

# BOMBARDIER

## FIRST QUARTERLY REPORT

Three-month period ended March 31, 2021

### GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership	GAAP	Generally accepted accounting principles
bps	Basis points	IAS	International Accounting Standard(s)
BT Holdco	Bombardier Transportation (Investment) UK Limited	IASB	International Accounting Standards Board
CCTD	Cumulative currency translation difference	IFRS	International Financial Reporting Standard(s)
CDPQ	Caisse de dépôt et placement du Québec	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 interest
EBIT	Earnings (loss) before financing expense, financing income and income taxes	nmf	Information not meaningful
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	OCI	Other comprehensive income (loss)
EBT	Earnings (loss) before income taxes	PP&E	Property, plant and equipment
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	PSU	Performance share unit
FVOCI	Fair value through other comprehensive income (loss)	R&D	Research and development
FVTP&L	Fair value through profit and loss	RSU	Restricted share unit
		SG&A	Selling, general and administrative
		U.K.	United Kingdom
		U.S.	United States of America

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of Bombardier Inc. ("the Corporation" or "our" or "we"). This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that we fulfill our responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit 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 under one reportable segment: Bombardier, which is reflective of our organizational structure.

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

## **IFRS and non-GAAP measures**

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

## **Materiality for disclosures**

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

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

## FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and outlook or guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, 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 include the following material assumptions: the deployment of the proceeds from the sale of the Transportation business to Alstom on terms allowing the Corporation, when combined to other financing sources and free cash flow generation, to repay or otherwise manage its various maturities for the next three years; growth of the business aviation market and increase of the Corporation’s share of such market; proper identification of recurring cost savings and executing on our cost reduction plan; optimization of our real estate portfolio, including through the sale or other transaction in respect of real estate assets on favorable terms; and access to working capital facilities on market terms. For additional information, including with respect to other assumptions underlying the forward-looking statements made in this MD&A, refer to the Forward-looking statements — Assumptions section in the MD&A of our financial report for the fiscal year ended December 31, 2020. 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 cyclical; 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.

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# OVERVIEW

## HIGHLIGHTS

On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom. The results of the Transportation business were classified as discontinued operations for the three-month periods ended March 31, 2021 and 2020. Refer to Note 17 - Disposal of businesses to our Interim consolidated financial statements for more details.

### Results of the quarter

Three-month periods ended March 31	2021	2020 <i>restated</i> <sup>(1)</sup>	Variance
Revenues <sup>(2)</sup>	\$ 1,341	\$ 1,522	(12)%
Adjusted EBITDA <sup>(2)(3)</sup>	\$ 123	\$ 86	43 %
Adjusted EBITDA margin <sup>(2)(3)</sup>	9.2 %	5.7 %	350 bps
Adjusted EBIT <sup>(2)(3)</sup>	\$ 29	\$ 9	222 %
Adjusted EBIT margin <sup>(2)(3)</sup>	2.2 %	0.6 %	160 bps
EBIT <sup>(2)</sup>	\$ 19	\$ 105	(82)%
EBIT margin <sup>(2)</sup>	1.4 %	6.9 %	(550) bps
Net loss from continuing operations	\$ (251)	\$ (281)	11 %
Net income from discontinued operations	\$ 5,321	\$ 81	6,469 %
Net income (loss)	\$ 5,070	\$ (200)	nmf
Diluted EPS from continuing operations (in dollars)	\$ (0.10)	\$ (0.12)	\$ 0.02
Diluted EPS from discontinued operations (in dollars)	\$ 2.13	\$ 0.01	\$ 2.12
	\$ 2.03	\$ (0.11)	\$ 2.14
Adjusted net loss <sup>(2)(3)</sup>	\$ (173)	\$ (182)	(5)%
Adjusted EPS (in dollars) <sup>(2)(3)</sup>	\$ (0.07)	\$ (0.08)	\$ 0.01
<b>Cash flows from operating activities</b>			
Continuing operations	\$ (372)	\$ (686)	(46)%
Discontinued operations	\$ (621)	\$ (857)	(28)%
	\$ (993)	\$ (1,543)	(36)%
<b>Net additions to PP&amp;E and intangible assets</b>			
Continuing operations	\$ 33	\$ 76	(57)%
Discontinued operations	\$ —	\$ 23	(100)%
	\$ 33	\$ 99	(67)%
<b>Free cash flow (usage)<sup>(3)</sup></b>			
Continuing operations	\$ (405)	\$ (762)	(47)%
Discontinued operations	\$ (621)	\$ (880)	(29)%
	\$ (1,026)	\$ (1,642)	(38)%
<b>As at</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>Variance</b>
Cash and cash equivalents excluding Transportation	\$ 3,153	\$ 1,779	77 %
Cash and cash equivalents from Transportation	\$ —	\$ 671	(100)%
	\$ 3,153	\$ 2,450	29 %
Available short-term capital resources <sup>(4)</sup>	\$ 3,153	\$ 3,203	(2)%
Aviation order backlog (in billions of dollars)			
Business aircraft <sup>(5)</sup>	\$ 10.4	\$ 10.7	(3)%

- (1) Restated for the sale of Transportation, refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.
- (2) Includes continuing operations only.
- (3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and to the Analysis of consolidated results section and Liquidity and capital resources section in Overview for reconciliations to the most comparable IFRS measures.
- (4) Defined as cash and cash equivalents as at March 31, 2021; 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 as at December 31, 2020.
- (5) Includes order backlog for both manufacturing and services.

## Key highlights and events

### Progress on the reshaping of Bombardier's Balance Sheet

Following the conclusion of the sale of its Transportation business, Bombardier has proceeded to deploy approximately \$2.4 billion of available cash towards debt repayment, including proceeds from the sale of the Transportation business. As a result, Bombardier expects to reduce its annual cash interest costs by approximately \$200 million versus its 2020 debt servicing cost. Following the first quarter results, as well as the conclusion of these actions, the Corporation's pro-forma liquidity<sup>(1)</sup> remains strong at \$2.6 billion which includes \$0.6 billion in proceeds from the sale of Alstom shares.

The deployment of the proceeds consisted of the following initiatives:

- On February 19, 2021, Bombardier deployed \$0.8 billion and completed the full repayment of its senior secured term loan with HPS Investment Partners, LLC.
- On April 19, 2021, Bombardier announced the expiration of its tender offer to purchase for cash certain of its outstanding Notes. The aggregate purchase amount of the cash tender offer amounted to a total consideration of \$1.6 billion.

### First Quarter Financial performance

- Business jet revenues up 18% year-over-year, totalling \$1.3 billion; this increase mainly driven by a favourable mix of large-cabin aircraft deliveries supported in part by a stabilizing production rate for the *Global 7500*.
- Adjusted EBITDA<sup>(2)</sup> of \$123 million from continuing operations for the quarter up 43% year-over-year, reflecting an improved aircraft mix, an acceleration of the *Global 7500* learning curve benefits, and improvements in the cost structure. Reported EBIT from continuing operations for the quarter was \$19 million.
- Free cash flow usage<sup>(2)</sup> from continuing operations for the quarter totalled \$405 million including approximately \$100 million of non-recurring cash items<sup>(3)</sup>, representing an improvement of \$357 million year-over-year. Reported cash flows from operating activities - continuing operations for the quarter was a usage of \$372 million and net additions to PP&E and intangible assets - continuing operations for the quarter were \$33 million.
- Business aircraft deliveries for the quarter totalled 26 units, on par with 2020; company remains on plan for 110-120 deliveries in 2021 within a market showing preliminary signs of recovery<sup>(4)</sup>. Stronger sales activity in the first quarter yielded a unit book-to-bill ratio above 1.0<sup>(5)</sup>, which is expected to continue into the second quarter<sup>(4)</sup>.

(1) Non-gaap measure. Pro-forma liquidity is defined as cash and cash equivalents as at March 31, 2021 of \$3.2 billion, plus approximately \$0.6 billion of Alstom shares, plus \$0.4 billion of short-term restricted cash as collateral for bank guarantees, and less \$1.6 billion paid to repurchase certain of outstanding Notes in April 2021.

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

(3) Non-recurring cash items include the impact of winding down the reverse factoring programs, payments of residual value guarantee liability and restructuring costs.

<sup>(4)</sup> See the forward-looking statements disclaimer.

<sup>(5)</sup> Ratio of new aircraft order in units over aircraft deliveries in units.

## 2021 GUIDANCE AND 2025 OBJECTIVES

### 2021 Guidance<sup>(1)</sup>

Our 2021 Guidance remains unchanged since our 2020 Financial Report.

Continuing operations only	2021 Guidance
<b>Revenues</b>	> \$5.6 billion
<b>Adjusted EBITDA<sup>(2)</sup></b>	> \$500 million
<b>Adjusted EBIT<sup>(2)</sup></b>	> \$100 million
<b>Free cash flow usage<sup>(2)</sup></b>	Usage better than \$500 million including ~\$200 million of non-recurring outflows
<b>Aircraft deliveries (in units)</b>	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<sup>(2)</sup> for continuing operations including corporate costs is expected to be greater than \$500 million in 2021. This improvement is expected to be 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<sup>(2)</sup> is expected to be greater than \$100 million.

Free cash flow usage<sup>(2)</sup> 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<sup>(2)</sup> from continuing operations in 2021 is expected to be driven by:

- adjusted EBITDA<sup>(2)</sup> 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.

<sup>(1)</sup> See the forward-looking statements disclaimer.

<sup>(2)</sup> 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.

## 2025 Objectives<sup>(1)</sup>

The Corporation hosted its Investor Day on March 4, 2021 during which it provided the 2025 objectives<sup>(1)</sup> as below.

	2025 Objectives
Revenues	~\$7.5 billion
Adjusted EBITDA <sup>(2)</sup>	~\$1.5 billion
Free cash flow <sup>(2)</sup>	> \$500 million, reaching positive free cash flow <sup>(2)</sup> in 2022
Net leverage <sup>(3)</sup>	~3x; >\$250 million interest cost savings by 2025, mostly achieved in 2021

### Balance Sheet Deleveraging

During the Investor Day presentations, the Corporation provided further details on its debt management strategy. Under its strategy, Bombardier's objective is to deploy the proceeds from the sale of the Transportation business, prioritizing the pay down of near-term maturities with a focus on 2021 and 2022 tranches. The Corporation is also considering various options to address other debt maturities in an opportunistic manner. The focus and objective is to clear a three-year maturity runway, providing the Corporation with a path to execute its strategy. Refer to the Capital structure section of this MD&A for more details.

### Aftermarket Expansion

With respect to our aftermarket growth strategy, and capitalizing on our past investments, the focus shifts on expanding our worldwide services network and capabilities to capture a greater share of a growing market and further diversify our overall revenues with more resilient and profitable aftermarket revenues. Specifically, the objective is to diversify our revenue mix by growing aftermarket services from approximately 18% of our revenues in 2020 to approximately 27% of our revenues by 2025.

### Global 7500 Learning Curve

On March 29, 2021, we announced the delivery of the 50th *Global 7500* aircraft. This milestone delivery was achieved as production of the industry flagship continues to mature, and as the aircraft's in-service performance continues to deliver very high levels of reliability. As we explained during our Investor Day, 2021 marks a significant milestone for the program as it transitions from negatively impacting earnings to being the biggest EBITDA contributor over the next five years. In addition, the objective is to achieve a 20% reduction in unit cost between the 50th and 100th delivery.

### Productivity and Profitability Initiative

Finally, during Investor Day, we provided an update on our previously announced productivity and profitability initiative. The overall goal of this initiative is to make the company more efficient, agile and capable of delivering stronger financial performance under current market conditions, while also establishing a lower cost base for growth once the market recovers. Importantly, the objective is to achieve \$400 million in recurring savings by 2023 through labour productivity improvements, reduced corporate costs and indirect spending, and by optimizing our manufacturing footprint.

<sup>(1)</sup> See the forward-looking statements disclaimer.

<sup>(2)</sup> Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

<sup>(3)</sup> Non-GAAP financial measure, defined as Long-term debt less cash and cash equivalents, divided by adjusted EBITDA.



## INDUSTRY AND ECONOMIC ENVIRONMENT

In the first quarter of 2021, we observed an estimated 2% increase in industry deliveries year-over-year showing demand starting to stabilize following the impact of the COVID-19 pandemic, which started to take effect at the end of March 2020.<sup>(1)</sup> Some industry indicators have started showing preliminary signs of recovery in the business aviation industry. Industry confidence levels have increased from 58 in December 2020 to 64 in March 2021, which has remained above the 50 point threshold, indicating strengthening market conditions.<sup>(2)</sup> Pre-owned aircraft levels continued to remain at healthy levels in the first quarter. The total number of pre-owned aircraft available for sale, as a percentage of the total in-service fleet, was estimated at 7.2% as of March 31, 2021.<sup>(3)</sup> The marginal variance of 1.0 percentage point, compared to 8.2% for the fourth quarter of 2020, was largely driven by a drop in the available pre-owned aircraft in all categories. Business jet utilization in the U.S. decreased 13.4% year-over-year, primarily driven by the ongoing flight restrictions. Moreover, Europe has seen a sharper year-over-year decline of 26% for the first quarter as a result of the widespread lockdown protocols implemented throughout the region in March 2020.<sup>(4)</sup>

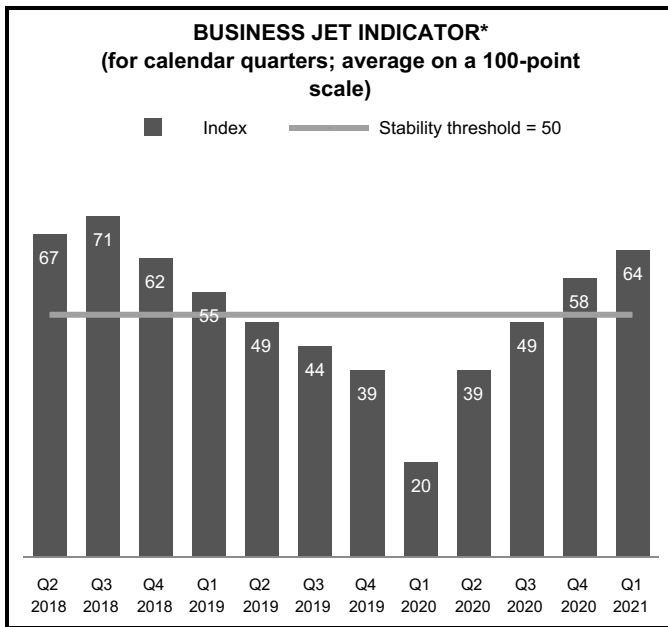
Despite the short-term global shock caused by the COVID-19 pandemic, the business aviation industry is expected to grow in the long term driven by continued wealth creation and introduction of new aircraft models and technologies. With its installed base of more than 4,900 aircraft and its industry leading product portfolio, Bombardier is well positioned as a pure play business aircraft company.

<sup>(1)</sup> Based on our estimates, public disclosure records of certain competitors, the General Aviation Manufacturers Association (GAMA) shipment reports and Ascend (by Cirium).

<sup>(2)</sup> According to the Barclays Business Jet Survey dated March 31, 2021.

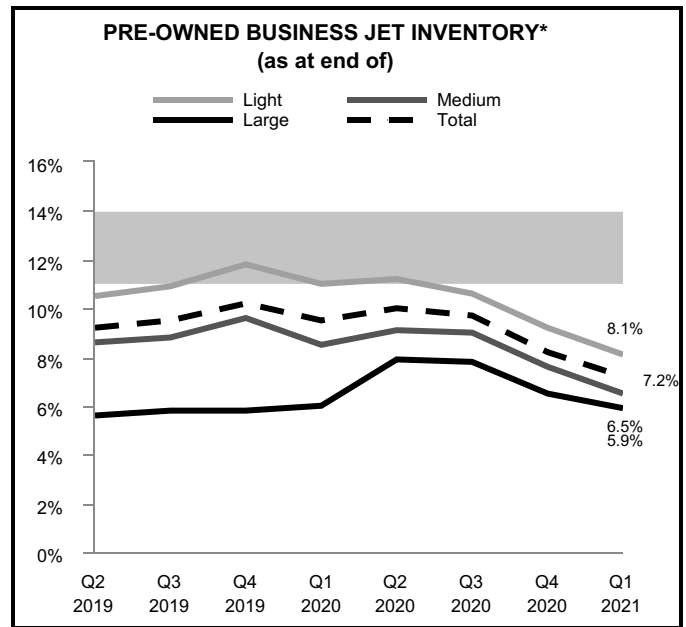
<sup>(3)</sup> According to JETNET and Ascend online.

<sup>(4)</sup> According to the U.S. Federal Aviation Administration (FAA) and Eurocontrol websites.



Source: Barclays

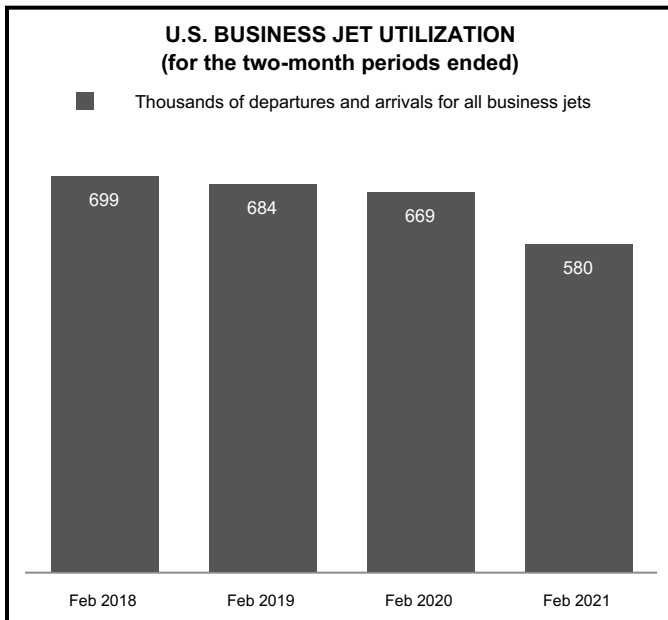
\* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.



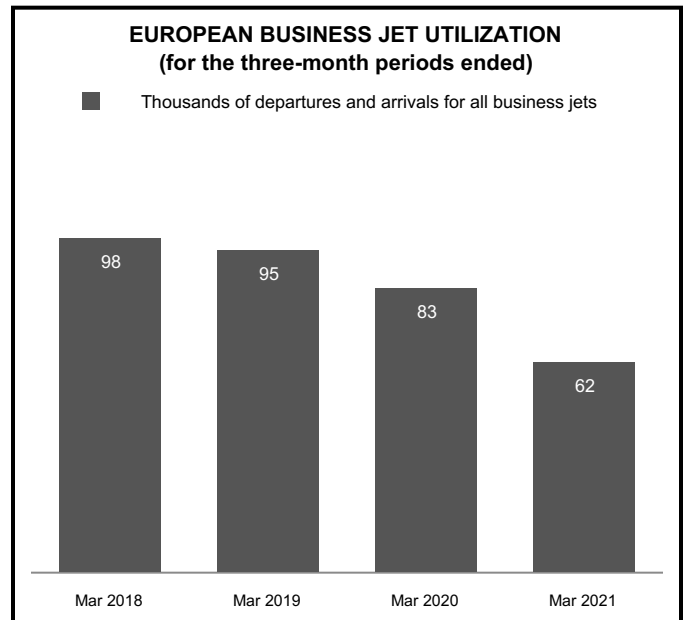
Sources: JETNET and Ascend (by Cirium)

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

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



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



Source: Eurocontrol, All years restated due to Brexit where UK flights have been removed from business jet utilization

## CONSOLIDATED RESULTS OF OPERATIONS

	Three-month periods ended March 31	
	2021	2020 <i>restated</i> <sup>(1)</sup>
Revenues		
Business aircraft		
Manufacturing and other <sup>(2)</sup>	\$ 1,050	\$ 849
Services <sup>(3)</sup>	269	273
Aerostructures and Engineering Services <sup>(4)</sup>	—	180
Commercial Aircraft <sup>(5)</sup>	—	221
Others <sup>(6)</sup>	22	(1)
Total revenues	1,341	1,522
Cost of sales	1,157	1,357
<b>Gross margin</b>	<b>184</b>	<b>165</b>
SG&A	81	113
R&D	74	50
Other income	—	(7)
<b>Adjusted EBIT</b> <sup>(7)</sup>	<b>29</b>	<b>9</b>
Special items	10	(96)
<b>EBIT</b>	<b>19</b>	<b>105</b>
Financing expense	290	402
Financing income	(24)	(12)
<b>EBT</b>	<b>(247)</b>	<b>(285)</b>
Income taxes	4	(4)
<b>Net loss from continuing operations</b>	<b>\$ (251)</b>	<b>\$ (281)</b>
Net income from discontinued operations	\$ 5,321	\$ 81
<b>Net income (loss)</b>	<b>\$ 5,070</b>	<b>\$ (200)</b>
Attributable to		
Equity holders of Bombardier Inc.	\$ 5,041	\$ (258)
NCI <sup>(8)</sup>	\$ 29	\$ 58
<b>EPS (in dollars)</b>		
Basic	\$ 2.08	\$ (0.11)
Diluted	\$ 2.03	\$ (0.11)
<b>EPS from continuing operations (in dollars)</b>		
Basic and diluted	\$ (0.10)	\$ (0.12)
<b>As a percentage of total revenues</b>		
Gross margin	13.7 %	10.8 %
Adjusted EBITDA margin <sup>(7)</sup>	9.2 %	5.7 %
Adjusted EBIT margin <sup>(7)</sup>	2.2 %	0.6 %
EBIT margin	1.4 %	6.9 %

<sup>(1)</sup> Restated for the sale of Transportation. Refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.

<sup>(2)</sup> Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.

<sup>(3)</sup> Includes revenues from aftermarket services including parts, *Smart Services*, service centres, training and technical publication.

<sup>(4)</sup> Includes revenues related to Aerostructure prior to the disposal of the Aerostructure business on October 30, 2020.

<sup>(5)</sup> Includes revenues related to Commercial aircraft prior to the disposal of the CRJ businesses on June 1, 2020.

<sup>(6)</sup> Includes revenues from sale of components related to commercial aircraft programs.

<sup>(7)</sup> Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

<sup>(8)</sup> Net income attributable to NCI is related to discontinued operations. Refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.

## Non-GAAP financial measures<sup>(1)</sup>

	Three-month periods ended March 31	
	2021	2020 <i>restated</i> <sup>(2)</sup>
Adjusted EBITDA	\$ 123	\$ 86
Adjusted net loss	\$ (173)	\$ (182)
Adjusted EPS	\$ (0.07)	\$ (0.08)

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

<sup>(2)</sup> Restated for the sale of Transportation. Refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.

## Analysis of consolidated results

### Revenues<sup>(1)</sup>

- Revenues from business aircraft manufacturing and other for the three-month period ended March 31, 2021 increased by \$201 million, mainly due to a higher mix of large aircraft.
- Revenues from commercial aircraft, aerostructures and engineering services, and others for the three-month period ended March 31, 2021 decreased by \$378 million, mainly due to the divestitures of the CRJ aircraft program to Mitsubishi Heavy Industries, Ltd. and the aerostructures businesses to Spirit AeroSystems Holding, Inc. in 2020.

### Gross margin<sup>(1)</sup>

Gross margin as a percentage of revenues for the three-month period ended March 31, 2021 increased by 2.9% mainly as a result of higher contribution from business aircraft manufacturing and other, mainly due to a higher mix of large aircraft as well as improved margins which includes the benefit of progress on the *Global 7500* learning curve.

<sup>(1)</sup> 2020 was restated for the sale of Transportation. Refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.

## 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.

Special items recorded as losses (gains) were as follows:

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
Loss on repayment of the senior secured term loan <sup>(2)</sup>	\$ 76	\$ —
Restructuring charges <sup>(3)</sup>	23	11
Gain on sale of EWIS <sup>(4)</sup>	(13)	—
Gain on exit of ACLP and related aerostructures activities <sup>(5)</sup>	—	(119)
Transaction costs <sup>(6)</sup>	—	12
Disruption costs <sup>(7)</sup>	—	4
Reversal of <i>Learjet 85</i> aircraft program cancellation provisions <sup>(8)</sup>	—	(4)
	\$ 86	\$ (96)
<b>Of which is presented in</b>		
Special items in EBIT	\$ 10	\$ (96)
Financing expense - loss on repayment of the senior secured term loan <sup>(2)</sup>	76	—
	\$ 86	\$ (96)

1. Restated, refer to Note 17 - Disposal of business for more details.
2. Represents the loss related to the repayment of the senior secured term loan, refer to Note 6 - Financing expense and Financing income and Note 16 - Long-term debt for more information.
3. For three-month period ended March 31, 2021, represents severance charges of \$28 million, impairment of PP&E of \$3 million, partly offset by \$8 million of curtailment gains. For three-month period ended March 31, 2020, represents \$11 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions.
4. The sale of the Corporation's Electrical Wiring and Interconnection Systems (EWIS) business in Mexico for a total net consideration of \$37 million resulted in an accounting gain of \$13 million for the three-month period ended March 31, 2021.
5. The sale of the Corporation's remaining interest in ACLP and its aerostructures activities supporting A220 and A330 resulted in a pre-tax accounting gain of \$119 million for the three-month period ended March 31, 2020.
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 for the three-month period ended March 31, 2020.
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, \$4 million were recorded as special items. 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. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by \$4 million for the three-month period ended March 31, 2020. The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

## **EBIT margin<sup>(1)</sup>**

Adjusted EBIT margin<sup>(2)</sup> for the three-month period increased by 1.6 percentage points mainly due to:

- higher contribution from business aircraft manufacturing and other, mainly due to a higher mix of large aircraft as well as improved margins which includes the benefit of progress on the *Global 7500* learning curve. This was partially offset by an increase in amortization of aerospace program tooling mainly due to increased deliveries of the *Global 7500* aircraft.
- lower SG&A expenses mainly due to improvements in the cost structure.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 5.5 percentage points compared to the same period last year.

## **Net financing expense<sup>(1)</sup>**

Net financing expense amounted to \$266 million for the three-month period ended March 31, 2021, compared to \$390 million<sup>(1)</sup> for the corresponding period last fiscal year.

The \$124-million decrease in net financing expenses for the three-month period is mainly due to:

- net gain on certain financial instruments classified as FVTP&L mainly due to a non-cash change in derivatives in 2020 (\$181 million); and
- net changes in discount rates of provisions recorded as financing expenses in 2020 (\$20 million).

Partially offset by:

- a loss related to the repayment of the senior secured term loan in 2021 (\$76 million); and
- higher interest on long-term debt, after the effect of hedges (\$14 million).

## **Income taxes<sup>(1)</sup>**

The effective income tax rate for the three-month period ended March 31, 2021 is (1.6)%, (1.4% for the three-month period ended March 31, 2020) compared to the statutory income tax rate in Canada of 26.5%. The effective income tax rate is due to the negative impact of the net non-recognition of tax benefits related to tax losses, and temporary differences and permanent differences.

<sup>(1)</sup> 2020 was restated for the sale of Transportation. Refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.

<sup>(2)</sup> Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric.

## Product development

### Investment in product development

	Three-month periods ended March 31	
	2021	2020
Program tooling <sup>(1)</sup>	\$ 12	\$ 40
R&D expense <sup>(2)</sup>	5	4
	\$ 17	\$ 44
As a percentage of revenues	1.3 %	2.9 %

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

<sup>(2)</sup> Excluding amortization of aerospace program tooling of \$69 million for the three-month period ended March 31, 2021 (\$46 million for the three-month period ended March 31, 2020), as the related investments are already included in aerospace program tooling.

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* and *Global 5500*, 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)	Three-month periods ended March 31	
	2021	2020
<b>Business aircraft</b>		
Light	1	3
Medium	9	14
Large	16	9
	26	26
<b>Commercial aircraft</b>		
Regional jets <sup>(1)</sup>	—	5
	—	5
	26	31

<sup>(1)</sup> On June 1, 2020, the Corporation completed the sale of the regional jet program to MHI.

### Order backlog

(in billions of dollars)	As at	
	March 31, 2021	December 31, 2020
Business aircraft <sup>(1)</sup>	\$ 10.4	\$ 10.7

<sup>(1)</sup> Includes order backlog for both manufacturing and services.

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 at the end of the first quarter.

## CONSOLIDATED FINANCIAL POSITION

The total assets decreased by \$8.2 billion in the three-month period<sup>(1)</sup>, including a negative currency impact of \$43 million. The \$8.1-billion decrease excluding the currency impact is mainly explained by<sup>(2)</sup>:

- a \$10.4-billion decrease in Assets held for sale due to the sale of the Transportation business on January 29, 2021;
- a \$63-million decrease in Aerospace program tooling mainly due to amortization; and
- a \$54-million decrease in inventories mainly due to an increase in large aircraft deliveries.

Partially offset by:

- a \$1.4-billion increase in cash and cash equivalents excluding Transportation. Refer to the Consolidated Statements of Cash Flows for the period ended March 31, 2021 and the Available short-term capital resources section of this MD&A; and
- a \$1.0-billion increase in other financial assets primarily due to Alstom shares measured at fair value as well as an increase in restricted cash related to collateral supporting various bank guarantees.

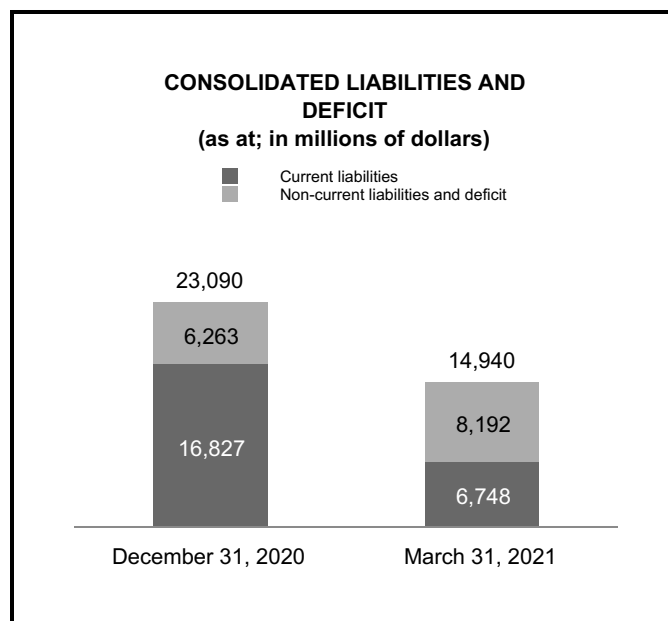
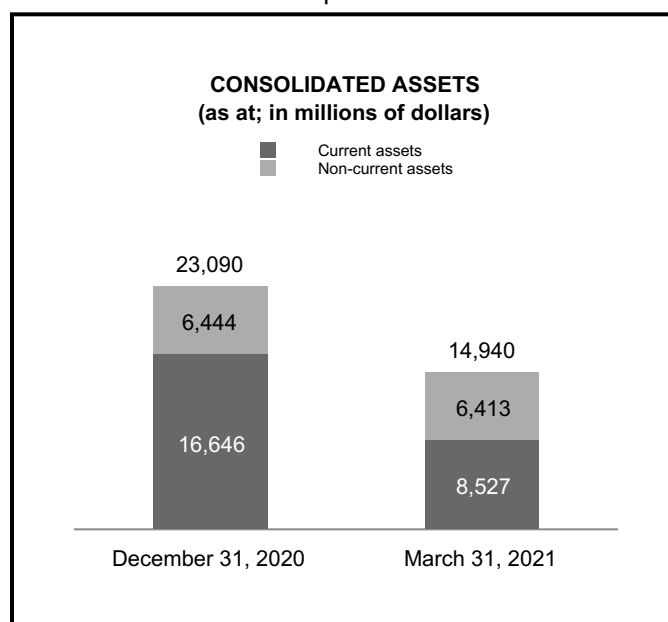
The total liabilities and deficit decreased by \$8.2 billion in the three-month period<sup>(1)</sup>, including a negative currency impact of \$43 million. The \$8.1-billion decrease excluding the currency impact is mainly explained by<sup>(2)</sup>:

- a \$10.1-billion decrease in liabilities directly associated with assets held for sale, due to the sale of the Transportation business on January 29, 2021;
- a \$737-million decrease in long-term debt obligations due to repayment of the outstanding balance of the senior secured term loan with HPS Investment Partners, LLC.;
- a \$480-million decrease in retirement benefits mainly due to remeasurement of defined benefits plans;
- a \$362-million decrease in contract liabilities due primarily to deliveries on our aircraft backlog; and
- a \$53-million decrease in other liabilities.

Partially offset by:

- a \$3.6-billion increase in equity mainly due to the gain on sale of the Transportation business, the remeasurement of defined benefits plans, and the change in CCTD, partially offset by a decrease in NCI related to the disposal of the Transportation business; and

- a \$112-million increase in trade and other payables mainly due to the timing of interest payments as well as transaction costs related to the sale of the Transportation business.



\*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 the Transportation business presented under Assets held for sale and liabilities directly associated with assets held for sale. Refer to Note 17 - Disposal of businesses in our Interim consolidated financial statements for further details.



(1) For the purpose of the Consolidated financial position explanations included in this section, assets and liabilities include assets and liabilities related to the Transportation business reclassified as Assets held for sale as at December 31, 2020. Refer to Note 17 - Disposal of businesses in our Interim consolidated financial statements for further details.

(2) For the purpose of the Consolidated financial position explanations included in this section do not include the impact of the back-to-back agreements the Corporation has with ACLP related to certain government refundable advances and MHI related to certain assets and liabilities. Refer to Note 11 - Other financial assets and Note 14 - Other financial liabilities in our Interim consolidated financial statements for further details.

## LIQUIDITY AND CAPITAL RESOURCES

### *Free cash flow*<sup>(1)</sup>

#### Free cash flow usage from continuing operations<sup>(1)(2)</sup>

	Three-month periods ended March 31	
	2021	2020
<b>Net loss from continuing operations</b>	\$ (251)	\$ (281)
Non-cash items <sup>(2)</sup>		
Amortization	94	77
Impairment charges on PP&E	3	11
Deferred income taxes	2	(35)
Gains on disposal of investment in associate and businesses	—	(119)
Share of income of joint ventures and associates	(1)	(2)
Loss on repurchase of long-term debt	76	—
Other	(6)	7
Net change in non-cash balances <sup>(2)</sup>	(289)	(344)
<b>Cash flows from operating activities - continuing operations</b>	\$ (372)	\$ (686)
Net additions to PP&E and intangible assets <sup>(2)</sup>	(33)	(76)
<b>Free cash flow usage - continuing operations<sup>(1)</sup></b>	\$ (405)	\$ (762)

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for definitions of this metric.

(2) Includes continuing operations only.

#### **Cash flows from operating activities - continuing operations**

The \$314-million improvement in cash flows from operating activities (continuing operations) for the three-month period is mainly due to:

- a lower net loss from continuing operations before non-cash items (\$259 million); and
- a positive period-over-period variation in net change in non-cash balances (\$55 million).

#### **Net change in non-cash balances - continuing operations**

For the three-month period ended March 31, 2021, the \$289-million outflow is mainly due to:

- a decrease in contract liabilities mainly due to deliveries on our aircraft backlog.

For the three-month period ended March 31, 2020, the \$344-million outflow is mainly due to:

- an increase in inventories mainly due to delayed aircraft deliveries as a result of the COVID-19 pandemic; and
- a decrease in contract liabilities mainly due to lower order intake.

## Net additions to PP&E and intangible assets<sup>(1)</sup>

	Three-month periods ended March 31	
	2021	2020
Additions to PP&E and intangible assets <sup>(1)</sup>	\$ (37)	\$ (76)
Proceeds from disposals of PP&E and intangible assets <sup>(1)</sup>	4	—
<b>Net additions to PP&amp;E and intangible assets<sup>(1)</sup></b>	<b>\$ (33)</b>	<b>\$ (76)</b>

<sup>(1)</sup> Includes continuing operations only.

The \$39-million decrease in additions to PP&E and intangible assets for the three-month period is mainly due to lower investments in aerospace program tooling.

## Available short-term capital resources

### Variation in cash and cash equivalents

	Three-month periods ended March 31	
	2021	2020
Balance at the beginning of period	\$ 2,450	\$ 2,629
Free cash flow usage from continuing operations <sup>(1)</sup>	(405)	(762)
Free cash flow usage from discontinued operations <sup>(1)</sup>	(621)	(880)
Net proceeds from disposal of business <sup>(2)</sup>	2,909	531
Deconsolidation of cash and cash equivalents related to Transportation	(279)	—
Investments in non-voting units of ACLP	—	(100)
Additions to restricted cash <sup>(3)</sup>	(477)	—
Repayments of long-term debt	(795)	—
Net change in short-term borrowings related to Transportation	365	413
Payment of lease liabilities	(8)	(26)
Dividends paid - Preferred shares	(5)	(5)
Issuance of NCI	—	386
Effect of exchange rate changes on cash and cash equivalents	(4)	(123)
Other	23	6
Balance at the end of period	\$ 3,153	\$ 2,069

### Available short-term capital resources

	March 31, 2021	December 31, 2020
Cash and cash equivalents excluding Transportation	\$ 3,153	\$ 1,779
Available senior secured term loan <sup>(4)</sup>	—	135
	\$ 3,153	\$ 1,914
Cash and cash equivalents from Transportation	—	671
Available Transportation revolving credit facilities <sup>(5)</sup>	—	618
	\$ —	\$ 1,289
Available short-term capital resources	\$ 3,153	\$ 3,203

In addition to the available short-term capital resources shown above as at March 31, 2021, the Corporation had approximately \$1.0 billion of other financial assets which can be converted into cash upon certain conditions or milestones being achieved. These assets are composed of 11.5 million Alstom shares which were valued at approximately \$0.6 billion as at March 31, 2021 and cash collateral supporting various bank guarantees. Following the first quarter results, as well as the conclusion of the deployment actions towards debt repayment, the Corporation's pro-forma liquidity<sup>(6)</sup> remains strong at \$2.6 billion.

The Corporation announced on May 4, 2021 that it reached an agreement to sell approximately \$0.6 billion worth of Alstom shares received by the Corporation as part of the proceeds from the sale of its Transportation business to Alstom, which closed on January 29, 2021. The sale is expected to complete on or about May 7, 2021.

<sup>(1)</sup> Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and the Free cash flow usage table above for reconciliations to the most comparable IFRS measure.

- (2) Refer to Note 17 - Disposal of business in our Interim consolidated financial statements for further details.
- (3) Includes cash collateral supporting various bank guarantees.
- (4) Based on collateral available at December 31, 2020.
- (5) Included 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 17 – Disposal of business to our Interim consolidated financial statements for more details.
- (6) Non-gaap measure. Pro-forma liquidity is defined as cash and cash equivalents as at March 31, 2021 of \$3.2 billion, plus approximately \$0.6 billion of Alstom shares, plus \$0.4 billion of short-term restricted cash as collateral for bank guarantees, and less \$1.6 billion paid to repurchase certain of outstanding Notes in April 2021.

## **Future liquidity requirements**

In April 2021, the Corporation repurchased and retired through a cash tender offer an amount of \$956 million aggregate principal amount of the outstanding \$1,018 million Notes due December 2021, \$319 million aggregate principal amount of the outstanding \$500 million Notes due March 2022 and \$226 million aggregate principal amount of the outstanding \$1,250 million Notes due January 2023, for a total consideration of \$1,575 million.

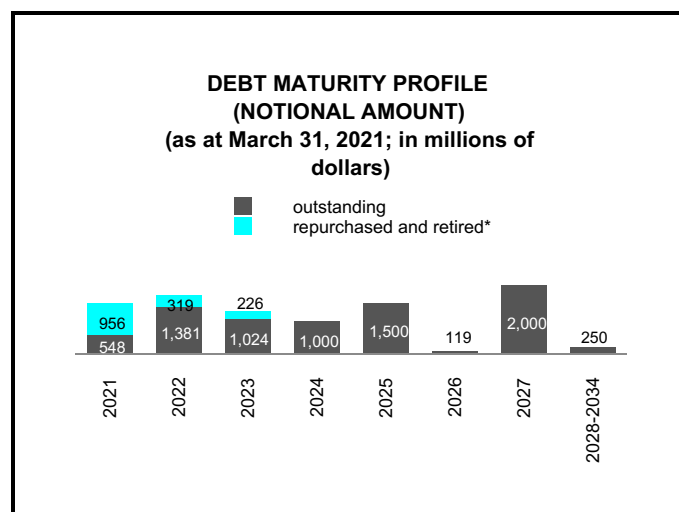
\$2,004 million of long-term debt due in the next twelve months as of March 31, 2021 is composed of €414 million (\$486 million) due in May 2021, \$1,018 million due in December 2021 and \$500 million due in March 2022, of which \$1,275 million was repaid in the cash tender offer that closed in April 2021.

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.

On February 19, 2021, the Corporation repaid the total outstanding balance of \$750 million drawn on the Facility including all accrued interest and associated fees which resulted in a loss of \$76 million recognized in Financing expense and financing income, see Note 5 - Special items and Note 6 - Financing expense and financing income, to our Interim consolidated financial statements, for more information.

We believe our available short-term capital resources will give us sufficient liquidity to execute our plan in the short-term. We currently anticipate that these resources will enable the development and upgrade of products to enhance our competitiveness and support our growth; will enable us to meet currently anticipated financial requirements in the foreseeable future; and will allow the payment of dividends on preferred shares, if and when declared by the Board of Directors.<sup>(1)</sup>

<sup>(1)</sup> See the forward-looking statements disclaimer.



\* Represents the amount repurchased and retired by the Corporation in April 2021. The amounts not repurchased in the chart above and which remain outstanding following the completion of the tender in April 2021 totalled \$7.8 billion. Refer to Note 16 - Long-term debt, to our Interim consolidated financial statements, for more details.

## CAPITAL STRUCTURE

Following the sale of the Transportation business on January 29, 2021, and the subsequent Investor Day, the Corporation emphasized its phased plan to make deleveraging as one of its key priorities, and will execute on its plan through a phased approach.<sup>(1)</sup>

As such, on February 19, 2021, the Corporation deployed \$0.8 billion and completed the full repayment of its senior secured term loan with HPS Investment Partners, LLC. On April 19, 2021, the Corporation announced the expiration of its tender offer to purchase for cash certain of its outstanding Notes. The aggregate purchase amount of the cash tender offer amounted to a total consideration of \$1.6 billion.

In addition, the Corporation announced on May 4, 2021 that it reached an agreement to sell approximately \$0.6 billion worth of Alstom shares received by the Corporation as part of the proceeds from the sale of its Transportation business to Alstom, which closed on January 29, 2021. The sale is expected to complete on or about May 7, 2021. Bombardier is still evaluating various options to address other debt maturities in an opportunistic manner and will continue to progress towards the objectives it has laid out during its Investor Day on March 4, 2021.

Over the longer term, the Corporation's capital allocation strategy will focus on deploying, in a disciplined manner, the free cash flow<sup>(2)</sup> generated from the business towards investments in the Corporation's products and services, or to debt reduction.

As the Corporation progressively reshapes its business and reap the benefit from its various initiatives, it aims to lower net debt to EBITDA multiple to approximately 3x by 2025.<sup>(1)</sup>

Refer to the Other section of this MD&A for disclosure on consent solicitations with respect to outstanding indentures.

<sup>(1)</sup> See the forward-looking statements disclaimer.

<sup>(2)</sup> Non-GAAP financial measure. Refer to the Liquidity and capital resources section for reconciliations to the most comparable IFRS measure.

In addition, the Corporation separately monitors its net retirement benefit liability which amounted to \$1.0 billion as at March 31, 2021 (\$2.7 billion including \$1.1 billion from Transportation<sup>(1)</sup> as at December 31, 2020). The measurement of this liability is dependent on numerous key long-term assumptions such as discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. We closely monitor the impact of the net retirement benefit liability on our future cash flows and we have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with the retirement benefit plans. The \$1,699-million decrease in the net retirement benefit liability is explained as follows:

### Variation in net retirement benefit liability

Balance as at December 31, 2020	\$	2,667 <sup>(1)(2)</sup>
Disposal of Transportation business <sup>(3)</sup>		(1,136)
Changes in discount rates and other financial assumptions		(693)
Employer contributions		(38)
Net gains on curtailment and settlement		(10)
Actuarial loss on pension plan assets		122
Service costs		29
Accretion on net retirement benefit obligation		11
Changes in foreign exchange rates		9
Other net actuarial losses on defined benefit obligations		3
Other		4
<b>Balance as at March 31, 2021</b>	<b>\$</b>	<b>968 <sup>(2)</sup></b>

<sup>(1)</sup> Opening balance includes net retirement benefit liabilities amounting to \$1,136 million related to the Transportation business reclassified as liabilities directly associated with assets held for sale as at December 31, 2020. Refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.

<sup>(2)</sup> Includes retirement benefit assets of \$150 million as at March 31, 2021 (\$75 million as at December 31, 2020).

<sup>(3)</sup> Refer to Note 17 – Disposal of business to our Interim consolidated financial statements for more details.

## 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 Consolidated results of operations section; and
- free cash flow usage to cash flows from operating activities – see the Free cash flow usage table in the Liquidity and capital resources section.

#### Reconciliation of adjusted EBITDA to EBIT<sup>(1)</sup>

	Three-month periods ended March 31	
	2021	2020
<b>EBIT</b>	\$ 19	\$ 105
Amortization	94	77
Impairment charges on PP&E and intangible assets <sup>(2)</sup>	3	11
Special items excluding impairment charges on PP&E and intangible assets <sup>(2)</sup>	7	(107)
<b>Adjusted EBITDA</b>	\$ 123	\$ 86

#### Reconciliation of adjusted net loss to net loss and computation of adjusted EPS<sup>(1)</sup>

	Three-month periods ended March 31			
	2021		2020	
	(per share)		(per share)	
<b>Net loss from continuing operations</b>	\$ (251)		\$ (281)	
Adjustments to EBIT related to special items <sup>(2)</sup>	10	\$ —	(96)	\$ (0.04)
Adjustments to net financing expense related to:				
Net change in provisions arising from changes in interest rates and net (gain) loss on certain financial instruments	(19)	(0.01)	182	0.08
Accretion on net retirement benefit obligations	11	0.01	13	—
Loss on repayment of the senior secured term loan <sup>(2)</sup>	76	0.03	—	—
<b>Adjusted net loss</b>	(173)		(182)	
Preferred share dividends, including taxes	(7)		(6)	
<b>Adjusted net loss attributable to equity holders of Bombardier Inc.</b>	\$ (180)		\$ (188)	
Weighted-average diluted number of common shares (in thousands)	2,423,565		2,398,860	
<b>Adjusted EPS (in dollars)</b>	\$ (0.07)		\$ (0.08)	

#### Reconciliation of adjusted EPS to diluted EPS (in dollars)<sup>(1)</sup>

	Three-month periods ended March 31	
	2021	2020
<b>Diluted EPS from continuing operations</b>	\$ (0.10)	\$ (0.12)
Impact of special <sup>(2)</sup> and other adjusting items	0.03	0.04
<b>Adjusted EPS</b>	\$ (0.07)	\$ (0.08)

<sup>(1)</sup> Includes continuing operations only.

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

## **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. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom.

See Note 21- Commitments and contingencies, to our interim consolidated financial statements, for more information regarding the indemnities and guarantees related to the sale of Transportation.

The transaction resulted in a gain of \$5,321 million reflected in net income from discontinued operations.

For more details, refer to Note 17 - Disposal of business, to our interim consolidated financial statements.

# OTHER

## OFF-BALANCE SHEET ARRANGEMENTS

### ***Working capital financing initiatives***

The Corporation had engaged in certain working capital financing initiatives which impact cash flows from operating activities such as the negotiation of extended payment terms with certain suppliers. Trade payables with these extended terms as of March 31, 2021 were nil as the Corporation unwound these initiatives.

### ***Other arrangements***

Refer to the Off-balance sheet arrangements section in Other of our Financial Report for the year ended December 31, 2020 for a description of these arrangements, and to Note 21 - Commitments and contingencies, to the Interim consolidated financial statements for further details.

## RISKS AND UNCERTAINTIES

We operate in an industry which presents a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows, results of operations and reputation are described in our Financial Report for the fiscal year ended December 31, 2020 in Other, but are not necessarily the only risks and uncertainties that we face.

### ***Commitments and contingencies***

Refer to Note 21 - Commitments and contingencies, to our Interim consolidated financial statements.

If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows and results of operations could be materially adversely affected.



## **CONTROLS AND PROCEDURES**

No changes were made to our internal controls over financial reporting during the three-month period ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **CONSENT SOLICITATIONS WITH RESPECT TO OUTSTANDING INDENTURES**

On April 22, 2021, Bombardier received a letter from counsel to a holder of notes maturing in 2034 (the “2034 Notes”), claiming that the Corporation’s divestitures of non-core assets, including its transportation business, regional jet program and aerostructures division (the “Transactions”), constitute a breach of certain covenants under the indenture governing the 2034 Notes. The Corporation believes that these allegations are without merit and that the Corporation has not breached any covenant under the indenture. Nevertheless, with the assistance of external advisors, the Corporation evaluated a range of options and determined that initiating a consent solicitation with respect to its outstanding indentures was the most expedient and efficient path to maintain value and protect the Corporation and its stakeholders. On May 3, 2021, the Corporation commenced a consent solicitation process with respect to its outstanding indentures (the “Consent Solicitations”).

In the Consent Solicitations, the Corporation is seeking consents from its noteholders (i) to amendments to the applicable Indenture to clarify that the Transactions are permitted by the applicable indenture and do not and will not give rise to any defaults, events of default or change of control under the applicable indenture and (ii) for the avoidance of doubt, to waive any default or event of default that is alleged to have, has or may have arisen under the applicable indenture in connection with, related to or as a result of the consummation or performance of the Transactions. Notwithstanding the pragmatic approach that the Corporation has elected to pursue by initiating the Consent Solicitations, the Corporation reserves all its rights and remedies. The Corporation vigorously denies that any alleged default has occurred with respect to any of the indentures governing the notes listed above. The Consent Solicitations shall not be construed as an admission by the Corporation of any liability, obligation, wrongdoing or violation of law and shall not be used or construed as such in any legal or administrative proceeding.

For more details on the 2034 Notes as well as other long-term debt of the Corporation, see Note 28 - Long-term debt, to our Consolidated financial statements for the fiscal year ended December 31, 2020, as well as Note 16 - Long-term debt, to our Interim consolidated financial statements for the three-month period ended March 31, 2021.

## FOREIGN EXCHANGE RATES

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

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

	March 31, 2021	December 31, 2020	Increase (decrease)
Euro	<b>1.1741</b>	1.2271	(4%)
Canadian dollar	<b>0.7926</b>	0.7849	1%
Pound sterling	<b>1.3752</b>	1.3649	1%

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

	March 31, 2021	March 31, 2020	Increase
Euro	<b>1.2059</b>	1.1024	9%
Canadian dollar	<b>0.7895</b>	0.7455	6%
Pound sterling	<b>1.3783</b>	1.2803	8%

## SELECTED FINANCIAL INFORMATION

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

Fiscal years	2021		2020		2019			
	First	Fourth	Third	Second <i>restated<sup>(1)</sup></i>	First <i>restated<sup>(1)</sup></i>	Fourth <i>restated<sup>(1)</sup></i>	Third <i>restated<sup>(1)</sup></i>	Second <i>restated<sup>(1)</sup></i>
Revenues from continuing operations	\$ 1,341	\$ 2,337	\$ 1,405	\$ 1,223	\$ 1,522	\$ 2,412	\$ 1,547	\$ 2,120
Revenues from discontinued operations	\$ —	\$ 2,076	\$ 2,120	\$ 1,479	\$ 2,169	\$ 1,793	\$ 2,175	\$ 2,194
<b>Total</b>	<b>\$ 1,341</b>	<b>\$ 4,413</b>	<b>\$ 3,525</b>	<b>\$ 2,702</b>	<b>\$ 3,691</b>	<b>\$ 4,205</b>	<b>\$ 3,722</b>	<b>\$ 4,314</b>
Net income (loss) attributable to equity holders of Bombardier Inc.								
Continuing operations	\$ (251)	\$ (15)	\$ (24)	\$ 150	\$ (281)	\$ (1,528)	\$ (168)	\$ (60)
Discontinued operations	\$ 5,292	\$ (408)	\$ 135	\$ (448)	\$ 23	\$ (242)	\$ 29	\$ (23)
<b>Total</b>	<b>\$ 5,041</b>	<b>\$ (423)</b>	<b>\$ 111</b>	<b>\$ (298)</b>	<b>\$ (258)</b>	<b>\$ (1,770)</b>	<b>\$ (139)</b>	<b>\$ (83)</b>
EPS (in dollars)								
Continuing operations basic and diluted	\$ (0.10)	\$ (0.01)	\$ (0.01)	\$ 0.06	\$ (0.12)	\$ (0.64)	\$ (0.07)	\$ (0.03)
Discontinued operations Basic	\$ 2.18	\$ (0.17)	\$ 0.06	\$ (0.19)	\$ 0.01	\$ (0.10)	\$ 0.01	\$ (0.01)
Diluted	\$ 2.13	\$ (0.17)	\$ 0.06	\$ (0.19)	\$ 0.01	\$ (0.10)	\$ 0.01	\$ (0.01)
Adjusted net income (loss) attributable to equity holders of Bombardier Inc. <sup>(2)</sup>								
Continuing operations	\$ (180)	\$ (474)	\$ (216)	\$ (255)	\$ (188)	\$ 4	\$ (155)	\$ (111)
Discontinued operations	\$ 5,292	\$ (403)	\$ (86)	\$ (458)	\$ (45)	\$ (234)	\$ 52	\$ 10
<b>Total</b>	<b>\$ 5,112</b>	<b>\$ (877)</b>	<b>\$ (302)</b>	<b>\$ (713)</b>	<b>\$ (233)</b>	<b>\$ (230)</b>	<b>\$ (103)</b>	<b>\$ (101)</b>
Adjusted EPS (in dollars) <sup>(2)</sup>								
Continuing operations	\$ (0.07)	\$ (0.20)	\$ (0.09)	\$ (0.10)	\$ (0.08)	\$ 0.00	\$ (0.06)	\$ (0.04)
Discontinued operations	\$ 2.13	\$ (0.17)	\$ (0.04)	\$ (0.20)	\$ (0.02)	\$ (0.10)	\$ 0.02	\$ 0.00
<b>Total</b>	<b>\$ 2.06</b>	<b>\$ (0.37)</b>	<b>\$ (0.13)</b>	<b>\$ (0.30)</b>	<b>\$ (0.10)</b>	<b>\$ (0.10)</b>	<b>\$ (0.04)</b>	<b>\$ (0.04)</b>

<sup>(1)</sup> Transportation was classified as discontinued operations as of September 30, 2020. As a result, the results of operations have been restated for comparative periods. Refer to Note 17 - Disposal of business to our Interim consolidated financial statements for more details.

<sup>(2)</sup> Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and reconciliations to the most comparable IFRS measures.

## SHAREHOLDER INFORMATION

### Authorized, issued and outstanding share data, as at May 4, 2021

	Authorized	Issued and outstanding
Class A Shares (multiple voting) <sup>(1)</sup>	3,592,000,000	308,735,929
Class B Shares (subordinate voting) <sup>(2)</sup>	3,592,000,000	2,112,247,681 <sup>(3)</sup>
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

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

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

<sup>(3)</sup> Net of 15,864,508 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU plans.

### Warrant, share option, PSU, DSU and RSU data as at March 31, 2021

Warrants issued and outstanding	205,851,872
Options issued and outstanding under the share option plans	128,974,394
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	101,096,128
Class B Subordinate Voting Shares held in trust to satisfy PSU obligations	15,864,508

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

Second Quarterly Report, for the period ending June 30, 2021	August 5, 2021
Third Quarterly Report, for the period ending September 30, 2021	October 28, 2021
Financial Report, for the fiscal year ending December 31, 2021	February 10, 2022
First Quarterly Report, for the period ending March 31, 2022	May 5, 2022

### Information

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**This MD&A for the three-month period ended March 31, 2021 was authorized for issuance by the Board of Directors on May 5, 2021.**

Additional information relating to the Corporation, including the financial report and annual information form, are available on SEDAR at [sedar.com](http://sedar.com) or on Bombardier's dedicated investor relations website at [ir.bombardier.com](http://ir.bombardier.com).

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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](http://ri.bombardier.com).

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2021

(Unaudited)

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

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

	Notes	Three-month periods ended March 31	
		2021	2020 <sup>(1)</sup>
Revenues	2	\$ 1,341	\$ 1,522
Cost of sales	10	1,157	1,357
<b>Gross margin</b>		<b>184</b>	165
SG&A		81	113
R&D	3	74	50
Other income	4	—	(7)
Special items	5	10	(96)
<b>EBIT</b>		<b>19</b>	105
Financing expense	6	290	402
Financing income	6	(24)	(12)
<b>EBT</b>		<b>(247)</b>	(285)
Income taxes		4	(4)
<b>Net loss from continuing operations</b>		<b>\$ (251)</b>	\$ (281)
Net income from discontinued operations	17	5,321	81
<b>Net income (loss)</b>		<b>\$ 5,070</b>	\$ (200)
Attributable to			
Equity holders of Bombardier Inc.		\$ 5,041	\$ (258)
NCI <sup>(2)</sup>		29	58
		\$ 5,070	\$ (200)
<b>Net income (loss) attributable to equity holders of Bombardier Inc.</b>			
Continuing operations		\$ (251)	\$ (281)
Discontinued operations	17	5,292	23
		\$ 5,041	\$ (258)
<b>EPS (in dollars)</b>	7		
Continuing operations basic and diluted		\$ (0.10)	\$ (0.12)
Discontinued operations basic	17	\$ 2.18	\$ 0.01
Discontinued operations diluted	17	\$ 2.13	\$ 0.01
<b>Total basic</b>		<b>\$ 2.08</b>	\$ (0.11)
<b>Total diluted</b>		<b>\$ 2.03</b>	\$ (0.11)

<sup>(1)</sup> Restated for the sale of Transportation, refer to Note 17 – Disposal of business for more details.

<sup>(2)</sup> Net income attributable to NCI is related to discontinued operations, refer to Note 17 – Disposal of business.

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

**BOMBARDIER INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)  
(in millions of U.S. dollars)

	Three-month periods ended March 31	
	2021	2020
<b>Net income (loss)</b>	<b>\$ 5,070</b>	<b>\$ (200)</b>
<b>OCI</b>		
<b>Items that may be reclassified to net income</b>		
<b>Net change in cash flow hedges</b>		
Foreign exchange re-evaluation	—	(1)
Net gain (loss) on derivative financial instruments	8	(107)
Reclassification to income or to the related non-financial asset	(16)	15
Income taxes	2	32
	<b>(6)</b>	<b>(61)</b>
<b>FVOCI financial assets</b>		
Net unrealized gain (loss)	(11)	1
<b>CCTD</b>		
Net investments in foreign operations	19	(102)
<b>Items that are never reclassified to net income</b>		
<b>FVOCI equity instruments</b>		
Net unrealized gain (loss)	1	(10)
<b>Retirement benefits</b>		
Remeasurement of defined benefit plans	559	594
Income taxes	—	(23)
	<b>559</b>	<b>571</b>
<b>Total OCI</b>	<b>562</b>	<b>399</b>
<b>Total comprehensive income</b>	<b>\$ 5,632</b>	<b>\$ 199</b>
Attributable to		
Equity holders of Bombardier Inc.	\$ 5,642	\$ 174
NCI	(10)	25
	<b>\$ 5,632</b>	<b>\$ 199</b>
<b>Total comprehensive income attributable to equity holders of Bombardier Inc.</b>		
Continuing operations	\$ 311	\$ 62
Discontinued operations <sup>(1)</sup>	5,331	112
	<b>\$ 5,642</b>	<b>\$ 174</b>

<sup>(1)</sup> Refer to Note 17 – Disposal of business for more details.

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

**BOMBARDIER INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

As at

(in millions of U.S. dollars)

	Notes	March 31 2021	December 31 2020
<b>Assets</b>			
Cash and cash equivalents		\$ 3,153	\$ 1,779
Trade and other receivables		290	294
Contract assets	9	56	61
Inventories	10	3,595	3,650
Other financial assets	11	1,237	227
Other assets	12	196	218
Assets held for sale	17	—	10,417
<b>Current assets</b>		<b>8,527</b>	<b>16,646</b>
PP&E		662	668
Aerospace program tooling		4,333	4,396
Deferred income taxes		108	111
Other financial assets	11	923	912
Other assets	12	387	357
<b>Non-current assets</b>		<b>6,413</b>	<b>6,444</b>
		\$ 14,940	\$ 23,090
<b>Liabilities</b>			
Trade and other payables		\$ 1,711	\$ 1,611
Provisions	13	160	146
Contract liabilities	9	2,226	2,356
Current portion of long-term debt	16	2,004	1,882
Other financial liabilities	14	237	239
Other liabilities	15	410	447
Liabilities directly associated with assets held for sale	17	—	10,146
<b>Current liabilities</b>		<b>6,748</b>	<b>16,827</b>
Provisions	13	251	289
Contract liabilities	9	972	1,219
Long-term debt	16	7,332	8,193
Retirement benefits		1,118	1,606
Other financial liabilities	14	1,216	1,225
Other liabilities	15	364	388
<b>Non-current liabilities</b>		<b>11,253</b>	<b>12,920</b>
		<b>18,001</b>	<b>29,747</b>
<b>Equity (deficit)</b>			
Attributable to equity holders of Bombardier Inc.		(3,061)	(9,325)
Attributable to NCI		—	2,668
		<b>(3,061)</b>	<b>(6,657)</b>
		\$ 14,940	\$ 23,090
Commitments and contingencies	21		

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



**BOMBARDIER INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)

For the three-month periods ended

(in millions of U.S. dollars)

	Attributable to equity holders of Bombardier Inc.												
	Share capital			Retained earnings (deficit)			Accumulated OCI						Total equity (deficit)
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remeasurement losses	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total	NCI		
As at December 31, 2020	\$ 347	\$ 2,676	\$ 73	\$ (8,998)	\$ (3,188)	\$ 413	\$ 20	\$ (31)	\$ (637)	\$ (9,325)	\$ 2,668	\$ (6,657)	
Total comprehensive income													
Net income	—	—	—	5,041	—	—	—	—	—	5,041	29	5,070	
OCI	—	—	—	—	559	—	(10)	(6)	58	601	(39)	562	
	—	—	—	5,041	559	—	(10)	(6)	58	5,642	(10)	5,632	
Disposal of business <sup>(1)</sup>	—	—	—	—	—	—	—	58	564	622	(2,658)	(2,036)	
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)	
Shares distributed - PSU plans	—	2	—	—	—	(2)	—	—	—	—	—	—	
Share-based expense	—	—	—	—	—	7	—	—	—	7	—	7	
<b>As at March 31, 2021</b>	<b>\$ 347</b>	<b>\$ 2,678</b>	<b>\$ 73</b>	<b>\$ (3,964)</b>	<b>\$ (2,629)</b>	<b>\$ 418</b>	<b>\$ 10</b>	<b>\$ 21</b>	<b>\$ (15)</b>	<b>\$ (3,061)</b>	<b>\$ —</b>	<b>\$ (3,061)</b>	
As at January 1, 2020	\$ 347	\$ 2,634	\$ 343	\$ (8,112)	\$ (2,775)	\$ 199	\$ 9	\$ (51)	\$ (261)	\$ (7,667)	\$ 1,756	\$ (5,911)	
Total comprehensive income													
Net income (loss)	—	—	—	(258)	—	—	—	—	—	(258)	58	(200)	
OCI	—	—	—	—	571	—	(9)	(61)	(69)	432	(33)	399	
	—	—	—	(258)	571	—	(9)	(61)	(69)	174	25	199	
Issuance of NCI <sup>(2)</sup>	—	—	—	—	—	—	—	—	—	—	386	386	
Dividends	—	—	—	(6)	—	—	—	—	—	(6)	—	(6)	
Cancellation of warrants <sup>(3)</sup>	—	—	(270)	—	—	230	—	—	—	(40)	—	(40)	
Shares purchased - PSU plans	—	9	—	—	—	(9)	—	—	—	—	—	—	
Share-based expense	—	—	—	—	—	7	—	—	—	7	—	7	
As at March 31, 2020	\$ 347	\$ 2,643	\$ 73	\$ (8,376)	\$ (2,204)	\$ 427	\$ —	\$ (112)	\$ (330)	\$ (7,532)	\$ 2,167	\$ (5,365)	

<sup>(1)</sup> Related to the sale of Transportation, refer to Note 17 – Disposal of business for more details.

<sup>(2)</sup> CDPQ made a capital injection of €350 million (\$386 million) in BT Holdco.

<sup>(3)</sup> Following the sale of its remaining interests in ACLP, the Corporation cancelled the warrants held by Airbus.

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

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

	Notes	Three-month periods ended March 31	
		2021	2020
<b>Operating activities</b>			
Net loss from continuing operations		\$ (251)	\$ (281)
Net income from discontinuing operations		5,321	81
Non-cash items			
Amortization <sup>(1)</sup>		94	111
Impairment charges on PP&E		3	11
Deferred income taxes		2	35
Gains on disposal of investment in associate and businesses	17	(5,335)	(119)
Loss on disposals of PP&E and intangible assets	4	1	—
Share of income of joint ventures and associates	4	(1)	(12)
Share-based expense	18	7	7
Loss on repurchase of long-term debt	6	76	—
Dividends received from joint ventures and associates		—	2
Net change in non-cash balances	19	(910)	(1,378)
<b>Cash flows from operating activities - total</b>		<b>(993)</b>	<b>(1,543)</b>
Cash flows from operating activities - discontinued operations		(621)	(857)
<b>Cash flows from operating activities - continuing operations</b>		<b>(372)</b>	<b>(686)</b>
<b>Investing activities</b>			
Additions to PP&E and intangible assets		(37)	(99)
Proceeds from disposals of PP&E and intangible assets		4	—
Net proceeds from disposal of business	17	2,909	531
Deconsolidation of cash and cash equivalents related to Transportation	17	(279)	—
Investments in non-voting units of ACLP		—	(100)
Additions to restricted cash	11	(477)	—
Other		22	6
<b>Cash flows from investing activities - total</b>		<b>2,142</b>	<b>338</b>
Cash flows from investing activities - discontinued operations		2,630	(23)
<b>Cash flows from investing activities - continuing operations</b>		<b>(488)</b>	<b>361</b>
<b>Financing activities</b>			
Repayments of long-term debt	16	(795)	—
Net change in short-term borrowings related to Transportation		365	413
Payment of lease liabilities <sup>(2)</sup>		(8)	(26)
Dividends paid - Preferred shares		(5)	(5)
Issuance of NCI		—	386
Other		1	—
<b>Cash flows from financing activities - total</b>		<b>(442)</b>	<b>768</b>
Cash flows from financing activities - discontinued operations		240	788
<b>Cash flows from financing activities - continuing operations</b>		<b>(682)</b>	<b>(20)</b>
Effect of exchange rates on cash and cash equivalents		(4)	(123)
<b>Net increase (decrease) in cash and cash equivalents - total</b>		<b>703</b>	<b>(560)</b>
<b>Cash and cash equivalents at beginning of period<sup>(3)</sup> - total</b>		<b>2,450</b>	<b>2,629</b>
<b>Cash and cash equivalents at end of period<sup>(3)</sup></b>		<b>\$ 3,153</b>	<b>\$ 2,069</b>
<b>Supplemental information</b>			
Cash paid for			
Interest		\$ 129	\$ 129
Income taxes		\$ 2	\$ 21
Cash received for			
Interest		\$ 5	\$ 12
Income taxes		\$ —	\$ 1

<sup>(1)</sup> Includes \$9 million representing amortization charge related to right-of-use of assets for the three-month period ended March 31, 2021 (\$26 million for the three-month period ended March 31, 2020).

<sup>(2)</sup> Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for the three-month period ended March 31, 2021 amounted to \$13 million (\$37 million for the three-month period ended March 31, 2020).

<sup>(3)</sup> For the purpose of the statement of cash flows, cash and cash equivalents as at December 31, 2020 includes \$671 million of cash reclassified as asset held for sale related to the Transportation business (as at March 31, 2020 includes \$43 million related to the aerostructure business).

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

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2021

(Unaudited)

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

## 1. BASIS OF PREPARATION

Bombardier Inc. (“the Corporation” or “our” or “we”) is incorporated under the laws of Canada. The Corporation is a manufacturer of business aircraft, as well as certain major aircraft structural components, and is a provider of related services.

Effective September 16, 2020, the Transportation business was classified as discontinued operations and comparative information for prior periods presented in the interim consolidated statement of income was restated. On January 29, 2021, the Corporation closed the sale of the Transportation business to Alstom. Refer to Note 17 – Disposal of business for more details. Following the sale, the Corporation carries out its operations under one segment.

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s Financial Report for the fiscal year ended December 31, 2020.

In the current environment due to COVID-19 pandemic, the judgments, estimates and assumptions are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management.

These interim consolidated financial statements for the three-month period ended March 31, 2021 were authorized for issuance by the Board of Directors on May 5, 2021.

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

## 2. REVENUES

The Corporation's revenues by categories were as follows:

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
<b>Bombardier</b>		
Business Aircraft		
Manufacturing and Other <sup>(2)</sup>	\$ 1,050	\$ 849
Services <sup>(3)</sup>	269	273
Aerostructures and Engineering Services <sup>(4)</sup>	—	180
Commercial Aircraft <sup>(5)</sup>	—	221
Others <sup>(6)</sup>	22	(1)
<b>Total</b>	<b>\$ 1,341</b>	<b>\$ 1,522</b>

<sup>(1)</sup> Restated, refer to Note 17 – Disposal of business for more details.

<sup>(2)</sup> Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.

<sup>(3)</sup> Includes revenues from aftermarket services including parts, *Smart Services*, service centres, training and technical publication.

<sup>(4)</sup> Includes revenues related to Aerostructure prior to the disposal of the Aerostructure business on October 30, 2020.

<sup>(5)</sup> Includes revenues related to Commercial aircraft prior to the disposal of the CRJ businesses on June 1, 2020.

<sup>(6)</sup> Includes revenues from sale of components related to commercial aircraft programs.

## 3. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
R&D expenditures	\$ 10	\$ 35
Less: development expenditures capitalized to aerospace program tooling	(5)	(31)
	5	4
Add: amortization of aerospace program tooling	69	46
	\$ 74	\$ 50

<sup>(1)</sup> Restated, refer to Note 17 – Disposal of business for more details.

## 4. OTHER INCOME

Other income was as follows:

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
Changes in estimates and fair value <sup>(2)</sup>	\$ 1	\$ (5)
Share of income of joint ventures and associates	(1)	(2)
Gain on sale of business	(1)	—
Loss on disposal of PP&E and intangible assets	1	—
	\$ —	\$ (7)

<sup>(1)</sup> Restated, refer to Note 17 – Disposal of business for more details.

<sup>(2)</sup> 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.

## 5. 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:

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
Loss on repayment of the senior secured term loan <sup>(2)</sup>	\$ 76	\$ —
Restructuring charges <sup>(3)</sup>	23	11
Gain on sale of EWIS <sup>(4)</sup>	(13)	—
Gain on exit of ACLP and related aerostructures activities <sup>(5)</sup>	—	(119)
Transaction costs <sup>(6)</sup>	—	12
Disruption costs <sup>(7)</sup>	—	4
Reversal of <i>Learjet 85</i> aircraft program cancellation provisions <sup>(8)</sup>	—	(4)
	\$ 86	\$ (96)
<b>Of which is presented in</b>		
Special items in EBIT	\$ 10	\$ (96)
Financing expense - loss on repayment of the senior secured term loan <sup>(2)</sup>	76	—
	\$ 86	\$ (96)

1. Restated, refer to Note 17 - Disposal of business for more details.
2. Represents the loss related to the repayment of the senior secured term loan, refer to Note 6 - Financing expense and Financing income and Note 16 - Long-term debt for more information.
3. For three-month period ended March 31, 2021, represents severance charges of \$28 million, impairment of PP&E of \$3 million, partly offset by \$8 million of curtailment gains. For three-month period ended March 31, 2020, represents \$11 million of impairment of right-of-use assets related to a lease contract as a consequence of previously-announced restructuring actions.
4. The sale of the Corporation's Electrical Wiring and Interconnection Systems (EWIS) business in Mexico for a total net consideration of \$37 million resulted in an accounting gain of \$13 million for the three-month period ended March 31, 2021.
5. The sale of the Corporation's remaining interest in ACLP and its aerostructures activities supporting A220 and A330 resulted in a pre-tax accounting gain of \$119 million for the three-month period ended March 31, 2020.
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 for the three-month period ended March 31, 2020.
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, \$4 million were recorded as special items. 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. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by \$4 million for the three-month period ended March 31, 2020. The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.

## 6. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
<b>Financing expense</b>		
Loss on repayment of the senior secured term loan <sup>(2)</sup>	\$ 76	\$ —
Net loss on certain financial instruments <sup>(3)</sup>	—	162
Changes in discount rates of provisions	—	20
Accretion on net retirement benefit obligations	11	13
Accretion on advances	9	9
Interest expense on lease liabilities	6	6
Accretion on other financial liabilities	4	15
Accretion on provisions	1	3
Other	3	8
	<b>110</b>	<b>236</b>
Interest on long-term debt, after effect of hedges	<b>180</b>	<b>166</b>
	<b>\$ 290</b>	<b>\$ 402</b>
<b>Financing income</b>		
Net gain on certain financial instruments <sup>(3)</sup>	\$ (19)	\$ —
Other	—	(5)
	<b>(19)</b>	<b>(5)</b>
Income from investment in securities	(4)	(2)
Interest on cash and cash equivalents	(1)	(4)
Interest on loans and lease receivables, after effect of hedges	—	(1)
	<b>(5)</b>	<b>(7)</b>
	<b>\$ (24)</b>	<b>\$ (12)</b>

<sup>(1)</sup> Restated, refer to Note 17 – Disposal of business for more details.

<sup>(2)</sup> Represents the loss related to the repayment of the senior secured term loan, which was reported as a special item. See Note 5 - Special items and Note 16 - Long-term debt for more information.

<sup>(3)</sup> Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

## 7. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
(Number of shares, stock options, PSUs, RSUs, DSUs and warrants, in thousands)		
Net income (loss) attributable to equity holders of Bombardier Inc.		
Continuing operations	\$ (251)	\$ (281)
Discontinued operations	5,292	23
Preferred share dividends, including taxes	(7)	(6)
Net income (loss) attributable to common equity holders of Bombardier Inc.	\$ 5,034	\$ (264)
Weighted-average number of common shares outstanding	2,423,565	2,398,860
Net effect of stock options, PSUs, RSUs, DSUs and warrants	58,616	—
Weighted-average diluted number of common shares	2,482,181	2,398,860
<b>EPS (in dollars)</b>		
Continuing operations basic and diluted	\$ (0.10)	\$ (0.12)
Discontinued operations basic	2.18	0.01
Discontinued operations diluted	2.13	0.01
<b>Total basic</b>	\$ 2.08	\$ (0.11)
<b>Total diluted</b>	\$ 2.03	\$ (0.11)

<sup>(1)</sup> Restated, refer to Note 17 – Disposal of business for more details.

The effect of the exercise of stock options, PSUs, RSUs, DSUs and warrants was included in the calculation of discontinued diluted EPS in the above table, except for 352,974,994 for the three-month period ended March 31, 2021 (474,110,706 for the three-month period ended March 31, 2020) 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.

## 8. FINANCIAL INSTRUMENTS

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

	FVTP&L					DDHR	Total carrying value	Fair value
	FVTP&L	Designated	FVOCI <sup>(1)</sup>	Amortized cost				
<b>March 31, 2021</b>								
<b>Financial assets</b>								
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 3,153	\$ —	\$ 3,153	\$ 3,153	
Trade and other receivables	—	—	—	290	—	290	290	
Other financial assets	1,218	—	250	635	57	2,160	2,160	
	<b>\$ 1,218</b>	<b>\$ —</b>	<b>\$ 250</b>	<b>\$ 4,078</b>	<b>\$ 57</b>	<b>\$ 5,603</b>	<b>\$ 5,603</b>	
<b>Financial liabilities</b>								
Trade and other payables	\$ —	\$ —	n/a	\$ 1,711	\$ —	\$ 1,711	\$ 1,711	
Long-term debt	—	—	n/a	9,336	—	9,336	9,434	
Other financial liabilities	5	632	n/a	812	4	1,453	1,469	
	<b>\$ 5</b>	<b>\$ 632</b>	<b>n/a</b>	<b>\$ 11,859</b>	<b>\$ 4</b>	<b>\$ 12,500</b>	<b>\$ 12,614</b>	
<b>December 31, 2020</b>								
<b>Financial assets</b>								
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	
	<b>\$ 664</b>	<b>\$ —</b>	<b>\$ 266</b>	<b>\$ 2,213</b>	<b>\$ 69</b>	<b>\$ 3,212</b>	<b>\$ 3,212</b>	
<b>Financial liabilities</b>								
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	
	<b>\$ 40</b>	<b>\$ 629</b>	<b>n/a</b>	<b>\$ 12,479</b>	<b>\$ 2</b>	<b>\$ 13,150</b>	<b>\$ 12,889</b>	

<sup>(1)</sup> Includes investments in equity instruments designated at FVOCI.

n/a: Not applicable



## 9. CONTRACT BALANCES

Contract assets represent cost incurred and recorded margins on service contracts in the amount of \$56 million and \$61 million as at March 31, 2021 and December 31, 2020, respectively.

Contract liabilities were as follows, as at:

	March 31, 2021	December 31, 2020
Advances on aerospace programs	\$ 2,804	\$ 3,187
Other deferred revenues	394	388
	\$ 3,198	\$ 3,575
Of which current	\$ 2,226	\$ 2,356
Of which non-current	972	1,219
	\$ 3,198	\$ 3,575

## 10. INVENTORIES

Inventories were as follows, as at:

	March 31, 2021	December 31, 2020
Aerospace programs	\$ 3,173	\$ 3,254
Finished products <sup>(1)</sup>	422	396
	\$ 3,595	\$ 3,650

<sup>(1)</sup> Finished products include pre-owned aircraft, as at March 31, 2021 (nil as at December 31, 2020).

The amount of inventories recognized as cost of sales totaled \$1,026 million for the three-month period ended March 31, 2021 (\$1,167 million for the three-month period ended March 31, 2020). These amounts include \$21 million of write-downs and \$2 million of reversal of write-downs for the three-month period ended March 31, 2021 (\$35 million of write-downs and nil of reversal of write-downs for the three-month period ended March 31, 2020).

For the three-month period ended March 31, 2021, the Corporation recorded wage subsidies in the amount of \$34 million in cost of sales and \$4 million in SG&A. As at March 31, 2021, there is an amount of \$84 million remaining in inventory related to wage subsidies.

## 11. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	March 31, 2021	December 31, 2020
Investments in securities <sup>(1)</sup>	\$ 817	\$ 266
Restricted cash <sup>(2)</sup>	560	89
Receivables from ACLP <sup>(3)</sup>	436	439
Investments in financing structures <sup>(4)</sup>	157	150
Derivative financial instruments	79	103
Balance of payment on disposal of investment in associate <sup>(5)</sup>	30	38
Aircraft loans <sup>(4)</sup>	29	32
Receivable from MHI <sup>(6)</sup>	16	18
Other	36	4
	<b>\$ 2,160</b>	<b>\$ 1,139</b>
Of which current	<b>\$ 1,237</b>	<b>\$ 227</b>
Of which non-current	<b>923</b>	<b>912</b>
	<b>\$ 2,160</b>	<b>\$ 1,139</b>

<sup>(1)</sup> Includes \$567 million of Alstom shares as at March 31, 2021. See Note 17 – Disposal of business for more information.

<sup>(2)</sup> Includes cash collateral supporting various bank guarantees.

<sup>(3)</sup> This receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. See Note 14 – Other financial liabilities for more information.

<sup>(4)</sup> 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 14 – Other financial liabilities for more information.

<sup>(5)</sup> The balance of payment on disposal of investment in associate represents an amount owed by Stelia Aerospace.

<sup>(6)</sup> This receivable represents a back-to-back agreement that the Corporation has with MHI on lease subsidies of \$10 million and certain other financial liabilities. See Note 14 – Other financial liabilities for more information.

## 12. OTHER ASSETS

Other assets were as follows, as at:

	March 31, 2021	December 31, 2020
Retirement benefits	\$ 150	\$ 75
Prepaid expenses	112	101
Prepaid sales concessions and deferred contract costs	98	124
Sales tax and other taxes	87	106
Intangible assets other than aerospace program tooling and goodwill	69	72
Receivable from MHI <sup>(1)</sup>	53	80
Other	14	17
	<b>\$ 583</b>	<b>\$ 575</b>
Of which current	<b>\$ 196</b>	<b>\$ 218</b>
Of which non-current	<b>387</b>	<b>357</b>
	<b>\$ 583</b>	<b>\$ 575</b>

<sup>(1)</sup> This receivable represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees provisions. See Note 13 - Provisions.

### 13. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other <sup>(1)</sup>	Total
Balance as at December 31, 2020 <sup>(2)</sup>	\$ 154	\$ 80	\$ 5	\$ 111	\$ 85	\$ 435
Additions	10	—	22 <sup>(3)</sup>	1	1	34
Utilization	(12)	—	(15)	(2)	(1)	(30)
Reversals	—	(27)	—	(1)	(1)	(29)
Accretion expense	—	—	—	1	—	1
Effect of changes in discount rates	—	—	—	—	—	—
<b>Balance as at March 31, 2021</b>	<b>\$ 152</b>	<b>\$ 53<sup>(4)</sup></b>	<b>\$ 12</b>	<b>\$ 110</b>	<b>\$ 84</b>	<b>\$ 411</b>
Of which current	\$ 53	\$ 1	\$ 12	\$ 11	\$ 83	\$ 160
Of which non-current	99	52	—	99	1	251
	\$ 152	\$ 53	\$ 12	\$ 110	\$ 84	\$ 411

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Onerous contracts	Other <sup>(1)</sup>	Total
Balance as at January 1, 2020	\$ 432	\$ 90	\$ 134	\$ 1,008	\$ 130	\$ 1,794
Additions	38	—	6 <sup>(3)</sup>	10	18	72
Utilization	(28)	—	(27)	(97)	(5)	(157)
Reversals	(6)	(3)	(12) <sup>(3)</sup>	(202) <sup>(5)</sup>	(1)	(224)
Accretion expense	1	1	—	1	—	3
Effect of changes in discount rates	1	2	—	17	—	20
Reclassified as liabilities directly associated with assets held for sale <sup>(6)</sup>	(8)	(90)	(2)	(306)	(24)	(430)
Effect of foreign currency exchange rate changes	(10)	—	(3)	(12)	(1)	(26)
<b>Balance as at March 31, 2020</b>	<b>\$ 420</b>	<b>\$ —</b>	<b>\$ 96</b>	<b>\$ 419</b>	<b>\$ 117</b>	<b>\$ 1,052</b>
Of which current	\$ 321	\$ —	\$ 95	\$ 351	\$ 89	\$ 856
Of which non-current	99	—	1	68	28	196
	\$ 420	\$ —	\$ 96	\$ 419	\$ 117	\$ 1,052

<sup>(1)</sup> Mainly comprised of claims and litigations.

<sup>(2)</sup> Opening balances are after the assets held for sale reclassification related to the disposal of Transportation.

<sup>(3)</sup> See Note 5 – Special items for more details on additions and reversals related to restructuring charges.

<sup>(4)</sup> Following the sale of the CRJ business, the Corporation retains those provisions and has a back-to-back agreement with MHI. See Note 12 – Other Assets.

<sup>(5)</sup> 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 5 – Special items for more details.

<sup>(6)</sup> Related to the disposal of the CRJ and the Aerostructure businesses.

## 14. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	March 31, 2021	December 31, 2020
Government refundable advances <sup>(1)</sup>	\$ 589	\$ 595
Lease liabilities	227	232
Credit and residual value guarantees payable	204	223
Liabilities related to RASPRO assets <sup>(2)</sup>	158	149
Vendor non-recurring costs	72	81
Payable to MHI <sup>(3)</sup>	28	30
Lease subsidies <sup>(4)</sup>	10	11
Derivative financial instruments	9	42
Other <sup>(5)</sup>	156	101
	<b>\$ 1,453</b>	<b>\$ 1,464</b>
Of which current	\$ 237	\$ 239
Of which non-current	1,216	1,225
	<b>\$ 1,453</b>	<b>\$ 1,464</b>

<sup>(1)</sup> Of which \$436 million has a back-to-back agreement with ACLP (\$439 million as at December 31, 2020). Refer to Note 11 - 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.

<sup>(2)</sup> 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 11 - Other financial assets for more information.

<sup>(3)</sup> This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans. Refer to Note 11 - Other financial assets for more information.

<sup>(4)</sup> 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 11 - Other financial assets for more information.

<sup>(5)</sup> Mainly represent liabilities related to various divestitures.

## 15. OTHER LIABILITIES

Other liabilities were as follows, as at:

	March 31, 2021	December 31, 2020
Supplier contributions to aerospace programs	\$ 318	\$ 332
Employee benefits	229	253
Income taxes payable	31	31
Other	196	219
	<b>\$ 774</b>	<b>\$ 835</b>
Of which current	\$ 410	\$ 447
Of which non-current	364	388
	<b>\$ 774</b>	<b>\$ 835</b>

## **16. LONG-TERM DEBT**

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.

On February 19, 2021, the Corporation repaid the total outstanding balance of \$750 million drawn on the Facility including all accrued interest and associated fees which resulted in a loss of \$76 million recognized in Financing expense and financing income, see Note 6 - Financing expense and financing income and Note 5 - Special items for more information.

In April 2021, the Corporation repurchased and retired through a cash tender offer an amount of \$956 million aggregate principal amount of the outstanding \$1,018 million Notes due December 2021, \$319 million aggregate principal amount of the outstanding \$500 million Notes due March 2022 and \$226 million aggregate principal amount of the outstanding \$1,250 million Notes due January 2023, for a total consideration of \$1,575 million.

On May 3, 2021, although the Corporation has not breached any covenant under its indentures, the Corporation commenced a consent solicitation process with respect to its outstanding indentures (the "Consent Solicitations"). In the Consent Solicitations, the Corporation is seeking consents from its noteholders (i) to amendments to the applicable Indenture to clarify that certain divestitures of non-core assets by the Corporation, including its transportation business, regional jet program and aerostructures division (the "Transactions"), are permitted by the applicable indenture and do not and will not give rise to any defaults, events of default or change of control under the applicable indenture and (ii) for the avoidance of doubt, to waive any default or event of default that is alleged to have, has or may have arisen under the applicable indenture in connection with, related to or as a result of the consummation or performance of the Transactions.

## **17. DISPOSAL OF BUSINESS**

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

See Note 21- Commitments and contingencies for more information regarding the indemnities and guarantees related to the sale of Transportation.

The transaction resulted in a gain of \$5,321 million reflected in net income from discontinued operations.

In addition, the Corporation announced on May 4, 2021 that it reached an agreement to sell approximately \$0.6 billion worth of Alstom shares received by the Corporation as part of the proceeds from the sale of its Transportation business to Alstom, which closed on January 29, 2021. The sale is expected to complete on or about May 7, 2021.

The details of the impact of the transaction was as follows:

	January 29, 2021
Cash received	\$ 2,920
Alstom shares received	593
Less: Transaction costs	(52) <sup>(1)</sup>
<b>Net Proceeds</b>	<b>3,461</b>
<b><u>Derecognition of assets, liabilities, CCTD and non-controlling interest</u></b>	
Cash and cash equivalents	(279)
Other current assets	(5,226)
Non-current assets	(4,723)
<b>Total assets</b>	<b>(10,228)</b>
Current liabilities	8,585
Non-current liabilities	1,458
<b>Total liabilities</b>	<b>10,043</b>
CCTD	(564)
Non-controlling interest	2,658
Other	(49)
<b>Gain on sale</b>	<b>\$ 5,321</b>

<sup>(1)</sup> Of which \$11 million was paid as of March 31, 2021.

#### **Discontinued operations for comparative period**

Transportation was classified as discontinued operations. The results of Transportation were as follows for the period:

	Three-month period ended March 31
	2020
Revenues	\$ 2,169
Cost of sales	1,996
<b>Gross margin</b>	<b>173</b>
SG&A	109
R&D	23
Share of income of joint ventures and associates	(10)
<b>EBIT</b>	<b>51</b>
Financing expense	23
Financing income	(81)
<b>EBT</b>	<b>109</b>
Income taxes	28
<b>Net income from discontinued operations</b>	<b>\$ 81</b>
<b>EPS from discontinued operations(in dollars)</b>	
Basic and diluted <sup>(1)</sup>	\$ 0.01

<sup>(1)</sup> For the total number of ordinary shares used in the calculation of basic and diluted EPS from discontinued operations, refer to Note 7 -Earnings per share.

## Assets held for sale

The major classes of assets held for sale or liabilities directly associated with assets held for sale were as follows, as at:

	December 31, 2020
Cash and cash equivalents	\$ 671
Trade and other receivables	1,217
Contract assets <sup>(1)</sup>	3,260
PP&E	1,041
Goodwill	2,101
Investments in joint ventures and associates	626
Deferred income taxes	462
Other assets <sup>(2)</sup>	1,039
<b>Total assets</b>	<b>\$ 10,417</b>
Borrowings	\$ 798
Trade and other payables	2,831
Contract liabilities	2,749
Provisions	959
Retirement benefits	1,202
Other liabilities <sup>(3)</sup>	1,607
<b>Total liabilities</b>	<b>\$ 10,146</b>

<sup>(1)</sup> Includes \$7,792 million of advances and progress billings.

<sup>(2)</sup> Mainly comprised of inventories, long-term contract receivables, derivative financial instruments and retirement benefit assets of \$49 million.

<sup>(3)</sup> 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
<b>CCTD</b>	<b>\$ (530)</b>
<b>Cash flow hedges</b>	
Net loss on derivative financial instruments	(64)
Income taxes	6
	(58)
<b>Retirement benefits</b>	
Retirement benefits remeasurement	(961)
Income taxes	115
	(846)
<b>Accumulated OCI</b>	<b>\$ (1,434)</b>

## 18. SHARE-BASED PLANS

### PSU, DSU and RSU plans

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

	Three-month periods ended March 31					
	2021			2020		
	PSU	DSU	RSU	PSU	DSU	RSU
Balance at beginning of period	47,491,033	984,494	126,742,045	95,207,904	1,101,849	—
Vested	(1,183,433)	—	—	(5,044,471)	—	—
Exercised	—	(19,246)	—	—	(117,354)	—
Forfeited	(8,328,491)	—	(64,590,274) <sup>(2)</sup>	(3,373,707)	—	—
Balance at end of period	37,979,109	965,248 <sup>(1)</sup>	62,151,771	86,789,726	984,495 <sup>(1)</sup>	—

<sup>(1)</sup> Of which 965,248 DSUs are vested as at March 31, 2021 (984,495 as at March 31, 2020).

<sup>(2)</sup> Of which 57,244,617 RSUs were cancelled following the sale of Transportation.

The compensation expense, excluding Transportation, with respect to the PSU, DSU and RSU plans, amounted to \$5 million during the three-month period ended March 31, 2021 (compensation income, excluding Transportation, of \$1 million during the three-month period ended March 31, 2020).

### Share option plans

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

	Three-month periods ended March 31	
	2021	2020
	Balance at beginning of period	134,061,653
Forfeited	(5,035,961)	(367,398)
Expired	(51,298)	—
Balance at end of period	128,974,394	130,638,940

A compensation expense, excluding Transportation, of nil was recorded during the three-month period ended March 31, 2021, with respect to share option plans (\$5 million, excluding Transportation, for the three-month period ended March 31, 2020).



## 19. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31	
	2021	2020 <sup>(1)</sup>
Trade and other receivables	\$ 3	\$ (88)
Inventories	26	(572)
Contract assets	(197)	(276)
Contract liabilities	(377)	(204)
Other financial assets and liabilities, net	(401)	23
Other assets	(16)	(94)
Trade and other payables	47	(26)
Provisions	(44)	(102)
Retirement benefit liability	73	102
Other liabilities	(24)	(141)
	<b>\$ (910)</b>	<b>\$ (1,378)</b>

<sup>(1)</sup> Includes net change in non-cash balances related to Transportation. Refer to Note 17 – Disposal of business.

## 20. 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. For quoted investments, the Corporation uses quoted prices in active markets, adjusted if required.

**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 the 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.

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 March 31, 2021:

	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Receivable from ACLP <sup>(1)</sup>	\$ 436	\$ —	\$ —	\$ 436
Investments in securities <sup>(2)</sup>	817	36	781	—
Investments in financing structures <sup>(3)</sup>	157	—	—	157
Derivative financial instruments <sup>(4)</sup>	79	—	79	—
Aircraft loans <sup>(5)</sup>	28	—	—	28
Receivable from MHI <sup>(6)</sup>	8	—	—	8
	<b>\$ 1,525</b>	<b>\$ 36</b>	<b>\$ 860</b>	<b>\$ 629</b>
<b>Financial liabilities</b>				
Liabilities related to RASPRO <sup>(3)</sup>	\$ 158	\$ —	\$ —	\$ 158
Payable to MHI <sup>(5)</sup>	28	—	—	28
Lease subsidies <sup>(6)</sup>	10	—	—	10
Government refundable advance <sup>(1)</sup>	436	—	—	436
Derivative financial instruments <sup>(4)</sup>	9	—	9	—
	<b>\$ 641</b>	<b>\$ —</b>	<b>\$ 9</b>	<b>\$ 632</b>

<sup>(1)</sup> The receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.

<sup>(2)</sup> Includes \$567 million of Alstom shares, see Note 17 – Disposal of business for more information.

<sup>(3)</sup> 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.

<sup>(4)</sup> Derivative financial instruments consist of forward foreign exchange contracts and interest-rate swap agreements.

<sup>(5)</sup> This payable to MHI represents a back-to-back agreement that the Corporation has with MHI related to certain aircraft loans.

<sup>(6)</sup> 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 were as follows, for the three-month period ended:

	Prepayment option
Balance as at December 31, 2020	\$ 25
Net gains and interest included in net income	10
Settlements	(35)
<b>Balance as at March 31, 2021</b>	<b>\$ —</b>

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

<sup>(1)</sup> Represents assets and liabilities reclassified as held for sale related to the sale of the CRJ program.

## 21. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2021	December 31, 2020
<b>Aircraft sales</b>		
Residual value	\$ 65	\$ 72
Credit	454	473
Mutually exclusive exposure <sup>(1)</sup>	(65)	(65)
Total credit and residual value exposure	\$ 454	\$ 480
Trade-in commitments	\$ 407	\$ 330
Conditional repurchase obligations	\$ 40	\$ 40
<b>Other<sup>(2)</sup></b>		
Credit	\$ —	\$ 48

<sup>(1)</sup> 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.

<sup>(2)</sup> Relates to Transportation.

Provisions for anticipated losses amounting to \$53 million as at March 31, 2021 (\$80 million as at December 31, 2020) have been established to cover the risks from credit and residual value guarantees. In addition, lease subsidiaries, which would be extinguished in the event of credit default by certain customers, amounted to \$10 million as at March 31, 2021 (\$11 million as at December 31, 2020). 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 subsidiaries obligations. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI.

In connection with the disposal of businesses and the disposal of investment in associate, the Corporation has entered into arrangements that include indemnities and guarantees which are typically limited as to their duration and maximum potential financial exposure to the Corporation. In connection with the sale of Transportation to Alstom, the Corporation was required to provide a €100 million (\$117 million) bank guarantee in favour of Alstom to secure certain indemnities and guarantees obligations of the Corporation. Also the Corporation has agreed to an additional compliance-related indemnity. Under this indemnity, the Corporation is to indemnify Alstom or its affiliates for certain known compliance-related matters as well as for compliance-related violation or alleged violation (of any applicable laws or regulations, and including for any audits or other proceedings conducted by a governmental authority) arising within two years following the closing of the sale of Transportation to Alstom and relating to events which occurred prior to January 29, 2021. To secure this indemnity, the Corporation was required to provide a €250 million (\$294 million) bank guarantee in favour of Alstom, the value of such guarantee will be reduced over time upon certain conditions or milestones being achieved.

### **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 March 31, 2021, 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 business, which has been divested as part of the sale to Alstom on January 29, 2021, the Corporation remains involved in this legal proceeding and remains liable to Alstom, as acquirer of Transportation, in the event of any damage suffered in connection thereof.

#### Transnet

While this matter relates to the Transportation business, which has been divested as part of the sale to Alstom on January 29, 2021, the Corporation remains involved in this matter and remains liable to Alstom, as acquirer of Transportation, under certain circumstances.

The Corporation learned through various media reports of the appointment of a Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state (the “Zondo Commission”) for which the terms of reference were published by presidential proclamation on January 25, 2018. 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. In December 2019, BTSA has made a further submission including affidavits. In June 2019, BTSA was requested by SIU to provide information and explanation about the costs of the relocation to Durban. Although the written statement previously communicated to the Zondo Commission could not be shared with SIU, BTSA did provide SIU with the information in its possession regarding the price evolution during tender phase, the relocation as well as explanation about the costs for same.

The Corporation conducted an internal review into the allegations by external advisors under the supervision of counsel. Based on information known to the Corporation at this time, there is no reason to believe that the Corporation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 TRAXX locomotives from Bombardier Transportation.

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.

#### 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. In addition, on February 26, 2021, counsel for Bombardier received a request from the DOJ for the communication of documents and information regarding the Garuda Transactions.

### 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.