BOMBARDIER

THIRD QUARTERLY REPORT

Three-month period ended October 31, 2011

GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
AFS	Available for sale	GDP	Gross domestic product
AOCI	Accumulated other comprehensive income	HFT	Held for trading
BA	Bombardier Aerospace	IAS	International Accounting Standard
BT	Bombardier Transportation	IASB	International Accounting Standards Board
CCTD	Cumulative currency translation difference	IFRS	International Financial Reporting Standards
CGU	Cash generating unit	L&R	Loans and receivables
DDHR	Derivative designated in a hedge relationship	MD&A	Management's discussion and analysis
DSU	Deferred share unit	NCI	Non-controlling interests
EBIT	Earnings before financing expense, financing income and income taxes	OCI	Other comprehensive income
		PP&E	Property, plant and equipment
EBITDA	Earnings before financing expense, financing income, income taxes and amortization	PSU	Performance share unit
		R&D	Research and development
EBT	Earnings before income taxes	RVG	Residual value guarantee
EPS	Earnings per share attributable to the shareholders of Bombardier Inc.	SG&A	Selling, general and administrative
		SPE	Special purpose entity
FVTP&L	Fair value through profit and loss	U.K.	United Kingdom
GAAP	Generally accepted accounting principles	U.S.	United States of America

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The data presented in this MD&A is structured by manufacturing segment: BA and BT, and then by market segment, which is reflective of our organizational structure. Some financial measures used in this MD&A are not in accordance with IFRS. See the Non-GAAP financial measures section hereafter for the reconciliation to the most comparable IFRS measures.

Materiality for disclosures

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

Change of year-end

On November 30, 2011, the Board of Directors approved the change of financial year-end from January 31 to December 31, effective December 31, 2011. This change has no impact on BT's financial reporting as BT is already reported on a calendar year basis. The change will simplify our internal processes as all business units will use the same reporting periods. As a result, the fourth quarter ending December 31, 2011 will contain two months and the annual period ending December 31, 2011 will contain 11 months of BA's results. Also, as the change of year-end has been approved subsequent to the end of the third quarter, it has no impact on this interim financial report.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe" or "continue", the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require us 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 forecasted results. While we consider our assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry and major rail operators), operational risks (such as risks related to developing new products and services; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; to the environment; dependence on certain customers and suppliers; human resources; fixed-price commitments and production and project execution), financing risks (such as risks related to liquidity and access to capital markets, certain restrictive debt covenants, financing support provided for the benefit of certain customers and reliance on government support) and market risks (such as risks related to foreign currency fluctuations, changing interest rates, decreases in residual value and increases in commodity prices). For more details, see the Risks and uncertainties section in Other in the MD&A of the Corporation's annual report for the fiscal year ended January 31, 2011. 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. The forward-looking statements set forth herein reflect our expectations as at the date of this MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

FIRST REPORTING YEAR UNDER IFRS

This quarterly report represents our third interim reporting under IFRS. This MD&A should be read in conjunction with our interim consolidated financial statements for the three- and nine-month periods ended October 31, 2011, prepared in accordance with IAS 34, *Interim financial reporting*, and IFRS 1, *First-time adoption of IFRS*, as issued by the IASB. The comparative figures as at January 31, 2011 and for the three- and nine-month periods ended October 31, 2010 have been restated to comply with IFRS. For details on the most significant adjustments to equity, net income, comprehensive income and cash flows, see our quarterly report for the three-month period ended April 30, 2011 and note 19 – Adoption of IFRS, to the interim consolidated financial statements.

OVERVIEW

HIGHLIGHTS

- Revenues of $4.6 billion, an increase of 16% compared to the same period last fiscal year.
- EBIT of $301 million, or 6.5% of revenues, compared to $250 million, or 6.3%, for the same period last fiscal year.
- Net income of $192 million (diluted EPS of $0.11), an increase of 31% compared to $147 million (diluted EPS of $0.08) for the same period last fiscal year.
- Free cash flow usage of $346 million, compared to a usage of $108 million for the same period last fiscal year.
- Cash position of $2.7 billion as at October 31, 2011, compared to $2.7 billion as at October 31, 2010 and $4.2 billion as at January 31, 2011.
- Strong order backlog of $55.3 billion as at October 31, 2011, compared to $52.7 billion as at January 31, 2011.

CONSOLIDATED ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Revenues	**$ 4,623**	$ 3,997	**$ 14,031**	$ 12,306
Cost of sales	**3,886**	3,342	**11,843**	10,319
Gross margin	**737**	655	**2,188**	1,987
SG&A	**373**	317	**1,100**	1,005
R&D	**74**	80	**196**	233
Other expense (income)	**(11)**	8	**(17)**	(29)
EBIT	**301**	250	**909**	778
Financing expense	**192**	182	**531**	519
Financing income	**(134)**	(121)	**(402)**	(349)
EBT	**243**	189	**780**	608
Income taxes	**51**	42	**157**	128
Net income	**$ 192**	$ 147	**$ 623**	$ 480
Attributable to:				
Equity holders of Bombardier Inc.	**$ 194**	$ 145	**$ 624**	$ 473
NCI	**$ (2)**	$ 2	**$ (1)**	$ 7
Basic and diluted EPS (in dollars)	**$ 0.11**	$ 0.08	**$ 0.35**	$ 0.26

Supplemental information

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
EBIT	**$ 301**	$ 250	**$ 909**	$ 778
Amortization	**93**	93	**258**	280
EBITDA	**$ 394**	$ 343	**$ 1,167**	$ 1,058

Revenues and EBIT margin

	Three-month periods ended October 31			Nine-month periods ended October 31		
	2011	2010	Increase (decrease)	**2011**	2010	Increase (decrease)
Revenues						
BA	**$ 2,305**	$ 1,829	26%	**$ 6,578**	$ 5,718	15%
BT	**$ 2,318**	$ 2,168	7%	**$ 7,453**	$ 6,588	13%
Consolidated	**$ 4,623**	$ 3,997	16%	**$ 14,031**	$ 12,306	14%
EBIT margin			Percentage points			Percentage points
BA	**5.6%**	5.4%	0.2	**5.7%**	5.8%	(0.1)
BT	**7.4%**	7.0%	0.4	**7.2%**	6.8%	0.4
Consolidated	**6.5%**	6.3%	0.2	**6.5%**	6.3%	0.2

A detailed analysis of results is provided in the Analysis of results sections in BA and BT.

Net financing expense
Net financing expense amounted to $58 million and $129 million for the three- and nine-month periods ended October 31, 2011, compared to $61 million and $170 million for the same periods last fiscal year.

The $3-million decrease for the three-month period is mainly due to:

- lower net financing expense related to retirement benefits ($12 million);
- higher interest income on cash and cash equivalents and loans and lease receivables ($7 million);
- lower accretion expense on other financial liabilities and provisions ($6 million); and
- lower expense related to changes in discount rate of provisions ($6 million).

Partially offset by:

- higher net financing expense related to certain financial instruments ($28 million), mainly as a result of fluctuations in interest rates.

The $41-million decrease for the nine-month period is mainly due to:

- lower net financing expense related to retirement benefits ($35 million); and
- higher interest income on cash and cash equivalents and loans and lease receivables ($16 million).

Partially offset by:

- higher net financing expense related to certain financial instruments ($23 million), mainly as a result of fluctuations in interest rates.

Income taxes
The effective income tax rate was 21.0% and 20.1%, respectively, for the three- and nine-month periods ended October 31, 2011, compared to the statutory income tax rate of 28.4%. The lower effective income tax rates are mainly due to the positive impact of the recognition of income tax benefits related to operating losses and temporary differences.

For the three- and nine-month periods ended October 31, 2010, the effective income tax rate was 22.2% and 21.1%, respectively, compared to the statutory income tax rate of 30.0%. The lower effective income tax rates were mainly due to the positive impact of the recognition of income tax benefits related to operating losses and temporary differences, partially offset by permanent differences.

LIQUIDITY AND CAPITAL RESOURCES

Reconciliation of segmented free cash flow to cash flows from operating activities

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Segmented free cash flow				
BA	**$ 53**	$ (209)	**$ (563)**	$ (757)
BT	**(347)**	98	**(988)**	(58)
Segmented free cash flow	**(294)**	(111)	**(1,551)**	(815)
Net income taxes and net interest paid(1)	**(52)**	3	**(271)**	(72)
Free cash flow usage	**(346)**	(108)	**(1,822)**	(887)
Add back: Net additions to PP&E and intangible assets	**393**	254	**1,084**	786
Cash flows from operating activities	**$ 47**	$ 146	**$ (738)**	$ (101)

(1) Not allocated to segments and include other adjustments.

Variation in cash and cash equivalents

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Balance as at beginning of period	**$ 3,226**	$ 2,776	**$ 4,195**	$ 3,372
Free cash flow usage	**(346)**	(108)	**(1,822)**	(887)
Proceeds from disposal of invested collateral	**-**	-	**705**	-
Dividends paid	**(50)**	(49)	**(155)**	(147)
Proceeds from issuance of long-term debt	**8**	42	**103**	1,525
Effect of exchange rate changes on cash and cash equivalents	**(27)**	123	**35**	68
Purchase of Class B shares held in trust under the PSU plan	**-**	(4)	**(58)**	(50)
Purchase of NCI	**(8)**	-	**(61)**	-
Repayments of long-term debt	**(5)**	(2)	**(13)**	(1,058)
Other	**(90)**	(53)	**(221)**	(98)
Balance as at end of period	**$ 2,708**	$ 2,725	**$ 2,708**	$ 2,725

Available short-term capital resources

	Cash and cash equivalents	**Available credit facility**	**Available short-term capital resources**
October 31, 2011	**$ 2,708**	**$ 750**	**$ 3,458**
January 31, 2011	$ 4,195	$ 500	$ 4,695

Our available short-term capital resources include cash and cash equivalents and the amount available under our unsecured revolving credit facility (undrawn since its inception in September 2009). This credit facility was renewed in June 2011 and matures in June 2014. The facility is available for cash drawings for the general needs of the Corporation. Under this facility, we must maintain the same financial covenants as for our BA letter of credit facility.

We consider that our available short-term capital resources of $3.5 billion as at October 31, 2011 combined with our expected cash flows from operating activities will enable the development of new products to enhance our competitiveness and support our growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable us to meet all other expected financial requirements in the near term.

Off-balance sheet facilities

In the normal course of our business, BT has set up factoring facilities in Europe, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €529 million ($741 million) were outstanding under such facilities as at October 31, 2011 (€248 million ($340 million) as at January 31, 2011). Trade receivables of €136 million ($190 million) and €398 million ($562 million), respectively, were sold to these facilities during the three- and nine-month periods ended October 31, 2011 (€88 million ($117 million) and €320 million ($426 million), respectively, during the three- and nine-month periods ended October 31, 2010).

FINANCIAL POSITION

	October 31 2011	January 31 2011	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance excluding foreign exchange	Explanation of major variances other than foreign exchange impact
Cash and cash equivalents	**$ 2,708**	$ 4,195	$ 35	$ (1,522)	See the Variation in cash and cash equivalents table and statements of cash flows
Trade and other receivables	**1,509**	1,377	16	116	$ 84 Higher level in BT 32 Higher level in BA
Gross inventories	**13,444**	11,355	64	2,025	$ 1,641 Due to the ramp-up of several BT contracts ahead of deliveries and delay experienced in deliveries for some rolling stock contracts 340 Mainly due to increase in BA pre-owned business aircraft inventories
Advances and progress billings related to long-term contracts	**(7,096)**	(6,469)	88	539	Mainly due to advances and milestone payments received on new orders and existing contracts
Advances on aerospace programs	**(4,288)**	(4,182)	-	106	Increase in advances due to business aircraft
Invested collateral	**-**	676	29	(705)	Collateral no longer required following renewal of the BA and BT letter of credit facilities
PP&E	**1,884**	1,878	13	(7)	$ 136 Net additions (139) Amortization
Aerospace program tooling	**2,886**	2,088	-	798	$ 868 Additions (70) Amortization
Goodwill	**2,398**	2,358	40	-	No variance
Deferred income tax asset	**1,405**	1,294	9	102	Mainly resulting from net actuarial losses on retirement benefits recorded in OCI
Other financial assets	**1,976**	1,809	14	153	$ 108 Increase in derivatives 52 Increase in investments in securities
Other assets	**1,156**	1,110	2	44	No significant variance
Trade and other payables	**(3,551)**	(3,246)	18	287	$ 248 Higher level in BA
Provisions	**(1,661)**	(1,812)	17	(168)	Mainly resulting from the utilization of credit guarantees, RVG and restructuring provisions as well as reversal of provisions mainly related to product warranties
Non-current portion of long-term debt	**(4,880)**	(4,645)	45	190	$ 90 Issuance of long-term debt, net 272 Effect of fair value hedges (154) Reclassification of long-term debt from non-current to current liabilities
Retirement benefit liabilities	**(2,890)**	(1,975)	17	898	See the Variation in net retirement benefit liabilities table
Other financial liabilities	**(1,048)**	(1,392)	15	(359)	$ (448) Decrease in derivatives (144) Decrease in sale and leaseback obligations 154 Reclassification of long-term debt from non-current to current liabilities
Other liabilities	**(2,922)**	(2,898)	18	6	$ 106 Increase in accruals for long-term contract costs (49) Decrease in income & other taxes payable (74) Decrease in other
Equity	**(1,030)**	(1,521)	not applicable	(491)	$ 623 Net income (845) OCI - Mainly due to net actuarial losses (155) Dividends (81) Purchase of the remaining NCI of a BT subsidiary in Poland (58) Purchase of shares related to PSU plans

CREDIT FACILITIES

The letter of credit facilities are only available for the issuance of letters of credit. As these facilities are unfunded commitments from banks, they typically provide a better pricing for the Corporation as compared to credit facilities that are available for cash drawings.

In May 2011 and June 2011, we renewed the BT and the BA letter of credit facilities, respectively.

Letter of credit facilities

	Amount committed	Letters of credit issued	Amount available	Maturity (calendar year)
October 31, 2011				
BT facility	**$ 4,760** [1]	**$ 3,595**	**$ 1,165**	**2016** [2]
BA facility	**600**	**241**	**359**	**2014** [3]
PSG facility	**900**	**412**	**488**	**2012** [4]
	$ 6,260	**$ 4,248**	**$ 2,012**	
January 31, 2011				
BT facility	$ 5,212 [1]	$ 3,633	$ 1,579	2013
BA facility	600	211	389	2011
PSG facility	900	352	548	2011 [4]
	$ 6,712	$ 4,196	$ 2,516	

(1) €3,400 million as at October 31, 2011 (€3,800 million as at January 31, 2011).
(2) The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment amount of the facility, plus a two year amortizing period during which new letters of credit cannot be issued. The final maturity date of the facility is May 2016. The facility can be extended in May 2012 and May 2013 each for an additional year subject to approval by a majority of the bank syndicate members.
(3) The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment of the facility. The facility can be extended annually on the anniversary date for an additional year subject to approval by a majority of the bank syndicate members.
(4) The performance security guarantee facility ("PSG facility") is renewed and extended annually if mutually agreed. In June 2011, the facility was extended until June 2012 and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

In June 2011, we also renewed our $500-million unsecured revolving credit facility which was to mature in August 2011. The new $750-million unsecured revolving credit facility matures in June 2014 and bears interest at the applicable base rate (LIBOR, in the case of a U.S. dollar drawing) plus a margin based on our credit ratings. These unsecured revolving credit facilities were unused since their inception.

Under the new BA and BT letter of credit facilities and our new unsecured revolving credit facility available for cash drawings, we must maintain various financial covenants including a requirement to maintain a minimum BT liquidity of €600 million ($840 million) at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. The financial covenants remained essentially the same under the new facilities but we are no longer required to provide invested collateral as security for the letter of credit facilities. As a result, the invested collateral required under the previous letter of credit facilities, amounting to €406 million ($584 million) for BT and $121 million for BA, has been released leading to a corresponding increase of liquidity during the second quarter of the current fiscal year. The financial covenants under these credit facilities were all met as at October 31, 2011 and January 31, 2011.

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation. Upon conversion to IFRS, we adjusted our global metrics to reflect the new IFRS figures, including the fact that the net retirement benefit deficit is now fully recognized on the statement of financial position. We also redefined adjusted net interest to reflect certain new accretion expenses under IFRS as well as adjusted debt to exclude the fair value of derivatives designated in fair value hedge relationships from the carrying value of long-term debt. Furthermore, since the beginning of the current fiscal year, we no longer monitor the capitalization metric.

The following global metrics do not represent the calculations required for bank covenants. For compliance purposes, we regularly monitor bank covenants to ensure that they are all met. However, our global metrics represent our key business metrics and as such are used to analyze our capital structure.

Our objective with regard to the global metrics is to manage and monitor them such that we can achieve an investment-grade profile, which among other considerations typically requires meeting the following ratios:

- adjusted EBIT to adjusted net interest ratio greater than 5.0; and
- adjusted debt to adjusted EBITDA ratio lower than 2.5.

Global metrics[(1)]

	October 31 2011	January 31 2011	**Explanation of major variances**
Interest coverage			
Adjusted EBIT[(2)]	**$ 1,360**	$ 1,226	Improved, mainly due to higher profitability in both operating segments.
Adjusted net interest[(2)]	**$ 235**	$ 259	
Adjusted EBIT to adjusted net interest ratio	**5.8**	4.7	
Financial leverage			
Adjusted debt	**$ 8,125**	$ 7,241	Deteriorated, mainly due to an increase in net retirement benefit liabilities (see table hereafter), partially offset by higher profitability in both operating segments.
Adjusted EBITDA[(2)]	**$ 1,758**	$ 1,647	
Adjusted debt to adjusted EBITDA ratio	**4.6**	4.4	

(1) Refer to the Non-GAAP financial measures section hereafter for definitions and reconciliations to the most comparable IFRS measures.
(2) For the four-quarter trailing periods.

The increase in adjusted debt is mainly due to the following variation:

Variation in net retirement benefit liabilities

Balance as at January 31, 2011	$	1,946
Changes in discount rates		838
Accretion expense on retirement benefit obligations		336
Employer contributions		(284)
Service costs		154
Changes in asset ceiling and additional liability		(121)
Actual losses on pension plan assets		30
Changes in foreign exchange rates		17
Other net actuarial gains		(50)
Balance as at October 31, 2011	**$**	**2,866**

NON-GAAP FINANCIAL MEASURES

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

Non-GAAP financial measures

EBITDA	Earnings before financing expense, financing income, income taxes and amortization.
Free cash flow	Cash flows from operating activities less net additions to PP&E and intangible assets.
Adjusted debt	Long-term debt adjusted for the fair value of derivatives designated in fair value hedge relationships plus net retirement benefit liability, sale and leaseback obligations and the net present value of operating lease obligations.
Adjusted EBIT	EBIT plus interest adjustment for operating leases.
Adjusted EBITDA	EBITDA plus amortization and interest adjustments for operating leases.
Adjusted net interest	Interest paid less interest received, as per the supplemental information provided in the consolidated statements of cash flows (adjusted, if needed, for the settlement of derivatives before their contractual maturity dates), plus accretion expense on sale and leaseback obligations, expected return on pension plan assets, accretion expense on retirement benefit obligations and interest adjustment for operating leases.

We believe that a significant number of users of our MD&A analyze our results based on these performance measures. These non-GAAP measures are mainly derived from the consolidated financial statements, but do not have a standardized meaning prescribed by IFRS; therefore, others using these terms may calculate them differently.

A reconciliation to the most comparable IFRS financial measures is provided in the table hereafter except for the following reconciliations:

- EBITDA to EBIT – see the respective Results of operations table in Aerospace and Transportation section; and
- free cash flow to cash flows from operating activities – see the Reconciliation of segmented free cash flow to cash flows from operating activities table before.

Reconciliation of adjusted debt to long-term debt

	October 31, 2011	January 31, 2011
Long-term debt	**$ 5,069**	$ 4,662
Adjustment for the fair value of derivatives designated in fair value hedge relationships	**(327)**	(35)
	4,742	4,627
Net retirement benefit liabilities	**2,866**	1,946
Sale and leaseback obligations	**72**	216
Operating lease obligations[1]	**445**	452
Adjusted debt	**$ 8,125**	$ 7,241

[1] Discounted using the average five-year U.S. Treasury notes plus the average credit spread, given our credit rating, for the corresponding periods.

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended	
	October 31, 2011	January 31, 2011
EBIT	**$ 1,336**	$ 1,205
Interest adjustment for operating leases[1]	**24**	21
Adjusted EBIT	**1,360**	1,226
Amortization adjustment for operating leases[2]	**49**	50
Amortization	**349**	371
Adjusted EBITDA	**$ 1,758**	$ 1,647

[1] Represents the interest cost of a debt equivalent to the amount included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related twelve-month periods, given our credit rating.
[2] Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

Reconciliation of adjusted net interest to net interest paid

	Four-quarter trailing periods ended	
	October 31, 2011	January 31, 2011
Interest paid	**$ 241**	$ 224
Interest received	**(45)**	(169)
Adjustment for the settlement of derivatives before their contractual maturity date	**-**	133
Adjusted net interest paid	**196**	188
Accretion expense on sale and leaseback obligations	**6**	6
Accretion expense on retirement benefit obligations	**436**	417
Expected return on pension plan assets	**(427)**	(373)
Interest adjustment for operating leases[1]	**24**	21
Adjusted net interest	**$ 235**	$ 259

[1] Represents the interest cost on a debt equivalent to the amount included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related twelve-month periods, given our credit rating.

AEROSPACE

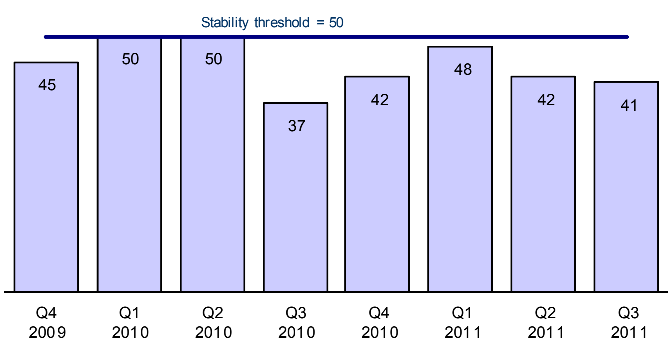
HIGHLIGHTS

- Revenues of $2.3 billion, a 26% increase compared to $1.8 billion for the same period last fiscal year.
- EBIT of $129 million, or 5.6% of revenues, compared to $98 million, or 5.4%, for the same period last fiscal year.
- Free cash flow of $53 million, compared to a usage of $209 million for the same period last fiscal year.
- Net additions to PP&E and intangible assets of $356 million, compared to $227 million for the same period last fiscal year.
- 68 aircraft deliveries, compared to 51 for the same period last fiscal year.
- 34 net orders, compared to 23 for the same period last fiscal year.
- Order backlog of $22.3 billion as at October 31, 2011, an increase of 16% compared to $19.2 billion as at January 31, 2011.
- Subsequent to the end of the third quarter, we signed a memorandum of understanding with the Government of the Kingdom of Morocco for the establishment of a manufacturing facility in Morocco.

BUSINESS ENVIRONMENT

We are closely monitoring the economic uncertainty and market volatility in the U.S. and Europe and the possible impact these may have on our business. The sovereign debt of certain countries in the Eurozone is still creating an uncertain economic environment.

UBS BUSINESS JET MARKET INDEX [1]
(calendar quarters) (average, on a 100-point scale)



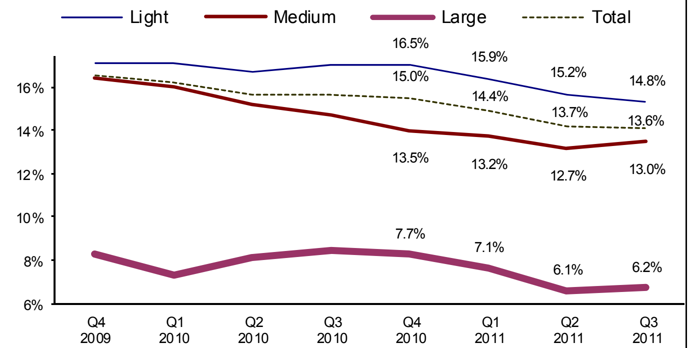
Source: UBS

(1) The UBS Business Jet Market Index is a measure of market confidence from industry professionals, gathered through bi-monthly surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.

Business aircraft

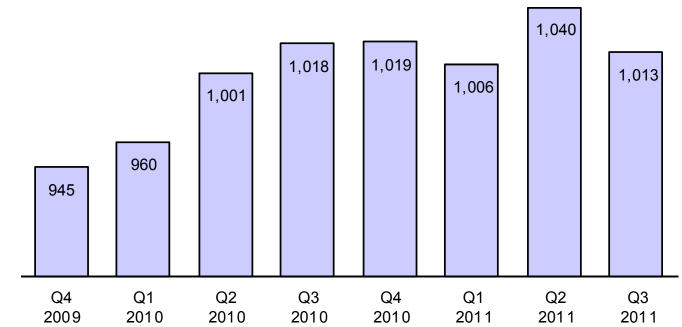
Business jet indicators are mixed and several challenges remain. The UBS Business Jet Market Index, which measures the industry confidence, had increased in the beginning of the year to just under the threshold of market stability, but decreased during the second and third quarters of calendar year 2011. Furthermore, business jet utilization in the U.S. decreased in the third quarter of calendar year 2011. On the positive side, based on delivery data submitted to the General Aviation Manufacturers Association ("GAMA"), in the business aircraft market categories in which we compete, there has been a 38% increase in business aircraft shipments and a 32% increase in total billings for the three-month period ended September 30, 2011 compared to the same period last year. The number of pre-owned aircraft available for sale as a percentage of the total in-service fleet continued an overall downward trend over the past four consecutive calendar quarters to reach 13.6% in September 2011. Nevertheless, the level of pre-owned business aircraft in the light category remains high at 14.8% of the total in-service fleet in September 2011, although the level has decreased by 1.7 percentage points since the beginning of the calendar year. Levels of large pre-owned business aircraft remained at a low level, at 6.2% of the total in-service fleet in September 2011.

PRE-OWNED BUSINESS JET INVENTORY
(in percentage of business jet fleet, excluding very light jets)



Source: JETNET and Ascend Online

U.S. BUSINESS JET UTILIZATION
(calendar quarters) (all business jets) (in thousands of departures and arrivals)

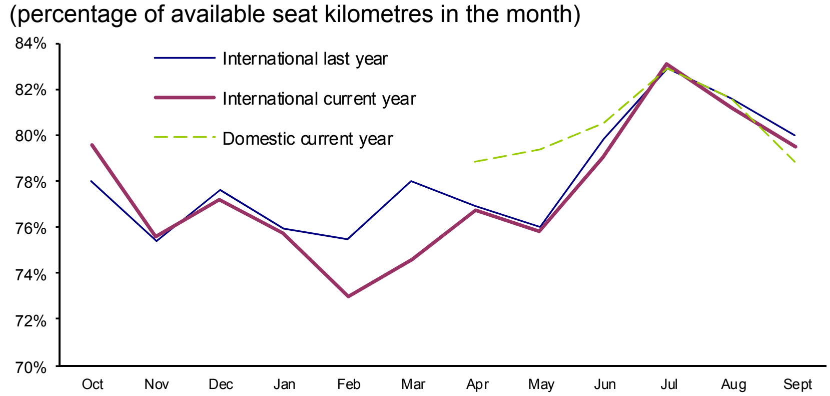


Source: Federal Aviation Administration (FAA) website

Commercial aircraft

For the commercial aircraft market, the September 2011 Air Transport Market Analysis report issued by the International Air Transport Association ("IATA") indicates that air travel markets rose strongly in September 2011 to the levels reached in July, following a dip in August. Scheduled international and domestic air travel, measured by revenue passenger kilometres ("RPK"), was 7.5% and 4.4% higher, respectively, for the nine-month period ended September 30, 2011 as compared to the same period a year ago. The strongest performances were registered by airlines in Latin America and in Europe, despite the economic concerns in the Eurozone. Commercial airlines worldwide achieved an international and domestic passenger load factor of 79.5% and 78.8%, respectively, in September 2011, with the highest international load factors recorded in North America and Europe. This is a good level of seat utilization by historic standards. In domestic air travel markets, strong growth was experienced in China and India, with Chinese airlines now achieving the highest domestic load factors. For the remainder of the year, IATA is expecting a general slowing in traffic growth compared to last year's RPK measures.

PASSENGER LOAD FACTOR
(percentage of available seat kilometres in the month)



Passenger load factor is defined as RPK divided by available seat kilometres. RPK is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported one kilometre. Available seat kilometres are measured as one seat carried for one kilometre, whether a passenger occupied it or not.
Source: IATA statistics for international and domestic air travel. Domestic data is not available for previous periods.

In its September 2011 Financial Forecast, IATA updated its 2011 forecast for the commercial airline industry to a net profit of $6.9 billion from $4 billion projected in their June 2011 forecast, due to a stronger than expected air travel expansion in the first half of the year and improved asset utilization by airlines in the second quarter. This compares to the $16 billion that the airlines earned in calendar year 2010. IATA's forecast is built around global projected GDP growth of 2.5% in 2011 and 2.4% in 2012. In its first outlook for calendar year 2012, IATA is projecting profits of $4.9 billion, as the overall weak industry outlook is expected to continue into the next year. Per IATA, debt-burdened Western economies look set for, at best, an extended period of weak economic growth. While developing economies look to be in much better shape, the prospects of industry growth are limited because the majority of air transport markets are still linked with those of developed nations. IATA also maintained their forecast for oil prices in calendar year 2011 at $110 a barrel, compared to the $79.4 average price in calendar year 2010. The financial performance of the airline industry is closely linked to the health of world economies. Per IATA, if economic growth is strong, airlines can cope with high fuel prices. However, whenever economic growth has slowed below 2%, the airline industry has suffered losses. In the long term, we believe the higher price of oil will drive airlines to accelerate the retirement of older, less efficient aircraft, increasing the demand for new-technology, more fuel-efficient aircraft.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Revenues				
Manufacturing				
Business aircraft	**$ 1,103**	$ 794	**$ 3,064**	$ 2,659
Commercial aircraft	**526**	431	**1,480**	1,177
Other	**136**	142	**403**	399
Total manufacturing revenues	**1,765**	1,367	**4,947**	4,235
Services[(1)]	**410**	376	**1,240**	1,142
Other[(2)]	**130**	86	**391**	341
Total revenues	**2,305**	1,829	**6,578**	5,718
Cost of sales	**1,978**	1,571	**5,638**	4,860
Gross margin	**327**	258	**940**	858
SG&A	**172**	135	**489**	441
R&D	**38**	45	**95**	133
Other income[(3)]	**(12)**	(20)	**(19)**	(48)
EBIT	**129**	98	**375**	332
Amortization[(4)]	**57**	62	**156**	187
EBITDA	**$ 186**	$ 160	**$ 531**	$ 519
(as a percentage of total revenues)				
Gross margin	**14.2%**	14.1%	**14.3%**	15.0%
EBIT	**5.6%**	5.4%	**5.7%**	5.8%
EBITDA	**8.1%**	8.7%	**8.1%**	9.1%

(1) Includes revenues from parts services, Flexjet fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training), Specialized Aircraft Solutions and Military Aviation Training.
(2) Includes mainly sales of pre-owned aircraft.
(3) Includes net gain on certain financial instruments measured at fair value and changes in estimates related to certain provisions, excluding the loss (gain) arising from a change in interest rates; severance and other involuntary termination costs (including changes in estimates); share of income of associates; and gains on disposals of PP&E.
(4) Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset.

Total aircraft deliveries

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)	**2011**	2010	**2011**	2010
Business aircraft				
Excluding those of the Flexjet fractional ownership program	**43**	30	**114**	99
Flexjet fractional ownership programs[(1)]	**-**	1	**1**	1
	43	31	**115**	100
Commercial aircraft	**24**	19	**67**	53
Amphibious aircraft	**1**	1	**3**	3
	68	51	**185**	156

(1) An aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model has been sold to external customers through Flexjet, or when a whole aircraft has been sold to external customers through the *Flexjet* One program.

Manufacturing revenues
The $398-million increase for the three-month period is mainly due to higher revenues:
- for business aircraft, mainly due to higher deliveries and higher net selling prices ($309 million); and
- for commercial aircraft, mainly due to higher deliveries ($95 million).

The $712-million increase for the nine-month period is mainly due to higher revenues:
- for business aircraft, mainly due to higher deliveries and higher net selling prices ($405 million); and
- for commercial aircraft, mainly due to higher deliveries ($303 million).

Services revenues
The $34-million increase for the three-month period is mainly due to higher revenues from parts services, mainly due to higher volume ($22 million).

The $98-million increase for the nine-month period is mainly due to:
- higher revenues from parts services, mainly due to higher volume ($63 million); and
- higher aircraft maintenance revenues due to higher activities for business and commercial aircraft ($27 million).

Other revenues
The $44-million and $50-million increases for the three- and nine-month periods are mainly due to:
- higher deliveries of pre-owned business aircraft ($77 million and $96 million for the three- and nine-month periods).

Partially offset by:
- lower deliveries of pre-owned commercial aircraft ($27 million for the three- and nine-month periods).

EBIT margin
The 0.2 percentage-point increase for the three-month period is mainly due to:
- higher net selling prices for business aircraft and a favourable mix of business aircraft deliveries; and
- lower R&D expenses.

Partially offset by:
- lower liquidated damage payments from customers upon cancellation of orders; and
- reduction in other income, mainly due to a net negative variance resulting from financial instruments carried at fair value.

The 0.1 percentage-point decrease for the nine-month period is mainly due to:
- lower liquidated damage payments from customers upon cancellation of orders;
- higher cost of sales per unit, mainly due to price escalation of materials; and
- reduction in other income, mainly due to a net negative variance resulting from financial instruments carried at fair value and a gain on disposals of PP&E recorded in the nine-month period ended October 31, 2010.

Partially offset by:
- higher net selling prices for business aircraft and a favourable mix of business aircraft deliveries; and
- lower R&D expenses, mainly due to lower amortization of program tooling as a result of the change from a straight-line amortization method to a method based on units produced.

FREE CASH FLOW

Free cash flow

		Three-month periods ended October 31			Nine-month periods ended October 31
		2011	2010	**2011**	2010
EBIT	**$**	**129**	98	**$ 375**	$ 332
Amortization		**57**	62	**156**	187
EBITDA		**186**	160	**531**	519
Other non-cash items:					
Gains on disposals of PP&E		**-**	-	**-**	(8)
Share-based expense		**7**	7	**16**	17
Net change in non-cash balances related to operations		**216**	(149)	**(122)**	(560)
Net additions to PP&E and intangible assets		**(356)**	(227)	**(988)**	(725)
Free cash flow (usage)	**$**	**53**	(209)	**$ (563)**	$ (757)

The $262-million increase for the three-month period is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($365 million) (see explanation below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($129 million), due to our significant investments in new products.

The $194-million increase for the nine-month period is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($438 million) (see explanation below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($263 million), due to our significant investments in new products.

Net change in non-cash balances related to operations

For the three-month period ended October 31, 2011, the $216-million cash inflow is mainly due to an increase in advances on aerospace programs for business aircraft.

For the three-month period ended October 31, 2010, the $149-million cash outflow was mainly due to:

- an increase in inventories; and
- a decrease in advances on aerospace programs, resulting mainly from higher deliveries than orders received for regional jets and turboprops.

For the nine-month period ended October 31, 2011, the $122-million cash outflow is mainly due to:

- an increase in inventories, mainly due to an increase in pre-owned business aircraft inventories.

Partially offset by:

- an increase in trade and other payables.

For the nine-month period ended October 31, 2010, the $560-million cash outflow was mainly due to:

- an increase in inventories, mainly for commercial aircraft due to the delivery profile of these aircraft in the fiscal year ended January 31, 2011;
- a decrease in advances on aerospace programs, resulting mainly from higher deliveries than orders received for business aircraft; and
- an increase in aircraft loans and lease receivables, included in other financial assets.

Partially offset by:

- an increase in other liabilities.

PRODUCT DEVELOPMENT

Investment in product development

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Program tooling[1]	**$ 316**	$ 197	**$ 868**	$ 602
R&D expense[2]	**9**	14	**25**	39
	$ 325	$ 211	**$ 893**	$ 641
As a percentage of manufacturing revenues	**18.4%**	15.4%	**18.1%**	15.1%

(1) Capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $29 million and $70 million, respectively, for the three- and nine-month periods ended October 31, 2011 ($31 million and $94 million, respectively, for the three- and nine-month periods ended October 31, 2010), as the related costs are already included in program tooling.

Our program tooling additions essentially relate to the development of the *CSeries* family of aircraft, the *Learjet 85* aircraft, the *Global Vision* program, as well as the *Global 7000* and *Global 8000* aircraft program.

Commercial aircraft

CSeries – The program is in the detailed design phase.

The PW1524G engine has completed its first flight test program logging 25 flights with 115 flight hours, and completed more than 1,000 hours for full engine testing, demonstrating the geared architecture's benefits of low fuel consumption and lower noise. In addition, the first test pylon, which is part of the structure used to mount the aircraft's engines to the wing and house fuel and hydraulic lines, was completed by a supplier and will be used in future testing.

During the third quarter of the current fiscal year, the final results of a three-phase wind tunnel test program provided further validation of the *CSeries* aircraft's aerodynamic design and fuel efficiency.

In Belfast, installation of semi-automated jigs is underway in the second phase of the new 56,000 sq. m. (600,000 sq. ft.) facility where manufacturing and assembly of the advanced composite wings of the aircraft will take place.

The first systems continue to be developed and tested at partners and vendors in Canada, the U.S. and Europe prior to delivery to our Complete Integrated Aircraft Systems Test Area ("CIASTA"). The testing of the fuselage barrel section, built by Shenyang Aircraft Corporation (SAC) from China, was completed in July 2011 on schedule, and was subjected to 180,000 simulated flights (cycles). The CIASTA is the first site at the Mirabel plant developed for the *CSeries* aircraft program. Installation of system rigs is currently underway, with some parts, including the engine accessory gearbox and flight deck controls, already at the CIASTA.

At the Saint-Laurent components plant, more than 9,000 sq. m. (100,000 sq. ft.) have been upgraded to support production of some of the program's major components. The assembly process will include a fully automated moving line using the latest lean manufacturing principles, and the upgrades include new machinery, equipment and tooling. The demonstrator aft fuselage (in advanced carbon fibre) was successfully completed at the plant. In the second quarter of the current fiscal year, two robots have been delivered to the plant and will be used to fuse together the cockpit with the front section of the fuselage.

To reduce the cycle time required to assemble a larger and more complex aircraft, we are introducing advanced processes to ensure that high quality parts are received at the plant on time. Aligned with this strategy, we have trained all the targeted suppliers for advanced quality planning and advanced logistics methodologies. Our focus is now on the implementation of these methodologies with our suppliers.

Business aircraft

Learjet 85 – The program is in the product definition release phase.

Bombardier development and production teams in Wichita, Montréal, Belfast and Querétaro are actively engaged in manufacturing activities and manufacturing of the first flight test aircraft.

All our suppliers have started the manufacturing of components, with approximately 50% of supplier test rigs operational and the balance planned to be operational over the next six months. These test rigs are used to ensure the reliability of systems (a collection of components) prior to shipment of flight worthy parts to the final assembly line in Wichita.

As part of the Bombardier composite structural technology readiness program, over 12,000 test pieces have been produced and tested to date. The first U.S. Federal Aviation Administration ("FAA") structural certification test project was successfully completed.

The Belfast site, which is responsible for detailed design and manufacturing of the wing planks and spar structures (main structural member of the wing), has successfully manufactured the first production wing spars and planks using Resin Transfer Infusion (RTI) technology.

The Querétaro facility, in which manufacturing and assembly of the major composite structures will take place, is operational with production tooling in place. Manufacture of the first flight test vehicle major structural assemblies has commenced.

Construction of the Wichita final assembly line facility, a part of our initial phase of the Wichita site expansion, is complete and the site is ready for the start of final assembly. Phase two of the expansion plan, which includes building a new production flight facility, is scheduled to begin in calendar year 2012, while phase three — the paint facility and new delivery centre — is on track to be completed in calendar year 2013.

Global 7000* and *Global 8000 – In May 2011, we announced suppliers for two major structural packages and six systems. In addition, we selected seven new suppliers for the avionics system and primary flight control computer, the hydraulics system and fly-by-wire control technology, the main and nose landing gear system, the wheels and braking system, the air management system, the water and waste system, and the ducting system. The awarding of these contracts to renowned aerospace companies, who will design and manufacture key systems, is an important milestone in the program development.

We have confirmed that we will design and manufacture the forward fuselage, aft fuselage and empennage internally for these two aircraft. Final assembly of the *Global 7000* and *Global 8000* jets will take place at the Toronto manufacturing site, interior completion will take place at the *Global* Completion Centre in Montréal and the aft fuselage will be built in Querétaro.

***Global Vision* Flight Deck** – In the second quarter of the current fiscal year, the *Global Vision* flight deck was granted certification from Transport Canada (TC). The new avionics suite has been integrated on the *Global 5000* and *Global 6000* final assembly line, and production is taking place in Toronto and Montréal. Twenty production aircraft featuring the *Global Vision* flight deck are in completion, and 900 hours of flight testing have been completed to date. Certification from the FAA and the European Aviation Safety Agency (EASA) are progressing and are in line to support entry-into-service for early calendar year 2012.

Carrying amount of program tooling

	October 31, 2011	January 31, 2011
Business aircraft		
Learjet Series	**$ 753**	$ 486
Challenger Series	**146**	165
Global Series	**280**	188
Commercial aircraft		
CRJ Series	**490**	503
CSeries	**1,217**	746
	$ 2,886	$ 2,088

AIRCRAFT DELIVERIES

Business aircraft deliveries

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)	**2011**	2010	**2011**	2010
Light business jets				
Learjet 40/40 XR/Learjet 45/45 XR	**1**	5	**7**	13
Learjet 60 XR	**7**	3	**13**	6
Medium business jets				
Challenger 300	**12**	7	**26**	20
Challenger 605	**10**	3	**28**	21
Challenger 800 Series	**-**	2	**3**	7
Large business jets				
Global 5000/Global Express XRS	**13**	11	**38**	33
	43	31	**115**	100

According to the latest GAMA report dated November 7, 2011, we continue to be the business aircraft industry leader in the first nine months of calendar year 2011, in terms of revenues and units delivered in the business aircraft market categories in which we compete. Based on delivery data submitted to GAMA for these market categories, our business aircraft market share in units delivered amounts to 33% for the nine-month period ended September 30, 2011, compared to 32% for the same period last calendar year. Our business aircraft market share in revenues amounts to 37% for the nine-month period ended September 30, 2011, compared to 35% for the same period last calendar year.

Commercial aircraft deliveries

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)	**2011**	2010	**2011**	2010
Regional jets				
CRJ700 NextGen	**3**	6	**10**	12
CRJ900 NextGen	**2**	3	**10**	7
CRJ1000 NextGen	**4**	-	**8**	-
Turboprops				
Q400/Q400 NextGen	**15**	10	**39**	34
	24	19	**67**	53

ORDERS AND BACKLOG

Total aircraft net orders

	October 31, 2011			October 31, 2010		
	Gross orders	**Cancellations**	**Net orders**	Gross orders	Cancellations	Net orders
Three-month periods ended						
Business aircraft (including those of the Flexjet fractional ownership program)	**38**	**(8)**	**30**	27	(14)	13
Commercial aircraft	**4**	**-**	**4**	12	(2)	10
	42	**(8)**	**34**	39	(16)	23
Nine-month periods ended						
Business aircraft (including those of the Flexjet fractional ownership program)	**179**	**(29)**	**150**	75	(42)	33
Commercial aircraft	**52**	**-**	**52**	85	(5)	80
Amphibious aircraft	**4**	**-**	**4**	-	-	-
	235	**(29)**	**206**	160	(47)	113

Business aircraft

In the three- and nine-month periods ended October 31, 2011, we continued to experience an increasing level of business aircraft orders, mainly in medium and large business jets, with 30 and 150 net orders, respectively, compared to 13 and 33 net orders, respectively, for the same periods last fiscal year.

The following significant orders were received during the nine-month period ended October 31, 2011:

Customer	**Firm order**	**Options**	**Value of firm order based on list prices**
NetJets Inc.	30 *Global 5000* and *Global 6000* 20 *Global 7000* and *Global 8000*	70 aircraft of the *Global* family	$2.8 billion[(1)]
VistaJet (Switzerland)	10 *Global 8000*	-	$650 million
AVWest (Australia)	2 *Global 7000* 2 *Global 8000*	-	$265 million
Undisclosed customer	3 *Challenger* 3 *Global*	-	$255 million

(1) This is the largest business aircraft order in our history. Based on list prices, the order value could increase to $6.7 billion if all options are exercised.

Commercial aircraft

Commercial aircraft net orders

	Three-month periods ended October 31		Nine-month periods ended October 31	
(in units)	**2011**	2010	**2011**	2010
Regional jets				
CRJ900 NextGen	**-**	6	**3**	14
Commercial jets				
CS100	**-**	-	**28**	-
CS300	**-**	-	**15**	40
Turboprops				
Q400 NextGen	**4**	4	**6**	26
	4	10	**52**	80

The economic uncertainties in the U.S. and Europe are having a negative impact on order intake for regional jets and turboprops.

The following significant orders were received during the nine-month period ended October 31, 2011:

Customer	Firm order	Options	Value of firm order based on list prices
Korean Air	10 *CS300*	10 *CS300*	$719 million
Braathens Leasing Limited, a member of Braathens Aviation (Sweden)	5 *CS100* 5 *CS300*	10 *CSeries*	$665 million
Undisclosed European customer	10 *CS100*	-	$628 million
Undisclosed customer(1)	10 *CS100*	6 *CS100*	$616 million
Undisclosed customer	3 *CS100*	3 *CS100*	$186 million
Luxair Luxembourg Airlines	4 *Q400 NextGen*	4 *Q400 NextGen*	$126 million

(1) The operator taking delivery of the first *CSeries* aircraft.

Book-to-bill ratio(1)

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Business aircraft	**0.7**	0.4	**1.3**	0.3
Commercial aircraft	**0.2**	0.5	**0.8**	1.5
Total	**0.5**	0.5	**1.1**	0.7

(1) Defined as net orders received over aircraft deliveries, in units.

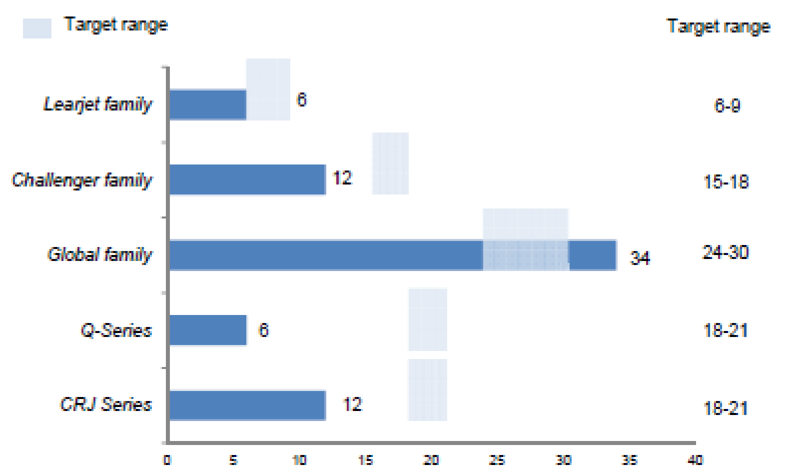
For the nine-month period, the book-to-bill ratio mainly reflects the positive impact of orders received for our new programs under development. The book-to-bill ratio for commercial aircraft for the nine-month periods ended October 31, 2011 mainly reflects the orders received for the *CSeries* family of aircraft. The book-to-bill ratio of 1.3 for business aircraft for the nine-month period ended October 31, 2011 is mainly due to significant orders received for large business aircraft.

Total order backlog

(in billions of dollars)		October 31, 2011		January 31, 2011
Aircraft programs	**$**	**21.6**	$	18.4
Military Aviation Training		**0.7**		0.8
	$	**22.3**	$	19.2

The order backlog as at October 31, 2011 increased by 16% compared to January 31, 2011. This is mainly due to an increase in large business aircraft and *CSeries* family of aircraft orders, partially offset by a lower order backlog for turboprops and regional jets. We continue to closely monitor our order backlog, including our production horizon for our programs, and to align our production rates to reflect market demand.

ORDER BACKLOG IN MONTHS OF PRODUCTION
(as at October 31, 2011)



The number of months in production is calculated by dividing the order backlog in units as at October 31, 2011 for each family of aircraft (excluding *Learjet 85, Global 7000* and *Global 8000* aircraft and orders received by Flexjet) by the number of aircraft delivered in the prior 12 months under IFRS, converted into an equivalent number of months.

Our order backlog in months of production provides insight on the depth of our order backlog based on the last 12-month production rates. This metric is not forward looking, and does not take into account the ability of our customers to take delivery of the aircraft and the timing of such delivery.

Commercial aircraft order backlog and options

	October 31, 2011		January 31, 2011	
	Firm orders	**Options**	Firm orders	Options
Regional jets				
CRJ700 NextGen	**9**	**2**	19	2
CRJ900 NextGen	**11**	**27**	18	93
CRJ1000 NextGen	**32**	**4**	40	4
Commercial jets				
CS100	**61** (1)	**47**	33 (2)	33
CS300	**72** (1)	**72**	57 (2)	57
Turboprops				
Q400/Q400 NextGen	**29**	**123**	62	124
	214	**275**	229	313

(1) Total of 133 orders includes 79 firm orders with conversion rights to the other *CSeries* aircraft model.
(2) Total of 90 orders includes 60 firm orders with conversion rights to the other *CSeries* aircraft model.

INDUSTRIAL STRATEGY

In November 2011, we signed a memorandum of understanding with the Government of the Kingdom of Morocco for the establishment of a manufacturing facility in Morocco. The exact location of the site will be announced at a later date. Starting in 2012, we intend to invest approximately $200 million in equipment, buildings and start-up costs in this country over the next eight years.

Our new Moroccan facility will initially consist of sub-assembly capabilities for simple structures and is scheduled to start manufacturing in 2013. Details on the type of components to be manufactured will be finalized in the coming months.

TRANSPORTATION

HIGHLIGHTS

- Revenues of $2.3 billion, compared to $2.2 billion for the same period last fiscal year.
- EBIT of $172 million, or 7.4% of revenues, compared to $152 million, or 7.0%, for the same period last fiscal year.
- Free cash flow usage of $347 million, compared to a free cash flow of $98 million for the same period last fiscal year.
- $1.6 billion in new orders, compared to $3.7 billion for the same period last fiscal year. On a year-to-date basis, we obtained $6.7 billion in new orders resulting in a book-to-bill ratio of 0.9.
- Order backlog of $33.0 billion as at October 31, 2011, a level similar to January 31, 2011.

BUSINESS ENVIRONMENT

The value of orders in the transportation industry slowed down following large orders placed in previous quarters, though the number of orders remains robust. Indicators of rail ridership show continued growth and high oil prices should continue to foster a shift to rail transportation.

The economies of India and China continue to grow at a fast pace, while in Brazil GDP growth has stabilized at a lower rate when compared to the same period last year. Overall, the business environment for rail transportation in developing markets continues to be positive.

We are closely monitoring the general economic uncertainty, but at this point we do not see any trend towards a shift of planned tenders.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Revenues				
Rolling stock[2]	**$ 1,573**	$ 1,535	**$ 5,323**	$ 4,669
Services[3]	**387**	317	**1,043**	945
System and signalling[4]	**358**	316	**1,087**	974
Total revenues	**2,318**	2,168	**7,453**	6,588
Cost of sales	**1,908**	1,771	**6,205**	5,459
Gross margin	**410**	397	**1,248**	1,129
SG&A	**201**	182	**611**	564
R&D	**36**	35	**101**	100
Other expense[5]	**1**	28	**2**	19
EBIT	**172**	152	**534**	446
Amortization[6]	**36**	31	**102**	93
EBITDA	**$ 208**	$ 183	**$ 636**	$ 539
(as a percentage of total revenues)				
Gross margin	**17.7%**	18.3%	**16.7%**	17.1%
EBIT	**7.4%**	7.0%	**7.2%**	6.8%
EBITDA	**9.0%**	8.4%	**8.5%**	8.2%

(1) The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of the euro and other European currencies compared to the U.S. dollar negatively affects revenues and positively affects expenses, while higher exchange rates would have the opposite impact (defined as "negative currency impact" and "positive currency impact"). See the Foreign exchange rates section in Other for the average exchange rates used to translate revenues and expenses.
(2) Comprised of revenues from light rail vehicles, metro cars, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, as well as bogies.
(3) Comprised of fleet maintenance, refurbishment and overhaul, as well as material solutions revenues.
(4) Excludes the rolling stock portion of system orders manufactured by our other divisions.
(5) Includes severance and other involuntary termination costs (including changes in estimates), share of income of associates, gains on disposals of PP&E, impairment of PP&E and loss related to flooding of BT Bautzen site.
(6) Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset.

Revenues by geographic region

	Three-month periods ended October 31				Nine-month periods ended October 31			
	2011		2010		**2011**		2010	
Europe	**$ 1,497** [1]	**65%**	$ 1,353	63%	**$ 4,808** [1]	**64%**	$ 4,286	65%
Asia-Pacific[2]	**265** [1]	**11%**	420	19%	**1,187** [1]	**16%**	1,149	17%
North America	**317**	**14%**	301	14%	**1,023**	**14%**	913	14%
Other	**239**	**10%**	94	4%	**435**	**6%**	240	4%
	$ 2,318	**100%**	$ 2,168	100%	**$ 7,453**	**100%**	$ 6,588	100%

(1) Amounts include a positive currency impact of $85 million in Europe and $7 million in Asia-Pacific for the three-month period ended October 31, 2011 ($401 million and $53 million, respectively, for the nine-month period ended October 31, 2011).
(2) The reduction in Asia-Pacific is mainly related to the phasing out of some existing contracts ahead of the ramping-up of new contracts.

Rolling stock revenues

The $38-million increase for the three-month period reflects a positive currency impact ($64 million). Excluding this currency impact, revenues decreased by $26 million. This is mainly explained by lower activities due to phasing out of existing contracts ahead of ramping-up production on new contracts:

- in commuter and regional trains, mainly in Europe and Asia ($147 million);
- in propulsion and controls in Asia and Europe ($63 million); and
- in metro cars in Asia ($58 million).

Partially offset by higher activities due to the ramp-up of production on existing contracts and new orders:

- in light rail vehicles in Europe ($64 million);
- in locomotives in Europe ($44 million);
- in commuter and regional trains in region Other ($40 million);
- in mass transit in North America ($37 million); and
- in intercity, high speed and very high speed trains in Europe ($28 million).

The $654-million increase for the nine-month period is mainly explained by higher activities due to the ramp-up of production on existing contracts and new orders:

- in metro cars in Europe ($204 million);
- in intercity, high speed and very high speed trains in Europe and Asia ($91 million);
- in mass transit and locomotives in North America ($81 million);
- in commuter and regional trains in region Other ($42 million); and
- in locomotives in Europe ($20 million).

Partially offset by lower activities due to phasing out of existing contracts ahead of ramping-up production on new contracts:

- in commuter and regional trains in Asia and Europe ($76 million);
- in propulsion and controls in Europe and Asia ($73 million);
- in metro cars in Asia ($37 million); and
- in light rail vehicles in Europe ($30 million).

The increase also reflects a positive currency impact ($330 million).

Services revenues
The $70-million increase for the three-month period is mainly due to:

- higher activities in Europe ($51 million); and
- a positive currency impact ($16 million).

The $98-million increase for the nine-month period is due to:

- a positive currency impact ($69 million); and
- higher activities in Europe and in region Other ($45 million).

Partially offset by:

- lower activities in North America ($16 million).

System and signalling revenues
The $42-million increase for the three-month period is mainly due to:

- the ramp-up of production on existing contracts and new orders in systems in region Other ($51 million); and
- higher activities in signalling in Asia ($17 million).

Partially offset by lower activities:

- in systems in Asia, North America and Europe ($30 million); and
- in signalling in Europe, North America and region Other ($7 million).

The increase also reflects a positive currency impact ($10 million).

The $113-million increase for the nine-month period is due to:

- the ramp-up of production on existing contracts and new orders in systems in region Other and North America ($66 million); and
- higher activities in signalling in Asia, region Other and North America ($37 million).

Partially offset by lower activities:

- in systems in Europe and Asia ($40 million); and
- in signalling in Europe ($13 million).

The increase also reflects a positive currency impact ($63 million).

EBIT margin
The EBIT margin for the three-month period increased by 0.4 percentage point. Excluding the impact of last year's non-recurring items (see explanation below), the EBIT margin decreased by 0.9 percentage point mainly as a result of:

- a lower gross margin due to execution issues in certain projects; and
- higher SG&A expenses.

Partially offset by:

- a lower net loss related to foreign exchange fluctuations and certain financial instruments carried at fair value recorded in cost of sales.

The EBIT margin for the nine-month period increased by 0.4 percentage point. Excluding the impact of last year's non-recurring items (see explanation below), the EBIT margin remained unchanged as the higher absorption of SG&A and R&D expenses was offset by a lower gross margin due to execution issues in certain projects.

For the three- and nine-month periods ended October 31, 2010, the EBIT margin was negatively impacted by the following non-recurring items recorded in other expense:

- by 0.9% and 0.3%, respectively, due to a $20 million loss in connection with the flooding of our site in Bautzen, Germany; and
- by 0.4% and 0.1%, respectively, due to a $8 million impairment of real estate as a result of the continued effort to optimize our footprint especially in Europe.

FREE CASH FLOW

Free cash flow

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
EBIT	**$ 172**	$ 152	**$ 534**	$ 446
Amortization	**36**	31	**102**	93
EBITDA	**208**	183	**636**	539
Other non-cash items:				
Gains on disposals of PP&E	**(1)**	-	**(1)**	(2)
Share-based expense	**7**	6	**16**	17
Impairment charge	**-**	8	**-**	8
Net change in non-cash balances related to operations	**(524)**	(72)	**(1,543)**	(559)
Net additions to PP&E and intangible assets	**(37)**	(27)	**(96)**	(61)
Free cash flow (usage)	**$ (347)**	$ 98	**$ (988)**	$ (58)

The $445-million decrease for the three-month period is mainly due to a negative period-over-period variation in net change in non-cash balances related to operations ($452 million) (see explanations below).

The $930-million decrease for the nine-month period is mainly due to a negative period-over-period variation in net change in non-cash balances related to operations ($984 million) (see explanations below), partially offset by a higher EBITDA ($97 million).

Net change in non-cash balances related to operations
For the three-month period ended October 31, 2011, the $524-million cash outflow is mainly due to:

- an increase in inventories due to the ramp-up of several contracts ahead of deliveries and delays experienced in deliveries for some rolling stock contracts; and
- the impact of settlements of derivative financial instruments used in roll-forward cash flow hedge relationships.

For the three-month period ended October 31, 2010, the $72-million cash outflow was mainly due to an increase in inventories partially offset by advances and milestone payments received on new orders and existing contracts.

For the nine-month period ended October 31, 2011, the $1,543-million cash outflow is mainly due to:

- an increase in inventories due to the ramp-up of several contracts ahead of deliveries and delays experienced in deliveries for some rolling stock contracts; and
- the impact of settlements of derivative financial instruments used in roll-forward cash flow hedge relationships.

Partially offset by:

- higher advances and progress billings on new orders and existing contracts.

For the nine-month periods ended October 31, 2010, the $559-million cash outflow was mainly due to:

- lower advances and milestone payments received on existing contracts; and
- lower accounts payable and accrued liabilities as a result of reduced level of activities in Europe.

Partially offset by:

- a decrease in inventories also resulting from the reduced level of activities in Europe as well as the inventory optimization program.

ORDERS AND BACKLOG

Order intake and book-to-bill ratio

	Three-month periods ended October 31		**Nine-month periods ended October 31**	
Order intake (in billions of dollars)	**2011**	2010	**2011**	2010
Rolling stock	**$ 1.1**	$ 2.6	**$ 4.3**	$ 8.3
Services	**0.1**	0.2	**0.6**	1.0
System and signalling	**0.4**	0.9	**1.8**	1.6
	$ 1.6	$ 3.7	**$ 6.7**	$ 10.9
Book-to-bill ratio(1)	**0.7**	1.7	**0.9**	1.7

(1) Ratio of new orders over revenues.

Our level of order intake for the three-month period includes an order from Chicago Transit Authority (CTA), U.S., for rapid transit cars ($331 million).

For the nine-month period ended October 31, 2011, we achieved a book-to-bill ratio of 0.9 in the context of a 13% increase in revenues over the same period last fiscal year. For the nine-month period ended October 31, 2010, we achieved a book-to-bill ratio of 1.7.

The level of order intake for the three- and nine-month periods ended October 31, 2011 reflects a positive currency impact of $24 million and $444 million respectively.

We received the following significant orders during the first nine months of the current fiscal year:

Customer	Country	Product or service	Number of cars	Market segment	Value
Siemens AG	Germany	Development and supply of components for ICx high speed trains for a Deutsche Bahn ("DB") contract	1,165	Rolling stock	$ 1,800
London Underground	U.K.	*CITYFLO* 650 CBTC system	n/a	System and signalling	$ 577
Chicago Transit Authority (CTA)	U.S.	Rapid transit cars	300	Rolling stock	$ 331
Government of South Australia	Australia	Supply and maintenance of 25kV electric trains	66	Rolling stock	$ 278
Queensland Government	Australia	Light Rail Rapid Transit system, and 15-year maintenance	14	System and signalling	$ 265 [(1)]
Trenitalia	Italy	E464 electric locomotives	50	Rolling stock	$ 186
Dallas/Fort Worth (DFW) International Airport	U.S.	10-year maintenance of *INNOVIA* APM 200 system	n/a	System and signalling	$ 165
Metrolinx	Canada	*BiLevel* commuter cars	50	Rolling stock	$ 128
Delhi Metro Rail Corporation Ltd (DMRC)	India	*MOVIA* metro cars	76	Rolling stock	$ 120
Västtrafik	Sweden	*REGINA* high-speed trains	18	Rolling stock	$ 101

(1) Contract performed through a consortium. Only the value of our share is stated.

We are building on our signalling presence in a growing mass transit market. During the third quarter of the current fiscal year, we signed a $96-million contract for a state of the art *CITYFLO* 650 complete mass transit solution with Companhia do Metropolitano de São Paulo (CMSP), Brazil. The scope of the project comprises the turnkey design, supply, installation and commissioning for both the existing part of Line 5 and its extension.

During the second quarter of current fiscal year, we signed the following agreements:

- A framework agreement with Siemens AG, Germany, to be a partner to develop and supply important components for up to 300 ICx high speed trains for DB. A firm order for 130 trains valued at $1.8 billion for Bombardier was obtained under this framework agreement. DB is planning to place an additional order with Siemens AG for a further 90 trains. The combined order volume of 220 trains would be worth $3 billion to Bombardier. The remaining 80 trains can be ordered at any time until 2030.
- A nine-year framework agreement with Deutsche Bahn Regio AG, Germany, for 200 *TRAXX* diesel locomotives with multi-engine propulsion, estimated at $867 million. A firm order for a total of 20 locomotives valued at $90 million was obtained under this framework agreement.

Subsequent to the end of the third quarter, Mumbai Railway Vikas Corporation (MRVC), India, signed a contract for *MITRAC* propulsion and control equipment for 72 commuter trains, valued at $214 million, which is not included in our order backlog as at October 31, 2011.

Order backlog

(in billions of dollars)	**October 31, 2011**	January 31, 2011
Rolling stock	**$ 23.3**	$ 23.9
Services	**5.7**	6.2
System and signalling	**4.0**	3.4
	$ 33.0	$ 33.5

The $0.5 billion decrease is due to revenues recorded being higher than order intake ($0.8 billion), partially offset by the strengthening of most foreign currencies versus the U.S. dollar ($0.3 billion).

OTHER

RISKS AND UNCERTAINTIES

We operate in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties that could materially affect our business, financial condition and results of operations are described in our Annual Report for the fiscal year ended January 31, 2011 in Other, but are not necessarily the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business.

There was no significant change to these risks and uncertainties during the nine-month period ended October 31, 2011 other than those described elsewhere in this MD&A.

FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments
In October 2010, the IASB released IFRS 9, *Financial instruments*, which is the first part of a three-part project to replace IAS 39, *Financial instruments: recognition and measurement*. This first part only covers classification and measurement of financial assets and financial liabilities, with impairment of financial assets and hedge accounting being addressed in the other two parts.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, requirements for measuring a financial liability at fair value have changed, as the portion of the changes in fair value related to the entity's own credit risk must be presented in OCI rather than in the statement of income. IFRS 9 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. In August 2011, the IASB issued a proposal to postpone the mandatory effective date to January 1, 2015. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

Consolidation
In May 2011, the IASB released IFRS 10, *Consolidated financial statements*, which replaces SIC-12, *Consolidation—special purpose entities*, and parts of IAS 27, *Consolidated and separate financial statements*, related to the preparation and the presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

Joint arrangements
In May 2011, the IASB released IFRS 11, *Joint arrangements*, which supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in joint ventures. IFRS 11 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. We expect that a large part of the Corporation's investments in joint ventures, currently accounted for under the proportionate consolidation method, will be accounted for using the equity method of accounting under IFRS 11. Under the equity method, our share of net assets, net income and OCI of joint ventures will be presented as one-line items on the statement of financial position, the statement of income and the statement of comprehensive income, respectively.

Disclosure of interests in other entities
In May 2011, the IASB released IFRS 12, *Disclosure of interests in other entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

Fair value measurement
In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

Financial statement presentation
In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within OCI that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendment to IAS 1 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. We do not expect any changes to our consolidated financial statement presentation from this amendment as the items within OCI that may be reclassified to the statement of income are already grouped together.

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee Benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). This amendment should result in a higher net financing cost for us. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendment to IAS 19 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the nine-month period ended October 31, 2011 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 using a functional currency other than the U.S. dollar, mainly the euro, pound sterling and other Western European currencies, and from transactions denominated in foreign currencies, mainly the Canadian dollar, euro and pound sterling.

The period-end exchange rates used to translate assets and liabilities were as follows as at:

	October 31, 2011	January 31, 2011	Increase
Euro	**1.4001**	1.3715	2%
Canadian dollar	**1.0051**	0.9978	1%
Pound sterling	**1.6036**	1.6040	0%

The average exchange rates used to translate revenues and expenses were as follows for the three-month periods ended October 31:

	2011	2010	Increase
Euro	**1.3962**	1.3292	5%
Canadian dollar	**1.0002**	0.9702	3%
Pound sterling	**1.5991**	1.5704	2%

The average exchange rates used to translate revenues and expenses were as follows for the nine-month periods ended October 31:

	2011	2010	Increase
Euro	**1.4108**	1.3127	7%
Canadian dollar	**1.0204**	0.9682	5%
Pound sterling	**1.6144**	1.5318	5%

SELECTED FINANCIAL INFORMATION

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

Fiscal years	**C2011** (1)						F2011	F2010
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	Previous GAAP
	Third	Second	First	Fourth	Third	Second	First	Fourth
Revenues(2)	**$ 4,623**	$ 4,747	$ 4,661	$ 5,586	$ 3,997	$ 4,045	$ 4,264	$ 5,352
Net income(2)	**$ 192**	$ 211	$ 220	$ 295	$ 147	$ 138	$ 195	$ 179
EPS (in dollars):(2)								
Basic and diluted	**$ 0.11**	$ 0.12	$ 0.12	$ 0.16	$ 0.08	$ 0.07	$ 0.11	$ 0.10

(1) Refers to the fiscal year ending December 31, 2011, following the change of financial year-end from January 31 to December 31 approved by our Board of Directors on November 30, 2011.

(2) The fourth quarter has historically been the strongest in terms of revenues and profitability.

INVESTOR INFORMATION

Authorized, issued and outstanding share data as at November 29, 2011

	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[(1)]	1,892,000,000	314,537,237
Class B Shares (Subordinate Voting)[(2)]	1,892,000,000	1,409,185,577 [(3)]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,464,920
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,535,080
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) 10 votes each, convertible at the option of the holder into one Class B Share (Subordinate Voting).
(2) Convertible at the option of the holder into one Class A Share (Multiple Voting) under certain conditions.
(3) Net of 29,321,479 Class B Shares (Subordinate Voting) purchased and held in trust in connection with the PSU plan.

Normal course issuer bid

Our Board of Directors authorized the repurchase for cancellation, in the normal course of our activities from June 17, 2011 to June 16, 2012, of up to 2,006,000 Class B Shares (Subordinate Voting) and up to 438,263 Class A Shares (Multiple Voting) (from April 9, 2010 to April 8, 2011, of up to 3,000,000 Class B Shares (Subordinate Voting) and up to 660,000 Class A Shares (Multiple Voting)) in connection with the DSU plan (see Note 15 – Share-based plans to the interim consolidated financial statements). During the nine-month period ended October 31, 2011, 2,006,000 Class B Shares (Subordinate Voting) were repurchased and cancelled, for a total amount of $14 million (3,000,000 Class B Shares (Subordinate Voting) and $16 million during the nine-month period ended October 31, 2010).

Share option, PSU and DSU data as at October 31, 2011

Options issued and outstanding under the share option plans	27,525,846
PSUs and DSUs issued and outstanding under the PSU and DSU plans	23,584,690
Class B Shares held in trust to satisfy PSU obligations	29,321,479

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

Fourth Quarterly Report, for the fiscal year ending December 31, 2011	March 1, 2012
First Quarterly Report, for the period ending March 31, 2012	May 10, 2012
Second Quarterly Report, for the period ending June 30, 2012	August 9, 2012
Third Quarterly Report, for the period ending September 30, 2012	November 7, 2012

Information

Bombardier Inc.
Investor Relations
800 René-Lévesque Blvd. West
Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514-861-9481, extension 13273
Fax: +1 514-861-2420
E-mail: investors@bombardier.com

November 30, 2011

Additional information relating to Bombardier, including the Corporation's annual report and annual information form, can be found on SEDAR at www.sedar.com or on Bombardier's Web site at www.bombardier.com.

The printed version of this quarterly report uses Rolland Enviro 100 paper, containing 100% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 25 mature trees, 1,404 kg of solid waste, 3,650 kg of atmospheric emissions (equivalent to one car per year) and 92,698 litres of water.

Bombardier Inc., 800 René-Lévesque Blvd. West, Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514-861-9481; fax: +1 514-861-2420; website: www.bombardier.com

Un exemplaire en français est disponible sur demande adressée au service des Affaires publiques ou sur notre site Internet à l'adresse www.bombardier.com sous Relations avec les investisseurs.

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

		Three-month periods ended October 31		Nine-month periods ended October 31	
		2011	2010	**2011**	2010
	Notes				
Revenues	4	**$ 4,623**	$ 3,997	**$ 14,031**	$ 12,306
Cost of sales	9	**3,886**	3,342	**11,843**	10,319
Gross margin		**737**	655	**2,188**	1,987
SG&A		**373**	317	**1,100**	1,005
R&D	5	**74**	80	**196**	233
Other expense (income)	6	**(11)**	8	**(17)**	(29)
EBIT		**301**	250	**909**	778
Financing expense	7	**192**	182	**531**	519
Financing income	7	**(134)**	(121)	**(402)**	(349)
EBT		**243**	189	**780**	608
Income taxes		**51**	42	**157**	128
Net income		**$ 192**	$ 147	**$ 623**	$ 480
Attributable to:					
Equity holders of Bombardier Inc.		**$ 194**	$ 145	**$ 624**	$ 473
NCI		**(2)**	2	**(1)**	7
		$ 192	$ 147	**$ 623**	$ 480
EPS (in dollars)	8				
Basic and diluted		**$ 0.11**	$ 0.08	**$ 0.35**	$ 0.26

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 October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Net income	**$ 192**	$ 147	**$ 623**	$ 480
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges:				
Foreign exchange re-evaluation	**11**	(10)	**(7)**	(4)
Net gain (loss) on derivative financial instruments designated as cash flow hedges	**(64)**	179	**153**	31
Reclassification to income or to the related non-financial asset	**18**	(57)	**(135)**	(6)
Income taxes	**80**	(39)	**13**	(25)
	45	73	**24**	(4)
Net unrealized gain on AFS financial assets, net of income tax	**-**	7	**17**	13
CCTD:				
Net investments in foreign operations	**(40)**	156	**43**	143
Net gain (loss) on related hedging items	**24**	(73)	**(24)**	(60)
	(16)	83	**19**	83
Items that are never reclassified to net income				
Retirement benefits:				
Net actuarial losses	**(536)**	(54)	**(1,021)**	(600)
Income taxes	**62**	(21)	**116**	24
	(474)	(75)	**(905)**	(576)
Total OCI	**(445)**	88	**(845)**	(484)
Total comprehensive income (loss)	**$ (253)**	$ 235	**$ (222)**	$ (4)
Attributable to:				
Equity holders of Bombardier Inc.	**$ (249)**	$ 229	**$ (221)**	$ (12)
NCI	**(4)**	6	**(1)**	8
	$ (253)	$ 235	**$ (222)**	$ (4)

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

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

	Notes	October 31, 2011	January 31, 2011	February 1, 2010
Assets				
Cash and cash equivalents	17	$ **2,708**	$ 4,195	$ 3,372
Trade and other receivables		**1,509**	1,377	1,141
Inventories	9	**8,348**	7,307	7,630
Other financial assets	10	**593**	705	537
Other assets	11	**641**	648	519
Current assets		**13,799**	14,232	13,199
Invested collateral	17	**-**	676	682
PP&E		**1,884**	1,878	1,674
Aerospace program tooling		**2,886**	2,088	1,385
Goodwill		**2,398**	2,358	2,247
Deferred income taxes		**1,405**	1,294	1,373
Other financial assets	10	**1,383**	1,104	1,003
Other assets	11	**515**	462	557
Non-current assets		**10,471**	9,860	8,921
		$ **24,270**	$ 24,092	$ 22,120
Liabilities				
Trade and other payables		$ **3,551**	$ 3,246	$ 3,199
Provisions	12	**1,065**	1,198	1,140
Advances and progress billings in excess of long-term contract inventories		**2,000**	2,421	1,899
Advances on aerospace programs		**2,973**	2,989	3,055
Other financial liabilities	13	**612**	860	537
Other liabilities	14	**2,027**	1,990	1,833
Current liabilities		**12,228**	12,704	11,663
Provisions	12	**596**	614	675
Advances on aerospace programs		**1,315**	1,193	1,373
Non-current portion of long-term debt		**4,880**	4,645	4,134
Retirement benefits		**2,890**	1,975	2,181
Other financial liabilities	13	**436**	532	558
Other liabilities	14	**895**	908	576
Non-current liabilities		**11,012**	9,867	9,497
		23,240	22,571	21,160
Equity				
Attributable to equity holders of Bombardier Inc.		**995**	1,454	902
Attributable to NCI		**35**	67	58
		1,030	1,521	960
		$ **24,270**	$ 24,092	$ 22,120

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(In millions of U.S. dollars)
For the three-month periods ended October 31

	Attributable to equity holders of Bombardier Inc.									
	Share capital				Accumulated OCI					
	Preferred shares	Common shares	Deficit	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity
As at July 31, 2011	$ 347	$ 1,321	$ (444)	$ 99	$ 27	$ (239)	$ 169	$ 1,280	$ 39	$ 1,319
Total comprehensive income										
Net income (loss)	-	-	194	-	-	-	-	194	(2)	192
OCI	-	-	(474)	-	-	45	(14)	(443)	(2)	(445)
	-	-	(280)	-	-	45	(14)	(249)	(4)	(253)
Options exercised	-	1	-	(1)	-	-	-	-	-	-
Dividends	-	-	(50)	-	-	-	-	(50)	-	(50)
Share-based expense	-	-	-	14	-	-	-	14	-	14
	-	1	(50)	13	-	-	-	(36)	-	(36)
As at October 31, 2011	**$ 347**	**$ 1,322**	**$ (774)**	**$ 112**	**$ 27**	**$ (194)**	**$ 155**	**$ 995**	**$ 35**	**$ 1,030**
As at July 31, 2010(1)	$ 347	$ 1,325	$ (1,107)	$ 106	$ 9	$ (158)	$ 3	$ 525	$ 55	$ 580
Total comprehensive income										
Net income	-	-	145	-	-	-	-	145	2	147
OCI	-	-	(75)	-	7	73	79	84	4	88
	-	-	70	-	7	73	79	229	6	235
Options exercised	-	1	-	-	-	-	-	1	-	1
Dividends	-	-	(49)	-	-	-	-	(49)	-	(49)
Shares purchased - PSU Plans	-	(4)	-	-	-	-	-	(4)	-	(4)
Share-based expense	-	-	-	13	-	-	-	13	-	13
	-	(3)	(49)	13	-	-	-	(39)	-	(39)
As at October 31, 2010(1)	$ 347	$ 1,322	$ (1,086)	$ 119	$ 16	$ (85)	$ 82	$ 715	$ 61	$ 776

(1) Given effect to all changes in accounting policies upon adoption of IFRS (see note 19 – Adoption of IFRS).
The notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(In millions of U.S. dollars)
For the nine-month periods ended October 31

	Attributable to equity holders of Bombardier Inc.									
	Share capital				Accumulated OCI					
	Preferred shares	Common shares	Deficit	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity
As at January 31, 2011	$ 347	$ 1,324	$ (276)	$ 131	$ 10	$ (218)	$ 136	$ 1,454	$ 67	$ 1,521
Total comprehensive income										
Net income (loss)	-	-	624	-	-	-	-	624	(1)	623
OCI	-	-	(905)	-	17	24	19	(845)	-	(845)
	-	-	(281)	-	17	24	19	(221)	(1)	(222)
Options exercised	-	8	-	(1)	-	-	-	7	-	7
Repurchase of share capital	-	(2)	(12)	-	-	-	-	(14)	-	(14)
Dividends	-	-	(155)	-	-	-	-	(155)	-	(155)
Shares distributed - PSU plans	-	50	-	(50)	-	-	-	-	-	-
Shares purchased - PSU plans	-	(58)	-	-	-	-	-	(58)	-	(58)
Share-based expense	-	-	-	32	-	-	-	32	-	32
Purchase of NCI	-	-	(50)	-	-	-	-	(50)	(31)	(81)
	-	(2)	(217)	(19)	-	-	-	(238)	(31)	(269)
As at October 31, 2011	**$ 347**	**$ 1,322**	**$ (774)**	**$ 112**	**$ 27**	**$ (194)**	**$ 155**	**$ 995**	**$ 35**	**$ 1,030**
As at February 1, 2010[1]	$ 347	$ 1,324	$ (823)	$ 132	$ 3	$ (81)	$ -	$ 902	$ 58	$ 960
Total comprehensive income										
Net income	-	-	473	-	-	-	-	473	7	480
OCI	-	-	(576)	-	13	(4)	82	(485)	1	(484)
	-	-	(103)	-	13	(4)	82	(12)	8	(4)
Options exercised	-	4	-	-	-	-	-	4	-	4
Repurchase of share capital	-	(3)	(13)	-	-	-	-	(16)	-	(16)
Dividends	-	-	(147)	-	-	-	-	(147)	(8)	(155)
Capital injection	-	-	-	-	-	-	-	-	3	3
Shares distributed - PSU plans	-	47	-	(47)	-	-	-	-	-	-
Shares purchased - PSU plans	-	(50)	-	-	-	-	-	(50)	-	(50)
Share-based expense	-	-	-	34	-	-	-	34	-	34
	-	(2)	(160)	(13)	-	-	-	(175)	(5)	(180)
As at October 31, 2010[1]	$ 347	$ 1,322	$ (1,086)	$ 119	$ 16	$ (85)	$ 82	$ 715	$ 61	$ 776

[1] Given effect to all changes in accounting policies upon adoption of IFRS (see note 19 – Adoption of IFRS).
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 October 31 **2011**	2010	Nine-month periods ended October 31 **2011**	2010
Operating activities					
Net income		**$ 192**	$ 147	**$ 623**	$ 480
Non-cash items:					
Amortization		**93**	93	**258**	280
Deferred income taxes		**23**	45	**45**	53
Gains on disposals of PP&E [1]	6	**(1)**	-	**(1)**	(10)
Share-based expense	15	**14**	13	**32**	34
Gain on repurchase of long-term debt	7	**-**	-	**-**	(5)
Impairment charge		**-**	8	**-**	8
Net change in non-cash balances related to operations	16	**(274)**	(160)	**(1,695)**	(941)
Cash flows from operating activities		**47**	146	**(738)**	(101)
Investing activities					
Additions to PP&E and intangible assets		**(393)**	(254)	**(1,093)**	(802)
Disposals of PP&E and intangible assets		**-**	-	**9**	16
Proceeds from disposal of invested collateral		**-**	-	**705**	-
Other		**(24)**	(29)	**(71)**	(91)
Cash flows from investing activities		**(417)**	(283)	**(450)**	(877)
Financing activities					
Proceeds from issuance of long-term debt		**8**	42	**103**	1,525
Repayments of long-term debt		**(5)**	(2)	**(13)**	(1,058)
Dividends paid[2]		**(50)**	(49)	**(155)**	(147)
Purchase of Class B Shares held in trust under the PSU plan	15	**-**	(4)	**(58)**	(50)
Repurchase of Class B shares	15	**-**	-	**(14)**	(16)
Purchase of NCI		**(8)**	-	**(61)**	-
Other		**(66)**	(24)	**(136)**	9
Cash flows from financing activities		**(121)**	(37)	**(334)**	263
Effect of exchange rate changes on cash and cash equivalents		**(27)**	123	**35**	68
Net decrease in cash and cash equivalents		**(518)**	(51)	**(1,487)**	(647)
Cash and cash equivalents at beginning of period		**3,226**	2,776	**4,195**	3,372
Cash and cash equivalents at end of period		**$ 2,708**	$ 2,725	**$ 2,708**	$ 2,725
Supplemental information [3] [4]					
Cash paid for:					
Interest		**$ 40**	$ 43	**$ 164**	$ 147
Income taxes		**$ 24**	$ 28	**$ 97**	$ 86
Cash received for:					
Interest		**$ 10**	$ 73	**$ 32**	$ 156
Income taxes		**$ 16**	$ 1	**$ 20**	$ 5

(1) Including reversal of impairment charges.
(2) $6 million and $19 million of dividends paid relate to preferred shares for the three- and nine-month periods ended October 31, 2011 ($6 million and $17 million for the three- and nine-month periods ended October 31, 2010).
(3) Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.
(4) Interest paid comprises only interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities. Interest received comprises interest received related to cash and cash equivalents, invested collateral and loans and lease receivable, after the effect of hedges, if any.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended October 31, 2011
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. ("the Corporation") is incorporated under the laws of Canada. The Corporation is a manufacturer of transportation equipment, including business and commercial aircraft and rail transportation equipment and systems, and is a provider of related services. The Corporation carries out its operations in two distinct segments, the aerospace segment (BA) and the transportation segment (BT).

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, and IFRS 1, *First-time adoption of IFRS*, as issued by the IASB. The interim consolidated financial statements have been prepared in accordance with the accounting policies the Corporation expects to adopt in its annual Consolidated Financial Statements for the year ending December 31, 2011, which are described in note 2 – Summary of significant accounting policies.

Most legal entities of BT use a December 31 fiscal year-end. As a result, the Corporation consolidates the operations of BT with a one-month lag with the remainder of its operations. To the extent that significant transactions or events occur during the one-month lag period, the Corporation's interim consolidated financial statements are adjusted accordingly.

On November 30, 2011, the Corporation's Board of Directors approved the change of financial year-end from January 31 to December 31. This change of year-end reporting date is effective in December 2011, and the fourth quarter ending December 31, 2011 will contain two months and the annual period ending December 31, 2011 will contain 11 months of BA's results. As BT currently reports using a December 31 year-end, the change will have no impact on BT and the fourth quarter and annual period ending December 31, 2011 will contain three months and 12 months of BT results, respectively. As a result, the Corporation will cease to consolidate the operations of BT with a one-month lag with the remainder of its operations.

The interim consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto prepared under previous Canadian GAAP included in the Corporation's Annual Report for the year ended January 31, 2011, as well as the quarterly report for the three-month period ended April 30, 2011 which includes certain additional annual disclosures prepared in accordance with IFRS. The quarterly report for the three-month period ended April 30, 2011 also contains reconciliations from previous Canadian GAAP to IFRS of the Corporation's reported equity as at February 1, 2010 and January 31, 2011, and the financial performance and cash flows for the year ended January 31, 2011. Note 19 – Adoption of IFRS, in this quarterly report, explains how the transition from previous Canadian GAAP to IFRS affected the Corporation's reported equity as at October 31, 2010, as well as the financial performance and cash flows for the three- and nine-month periods ended October 31, 2010.

These interim consolidated financial statements for the three- and nine-month periods ended October 31, 2011 were authorized for issuance by the Board of Directors on November 30, 2011.

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. The fourth quarter has historically been the strongest in terms of revenues and profitability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

The Corporation consolidates SPEs when, based on the evaluation of the substance of the relationship with the Corporation, it concludes that it controls the SPE. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of the entity so that the Corporation obtains benefits from its activities, whether it holds shares or not.

The Corporation's principal subsidiaries, whose revenues represent more than 10% of total revenues of each respective segment, are as follows:

Subsidiary	Location
Bombardier Transportation GmbH	Germany
Bombardier Transport France S.A.S.	France
Bombardier Transportation (Holdings) UK Ltd.	U.K.
Bombardier Aerospace Corporation	U.S.
Learjet Inc.	U.S.

Joint ventures – Joint ventures are those entities over which the Corporation exercises joint control, established by contractual agreement and requiring unanimous consent of the parties sharing control for strategic financial and operating decision making. The Corporation recognizes its interest in joint ventures using the proportionate method of consolidation.

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

Foreign currency translation

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

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

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

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

		Exchange rates as at	
	October 31, 2011	January 31, 2011	February 1, 2010
Euro	**1.4001**	1.3715	1.3870
Canadian dollar	**1.0051**	0.9978	0.9390
Pound sterling	**1.6036**	1.6040	1.6008

	Average exchange rates for the three-month periods ended October 31		**Average exchange rates for the nine-month periods ended October 31**	
	2011	2010	**2011**	2010
Euro	**1.3962**	1.3292	**1.4108**	1.3127
Canadian dollar	**1.0002**	0.9702	**1.0204**	0.9682
Pound sterling	**1.5991**	1.5704	**1.6144**	1.5318

Revenue recognition

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing specifically designed products (including rail vehicle and component overhaul) and service contracts are recognized using the percentage-of-completion method of accounting. The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. Estimated revenues include revenues from change orders and claims when it is probable that they will result in additional revenues and the amount can be reliably estimated. If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in cost of sales in the period in which the negative gross margin is identified.

Aerospace programs – Revenues from the sale of new aircraft are recognized when the aircraft has been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. All costs incurred or to be incurred in connection with the sale, including warranty costs and sales incentives, are charged to cost of sales or as a deduction from revenues at the time revenue is recognized.

Multiple deliverables – Sales of goods and services sometimes involve the provision of multiple components. In these cases, the Corporation determines whether the contract or arrangement contains more than one unit of accounting. When certain criteria are met, such as when the delivered item has value to the customer on a stand-alone basis, the recognition criteria are applied to the separate identifiable components of a single transaction to reflect the substance of the transaction. Conversely, two or more transactions may be considered together for revenue recognition purposes, when the commercial effect cannot be understood without reference to a series of transactions as a whole. Revenue is allocated to the separate components based on their relative fair value.

Sales of aircraft fractional shares are considered together with the related service agreement for purpose of revenue recognition. Accordingly, revenues from such sale are recognized over the period during which the related services are rendered to the customer, generally five years. At the time of sale, the proceeds from the sale are recorded in other liabilities, under Flexjet fractional ownership deferred revenues. The carrying value of the related aircraft is transferred to other assets, under Flexjet fractional ownership deferred costs, and is charged to cost of sales over the same period.

Other – Revenues from the fractional share ownership program, including flight crew and maintenance support, are recognized at the time the service is rendered to the customer. Revenues from the sale of pre-owned aircraft and spare parts are recognized when the aircraft has been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured.

Government assistance and refundable advances

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

Government refundable advances are recorded as a financial liability if there is reasonable assurance that the amount will be repaid.

Income taxes

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

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

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

Earnings per share

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

Diluted EPS are computed using the treasury stock method, giving effect to the exercise of all dilutive elements.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, invested collateral, trade and other receivables, aircraft loans and lease receivables, investments in securities, investments in financing structures, servicing fees, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade and other payables, long-term debt, lease subsidies, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and derivative financial instruments with a negative fair value.

Financial instruments are recognized in the statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. Initially, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are assigned, which are: a) financial instruments classified as HFT, b) financial instruments designated as FVTP&L, c) AFS financial assets, d) L&R, or e) other than HFT financial liabilities. Their classification is determined by management on initial recognition based on the purpose for their acquisition. Financial instruments are subsequently measured at amortized cost, unless they are classified as AFS or HFT or designated as FVTP&L, in which case they are subsequently measured at fair value.

a) Financial instruments classified as HFT

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

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

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

Embedded derivatives of the Corporation include financing rate commitments, call options on long-term debt and foreign exchange instruments. Upon initial recognition, the fair value of financing rate commitments linked to the sale of products is recognized as deferred charge in other assets. The deferred charge is recorded as an adjustment of the sale price of the related products. Call options on long-term debt that are not closely related to the host contract are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to net income using the effective interest method. Upon initial recognition, the fair value of the foreign exchange instruments not designated in a hedge relationship is recognized in cost of sales. Subsequent changes in fair value of embedded derivatives are recorded in cost of sales, other expense (income) or financing expense or financing income, based on the nature of the exposure.

b) Financial instruments designated as FVTP&L

Financial instruments may be designated on initial recognition as FVTP&L if any of the following criteria is met: (i) the financial instrument contains one or more embedded derivatives that otherwise would have to be accounted for separately; (ii) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or liability or recognizing the gains and losses on them on a different basis; or (iii) the financial asset and financial liability are part of a group of financial assets, financial liabilities, or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The Corporation has designated as FVTP&L the invested collateral, certain aircraft loans and lease receivables, certain investment in financing structures, servicing fees, trade-in commitments and lease subsidies, which were all designated as FVTP&L based on the above criterion (iii).

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

c) AFS financial assets

Investments in securities are usually classified as AFS. They are accounted for at fair value if reliably measurable, with unrealized gains and losses included in OCI. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost.

When a decline in the fair value of an AFS financial asset has been recognised in OCI and there is objective evidence that the asset is impaired, the cumulative loss equal to the difference between the acquisition cost of the investments and its current fair value, less any impairment loss on that financial asset previously recognized in net income, is removed from AOCI and recognized in net income. Impairment losses recognized in net income for financial instruments classified as AFS can be reversed, except for investments in equity instruments.

d) L&R

Trade and other receivables, restricted cash, as well as certain aircraft loans and lease receivables, certain investments in financing structures and other financial assets, are classified as L&R. Financial assets classified as L&R are measured at amortized cost using the effective interest rate method less any impairment losses.

Trade receivables as well as aircraft loans and lease receivables classified as L&R are subject to periodic impairment review and are classified as impaired when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

e) Other than HFT financial liabilities
Trade and other payables, long-term debt, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and certain other financial liabilities are classified as other than HFT liabilities and are measured at amortized cost using the effective interest rate method.

Hedge accounting

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

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

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

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

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

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

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

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

When the Corporation is the lessee – Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

When the Corporation is the lessor – Assets subject to finance leases, mainly commercial aircraft, are initially recognized at an amount equal to the net investment in the lease and are included in aircraft lease receivables. Interest income is recognized over the term of the applicable leases based on the effective interest rate method. Assets under operating leases, mostly pre-owned regional and business aircraft, are included in PP&E. Lease income from operating leases is recognized on a straight-line basis over the term of the lease and is included in revenues.

Inventory valuation
Long-term contracts – Long-term contracts inventories include materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition, as well as estimated contract margins. Advances and progress billings received on accounts of work performed for long-term contracts are deducted from related long-term contract inventories. Advances and progress billings received in excess of related long-term contract inventories are shown as liabilities.

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

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

Retirement and other long-term employee benefits
Retirement benefits – Retirement benefit plans are classified as either defined benefit plans or defined contribution plans. Contributions to defined contribution plans are recognized in net income when they are due. Defined benefit plans are accounted for as follows:

- The cost of pension and other benefits earned by employees is actuarially determined for each plan using the projected unit credit method, and management’s best estimate of long-term rate of return on plan assets, salary escalation, retirement ages, life expectancy and health care costs.
- The defined benefit obligation is determined based on expected future benefit payments discounted using market interest rates at the end of the reporting period.
- Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. These assets are measured at fair value at the end of the reporting period, which is based on published market price information in the case of quoted securities. The value of any plan asset recognized is restricted to the sum of any unrecognized past service costs and the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (“asset ceiling test”).

- A minimum liability is recorded when legal minimum funding requirements for past services exceed economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
- The actuarial gains and losses (including the foreign exchange impact) arising on the plan assets and defined benefit obligation and the effect of any asset ceiling and minimum liability are recognized directly in OCI in the period in which they occur.
- Past service costs (credits) are recognized on a straight line basis over the average vesting period. Past service costs (credits) relating to benefits already vested are expensed immediately.

The expected return on pension plan assets and accretion on retirement benefit obligations are included in financing income and financing expense respectively. The remaining components of the benefit cost are either capitalized as part of labour costs and included in inventories and in certain PP&E and intangible assets during their construction, or are recognized directly in income. The benefit cost recorded is allocated among functional costs, based on the function of the employee accruing the benefits.

In the case of funded benefit plans, the fair value of plan assets is offset against the benefit obligation. The net amount, determined on a plan-by-plan basis after adjusting for the effects of unrecognized past service costs (credits) and any asset ceiling, is included in retirement benefit liabilities or retirement benefit assets. In the case of unfunded benefit plans, the benefit obligation, after adjusting for the effects of unrecognized past service costs (credits), is included in retirement benefit liabilities.

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

Property, plant and equipment

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

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

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

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

Intangible assets

Internally generated intangible assets include development costs (mostly aircraft prototype design and testing costs) and internally developed or modified application software. These costs are capitalized when certain criteria for deferral such as proven technical feasibility are met. The costs of internally generated intangible assets include the cost of materials, direct labour, manufacturing overheads and borrowing costs.

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

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

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

	Method	Estimated useful life
Aerospace program tooling	Unit of production [(1)]	Expected number of aircraft to be produced
Other intangible assets		
Licenses, patent and trademarks	Straight-line	3 to 20 years
Other	Straight-line and unit of production	3 to 5 years and expected number of units to be produced

(1) As of February 1, 2011, the Corporation changed its amortization method prospectively for aerospace program tooling. Before this date, the straight-line method over 10 years was used. Had the Corporation used the straight-line method, the amortization would have been $35 million and $106 million instead of $29 million and $70 million, respectively, for the three- and nine-month periods ended October 31, 2011.

The amortization methods and estimated useful lives are reviewed on a regular basis and changes are accounted for prospectively. The amortization expense is recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying assets.

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

Borrowing costs

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

The Corporation began the capitalization of borrowing costs to qualifying assets on February 19, 2007.

Impairment of PP&E and intangible assets

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

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

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

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

For PP&E and intangible assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset or CGU to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized in the consolidated statements of income in the same line item where the original impairment was recognized.

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

Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. These liabilities are presented as provisions when they are of uncertain timing or amount. Provisions are measured at their present value.

Product warranties – A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The interest component associated with product warranties, when applicable, is recorded in financing expense. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of products sold and in service and counter-warranty coverage available from the Corporation's suppliers. Claims for reimbursement from third parties are recorded if their realization is virtually certain. Product warranties typically range from one to five years, except for aircraft structural and bogies warranties that extend up to 20 years.

Credit and residual value guarantees – Credit and residual value guarantees related to the sale of aircraft are recorded at the amount the Corporation expects to pay under these guarantees when the revenue for the related product is recognized. Subsequent to initial recognition, changes in the value of these guarantees are recorded in other expense (income), except for the changes in interest rates, which is recorded in financing expense or financing income.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing (ranging from 1 to 16 years) under the relevant financing arrangements.

Residual value guarantees provide protection to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value. In most cases, these guarantees (ranging from 1 to 15 years) are provided as part of a financing arrangement.

Onerous contracts – If it is more likely than not that the unavoidable costs of meeting the obligations under a contract, other than a long-term contract, exceed the economic benefits expected to be received under it, a provision for onerous contracts is recorded in cost of sales, except for the interest component, which is recorded in financing expense. Unavoidable costs include anticipated cost overruns, as well as expected costs associated with late delivery penalties and technological problems. Costs incurred to set up an efficient manufacturing process in the early phase of an aircraft program are not considered unavoidable costs related to a specific contract. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Termination benefits – Termination benefits are usually paid when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to either terminate the employment of current employees before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are included in provisions.

Environmental costs – A provision for environmental costs is recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Legal asset retirement obligations and environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in PP&E and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in cost of sales.

Share-based payments

Equity-settled share-based payment plans – Equity-settled share-based payments are measured at fair value at the grant date. For the PSUs and DSUs, the value of the compensation is measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs and DSUs that are expected to vest. For share option plans, the value of the compensation is measured using a Black-Scholes option pricing model, modified to incorporate target prices related to the performance share option plan for options granted before June 1, 2009. The effect of any change in the number of options, PSUs and DSUs that are expected to vest is accounted for in the period in which the estimate is revised. Compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

Employee share purchase plan – The Corporation's contributions to the employee share purchase plan are measured at cost and accounted for in the same manner as the related employee payroll costs. The value of the compensation is recorded at the time of the employee contribution.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments

In October 2010, the IASB released IFRS 9, *Financial instruments*, which is the first part of a three-part project to replace IAS 39, *Financial instruments: Recognition and Measurement*. This first part only covers classification and measurement of financial assets and financial liabilities, with impairment of financial assets and hedge accounting being addressed in the other two parts.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, requirements for measuring a financial liability at fair value have changed, as the portion of the changes in fair value related to the entity's own credit risk must be presented in OCI rather than in the statement of income. IFRS 9 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. In August 2011, the IASB issued a proposal to postpone the mandatory effective date to January 1, 2015. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Consolidation

In May 2011, the IASB released IFRS 10, *Consolidated Financial Statements*, which replaces SIC-12, *Consolidation - Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements* related to the preparation and the presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Joint arrangements
In May 2011, the IASB released IFRS 11, *Joint Arrangements*, which supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the equity method to account for interests in joint ventures. IFRS 11 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation expects that a large part of its investments in joint ventures, currently accounted for under the proportionate consolidation method, will be accounted for using the equity method of accounting under IFRS 11. Under the equity method, the Corporation's share of net assets, net income and OCI of joint ventures will be presented as one-line items on the statement of financial position, the statement of income and the statement of comprehensive income, respectively.

Disclosure of interests in other entities
In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Fair value measurement
In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Financial statement presentation
In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within OCI that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendment to IAS 1 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation does not expect any changes to its consolidated financial statement presentation from this amendment as the items within OCI that may be reclassified to the statement of income are already grouped together.

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee Benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). This amendment should result in a higher net financing cost for the Corporation. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendment to IAS 19 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4. SEGMENT DISCLOSURE

The Corporation has two reportable segments: BA and BT. Each reportable segment offers different products and services and requires different technology and marketing strategies.

BA	BT
BA is a world leader in the design, manufacture and support of innovative aviation products. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets, as well as specialized and amphibious aircraft. BA also offers aftermarket services as well as Flexjet fractional ownership and flight entitlement programs.	BT is a world leader in the design, manufacture and support of rail equipment and system manufacturing, offering a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides bogies, electric propulsion, control equipment and maintenance services, as well as complete rail transportation systems and rail control solutions.

The segmented information is prepared using the accounting policies described in note 2 – Summary of significant accounting policies.

Management assesses segment performance based on EBIT. Corporate charges are allocated to segments mostly based on each segment's revenues. The segmented results of operations and other information are as follows:

	Three-month period ended October 31, 2011			Three-month period ended October 31, 2010		
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 2,305**	**$ 2,318**	**$ 4,623**	$ 1,829	$ 2,168	$ 3,997
Cost of sales	**1,978**	**1,908**	**3,886**	1,571	1,771	3,342
Gross margin	**327**	**410**	**737**	258	397	655
SG&A	**172**	**201**	**373**	135	182	317
R&D	**38**	**36**	**74**	45	35	80
Other expense (income)	**(12)**	**1**	**(11)**	(20)	28	8
EBIT	**$ 129**	**$ 172**	**301**	$ 98	$ 152	250
Financing expense			**192**			182
Financing income			**(134)**			(121)
EBT			**243**			189
Income taxes			**51**			42
Net income			**$ 192**			$ 147
Other information						
Net additions to PP&E and intangible assets	**$ 356**	**$ 37**	**$ 393**	$ 227	$ 27	$ 254
Amortization	**$ 57**	**$ 36**	**$ 93**	$ 62	$ 31	$ 93
Impairment charge	**$ -**	**$ -**	**$ -**	$ -	$ 8	$ 8

	Nine-month period ended October 31, 2011			Nine-month period ended October 31,2010		
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 6,578**	**$ 7,453**	**$ 14,031**	$ 5,718	$ 6,588	$ 12,306
Cost of sales	**5,638**	**6,205**	**11,843**	4,860	5,459	10,319
Gross margin	**940**	**1,248**	**2,188**	858	1,129	1,987
SG&A	**489**	**611**	**1,100**	441	564	1,005
R&D	**95**	**101**	**196**	133	100	233
Other expense (income)	**(19)**	**2**	**(17)**	(48)	19	(29)
EBIT	**$ 375**	**$ 534**	**909**	$ 332	$ 446	778
Financing expense			**531**			519
Financing income			**(402)**			(349)
EBT			**780**			608
Income taxes			**157**			128
Net income			**$ 623**			$ 480
Other information						
Net additions to PP&E and intangible assets	**$ 988**	**$ 96**	**$ 1,084**	$ 725	$ 61	$ 786
Amortization	**$ 156**	**$ 102**	**$ 258**	$ 187	$ 93	$ 280
Impairment charge	**$ -**	**$ -**	**$ -**	$ -	$ 8	$ 8

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and segmented liabilities to total assets and total liabilities is as follows as at:

	October 31, 2011	January 31, 2011	February 1, 2010
Assets			
Segmented assets	**$ 20,157**	$ 17,927	$ 16,693
Assets not allocated to segments:			
Cash and cash equivalents	**2,708**	4,195	3,372
Invested collateral	**-**	676	682
Deferred income taxes	**1,405**	1,294	1,373
Total assets	**$ 24,270**	$ 24,092	$ 22,120
Liabilities			
Segmented liabilities	**$ 17,892**	$ 17,674	$ 16,797
Liabilities not allocated to segments:			
Interest payable[(1)]	**108**	89	56
Income taxes payable[(2)]	**115**	93	97
Long-term debt	**5,069**	4,662	4,145
Deferred income taxes	**56**	53	65
Total liabilities	**$ 23,240**	$ 22,571	$ 21,160
Net segmented assets			
BA	**$ 1,676**	$ 1,171	$ 545
BT	**$ 589**	$ (918)	$ (649)

(1) Included in trade and other payables in the consolidated statements of financial position.
(2) Included in other liabilities in the consolidated statements of financial position.

The Corporation's revenues by major product or service are as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
BA				
Manufacturing				
Business aircraft	**$ 1,103**	$ 794	**$ 3,064**	$ 2,659
Commercial aircraft	**526**	431	**1,480**	1,177
Other	**136**	142	**403**	399
Total manufacturing	**1,765**	1,367	**4,947**	4,235
Services[1]	**410**	376	**1,240**	1,142
Other[2]	**130**	86	**391**	341
	2,305	1,829	**6,578**	5,718
BT				
Rolling stock[3]	**1,573**	1,535	**5,323**	4,669
Services[4]	**387**	317	**1,043**	945
Systems and signalling	**358**	316	**1,087**	974
	2,318	2,168	**7,453**	6,588
	$ 4,623	$ 3,997	**$ 14,031**	$ 12,306

(1) Includes revenues from parts services, Flexjet fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training), Specialized Aircraft Solutions and Military Aviation Training.
(2) Includes mainly sales of pre-owned aircraft.
(3) Comprised of light rail vehicles, metro cars, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, as well as bogies revenues.
(4) Comprised of fleet maintenance, refurbishment and overhaul, as well as material solutions revenues.

5. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
R&D expenditures	**$ 361**	$ 246	**$ 994**	$ 741
Less: development expenditures capitalized to aerospace program tooling	**(316)**	(197)	**(868)**	(602)
	45	49	**126**	139
Add: amortization of aerospace program tooling	**29**	31	**70**	94
	$ 74	$ 80	**$ 196**	$ 233

6. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Changes in estimates and fair value[1]	**$ (12)**	$ (20)	**$ (23)**	$ (38)
Severance and other involuntary termination costs (including changes in estimates)	**4**	(1)	**5**	(11)
Share of income of associates	**(3)**	(3)	**(3)**	(3)
Gains on disposals of PP&E	**(1)**	-	**(1)**	(10)
Impairment charge on PP&E	**-**	8	**-**	8
Loss related to flooding of BT Bautzen site	**-**	20	**-**	20
Other	**1**	4	**5**	5
	$ (11)	$ 8	**$ (17)**	$ (29)

[1] Net gain on certain financial instruments measured at fair value and changes in estimates related to certain provisions, excluding losses (gains) arising from changes in interest rates.

7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Financing expense				
Accretion on retirement benefit obligations	**$ 111**	$ 108	**$ 336**	$ 317
Amortization of letter of credit facility costs	**8**	10	**40**	32
Accretion on other financial liabilities	**5**	7	**16**	22
Accretion on provisions	**3**	7	**14**	21
Changes in discount rates of provisions	**1**	7	**7**	11
Net loss on certain financial instruments[1]	**18**	-	**5**	-
Other	**13**	6	**13**	7
	159	145	**431**	410
Interest on long-term debt, after effect of hedges	**33**	37	**100**	109
	$ 192	$ 182	**$ 531**	$ 519
Financing income				
Expected return on pension plan assets	**$ (111)**	$ (96)	**$ (335)**	$ (281)
Net gain on certain financial instruments[1]	**-**	(10)	**-**	(18)
Gain on repurchase of long-term debt	**-**	-	**-**	(5)
Other	**(5)**	(2)	**(13)**	(3)
	(116)	(108)	**(348)**	(307)
Interest on loans and lease receivables, after effect of hedges	**(10)**	(8)	**(27)**	(23)
Interest on cash and cash equivalents	**(8)**	(3)	**(24)**	(12)
Interest on invested collateral	**-**	(2)	**(3)**	(7)
	(18)	(13)	**(54)**	(42)
	$ (134)	$ (121)	**$ (402)**	$ (349)

[1] Net loss (gain) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

Borrowing costs capitalized to PP&E and intangible assets totalled $27 million and $69 million for the three- and nine-month periods ended October 31, 2011, using average capitalization rates of 5.41% and 5.52%, respectively ($16 million and $46 million using average capitalization rates of 5.22% and 5.52% for the three- and nine-month periods ended October 31, 2010, respectively). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

8. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows for:

	Three-month periods ended October 31		Nine-month periods ended October 31	
(Number of shares, stock options, PSUs and DSUs, in thousands)	**2011**	2010	**2011**	2010
Net income attributable to equity holders of Bombardier Inc.	**$ 194**	$ 145	**$ 624**	$ 473
Preferred share dividends, including taxes	**(6)**	(6)	**(19)**	(17)
Net income attributable to common equity holders of Bombardier Inc.	**$ 188**	$ 139	**$ 605**	$ 456
Weighted-average number of common shares outstanding	**1,723,690**	1,725,591	**1,725,105**	1,727,732
Net effect of stock options, PSUs and DSUs	**13,301**	8,250	**20,833**	14,689
Weighted-average diluted number of common shares	**1,736,991**	1,733,841	**1,745,938**	1,742,421
EPS (in dollars):				
Basic and diluted	**$ 0.11**	$ 0.08	**$ 0.35**	$ 0.26

The effect of the exercise of stock options, PSUs and DSUs was included in the calculation of diluted EPS in the above table, except for 27,826,523 and 18,349,947 stock options for the three- and nine-month periods ended October 31, 2011 (38,408,712 and 34,539,134 for the three- and nine-month periods ended October 31, 2010) since the average market value of the underlying shares was lower than the exercise price or because predetermined target market price thresholds of the Corporation's Class B Shares (Subordinate Voting) or predetermined financial performance targets had not been met.

9. INVENTORIES

Inventories were as follows as at:

	October 31, 2011	January 31, 2011	February 1, 2010
Aerospace programs	**$ 4,256**	$ 4,146	$ 4,748
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**7,118**	5,452	5,190
Less: advances and progress billings	**(5,035)**	(3,975)	(4,070)
	2,083	1,477	1,120
Service contracts			
Cost incurred and recorded margins	**542**	512	616
Less: advances and progress billings	**(61)**	(73)	(85)
	481	439	531
Finished products[1]	**1,528**	1,245	1,231
	$ 8,348	$ 7,307	$ 7,630

[1] Finished products include 7 new aircraft not associated with a firm aircraft order and 108 pre-owned aircraft, totalling $785 million as at October 31, 2011 (8 new aircraft and 68 pre-owned aircraft, totalling $532 million as at January 31, 2011 and 5 new aircraft and 55 pre-owned aircraft, totalling $524 million as at February 1, 2010).

Finished products as at October 31, 2011 include $78 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities, which are accounted for as sale and leaseback obligations ($209 million as at January 31, 2011 and $167 million as at February 1, 2010).

The amount of inventories recognized as cost of sales totalled $3,623 million and $10,998 million for the three- and nine-month periods ended October 31, 2011 ($3,036 million and $9,428 million for the three- and nine-month periods ended October 31, 2010). These amounts include $22 million and $55 million of write-down for the three- and nine-month periods ended October 31, 2011 ($18 million and $41 million for the three- and nine-month periods ended October 31, 2010).

10. OTHER FINANCIAL ASSETS

Other financial assets were as follows as at:

	October 31, 2011	January 31, 2011	February 1, 2010
Derivative financial instruments	**$ 670**	$ 557	$ 496
Investments in securities[1]	**467**	415	328
Aircraft loans and lease receivables	**447**	432	312
Investments in financing structures	**237**	242	233
Restricted cash	**54**	58	40
Servicing fees	**52**	49	48
Other	**49**	56	83
	$ 1,976	$ 1,809	$ 1,540
Of which current	**$ 593**	$ 705	$ 537
Of which non-current	**1,383**	1,104	1,003
	$ 1,976	$ 1,809	$ 1,540

(1) Includes $164 million of securities held as collateral for guarantees issued in connection with the sale of aircraft as at October 31, 2011 ($152 million as at January 31, 2011 and $148 million as at February 1, 2010).

11. OTHER ASSETS

Other assets were as follows as at:

	October 31, 2011	January 31, 2011	February 1, 2010
Prepaid expenses	**$ 342**	$ 327	$ 226
Intangible assets other than aerospace program tooling and goodwill	**238**	243	256
Sales tax and other taxes	**222**	183	137
Flexjet fractional ownership deferred costs	**153**	156	227
Deferred financing charges	**96**	65	99
Investments in associates	**44**	57	40
Retirement benefits	**24**	29	44
Other	**37**	50	47
	$ 1,156	$ 1,110	$ 1,076
Of which current	**$ 641**	$ 648	$ 519
Of which non-current	**515**	462	557
	$ 1,156	$ 1,110	$ 1,076

12. PROVISIONS

Changes in provisions were as follows for the three- and nine-month periods ended October 31:

	Product warranties	Credit and residual value guarantees	Restructuring	Other [(1)]	Total
Balance as at January 31, 2011	**$ 1,120**	**$ 493**	**$ 70**	**$ 129**	**$ 1,812**
Additions	**197**	**-**	**1**	**4**	**202**
Utilization	**(180)**	**(58)**	**(26)**	**(11)**	**(275)**
Reversals	**(38)**	**(20)**	**(3)**	**(1)**	**(62)**
Accretion expense	**1**	**10**	**-**	**-**	**11**
Effect of changes in discount rates	**1**	**5**	**-**	**-**	**6**
Effect of foreign currency exchange rate changes	**25**	**-**	**2**	**2**	**29**
Balance as at July 31, 2011	**1,126**	**430**	**44**	**123**	**1,723**
Additions	**140**	**-**	**15**	**3**	**158**
Utilization	**(155)**	**-**	**(4)**	**(2)**	**(161)**
Reversals	**(36)**	**(10)**	**(1)**	**(4)**	**(51)**
Accretion expense	**-**	**3**	**-**	**-**	**3**
Effect of changes in discount rates	**-**	**1**	**-**	**-**	**1**
Effect of foreign currency exchange rate changes	**(10)**	**-**	**(1)**	**(1)**	**(12)**
Balance as at October 31, 2011	**$ 1,065**	**$ 424**	**$ 53**	**$ 119**	**$ 1,661**
Of which current	**$ 923**	**$ 38**	**$ 47**	**$ 57**	**$ 1,065**
Of which non-current	**142**	**386**	**6**	**62**	**596**
	$ 1,065	**$ 424**	**$ 53**	**$ 119**	**$ 1,661**

	Product warranties	Credit and residual value guarantees	Restructuring	Other [(1)]	Total
Balance as at February 1, 2010	$ 1,009	$ 536	$ 82	$ 188	$ 1,815
Additions	200	6	3	20	229
Utilization	(119)	(2)	(15)	(53)	(189)
Reversals	(53)	(9)	(14)	(16)	(92)
Accretion expense	2	11	-	1	14
Effect of changes in discount rates	(1)	5	-	-	4
Effect of foreign currency exchange rate changes	(15)	-	(2)	(4)	(21)
Balance as at July 31, 2010	1,023	547	54	136	1,760
Additions	94	1	2	11	108
Utilization	(81)	(35)	(9)	(24)	(149)
Reversals	(15)	(14)	(2)	(15)	(46)
Accretion expense	2	5	-	-	7
Effect of changes in discount rates	6	1	-	-	7
Effect of foreign currency exchange rate changes	39	-	2	4	45
Balance as at October 31, 2010	$ 1,068	$ 505	$ 47	$ 112	$ 1,732
Of which current	$ 929	$ 76	$ 37	$ 60	$ 1,102
Of which non-current	139	429	10	52	630
	$ 1,068	$ 505	$ 47	$ 112	$ 1,732

[(1)] Includes litigations and claims, as well as environmental liabilities.

13. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows as at:

	October 31, 2011	January 31, 2011	February 1, 2010
Government refundable advances	**$ 313**	$ 284	$ 238
Derivative financial instruments	**241**	677	441
Current portion of long-term debt	**189**	17	11
Lease subsidies	**147**	161	196
Sale and leaseback obligations	**72**	216	179
Vendor non-recurring costs	**14**	15	9
Other	**72**	22	21
	$ 1,048	$ 1,392	$ 1,095
Of which current	**$ 612**	$ 860	$ 537
Of which non-current	**436**	532	558
	$ 1,048	$ 1,392	$ 1,095

14. OTHER LIABILITIES

Other liabilities were as follows as at:

	October 31, 2011	January 31, 2011	February 1, 2010
Accruals for long-term contract costs	**$ 917**	$ 796	$ 675
Employee benefits(1)	**721**	714	544
Supplier contributions to aerospace programs	**346**	314	150
Flexjet fractional ownership deferred revenues	**178**	196	306
Income and other taxes payable	**119**	166	203
Deferred income taxes	**56**	53	65
Other	**585**	659	466
	$ 2,922	$ 2,898	$ 2,409
Of which current	**$ 2,027**	$ 1,990	$ 1,833
Of which non-current	**895**	908	576
	$ 2,922	$ 2,898	$ 2,409

(1) Comprised of all employee benefits excluding those related to retirement benefits, which are reported separately.

15. SHARE-BASED PLANS

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

	Three-month period ended October 31, 2011		Three-month period ended October 31, 2010	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**19,393,114**	**4,332,000**	18,270,386	2,966,000
Granted	**57,000**	**35,000**	41,000	-
Cancelled	**(232,424)**	**-**	(61,006)	-
Balance at end of period	**19,217,690**	**4,367,000**	18,250,380	2,966,000

	Nine-month period ended October 31, 2011		Nine-month period ended October 31, 2010	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**18,225,184**	**2,966,000**	15,888,267	1,124,000
Granted	**6,809,306**	**1,562,000**	8,141,500	1,842,000
Performance adjustment	**1,156,478**	**-**	2,725,988	-
Exercised	**(6,413,195)**	**-**	(8,177,963)	-
Cancelled	**(560,083)**	**(161,000)**	(327,412)	-
Balance at end of period	**19,217,690**	**4,367,000**	18,250,380	2,966,000

A compensation expense of $12 million and $27 million was recorded during the three- and nine-month periods ended October 31, 2011 with respect to the PSU and DSU plans ($11 million and $28 million during the three- and nine-month periods ended October 31, 2010).

In connection with the DSU plan, the Board of Directors of the Corporation authorized the repurchase for cancellation, in the normal course of the Corporation's activities from June 17, 2011 to June 16, 2012, of up to 2,006,000 Class B Shares (Subordinate Voting) and up to 438,263 Class A Shares (Multiple Voting) (from April 9, 2010 to April 8, 2011, of up to 3,000,000 Class B Shares (Subordinate Voting) and up to 660,000 Class A Shares (Multiple Voting)). During the nine-month period ended October 31, 2011, 2,006,000 Class B Shares (Subordinate Voting) were repurchased and cancelled, for a total amount of $14 million (3,000,000 Class B Shares (Subordinate Voting) and $16 million during the nine-month period ended October 31, 2010).

In connection with the PSU plan, the trustee purchased 8,275,000 Class B shares (Subordinate Voting) of the Corporation in the open market for $58 million during the nine-month period ended October 31, 2011 (787,000 and 10,539,000 Class B shares (Subordinate Voting) for $4 million and $50 million, respectively, during the three- and nine-month periods ended October 31, 2010). As at October 31, 2011, 29,321,479 Class B Shares (Subordinated Voting) were held in trust under the PSU plan (27,459,674 as at January 31, 2011).

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 October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Balance at beginning of period	**28,343,096**	37,130,939	**35,911,189**	39,001,075
Granted	**25,000**	-	**3,598,000**	3,820,000
Exercised	**(46,250)**	(105,000)	**(1,942,862)**	(969,038)
Cancelled	**(214,000)**	(12,000)	**(976,981)**	(797,586)
Expired	**(582,000)**	(365,500)	**(9,063,500)**	(4,406,012)
Balance at end of period	**27,525,846**	36,648,439	**27,525,846**	36,648,439

A compensation expense of $2 million and $5 million was recorded during the three- and nine-month periods ended October 31, 2011 with respect to share option plans ($2 million and $6 million for the three- and nine-month periods ended October 31, 2010).

16. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS

Net change in non-cash balances related to operations was as follows:

	Three-month periods ended October 31		Nine-month periods ended October 31	
	2011	2010	**2011**	2010
Trade and other receivables	**$ 54**	$ (35)	**$ (116)**	$ (58)
Inventories	**(196)**	(197)	**(986)**	(504)
Other financial assets and liabilities, net	**(107)**	33	**(167)**	(27)
Other assets	**(26)**	(58)	**(86)**	(85)
Trade and other payables	**178**	120	**289**	(89)
Provisions	**(49)**	(75)	**(168)**	(106)
Advances and progress billings in excess of long-term contract inventories	**(280)**	62	**(456)**	(5)
Advances on aerospace programs	**260**	(41)	**105**	(246)
Retirement benefit liability	**19**	(45)	**32**	9
Other liabilities	**(127)**	76	**(142)**	170
	$ (274)	$ (160)	**$ (1,695)**	$ (941)

17. CREDIT FACILITIES

In May 2011 and June 2011, the Corporation renewed the BT and the BA letter of credit facilities, respectively. The letter of credit facilities and their maturities were as follows as at:

	Amount committed	Letters of credit issued	Amount available	Maturity (calendar year)
October 31, 2011				
BT facility	**$ 4,760** [(1)]	**$ 3,595**	**$ 1,165**	**2016** [(2)]
BA facility	**600**	**241**	**359**	**2014** [(3)]
PSG facility	**900**	**412**	**488**	**2012** [(4)]
	$ 6,260	**$ 4,248**	**$ 2,012**	
January 31, 2011				
BT facility	$ 5,212 [(1)]	$ 3,633	$ 1,579	2013
BA facility	600	211	389	2011
PSG facility	900	352	548	2011 [(4)]
	$ 6,712	$ 4,196	$ 2,516	
February 1, 2010				
BT facility	$ 5,201 [(1)]	$ 3,921	$ 1,280	2013
BA facility	600	484	116	2011
PSG facility	900	377	523	2010 [(4)]
	$ 6,701	$ 4,782	$ 1,919	

(1) €3,400 million as at October 31, 2011 (€3,800 million as at January 31, 2011 and €3,750 million as at February 1, 2010).

(2) The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment amount of the facility, plus a two year amortizing period during which new letters of credit cannot be issued. The final maturity date of the facility is May 2016. The facility can be extended in May 2012 and May 2013 each for an additional year subject to approval by a majority of the bank syndicate members.

(3) The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment of the facility. The facility can be extended annually on the anniversary date for an additional year subject to approval by a majority of the bank syndicate members.

(4) The performance security guarantee facility (“PSG facility”) is renewed and extended annually if mutually agreed. In June 2011, the facility was extended until June 2012 and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

Revolving credit facility

In June 2011, the Corporation also renewed its $500-million unsecured revolving credit facility which was to mature in August 2011. The new $750-million unsecured revolving credit facility matures in June 2014 and bears interest at the applicable base rate (LIBOR, in the case of a U.S. dollar drawing) plus a margin based on the Corporation’s credit ratings. These unsecured revolving credit facilities were unused since their inception.

Financial covenants

Under the new BA and BT letter of credit facilities and the new unsecured revolving credit facility, the Corporation must maintain various financial covenants including a requirement to maintain a minimum BT liquidity of €600 million ($840 million) at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. The financial covenants remained essentially the same under the new facilities but no longer require the Corporation to provide invested collateral as a security for the letter of credit facilities. As a result, the invested collateral required under the previous letter of credit facilities, amounting to €406 million ($584 million) for BT and $121 million for BA, has been released, leading to an increase of liquidity during the second quarter of the current fiscal year. The financial covenants under these credit facilities were met as at October 31, 2011, January 31, 2011 and February 1, 2010.

18. COMMITMENTS AND CONTINGENCIES

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

	October 31, 2011	January 31, 2011	February 1, 2010
Aircraft sales			
Credit	**$ 1,392**	$ 1,453	$ 1,524
Residual value	**2,112**	2,239	2,425
Mutually exclusive exposure[1]	**(771)**	(806)	(894)
Total credit and residual value exposure	**$ 2,733**	$ 2,886	$ 3,055
Trade-in commitments	**1,402**	1,214	761
Conditional repurchase obligations	**604**	594	599
Other			
Credit and residual value	**161**	159	157
Performance guarantees	**36**	34	44

(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 amounted to $424 million as at October 31, 2011 ($493 million as at January 31, 2011 and $536 million as at February 1, 2010). In addition, lease subsidy liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $147 million as at October 31, 2011 ($161 million as at January 31, 2011 and $196 million as at February 1, 2010).

Litigation
In the normal course of operations, the Corporation is a defendant in certain legal proceedings currently pending before various courts in relation to product liability and contract disputes with customers and other third parties. The Corporation intends to vigorously defend its position in these matters.

While the Corporation cannot predict the final outcome of legal proceedings pending as at October 31, 2011, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

19. ADOPTION OF IFRS

The Corporation has adopted IFRS effective for its interim and annual financial statements beginning February 1, 2011. The Corporation’s financial statements for the fiscal year ending December 31, 2011 will be the first annual financial statements prepared in accordance with IFRS. As required by IFRS 1, the Corporation is expected to make an explicit and unreserved statement of compliance with IFRS in its financial statements for the fiscal year ending December 31, 2011. For all periods up to and including the year ended January 31, 2011, the Corporation prepared its financial statements in accordance with previous Canadian GAAP. This note explains how the transition from previous Canadian GAAP to IFRS affected the Corporation’s reported equity as at October 31, 2010, as well as net income, comprehensive income and cash flows for the three- and nine-month periods ended October 31, 2010. References to Canadian GAAP in this note refer to Canadian GAAP applicable to the Corporation for reporting periods up to and including the year ended January 31, 2011.

In addition, reconciliations of equity as at February 1, 2010 and January 31, 2011 and reconciliations of net income, comprehensive income and cash flows for the fiscal year ended January 31, 2011 were presented in the Corporation’s quarterly report for the three-month period ended April 30, 2011.

IFRS 1 requires a first-time adopter to retrospectively apply all IFRS effective as at the end of its first annual reporting period (December 31, 2011 for the Corporation). IFRS 1 also provides a first-time adopter certain optional exemptions and requires certain mandatory exemptions from full retrospective application. The Corporation’s elections to apply certain optional exemptions remain unchanged from the elections described in the Corporation’s quarterly report for the three-month period ended April 30, 2011.

Amounts in the consolidated statements of income, comprehensive income, financial position, changes in equity and cash flows for the comparative period to be included in our first annual financial statements to be prepared under IFRS for the fiscal year ending December 31, 2011 may differ from the restated figures presented to date, if new standards are adopted prior to December 31, 2011 or if the Corporation modifies the choices made with regard to elections under IFRS 1 or its accounting policies under IFRS.

Reconciliations of equity and net income from Canadian GAAP to IFRS

The following reconciliations illustrate the measurement and recognition differences in restating equity and net income reported under Canadian GAAP to IFRS for the dates and periods indicated.

Reconciliation of equity

	Item	October 31, 2010
Equity under Canadian GAAP (as reported)		**$ 4,163**
Measurement and recognition differences:		
Retirement benefits	A	(2,773)
Revenues	B	(586)
Aerospace program tooling	C	(202)
Sale and leaseback obligations	D	(1)
Other		(64)
		(3,626)
Income tax impact of all restatements	E	239
Total restatements		(3,387)
Equity under IFRS		**$ 776**

Reconciliation of EBIT, net income and diluted EPS

	Item		BA		BT		EBIT		Net financing expense		Net income	
									Three-month period ended October 31, 2010			
As reported under Canadian GAAP		**$**	**87**	**$**	**141**	**$**	**228**	**$**	**(46)**	**$**	**143**	[(1)]
Reclassifications			(7)		1		(6)		6		-	
Restatements to income before income taxes												
Retirement benefits	A		9		14		23		(12)		11	
Revenues	B		(13)		(5)		(18)		(6)		(24)	
Aerospace program tooling	C		14		-		14		(1)		13	
Sale and leaseback obligations	D		-		-		-		(3)		(3)	
Other			8		1		9		1		10	
			18		10		28		(21)		7	
Income tax impact of all restatements	E										(3)	
Total restatements			18		10		28		(21)		4	
As restated under IFRS		**$**	**98**	**$**	**152**	**$**	**250**	**$**	**(61)**	**$**	**147**	
Diluted EPS under Canadian GAAP (as reported)										**$**	**0.08**	
Impact of IFRS restatements to net income											-	
Diluted EPS under IFRS										**$**	**0.08**	

(1) Net of income taxes of $39 million.

	Item		BA		BT		EBIT		Net financing expense		Net income	
									Nine-month period ended October 31, 2010			
As reported under Canadian GAAP		**$**	**267**	**$**	**416**	**$**	**683**	**$**	**(118)**	**$**	**444**	[(1)]
Reclassifications			(14)		1		(13)		13		-	
Restatements to income before income taxes												
Retirement benefits	A		21		40		61		(36)		25	
Revenues	B		(11)		(12)		(23)		(9)		(32)	
Aerospace program tooling	C		47		-		47		(3)		44	
Sale and leaseback obligations	D		9		-		9		(4)		5	
Other			13		1		14		(13)		1	
			79		29		108		(65)		43	
Income tax impact of all restatements	E										(7)	
Total restatements			79		29		108		(65)		36	
As restated under IFRS		**$**	**332**	**$**	**446**	**$**	**778**	**$**	**(170)**	**$**	**480**	
Diluted EPS under Canadian GAAP (as reported)										**$**	**0.24**	
Impact of IFRS restatements to net income											0.02	
Diluted EPS under IFRS										**$**	**0.26**	

(1) Net of income taxes of $121 million.

The following items explain the most significant restatements to equity and net income resulting from the change in accounting policies upon adoption of IFRS.

A. Retirement benefits

Actuarial gains and losses
Under Canadian GAAP, actuarial gains and losses were amortized through net income using a corridor approach over the estimated average remaining service life ("EARSL") of employees. Under IFRS, the Corporation has elected to recognize all actuarial gains and losses in OCI as incurred. As a result of this election, foreign exchange gains and losses on the translation of plan assets and liabilities are also recorded in OCI under IFRS.

Vested past service costs (credits)
Under Canadian GAAP, vested past service costs (credits) of defined benefit plans were amortized over the EARSL of plan participants from their grant date. Under IFRS, vested past service costs (credits) of defined benefit plans must be recognized in net income immediately as granted.

Asset ceiling and additionally liability test
Under IFRS, IFRIC 14, *The limit on a defined benefit asset, minimum funding requirements and their interaction*, requires entities to consider minimum funding requirements when assessing the financial position of defined benefit plans. This interpretation may require either a reduction of the retirement benefit asset or the recognition of an additional liability. Canadian GAAP also set limits on the recognition of the retirement benefit asset, but did not consider minimum funding requirements and as such could not create an additional liability.

Further, under Canadian GAAP, an adjustment arising from the asset ceiling was recognized in net income. Since the Corporation has elected to recognize all actuarial gains and losses in OCI under IFRS, variations arising from this test are also recognized in OCI in the period in which they occur.

Measurement date
Canadian GAAP allowed entities to use a measurement date for defined benefit obligations and plan assets up to three months prior to the fiscal year-end date. December 31 was used as the measurement date for all of the Corporation's defined benefit plans under Canadian GAAP.

Measurement of the defined benefit obligations and plan assets is performed at the reporting date under IFRS. Accordingly, defined benefit plans at BA and Corporate Office were measured using a January 31 measurement date under IFRS during the fiscal year ended January 31, 2011. Defined benefit plans at BT continued to use a December 31 measurement date as this is the financial year-end date of BT.

Allocation of retirement benefit costs to inventories and aerospace program tooling
The adjustment to inventories and aerospace program tooling arises from changes in the presentation of retirement benefit costs. The Corporation elected to segregate retirement benefit costs into three components under IFRS:

- retirement benefit expense (including current and past service costs or credits) recorded in EBIT;
- accretion on retirement benefit obligations and expected return on retirement plan assets recorded in financing expense and financing income; and
- actuarial gains and losses, asset ceiling and additional liability test and gains and losses on foreign exchange recorded in OCI.

Under Canadian GAAP these three components were eventually all recorded in EBIT. As a result, only current service costs are considered for capitalization in aerospace program tooling and inventories under IFRS, whereas under Canadian GAAP all three components were considered for capitalization.

B. Revenues

Bombardier Aerospace
Under Canadian GAAP, revenues from the sale of light business (*Learjet* family), commercial and amphibious aircraft were recognized at delivery of the completed aircraft. Revenues from the sale of medium and large business aircraft (*Challenger* and *Global* families) were segmented between two milestones: green aircraft delivery (i.e. before exterior painting and installation of interiors and optional avionics) and upon final acceptance of the completed aircraft by customers.

Under IFRS, revenues from the sale of all aircraft are recognized upon delivery of the completed aircraft to customers. For the three-month period ended October 31, 2010, revenues for 24 medium and large business aircraft for which final delivery had not taken place were reversed and revenues for 22 medium and large business aircraft for which final delivery took place during the period were recognized. For the nine-month period ended October 31, 2010, revenues for 76 and 80 medium and large business aircraft were reversed and recognized, respectively.

The following tables show the restatements in the number of aircraft deliveries for the three- and nine-month periods.

	Three-month period ended October 31, 2010			
(In units)	**Aircraft deliveries Canadian GAAP**	**Reversal of green aircraft**	**Recognition of completed aircraft**	**Aircraft deliveries IFRS**
Learjet Series	**8**	-	-	**8**
Challenger 300	**7**	(7)	7	**7**
Challenger 605	**8**	(8)	3	**3**
Challenger 800 Series	**1**	-	1	**2**
Global 5000/Global Express XRS	**9**	(9)	11	**11**
Commercial	**19**	-	-	**19**
Amphibious	**1**	-	-	**1**
	53	(24)	22	**51**

	Nine-month period ended October 31, 2010			
(In units)	**Aircraft deliveries Canadian GAAP**	**Reversal of green aircraft**	**Recognition of completed aircraft**	**Aircraft deliveries IFRS**
Learjet Series	**19**	-	-	**19**
Challenger 300	**18**	(18)	20	**20**
Challenger 605	**24**	(24)	21	**21**
Challenger 800 Series	**1**	-	6	**7**
Global 5000/Global Express XRS	**34**	(34)	33	**33**
Commercial	**53**	-	-	**53**
Amphibious	**3**	-	-	**3**
	152	(76)	80	**156**

As part of the operations of the Corporation, unavoidable costs of meeting contractual obligations may exceed the economic benefits expected from a contract, resulting in an onerous contract. Under Canadian GAAP, no provision was recorded in such circumstances, unless the contract was accounted for under long-term contract accounting rules. Under IFRS, a provision must be recorded when a contract becomes onerous.

Under most contracts for the sale of aircraft, penalties must be paid if the aircraft is delivered after an agreed timeline. Under Canadian GAAP, such late-delivery penalties were recognized directly in net income, based on the total expected penalty. Under IFRS, such penalties are recognized in inventories, when incurred, since they are seen as an integral component of the cost of the asset.

Under Canadian GAAP, provisions for warranties related to the sale of aircraft did not take into account the time value of money. Under IFRS, aircraft warranty provisions must be discounted and an accretion expense is recorded over the passage of time.

As a result of these restatements, for the three-month period ended October 31, 2010, BA revenues decreased by $27 million, EBIT decreased by $13 million and financing expense increased by $6 million. For the nine-month period ended October 31, 2010, BA revenues increased by $40 million, EBIT decreased by $11 million and financing expense increased by $9 million.

Bombardier Transportation
In connection with BT's operations, a base contract is often granted with options that can be exercised by the customer to order more quantities of the same product. The margin earned on these options is often higher than the margin on the base contract, mainly due to the learning curve effect decreasing production costs over time.

Canadian GAAP did not allow accounting for the base contract and an exercised option as a single unit of accounting, using a combined margin, if the margins of the base contract and option differed significantly. This criterion does not exist under IFRS and therefore base contracts must always be combined with exercised options if they relate to a single project and the product is similar in design, technology and function; the price of the options was negotiated as part of the base contract; and production is performed on a continuous basis. Consequently, under IFRS, more base contracts are combined with options. Such combining generally increases the profit on the base contract through a cumulative adjustment recorded when the option contract is signed and reduces the profit during the execution of the option contract, as the combined margin is used instead of only the higher margin of the option contract.

As a result of this difference, BT's revenues, EBIT and EBT under IFRS all decreased by $5 million and $12 million for the three- and nine-month periods ended October 31, 2010, respectively.

C. Aerospace program tooling

Restatements related to aerospace program tooling are attributed to the following three elements.

Government refundable advances
As an incentive to stimulate R&D, some governments provide advances during the development period, which are usually conditionally repaid upon delivery of the related product.

Under Canadian GAAP, contingently repayable advances received were deducted from aerospace program tooling or R&D expense, and any repayments were recorded as an expense in cost of sales upon delivery of the aircraft. Under IFRS, a liability is recorded for the expected repayment of advances received if it is probable that the conditions for repayment will be met. Repayments are recorded as a reduction of the liability. Revisions to the estimate of amounts to be repaid result in an increase or decrease in the liability and aerospace program tooling or R&D expense, and a cumulative catch-up adjustment to amortization is recognized immediately in net income.

As a result, aerospace program tooling is recorded gross of government refundable advances under IFRS, resulting in a higher amortization expense in the earlier stages of an aircraft program's life.

R&D expenditures incurred by vendors on behalf of the Corporation
As a new aircraft is developed, some vendors invest in the development of new technology (vendor non-recurring costs or "VNR costs"). These costs may be repaid to the vendor as part of the purchase price of the vendor's product, and the technology is transferred to the Corporation once an agreed amount is repaid.

Under Canadian GAAP, the amounts repaid to vendors were recognized as aerospace program tooling ratably as the vendor developed product was purchased. Under IFRS, upon evidence of successful development, which generally occurs at a program's entry into service, such VNR costs must be recognized as a liability based on the best estimate of the amount to be repaid to the vendor, with a corresponding increase in aerospace program tooling.

As a result, VNR costs are recorded earlier under IFRS, based on the present value of the best estimate of the amounts repayable, with consequential higher amortization of aerospace program tooling early in the program life. Repayments to vendors are recorded as a reduction of the liability.

Borrowing costs

As noted above, aerospace program tooling is recorded gross of government refundable advances under IFRS. As a result, aerospace program tooling for programs under development is higher under IFRS and therefore the amount of capitalized borrowing costs is also higher.

Under Canadian GAAP, interest charges incurred during the development period were capitalized as part of aerospace program tooling based on the general borrowing rate as there were no specific borrowings. Under IFRS, government refundable advances recorded during the development period are considered specific borrowings and are included in borrowing costs capitalized to aerospace program tooling beginning February 19, 2007.

Combined impact on EBT of adjustments to aerospace program tooling

Increase (decrease) in EBT	Three-month period ended October 31, 2010	Nine-month period ended October 31, 2010
Decrease in amortization resulting from overall lower aerospace program tooling balance	$ 8	$ 25
Repayments of government refundable advances no longer recorded in EBIT	9	30
Foreign exchange loss upon translation of the liability for government refundable advances	(3)	(8)
Accretion expense on the liability for government refundable advances	(5)	(14)
Additional capitalization of borrowing costs due to a higher capitalization base for programs under development	4	11
	$ 13	$ 44

D. Sale and leaseback obligations

Under Canadian GAAP, contracts under sale and leaseback facilities for pre-owned business aircraft were classified as operating leases based on the quantitative tests for lease classification. IFRS requires a qualitative and quantitative assessment of lease classification and, as a result, these lease contracts are accounted for as financial obligations secured by the pre-owned business aircraft.

Under Canadian GAAP, revenue was recorded when the aircraft was transferred to a facility. Under IFRS, the pre-owned aircraft remain in inventories and no revenue is recorded until the aircraft is sold outside the facilities to a third-party customer. Also, interest expense is recognized on the liability under IFRS based on the effective interest rate of the sale and leaseback obligation.

Under IFRS, revenues and cost of sales for the three-month period ended October 31, 2010 increased by $15 million as two sales of pre-owned aircraft to these facilities were reversed and six sales outside the facilities to third-party customers of different pre-owned aircraft were recognized. Revenues and cost of sales for the nine-month period ended October 31, 2010 decreased by $46 million as ten sales of pre-owned aircraft to these facilities were reversed and ten sales outside the facilities to third-party customers of different pre-owned aircraft were recognized. As these sales are generally made at low margins, the adjustments to revenues had minimal impact on EBIT.

Under IFRS, lease payments to the facilities are recorded as capital repayments or interest expense, rather than as a lease expense in EBIT under Canadian GAAP. Interest expense for the three-month period ended October 31, 2010 increased by $3 million and there was no impact on EBIT. EBIT for the nine-month period ended October 31, 2010 increased by $9 million, while interest expense increased by $4 million.

E. Income tax impact of all restatements

The restatement of equity affects the accounting values of assets and liabilities but not their tax bases. Applying the Canadian statutory tax rate the restatements to equity as at October 31, 2010 would trigger the recognition of a significant deferred income tax asset. However, IFRS allows recognition of a deferred income tax asset only to the extent it is probable that taxable profit will be available against which the deductible temporary differences or unused income tax losses can be utilized. The deferred income tax asset has not been fully recognized under IFRS, as some of the income tax benefits are expected to materialize in periods subsequent to the period meeting the probability of recovery test necessary to support such assets.

Applying the Canadian statutory tax rate of 30.0% to the IFRS adjustments to EBT for the three-month period ended October 31, 2010 would result in an income tax expense of $2 million. However, certain additional income tax benefits did not meet the criteria for recognition as deferred income tax assets in some countries, while additional income tax expense was recorded in other countries. Overall, the additional income tax expense as a result of all restatements for the three-month period ended October 31, 2010 was $3 million.

For the nine-month period ended October 31, 2010, applying the Canadian statutory tax rate of 30.0% to the IFRS adjustments to EBT would result in an additional income tax expense of $13 million. However, additional income tax benefits related to operating losses and temporary differences were recognized under IFRS. The additional income tax expense as a result of all restatements for the nine-month period ended October 31, 2010 was $7 million.

Reclassifications from Canadian GAAP reporting to IFRS

A classified statement of financial position has been presented under IFRS, based on the operating cycle for operating items and based on a twelve-month period for non-operating items.

The following are mandatory reclassifications of items in the statement of financial position upon transition to IFRS:

- Financial assets and financial liabilities are presented separately from non-financial assets and non-financial liabilities.
- Provisions are presented separately from other payables.
- Other long-term employment benefits, such as long-term disability and service awards, are segregated from retirement benefits and are presented in other liabilities.

The Corporation has also made the following elective reclassification of items in the statements of financial position to place focus on key accounts under IFRS:

- Aerospace program tooling is presented separately from goodwill and other intangibles.
- Flexjet fractional ownership deferred costs and fractional ownership deferred revenues are no longer presented separately and are included in other assets and other liabilities, respectively.
- Aircraft financing is no longer presented separately and is included in other financial assets, except for assets under operating leases which are presented as non-financial assets classified according to their nature.
- Derivative financial instruments are no longer presented separately and are included in other financial assets and other financial liabilities.

The Corporation has made the following mandatory reclassification of items in the statement of income:

- Amortization expense is no longer presented separately and is classified based on the underlying functions between cost of sales, R&D and SG&A.

The Corporation has made the following elective reclassifications of items in the statement of income:

- Expected return on pension plan assets and accretion on retirement benefit obligations are presented in financing expense and financing income and are no longer included in EBIT.
- Other income and expenses related to operations, such as foreign exchange gains and losses, are no longer included in other expense (income) and are instead classified as cost of sales unless the item is unusual and material.
- Under Canadian GAAP, changes in valuation of credit and residual value guarantees, loans and lease receivables, lease subsidies, investments in financing structures and servicing fees are presented in cost of sales or other expense (income). Under IFRS, changes in the value of these items are presented in financing expense or financing income if the changes arise from variation in interest rates. Other changes in valuation of these items are presented in other expense (income) under IFRS.

Reconciliation of comprehensive income from Canadian GAAP to IFRS

The following reconciliation illustrates the restatements to comprehensive income reported under Canadian GAAP to IFRS for the periods indicated.

Reconciliation of comprehensive income

	Item	Three-month period ended October 31, 2010	Nine-month period ended October 31, 2010
Comprehensive income under Canadian GAAP (as reported)		**$ 314**	**$ 573**
Differences on net income		4	36
Differences on OCI			
Retirement benefits	A	(54)	(600)
Other		(15)	(52)
Income tax impact of all restatements	E	(14)	39
		(83)	(613)
Comprehensive income (loss) under IFRS		**$ 235**	**$ (4)**

The following items explain the significant restatements to OCI resulting from the change in accounting policies upon adoption of IFRS.

A. Retirement benefits

Net actuarial losses of $54 million and $600 million were incurred during the three- and nine-month periods ended October 31, 2010, respectively. These net actuarial losses were comprised of:

	Three-month period ended October 31, 2010	Nine-month period ended October 31, 2010
Actuarial losses, mainly due to changes in discount rates	$ (36)	$ (593)
Foreign exchange losses on the translation of plan assets and liabilities	(11)	(59)
Gain (loss) arising from variations in the asset ceiling and additional liability	(7)	52
Net actuarial losses	$ (54)	$ (600)

Actuarial gains and losses are recognized in OCI under IFRS in accordance with the Corporation's choice of accounting policy.

E. Income tax impact of all restatements

The related deferred income tax assets have not been fully recognized in some countries, as some of the income tax benefits are expected to materialize in periods subsequent to the period meeting the probability of recovery test necessary to support such assets, and additional income tax expense was recorded in other countries.

Changes to the statement of cash flows from Canadian GAAP to IFRS

The net impact on the statement of cash flows as a result of conversion to IFRS is as follows:

	Three-month period ended October 31, 2010	Nine-month period ended October 31, 2010
Cash flows from operating activities	$ 38	$ (1)
Cash flows from investing activities	(14)	(29)
Cash flows from financing activities	(24)	30
	$ -	$ -

The following items explain the most significant restatements to the statement of cash flows, resulting from the changes in accounting policies upon adoption of IFRS:

- Under Canadian GAAP, payments to and from sale and leaseback facilities for pre-owned aircraft were classified as cash flows from operating activities. Under IFRS, such payments are treated as financing transactions and are classified as cash flows from financing activities. For the three-month period ended October 31, 2010, cash flows from financing activities decreased by $24 million as amounts repaid to these facilities exceeded receipts from the facilities. For the nine-month period ended October 31, 2010, cash flows from financing activities increased by $30 million as amounts received from these facilities exceeded repayments.
- Under Canadian GAAP, inflows from government refundable advances were netted against additions to PP&E and intangible assets and classified as cash flows from investing activities, with any repayments classified as cash flows from operating activities. Under IFRS, all transactions related to the government refundable advances are classified as cash flows from operating activities. During the three- and nine-month periods ended October 31, 2010, $14 million and $29 million in government refundable advances were received and classified as cash flows from operating activities under IFRS.