BOMBARDIER

FIRST QUARTERLY REPORT

Three-month period ended March 31, 2023

GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
ACLP	Airbus Canada Limited Partnership	IASB	International Accounting Standards Board
bps	Basis points	IFRS	International Financial Reporting Standard(s)
CCTD	Cumulative currency translation difference	MD&A	Management's discussion and analysis
DSU	Deferred share unit	MHI	Mitsubishi Heavy Industries, Ltd
EBIT	Earnings (loss) before financing expense, financing income and income taxes	n/a	Not applicable
		NCI	Non-controlling interest
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	nmf	Information not meaningful
		OCI	Other comprehensive income
		PP&E	Property, plant and equipment
EBT	Earnings (loss) before income taxes	PSU	Performance share unit
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	R&D	Research and development
		RSU	Restricted share unit
FVOCI	Fair value through other comprehensive income	SG&A	Selling, general and administrative
FVTP&L	Fair value through profit and loss	U.K.	United Kingdom
GAAP	Generally accepted accounting principles	U.S.	United States of America
IAS	International Accounting Standard(s)		

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

Materiality for disclosures
We determine whether information is material based on whether we believe a reasonable investor's decision to buy, sell or hold securities of the Corporation would likely be influenced or changed if the information 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 ability to continue business transition to growth cycle and cash generation; expectations, objectives and strategies regarding debt repayment, refinancing of maturities and interest cost reduction; compliance with restrictive debt covenants; expectations regarding the declaration and payment of dividends on our preferred shares; intentions and objectives for our programs, assets and operations; expectations regarding the availability of government assistance programs; both the repercussions of the COVID-19 pandemic and the impact of the ongoing military conflict between Ukraine and Russia on the foregoing and the effectiveness of plans and measures we have implemented in response thereto; and expectations regarding the strength of the market, inflationary and supply chain pressures, and ongoing economic recovery in the aftermath of the COVID-19 pandemic.

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

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

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: risks associated with general economic conditions; operational risks (such as risks related to development of new business; order backlog; deployment and execution of our strategy, including cost reductions and working capital improvements and manufacturing and productivity enhancement initiatives; developing new products and services; the certification of products and services; pressures on cash flows and capital expenditures, including due to seasonality and cyclicality; doing business with partners; product performance warranty and casualty claim losses; environmental, health and safety concerns and regulations; dependence on limited number of contracts, customers and suppliers, including supply chain risks; human resources including the global availability of a skilled workforce; reliance on information systems (including technology vulnerabilities, cybersecurity threats and privacy breaches); reliance on and protection of intellectual property rights; reputation risks; adequacy of insurance coverage; risk management; and tax matters); financing risks (such as risks related to liquidity and access to capital markets; substantial debt and interest payment requirements, including execution of debt management and interest cost reduction strategies; restrictive and financial debt covenants; retirement benefit plan risk; exposure to credit risk; and reliance on government support); risks related to regulatory and legal proceedings; business environment risks (such as risks associated with the financial condition of business aircraft customers; trade policy; increased competition; political instability; financial and economic sanctions and export control limitations; global climate change; and force majeure events); market risks (such as foreign currency fluctuations; changing interest rates; increases in commodity prices; and inflation rate fluctuations); and other unforeseen adverse events. For more details, see the Risks and uncertainties section in Other in this MD&A and in the MD&A of our financial report for the fiscal year ended December 31, 2022. Any one or more of the foregoing factors may be exacerbated by the repercussions of the COVID-19 pandemic and the ongoing military conflict between Ukraine and Russia, and may have a significantly more severe impact on the Corporation's business, results of operations and financial condition than in the absence of such events.

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

Forward-looking statements — Assumptions

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

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

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

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

OVERVIEW

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31	2023	2022	Variance
Revenues	**$ 1,453**	$ 1,246	17 %
Adjusted EBITDA[1]	**$ 212**	$ 167	27 %
Adjusted EBITDA margin[2]	**14.6 %**	13.4 %	120 bps
Adjusted EBIT[1]	**$ 138**	$ 73	89 %
Adjusted EBIT margin[2]	**9.5 %**	5.9 %	360 bps
EBIT	**$ 140**	$ 85	65 %
EBIT margin[3]	**9.6 %**	6.8 %	280 bps
Net income (loss) from continuing operations	**$ 302**	$ (287)	nmf
Net income (loss) from discontinued operations	**$ —**	$ —	—
Net income (loss)	**$ 302**	$ (287)	nmf
Diluted EPS (in dollars)[4]	**$ 2.98**	$ (3.09)	$ 6.07
Adjusted net income (loss)[1]	**$ 113**	$ (69)	nmf
Adjusted EPS (in dollars)[2]	**$ 1.06**	$ (0.80)	$ 1.86
Cash flows from operating activities[4]	**$ (162)**	$ 217	$ (379)
Net additions to PP&E and intangible assets[4]	**$ (85)**	$ (44)	$ (41)
Free cash flow (usage)[1][4]	**$ (247)**	$ 173	$ (420)

As at	March 31, 2023	December 31, 2022	Variance
Cash and cash equivalents	**$ 1,142**	$ 1,291	(12)%
Available liquidity[1]	**$ 1,421**	$ 1,499	(5)%
Order backlog (in billions of dollars)[5]	**$ 14.8**	$ 14.8	— %

(1) Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
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(3) Supplementary financial measure. Refer to the Non-GAAP and other financial measures section for definitions of these metrics.
(4) Only from continuing operations.
(5) Represents order backlog for both manufacturing and services.

Key highlights and events

Bombardier reports positive adjusted net income, grows revenues and expands profit margins in first quarter of 2023

- Bombardier reports first quarter 2023 revenues of $1.5 billion, up 17% year-over-year, driven by improved delivery mix and continued strong aftermarket revenues of $424 million; aircraft deliveries on track towards full-year guidance(1) of greater than 138.

- Adjusted EBITDA(2) rose to $212 million, up 27% year-over-year, thanks to stronger aircraft margins and aftermarket growth, reported EBIT reached $140 million. Reported net income(4) and adjusted net income(2) surged to $302 million and $113 million respectively. First quarter 2023 adjusted EPS(3) turns positive at $1.06 and diluted EPS(4) of $2.98.

- Free cash flow usage(2)(4) of $247 million driven by working capital build in inventories for 2023 deliveries and continued investments supporting completion of a new facility at Toronto Pearson International Airport. Available liquidity(2) stands strong at $1.4 billion at quarter end. Reported cash flow usage from operating activities(4) for the quarter was $162 million and net additions to PP&E and intangible assets(4) for the quarter were $85 million. Cash and cash equivalents as at March 31, 2023 were $1.1 billion.

- First quarter of 2023 ended with stable backlog(5) at $14.8 billion, reflecting steady demand profile and unit book-to-bill(6) of 0.9.

- First quarter 2023 marked by continued strong progress on debt reduction with a repayment of approximately $400 million from cash on balance sheet; market confidence with Moody's Investors Service upgrade of Bombardier's corporate family and Senior unsecured notes rating to B2; outlook maintained as stable.

(1) Refer to our 2022 Financial Report for the 2023 guidance and forward-looking statements for further details.
(2) Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
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(4) Only from continuing operations.
(5) Represents order backlog for both manufacturing and services.
(6) Defined as net new aircraft orders in units over aircraft deliveries in units.

2025 OBJECTIVES[1]

The Corporation hosted its Investor Day on March 23, 2023 during which it provided the 2025 objectives as below.

	Initial 2025 objectives	Updated 2025 objectives
Revenues	~ 7.5 billion	> 9.0 billion
Adjusted EBITDA[2]	~$1,500 million	> 1,625 million
Adjusted EBITDA margin[3]	~20%	~18%
Free cash flow[2]	>$500 million	> $900 million
Adjusted net debt to adjusted EBITDA ratio[3]	~3.0x	2.0x - 2.5x

Stronger balance sheet and robust cash generation
Bombardier will continue to focus on strengthening its balance sheet, optimizing its liquidity requirements, and improving its adjusted net debt to adjusted EBITDA ratio[3]. The Company revised its adjusted net debt to adjusted EBITDA ratio[3] objective to a range of 2.0x - 2.5x by 2025, from the previous approximately 3.0x target, which would be approaching investment-grade credit levels. Bombardier now expects to generate more than $900 million per year in free cash flow[2] by 2025. As explained during the Investor Day, this gives Bombardier ample flexibility and sets it up for significant capital allocation optionality in the future.

Maintaining the leadership position in the industry
With continued strong demand in the medium and large business jet categories, Bombardier is well positioned with its industry-leading *Challenger* and *Global* platforms. Over the past two years, the Company introduced the new *Global 8000*, an evolution of the industry flagship *Global 7500* aircraft, further solidifying Bombardier's leadership position in the large jet segment. Bombardier also upgraded its best-selling *Challenger 300* family with the *Challenger 3500*, an addition that has maintained Bombardier as the leader of the super mid-size market. Thanks to its outstanding portfolio, Bombardier had the highest number of deliveries among business jet manufacturers for the last two years, as reported by the General Aviation Manufacturers Association (GAMA). Bombardier maintains its strong focus on sustainability and takes concrete steps to manufacture and service aircraft with the smallest possible environmental impact on the path toward its goal of a 25% reduction in greenhouse gas emissions by 2025, relative to 2019 levels. This has been a clear priority for its Research and Development teams through programs like the EcoJet research project, unveiled in 2022, and was also behind the Company's decision to cover all its flight operations with sustainable aviation fuel (SAF), using the Book and Claim system, from 2023 onwards.

Aftermarket and Certified Pre-owned businesses continue to drive growth and diversification
Bombardier has invested significantly into its aftermarket business since 2020, and it has played an important role in the diversification of its revenues. The Company's service footprint has grown by close to one million square feet of new capacity worldwide, and its Aftermarket team has added more than 250 skilled technicians to its ranks. The strategy is working: Bombardier has increased aftermarket revenues more than 50% since 2020, and is on track to meet its goal of $2 billion by 2025, with clear opportunity for growth beyond that point. Bombardier's Certified Pre-owned program, launched in 2021, has proven to be a successful addition to the Company's aftermarket offering, and will continue to play an important role in revenue growth and further diversification.

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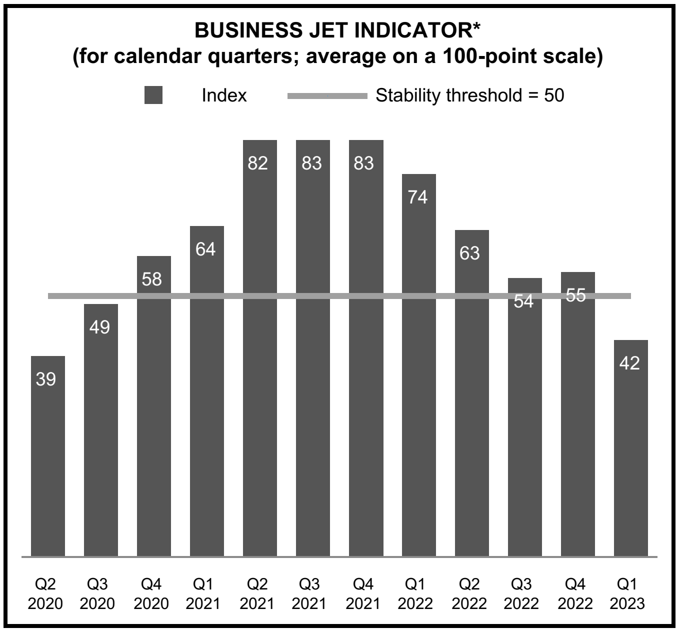
INDUSTRY AND ECONOMIC ENVIRONMENT

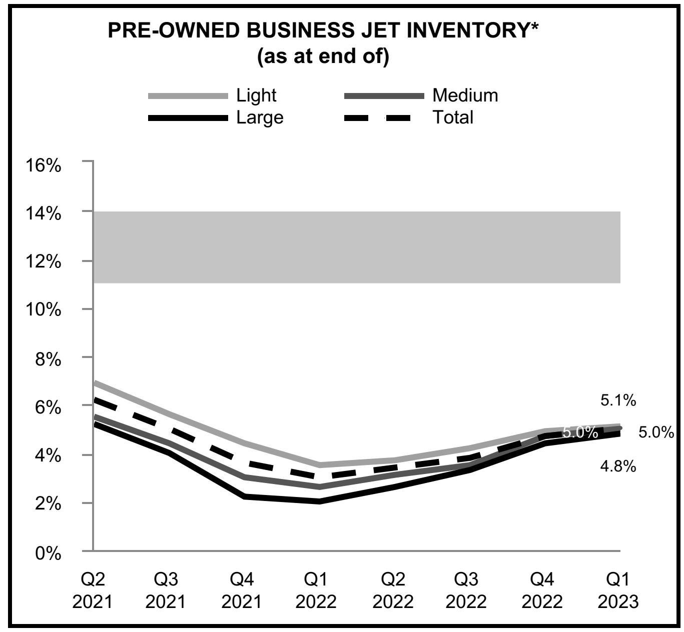
Following an exceptional year for the business aviation industry, the first quarter of 2023 showed an overall normalization of industry indicators, despite a lower performance in market sentiment, pre-owned inventory levels and flight utilization compared to the first quarter of 2022, business conditions remained favorable. The industry confidence, measured by the Barclays Business Jet Indicator, has dropped below the 50-point threshold in January 2023 and remained at a similar level in the latest survey of March 2023, settling at 42. While this indicated that survey respondents expected market conditions to worsen, the overall current business condition survey score settled at 6.1 in March 2023 against 7.5 (on 10) in March 2022, remaining relatively strong(1). In the first quarter of 2023, pre-owned business jets available for sale in all categories, expressed as a percentage of the total in-service fleet, rose to 5% compared to 3% during the same period of 2022(2). While pre-owned inventory has risen in 2023, it remains well below the 10% average for the last decade. Finally, business jet utilization decreased by about 4% in the U.S. and 7% in Europe in the first quarter of 2023 compared to the same period in 2022(3). However, there was a significant increase, 52%, in business jet utilization in Asia Pacific countries in the first quarter of 2023 compared to 2022(4). Overall, the industry delivered 89 units in the first quarter of 2023, 2 additional units when comparing to the first quarter of 2022, a positive start for the year(5).

While we continue to monitor the impact of a potential recession on macro and industry indicators, the business aviation industry is expected to remain stable in the short-term, driven by a strong and healthy backlog of around two-years for the industry, that should stabilize revenues in upcoming years. Increasing interest rates and market uncertainty could degrade business condition in the short-term affecting order levels, however in the medium to long-term we expect growth to continue from wealth creation and the structural shift in demand in business aviation towards safety, convenience and privacy. Furthermore, a significant growth in the number of high-net-worth individuals coupled with capacity and network constraints in the commercial aviation is expected to drive increasing demand specifically for the medium and large business jets. As a leading player in the industry, Bombardier is well positioned to benefit from this growth.

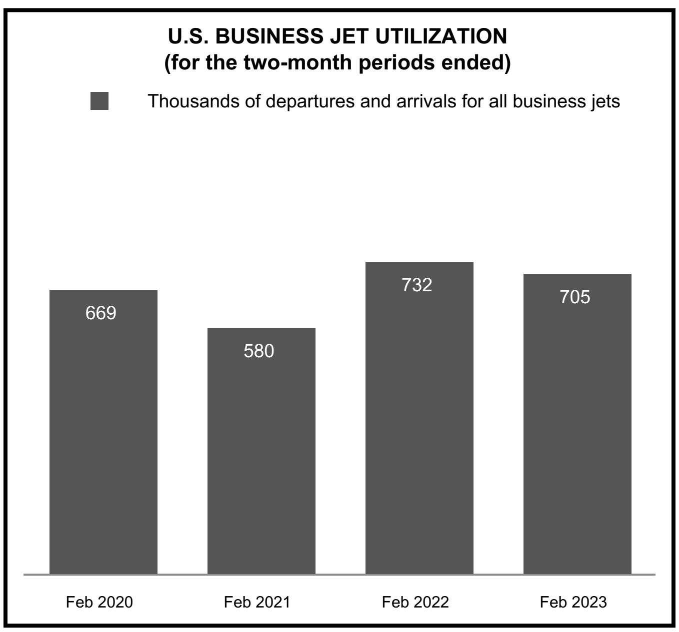
(1) According to the Barclays Business Jet Survey dated April 4, 2023.
(2) According to JETNET and Ascend (Cirium).
(3) According to the U.S. Federal Aviation Administration (FAA), data up to February 2023 available for U.S., and Eurocontrol websites.
(4) According to WingX website and database.
(5) Based on our estimates of certain competitors and Ascend (Cirium).



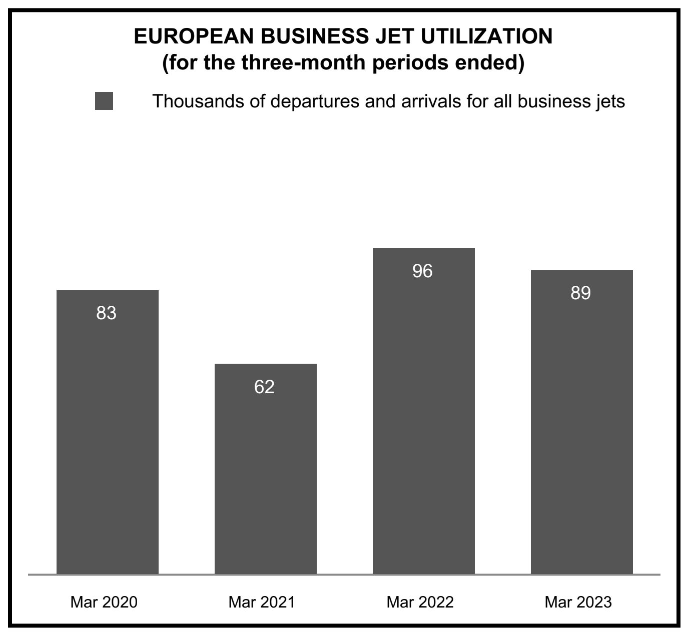
Source: Barclays
* The Business Jet Indicator is a measure of market confidence from industry professionals, gathered through regular surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.



Sources: JETNET and Ascend (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 U.K. flights have been removed from business jet utilization.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Three-month periods ended March 31	
	2023	2022
Revenues		
Business Aircraft		
Manufacturing and Other[(1)]	**$ 1,020**	$ 868
Services[(2)]	**424**	361
Others[(3)]	**9**	17
Total revenues	**1,453**	1,246
Cost of sales	**1,158**	1,007
Gross margin	**295**	239
SG&A	**96**	87
R&D	**61**	79
Adjusted EBIT[(4)]	**138**	73
Special items	**(2)**	(12)
EBIT	**140**	85
Financing expense	**176**	376
Financing income	**(253)**	(4)
EBT	**217**	(287)
Income taxes (recovery)	**(85)**	—
Net income (loss) from continuing operations	**$ 302**	$ (287)
Net income (loss) from discontinued operations[(5)]	**—**	—
Net income (loss)	**$ 302**	$ (287)
EPS (in dollars)[(6)]		
Basic	**$ 3.10**	$ (3.09)
Diluted	**$ 2.98**	$ (3.09)
As a percentage of total revenues		
Gross margin[(7)]	**20.3 %**	19.2 %
Adjusted EBIT margin[(8)]	**9.5 %**	5.9 %
EBIT margin[(7)]	**9.6 %**	6.8 %

(1) Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
(2) Includes revenues from aftermarket services including parts, *Smart Services*, service centers, training and technical publications.
(3) Includes revenues from sale of components related to commercial aircraft programs.
(4) Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(5) Discontinued operations is related to the sale of the Transportation business.
(6) Only from continuing operations.
(7) Supplementary financial measure. Refer to the Non-GAAP and other financial measures section for definitions of these metrics.
(8) Non-GAAP financial ratio. A non-GAAP financial ratio is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial measures section for definitions of these metrics and reconciliations to the most comparable IFRS measures.

Other non-GAAP financial measures, non-GAAP financial ratios and closest IFRS measures

	Three-month periods ended March 31	
	2023	2022
EBIT	**$ 140**	$ 85
Adjusted EBITDA[(1)]	**$ 212**	$ 167
Adjusted EBITDA margin[(2)]	**14.6 %**	13.4 %
Net income (loss)[(3)]	**$ 302**	$ (287)
Adjusted net income (loss)[(1)]	**$ 113**	$ (69)
Diluted EPS (in dollars)[(3)]	**$ 2.98**	$ (3.09)
Adjusted EPS (in dollars)[(2)]	**$ 1.06**	$ (0.80)

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

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

(3) Only from continuing operations.

Analysis of consolidated results

Revenues

Revenues for the three-month period ended March 31, 2023 increased by $207 million year-over-year mainly due to:

- Manufacturing and Other revenues increased by $152 million year-over-year mainly due to higher deliveries and selling prices of medium and large aircraft, partly offset by lower deliveries of light aircraft; and
- Services revenues increased by $63 million year-over-year mainly due to increased volume and continuing deployment of the expansion strategy.

Gross margin[(1)]

Gross margin[(1)] as a percentage of revenues for the three-month period ended March 31, 2023 increased by 1.1 percentage points year-over-year, mainly due to Manufacturing and Other as a result of increased margin expansion on the *Global 7500* and favorable margin performance across the majority of other aircraft.

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

Special items

Special items comprise items which do not reflect 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			
		2023		2022
Losses on repayment of long-term debt[1]	**$**	**38**	$	18
Changes in divestitures provisions and other[2]		**(1)**		(3)
Reversal of *Learjet 85* aircraft program cancellation provisions[3]		**(1)**		(7)
Restructuring charges[4]		**—**		(2)
	$	**36**	$	6
Of which is presented in				
Special items in EBIT	**$**	**(2)**	$	(12)
Financing expense (income) - losses on repayment of long-term debt[1]		**38**		18
	$	**36**	$	6

1. For the three-month period ended March 31, 2023, represents the losses related to the full repayment of the Senior Notes due 2024 and the partial repayment of the Senior Notes due 2025, refer to Note 5 - Financing expense and financing income and Note 15 - Long-term debt for more information. For the three-month period ended March 31, 2022, represents the losses related to the partial repayment of the Senior Notes due 2024 and 2025, refer to Note 5 - Financing expense and financing income.
2. Based on the ongoing activities with respect to past divestitures, the Corporation revised some related provisions. The changes in provisions are treated as a special item since the original provisions were also recorded as special item.
3. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $1 million for the three-month period ended March 31, 2023 ($7 million for the three-month period ended March 31, 2022). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.
4. For the three-month period ended March 31, 2022, represents reversal of severance charges of $2 million.

EBIT margin[1]

Adjusted EBIT margin[2] for the three-month period ended March 31, 2023 increased by 3.6 percentage points year-over-year mainly due to:

- Manufacturing and Other as a result of increased margin expansion on the *Global 7500* and favorable margin performance across the majority of other aircraft;
- lower SG&A expenses as a percentage of revenues; and
- lower amortization of the aerospace program tooling as a result of aircraft delivery mix.

Including the impact of special items (see explanation of special items above), the EBIT margin[1] for the three-month period ended March 31, 2023 increased by 2.8 percentage points compared to the same period last year.

Net financing expense (income)

Net financing income amounted to $77 million for the three-month period ended March 31, 2023, compared to a net expense of $372 million for the corresponding period last fiscal year.

The $449 million decrease in net financing expense for the three-month period ended March 31, 2023 is mainly due to:

- net change on certain financial instruments classified as FVTP&L mainly due to a non-cash change in fair value of embedded derivatives related to call options on long-term debt ($436 million); and
- lower interest on long-term debt ($22 million).

Partially offset by:

- higher losses related to the repayment of certain Senior Notes ($20 million).

Income taxes

The effective income tax rate for the three-month period ended March 31, 2023 is (39.2)%, compared to the statutory income tax rate in Canada of 26.5%. The effective income tax rate is due to the positive impact of the net recognition of previously unrecognized tax losses and temporary differences, and the permanent differences.

The effective income tax rate for the three-month period ended March 31, 2022 was nil, 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 permanent differences, and the net non-recognition of tax benefits related to tax losses and temporary differences.

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

Product development

Investment in product development

	Three-month periods ended March 31	
	2023	2022
Additions to aerospace program tooling[1]	**$ 24**	$ 14
R&D expense[2]	**9**	8
	$ 33	$ 22
As a percentage of revenues	**2.3 %**	1.8 %

[1] Represents the net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers based on reception of parts for acquired development costs carried out by them.
[2] Excluding amortization of aerospace program tooling of $52 million for the three-month period ended March 31, 2023 ($71 million for the three-month period ended March 31, 2022), as the related investments are already included in aerospace program tooling.

The development and certification process for the *Global 8000* aircraft is on track, with expected entry into service in 2025.

In April 2023, Bombardier announced it obtained key regulatory approvals from the European Union Aviation Safety Agency (EASA), Transport Canada (TC) and U.S. Federal Aviation Administration (FAA) for the installation of *Smart Link Plus* connected aircraft system on most in-service *Challenger* and *Global* aircraft. The approvals open the door for *Challenger* and *Global* operators to install the *Smart Link Plus* box, which enables maintenance crews to track crucial aircraft data in-flight and make data-driven decisions in real time, maximizing operational efficiency. The *Smart Link Plus* system was first introduced on the Bombardier flagship *Global 7500* aircraft, with close to 100% of current *Global 7500* aircraft customers now enrolled in the service. The *Smart Link Plus* box will also be installed on all new *Global 8000* aircraft as a standard feature.

Aircraft deliveries and order backlog

Aircraft deliveries

	Three-month periods ended March 31	
(in units)	**2023**	2022
Business aircraft		
Light[1]	**—**	3
Medium	**8**	6
Large	**14**	12
	22	21

[1] Bombardier delivered its last *Learjet* aircraft in the first quarter of 2022.

Order backlog

		As at
(in billions of dollars)	**March 31, 2023**	December 31, 2022
Order backlog[1]	**$ 14.8**	$ 14.8

[1] Represents order backlog for both manufacturing and services.

We finished the first quarter of 2023 with a strong order backlog of $14.8 billion. Management continuously monitors backlog length and production rates to balance with sales activities, market demand and aircraft lead time.

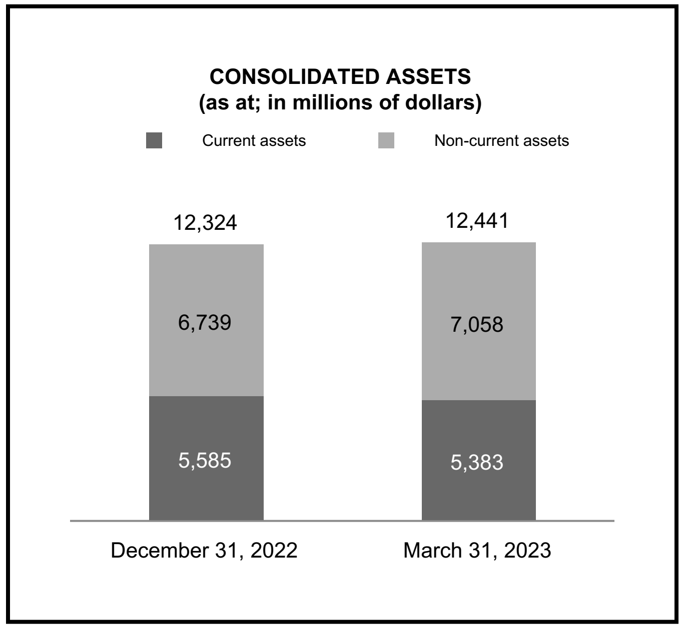
CONSOLIDATED FINANCIAL POSITION

The $117 million increase in assets for the three-month period, is mainly explained by[1]:

- a $395 million increase in inventories mainly due to production rate increase; and
- a $121 million increase in PP&E mainly due to additions to the new Toronto Pearson Airport manufacturing facility which is currently under construction and transfer of aircraft from inventories to PP&E for demo and testing purposes.

Partially offset by:

- a $282 million decrease in other financial assets primarily due to reduction in restricted cash partially offset by the change in fair value of embedded derivatives related to call options on long-term debt; and
- a $149 million decrease in cash and cash equivalents. Refer to the Consolidated Statements of Cash Flows for the period ended March 31, 2023 and the Available liquidity section of this MD&A.



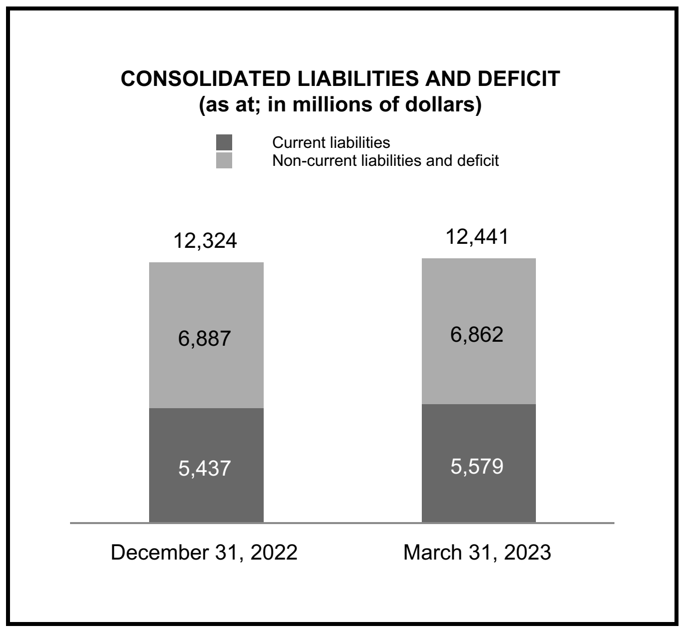
The $117 million increase in total liabilities and deficit for the three-month period is explained by a $314 million increase in equity[2] offset by a $197 million decrease in liabilities.

The $197 million decrease in liabilities is mainly explained by[1]:

- a $401 million decrease in long-term debt[3] obligations due to the repayment of certain Senior Notes partially offset by issuance of long-term debt; and
- a $102 million decrease in other liabilities related to the payment of incentive-based compensation plan for employees across our sites.

Partially offset by:

- a $269 million increase in trade and other payables mainly due to production rate increase; and
- a $48 million increase in retirement benefits liability mainly due to remeasurement of defined benefits plans.



[1] 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 10 – Other financial assets and Note 13 – Other financial liabilities, to our Interim consolidated financial statements for further details.

[2] Refer to the Consolidated Statements of Changes in Equity for the period ended March 31, 2023 for more information.

[3] Refer to Note 15 – Long-term debt, to our Consolidated financial statements for more information.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow[1]

Free cash flow (usage) from continuing operations[1]

	Three-month periods ended March 31	
	2023	2022
Net income (loss) from continuing operations	**$ 302**	$ (287)
Non-cash items		
Amortization	**74**	92
Impairment charges on PP&E and intangible assets	**—**	2
Deferred income taxes (recovery)	**(86)**	—
Share-based expense	**4**	4
Losses on repayment of long-term debt	**38**	18
Net change in non-cash balances	**(494)**	388
Cash flows from operating activities - continuing operations	**(162)**	217
Net additions to PP&E and intangible assets	**(85)**	(44)
Free cash flow (usage) - continuing operations[1]	**$ (247)**	$ 173

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

Cash flows from operating activities - continuing operations

The $379 million decrease in cash flows from operating activities for the three-month period is mainly due to:

- a negative period-over-period variation in net change in non-cash balances ($882 million) in large part due to lower customer advances as a result of lower order intake activity.

Partially offset by:

- a higher net income from continuing operations before non-cash items ($503 million).

Net change in non-cash balances

For the three-month period ended March 31, 2023, the $494 million outflow is mainly due to:

- an increase in inventories to meet the delivery schedule;
- an increase in other financial assets mainly due to a non-cash change in fair value of embedded derivatives related to call options on long-term debt; and
- a decrease in other liabilities related to the payment of incentive-based compensation plan for employees across our sites.

Partially offset by:

- an increase in trade and other payables mainly due to timing as well as production rate increase; and
- an increase in contract liabilities mainly due to customer progress payments and order intake.

For the three-month period ended March 31, 2022, the $388 million inflow is mainly due to:

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

Partially offset by:

- an increase in inventory mainly due to the increase in production for aircraft; and
- a decrease in trade and other payables.

Net additions to PP&E and intangible assets

	Three-month periods ended March 31	
	2023	2022
Additions to PP&E and intangible assets	**$ (85)**	$ (44)
Proceeds from disposals of PP&E and intangible assets	**—**	—
Net additions to PP&E and intangible assets	**$ (85)**	$ (44)

For the three-month period ended March 31, 2023, the $41 million increase in net additions to PP&E and intangible assets is in large part due to the new Toronto Pearson Airport manufacturing facility which is currently under construction.

Available liquidity[1]

Variation in cash and cash equivalents

	Three-month periods ended March 31	
	2023	2022
Balance at the beginning of period	**$ 1,291**	$ 1,675
Free cash flow (usage) from continuing operations[1]	**(247)**	173
Changes to restricted cash[2]	**392**	9
Sale of investments in securities	**95**	2
Net proceeds from issuance of long-term debt	**739**	—
Repayments of long-term debt	**(1,163)**	(410)
Payment of lease liabilities	**(5)**	(5)
Dividends paid - Preferred shares	**(6)**	(5)
Purchase of Class B shares held in trust under the PSU and RSU plans	**—**	(20)
Issuance of Class B shares	**41**	1
Other	**5**	(14)
Balance at the end of period	**$ 1,142**	$ 1,406

Following the first quarter results, as well as the deployment actions towards debt repayments, the Corporation's available liquidity[1] remains strong at approximately $1.4 billion, which includes cash and cash equivalents of $1.1 billion and $279 million under a committed secured revolving credit facility. This facility of $300 million which matures in 2027 is available for cash drawings for the ongoing working capital needs of the Corporation and for issuance of performance letters of credit. This facility was undrawn as at March 31, 2023 and the availability as at such date was $279 million based on the collateral available, which may vary from time to time.

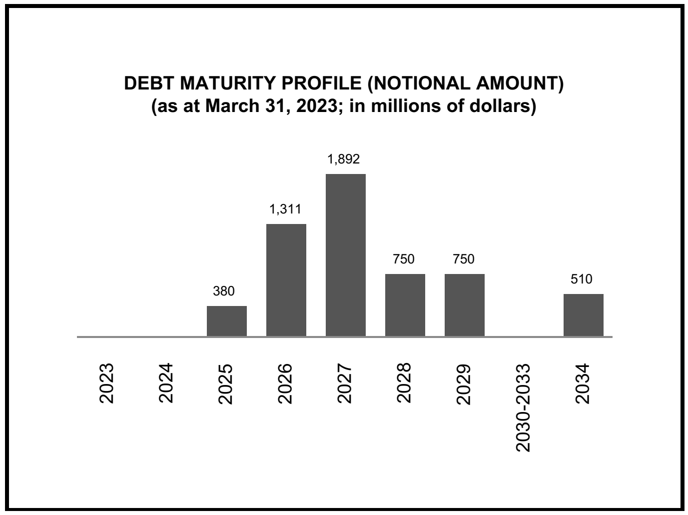
(1) Non-GAAP financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare our financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Non-GAAP and other financial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

(2) Includes cash collateral supporting various bank guarantees. In January 2023, the bank guarantees issued in connection with the sale of Transportation to Alstom expired without being drawn and the restricted cash collateralized against these guarantees was released to the Corporation.

Future liquidity requirements

There is no long-term debt due until March 2025.

In January 2023, the Corporation completed the closing of its offering of $750 million aggregate principal amount of Senior Notes due 2029. The Senior Notes carry a coupon of 7.50% per annum and were sold at par. The Corporation used the net proceeds together with its cash and cash equivalents to finance repayment of the following Senior Notes. In February 2023, the Corporation completed the full repayment of Senior Notes due 2024 for an aggregate amount of $396 million, and the partial repayment of Senior Notes due 2025 for an aggregate amount of $259 million. In March 2023, the Corporation completed the partial repayment of Senior Notes due 2025 for an aggregate amount of $500 million. See Note 4 – Special items and Note 5 – Financing expense and financing income, to our Interim consolidated financial statements for more information.



We believe our available liquidity[1] will give us sufficient liquidity to execute our plan in the short-term. We currently anticipate that these resources will enable the development and upgrade of products and investments in PP&E to enhance our competitiveness and support our growth; will enable us to meet currently anticipated financial requirements in the foreseeable future; and will allow the payment of dividends on preferred shares, if and when declared by the Board of Directors[2].

The Corporation intends to continue to opportunistically refinance or deploy excess liquidity towards debt pay down and continues to evaluate the most efficient debt reduction strategies, which for example could include redemptions, tenders or open market repurchases. The amounts involved may be material.

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

[2] See the forward-looking statements disclaimer.

Creditworthiness

In April 2023, Moody's Investors Service, Inc. upgraded Bombardier's issuer rating from B3 to B2.

Credit Ratings

	Bombardier Inc.'s issuer rating April 4, 2023
Moody's Investors Service, Inc.	B2
Standard & Poor's Rating Services	B-

Over the long term, we believe that we will be in a good position to improve our credit ratings and thereby approach a credit profile nearing investment-grade as we continue to reduce debt while delivering positive free cash flow(1) generation and improved profitability(2).

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

(2) See the forward-looking statements disclaimer.

CAPITAL STRUCTURE

The Corporation analyzes its capital structure using established metrics, which are based on a broad economic view of the Corporation, in order to assess the creditworthiness of the Corporation. The Corporation has emphasized its plan to make deleveraging one of its key priorities and will execute on its plan through a phased approach.

As the Corporation progressively reshapes its business and reaps the benefit from its various initiatives, it aims to lower adjusted net debt to adjusted EBITDA ratio(1) to 2.0x - 2.5x by 2025(2). The Corporation's objective is to achieve this by continue to grow its adjusted EBITDA(3) towards its 2025 objective of $1.625 billion and allocate excess available liquidity towards debt repayment(2).

The Corporation aims at maintaining a debt maturity runway of around 18-24 months by opportunistically refinancing or deploying excess liquidity towards debt pay down thereby building manageable and flexible debt maturity stacks while focusing on reducing its interest expense.

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

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

	Four-quarter trailing periods ended			
		March 31, 2023		December 31, 2022
Interest paid on long-term debt (1)	**$**	**478**	$	492
Long-term debt	**$**	**5,579**	$	5,980
Less: Cash and cash equivalents		**1,142**		1,291
Certain restricted cash supporting various bank guarantees		**—**		391
Adjusted net debt(2)	**$**	**4,437**	$	4,298
EBIT	**$**	**593**	$	538
Amortization		**397**		415
Impairment charges on PP&E and intangible assets		**1**		3
Special items excluding impairment charges on PP&E and intangible assets		**(16)**		(26)
Adjusted EBITDA(2)	**$**	**975**	$	930
Adjusted net debt to adjusted EBITDA ratio(3)		**4.6**		4.6

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

In addition, the Corporation separately monitors its net retirement benefit liability[1] which amounted to $466 million as at March 31, 2023. 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[1] 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 $48 million increase in the net retirement benefit liability[1] is explained as follows:

Variation in net retirement benefit liability[1]

Balance as at December 31, 2022	$	418 [2]
Changes in discount rates and other financial assumptions		165
Employer contributions		(21)
Actuarial gains on pension plan assets		(127)
Service costs		14
Accretion on net retirement benefit obligation		6
Changes in foreign exchange rates		1
Other		10
Balance as at March 31, 2023	**$**	**466** [2]

[1] Supplementary financial measure. Refer to the Non-GAAP and other financial measures section, for definitions of these metrics.
[2] Includes retirement benefit assets of $180 million as at March 31, 2023 ($180 million as at December 31, 2022).

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

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

Adjusted EBIT

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

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

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

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

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

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

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

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

Reconciliation of adjusted EBIT to EBIT and computation of adjusted EBIT margin

	Three-month periods ended March 31	
	2023	2022
EBIT	**$ 140**	$ 85
Special items[1]	**(2)**	(12)
Adjusted EBIT	**$ 138**	$ 73
Total revenues	**$ 1,453**	$ 1,246
Adjusted EBIT margin	**9.5%**	5.9%

Reconciliation of adjusted EBITDA to EBIT and computation of adjusted EBITDA margin

	Three-month periods ended March 31	
	2023	2022
EBIT	**$ 140**	$ 85
Amortization	**74**	92
Impairment charges on PP&E and intangible assets[1]	**—**	2
Special items excluding impairment charges on PP&E and intangible assets[1]	**(2)**	(12)
Adjusted EBITDA	**$ 212**	$ 167
Total revenues	**$ 1,453**	$ 1,246
Adjusted EBITDA margin	**14.6%**	13.4%

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

	Three-month periods ended March 31			
	2023		2022	
		(per share)		(per share)
Net income (loss) from continuing operations	**$ 302**		$ (287)	
Adjustments to EBIT related to special items[1]	**(2)**	**$ (0.02)**	(12)	$ (0.13)
Adjustments to net financing expense (income) related to:				
Net loss (gain) on certain financial instruments	**(232)**	**(2.35)**	204	2.14
Accretion on net retirement benefit obligations	**6**	**0.06**	8	0.09
Changes in discount rates of provisions	**1**	**0.01**	—	—
Losses on repayment of long-term debt[1]	**38**	**0.38**	18	0.19
Adjusted net income (loss)	**113**		(69)	
Preferred share dividends, net of taxes	**(8)**		(7)	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**105**		(76)	
Weighted-average diluted number of common shares (in thousands)	**98,830**		95,123	
Adjusted EPS (in dollars)	**$ 1.06**		$ (0.80)	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended March 31	
	2023	2022
Diluted EPS from continuing operations	**$ 2.98**	$ (3.09)
Impact of special[1] and other adjusting items	**(1.92)**	2.29
Adjusted EPS	**$ 1.06**	$ (0.80)

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

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

Reconciliation of free cash flow (usage) to cash flows from operating activities

	Three-month periods ended March 31	
	2023	2022
Cash flows from operating activities - continuing operations	**$ (162)**	$ 217
Net additions to PP&E and intangible assets	**(85)**	(44)
Free cash flow (usage) from continuing operations	**$ (247)**	$ 173

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

Reconciliation of available liquidity to cash and cash equivalents

As at	March 31, 2023	December 31, 2022
Cash and cash equivalents	**$ 1,142**	$ 1,291
Undrawn amounts under available revolving credit facility[1]	**279**	208
Available liquidity	**$ 1,421**	$ 1,499

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

Reconciliation of adjusted liquidity to cash and cash equivalents

As at	March 31, 2023	December 31, 2022
Cash and cash equivalents	**$ 1,142**	$ 1,291
Certain restricted cash supporting various bank guarantees	**—**	391
Adjusted liquidity	**$ 1,142**	$ 1,682

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

Reconciliation of adjusted available liquidity to cash and cash equivalents

As at	March 31, 2023	December 31, 2022
Cash and cash equivalents	**$ 1,142**	$ 1,291
Undrawn amounts under available revolving credit facility[1]	**279**	208
Certain restricted cash supporting various bank guarantees	**—**	391
Adjusted available liquidity	**$ 1,421**	$ 1,890

[1] A committed secured revolving credit facility of $300 million which matures in 2027 and is available for cash drawings for the ongoing working capital needs of the Corporation and for issuance of performance letters of credit. This facility was undrawn as at March 31, 2023 and the availability as at such date was $279 million based on the collateral available, which may vary from time to time.

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

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

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

	Four-quarter trailing periods ended	
	March 31, 2023	December 31, 2022
Long-term debt	**$ 5,579**	$ 5,980
Less: Cash and cash equivalents	**1,142**	1,291
Certain restricted cash supporting various bank guarantees	**—**	391
Adjusted net debt	**$ 4,437**	$ 4,298
Adjusted EBITDA	**$ 975**	$ 930
Adjusted net debt to adjusted EBITDA ratio	**4.6**	4.6

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

Refer to the Off-balance sheet arrangements section in Other of our Financial Report for the year ended December 31, 2022 for a description of these arrangements, and to Note 19 – Commitments and contingencies, to our 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, 2022 in Other, but are not necessarily the only risks and uncertainties that we face.

There was no significant change to these risks and uncertainties during the three-month period ended March 31, 2023, other than those described elsewhere in this MD&A, including, without limitation, those described in Note 19 – 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, 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	March 31, 2023	December 31, 2022	Increase
Euro	**1.0906**	1.0662	2 %
Canadian dollar	**0.7395**	0.7381	— %
Pound sterling	**1.2387**	1.2055	3 %

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, 2023	**March 31, 2022**	Decrease
Euro	**1.0726**	1.1227	(4)%
Canadian dollar	**0.7397**	0.7894	(6)%
Pound sterling	**1.2145**	1.3423	(10)%

SELECTED FINANCIAL INFORMATION

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

Fiscal years	**2023**			2022			2021
	First	Fourth	Third	Second	First	Fourth	Third	Second
Revenues	**$ 1,453**	$ 2,655	$ 1,455	$ 1,557	$ 1,246	$ 1,771	$ 1,449	$ 1,524
Net income (loss) attributable to equity holders of Bombardier Inc.								
Continuing operations	**$ 302**	$ 241	$ 27	$ (109)	$ (287)	$ 239	$ (376)	$ 139
Discontinued operations	**$ —**	$ —	$ —	$ (20)	$ —	$ (1)	$ (1)	$ —
Total	**$ 302**	$ 241	$ 27	$ (129)	$ (287)	$ 238	$ (377)	$ 139
EPS (in dollars)								
Continuing operations - basic	**$ 3.10**	$ 2.48	$ 0.20	$ (1.22)	$ (3.09)	$ 2.42	$ (3.97)	$ 1.36
Continuing operations - diluted	**$ 2.98**	$ 2.40	$ 0.20	$ (1.22)	$ (3.09)	$ 2.35	$ (3.97)	$ 1.34
Discontinued operations - basic	**$ 0.00**	$ 0.00	$ 0.00	$ (0.21)	$ 0.00	$ (0.01)	$ (0.01)	$ (0.01)
Discontinued operations - diluted	**$ 0.00**	$ 0.00	$ 0.00	$ (0.21)	$ 0.00	$ (0.01)	$ (0.01)	$ (0.01)

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at April 25, 2023

	Authorized	Issued and outstanding	
Class A Shares (multiple voting)(1)	143,680,000	12,349,370	
Class B Shares (subordinate voting)(2)	143,680,000	82,970,454	(3)
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	2,684,527	
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	9,315,473	
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000	

(1) Ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share.
(2) Convertible at the option of the holder into one Class A Share under certain conditions.
(3) Net of 3,704,417 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Share option, PSU, DSU and RSU data as at March 31, 2023

Options issued and outstanding under the share option plans	2,536,083
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	3,717,448
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	3,704,417

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

Second Quarterly Report, for the period ending June 30, 2023	August 3, 2023
Third Quarterly Report, for the period ending September 30, 2023	November 2, 2023
Financial Report, for the fiscal year ending December 31, 2023	February 8, 2024
First Quarterly Report, for the period ending March 31, 2024	April 25, 2024

Information

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This MD&A for the three-month period ended March 31, 2023 was authorized for issuance by the Board of Directors on April 26, 2023.

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

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

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2023
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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

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

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

	Notes	Three-month periods ended March 31 2023	2022
Revenues	2	**$ 1,453**	$ 1,246
Cost of sales	9	**1,158**	1,007
Gross margin		**295**	239
SG&A		**96**	87
R&D	3	**61**	79
Special items	4	**(2)**	(12)
EBIT		**140**	85
Financing expense	5	**176**	376
Financing income	5	**(253)**	(4)
EBT		**217**	(287)
Income taxes (recovery)		**(85)**	—
Net income (loss) from continuing operations		**302**	(287)
Net income (loss) from discontinued operations[1]		**—**	—
Net income (loss)		**$ 302**	$ (287)
EPS (in dollars)[2]	6		
Basic		**$ 3.10**	$ (3.09)
Diluted		**$ 2.98**	$ (3.09)

[1] Discontinued operations is related to the sale of the Transportation business.
[2] Only from continuing operations.

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			
		2023		2022
Net income (loss)	**$**	**302**	$	(287)
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Net gain on derivative financial instruments		**8**		38
Reclassification to income or to the related non-financial asset		**16**		6
Income taxes		**(6)**		(12)
		18		32
FVOCI financial assets				
Net unrealized gain (loss)		**8**		(14)
CCTD				
Net investments in foreign operations		**—**		—
Items that are never reclassified to net income				
FVOCI equity instruments				
Net realized loss		**(4)**		(3)
Retirement benefits				
Remeasurement of defined benefit plans		**(47)**		467
Total OCI		**(25)**		482
Total comprehensive income	**$**	**277**	$	195
Total comprehensive income				
Continuing operations	**$**	**277**	$	195
Discontinued operations[1]		**—**		—
	$	**277**	$	195

[1] Discontinued operations is related to the sale of the Transportation business.

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 2023		December 31 2022
Assets					
Cash and cash equivalents		**$**	**1,142**	$	1,291
Trade and other receivables			**248**		252
Contract assets	8		**68**		67
Inventories	9		**3,717**		3,322
Other financial assets	10		**56**		472
Other assets	11		**152**		181
Current assets			**5,383**		5,585
PP&E			**1,335**		1,214
Aerospace program tooling			**3,841**		3,873
Deferred income taxes			**461**		381
Other financial assets	10		**1,047**		899
Other assets	11		**374**		372
Non-current assets			**7,058**		6,739
		$	**12,441**	$	12,324
Liabilities					
Trade and other payables		**$**	**1,555**	$	1,286
Provisions	12		**80**		82
Contract liabilities	8		**3,290**		3,290
Other financial liabilities	13		**329**		345
Other liabilities	14		**325**		434
Current liabilities			**5,579**		5,437
Provisions	12		**138**		152
Contract liabilities	8		**1,476**		1,444
Long-term debt	15		**5,579**		5,980
Retirement benefits			**646**		598
Other financial liabilities	13		**1,196**		1,207
Other liabilities	14		**275**		268
Non-current liabilities			**9,310**		9,649
			14,889		15,086
Equity (deficit)					
Attributable to equity holders of Bombardier Inc.			**(2,448)**		(2,762)
		$	**12,441**	$	12,324
Commitments and contingencies	19				

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

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

	Attributable to equity holders of Bombardier Inc.									
	Share capital			Retained earnings (deficit)			Accumulated OCI			
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remeasurement gains (losses)	Contributed surplus	FVOCI	Cash flow hedges	CCTD	Total equity (deficit)
As at December 31, 2022	$ 347	$ 2,615	$ 11	$ (4,161)	$ (1,992)	$ 491	$ (13)	$ (45)	$ (15)	$ (2,762)
Total comprehensive income (loss)										
Net income	—	—	—	302	—	—	—	—	—	302
OCI	—	—	—	—	(47)	—	4	18	—	(25)
	—	—	—	302	(47)	—	4	18	—	277
Dividends - preferred shares, net of taxes	—	—	—	(8)	—	—	—	—	—	(8)
Expiration of warrants[1]	—	—	(11)	—	—	11	—	—	—	—
Options exercised	—	62	—	—	—	(21)	—	—	—	41
Share-based expense	—	—	—	—	—	4	—	—	—	4
As at March 31, 2023	**$ 347**	**$ 2,677**	**$ —**	**$ (3,867)**	**$ (2,039)**	**$ 485**	**$ (9)**	**$ (27)**	**$ (15)**	**$ (2,448)**
As at January 1, 2022	$ 347	$ 2,643	$ 11	$ (3,984)	$ (2,557)	$ 475	$ 13	$ (22)	$ (15)	$ (3,089)
Total comprehensive income (loss)										
Net loss	—	—	—	(287)	—	—	—	—	—	(287)
OCI	—	—	—	—	467	—	(17)	32	—	482
	—	—	—	(287)	467	—	(17)	32	—	195
Options exercised	—	1	—	—	—	—	—	—	—	1
Dividends - preferred shares, net of taxes	—	—	—	(7)	—	—	—	—	—	(7)
Shares purchased - PSU/RSU plans	—	(20)	—	—	—	—	—	—	—	(20)
Share-based expense	—	—	—	—	—	4	—	—	—	4
As at March 31, 2022	$ 347	$ 2,624	$ 11	$ (4,278)	$ (2,090)	$ 479	$ (4)	$ 10	$ (15)	$ (2,916)

[1] In February 2023, 4 million of warrants held by CDPQ expired.

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 2023	2022
Operating activities			
Net income (loss) from continuing operations		**$ 302**	$ (287)
Net income (loss) from discontinued operations[1]		**—**	—
Non-cash items			
Amortization[2]		**74**	92
Impairment charges on PP&E and intangible assets		**—**	2
Deferred income taxes (recovery)		**(86)**	—
Share-based expense	16	**4**	4
Losses on repayment of long-term debt	5	**38**	18
Net change in non-cash balances	17	**(494)**	388
Cash flows from operating activities - total		**(162)**	217
Cash flows from operating activities - discontinued operations[1]		**—**	—
Cash flows from operating activities - continuing operations		**(162)**	217
Investing activities			
Additions to PP&E and intangible assets		**(85)**	(44)
Changes to restricted cash	10	**392**	9
Sale of investments in securities		**95**	2
Other		**4**	(6)
Cash flows from investing activities - total		**406**	(39)
Cash flows from investing activities - discontinued operations[1]		**(8)**	—
Cash flows from investing activities - continuing operations		**414**	(39)
Financing activities			
Net proceeds from issuance of long-term debt		**739**	—
Repayments of long-term debt	15	**(1,163)**	(410)
Payment of lease liabilities[3]		**(5)**	(5)
Dividends paid - Preferred shares		**(6)**	(5)
Purchase of Class B shares held in trust under the PSU and RSU plans		**—**	(20)
Issuance of Class B shares		**41**	1
Other		**1**	(8)
Cash flows from financing activities - total		**(393)**	(447)
Cash flows from financing activities - discontinued operations[1]		**—**	—
Cash flows from financing activities - continuing operations		**(393)**	(447)
Net decrease in cash and cash equivalents		**(149)**	(269)
Cash and cash equivalents at beginning of period		**1,291**	1,675
Cash and cash equivalents at end of period		**$ 1,142**	$ 1,406
Supplemental information			
Cash paid for			
Interest		**$ 79**	$ 88
Income taxes		**$ 3**	$ 3
Cash received for			
Interest		**$ 12**	$ 2
Income taxes		**$ —**	$ —

(1) Discontinued operations is related to the sale of the Transportation business.
(2) Includes $8 million representing amortization charge related to right-of-use of assets for the three-month period ended March 31, 2023 ($7 million for the three-month period ended March 31, 2022).
(3) Lease payments related to the interest portion, short-term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for the three-month period ended March 31, 2023 amounted to $15 million ($10 million for the three-month period ended March 31, 2022).

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, 2023
(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.

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. Amendments to accounting standards were applied for the first time in 2023, but did not have an impact on the interim consolidated financial statements of the Corporation. 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, 2022.

These interim consolidated financial statements for the three-month period ended March 31, 2023 were authorized for issuance by the Board of Directors on April 26, 2023.

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	
	2023	2022
Business Aircraft		
Manufacturing and Other[1]	**$ 1,020**	$ 868
Services[2]	**424**	361
Others[3]	**9**	17
	$ 1,453	$ 1,246

[1] Includes revenues from sale of new aircraft, specialized aircraft solutions and pre-owned aircraft.
[2] Includes revenues from aftermarket services including parts, *Smart Services*, service centers, training and technical publications.
[3] Includes revenues from sale of components related to commercial aircraft programs.

3. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended March 31	
	2023	2022
R&D expenditures	**$ 29**	$ 18
Less: development expenditures capitalized to aerospace program tooling	**(20)**	(10)
	9	8
Add: amortization of aerospace program tooling	**52**	71
	$ 61	$ 79

4. 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	
	2023	2022
Losses on repayment of long-term debt[1]	**$ 38**	$ 18
Changes in divestitures provisions and other[2]	**(1)**	(3)
Reversal of *Learjet 85* aircraft program cancellation provisions[3]	**(1)**	(7)
Restructuring charges[4]	**—**	(2)
	$ 36	$ 6
Of which is presented in		
Special items in EBIT	**$ (2)**	$ (12)
Financing expense (income) - losses on repayment of long-term debt[1]	**38**	18
	$ 36	$ 6

1. For the three-month period ended March 31, 2023, represents the losses related to the full repayment of the Senior Notes due 2024 and the partial repayment of the Senior Notes due 2025, refer to Note 5 - Financing expense and financing income and Note 15 - Long-term debt for more information. For the three-month period ended March 31, 2022, represents the losses related to the partial repayment of the Senior Notes due 2024 and 2025, refer to Note 5 - Financing expense and financing income.
2. Based on the ongoing activities with respect to past divestitures, the Corporation revised some related provisions. The changes in provisions are treated as a special item since the original provisions were also recorded as special item.
3. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $1 million for the three-month period ended March 31, 2023 ($7 million for the three-month period ended March 31, 2022). The reduction in provisions is treated as a special item since the original provisions were also recorded as special items in 2014 and 2015.
4. For the three-month period ended March 31, 2022, represents reversal of severance charges of $2 million.

5. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended March 31	
	2023	2022
Financing expense		
Net loss on certain financial instruments[1]	**$ —**	$ 204
Losses on repayment of long-term debt[2]	**38**	18
Interest expense on lease liabilities	**10**	7
Accretion on other financial liabilities	**8**	7
Accretion on advances	**7**	5
Accretion on net retirement benefit obligations	**6**	8
Accretion on provisions	**1**	—
Changes in discount rates of provisions	**1**	—
Other	**1**	1
	72	250
Interest on long-term debt	**104**	126
	$ 176	$ 376
Financing income		
Net gain on certain financial instruments[1]	**$ (232)**	$ —
Other	**(1)**	(1)
	(233)	(1)
Interest on cash and cash equivalents	**(16)**	(1)
Income from investments in securities	**(4)**	(2)
	(20)	(3)
	$ (253)	$ (4)

(1) Net losses (gains) on certain financial instruments classified as FVTP&L,which includes call options on long-term debt.

(2) Represents the losses related to the full repayment of the Senior Notes due 2024 and the partial repayment of the Senior Notes due 2025 for the three-month period ended March 31, 2023 (the losses related to the partial repayment of the Notes due 2024 and 2025 for the three-month period ended March 31, 2022), which were reported as a special item. See Note 4 - Special items.

6. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended March 31	
	2023	2022
(Number of shares, stock options, PSUs, RSUs, DSUs and warrants, in thousands)		
Net income (loss) attributable to equity holders of Bombardier Inc.		
Continuing operations	**$ 302**	$ (287)
Discontinued operations[1]	**—**	—
Preferred share dividends, net of taxes	**(8)**	(7)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$ 294**	$ (294)
Weighted-average number of common shares outstanding	**94,703**	95,123
Net effect of stock options, PSUs, RSUs, DSUs and warrants	**4,127**	—
Weighted-average diluted number of common shares	**98,830**	95,123
EPS (in dollars)[2]		
Basic	**$ 3.10**	$ (3.09)
Diluted	**$ 2.98**	$ (3.09)

(1) Discontinued operations is related to the sale of the Transportation business.
(2) Only from continuing operations.

The effect of the exercise of stock options, PSUs, RSUs, DSUs and warrants was included in the calculation of diluted EPS in the above table, except for 2,381,646 for the three-month period ended March 31, 2023 (12,040,739 for the three-month period ended March 31, 2022) 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.

7. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	FVTP&L	Designated	FVOCI [(1)]	Amortized cost	DDHR	Total carrying value	Fair value
March 31, 2023							
Financial assets							
Cash and cash equivalents	**$ —**	**$ —**	**$ —**	**$ 1,142**	**$ —**	**$ 1,142**	**$ 1,142**
Trade and other receivables	**—**	**—**	**—**	**248**	**—**	**248**	**248**
Other financial assets	**832**	**—**	**146**	**111**	**14**	**1,103**	**1,103**
	$ 832	**$ —**	**$ 146**	**$ 1,501**	**$ 14**	**$ 2,493**	**$ 2,493**
Financial liabilities							
Trade and other payables	**$ —**	**$ —**	**n/a**	**$ 1,555**	**$ —**	**$ 1,555**	**$ 1,555**
Long-term debt	**—**	**—**	**n/a**	**5,579**	**—**	**5,579**	**5,724**
Other financial liabilities	**1**	**561**	**n/a**	**899**	**64**	**1,525**	**1,517**
	$ 1	**$ 561**	**n/a**	**$ 8,033**	**$ 64**	**$ 8,659**	**$ 8,796**
December 31, 2022							
Financial assets							
Cash and cash equivalents	$ —	$ —	$ —	$ 1,291	$ —	$ 1,291	$ 1,291
Trade and other receivables	—	—	—	252	—	252	252
Other financial assets	606	—	235	522	8	1,371	1,371
	$ 606	$ —	$ 235	$ 2,065	$ 8	$ 2,914	$ 2,914
Financial liabilities							
Trade and other payables	$ —	$ —	n/a	$ 1,286	$ —	$ 1,286	$ 1,286
Long-term debt	—	—	n/a	5,980	—	5,980	5,875
Other financial liabilities	1	547	n/a	917	87	1,552	1,558
	$ 1	$ 547	n/a	$ 8,183	$ 87	$ 8,818	$ 8,719

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

n/a: Not applicable

8. CONTRACT BALANCES

Contract assets represent cost incurred and recorded margins on service contracts in the amount of $68 million and $67 million as at March 31, 2023 and December 31, 2022, respectively.

Contract liabilities were as follows, as at:

	March 31, 2023	December 31, 2022
Advances on aerospace programs	**$ 4,342**	$ 4,306
Long term service contracts deferred revenues	**265**	265
Other deferred revenues	**159**	163
	$ 4,766	$ 4,734
Of which current	**$ 3,290**	$ 3,290
Of which non-current	**1,476**	1,444
	$ 4,766	$ 4,734

9. INVENTORIES

Inventories were as follows, as at:

	March 31, 2023	December 31, 2022
Aerospace programs	**$ 3,203**	$ 2,826
Finished products	**514**	496
	$ 3,717	$ 3,322

The amount of inventories recognized as cost of sales totaled $980 million for the three-month period ended March 31, 2023 ($865 million for the three-month period ended March 31, 2022). These amounts include $12 million of write-downs and nil in reversal of write-downs for the three-month period ended March 31, 2023 ($5 million of write-downs and $4 million of reversal of write-downs for the three-month period ended March 31, 2022).

10. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	March 31, 2023	December 31, 2022
Receivable from ACLP[1]	**$ 362**	$ 341
Derivative financial instruments	**287**	69
Investments in financing structures[2]	**197**	204
Investments in securities	**146**	235
Restricted cash[3]	**72**	478
Receivable from MHI[4]	**26**	26
Other	**13**	18
	$ 1,103	$ 1,371
Of which current	**$ 56**	$ 472
Of which non-current	**1,047**	899
	$ 1,103	$ 1,371

(1) This receivable from ACLP represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances. See Note 13 - Other financial liabilities for more information.
(2) Following the sale of the CRJ business, the Corporation has retained a portion of those other financial assets and has a back-to-back agreement with MHI. See Note 13 - Other financial liabilities for more information.
(3) Includes cash collateral supporting various bank guarantees. In January 2023, the bank guarantees issued in connection with the sale of Transportation to Alstom expired without being drawn and the restricted cash collateralized against these guarantees was released to the Corporation.
(4) This receivable represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees payable of $26 million as at March 31, 2023 ($26 million as at December 31, 2022). See Note 13 - Other financial liabilities for more information.

11. OTHER ASSETS

Other assets were as follows, as at:

	March 31, 2023	December 31, 2022
Retirement benefits	**$ 180**	$ 180
Prepaid expenses	**146**	131
Sales tax and other taxes	**96**	90
Intangible assets other than aerospace program tooling	**76**	75
Prepaid sales concessions and deferred contract costs	**15**	15
Other[1]	**13**	62
	$ 526	$ 553
Of which current	**$ 152**	$ 181
Of which non-current	**374**	372
	$ 526	$ 553

(1) Includes $1 million of receivable from MHI that represents a back-to-back agreement that the Corporation has with MHI on credit and residual value guarantees provisions as at March 31, 2023 and December 31, 2022. See Note 12 - Provisions.

12. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Onerous contracts	Other [1]	Total
Balance as at December 31, 2022	**$ 184**	**$ 1**	**$ 36**	**$ 13**	**$ 234**
Additions	**18**	**—**	**—**	**1**	**19**
Utilization	**(14)**	**—**	**(8)**	**—**	**(22)**
Reversals	**(13)**	**—**	**(1)** [2]	**(1)**	**(15)**
Accretion expense	**1**	**—**	**—**	**—**	**1**
Effect of changes in discount rates	**1**	**—**	**—**	**—**	**1**
Balance as at March 31, 2023	**$ 177**	**$ 1** [3]	**$ 27**	**$ 13**	**$ 218**
Of which current	**$ 61**	**$ 1**	**$ 7**	**$ 11**	**$ 80**
Of which non-current	**116**	**—**	**20**	**2**	**138**
	$ 177	**$ 1**	**$ 27**	**$ 13**	**$ 218**

	Product warranties	Credit and residual value guarantees	Onerous contracts	Other [1]	Total
Balance as at January 1, 2022	$ 166	$ 52	$ 70	$ 42	$ 330
Additions	15	—	—	—	15
Utilization	(12)	(2)	(28)	(2)	(44)
Reversals	—	—	(7) [2]	(4) [4]	(11)
Balance as at March 31, 2022	$ 169	$ 50 [3]	$ 35	$ 36	$ 290
Of which current	$ 60	$ 13	$ 9	$ 35	$ 117
Of which non-current	109	37	26	1	173
	$ 169	$ 50	$ 35	$ 36	$ 290

[1] Mainly comprised of claims and litigation. Includes also restructuring, severance and other termination benefits of nil and $1 million as at March 31, 2023 and 2022, respectively.
[2] Related to the reversal of *Learjet 85* aircraft program cancellation provisions. See Note 4 - Special items for more details.
[3] Following the sale of the CRJ business, the Corporation retains those provisions and has a back-to-back agreement with MHI. See Note 11 - Other assets.
[4] Includes $2 million of changes in divestitures provisions and $2 million related to reversal of restructuring charges. See Note 4 - Special items for more details.

13. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	March 31, 2023	December 31, 2022
Government refundable advances[1]	**$ 531**	$ 507
Lease liabilities	**445**	448
Liabilities related to RASPRO assets[2]	**199**	206
Credit and residual value guarantees payable[3]	**167**	164
Derivative financial instruments	**65**	88
Vendor non-recurring costs	**16**	20
Other[4]	**102**	119
	$ 1,525	$ 1,552
Of which current	**$ 329**	$ 345
Of which non-current	**1,196**	1,207
	$ 1,525	$ 1,552

[1] Of which $362 million has a back-to-back agreement with ACLP as at March 31, 2023 ($341 million as at December 31, 2022). Refer to Note 10 - Other financial assets for the receivable from ACLP. The Corporation is required to pay amounts to governments based on the number of deliveries of aircraft.
[2] The Corporation has retained the regional aircraft securitization program assets (RASPRO) for which the Corporation has transferred the net beneficial interest through a back-to-back agreement with MHI. Refer to Note 10 - Other financial assets for more information.
[3] Of which $26 million has a back-to-back agreement with MHI as at March 31, 2023 ($26 million as at December 31, 2022). Refer to Note 10 - Other financial assets for more information.
[4] Mainly represents liabilities related to various divestitures.

14. OTHER LIABILITIES

Other liabilities were as follows, as at:

	March 31, 2023	December 31, 2022
Supplier contributions to aerospace programs	**$ 226**	$ 228
Employee benefits	**213**	281
Sales incentive and customer credit notes	**61**	73
Income taxes payable	**33**	32
Other	**67**	88
	$ 600	$ 702
Of which current	**$ 325**	$ 434
Of which non-current	**275**	268
	$ 600	$ 702

15. LONG-TERM DEBT

In January 2023, the Corporation completed the closing of its offering of $750 million aggregate principal amount of Senior Notes due 2029. The Senior Notes carry a coupon of 7.50% per annum and were sold at par. The Corporation used the net proceeds together with its cash and cash equivalents to finance repayment of the below mentioned Senior Notes.

In February 2023, the Corporation completed the full repayment of Senior Notes due 2024 for an aggregate amount of $396 million, and the partial repayment of Senior Notes due 2025 for an aggregate amount of $259 million, see Note 5 - Financing expense and financing income and Note 4 - Special items for more information.

In March 2023, the Corporation completed the partial repayment of Senior Notes due 2025 for an aggregate amount of $500 million, see Note 5 - Financing expense and financing income and Note 4 - Special items for more information.

16. 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
			2023			2022
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**738,403**	**38,609**	**2,953,698**	1,161,453	38,609	2,676,482
Granted	**290**	**—**	**865**	829	—	1,115
Forfeited	**(3,371)**	**—**	**(11,046)**	(6,810)	—	(23,968)
Balance at end of period	**735,322**	**38,609** [(1)]	**2,943,517**	1,155,472	38,609 [(1)]	2,653,629

[(1)] Of which 38,609 DSUs are vested as at March 31, 2023 (38,609 as at March 31, 2022).

The compensation expense with respect to the PSU, DSU and RSU plans amounted to $4 million during the three-month period ended March 31, 2023 ($2 million during the three-month period ended March 31, 2022).

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
	2023	2022
Balance at beginning of period	**3,683,172**	4,922,748
Exercised	**(1,028,661)**	(29,063)
Forfeited	**(118,428)**	(153,332)
Expired	**—**	(75,562)
Balance at end of period	**2,536,083**	4,664,791

A compensation expense of nil was recorded during the three-month period ended March 31, 2023, with respect to share option plans ($2 million for the three-month period ended March 31, 2022).

17. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31	
	2023	2022
Trade and other receivables	**$ 4**	$ (26)
Inventories	**(479)**	(136)
Contract assets	**(1)**	—
Contract liabilities	**31**	498
Other financial assets and liabilities, net	**(225)**	231
Other assets	**28**	(62)
Trade and other payables	**269**	(86)
Provisions	**(15)**	(40)
Retirement benefit liability	**—**	79
Other liabilities	**(106)**	(70)
	$ (494)	$ 388

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Methods and assumptions

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

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

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

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

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

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, restricted cash, certain receivable from MHI and trade and other payables measured at amortized cost, approximate their carrying value due to the short-term maturities of these instruments, because they bear variable interest-rate or because the terms and conditions are comparable to current market terms and conditions for similar items.

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

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

Fair value hierarchy
The following table presents financial assets and financial liabilities measured at fair value on a recurring basis categorized using the fair value hierarchy as follows:
- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs from observable markets other than quoted prices included in Level 1, including indirectly observable data (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at March 31, 2023:

	Total	Level 1	Level 2	Level 3
Financial assets				
Receivable from ACLP[1]	$ 362	$ —	$ —	$ 362
Derivative financial instruments[2]	287	—	287	—
Investments in financing structures[3]	197	—	—	197
Investments in securities	146	—	146	—
	$ 992	$ —	$ 433	$ 559
Financial liabilities				
Government refundable advances[1]	$ 362	$ —	$ —	$ 362
Liabilities related to RASPRO assets[3]	199	—	—	199
Derivative financial instruments[2]	65	—	65	—
	$ 626	$ —	$ 65	$ 561

(1) This receivable represents a back-to-back agreement that the Corporation has with ACLP related to certain government refundable advances.
(2) Derivative financial instruments consist of forward foreign exchange contracts and embedded derivatives.
(3) The liabilities related to RASPRO assets include a back-to-back agreement that the Corporation has with MHI related to the transfer of the net beneficial interest related to the investments in financing structures.

Level 3 financial instruments include only assets and liabilities with a back-to-back agreement and their corresponding back-to-back assets and liabilities.

19. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2023	December 31, 2022
Aircraft sales		
Residual value	**$ 8**	$ 8
Credit	**8**	8
Mutually exclusive exposure[1]	**(8)**	(8)
Total credit and residual value exposure	**$ 8**	$ 8
Trade-in commitments	**$ 413**	$ 428
Conditional repurchase obligations	**$ 48**	$ 62

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

Provisions for anticipated losses amounting to $1 million as at March 31, 2023 ($1 million as at December 31, 2022) have been established to cover the risks from credit and residual value guarantees. 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. In connection with the sale of the CRJ business, all of the above are included in a back-to-back agreement with MHI.

Legal proceedings

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

While the Corporation cannot predict the final outcome of all legal proceedings pending as at March 31, 2023, based on information currently available and known by the Corporation, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Sweden

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

Since the fourth quarter of 2016, the Swedish police authorities have been conducting an investigation in relation to allegations concerning a 2013 contract for the supply of signaling equipment and services to Azerbaijan Railways ADY (the "ADY Contract"). In October 2016, the Corporation launched an internal review into the allegations which is conducted by external forensic advisors, under the supervision of the General Counsel and external counsel. The internal review is still on-going. On August 18, 2017, charges were laid against a then employee of the Swedish subsidiary of the Corporation for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of the Corporation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed regarding all charges on October 25, 2017 by the Prosecution Authority. On June 19, 2019, the Prosecution Authority confirmed that the acquittal on charge of influence trafficking is no longer being appealed; accordingly, this acquittal on this charge stands as a final judgment. The case is pending with the Swedish Court of Appeal with a likely scenario that the Swedish Court of Appeal will set a date for the appeal trial. On June 9, 2021, charges were laid against a different former employee of the former Swedish subsidiary of the Corporation for aggravated bribery. The trial took place from November 11 to November 24, 2021. On December 22, 2021, the former employee was acquitted by the Swedish District Court. A notice of appeal was filed by the Prosecution Authority on January 12, 2022. The trial in appeal with the Swedish Court of Appeal began in April 2023.

World Bank

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

U.S. Department of Justice

On February 10, 2020, Bombardier received a letter from the U.S. Department of Justice (the "DOJ") requesting the communication of documents and information regarding the ADY Contract. The Corporation's internal review about the reported allegations is on-going but based on information known to the Corporation at this time, there is no evidence that suggests a corrupt payment was made or offered to a public official or that any other criminal activity involving Bombardier took place.

The DOJ also made requests regarding contracts in South Africa and Indonesia (see below), as well as requests with respect to other sales of aircraft and services. Bombardier is cooperating with the DOJ's requests.

South Africa (Transnet)

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

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

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

While the National Prosecution Agency ("NPA") of South Africa has not communicated any request to the Corporation, the Corporation understands that the NPA is investigating the Transnet contracts.

U.K. Serious Fraud Office ("SFO") (Indonesia)

In May 2020, the Indonesian Corruption Court convicted the former CEO of Garuda Indonesia (Persero) TBK ("Garuda") and his associate of corruption and money laundering in connection with five procurement processes involving different manufacturers, including the 2011-2012 acquisition and lease of Bombardier CRJ1000 aircraft by Garuda (the "Garuda Transactions"). No charges were laid against the Corporation or any of its directors, officers or employees. Shortly thereafter, the Corporation launched an internal review into the Garuda Transactions, which is being conducted by external counsel.

The SFO commenced a formal investigation into the Garuda Transactions. The Corporation has communicated with the SFO regarding the Corporation's internal review and its potential assistance with the SFO investigation on a voluntary basis.

RCMP

In 2021, Bombardier also received a communication from the RCMP's Sensitive and International Investigation Unit advising that it would be undertaking an investigation on the Garuda Transactions, and requested communication of documents from the Corporation.

The various regulators' investigations hereabove mentioned and internal reviews are on-going.

Claim from Certain Holders of Senior Notes due 2034

On January 31, 2022, the Corporation received a letter (the "Letter") from counsel to certain holders of 7.450% Senior Notes due 2034 (the "2034 Notes"), and has learned that such holders also filed a complaint before the Supreme Court of the State of New York (the "Action"), reiterating claims made in a letter addressed to the Corporation in April 2021 (the "April 2021 Letter") substantially to the effect that the Corporation's divestitures of non-core assets, including its transportation business, regional jet program and aerostructures division, constitute a breach of certain covenants under the indenture governing the 2034 Notes and further alleging that the actions of the Corporation in May 2021, addressing the matters raised in the April 2021 Letter, breached the rights of such holders. The Corporation believes that these allegations are without merit and intends to vigorously defend itself against the Action.

Class action

On February 15, 2019, the Corporation was served with a Motion for authorization to bring an action pursuant to Section 225.4 of the Quebec Securities Act and application for authorization to institute a class action before the Superior Court of Québec in the district of Montréal against Bombardier Inc. and Messrs. Alain Bellemare and John Di Bert ("Motion") (formerly the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer, respectively, of Bombardier) to claim monetary damages in an unspecified amount in connection with alleged false and misleading representations about the Corporation's business, operations, revenues and free cash flow, including an alleged failure to make timely disclosure of material facts concerning its guidance for 2018. In the class action component of the Motion, the Plaintiff Denis Gauthier seeks to represent all persons and entities who have purchased or acquired Bombardier's securities during the period of August 2, 2018 to November 8, 2018, inclusively, and held all or some of these securities until November 8, 2018. Both the action pursuant to the Quebec Securities Act and the class action require an authorization from the Court before they can move forward. Until they are authorized, there are no monetary claims pending against the defendants in the context of these Court proceedings.

Bombardier Inc. and Messrs. Bellemare and Di Bert are contesting this Motion. The Corporation's preliminary view at this juncture is that the possibility that these Court proceedings will cause the Corporation to incur material monetary liability appears to be remote.

Alstom Request for Arbitration

The Corporation received a notice from Alstom S.A. requesting arbitration before the International Chamber of Commerce pursuant to the agreement relating to the sale by Bombardier of its Transportation business on January 29, 2021 (the "Transaction"). In its request for arbitration, Alstom is alleging that the Corporation is in breach of certain contractual provisions. While litigation proceedings inherently carry uncertainties, the Corporation has good grounds to defend itself against Alstom's claim and intends to do so vigorously. The Corporation also intends to challenge certain purchase price adjustments which resulted in proceeds from the Transaction being lower than initially estimated. Evidentiary hearing on the arbitration is currently expected in late 2025 and proceedings are subject to confidentiality provisions.