the fourth quarter due in part to unfavorable market conditions, as well as disagreements between the parties as to certain closing adjustments which Bombardier intends to challenge.

The Corporation intends to direct the proceeds towards debt pay down and will evaluate the most efficient debt reduction strategies.

For more details, refer to Note 31 - Discontinued operations, to our Consolidated financial statements.

PROFILE

Transportation offers a wide-ranging portfolio of innovative and efficient solutions in the rail industry. We cover a 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. We have won orders across all product segments and major geographies, underlining the competitiveness of our products and services worldwide.

We have production, engineering and service centres around the world. The global headquarter is located in Berlin, Germany.

Transportation operates in three market segments comprised of rolling stock and systems, services and signaling. Rolling stock and systems segment includes 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. Services segment includes fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems. Signaling segment includes mass transit, mainline, industrial and *OPTIFLO* service solutions.

INDUSTRY AND ECONOMIC ENVIRONMENT

The rail market activities increased during the fourth quarter which was in line with industry seasonality, after experiencing a slowdown in the overall order activities during the first three quarters of 2020 mainly due to the COVID-19 pandemic.

Europe

The order volume in Europe during 2020 decreased compared to 2019, mainly due to several significant contracts awarded last year for intercity and regional trains along with services agreements in the U.K., France and Germany. During 2020, order volume was driven by several contracts awarded across Western Europe for commuter, regional and intercity trains, primarily in Germany, France and Italy. In addition, significant orders were awarded for light rail vehicles (LRVs) in the U.K. and for metro trains in Germany along with their services agreements. In Eastern Europe, orders were mainly driven by investments in both urban and mainline mobility solutions, with major contracts for regional trains in Czech Republic and Hungary and for metro trains in Turkey and Greece. For signalling solutions, many orders were issued across the region with the most significant in France and Greece for urban signalling, and in the U.K. primarily for mainline signalling.

North America

The North American market volume decreased on a year-to-date basis, mainly due to large orders awarded during 2019 in the U.S and Canada for commuter trains along with services agreements as well as for metro trains in the U.S. In 2020, rolling stock order volume in this region was primarily driven by tenders awarded for metro trains in Canada and regional trains in the US. Furthermore, order volume was driven by significant signaling contracts mainly for urban signaling modernization and service agreements granted mainly for infrastructure maintenance and fleet management in both the U.S and Canada.

Asia-Pacific

Overall order volume in the Asia Pacific region declined in 2020 compared to last year mainly due to large contracts awarded for commuter trains in Australia and for intercity trains in India and Taiwan as well as very high-speed train orders in China. During 2020, market volume was mainly driven by large and significant orders awarded for metro trains in China, Philippines, India and Singapore as well as for regional and intercity trains in Myanmar and South Korea. Furthermore, a noteworthy order for very high-speed trains has been issued in China. In the signalling and services segments, several medium sized orders were placed in the region with the most significant contracts secured in India and Taiwan for signaling solutions and in China and Australia for maintenance and fleet management services agreements.

Rest of World[1]

In the Rest of World region, order volume in 2020 declined compared to 2019 mainly due to large contracts awarded for commuter trains and intercity trains along with services agreements in Russia as well as for monorail trains along with signaling and services agreements in Egypt. In 2020, order volume in the region was driven mainly by investments in urban mobility solutions with large contracts awarded for metro train cars along with signaling and services agreements in Ivory Coast, Panama and Columbia. Additionally, significant contracts were granted for LRVs in Russia and Morocco.

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

ANALYSIS OF RESULTS

Results of operations[1]

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2020	2019	**2020**	2019
Revenues				
Rolling stock and systems[2]	**$ 1,227**	$ 890	**$ 4,770**	$ 5,192
Services[3]	**552**	587	**2,033**	2,140
Signalling[4]	**297**	316	**1,041**	937
Total revenues	**$ 2,076**	$ 1,793	**$ 7,844**	$ 8,269
Adjusted EBITDA[5][6]	**$ (338)**	$ (196)	**$ (511)**	$ 212
Amortization[7]	**2**	38	**99**	139
Impairment charge on PP&E and intangible assets	**—**	—	**—**	3
Adjusted EBIT[5][6]	**(340)**	(234)	**(610)**	70
Special items	**(4)**	2	**8**	48
EBIT[5]	**$ (336)**	$ (236)	**$ (618)**	$ 22
Adjusted EBITDA margin[5][6]	**(16.3)%**	(10.9)%	**(6.5)%**	2.6%
Adjusted EBIT margin[5][6]	**(16.4)%**	(13.1)%	**(7.8)%**	0.8%
EBIT margin	**(16.2)%**	(13.2)%	**(7.9)%**	0.3%

[1] Transportation was classified as discontinued operations as of December 31, 2020 and for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
[2] 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.
[3] Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
[4] Comprised of signalling revenues from mass transit, mainline, industrial and *OPTIFLO* service solutions.
[5] Including share of income from joint ventures and associates amounting to $18 million and $108 million, respectively, for the fourth quarter and fiscal year ended December 31, 2020 ($25 million and $94 million for the fourth quarter and fiscal year ended December 31, 2019).
[6] 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.
[7] The amortization impact for the fourth quarter ended December 31, 2020 is due to foreign exchange translation and is not an operating amortization impact.

Revenues by geographic region

	Fourth quarters ended December 31				Fiscal years ended December 31			
	2020		2019		**2020**		2019	
Europe[1]	**$ 1,251**	**60%**	$ 957	53%	**$ 4,874**	**62%**	$ 4,929	59%
North America	**440**	**21%**	426	24%	**1,645**	**21%**	1,955	24%
Asia-Pacific[1]	**287**	**14%**	294	16%	**982**	**13%**	986	12%
Rest of World[1][2]	**98**	**5%**	116	7%	**343**	**4%**	399	5%
	$ 2,076	**100%**	$ 1,793	100%	**$ 7,844**	**100%**	$ 8,269	100%

[1] The variances in Europe in the fourth quarter and fiscal year ended December 31, 2020 reflect positive currency impacts of $74 million and $81 million, respectively. The decreases in Asia-Pacific and the Rest of World region in the fiscal year ended December 31, 2020 reflect negative currency impacts of $15 million and $16 million, respectively.
[2] The Rest of World region includes South America, Central America, Africa, the Middle East and the CIS.

Revenues

Total revenues for the fourth quarter ended December 31 2020 have increased by $283 million, while total revenues for the fiscal year ended December 31, 2020 have decreased by $425 million compared to the same periods last fiscal year. Excluding positive currency impacts of $74 million for the fourth quarter and $50 million for the fiscal year, revenues for the fourth quarter have increased by $209 million, or 12%, while revenues for the fiscal year have decreased by $475 million, or 6%, compared to the same periods last fiscal year.

The $209-million increase excluding currency impact for the fourth quarter is mainly explained by:

- higher activities in rolling stock and systems in Europe, North America and Asia-Pacific, mostly due to ramp-up in production related to some commuter and regional train contracts in Europe and Asia-Pacific, some metro contracts in North America and Asia-Pacific, and some automated people movers (APMs) in North America.

Partially offset by:

- lower activities in services in North America and Asia-Pacific;
- lower activities in rolling stock and systems in the Rest of World region, mostly due to some contracts nearing completion. These contracts mainly relate to locomotives, mass transit systems and commuter and regional trains; and
- lower activities in signalling in Asia-Pacific.

The $475-million decrease excluding currency impact for the fiscal year is mainly explained by:

- revised estimates on certain contracts in Germany, Switzerland and the U.K. that negatively affect revenues of rolling stock in Europe in the current year;
- the negative impact on activities in rolling stock in North America and Europe due to the COVID-19 pandemic and related site closures in the first half of 2020 was offset by higher activities in these regions in the fourth quarter; and
- lower activities in services mainly in North America and Europe.

Partially offset by:

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

Special items

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

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

		Fourth quarters ended December 31		Fiscal years ended December 31	
	Ref	**2020**	2019	**2020**	2019
Restructuring charges	1	**$ (5)**	$ 2	**$ 1**	$ 48
Disruption costs	2	**1**	—	**7**	—
		$ (4)	$ 2	**$ 8**	$ 48
EBIT margin impact		**0.2 %**	(0.1)%	**(0.1)%**	(0.6)%

1. For the fourth quarter and fiscal year ended December 31, 2020, represents reversal of severance charges of $5 million and severance charges of $1 million, respectively, all related to previously-announced restructuring actions.

   For the fourth quarter and fiscal year ended December 31, 2019, represents severance charges of $2 million and $61 million, respectively and the reversal of previously-recorded impairment charges of nil and $8 million, partially offset by curtailment gains of nil and $5 million, all related to previously-announced restructuring actions.

2. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, $1 million and $7 million were recorded as special items for Transportation for the fourth quarter and fiscal year ended December 31, 2020. These costs

do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

EBIT margin

The adjusted EBIT margin[(1)] loss for the fourth quarter deteriorated by 3.3 percentage points, mainly as a result of:

- lower margin in services, mainly due to a lower positive impact from revised estimates on certain contracts;
- lower margin in signalling, due to an unfavourable contract mix and a higher negative impact from revised estimates on certain contracts; and
- a lower share of income from joint ventures and associates.

Partially offset by:

- lower R&D expenses; and
- lower margin dilution from rolling stock and systems, due to a favourable contract mix.

Including the impact of special items (see explanation of special items above), the EBIT margin loss for the fourth quarter deteriorated by 3.0 percentage points, compared to the same period last year.

The adjusted EBIT margin[(1)] for the fiscal year decreased by 8.6 percentage points, mainly as a result of:

- lower margin in rolling stock and systems, mainly due to a higher negative impact from revised estimates on a number of projects mainly in Germany, Switzerland and the U.K.; and
- lower margin in services, mainly due to a lower positive impact from revised estimates on certain contracts.

Partially offset by:

- lower R&D expenses;
- a higher share of income from joint ventures and associates; and
- higher margin in signalling, mainly due to a favourable contract mix.

Including the impact of special items (see explanation of special items above), the EBIT margin for the fiscal year decreased by 8.2 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

	Fourth quarters ended December 31		Fiscal years ended December 31	
(in billions of dollars)	**2020**	2019	**2020**	2019
Balance at the beginning of period	**$ 34.1**	$ 35.1	**$ 35.8**	$ 34.5
Order intake	**3.1**	1.8	**7.0**	$ 10.0
Revenues	**(2.1)**	(1.8)	**(7.8)**	$ (8.3)
Foreign currency impact and other adjustments	**1.5**	0.7	**1.6**	$ (0.4)
Balance at the end of period	**$ 36.6**	$ 35.8	**$ 36.6**	$ 35.8

The significant orders obtained during the fiscal year ended December 31, 2020 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value [1]
Fourth quarter					
Société Nationale des Chemins de fer Français (SNCF), on behalf of the Hauts-de-France region	France	Exercise of an option for *OMNEO* / Régio 2N double deck electric multiple units (EMUs)	330	Rolling stock and systems	$ 688
TransLink	Canada	Rail cars for SkyTrain system	205	Rolling stock and systems	$ 565
Société Nationale des Chemins de Fer Belges (SNCB)	Belgium	Call-off of M7 double-deck cars	204	Rolling stock and systems	$ 546 [2]
Arriva CrossCountry	U.K.	Extension of a train services agreement	N/A	Services	$ 320
Zurich Public Transport (VBZ)	Switzerland	Exercise of an option for additional *FLEXITY* low-floor trams	40	Rolling stock and systems	$ 194
Berlin Transport Authority (BVG)	Germany	*FLEXITY* trams and spare parts supply	20	Rolling stock and systems and Services	$ 140
Deutsche Bahn (DB) AG	Germany	Engineering services for redesign and fleet modernisation	N/A	Services	$ 125
Mosaic Transit Partners Maintenance GP (MTM)	Canada	Fleet maintenance services	N/A	Services	n.d.
Third quarter					
Trenitalia, on behalf of Intermodalidad de Levante (ILSA) joint venture	Spain	Frecciarossa 1000 very high-speed trains (derived from the V300*ZEFIRO* platform)	184	Rolling stock and systems	$ 378 [3]
Uttar Pradesh Metro Rail Corporation (UPMRC)	India	*MOVIA* metro cars and *CITYFLO* 650 rail control solution	201	Rolling stock and systems and Signalling	$ 275
Undisclosed	North America	Undisclosed	N/A	Rolling stock and systems	$ 226
Second quarter					
Société Nationale des Chemins de fer Français (SNCF), on behalf of the Region Normandie	France	Exercise of two options for *OMNEO* / Régio 2N double deck EMUs	270	Rolling stock and systems	$ 457
National Capital Region Transport Corporation (NCRTC)	India	Commuter and intracity mass transit cars and fleet maintenance services	210	Rolling stock and systems and Services	$ 340
Transport for Victoria (TfV) and the Victorian State Government	Australia	Exercise of an option for additional *VLocity* diesel multiple units (DMUs)	36	Rolling stock and systems	$ 139
Central Puget Sound Regional Transit Authority (Sound Transit)	U.S.	*BiLevel* commuter rail cars	28	Rolling stock and systems	$ 108
Undisclosed	North America	Undisclosed	N/A	Services	$ 108

[1] Contract values exclude price escalation. Exception: *OMNEO* / Régio 2N double deck EMUs for SNCF in the second and fourth quarters.
[2] Contract signed in consortium with Alstom. Only our share of the contract is stated above.
[3] Contract signed in partnership with Hitachi Rail SpA. The total contract is valued at $943 million, and only our share of the contract is stated above.

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 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: *OMNEO* / Régio 2N double deck EMUs for SNCF in the first quarter.

During the fourth quarter and fiscal year ended December 31, 2020, the following significant orders were awarded to our joint ventures, which are not included in our backlog since they are joint ventures:

- in the first quarter, 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.
- in the third quarter, our Chinese joint venture Changchun Bombardier Railway Vehicles Company Ltd. (CBRC), in which we own 50% of the shares, has signed a contract with CRRC Changchun Railway Vehicle Co., Ltd. (CRRC Changchun), China, to manufacture 390 metro cars for Harbin Metro, valued at $181 million.
- in the fourth quarter, our Chinese joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), in which we own 50% of the shares, was awarded a contract from China State Railway Group Co., Ltd. to supply 112 CR300AF high-speed train cars valued at $248 million.

Subsequent to the end of the fiscal year, 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 280 high-speed train cars from China State Railway Group Co. Ltd., China, valued at $192 million.

Workforce

Total number of employees

		As at
	December 31, 2020	December 31, 2019
Permanent[1]	**30,950**	31,750
Contractual	**4,150**	4,300
	35,100	36,050

[1] Including 1,050 inactive employees as at December 31, 2020 (950 inactive employees as at December 31, 2019).

OTHER

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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 15 - Trade and other receivables and Note 31 - Discontinued operations, to our Consolidated financial statements, for more details), arrangements for advances from third parties (refer to Note 16 - Contract balances and Note 31 - Discontinued operations, to our Consolidated financial statements, for more details), and the negotiation of extended payment terms with certain suppliers (refer to Note 24 - Trade and other payables and Note 31 - Discontinued operations, to our Consolidated financial statements, for more details).

Credit and residual value guarantees

In connection with the sale of certain of our products, mainly commercial aircraft, we have provided financing support in the form of credit and residual value guarantees to enhance the ability of certain customers to arrange third-party financing for their acquisitions.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing under the relevant financing arrangements. The remaining terms of these financing arrangements range from 1 to 5 years. In the event of default, we usually act as an agent for the guaranteed parties for the repossession, refurbishment and re-marketing of the underlying assets. We typically receive a fee for these services.

Residual value guarantees provide protection to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value at an agreed-upon date. In most cases, these guarantees are provided as part of a customer financing arrangement (these arrangements have remaining terms ranging from 1 to 5 years). The value of the underlying asset may be adversely affected by a number of factors. To mitigate the exposure, the financing arrangements generally require the aircraft used as collateral to meet certain contractual return conditions in order to exercise the guarantee. If a residual value guarantee is exercised, it provides for a contractually limited payment to the guaranteed parties, which is typically a specified maximum amount of the first losses incurred by the guaranteed party. A claim under the guarantee may typically be made only at the end of the financing arrangement, upon the sale of the underlying asset to a third party.

When credit and residual value guarantees are provided in connection with a financing arrangement for the same underlying asset, residual value guarantees can only be exercised if the credit guarantee expires without having been exercised and, as such, the guarantees are mutually exclusive.

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

For more details, refer to Note 42 – Commitments and contingencies, to the consolidated financial statements.

Financing structures related to the sale of commercial aircraft

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

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

The Corporation holds investments in financing structure amounting to $150 million as at December 31, 2020 ($198 million, as at December 31, 2019 and $173 million as at January 1, 2019). Following the sale of the CRJ business, the Corporation has retained those investments and has a back-to-back agreement with MHI.

For more details, refer to Note 41 – Unconsolidated structured entities, to the consolidated financial statements.

RISKS AND UNCERTAINTIES

We operate in an industry segment which presents a variety of risk factors and uncertainties. The risks and uncertainties described below are those that we currently believe could materially affect our business activities, financial condition, cash flows, results of operations and reputation, but are not necessarily the only risks and uncertainties that we face. If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows, results of operations and reputation could be materially adversely affected. The following risk and uncertainties have been prepared giving effect to the sale of Transportation to Alstom, completed and announced on January 29, 2021.

OPERATIONAL RISK	Operational risk is the risk of potential loss due to the nature of our operations. Sources of operational risk include development of new products and services, development of new business and awarding of new contracts, order backlog, and the complexity of obtaining certification of products and services. Furthermore, our cash flows are subject to pressures based on seasonality and our businesses are capital intensive, which require that we regularly incur significant capital expenditures and investment over multi-year periods prior to realizing cash flows. Other sources of operational risk include our ability to successfully implement our strategy, productivity enhancements, operational efficiencies and restructuring initiatives, and actions of business partners, product performance warranty and casualty claim losses, the use of estimates and judgments in accounting, regulatory and legal conditions, environmental, health and safety issues, as well as dependence on customers and contracts, suppliers (including supply chain management) and human resources. We are also subject to risks related to reliance on information systems, reliance on and protection of intellectual property rights, reputation risks, risks of impairments and asset write-downs, risk management, tax matters and adequacy of insurance coverage.
FINANCING RISK	Financing risk is the risk of potential loss due to the liquidity of our financial assets including counterparty credit risk, access to capital markets, restrictive debt covenants, financing support provided for the benefit of certain customers and government support.
COVID-19 PANDEMIC OUTBREAK AND GENERAL ECONOMIC RISK	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. The scope and long-term impact of the ongoing COVID-19 pandemic is still 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. The extent to which the prospects of the Corporation's business will be impacted, including its ability to generate revenues and be profitable, cannot be assessed with a sufficient level of certainty at this time. General economic risk is the risk of potential loss due to unfavourable economic conditions. These factors include, but are not limited to, government budget compression, reduced levels of public and private capital expenditures, declining business confidence, political and economic pressures, including those arising from increasing government deficits and sovereign debt overruns, and crises in the credit markets.
BUSINESS ENVIRONMENT RISK	Business environment risk is the risk of potential loss due to external risk factors. These factors may include the financial condition of the business aircraft customers, trade policy, as well as increased competition from other businesses including new entrants in market segments in which we compete. In addition, political instability and force majeure events such as acts of terrorism, global climate change, global health risks, or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of our products.
MARKET RISK	Market risk is the risk of potential loss due to adverse movements in market factors including foreign currency fluctuations, changing interest rates, increases in commodity prices and inflation rate fluctuations.

Operational risk

Business development

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

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

Our order backlog may not be indicative of future revenues

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

Transition to Pure-Play Business Aviation Company

The Corporation's plan to position the Corporation for long-term growth and enhance shareholder value through its transition to a pure-play business aviation company is subject to risks and uncertainties. Such risks and uncertainties include the gradual recovery from disruptions due to the COVID-19 pandemic, market conditions, implementation of various initiatives and other factors that may cause actual results, performance or achievements to differ materially from its plans.

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

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

Executing our manufacturing strategy and productivity enhancement initiatives

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

Developing new products and services

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

Furthermore, our investments in new products or technologies may or may not be successful. Our results may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if new products are not approved by regulatory authorities (or if we fail to design or obtain certification or accreditation for new products or technologies), are not brought to market in a timely manner, in particular, as

compared to our competitors, or if our products become obsolete. We may incur cost overruns in developing new products and there is the risk that our products will not meet performance specifications to which we have committed to customers.

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

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

Certification process

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

Cash flows and capital expenditures

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

Seasonality and cyclicality of financial results

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

Business partners

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

Product performance warranty and casualty claim losses

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

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

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

Regulatory and legal risks

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

Given our size and current and historical operations, including in respect of Transportation business which was divested on January 29, 2021, investigations, claims and lawsuits seeking damages and other relief are regularly threatened or pending against us. We are, and may become, party to lawsuits in the ordinary course of business, including those involving allegations of late deliveries of goods or services, product liability, product defects, quality problems and intellectual property infringement. These matters may divert financial and management resources that would otherwise be used to benefit our operations, and the cost to defend litigation may be significant.

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

In addition, as part of the regulatory and legal environments in which we operate, we are subject to anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities or persons defined in those anti-bribery laws in order to obtain business or other improper advantages in the conduct of business. Notably, sales to foreign customers are subject to such laws. Pursuant to such laws, a company may be found liable for violations resulting not only from actions of certain of its employees, but also in certain circumstances from actions of its contractors and third party agents.

Our Code of Ethics and other corporate policies mandate compliance with these laws and regulations and we have implemented training programs, internal monitoring and controls, and reviews and audits to ensure compliance with such laws. However, there can be no assurance that our internal control policies and procedures will protect us from recklessness, fraudulent behaviour, dishonesty or other inappropriate behaviour on the part of

our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners. Misconduct or failure by our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners to comply with anti-bribery laws and other applicable laws and regulations could impact Bombardier in various ways that include, but are not limited to, criminal, civil and administrative legal sanctions, debarment from bidding for or performing government contracts, and negative publicity, and could have a negative effect on our business, reputation, results of operations, profitability, share price and financial condition. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny of and punishment to companies convicted of violating anti-corruption and anti-bribery laws. See also “Supply chain risks” below.

Also refer to Note 42 – Commitments and contingencies to our consolidated financial statements.

Environmental, health and safety risks

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

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

Dependence on limited number of contracts and customers

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

Supply chain risks

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

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

Some of our suppliers participate in the development of products such as aircraft or platforms. The advancement of many of our new product development programs also relies on the performance of these key suppliers and,

therefore, supplier delays which go unmitigated could result in delays to a program as a whole. These suppliers subsequently deliver major components and own some of the intellectual property related to key components they have developed. Our contracts with these suppliers are therefore on a long-term basis. The replacement of such suppliers, if possible, could be costly and take a significant amount of time.

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

Human resources (including collective agreements)

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

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

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

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

Reliance on information systems

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

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

The integrity, reliability and security of information in all forms are critical to our success. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, delayed reaction times to the resolution of problems, privacy breaches and/or inappropriate disclosure or leaking of sensitive information. Any system failure, cyberattack or a breach of systems could result in disruption of activities and operational delays, information losses, significant remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, diminished competitive advantage and/or litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business, financial condition, and results of our operations. Material losses may be incurred related to the foregoing beyond the limits or outside the coverage of current insurance and existing provisions for such losses may not be sufficient to cover the ultimate loss or expenditure. Furthermore, media or other reports of perceived security vulnerabilities of our systems, even if no breach has been attempted or had occurred, could adversely impact our brand and reputation and materially impact our business and financial results.

Reliance on and protection of intellectual property

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

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

Reputation risks

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

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

Adequacy of insurance coverage for our business, products and properties

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

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenues expected to be generated by the relevant facilities. Any material loss not covered by our insurance could adversely affect our business, financial condition and results of operations.

Risk management policies, procedures and strategies

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

Tax matters and changes in tax laws

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

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

assessment of additional taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

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

Financing risk

Liquidity and access to capital markets

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

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

The Corporation also routinely reviews its debt profile with a view to managing or extending maturities and/or negotiating more favourable terms and conditions with respect to its bank facilities. The Corporation also routinely reviews the terms and conditions of its bank facilities and seeks annual extensions of the availability periods thereunder.

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

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

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

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

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

Substantial debt and significant interest payment requirements

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

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

We have various debt maturities ranging between 2021 and 2034, and we cannot provide assurance that this indebtedness will be refinanced on favourable terms or at all.

For more information regarding our long-term debt, see Note 28 - Long-term debt to our Consolidated financial statements.

Restrictive and financial debt covenants

Restrictive covenants in certain agreements and instruments governing our indebtedness, including asset backed credit facilities and outstanding senior notes, may materially adversely affect our financial flexibility or may have other material adverse effects on our business, results of operations, financial condition, liquidity and cash flows. Certain of our credit facilities and other asset-based and asset-backed financing arrangements contain covenants that, among other things, restrict us and our subsidiaries' ability to: (i) dispose of assets; (ii) incur additional indebtedness; (iii) incur guarantee obligations; (iv) prepay other indebtedness or amend other financing arrangements; (v) create liens on assets; (vi) sell assets; (vii) make investments, loans, advances or capital expenditures; (viii) engage in mergers or consolidations; (ix) change the business conducted by us; and (x) engage in certain transactions with affiliates. The breach of any of these covenants or restrictions could result in a default under the relevant agreement, which could, in turn, cause cross-defaults under our other financing arrangements. In such event, we may be unable to borrow under our credit facilities or certain of our other financing arrangements and may not be able to repay the amounts due under such arrangements, which could have a material adverse effect on our business, results of operations, financial condition, liquidity and cash flows.

Our ability to comply with these covenants may also be affected by events beyond our control. A breach of any of these agreements or our inability to comply with these covenants could result in a default under these facilities, which would permit our banks to request immediate defeasance or cash cover of all outstanding letters of credit, and our bond holders and other lenders to declare amounts owed to them to be immediately payable. If any of these facilities is accelerated, or we are subject to significant cash cover calls, we may not have access to sufficient liquidity or credit to refinance such facilities on terms acceptable to us or at all. Furthermore, if we incur additional debt in the future, we may be subject to additional covenants, which may be more restrictive than those to which we are subject now. In addition, failure to comply with the obligations contained in our existing or future indentures or loan agreements could require us to immediately cash cover, or repay debt under other agreements that may contain cross-acceleration or cross-default provisions. There can be no assurance that we would be able to obtain waivers or amendments of any such defaults, or be able to cash cover or refinance such facilities, on terms acceptable to us or at all.

Retirement benefit plan risk

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

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

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

Credit risk

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

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

Government support

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

COVID-19 Pandemic Outbreak and General Economic Risk

The markets in which we operate may from time to time be affected by a number of local, regional and global factors. Since our sales and operations are undertaken around the world, we may be directly or indirectly affected by an unfavourable political conditions or economic slowdown occurring within these geographic zones and our business may be exposed to a number of related risks.

Should the current uncertain global economic situation persist over time or deteriorate, should the economic headwinds in certain countries, regions or key markets intensify or spread to other countries, or should the global economic environment deteriorate, as was the case in 2020 due to the COVID-19 pandemic, this could, in particular, result in potential buyers postponing the purchase of our products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, an increase in our involvement in customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, paused or discontinued production of certain products, termination of employees or adverse impacts on suppliers.

COVID-19 Pandemic 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.

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, including worldwide vaccination efforts, 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 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 operations 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 for our products and services as customers divert resources and priorities.

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, 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 pandemic 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 pandemic 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 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.

Heightened impact of other risks

Several of the risks and uncertainties disclosed in our Financial Report for the fiscal year ended December 31, 2020 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", "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, including the worldwide vaccination efforts. 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.

Business environment risk

Financial condition of business aircraft customers

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

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

Trade policy

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

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

Increased competition from other businesses

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

Political instability

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

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

Force majeure

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

Global climate change

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

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

operations. In addition, concerns about the environmental impacts of air travel and tendencies towards "green" travel initiatives have contributed to higher levels of scrutiny with respect to emissions which could have the effect of reducing demand for air travel and could materially adversely impact our Aviation business and reputation.

Global climate change also results in regulatory risks which vary according to the national and local requirements implemented by each jurisdiction where we are present. Our products as well as our manufacturing and services activities are subject to environmental regulations by federal, provincial and local authorities in Canada as well as local regulatory authorities with jurisdiction over our operations outside of Canada. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Most countries where we carry out manufacturing activities are at various stages of developing binding emission allocations and trading schemes. During 2020, our regulatory risks associated with climate change mainly fell under our obligations to the European Union Emission Trading Scheme, the United Kingdom Climate Change Agreement, the United Kingdom's Carbon Reduction Commitment energy efficiency scheme (launched in April 2010), the Energy Savings Opportunity Scheme and the Québec carbon market trading scheme. Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas emissions. The impact to us and our industry from legislation and increased regulation regarding climate change is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. We may be directly exposed to such measures, which could result in significant costs on us, on our customers and on our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs necessary to comply with such regulations that could adversely affect our business, financial condition, operating performance, and ability to compete. In addition, such regulatory changes could necessitate us to develop new technologies, requiring significant investments of capital and resources.

Market risk

Foreign exchange risk

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

Interest rate risk

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

Commodity price risk

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

Inflation risk

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

FINANCIAL INSTRUMENTS

An important portion of the consolidated balance sheets is composed of financial instruments. Financial assets of the Corporation include cash and cash equivalents, trade and other receivables, aircraft loans, investments in securities, receivable from MHI, balance of payment on disposal of investment in associate, receivables from ACLP, investments in financing structures, long-term contract receivables, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade and other payables, long-term debt, short-term borrowings, lease subsidies, lease liabilities, liabilities related to RASPRO assets, payable to MHI, government refundable advances, credit and residual value guarantees payable, vendor non-recurring costs and derivative financial instruments with a negative fair value. Derivative financial instruments are mainly used to manage exposure to foreign exchange and interest rate risks. They consist mostly of forward foreign exchange contracts and interest rate swap agreements.

The use of financial instruments exposes us primarily to credit, liquidity and market risks, including foreign exchange and interest rate risks. A description on how we manage these risks is included in the Risk management section of Overview and in Note 38 – Financial risk management, to the consolidated financial statements.

Fair value of financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as FVTP&L, b) financial instruments designated as FVTP&L, c) FVOCI financial assets, or d) amortised cost. Financial instruments are subsequently measured at amortised cost, unless they are classified as FVOCI or FVTP&L or designated as FVTP&L, in which case they are subsequently measured at fair value. The classification of financial instruments as well as the revenues, expenses, gains and losses associated with these instruments are provided in Note 2 - Summary of significant accounting policies and in Note 13 – Financial instruments, to the consolidated financial statements.

Note 39 - Fair value of financial instruments, to the consolidated financial statements, provides a detailed description of the methods and assumptions used to determine the fair values of financial instruments. These values are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the principal market for that instrument to which we have immediate access. However, there is no active market for most of our financial instruments. In the absence of an active market, we determine fair value based on internal or external valuation models, such as 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, we use primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, credit spreads, default probabilities, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable. These calculations represent management's best estimates. Since they are based on estimates, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

Note 39 – Fair value of financial instruments, to the consolidated financial statements, also provides a three-level fair value hierarchy, categorizing financial instruments by the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In cases where the inputs used to measure fair value are categorized within different levels of hierarchy, the fair value measurement is reported at the lowest level of the input that is significant to the entire measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, taking into account factors specific to the asset or liability. The fair

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

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

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

Receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. Receivable from MHI represents a back to back agreement that the Corporation has with MHI related to lease subsidies. The liabilities related to RASPRO includes a back-to-back agreement that the Corporation has with MHI related to the transfer of the net beneficial interest related to the investments in financing structures. The payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans. Refer to Note 39 - Fair value of Financial instruments for detailed sensitivity analysis on those financial instruments.

Sensitivity analysis
Our main exposures to changes in fair value of financial instruments are related to changes in foreign exchange, and interest rates. Note 38 – Financial risk management and Note 39 – Fair value of financial instruments, to the consolidated financial statements, present sensitivity analyses assuming variations in foreign exchange and interest rates.

RELATED PARTY TRANSACTIONS

Related parties, as defined by IFRS, are our joint ventures, associates and key management personnel. A description of our transactions with these related parties is included in Note 40 – Transactions with related parties, to the consolidated financial statements.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Our significant accounting policies and use of estimates and judgment are described in Note 2 – Summary of significant accounting policies and Note 4 – Use of estimates and judgment, to our Consolidated financial statements. The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment. Critical accounting estimates, which are evaluated on a regular ongoing basis and can change from period to period, are described in this section. Estimates and judgments are significant when:

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

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

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

The following areas require management's most critical estimates and judgments. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Long-term contracts

Transportation conducts most of its business under long-term manufacturing and service contracts and Aviation has some long-term maintenance service contracts, as well as design and development contracts for third parties. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles, vehicle overhaul and signalling contracts) and service contracts are recognized over time. The long-term nature of these contracts requires estimates of total contract costs and the transaction price. The measure of progress toward complete satisfaction of the performance obligation is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance.

The contract transaction price includes adjustments for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for the Corporation. Variable consideration such as assumptions for price escalation clauses, performance incentives and claims is only included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material usage and costs, including escalation clauses, labour hours and costs, foreign exchange rates (including the effect of hedges) and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical

performance trends, economic trends, collective agreements and contracts signed with suppliers. Management applies judgment to determine the probability that the Corporation will incur additional costs from delays or other penalties, and such costs, if probable, are included in estimated costs at completion, unless there is an adjustment to the transaction price in which case it is recorded as a reduction of estimated revenues at completion.

Recognized revenues and margins are subject to revisions as contracts progress towards completion. Management conducts quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis, including a review of escalation assumptions. In addition, a detailed annual review is performed on a contract-by-contract basis as part of the budget and strategic plan process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

As part of its financial statement close process, Transportation updated its long-term contract accounting for identified changes in estimated contract revenues, contract costs and progress toward completion. During fiscal year 2020, Transportation revised its estimates on a number of projects leading to a charge of $1.1 billion, mainly in Germany, U.K. and Switzerland. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic were recorded as expenses for the fiscal year 2020.

Sensitivity analysis
A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased Transportation's gross margin for fiscal year 2020 by approximately $124 million.

Aerospace program tooling

Aerospace program tooling amortization and the calculation of recoverable amounts used in impairment testing require estimates of the expected number of aircraft to be delivered over the life of each program. The expected number of aircraft is based on management's aircraft market forecasts and the Corporation's expected share of each market. Such estimates are reviewed in detail as part of the budget and strategic plan process. For purposes of impairment testing, management exercises judgment to identify independent cash inflows to identify CGUs by family of aircraft. Other key estimates used to determine the recoverable amount include the applicable discount rate, the expected future cash flows over the remaining life of each program, which include costs to complete the development activities, if any, as well as potential upgrades, and derivatives expected over the life of the program. The estimated cost of potential upgrades and derivatives is based on past experience with previous programs. The expected future cash flows also include cash flows from aftermarket activities. The inputs used in the discounted cash flow model are Level 3 inputs (inputs that are not based on observable market data).

The recoverable amounts of aerospace assets or CGUs are based on fair value less costs of disposal. The recoverable amounts were established during the fourth quarter of 2020. The fair value measurements are categorized within Level 3 of the fair value hierarchy. The estimate of the fair value less costs of disposal was determined using forecast future cash flows. The estimated future cash flows for the first five years are based on the budget and strategic plan. After the initial five years, long-range forecasts prepared by management are used. Forecast future cash flows are based on management's best estimate of future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedules, revenues from related services, procurement costs based on existing contracts with suppliers, future labour costs, general market conditions, foreign exchange rates and applicable long-range forecast income tax rates and a post-tax discount rate of 9% based on a weighted average cost of capital calculated using market-based inputs, available directly from financial markets or based on a benchmark sampling of representative publicly-traded companies in the aerospace sector.

An impairment test was performed for the *Global 7500* in the fourth quarter of 2020, and following this assessment the Corporation concluded there was no impairment.

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

A 10% decrease, evenly distributed over future periods, in the expected future net cash inflows for the *Global 7500* aircraft program would not have resulted in an impairment charge in fiscal year 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 fiscal year 2020 for the *Global 7500* aircraft program.

Goodwill

The recoverable amount of the Transportation operating segment, the group of CGUs at which level goodwill is monitored by management, is based on fair value less costs of disposal using the transaction price. During the fourth quarter of 2020, the Corporation performed an impairment test. Following this assessment the Corporation concluded there was no impairment. The fair value measurement is categorized within Level 3 of the fair value hierarchy.

Sensitivity analysis
A 100-basis point change in the post-tax discount rate would not have resulted in an impairment charge in 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. See Note 11 - Income taxes for more details.

Tax contingencies

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of our international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between our actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. We establish tax provisions for possible consequences of audits by the tax authorities of each country in which we operate. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

Retirement and other long-term employee benefits

The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

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

As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium- and long-term maturity bonds, the discount rate for the Corporation's Canadian pension and other post-employment plans is established by constructing a yield curve using three maturity ranges. The first maturity range of the curve is based on observed market rates for AA-rated corporate bonds with maturities of less than five years. In the longer maturity ranges, due to the smaller number of high-quality bonds available, the curve is derived using market observations and extrapolated data. The extrapolated data points were created by adding a term-based yield spread over long-term provincial bond yields. This term-based spread is extrapolated between a base spread and a long spread. The base spread is based on the observed spreads between AA-rated corporate bonds and AA-rated provincial bonds for the 4 to 10 years to maturity range. The long spread is determined as the spread required at the point of average maturity of AA-rated provincial bonds in the 11 to 30 years to maturity range such that the average AA-rated corporate bond spread above AA-rated provincial bonds is equal to the extrapolated spread derived by applying the ratio of the observed spreads between A-rated corporate bonds and AA-rated provincial bonds for the 11 to 30 years to maturity range over the 4 to 10 years to maturity range, to the base spread. For maturities longer than the average maturity of AA-rated provincial bonds in the 11 to 30 years to maturity range, the spread is assumed to remain constant at the level of the long spread.

Expected rates of compensation increases are determined considering the current salary structure, as well as historical and anticipated wage increases, in the context of current economic conditions.

See Note 23 – Retirement benefits, to the consolidated financial statements, for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Consolidation

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

Onerous contract provision

An onerous contract provision is recorded if it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it. In most cases the economic benefits expected to be received under the contract consist of contract revenue. The calculation of the unavoidable costs requires estimates of expected future costs, including anticipated future cost reductions related to performance improvements and transformation initiatives, anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. The measurement of the provision is impacted by anticipated delivery schedules since for

new aircraft programs early production units require higher cost than units produced later in the process, and for long-term train manufacturing contracts delays result in penalties.

Sensitivity analysis
A 1% increase in the expected costs over the life of the contract would have decreased EBIT from discontinued operations for fiscal year 2020 by approximately $57 million.

CDPQ investment equity and derivative liability components

The convertible shares issued to the CDPQ contain no obligation for the Corporation to deliver cash or other financial assets to the CDPQ. Judgment was used to conclude that the CDPQ's convertible share investment in BT Holdco is considered a compound instrument comprised of an equity component, representing the discretionary dividends and liquidation preference, and a liability component that reflects a derivative to settle the instrument by delivering a variable number of common shares of BT Holdco, as opposed to the entire instrument being characterized as a liability. The Corporation presents convertible shares in its equity (NCI) and derivative component as a liability held for sale.

The fair value of the convertible shares at issuance was assigned to its respective equity and derivative liability components so that no gain or loss arose from recognizing each component separately, the fair value of the derivative liability being established first and the residual amount allocated to the equity component. The liability component is remeasured quarterly. 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 discounted value of the difference between the CDPQ's share of proceeds from the sale of Transportation to Alstom, and the carrying value of CDPQ's non-controlling interest in Transportation.

See Note 39 - Fair value of financial instruments for more details on the fair value of the conversion option.

CONTROLS AND PROCEDURES

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

Disclosure controls and procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:
- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

Internal controls over financial reporting

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

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

Changes in internal controls over financial reporting

No changes were made to our internal controls over financial reporting that occurred during the quarter and fiscal year ended December 31, 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 foreign operations with non-U.S. dollar functional currencies, mainly the euro, pound sterling and other European currencies, and from transactions denominated in foreign currencies, mainly the Canadian dollar and pound sterling.

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

	December 31, 2020	December 31, 2019	Increase
Euro	**1.2271**	1.1234	9%
Canadian dollar	**0.7849**	0.7696	2%
Pound sterling	**1.3649**	1.3204	3%

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

	December 31, 2020	December 31, 2019	Increase
Euro	**1.1922**	1.1069	8%
Canadian dollar	**0.7672**	0.7574	1%
Pound sterling	**1.3200**	1.2849	3%

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

	December 31, 2020	December 31, 2019	Increase (Decrease)
Euro	**1.1409**	1.1200	2%
Canadian dollar	**0.7461**	0.7537	(1%)
Pound sterling	**1.2834**	1.2763	1%

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at February 9, 2021

	Authorized	Issued and outstanding	
Class A Shares (multiple voting)[1]	3,592,000,000	308,735,929	
Class B Shares (subordinate voting)[2]	3,592,000,000	2,111,045,001	(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 17,047,941 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Warrant, share option, PSU and DSU data as at December 31, 2020

Warrants issued and outstanding	205,851,872
Options issued and outstanding under the share option plans	134,061,653
PSUs and DSUs issued and outstanding under the PSU and DSU plans	175,217,572
Class B Subordinate Voting Shares held in trust to satisfy PSU obligations	17,047,941

Information

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

The *Global 8000* aircraft is currently in development, and as such is 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.

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

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements for fiscal years ended December 31, 2020, 2019 and 2018.

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

Fiscal years ended December 31	**2020** [1]	2019 *restated*[1]	2018 *restated*[1]
Revenues	**$ 6,487**	$ 7,488	$ 7,321
Net income (loss) attributable to equity holders of Bombardier Inc.			
Continuing operations	**$ (170)**	$ (1,541)	$ (12)
Discontinued operations	**$ (698)**	$ (256)	$ 244
Total	**$ (868)**	$ (1,797)	$ 232
EPS (in dollars)			
Continuing operations - basic	**$ (0.08)**	$ (0.65)	$ 0.00
Continuing operations - diluted	**$ (0.08)**	$ (0.65)	$ 0.00
Discontinued operations - basic	**$ (0.29)**	$ (0.11)	$ 0.10
Discontinued operations - diluted	**$ (0.29)**	$ (0.11)	$ 0.09
Total basic	**$ (0.37)**	$ (0.76)	$ 0.10
Total diluted	**$ (0.37)**	$ (0.76)	$ 0.09
Cash dividends declared per share (in Canadian dollars)			
Class A Shares (multiple voting)	**$ —**	$ —	$ —
Class B Shares (subordinate voting)	**$ —**	$ —	$ —
Series 2 Preferred Shares	**$ 0.72**	$ 0.99	$ 0.90
Series 3 Preferred Shares	**$ 1.00**	$ 1.00	$ 1.00
Series 4 Preferred Shares	**$ 1.56**	$ 1.56	$ 1.56

As at December 31	**2020**	2019	2018
Total assets	**$ 23,090**	$ 24,972	$ 24,958
Non-current financial liabilities	**$ 9,418**	$ 10,930	$ 10,619

[1] Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

The quarterly data table is shown hereafter.

February 10, 2021

BOMBARDIER INC.
QUARTERLY DATA (UNAUDITED)
(the quarterly data has been prepared in accordance with IAS 34, Interim financial reporting, except market price ranges)
(in millions of U.S. dollars, except per share amounts)

Fiscal years					**2020**					2019
	Total	**Fourth quarter**	**Third quarter**	**Second quarter** *restated[1]*	**First quarter** *restated[1]*	Total *restated[1]*	Fourth quarter *restated[1]*	Third quarter *restated[1]*	Second quarter *restated[1]*	First quarter *restated[1]*
Revenues										
Aviation	**$ 6,488**	**$ 2,337**	**$ 1,405**	**$ 1,223**	**$ 1,523**	$ 7,501	$ 2,413	$ 1,558	$ 2,120	$ 1,410
Transportation[1]	**7,844**	**2,076**	**2,120**	**1,479**	**2,169**	8,269	1,793	2,175	2,194	2,107
Corporate and Others	**(1)**	**—**	**—**	**—**	**(1)**	(13)	(1)	(11)	—	(1)
	14,331	**4,413**	**3,525**	**2,702**	**3,691**	15,757	4,205	3,722	4,314	3,516
Reclassified[1]	**(7,844)**	**(2,076)**	**(2,120)**	**(1,479)**	**(2,169)**	(8,269)	(1,793)	(2,175)	(2,194)	(2,107)
	$ 6,487	**$ 2,337**	**$ 1,405**	**$ 1,223**	**$ 1,522**	$ 7,488	$ 2,412	$ 1,547	$ 2,120	$ 1,409
EBIT										
Aviation	**$ 937**	**$ 479**	**$ 9**	**$ 442**	**$ 7**	$ 1,194	$ 94	$ 96	$ 340	$ 664
Transportation[1]	**(618)**	**(336)**	**44**	**(377)**	**51**	22	(236)	88	87	83
Corporate and Others	**(25)**	**(46)**	**(38)**	**(39)**	**98**	(1,714)	(1,554)	(41)	(56)	(63)
	294	**97**	**15**	**26**	**156**	(498)	(1,696)	143	371	684
Reclassified[1]	**618**	**336**	**(44)**	**377**	**(51)**	(22)	236	(88)	(87)	(83)
	$ 912	**$ 433**	**$ (29)**	**$ 403**	**$ 105**	$ (520)	$ (1,460)	$ 55	$ 284	$ 601
Financing expense[2]	**1,060**	**240**	**234**	**213**	**402**	996	236	246	240	293
Financing income[2]	**(27)**	**(28)**	**(7)**	**(9)**	**(12)**	(226)	(93)	(28)	(20)	(104)
EBT	**(121)**	**221**	**(256)**	**199**	**(285)**	(1,290)	(1,603)	(163)	64	412
Income taxes	**49**	**236**	**(232)**	**49**	**(4)**	251	(75)	5	124	197
Net income (loss) from continuing operations	**$ (170)**	**$ (15)**	**$ (24)**	**$ 150**	**$ (281)**	$ (1,541)	$ (1,528)	$ (168)	$ (60)	$ 215
Net income (loss) from discontinued operations	**(398)**	**(322)**	**216**	**(373)**	**81**	(66)	(191)	77	24	24
Net income (loss)	**$ (568)**	**$ (337)**	**$ 192**	**$ (223)**	**$ (200)**	$ (1,607)	$ (1,719)	$ (91)	$ (36)	$239
Attributable to										
Equity holders of Bombardier Inc.	**$ (868)**	**$ (423)**	**$ 111**	**$ (298)**	**$ (258)**	$ (1,797)	$ (1,770)	$ (139)	$ (83)	$ 195
NCI	**300**	**86**	**81**	**75**	**58**	190	51	48	47	44
	$ (568)	**$ (337)**	**$ 192**	**$ (223)**	**$ (200)**	$ (1,607)	$ (1,719)	$ (91)	$ (36)	$ 239
EPS (in dollars)										
Continuing operations basic and diluted	**$ (0.08)**	**$ (0.01)**	**$ (0.01)**	**$ 0.06**	**$ (0.12)**	$ (0.65)	$ (0.64)	$ (0.07)	$ (0.03)	$ 0.09
Discontinued operations basic and diluted	**$ (0.29)**	**$ (0.17)**	**$ 0.06**	**$ (0.19)**	**$ 0.01**	$ (0.11)	$ (0.10)	$ 0.01	$ (0.01)	$ (0.01)
Total basic and diluted	**$ (0.37)**	**$ (0.18)**	**$ 0.05**	**$ (0.13)**	**$ (0.11)**	$ (0.76)	$ (0.74)	$ (0.06)	$ (0.04)	$ 0.08
Market price range of Class B Subordinate Voting Shares (in Canadian dollars)										
High	**$ 1.97**	**$ 0.58**	**$ 0.51**	**$ 0.69**	**$ 1.97**	$ 3.03	$ 2.15	$ 2.34	$ 2.92	$ 3.03
Low	**$ 0.26**	**$ 0.26**	**$ 0.33**	**$ 0.39**	**$ 0.38**	$ 1.53	$ 1.53	$ 1.53	$ 1.96	$ 1.85

[1] Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.

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

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY

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

For the fiscal years ended December 31	2020[1]	2019 restated[1]	2018 restated[1]	2017 restated[1]	2016 restated[1]
Revenues	**$ 6,487**	$ 7,488	$ 7,321	$ 7,648	$ 8,765
Adjusted EBIT[2]	**$ (211)**	$ 400	$ 279	$ (13)	$ (133)
Special items	**(1,123)**	920	52	131	321
EBIT	**912**	(520)	227	(144)	(454)
Financing expense	**1,060**	996	593	594	668
Financing income	**(27)**	(226)	(87)	(56)	(61)
EBT	**(121)**	(1,290)	(279)	(682)	(1,061)
Income taxes	**49**	251	(192)	(15)	38
Net loss from continuing operations	**(170)**	(1,541)	(87)	(667)	(1,099)
Net income (loss) from discontinued operations	**(398)**	(66)	405	142	118
Net income (loss)	**$ (568)**	$ (1,607)	$ 318	$ (525)	$ (981)
Attributable to					
Equity holders of Bombardier Inc.	**$ (868)**	$ (1,797)	$ 232	$ (494)	$ (1,022)
NCI	**$ 300**	$ 190	$ 86	$ (31)	$ 41
Adjusted net loss from continuing operations[2]	**$ (1,115)**	$ (406)	$ (7)	$ (468)	$ (635)
EPS (in dollars)					
Continuing operations - basic and diluted	**$ (0.08)**	$ (0.65)	$ 0.00	$ (0.23)	$ (0.46)
Discontinued operations - basic	**$ (0.29)**	$ (0.11)	$ 0.10	$ (0.01)	$ (0.02)
Discontinued operations - diluted	**$ (0.29)**	$ (0.11)	$ 0.09	$ (0.01)	$ (0.02)
Continuing operations - adjusted[2]	**$ (0.47)**	$ (0.18)	$ 0.03	$ (0.14)	$ (0.25)
General information					
Export revenues from Canada[3]	**$ 5,182**	$ 5,187	$ 5,803	$ 6,498	$ 6,383
Net additions to PP&E and intangible assets[4]	**$ 354**	$ 523	$ 415	$ 1,317	$ 1,201
Amortization[4]	**$ 510**	$ 422	$ 272	$ 314	$ 371
Impairment charges (reversals) on PP&E and intangible assets[4]	**$ 42**	$ (4)	$ 11	$ 51	$ 10
Dividend per common share (in Canadian dollars)					
Class A	**$ 0.00**	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Class B Subordinate Voting	**$ 0.00**	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Dividend per preferred share (in Canadian dollars)					
Series 2	**$ 0.72**	$ 0.99	$ 0.90	$ 0.72	$ 0.68
Series 3	**$ 1.00**	$ 1.00	$ 1.00	$ 0.89	$ 0.78
Series 4	**$ 1.56**	$ 1.56	$ 1.56	$ 1.56	$ 1.56
Market price ranges (in Canadian dollars)					
Class A Shares					
High	**$ 2.02**	$ 3.08	$ 5.60	$ 3.25	$ 3.35
Low	**$ 0.38**	$ 1.57	$ 1.70	$ 1.87	$ 0.89
Close	**$ 0.82**	$ 1.94	$ 2.08	$ 3.05	$ 2.33
Class B Subordinate Voting Shares					
High	**$ 1.97**	$ 3.03	$ 5.58	$ 3.24	$ 2.28
Low	**$ 0.26**	$ 1.53	$ 1.59	$ 1.96	$ 0.72
Close	**$ 0.48**	$ 1.93	$ 2.03	$ 3.03	$ 2.16
As at December 31					
Number of common shares (in millions)	**2,420**	2,398	2,373	2,194	2,193
Book value per common share (in dollars)	**$ (3.96)**	$ (3.49)	$ (2.63)	$ (3.20)	$ (2.95)

[1] Transportation was classified as discontinued operations as of December 31, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 31 - Discontinued operations to our Consolidated financial statements for more details.
[2] Non-GAAP financial measures. Refer to the Non-GAAP financial measures for definitions of these metrics and reconciliations to the most comparable IFRS measures in 2020 and 2019.
[3] Includes Transportation.
[4] As per the consolidated statement of cash flows of our Consolidated financial statements.

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

As at December 31	2020	2019	2018 [1]	2017	2016
Assets					
Cash and cash equivalents	**$ 1,779**	$ 2,578	$ 3,187	$ 2,988	$ 3,384
Trade and other receivables	**294**	1,844	1,575	1,174	1,220
Contract assets	**61**	2,485	2,617	2,460	1,631
Inventories	**3,650**	4,599	4,402	3,429	4,286
Other financial assets	**227**	195	210	415	336
Other assets	**218**	473	357	427	427
Assets held for sale	**10,417**	1,309	—	4,150	—
Current assets	**16,646**	13,483	12,348	15,043	11,284
PP&E	**668**	1,781	1,557	1,696	1,949
Aerospace program tooling	**4,396**	4,616	4,519	3,581	5,174
Goodwill	**—**	1,936	1,948	2,042	1,855
Deferred income taxes	**111**	546	746	595	698
Investments in joint ventures and associates	**—**	1,059	2,211	491	332
Other financial assets	**912**	989	1,030	825	915
Other assets	**357**	562	599	643	588
Non-current assets	**6,444**	11,489	12,610	9,873	11,511
	$ 23,090	$ 24,972	$ 24,958	$ 24,916	$ 22,795
Liabilities					
Trade and other payables	**$ 1,611**	$ 4,682	$ 4,634	$ 3,964	$ 3,045
Provisions	**146**	1,060	1,390	1,630	1,542
Contract liabilities	**2,356**	5,739	4,262	3,820	3,840
Current portion of long-term debt	**1,882**	8	9	18	31
Other financial liabilities	**239**	617	598	324	577
Other liabilities	**447**	1,441	1,499	1,723	1,634
Liabilities directly associated with assets held for sale	**10,146**	1,768	—	2,686	—
Current liabilities	**16,827**	15,315	12,392	14,165	10,669
Provisions	**289**	311	1,110	781	1,561
Contract liabilities	**1,219**	1,417	1,933	1,272	1,673
Long-term debt	**8,193**	9,325	9,093	9,200	8,738
Retirement benefits	**1,606**	2,445	2,381	2,633	2,647
Other financial liabilities	**1,225**	1,605	1,526	965	999
Other liabilities	**388**	465	537	595	891
Non-current liabilities	**12,920**	15,568	16,580	15,446	16,509
	29,747	30,883	28,972	29,611	27,178
Equity (deficit)					
Attributable to equity holders of Bombardier Inc.	**(9,325)**	(7,667)	(5,563)	(6,608)	(6,054)
Attributable to NCI	**2,668**	1,756	1,549	1,913	1,671
	(6,657)	(5,911)	(4,014)	(4,695)	(4,383)
	$ 23,090	$ 24,972	$ 24,958	$ 24,916	$ 22,795

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

BOMBARDIER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended December 31, 2020 and 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

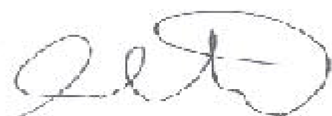
Bombardier Inc.'s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed disclosure controls and procedures and internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating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

Bombardier Inc.'s CEO and CFO have also evaluated the effectiveness of Bombardier Inc.'s disclosure controls and procedures and internal controls over financial reporting as of the end of the fiscal year 2020. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures and internal controls over financial reporting were effective as of that date, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework). In addition, based on this assessment, they determined that there were no material weaknesses in internal control over financial reporting as of the end of the fiscal year 2020. In compliance with the Canadian Securities Administrators' National Instrument 52-109, Bombardier Inc.'s CEO and CFO have provided a certification related to Bombardier Inc.'s annual disclosure to the Canadian Securities Administrators, including the consolidated financial statements and MD&A.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit and Risk Committee.

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

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



Eric Martel
President and Chief Executive Officer

Bart Demosky
Executive Vice President and Chief Financial Officer

February 10, 2021

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOMBARDIER INC.

Opinion

We have audited the consolidated financial statements of Bombardier Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020, 2019 and January 1, 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, 2019 and January 1, 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addresses the key audit matter
Revenue and gross margin recognition on long-term contracts	
For the fiscal year ended December 31, 2020, revenues and gross margin for Transportation presented within net loss from discontinued operations, amounted to $7,844 million and $(179) million respectively. Moreover, as at December 31, 2020, contract assets and contract liabilities presented as assets held for sale amounted to $3,260 million and $2,749 million respectively. Transportation conducts most of its business under long-term manufacturing contracts which require estimates of total contract costs and the transaction price, as disclosed in Note 4 of the consolidated financial statements. We believe that the measurement of revenue and gross margin and related contract assets and liabilities on long-term manufacturing contracts in Transportation is a key audit matter, because of the degree of required estimates and judgments which significantly impact the determination of the extent of progress towards completion. Key judgments and estimates related to contract costs at completion are forecasts for material usage and costs, labour hours and costs, labour productivity and the probability of additional costs from delays or penalties. Key judgments and estimates related to the transaction price are change orders and claims.	As part of our audit, we obtained an understanding of the Group's controls for managing and monitoring long-term contracts. More specifically, we assessed the design and operating effectiveness of internal controls related to the measurement of revenues and costs and the stage of completion. For a sample of contracts, including those selected based on individual contract risks or size, we: • Obtained an understanding of contract performance through discussion with project management; • Examined the terms and conditions of the contracts, including contract amendments and change orders; • Performed inquiries of project management with respect to the reasons for deviations between planned and actual material usage and costs, labour hours and costs, labour productivity, claims delays and penalties and corroborated such information by comparing to other available information, including prior period experience for the same or similar projects; • Corroborated the main assumptions of revenue and costs at completion including provision for onerous contracts, if any, with costs incurred to date, with the focus being on material usage and costs, labor hours and costs, labor productivity, change orders and claims; • Inquired with internal and/or external counsel to corroborate management's representations with respect to the status of claims and penalties; • Assessed, through discussions with project management and past performance of the contract, the probabilities that contract risks and opportunities will materialize; • Recalculated stage of completion of the contract based on costs incurred to date and estimated total costs; • Examined externally available evidence, such as regulatory approval, customer correspondence and/or acceptance, or status of claims; • Reviewed the general ledger data to identify anomalies in margin through the contracts' execution; • Evaluated the information presented in Notes 4 and 31 of the notes to the consolidated financial statements.

Valuation of Global 7500 aircraft program tooling

As at December 31, 2020, the net carrying value of aerospace program tooling amounted to $4,396 million, of which a significant portion related to the Global 7500 CGU. As stated in Note 4 of the notes to the consolidated financial statements, the recoverable amount of the Global 7500 CGU is based on its fair value less costs of disposal. The fair value measurement is categorized within Level 3 of the fair value hierarchy and is determined using forecasted future cash flows. We believe that the determination of the recoverable amount of the Global 7500 aircraft program tooling is a key audit matter given management's estimates and judgments required in estimating the fair value less costs of disposal of the balances recorded in the consolidated financial statements.

The key drivers of the forecasted future cash flows are based on management's best estimate of future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedules, revenues from related services, procurement costs based on existing contracts with suppliers, future labour costs, and post-tax discount rate.

To evaluate the appropriateness of the valuation of the Global 7500 program tooling, our audit procedures included the following, among others:

- Reviewed the impairment model prepared by management and assessed key assumptions used with internally or externally available evidence with the focus on future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedules, revenues from related services, procurement costs based on existing contracts with suppliers and future labour costs;
- Evaluated the Group's post-tax discount rate with the assistance of our valuation specialists;
- Agreed the underlying cash flows to the budget approved by the Board of Directors;
- Evaluated the changes in the above-mentioned assumptions compared to the prior year impairment assessment as well as evaluated the absence of such changes;
- Evaluated the information presented in Note 4 of the notes to the consolidated financial statements.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young LLP [1]

Ernst & Young LLP
Montréal, Canada
February 10, 2021

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

CONSOLIDATED FINANCIAL STATEMENTS

For fiscal years 2020 and 2019
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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

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

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

	Notes		**2020**		2019 [1]
Revenues		**$**	**6,487**	$	7,488
Cost of sales	17		**5,971**		6,447
Gross margin			**516**		1,041
SG&A			**420**		557
R&D	6		**320**		156
Share of income of joint ventures and associates			**(2)**		(34)
Other income	7		**(11)**		(38)
Special items	8		**(1,123)**		920
EBIT			**912**		(520)
Financing expense	9		**1,060**		996
Financing income	9		**(27)**		(226)
EBT			**(121)**		(1,290)
Income taxes	11		**49**		251
Net loss from continuing operations			**(170)**		(1,541)
Net loss from discontinued operations	31		**(398)**		(66)
Net loss		**$**	**(568)**	$	(1,607)
Attributable to					
Equity holders of Bombardier Inc.		**$**	**(868)**	$	(1,797)
NCI[2]			**300**		190
		$	**(568)**	$	(1,607)
Net loss attributable to equity holders of Bombardier Inc.					
Continuing operations		**$**	**(170)**	$	(1,541)
Discontinued operations	31		**(698)**		(256)
		$	**(868)**	$	(1,797)
EPS (in dollars)	12				
Continuing operations basic and diluted		**$**	**(0.08)**	$	(0.65)
Discontinued operations basic and diluted	31	**$**	**(0.29)**	$	(0.11)
Total basic and diluted		**$**	**(0.37)**	$	(0.76)

[1] Restated for the sale of Transportation, refer to Note 31 - Discontinued operations for more details.
[2] Net income attributable to NCI is related to discontinued operations, refer to Note 31 - Discontinued operations.

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

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

	Notes	**2020**	2019
Net loss		**$ (568)**	$ (1,607)
OCI			
Items that may be reclassified to net income			
Net change in cash flow hedges			
Foreign exchange re-evaluation		**(3)**	(4)
Net loss on derivative financial instruments		**(21)**	(1)
Reclassification to income or to the related non-financial asset[1][2]		**26**	39
Income taxes	11	**18**	(17)
		20	17
FVOCI financial assets			
Net unrealized gain		**7**	5
CCTD			
Net investments in foreign operations		**(148)**	95
Items that are never reclassified to net income			
FVOCI equity instruments			
Net unrealized gain		**4**	5
Retirement benefits			
Remeasurement of defined benefit plans	23	**(456)**	(520)
Income taxes	11	**43**	50
		(409)	(465)
Total OCI		**(530)**	(348)
Total comprehensive loss		**$ (1,098)**	$ (1,955)
Attributable to			
Equity holders of Bombardier Inc.		**$ (1,626)**	$ (2,117)
NCI		**528**	162
		$ (1,098)	$ (1,955)
Total comprehensive loss attributable to equity holders of Bombardier Inc.			
Continuing operations		**$ (509)**	$ (1,705)
Discontinued operations[3]	31	**(1,117)**	(412)
		$ (1,626)	$ (2,117)

[1] Includes $19 million of loss reclassified to the related non-financial asset for fiscal year 2020 ($56 million of loss for fiscal year 2019).
[2] $20 million of net deferred loss is expected to be reclassified from OCI to the carrying amount of the related non-financial asset or to expense during fiscal year 2021.
[3] Refer to Note 31 - Discontinued operations for more details.

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

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

	Notes	**December 31 2020**	December 31 2019	January 1 2019 [(1)]
Assets				
Cash and cash equivalents	14	**$ 1,779**	$ 2,578	$ 3,187
Trade and other receivables	15	**294**	1,844	1,575
Contract assets	16	**61**	2,485	2,617
Inventories	17	**3,650**	4,599	4,402
Other financial assets	19	**227**	195	210
Other assets	20	**218**	473	357
Assets held for sale[(2)]	31	**10,417**	1,309	—
Current assets		**16,646**	13,483	12,348
PP&E	21	**668**	1,781	2,111
Aerospace program tooling	22	**4,396**	4,616	4,519
Goodwill	22	**—**	1,936	1,948
Deferred income taxes	11	**111**	546	746
Investments in joint ventures and associates		**—**	1,059	2,211
Other financial assets	19	**912**	989	1,030
Other assets	20	**357**	562	599
Non-current assets		**6,444**	11,489	13,164
		$ 23,090	$ 24,972	$ 25,512
Liabilities				
Trade and other payables	24	**$ 1,611**	$ 4,682	$ 4,634
Provisions	25	**146**	1,060	1,390
Contract liabilities	16	**2,356**	5,739	4,262
Current portion of long-term debt	28	**1,882**	8	9
Other financial liabilities[(3)]	26	**239**	617	701
Other liabilities[(3)]	27	**447**	1,441	1,499
Liabilities directly associated with assets held for sale[(2)]	31	**10,146**	1,768	—
Current liabilities		**16,827**	15,315	12,495
Provisions	25	**289**	311	1,110
Contract liabilities	16	**1,219**	1,417	1,933
Long-term debt	28	**8,193**	9,325	9,052
Retirement benefits	23	**1,606**	2,445	2,381
Other financial liabilities[(3)]	26	**1,225**	1,605	2,032
Other liabilities[(3)]	27	**388**	465	523
Non-current liabilities		**12,920**	15,568	17,031
		29,747	30,883	29,526
Equity (deficit)				
Attributable to equity holders of Bombardier Inc.		**(9,325)**	(7,667)	(5,563)
Attributable to NCI		**2,668**	1,756	1,549
		(6,657)	(5,911)	(4,014)
		$ 23,090	$ 24,972	$ 25,512
Commitments and contingencies	42			

(1) Includes the impact of the adoption of IFRS 16, *Leases* which resulted in the recognition of right-of-use assets, in PP&E, and lease liabilities, in Other financial liabilities, amounting to $554 million and $568 million, respectively as of January 1, 2019.
(2) Assets held for sale and liabilities directly associated with assets held for sale as at December 31, 2019 include $476 million and $447 million, respectively related to the sale of the CRJ business and $833 million and $1,321 million, respectively related to the sale of the aerostructure business.
(3) Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 43 - Reclassification.
The notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors

Pierre Beaudoin
Director

Diane Giard
Director

BOMBARDIER INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the fiscal years ended

(in millions of U.S. dollars)

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at January 1, 2019	$ 347	$ 2,596	$ 343	$ (6,294)	$ (2,305)	$ 203	$ (1)	$ (68)	$ (384)	$ (5,563)	$ 1,549	$ (4,014)
Total comprehensive income (loss)												
Net income (loss)	—	—	—	(1,797)	—	—	—	—	—	(1,797)	190	(1,607)
OCI	—	—	—	—	(470)	—	10	17	123	(320)	(28)	(348)
	—	—	—	(1,797)	(470)	—	10	17	123	(2,117)	162	(1,955)
Options exercised	—	5	—	—	—	(1)	—	—	—	4	—	4
Issuance of NCI[(1)]	—	—	—	—	—	—	—	—	—	—	49	49
Dividends - preferred shares, net of taxes	—	—	—	(21)	—	—	—	—	—	(21)	—	(21)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(4)	(4)
Shares distributed - PSU plan	—	33	—	—	—	(33)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	30	—	—	—	30	—	30
As at December 31, 2019	$ 347	$ 2,634	$ 343	$ (8,112)	$ (2,775)	$ 199	$ 9	$ (51)	$ (261)	$ (7,667)	$ 1,756	$ (5,911)
Total comprehensive income (loss)												
Net income (loss)	—	—	—	(868)	—	—	—	—	—	(868)	300	(568)
OCI	—	—	—	—	(413)	—	11	20	(376)	(758)	228	(530)
	—	—	—	(868)	(413)	—	11	20	(376)	(1,626)	528	(1,098)
Cancellation of warrants[(2)]	—	—	(270)	—	—	230	—	—	—	(40)	—	(40)
Issuance of NCI[(3)]	—	—	—	—	—	—	—	—	—	—	386	386
Dividends - preferred shares, net of taxes	—	—	—	(18)	—	—	—	—	—	(18)	—	(18)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(2)	(2)
Shares distributed - PSU plan	—	42	—	—	—	(42)	—	—	—	—	—	—
Share-based expense	—	—	—	—	—	26	—	—	—	26	—	26
As at December 31, 2020	**$ 347**	**$ 2,676**	**$ 73**	**$ (8,998)**	**$ (3,188)**	**$ 413**	**$ 20**	**$ (31)**	**$ (637)**	**$ (9,325)**	**$ 2,668**	**$ (6,657)**

[(1)] The Corporation and CDPQ made a capital injection of €150 million ($164 million) at their respective pro-rata share of equity as at September 26, 2019.

[(2)] Following the sale of its remaining interests in ACLP, the Corporation cancelled the warrants held by Airbus, see Note 29 - Disposal of investment in associate for more details.

[(3)] CDPQ made a capital injection of €350 million ($386 million) in BT Holdco. See Note 31 - Discontinued operations for more details.

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

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

	Notes	2020	2019
Operating activities			
Net loss		**$ (568)**	$ (1,607)
Non-cash items			
Amortization[1]	21, 22	**510**	422
Impairment charges on ACLP investments	8	**—**	1,578
Impairment charges (reversals) on PP&E and intangible assets	7, 8, 21	**42**	(4)
Deferred income taxes	11	**32**	113
Gains on disposals of PP&E	7	**(3)**	(10)
Gains on disposal of investment in associate and businesses	8, 21, 22	**(1,286)**	(730)
Share of income of joint ventures and associates		**(110)**	(128)
Share-based expense		**26**	30
Loss on repurchase of long-term debt	8, 9	**—**	84
Dividends received from joint ventures and associates		**52**	49
Net change in non-cash balances	35	**(1,516)**	(477)
Cash flows from operating activities[2]		**(2,821)**	(680)
Investing activities			
Additions to PP&E and intangible assets		**(364)**	(552)
Proceeds from disposals of PP&E and intangible assets		**10**	29
Investments in non-voting units of ACLP		**(100)**	(350)
Net proceeds from disposal of investment in associate and businesses	29, 30	**1,385**	826
Capital injection in joint ventures and associates		**—**	(64)
Other		**36**	(7)
Cash flows from investing activities[2]		**967**	(118)
Financing activities			
Net proceeds from issuance of long-term debt	28	**707**	1,956
Repayments of long-term debt	28	**(8)**	(1,762)
Net variation in short-term borrowings		**742**	—
Payment of lease liabilities[3]		**(93)**	(112)
Dividends paid - preferred shares	33	**(19)**	(20)
Issuance of NCI		**386**	49
Dividends to NCI		**(2)**	(4)
Other		**—**	3
Cash flows from financing activities[2]		**1,713**	110
Effect of exchange rates on cash and cash equivalents		**(38)**	130
Net decrease in cash and cash equivalents		**(179)**	(558)
Cash and cash equivalents at beginning of year[4]	14	**2,629**	3,187
Cash and cash equivalents at end of year[4]	14	**$ 2,450**	$ 2,629
Supplemental information[5][6]			
Cash paid for			
Interest		**$ 787**	$ 732
Income taxes		**$ 103**	$ 172
Cash received for			
Interest		**$ 18**	$ 25
Income taxes		**$ 23**	$ 7

(1) Includes $83 million of amortization charge related to right-of-use of assets for fiscal year 2020 ($109 million for the fiscal year 2019).
(2) See Note 31 - Discontinued operations for more details on cash flows from discontinued operations.
(3) Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for fiscal year 2020 amounted to $151 million ($168 million for the fiscal year 2019).
(4) For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as assets held for sale. See Note 31 - Discontinued operations for more details. Cash reclassified as assets held for sale as at December 31, 2019 are related to the Aerostructure business.
(5) Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets, in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.
(6) Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities, interest paid on lease liabilities and interest paid on extended payment terms for trade payables. Interest received comprises interest received related to cash and cash equivalents, investments in securities, loans and lease receivables after the effect of hedges and the interest portion related to the settlement of an interest-rate swap, if any.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended December 31, 2020 and 2019
(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. On September 16, 2020, the Corporation, Alstom and CDPQ and certain related parties signed a definitive sale and purchase agreement for the sale of the Transportation business to Alstom. As a result, Transportation was classified as discontinued operations and the related assets and liabilities are presented as held for sale. Refer to Note 31 - Discontinued operations for more details. In that respect, comparative information for prior periods presented in the consolidated statement of income were restated. On January 29, 2021, the Corporation closed the sale of Transportation to Alstom.

The Corporation’s consolidated financial statements for fiscal years 2020 and 2019 were authorized for issuance by the Board of Directors on February 10, 2021.

Statement of compliance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

The Corporation’s principal subsidiaries, whose revenues or assets represent more than 10% of total revenues or more than 10% of total assets of Aviation or Transportation segments, are as follows:

Subsidiary	Location
Bombardier Transportation GmbH[(1)]	Germany
Bombardier Transportation (Holdings) UK Ltd[(1)]	U.K.
Bombardier Transportation France S.A.S.[(1)]	France
Learjet Inc.	U.S.

[(1)] Part of the disposal group, refer to Note 31 - Discontinued operations for more details.

Revenues and assets of these subsidiaries combined with those of Bombardier Inc. totalled 68% of consolidated revenues and 75% of consolidated assets, including Transportation for fiscal year 2020 (72% and 78% for fiscal year 2019).

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

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

Foreign currency translation

The consolidated financial statements are expressed in U.S. dollars, the functional currency of Bombardier Inc. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency, mainly the euro, Pound sterling, various other European currencies and the U.S. dollar in Transportation, and mainly the U.S. dollar in Aviation.

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

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

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

			Exchange rates as at		**Average exchange rates for fiscal years**
	December 31 2020	December 31 2019	January 1 2019	**2020**	2019
Euro	**1.2271**	1.1234	1.1450	**1.1409**	1.1200
Canadian dollar	**0.7849**	0.7696	0.7337	**0.7461**	0.7537
Pound sterling	**1.3649**	1.3204	1.2800	**1.2834**	1.2763

Revenue recognition

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing specifically designed products (including rail vehicles, vehicles overhaul and signalling contracts) and service contracts are generally recognized over time. The measure of progress toward complete satisfaction of the performance obligation is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. The contract transaction price is adjusted for change orders, claims, performance incentives and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for the Corporation. Variable considerations such as assumptions for price escalation clauses, performance incentives and claims are only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional goods or services. If a contract review indicates the expected costs to fulfill the contract exceed the expected economic

benefits expected to be received under it, the entire expected loss on the contract is recognized as an onerous contract provision with the corresponding expense recorded in cost of sales. The expected benefits to be received are generally limited to the revenues from the associated contract.

Options or variation orders for additional assets are treated as contract modifications when exercised. Modifications of the Corporation's long term contracts in Transportation are generally accounted as part of the existing contract to the extent the remaining goods and services are considered to form part of a single performance obligation that is partially satisfied at the date of contract modification. The effect that the contract modification has on the transaction price and the existing progress toward satisfaction of the single performance obligation is recognized as an adjustment to revenue at the date of the contract modification on a cumulative catch-up basis.

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

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

Other – Revenues from the sale of pre-owned aircraft and spare parts are recognized at the point in time when the customer has obtained control of the promised asset and the Corporation has satisfied the performance obligation. Aftermarket services are generally recorded over time.

Revenues earned by the Aviation market segment on its contract with ACLP for the A220 program are recognized at delivery.

The Corporation accounts for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. Most of the Corporation's contracts do not have a significant financing component. However, there are certain orders in the Aviation market segment where advances were received well before expected delivery and therefore a financing component has been accounted for separately. The result is that interest expense is accrued during the advance period and the transaction price will be increased by a corresponding amount.

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

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

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held

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

Contract balances

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

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

Contract liabilities – Are recognized when amounts are received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts. Contract liabilities comprise advances on aerospace programs, advances and progress billings in excess of long-term contract cost incurred and recorded margin on long-term production and service contracts, and other deferred revenues related to operation and maintenance of systems.

A net position of contract asset or contract liability is determined for each contract. The cash flows in respect of advances and progress billings, including amounts received from third party advance providers, are classified as cash flows from operating activities.

Government assistance and refundable advances

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

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

Special items

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

Income taxes

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred income tax assets and liabilities are recognized directly in income, OCI or equity based on the classification of the item to which they relate.

Earnings per share

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

Diluted EPS are computed using the treasury stock method, giving effect to the exercise of all dilutive elements. CDPQ's convertible share investment in BT Holdco is factored into diluted EPS from discontinued operations by adjusting net income attributable to equity holders of Bombardier Inc. from discontinued operations to reflect their share of Transportation's earnings on an as converted basis.

Financial instruments

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

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as FVTP&L, b) financial instruments designated as FVTP&L, c) FVOCI financial assets, or d) amortized cost. Financial instruments are subsequently measured at amortized cost, unless they are classified as FVOCI or FVTP&L or designated as FVTP&L, in which case they are subsequently measured at fair value.

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

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

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

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

a) Financial instruments classified at amortized cost

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

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

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

b) Financial instruments designated as FVTP&L

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

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

c) Financial instruments classified as FVTP&L

Receivables from ACLP, investments in financing structures, long-term contract receivables, receivable from MHI and certain aircraft loans are all required to be classified as FVTP&L.

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

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

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

Embedded derivatives of the Corporation include call options, prepayment options, floor and put options on long-term debt, CDPQ’s conversion option as well as foreign exchange instruments not closely related

to sale or purchase agreements. Call options, prepayment options, floor and put options on long-term debt that are not closely related to the host contract are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to net income using the effective interest method. Upon initial recognition, the fair value of the foreign exchange instruments not designated in a hedge relationship is recognized in cost of sales. Subsequent changes in fair value of embedded derivatives are recorded in cost of sales, other expense (income) or financing expense or financing income, based on the nature of the exposure.

d) FVOCI financial assets

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

Hedge accounting

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

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

Fair value hedges – The Corporation generally applies fair value hedge accounting to certain interest-rate derivatives and forward foreign exchange contracts hedging the exposures to changes in the fair value of recognised financial assets and financial liabilities. In a fair value hedge relationship, gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net income, while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in net income.

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

Hedge of net investments in foreign operations – The Corporation generally designates certain long-term debt as hedges of its net investments in foreign operations. The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when corresponding exchange gains or losses arising from the translation of the foreign operations are recorded in net income.

Aviation hedges its foreign currency exposure using foreign exchange contracts. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probable forecast transaction (i.e. notional amount and expected payment date). For Transportation, foreign currency exposure, arising from its long-term contracts, spreads over many years. Such exposures are generally entirely hedged at the time of order intake, contract-by-contract, for a period that is often shorter than the maturity of the cash flow exposure. Upon maturity of the hedges, Transportation enters into new hedges in a rollover strategy for periods up to the maturity of the cash flow

exposure. There is an economic relationship between the hedged items and the hedging instruments as the critical terms, under a spot designation, are closely aligned. The critical terms are the nominal amount and the currency.

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

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

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

Leases accounting

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

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

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

When the Corporation is the lessor – Assets subject to finance leases, mainly commercial aircraft, are initially recognized at an amount equal to the net investment in the lease and are included in aircraft lease receivables.

Interest income is recognized over the term of the applicable leases based on the effective interest rate method. Assets under operating leases, mostly pre-owned regional and business aircraft, are included in PP&E. Lease income from operating leases is recognized on a straight-line basis over the term of the lease and is included in revenues.

Inventory valuation

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

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

Retirement and other long-term employee benefits

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

Defined benefit plans

Retirement benefit liability or asset recognized on the consolidated statement of financial position is measured at the difference between the present value of the defined benefit obligation and the fair value of plan asset at the reporting date. When the Corporation has a surplus in a defined benefit plan, the value of any plan asset recognized is restricted to the asset ceiling - i.e. the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ("asset ceiling test"). A minimum liability is recorded when legal minimum funding requirements for past services exceed economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. A constructive obligation is recorded as a defined benefit obligation when there is no realistic alternative but to pay employee benefits. Retirement benefit liability or asset includes the effect of any asset ceiling, minimum liability and constructive obligation.
The cost of pension and other benefits earned by employees is actuarially determined for each plan using the projected unit credit method, and management's best estimate of salary escalation, retirement ages, life expectancy, inflation, discount rates and health care costs. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. These assets are measured at fair value at the end of the reporting period, which is based on published market mid-price information in the case of quoted securities. The discount rates are determined at each reporting date by reference to market yields at the end of the reporting period on high quality corporate fixed-income investments consistent with the currency and the estimated terms of the related retirement benefit liability. Past service costs are recognized in income at the earlier of i) the date of the plan amendment or curtailment or ii) the date that the Corporation recognized the restructuring costs. When plan amendments, curtailments and settlements occur, the Corporation uses updated actuarial assumptions to determine current service cost and net interest for the period after the plan amendment, curtailment or settlement.

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

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

benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

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

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

Property, plant and equipment

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

Buildings	5 to 75 years
Equipment	2 to 15 years
Other	3 to 20 years

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

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

Intangible assets

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

Acquired intangible assets include the cost of development activities carried out by vendors for which the Corporation controls the underlying output from the usage of the technology, as well as the cost related to externally acquired licences, patents and trademarks.

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

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

	Method	Estimated useful life
Aerospace program tooling	Unit of production	Expected number of aircraft to be produced[(1)]
Other intangible assets		
Licenses, patents and trademarks	Straight-line	3 to 20 years
Other	Straight-line	3 to 8 years

[(1)] As at December 31, 2020, the remaining number of units to fully amortize the aerospace program tooling is expected to be produced over the next 13 years.

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

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

Borrowing costs

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

Impairment of PP&E, right-of-use assets and intangible assets

The Corporation assesses at each reporting date whether there is an indication that an item of PP&E, right-of-use asset or intangible asset may be impaired. If any indication exists, the Corporation estimates the recoverable amount of the individual asset, when possible.

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

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

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

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

that would bring the carrying value of the asset or CGU to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized to income in the same line item where the original impairment was recognized.

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

Impairment of investments in joint ventures and associates

The Corporation's investments in its joint ventures and associates are accounted for using the equity method subsequent to initial recognition. The carrying amount of the investment is adjusted to recognize changes in the Corporation's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Corporation's share of net income of joint ventures and associates is included in the consolidated statement of income.

After application of the equity method, the Corporation determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Corporation determines whether there is objective evidence that the investment in joint venture or associate is impaired. If there is such evidence, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognizes the loss in income.

Provisions

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

Product warranties – A provision for assurance type warranties is recorded in cost of sales when the revenue for the related product is recognized. The interest component associated with product warranties, when applicable, is recorded in financing expense. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of products sold and in service and counter-warranty coverage available from the Corporation's suppliers. Claims for reimbursement from third parties are recorded if their realization is virtually certain. Product warranties typically range from one to five years, except for aircraft structural and bogie warranties that extend up to 20 years.

***Credit and residual value guarantees* –** Credit and residual value guarantees related to the sale of aircraft are recorded at the amount the Corporation expects to pay under these guarantees when the revenue for the related product is recognized. Subsequent to initial recognition, changes in the value of these guarantees are recorded in other expense (income), except for the changes in value arising from a change in interest rates, which are recorded in financing expense or financing income.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing.

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

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

Onerous contracts – If it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it, a provision for onerous contracts is recorded in cost of sales, except for the interest component, which is recorded in financing expense. Unavoidable costs include the costs that relate directly to the contract such as anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

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

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

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

Share-based payments

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

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

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

3. IMPACTS OF COVID-19 PANDEMIC

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

COVID-19 response

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

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

Impacts of COVID-19 on Aviation

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

On June 5, 2020, Bombardier Aviation announced workforce adjustments in response to the COVID-19 pandemic. With industry-wide business jet deliveries down by approximately 20% year-over-year due to the pandemic, Bombardier adjusted its operations and workforce to ensure that it emerges from the current crisis on solid footing. Accordingly, Bombardier Aviation made the difficult decision to reduce its workforce by approximately 2,500 employees. The majority of these reductions impacted manufacturing operations in Canada and is carried out progressively. Bombardier's worldwide customer service operations have continued to operate largely uninterrupted throughout the pandemic. Bombardier recorded a special charge of $56 million in 2020 for this workforce adjustment.

Impacts of COVID-19 on Transportation

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

Measures to bolster liquidity in response to the COVID-19 pandemic

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

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

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

- The Corporation is managing costs through aggressive company-wide actions, including workforce reduction, cutting non-essential spending and deferring discretionary capital expenditures.
- Where applicable, the Corporation is participating in various government support programs, including wage subsidies, bonding and letter of credit facilities, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis. For fiscal year 2020, EBIT was negatively impacted by disruption costs related to the COVID-19 pandemic against which the Corporation recorded wage subsidies with EBIT impact of $209 million, of which $87 million related to Transportation. The Corporation also recorded wage subsidies of $73 million in inventories.
- The Corporation concluded the sale of the CRJ Series aircraft program to Mitsubishi Heavy Industries, Ltd for a gross cash consideration of $585 million at closing on June 1, 2020.
- At Aviation, production rates were aligned to market demand. This reflects the extraordinary industry interruptions and challenges caused by COVID-19. The production ramp-up of the Global 7500 is largely unaffected by these rate changes given its solid backlog.
- During the third quarter, the Corporation obtained a three-year senior secured term loan (the "Facility") of up to $1.0 billion from investment funds and accounts managed by HPS Investment Partners, LLC, providing additional liquidity to operate the business through the COVID-19 pandemic as it works to close previously announced divestitures undertaken to reshape Bombardier’s capital structure.
- On October 30, 2020, the Corporation closed the previously announced sale of its aerostructures businesses to Spirit AeroSystems Holding, Inc. (Spirit) for cash consideration of $275 million and the assumption of liabilities by Spirit, including government refundable advances and pension obligations, as well as certain adjustments to the parties’ trading agreements favourable to the Corporation.
- On January 29, 2021, the Corporation closed the sale of Transportation to Alstom with expected net proceeds of approximately $3.6 billion. Refer to Note 31 - Discontinued operations for more details.

Management believes that the net proceeds from the sale of Transportation, combined with its year end cash and cash equivalents of $1.8 billion excluding Transportation, will enable the Corporation to meet its currently anticipated financial requirements for a period of at least, but not limited to, twelve months from the reporting date supporting the Corporation’s ability to continue as a going concern.

4. USE OF ESTIMATES AND JUDGMENT

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

- the estimate requires us to make assumptions about matters that are highly uncertain at the time the estimate is made; and
- we could have reasonably used different estimates in the current period, or changes in the estimate are reasonably likely to occur from period to period that would have a material impact on our financial condition, our changes in financial condition or our results of operations.

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

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

The following areas require management's most critical estimates and judgments, including the impact of the COVID-19 pandemic, if any. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Long-term contracts – Transportation conducts most of its business under long-term manufacturing and service contracts and Aviation has some long-term maintenance service contracts, as well as design and development contracts for third parties. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles, vehicle overhaul and signalling contracts) and service contracts are recognized over time. The long-term nature of these contracts requires estimates of total contract costs and the transaction price. The measure of progress toward complete satisfaction of the performance obligation is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance.

The contract transaction price includes adjustments for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for the Corporation. Variable consideration such as assumptions for price escalation clauses, performance incentives and claims is only included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material usage and costs, including escalation clauses, labour hours and costs, foreign exchange rates (including the effect of hedges) and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical

performance trends, economic trends, collective agreements and contracts signed with suppliers. Management applies judgment to determine the probability that the Corporation will incur additional costs from delays or other penalties, and such costs, if probable, are included in estimated costs at completion, unless there is an adjustment to the transaction price in which case it is recorded as a reduction of estimated revenues at completion.

Recognized revenues and margins are subject to revisions as contracts progress towards completion. Management conducts quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis, including a review of escalation assumptions. In addition, a detailed annual review is performed on a contract-by-contract basis as part of the budget and strategic plan process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

As part of its financial statement close process, Transportation updated its long-term contract accounting for identified changes in estimated contract revenues, contract costs and progress toward completion. During fiscal year 2020, Transportation revised its estimates on a number of projects leading to a charge of $1.1 billion, mainly in Germany, U.K. and Switzerland. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic were recorded as expenses for the fiscal year 2020.

Sensitivity analysis
A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased gross margin from discontinued operations for fiscal year 2020 by approximately $124 million.

Aerospace program tooling – Aerospace program tooling amortization and the calculation of recoverable amounts used in impairment testing require estimates of the expected number of aircraft to be delivered over the life of each program. The expected number of aircraft is based on management's aircraft market forecasts and the Corporation's expected share of each market. Such estimates are reviewed in detail as part of the budget and strategic plan process. For purposes of impairment testing, management exercises judgment to identify independent cash inflows to identify CGUs by family of aircraft. Other key estimates used to determine the recoverable amount include the applicable discount rate, the expected future cash flows over the remaining life of each program, which include costs to complete the development activities, if any, as well as potential upgrades, and derivatives expected over the life of the program. The estimated cost of potential upgrades and derivatives is based on past experience with previous programs. The expected future cash flows also include cash flows from aftermarket activities. The inputs used in the discounted cash flow model are Level 3 inputs (inputs that are not based on observable market data).

The recoverable amounts of aerospace assets or CGUs are based on fair value less costs of disposal. The recoverable amounts were established during the fourth quarter of 2020. The fair value measurements are categorized within Level 3 of the fair value hierarchy. The estimate of the fair value less costs of disposal was determined using forecast future cash flows. The estimated future cash flows for the first five years are based on the budget and strategic plan. After the initial five years, long-range forecasts prepared by management are used. Forecast future cash flows are based on management's best estimate of future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedules, revenues from related services, procurement costs based on existing contracts with suppliers, future labour costs, general market conditions, foreign exchange rates and applicable long-range forecast income tax rates and a post-tax discount rate of 9% based on a weighted average cost of capital calculated using market-based inputs, available directly from financial markets or based on a benchmark sampling of representative publicly-traded companies in the aerospace sector.

An impairment test was performed for the *Global 7500* in the fourth quarter of 2020, and following this assessment the Corporation concluded there was no impairment.

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

A 10% decrease, evenly distributed over future periods, in the expected future net cash inflows for the *Global 7500* aircraft program would not have resulted in an impairment charge in fiscal year 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 fiscal year 2020 for the *Global 7500* aircraft program.

Goodwill – The recoverable amount of the Transportation operating segment, the group of CGUs at which level goodwill is monitored by management, is based on fair value less costs of disposal using the transaction price. During the fourth quarter of 2020, the Corporation performed an impairment test. Following this assessment the Corporation concluded there was no impairment.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, forecasted taxable gain on closing of transactions, the history of taxable profits and availability of prudent tax planning strategies. See Note 11 - Income taxes for more details.

Tax contingencies – Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. The Corporation establishes tax provisions for possible consequences of audits by the tax authorities of each country in which it operates. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

Retirement and other long-term employee benefits – The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities. As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium- and long-term maturity bonds, the discount rate for the Corporation's Canadian pension and other post-employment plans is established by constructing a yield curve using three maturity ranges. The first maturity range of the curve is based on observed market rates for AA-rated corporate bonds with maturities of less than five years. In the longer maturity ranges, due to the smaller number of high-quality bonds available, the curve is derived using market observations and extrapolated data. The extrapolated data points were created by adding a term-based yield spread over long-term provincial bond yields. This term-based spread is extrapolated between a base spread and a long spread. The base spread is based on the observed spreads between AA-rated corporate bonds and AA-rated provincial bonds for the 4 to 10 years to maturity range. The long spread is determined as the spread required at the point of average maturity of AA-rated provincial bonds in the 11 to 30 years to maturity range such that the average AA-rated corporate bond spread above AA-rated provincial bonds is equal to the extrapolated spread derived by applying the ratio of the observed spreads between A-rated corporate bonds and AA-rated provincial bonds for the 11 to 30 years to maturity range over the 4 to 10 years to maturity range, to the base spread. For maturities longer than the average maturity of AA-rated provincial bonds in the 11 to 30 years to maturity range, the spread is assumed to remain constant at the level of the long spread.

As the U.K. high-quality corporate bond market, as defined under IFRS, includes relatively few long-term maturity bonds, the discount rate for the Corporation's U.K. pension and other post-employment plans is established by constructing a yield curve. The yield curve is developed from corporate bond yield information for corporate bonds rated AA or equivalent quality and excluding bonds which have a "corporate" BCLASS assignment but which have

actual or implied government backing. Target yields are developed from bonds across a range of maturity points, and a curve is fitted to those targets. Spot rates (zero coupon bond yields) are developed from the yield curve and used to discount benefit payment amounts associated with each future year. Since corporate bonds are generally not available for very long maturities, an assumption is made that spot rates remain level beyond the term of the longest data target point. The term of the longest data target point as at December 31, 2020 was 32 years.

Expected rates of compensation increases are determined considering the current salary structure, as well as historical and anticipated wage increases, in the context of current economic conditions. For some Canadian pension plans, the merit and promotion component of the compensation increases was refined by using an age scale following experience studies performed in 2020.

See Note 23 - Retirement benefits for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Onerous contract provision – An onerous contract provision is recorded if it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it. In most cases the economic benefits expected to be received under the contract consist of contract revenue. The calculation of the unavoidable costs requires estimates of expected future costs, including anticipated future cost reductions related to performance improvements and transformation initiatives, anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. The measurement of the provision is impacted by anticipated delivery schedules since for new aircraft programs early production units require higher cost than units produced later in the process, and for long-term train manufacturing contracts delays result in penalties.

Sensitivity analysis
A 1% increase in the expected costs over the life of the contract would have decreased EBIT from discontinued operations for fiscal year 2020 by approximately $57 million.

CDPQ investments equity and derivative liability components – The convertible shares issued to the CDPQ contain no obligation for the Corporation to deliver cash or other financial assets to the CDPQ. Judgment was used to conclude that the CDPQ's convertible share investment in BT Holdco is considered a compound instrument comprised of an equity component, representing the discretionary dividends and liquidation preference, and a liability component that reflects a derivative to settle the instrument by delivering a variable number of common shares of BT Holdco, as opposed to the entire instrument being characterized as a liability. The Corporation presents convertible shares in its equity (NCI) and derivative component as a liability held for sale.

The fair value of the convertible shares at issuance was assigned to its respective equity and derivative liability components so that no gain or loss arose from recognizing each component separately, the fair value of the derivative liability being established first and the residual amount allocated to the equity component. The liability component is remeasured quarterly. 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 discounted value of the difference between the CDPQ's share of proceeds from the sale of Transportation to Alstom, and the carrying value of CDPQ's non-controlling interest in Transportation.

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

Also, the Corporation uses judgment to determine whether rights held by NCI, such as the CDPQ's rights in respect of Transportation, are protective in nature as opposed to substantive. The Corporation reassesses the initial determination of control if facts or circumstances indicate that there may be changes to one or more elements of control.

5. 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, CRJ1000 regional jets and the Q400 turboprop until the disposal of the businesses on June 1, 2020 and on May 31, 2019, respectively; and designs, develops and manufactures certain major aircraft structural components for the business jets families (such as 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 30 - Disposal of businesses 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. On September 16, 2020, the Corporation, Alstom and CDPQ and certain related parties signed a definitive sale and purchase agreement for the sale of the Transportation business to Alstom. As a result, Transportation was classified as discontinued operations and the related assets and liabilities are presented as held for sale, refer to Note 31 - Discontinued operations for more details. Transportation remains a reportable segment until the closing of the sale transaction as the Corporation's management including its chief operating decision maker continues to regularly review and monitor its operating results. On January 29, 2021, the Corporation closed the sale of Transportation to Alstom.

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 on February 12, 2020 and other adjustments. Refer to Note 29 - Disposal of investment in associate for additional information.

The segmented information is prepared using the accounting policies described in Note 2 – Summary of significant accounting policies.

Management assesses segment performance based on EBIT and EBIT before special items. The segmented results of operations and other information are as follows, for fiscal years:

						2020
	Transportation	Aviation	Corporate and Others	Sub-total	Reclassed [1]	Total
Results of operations						
External revenues	$ 7,843	$ 6,488	$ —	$ 14,331	$ (7,843)	$ 6,488
Intersegment revenues	1	—	(1)	—	(1)	(1)
Total revenues	7,844	6,488	(1)	14,331	(7,844)	6,487
EBIT before special items	(610)	(125)	(86)	(821)	610	(211)
Special items[2]	8	(1,062)	(61)	(1,115)	(8)	(1,123)
EBIT	$ (618)	$ 937	$ (25)	294	618	912
Financing expense[3]				1,009	(91)	1,060
Financing income[3]				(214)	329	(27)
EBT				(501)	380	(121)
Income taxes				67	(18)	49
Loss from continuing operations						$ (170)
Loss from discontinued operations					$ 398	$ (398)
Net loss				$ (568)		$ (568)
Other information						
R&D[4]	$ 95	$ 320	$ —	$ 415	$ (95)	$ 320
Share of loss (income) of joint ventures and associates	$ (108)	$ 2	$ (4)	$ (110)	$ 108	$ (2)
Net additions to PP&E and intangible assets[5]	$ 133	$ 221	$ —	$ 354	$ (133)	$ 221
Amortization	$ 99	$ 411	$ —	$ 510	$ (99)	$ 411
Impairment charges on PP&E[6]	$ —	$ 38	$ 4	$ 42	$ —	$ 42

(1) Refer to Note 31 – Discontinued operations for more details.
(2) See Note 8 – Special items for more details.
(3) The amounts presented as sub-totals may not correspond to the sum of the amounts reclassed to discontinued operations and to the total as certain reclassifications to or from financing income and financing expense are required.
(4) Includes tooling amortization. See Note 6 – Research and development for more details.
(5) As per the consolidated statements of cash flows.
(6) Includes impairment charges related to right-of-use assets. See Note 8 – Special items and Note 21 – Property, plant and equipment for more details.

							2019
	Transportation	Aviation	Corporate and Others	Sub-total	Reclassed[1]	Total[2]
Results of operations						
External revenues	$ 8,266	$ 7,491	$ —	$ 15,757	$ (8,266)	$ 7,491
Intersegment revenues	3	10	(13)	—	(3)	(3)
Total revenues	8,269	7,501	(13)	15,757	(8,269)	7,488
EBIT before special items	70	531	(131)	470	(70)	400
Special items[3]	48	(663)	1,583	968	(48)	920
EBIT	$ 22	$ 1,194	$ (1,714)	(498)	(22)	(520)
Financing expense[4]				1,072	(87)	996
Financing income[4]				(230)	15	(226)
EBT				(1,340)	50	(1,290)
Income taxes				267	(16)	251
Loss from continuing operations						$ (1,541)
Loss from discontinued operations					$ 66	$ (66)
Net loss				$ (1,607)		$ (1,607)
Other information						
R&D[5]	$ 136	$ 156	$ —	$ 292	$ (136)	$ 156
Share of loss (income) of joint ventures and associates	$ (94)	$ 3	$ (37)	$ (128)	$ 94	$ (34)
Net additions (proceeds) to PP&E and intangible assets[6]	$ 157	$ 373	$ (7)	$ 523	$ (157)	$ 366
Amortization	$ 139	$ 282	$ 1	$ 422	$ (139)	$ 283
Impairment charges on ACLP investments[3]	$ —	$ —	$ 1,578	$ 1,578	$ —	$ 1,578
Impairment charges (reversals) on PP&E[7]	$ (8)	$ (1)	$ 2	$ (7)	$ 8	$ 1
Impairment charges on intangible assets[8]	$ 3	$ —	$ —	$ 3	$ (3)	$ —

[1] Refer to Note 31 – Discontinued operations for more details.
[2] Restated for the sale of Transportation, refer to Note 31 – Discontinued operations for more details.
[3] See Note 8 – Special items for more details.
[4] The amounts presented as sub-totals may not correspond to the sum of the amounts reclassed to discontinued operations and to the total as certain reclassifications to or from financing income and financing expense are required.
[5] Includes tooling amortization. See Note 6 – Research and development for more details.
[6] As per the consolidated statements of cash flows.
[7] See Note 21 – Property, plant and equipment for more details.
[8] See Note 22 – Intangibles assets for more details.

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

		December 31, 2020		December 31, 2019		January 1, 2019
Assets						
Total assets	**$**	**23,090**	$	24,972	$	25,512
Assets not allocated to segments						
Cash and cash equivalents[1]		**2,450**		2,629		3,187
Income tax receivable[2]		**77**		90		49
Deferred income taxes[3]		**573**		677		746
Segmented assets		**19,990**		21,576		21,530
Liabilities						
Total liabilities		**29,747**		30,883		29,526
Liabilities not allocated to segments						
Interest payable[4]		**154**		150		138
Income taxes payable[5]		**198**		202		173
Long-term debt		**10,075**		9,333		9,061
Deferred income taxes[3]		**15**		—		—
Segmented liabilities	**$**	**19,305**	$	21,198	$	20,154
Net segmented assets						
Transportation[6]	**$**	**(393)**	$	(385)	$	(440)
Aviation	**$**	**1,510**	$	577	$	835
Corporate and Others	**$**	**(432)**	$	186	$	981

(1) Refer to Note 14 – Cash and cash equivalents.
(2) Refer to Note 20 – Other assets.
(3) Refer to Note 11 – Income taxes for more details.
(4) Refer to Note 24 – Trade and other payables.
(5) Refer to Note 27 – Other liabilities.
(6) Refer to Note 31 – Discontinued operations for more details.

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

		2020		2019
Aviation				
Business Aircraft				
Manufacturing and Other[1]	**$**	**4,605**	$	4,163
Services[2]		**988**		1,254
Commercial Aircraft[3]		**314**		1,227
Aerostructures and Engineering Services		**581**		857
		6,488		7,501
Transportation[7]				
Rolling stock and systems[4]		**4,770**		5,192
Services[5]		**2,033**		2,140
Signalling[6]		**1,041**		937
		7,844		8,269
Corporate and Others		**(1)**		(13)
Continuing operations	**$**	**6,487**	$	7,488
Discontinued operations[7]	**$**	**7,844**	$	8,269
Total	**$**	**14,331**	$	15,757

(1) Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
(2) Includes revenues from service and support network including parts, *Smart Services*, service centers, 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 signalling revenues from mass transit, mainline, industrial and *OPTIFLO* service solutions.
(7) Refer to Note 31 – Discontinued operations for more details.

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

	2020	2019 [1]
North America		
United States	**$ 3,134**	$ 3,506
Canada	**599**	936
Mexico	**38**	35
	3,771	4,477
Europe		
Switzerland	**266**	136
France	**153**	101
United Kingdom	**143**	238
Germany	**57**	386
Other	**685**	778
	1,304	1,639
Asia-Pacific		
Australia	**129**	66
China	**120**	80
India	**16**	171
Other	**196**	309
	461	626
Other	**951**	746
	951	746
Continuing operations	**$ 6,487**	$ 7,488
Discontinued operations	**$ 7,844**	$ 8,269
Total	**$ 14,331**	$ 15,757

[1] Restated for the sale of Transportation, refer to Note 31 - Discontinued operations for more details.

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

	December 31 2020 [1]	December 31 2019 [1]	January 1 2019 [1]
North America			
Canada	**$ 4,832**	$ 5,137	$ 5,057
United States	**87**	229	239
Mexico	**7**	33	40
	4,926	5,399	5,336
Europe			
Germany	**18**	1,058	1,045
United Kingdom	**—**	428	658
France	**—**	34	32
Switzerland	**—**	392	381
Other	**2**	725	708
	20	2,637	2,824
Asia-Pacific			
Australia	**—**	11	11
China	**—**	—	2
India	**—**	20	21
Other	**3**	3	1
	3	34	35
Other	**—**	6	24
	—	6	24
	$ 4,949	$ 8,076	$ 8,219

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

6. RESEARCH AND DEVELOPMENT

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

		2020		2019 [1]
R&D expenditures	**$**	**121**	$	299
Less: development expenditures capitalized to aerospace program tooling		**(103)**		(275)
		18		24
Add: amortization of aerospace program tooling		**302**		132
	$	**320**	$	156

[1] Restated, refer to Note 31 - Discontinued operations for more details.

7. OTHER INCOME

Other income was as follows, for fiscal years:

		2020		2019 [1]
Changes in estimates and fair value[2]	**$**	**(8)**	$	(40)
Gains on disposals of PP&E[3]		**(3)**		(2)
Impairment of PP&E and intangible assets[3]		**—**		1
Other		**—**		3
	$	**(11)**	$	(38)

[1] Restated, refer to Note 31 - Discontinued operations for more details.
[2] Includes net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding losses (gains) arising from changes in interest rates.
[3] Excludes those presented in special items.

8. SPECIAL ITEMS

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

Special items were as follows, for fiscal years:

		2020		2019 [1]
Gain on disposal of a business - aerostructure business[2]	$	**(678)**	$	—
Gain on disposal of a business - CRJ Series business[3]		**(488)**		—
Gain on exit of ACLP and related aerostructures activities[4]		**(120)**		—
Restructuring charges[5]		**85**		51
Transaction costs[6]		**56**		—
Learjet program end of production and other[7]		**26**		—
Reversal of *Learjet 85* aircraft program cancellation provisions[8]		**(7)**		(18)
Disruption costs[9]		**3**		—
Impairment on ACLP investments[10]		**—**		1,578
Gain on disposal of a business - Training business[11]		**—**		(516)
Gain on disposal of a business - Q Series business[12]		**—**		(210)
Loss on repurchase of long-term debt[13]		**—**		84
Pension adjustments[14]		**—**		26
Primove impairment and other costs[15]		**—**		5
Purchase of pension annuities[16]		**—**		4
Income taxes[17]		**(32)**		217
	$	**(1,155)**	$	1,221
Of which is presented in				
Special items in EBIT	**$**	**(1,123)**	$	920
Financing expense - loss on repurchase of long-term debt[13]		**—**		84
Income taxes		**(32)**		217
	$	**(1,155)**	$	1,221

1. Restated, refer to Note 31 - Discontinued operations for more details.
2. Represents the sale of the aerostructure business for gross proceeds of $275 million. The transaction resulted in a gain of $678 million. See Note 30 - Disposal of businesses for more details.
3. Represents the sale of the CRJ Series aircraft program assets for gross proceeds of $585 million, at closing, including certain closing adjustments. The transaction resulted in a pre-tax accounting gain of $488 million ($440 million after tax impact). See Note 30 - Disposal of businesses for more details.
4. 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 $120 million for the fiscal year 2020. See Note 29 - Disposal of investment in associate for more details.
5. For fiscal year 2020, represents severance charges of $61 million following the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic, $38 million of impairment of right-of-use assets related to lease contracts as a consequence of previously-announced restructuring actions, and other related charges of $7 million, partially offset by curtailment gains of $21 million.

   For fiscal year 2019, represents severance charges of $25 million partially offset by curtailment gains of $2 million. Following the announcement that the CRJ production is expected to conclude in the second half of 2020, following the delivery of the current backlog of aircraft, the Corporation has recorded severance charges of $7 million partially offset by curtailment gains of $3 million, and has recorded $24 million of other related charges for fiscal year 2019. In addition, the Corporation has recorded a write down of deferred tax assets of $87 million to reflect the expected impact of the conclusion of the CRJ announcement.
6. Represents direct and incremental costs incurred in respect of transactions for the sale of the Transportation business to Alstom SA and for the sale of CRJ business to MHI.

7. Following the decision to end production of the *Learjet* aircraft in 2021 and the decision to consolidate the Global aircraft completion work in Montréal, the Corporation has recorded $12 million of inventory write-down, $4 million of impairment of PP&E and $10 million of other charges.
8. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $7 million in fiscal year 2020 ($18 million for fiscal year 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.
9. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, $3 million were recorded as special items in fiscal year 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.
10. The Corporation performed an impairment test in the fourth quarter of 2019 on its investments in ACLP since there were indicators of impairment. The Corporation determined that the carrying amount of its investment in ACLP exceeded its recoverable amount, and accordingly recorded an impairment charge of $1,578 million.
11. The sale of 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).
12. The sale of the Q Series Aircraft program assets for net proceeds of $285 million resulted in a pre-tax accounting gain of $210 million ($184 million after tax impact).
13. Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021. See Note 28 - Long-term debt.
14. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). In fiscal year 2019, the Corporation adjusted the pension obligation related to equalization for an Aviation plan in the U.K. The adjustments of $26 million was recorded as a past service cost under IAS 19 - Employee Benefits.
15. Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded in fiscal year 2019 an additional contract provision of $5 million.
16. Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies in fiscal year 2019.
17. Following the announcement that the sale of the Transportation business to Alstom was expected to close in the first quarter of 2021, the Corporation revised its estimated future taxable profits and recorded deferred tax assets of $100 million based on the final proceeds of the sale. The impact of recognizing these deferred tax assets was non-cash. The transaction closed on January 29, 2021.

9. FINANCING EXPENSE AND FINANCING INCOME

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

		2020		2019 [1]
Financing expense				
Net loss on certain financial instruments[2]	**$**	**142**	$	—
Accretion on other financial liabilities		**54**		56
Accretion on net retirement benefit obligations		**52**		56
Accretion on advances		**41**		37
Interest expense on lease liabilities		**23**		28
Changes in discount rates of provisions		**17**		19
Accretion on provisions		**8**		14
Amortization of letter of credit facility costs		**—**		14
Loss on repurchase of long-term debt[3]		**—**		84
Other		**15**		51
		352		359
Interest on long-term debt, after effect of hedges		**708**		637
	$	**1,060** [4]	$	996 [4]
Financing income				
Net gain on certain financial instruments[2]	**$**	**—**	$	(159)
Other		**(10)**		(23)
		(10)		(182)
Income from investment in securities		**(9)**		(9)
Interest on cash and cash equivalents		**(6)**		(32)
Interest on loans and lease receivables, after effect of hedges		**(2)**		(3)
		(17)		(44)
	$	**(27)** [5]	$	(226) [5]

[1] Restated, refer to Note 31 – Discontinued operations for more details.
[2] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[3] Represents the loss related to the redemption of the $850-million Senior Notes due 2020, and the partial redemption of the €780-million Senior Notes and $1,400-million Senior Notes due 2021, which was recorded as a special item. See Note 8 – Special items and Note 28 - Long-term debt.
[4] Of which $762 million representing the interest expense calculated using the effective interest rate method for financial liabilities classified as amortized cost for fiscal year 2020 ($712 million for fiscal year 2019).
[5] Of which $6 million representing the interest income calculated using the effective interest rate method for financial assets classified as amortized cost and FVOCI, for fiscal year 2020 ($32 million for fiscal year 2019).

Borrowing costs capitalized to PP&E and intangible assets totalled $8 million for fiscal year 2020, using an average capitalization rate of 7.04% ($13 million and 6.76% for fiscal year 2019). Capitalized borrowing costs are deducted from the related interest on long-term debt or accretion on other financial liabilities, if any.

10. EMPLOYEE BENEFIT COSTS

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

	Notes		2020		2019 [2]
Wages, salaries and other employee benefits		**$**	**1,426**	$	1,854
Retirement benefits[3]	23		**161**		228
Share-based expense	34		**20**		27
Restructuring, severance and other involuntary termination costs	8		**61**		32
		$	**1,668**	$	2,141

[1] Employee benefit costs include costs capitalized as part of the cost of inventories and other self-constructed assets and exclude the impact of the wage subsidies.
[2] Restated, refer to Note 31 - Discontinued operations for more details.
[3] Includes defined benefit and defined contribution plans.

11. INCOME TAXES

Analysis of income tax expense

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

		2020		2019 [(1)]
Current income taxes	**$**	**(27)**	$	11
Deferred income taxes		**76**		240
	$	**49**	$	251

[(1)] Restated, refer to Note 31 - Discontinued operations for more details.

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

	2020	2019 [(1)]
EBT from continuing operations	**$ (121)**	$(1,290)
Canadian statutory tax rate	**26.5 %**	26.6 %
Income tax recovery at statutory rate	**(32)**	(343)
Increase (decrease) resulting from		
Non-recognition of tax benefits related to tax losses and temporary differences	**177**	419
Write-down of deferred income tax assets	**79**	113
Income tax rates differential of foreign subsidiaries and other investees	**(24)**	(8)
Recognition of previously unrecognized tax losses or temporary differences	**(27)**	(11)
Permanent differences	**(128)**	104
Prior period adjustments	**9**	—
Effect of substantively enacted income tax rate changes	**(2)**	2
Other	**(3)**	(25)
Income tax expense from continuing operations	**$ 49**	$ 251
Effective tax rate	**(40.5)%**	(19.5)%

[(1)] Restated, refer to Note 31 - Discontinued operations for more details.

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

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

		2020		2019 [(1)]
Non-recognition of tax benefits related to tax losses and temporary differences	**$**	**177**	$	419
Origination and reversal of temporary differences		**(151)**		(283)
Write-down of deferred income tax assets		**79**		113
Recognition of previously unrecognized tax losses or temporary differences		**(27)**		(11)
Effect of substantively enacted income tax rate changes		**(2)**		2
	$	**76**	$	240

[(1)] Restated, refer to Note 31 - Discontinued operations for more details.

Deferred income taxes

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

	December 31, 2020		December 31, 2019		January 1, 2019	
	Asset	**Liability**	Asset	Liability	Asset	Liability
Operating tax losses carried forward	**$ 3,526**	**$ —**	$ 2,712	$ —	$ 2,247	$ —
Retirement benefits	**856**	**—**	591	—	547	—
Contract liabilities	**27**	**—**	416	—	179	—
Inventories	**614**	**—**	394	—	705	—
Provisions	**426**	**—**	609	—	754	—
Other financial assets and other assets	**331**	**—**	244	—	264	—
Investment in affiliate equity	**—**	**—**	53	—	(131)	—
PP&E	**(22)**	**—**	(4)	—	6	—
Other financial liabilities and other liabilities	**(3)**	**—**	1	—	6	—
Intangible assets	**(28)**	**—**	1	—	16	—
Contract assets	**311**		79		157	
Other	**19**	**—**	19	—	39	—
	6,057	**—**	5,115	—	4,789	—
Unrecognized deferred tax assets	**(5,499)**	**—**	(4,438)	—	(4,043)	—
	$ 558	**$ —**	$ 677	$ —	$ 746	$ —
Reclassified as assets held for sale[1]	**$ (447)**	**$ —**	$ (131)	$ —	$ —	$ —
	$ 111	**$ —**	$ 546	$ —	$ 746	$ —

[1] Includes net deferred income tax asset of $447 million related to operating tax losses carried forward amounting to $1,726 million, retirement benefits amounting to $192 million, valuation allowance amounting to $(1,901) million and other amounting to $430 million, which is presented under assets held for sale as at December 31, 2020 (includes deferred income tax asset of $131 million related to retirement benefits amounting to $64 million, operating tax losses carried forward amounting to $61 million and other amounting to $6 million, which were presented under assets held for sale as at December 31, 2019 related to the CRJ and the aerostructure businesses). See Note 31 - Discontinued operations for more details

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

	2020	2019
Balance at beginning of year, net	**$ 677** [1]	$ 746
In net loss	**(32)**	(113)
In OCI		
Retirement benefits	**43**	50
Cash flow hedges	**18**	(17)
Disposal of businesses[2]	**(190)**	—
Reclassified as assets held for sale[3]	**(447)**	(131)
Other[4]	**42**	11
Balance at end of year, net	**$ 111**	$ 546

[1] Opening balance is before the assets held for sale reclassification.
[2] Related to the aerostructure business. See Note 30 - Disposal of businesses.
[3] Related to Transportation, refer to Note 31 - Discontinued operations for more details for fiscal year 2020 (related to CRJ and aerostructure businesses for fiscal year 2019).
[4] Includes deferred income tax impact recorded in equity amounting to $8 million and foreign exchange rate effects as at December 31, 2020 ($7 million and foreign exchange rate effects as at December 31, 2019).

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $20,760 million as at December 31, 2020 (including $6,957 million related to Transportation), of which $1,948 million relates to retirement benefits that will reverse through OCI (including $241 million related to Transportation) ($17,264 million as at December 31, 2019 of which $1,538 million relates to retirement benefits that will reverse through OCI and $15,315 million as at January 1, 2019 of which $1,297 million relates to retirement benefits that will reverse through OCI). Of these amounts, approximately $12,832 million as at December 31, 2020 has no expiration date (including $5,779 million related to Transportation) ($10,477 million as at December 31, 2019 and $10,015 million as at January 1, 2019) and approximately $4,307 million relates to the Corporation's operations in Germany where a minimum income tax is payable on 40% of taxable income (including $4,115 million related to Transportation) ($3,295 million as at

December 31, 2019 and $3,087 million as at January 1, 2019), $725 million relate to the Corporation's operations in France where a minimum income tax is payable on 50% of taxable income (including $723 million related to Transportation) ($553 million as at December 31, 2019 and $437 million as at January 1, 2019), $247 million relate to Transportation's operations in U.K. where a minimum income tax is payable on 50% of taxable income and $113 million related to the Transportation's operations in Spain where limitations apply.

In addition, the Corporation has $1,625 million of unused investment tax credits (including $166 million related to Transportation), most of which can be carried forward for 20 years and $46 million of net capital losses carried forward (including $44 million related to Transportation) for which deferred tax assets have not been recognized ($1,621 million and $47 million as at December 31, 2019 and $1,614 million and $43 million as at January 1, 2019). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

Net deferred tax assets of $313 million were recognized as at December 31, 2020 (including $204 million related to Transportation) ($161 million as at December 31, 2019 and $321 million as at January 1, 2019) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income, projections for future taxable income, forecasted taxable gain on closing of transactions and prudent tax planning strategies, management believes it is probable the Corporation will realize the benefits of these deductible differences and operating tax losses carried forward. See Note 4 – Use of estimates and judgment for more information on how the Corporation determines the extent to which deferred income tax assets are recognized.

No deferred tax liabilities have been recognized on undistributed earnings of the Corporation's foreign subsidiaries, joint ventures and associates when they are considered to be indefinitely reinvested, as the Corporation has control or joint control over the dividend policy, unless it is probable that these temporary differences will reverse. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to corporation and/or withholding taxes. Taxable temporary differences for which a deferred tax liability was not recognized amount to approximately $818 million as at December 31, 2020 (including $709 million related to Transportation) ($664 million as at December 31, 2019 and $682 million as at January 1, 2019).

12. EARNINGS PER SHARE

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

		2020		2019 [1]
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants in thousands)				
Net loss attributable to equity holders of Bombardier Inc.				
Continuing operations	**$**	**(170)**	$	(1,541)
Discontinued operations		**(698)**		(256)
Preferred share dividends, including taxes		**(18)**		(21)
Net loss attributable to common equity holders of Bombardier Inc.	**$**	**(886)**	$	(1,818)
Weighted-average number of common shares outstanding		**2,408,209**		2,383,987
Net effect of stock options, PSUs, DSUs, RSUs and warrants		**—**		—
Weighted-average diluted number of common shares		**2,408,209**		2,383,987
EPS (in dollars)				
Continuing operations basic and diluted	**$**	**(0.08)**	$	(0.65)
Discontinued operations basic and diluted		**(0.29)**		(0.11)
Total basic and diluted	**$**	**(0.37)**	$	(0.76)

[1] Restated, refer to Note 31 - Discontinued operations for more details.

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 448,713,247 for fiscal year 2020 (524,442,736 for fiscal year 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 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.

13. FINANCIAL INSTRUMENTS

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

		2020		2019 [1]
Financial instruments measured at amortized cost				
Financial assets - expected credit loss allowance (impairment charges)	**$**	**(18)**	$	(5)
Interest on cash and cash equivalents	**$**	**6**	$	32
Financial instruments measured at fair value				
FVTP&L - changes in fair value				
Designated as FVTP&L				
Financial liabilities[2]	**$**	**14**	$	(2)
Required to be classified as FVTP&L				
Financial assets[2][3]	**$**	**17**	$	(389)
Derivatives not designated in hedging relationships[4]	**$**	**2**	$	106
Other	**$**	**(168)**	$	133

[1] Restated, refer to Note 31 – Discontinued operations for more details.
[2] Gains (losses) related to the regional aircraft securitization program assets (RASPRO), certain aircraft loans, lease subsidies and their related back-to-back agreement with MHI are presented on a net basis in financial liabilities designated as FVTP&L.
[3] Includes loss recorded on ACLP non-voting units related to the impairment charges of ACLP investments for fiscal year 2019, see Note 8 – Special items for more details.
[4] Includes a gain recorded on funding commitments related to the impairment charges of ACLP investments for fiscal year 2019, see Note 8 – Special items for more details.

Carrying amounts and fair value of financial instruments

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

	FVTP&L						
	FVTP&L	Designated	FVOCI[1]	Amortized cost	DDHR	Total carrying value	Fair value
December 31, 2020							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 1,779**	**$ —**	**$ 1,779**	**$ 1,779**
Trade and other receivables	**—**	**—**	**—**	**294**	**—**	**294**	**294**
Other financial assets	**664**	**—**	**266**	**140**	**69**	**1,139**	**1,139**
	$ 664	**$ —**	**$ 266**	**$ 2,213**	**$ 69**	**$ 3,212**	**$ 3,212**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 1,611**	**$ —**	**$ 1,611**	**$ 1,611**
Long-term debt	**—**	**—**	**n/a**	**10,075**	**—**	**10,075**	**9,812**
Other financial liabilities	**40**	**629**	**n/a**	**793**	**2**	**1,464**	**1,466**
	$ 40	**$ 629**	**n/a**	**$ 12,479**	**$ 2**	**$ 13,150**	**$ 12,889**
December 31, 2019							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 2,578	$ —	$ 2,578	$ 2,578
Trade and other receivables	—	—	—	1,844	—	1,844	1,844
Other financial assets	723	—	250	101	110	1,184	1,184
	$ 723	$ —	$ 250	$ 4,523	$ 110	$ 5,606	$ 5,606
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 4,682	$ —	$ 4,682	$ 4,682
Long-term debt	—	—	n/a	9,333	—	9,333	9,660
Other financial liabilities	378	468	n/a	1,219	157	2,222	2,239
	$ 378	$ 468	n/a	$ 15,234	$ 157	$ 16,237	$ 16,581
January 1, 2019							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 3,187	$ —	$ 3,187	$ 3,187
Trade and other receivables	—	—	—	1,575	—	1,575	1,575
Other financial assets	846	—	230	35	129	1,240	1,237
	$ 846	$ —	$ 230	$ 4,797	$ 129	$ 6,002	$ 5,999
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 4,634	$ —	$ 4,634	$ 4,634
Long-term debt	—	—	n/a	9,061	—	9,061	8,750
Other financial liabilities	597	438	n/a	1,410	288	2,733	3,021
	$ 597	$ 438	n/a	$ 15,105	$ 288	$ 16,428	$ 16,405

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

n/a: Not applicable

Offsetting financial assets and financial liabilities

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

Description of recognized financial assets and liabilities	Amount recognized in the financial statements	Amounts subject to master netting agreements	Net amount not subject to master netting agreements
December 31, 2020			
Derivative financial instruments - assets	**$ 103**	**$ (9)**	**$ 94**
Derivative financial instruments - liabilities	**$ (42)**	**$ 9**	**$ (33)**
Cash and cash equivalents	**$ 1,779**	**$ —**	**$ 1,779**
December 31, 2019			
Derivative financial instruments - assets	$ 287	$ (97)	$ 190
Derivative financial instruments - liabilities	$ (535)	$ 117	$ (418)
Cash and cash equivalents	$ 2,629	$ (19)	$ 2,610
January 1, 2019			
Derivative financial instruments - assets	$ 168	$ (104)	$ 64
Derivative financial instruments - liabilities	$ (885)	$ 232	$ (653)
Cash and cash equivalents	$ 3,187	$ (127)	$ 3,060

Derivatives and hedging activities

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

	December 31, 2020		December 31, 2019		January 1, 2019	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments designated as fair value hedges						
Interest-rate swaps	**$ 15**	**$ —**	$ 7	$ —	$ —	$ 1
	15	**—**	7	—	—	1
Derivative financial instruments designated as cash flow hedges[1]						
Forward foreign exchange contracts	**54**	**2**	103	157	129	287
Derivative financial instruments classified as FVTP&L[2]						
Forward foreign exchange contracts	**9**	**10**	18	50	33	48
Funding commitments	**—**	**—**	—	—	—	235
Embedded derivative financial instruments						
Conversion option	**—**	**—**	—	325	—	314
Put option on long-term debt	**—**	**22**	—	—	—	—
Call options on long-term debt	**—**	**—**	158	—	4	—
Prepayment option on long-term debt	**25**	**—**	—	—	—	—
Floor on long-term debt	**—**	**8**	1	3	2	—
	34	**40**	177	378	39	597
Total derivative financial instruments	**$ 103**	**$ 42**	$ 287	$ 535	$ 168	$ 885
Non-derivative financial instruments designated as hedges of net investment						
Long-term debt	**$ —**	**$ 308**	$ —	$ 355	$ —	$ 526

[1]The maximum length of time of derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 12 months as at December 31, 2020.

[2]Held as economic hedges, except for embedded derivative financial instruments and funding commitments.

The net gains on hedging instruments designated in fair value hedge relationships and net losses on the related hedged items attributable to the hedged risk recognized in financing expense, amounted to $6 million and $6 million

respectively for fiscal year 2020 (net gains of $7 million and net losses of $7 million respectively for fiscal year 2019). The ineffectiveness recognized in net income that relates to cash flow hedges, amounted to a net loss of $2 million for fiscal year 2020 (nil for fiscal year 2019). The methods and assumptions used to measure the fair value of financial instruments are described in Note 39 – Fair value of financial instruments.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

		December 31, 2020		December 31, 2019		January 1, 2019
Cash	**$**	**1,559**	$	1,306	$	1,296
Cash equivalents						
Term deposits		**461**		547		892
Money market funds		**430**		776		999
Cash and cash equivalents[1]	**$**	**2,450**	$	2,629	$	3,187
Reclassified as assets held for sale[1]		**(671)**		(51)		—
Cash and cash equivalents	**$**	**1,779**	$	2,578	$	3,187

[1] For the purpose of the statement of cash flows, cash and cash equivalents comprise the cash reclassified as asset held for sale. See Note 31 – Discontinued operations for more details. Cash reclassified as assets held for sale as at December 31, 2019 are related to the aerostructure business.

See Note 36 – Credit facilities for details on covenants related to cash and cash equivalents.

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

		Total		Not past due	Past due but not impaired					Impaired[4]
						less than 90 days		more than 90 days		
December 31, 2020[1]										
Trade receivables, gross	**$**	**301**	**$**	**110**	**$**	**114**	**$**	**32**	**$**	**45**
Allowance for doubtful accounts		**(23)**		**—**		**—**		**—**		**(23)**
		278	**$**	**110**	**$**	**114**	**$**	**32**	**$**	**22**
Other		**16**								
Total	**$**	**294**								
December 31, 2019[1][2]										
Trade receivables, gross	$	1,773	$	1,176	$	146	$	231	$	220
Allowance for doubtful accounts		(49)		—		—		—		(49)
		1,724	$	1,176	$	146	$	231[3]	$	171
Other		120								
Total	$	1,844								
January 1, 2019[1][2]										
Trade receivables, gross	$	1,508	$	764	$	339	$	245	$	160
Allowance for doubtful accounts		(42)		—		—		—		(42)
		1,466	$	764	$	339	$	245[3]	$	118
Other		109								
Total	$	1,575								

[1] Of which $29 million and $17 million are denominated in euros and other foreign currencies, respectively, as at December 31, 2020 ($506 million and $574 million, respectively, as at December 31, 2019 and $334 million and $564 million, respectively, as at January 1, 2019).
[2] Of which $485 million represents customer retentions relating to long-term contracts as at December 31, 2019 based on normal terms and conditions ($400 million as at January 1, 2019).
[3] Of which $ 186 million of trade receivables relates to Transportation long-term contracts as at December 31, 2019, of which $179 million were more than 90 days past due ($464 million as at January 1, 2019, of which $229 million were more than 90 days past due).
[4] Of which a gross amount of $9 million of trade receivables are individually impaired as at December 31, 2020 ($52 million as at December 31, 2019 and $40 million as at January 1, 2019).

The factors that the Corporation considers to classify trade receivables as impaired are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears. Further information on financial risk is provided in Note 38 – Financial risk management.

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

		2020		2019
Balance at beginning of year[1]	**$**	**(56)**	$	(42)
Provision for doubtful accounts		**(30)**		(19)
Amounts written-off		**13**		7
Recoveries		**3**		—
Disposal of businesses[2]		**7**		—
Reclassified as assets held for sale[3]		**42**		7
Effect of foreign currency exchange rate changes		**(2)**		(2)
Balance at end of year	**$**	**(23)**	$	(49)

[1] Opening balances are before the assets held for sale reclassification related to the disposal of CRJ and aerostructure businesses.
[2] See Note 30 – Disposal of businesses.
[3] See Note 31 – Discontinued operations for more details. For fiscal year 2019, represents assets held for sale related to the sale of the CRJ and aerostructure businesses.

16. CONTRACT BALANCES

Contract assets were as follows, as at:

	December 31, 2020	December 31, 2019	January 1, 2019
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**$ —**	$ 9,930	$ 8,882
Less: advances and progress billings	**—**	(7,983)	(6,707)
	—	1,947	2,175
Service contracts			
Cost incurred and recorded margins	**61**	674	506
Less: advances and progress billings	**—**	(136)	(64)
	61	538	442
	$ 61	$ 2,485	$ 2,617

Contract liabilities were as follows, as at:

	December 31, 2020	December 31, 2019	January 1, 2019
Advances on aerospace programs	**$ 3,187**	$ 4,018	$ 3,075
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**3**	2,286	2,124
Other deferred revenues	**385**	852	996
	$ 3,575	$ 7,156	$ 6,195
Of which current	**$ 2,356**	$ 5,739	$ 4,262
Of which non-current	**1,219**	1,417	1,933
	$ 3,575	$ 7,156	$ 6,195

Under certain contracts, title to contract balances is vested to the customer as the work is performed in accordance with contractual arrangements and industry practice. In addition, in the normal course of business, the Corporation provides performance bonds, bank guarantees and other forms of guarantees to customers, mainly in Transportation, as security for advances received from customers pending performance under certain contracts. In accordance with industry practice, the Corporation remains liable to the purchasers for the usual contractor's obligations relating to contract completion in accordance with predetermined specifications, timely delivery and product performance.

Revenues recognized were as follows for fiscal years:

	2020	2019 [(1)]
Revenue recognized from:		
Contract liability balance at the beginning of the period		
Long term service contracts	**$ —**	$ 7
Advances on aerospace programs	**2,057**	815
	$ 2,057	$ 822

(1) Restated, refer to Note 31 – Discontinued operations for more details.

17. INVENTORIES

Inventories were as follows, as at:

	December 31, 2020		December 31, 2019		January 1, 2019	
Aerospace programs	**$**	**3,254**	$	3,990	$	3,546
Finished products[1]		**396**		468		733
Other		**—**		141		123
	$	**3,650**	$	4,599	$	4,402

[1] Finished products include nil new aircraft not associated with a firm order and pre-owned aircraft as at December 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 $5,350 million for fiscal year 2020 ($5,632 million for fiscal year 2019). These amounts include $265 million of write-downs for fiscal year 2020 ($180 million for fiscal year 2019) and $13 million of reversal of write-downs for fiscal year 2020 ($7 million for fiscal year 2019).

18. BACKLOG

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

Revenues from continuing operations expected to be recognized in:

(In billions of $)	December 31, 2020		December 31, 2019 [1]	
Less than 24 months	**$**	**6.9**	$	10.7
Thereafter		**3.8**		5.6
Total	**$**	**10.7**	$	16.3

[1] Restated, refer to Note 31 – Discontinued operations for more details.

Revenues expected to be realized in the future from partially or fully unsatisfied performance obligations related to Transportation amounted to $36.6 million as at December 31, 2020 ($35.8 million as at December 31, 2019).

19. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	December 31, 2020		December 31, 2019		January 1, 2019	
Receivables from ACLP[1]	**$**	**439**	$	468	$	385
Investments in securities[2]		**266**		250		230
Investments in financing structures[3]		**150**		—		173
Derivative financial instruments[4]		**103**		287		168
Restricted cash		**89**		62		21
Balance of payment on disposal of investment in associate[5]		**38**		—		—
Aircraft loans[3]		**32**		2		26
Receivable from MHI[6]		**18**		—		—
Long-term contract receivables		**—**		99		75
ACLP non-voting units[7]		**—**		—		150
Other		**4**		16		12
	$	**1,139**	$	1,184	$	1,240
Of which current	**$**	**227**	$	195	$	210
Of which non-current		**912**		989		1,030
	$	**1,139**	$	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 26 – Other financial liabilities for more information.
(2) Includes $35 million of equity instruments designated as FVOCI as at December 31, 2020 ($35 million as at December 31, 2019).
(3) Following the sale of the CRJ business, the Corporation has retained a portion of those other financial assets and has a back-to-back agreement with MHI. See Note 26 – Other financial liabilities and Note 30 – Disposal of businesses for more information. As of December 31, 2019, those assets were presented as Assets held for sale as part of the sale of the CRJ business.
(4) See Note 13 – Financial instruments.
(5) The balance of payment on disposal of investment in associate represents an amount owed by Stelia Aerospace. See Note 29 – Disposal of investment in associate.
(6) This receivable represents a back-to-back agreement that the Corporation has with MHI on lease subsidies of $11 million and certain other financial liabilities. See Note 26 – Other financial liabilities and Note 30 – Disposal of businesses for more information.
(7) See Note 29 – Disposal of investment in associate.

20. OTHER ASSETS

Other assets were as follows, as at:

	December 31, 2020		December 31, 2019		January 1, 2019	
Prepaid sales concessions and deferred contract costs	**$**	**124**	$	105	$	131
Sales tax and other taxes		**106**		249		212
Prepaid expenses		**101**		141		107
Receivable from MHI[1]		**80**		—		—
Retirement benefits[2]		**75**		193		200
Intangible assets other than aerospace program tooling and goodwill[3]		**72**		217		195
Income taxes receivable		**3**		90		49
Deferred financing charges		**—**		27		38
Other		**14**		13		24
	$	**575**	$	1,035	$	956
Of which current	**$**	**218**	$	473	$	357
Of which non-current		**357**		562		599
	$	**575**	$	1,035	$	956

(1) This receivable represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees provisions. See Note 25 – Provisions and Note 30 – Disposal of businesses for more information.
(2) See Note 23 – Retirement benefits.
(3) See Note 22 – Intangible assets.

21. PROPERTY, PLANT AND EQUIPMENT

PP&E were as follows, as at:

	Land	Buildings	Equipment	Construction in progress	Other	Total	Right-of-use assets	Total
Cost								
Balance as at December 31, 2019[1]	$ 73	$ 2,102	$ 1,253	$ 215	$ 351	$ 3,994	$ 675	$ 4,669
Additions	—	34	74	41	8	157	70	227
Disposals	(9)	(11)	(33)	—	(5)	(58)	(51)	(109)
Transfers	—	16	24	(41)	2	1	(1)	—
Disposal of businesses[2]	—	(339)	(433)	(96)	(18)	(886)	(75)	(961)
Reclassified as assets held for sale[3]	(56)	(1,176)	(537)	(54)	(49)	(1,872)	(333)	(2,205)
Effect of foreign currency exchange rate changes	3	82	12	3	8	108	22	130
Balance as at December 31, 2020	$ 11	$ 708	$ 360	$ 68	$ 297	$ 1,444	$ 307	$ 1,751
Accumulated amortization and impairment								
Balance as at December 31, 2019[1]	$ (17)	$ (1,223)	$ (911)	$ (13)	$ (282)	$ (2,446)	$ (153)	$ (2,599)
Amortization	—	(41)	(70)	—	(4)	(115)	(83)	(198)
Impairments	—	(4)	—	—	—	(4)	(38)	(42)
Disposals	—	1	32	—	—	33	26	59
Transfers	—	—	(13)	13	—	—	—	—
Disposal of businesses[2]	—	168	397	—	14	579	18	597
Reclassified as assets held for sale[3]	17	774	236	—	21	1,048	116	1,164
Effect of foreign currency exchange rate changes	—	(57)	(1)	—	—	(58)	(6)	(64)
Balance as at December 31, 2020	$ —	$ (382)	$ (330)	$ —	$ (251)	$ (963)	$ (120)	$ (1,083)
Net carrying value	$ 11	$ 326	$ 30	$ 68	$ 46	$ 481	$ 187	$ 668

[1] Opening balances are before the assets held for sale reclassification related to the disposal of CRJ and aerostructure businesses.
[2] See Note 30 – Disposal of businesses for more details.
[3] See Note 31 – Discontinued operations for more details.

	Land	Buildings	Equipment	Construction in progress	Other	Total	Right-of-use of assets	Total
Cost								
Balance as at January 1, 2019	$ 79	$ 2,067	$ 1,282	$ 184	$ 359	$ 3,971	675	$ 4,646
Additions	2	24	75	137	—	238	103	341
Disposals	(8)	(20)	(165)	(1)	(12)	(206)	(95)	(301)
Transfers	—	44	62	(105)	4	5	(5)	—
Reclassified as assets held for sale[1]	(8)	(329)	(374)	(47)	(16)	(774)	(69)	(843)
Effect of foreign currency exchange rate changes	—	(13)	(1)	—	—	(14)	(3)	(17)
Balance as at December 31, 2019	$ 65	$ 1,773	$ 879	$ 168	$ 335	$ 3,220	$ 606	$ 3,826
Accumulated amortization and impairment								
Balance as at January 1, 2019	$ (18)	$ (1,199)	$ (967)	$ (11)	$ (279)	$ (2,474)	(61)	$ (2,535)
Amortization	—	(56)	(99)	—	(6)	(161)	(109)	(270)
Impairments (reversals)	1	2	5	(2)	1	7	—	7
Disposals	—	21	155	—	3	179	12	191
Transfers	—	(2)	(3)	—	—	(5)	5	—
Reclassified as assets held for sale[1]	—	162	362	—	9	533	21	554
Effect of foreign currency exchange rate changes	—	11	(2)	—	(1)	8	—	8
Balance as at December 31, 2019	$ (17)	$ (1,061)	$ (549)	$ (13)	$ (273)	$ (1,913)	$ (132)	$ (2,045)
Net carrying value	$ 48	$ 712	$ 330	$ 155	$ 62	$ 1,307	$ 474	$ 1,781

[1] Represents assets and liabilities reclassified as held for sale related to the sale of CRJ and aerostructure businesses.

The carrying value of right-of-use assets, after assets held for sale reclassification, was as follows, as at:

	December 31, 2020	December 31, 2019
Buildings	**$ 96**	$ 332
Equipment	**38**	85
Land	**53**	50
Others	**—**	7
	$ 187	$ 474

Depreciation expense, including impairment, of right-of-use assets from continuing operations was as follows, for fiscal years:

	2020	2019 [1]
Buildings	**$ (58)**	$ (22)
Equipment	**(26)**	(34)
Land	**(2)**	(2)
Others	**—**	(4)
	$ (86)	$ (62)

[1] Restated, refer to Note 31 – Discontinued operations for more details.

The expense related to short term leases and low value leases amounted to $19 million for fiscal year 2020 ($14 million for fiscal year 2019).

22. INTANGIBLE ASSETS

Intangible assets were as follows, as at:

	Aerospace program tooling			Goodwill	Other [1][2]	Total
	Acquired	Internally generated	Total			
Cost						
Balance as at December 31, 2019[3]	$ 2,029	$ 9,154	$ 11,183	$ 1,936	$ 916	$14,035
Additions	19	84	103	—	93	196
Transfers	—	(24)	(24)	—	24	—
Disposal of businesses[4]	(286)	(1,354)	(1,640)	—	(66)	(1,706)
Reclassified as assets held for sale[5]	—	—	—	(2,101)	(708)	(2,809)
Effect of foreign currency exchange rate changes	—	—	—	165	53	218
Balance as at December 31, 2020	$ 1,762	$ 7,860	$ 9,622	$ —	$ 312	$ 9,934
Accumulated amortization and impairment						
Balance as at December 31, 2019[3]	$ (999)	$ (5,528)	$ (6,527)	$ —	$ (671)	$ (7,198)
Amortization	(59)	(243)	(302)	—	(10)	(312)
Transfers	—	1	1	—	(1)	—
Disposal of businesses[4]	281	1,321	1,602	—	36	1,638
Reclassified as assets held for sale[5]	—	—	—	—	436	436
Effect of foreign currency exchange rate changes	—	—	—	—	(30)	(30)
Balance as at December 31, 2020	$ (777)	$ (4,449)	$ (5,226)	$ —	$ (240)	$ (5,466)
Net carrying value	$ 985	$ 3,411	$ 4,396	$ —	$ 72	$ 4,468

	Aerospace program tooling			Goodwill	Other [1][2]	Total
	Acquired	Internally generated	Total			
Cost						
Balance as at January 1, 2019	$ 1,930	$ 8,999	$ 10,929	$ 1,948	$ 891	$ 13,768
Additions	112	163	275	—	83	358
Disposals	(13)	(8)	(21)	—	(50)	(71)
Reclassified as assets held for sale[6]	(287)	(1,352)	(1,639)	—	(66)	(1,705)
Effect of foreign currency exchange rate changes	—	—	—	(12)	(8)	(20)
Balance as at December 31, 2019	$ 1,742	$ 7,802	$ 9,544	$ 1,936	$ 850	$ 12,330
Accumulated amortization and impairment						
Balance as at January 1, 2019	$ (981)	$ (5,429)	$ (6,410)	$ —	$ (696)	$ (7,106)
Amortization	(18)	(114)	(132)	—	(20)	(152)
Impairment	—	—	—	—	(3)	(3)
Disposals		15	15	—	43	58
Reclassified as assets held for sale[6]	281	1,318	1,599	—	38	1,637
Effect of foreign currency exchange rate changes	—	—	—	—	5	5
Balance as at December 31, 2019	$ (718)	$ (4,210)	$ (4,928)	$ —	$ (633)	$ (5,561)
Net carrying value	$ 1,024	$ 3,592	$ 4,616	$ 1,936	$ 217 [7]	$ 6,769

(1) Presented in Note 20 – Other assets.
(2) Includes internally generated intangible assets with a cost and accumulated amortization of $235 million and $176 million, respectively, as at December 31, 2020 ($552 million and $306 million, respectively, as at December 31, 2019 and $511 million and $324 million, respectively, as at January 1, 2019).
(3) Opening balances are before the assets held for sale reclassification related to the sale of CRJ and aerostructure businesses.
(4) See Note 30 – Disposal of businesses.
(5) See Note 31 – Discontinued operations for more details.
(6) Represents assets reclassified as held for sale related to the sale of CRJ and aerostructure businesses.
(7) Includes Transportation platform development costs amounting to $103 million as at December 31, 2019.

Goodwill
Goodwill is related primarily to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. Goodwill is monitored by management at the Transportation operating segment level. During the fourth quarter of 2020, the Corporation performed an impairment test. The Corporation did not identify any impairment. See Note 4 – Use of estimates and judgment for more details.

23. RETIREMENT BENEFITS

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

Pension plans are categorized as defined benefit ("DB") or defined contribution ("DC"). DB plans specify the amount of benefits an employee is to receive at retirement, while DC plans specify how contributions are determined. As a result, there is no deficit or surplus for DC plans. Hybrid plans are a combination of DB and DC plans.

Funded plans are plans for which segregated plan assets are invested in a trust. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice.

FUNDED DB PLANS

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

Governance

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

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

Plan assets are pooled in two common investment funds (CIFs) for Canadian and U.S. plans, respectively, in order to achieve economies of scale and greater efficiency, diversification and liquidity. The CIFs are broken down by sub-funds or asset classes in order to allow each plan to have its own asset allocation given its associated pension obligation liability profile.

The management of the CIFs has been delegated to two (Canadian and U.S.) investment committees (ICs). The ICs are responsible for allocating assets among various sub-funds and asset classes in accordance with each plan's investment policy. They are also responsible for hiring, monitoring and terminating investment managers and have established a multi-manager structure for each sub-fund and asset class. They are supported by Bombardier Global Pension Asset Management Inc. (BGPAM), a subsidiary of Bombardier Inc. who oversees the management of the plans' assets and of the CIFs on a daily basis. Daily administration of the plans is delegated to either Bombardier Inc. or to external pension administration service providers. The administrators, the ICs, Bombardier Inc. and BGPAM also rely on the expertise of external legal advisors, actuaries, auditors and investment consultants.

Benefit Policy

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

Funding requirements

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

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

For Québec pension plans, minimum contributions are required to amortize the going-concern deficits (established under the assumption that the plan will continue to be in force) over a period up to fifteen years (which is gradually decreasing to 10 years as of December 31, 2020). Funding is based on an "enhanced" going-concern valuation, including a stabilization provision. This provision is funded by special amortization and current service contributions, and by actuarial gains.

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

Pension plans in the U.S. are mainly governed under the Employee Retirement Income Security Act, the Internal Revenue Code and the Pension Protection Act of 2006. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover future service costs and deficits, as prescribed by law. Funding deficits are generally amortized over a period of 7 years.

Investment Policy and de-risking strategies

The investment policies are established to achieve a long-term investment return so that, in conjunction with contributions, the plans have sufficient assets to pay for the promised benefits while maintaining a level of risk that is acceptable given the tolerance of plan stakeholders. See below for more information about risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk.

The plans' investment strategy is to invest broadly in fixed income and equity securities and to have a smaller portion of the funds' assets invested in real return asset securities (global infrastructure and real estate listed securities).

As at December 31, 2020, the average target asset allocation, after the assets held for sale reclassification, was as follows:

- 50.5% and 50% in fixed income securities, for Canadian and U.S. plans, respectively;
- 41% and 50% in equity securities, for Canadian and U.S. plans, respectively; and
- 8.5% in real return asset securities for Canadian plans.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term bond forwards) will be implemented for the pension plans when the market will be favorable and the plans' triggers will be reached.

The plan administrators have also established dynamic risk management strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve and the plans become more mature. Under certain pension legislations, and subject to compliance with certain conditions, the buy-out of annuities with insurance companies would discharge the Corporation and administrators of their respective obligations. Accordingly, in 2018 and 2019, annuities were purchased for pensioners of the three Bombardier Aviation pension plans registered in Ontario. The buy-out of annuities payable to pensioners of other pension plans will be contemplated in the coming years when these plans become fully funded on a buy-out basis.

Bombardier Global Pension Asset Management Inc. (BGPAM) monitors the de-risking triggers on an ongoing basis to ensure timely and efficient implementation of these strategies.

Risk management initiatives

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

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

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

Inflation risk
Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the benefit indexation has been capped in certain plans and a portion of plan assets has been invested in real return fixed income securities and real return asset securities.

Foreign exchange risk
Currency risk exposure arises from fluctuations in the fair value of plan assets denominated in a currency other than the currency of the plan liabilities. Currency risk is managed with foreign currency hedging strategies as per plan investment policies.

Liquidity risk
Liquidity risk stems from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investments in treasury bills, government bonds and equity futures and by having no investments in private placements or hedge funds.

Longevity risk
Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality and mortality improvement tables to set the level of contributions. The buy-out of annuities with insurance companies transfers all of the risks listed above to insurers for the annuities purchased.

UNFUNDED DB PLANS

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

DC PLANS

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

OTHER PLANS

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

RETIREMENT BENEFITS PLANS

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

					2020
	Pension benefits	Other benefits	Total continuing operations	Discontinued operations	Total
Current service cost	$ 149	$ 4	$ 153	$ 78	$ 231
Accretion expense	45	7	52	14	66
Past service costs	—	—	—	7	7
Curtailment	(56)	(2)	(58)	(4)	(62) (1)
Settlement	(19)	—	(19)	—	(19) (2)
Termination benefits	2	—	2	—	2
DB plans	**121**	**9**	**130**	**95**	**225**
DC plans	**31**	**—**	**31**	**52**	**83**
Total retirement benefit cost	**$ 152**	**$ 9**	**$ 161**	**$ 147**	**$ 308**
Related to					
Funded DB plans	$ 117	n/a	$ 117	$ 65	$ 182
Unfunded DB plans	$ 4	$ 9	$ 13	$ 30	$ 43
DC plans	$ 31	n/a	$ 31	$ 52	$ 83
Recorded as follows					
EBIT expense or capitalized cost	$ 107	$ 2	$ 109	$ 133	$ 242
Financing expense	$ 45	$ 7	$ 52	$ 14	$ 66

					2019 (3)
	Pension benefits	Other benefits	Total continuing operations	Discontinued operations	Total
Current service cost	$ 154	$ 3	$ 157	74	$ 231
Accretion expense	47	9	56	17	73
Past service costs	34	—	34	(24)	10 (4)
Curtailment	(35)	(22)	(57)	(5)	(62) (1)
Settlement	5	—	5	—	5 (2)
DB plans	205	(10)	195	62	257
DC plans	33	—	33	53	86
Total retirement benefit cost	$ 238	$ (10)	$ 228	$ 115	$ 343
Related to					
Funded DB plans	$ 201	n/a	$ 201	$ 30	$ 231
Unfunded DB plans	$ 4	$ (10)	$ (6)	$ 32	$ 26
DC plans	$ 33	n/a	$ 33	$ 53	$ 86
Recorded as follows					
EBIT expense or capitalized cost	$ 191	$ (19)	$ 172	$ 98	$ 270
Financing expense	$ 47	$ 9	$ 56	$ 17	$ 73

(1) Includes $21 million of curtailment gain related to the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic for fiscal year 2020 ($5 million of curtailment gain related to previously-announced restructuring actions from continuing operations for fiscal year 2019). Also, includes $33 million of curtailment gain related to the disposal of investment in associate and businesses for fiscal year 2020 ($23 million of curtailment gain related to the disposal of a business - Q Series business for fiscal year 2019). See Note 8 – Special items, Note 29 – Disposal of investment in associate and Note 30 – Disposal of businesses for more details.

(2) Includes $19 million of settlement gain related to the disposal of businesses for fiscal year 2020. Includes the loss related to the purchase of pension annuities for fiscal year 2019. See Note 8 – Special items and Note 30 – Disposal of businesses for more details.

(3) Restated for the sale of Transportation, refer to Note 31 – Discontinued operations for more details.

(4) Includes loss related to the pension adjustments of $26 million from continuing operations for fiscal year 2019. See Note 8 – Special items for more details.

n/a: Not applicable

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

Gains (losses)			
Balance as at January 1, 2019	$	(2,305)	
Actuarial losses, net		(453)	
Effect of exchange rate changes		(67)	
Income taxes		50	
Balance as at December 31, 2019		(2,775)	
Impact of asset ceiling and minimum liability		(13)	
Actuarial losses, net		(419)	
Effect of exchange rate changes		(24)	
Income taxes		43	
Balance as at December 31, 2020	**$**	**(3,188)**	(1)

(1) Includes the changes in cumulative amount of remeasurement gains (losses) of defined benefit plans recognized in OCI related to Transportation, refer to Note 31 – Discontinued operations for more details.

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

			2020			2019
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Change in benefit obligation						
Obligation at beginning of year	**$ 11,722** [(1)]	**$ 273** [(1)]	**$ 11,995** [(1)]	$ 9,817	$ 260	$ 10,077
Accretion	**271**	**8**	**279**	325	10	335
Current service cost	**226**	**5**	**231**	227	4	231
Plan participants' contributions	**17**	**—**	**17**	23	—	23
Past service costs[(2)]	**7**	**—**	**7**	10	—	10
Actuarial losses - changes in financial assumptions	**1,005**	**21**	**1,026**	1,447	30	1,477
Actuarial (gains) losses - changes in experience adjustments	**(106)**	**(6)**	**(112)**	6	(9)	(3)
Actuarial gains - changes in demographic assumptions	**(68)**	**—**	**(68)**	(66)	(1)	(67)
Benefits paid	**(359)**	**(13)**	**(372)**	(354)	(11)	(365)
Curtailment[(3)]	**(60)**	**(2)**	**(62)**	(40)	(22)	(62)
Settlement	**(527)**	**—**	**(527)**	(14)	—	(14)
Termination benefits	**2**	**—**	**2**	—	—	—
Disposal of businesses[(4)]	**(2,573)**	**(1)**	**(2,574)**	—	—	—
Other[(6)]	**313**	**—**	**313**	—	—	—
Reclassified as liabilities directly associated with assets held for sale[(5)]	**(4,562)**	**(48)**	**(4,610)**	(2,421)	—	(2,421)
Effect of exchange rate changes	**252**	**6**	**258**	341	12	353
Obligation at end of year	**$ 5,560**	**$ 243**	**$ 5,803**	$ 9,301	$ 273	$ 9,574
Obligation is attributable to						
Active members	**$ 2,969**	**$ 107**	**$ 3,076**	$ 3,217	$ 117	$ 3,334
Deferred members	**451**	**—**	**451**	1,785	—	1,785
Retirees	**2,140**	**136**	**2,276**	4,299	156	4,455
	$ 5,560	**$ 243**	**$ 5,803**	$ 9,301	$ 273	$ 9,574
Change in plan assets						
Fair value at beginning of year	**$ 9,329** [(1)]	**$ —** [(1)]	**$ 9,329** [(1)]	$ 7,896	$ —	$ 7,896
Employer contributions	**233**	**13**	**246**	275	11	286
Plan participants' contributions	**17**	**—**	**17**	23	—	23
Interest income on plan assets	**213**	**—**	**213**	262	—	262
Actuarial (losses) gains	**417**	**—**	**417**	954	—	954
Benefits paid	**(359)**	**(13)**	**(372)**	(354)	(11)	(365)
Settlement	**(508)**	**—**	**(508)**	(19)	—	(19)
Administration costs	**(25)**	**—**	**(25)**	(20)	—	(20)
Disposal of businesses[(4)]	**(2,013)**	**—**	**(2,013)**	—	—	—
Other	**286**	**—**	**286**	—	—	—
Reclassified as liabilities directly associated with assets held for sale[(5)]	**(3,474)**	**—**	**(3,474)**	(2,007)	—	(2,007)
Effect of exchange rate changes	**156**	**—**	**156**	312	—	312
Fair value at end of year	**$ 4,272**	**$ —**	**$ 4,272**	$ 7,322	$ —	$ 7,322

(1) Opening balances are before the assets held for sale reclassification related to the disposal of CRJ and aerostructure businesses.
(2) Includes loss related to the pension adjustments of $26 million for fiscal year 2019. See note 8 – Special items for more details.
(3) Includes $21 million of curtailment gain related to the announcement of Aviation for workforce adjustments in response to the COVID-19 pandemic and $33 million of curtailment gain related to the disposal of investment in associate and businesses for fiscal year 2020 ($5 million of curtailment gain related to previously-announced restructuring actions from continuing operations and $23 million related to the disposal of a business - Q Series business for fiscal year 2019). See note 8 – Special items for more details.
(4) See Note 30 - Disposal of businesses for more details.
(5) See Note 31 - Discontinued operations for more details.
(6) Includes retirement benefit liabilities related to acquisition, see Note 32 - Acquisition for more details.

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

	December 31, 2020		December 31, 2019		January 1, 2019	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Present value of defined benefit obligation	**$ 5,560**	**$ 243**	$ 9,301	$ 273	$ 9,817	$ 260
Fair value of plan assets	**(4,272)**	**—**	(7,322)	—	(7,896)	—
Net amount recognized	**$ 1,288**	**$ 243**	$ 1,979	$ 273	$ 1,921	$ 260
Amounts included in:						
Retirement benefit						
Liability	**$ 1,363**	**$ 243**	$ 2,172	$ 273	$ 2,121	$ 260
Asset[1]	**(75)**	**—**	(193)	—	(200)	—
Net liability	**$ 1,288**	**$ 243**	$ 1,979	$ 273	$ 1,921	$ 260

[1] Presented in Note 20 – Other assets.

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

	December 31, 2020		December 31, 2019		January 1, 2019	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Funded pension plans						
Canada	**$ 915**	**$ —**	$ 783	$ —	$ 695	$ —
U.S.	**261**	**—**	370	—	332	—
U.K.	**—**	**—**	(10)	—	102	—
Other	**—**	**—**	48	—	72	—
	1,176	**—**	1,191	—	1,201	—
Unfunded pension plans						
Germany	**41**	**—**	571	—	526	—
Canada	**28**	**234**	27	245	24	232
U.S.	**37**	**9**	41	16	35	18
Other	**6**	**—**	149	12	135	10
	112	**243**	788	273	720	260
Net liability	**$ 1,288**	**$ 243**	$ 1,979	$ 273	$ 1,921	$ 260

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

	December 31, 2020		December 31, 2019		January 1, 2019	
	Benefit obligation	**Plan assets**	Benefit obligation	Plan assets	Benefit obligation	Plan assets
Funded pension plans						
Canada	**$ 4,558**	**$ 3,643**	$ 4,822	$ 4,039	$ 4,069	$ 3,374
U.S.	**890**	**629**	1,081	711	891	559
U.K.	**—**	**—**	2,235	2,245	3,752	3,650
Other	**—**	**—**	375	327	385	313
	5,448	**4,272**	8,513	7,322	9,097	7,896
Unfunded pension plans	**355**	**—**	1,061	—	980	—
	$ 5,803	**$ 4,272**	$ 9,574	$ 7,322	$ 10,077	$ 7,896

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

								December 31, 2020
		Total		**Level 1**		**Level 2**		**Level 3**
Cash and cash equivalents	**$**	**396**	**$**	**246**	**$**	**150**	**$**	**—**
Equity securities								
U.S.		**669**		**669**		**—**		**—**
U.K.		**104**		**104**		**—**		**—**
Canada		**291**		**291**		**—**		**—**
Other		**568**		**568**		**—**		**—**
		1,632		**1,632**		**—**		**—**
Fixed-income securities								
Corporate		**471**		**—**		**471**		**—**
Government		**1,396**		**—**		**1,396**		**—**
Other		**10**		**—**		**10**		**—**
		1,877		**—**		**1,877**		**—**
Real return asset securities		**310**		**310**		**—**		**—**
Other		**57**		**—**		**57**		**—**
	$	**4,272**	**$**	**2,188**	**$**	**2,084**	**$**	**—**

								December 31, 2019
		Total		Level 1		Level 2		Level 3
Cash and cash equivalents	$	618	$	471	$	147	$	—
Equity securities								
U.S.		873		867		—		6
U.K.		215		207		8		—
Canada		334		334		—		—
Other		1,071		1,068		—		3
		2,493		2,476		8		9
Fixed-income securities								
Corporate		853		—		853		—
Government		2,536		—		2,536		—
Other		17		—		17		—
		3,406		—		3,406		—
Real return asset securities		682		622		—		60
Other		123		—		123		—
	$	7,322	$	3,569	$	3,684	$	69

								January 1, 2019
		Total		Level 1		Level 2		Level 3
Cash and cash equivalents	$	707	$	513	$	194	$	—
Equity securities								
U.S.		832		826		—		6
U.K.		228		220		8		—
Canada		259		259		—		—
Other		1,089		1,086		—		3
		2,408		2,391		8		9
Fixed-income securities								
Corporate		1,038		—		1,038		—
Government		2,766		—		2,766		—
Other		22		—		22		—
		3,826		—		3,826		—
Real return asset securities		895		840		—		55
Other		60		—		60		—
	$	7,896	$	3,744	$	4,088	$	64

Plan assets did not include any of the Corporation’s shares, nor any property occupied by the Corporation or other assets used by the Corporation as at December 31, 2020, 2019 and January 1, 2019.

The following table presents the contributions made for fiscal year 2020 and 2019 as well as the estimated contributions, excluding Transportation, for fiscal year 2021:

	2021 *Estimated*	**2020**	2019
Contribution to			
Funded pension plans	$ 137	**$ 204**	$ 248
Unfunded pension plans	3	**29**	27
Other benefits	12	**13**	11
Total defined benefits plans	152	**246** (1)	286 (1)
DC pension plans	32	**83** (1)	86 (1)
Total contributions	$ 184	**$ 329**	$ 372

(1) Contributions for the fiscal years 2020 and 2019 includes Transportation. Contributions made by Transportation to DB and DC pension plans in fiscal year 2020 were in the amount of $75 million and $52 million, respectively.

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

	December 31, 2020
Benefits expected to be paid	
Within 1 year	**$ 182**
Between 1 and 5 years	**828**
Between 5 and 10 years	**1,295**
Between 10 and 15 years	**1,540**
Between 15 and 20 years	**1,721**
	$ 5,566

The following table provides the weighted average duration of the defined benefit obligations related to pension plans, excluding Transportation, as at:

Duration in years as at	**December 31, 2020**
Funded pension plans	
Canada	**17.4**
U.S.	**15.4**
Unfunded pension plans	
Germany	**20.8**
Canada	**13.8**
U.S.	**14.1**
Other	**16.1**

The following table provides the expected payments to be made under the unfunded plans, as at December 31, 2020, excluding Transportation:

	Germany	**Other**	**Total**
Benefits expected to be paid			
Within 1 year	**$ —**	**$ 12**	**$ 12**
Between 1 and 5 years	**2**	**52**	**54**
Between 5 and 10 years	**4**	**76**	**80**
Between 10 and 15 years	**7**	**82**	**89**
Between 15 and 20 years	**11**	**88**	**99**
	$ 24	**$ 310**	**$ 334**

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

	December 31, 2020		December 31, 2019		January 1, 2019	
(in percentage)	**Pension benefits**	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit cost						
Discount rate	**2.51%**	**3.15%**	3.29%	3.88%	3.03%	3.56%
Rate of compensation increase	**2.91%**	**2.75%**	2.99%	3.00%	3.00%	3.00%
Inflation rate	**2.23%**	**2.10%**	2.28%	2.20%	2.28%	2.20%
Ultimate health care cost trend rate	**n/a**	**5.07%**	n/a	5.08%	n/a	5.08%
Benefit obligation						
Discount rate	**2.13%**	**2.65%**	2.51%	3.15%	3.29%	3.88%
Rate of compensation increase	**2.86%**	**2.75%**	2.91%	2.75%	2.99%	3.00%
Inflation rate	**2.04%**	**2.30%**	2.23%	2.10%	2.28%	2.20%
Initial health care cost trend rate	**n/a**	**5.17%**	n/a	5.21%	n/a	5.24%
Ultimate health care cost trend rate	**n/a**	**5.07%**	n/a	5.07%	n/a	5.08%

n/a: Not applicable

The weighted-average assumptions used to determine the benefit cost and obligation from continuing operations were as follows as at:

	December 31, 2020	
(in percentage)	**Pension benefits**	**Other benefits**
Benefit cost		
Discount rate	**2.83%**	**3.20%**
Rate of compensation increase	**2.95%**	**2.75%**
Inflation rate	**2.22%**	**n/a**
Ultimate health care cost trend rate	**n/a**	**5.04%**

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

(in years)		**Life expectancy over 65 for a male member currently**			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2020**	2019	**2020**	2019
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using CPM Improvement Scale B ("CPM-B")	**22.1**	21.9	**23.1**	22.9
U.K.	SPA07M_CMI 2016[(1)]	**22.1**	21.6	**23.9**	23.1
U.S.	Pri-2012 mortality table projected generationally using the MP-2020 improvement scale[(2)]	**20.4**	20.6	**21.9**	22.2
Germany	Dr. K Heubeck 2018	**20.5**	20.3	**23.2**	23.1

		Life expectancy over 65 for a female member currently			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2020**	2019	**2020**	2019
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using CPM Improvement Scale B ("CPM-B")	**24.5**	24.3	**25.4**	25.2
U.K.	SPA07M_CMI 2016[(1)]	**24.0**	23.4	**25.9**	25.0
U.S.	Pri-2012 mortality table projected generationally using the MP-2020 improvement scale[(2)]	**22.4**	22.6	**23.8**	24.2
Germany	Dr. K Heubeck 2018	**23.9**	23.8	**26.1**	26.0

(1) SNA07M_CMI 2016 and S2P(M/F)A CMI 2016 as at December 31, 2019.
(2) Pri-2012 mortality table projected generationally using the MP-2019 improvement scale as at December 31, 2019.

A 0.25 percentage point increase in one of the following actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged, for the fiscal year 2020 and as at December 31, 2020:

	Retirement benefit cost		**Net retirement benefit liability**	
Assumption	**Continuing operations**	**Total** [(1)]	**Continuing operations**	**Total** [(1)]
Discount rate	(14)	(20)	(247)	(438)
Rate of compensation increase	4	5	30	49
Inflation rate	2	4	1	92

(1) Includes Transportation.

A one year additional life expectancy as at December 31, 2020 for all DB plans would increase the net retirement benefit liability by $284 million and the retirement benefit cost by $18 million. The net retirement benefit liability from continuing operations would increase by $148 million and the retirement benefit cost by $14 million for fiscal year 2020, all other actuarial assumptions remaining unchanged.

As at December 31, 2020, the health care cost trend rate for retirement benefits other than pension, which is a weighted-average annual rate of increase in the per capita cost of covered health and dental care benefits, is assumed to be 5.17% and to decrease progressively to 5.07% by calendar year 2027 and then remain at that level for all participants. A one percentage point change in assumed health care cost trend rates would have the following effects, for the fiscal year 2020 and as at December 31, 2020:

	Retirement benefit cost		**Net retirement benefit liability**	
	Continuing operations	**Total** [(1)]	**Continuing operations**	**Total** [(1)]
One percentage point increase	1	1	19	19
One percentage point decrease	(1)	(1)	(17)	(17)

(1) Includes Transportation.

24. TRADE AND OTHER PAYABLES

Trade and other payables were as follows, as at:

	December 31, 2020	December 31, 2019	January 1, 2019
Trade payables	**$ 1,134**	$ 3,259	$ 3,502
Accrued liabilities	**81**	813	756
Interest payable	**154**	150	138
Other	**242**	460	238
	$ 1,611	$ 4,682	$ 4,634

The Corporation negotiated extended payment terms for Aviation of 180 to 360 days after delivery with certain of its suppliers. Trade payables with these extended terms totalled $56 million and bore interest at a weighted average rate of 8.25% as at December 31, 2020 ($308 million and 6.70%, respectively, as at December 31, 2019 and $279 million and 6.84%, 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.

See Note 31 – Discontinued operations for more details regarding Transportation payment terms.

25. PROVISIONS

Changes in provisions were as follows, for fiscal years 2020 and 2019:

	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	**207**	**7**	**98** [3]	**284**	**51**	**647**
Utilization	**(146)**	**(4)** [10]	**(111)**	**(180)**	**(18)**	**(459)**
Reversals	**(44)**	**(5)**	**(33)** [3]	**(208)** [4][9]	**(25)**	**(315)**
Accretion expense	**1**	**2**	**—**	**5**	**—**	**8**
Effect of changes in discount rates	**1**	**2**	**—**	**14**	**—**	**17**
Disposal of businesses[5]	**(8)**	**(12)**	**(35)**	**(289)**	**(14)**	**(358)**
Reclassified as liabilities directly associated with assets held for sale[6]	**(311)**	**—**	**(51)**	**(554)**	**(43)**	**(959)**
Effect of foreign currency exchange rate changes	**22**	**—**	**3**	**31**	**4**	**60**
Balance as at December 31, 2020	**$ 154**	**$ 80** [7]	**$ 5**	**$ 111**	**$ 85**	**$ 435**
Of which current	**$ 45**	**$ —**	**$ 5**	**$ 13**	**$ 83**	**$ 146**
Of which non-current	**109**	**80**	**—**	**98**	**2**	**289**
	$ 154	**$ 80**	**$ 5**	**$ 111**	**$ 85**	**$ 435**

	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	180	—	120 [3]	242 [8]	44	586
Utilization	(182)	(336) [10]	(185)	(333)	(50)	(1,086)
Reversals	(78)	(39)	(26) [3]	(76) [8][9]	(20)	(239)
Accretion expense	1	7	—	6	—	14
Effect of changes in discount rates	1	2	—	16	—	19
Reclassified as liabilities directly associated with assets held for sale[11]	(7)	(90)	(3)	(304)	(19)	(423)
Effect of foreign currency exchange rate changes	(5)	—	(1)	7	(1)	—
Balance as at December 31, 2019	$ 425	$ —	$ 131	$ 704	$ 111	$ 1,371
Of which current	$ 343	$ —	$ 130	$ 495	$ 92	$ 1,060
Of which non-current	82	—	1	209	19	311
	$ 425	$ —	$ 131	$ 704	$ 111	$ 1,371

[1] Mainly comprised of claims and litigations.
[2] Opening balances are before the assets held for sale reclassification related to the disposal of CRJ and aerostructure businesses.
[3] See Note 8 – Special items and Note 31 – Discontinued operations 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 8 – Special items for more details.
[5] See Note 30 – Disposal of businesses.
[6] See Note 31 – Discontinued operations for more details.
[7] Following the sale of the CRJ business, the Corporation retains those provisions and has a back-to-back agreement with MHI. See Note 20 – Other Assets and Note 30 – Disposal of businesses for more information.
[8] See Note 8 – Special items for more details on the addition and reversals related to the *Primove* impairment and other costs.
[9] See Note 8 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions
[10] When Credit and residual value guarantees become due, the respective amounts are reclassified to credit and residual value guarantees payable within other financial liabilities.
[11] Represents liabilities directly associated with assets held for sale related to the sale of CRJ and aerostructure businesses.

26. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	December 31, 2020	December 31, 2019	January 1, 2019
Government refundable advances[1]	**$ 595**	$ 585	$ 759
Lease liabilities[2]	**232**	487	609
Credit and residual value guarantees payable	**223**	378	172
Liabilities related to RASPRO assets[3]	**149**	—	—
Vendor non-recurring costs	**81**	112	136
Derivative financial instruments[4]	**42**	535	885
Payable to MHI[5]	**30**	—	—
Lease subsidies[6]	**11**	—	53
Other	**101**	125	119
	$ 1,464	$ 2,222	$ 2,733
Of which current	**$ 239**	$ 617	$ 701
Of which non-current	**1,225**	1,605	2,032
	$ 1,464	$ 2,222	$ 2,733

(1) Of which $439 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 19 – Other financial assets for the receivables from ACLP. The Corporation is required to pay amounts to governments based on the number of deliveries of aircraft.
(2) Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 43 – Reclassification.
(3) The Corporation has retained the regional aircraft securitization program assets (RASPRO) for which the Corporation has transferred the net beneficial interest through a back-to-back agreement with MHI. Refer to Note 19 – Other financial assets and to Note 30 – Disposal of businesses for more information.
(4) See Note 13 – Financial instruments
(5) This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans. Refer to Note 19 – Other financial assets and to Note 30 – Disposal of businesses for more information.
(6) Following the sale of the CRJ business, the Corporation retained those lease subsidies and has a back-to-back agreement with MHI. Refer to Note 19 – Other financial assets and to Note 30 – Disposal of businesses for more information. As of December 31, 2019, those liabilities were presented as liabilities directly associated with assets held for sale as part of the sale of the CRJ business.

The Corporation has entered into leases for which the asset is still under construction, and therefore the right-of-use assets and the lease liabilities related to these leases are not recorded, as at December 31, 2020, since the lease has not yet commenced. The Corporation's undiscounted lease commitments were as follows, as at:

	December 31, 2020
Less than 1 year	**$ —**
From 1 to 3 years	**12**
Thereafter	**574**
	$ 586 [1]

(1) of which nil are related to Transportation.

27. OTHER LIABILITIES

Other liabilities were as follows, as at:

	December 31, 2020	December 31, 2019 [1]	January 1, 2019
Supplier contributions to aerospace programs	**$ 332**	$ 389	$ 389
Employee benefits[2]	**253**	532	643
Income taxes payable	**31**	202	173
Other taxes payable	**1**	165	181
Accruals for long-term contract costs	**—**	398	443
Other	**218**	220	193
	$ 835	$ 1,906	$ 2,022
Of which current	**$ 447**	$ 1,441	$ 1,499
Of which non-current	**388**	465	523
	$ 835	$ 1,906	$ 2,022

[1] Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 43 - Reclassification.
[2] Comprises all employee benefits excluding those related to retirement benefits, which are reported in the line items Retirement benefits and in Other assets (see Note 23 – Retirement benefits).

28. LONG-TERM DEBT

Long-term debt was as follows, as at:

			Interest rate				December 31 2020	December 31 2019	January 1 2019
	Amount in currency of origin	Currency	Contractual	(1)	After effect of fair value hedges	Maturity	Amount	Amount	Amount
Senior notes	414[2]	EUR	6.13%		n/a	May 2021	**$ 513**	$ 483	$ 952
	1018[2]	USD	8.75%		n/a	Dec. 2021	**1,013**	1,008	1,380
	500	USD	5.75%		3-month Libor + 3.36[3]	Mar. 2022	**503**	504	504
	1,200	USD	6.00%		3-month Libor + 3.57[3]	Oct. 2022	**1,212**	1,215	1,217
	1,250	USD	6.13%		3-month Libor + 3.48[3]	Jan. 2023	**1,269**	1,272	1,273
	1,000	USD	7.50%		n/a	Dec. 2024	**994**	992	990
	1,500	USD	7.50%		n/a	Mar. 2025	**1,494**	1,492	1,491
	2,000	USD	7.88%		n/a	Apr. 2027	**1,981**	1,978	—
	850	USD	7.75%		n/a	n/a	**—**	—	869
Secured term loan[4]	750	USD	n/d		n/a	Aug. 2023	**712**	—	—
Notes	250	USD	7.45%		n/a	May 2034	**248**	248	248
Debentures	150	CAD	7.35%		n/a	Dec. 2026	**117**	115	110
Other	Various[5]	Various	Various[5]		n/a	Apr. 2026	**19**	26	27
							$ 10,075	$ 9,333	$ 9,061
Of which current							**$ 1,882**	$ 8	$ 9
Of which non-current							**8,193**	9,325	9,052
							$ 10,075	$ 9,333	$ 9,061

(1) Interest on long-term debt as at December 31, 2020 is payable semi-annually, except for the other debts for which the timing of interest payments is variable.
(2) The Corporation redeemed €366 million aggregate principal amount of the 6.13% Notes due 2021 of €780 million and $382 million aggregate principal amount of the 8.75% Notes due 2021 of $1,400 million, in fiscal year 2019.
(3) The interest-rate swap agreement related to these Senior Notes were partially settled in prior fiscal years. As these interest-rate swaps were in a fair value hedge relationship, the related deferred gains recorded in the hedged item will be amortized in interest expense up to the maturity of these debts.
(4) The facility has a minimum utilization of $750 million and a maximum of $1,000 million and will bear an interest at an agreed margin over the LIBOR references rate.
(5) The notional amount of other long-term debt is $19 million as at December 31, 2020 ($26 million as at December 31, 2019 and $27 million as at January 1, 2019). The contractual interest rate is 7.95% as at December 31, 2020 (a weighted average rate of 7.8% as at December 31, 2019 and 7.8% as at January 1, 2019).

n/a: Not applicable
n/d: Not disclosed

All Senior notes and Notes rank pari-passu and are unsecured. Transportation is subject to various financial covenants under the Transportation's letter of credit facility and the unsecured revolving credit facility, which must be met on a quarterly basis, see Note 36 - Credit facilities for more details. A breach of any of these agreements or the inability to comply with these covenants could result in a default under these facilities, which would permit the Corporation's banks to request immediate defeasance or cash cover of all outstanding letters of credit, and bond holders and other lenders to declare amounts owed to them to be immediately payable. The Corporation was in compliance with all covenants as at December 31, 2020 and 2019 and January 1, 2019.

Under the Secured term loan, the Corporation has the right to voluntarily prepay the outstanding amount of the Facility. In addition, the sale of Transportation will require the Corporation to make an offer to repay 50% of the then outstanding principal amount of the Facility. The prepayment of the outstanding amount of the Facility is subject to prepayment fees, which decreases after the first year. Drawings under the Facility will be secured by a

security interest in certain aviation inventory and related accounts receivable. There are no financial covenants under the Facility.

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

	December 31, 2020	December 31, 2019	January 1, 2019
Within 1 year	**$ 1,901**	$ 8	$ 9
Between 1 and 5 years	**5,825**	5,433	6,135
More than 5 years	**2,385**	3,883	2,878
	$ 10,111	$ 9,324	$ 9,022

29. DISPOSAL OF INVESTMENT IN ASSOCIATE

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

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

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

The cumulative net proceeds received were $554 million as at December 31, 2020. A gain of $120 million was recognized in Special items for the fiscal year 2020, see Note 8 - Special items.

30. DISPOSAL OF BUSINESSES

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

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

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

The Corporation has received gross proceeds of $585 million at closing, including certain closing adjustments. The net proceeds were $574 million at closing. A pre-tax gain of $488 million for the fiscal year 2020 was recognized in Special items, see Note 8 - Special items ($440 million after tax impact).

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

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

Aerostructure Business
On October 30, 2020, the Corporation concluded the sale of the aerostructure business to Spirit AeroSystems Holding, Inc. (Spirit). Through this sale, Spirit acquired Bombardier's aerostructures activities and aftermarket services operations in Belfast, U.K.; Casablanca, Morocco; and its aerostructures maintenance, repair and overhaul (MRO) facility in Dallas, U.S. for cash consideration of $275 million, Spirit's assumption of liabilities, including government refundable advances and pension obligations.

The Corporation has received gross proceeds of $275 million at closing. The net proceeds were $257 million. A gain of $678 million for fiscal year 2020 was recognized in Special items, see Note 8 - Special items.
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.

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

31. DISCONTINUED OPERATIONS

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

Total proceeds to the vendors after the deduction of debt-like items and transferred liabilities are $6.0 billion, including the amount paid by Alstom to redeem the Corporation and CDPQ's capital injections of €400 million ($488 million at an exchange rate of 1.22) and €350 million ($427 million at an exchange rate of 1.22), respectively, in Transportation made in fiscal year 2020 to support working capital. After deducting CDPQ's equity position of $2.5 billion, transaction costs, and including the impact from closing adjustments and obligations related to achieving a minimum cash balance at Transportation at the end of fiscal year 2020, the Corporation expects net proceeds of approximately $3.6 billion. This amount includes €400 million ($488 million at an exchange rate of 1.22) of cash from the redemption of equity and €103 million ($125 million at an exchange rate

of 1.22) of intercompany loan reimbursement by Transportation, settled in conjunction with the transaction closing. Net proceeds also include approximately $600 million of Alstom shares (€500 million representing 11.5 million shares for a fixed subscription price of €43.46 per share), monetizable starting in late April 2021.
See Note 42 - Commitments and contingencies for more information on indemnification.

Transportation was classified as discontinued operations and the related assets and liabilities are held for sale. The results of Transportation were as follows, for fiscal years:

		2020		2019
Revenues	**$**	**7,844**	$	8,269
Cost of sales		**8,023**		7,710
Gross margin		**(179)**		559
SG&A		**442**		456
R&D		**95**		136
Share of income of joint ventures and associates		**(108)**		(94)
Other income		**2**		(9)
Special items		**8**		48
EBIT[(1)]		**(618)**		22
Financing expense[(2)]		**91**		87
Financing income[(2)]		**(329)**		(15)
EBT		**(380)**		(50)
Income taxes		**18**		16
Net loss from discontinued operations	**$**	**(398)**	$	(66)
EPS from discontinued operations(in dollars)				
Basic and diluted[(3)]		**(0.29)**		(0.11)

(1) For fiscal year 2020, includes $87 million of wage subsidies from the Canadian Government and other countries.
(2) For fiscal year 2020, includes accretion on net retirement benefit obligations in the amount of $14 million ($17 million for fiscal year 2019), and net gain on certain financial instruments in the amount of $325 million (net loss of $10 million for fiscal year 2019).
(3) For the total number of ordinary shares used in the calculation of basic and diluted EPS from discontinued operations, refer to Note 12- Earnings per share.

Special items were as follows, for fiscal years:

		2020		2019
Restructuring charges (reversals)[(1)]	**$**	**1**	$	48
Disruption costs[(2)]		**7**		—
Income taxes		**1**		—
	$	**9**	$	48
Of which is presented in				
Special items in EBIT	**$**	**8**		48
Income taxes - effect of special items		**1**		—
	$	**9**	$	48

1. For fiscal year 2020, represents severance charges of $1 million related to previously-announced restructuring actions. For fiscal year 2019, represents severance charges of $61 million partially offset by curtailment gains of $5 million, and the reversal of previously-recorded impairment charges of $8 million, related to previously-announced restructuring actions.
2. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, $7 million were recorded as special items for fiscal year 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations of Transportation since it does not reflect the impact of lost or deferred revenues and associated margins.

Assets held for sale

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

		December 31, 2020
Cash and cash equivalents	$	**671**
Trade and other receivables		**1,217**
Contract assets[1]		**3,260**
PP&E		**1,041**
Goodwill[2]		**2,101**
Investments in joint ventures and associates		**626**
Deferred income taxes		**462**
Other assets[3]		**1,039**
Total assets	**$**	**10,417**
Borrowings	$	**798**
Trade and other payables		**2,831**
Contract liabilities		**2,749**
Provisions		**959**
Retirement benefits		**1,202**
Other liabilities[4]		**1,607**
Total liabilities	**$**	**10,146**

[1] Includes $7,792 million of advances and progress billings.
[2] See Note 22 – Intangible assets and Note 4 – Use of estimates and judgment for more details.
[3] Mainly comprised of inventories, long-term contract receivables, derivative financial instruments and retirement benefit assets of $49 million.
[4] Mainly comprised of employee benefits, accruals for long-term contract costs, lease liabilities, derivative financial instruments and deferred income tax liability of $15 million.

Accumulated OCI was as follows as at:

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

The net cash flows were as follows, for fiscal years:

		2020		2019
Cash flows from operating	**$**	**(1,149)**	$	(427)
Cash flows from investing		**(137)**		(127)
Cash flows from financing		**1,083**		(3)
Net cash outflow	**$**	**(203)**	$	(557)

Additional information

Long-Term contracts

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 €256 million ($314 million) as at December 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 by a specified date.

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 ($684 million) were outstanding under such facilities as at December 31, 2020 (€809 million ($909 million) as at December 31, 2019 and €799 million ($914 million) as at January 1, 2019). Receivables of € 1,167 million ($1,331 million) were sold to these facilities during fiscal year 2020 (€1,691 million ($1,894 million) during fiscal year 2019).

Trade and other payables

Transportation negotiated extended payment terms of 150 to 240 days after delivery with certain of its suppliers. Trade payables with these extended terms totaled €517 million ($634 million) and bore interest at a weighted average rate of 1.83% as at December 31, 2020 (€488 million ($548 million) and 2.50%, respectively, as at December 31, 2019 and €474 million ($543 million) and 2.41%, respectively, as at January 1, 2019). Suppliers generally have the right to return to original payment terms for future payables upon providing a minimum notice period.

CDPQ investment in BT Holdco

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, Bombardier Transportation (Investment) UK Limited (BT Holdco). Under the terms of the investment, Bombardier Inc. sold voting shares convertible into a 30% common equity stake of BT Holdco to the CDPQ, subject to annual adjustments related to performance.

BT Holdco owns essentially all of the assets and liabilities of Bombardier's Transportation business segment, its operational headquarters remains in Germany.

Capital injection

In fiscal year 2020, CDPQ and the Corporation made capital injections of €350 million ($386 million) and €400 million ($456 million), respectively, 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 and the Corporation. In fiscal year 2019, the Corporation and CDPQ (through its affiliates) made a capital injection of €105 million ($115 million) and €45 million ($49 million) in BT Holdco.

As such, the equity ownership percentage of the Corporation and of CDPQ in Transportation as at December 31, 2020 is 65.88% and 34.12%, respectively.

32. ACQUISITION

On December 31, 2020, the Corporation completed the acquisition, to gain full control, of the aircraft service center in Berlin. The Corporation purchased the shares from Lufthansa Technik AG and ExecuJet Aviation Group AG, thereby allowing the Corporation to establish a wholly-owned service center in Berlin and further expand its worldwide customer support footprint.

The Corporation acquired net liabilities valued at $15 million, consisting primarily of right of use assets, inventories, receivables, retirement benefits liability, lease liability and payables. Based on a preliminary purchase

price allocation, a goodwill of $15 million was recognized. The assets acquired and liabilities assumed by the Corporation were measured at their estimated fair value.

33. SHARE CAPITAL

Preferred shares

The preferred shares authorized were as follows, as at December 31, 2020, and 2019 and January 1, 2019:

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

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

	December 31, 2020	December 31, 2019	January 1, 2019
Series 2 Cumulative Redeemable Preferred Shares	**5,811,736**	5,811,736	5,811,736
Series 3 Cumulative Redeemable Preferred Shares	**6,188,264**	6,188,264	6,188,264
Series 4 Cumulative Redeemable Preferred Shares	**9,400,000**	9,400,000	9,400,000

Series 2 Cumulative Redeemable Preferred Shares	
Redemption:	Redeemable, at the Corporation’s option, at $25.50 Cdn per share.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2022 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, then no Series 2 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	Since August 1, 2002, the variable cumulative preferential cash dividends are payable monthly on the 15th day of each month, if declared, with the annual variable dividend rate being set between 50% to 100% of the Canadian prime rate, and adjusted as follows. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of Series 2 Cumulative Redeemable Preferred Shares is less than $24.90 Cdn per share or more than $25.10 Cdn per share.

Series 3 Cumulative Redeemable Preferred Shares	
Redemption:	Redeemable, at the Corporation’s option, at $25.00 Cdn per share on August 1, 2022 and on August 1 of every fifth year thereafter.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2022 and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, then no Series 3 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	For the five-year period from August 1, 2017 and including July 31, 2022, the Series 3 Cumulative Redeemable Preferred Shares carry fixed cumulative preferential cash dividends at a rate of 3.983% or $0.99575 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.2489375 Cdn, if declared. For each succeeding five-year period, the applicable fixed annual rate of the cumulative preferential cash dividends calculated by the Corporation shall not be less than 80% of the Government of Canada bond yield, as defined in the Restated Articles of Incorporation.

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

Common shares

All common shares are without nominal or par value.

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

Class B Shares (subordinate voting)	
Voting rights:	One vote each.
Conversion:	Convertible, at the option of the holder, into one Class A Share (multiple voting): (i) if an offer made to Class A (multiple voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); or (ii) if such controlling shareholder ceases to hold more than 50% of all outstanding Class A Shares (multiple voting) of the Corporation.
Dividend:	The holders of Class B Shares (subordinate voting) are entitled, in priority to the holders of Class A Shares (multiple voting) to non-cumulative dividends of $0.0015625 Cdn per share, payable quarterly on the last day of March, June, September and December of each year at a rate of $0.000390625 Cdn per share, if declared. After payment of said priority dividend, the Class B Shares (subordinate voting) shall share equally, share for share, with respect to any additional dividends which may be declared in respect of the Class A Shares (multiple voting) and the Class B Shares (subordinate voting). These dividends, if declared, shall be payable quarterly on the last day of March, June, September and December of each year.

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

Class A Shares (multiple voting)

	December 31, 2020	December 31, 2019
Issued and fully paid		
Balance at beginning of year	**308,746,929**	308,750,749
Converted to Class B	**(10,000)**	(3,820)
Balance at end of year	**308,736,929**	308,746,929
Authorized	**3,592,000,000**	3,592,000,000

Class B Shares (subordinate voting)

	December 31, 2020	December 31, 2019
Issued and fully paid		
Balance at beginning of year	**2,128,017,205**	2,125,232,847
Issuance of shares	**64,737**	2,780,538
Converted from Class A	**10,000**	3,820
	2,128,091,942	2,128,017,205
Held in trust under the PSU and RSU plans		
Balance at beginning of year	**(39,160,485)**	(60,541,394)
Distributed	**22,112,544**	21,380,909
	(17,047,941)	(39,160,485)
Balance at end of year	**2,111,044,001**	2,088,856,720
Authorized	**3,592,000,000**	3,592,000,000

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

	December 31, 2020	December 31, 2019
Balance at beginning of year	**305,851,872**	305,851,872
Cancellation of warrants	**(100,000,000)**	—
Balance at end of year	**205,851,872**	305,851,872

Dividends

Dividends declared were as follows:

	Dividends declared for fiscal years				Dividends declared after	
	December 31, 2020		December 31, 2019		December 31, 2020	
		Total		Total		Total
	Per share (Cdn$)	(in millions of U.S.$)	Per share (Cdn$)	(in millions of U.S.$)	Per share (Cdn$)	(in millions of U.S.$)
Class A common shares	**0.00**	**$ —**	0.00	$ —	0.00	$ —
Class B common shares	**0.00**	**—**	0.00	—	0.00	—
		—		—		—
Series 2 Preferred Shares	**0.72**	**3**	0.99	4	0.05	—
Series 3 Preferred Shares	**1.00**	**5**	1.00	5	0.25	1
Series 4 Preferred Shares	**1.56**	**11**	1.56	11	0.39	3
		19		20		4
		$ 19		$ 20		$ 4

34. SHARE-BASED PLANS

PSU, DSU and RSU plans

The Board of Directors of the Corporation approved a PSU and a RSU plan under which PSUs and RSUs may be granted to executives and other designated employees. The PSUs and the RSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (subordinate voting). The PSUs and RSUs also give certain recipients the right to receive a cash payment equal to the value of the RSUs. The Board of Directors of the Corporation has also approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment. During fiscal year 2020, a combined value of $31 million of DSUs, PSUs and RSUs were authorized for issuance ($44 million during fiscal year 2019).

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

			2020			2019
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of year	**95,207,904**	**1,101,849**	**—**	88,243,098	1,101,849	—
Granted[1]	**—**	**—**	**130,831,625**	40,885,619	—	—
Exercised	**(22,655,561)**	**(117,355)**	**—**	(22,773,124)	—	—
Forfeited	**(25,061,310)**	**—**	**(4,089,580)**	(11,147,689)	—	—
Balance at end of year	**47,491,033**	**984,494** **[2]**	**126,742,045**	95,207,904	1,101,849 [1]	—

[1] Of which approximately 57,105,000 RSUs granted to Transportation in fiscal year 2020 were cancelled following the closing of the sale of the Transportation business to Alstom on January 29, 2021. See Note 31 – discontinued operations for more details.

[2] Of which 984,494 DSUs are vested as at December 31, 2020 (1,101,849 as at December 31, 2019).

PSUs and DSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested PSUs and DSUs ranges from 0% to 100%. PSUs and DSUs generally vest three years following the grant date if the financial performance thresholds are met. RSUs generally vest three years following the grant date regardless of the performance. For grants issued and outstanding between January 1, 2018 and December 31, 2020, the vesting dates range from May 2021 to November 2023.

The weighted-average grant date fair value of RSUs granted during fiscal year 2020 was $0.40 (for PSUs was $1.53 during fiscal year 2019). The fair value of each PSUs and RSUs granted was measured based on the closing price of a Class B Share (subordinate voting) of the Corporation on the Toronto Stock Exchange.

From time to time, the Corporation provides instructions to a trustee under the terms of a Trust Agreement to purchase Class B Shares (subordinate voting) of the Corporation in the open market (see Note 33 – Share capital) in connection with the PSU and/or RSU plan. These shares are held in trust for the benefit of the beneficiaries until the PSUs and RSUs become vested or are cancelled. The cost of these purchases has been deducted from share capital.

A compensation expense, excluding Transportation, of $5 million was recorded during fiscal year 2020 with respect to the PSU, DSU and RSU plans ($9 million during fiscal year 2019).

Share option plans

Under share option plans, options are granted to key employees to purchase Class B Shares (subordinate voting). Of the 224,641,195 Class B Shares (subordinate voting) reserved for issuance, 25,108,283 were available for issuance under these share option plans, as at December 31, 2020.

Current share option plan - Effective June 1, 2009, the Corporation amended the share option plan for key employees for options granted after this date. The most significant terms and conditions of the amended plan are as follows:

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

The summarized information on the current share option plan is as follows as at December 31, 2020:

	Issued and outstanding				Exercisable
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**	**Number of options**	**Weighted-average exercise price (Cdn$)**
0 to 2	57,049,674	4.79	1.60	48,335,796	1.77
2 to 4	61,830,687	6.14	2.47	31,840,807	2.68
4 to 6	15,181,292	6.02	4.20	1,081,156	4.88
	134,061,653			81,257,759	

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

	2020		2019	
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**131,006,338**	**2.41**	111,545,290	2.52
Granted	**6,871,662**	**0.39**	31,012,132	2.20
Exercised	—	—	(2,780,538)	1.62
Forfeited	**(3,022,046)**	**2.48**	(6,872,398)	3.20
Expired	**(794,301)**	**4.87**	(1,898,148)	3.63
Balance at end of year	**134,061,653**	**2.30**	131,006,338	2.41
Options exercisable at end of year	**81,257,759**	**2.17**	58,702,474	2.03

Share-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2020 was $0.16 per option ($0.86 per option for fiscal year 2019). The fair value of each option granted was determined using a Black-Scholes option pricing model, which incorporates the share price at the grant date, and the following weighted-average assumptions, for fiscal years:

	2020	2019
Risk-free interest rate	**0.40 %**	1.54 %
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**69.82 %**	60.82 %
Expected dividend yield	**0 %**	0 %

A compensation expense, excluding Transportation, of $15 million was recorded during fiscal year 2020 with respect to share option plans ($18 million during fiscal year 2019).

35. NET CHANGE IN NON-CASH BALANCES

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

	2020 [1]	2019 [1]
Trade and other receivables	**$ 396**	$ (345)
Inventories	**682**	(976)
Contract assets	**(736)**	141
Contract liabilities	**(945)**	1,186
Other financial assets and liabilities, net	**(442)**	(11)
Other assets	**151**	(75)
Trade and other payables	**(583)**	414
Provisions	**57**	(707)
Retirement benefits liability	**(110)**	53
Other liabilities	**14**	(157)
	$ (1,516)	$ (477)

[1] Includes net change in non-cash balances related to Transportation, refer to Note 31 - Discontinued operations for more details.

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

	Long-term debt
Balance as at January 1, 2019[1]	$ 9,061
Changes from financing cash flows	
Proceeds from long-term debt	2,000
Repayment of long-term debt	(1,647)
Transaction costs	(45)
Total changes from financing cash flows	308
The effect of changes in foreign exchange rates	(8)
Other	(28)
Balance as at December 31, 2019	$ 9,333
Changes from financing cash flows	
Proceeds from long-term debt	750
Repayment of long-term debt	(8)
Transaction costs	(43)
Total changes from financing cash flows	699
The effect of changes in foreign exchange rates	45
Other	(2)
Balance as at December 31, 2020	**$ 10,075**

[1] Obligations under finance leases reclassified to lease liabilities under IFRS 16 on January 1, 2019.

36. CREDIT FACILITIES

Letter of credit facilities

The letter of credit facilities and their maturities were as follows, as at:

		Amount committed			Letters of credit issued		Amount available	Maturity	
December 31, 2020									
Transportation facility[3]	**$**	**5,519**	**(1)**	**$**	**5,123**	**$**	**396**	**2023**	**(2)**
Corporation excluding Transportation facility[4]		**n/a**			**n/a**		**n/a**	**n/a**	
	$	**5,519**		**$**	**5,123**	**$**	**396**		
December 31, 2019									
Transportation facility	$	5,052	(1)	$	4,846	$	206	2023	
Corporation excluding Transportation facility[4]		n/a			n/a		n/a	n/a	
	$	5,052		$	4,846	$	206		
January 1, 2019									
Transportation facility	$	4,511	(1)	$	4,024	$	487	2022	
Corporation excluding Transportation facility		361			188		173	2021	
	$	4,872		$	4,212	$	660		

(1) €4,498 million as at December 31, 2020 (€4,498 million as at December 31, 2019 and €3,940 million as at January 1, 2019).
(2) 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.
(3) Part of the sale of Transportation. refer to Note 31 - Discontinued operations for more details.
(4) The Corporation voluntarily cancelled the $361 million letter of credit facility in 2019 which was replaced by various bilateral agreements.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $5,572 million were outstanding under various bilateral agreements as at December 31, 2020, out of which $5,471 million is related to Transportation ($4,395 million as at December 31, 2019 and $3,874 million as at January 1, 2019).

The Corporation also uses numerous bilateral bonding facilities with insurance companies to support Transportation's operations. An amount of $3 billion was outstanding under such facilities as at December 31, 2020 ($3.8 billion as at December 31, 2019 and $3.7 billion as at January 1, 2019).

Revolving credit facilities

Transportation has an unsecured revolving credit facility amounting to €1,154 million ($1,416 million), available to Transportation for cash drawings. The facility matures in May 2022 and bears interest at Euribor plus a margin. That facility was used as at December 31, 2020 for an amount of €650 million ($798 million).

Uncommitted short term credit facilities

Transportation has a €75 million ($92 million) uncommitted short term credit facility. This facility is available to Transportation for cash drawings. This facility was unused as of December 31, 2020.

Financial covenants

Transportation is subject to various financial covenants under the Transportation letter of credit facility and its revolving credit facility, which must be met on a quarterly basis. Those facilities include financial covenants requiring minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics as described in Note 37 – Capital management or to the specific terms used in the MD&A. In addition, Transportation must now maintain a minimum liquidity varying between €500 million ($614 million) and €750 million ($920 million) at the end of each quarter, except for the quarter ending December 31, 2020. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position. For the quarter ending December 31, 2020 these financial covenants were amended prior to year-end in order to not apply for the fourth quarter. Transportation was in compliance with all covenants on a quarterly basis and as at December 31, 2020 and 2019 and January 1, 2019.

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

37. CAPITAL MANAGEMENT

The Corporation analyzes its capital structure using global metrics, which are based on a broad economic view of the Corporation, in order to assess the creditworthiness of the Corporation. However, throughout 2020 the main focus of the Corporation's capital management was the closing of the sale of business transactions in order to allow deleveraging and 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.

While the Corporation is currently reviewing its strategy for deleveraging and ongoing capital management, as the markets and business recover, the Corporation's objective is to restore and grow earnings to achieve a lower net debt to EBITDA multiple. The Corporation objective is to achieve this by executing on its cost reduction plan to align its infrastructure to current market, by progressing on the *Global 7500* learning curve and through continued growth of the service and support network.

While the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant economic uncertainty and disruption of financial markets, the Corporation has responded with adjustments to its Aviation operations, production rates and workforce, and prudently managed liquidity in order to adapt to the current environment.

The sale of the Transportation business completed on January 29, 2021 is expected to have a significant impact on Bombardier's capital management, since the Corporation intends to deploy available proceeds from the sale of Transportation towards debt paydown and continues to evaluate the most efficient debt reduction strategies.

In addition, the Corporation separately monitors its net retirement benefit liability which amounted to $1.5 billion as at December 31, 2020 ($2.3 billion as at December 31, 2019). 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. Furthermore, the net retirement benefit liability has decreased meaningfully as a result of the business sales, including Transportation. The Corporation closely monitors the impact of the net retirement benefit liability on its future cash flows and has introduced significant risk mitigation initiatives in recent years in this respect such as buying out annuities on behalf of pensioners. See note 23 – Retirement benefits for more details.

In order to adjust its capital structure, the Corporation may issue or reduce long-term debt, make discretionary contributions to pension funds, repurchase or issue share capital, or vary the amount of dividends paid to shareholders.

See Note 36 – Credit facilities for a description of bank covenants.

38. FINANCIAL RISK MANAGEMENT

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

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

Credit risk

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

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

Credit risks arising from the Corporation's normal commercial activities, are managed and controlled by the two reportable segments, Aviation and Transportation. The main credit exposure managed by the segments arises from customer credit risk. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and the Corporation's experience with the customers. The credit risks and credit limits are dynamically reviewed based on fluctuations in the customer's financial results and payment behaviour.

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

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

Maximum exposure to credit risk – The maximum exposures to credit risk for financial instruments is usually equivalent to their carrying value, as presented in Note 13 – Financial instruments, except for the financial instruments in the table below, for which the maximum exposures were as follows, as at:

	December 31, 2020	December 31, 2019	January 1, 2019
Aircraft loans[1]	**$ 2**	$ 2	$ 26
Investments in financing structures[1]	**$ —**	$ —	$ 93
Derivative financial instruments	**$ 78**	$ 128	$ 162
Investments in securities	**$ 230**	$ 210	$ 196

[1] Following the sale of the CRJ business, the Corporation has retained those other financial assets and has a back-to-back agreement with MHI as such there is no credit risk arising from other financial assets as at December 31, 2020. See Note 26 – Other financial liabilities and Note 30 – Disposal of businesses for more information.

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

Refer to Note 42 – Commitment and Contingencies for the Corporation's off-balance sheet credit risk, including credit risk related to support provided for sale of aircraft.

Liquidity risk

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

The Corporation engages in certain working capital financing initiatives which impact cash flow from operating activities such as the negotiation of extended payment terms with certain suppliers (Refer to Note 24 – Trade and other payables) arrangements for advances from third parties, sale of receivables and the negotiation of extended payment terms with certain suppliers (Refer to Note 31 – Discontinued operations). These initiatives generally rely on the ongoing provision of credit by financial institutions to the parties involved in the arrangement.

The Corporation monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility. The Corporation also routinely reviews its debt profile with a view to managing or extending maturities and/or negotiating more favourable terms and conditions with respect to its bank facilities. The Corporation also routinely reviews the terms and conditions of its bank facilities and seeks annual extensions of the availability periods thereunder. These amendments are subject to prevailing market and other conditions that are beyond its control and there can be no assurance that the Corporation will be able to successfully negotiate such amendments on commercially reasonable terms, or at all.

Maturity analysis –The maturity analysis of financial assets and financial liabilities, excluding derivative financial instruments, was as follows, as at December 31, 2020:

	Carrying amount	Undiscounted cash flows (before giving effect to the related hedging instruments)						
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	Total
Cash and cash equivalents	$ 1,779	$ 1,779	$ —	$ —	$ —	$ —	$ —	$ 1,779
Trade and other receivables	$ 294	294	—	—	—	—	—	294
Other financial assets[1]	$ 838	113	139	112	357	273	35	1,029
Assets		2,186	139	112	357	273	35	3,102
Trade and other payables	$ 1,611	1,611	—	—	—	—	—	1,611
Other financial liabilities[1]	$ 993	184	334	163	355	311	—	1,347
Long-term debt								
Principal	$ 10,075	1,901	3,325	2,500	2,135	250	—	10,111
Interest		699	1,010	616	339	66	—	2,730
Liabilities		4,395	4,669	3,279	2,829	627	—	15,799
Net amount		$ (2,209)	$ (4,530)	$ (3,167)	$ (2,472)	$ (354)	$ 35	$ (12,697)

[1]The carrying amount of other financial assets excludes derivative financial instruments, investments in financing structures, certain aircraft loans and the back to back agreement that the Corporation has with MHI related to lease subsidies. The carrying amount of other financial liabilities excludes derivative financial instruments, lease liabilities, lease subsidies and the back-to-back agreement that the corporation has with MHI related to the regional aircraft securitization program assets (RASPRO) and to certain aircraft loans.

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

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows, as at December 31, 2020:

	Nominal value (USD equivalent)	Undiscounted cash flows[1]					
		Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial assets							
Forward foreign exchange contracts	$ 1,702	$ 62	$ —	$ —	$ —	$ —	$ 62
Interest-rate swaps	300	7	6	2			15
	$ 2,002	$ 69	$ 6	$ 2	$ —	$ —	$ 77
Derivative financial liabilities							
Forward foreign exchange contracts	$ (168)	$ (9)	$ —	$ —	$ —	$ —	$ (9)
Net amount		$ 60	$ 6	$ 2	$ —	$ —	$ 68

[1] Amounts denominated in foreign currency are translated at the period end exchange rate.

Lease liabilities
The Corporation leases buildings and equipment.

Maturity analysis –The maturity analysis of lease liabilities, after assets held for sale reclassification, was as follows, as at:

		December 31, 2020
Within 1 year	$	56
Between 1 to 5 years		132
More than 5 years		311
	$	499

Market risk

Foreign exchange risk

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

The Corporation's main exposures to foreign currencies are identified by the segments and covered by the central treasury function. Foreign currency exposures are mitigated in accordance with the Corporation's Foreign Exchange Risk Management Policy (the "FX Policy"). The objective of the FX Policy is to mitigate the impact of foreign exchange movements on the Corporation's consolidated financial statements. Under the FX Policy, potential losses from adverse movements in foreign exchange rates should not exceed Board authorized pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an unhedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-quarter period. The FX Policy also strictly prohibits any speculative foreign exchange transactions that would result in the creation of an exposure in excess of the maximum potential loss approved by the Board of Directors of the Corporation.

Under the FX Policy, it is the responsibility of the segments' management to identify all actual and potential foreign exchange exposures arising from their operations. This information is communicated to the central treasury group, which has the responsibility to execute the hedge transactions in accordance with the FX Policy.

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

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

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

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

Sensitivity analysis
Foreign exchange risk arises on financial instruments that are denominated in foreign currencies. The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments recorded in its statement of financial position. The following impact on EBT from continuing operations for fiscal year 2020 is before giving effect to cash flow hedge relationships.

		Effect on EBT		
	Variation	**CAD/USD**	**EUR/USD**	**Other**
Gain (loss)	+10%	$ 1	$ (24)	$ (1)

The following impact on OCI from continuing operations for fiscal year 2020 is for derivatives designated in a cash flow hedge relationship. For these derivatives, any change in fair value is mostly offset by the re-measurement of the underlying exposure.

		Effect on OCI before income taxes		
	Variation	**CAD/USD**	**EUR/USD**	**Other**
Gain (loss)	+10%	$ 141	$ (35)	$ 9

Interest rate risk
The Corporation is exposed to fluctuations in its future cash flows arising from changes in interest rates through its variable-rate financial assets and liabilities, including fixed-rate long-term debt synthetically converted to variable interest rates (see Note 28 – Long-term debt). For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. These exposures are predominantly managed by a central treasury function as part of an overall risk management policy, including the use of financial instruments, such as interest-rate swap agreements. Derivative financial instruments used to synthetically convert interest-rate exposures consist mainly of interest-rate swap agreements.

In addition, the Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risks, through its financial instruments carried at fair value. These financial instruments include investments in securities, and certain derivative financial instruments.

The Corporation's interest rate hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity to ensure proper assets/liabilities management matching, consistent with the objective to reduce risks arising from interest rates movements. These programs are reviewed annually and amended as necessary to reflect current market conditions or practices.

Sensitivity analysis
The interest rate risk primarily relates to financial instruments carried at fair value. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, excluding derivative financial instruments in a hedge relationship, as of December 31, 2020, the impact on EBT from continuing operations would have been a negative adjustment of $17 million as at December 31, 2020 ($112 million as at December 31, 2019).

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Derivative financial instruments – Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive to sell favourable contracts i.e. taking into consideration the counterparty credit risk, or pays to transfer unfavourable contracts i.e. taking into consideration the Corporation's

credit risk, at the reporting dates. The Corporation uses discounted cash flow analysis and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements and interest-rate derivatives.

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

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 discounted value of the difference between the CDPQ's share of proceeds from the sale of Transportation to Alstom, and the carrying value of CDPQ's non-controlling interest in Transportation. Refer to Note 31- Discontinued operations for more details regarding the sale of Transportation.

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

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

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

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

Fair value hierarchy

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2020:

	Total	Level 1	Level 2	Level 3
Financial assets				
Receivable from ACLP[(1)]	$ **439**	$ **—**	$ **—**	$ **439**
Investments in securities	**266**	**35**	**231**	**—**
Investment in financing structures[(2)]	**150**	**—**	**—**	**150**
Derivative financial instruments[(3)]	**103**	**—**	**78**	**25**
Aircraft loans[(4)]	**30**	**—**	**—**	**30**
Receivable from MHI[(5)]	**11**	**—**	**—**	**11**
	$ **999**	$ **35**	$ **309**	$ **655**
Financial liabilities				
Government refundable advance[(1)]	**439**	**—**	**—**	**439**
Liabilities related to RASPRO[(2)]	**149**	**—**	**—**	**149**
Derivative financial instruments[(3)]	**42**	**—**	**42**	**—**
Payable to MHI[(4)]	**30**	**—**	**—**	**30**
Lease subsidies[(5)]	**11**	**—**	**—**	**11**
	$ **671**	$ **—**	$ **42**	$ **629**

(1) The receivable from related party represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.

(2) The liabilities related to RASPRO includes a back-to-back agreement that the Corporation has with MHI related to the transfer of the net beneficial interest related to the investments in financing structures.

(3) Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.

(4) This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans.

(5) This receivable represents a back-to-back agreement that the Corporation has with MHI related to lease subsidies.

Changes in the fair value of Level 3 financial instruments, excluding assets and liabilities with a back-to-back agreement and their corresponding back-to-back assets and liabilities, were as follows, for fiscal years 2020 and 2019:

		Prepayment option		Trade and Other payables		Conversion option
Balance as at December 31, 2019	**$**	**—**	**$**	**—**	**$**	**(325)**
Net gains and interest included in net income		**25**		**—**		**292**
Issuances		**—**		**(10)**		**—**
Sales		**—**		**10**		**—**
Effect of foreign currency exchange rate changes		**—**		**—**		**(9)**
Balance as at December 31, 2020	**$**	**25**	**$**	**—**	**$**	**(42)**
Reclassified as liabilities directly associated with assets held for sale[1]		**—**		**—**		**42**
Balance as at December 31, 2020	**$**	**25**	**$**	**—**	**$**	**—**

[1] Represent liabilities reclassified as held for sale related to the sale of Transportation. Refer to Note 31 - Discontinued operations for more details.

		Aircraft loans		ACLP non-voting units		Investments in financing structures		Lease Subsidies		Conversion option		Funding commit-ments
Balance as at January 1, 2019	$	24	$	150	$	173	$	(53)	$	(314)	$	(235)
Net gains (losses) and interest included in net income		3		(385) [2]		27		(4)		—		120 [2]
Issuances		—		235		—		—		—		—
Settlements		—		—		(3)		16		—		115
Effect of foreign currency exchange rate changes		—		—		—		—		(11)		—
Balance as at December 31, 2019	$	27	$	—	$	197	$	(41)	$	(325)	$	—
Reclassified as assets held for sale[1]		(27)		—		(197)		41		—		—
Balance as at December 31, 2019	$	—	$	—	$	—	$	—	$	(325)	$	—

[1] Represents assets and liabilities reclassified as held for sale related to the sale of CRJ business.
[2] See Note 8 - Special items and Note 29 - Disposal of investment in associate 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 value of the conversion option is determined by the value of CDPQ's equity interest in Transportation. See Note 31 - Discontinued operations.

Fair value hierarchy for items recorded at amortized cost
The following table presents financial assets and financial liabilities measured at amortized cost categorized using the fair value hierarchy as follows:

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

The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2020:

	Total	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	**$ 294**	**$ —**	**$ 294**	**$ —**
Other financial assets	**140**	**—**	**140**	**—**
	$ 434	**$ —**	**$ 434**	**$ —**
Financial liabilities				
Trade and other payables	**$ (1,611)**	**$ —**	**$ (1,611)**	**$ —**
Long-term debt	**(9,812)**	**—**	**(9,812)**	**—**
Other financial liabilities				
Government refundable advances	**(151)**	**—**	**—**	**(151)**
Other	**(644)**	**—**	**—**	**(644)**
	$ (12,218)	**$ —**	**$ (11,423)**	**$ (795)**

40. TRANSACTIONS WITH RELATED PARTIES

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

Associates

The Corporation buys and sells products and services on arm's length terms with some of its associates in the ordinary course of business. The following table presents the transactions from continuing operations with associates in which the Corporation has an interest, for fiscal years:

	2020	2019 [1]
Sales of products and services, and other income	**$ 60**	$ 663

[1] Restated to reflect continuing operations only.

The following table presents the Corporation's outstanding balances from continuing operations with associates, as at :

	December 31, 2020	December 31, 2019 [2]	January 1, 2019 [2]
Receivables	**$ —**	$ 199	$ 126
Receivables from ACLP[1]	**$ —**	$ 468	$ 385
Payables	**$ —**	$ 57	$ 26
Other financial liabilities	**$ —**	$ 32	$ 48

[1] See Note 19 - Other financial assets and Note 29 - Disposal of investment in associate.
[2] Restated to reflect continuing operations only.

Joint ventures

There were no transactions or outstanding balances from continuing operations with joint ventures for fiscal years 2020 and 2019 and as at December 31, 2020, December 31, 2019 and January 1, 2019.

Compensation paid to key management personnel

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

	2020	2019
Salaries, bonuses and other short-term benefits	**$ 12**	$ 14
Share-based benefits	**9**	20
Retirement benefits	**—**	1
Termination and other long-term benefits	**13**	—
	$ 34	$ 35

41. UNCONSOLIDATED STRUCTURED ENTITIES

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

	December 31, 2020		December 31, 2019		January 1, 2019	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Financing structures related to the sale of commercial aircraft	**$ 1,484**	**$ 344**	$ 2,101	$ 739	$ 3,552	$ 1,587

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

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

The Corporation holds investments in financing structure amounting to $150 million as at December 31, 2020 ($198 million, as at December 31, 2019 and $173 million as at January 1, 2019). Following the sale of the CRJ business, the Corporation has retained those investments and has a back-to-back agreement with MHI.

The Corporation's maximum potential exposure was $0.5 billion, of which $91 million was recorded as provisions and related liabilities as at December 31, 2020 ($0.8 billion and $108 million, respectively, as at December 31, 2019 and $1.2 billion and $409 million, respectively, as at January 1, 2019). The Corporation's maximum exposure under these guarantees is included in Note 42 – Commitments and contingencies. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI as at December 31, 2020.

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

42. COMMITMENTS AND CONTINGENCIES

The Corporation enters into various sale support arrangements, including credit and residual value guarantees and financing rate commitments, mostly provided in connection with sales of commercial aircraft and related financing commitments. The Corporation is also subject to other off-balance sheet risks described in the following table. These off-balance sheet risks are in addition to the commitments and contingencies described elsewhere in these consolidated financial statements. Some of these off-balance sheet risks are also included in Note 41 – Unconsolidated structured entities. The maximum potential exposure does not reflect payments expected to be made by the Corporation.

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

		December 31, 2020		December 31, 2019		January 1, 2019
Aircraft sales						
Residual value (a)	**$**	**72**	$	163	$	695
Credit (a)		**473**		734		1,034
Mutually exclusive exposure[1]		**(65)**		(128)		(473)
Total credit and residual value exposure	**$**	**480**	$	769	$	1,256
Trade-in commitments (b)	**$**	**330**	$	998	$	1,165
Conditional repurchase obligations (c)	**$**	**40**	$	73	$	100
Other[2]						
Credit (d)	**$**	**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.
[2] The Corporation has also provided other guarantees (see section (f) below).

The Corporation's maximum exposure in connection with credit and residual value guarantees related to the sale of aircraft represents the face value of the guarantees before giving effect to the net benefit expected from the estimated value of the aircraft and other assets available to mitigate the Corporation's exposure under these guarantees. Provisions for anticipated losses amounting to $80 million as at December 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 these guarantees after considering the effect of the estimated resale value of the aircraft, which is based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balanced market in the medium and long-term, and the anticipated proceeds from other assets covering such exposures. 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 $223 million as at December 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 $11 million as at December 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. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI , except for $223 million of credit and residual value guarantees payable, as at December 31, 2020. See Note 30 - Disposal of businesses for more details.

Aircraft sales

a) Credit and residual value guarantees - The Corporation has provided credit guarantees in the form of lease and loan payment guarantees, as well as services related to the remarketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to 2025. Substantially all financial support involving potential credit risk lies with regional airline customers. The credit risk relating to three regional airline customers accounted for 86% of the total maximum credit risk as at December 31, 2020 (74% as at December 31, 2019 and 71% as at January 1, 2019).

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

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

	December 31, 2020	December 31, 2019	January 1, 2019
Less than 1 year	**$ 16**	$ 13	$ 97
From 1 to 5 years	**56**	142	528
From 5 to 10 years	**—**	8	70
From 10 to 15 years	**—**	—	—
	$ 72	$ 163	$ 695

In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI. See Note 30 - Disposal of businesses for more details.

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

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

	December 31, 2020	December 31, 2019	January 1, 2019
Less than 1 year	**$ 224**	$ 496	$ 305
From 1 to 3 years	**106**	475	622
Thereafter	**—**	27	238
	$ 330	$ 998	$ 1,165

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

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

	December 31, 2020	December 31, 2019	January 1, 2019
Less than 1 year	**$ 9**	$ 73	$ 26
From 1 to 3 years	**31**	—	74
Thereafter	**—**	—	—
	$ 40	$ 73	$ 100

Other guarantees

d) Credit and residual value guarantees - In connection with the sale of certain transportation rail equipment, the Corporation has provided a credit guarantee of lease payments amounting to $48 million as at December 31, 2020 ($48 million as at December 31, 2019 and $48 million as at January 1, 2019). This guarantee matures in 2025 and relates to Transportation.

e) Performance guarantees - In certain projects carried out through consortia or other partnership vehicles in Transportation, partners may be jointly and severally liable to the customer for a default by the other partners. In

such cases partners would normally provide counter indemnities to each other. These obligations and guarantees typically extend until final product acceptance by the customer and in some cases to the warranty period.

The Corporation's maximum net exposure to projects is capped, assuming all counter indemnities are fully honoured. For projects where the Corporation's exposure is not capped, such exposure has been determined in relation to the Corporation's partners' share of the total contract value. Under this methodology, the Corporation's net exposure is not significant, assuming all counter indemnities are fully honoured. Such joint and several obligations and guarantees have been rarely called upon in the past.

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

In connection with the disposal of businesses and the disposal of investment in associate, the Corporation enters into arrangements that include indemnities and guarantees which are typically limited as to their duration and maximum potential financial exposure to the Corporation. Under the agreement governing the sale of Transportation to Alstom, the Corporation is required to provide a €100 million ($123 million) bank guarantee in favour of Alstom to secure certain indemnities and guarantees obligations of the Corporation.

In connection with the sale of Transportation to Alstom, the Corporation has agreed to an additional compliance-related indemnity. Under this indemnity, the Corporation will indemnify Alstom or its affiliates for certain known compliance-related matters as well as for compliance-related violation or alleged violation (of any applicable laws or regulations, and including for any audits or other proceedings conducted by a governmental authority) arising within two years following the closing of the sale of Transportation to Alstom and relating to events which occurred prior to January 29, 2021. To secure this indemnity, the Corporation is required to provide a €250 million ($307 million) bank guarantee in favour of Alstom, the value of such guarantee will be reduced over time upon certain conditions or milestones being achieved.

Other commitments

The Corporation also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at December 31, 2020:

	Continuing operations	Discontinued operations	Total
Within 1 year	**$ 2,773**	**$ 5,569**	**$ 8,342**
Between 1 to 5 years	**745**	**3,063**	**3,808**
More than 5 years	**—**	**1**	**1**
	$ 3,518	**$ 8,633**	**$ 12,151**

The purchase obligations of the Corporation include capital commitments for the purchase of PP&E and intangible assets amounting to $229 million and $55 million, respectively, as at December 31, 2020 (includes $197 million and $55 million related to Transportation, respectively).

Legal proceedings

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

While the Corporation cannot predict the final outcome of all legal proceedings pending as at December 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.

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

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

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

Investigation in Brazil

This investigation relates to the Transportation business formerly owned by Bombardier. While Bombardier was a party to this legal proceeding during the most recently completed financial year, this is no longer the case as a result of the sale of the Transportation segment to Alstom, which closed on January 29, 2021.

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 cooperated in the investigations relating to the administrative proceedings and defended 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 (approximately $4 million as at December 31, 2020), but no debarment. BT Brazil was not declared ineligible to participate in future public bids.

On August 26, 2020, BT Brazil’s motion for clarification was finally ruled on and decided by CADE. As concerned BT Brazil, CADE’s rulings remained the same. The CADE decision clarified that payment of the fine would become due after 30 days as of publication of the decision if not appealed / challenged in the courts. The August 26, 2020 final decision was officially published on September 2, 2020, triggering the 30-day period for filing a court action. However, due to a problem in the service of one of the defendants, the deadline for all defendants to appeal in court was October 9, 2020, and BT Brazil filed its appeal timely. On November 11, 2020 the court granted the injunction to suspend the enforceability of the fine against BT Brazil.

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

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

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

On February 4, 2019, BTSA submitted a confidential written statement with supporting documents that sets out its position on public allegations 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 December 2020, BTSA was informed by the Zondo Commission that it was granted leave to adduce evidence and to cross-examine witnesses having previously testified before the Commission. In June 2019, BTSA was requested by SIU to provide information and explanation about the costs of the relocation to Durban. Although the written statement previously communicated to the Zondo Commission could not be shared with SIU, BTSA did provide SIU with the information in its possession regarding the price evolution during tender phase, the relocation as well as explanation about the costs for same.

The Corporation 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.

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

Spain

This matter relates to the Transportation business formerly owned by Bombardier. While this investigation was, as at December 31, 2020, a legal proceeding to which Bombardier was a party, this is no longer the case as a result of the sale of the Transportation segment to Alstom, which closed on January 29, 2021.

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 appeal filed by Bombardier to the Audiencia Nacional against the CNMC's decision that admits ADIF (who is Bombardier's customer) as an interested party was rejected on September 4, 2020. The CNMC then decided to lift the suspension of the investigation.

The Corporation has obtained access to the Statement of Objection in which the CNMC discloses the evidence they have gathered against the various participants to the alleged cartel in the signalling business. The delay to respond as extended was expiring on October 13, 2020 and the Corporation filed its response in time exposing factual and legal arguments to contest the Statement of Objection. Further to the filing of the response the CNMC will prepare a Proposed Resolution which may include sanctions which can also be responded by the Corporation to have the case dismissed. The final decision of the CNMC on the Proposed Resolution can be appealed to Audiencia Nacional.

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.

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

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

Both the SFO investigation and the internal review are on-going.

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

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

43. 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.

INVESTOR INFORMATION

Our Board of Directors

BOARD MEMBERS[1]

Pierre Beaudoin	Chairman of the Board of Directors of Bombardier
Éric Martel	President and Chief Executive Officer of Bombardier
Joanne Bissonnette	Corporate Director
Charles Bombardier	Corporate Director
Martha Finn Brooks	Corporate Director
Diane Fontaine	Vice President and Portfolio Manager of RBC Dominion Securities Inc.
Diane Giard	Corporate Director
Anthony R. Graham	Chairman, President and Chief Executive Officer of Sumarria Inc. (an investment holding company)
August W. Henningsen	Corporate Director
Douglas (Doug) R. Oberhelman	Corporate Director
Vikram Pandit	Lead Director Chairman and Chief Executive Officer of The Orogen Group (a company investing in the financial services industry)
Antony N. Tyler	Corporate Director

BOARD COMMITTEES

Board committees	Board representation[1]	Responsibilities
Audit and Risk Committee	Diane Giard (Chair) Martha Finn Brooks Anthony R. Graham	• Help the directors meet their responsibilities with respect to accountability • Assist in maintaining good communication between the directors and the independent auditors of Bombardier, Ernst & Young • Assist in maintaining the independence of Ernst & Young • Maintain the credibility and objectivity of the financial reports of Bombardier • Investigate and assess any issue that raises significant concerns with the Audit Committee • Review Bombardier's material financial risks and its monitoring, control and risk management • Review adequacy of policies, procedures and controls in place for risk management • Review and monitor significant or unusual transactions and/or projects related to ongoing activities, business opportunities, mergers, acquisitions, divestitures, significant asset sales or purchases and equity investments • Monitor matters or activities related to or involving Bombardier's financial standing
Corporate Governance and Nominating Committee	Douglas (Doug) R. Oberhelman (Chair) Diane Giard Anthony R. Graham Vikram Pandit Antony N. Tyler	• Monitor selection criteria and credentials for Board candidates • Monitor Board and Committees' composition and performance • Monitor Board remuneration
Human Resources and Compensation Committee	Vikram Pandit (Chair) August W. Henningsen Douglas (Doug) R. Oberhelman Antony N. Tyler	• Oversee succession planning of the President and CEO and other selected senior positions • Assess performance of the President and CEO • Review and approve total executive compensation policy accounting for base salary, short-term and long-term incentives as well as pension, benefits and perquisites

[1] As at December 31, 2020. Supplemental information regarding our Board of Directors can be found on our website at bombardier.com.

STOCK EXCHANGE LISTINGS

Class A Shares (Multiple Voting) and Class B Subordinate Voting Shares	Toronto (Canada)
Preferred Shares, Series 2, Series 3 and Series 4	Toronto (Canada)
Stock listing ticker	BBD (Toronto)

FISCAL YEAR 2021 FINANCIAL RESULTS

First Quarterly Report	May 6, 2021
Second Quarterly Report	August 5, 2021
Third Quarterly Report	October 28, 2021
2021 Annual Financial Report	February 10, 2022

PREFERRED DIVIDEND PAYMENT DATES

Payment subject to approval by the Board of Directors

Series 2

Record date	Payment date	Record date	Payment date
2020-12-31	2021-01-15	2021-06-30	2021-07-15
2021-01-29	2021-02-15	2021-07-30	2021-08-15
2021-02-26	2021-03-15	2021-08-31	2021-09-15
2021-03-31	2021-04-15	2021-09-30	2021-10-15
2021-04-30	2021-05-15	2021-10-29	2021-11-15
2021-05-31	2021-06-15	2021-11-30	2021-12-15

Series 3

Record date	Payment date
2021-01-15	2021-01-31
2021-04-16	2021-04-30
2021-07-16	2021-07-31
2021-10-15	2021-10-31

Series 4

Record date	Payment date
2021-01-15	2021-01-31
2021-04-16	2021-04-30
2021-07-16	2021-07-31
2021-10-15	2021-10-31

Please note that unless stated otherwise, all dividends paid by Bombardier since January 2006 on all of its common and preferred shares are considered “eligible dividends” as per the Canadian Income Tax Act and any corresponding provincial or territorial legislation. The same designation applies under the Quebec Taxation Act for dividends declared after March 23, 2006.

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DUPLICATION
Although Bombardier strives to ensure that registered shareholders receive only one copy of corporate documents, duplication is unavoidable if securities are registered under different names and addresses. If this is the case, please call Computershare Investor Services at one of the following numbers:
+1 514 982 7555 or +1 800 564 6253 (toll-free, North America only) or send an email to service@computershare.com.

ONLINE INFORMATION
For additional information, we invite you to visit our websites at:
bombardier.com and ir.bombardier.com

TRANSFER AGENT AND REGISTRAR
Shareholders with inquiries concerning their shares should contact:

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ANNUAL MEETING
The annual meeting of shareholders will be held on Thursday, May 6, 2021, at 10:30 a.m. The annual meeting will be held virtually via live webcast. The annual meeting will also be broadcast live on our website at bombardier.com.

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