FINANCIAL SECTION

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

Term	Description
AFS	Available for sale
AOCI	Accumulated other comprehensive income
BA	Bombardier Aerospace
BT	Bombardier Transportation
CCTD	Cumulative currency translation difference
CGU	Cash generating unit
CIS	Commonwealth of Independent States
DDHR	Derivative designated in a hedge relationship
DSU	Deferred share unit
EBIT	Earnings before financing expense, financing income and income taxes
EBITDA	Earnings before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets
EBT	Earnings (loss) before income taxes
EPS	Earnings per share attributable to equity holders of Bombardier Inc.
FVTP&L	Fair value through profit and loss
GAAP	Generally accepted accounting principles
GDP	Gross domestic product
HFT	Held for trading
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standard(s)
L&R	Loans and receivables
MD&A	Management's discussion and analysis
NCI	Non-controlling interests
OCI	Other comprehensive income
PP&E	Property, plant and equipment
PSU	Performance share unit
R&D	Research and development
RVG	Residual value guarantee
SG&A	Selling, general and administrative
SPE	Special purpose entity
U.K.	United Kingdom
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 revitewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that we fulfill our responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the MD&A for issuance to shareholders.

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. The results of operations for the fourth quarters 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. Comparative figures for periods before the Corporation's transition to IFRS (February 1, 2010) have not been restated in accordance with IFRS. When such previous Canadian GAAP financial measures are presented, a legend has also been added for the benefit of the readers.

As a result of our change of year-end effective December 31, 2011, the fourth quarter ended December 31, 2011 comprises two months of BA's results and three months of BT's results and the fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.

NON-GAAP AND PRO FORMA MEASURES

This MD&A contains both IFRS and non-GAAP measures, with certain measures also presented on a pro forma basis to reflect the impact of our January 2013 debt issuance. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure (see the Non-GAAP financial measures section in Overview).

MATERIALITY FOR DISCLOSURES

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

OVERVIEW OF ACTIVITIES

We are the world's only manufacturer of both planes and trains, operating under two broad segments: aerospace through BA and rail transportation through BT. Looking far ahead while delivering today, we are evolving mobility worldwide by answering the call for more efficient, sustainable and enjoyable transportation everywhere. Our products, services, and most of all our employees, are what make us a global leader in transportation.

BA is a world leader in the design, manufacture and support of innovative aviation products for the business, commercial, specialized and amphibious aircraft markets.

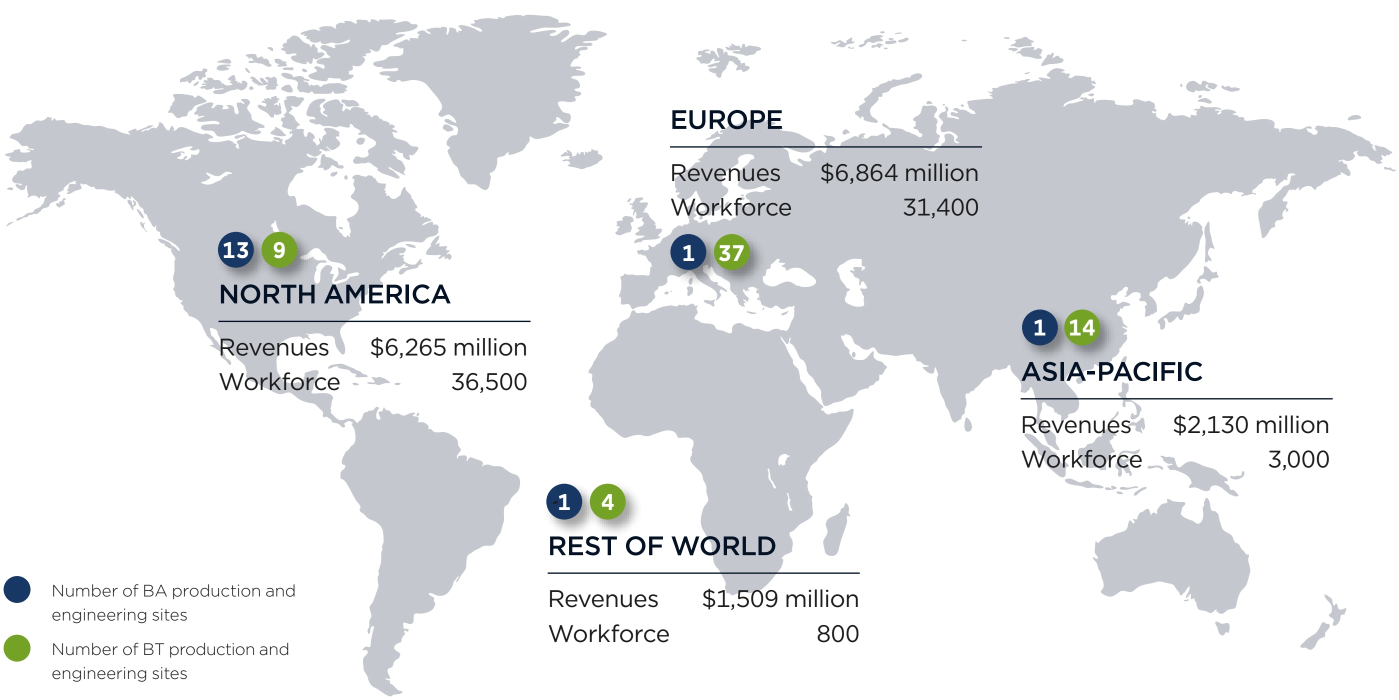
Revenues	$8.6 billion
EBIT	$405 million
EBIT before special items[1]	$382 million
Free cash flow[1]	($867) million
Order backlog	$32.9 billion
Number of employees	35,500

BT is a world leader in the design, manufacture and support of rail equipment and systems.

Revenues	$8.1 billion
EBIT	$290 million
EBIT before special items[1]	$453 million
Free cash flow[1]	$386 million
Order backlog	$33.7 billion
Number of employees	36,000

Every day around the globe, our 71,700[2] dedicated employees work diligently to earn our worldwide leadership in aerospace and rail transportation. As at the date of this report, we have 80 production and engineering sites in 26 countries, and a worldwide network of service centres.

1 Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Consolidated results of operations sections for definitions.
2 Includes 200 employees at our corporate office in Canada.



KEY PERFORMANCE MEASURES AND METRICS

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

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS

Growth and competitive positioning	• Order backlog, as measures of future revenues. • Book-to-bill ratios[1], as indicators of future revenues. • Revenues and delivery units, as measures of growth. • Market share or position, as measures of competitive positioning.
Profitability	• Diluted EPS and Adjusted EPS[2], as measures of global performance. • EBIT, EBIT margin, EBIT before special items[2] and EBIT margin before special items[2], as measures of segment performance.
Liquidity	• Free cash flow[2], as a measure of liquidity generation. • Available short-term capital resources[3], as a measure of liquidity adequacy.
Customer satisfaction	• Various customer satisfaction measures, as measures of our commitment to customers and the reliability of our products.
Execution	• Achievement of product development milestones, as measures of flawless execution. • Achievement of engagement and enablement targets, as a measure of employee engagement and motivation.
Capital structure	• Adjusted EBIT[2] to adjusted interest[2] ratio, as a measure of interest coverage. • Adjusted debt[2] to adjusted EBITDA[2] ratio, as a measure of financial leverage. • Weighted-average long-term debt maturity, as a measure of the term structure.

In 2012, our employee incentive-based compensation was linked to the achievement of targeted results, based on EBIT, free cash flow before interest and income taxes, levels of inventories, customer satisfaction-related metrics, execution according to plan in our new product development programs and diluted EPS.

FIVE-YEAR SUMMARY

			IFRS		Canadian GAAP
For the fiscal years ended and as at	**December 31 2012**	December 31 2011[4]	January 31 2011	January 31 2010	January 31 2009
Revenues	**$ 16,768**	$ 18,347	$ 17,892	$ 19,366	$ 19,721
Order backlog (in billions of dollars)[5]	**$ 66.6**	$ 55.8	$ 53.9	$ 43.8	$ 48.2
EBIT	**$ 695**	$ 1,202	$ 1,205	$ 1,098	$ 1,429
EBIT margin	**4.1%**	6.6%	6.7%	5.7%	7.2%
EBIT before special items[2]	**$ 835**	$ 1,202	$ 1,205	$ 1,098	$ 1,429
EBIT margin before special items[2]	**5.0%**	6.6%	6.7%	5.7%	7.2%
Effective income tax rate	**14.3%**	19.5%	22.3%	22.7%	20.5%
Net income	**$ 598**	$ 837	$ 775	$ 707	$ 1,026
Adjusted net income[2]	**$ 692**	$ 865	$ 785	n/a	n/a
Diluted EPS (in dollars)	**$ 0.32**	$ 0.47	$ 0.42	$ 0.39	$ 0.56
Adjusted EPS (in dollars)[2]	**$ 0.38**	$ 0.48	$ 0.43	n/a	n/a
Free cash flow (usage)[2]	**$ (741)**	$ (1,232)	$ 567	$ (215)	$ 342
Available short-term capital resources[6]	**$ 4,306**	$ 4,122	$ 4,695	$ 3,872	$ 3,470
Interest coverage ratio[6]	**3.3**	4.7	5.0	n/a	n/a
Financial leverage ratio[6]	**4.1**	3.2	3.1	n/a	n/a
Weighted-average long-term debt maturity (in years)[6]	**7.4**	8.0	8.9	6.5	7.5

1 Refer to the respective Key performance measures and metrics sections in BA and BT for definitions of this metric.
2 Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Consolidated results of operations sections for definitions of these metrics. Refer to the Consolidated results of operations, Liquidity and capital resources and Non-GAAP financial measures sections for reconciliations to the most comparable IFRS measures.
3 Defined as cash and cash equivalents plus the amount available under the revolving credit facilities.
4 Our fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.
5 The total order backlog as at December 31, 2012, December 31, 2011 and January 31, 2011 include BA's order backlog for long-term maintenance and spares support agreements.
6 As at December 31, 2012 on a pro forma basis giving effect to our January 2013 debt issuance: available short-term capital resources of $6.3 billion, interest coverage ratio of 2.4, financial leverage ratio of 5.5 and weighted-average long-term debt maturity of 7.4 years.

n/a: Not applicable

HIGHLIGHTS OF THE YEAR

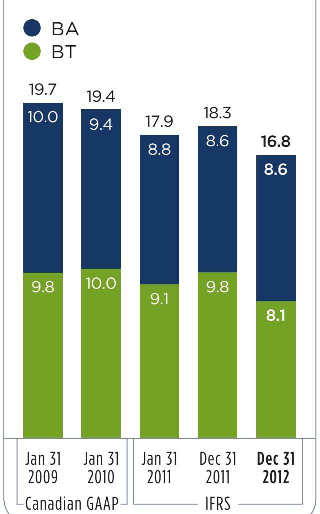
Record level of order backlog and continued investment in our future

REVENUES	ADJUSTED NET INCOME[1]	ADJUSTED EPS[1]	FREE CASH FLOW[1]	ORDER BACKLOG
$16.8 billion	**$692** million	**$0.38**	**($741)** million	**$66.6** billion

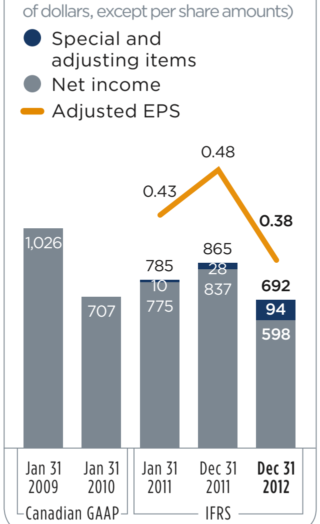
RESULTS OF THE YEAR

- Revenues of $16.8 billion, compared to $18.3 billion last fiscal year[2].
- EBIT before special items[1] of $835 million, or 5.0% of revenues, compared to $1.2 billion, or 6.6%, last fiscal year[2].
- Adjusted net income[1] of $692 million (adjusted EPS[1] of $0.38), compared to $865 million (adjusted EPS of $0.48) last fiscal year[2].
- Investment of $2.1 billion in PP&E and intangible assets, compared to $1.5 billion last fiscal year[2].
- Free cash flow usage[1] of $741 million, compared to a free cash flow usage of $1.2 billion last fiscal year[2].
- Available short-term capital resources of $4.3 billion as at December 31, 2012, including cash and cash equivalents of $2.9 billion, compared to $4.1 billion and $3.4 billion, respectively, as at December 31, 2011. Available short-term capital resources of $6.3 billion as at December 31, 2012 on a pro forma basis giving effect to our January 2013 debt issuance.
- Record level order backlog of $66.6 billion as at December 31, 2012, compared to $55.8 billion as at December 31, 2011.

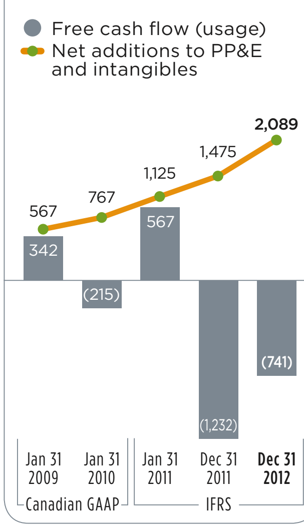
REVENUES[2, 3]
(for the fiscal years ended; in billions of dollars)



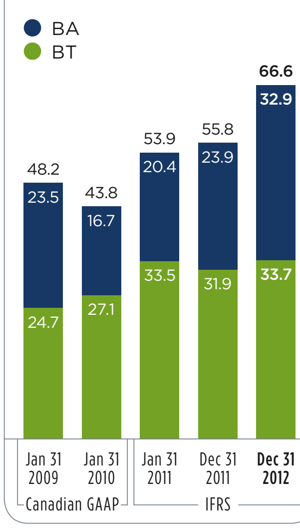
ADJUSTED NET INCOME AND ADJUSTED EPS[1, 2, 4]
(for the fiscal years ended; in millions of dollars, except per share amounts)



FREE CASH FLOW[1, 2]
(for the fiscal years ended; in millions of dollars)



ORDER BACKLOG
(as at; in billions of dollars)



Comparative figures presented in this MD&A for periods and dates prior to our February 1, 2010 transition date to IFRS, have not been restated upon our adoption of IFRS and are presented as prepared under previous Canadian GAAP. Consequently, this information is not entirely comparable.

1 Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Consolidated results of operations sections for definitions of these metrics. Refer to the Consolidated results of operations and Liquidity and capital resources sections for reconciliations to the most comparable IFRS measures.
2 Our fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.
3 Some totals do not agree due to rounding.
4 Adjusted EPS and adjusted net income measures are not available for fiscal years ended January 31, 2010 and 2009.

KEY EVENTS OF THE YEAR

- We increased our financial flexibility by:
  - issuing, subsequent to the end of the fiscal year, an aggregate of $2.0 billion of unsecured Senior Notes, at par, $750 million due in January 2016 and $1.25 billion due in January 2023;
  - issuing $500 million of 5.75% unsecured Senior Notes, at par, due in March 2022; and
  - entering into a new unsecured €500-million revolving credit facility ($660 million) available to BT for cash drawings.
- BA and BT signed several significant contracts, bringing the December 31, 2012 order backlog in both groups to record levels. Refer to BA and BT for details of these contracts and other key initiatives.
- First flight of the *CS100* aircraft is scheduled to occur by the end of June 2013, with entry-into-service expected approximately one year after first flight.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

SUMMARY OF BA AND BT GUIDANCE FOR 2013 AND THEREAFTER

	Profitability	Liquidity	Deliveries/Growth and order intake
BA[1]	Maintain EBIT margin in fiscal year 2013 at approximately the same level as EBIT margin in fiscal year 2012. We expect to achieve an EBIT margin in fiscal year 2014 of approximately 6%, after an anticipated 2% dilutive impact on the EBIT margin from the entry-into-service of the *CSeries* aircraft.	Cash flows from operating activities of approximately $1.4 billion, while net additions to PP&E and intangible assets are expected to be approximately $2.0 billion in fiscal year 2013. The level of net additions to PP&E and intangible assets is expected to decrease in 2014 by approximately $500 million and in 2015 by approximately another $500 million.	Deliveries of approximately 190 business aircraft and 55 commercial aircraft in fiscal year 2013.
BT[1]	We have extended the target date, to achieve an EBIT margin of 8% by 2014.	Maintain free cash flow[2] generally in line with EBIT, although it may vary significantly from quarter to quarter.	Excluding currency impacts, revenues in 2013 are expected to be higher than in 2012, with percentage growth in the high single digits. Maintain a book-to-bill ratio around 1.0, in line with market evolution.

REVIEW OF CORPORATE GUIDANCE FOR FISCAL YEAR 2012

	What we said	What we did[3]
Revenues	During the second quarter of fiscal year 2012, we announced that, excluding currency impacts, we anticipated revenues for the fiscal year ending December 31, 2012 to be in line with the previous year's revenues of $18 billion.	Revenues of $17.2 billion, excluding a negative currency impact of $433 million, for the fiscal year ended December 31, 2012.
Free cash flow[2]	During the third quarter of fiscal year 2012, we announced that the Corporation's consolidated free cash flow usage[2] was anticipated to be approximately $500 million for the fiscal year ending December 31, 2012.	Consolidated free cash flow usage[2] of $741 million.

1 Also see the Guidance and forward-looking statements sections in BA and BT.
2 See the Non-GAAP financial measures section for a definition of this metric.
3 See the Analysis of results sections in BA and BT for detailed analyses of these results.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, guidance, targets, goals, priorities, our market and strategies, financial position, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected growth in demand for products and services; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and project execution in general; our competitive position; and the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe", "continue", "maintain" or "align", 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. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the respective Guidance and forward-looking statements sections in BA and in BT.

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; 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, exposure to credit risk, 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 values and increases in commodity prices). For more details, see the Risks and uncertainties section in Other. 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 report and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

FINANCIAL PRIORITIES

To deliver on our growth strategies, we must maintain a strong financial discipline

PROFITABILITY
Increase the level and consistency of profitability

LIQUIDITY
Increase the level and consistency of cash flows from operating activities and ensure sufficient liquidity to meet capital requirements

CAPITAL STRUCTURE
Optimize the capital structure to reduce costs and improve our ability to seize strategic opportunities

OUR FUTURE PROFITABILITY IS CLOSELY LINKED TO IMPROVED EXECUTION AND THE SUCCESSFUL ROLLOUT OF OUR PRODUCTS

The difficult economic environment continues to affect certain of BA's market segments. BA achieved an EBIT margin before special items of 4.4% in fiscal year 2012, compared to 5.8% last fiscal year. In fiscal year 2013, BA expects to maintain a similar EBIT margin to that of 2012, in the context of a slightly better economic environment. BA also expects to achieve an EBIT margin in fiscal year 2014 of approximately 6%, after an anticipated 2% dilutive impact on EBIT margin from the entry-into-service ("EIS") of the *CSeries* aircraft.

Execution issues encountered in the fiscal year ended December 31, 2011 in some rolling stock contracts continued to put pressure on BT's profitability in fiscal year 2012. BT achieved an EBIT margin before special items of 5.6% in fiscal year 2012, compared to 7.2% last fiscal year. BT remains focused on achieving an EBIT margin of 8%[1], now expected to be achieved by 2014, a year later than originally anticipated.

Increasing the level and consistency of our profitability remains a key financial priority for us. Our significant investment in mobility solutions in recent years and the approaching rollout of flagship products are intended to generate multi-year sustained growth. In the short term, reaching our financial targets will require both groups to continue improving their processes to ensure flawless execution. BT is implementing specific measures to resolve the current execution issues faced in certain large rolling stock contracts, for example, enhanced governance focused on critical projects. Refer also to the Risk management section for details on risk-mitigation measures initiated by management related to project execution risk.

We are leveraging our project management capabilities and focusing on efficient execution through the implementation of lean initiatives. Meanwhile, we continue to implement cost reduction programs in both groups and other punctual measures to improve our competitiveness, including the closure of a BT plant in Aachen and reduction of personnel worldwide. We also capitalize on our worldwide presence in both established and emerging markets to achieve cost savings. This presence provides us with tremendous opportunities to develop local partners and suppliers. Also refer to the respective Guidance status sections in BA and in BT where each group has provided future guidance and an update on their prior guidance.

INCREASED FINANCIAL FLEXIBILITY AS A RESULT OF OUR $2.0 BILLION DEBT ISSUANCE IN JANUARY 2013

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

During fiscal year 2012, we entered into a new €500-million unsecured revolving credit facility. The facility matures in March 2015 and is available to BT for cash drawings. We also extended the maturity date of the $750-million unsecured revolving credit facility by one year to June 2015 and the BT and BA letter of credit facilities' availability periods for an additional year, to May 2015 and to June 2015, respectively. Refer to the Credit facilities section for further details on these facilities.

1 See the Guidance and forward-looking statements sections in BA and in BT.

Subsequent to year-end, we took advantage of strong demand and good pricing conditions in the debt capital market in the U.S. to significantly increase our financial flexibility by issuing an aggregate of $2.0 billion in unsecured Senior Notes (described hereafter).

Our ongoing liability management initiatives (see the most recent initiatives described hereafter) allowed us over time to extend our debt maturity profile, with no significant debt maturing before the year 2016. We manage our liabilities by taking into consideration debt repayments, contributions to retirement benefit plans and other material cash outlays expected to occur in the future. Refer to the Retirement benefits section for details of our expected contributions to retirement benefit plans in fiscal year 2013. Depending on the aircraft program, we may receive funding from government and contributions from key suppliers, which increase our financing flexibility as they act as risk-sharing partners for certain projects.

As at December 31, 2012, our available short-term capital resources were $4.3 billion, or $6.3 billion on a pro forma basis including the January 2013 debt issuance. Refer to the Liquidity and capital resources section for further details on these resources. We also maintain various other facilities such as factoring and sale and leaseback facilities which also contribute to securing additional sources of liquidity.

Our level of capital expenditures is expected to gradually return to more normal levels after having reached a high point in our development spending in 2012. EIS dates for our most significant aircraft programs range from 2014 to 2017. BA's net additions to PP&E and intangible assets are expected to be approximately $2.0 billion in 2013 and to decrease by approximately $500 million in 2014 and by another approximately $500 million in 2015 as our products reach EIS (see table hereafter).

For calendar years		**2013**	**2014**	**2015**	**2016**	**2017**
Pro forma debt[1] maturity (in millions of dollars)		–	$ 162	–	$ 1,786	–
Program	**Launch date**					
Learjet 85	October 2007		EIS[2]			
CS100	July 2008		EIS[3]			
CS300	July 2008		EIS[3]			
Global 7000	September 2010				EIS	
Global 8000	September 2010					EIS

Investment in new products is expected to be funded through our cash flows from operating activities and our capital resources position. BA expects a free cash flow usage for fiscal year 2013 of approximately $600 million[4]. Over the long term, BT expects its free cash flow to be generally in line with EBIT, although it may vary significantly from quarter to quarter[4].

1 After giving effect to our January 2013 debt issue.
2 The entry-into-service of the *Learjet 85* aircraft program is now scheduled for summer 2014.
3 See the Analysis of results section in BA for more detail.
4 See the Guidance and forward-looking statements sections in BA and in BT.

WE ARE OPPORTUNISTIC WHEN CAPITAL MARKET CONDITIONS ARE ADVANTAGEOUS

BA and BT require capital to develop industry-leading products and to seize strategic opportunities to maintain competiveness and execute growth strategies. We take advantage of favourable capital market conditions when they materialize to extend debt tenor, reduce cost of funds and increase diversity of capital resources.

During fiscal year 2012, we issued $500 million of 5.75% unsecured Senior Notes, at par, due in March 2022, of which $151 million was used to repay the 6.75% Notes that matured on May 1, 2012. As stated before, subsequent to the end of fiscal year 2012, we issued, at par, an aggregate of $2.0 billion of new unsecured Senior Notes, comprised of $750 million of 4.25% Senior Notes due on January 15, 2016 and $1.25 billion of 6.125% Senior Notes due on January 15, 2023.

We are continuously monitoring our capital structure to ensure we have sufficient liquidity to fund our product development programs. Over the long term, it is our desire to improve our leverage metrics by de-leveraging the balance sheet with strategic long-term debt repayments, in line with active management of consolidated liquidity, weighted-average cost of capital and term structure.

Managing our net retirement benefit liability and the security of benefits is also a key part of our overall management of the capital structure. Over the years, we have taken several initiatives to mitigate risks that stem from both pension liabilities and assets and proactively sought opportunities to reduce our retirement benefit liabilities. Refer to the Retirement benefits section for details on the risk management initiatives related to our retirement plans.

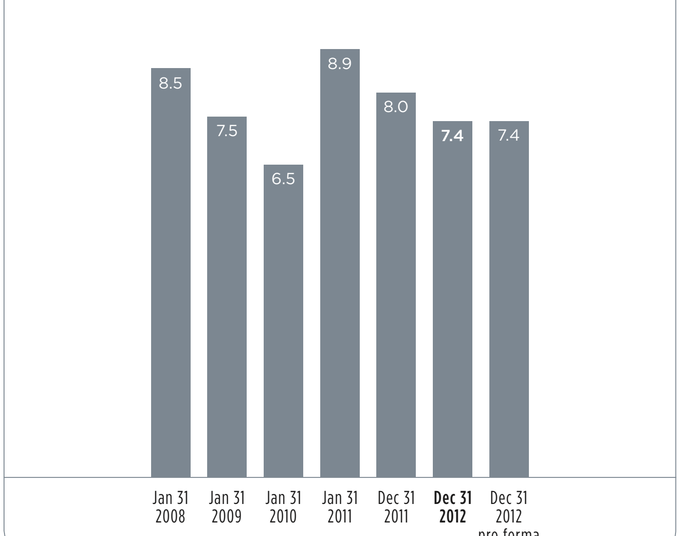
We manage our creditworthiness using the global metrics as described in the Capital structure section. Our recent debt issuance is expected to have a temporary negative impact on our global metrics but we believe that the addition of liquidity in a relatively high investment period warrants the increased leverage. As a result of this increase in leverage, Standard & Poor's and Fitch lowered our credit rating from BB+ to BB, in line with Moody's Ba2.

CREDIT RATINGS

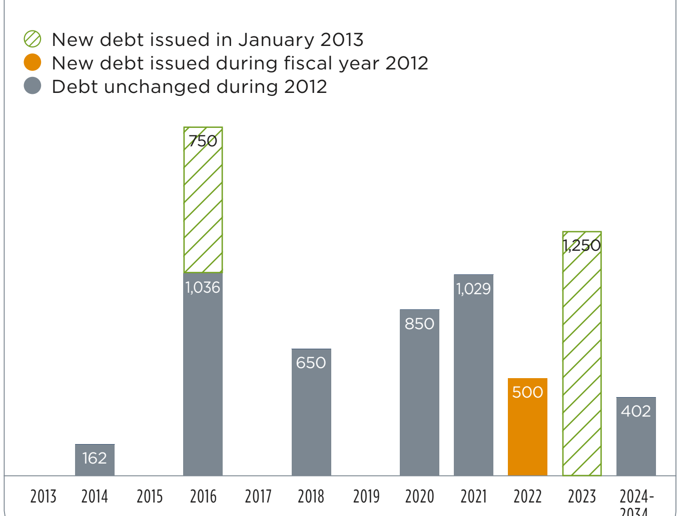
	Investment-grade rating	Bombardier Inc.'s rating	
		December 31, 2012	December 31, 2011
Fitch Ratings Ltd.	BBB-	**BB**	BB+
Moody's Investors Services	Baa3	**Ba2**	Ba2
Standard & Poor's Rating Services	BBB-	**BB**	BB+

We remain committed to improving our capital structure and achieving an investment-grade status, thus improving our ability to seize strategic opportunities. We believe that we will be in a good position to improve our credit ratings as we progress towards our profitability targets and get beyond our peak capital expenditure period. An investment-grade rating would be beneficial as it would generally reduce the cost of financing, improve our access to capital markets and lower the amount and cost of the guarantees we provide under commercial contracts.

WEIGHTED-AVERAGE LONG-TERM DEBT MATURITY
(as at; in years)



DEBT MATURITY PROFILE (NOTIONAL AMOUNT)
(for calendar years; in millions of dollars; on a pro forma basis)



RISK MANAGEMENT

Active risk management has been one of our priorities for many years and is a key component of our corporate strategy framework.

Risk management is an integral part of how we plan and monitor our business strategies and results. To achieve our risk management objectives, we have embedded risk management activities in the operational responsibilities of management and made these activities an integral part of our overall governance, organizational and accountability structure.

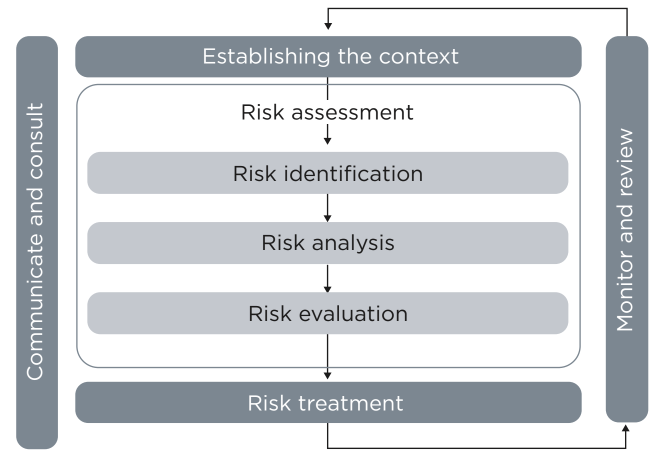
In calendar year 2010, we introduced a Corporate Risk Management policy and a risk management framework based on the ISO 31000 standard. For each risk or category of risks, our risk management process includes activities performed in a continuous cycle. Each group is responsible for implementing the appropriate structures, processes and tools to allow proper identification of risks. Risk assessment, including risk identification, analysis and evaluation, ensures that each risk is analyzed to identify the consequence, velocity and likelihood of the risk occurring and the adequacy of existing controls. Once the risks have been identified and assessed, risk treatment identifies the actions to be implemented by management. The risk profile of the Corporation is dynamic and therefore subject to changes that must be monitored and reviewed on a continuous basis. For this reason, our risk management framework involves a continuous communication and consultation process.

Every year, our Corporate Audit Services and Risk Assessment (CASRA) team assess our major risks. Senior management reviews this risk assessment and develops action plans to address the identified risks. The Board of Directors is ultimately responsible for reviewing the overall risks faced by the Corporation. The Board exercises its duty through the Finance and Risk Management Committee, consisting of four independent Directors, which reviews our material financial risks and the measures that management takes to monitor, control and manage such risks, including the adequacy of policies, procedures and controls designed by management to assess and manage these risks.

Each group has implemented risk management processes that are embedded in our governance and activities to achieve the objectives of our Corporate Risk Management policy. To complement the annual CASRA review of our major risks, each group, in coordination with CASRA, has implemented a quarterly review process that results in standardized heat maps.

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

RISK MANAGEMENT FRAMEWORK



Source: ISO 31000 Standard

Our key risks and risk mitigation strategies

Our risk management practices address many risks (see the Risks and uncertainties section in Other for further details on these risks).

Key operational risks

Among the risks faced by the Corporation, we consider the following as the key current risks associated with the operations of BA and BT:

Key risks for BA		Risk-mitigation measures initiated by management
Product development initiatives	BA's success depends in part on its ability to deliver new aircraft programs into service according to planned entry-into-service dates and defined business case requirements.	We mitigate this risk through various means which include following a rigorous gated product development process, our Bombardier Engineering System. See the Analysis of results section in BA for further details on risk-mitigation measures initiated by management.
Product demand	BA's success depends in part on its ability to secure sufficient orders to maintain critical mass, sustain aircraft platforms' competitiveness in their market segments and generate sufficient cash flows from operations to support existing products and programs under development.	We mitigate this risk through various means which include improving products, positioning our sales teams closer to our customers and deploying our Achieving Excellence System.

Key risks for BT		Risk-mitigation measures initiated by management
Product design and homologation and project execution	BT's performance depends in part on its ability to deliver complex projects often requiring the introduction of multiple new products or new technologies. The successful introduction of such new products and technologies in mature and fast-growing markets depends on BT's ability to design and/or homologate such technologies and products on time and within budgeted cost.	We mitigate these risks through various means which include 1) close design collaboration with our customers; 2) standardization of product development processes across BT divisions; 3) gate review processes to assure better consolidation and synchronization of project deliverables; and 4) continuous improvement through our Bombardier Operations System (BOS).
Product demand	BT's success depends in part on its ability to replenish its order backlog in its core markets and capture growth opportunities in fast-growing markets and new technologies.	We mitigate these risks by investing in mobility solutions and by building a strong presence in fast-growing markets.

Key financial and market related risks

FOREIGN CURRENCY FLUCTUATIONS

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

FOREIGN EXCHANGE MANAGEMENT

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

1 Deviations from the policy are allowed, subject to pre-authorization and maximum pre-determined risk limits.

BA

The hedged portion of BA's significant foreign currency denominated costs for the 12-month periods ending December 31, 2013 and 2014 was as follows, as at December 31, 2012:

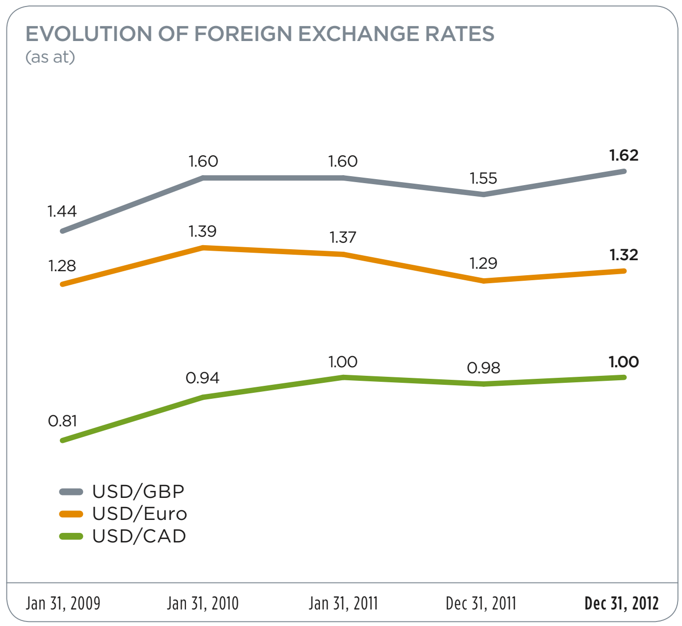
BA'S SIGNIFICANT EXPECTED COSTS DENOMINATED IN FOREIGN CURRENCIES

	Canadian dollars		Pounds sterling	
For the 12 month periods ending December 31	**2013**	**2014**	**2013**	**2014**
Expected costs denominated in foreign currency	$ 2,770	$ 3,114	£ 312	£ 321
Hedged portion of expected costs denominated in foreign currency	78%	34%	75%	30%
Weighted-average hedge rates – foreign currency/USD	0.9747	0.9737	1.5688	1.5707

Sensitivity analysis

A U.S. one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact BA's expected costs for the 12-month period ending December 31, 2013 by approximately $28 million before giving effect to forward foreign exchange contracts ($6 million impact after giving effect to such contracts).

A U.S. one-cent change in the value of the pound sterling compared to the U.S. dollar would impact BA's expected costs for the 12-month period ending December 31, 2013 by approximately $3 million before giving effect to forward foreign exchange contracts (impact of $1 million after giving effect to such contracts).



BT and Corporate Office

BT's foreign currency exposure arising from its long-term contracts spreads over periods extending over many years. Such exposures are generally entirely hedged at the time of order intake, contract-by-contract, for a period that is often shorter than the maturity of the cash flow exposure. Upon maturity of the hedges, BT enters into new hedges in a rollover strategy, for periods up to the maturity of the cash flow exposure. As such, BT's results of operations are not significantly exposed to gains and losses from transactions in foreign currencies, but remain exposed to translation and cash flow risks. However, on a cumulative basis, cash outflows or inflows upon rollover of these hedges are offset by cash inflows or outflows in opposite directions when the cash flow exposure materializes.

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

Sensitivity analysis

For our investments in foreign operations exposed to foreign currency movements, a 1% fluctuation of the relevant currencies as at December 31, 2012 would have impacted equity, before income taxes, by $15 million before giving effect to the related hedging items ($5 million after giving effect to the related hedging items).

EXPOSURE TO CREDIT RISK

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

Owner	Key risks	Risk mitigation measures initiated by management
Corporate Office	Through our normal treasury activities, we are exposed to credit risk on our derivative financial instruments and on our investing instruments.	Credit risks arising from our treasury activities are managed by a central treasury function in accordance with our Corporate Foreign Exchange Risk Management Policy and our Corporate Investment Management Policy. The objective of these policies is to minimize our exposure to credit risk from our treasury activities by ensuring that we transact strictly with investment-grade financial institutions and money market funds, based on pre-established consolidated counterparty risk limits per financial institution and fund. The Eurozone sovereign debt crisis in recent years has had a negative impact on many European banks. Our exposure to these banks, in the form of credit commitments, services provided and monies placed on deposit, has required us to monitor their relative abilities to withstand this sovereign debt crisis. We rank these banks, incorporating metrics such as bank and sovereign CDS, capital shortfalls and exposure to certain European sovereign states. We then compare our exposures to these banks and take corrective action, as necessary.
BA and BT	We are exposed to credit risk through our trade receivables arising from normal commercial activities and lending activities, related primarily to aircraft loans and lease receivables provided to BA customers in connection with the sale of commercial aircraft.	Credit risks arising from normal commercial activities and lending activities are managed and controlled by BA and BT. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and our experience with the customers. The credit risks and credit limits are dynamically reviewed based on fluctuations in the customers' financial results and payment behaviour. These customer credit ratings and credit limits are critical inputs in determining the conditions under which credit or financing is extended to customers, including obtaining collateral to reduce our exposure to losses. Specific governance is in place to ensure that credit risks arising from large transactions are analyzed and approved by the appropriate level of management before financing or credit support is offered to the customer.

EXPOSURE TO LIQUIDITY RISK

The management of exposure to liquidity risk requires a constant monitoring of expected cash inflows and outflows, which is achieved through maintenance of detailed forecasts of our cash flows and liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. Liquidity adequacy is continually monitored, taking into consideration historical volatility, the economic environment and seasonal needs, the maturity profile of indebtedness, access to capital markets, the level of customer advances, working capital requirements, the funding of product developments and our other financial commitments. We also monitor any financing opportunities to optimize our capital structure and maintain appropriate financial flexibility. Also refer to the Retirement benefits section for discussion of liquidity risks related to retirement benefits and our risk mitigation strategies.

CHANGING INTEREST RATES

Our future cash flows are exposed to fluctuations from changing interest rates, arising mainly from existing assets and liabilities at variable interest rates, including long-term debt synthetically converted to variable interest rates. From time to time, we may also be exposed to changes in interest rates for certain financing commitments, when a financing rate has been guaranteed to a customer. For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. These exposures are predominantly managed by our central treasury function as part of our overall risk management policy, by matching assets and liability positions to align exposures, including the use of derivative financial instruments to synthetically convert interest-rate exposures, such as interest-rate swap agreements and cross currency interest-rate swap agreements.

We are also exposed to gains and losses arising from changes in interest rates, which include liquidity risk, through our financial instruments carried at fair value. These financial instruments include certain aircraft loans and lease receivables, investments in securities, lease subsidies and certain derivative financial instruments.

In addition, we are economically exposed to gains and losses on some of our assets and liabilities as a result of changes in interest rates. The most significant on-balance sheet exposure arises from retirement benefits plans, for which there is a duration and nominal mismatch between the plans' assets and liabilities, as well as our credit and residual value guarantees and portfolio of aircraft loans and lease receivables. In recent years, risk reduction initiatives were implemented with regard to our pension plans. For more details on the risks and our risk reduction initiatives, refer to the Retirement benefits section. Our exposure arising from credit and residual value guarantees is partially mitigated by offsetting positions from our portfolio of aircraft loans and lease receivables and other financial assets that are carried at fair value, such as our portfolio of investments.

Sensitivity analysis

Assuming a 100-basis point increase in interest rates impacting the measurement of assets and liabilities, with the exception of net retirement benefit liabilities, EBT would have been negatively impacted by $55 million for fiscal year ended December 31, 2012.

CONSOLIDATED RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2012	2011[1]	**2012**	2011[1]
Revenues	**$ 4,755**	$ 4,316	**$ 16,768**	$ 18,347
Cost of sales	**4,129**	3,601	**14,269**	15,444
Gross margin	**626**	715	**2,499**	2,903
SG&A	**357**	339	**1,443**	1,439
R&D	**103**	75	**299**	271
Share of income of associates	**(18)**	(1)	**(45)**	(4)
Other expense (income)	**9**	9	**(33)**	(5)
EBIT before special items[2]	**175**	293	**835**	1,202
Special items	**163**	–	**140**	–
EBIT	**12**	293	**695**	1,202
Financing expense	**144**	156	**596**	681
Financing income	**(111)**	(123)	**(599)**	(519)
EBT	**(21)**	260	**698**	1,040
Income taxes (recovery)	**(35)**	46	**100**	203
Net income	**$ 14**	$ 214	**$ 598**	$ 837
Attributable to				
Equity holders of Bombardier Inc.	**$ 12**	$ 213	**$ 588**	$ 837
Non-controlling interests	**$ 2**	$ 1	**$ 10**	$ –
EPS (in dollars)				
Basic and diluted	**$ –**	$ 0.12	**$ 0.32**	$ 0.47

1 Our fourth quarter and fiscal year ended December 31, 2011 comprises two and 11 months of BA's results and three and 12 months of BT's results.
2 See details of these non-GAAP measures hereafter.

SUPPLEMENTAL INFORMATION

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2012	2011[1]	**2012**	2011
EBIT	**$ 12**	$ 293	**$ 695**	$ 1,202
Amortization and impairment charges on PP&E	**118**	75	**380**	333
EBITDA[2]	**$ 130**	$ 368	**$ 1,075**	$ 1,535
On an adjusted basis[2]				
EBITDA before special items	**$ 284**	$ 368	**$ 1,206**	$ 1,535
Adjusted net income	**$ 188**	$ 227	**$ 692**	$ 865
Adjusted EPS	**$ 0.10**	$ 0.13	**$ 0.38**	$ 0.48

1 Our fourth quarter and fiscal year ended December 31, 2011 comprises two and 11 months of BA's results and three and 12 months of BT's results.
2 See details of these non-GAAP measures hereafter.

REVENUES, EBIT MARGIN AND EBIT MARGIN BEFORE SPECIAL ITEMS

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2012	2011[1]	**2012**	2011[1]
Revenues				
BA	**$ 2,597**	$ 2,016	**$ 8,628**	$ 8,594
BT	**$ 2,158**	$ 2,300	**$ 8,140**	$ 9,753
Consolidated	**$ 4,755**	$ 4,316	**$ 16,768**	$ 18,347
EBIT margin				
BA	**3.4%**	6.3%	**4.7%**	5.8%
BT	**(3.6%)**	7.2%	**3.6%**	7.2%
Consolidated	**0.3%**	6.8%	**4.1%**	6.6%
EBIT margin before special items				
BA	**3.4%**	6.3%	**4.4%**	5.8%
BT	**4.0%**	7.2%	**5.6%**	7.2%
Consolidated	**3.7%**	6.8%	**5.0%**	6.6%

1 Our fourth quarter and fiscal year ended December 31, 2011 comprises two and 11 months of BA's results and three and 12 months of BT's results.

EBIT before special items, adjusted net income and adjusted EPS

We believe that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our consolidated financial statements with enhanced understanding of our results and related trends and increases transparency and clarity into the core results of the business.

EBIT before special items, EBITDA before special items, adjusted net income and adjusted EPS are non-GAAP measures which exclude items which do not reflect, in our opinion, our core performance. Accordingly, these non-GAAP measures provide more transparent disclosures to analyze earnings, enabling better comparability of results from one period to another and better comparability with peers.

- EBIT before special items and EBITDA before special items exclude the impact of restructuring charges, significant impairment charges and reversals thereof, as well as other unusual items. Excluded restructuring charges relate to formal and extensive restructuring and workforce reduction plans. We believe such special items are not relevant in assessing our future performance. Less significant events are not considered special items because they are part of our on-going normal operations.
- Adjusted net income is defined as net income excluding special items, the financing component of net retirement benefit cost (i.e. the accretion on retirement benefit

obligations less expected return on pension plan assets), certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items. The exclusion of certain gains and losses on provisions and financial instruments are those that arise mostly from changes in market yields, creating non-core volatility to earnings.

- Adjusted EPS is calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements.

The exclusion of the previously-listed items does not imply that they are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare the performance of those entities to our performance.

The following tables reconcile these non-GAAP measures to the most comparable IFRS financial measures, for the fourth quarters and fiscal years ended December 31, 2012 and 2011:

RECONCILIATION OF NON-GAAP MEASURES TO THE MOST COMPARABLE IFRS MEASURES

	For the fourth quarters ended December 31			
	2012		2011	
	(in millions of dollars)	**(per share)**	(in millions of dollars)	(per share)
EBIT	**$ 12**		$ 293	
Special items				
Restructuring charges[1,2]	**119**	**$ 0.07**	–	$ –
Loss related to flooding[1]	**19**	**0.01**	–	–
Foreign exchange hedging loss[1]	**25**	**0.01**	–	–
EBIT before special items	**175**		293	
Amortization	**109**		75	
EBITDA before special items	**$ 284**		$ 368	
Net income	**$ 14**		$ 214	
Adjustments to EBIT related to special items	**163**	**$ 0.09**	–	$ –
Adjustments to net financing expense (income) related to				
Retirement benefits	**3**	**–**	(1)	–
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**12**	**0.01**	5	–
Tax impact of special and other adjusting items	**(4)**	**–**	9	0.01
Adjusted net income	**$ 188**		$ 227	
EPS (in dollars)				
Diluted		**$ –**		$ 0.12
Impact of special and other adjusting items		**0.10**		0.01
Adjusted		**$ 0.10**		$ 0.13

1 Relates to BT.
2 Restructuring charges for the fourth quarter and fiscal year ended December 31, 2012 include impairment charges on PP&E of $9 million.

RECONCILIATION OF NON-GAAP MEASURES TO THE MOST COMPARABLE IFRS MEASURES

	For the fiscal years ended December 31			
	2012		2011	
	(in millions of dollars)	**(per share)**	(in millions of dollars)	(per share)
EBIT	**$ 695**		$ 1,202	
Special items				
Restructuring charges[1,3]	**119**	**$ 0.07**	–	$ –
Gain on resolution of a litigation in connection with capital tax[2]	**(23)**	**(0.01)**	–	–
Loss related to flooding[1]	**19**	**0.01**	–	–
Foreign exchange hedging loss[1]	**25**	**0.01**	–	–
EBIT before special items	**835**		1,202	
Amortization	**371**		333	
EBITDA before special items	**$ 1,206**		$ 1,535	
Net income	**$ 598**		$ 837	
Adjustments to EBIT related to special items	**140**	**$ 0.08**	–	$ –
Adjustments to net financing expense (income) related to				
Retirement benefits	**14**	**0.01**	–	–
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**(42)**	**(0.02)**	17	0.01
Interest portion of a gain on resolution of a litigation in connection with capital tax	**(17)**	**(0.01)**	–	–
Tax impact of special and other adjusting items	**(1)**	**–**	11	–
Adjusted net income	**$ 692**		$ 865	
EPS (in dollars)				
Diluted		**$ 0.32**		$ 0.47
Impact of special and other adjusting items		**0.06**		0.01
Adjusted		**$ 0.38**		$ 0.48

1 Relates to BT.
2 Relates to BA.
3 Restructuring charges for the fourth quarter and fiscal year ended December 31, 2012 include impairment charges on PP&E of $9 million.

Analysis of consolidated results

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

NET FINANCING EXPENSE

Net financing expense amounted to $33 million for the fourth quarter ended December 31, 2012 and net financing income amounted to $3 million for fiscal year 2012, compared to net financing expense of $33 million and $162 million for the corresponding periods last fiscal year.

The main variances in the fourth quarter are related to:

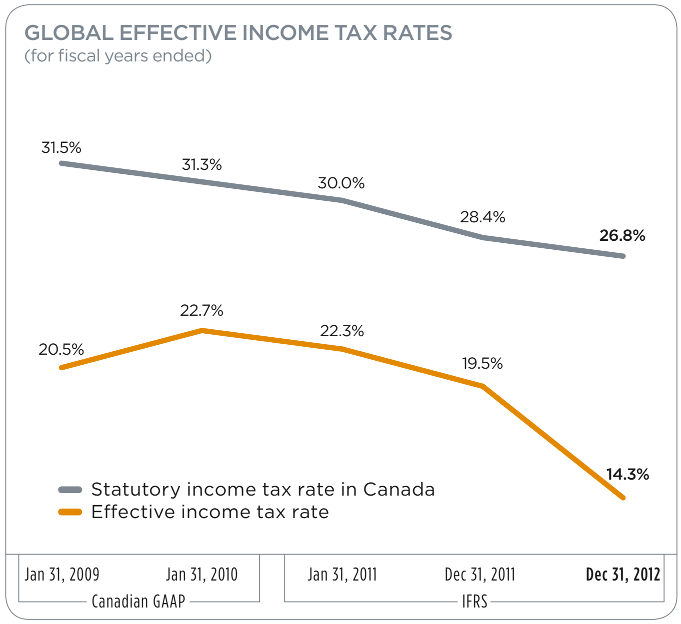
- lower financing expense related to changes in discount rates for provisions ($29 million); and
- lower interest expense on long-term debt, after effect of hedges, as a result of higher capitalization of borrowing costs ($12 million).

Partially offset by:

- higher net financing expense related to certain financial instruments classified as FVTP&L ($36 million).

The $165-million decrease for the fiscal year is mainly due to:

- lower interest expense on long-term debt, after effect of hedges, mainly as a result of higher capitalization of borrowing costs ($49 million);
- lower financing expense related to changes in discount rates for provisions ($31 million);
- higher net financing income related to certain financial instruments classified as FVTP&L ($28 million);
- higher interest income from investments in securities ($23 million);
- lower amortization of letter of credit facility costs ($21 million); and
- the interest portion of a gain of $40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations ($17 million).



INCOME TAXES

The effective income tax rate for the fiscal year ended December 31, 2012 was 14.3%, including an income tax recovery for the fourth quarter ended December 31, 2012, compared to the statutory income tax rate in Canada of 26.8%.

For the fourth quarter and fiscal year ended December 31, 2011, the effective income tax rates were 17.7% and 19.5%, respectively, compared to the statutory income tax rate in Canada of 28.4%.

The lower effective income tax rates, compared to the statutory income tax rates in Canada, are mainly due to the positive net impact of the recognition of previously unrecognized income tax benefits and permanent differences.

LIQUIDITY AND CAPITAL RESOURCES

Good cash flows from operating activities

RECONCILIATION OF SEGMENTED FREE CASH FLOW (USAGE) TO CASH FLOWS FROM OPERATING ACTIVITIES

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2012	2011[1]	**2012**	2011[1]
Segmented free cash flow				
BA	**$ 277**	$ 110	**$ (867)**	$ (453)
BT	**673**	564	**386**	(424)
Segmented free cash flow (usage)	**950**	674	**(481)**	(877)
Net income taxes and net interest paid[2]	**(100)**	(84)	**(260)**	(355)
Free cash flow (usage)	**850**	590	**(741)**	(1,232)
Add back: Net additions to PP&E and intangible assets	**631**	391	**2,089**	1,475
Cash flows from operating activities	**$ 1,481**	$ 981	**$ 1,348**	$ 243

1 Our fourth quarter and fiscal year ended December 31, 2011 comprise two and 11 months of BA's results and three and 12 months of BT's results.
2 Not allocated to segments.

VARIATION IN CASH AND CASH EQUIVALENTS

	Fourth quarters ended December 31		Fiscal years ended December 31	
	2012	2011[1]	**2012**	2011[1]
Balance at the beginning of period/year	**$ 2,146**	$ 2,708	**$ 3,372**	$ 4,195
Free cash flow (usage)	**850**	590	**(741)**	(1,232)
Proceeds from disposal of invested collateral	**–**	–	**–**	705
Dividends paid	**(52)**	(1)	**(249)**	(156)
Proceeds from issuance of long-term debt	**–**	19	**509**	122
Repayments of long-term debt	**(14)**	(2)	**(186)**	(15)
Proceeds from disposal of AFS investments in securities	**–**	–	**133**	–
Effect of exchange rate changes on cash and cash equivalents	**24**	(76)	**49**	(41)
Purchase of Class B shares held in trust under the PSU plan	**–**	–	**–**	(58)
Purchase of NCI	**–**	–	**–**	(61)
Other	**(58)**	134	**9**	(87)
Balance at the end of period/year	**$ 2,896**	$ 3,372	**$ 2,896**	$ 3,372

1 Our fourth quarter and fiscal year ended December 31, 2011 comprise two and 11 months of BA's results and three and 12 months of BT's results.

STRONG CAPITAL RESOURCES

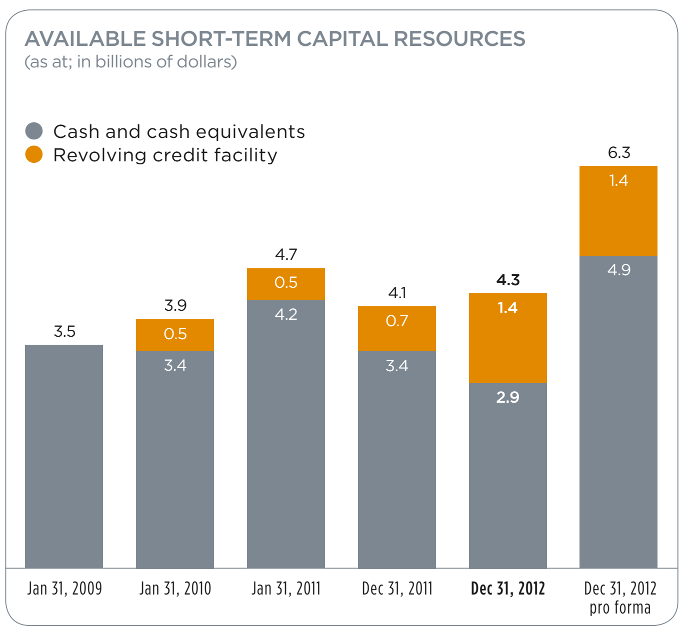
The pro forma amounts are based on our December 31, 2012 capital resources position giving effect to our $2.0 billion January 2013 debt issuance as if it had been effective as at January 1, 2012.

AVAILABLE SHORT-TERM CAPITAL RESOURCES

As at	Cash and cash equivalents	Available revolving credit facility	Available short-term capital resources
December 31, 2012 pro forma	$ 4,869	$ 1,410	$ 6,279
December 31, 2012	**$ 2,896**	**$ 1,410**	**$ 4,306**
December 31, 2011	$ 3,372	$ 750	$ 4,122

Our available short-term capital resources include cash and cash equivalents and the amounts available under our two unsecured revolving credit facilities.

In March 2012, BT entered into an unsecured revolving credit facility of €500 million ($660 million), available for cash drawings for the general corporate purposes of BT. The new facility matures in March 2015 and bears interest at Euribor plus a margin. In April 2012, we extended the maturity date of our $750-million unsecured revolving credit facility, available for general corporate purposes, by one year to June 2015. Under these facilities, we must maintain the same financial covenants as for our BA and BT letter of credit facilities (see Other facilities hereafter for more details).



We consider that our expected cash flows from operating activities, combined with our available short-term capital resources of $6.3 billion on a pro forma basis, 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.

EXPECTED TIMING OF FUTURE LIQUIDITY REQUIREMENTS

					December 31, 2012
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Long-term debt – pro forma[1]	$ 6,925	$ 45	$ 225	$ 1,883	$ 4,772
Interest payments – pro forma	3,824	440	876	827	1,681
Operating lease obligations	647	130	155	94	268
Purchase obligations[2]	11,366	7,062	3,601	342	361
Trade and other payables	3,553	3,500	8	7	38
Other financial liabilities	1,299	283	160	148	708
Derivative financial liabilities	142	129	13	–	–
	$ 27,756	$ 11,589	$ 5,038	$ 3,301	$ 7,828

1 Includes principal repayments only.
2 Purchase obligations represent contractual agreements to purchase goods or services in the normal course of business that are legally binding and specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, variable or indexed price provisions; and the appropriate timing of the transaction. These agreements are generally cancellable with a substantial penalty. Purchase obligations are generally matched with revenues over the normal course of operations.

The table above presents the expected timing of contractual liquidity requirements. In addition, $90 million and $22 million of BT's restructuring charges are expected to be paid in 2013 and 2014, respectively. Other payments contingent on future events, such as payments in connection with credit and residual value guarantees related to the sale of aircraft and product warranties have not been included in the above table because of the uncertainty on the amount and timing of payments arising from their contingent nature. In addition, our required pension contributions have not been reflected in this table, as such contributions depend on periodic actuarial valuations for funding purposes. In 2013, our contributions to pension plans are estimated at $551 million (see the Retirement benefits section hereafter for more details). The amounts presented in the table represent the undiscounted payments and do not give effect to the related hedging instruments, if applicable.

OTHER FACILITIES

LETTER OF CREDIT FACILITIES

Letter of credit facilities are only available for the issuance of letters of credit. As these facilities are unfunded commitments from banks, they typically provide better pricing for the Corporation as compared to credit facilities that are available for cash drawings. Letters of credit are issued in support of our performance obligations and advance payments received from customers. As at December 31, 2012, we have $6.0 billion committed under the BA, BT and our performance security guarantee facilities ($5.9 billion as at December 31, 2011). Letters of credit issued under these facilities amounted to $4.1 billion as at December 31, 2012 ($4.4 billion as at December 31, 2011). In April 2012, we extended the availability periods of our BT and BA letter of credit facilities by one year each, to May 2015 and June 2015, respectively.

In addition to the outstanding letters of credit mentioned above, letters of credit of $985 million were outstanding under various bilateral agreements as at December 31, 2012 ($753 million as at December 31, 2011 and $708 million as at February 1, 2011).

We also use numerous bilateral bonding facilities with insurance companies to support BT's operations. An amount of $2.3 billion was outstanding under such facilities as at December 31, 2012 ($2.1 billion as at December 31, 2011 and $2.0 billion as at February 1, 2011).

See Note 30 – Credit facilities, to the consolidated financial statements, for additional information.

FINANCIAL COVENANTS

Under the BA and BT letter of credit facilities and our two unsecured revolving credit facilities available for cash drawings, we must maintain various financial covenants, which must be met on a quarterly basis. The BA $600-million letter of credit facilities and our $750-million unsecured revolving facility include financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum net debt to EBITDA ratio and a minimum liquidity level of $500 million at the end of each fiscal quarter, all calculated based on an adjusted consolidated basis (i.e. excluding BT). BT's €3.4-billion ($4.5-billion) letter of credit facilities and €500-million ($660-million) unsecured revolving facility financial covenants require a minimum liquidity level of €600 million ($792 million) at the end of each quarter, as well as a minimum equity level and a maximum debt to EBITDA ratio, all calculated on a BT stand-alone basis. These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to specific terms used in the MD&A. The financial covenants under these credit facilities were all met as at December 31, 2012 and 2011.

OFF-BALANCE SHEET FACTORING FACILITIES

In the normal course of its business, BT has set up factoring facilities in Europe under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €886 million ($1.2 billion) were outstanding under such facilities as at December 31, 2012 (€580 million [$751 million] as at December 31, 2011). Trade receivables of €316 million ($408 million) and €963 million ($1,239 million) were sold to these facilities during the fourth quarter and fiscal year ended December 31, 2012, respectively, (€183 million [$250 million] and €581 million [$812 million] during the fourth quarter and fiscal year ended December 31, 2011, respectively).

ON BALANCE SHEET SALE AND LEASEBACK FACILITIES

In addition, BA enters into sale and leaseback facilities with third parties, under which we can sell certain pre-owned business aircraft and lease them back for a period not greater than 24 months. We have the right to buy the aircraft back during the term of the lease for predetermined amounts. As at December 31, 2012, we have two committed sale and leaseback facilities with third parties for an amount of $295 million under which a total of $168 million was outstanding as at December 31, 2012 ($220 million committed and $163 million outstanding as at December 31, 2011).

RETIREMENT BENEFITS

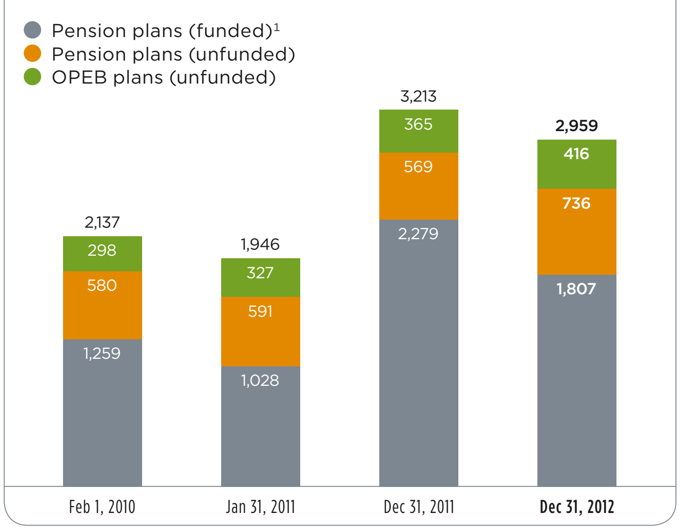
Retirement benefit deficit stabilized in 2012

OVERVIEW OF OUR RETIREMENT BENEFIT PLANS

We sponsor several Canadian and foreign retirement benefit plans consisting of funded and unfunded pension plans, as well as unfunded other post-employment benefit ("OPEB") plans. Funded plans are plans for which segregated plan assets are invested in trusts. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice. Therefore unfunded plans will always be in a deficit position.

Pension plans are categorized as defined benefit ("DB") or defined contribution ("DC"), based on the risk sharing involved in the plan. DB plans specify the amount of benefits an employee is to receive at retirement, while DC plans specify how contributions are determined. As a result, there is no deficit or surplus for DC plans.

NET RETIREMENT BENEFIT LIABILITY
(as at; in millions of dollars)



1 Includes unrecognized past service credits, liability arising from minimum funding requirement and impact of asset ceiling test.

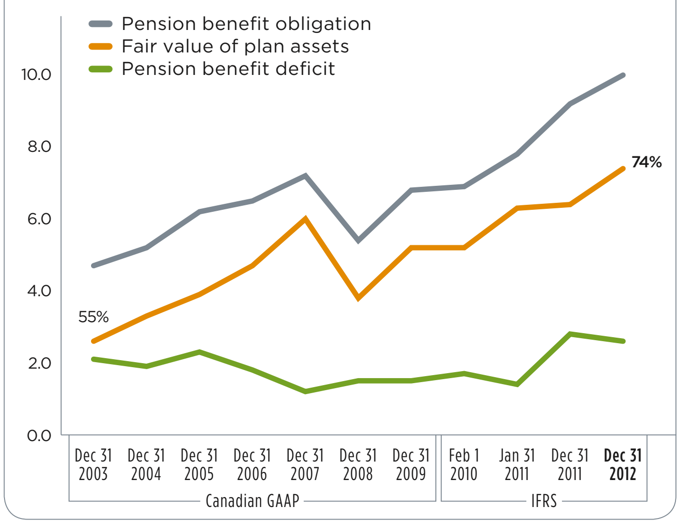
RISK MANAGEMENT INITIATIVES

We have taken several initiatives over the last ten years to gradually reduce key risks that stem from both pension liabilities and assets, notably:

- reduction of equity target allocation by approximately 20%;
- liquidation of investments in hedge funds and private placements;
- move to long-term bonds and long-term inflation-linked real return bonds;
- implementation of interest rate hedging overlay strategies;
- introduction of real return assets exposure (i.e. infrastructure and real estate);
- implementation of foreign currency exposure hedging strategies;
- introduction of indexation capping of future benefits (U.K. plans);
- offering defined contribution pension plans to new employees in several countries;
- offering of lump-sum payments to deferred pensioners under our U.S. pension plans; and
- implementation of a strategy aimed at purchasing annuities for pensioners under our U.S. pension plans and other very mature pension plans when market conditions are favourable.

In addition to the above initiatives, which helped attenuate the volatility of our pension plan deficit, over the years we have made contributions in excess of service costs to reduce this deficit. As a result of all of these initiatives, the ratio of fair value of plan assets over the present value of pension plan obligations increased from 55% in 2003 (under previous Canadian GAAP) to 74% in 2012 (under IFRS). This ratio increases to 80% as at December 31, 2012 when including only the present value of obligations of funded pension plans.

EVOLUTION OF PENSION PLAN ASSETS, OBLIGATIONS AND DEFICIT
(as at; in billions of dollars)

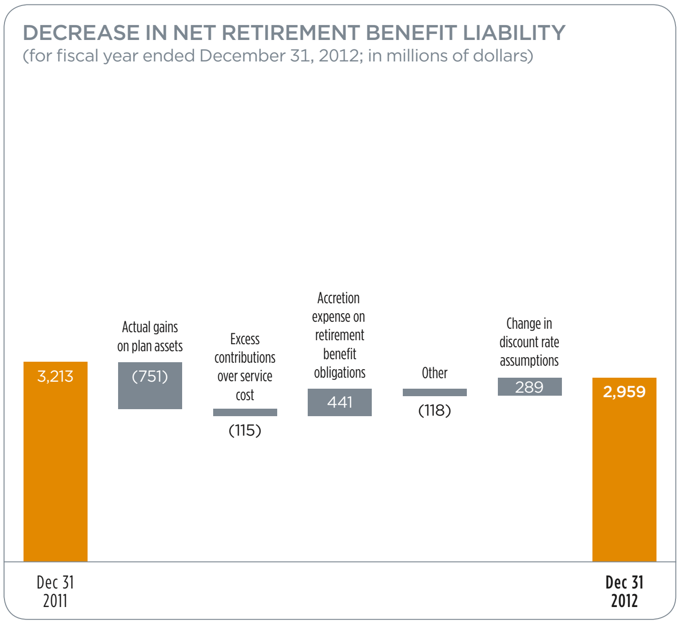


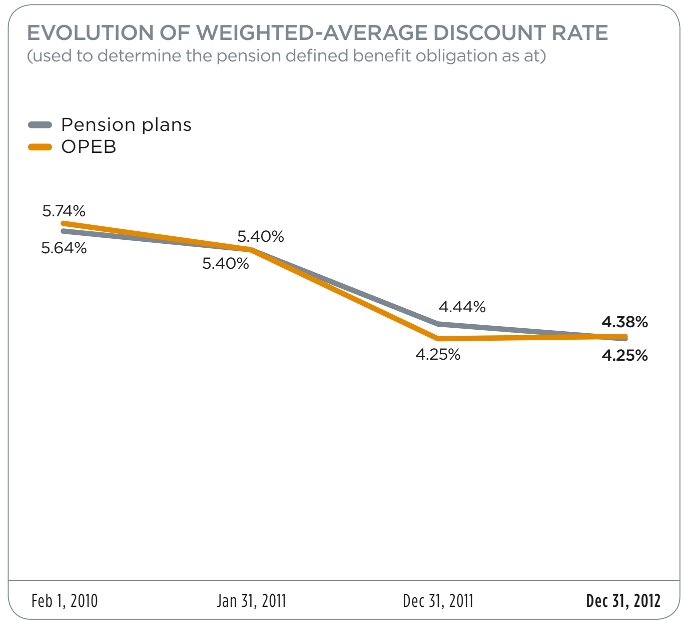
NET RETIREMENT BENEFIT LIABILITY

The net retirement benefit liability has decreased to $3.0 billion. The $254-million decrease in the net retirement benefit liability is explained as follows:

VARIATION IN NET RETIREMENT BENEFIT LIABILITY	Pension	OPEB	Total
Balance as at December 31, 2011	$ 2,847	$ 366	$ 3,213
Actual gains on pension plan assets	(751)	–	(751)
Accretion expense on retirement benefit obligations	424	17	441
Employer contributions	(404)	(15)	(419)
Service costs	292	12	304
Changes in discount rates	300	(11)	289
Changes in rate of compensation increase	(142)	–	(142)
Changes in foreign exchange rates	70	10	80
Other net actuarial gains	(92)	36	(56)
Balance as at December 31, 2012[1]	**$ 2,544**	**$ 415**	**$ 2,959**

1 Includes retirement benefit assets of $38 million as at December 31, 2012 ($13 million as at December 31, 2011).



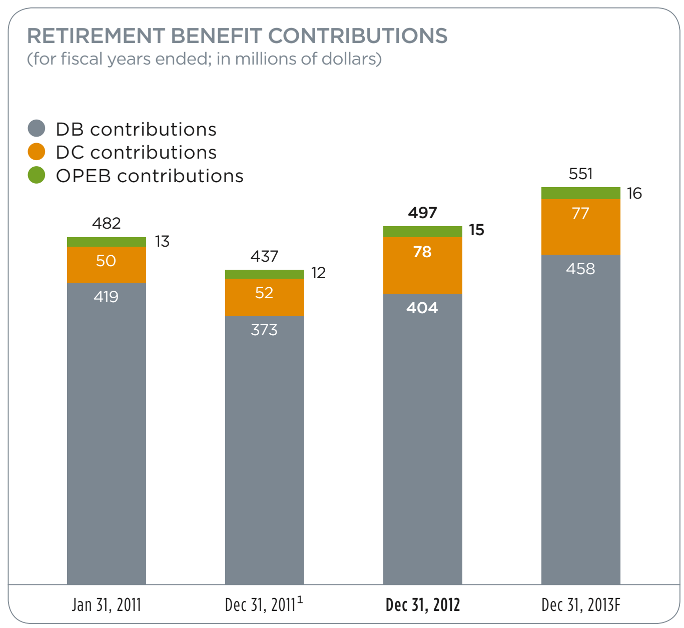


Plan assets and contributions

The value of plan assets is highly dependent on the pension funds' asset performance and on the level of contributions. The performance of the financial markets is a key driver in determining the funds' asset performance as assets in the plans are composed mostly of publicly traded equity and fixed income securities. During fiscal year 2012, we achieved a positive return of $751 million, which together with our excess contributions over service costs mostly explain the decrease in the net retirement benefit liability.

In the last three years, our average contributions to funded DB plans amounted to approximately $400 million per year. DB pension contributions are estimated at $458 million for 2013. The future level of contributions is expected to increase if bond yields remain at their historical lows or if the return on assets is below expectations.

In fiscal year 2012, we made DC pension contributions totalling $78 million. DC pension contributions are estimated at $77 million for 2013.



F: Forecast

1 For the fiscal year ended December 31, 2011, contributions comprise 11 months for BA plans and 12 months for BT plans.

RETIREMENT BENEFIT COST

The retirement benefit cost for fiscal year 2013 for DB plans is estimated at $435 million, compared to $313 million for fiscal year 2012. The increase is mostly due to the adoption of the amended IAS 19, *Employee Benefits*, effective January 1, 2013, which requires the recognition of interest expense and income applying the rate used to discount the defined benefit obligation to the net defined benefit liability. Under the current IAS 19, an income component is calculated on the gross amount of the assets based on the expected return on plan assets.

RETIREMENT BENEFIT COST

	Fiscal year ended December 31, 2012	Fiscal year ending December 31, 2013
	Actual (current IAS 19)	Estimate (amended IAS 19)
DB pension plans	**$ 280**	$ 404
OPEB plans	**33**	31
Total DB plans	**313**	435
DC pension plans	**78**	77
Total retirement benefit cost	**$ 391**	$ 512
Recorded as follows		
EBIT expense or capitalized cost	**$ 377**	$ 397
Financing expense	**$ 441**	$ 115
Financing income	**$ (427)**	n/a

n/a: Not applicable

Refer to the Accounting and reporting developments section in Other for details regarding the adoption of amended IAS 19, *Employee benefits*, and the restatements for fiscal year 2012.

Sensitivity analysis

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

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

Increase (decrease)	Retirement benefit cost for fiscal year ending December 31, 2013	Net retirement benefit liability as at December 31, 2012
Discount rate	$ (33)	$ (446)
Inflation rate	$ 8	$ 127
Rate of compensation increase	$ 11	$ 91

Details regarding assumptions used are provided in Note 21 - Retirement benefits, to the consolidated financial statements.

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation. We manage and monitor our global metrics so as to achieve an investment-grade profile over the medium to long term.

Reconciliations of these measures to the most comparable IFRS financial measures are in the Non-GAAP financial measures section. The adjusted EBIT and adjusted EBITDA exclude special items, such as restructuring charges, significant impairment charges and reversals thereof, as well as other unusual items, which we believe should be excluded to assess the creditworthiness of the Corporation.

Our objectives with regard to our global metrics are as follows:

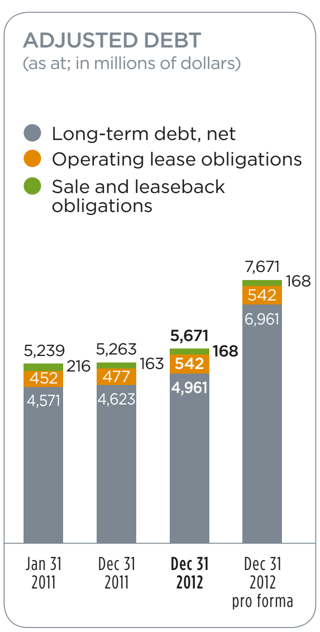
- adjusted EBIT to adjusted interest ratio greater than 5.0; and
- adjusted debt to adjusted EBITDA ratio lower than 2.5.

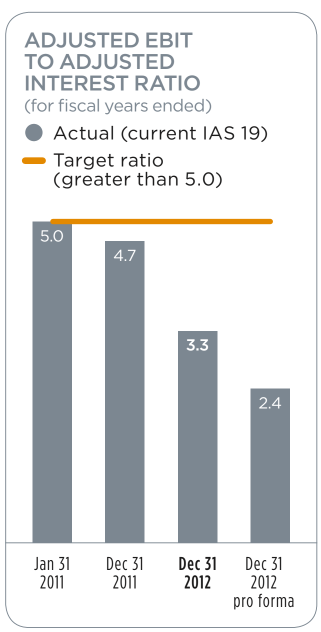
GLOBAL METRICS[1,2]

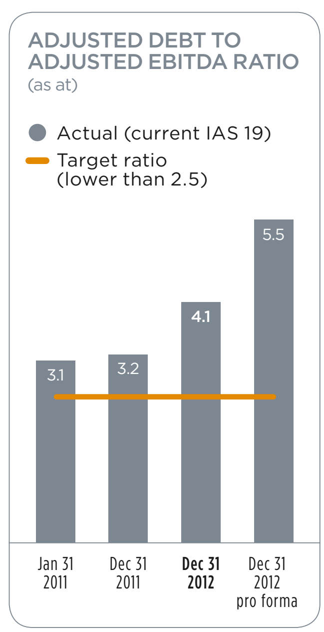
	December 31 2012 pro forma	**December 31 2012**	December 31 2011[3]	Explanation of major variances
Interest coverage ratio				Deteriorated from fiscal year 2011 to 2012, due to lower profitability in both operating segments. Pro forma amounts show a further deterioration, due to higher pro forma interest paid.
Adjusted EBIT	$ 960	**$ 957**	$ 1,271	
Adjusted interest	$ 397	**$ 289**	$ 271	
Adjusted EBIT to adjusted interest ratio	2.4	**3.3**	4.7	
Financial leverage ratio				Deteriorated from December 31, 2011 to 2012, mainly due to the issuance of $500 million of long-term debt, partially offset by a repayment of $151 million, and lower profitability in both operating segments. Pro forma amounts show a further deterioration, due to higher long-term debt.
Adjusted debt	$ 7,671	**$ 5,671**	$ 5,263	
Adjusted EBITDA	$ 1,391	**$ 1,388**	$ 1,657	
Adjusted debt to adjusted EBITDA ratio	5.5	**4.1**	3.2	

1 Refer to the Non-GAAP financial measures section hereafter for definitions and reconciliations to the most comparable IFRS measures.
2 The pro forma amounts give effect to our $2.0 billion January 2013 debt issuance as if it had been effective as at January 1, 2012.
3 Our fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.

These global metrics do not represent the calculations required for bank covenants. For compliance purposes, we regularly monitor these 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.







In addition to the previously-mentioned global metrics, we separately monitor our net retirement benefit liability which amounted to $3.0 billion as at December 31, 2012 ($3.2 billion as at December 31, 2011). The measurement of this liability is dependent on numerous key long-term assumptions such as those regarding future compensation increases, inflation rates, mortality rates and current discount rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. We closely monitor the impact of the net retirement benefit liability on our future cash flows and have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with our retirement benefit plans. (See the Retirement benefits section for further details.)

NON-GAAP FINANCIAL MEASURES

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

NON-GAAP FINANCIAL MEASURES	
EBITDA	Earnings before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets.
EBIT before special items	EBIT excluding the impact of restructuring charges, significant impairment charges and reversals thereof, as well as other unusual items.
EBITDA before special items	EBIT before special items, amortization and impairment charges on PP&E and intangible assets.
Adjusted net income	Net income excluding special items, the financing component of net retirement benefit cost (i.e. the accretion on retirement benefit obligations less expected return on pension plan assets), certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items.
Adjusted EPS	EPS calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements.
Free cash flow	Cash flows from operating activities less net additions to PP&E and intangible assets.
Adjusted debt	Long-term debt as presented in our consolidated statements of financial position adjusted for the fair value of derivatives (or settled derivatives) designated in related hedge relationships plus sale and leaseback obligations and the net present value of operating lease obligations.
Adjusted EBIT	EBIT before special items plus interest adjustment for operating leases and interest received (as per the supplemental information provided in the consolidated statements of cash flows, adjusted, if needed, for the settlement of fair value hedge derivatives before their contractual maturity dates).
Adjusted EBITDA	Adjusted EBIT plus amortization and impairment charges on PP&E and intangible assets, and amortization adjustment for operating leases.
Adjusted interest	Interest paid, as per the supplemental information provided in the consolidated statements of cash flows, plus accretion expense on sale and leaseback 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 standardized meanings prescribed by IFRS; therefore, others using these terms may calculate them differently.

We also provide certain measures on a pro forma basis, as if our January 2013 $2.0 billion debt issuance had been effective as at January 1, 2012.

Reconciliations to the most comparable IFRS financial measures are provided in the tables hereafter except for the following reconciliations:

- EBITDA to EBIT – see the respective Results of operations tables in BA and in BT;
- EBIT before special items and EBITDA before special items to EBIT – see the Consolidated results of operations section;
- adjusted net income to net income and adjusted EPS to diluted EPS – see the Consolidated results of operations section; and
- free cash flow (usage) to cash flows from operating activities – see the Reconciliation of segmented free cash flow (usage) to cash flow from operating activities table in the Liquidity and capital resources section.

RECONCILIATION OF ADJUSTED DEBT TO LONG-TERM DEBT

			As at
	December 31, 2012 pro forma	**December 31 2012**	December 31 2011
Long-term debt	$ 7,405	**$ 5,405**	$ 4,941
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	(444)	**(444)**	(318)
Long-term debt, net	6,961	**4,961**	4,623
Sale and leaseback obligations	168	**168**	163
Operating lease obligations[1]	542	**542**	477
Adjusted debt	$ 7,671	**$ 5,671**	$ 5,263

1 Discounted using the average five-year U.S. Treasury Notes plus the average credit spread, given our credit rating, for the corresponding period.

RECONCILIATION OF ADJUSTED EBITDA AND ADJUSTED EBIT TO EBIT

			Fiscal years
	2012 pro forma	**2012**	2011[1]
EBIT	$ 695	**$ 695**	$ 1,202
Special items[2]	140	**140**	–
Interest received	100	**97**	40
Interest adjustment for operating leases[3]	25	**25**	29
Adjusted EBIT	960	**957**	1,271
Amortization adjustment for operating leases[4]	60	**60**	53
Amortization	371	**371**	333
Adjusted EBITDA	$ 1,391	**$ 1,388**	$ 1,657

1 Our fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.
2 Refer to the Consolidated results of operations section for details on these special items. For the fiscal year ended December 31, 2012, special items include impairment charges on PP&E of $9 million.
3 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 period, given our credit rating.
4 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 INTEREST TO INTEREST PAID

			Fiscal years
	2012 pro forma	**2012**	2011[1]
Interest paid	$ 367	**$ 259**	$ 238
Accretion expense on sale and leaseback obligations	5	**5**	4
Interest adjustment for operating leases[2]	25	**25**	29
Adjusted interest	$ 397	**$ 289**	$ 271

1 Our fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.
2 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 period, given our credit rating.

CONSOLIDATED FINANCIAL POSITION

			Increase (decrease)			
	December 31 2012	December 31 2011	**Foreign exchange impact**	**Variance excluding foreign exchange**	**Explanation of major variances other than foreign exchange impact**	
Cash and cash equivalents	**$ 2,896**	$ 3,372	$ 49	$ (525)	See the Variation in cash and cash equivalents table and Free cash flow in BA and BT for details	
Trade and other receivables	**1,525**	1,408	22	95	$ 111	Higher level in BT
					(16)	Lower level in BA
Gross inventories	**12,079**	11,992	132	(45)	$ (544)	Due to deliveries in several BT contracts ahead of ramp-up in contracts in the start-up phase
					499	Mostly due to aerospace program work-in-process, mainly for business aircraft, partially offset by a decrease in pre-owned business aircraft
Advances and progress billings related to long-term contracts	**(6,365)**	(6,479)	106	(220)	Lower advances and progress billings related to existing contracts, partly compensated by advances on new orders	
Advances on aerospace programs	**(4,653)**	(4,054)	–	599	Mainly due to higher orders intake than deliveries for business and commercial aircraft	
PP&E	**2,028**	1,864	20	144	$ 338	Net additions
					(194)	Amortization and impairment
Aerospace program tooling	**4,770**	3,168	–	1,602	$ 1,728	Additions, see the Analysis of results section in BA
					(126)	Amortization
Goodwill	**2,325**	2,253	72	–	No variance	
Deferred income tax asset	**1,452**	1,506	–	(54)	Mainly due to the utilization of deferred tax assets in several countries partly offset by net reversal of write-downs	
Other financial assets	**1,759**	1,831	4	(76)	$ (180)	Decrease in investments in securities
					(45)	Decrease in loans and lease receivables
					184	Increase in derivative financial instruments
Other assets	**1,306**	1,064	9	233	$ 95	Increase in sales tax and other taxes
					66	Increase in prepaid expenses

	December 31 2012	December 31 2011	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance excluding foreign exchange	Explanation of major variances other than foreign exchange impact	
Trade and other payables	**$ (3,553)**	$ (3,210)	$ 41	$ 302	$ 284	Higher level in BA
					64	Higher level in BT
					(46)	Lower amount of dividends payable
Provisions	**(1,586)**	(1,672)	18	(104)	Mainly resulting from a net decrease in provisions for product warranties (for BT contracts nearing the end of their warranty periods) and for credit and residual guarantees, partially offset by BT's provision for restructuring charges	
Non-current portion of long-term debt	**(5,360)**	(4,748)	44	568	$ 509	Issuance of long-term debt, mainly $500 million of unsecured Senior Notes due in March 2022
Retirement benefit liability	**(2,997)**	(3,226)	22	(251)	See the Variation in net retirement benefit liability table for details	
Other financial liabilities	**(1,056)**	(1,234)	3	(181)	$ (205)	Decrease in derivative financial instruments
					(148)	Decrease in current portion of long-term debt
					81	Increase in government refundable advances
					40	Increase in vendor non-recurring costs
Other liabilities	**(3,193)**	(3,164)	39	(10)	$ (125)	Decrease in accruals for long-term contract costs
					70	Increase in deferred revenues
Equity	**(1,377)**	(671)	n/a	706	598	Net income
					(206)	Dividends
					306	OCI – mainly due to net actuarial gains related to retirement benefit plans and net gain on derivative financial instruments designated as cash flow hedges
					8	Other

n/a: Not applicable

MANAGEMENT'S DISCUSSION AND ANALYSIS

AEROSPACE

The data presented in this section of the MD&A contains both IFRS and non-GAAP measures and is structured by market segment (business aircraft, commercial aircraft and services), which is reflective of our organizational structure.

We believe that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our MD&A with enhanced understanding of BA's results and related trends and increases transparency and clarity into the core results of the business. EBIT before special items and EBITDA before special items are non-GAAP measures which exclude items which do not reflect, in our opinion, our core performance. Accordingly, these non-GAAP measures provide more transparent disclosures to analyze earnings, enabling better comparability of results from one period to another and better comparability with peers.

Supplemental information regarding BA's products and strategy, as well as the aerospace industry and market, can be found in BA's Profile, strategy and market presentation available in the Profile section on Bombardier's dedicated investor relations website at ir.bombardier.com.

KEY PERFORMANCE MEASURES AND METRICS

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

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS

Growth and competitive positioning	• Order backlog, as a measure of future revenues. • Book-to-bill ratio[1], as an indicator of future revenues. The ratio represents the net orders received over aircraft deliveries, measured in units in a given period. • Revenues and delivery units, as measures of growth. • Market share (in terms of revenues and units delivered), as measures of competitive positioning.
Profitability	• EBIT, EBIT margin, EBIT before special items[2,3] and EBIT margin before special items[2,3], as measures of performance.
Liquidity	• Free cash flow[2], as a measure of liquidity generation.
Customer satisfaction	• On-time aircraft deliveries, as a measure of meeting our commitment to customers. • Fleet dispatch reliability, as a measure of our products' reliability.
Execution	• Achievement of product development milestones, as a measure of flawless execution. • Achievement of engagement and enablement targets, as a measure of employee engagement and motivation. • The deployment of the Achieving Excellence System (AES), as a measure of our continuous improvement to integrate world-class best practices in all our activities.

1 Defined as net orders received over aircraft deliveries, in units.
2 Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Consolidated results of operations sections in Overview for definitions of these metrics. Refer to the Consolidated results of operations section in Overview and Analysis of results section for reconciliations to the most comparable IFRS measures.
3 The special item for the fiscal year ended December 31, 2012 relates to a $23 million gain recorded in EBIT following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.

Our employee incentive-based compensation plan for non-unionized employees across all BA sites rewards the collective efforts of our employees in achieving our objectives using performance indicator targets. A total of 16,600 employees worldwide now participate in the program. In 2012, as part of this program, incentive-based compensation was linked to the achievement of targeted results, based on EBIT, free cash flow, on-time aircraft deliveries, fleet dispatch reliability and executing according to plan in our new product development programs.

AES is BA's integrated management system. It fosters both employee and customer engagement in order for us to meet our business objectives. The system is divided into five levels from Bronze to Diamond. Having successfully achieved the Bronze and Silver certifications, all teams are now fully engaged in the implementation of the Gold level. While a few teams will attain Gold level certification in 2013, we expect Gold level certification to be completed by the end of 2015. The results of the 2012 employee survey ranked BA among the best performing companies in terms of engagement.

FIVE-YEAR SUMMARY

For the fiscal years ended and as at	IFRS December 31 2012	IFRS December 31 2011[4]	IFRS January 31 2011	Canadian GAAP January 31 2010	Canadian GAAP January 31 2009
Revenues	**$ 8,628**	$ 8,594	$ 8,809	$ 9,357	$ 9,965
Aircraft deliveries (in units)					
Business aircraft	**179**	163	155	176	235
Commercial aircraft	**50**	78	97	121	110
Amphibious aircraft	**4**	4	4	5	4
	233	245	256	302	349
Net orders (in units)	**481**	249	201	11	367
Book-to-bill ratio[1]	**2.1**	1.0	0.8	–	1.1
Order backlog (in billions of dollars)[5]	**$ 32.9**	$ 23.9	$ 20.4	$ 16.7	$ 23.5
EBIT	**$ 405**	$ 502	$ 554	$ 473	$ 896
EBIT margin	**4.7%**	5.8%	6.3%	5.1%	9.0%
EBIT before special items[2,3]	**$ 382**	$ 502	$ 554	$ 473	$ 896
EBIT margin before special items[2,3]	**4.4%**	5.8%	6.3%	5.1%	9.0%
Free cash flow (usage)[2]	**$ (867)**	$ (453)	$ 5	$ (267)	$ 128
Total number of employees[6]	**35,500**	33,600	30,300	28,900	32,500

1 Defined as net orders received over aircraft deliveries, in units.
2 Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Consolidated results of operations sections in Overview for definitions of these metrics. Refer to the Consolidated results of operations section in Overview and Analysis of results section for reconciliations to the most comparable IFRS measures.
3 The special item for the fiscal year ended December 31, 2012 relates to a $23 million gain recorded in EBIT following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.
4 The fiscal year ended December 31, 2011 comprises 11 months of results.
5 The total order backlog as at December 31, 2012, December 31, 2011 and January 31, 2011 include the order backlog for long-term maintenance and spares support agreements.
6 Including contractual and inactive employees.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	What we said	What we did	What's next[1]
Profitability	EBIT margin for the year ended December 31, 2012 was expected to be approximately 5%.	EBIT margin of 4.7% for the fiscal year ended December 31, 2012.	Maintain EBIT margin in fiscal year 2013 at approximately the same level as EBIT margin in fiscal year 2012. We expect to achieve an EBIT margin in fiscal year 2014 of approximately 6%, after an anticipated 2% dilutive impact on EBIT margin from the entry-into-service of the *CSeries* aircraft.
Liquidity	For the year ended December 31, 2012, cash flows from operating activities were expected to substantially fund our net additions to PP&E and intangible assets of approximately $2.0 billion. During the third quarter of 2012, we revised this guidance and announced that we expect a free cash flow usage of approximately $800 million for the fiscal year ended December 31, 2012.	Free cash flow usage of $867 million, as cash flows from operating activities were less than our net additions to PP&E and intangible assets of $2.0 billion.	Cash flows from operating activities of approximately $1.4 billion, while our net additions to PP&E and intangible assets are expected to be approximately $2.0 billion in fiscal year 2013. Our level of net additions to PP&E and intangible assets is expected to decrease in 2014 by approximately $500 million and in 2015 by approximately another $500 million.
Deliveries	We expected to deliver approximately 180 business aircraft and 55 commercial aircraft in the year ended December 31, 2012.	We delivered 179 business aircraft and 50 commercial aircraft.	Deliveries of approximately 190 business aircraft and 55 commercial aircraft in fiscal year 2013.

Forward-looking statements

Forward-looking statements[2] in this section of the MD&A are based on:

- current firm order backlog and estimated future order intake[3];
- an increase in aircraft deliveries and improved pricing in fiscal years 2013 and 2014 compared to fiscal year 2012;
- continued deployment and execution of strategic initiatives related to quality improvement and cost reductions;
- our ability to meet scheduled entry-into-service dates and planned costs for new aircraft programs;
- our ability to recruit and retain highly skilled resources to deploy our product development strategy;
- the ability of our supply base to support planned production rates; and
- stability of foreign exchange rates.

1 See Forward-looking statements above.
2 Also see the Guidance and forward-looking statements section in Overview.
3 Demand forecast is based on the analysis of main market indicators, including real GDP growth, industry confidence, wealth creation and profitability within our customer base, aircraft utilization, pre-owned business jet inventory levels, pilot scope clauses, environmental regulations, globalization of trade, replacement demand, new aircraft programs and fast-growing markets and their accessibility. For more details, refer to the market indicators in the Industry and economic environment section.

HIGHLIGHTS OF THE YEAR

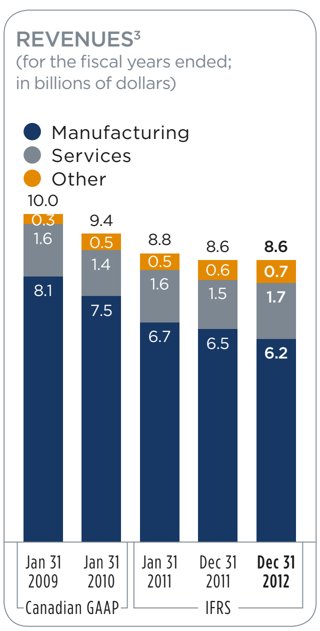
Positioned for future growth through our product development and record order backlog

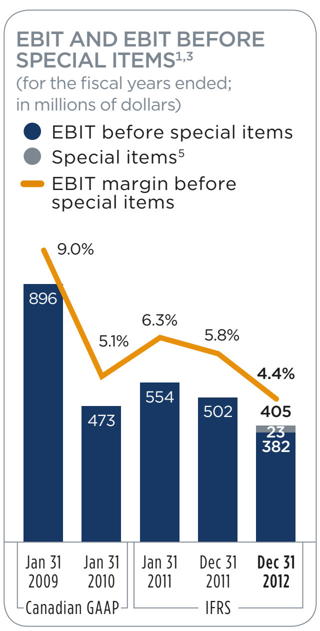
REVENUES	EBIT MARGIN BEFORE SPECIAL ITEMS[1]	FREE CASH FLOW[1]	NET ADDITIONS TO PP&E & INTANGIBLE ASSETS	ORDER BACKLOG
$8.6 billion	**4.4%**	**($867)** million	**$2.0** billion	**$32.9** billion

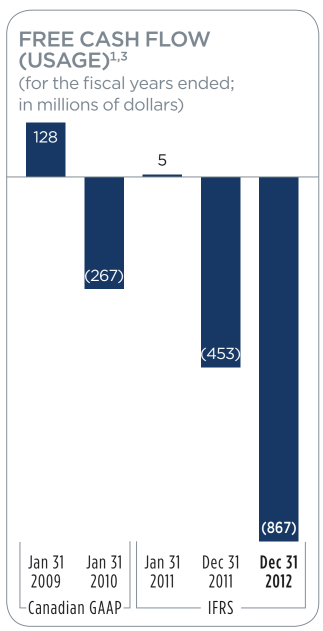
RESULTS OF THE YEAR

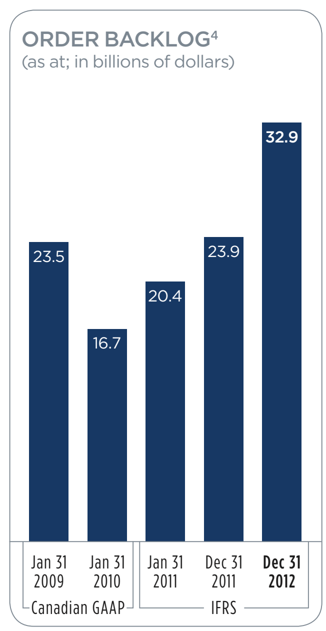
Our fiscal year ended December 31, 2012 comprises 12 months of results, compared to 11 months of results in our fiscal year ended December 31, 2011, as a result of our change of year-end effective December 31, 2011.

- Revenues of $8.6 billion, the same level as last fiscal year.
- EBIT before special items[1] of $382 million, or 4.4% of revenues, compared to $502 million, or 5.8%, last fiscal year.
- EBITDA before special items[1] of $624 million, or 7.2% of revenues, compared to $697 million, or 8.1%, last fiscal year.
- Free cash flow usage[1] of $867 million, compared to free cash flow usage of $453 million last fiscal year.
- Net additions to PP&E and intangible assets of $2.0 billion, compared to $1.3 billion last fiscal year.
- 233 aircraft deliveries, compared to 245 last fiscal year.
- 481 net orders (book-to-bill ratio[2] of 2.1), compared to 249 net orders last fiscal year.
- A record order backlog of $32.9 billion as at December 31, 2012, compared to $23.9 billion as at December 31, 2011.









1 Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Consolidated results of operations sections in Overview for definitions of these metrics. Refer to the Consolidated results of operations section in Overview and Analysis of results section for reconciliations to the most comparable IFRS measures.
2 Defined as net orders received over aircraft deliveries, in units.
3 The fiscal year ended December 31, 2011 comprises 11 months of results.
4 The total order backlog as at December 31, 2012, December 31, 2011 and January 31, 2011 include the order backlog for long-term maintenance and spares support agreements.
5 The special item for the fiscal year ended December 31, 2012 relates to a gain following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.

KEY EVENTS OF THE YEAR

Business aircraft

- In March 2012, following certification from the European Aviation Safety Agency ("EASA") and the U.S. Federal Aviation Administration ("FAA"), the *Global 5000* and the *Global 6000* aircraft with the *Bombardier Vision* Flight Deck entered into service on schedule.
- In May 2012, we launched the *Learjet 70* and *Learjet 75* aircraft programs. These new jets represent the evolution of the *Learjet 40 XR* and *Learjet 45 XR* aircraft, and feature a new interior, new cabin management system, the *Bombardier Vision* Flight Deck and an improved engine. Entry-into-service for the *Learjet 75* aircraft is scheduled for the summer of 2013 and for the second half of 2013 for the *Learjet 70* aircraft.
- In June 2012, NetJets Inc. placed a firm order for 100 *Challenger* aircraft. Based on the list prices, the value of the firm order is $2.6 billion. NetJets Inc. also entered into a long-term service agreement for up to 15 years. Assuming certain aircraft usage projections, the service agreement is valued at $0.8 billion.
- In November 2012, VistaJet placed a firm order for 56 *Global* aircraft. Based on list prices, the value of the firm order is $3.1 billion. This is the largest business aircraft firm order in our history.

Commercial aircraft

- In August 2012, Westjet Airlines Ltd. placed a firm order for 20 *Q400 NextGen* aircraft. Based on list price, the firm order is valued at $683 million.
- In December 2012, Delta Air Lines, Inc. placed a firm order for 40 *CRJ900 NextGen* aircraft. Based on list price, the value of the firm order is $1.9 billion.
- In December 2012, airBaltic placed a firm order for 10 *CS300* aircraft. Based on list price, the value of the firm order is $764 million.
- As at December 31, 2012, we have signed firm orders and other agreements[1] for a total of 382 *CSeries* aircraft, with 14 customers in 11 countries. The firm order backlog for the *CSeries* aircraft comprises 148 aircraft, with 10 customers in eight countries.
- The first flight of the *CS100* aircraft is scheduled to occur by the end of June 2013. We expect that entry-into-service of the *CS100* aircraft will occur approximately one year after first flight. The timeline for the *CS300* aircraft, which represents a significant portion of the *CSeries* programs' orders and commitments, remains unchanged with entry-into-service scheduled for the end of 2014.

1 The other agreements consist of conditional orders, letters of intent, options and purchase rights.

INDUSTRY AND ECONOMIC ENVIRONMENT

Challenges remain in the short term

The state of the world economy, and those of individual countries, are key factors in the demand for air travel. As such, the health of the aerospace industry is a function of general economic conditions, with a lag typically between economic recovery and the time it takes to reflect on the original equipment manufacturers' deliveries and revenues. Real GDP growth is the widely accepted measure of economic activity.

According to a report by IHS Global Insight dated February 15, 2013, worldwide real GDP increased by 2.3% in 2012, compared to an increase of 2.8% in 2011. IHS Global Insight predicts that the world economy is expected to grow by 2.2% in 2013.

The GDP in the U.S., the largest market for our business and commercial aircraft units, is expected to grow at 1.9% in 2013, compared to 2.2% GDP growth in 2012. Europe, our second largest market in terms of sales, is experiencing a number of economic challenges as GDP is expected to grow by only 0.3% in 2013, while it showed no growth in 2012.

Regions with high growth potential for business and commercial aviation such as China, India and the CIS are expected to grow in 2013 by 8.2%, 6.0% and 3.5%, respectively, as compared to GDP growth in 2012 of 7.8%, 5.1% and 3.5%, respectively.

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.

BUSINESS AIRCRAFT

For the first three quarters of 2012, the level of industry orders in the market categories in which we compete was comparable to that of the same period last year. However, a significant number of orders received in the fourth quarter of 2012 resulted in an order increase of approximately 24% for calendar year 2012 compared to 2011. The composition of these orders indicates that demand is stronger for larger aircraft than it is for smaller aircraft. During 2012, in the market categories in which we compete, the industry experienced a decrease of 1.1% in deliveries but a 1.2% increase in billings when compared to 2011.

Given the market conditions, some aircraft manufacturers opted to halt aircraft programs, while other manufacturers, like us, have a number of new business jets in development, with the view that the new models will not only benefit from improved market conditions expected in the future, but also contribute to the recovery by stimulating demand.

Our orders in 2012 increased by 80% compared to 2011 and were higher in all categories. Excluding the significant multi-aircraft orders received from NetJets Inc. and VistaJet in 2012 and 2011, our order intake increased by 43%. Our deliveries in 2012 increased by 10% when compared to 2011 across all market categories, partially due to last fiscal year comprising only 11 months. In 2012, for the fourth consecutive year and the ninth consecutive year, respectively, we were the market share leader in terms of deliveries and in terms of revenues in the overall market in which we compete.

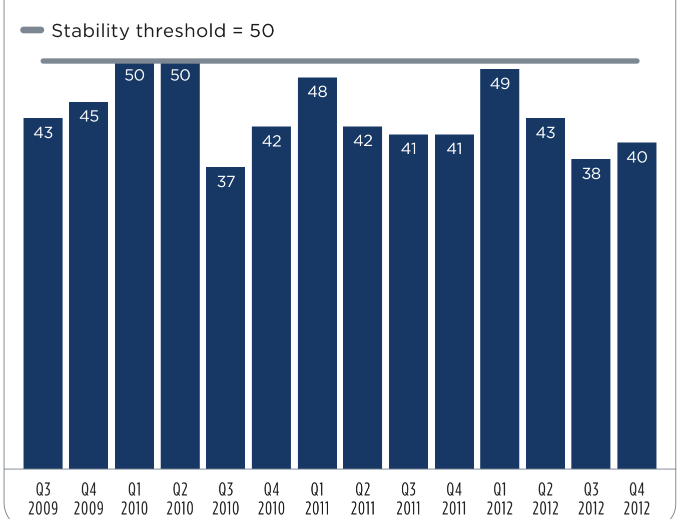
We use the following indicators to monitor the health of the business aviation market.

BUSINESS AIRCRAFT MARKET INDICATORS

Indicator	Current situation	Status
Industry confidence	The UBS Business Jet Market Index, which measures the industry confidence, had increased in the first quarter of 2012 to just under the threshold of market stability, but decreased to end 2012 at 40, a level comparable to that at the end of 2011.	→
Corporate profits	According to the Bureau of Economic Analysis, U.S. corporate profits increased year-over-year by 7.5% to $1,968 billion for the first nine months of 2012. Corporate profits are at an all-time high which should translate into future demand for aircraft from corporate flight departments.	↑
Pre-owned business jet inventory levels	In the light category, the level of pre-owned business aircraft inventory has been trending downward over the last two years and is now essentially at the upper end of what we consider to be the normal range for the market. In the medium category, the level of pre-owned business aircraft inventory has remained stable over the last two years and is within what we consider to be the normal range for the market. In the large category, the level of pre-owned business aircraft inventory has moved upward in the current year but remains below what we consider to be the normal range for the market.	→
Aircraft utilization rates	Business jet utilization in the U.S. remained stable throughout the year.	→
	Business jet utilization in Europe was relatively stable earlier in 2012 compared to the same period in the previous year, but then declined by approximately 4.5% year-over-year in the last six months of 2012.	↓
Aircraft shipments and billings	Based on the General Aviation Manufacturers Association ("GAMA") airplane shipment report dated February 12, 2013 and other public sources, in the business aircraft market categories in which we compete, business aircraft deliveries decreased by 1.1% and total billings increased by 1.2% in 2012 as compared to 2011.	↑

↑ → ↓ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

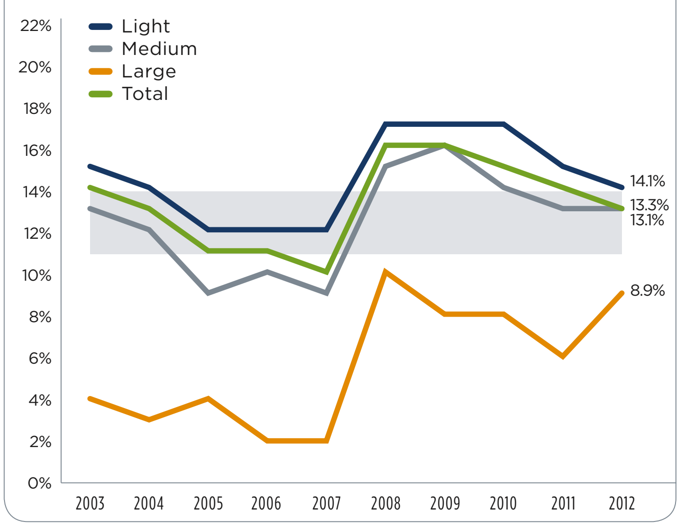
UBS BUSINESS JET MARKET INDEX[1]
(for calendar quarters; average on a 100-point scale)



Source: UBS

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

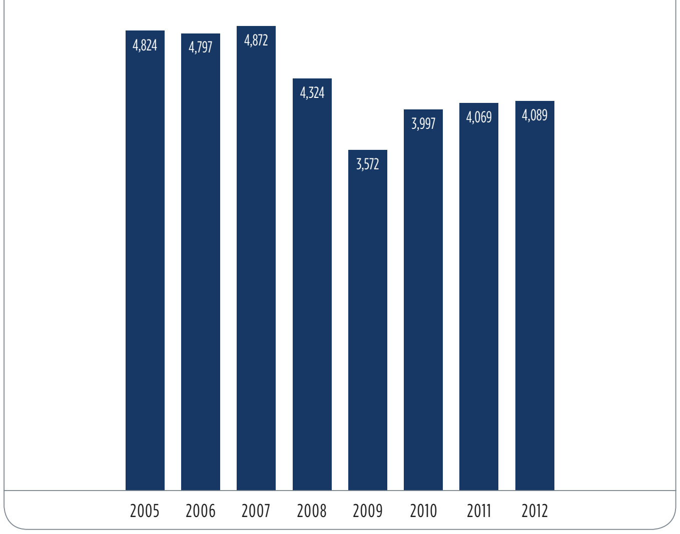
PRE-OWNED BUSINESS JET INVENTORY
(for calendar years; as a percentage of total business jet fleet, excluding very light jets)



Source: JETNET and Ascend Online

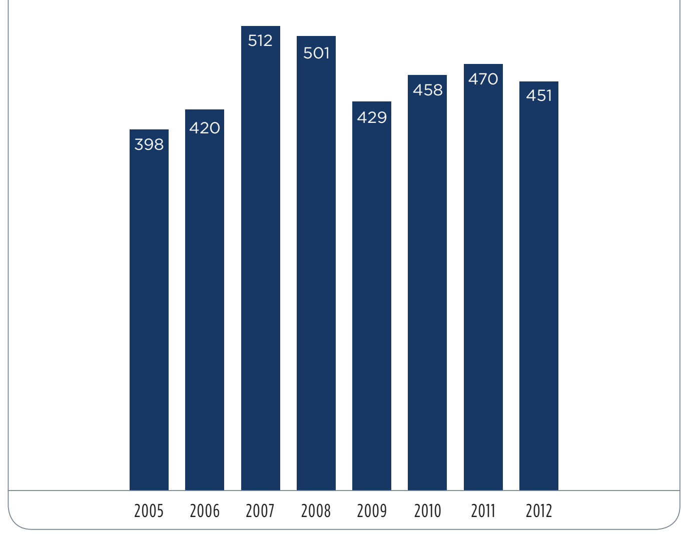
Shaded area indicates what we consider to be a normal range of pre-owned business jet inventory available for sale, i.e. between 11% and 14%.

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



Source: Federal Aviation Administration (FAA) website

EUROPEAN BUSINESS JET UTILIZATION
(for calendar years; in thousands of departures and arrivals for all business jets)



Source: Eurocontrol

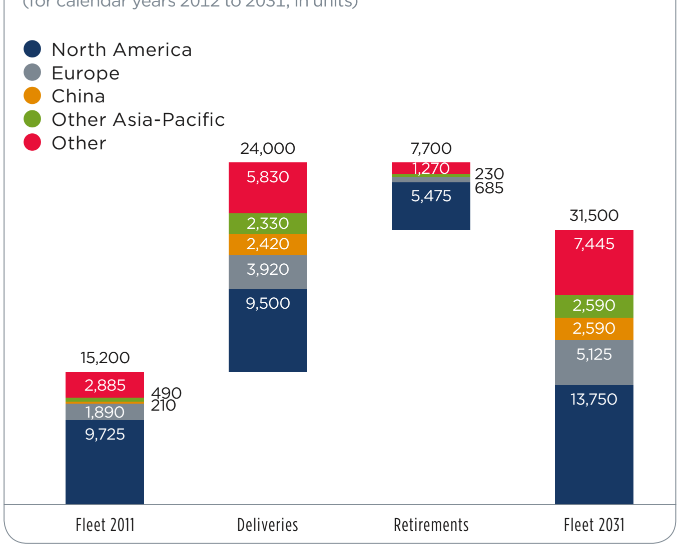
Short-term outlook

Current indicators in the business aviation market remain mixed. However, with worldwide real GDP growth of 2.2% in 2013 as predicted by IHS Global Insight, we expect that worldwide business aircraft orders and deliveries for the industry will grow modestly in 2013. We expect to deliver approximately 190 business aircraft in fiscal year 2013 compared to 179 deliveries in 2012.

Long-term outlook

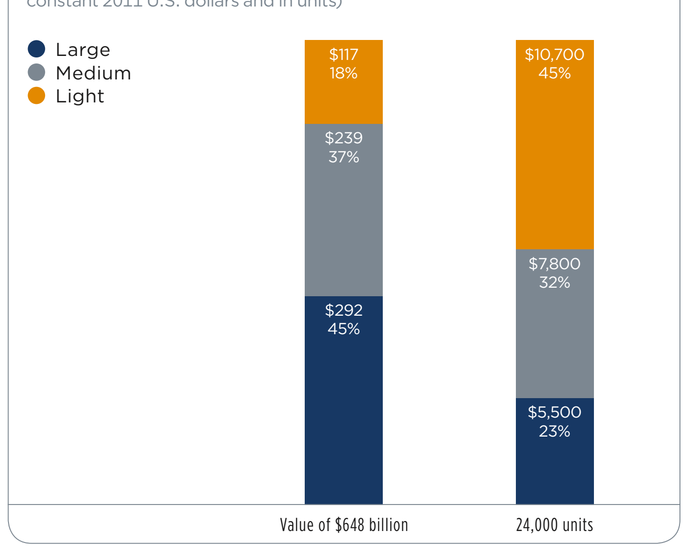
Although potential economic uncertainties may have an impact in the short term, we believe that the long-term market drivers of growth for the business jet industry, such as GDP growth, globalization of trade, fleet replacement, new aircraft programs to stimulate demand and growth in fast-growing markets, remain solid. The continued wealth creation in fast-growing markets coupled with aviation infrastructure development is expected to accelerate the use of business aircraft dramatically from levels seen today. As stated in our Business Aircraft Market Forecast, published in June 2012 and available on Bombardier's decicated investor relations website at ir.bombardier.com, we estimate 24,000 aircraft deliveries in the light to large categories for the 20-year period from 2012 to 2031, valued at $648 billion in constant 2011 U.S. dollars. The worldwide business aircraft fleet is expected to more than double from 15,200 aircraft at the end of 2011 to 31,500 aircraft in 2031. We predict that North America will receive the greatest number of new business jet deliveries in the 20-year period with 9,500 aircraft, followed by Europe with

BUSINESS AIRCRAFT FLEET EVOLUTION BY GEOGRAPHIC REGION
(for calendar years 2012 to 2031; in units)



Source: Bombardier Business Aircraft Market Forecast 2012-2031

BUSINESS AIRCRAFT MARKET FORECAST BY CATEGORY
(for calendar years 2012 to 2031; in billions of constant 2011 U.S. dollars and in units)



Source: Bombardier Business Aircraft Market Forecast 2012-2031

3,920 aircraft. Notably, China is expected to become the third largest market for business jet deliveries, with 2,420 deliveries between 2012 and 2031. We also expect other key growth markets in fast-growing economies to receive a significant share of business jet deliveries during the next 20 years.

COMMERCIAL AIRCRAFT

Although near-term prospects for commercial aircraft orders are generally good, the current volatile economic environment worldwide continues to impact our industry negatively. In particular, some countries in Europe are going through a period of economic uncertainty that makes demand for commercial aircraft uncertain.

In the U.S., the largest market for our aircraft, we have seen a slowdown in the number of large orders for regional jets and turboprops after the financial crisis and throughout the first half of 2012. However, we have been encouraged by the orders received in recent months which indicates that there is pent-up demand for newer and more technologically advanced commercial aircraft. Several U.S. major network carriers entered into contract negotiations with their respective pilot unions in 2012 and many have reached agreements to modify scope clauses, thus permitting a higher number of larger regional aircraft to be flown by regional airlines' pilots affiliated with mainline airlines. To benefit from these agreements, airlines will likely order larger and more efficient regional aircraft, both regional jets and turboprop aircraft, to replace older and smaller regional jet aircraft.

Over the last 12 months, more than 50% of the industry's demand in the 20- to 149-seat category originated from markets outside of North America and Europe. Asia, Latin America, Africa and the Middle East are expected to continue to post enviable economic growth and we expect a significant share of the growth in demand to originate from these regions.

In June and in December 2012, respectively, the Interstate Aviation Committee, commonly known by its Russian acronym "MAK", awarded aircraft type certification to the *Q400 NextGen* aircraft and to the *CRJ700/900/1000* regional jets for operation in Russia and the CIS.

We delivered 36% fewer commercial aircraft in 2012 compared to 2011 mainly due to lower production rates to reflect current demand. However, our net orders increased by 156% compared to 2011 due to significant orders received from WestJet Airlines Ltd. for turboprops and from Delta Air Lines Inc. for regional aircraft in the latter part of 2012, as well as several orders from customers in fast-growing markets.

We use the following indicators to monitor the health of the commercial airline industry.

COMMERCIAL AIRCRAFT MARKET INDICATORS

Indicator	Current situation	Status
Passenger traffic levels	The demand for new aircraft is primarily driven by the demand for air travel. Per IATA's December 2012 Air Transport Market Analysis report, scheduled domestic and international passenger traffic, measured by revenue passenger kilometres ("RPK"), was 4.0% and 6.0% higher, respectively, for the year-to-date period ended December 2012 compared to the same period last year. As world passenger traffic increased, airlines achieved both domestic and international passenger load factors of 77.9% in December 2012 (77.7% and 76.2%, respectively, in December 2011). Yields, defined as average passenger revenue per revenue passenger kilometre, remained stable in 2012 compared to 2011.	↑
	However, passenger traffic decreased in 2012 compared to 2011 for regional airlines in our two largest markets, North America and Europe. Regional passenger traffic for the four major U.S. carriers (Delta Air Lines, American Airlines, United Airlines and US Airways) and their affiliates, which represent a major portion of the regional airline traffic in the U.S., declined by 0.5% in 2012 compared to 2011. The recession plaguing some European countries is having a negative impact on regional airline passenger traffic in Europe. Based on data compiled by the European Regions Airline Association (ERA), we estimated that traffic declined by 4.6% over the first nine months of 2012 compared to the same period last year.	↓
Fuel prices	Planning is difficult for airlines when prices for one of the largest components of their operating costs remain volatile. In its January 2013 Short-term Energy Outlook, the U.S. Energy Information Administration (EIA) forecasted slightly lower prices for Brent crude oil in 2013 and 2014, at $105 per barrel and $99 per barrel, respectively, versus $112 per barrel in 2012. In the short term, this should lower the pressure on airline profitability. However, the high volatility in crude oil prices should result in demand for more fuel-efficient aircraft.	→

↑ → ↓ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

COMMERCIAL AIRCRAFT MARKET INDICATORS (CONTINUED)

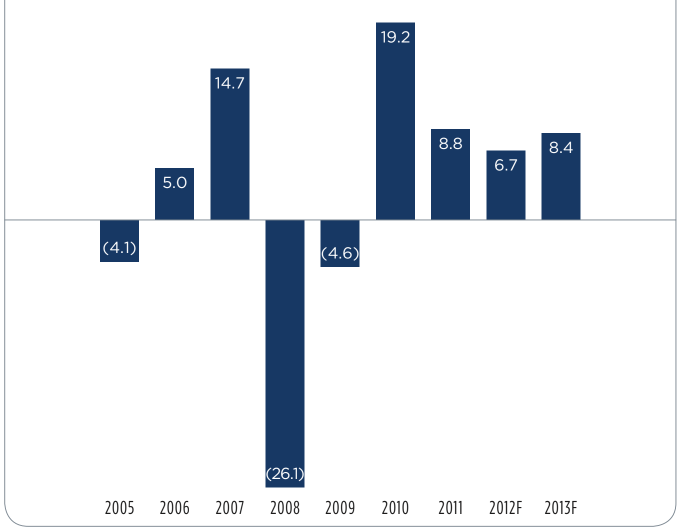
Indicator	Current situation	Status
Airline profitability	Airline financial performance continued to improve throughout 2012 after a sharp drop in the first quarter. U.S. airlines continued to improve their profitability. Although facing a troubled economy, European airlines are forecasted to break even in net profit. Asia-Pacific has been the largest contributor to industry profitability for four consecutive years. In its December 2012 Financial Forecast, IATA estimated that airlines' net profit should amount to $6.7 billion in 2012, a third consecutive year of positive net profits for the industry.	↑
Environ-mental regulations	Stringent environmental regulations speed up the retirement of old generation aircraft as carriers seek lower per-passenger fuel burns and emissions.	↑
	On the other hand, fees and charges associated with these regulations hamper airline operating economics, adversely impacting airlines' re-fleeting decisions. In late 2012, the European Commission deferred certain regulations related to emission allowances for flights into and out of Europe until late 2013, thus deferring any adverse impact.	→
Aircraft shipments	Based on delivery data available from OAG Fleet iNet and other public sources, there were 269 deliveries for the industry of aircraft in the 20- to 149-seat category in 2012, a reduction of 23% compared to 2011. Lower deliveries are the result of weaker order intake in the years following the economic downturn. Despite increasing demand from fast-growing countries, the industry received a smaller number of large orders from U.S. major network carriers in recent years.	↓
Replacement demand	We estimate that most commercial aircraft have life cycles ranging between 15 to 30 years. Based on data obtained from OAG Fleet iNet, at the end of 2012, an estimated 45% of the world's active fleet in the 20- to 149-seat aircraft category was over 15 years old. Mature markets such as North America and Western Europe will continue to replenish their existing aircraft fleet with new aircraft.	↑

↑ → ↓ Identifies a favourable, neutral or negative status, respectively, in the market categories in which we compete, based on the current environment.

FUEL PRICES
(Brent crude oil prices; in dollars per barrel)

Source: U.S. EIA

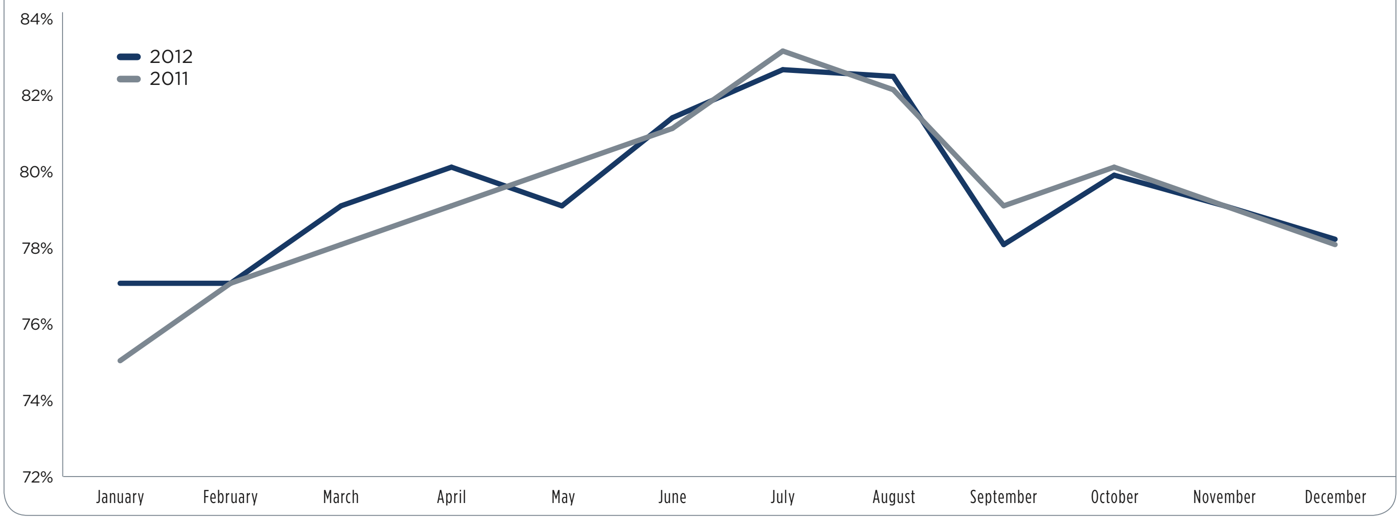
GLOBAL AIRLINES' NET PROFIT (LOSS)
(for calendar years; in billions of dollars)



Source: IATA Financial Forecast, December 2012

F: Forecast

DOMESTIC PASSENGER LOAD FACTOR
(as a percentage of available seat kilometres; for 2011 and 2012)



INTERNATIONAL PASSENGER LOAD FACTOR
(as a percentage of available seat kilometres; for 2011 and 2012)

Source: IATA statistics for international and domestic air travel.

Passenger load factor is defined as the percentage of available seat kilometres used (revenue passenger kilometres divided by available seat kilometres).

Revenue passenger kilometres is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported over one kilometre.

Available seat kilometres are measured as the number of seats multiplied by the kilometres flown, whether a passenger occupied the seat or not.

Short-term outlook

We expect the world economy to improve over the next 24 months and order intake should follow. In its December 2012 Financial Forecast, IATA projected airline profits to grow from $6.7 billion in 2012 to $8.4 billion in 2013. IATA estimates that a world GDP growth rate of 2% is needed for airlines to break even. Over the last three years, airlines have remained profitable due to improved efficiency and restructuring. This forecast assumes the Eurozone situation does not deteriorate significantly, fiscal and monetary policy continues to support economic growth in the U.S., and the Chinese economy stabilizes. We also expect total deliveries in the 20- to 149-seat aircraft category to increase starting in 2014.

All elements are in place for a recovery of the North American 20- to 149-seat aircraft category in the short to medium term. We believe that the market for 20- to 149-seat aircraft will return to growth as airlines continue to focus on fleet optimization, efficiency and the environment.

In Europe, the sovereign debt problem is still creating volatility and most countries will continue to face economic conditions close to recession in 2013, including high unemployment and low growth. In this context we do not expect much growth in demand for regional aircraft in Europe in 2013. European airlines are likely to continue to focus on consolidation and operations restructuring. Most of the fleet growth which will occur is expected to come from low fare carriers.

In fast-growing markets, we have seen a significant increase in demand from Asia-Pacific and Latin America over recent years. As the Chinese economy picks up from the slowdown in 2012, many of its major trade partners should also follow suit. The strong correlation between passenger traffic and economic growth in fast-growing markets should translate into continued aircraft demand in the near future. This demand will be met by a combination of pre-owned and new aircraft.

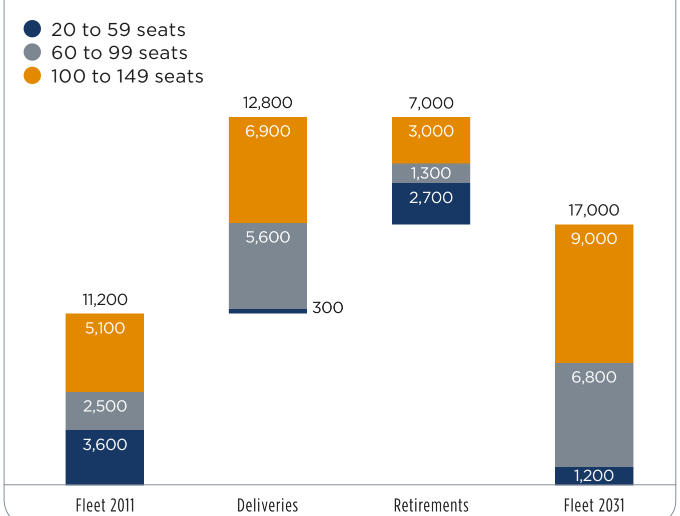
We expect to deliver approximately 55 commercial aircraft in fiscal year 2013 compared to 50 deliveries in 2012.

Long-term outlook

According to our Commercial Aircraft Market Forecast, published in June 2012 and available on Bombardier's dedicated investor relations website at ir.bombardier.com, we estimate 12,800 new aircraft deliveries for 20- to 149-seat commercial aircraft for the 20-year period from 2012 to 2031, with 300 deliveries in the 20- to 59-seat category, 5,600 deliveries in the 60- to 99-seat category and 6,900 deliveries in the 100- to 149-seat category. The total forecast deliveries are valued at over $630 billion in constant 2011 U.S. dollars.

Global demand for air travel and new aircraft continues to shift towards fast-growing markets, although not as rapidly as anticipated in previous forecasts. North America is expected to lead the way in aircraft deliveries over the forecast period, taking in an expected 4,730 new aircraft, followed by China with 2,220 new aircraft. The forecast demand for Europe is expected to be 1,590 aircraft.

WORLDWIDE FLEET FORECAST FOR 20- TO 149-SEAT COMMERCIAL AIRCRAFT
(for calendar years 2012 to 2031; in units)



Source: Bombardier Commercial Aircraft Market Forecast 2012-2031

In the long term, EIA predicts in its Annual Energy Outlook 2013 Early Release report that the price of oil will increase, driven by expanding energy demand. We believe that high fuel costs will accelerate the retirement of old, less efficient aircraft types increasing demand for new fuel-efficient aircraft.

The 60- to 99-seat category's growth will be driven largely by the evolving relationship between mainline and regional carriers. The outsourcing of regional aircraft operations to carriers with appropriate, low-cost structures, namely regional airlines, continues to be the main thrust of network optimization efforts. Furthermore, the attractive economics and operational flexibility of regional aircraft can be used to right-size aircraft capacity according to traffic demand.

Our strategy to occupy the 100-to 149-seat market category with the *CSeries* aircraft that will deliver superior operating economics, through advances in technology, as well as operational flexibility and attention to passenger comfort, will help stimulate new aircraft demand and accelerate the retirement of older aircraft.

CUSTOMER SERVICES

Our world-wide customer services network includes regional support offices ("RSO"), authorized service facilities ("ASF"), line maintenance facilities ("LMF"), service centres, parts hubs, parts depots as well as training centres.

NEW CUSTOMER SUPPORT LOCATIONS IN 2012

RSO	
Farnborough, U.K.	Business aircraft
Fort Lauderdale, Florida, U.S.	Business aircraft
Hartford, Connecticut, U.S.	Business aircraft
Tucson, Arizona, U.S.	Business aircraft
Moscow, Russia	Commercial aircraft
ASF / LMF	
Doha, Qatar	Business aircraft
Lagos, Nigeria	Business aircraft
New Delhi, India	Business aircraft
Peterborough, Canada	Business aircraft
Shanghai, China	Business aircraft
St. Louis, Missouri, U.S.	Business aircraft
Tianjin, China	Business aircraft
Johannesburg, South Africa	Commercial aircraft
Kazan, Russia	Commercial aircraft

The parts services organization supports the parts requirements of our customers for the life of the aircraft. Our competitive strength includes the availability of spare parts for our aircraft and our original equipment manufacturer ("OEM") certification along with OEM technical advice. We also offer a number of spare parts programs for customers including the SmartParts program, which allows customers to purchase spare parts on a cost-per-flight-hour basis. The demand for comprehensive spare parts/services programs ("one-stop shopping") is expected to continue to grow. Training is also an essential part of our customer services portfolio. We offer a full suite of pilot and maintenance training solutions for our aircraft customers.

The demand for customer services is driven by the size of the fleet of Bombardier aircraft, by the number of hours flown by such a fleet and by the number of aircraft exiting the warranty period. The continued growth of the installed fleet will contribute to growth in demand for customer services. While traditional markets such as North America and Europe will dominate in terms of market size, the fleet growth in fast-growing markets is accelerating and creating new opportunities for customer services.

The customer services market represents a large growth opportunity for Bombardier. In order to capture a larger share of this market and to further improve customer satisfaction, we continue to develop innovative and comprehensive service solutions and to invest in building our international service and support capabilities. We continue to actively seek out strategic locations for expansion in order to move closer to customers, improve response times and build stronger relationships around the globe. Historically, the U.S. represented the largest share of deliveries for both business and commercial aircraft. Wealth creation and economic development in fast-growing markets is driving a shift in the proportion of business and commercial aircraft delivered outside of the U.S. This trend in demand impacts the geographical layout of our support network. In the fast-growing markets, our strategy is to increase our local customer support presence and leverage our partnerships to deploy our full span of services.

In 2012, we continued to make important progress across the globe opening new customer support locations to better serve our customers. Also, in 2013, we intend to open a full-scale company-owned and operated service centre in Singapore for business aircraft.

We deployed dedicated Mobile Response Parties to seven regions in the U.S., to perform maintenance at operators' locations.

Also, in collaboration with a supplier, we announced the opening of a new Bombardier-dedicated training centre in Amsterdam, scheduled to open in 2014. The Bombardier-dedicated facility will begin by offering training on *Global 5000* and *Global 6000* aircraft equipped with the *Bombardier Vision* Flight Deck, and then expand progressively based on demand.

Our Dubai parts depot has grown and moved to a new facility to allow for greater inventory capacity, which was successfully completed in September 2012. We also upgraded our Frankfurt parts facility to full hub capability, which allows for reduced turnaround times and increased parts availability for customers in Europe, the Middle East and Africa.

We have inaugurated our new sales and marketing offices in Shanghai and in Dallas, to serve our growing activities.

CUSTOMER SERVICES NETWORK AROUND THE WORLD

	Americas	Europe, Russia and CIS	Asia-Pacific	Africa and Middle East
Service centres	8	1	–	–
RSO	4	3	6	1
ASF / LMF	22	17	13	8
Parts depots / hubs	2	2	5	1
Training centres	2	–	–	–
Authorized training providers	7	3	1	1

ANALYSIS OF RESULTS

The difficult economic environment continues to impact our results

RESULTS OF OPERATIONS

	Three months ended	Two months ended	**12 months ended**	11 months ended
	December 31 2012	December 31 2011	**December 31 2012**	December 31 2011
Revenues				
Manufacturing				
Business aircraft	**$ 1,448**	$ 1,198	**$ 4,590**	$ 4,262
Commercial aircraft	**375**	241	**1,115**	1,721
Other	**133**	104	**521**	507
Total manufacturing	**1,956**	1,543	**6,226**	6,490
Services[1]	**458**	282	**1,718**	1,522
Other[2]	**183**	191	**684**	582
Total revenues	**2,597**	2,016	**8,628**	8,594
Cost of sales	**2,254**	1,717	**7,418**	7,355
Gross margin	**343**	299	**1,210**	1,239
SG&A	**187**	132	**699**	621
R&D	**52**	27	**155**	122
Other expense (income)[3]	**15**	13	**(26)**	(6)
EBIT before special items	**89**	127	**382**	502
Special items[4]	**–**	–	**(23)**	–
EBIT	**89**	127	**405**	502
Amortization[5]	**75**	39	**242**	195
EBITDA	**$ 164**	$ 166	**$ 647**	$ 697
EBITDA before special items	**$ 164**	$ 166	**$ 624**	$ 697
(as a percentage of total revenues)				
Gross margin	**13.2%**	14.8%	**14.0%**	14.4%
EBIT before special items	**3.4%**	6.3%	**4.4%**	5.8%
EBIT	**3.4%**	6.3%	**4.7%**	5.8%
EBITDA before special items	**6.3%**	8.2%	**7.2%**	8.1%
EBITDA	**6.3%**	8.2%	**7.5%**	8.1%

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 Mainly includes sales of pre-owned aircraft.
3 Includes i) net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding the losses (gains) arising from changes in interest rates; ii) severance and other involuntary termination costs (including changes in estimates); and iii) gains on disposals of PP&E.
4 The special item for the fiscal year ended December 31, 2012 relates to a gain following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.
5 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[1]

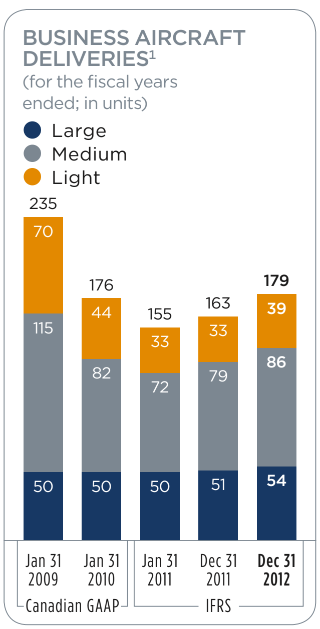
		12 months ended December 31, 2012			11 months ended December 31, 2011	
North America	$	**4,811**	**56%**	$	4,281	50%
Europe		**1,723**	**20%**		1,907	22%
Asia-Pacific		**1,126**	**13%**		1,282	15%
Rest of world[2]		**968**	**11%**		1,124	13%
	$	**8,628**	**100%**	$	8,594	100%

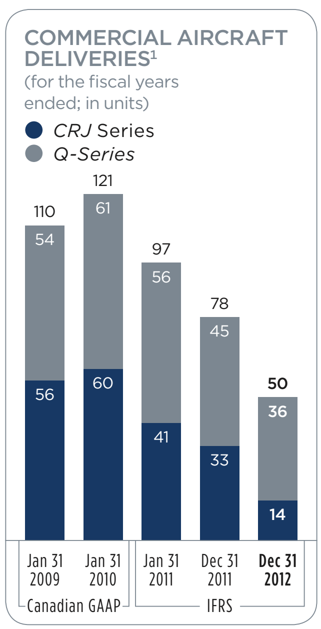
1 Revenues are attributed to countries based on the location of the customer.
2 The Rest of world region includes South America, Central America, Africa, the Middle East and the CIS.

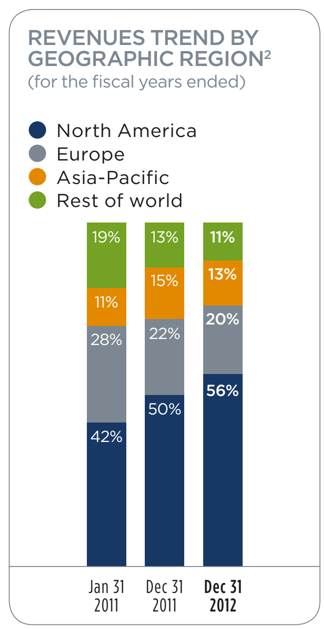
TOTAL AIRCRAFT DELIVERIES

(in units)	Three months ended December 31 2012	Two months ended December 31 2011	12 months ended December 31 2012	11 months ended December 31 2011
Business aircraft				
Excluding those of the *Flexjet* fractional ownership program	**59**	47	**176**	161
Flexjet fractional ownership program[1]	**1**	1	**3**	2
	60	48	**179**	163
Commercial aircraft	**16**	11	**50**	78
Amphibious aircraft	**1**	1	**4**	4
	77	60	**233**	245

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.







1 The fiscal year ended December 31, 2011 comprises 11 months of results.
2 Revenues are attributed to countries based on the location of the customer.

Manufacturing revenues

The $413-million increase for the fourth quarter is mainly due to:

- higher deliveries of business aircraft, mainly as a result of the quarter ended December 31, 2011 comprising only two months, partly offset by lower selling prices mainly in the light category ($250 million); and
- higher deliveries of commercial aircraft, mainly as a result of the quarter ended December 31, 2011 comprising only two months ($134 million).

The $264-million decrease for the fiscal year is mainly due to:

- lower deliveries of commercial aircraft, mainly due to lower production rates to reflect current demand ($606 million).

Partially offset by:

- higher deliveries of business aircraft, mainly as a result of the year ended December 31, 2011 comprising only 11 months ($328 million).

Services revenues

The $176-million and $196-million increases for the fourth quarter and the fiscal year are due to higher volume mainly as a result of the quarter and fiscal year ended December 31, 2011 comprising only two and 11 months, respectively.

Other revenues

The $102-million increase for the fiscal year is mainly due to higher deliveries and a favourable sales mix of pre-owned business aircraft.

EBIT margin

The 2.9 percentage-point decrease in EBIT margin for the fourth quarter ended December 31, 2012 is mainly due to:

- higher cost of sales per unit, mainly due to price escalation of materials;
- lower absorption of higher SG&A expenses;
- lower net selling prices for business aircraft, mainly in the light category;
- costs incurred in Canadian dollars translated at higher exchange rates, after giving effect to hedges; and
- higher R&D expenses due to higher amortization of aerospace program tooling.

Partially offset by:

- higher margins from services activities; and
- a favourable mix of business aircraft deliveries.

The EBIT margin for the fiscal year ended December 31, 2012 decreased by 1.1 percentage points. The EBIT margin before special items (see explanation of special items below) for the fiscal year ended December 31, 2012 decreased by 1.4 percentage points mainly as a result of:

- higher cost of sales per unit, mainly due to price escalation of materials for business aircraft and to lower absorption of fixed overhead costs due to lower volume for commercial aircraft;
- costs incurred in Canadian dollars translated at higher exchange rates, after giving effect to hedges;
- lower absorption of higher SG&A expenses; and
- higher R&D expenses due to higher amortization of aerospace program tooling.

Partially offset by:

- higher margins from services activities;
- the mix between business and commercial deliveries;
- higher net selling prices for business and commercial aircraft;
- a net positive variance on provisions for credit and residual value guarantees recorded in other expense (income); and
- a favourable mix of business aircraft deliveries.

For the fiscal year ended December 31, 2012, a special item positively impacted the EBIT margin by 0.3 percentage points, related to a $23 million gain following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.

Strong liquidity generated by our operations partially financed our significant investment in product development

FREE CASH FLOW (USAGE)

	Three months ended December 31 2012	Two months ended December 31 2011	12 months ended December 31 2012	11 months ended December 31 2011
EBIT	**$ 89**	$ 127	**$ 405**	$ 502
Amortization	**75**	39	**242**	195
EBITDA	**164**	166	**647**	697
Other non-cash items				
(Gains) losses on disposals of PP&E	**1**	–	**(2)**	–
Share-based expense	**2**	3	**3**	19
Net change in non-cash balances related to operations	**685**	273	**456**	151
Cash flows from operating activities	**852**	442	**1,104**	867
Net additions to PP&E and intangible assets	**(575)**	(332)	**(1,971)**	(1,320)
Free cash flow (usage)	**$ 277**	$ 110	**$ (867)**	$ (453)

The $167-million increase for the fourth quarter is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($412 million) (see explanation below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($243 million).

The $414-million decrease for the fiscal year is mainly due to:

- higher net additions to PP&E and intangible assets ($651 million), due to our significant investments in product development; and
- lower EBITDA ($50 million).

Partially offset by:

- a positive period-over-period variation in net change in non-cash balances related to operations ($305 million) (see explanation below).

Net change in non-cash balances related to operations

For the fourth quarter ended December 31, 2012, the $685-million cash inflow is mainly due to:

- an increase in advances on aerospace programs mainly resulting from higher order intake than deliveries for business and commercial aircraft; and
- a decrease in work-in-process and finished goods inventories mainly in the light category in business aircraft and in pre-owned business aircraft.

For the fourth quarter ended December 31, 2011, the $273-million cash inflow was mainly due to:

- a decrease in work-in-process inventories, mainly due to significant deliveries of business aircraft.

Partially offset by:

- a decrease in advances on aerospace programs due to higher deliveries than orders received for business aircraft.

For the fiscal year ended December 31, 2012, the $456-million cash inflow is mainly due to:

- an increase in advances on aerospace programs mainly resulting from higher order intake than deliveries for business and commercial aircraft;
- an increase in trade and other payables; and
- a decrease in pre-owned business aircraft inventories.

Partially offset by:

- an increase in work-in-process inventories mainly for business aircraft.

For the fiscal year ended December 31, 2011, the $151-million cash inflow was mainly due to:

- an increase in trade and other payables.

Partially offset by:

- a decrease in advances on aerospace programs due to higher deliveries than orders received for regional jets and turboprops, partially offset by higher orders received than deliveries of business aircraft.

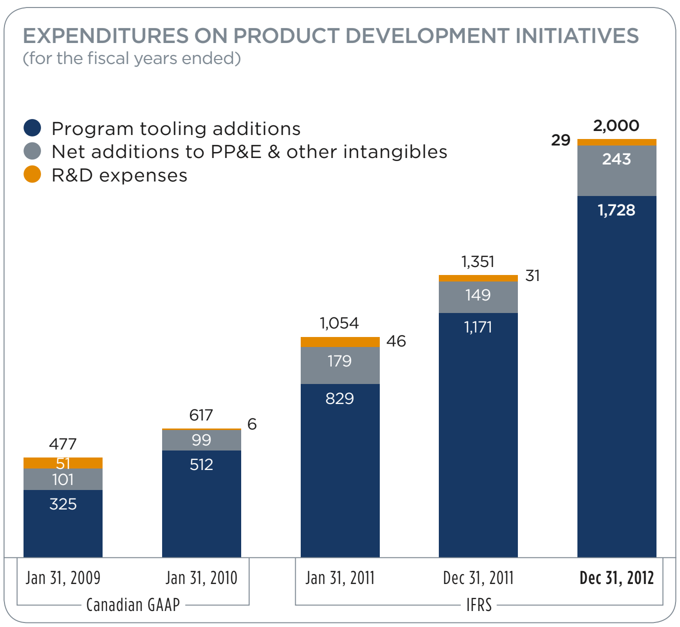
We have reached a high point in our development spending

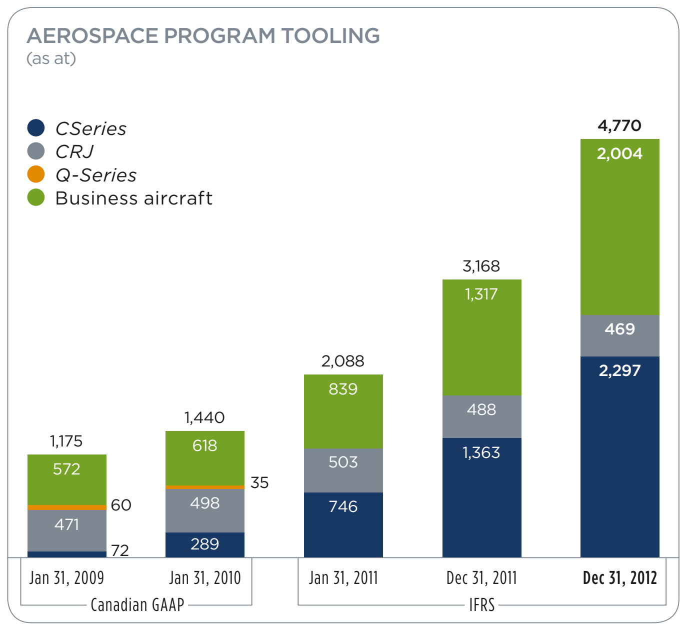
INVESTMENT IN PRODUCT DEVELOPMENT

	Three months ended December 31 2012	Two months ended December 31 2011	**12 months ended December 31 2012**	11 months ended December 31 2011
Program tooling[1]	**$ 512**	$ 303	**$ 1,728**	$ 1,171
R&D expense[2]	**9**	6	**29**	31
	$ 521	$ 309	**$ 1,757**	$ 1,202
As a percentage of manufacturing revenues	**26.6%**	20.0%	**28.2%**	18.5%

1 Capitalized in aerospace program tooling.
2 Excluding amortization of aerospace program tooling of $43 million and $126 million, respectively, for the fourth quarter and fiscal year ended December 31, 2012 ($21 million and $ 91 million, respectively, for the fourth quarter and fiscal year ended December 31, 2011), as the related investments are already included in aerospace program tooling.

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





FOSTERING THE PROPER CONTROL ENVIRONMENT TO ACHIEVE OUR OBJECTIVES

Recognizing the long-term nature of product development activities, as well as the significant human and financial resources required, we follow a rigorous gated product development process focusing on early identification and efficient mitigation of potential risks. All programs follow our Bombardier Engineering System, the heart of the process, throughout the product development cycle. The product development process is constantly refined to integrate the lessons learned from our own programs and from the industry. The stages in the process are described hereafter and specific milestones must be met before a product can move from one stage of development to another. The gates consist of exit reviews with different levels of management and leading experts to demonstrate technical feasibility, customer acceptance and financial return. Designing products with minimal environmental impacts throughout their entire lifecycle is central to our product responsibility strategy. In addition to our Design for Environment approach, we also embed health and safety considerations in our product design.

OUR PRODUCT DEVELOPMENT PROCESS

Stage		Description
Conceptual definition	JTAP	**Joint Technical Assessment Phase** – Preliminary review with our potential partners and suppliers to analyze technologies desired to build or modify an aircraft.
	JCDP	**Joint Conceptual Definition Phase** – Cooperative effort with our potential partners and suppliers to perform a configuration trade-off study and define the system architecture and functionality.
Launch preparation		Continuation of the design definition and technical activities. Creation of a project plan to define the schedule, cost, scope, statement of work and resource requirements for the program.
Preliminary definition	JDP	**Joint Definition Phase** – Joint determination with our partners and suppliers of the technical design of the aircraft and sharing of the work required. Optimization of the aircraft design with respect to manufacturing, assembly and total life-cycle costs.
Detail definition	DDP	**Detailed Design Phase** – Preparation of detailed production drawings and confirmation of the design based on the preliminary design definition agreed in the previous phase.
Product definition release		Formal issue of the engineering drawings to manufacturing, allowing for the completion of tool designs and the assembly of the first produced aircraft.
Product certification		Completion of certification activities to demonstrate that the aircraft complies with the original design requirements and all regulatory airworthiness standards.
Program completion		Conclusion of final design activity. Preparation for entry-into-service (EIS).

We also follow a thorough review process which starts before an aircraft is launched, by assessing all new programs through the Aircraft Portfolio Strategy Board (APSB). With representation from all key functions involved, APSB ensures that we are internally aligned and capable of delivering on our commitments at all levels of the organization. Among others, this review confirms the availability of human and financial resources, the maturity and manufacturing readiness of new technologies and the overall strength of the business case, by imposing increasingly strict business guidelines as a program approaches launch. This process is performed in parallel with the pre-launch Bombardier Engineering System stages (conceptual definition and launch preparation), and ultimately culminates with the approval of Bombardier's Board of Directors, at which time we usually begin capitalization of product development expenditures as program tooling.

Other key controls are also followed throughout the development process, to ensure that we execute as planned in our product development. We continuously apply what we have learned from one program to other programs, by sharing ideas and learning in our various functional committees as well as through regular peer reviews, bringing together expertise across all platforms to drive alignment and common approaches, establish best practices and leverage the knowledge and experience of our best people.

In order to foster the proper innovative environment in our product development and manufacturing processes, we continue to invest in developing state-of-the-art facilities.

THE CSERIES AIRCRAFT PROGRAMS

The *CS100* aircraft program is in the product definition release phase, and the *CS300* aircraft program is in the detailed design phase. The first flight of the *CS100* aircraft is scheduled to occur by the end of June 2013 and we expect that EIS of the *CS100* aircraft will occur approximately one year after first flight. The *CS300* aircraft program's planned EIS in 2014 remains unchanged.

Testing	Following the commissioning of all the test rigs, we are conducting virtual flights with "CIASTA/Aircraft 0", our on-the-ground integrated systems test and certification rig. The avionics, electrical, flight control, fly-by-wire, hydraulic, landing gear and wiring systems are now all commissioned, and systems integration and communication have been successfully demonstrated. To date tests have shown results as expected.
	The assembly of the test airframe known as the Complete Airframe Static Test (CAST) article, an aircraft destined for ground testing only to demonstrate the static strength of the airframe and show compliance with certification requirements, is complete at our Experimental Test Facility in Saint-Laurent, Québec.
	The major components such as the wings, cockpit and all fuselage sections for the first flight test vehicle (FTV1) have been mated on site at Mirabel, Québec (the production site of the program), the engines have been mounted on the airframe and the final assembly of the FTV1 is in progress. Other flight test vehicles are in various stages of fabrication and assembly.
	The components and systems continue to be tested worldwide and the data received to date confirms that the aircraft development programs are on track to reach key performance targets. The *CSeries* aircraft family is expected to offer a 15% cash operating cost advantage and a 20% fuel burn advantage compared to any other aircraft currently in production in this category. The clean-sheet design ensures that the aircraft will achieve greatly reduced noise and emissions, as well as superior operational flexibility, exceptional airfield performance and a range of 2,950 nautical miles (5,463 km).[1]
Suppliers	In February 2013, Pratt and Whitney's PW1500 geared-turbofan engine, the engine that will power the *CSeries* aircraft, was awarded certification by Transport Canada.
	All suppliers have begun the manufacturing of components and all major supplier safety-of-flight test rigs have been commissioned.
Facilities	The existing facility in Mirabel, Québec, is being transformed and optimized. The site expansion started with the Complete Integrated Aircraft System Test Area's (CIASTA) building and has since continued with the refurbishment of existing production bays for the assembly of the *CSeries* flight test vehicles and pre-flight test activities. A technologically advanced building, the CIASTA was constructed based on LEED (Leadership in Energy and Environmental Design) criteria and obtained its LEED designation in 2013.
Strategic cooperation	Further to the framework agreement signed in March 2011, we signed a definitive agreement with Commercial Aircraft Corporation of China Ltd. (COMAC) in March 2012 covering program commonalities between COMAC's C919 aircraft and our *CSeries* aircraft. In addition, in November 2012, we signed a Letter of Intent with COMAC signaling the beginning of Phase II of our strategic collaboration. The second phase of our cooperation will explore further possibilities for C919 and *CSeries* aircraft commonalities, marketing and sales cooperation, expanded joint customer service capabilities, collaboration on product testing and certification, as well as opportunities for collaboration on future COMAC and Bombardier product lines.

1 Key performance targets, under certain operating conditions, when compared to aircraft currently in production, for flights of 500 nautical miles. See the *CSeries* family of aircraft program disclaimer at the end of this MD&A.

THE LEARJET 85 AIRCRAFT PROGRAM

The *Learjet 85* aircraft program is in the product definition release phase and is progressing towards EIS, which is now scheduled for the summer of 2014.

Production and testing	The build of FTV1 is significantly advanced. The complete pressure fuselage, including the nose, aft fuselage and empennage, have been successfully joined. The wing has been attached to the fuselage and the landing gear has been installed. Electrical power-on to major harnesses was successfully achieved in December 2012. However, while we have successfully dealt with several new technology challenges, the program's timeline has been impacted and EIS is now scheduled for summer 2014. Other flight test vehicles are in various stages of fabrication and assembly. The Complete Aircraft Structural Test (CAST) article will shortly be at the National Institute for Aviation Research (NIAR) in readiness for structural safety-of-flight testing. As part of the Wichita State University, NIAR is an aviation research centre in the U.S. which specializes in testing of composite materials.
	As part of the Bombardier composite structural technology readiness program, we are validating and certifying the manufacturing process for our composite technology with the U.S. Federal Aviation Administration (FAA).
	Initial bird strike testing on the aircraft nose section has been successfully achieved.
Suppliers	All suppliers have begun the manufacturing of components and all supplier safety-of-flight test rigs have been commissioned. Testing has started for safety-of-flight purposes. These test rigs are initially used to ensure that system safety critical tests are conducted for components prior to shipment of flightworthy parts to the final assembly line in Wichita.
	FTV1's engines are now on site at the final assembly line in Wichita.
Facilities	The final assembly line in Wichita is operational. A ground-breaking ceremony on April 30, 2012, marked the official start of the next phase of the Learjet Wichita site expansion plan. The site expansion includes building a new hangar, paint facilities and a new delivery centre to support the *Learjet 85* aircraft program.

THE LEARJET 70 AND LEARJET 75 AIRCRAFT PROGRAMS

The *Learjet 70* and *Learjet 75* aircraft programs are in the product definition release phase and are progressing towards EIS in the summer of 2013 for the *Learjet 75* aircraft and in the second half of 2013 for the *Learjet 70* aircraft.

Production and testing	In August 2012, we powered the first *Learjet 75* aircraft's electrical systems, including the *Bombardier Vision* Flight Deck, on the Wichita production line. With full power on, the production line has begun functional testing of the *Bombardier Vision* Flight Deck and other systems.
	Flight testing for the new *Bombardier Vision* Flight Deck, upgraded engine and new contoured winglet is in progress. Three flight test vehicles have logged more than 85% of the flight test program and the remaining flight test vehicles are under assembly.
	The assembly of the first production aircraft has begun in Wichita.
Suppliers	Critical Design Review, the milestone that marks the review of the final design against certain technical requirements as well as cost, weight, and performance targets, has been conducted for all major suppliers, leading to design freeze. Suppliers are in the final stages of qualification testing for their components and are delivering parts to the production line.
Facilities	The aircraft program will use the same manufacturing and assembly processes as the *Learjet 40 XR* and *Learjet 45 XR* aircraft.

THE GLOBAL 7000 AND GLOBAL 8000 AIRCRAFT PROGRAMS

The *Global 7000* and *Global 8000* aircraft programs are in the joint definition phase and are progressing towards planned EIS in 2016 and 2017, respectively.

Suppliers	Our product development team and our suppliers' representatives are co-located at our Aerospace Product Development Centre in Montréal and are focused on advancing the technical design of the aircraft. We have essentially completed the selection of suppliers for the programs.

THE BOMBARDIER VISION FLIGHT DECK

The *Bombardier Vision* Flight Deck has entered into service.

Certification Following certification from the European Aviation Safety Agency (EASA) and the U.S. Federal Aviation Administration (FAA), the *Bombardier Vision* Flight Deck entered into service in March 2012 on *Global 5000* and *Global 6000* aircraft.

Overall deliveries in line with our guidance

BUSINESS AIRCRAFT DELIVERIES

	Three months ended	Two months ended	**12 months ended**	11 months ended
(in units)	**December 31 2012**	December 31 2011	**December 31 2012**	December 31 2011
Light				
Learjet 40 XR/Learjet 45 XR	**11**	8	**24**	15
Learjet 60 XR	**8**	5	**15**	18
Medium				
Challenger 300	**13**	8	**48**	34
Challenger 605	**7**	11	**34**	39
Challenger 800 Series	**2**	3	**4**	6
Large				
Global 5000/Global Express XRS/Global 6000	**19**	13	**54**	51
	60	48	**179**	163

Deliveries of business aircraft in the fourth quarter increased by 25% compared to the corresponding period last year, mainly due to the quarter ended December 31, 2011 comprising only two months. Deliveries in the fiscal year increased by 10% compared to last year, as a result of the fiscal year ended December 31, 2011 comprising only 11 months.

COMMERCIAL AIRCRAFT DELIVERIES

	Three months ended	Two months ended	**12 months ended**	11 months ended
(in units)	**December 31 2012**	December 31 2011	**December 31 2012**	December 31 2011
Regional jets				
CRJ700 NextGen	**–**	–	**1**	10
CRJ900 NextGen	**2**	2	**5**	12
CRJ1000 NextGen	**5**	3	**8**	11
Turboprops				
Q400 NextGen	**9**	6	**36**	45
	16	11	**50**	78

Deliveries of commercial aircraft in the fourth quarter increased by 45%, mainly due to the quarter ended December 31, 2011 comprising only two months. During the fiscal year, deliveries decreased by 36%, mainly due to lower production rates to reflect current demand.

Impressive order intake despite a difficult economic environment

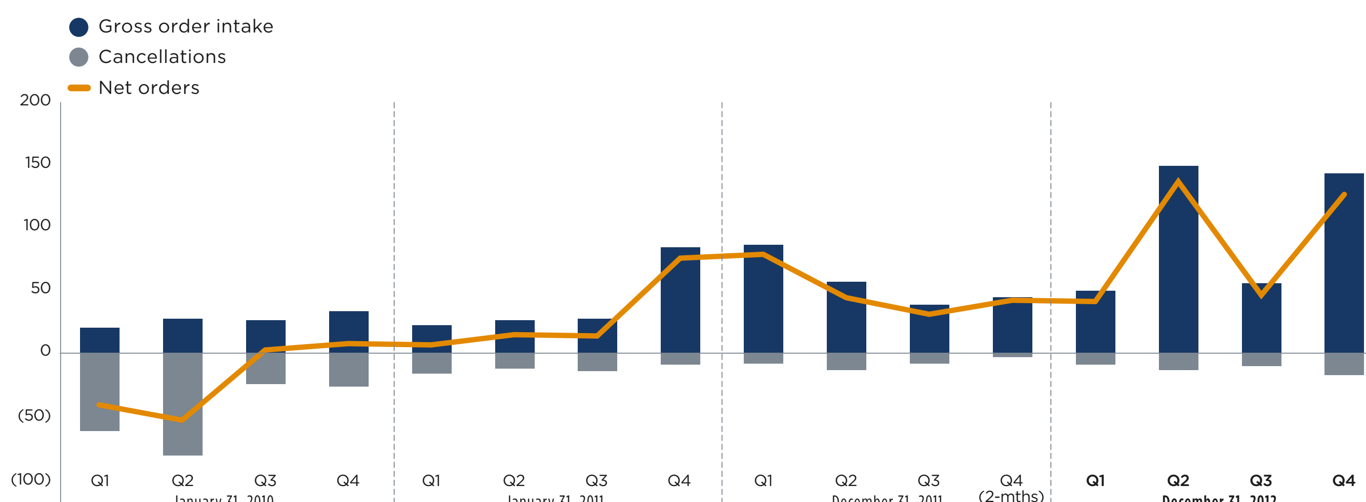
TOTAL AIRCRAFT NET ORDERS

	December 31, 2012			December 31, 2011		
(in units)	**Gross orders**	**Cancellations**	**Net orders**	Gross orders	Cancellations	Net orders
Fourth quarters ended			**Three months ended**			Two months ended
Business aircraft (including those of the *Flexjet* fractional ownership program)	**141**	**(17)**	**124**	44	(3)	41
Commercial aircraft	**60**	**–**	**60**	2	–	2
	201	**(17)**	**184**	46	(3)	43
Fiscal years ended			**12 months ended**			11 months ended
Business aircraft (including those of the *Flexjet* fractional ownership program)	**392**	**(49)**	**343**	223	(32)	191
Commercial aircraft	**138**	**–**	**138**	54	–	54
Amphibious aircraft	**–**	**–**	**–**	4	–	4
	530	**(49)**	**481**	281	(32)	249

BUSINESS AIRCRAFT

The increase in the net order intake for business aircraft, for the fiscal year ended December 31, 2012 compared to last fiscal year, is mainly due to significant orders obtained from NetJets Inc. for 100 *Challenger* aircraft and from VistaJet for 56 *Global* aircraft, compared to significant orders obtained from NetJets Inc. for 50 *Global* aircraft and from VistaJet for 10 *Global* aircraft during last fiscal year. Excluding the significant multi-aircraft orders received from NetJets Inc. and VistaJet in 2012 and 2011, our order intake increased by 43%.

BUSINESS AIRCRAFT GROSS/NET ORDERS
(for quarters of fiscal years ended; gross orders include *Flexjet* programs and exclude swaps)



The following significant orders were received during the fiscal year ended December 31, 2012:

Customer	Firm order	Options[1]	Value of firm order based on list prices
VistaJet	25 *Global 5000* 25 *Global 6000* 6 *Global 8000*	40 *Global 5000* 40 *Global 6000* 6 *Global 8000*	$3.1 billion
NetJets Inc.	75 *Challenger 300* Series 25 *Challenger 605* Series	125 *Challenger 300* Series 50 *Challenger 605* Series	$2.6 billion
Five undisclosed customers	22 *Global 6000* 10 *Global 8000*	–	$2.0 billion
AVWest (Australia)	5 *Global 6000*	–	$293 million

1 Not included in the order backlog.

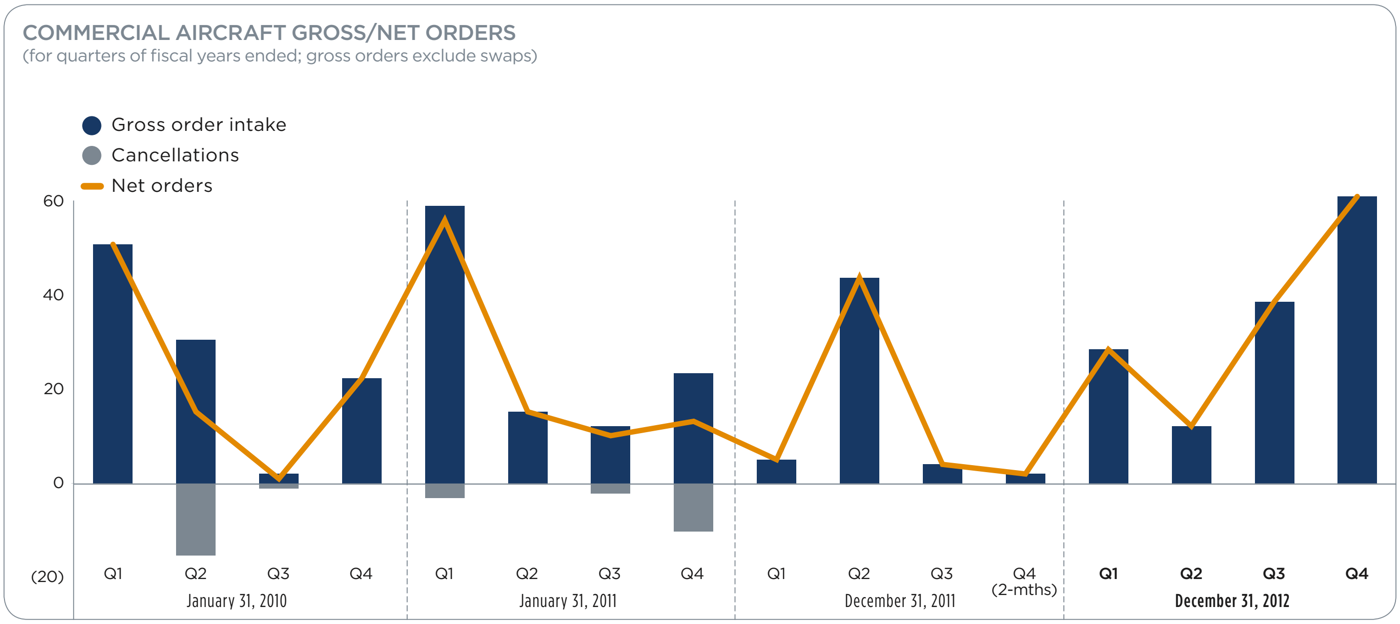
COMMERCIAL AIRCRAFT

COMMERCIAL AIRCRAFT NET ORDERS

	Three months ended	Two months ended	**12 months ended**	11 months ended
(in units)	**December 31 2012**	December 31 2011	**December 31 2012**	December 31 2011
Regional jets				
CRJ700 NextGen	**7**	–	**7**	–
CRJ900 NextGen	**40**	1	**48**	4
CRJ1000 NextGen	**–**	–	**18**	–
Commercial jets				
CS100	**–**	–	**5**	28
CS300	**10**	–	**10**	15
Turboprops				
Q400 NextGen	**3**	1	**50**	7
	60	2	**138**	54

During the year ended December 31, 2012, we have progressively improved our local presence in fast-growing markets, resulting in several new orders in these markets.

The significant level of orders for commercial aircraft in the fourth quarter ended December 31, 2012 is mainly due to orders received from Delta Air Lines Inc. and an undisclosed customer from China for regional jets, and from airBaltic for the *CSeries* aircraft. The unusually low level of orders in the fourth quarter ended December 31, 2011 is due to the negative impact on order intake of the economic uncertainties in the U.S. and Europe. The increase in commercial aircraft net orders for the fiscal year ended December 31, 2012 is mainly due to several significant orders received for regional jets and turboprops during the second half of the year.



The following significant orders were received during the fiscal year ended December 31, 2012:

Customer	Firm order	Options[1]	Value of firm order based on list prices
Delta Air Lines Inc. (USA)	40 *CRJ900 NextGen*	30 *CRJ900 NextGen*	\$1.9 billion
airBaltic (Latvia)	10 *CS300*	–	\$764 million
WestJet Airlines Ltd. (Canada)	20 *Q400 NextGen*	25 *Q400 NextGen*	\$683 million
Nordic Aviation Capital A/S (Denmark)	12 *CRJ1000 NextGen*	–	\$595 million
Eurolot S.A. (Poland)	14 *Q400 NextGen*	6 *Q400 NextGen*	\$436 million
Undisclosed customer (China)	7 *CRJ700 NextGen*	–	\$330 million
PrivatAir (Switzerland)	5 *CS100*	5 *CS100*	\$309 million
PT. Garuda Indonesia (Persero) Tbk.	6 *CRJ1000 NextGen*	18 *CRJ1000 NextGen*	\$297 million
China Express Airlines	6 *CRJ900 NextGen*	5 *CRJ900 NextGen*	\$264 million
Chorus Aviation Inc. (Canada), the parent company of Jazz Aviation LP (Jazz)	6 *Q400 NextGen*	–	\$189 million
Ethiopian Airlines	5 *Q400 NextGen*	–	\$160 million

1 Not included in the order backlog.

During the fiscal year ended December 31, 2012, we received the following conditional orders and letters of intent, which are not included in the order backlog as at December 31, 2012:

- In July 2012, we received a conditional order from an undisclosed customer for five *CS100* and 10 *CS300* aircraft. Based on list prices, the conditional order is valued at \$1.0 billion.
- In December 2012, an airline based in the Americas, which has requested to remain undisclosed, signed a letter of intent to acquire 12 *CS100* aircraft, with options on an additional 18. Based on list price, a firm-order contract would be valued at approximately \$870 million and could increase to \$2.1 billion should the 18 options be converted to firm orders.

Subsequent to the end of the year, Ilyushin Finance Co. of Russia, a Moscow-based leasing company, signed a purchase agreement to acquire 32 *CS300* aircraft, with options for an additional 10. This agreement is subject to approval by the company's shareholders and follows a letter of intent signed in 2011. Based on the list price, the order for 32 aircraft is valued at approximately \$2.6 billion.

Robust book-to-bill ratio and record order backlog

BOOK-TO-BILL RATIO[1]

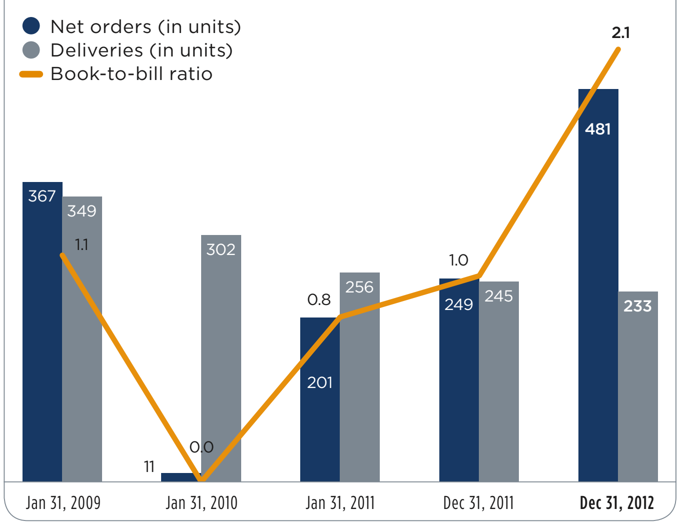
	Three months ended	Two months ended	**12 months ended**	11 months ended
	December 31 2012	December 31 2011	**December 31 2012**	December 31 2011
Business aircraft	**2.1**	0.9	**1.9**	1.2
Commercial aircraft	**3.8**	0.2	**2.8**	0.7
Total	**2.4**	0.7	**2.1**	1.0

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

For the fiscal year ended December 31, 2012, the high book-to-bill ratio for business aircraft is due to the significant order received from NetJets Inc. for 100 aircraft of the *Challenger* family during the three-month period ended June 30, 2012 and the significant order received from VistaJet for 56 aircraft of the *Global* family during the three-month period ended December 31, 2012.

The book-to-bill ratio for commercial aircraft for the fourth quarter ended December 31, 2012 reflects higher order intake than deliveries for regional jets and the *CSeries* aircraft, mainly due to significant orders received from Delta Air Lines Inc. for 40 *CRJ900 NextGen* aircraft and from airBaltic for 10 *CS300* aircraft. The book-to-bill ratio for commercial aircraft for the fiscal year ended December 31, 2012 mainly reflects higher order intake than deliveries for regional jets.

NET ORDERS AND BOOK-TO-BILL RATIO
(for the fiscal years ended)



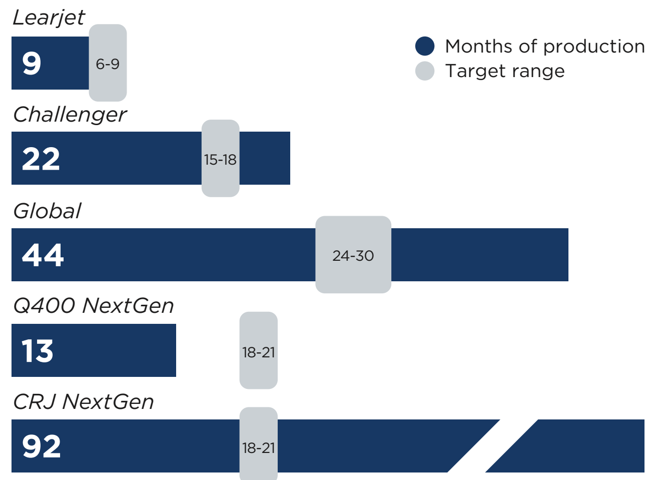
TOTAL ORDER BACKLOG

(in billions of dollars)	**As at December 31 2012**	December 31 2011
Aircraft programs	**$ 29.5**	$ 21.4
Long-term maintenance and spares support agreements	**2.8**	1.9
Military Aviation Training	**0.6**	0.6
	$ 32.9	$ 23.9

The order backlog as at December 31, 2012 increased by 38% compared to December 31, 2011, mainly due to higher order intake than deliveries for the *Challenger* and *Global* families of aircraft, as well as for regional jets. We continue to monitor our order backlog and the production horizon for our programs and to align our production rates to reflect market demand.

Effective December 31, 2012, we have begun presenting long-term maintenance and spares support agreements in our total order backlog. The order backlog for long-term maintenance and spares support agreements with customers as at December 31, 2012, includes a long-term service agreement signed with NetJets Inc. in 2012 related to the firm order for 100 aircraft of the *Challenger* family. Generally, revenues from such agreements will be recognized over the next five to 15 years.

ORDER BACKLOG IN MONTHS OF PRODUCTION[1]
(as at December 31, 2012)



1 The number of months in production is calculated by dividing the order backlog in units as at December 31, 2012 for each family of aircraft (excluding orders for the *Learjet 85*, *Global 7000* and *Global 8000* aircraft and orders received by Flexjet) by the number of aircraft delivered in the previous 12 months, 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 potential changes in production rates or the ability of our customers to take delivery of the aircraft and the timing of such delivery.

COMMERCIAL AIRCRAFT ORDER BACKLOG AND OPTIONS

				As at
	December 31, 2012		December 31, 2011	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Regional jets				
CRJ700 NextGen	**15**	**2**	9	2
CRJ900 NextGen	**53**	**42**	10	24
CRJ1000 NextGen	**39**	**22**	29	4
Commercial jets				
CS100	**66[1]**	**52**	61[2]	47
CS300	**82[1]**	**72**	72[2]	72
Turboprops				
Q400 NextGen	**38**	**101**	24	118
	293	**291**	205	267

1 The total of 148 orders includes 83 firm orders with conversion rights to the other *CSeries* aircraft model.
2 The total of 133 orders includes 79 firm orders with conversion rights to the other *CSeries* aircraft model.

The total *CSeries* order backlog comprises 148 aircraft, with 10 customers in eight countries.

Global footprint

We further pursued our industrial footprint expansion in Morocco with the purchase of land for a permanent production site and the rental of a transitional facility, which began production of its first components in February 2013.

To access a growing pool of engineering talent, we have also opened a new Engineering Support Office in Bangalore, India, which will support our in-production and in-development aircraft programs.

Workforce

TOTAL NUMBER OF EMPLOYEES

		As at
	December 31 2012	December 31 2011
Permanent[1]	**31,400**	30,600
Contractual	**4,100**	3,000
	35,500	33,600
Percentage of permanent employees covered by collective agreements	**47%**	47%

1 Including inactive employees.

The increase in the number of employees is mainly due to new hires related to the *CSeries* and the *Global 7000* and *Global 8000* aircraft programs. Our long-term human resources strategy is to maintain a mix of permanent and contractual employees to allow increased flexibility in periods of fluctuation while ensuring the stability of our permanent workforce.

MAJOR COLLECTIVE AGREEMENTS

Location	Union	Approximate number of permanent employees covered as at December 31, 2012	Expiration of current collective agreement
Belfast	Unite the Union and the General Machinists & Boilermakers	4,200	January 24, 2013
Montréal	International Association of Machinists and Aerospace Workers (IAMAW) – Local 712	4,600	November 28, 2014
Toronto	Canadian Auto Workers (CAW)	2,200	June 22, 2015
Montréal *Global* aircraft completion centre	National Automobile, Aerospace, Transport and Other Workers of Canada (CAW) – Local 62	1,500	December 5, 2013
Querétaro	Confederación de Trabajadores de México	1,200	April 30, 2013
Wichita	International Association of Machinists and Aerospace Workers (IAMAW) – Local 639	800	October 9, 2017

The agreement with Unite the Union and the General Machinists & Boilermakers, covering approximately 4,200 employees in Belfast, expired on January 24, 2013. We are currently in discussions with the union.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRANSPORTATION

The data presented in this section of the MD&A contains both IFRS and non-GAAP measures and is structured by market segment (rolling stock, services, system and signalling), which is reflective of our organizational structure, and by geographic region (Europe, North America, Asia-Pacific and Rest of world).

We believe that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our MD&A with enhanced understanding of BT's results and related trends and increases transparency and clarity into the core results of the business. EBIT before special items and EBITDA before special items are non-GAAP measures which exclude items which do not reflect, in our opinion, our core performance. Accordingly, these non-GAAP measures provide more transparent disclosures to analyze earnings, enabling better comparability of results from one period to another and better comparability with peers.

Despite the change of financial year-end from January 31 to December 31, effective December 31, 2011, the financial data for previous years presented in this section of the MD&A is comparable, as BT was previously consolidated into Bombardier Inc. with a one month lag, i.e. all financial data presented for previous fiscal years was prepared on a calendar year basis.

Supplemental information regarding BT's products and strategy, as well as the rail industry and market, can be found in BT's Profile, strategy and market presentation available in the Profile section on Bombardier's dedicated investor relations website at ir.bombardier.com.

KEY PERFORMANCE MEASURES AND METRICS

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

KEY PERFORMANCE MEASURES AND ASSOCIATED METRICS

Growth and competitive positioning	• Order backlog, as a measure of future revenues. • Book-to-bill ratio[1], as an indicator of future revenues. The ratio represents new orders over revenues, measured in dollars in a given period. • Revenues and geographic diversification of revenues, as measures of growth and sustainability of our competitive position. • Market position, as a measure of competitive positioning.
Profitability	• EBIT, EBIT margin, EBIT before special items[2,3] and EBIT margin before special items[2,3], as measures of performance.
Liquidity	• Free cash flow[2], as a measure of liquidity generation.
Customer satisfaction	• Various customer satisfaction metrics, focusing on the four main dimensions: sales and prices, customer orientation, project execution and product offering.

In 2012, our employee incentive-based compensation was linked to the achievement of targeted results, based on EBIT, free cash flow and levels of inventories.

FIVE-YEAR SUMMARY

			IFRS	Canadian GAAP	
For the fiscal years ended and as at	**December 31 2012**	December 31 2011	January 31 2011	January 31 2010	January 31 2009
Revenues					
Rolling stock	**$ 5,384**	$ 6,855	$ 6,385	$ 7,264	$ 6,663
Services	**1,478**	1,409	1,308	1,408	1,529
System and signalling	**1,278**	1,489	1,390	1,337	1,564
	$ 8,140	$ 9,753	$ 9,083	$ 10,009	$ 9,756
Order intake (in billions of dollars)	**$ 9.4**	$ 9.7	$ 14.3	$ 9.6	$ 9.8
Book-to-bill ratio[1]	**1.2**	1.0	1.6	1.0	1.0
Order backlog (in billions of dollars)	**$ 33.7**	$ 31.9	$ 33.5	$ 27.1	$ 24.7
EBIT	**$ 290**	$ 700	$ 651	$ 625	$ 533
EBIT margin	**3.6%**	7.2%	7.2%	6.2%	5.5%
EBIT before special items[2,3]	**$ 453**	$ 700	$ 651	$ 625	$ 533
EBIT margin before special items[2,3]	**5.6%**	7.2%	7.2%	6.2%	5.5%
Free cash flow (usage)[2]	**$ 386**	$ (424)	$ 741	$ 293	$ 480
Number of employees[4]	**36,000**	36,200	34,900	34,950	35,450

1 Defined as new orders over revenues.
2 Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Consolidated results of operations sections in Overview for definitions of these metrics. Refer to the Consolidated results of operations section in Overview and Analysis of results section for reconciliations to the most comparable IFRS measures.
3 The special items for the fiscal year ended December 31, 2012 include restructuring charges of $119 million related to the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by 1,200 employees; a foreign exchange hedging loss of $25 million; and a loss of $19 million related to flooding in New Jersey, U.S.
4 Including contractual and inactive employees.

GUIDANCE AND FORWARD-LOOKING STATEMENTS

	What we said	What we did	What's next[1]
Profitability	Continue to improve EBIT margin towards our target of 8% by calendar year 2013.	EBIT before special items[2] of 5.6%, below last fiscal year mostly due to reduced margins in some rolling stock contracts.	We have extended our target date, to achieve an EBIT margin of 8% by 2014.
Liquidity	Maintain free cash flow generally in line with EBIT, although it may vary significantly from quarter to quarter.	Free cash flow[2] of $386 million, compared to EBIT before special items[2] of $453 million.	Maintain free cash flow generally in line with EBIT, although it may vary significantly from quarter to quarter.
Growth and order intake	Maintain a book-to-bill ratio around 1.0, in line with market evolution.	Book-to-bill ratio of 1.2.	Excluding currency impacts, revenues in 2013 are expected to be higher than in 2012, with percentage growth in the high single digits. Maintain a book-to-bill ratio around 1.0, in line with market evolution.

Forward-looking statements

Forward-looking statements[3] in this section of the MD&A are based on:

- our current order backlog;
- the realization of upcoming tenders and our ability to capture them;
- normal contract execution and continued deployment and execution of leading initiatives, especially those linked to cost reductions, including procurement and operational improvement initiatives;
- recent industry trends based on analysis of main market drivers;
- a sustained level of public sector spending; and
- the ability of our supply base to support the execution of our projects.

1 See Forward-looking statements above.
2 Non-GAAP financial measure. Refer to the non-GAAP financial measures and Consolidated results of operations sections in Overview for definitions of these metrics.
3 Also see the Guidance and forward-looking statements section in Overview.

WE HAVE BUILT THE FOUNDATION FOR SUSTAINABLE PROFITABILITY

Our strong level of order activity across all segments and geographies is an expression of our customers' continued confidence in our innovative products and services.

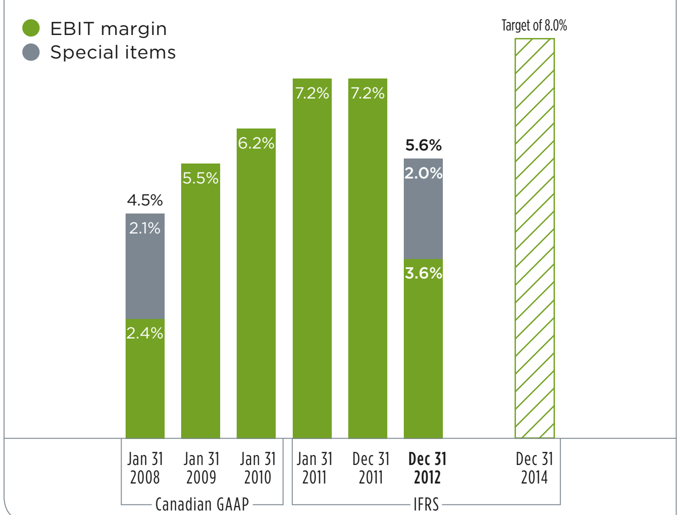
We ended the year with a record backlog of $33.7 billion. However, we experienced a decline in EBIT margin before special items in 2012 mostly due to a lower overall gross margin in rolling stock as a result of execution issues in a few of our large European contracts. Additional measures have been put in place to address these execution issues, for example an enhanced governance ensuring special focus on the critical projects.

In order to increase our long-term competitiveness and to improve our cost structure, we have announced several measures to realign our capacity, including the planned closure of a plant in Aachen, Germany, and the reduction of direct and indirect personnel by approximately 1,200 employees worldwide, including Aachen. The financial impact of these measures negatively affected our EBIT margin by $119 million or 1.5 percentage points and is excluded from our EBIT margin before special items.

BT's restructuring plan is an investment aimed at securing our long-term competitiveness and improving our cost structure and level of profitability. Our commitment to customer support and our focus on flawless execution continue and we expect to reach our target of 8% EBIT margin by 2014[1]. Our project management capability continues to be a key component of achieving our EBIT margin target. Under the Bombardier Operations System (BOS), we have made good progress in our lean operations approach, which supports our ongoing objectives of improved execution and cost reduction. Our continued emphasis on reducing our general administration expenses and increasing efficiency also contributes to achieving cost reductions and improving profitability.

EVOLUTION OF EBIT MARGIN

(EBIT margin before special items for the last six fiscal years and target EBIT margin by fiscal year ending December 31, 2014)



Levers

- Focus on flawless execution.
- Leverage our project management capability.
- Continue to reduce costs (SG&A).
- Capitalize on our worldwide presence (mature and fast-growing markets).

The special item for the fiscal year ended January 31, 2008 relates to the write-off of the carrying value of the investment in Metronet of $162 million.

The special items for the fiscal year ended December 31, 2012 include restructuring charges of $119 million; a foreign exchange hedging loss of $25 million; and a flooding related loss of $19 million.

1 See Forward-looking statements on the previous page.

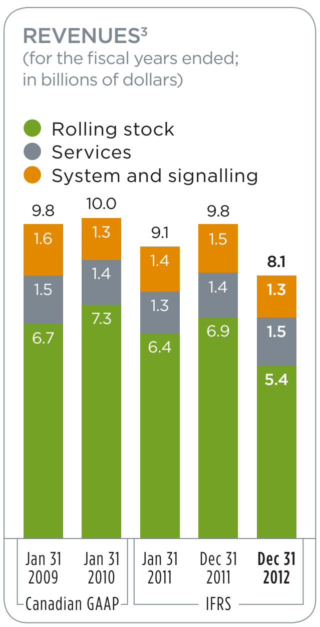
HIGHLIGHTS OF THE YEAR

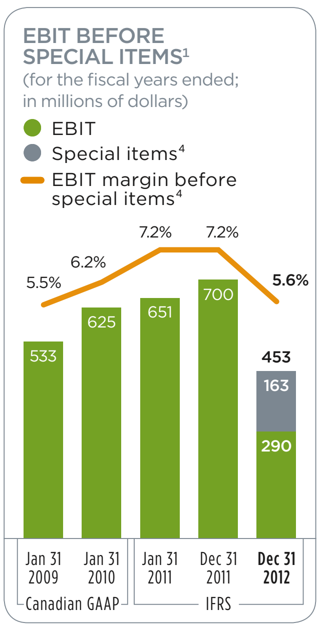
Positive outlook following a challenging year

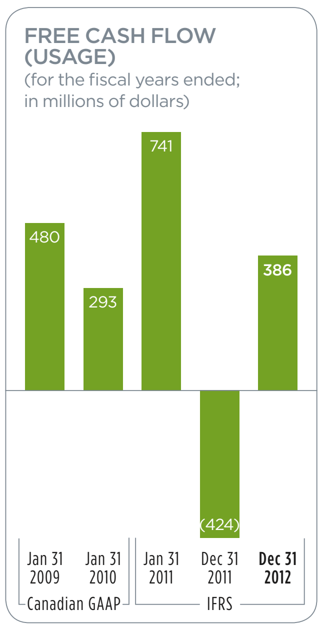
REVENUES	EBIT MARGIN BEFORE SPECIAL ITEMS[1]	FREE CASH FLOW[1]	ORDER INTAKE	ORDER BACKLOG
$8.1 billion	**5.6%**	**$386** million	**$9.4** billion	**$33.7** billion

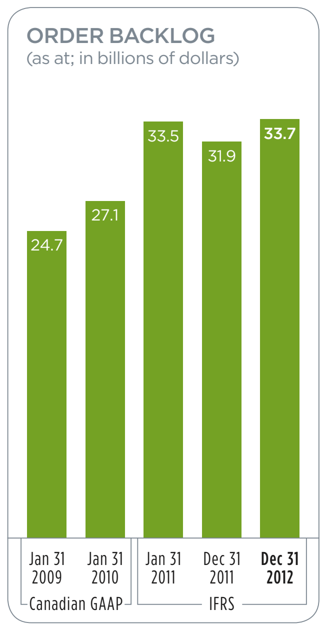
RESULTS OF THE YEAR

- Revenues of $8.1 billion, compared to $9.8 billion last fiscal year.
- EBIT before special items[1] of $453 million, or 5.6% of revenues, compared to $700 million, or 7.2%, last fiscal year.
- EBITDA before special items[1] of $582 million, or 7.1% of revenues, compared to $838 million, or 8.6%, last fiscal year.
- Free cash flow[1] of $386 million, compared to a free cash flow usage of $424 million last fiscal year.
- $9.4 billion in new orders (book-to-bill ratio[2] of 1.2), compared to $9.7 billion last fiscal year (book-to-bill ratio[2] of 1.0).
- Order backlog of $33.7 billion as at December 31, 2012, the highest order backlog in our history, compared to $31.9 billion as at December 31, 2011.









1 Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Consolidated results of operations sections in Overview for definitions of these metrics. Refer to the Consolidated results of operations section in Overview and Analysis of results section for reconciliations to the most comparable IFRS measures.
2 Defined as new orders over revenues.
3 Some totals do not agree due to rounding.
4 The special items for the fiscal year ended December 31, 2012 include restructuring charges of $119 million related to the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by 1,200 employees; a foreign exchange hedging loss of $25 million; and a loss of $19 million related to flooding in New Jersey, U.S.

KEY EVENTS OF THE YEAR

- In October 2012, we announced measures to improve our competitiveness and cost structure. These measures include the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by approximately 1,200 employees, including Aachen. In the fourth quarter of 2012, we recorded a restructuring charge of $119 million related to these planned measures.
- Throughout the year, we signed several significant contracts across the world and across all our product segments, especially in North America, including projects with Metrolinx/GO Transit in Toronto, Canada, valued at $937 million, San Francisco Bay Area Rapid Transit District (BART) valued at $897 million, and Metropolitan Transportation Authority (MTA) of New York City valued at $599 million.
- In China, we achieved several milestones to broaden our product portfolio and strengthen our market position. We reached a key milestone in our *ZEFIRO* 380 project with successful testing. We also signed a variation order for this very high speed train project, now including the development and delivery of 60 new-generation aluminum high speed trains. The original contract value of $4 billion remained unchanged. In the metro segment, we established a new joint venture with Shanghai Shentong to conduct service activities. In addition, we signed a licence agreement for light rail vehicles with CSR Puzhen. The agreement covers the preparation and delivery of documentation of the licensed product as well as training and assistance for CSR Puzhen's employees to enable them to successfully manufacture and sell the licensed product. The vehicles will be equipped with our innovative *FLEXX* Urban 3000 bogies and *MITRAC* 500 propulsion and control system. In January 2013, CSR Puzhen won the first order for 18 low-floor trams under this agreement.

INDUSTRY AND ECONOMIC ENVIRONMENT

In turbulent global economic times, the rail market remains resilient with a steady growth rate

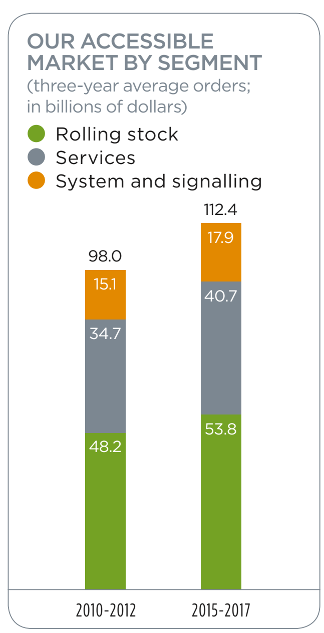
GENERAL MARKET OUTLOOK

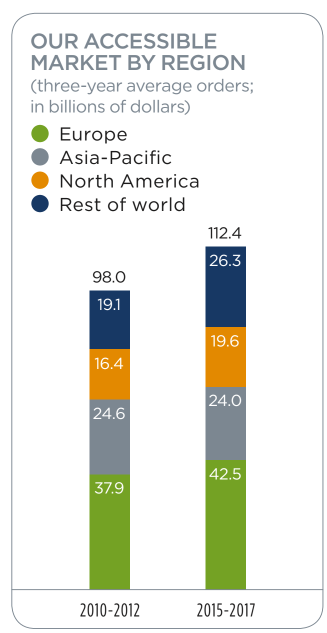
We are closely monitoring the general economic uncertainty, but at this point we do not see any trend towards a shift in planned tenders and believe that investment in railway transportation will remain a top priority for governments worldwide. In our accessible market[1], we expect a steadily growing level of activity, as fundamental growth drivers for rail remain positive, such as the continued trend towards urbanization and a rising need for mobility. The increasing demand for rail solutions is evidenced by concrete investment plans to be realized over the next few years:

- a significant portion of the European market will be made up of outstanding options to be exercised, a direct consequence of the large framework contracts awarded over the past years; and
- several new large contracts are on the horizon both in mature and fast-growing markets.

This positive assessment is also confirmed by the Association of the European Rail Industry (UNIFE) in the World Rail Market Study "Forecast 2012 to 2017," published in September 2012. The key message of the study is that the outlook for the global rail market remains positive over the next six years with an expected annual growth rate of 2.8%[2]. This forecast expects the rail industry to remain resilient with solid growth rates despite the economic turbulences of the past few years, illustrating that rail is less subject to short-term volatility than other industries.

As large rail projects are often delayed by several months, single year market volumes can be subject to a high degree of volatility. UNIFE therefore focuses on three-year average annual market volumes in order to facilitate comparisons between different periods. In 2015 to 2017, our market is anticipated to continue to experience strong demand both from traditionally





1 References to "our market" or "our accessible market" throughout this section of the MD&A use the same definition of these terms. The accessible market excludes the share of markets in which contracts are awarded to local players without open-bid competition. The breakdown of the market by category excludes the infrastructure, freight wagons and shunter segments.
2 Source: data from the UNIFE World Rail Market Study "Forecast 2012 to 2017" published by UNIFE in September 2012. UNIFE data is updated every two years based on a survey conducted in the 50 largest rail markets worldwide. UNIFE figures are published in euros and are presented for our accessible markets only. An exchange rate of €1 = $1.3347, the average cumulative exchange rate over the 2010-12 period, was used to convert all figures.

core markets (such as Europe and North America) as well as from emerging rail markets. According to UNIFE's forecast, Europe will remain the largest market but demand will also continue to reach high levels in North America and Asia-Pacific. However, the biggest growth driver in the market will be rail investment in fast-growing markets outside our core regions, grouped under the term "Rest of world".

The overall volume of orders in our market is expected to reach an annual average of over $112 billion in 2015 to 2017. From a segment view, rolling stock is and remains the largest market segment, followed by services and the system and signalling segments.

MARKET OUTLOOK PER REGION

Europe

The European market is not only the largest rail market; it is also one of the most competitive and challenging. Customer demands for high-tech and innovative products are as important as meeting the highest reliability, safety and performance standards. Our past successes have proven that we understand customer needs better than our competitors and are able to deliver both highly innovative technology and reduced lifecycle costs.

We continue to be well positioned for future order intake in Europe. In our core markets of Western and Northern Europe we expect several options, which are attached to the significant framework contracts we won over the past years, to be exercised in the next few years. In addition, we see continued investment in these markets with various new orders on the horizon, e.g. in France and Germany, where after a wave of large orders of regional and intercity trains, a new wave of investments in commuter trains is expected. Also, the U.K. will continue to see strong investments, e.g. in projects for London Underground and Crossrail.

In Eastern Europe, investments in network signalling and fleet modernization are planned in order to renew aging fleets and infrastructure, driving growth in the services as well as system and signalling segments.

In Southern Europe, public investment in general may be limited due to the ongoing financial difficulties in some countries. However, as our historical market share has been small in the region, we anticipate only a limited impact on our business.

North America

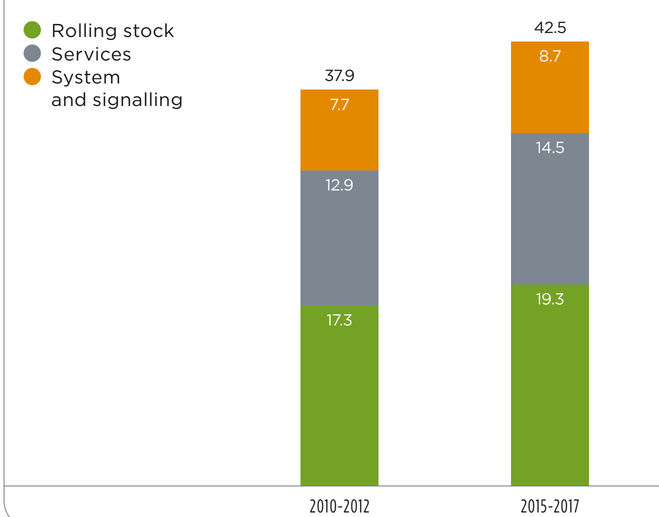
In North America, the overall market has been resilient to the crisis, with major cities such as New York, San Francisco, Montréal and Toronto continuing to invest in greener transportation. This positive development of the rail market is forecasted to continue with additional investments planned across all segments.

In the rolling stock segment, new metro projects are planned and the development of high speed rail is on the horizon.

The services market in North America is extensive and forecasted to grow further. One reason for this development is the wide accessibility of the services segment, as typical service activities such as operations and maintenance or refurbishments are regularly outsourced by operators. Another reason is the strong growth of the region's installed rolling stock base over the past years, which is forecasted to lead to an increased need for maintenance activities.

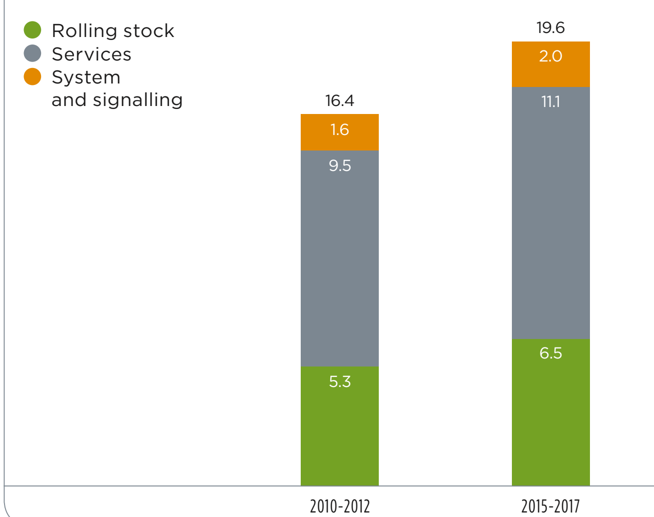
In addition, the deployment of new signalling standards in the U.S. will trigger a wave of investment in this segment in the next decade.

OUR ACCESSIBLE EUROPEAN MARKET BY SEGMENT
(three-year average orders; in billions of dollars)



Source: UNIFE World Rail Market Study "Forecast 2012 to 2017"

OUR ACCESSIBLE NORTH AMERICAN MARKET BY SEGMENT
(three-year average orders; in billions of dollars)



Source: UNIFE World Rail Market Study "Forecast 2012 to 2017"

Asia-Pacific

The slight decrease forecasted by UNIFE from 2010-12 to 2015-17 is driven by a reduction in the Japanese market, which is not a market in which we compete.

After two years with lower activity, the Chinese market is again showing positive signals: a new wave of high speed rail projects is planned while we also see a continued need for investment in other rolling stock products such as locomotives and mass transit, the latter including services solutions. In addition, activities in the light rail vehicle segment are starting, opening up a new and promising market segment. As a result of our joint ventures, we are the best-positioned foreign manufacturer in China in all segments.

In India, mass transit investment continues with orders expected to be placed in several mega-cities, such as Delhi and Mumbai, in the next few years. Additional opportunities exist for mainline projects which we are closely monitoring.

Outside these two countries, growth is expected to come from Australia and Southeast Asia, mainly in the mass transit and freight segments. We expect rail investments to continue to increase in these markets, driven by the strong need for mobility on the back of rapid urbanization and continued economic growth.

Overall, the demand in the Asia-Pacific market continues to show great momentum, confirming the region's strong commitment to investing in rail.

Rest of world

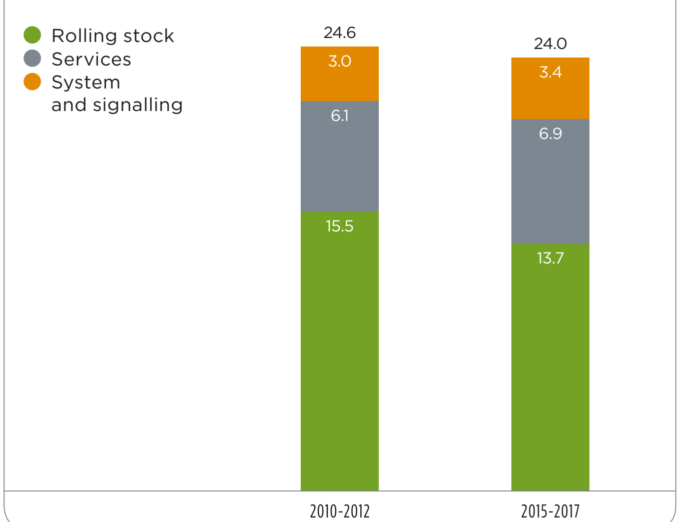
The Rest of world region includes the CIS, South America, Central America, Africa and the Middle East. This region is not homogenous, but it includes a group of fast-growing economies that are planning large investments in rail. In the past few years these markets demonstrated momentum for new advanced rail projects outside our traditional core markets. The region is forecasted to have the highest growth rates worldwide and is expected to be the second largest rail market after Europe in 2015-2017. The main growth drivers are Russia, Brazil and the Middle East.

In Russia, investments are planned across all segments as the country is expected to renew its aging fleet and upgrade its infrastructure. We have a strong position in signalling and are also actively pursuing other opportunities for locomotives, metros and light rail vehicles. In addition, we have strong partnerships with local partners. The average annual orders in Russia in 2010-2012 reached $7.9 billion, and are expected to reach $11.0 billion in 2015-2017.

In Brazil, investments are underway in all segments, triggered by the 2014 FIFA World Cup and the 2016 Olympic Summer Games. We have a long-standing presence in services and signalling and we recently set up a new production site in Hortolândia to execute our Sao Paulo monorail project. The average annual orders in Brazil in 2010-2012 were $2.7 billion, and are expected to reach $4.2 billion in 2015-2017.

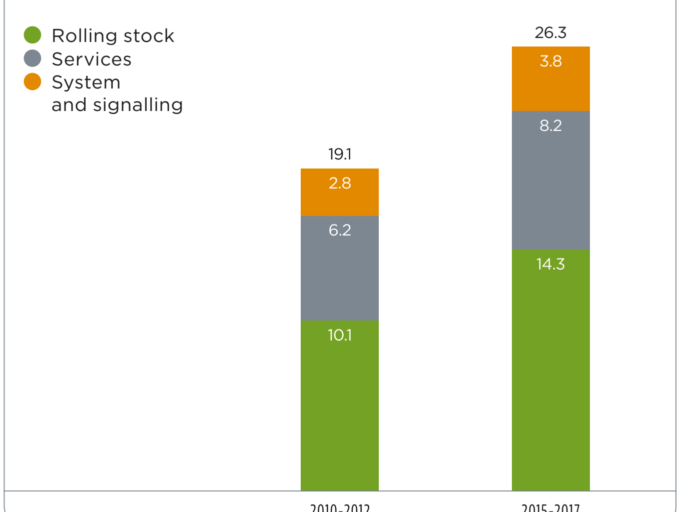
In the Middle East, major investments are planned in new transit systems. We won several large orders in the recent past, confirming our good position in the region, such as the *INNOVIA* APM 300 automated people mover system for the Dubai International Airport in the United Arab Emirates and a project in Saudi Arabia to develop, supply and maintain components for 36 very high speed trains. The opening of a Project Management academy in Saudi Arabia further strengthened our local presence in this high-growth region for rail. The average annual orders in the Middle East in 2010-2012 were $2.4 billion, and are expected to reach $2.8 billion in 2015-2017.

OUR ACCESSIBLE ASIAN-PACIFIC MARKET BY SEGMENT
(three-year average orders; in billions of dollars)



Source: UNIFE World Rail Market Study "Forecast 2012 to 2017"

OUR ACCESSIBLE REST OF WORLD MARKET BY SEGMENT
(three-year average orders; in billions of dollars)



Source: UNIFE World Rail Market Study "Forecast 2012 to 2017"

ANALYSIS OF RESULTS
Record level of order backlog

Our order intake of $9.4 billion (book-to-bill ratio of 1.2) has resulted in a record level of order backlog of $33.7 billion, which represents an average of 4.1 years of revenues, based on revenues for fiscal year 2012. At the same time, our EBIT margin before special items is below last fiscal year, at 5.6%, due to reduced margins in a few rolling stock contracts.

Our EBIT margin at 3.6% was impacted by a restructuring charge for planned measures to improve our competitiveness and cost structure. Our free cash flow of $386 million for fiscal year 2012 is a significant improvement compared to free cash flow usage of $424 million last fiscal year.

RESULTS OF OPERATIONS[1]

	Three months ended December 31		12 months ended December 31	
	2012	2011	**2012**	2011
Revenues				
Rolling stock[2]	**$ 1,399**	$ 1,532	**$ 5,384**	$ 6,855
Services[3]	**435**	366	**1,478**	1,409
System and signalling[4]	**324**	402	**1,278**	1,489
Total revenues	**2,158**	2,300	**8,140**	9,753
Cost of sales	**1,875**	1,884	**6,851**	8,089
Gross margin	**283**	416	**1,289**	1,664
SG&A	**170**	207	**744**	818
R&D	**51**	48	**144**	149
Share of income of associates	**(18)**	(1)	**(45)**	(4)
Other expense (income)[5]	**(6)**	(4)	**(7)**	1
EBIT before special items	**86**	166	**453**	700
Special items[6]	**163**	–	**163**	–
EBIT	**(77)**	166	**290**	700
Amortization and impairment charges on PP&E[7]	**43**	36	**138**	138
EBITDA	**$ (34)**	$ 202	**$ 428**	$ 838
(as a percentage of total revenues)				
Gross margin	**13.1%**	18.1%	**15.8%**	17.1%
EBIT before special items	**4.0%**	7.2%	**5.6%**	7.2%
EBIT	**(3.6%)**	7.2%	**3.6%**	7.2%
EBITDA before special items	**5.6%**	8.8%	**7.1%**	8.6%
EBITDA	**(1.6%)**	8.8%	**5.3%**	8.6%

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 foreign currencies compared to the U.S. dollar negatively affects revenues and positively affects expenses, while higher exchange rates have the opposite impacts (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, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls and bogies.
3 Comprised of revenues from fleet maintenance, refurbishment and overhaul and material solutions.
4 Comprised of revenues from mass transit and airport systems, mainline systems, operation and maintenance services, e-mobility solutions, mass transit signalling and mainline signalling. Excludes the rolling stock portion of system orders manufactured by our other divisions.
5 Includes i) severance and other involuntary termination costs (including changes in estimates); and ii) gains on disposals of PP&E; except when such items are reported as special items.
6 The special items for the fourth quarter and fiscal year ended December 31, 2012 include a restructuring charge of $119 million related to the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by 1,200 employees (including Aachen); a foreign exchange hedging loss of $25 million; and a loss of $19 million related to flooding in New Jersey, U.S.
7 Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset. For the fourth quarter and fiscal year ended 2012, impairment charges on PP&E of $9 million are included in the restructuring charges of $119 million reported as special items.

REVENUES BY GEOGRAPHIC REGION

	Three months ended December 31				12 months ended December 31			
	2012		2011		**2012**		2011	
Europe[1]	**$ 1,326**	**61%**	$ 1,467	64%	**$ 5,141**	**63%**	$ 6,275	64%
North America	**359**	**17%**	373	16%	**1,454**	**18%**	1,396	14%
Asia-Pacific	**326**	**15%**	257	11%	**1,004**	**12%**	1,444	15%
Rest of world[2]	**147**	**7%**	203	9%	**541**	**7%**	638	7%
	$ 2,158	**100%**	$ 2,300	100%	**$ 8,140**	**100%**	$ 9,753	100%

1 The decreases in Europe reflect negative currency impacts of $42 million and $403 million, respectively, for the fourth quarter and fiscal year ended December 31, 2012.
2 The Rest of world region includes South America, Central America, Africa, the Middle East and the CIS.

Revenues for the fourth quarter ended December 31, 2012 have been affected by the completion of some contracts in Europe and the Rest of world region while major orders received in these regions in past quarters are still in the start-up phase. Revenues in Asia-Pacific have stabilized at normal levels following the agreement with the Chinese MOR on a variation order in the third quarter and a ramp-up in production on new contracts. Overall, excluding a negative currency impact of $46 million, revenues decreased by $96 million, or 4%, compared to the same period last fiscal year.

Revenues for the fiscal year ended December 31, 2012 have been affected by the completion of some contracts, mostly in Europe and Asia-Pacific, while major orders received in these regions in the last quarters are still in the start-up phase. Overall, excluding a negative currency impact of $433 million, revenues decreased by $1.2 billion, or 12%, compared to the same period last fiscal year.

Rolling stock revenues

The $133-million decrease for the fourth quarter reflects a negative currency impact ($34 million). Excluding this currency impact, revenues decreased by $99 million. This decrease is explained by:

- lower activities in the Rest of world region, North America and Europe ($135 million), as some locomotive, commuter and regional train and intercity train contracts are nearing completion, partly compensated by increased production in some light rail vehicle and metro contracts.

Partially offset by:

- higher activities in Asia-Pacific ($36 million), mainly due to the ramp-up in production of high speed trains.

The $1.5-billion decrease for the fiscal year reflects a negative currency impact ($284 million). Excluding this currency impact, revenues decreased by $1.2 billion. This decrease is due to:

- lower activities in Europe, Asia-Pacific and the Rest of world region ($1.3 billion), as some commuter and regional train, locomotive, metro, propulsion and intercity train contracts are nearing completion, partly compensated by increased production in some light rail vehicle and high speed train contracts.

Partially offset by:

- higher activities in North America ($76 million) mainly due to the ramp-up in production of commuter and regional train and metro contracts, partly offset by a locomotive contract nearing completion.

Services revenues

The $69-million increase for the fourth quarter reflects a negative currency impact ($7 million). Excluding this currency impact, revenues increased by $76 million mainly due to higher activities in North America and Asia-Pacific ($79 million).

The $69-million increase for the fiscal year reflects a negative currency impact ($70 million). Excluding this currency impact, revenues increased by $139 million. This increase mainly arose from higher activities in Asia-Pacific and North America ($152 million), partially offset by lower activities in Europe ($28 million).

System and signalling revenues

The $78-million decrease for the fourth quarter reflects a negative currency impact ($5 million). Excluding this currency impact, revenues decreased by $73 million. This decrease is mainly due to:

- lower activities in Europe and North America ($95 million), mostly due to completion of some contracts while orders received in these regions in past quarters are still in the start-up phase.

Partially offset by:

- higher activities in the Rest of world region ($29 million), mostly due to the ramp-up in production of contracts received in past quarters.

The $211-million decrease for the fiscal year reflects a negative currency impact ($79 million). Excluding this currency impact, revenues decreased by $132 million. This decrease is mainly due to:

- lower activities in North America and Asia-Pacific ($129 million), mostly due to completion of some contracts while orders received in these regions in past quarters are still in the start-up phase.

Partially offset by:

- higher activities in Europe ($12 million), mostly due to the ramp-up in production of contracts received in past quarters.

EBIT margin

The EBIT margin for the fourth quarter decreased by 10.8 percentage points. The EBIT margin before special items (see explanations of special items below) decreased by 3.2 percentage points mainly as a result of:

- a lower overall gross margin in rolling stock, due to execution issues in a few contracts.

Partially offset by:

- a higher gross margin in services due to overall better contract performance;
- lower SG&A expenses in combination with higher absorption; and
- higher share of income of associates.

The EBIT margin for the fiscal year decreased by 3.6 percentage points. The EBIT margin before special items (see explanations of special items below) decreased by 1.6 percentage points mainly as a result of:

- a lower overall gross margin in rolling stock, due to execution issues in a few contracts; and
- lower absorption of SG&A and R&D expenses.

Partially offset by:

- a higher gross margin in services and system and signalling due to overall better contract performance;
- higher share of income of associates; and
- a favourable product mix.

For the fourth quarter and fiscal year ended December 31, 2012, the EBIT margins were also negatively impacted by the following special items:

- a restructuring charge of $119 million related to measures to improve our competitiveness and cost structure, mainly the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by approximately 1,200 employees, including Aachen, negatively impacting EBIT margin by 5.5% and 1.5%, respectively;
- a $25 million foreign exchange hedging loss, negatively impacting EBIT margin by 1.2% and 0.3%, respectively; and
- a $19 million loss related to flooding in New Jersey, U.S., negatively impacting EBIT margin by 0.9% and 0.2%, respectively.

Overall positive free cash flow for the year

FREE CASH FLOW (USAGE)

	Three months ended December 31		12 months ended December 31	
	2012	2011	**2012**	2011
EBIT	**$ (77)**	$ 166	**$ 290**	$ 700
Special items[1]	**163**	–	**163**	–
Amortization	**34**	36	**129**	138
EBITDA before special items	**120**	202	**582**	838
Other non-cash items:				
Gains on disposal of PP&E	**(1)**	(2)	**(4)**	(3)
Share-based expense	**2**	3	**4**	19
Net change in non-cash balances related to operations	**608**	420	**(78)**	(1,123)
Cash flows from operating activities	**729**	623	**504**	(269)
Net additions to PP&E and intangible assets	**(56)**	(59)	**(118)**	(155)
Free cash flow (usage)	**$ 673**	$ 564	**$ 386**	$ (424)

1 For the fourth quarter and fiscal year ended December 31, 2012, special items include impairment charges on PP&E of $9 million.

The $109-million improvement for the fourth quarter is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($188 million) (see explanation below).

Partially offset by:

- lower EBITDA before special items ($82 million).

The $810-million improvement for the fiscal year is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($1.0 billion) (see explanations below); and
- lower net additions to PP&E and intangible assets ($37 million).

Partially offset by:

- lower EBITDA before special items ($256 million).

Net change in non-cash balances related to operations

For the fourth quarter of the fiscal year ended December 31, 2012, the $608-million cash inflow is mainly due to deliveries in several contracts as well as the impact of orders recently received which led to:

- a reduction in inventories, ahead of the ramp-up of contracts in the start-up phase; and
- an increase in advances and progress billings for new orders and existing contracts, ahead of the impact from deliveries.

Partially offset by:

- an increase in trade and other receivables.

For the fourth quarter of the fiscal year ended December 31, 2011, the $420-million cash inflow was mainly due to a reduction in inventories following deliveries in several contracts, mainly in some rolling stock contracts where we experienced delays in previous quarters.

For the fiscal year ended December 31, 2012, the $78-million cash outflow is mainly due to:

- lower provisions mostly as a result of a decrease in product warranty provisions for contracts nearing the end of their warranty periods; and
- the impact of settlements of derivative financial instruments used in roll-forward cash flow hedge relationships.

The net cash outflow from the above-mentioned items is partly compensated by deliveries in several contracts which led to:

- a reduction in inventories, ahead of the ramp-up of contracts in the start-up phase.

Partially offset by:

- a reduction in advances and progress billings related to existing contracts, partly compensated by advances on new orders and existing contracts; and
- an increase in trade and other receivables.

For the fiscal year ended December 31, 2011, the $1.1-billion cash outflow was 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 derivatives used in roll-forward cash flow hedge relationships.

Partially offset by:

- an increase in advances and progress billings related to new orders and existing contracts.

We continue to secure orders around the world

ORDER INTAKE AND BOOK-TO-BILL RATIO

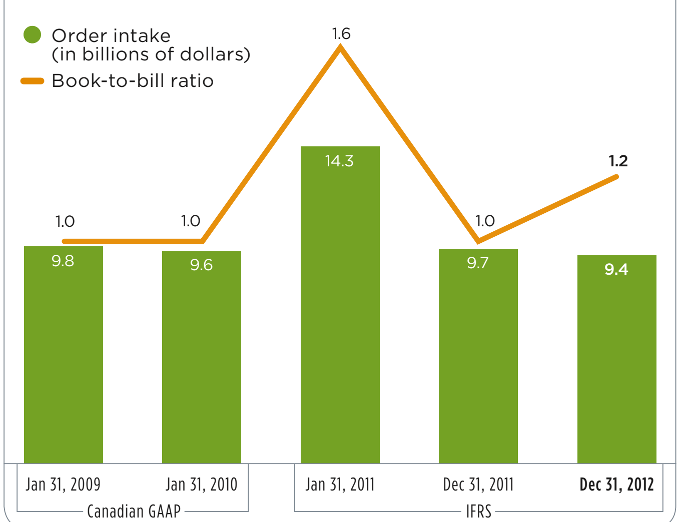
	Three months ended December 31		12 months ended December 31	
Order intake (in billions of dollars)	**2012**	2011	**2012**	2011
Rolling stock	**$ 0.7**	$ 2.1	**$ 5.1**	$ 6.4
Services	**1.5**	0.5	**2.5**	1.1
System and signalling	**0.8**	0.4	**1.8**	2.2
	$ 3.0	$ 3.0	**$ 9.4**	$ 9.7
Book-to-bill ratio	**1.4**	1.3	**1.2**	1.0

The order intake for the fourth quarter ended December 31, 2012 reflects a positive currency impact of $3 million, while the order intake for the fiscal year ended December 31, 2012 reflects a negative currency impact of $354 million.

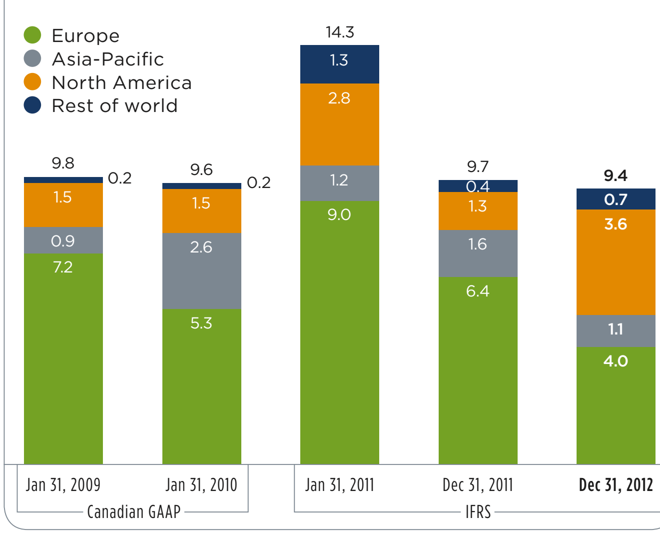
Our level of order intake for the fourth quarter ended December 31, 2012 includes orders from Metrolinx/GO Transit, Canada, for 10 years of operation and maintenance services ($937 million); from Abellio Rail NRW GmbH, Germany, for 35 *TALENT* 2 EMUs ($226 million); from Public Transport Victoria, Australia, for 40 VLocity DMUs ($216 million); from Virgin Trains, U.K., for an extension of fleet maintenance services ($170 million); and from Al Jaber L.E.G.T. Engineering and Contracting (ALEC) L.C.C., United Arab Emirates, for an *INNOVIA* 300 Automated People Mover (APM) system ($107 million).

BT is leading the worldwide rail industry with a cumulative order intake of $33.4 billion over the past three years[1].

ORDER INTAKE AND BOOK-TO-BILL RATIO
(for the fiscal years ended)



ORDER INTAKE BY GEOGRAPHIC REGION
(for fiscal years ended; in billions of dollars)



1 In terms of order intake, three years rolling, for companies disclosing order intake.

We received the following significant orders during the fiscal year ended December 31, 2012:

Customer	Country	Product or service	Number of cars	Market segment	Value
Metrolinx/GO Transit	Canada	10-year operations and maintenance services of commuter rail system	n/a	Services	$ 937
San Francisco Bay Area Rapid Transit District (BART)	U.S.	Metro cars	410[1]	Rolling stock	$ 897[1]
Metropolitan Transportation Authority (MTA) of New York City	U.S.	Metro cars	300	Rolling stock	$ 599
Régie Autonome des Transports Parisiens (RATP) & Syndicat des Transports d'Île-de-France (STIF)	France	Double-deck commuter trains	210[2]	Rolling stock	$ 417[2]
Port Authority of New York and New Jersey (PANYNJ)	U.S.	10-year operations and maintenance and capital asset upgrade program for *INNOVIA* Monorail system	n/a	System and signalling	$ 243
City of Basel's Transport Authority (BVB)	Switzerland	*FLEXITY* trams	60	Rolling stock	$ 241
Abellio Rail NRW GmbH	Germany	*TALENT* 2 EMUs	135	Rolling stock	$ 226
Public Transport Victoria (PTV)	Australia	VLocity Diesel Multiple Units	40	Rolling stock	$ 216
Deutsche Bahn AG	Germany	*TWINDEXX* double-deck trains	64	Rolling stock	$ 208
Talgo S.A.	Saudi Arabia	12-year maintenance services for the Bombardier-built systems and components	n/a	Services	$ 201
		MITRAC 3000 propulsion and control package, and *FLEXX* Power 350 high speed bogies for 36 very high speed trains	n/a	Rolling stock	$ 166
Virgin Trains	U.K.	Extension of fleet maintenance services until March 2016	n/a	Services	$ 170
Berliner Verkehrsbetriebe (BVG)	Germany	*FLEXITY* trams	39	Rolling stock	$ 168
De Lijn (VVM)	Belgium	*FLEXITY* trams	48	Rolling stock	$ 165
Israel Railways (ISR)	Israel	Double-deck coaches	72	Rolling stock	$ 158
Al Jaber L.E.G.T. Engineering and Contracting (ALEC) L.C.C. (Dubai International Airport)	United Arab Emirates	*INNOVIA* APM 300 system	n/a	System and signalling	$ 107

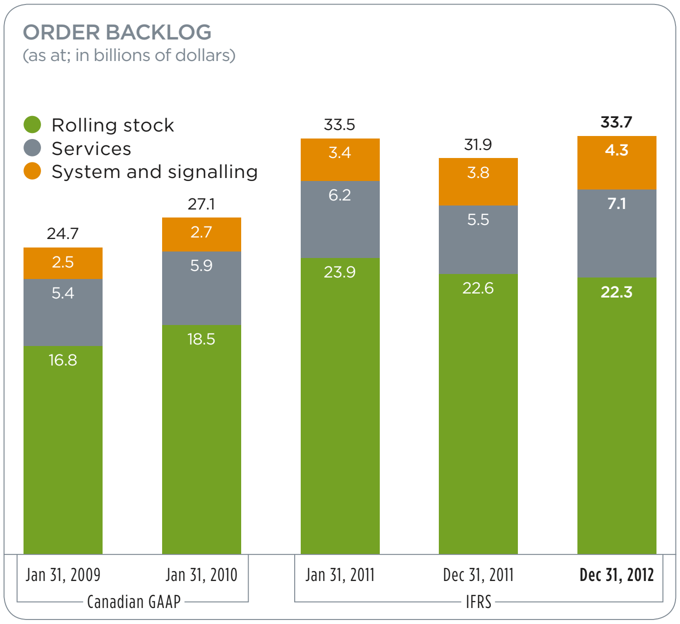
1 Consists of base contract and first option exercised in June 2012.
2 Contract performed through a consortium. Only the value of our share is stated.

n/a: Not applicable

ORDER BACKLOG

	As at	
(in billions of dollars)	**December 31 2012**	December 31 2011
Rolling stock[1]	**$ 22.3**	$ 22.6
Services	**7.1**	5.5
System and signalling	**4.3**	3.8
	$ 33.7	$ 31.9

1 Of which $13.4 billion, or 60% of rolling stock order backlog, had a percentage of completion from 0% to 25% as at December 31, 2012 ($15.3 billion, or 68%, as at December 31, 2011).



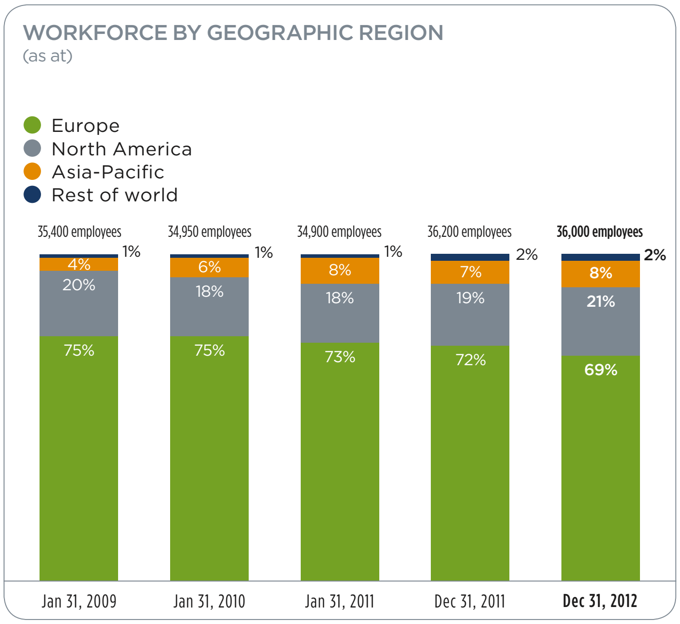
The 6% increase in order backlog is due to order intake being higher than revenues recorded ($1.3 billion), and the strengthening of some foreign currencies versus the U.S. dollar as at December 31, 2012 compared to December 31, 2011, mainly the euro and British pound ($0.5 billion).

Stable overall workforce with diverse regional picture

TOTAL NUMBER OF EMPLOYEES

	As at	
	December 31 2012	December 31 2011
Permanent[1]	**32,350**	31,300
Contractual	**3,650**	4,900
	36,000	36,200
Percentage of permanent employees covered by collective agreements[2]	**60%**	60%

1 Including inactive employees.
2 Of our 169 collective agreements, 23% will expire in 2013, representing 23% of our workforce as at December 31, 2012.



Since December 31, 2011 our number of employees has remained relatively stable with some shifts between regions.

While the number of employees in the Rest of world region remained basically unchanged, our headcount in North America and Asia-Pacific has increased mainly as a result of major orders received in these regions in the current and previous fiscal years.

At the same time, we continue to optimize our footprint and align capacity where needed to improve our competitiveness and cost structure. The completion of some contracts ahead of receipt of new orders led to reductions in workforce in Europe.

In November 2012, we announced a planned reduction of worldwide direct and indirect personnel by approximately 1,200 employees. Our headcount as at December 31, 2012 reflects a reduction of 150 employees, and the remaining reduction of approximately 1,050 employees is planned to take place during the course of 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

CREDIT AND RESIDUAL VALUE GUARANTEES

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

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing under the relevant financing arrangements. The remaining terms of these financing arrangements range from 1 to 13 years. In the event of default, we usually act as an agent for the guaranteed parties for the repossession, refurbishment and re-marketing of the underlying assets. We typically receive a fee for these services.

Residual value guarantees provide protection to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value at an agreed-upon date. In most cases, these guarantees are provided as part of a customer financing arrangement (these arrangements have remaining terms ranging from 1 to 13 years). The value of the underlying asset may be adversely affected by a number of factors. To mitigate our exposure, the financing arrangements generally require the aircraft used as collateral to meet certain contractual return conditions in order to exercise the guarantee. If a residual value guarantee is exercised, it provides for a contractually limited payment to the guaranteed parties, which is typically a specified maximum amount of the first losses incurred by the guaranteed party. A claim under the guarantee may typically be made only at the end of the financing arrangement, upon the sale of the underlying asset to a third party.

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

For more details, refer to Note 37 – Commitments and contingencies, to the consolidated financial statements.

FINANCING COMMITMENTS

We sometimes provide financing support to facilitate our customers' access to capital. This support may take a variety of forms, including providing assistance to customers in accessing and structuring debt and equity for aircraft acquisitions or providing assurance that debt and equity are available to finance such acquisitions.

As at December 31, 2012, we had no commitments to arrange financing for customers in relation to the future sale of aircraft.

FINANCING STRUCTURES RELATED TO THE SALE OF COMMERCIAL AIRCRAFT

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

Typically, these entities are financed by third-party long-term debt and equity. Often, equity investors benefit from tax incentives. The aircraft serve as collateral for the entities' long-term debt.

For more details, refer to Note 36 – Unconsolidated special purpose entities, to the consolidated financial statements.

FINANCIAL ARRANGEMENTS

In the normal course of its business, BT has set up factoring facilities in Europe, under which it can sell, without credit recourse, qualifying trade receivables. See the Other facilities section in Overview for additional information.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties described below are risks that could materially affect our business activities, financial condition, cash flows and results of operations; but these are not necessarily the only risks we face. Additional risks and uncertainties, presently unknown to us or that we currently believe to be immaterial, may also adversely affect our business. To the extent possible, we perform risk assessment and apply mitigation practices to reduce the nature and extent of our exposure to these risks to a level acceptable to us.

General economic risk	Potential loss due to unfavourable economic conditions, such as a macroeconomic downturn in key markets, could result in potential buyers postponing the purchase of our products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, an increase in our involvement in customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, discontinued production of certain products, termination of employees and adverse impacts on our suppliers.
Business environment risk	Business environment risk is the risk of potential loss due to external risk factors. More specifically, external risk factors may include the financial condition of the airline industry, business aircraft customers and major rail operators; government policies related to import and export restrictions and business acquisitions; changing priorities and possible spending cuts by government agencies; government support for export sales; world trade policies; increased competition from other businesses, including new entrants in market segments in which we compete; as well as scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates. In addition, acts of terrorism, natural disasters, global health risks, political instability or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of our products.
Operational risk	Operational risk is the risk of potential loss due to risks related to the nature of our operations. Sources of operational risk include development of new products and services; development of new business; actions of business partners; product performance warranty and casualty claim losses; regulatory and legal conditions; environmental, health and safety issues; as well as dependence on customers, suppliers, partners and human resources. In addition, large and complex projects are common in our businesses, structured as fixed-price contracts and thus exposed to production and project execution risks. We are also subject to risks related to problems with supply chain management, reliance on information systems, reliance on intellectual property rights as well as the successful integration of new business acquisitions.
Financing risk	Financing risk is the risk of potential loss related to the liquidity of our financial assets, including counterparty credit risk; access to capital markets; restrictive debt covenants; financing support provided for the benefit of certain customers; and government support.
Market risk	Market risk is the risk of potential loss due to adverse movements in market factors, including foreign currency fluctuations, changing interest rates, decreases in residual values of assets and increases in commodity prices.

Business environment risk

FINANCIAL CONDITION OF THE AIRLINE INDUSTRY AND BUSINESS AIRCRAFT CUSTOMERS

The airline industry's financial condition and viability, including airlines' ability to secure financing, influence the demand for BA's commercial aircraft. The nature of the airline industry makes it difficult to predict when economic downturns or recoveries will impact the industry and economic cycles may be longer than expected. Continued cost pressures and effort to achieve acceptable profitability in the airline industry may constrain the selling price of BA's products. Scope clauses in pilot union agreements restrict the operation of smaller jetliners by major airlines or by their regional affiliates and, therefore, may restrict the demand in the regional aircraft market.

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

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

FINANCIAL CONDITION OF THE RAIL INDUSTRY

The challenging worldwide economic and financial environment may have a negative impact on some rail operators.
As governments respond to economic crises with austerity measures or by increasing their level of indebtedness to fund economic stimulus plans, it may become more difficult for publicly owned rail operators to obtain government funding. Funding shortages may result in selected projects being reduced in size, postponed or even cancelled. Such actions by rail operators or governments would negatively impact BT's order intake and revenues and put pressure on our cost structure and on prices and could reduce our competitiveness. In addition, payment terms, including the level and timing of advance payments from our customers, may deteriorate and negatively impact our cash flows.

POLITICAL INSTABILITY

Political unrest in certain regions of the world in which we operate may be prolonged and unpredictable. A prolongation of political instability could lead to delays or cancellation of orders, deliveries or projects in which we have invested significant resources.

FORCE MAJEURE EVENT OR NATURAL DISASTER

The risk of force majeure or natural disaster (including seismic and severe weather related events such as ice storms, hurricanes, flooding, tornadoes or other calamity) is unpredictable and may have significant adverse results, such as personal injury or fatality; damage to or destruction of ongoing projects, facilities or equipment; environmental damage; delays or cancellations of orders and deliveries; delays in the receipt of materials from our suppliers; delays in projects; and possible legal liability.

Operational risk

DEVELOPING NEW PRODUCTS AND SERVICES

Changes as a result of global trends such as climate change, oil scarcity, the rising cost of energy, urbanization, population growth and demographic changes influence customer demands in our main markets of operation. To meet our customers' needs, we must continuously develop and design new products, improve existing products and services and invest in and develop new technologies. Introducing new products or technologies requires a significant commitment to R&D capital investment, including maintaining a significant level of highly skilled employees. Furthermore, our investments in new products or technologies may or may not be successful.

Our results may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if new products are not approved by regulatory authorities or are not brought to market in a timely manner or if our products become obsolete. We may incur cost overruns in developing our new products and there is the risk that our products will not meet performance specifications to which we have committed. Despite measures used to protect our proprietary information such as confidentiality agreements and licenses, we may not always be able to enforce our rights to our intellectual property or preclude misuse of our technology.

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

In the market segments in which BA competes, our competitors are currently developing numerous aircraft programs, with expected entries-into-service over the next decade. We face the risk that our market share may be eroded if potential customers opt for our competitors' products. We may also be negatively impacted if we are not able to meet product support expectations or provide an international presence for our diverse customer base.

Customer acceptance of BT's highly complex and customized products may be delayed for various reasons, including customer requirements not being met or a divergence in the interpretation of customer requirements, which may result in delayed deliveries, a build-up of inventories and a consequential financial impact. BT's results may also be negatively impacted if we fail to design or obtain accreditation for new technologies and platforms on budget and in a timely manner. Further, our long-term growth, competitiveness and continued profitability are dependent on our ability to continue to develop our product mix and align our footprint and presence with worldwide market opportunities.

FIXED-PRICE COMMITMENTS AND PRODUCTION AND PROJECT EXECUTION

We have historically offered, and will continue to offer, virtually all of our products on fixed-price contracts, rather than contracts under which payment is determined solely on a time-and-material basis. Generally, we may not terminate contracts unilaterally.

We are exposed to risks associated with fixed-price contracts, including unexpected technological problems, difficulties with our partners and subcontractors, logistical difficulties and other execution issues, that could lead to cost overruns, late delivery penalties or delays in receiving milestone payments. We may also incur late delivery penalties if we are unable to increase production rates sufficiently quickly to meet our commitments. In addition, due to the nature of the bidding process, long-term contract revenues are based, in part, on cost estimates which in turn are subject to a number of assumptions, such as forecasted costs of materials, inflation rates, foreign exchange rates, labour productivity, employment levels and salaries, and are influenced by the nature and complexity of the work to be performed. Long-term contract revenues and costs may also vary from initial forecasts due to the impact of change orders and delayed deliveries.

BUSINESS PARTNERS

In some of the projects carried out through consortia or other partnership vehicles in which we participate, partners are jointly and severally liable to the customer. The success of these partnerships is dependent on satisfactory performance from us and our business partners. Failure of the business partners to fulfill their contractual obligations could subject us to additional financial and performance obligations that could result in increased costs, unforeseen delays or impairment of assets. In addition, a partner withdrawing from a consortium during the bid phase may result in the loss of potential order intake.

PRODUCT PERFORMANCE WARRANTY AND CASUALTY CLAIM LOSSES

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

In addition, due to the nature of our business, we may be subject to liability claims arising from accidents, incidents or disasters involving our products or products for which we have provided services, including claims for serious personal injuries or death. These accidents may include misfortunes caused by climatic factors or human error. We cannot be certain that our insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that we will be able to obtain insurance coverage at acceptable levels and costs in the future.

REGULATORY AND LEGAL RISKS

We are subject to numerous risks relating to current and future regulations, as well as legal proceedings to which we are currently a party or that could arise in the future. We become party to lawsuits in the ordinary course of our business, including those involving allegations of late deliveries of goods or services, product liability, product defects, quality problems and intellectual property infringement. We may incur material losses relating to litigation beyond the limits or outside the coverage of our insurance and our provisions for litigation-related losses may not be sufficient to cover the ultimate loss or expenditure.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate, governing among other things: product performance or content; energy use and greenhouse gas emission; air, water and noise pollution; the use, storage, transportation, labelling and disposal or release of hazardous substances; human health risks arising from the exposure to hazardous or toxic materials; and the remediation of soil and groundwater contamination on or under our properties (whether or not caused by us), or on or under other properties and caused by our current or past operations.

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

DEPENDENCE ON CUSTOMERS

For some of our products, we depend on a limited number of customers and we believe that we will continue to depend on a limited number of customers. Consequently, the loss of such a customer could result in fewer sales and/or a lower market share. Since the majority of BT's customers are public-sector companies or operate under public contracts, BT's order intake is also dependent on public-sector budgets and spending policies.

BUSINESS DEVELOPMENT

BA and BT's businesses are dependent on obtaining new customers and new orders, thus continuously replenishing our order backlog. BA and BT's results may be negatively impacted if we are unable to effectively execute our strategies to gain access to new markets, capture growth and successfully establish local roots in new or emerging markets.

DEPENDENCE ON SUPPLIERS

Our manufacturing operations are dependent on a limited number of suppliers for the delivery of raw materials (mainly aluminum, advanced aluminum alloy and titanium) and major systems (such as engines, wings, nacelles, landing gear, avionics, flight controls and fuselages) at BA, and raw materials (mainly steel and aluminum), services (mainly engineering, civil and electrical subcontracts) and major systems (such as brakes, doors, heating, ventilation and air conditioning) at BT. A failure by one or more suppliers to meet performance specifications, quality standards or delivery schedules could adversely affect our ability to meet our commitments to customers.

Some of our suppliers participate in the development of products such as aircraft or rolling stock platforms. The advancement of many of our new product development programs also relies on the performance of these key suppliers and, therefore, supplier delays which we are not able to mitigate could result in delays in a program as a whole. They subsequently deliver major components to us and own some of the intellectual property on key components they developed. Our contracts with these suppliers are therefore on a long-term basis. The replacement of suppliers could be costly and take a significant amount of time.

HUMAN RESOURCES (INCLUDING COLLECTIVE AGREEMENTS)

Human resource risk includes the risk that we may incur delays to recruit or be unable to retain and motivate highly skilled employees, including those involved in the R&D and manufacturing activities that are essential to our success. In addition, we are party to several collective agreements that are due to expire at various times in the future. Our inability to renew these collective agreements on mutually agreeable terms, as they become subject to renegotiation from time to time, could result in work stoppages or other labour disturbances, such as strikes, walk-outs or lock-outs, and/or increased costs of labour, which could affect our ability to timely deliver our products and services.

Financial risk

LIQUIDITY AND ACCESS TO CAPITAL MARKETS

We require sufficient capital resources and continued access to capital markets to support our operating activities and the development of new products. To satisfy our financing needs, we rely on cash and cash equivalents, cash flow generated from operations, capital market resources such as debt and equity issuance and other financing arrangements such as revolving credit facilities. A decline in credit ratings, a significant reduction in the surety or financing market global capacity, widening credit spreads, significant changes in market interest rates or general economic conditions or an adverse perception in bank and capital markets of our financial condition or prospects could all significantly increase our cost of financing or impede our ability to access financial markets. Credit ratings may be impacted by many external factors beyond our control and, accordingly, no assurance can be given that our credit ratings may not be reduced in the future. Also, new regulatory requirements on bank capital adequacy and market liquidity risk may impact the availability of financing whereby access to credit may become more difficult and borrowing costs are likely to increase.

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

RETIREMENT BENEFIT PLAN RISK

We are required to make contributions to a number of pension plans, most of which are presently in a deficit position. Our funding requirements are dependent on regulatory requirements and on the valuations of our plans' assets and liabilities, which are subject to a number of factors, including expected returns on plan assets, long-term interest rates, as well as applicable actuarial practices and various other assumptions. If we are required to make additional contributions as a result of changes to regulations or other factors, this may reduce the funds available for operating purposes and may weaken our liquidity position and financial condition.

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

CREDIT RISK

We are exposed to credit risk on our derivative financial instruments and other investing activities carried out through our normal treasury activities, as well as through our trade receivables arising from normal commercial activities and through financing activities provided to BA customers in connection with the sale of aircraft primarily in the form of aircraft loans and lease receivables. If our customers or other counterparties are unable to make payment of amounts owed to us, or delay payments, we may be subject to reduced liquidity and may incur impairment losses on these assets. Furthermore, if our customers experience deteriorating credit quality, we may need to: i) provide additional direct or indirect financing support to maintain sales, increasing our credit risk, or ii) reduce our customers' credit limits, which could negatively affect our revenues.

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

RESTRICTIVE DEBT COVENANTS

The indentures governing certain of our indebtedness, revolving credit facilities and letter of credit facilities contain covenants that, among other things, restrict our ability to:

- incur additional debt and provide guarantees;
- repay subordinated debt;
- create or permit certain liens;
- use the proceeds from the sale of assets and capital stock of subsidiaries;
- pay dividends and make certain other disbursements;
- allow our subsidiaries to pay dividends or make other payments;
- engage in certain transactions with affiliates; and
- enter into certain consolidations, mergers or transfers of all or certain assets.

These restrictions could impair our ability to finance our future operations or capital needs, or engage in other business activities that may be in our interest.

We are subject to various financial covenants under our BA and BT letter of credit facilities and our unsecured revolving credit facilities, which must be met on a quarterly basis. The BA \$600-million letter of credit facilities and the \$750-million unsecured revolving facility include financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum net debt to EBITDA ratio and a minimum liquidity level of \$500 million, all calculated based on an adjusted consolidated basis (i.e. excluding BT). BT's €3.4-billion letter of credit facilities and €500-million unsecured revolving facility financial covenants require a minimum liquidity level of €600 million as well as a minimum equity level and a maximum debt to EBITDA ratio, all calculated on a BT stand-alone basis. These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to specific terms used in the MD&A.

Our ability to comply with these covenants may be affected by events beyond our control. A breach of any of these agreements or our inability to comply with these covenants could result in a default under these facilities, which would permit our banks to request the immediate cash collateralization of all outstanding letters of credit, and our bond holders and other lenders to declare amounts owed to them to be immediately payable. If repayment of our indebtedness is accelerated, we may not be able to repay or borrow sufficient funds to refinance it.

FINANCING SUPPORT PROVIDED FOR THE BENEFIT OF CERTAIN CUSTOMERS

From time to time, we provide aircraft financing support to customers. We may provide, directly or indirectly, credit and residual value guarantees or guarantee a maximum credit spread, to support financing for certain customers such as airlines or to support financing by certain special purpose entities created solely i) to purchase our commercial aircraft and to lease those aircraft to airline companies or ii) to purchase financial assets such as loans and lease receivables related to the sale of our commercial aircraft. Under these arrangements, we are obligated to make payments to a guaranteed party in the event that the original debtor or lessee does not make the loan or lease payments, or if the market or resale value of the aircraft is below the guaranteed residual value amount at an agreed-upon date. A substantial portion of these guarantees has been extended to support original debtors or lessees with less than investment grade credit ratings.

GOVERNMENT SUPPORT

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

Market risk

FOREIGN EXCHANGE RISK

Our financial results are reported in U.S. dollars and a significant portion of our sales and operating costs are realized in currencies other than U.S. dollars, most often euros, Canadian dollars, pounds sterling, Swiss francs and Swedish krona. Our results of operations are therefore affected by movements in these currencies against the U.S. dollar. Significant fluctuations in relative currency values against the U.S. dollar could therefore have a significant impact on our future profitability. Additionally, the timing of settlements of our foreign currency derivatives could significantly impact our liquidity.

INTEREST RATE RISK

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

RESIDUAL VALUE RISK

We are exposed to residual value risks through RVGs provided in support of commercial aircraft sales. We may provide RVGs either directly to an airline, a lessor or to a financing party that participates in a long-term financing associated with the sale of commercial aircraft. RVGs are offered as a strip of the value of an aircraft with a ceiling and a floor. If the underlying aircraft is sold at the end of the financing period (or during this period in limited circumstances), the resale value is compared to the RVG strip. We are required to make payments under these RVGs when the resale value of the aircraft falls below the ceiling of the strip covered by the guarantee, but our payment is capped at the floor of the strip if the resale value of the aircraft is below the floor of the strip.

COMMODITY PRICE RISK

We are exposed to commodity price risk relating principally to fluctuations in the cost of materials used in the supply chain, such as aluminum, advanced aluminum alloy, titanium and steel, which could adversely affect our business and results of operations.

ACCOUNTING AND REPORTING DEVELOPMENTS
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. The other two parts, impairment of financial assets and hedge accounting, are still under development. The IASB is also currently considering making limited modifications to the first part of IFRS 9, *Financial instruments*.

The first part of 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, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at fair value, must be presented in OCI rather than in the statement of income. IFRS 9 will be effective for our fiscal year beginning on January 1, 2015, with earlier application permitted. 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 the 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 to assess 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 is effective January 1, 2013. The adoption of this standard has no impact 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. IFRS 11 classifies joint arrangements into two types: joint ventures and joint operations. Joint ventures are arrangements whereby the parties have rights to the net assets, while joint operations are arrangements whereby the parties have rights to the assets and obligations for the liabilities. The standard eliminates choices in the reporting of joint arrangements by requiring the use of the equity method to account for interests in joint ventures, and by requiring joint operators to recognize assets and liabilities in relation to their interests in the arrangements. IFRS 11 is effective January 1, 2013.

We have completed our assessment of the impact of the adoption of this standard, and a large part of our investments in joint arrangements qualify as joint ventures, currently accounted for under the proportionate consolidation method, and will be accounted for under IFRS 11 using the equity method of accounting. Under the equity method of accounting, our share of net assets, net income and OCI of joint ventures will be presented as one-line items on the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, respectively. In addition, the consolidated statement of cash flows under the equity method of accounting will include the cash flows between us and our joint ventures, and not our proportionate share of the joint ventures' cash flows.

The impact of adopting IFRS 11, *Joint arrangements* on our consolidated financial statements is detailed hereafter.

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 is effective January 1, 2013. We are collecting the information for disclosures in our annual consolidated financial statements for fiscal year 2013.

FAIR VALUE MEASUREMENT

In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. IFRS 13 is effective January 1, 2013. We are currently assessing the impact of the adoption of this standard.

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 items within OCI that may be reclassified to the statement of income. The amendments also reaffirmed existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 are effective January 1, 2013. The presentation of our consolidated financial statement is not impacted by these amendments as the items within OCI that may be reclassified to the statement of income are already disclosed together.

EMPLOYEE BENEFITS

In June 2011, the IASB amended IAS 19, *Employee benefits*. Among 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). Under the current IAS 19, *Employee benefits*, interest income is presented separately from interest expense and calculated based on the expected return on the plan assets. 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 amendments to IAS 19 are effective January 1, 2013.

IMPACT OF ADOPTING THE ABOVE-MENTIONED STANDARDS EFFECTIVE JANUARY 1, 2013

The following tables summarize the retroactive restatements to our consolidated financial statements resulting from the adoption of the amended IAS 19, *Employee benefits*, and IFRS 11, *Joint arrangements*.

The impacts on the consolidated statements of income are as follows, for fiscal year:

				2012
		Restatements		
	As presented	Joint arrangements	Employee benefits	As restated
Revenues	$ 16,768	$ (354)	$ –	$ 16,414
Cost of sales	14,269	(230)	14	14,053
Gross margin	2,499	(124)	(14)	2,361
SG&A	1,443	(8)	7	1,442
R&D	299	–	–	299
Share of income of joint ventures and associates	(45)	(108)	–	(153)
Other income	(33)	–	–	(33)
Special items	140	–	–	140
EBIT	695	(8)	(21)	666
Financing expense	596	–	(301)	295
Financing income	(599)	12	427	(160)
EBT	698	(20)	(147)	531
Income taxes	100	(20)	(16)	64
Net income	$ 598	$ –	$ (131)	$ 467
EPS (in dollars)				
Basic and diluted	$ 0.32			$ 0.25

The joint arrangement restatements relate to the above-mentioned requirement to account for our investments in joint ventures using the equity method of accounting under IFRS 11 instead of using the proportionate consolidation method.

The employee benefits restatements essentially relate to the above-mentioned requirement to calculate the interest expense and income component on a net basis using the post-employment benefit obligation discount rate.

The impacts on the consolidated statements of financial position are as follows, as at:

				December 31, 2012
		Restatements		
	As presented	Joint arrangements	Employee benefits	As restated
Assets				
Cash and cash equivalents	$ 2,896	$ (339)	$ –	$ 2,557
Other current assets	10,380	(406)	–	9,974
Investments in joint ventures and associates	66	245	–	311
Other non-current assets	12,448	(134)	–	12,314
	$ 25,790	$ (634)	$ –	$ 25,156
Liabilities				
Current liabilities	$ 12,374	$ (636)	$ –	$ 11,738
Retirement benefits	2,997	–	2	2,999
Other non-current liabilities	9,042	–	–	9,042
	24,413	(636)	2	23,779
Equity	1,377	2	(2)	1,377
	$ 25,790	$ (634)	$ –	$ 25,156

				December 31, 2011
		Restatements		
	As presented	Joint arrangements	Employee benefits	As restated
Assets				
Cash and cash equivalents	$ 3,372	$ (480)	$ –	$ 2,892
Other current assets	9,891	(163)	–	9,728
Investments in joint ventures and associates	37	238	–	275
Other non-current assets	10,564	(129)	–	10,435
	$ 23,864	$ (534)	$ –	$ 23,330
Liabilities				
Current liabilities	$ 11,955	$ (538)	$ –	$ 11,417
Retirement benefits	3,226	–	5	3,231
Other non-current liabilities	8,012	–	–	8,012
	23,193	(538)	5	22,660
Equity	671	4	(5)	670
	$ 23,864	$ (534)	$ –	$ 23,330

The impacts on the consolidated equity position are as follows, as at:

	December 31 2012	December 31 2011
Equity as presented	**$ 1,377**	$ 671
Restatements to prior periods	**(1)**	(31)
Net income		
Employee benefits	**(131)**	(57)
OCI		
Employee benefits	**132**	87
Equity as restated	**$ 1,377**	$ 670

The employee benefit restatement on our consolidated statements of financial position is not significant because the cumulative impact of the higher net interest expense under the revised standard is mostly offset by the reversal of accumulated actuarial losses on plan assets previously recognized in AOCI.

The impacts on the consolidated statements of cash flows are as follows, for fiscal year:

				2012
		Restatements		
	As presented	Joint arrangements	Employee benefits	As restated
Cash flow from operating activities	$ 1,348	$ 90	$ –	$ 1,438
Cash flow from investing activities	(1,950)	51	–	(1,899)
Cash flow from financing activities	77	4	–	81
Effect of exchange rate	49	(4)	–	45
Net increase (decrease) in cash and cash equivalents	(476)	141	–	(335)
Cash and cash equivalents at beginning of year	3,372	(480)	–	2,892
Cash and cash equivalents at end of year	$ 2,896	$ (339)	$ –	$ 2,557

The impacts on the consolidated equity position are as follows, for the three quarters ended:

	March 31 2012	June 30 2012	September 30 2012
Equity as presented	$ 1,182	$ 736	$ 1,236
Restatements to prior periods	(1)	2	2
Net income			
Employee benefits	(31)	(31)	(34)
OCI			
Employee benefits	34	31	32
Equity as restated	$ 1,184	$ 738	$ 1,236

The impacts of the new standards for joint arrangements and employee benefits on the consolidated statements of income are as follows, for the quarters ended:

	March 31, 2012		June 30, 2012		September 30, 2012	
	As reported	As restated	As reported	As restated	As reported	As restated
Revenues	$ 3,505	$ 3,571	$ 4,170	$ 4,097	$ 4,338	$ 4,121
Cost of sales	2,907	2,906	3,523	3,483	3,710	3,612
Gross margin	598	665	647	614	628	509
SG&A	364	364	371	369	351	351
R&D	65	65	62	62	69	69
Share of income of joint ventures and associates	(1)	57	(25)	(50)	(1)	(99)
Other income (expense)	(45)	(46)	19	19	(39)	(38)
EBIT	215	225	220	214	248	226
Financing expense	152	77	155	80	145	70
Financing income	(152)	(43)	(166)	(56)	(170)	(61)
EBT	215	191	231	190	273	217
Income taxes	25	32	49	39	61	39
Net income	$ 190	$ 159	$ 182	$ 151	$ 212	$ 178
EPS (in dollars)						
Basic and diluted	$ 0.10	$ 0.09	$ 0.10	$ 0.08	$ 0.12	$ 0.10

The impacts of the new standards for joint arrangements and employee benefits on the consolidated statements of cash flows are as follows, for the quarters ended:

	March 31, 2012		June 30, 2012		September 30, 2012	
	As reported	As restated	As reported	As restated	As reported	As restated
Cash flow from operating activities	$ (327)	$ (312)	$ (135)	$ (107)	$ 329	$ 375
Cash flow from investing activities	(353)	(351)	(381)	(352)	(581)	(577)
Cash flow from financing activities	440	440	(142)	(142)	(101)	(101)
Effect of exchange rate	51	50	(46)	(41)	20	15
Net decrease in cash and cash equivalents	(189)	(173)	(704)	(642)	(333)	(288)
Cash and cash equivalents at beginning of period	3,372	2,892	3,183	2,719	2,479	2,077
Cash and cash equivalents at end of period	$ 3,183	$ 2,719	$ 2,479	$ 2,077	$ 2,146	$ 1,789

FINANCIAL INSTRUMENTS

An important portion of our consolidated balance sheets is composed of financial instruments. Our financial assets include cash and cash equivalents, trade and other receivables, derivative financial instruments with a positive fair value, aircraft loans and lease receivables, investment in securities, investments in financing structures, restricted cash and servicing fee assets. Our financial liabilities include trade and other payables, long-term debt, derivative financial instruments with a negative fair value, government refundable advances, lease subsidies, sale and leaseback obligations, and vendor non-recurring cost liabilities. Derivative financial instruments are mainly used to manage our exposure to foreign exchange and interest rate risks. They consist mostly of forward foreign exchange contracts, interest rate swap agreements and cross-currency interest rate swap agreements. The classification of our financial instruments as well as the revenues, expenses, gains and losses associated with these instruments is provided in Note 2 – Summary of significant accounting policies and in Note 13 – Financial instruments, to the consolidated financial statements.

The use of financial instruments exposes us primarily to credit, liquidity and market risks, including foreign exchange and interest rate risks. A description on how we manage these risks is included in Overview and in Note 32 – Financial risk management, to the consolidated financial statements.

FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments are required to be recognized at their fair value on initial recognition, plus certain transaction costs for financial instruments not at FVTP&L. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments. Financial instruments classified as FVTP&L or AFS are carried at fair value, while all others are carried at amortized cost.

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

A detailed description of the methods and assumptions used to measure the fair value of our financial instruments and their fair value hierarchy are discussed in Note 33 – Fair value of financial instruments, to the consolidated financial statements.

Sensitivity analysis

Our main exposures to changes in fair value of financial instruments are related to changes in foreign exchange and interest rates. Note 32 – Financial risk management, to the consolidated financial statements, presents sensitivity analyses assuming variations in foreign exchange and interest rates.

RELATED PARTY TRANSACTIONS

Our related parties, as defined by IFRS, are our joint ventures, associates and key management personnel. A description of our transactions with these related parties is included in Note 35 – Transactions with related parties, to the consolidated financial statements.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Our significant accounting policies and use of estimates and judgment are described in Note 2 – Summary of significant accounting policies and Note 4 – Use of estimates and judgment, to the consolidated financial statements. The preparation of financial statements, in conformity with IFRS, requires the use of estimates and judgment. Critical accounting estimates, which are evaluated on a regular ongoing basis and can change from period to period, are described in this section. An accounting estimate is considered critical if:

- the estimate requires us to make assumptions about matters that are highly uncertain at the time the estimate is made; and
- we could have reasonably used different estimates in the current period, or changes in the estimate are reasonably likely to occur from period to period that would have a material impact on our financial condition, our changes in financial condition or our results of operations.

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

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

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

LONG-TERM CONTRACTS

BT conducts most of its business under long-term contracts and BA has some long-term maintenance service contracts with customers. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles 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. The long-term nature of these contracts requires estimates of total contract costs and revenues at completion.

Estimated revenues at completion are adjusted for change orders, claims, penalties and contract terms that provide for the adjustment of prices. We apply judgment to determine if realization of additional revenues from contract change orders and claims is probable and such amounts, if probable, are included in estimated revenues at completion.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material and labour usage and costs, foreign exchange rates (including the effect of hedges) and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical performance trends, economic trends, collective agreements and contracts signed with suppliers. We apply judgment to determine the probability that we will incur additional costs from delays or other penalties and such costs, if probable, are also included in estimated costs at completion.

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

Sensitivity analysis

A 1% increase in the estimated future costs to complete all ongoing production contracts accounted for using the percentage-of-completion method would have decreased BT's gross margin for fiscal year 2012 by approximately $75 million.

AEROSPACE PROGRAM TOOLING

BA capitalizes development costs as aerospace program tooling when certain criteria for deferral are met. Aerospace program tooling is amortized over the expected number of aircraft to be produced, beginning on the delivery date of the first aircraft of a program, and an impairment test is performed at least annually for aircraft programs under development and, for all programs, when there is an indication that the asset may be impaired. An impairment charge is recorded when the recoverable amount of a group of assets generating independent cash inflows (a CGU) is less than the carrying value of those assets. If key estimates change significantly, aerospace program tooling may be overstated, if the rate of amortization was insufficient or if the capitalized costs are not recoverable.

Aerospace program tooling amortization and the calculation of recoverable amounts used in impairment testing require estimates of the expected number of aircraft to be delivered under each program. Such estimates are reviewed in detail as part of the budget and strategic plan process. We exercise judgment to identify independent cash inflows and allocate aerospace program tooling to CGUs by family of aircraft. The recoverable amount of a group of assets is based on the higher of fair value less costs to sell and value in use, generally determined using a discounted cash flow model. Other key estimates used to determine the recoverable amount include the discount rate and the expected future cash flows over the remaining life of the programs as determined in the budget and strategic plan for each family of aircraft.

The recoverable amount was established during the fourth quarter of fiscal year 2012 based on fair value less costs to sell using a discounted cash flow model. In our discounted cash flow model, the estimated future cash flows for the first three years are based on the budget and strategic plan.

Sensitivity analysis

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

An increase of 100 basis points in the discount rate used to perform the impairment test would not have resulted in an impairment charge in fiscal year 2012.

A 10% decrease in the expected future net cash inflow for all programs, evenly distributed over future periods, would not have resulted in an impairment charge in fiscal year 2012.

GOODWILL

Goodwill is related to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. This goodwill has been allocated to the BT operating segment. An impairment assessment is performed at least annually, and whenever circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that goodwill might be impaired. We selected the fourth quarter to perform our annual impairment assessment of goodwill. The recoverable amount of the BT operating segment is based on the higher of fair value less costs to sell and value in use.

During the fourth quarter of fiscal year 2012, we completed an impairment test and no impairment was identified. The recoverable amount was calculated based on fair value less costs to sell using a discounted cash flow model. Estimated future cash flows are based on the budget and strategic plan for the first three years and a constant growth rate of 1% is applied to derive estimated cash flows beyond the initial three-year period. For the purpose of this test, we used a 15-year period to project future cash flows. The post-tax discount rate is also a key estimate in the discounted cash flow model and is based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2012 was 6.8%. A 100-basis point change in the post-tax discount rate would not have resulted in an impairment charge in fiscal year 2012.

VALUATION OF DEFERRED INCOME TAX ASSETS

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

CREDIT AND RESIDUAL VALUE GUARANTEES

Credit and residual value guarantees are generally provided to participants in financing structures created in connection with the sale of commercial aircraft. A corresponding provision is recorded, measured at the amounts expected to be paid under the guarantees, using an internal valuation model based on stochastic simulations.

The amounts expected to be paid under the guarantees depend on whether credit defaults occur during the term of the original financing. When a credit default occurs, the credit guarantee may be called upon. In the absence of a credit default, the residual value guarantee may be triggered. In both cases, the guarantees can only be called upon if there is a loss upon the sale of the aircraft. Therefore, the value of the guarantee is in large part impacted by the estimated future value of the underlying aircraft. Aircraft residual value curves, adjusted to reflect the specific factors of the current aircraft market, are used to estimate this future value. The amount of the liability is also significantly impacted by the current market assumption for interest rates since payments under these guarantees are mostly expected to be made in the mid to long term. Other key estimates in calculating the value of the guarantees include default probabilities, estimated based on published credit ratings when available or, when not available, on internal assumptions regarding the credit risk of customers, as well as on the likelihood that residual value guarantees will be called upon at the expiry of the financing arrangements. The estimates are reviewed on a quarterly basis.

Our main exposures to changes in value of credit and residual value guarantees are related to the residual value curves of the underlying aircraft and interest rates.

Sensitivity analysis

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

Assuming a decrease of 1% in the residual value curves of all aircraft as at December 31, 2012, EBIT for fiscal year 2012 would have been negatively impacted by $12 million.

Assuming a decrease of 100 basis points in interest rates as at December 31, 2012, EBT for fiscal year 2012 would have been negatively impacted by $13 million. Assuming an increase of 100 basis points in interest rates as at December 31, 2012, EBT for fiscal year 2012 would have been positively impacted by $19 million.

RETIREMENT BENEFITS

The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, expected long-term rates of return on plan assets, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. Discount rates are reviewed on a quarterly basis. As most other assumptions and estimates are long-term in nature, we assess events and circumstances that could require a change in other assumptions or estimates on a quarterly basis.

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

As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium and long maturity bonds, we established the discount rates for our Canadian pension and other post-employment plans by constructing a yield curve for the medium- and long-term range of the curve from the limited observation points for AA rated corporate bonds. Therefore, as at December 31, 2012, the discount rates were based on observed market rates for AA corporate bonds with maturities less than six years and on rates from the extrapolated yield curve for years thereafter, calculated by adding an average spread to provincial bond yields at three maturity ranges. The extrapolated curve as at December 31, 2011 was constructed by estimating credit spreads for AA rated bonds at each maturity point of the curve by reference to yields on A and AAA rated corporate bonds.

Expected long-term rates of return on plan assets are determined considering historical returns, future estimates of long-term investment returns and target asset allocations. A lower expected rate of return increases the cost of pension and other retirement benefits.

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

A sensitivity analysis to changes in critical actuarial assumptions is presented in the Retirement Benefits section in Overview. Details regarding assumptions used are provided in Note 21 – Retirement benefits, to the consolidated financial statements.

CONTROLS AND PROCEDURES

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

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and

- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made to our internal controls over financial reporting that occurred during the quarter and fiscal year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	December 31 2012	December 31 2011	Increase
Euro	**1.3194**	1.2939	2%
Canadian dollar	**1.0043**	0.9791	3%
Pound sterling	**1.6167**	1.5490	4%

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

	December 31 2012	December 31 2011	Increase (decrease)
Euro	**1.2980**	1.3394	(3%)
Canadian dollar	**1.0096**	0.9765	3%
Pound sterling	**1.6069**	1.5728	2%

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

	2012	2011	Decrease
Euro	**1.2860**	1.3978	(8%)
Canadian dollar	**1.0008**	1.0124	(1%)
Pound sterling	**1.5854**	1.6068	(1%)

INVESTOR INFORMATION

AUTHORIZED, ISSUED AND OUTSTANDING SHARE DATA, AS AT FEBRUARY 19, 2013

	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[1]	1,892,000,000	314,537,162
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,415,882,354[3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,692,521
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,307,479
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

1 Ten votes each, convertible at the option of the holder into one Class B Share (Subordinate Voting).
2 Convertible at the option of the holder into one Class A Share (Multiple Voting) under certain conditions.
3 Net of 24,542,027 Class B Shares (Subordinate Voting) purchased and held in trust in connection with the PSU plan.

Normal course issuer bid

As authorized by the Board of Directors, the Corporation may repurchase for cancellation, in connection with, inter alia, the DSU plan, from June 21, 2012 to June 20, 2013, up to 6,000,000 Class B Shares (Subordinate Voting) ("Class B Shares") and up to 1,310,334 Class A Shares (Multiple Voting) ("Class A Shares") (from June 17, 2011 to June 16, 2012, up to 2,006,000 Class B Shares and 438,263 Class A Shares).

During the fiscal year ended December 31, 2012, no Class B Shares were repurchased and cancelled (2,006,000 Class B Shares were repurchased and cancelled for a total amount of $14 million during the fiscal year ended December 31, 2011).

Shareholders may obtain a free copy of the documents filed with the Toronto Stock Exchange regarding this normal course issuer bid by writing to our Corporate Secretary.

SHARE OPTION, PSU AND DSU DATA AS AT DECEMBER 31, 2012

Options issued and outstanding under the share option plans	28,490,089
PSUs and DSUs issued and outstanding under the PSU and DSU plans	30,853,287
Class B Shares held in trust to satisfy PSU obligations	24,542,027

EXPECTED ISSUANCE DATE OF OUR FINANCIAL REPORTS FOR THE NEXT 12 MONTHS

First Quarterly Report, for the period ending March 31, 2013	May 9, 2013
Second Quarterly Report, for the period ending June 30, 2013	August 1, 2013
Third Quarterly Report, for the period ending September 30, 2013	October 31, 2013
Financial Report, for the fiscal year ending December 31, 2013	February 13, 2014

Information

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SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with, the consolidated financial statements for fiscal years ended January 31, 2011, December 31, 2011 and December 31, 2012.

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

(in millions of U.S. dollars, except per share amounts)

For fiscal years ended	December 31 2012	December 31 2011[1]	January 31 2011
Revenues	**$ 16,768**	$ 18,347	$ 17,892
Net income attributable to equity holders of Bombardier Inc.	**$ 588**	$ 837	$ 762
EPS (in dollars)			
Basic	**$ 0.32**	$ 0.47	$ 0.43
Diluted	**$ 0.32**	$ 0.47	$ 0.42
Cash dividends declared per share (in Canadian dollars)			
Class A Shares (Multiple Voting)	**$ 0.10**	$ 0.10	$ 0.10
Class B Shares (Subordinate Voting)	**$ 0.10**	$ 0.10	$ 0.10
Series 2 Preferred Shares	**$ 0.75**	$ 0.69	$ 0.66
Series 3 Preferred Shares	**$ 1.05**	$ 1.32	$ 1.32
Series 4 Preferred Shares	**$ 1.56**	$ 1.56	$ 1.56

1 Our fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.

(in millions of U.S. dollars)

As at	December 31 2012	December 31 2011	January 31 2011
Total assets	**$ 25,790**	$ 23,864	$ 24,092
Non-current financial liabilities	**$ 5,961**	$ 5,250	$ 5,177

The quarterly data table is shown hereafter.

February 20, 2013

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

QUARTERLY DATA (UNAUDITED)

(the quarterly data has been prepared in accordance with IAS 34, *Interim financial reporting*, except market price ranges)

(in millions of U.S. dollars, except per share amounts)

For the fiscal years ended	Total	Fourth quarter	Third quarter
Revenues			
BA	$ 8,628	$ 2,597	$ 2,267
BT	8,140	2,158	2,071
	$ 16,768	$ 4,755	$ 4,338
EBIT			
BA	$ 405	$ 89	$ 123
BT	290	(77)	125
	695	12	248
Financing expense[3]	596	144	145
Financing income[3]	(599)	(111)	(170)
EBT	698	(21)	273
Income taxes	100	(35)	61
Net income	$ 598	$ 14	$ 212
Attributable to			
Equity holders of Bombardier Inc.	$ 588	$ 12	$ 209
NCI	10	2	3
	$ 598	$ 14	$ 212
EPS (in dollars)			
Basic and diluted	$ 0.32	$ –	$ 0.12
Market price range of Class B Shares (in Canadian dollars)			
High	$ 4.93	$ 3.84	$ 4.25
Low	$ 2.97	$ 2.97	$ 3.37

1 The fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.
2 The fourth quarter ended December 31, 2011 comprises two months of BA's results and three months of BT's results.
3 The amounts presented on a yearly basis do not correspond to the sum of the four quarters as certain reclassifications to quarterly figures to or from financing income and financing expense are required on a cumulative basis.

Supplemental non-GAAP measures by quarter, restated to reflect the adoption of new standards for joint ventures and employee benefits, can be found on Bombardier's dedicated investor relations website at ir.bombardier.com.

December 31, 2012		December 31, 2011				
Second quarter	**First quarter**	Total[1]	Fourth quarter[2]	Third quarter	Second quarter	First quarter
$ 2,265	**$ 1,499**	$ 8,594	$ 2,016	$ 2,305	$ 2,085	$ 2,188
1,905	**2,006**	9,753	2,300	2,318	2,662	2,473
$ 4,170	**$ 3,505**	$ 18,347	$ 4,316	$ 4,623	$ 4,747	$ 4,661
$ 102	**$ 91**	$ 502	$ 127	$ 129	$ 105	$ 141
118	**124**	700	166	172	191	171
220	**215**	1,202	293	301	296	312
155	**152**	681	156	192	179	177
(166)	**(152)**	(519)	(123)	(134)	(144)	(141)
231	**215**	1,040	260	243	261	276
49	**25**	203	46	51	50	56
$ 182	**$ 190**	$ 837	$ 214	$ 192	$ 211	$ 220
$ 182	**$ 185**	$ 837	$ 213	$ 194	$ 210	$ 220
–	**5**	–	1	(2)	1	–
$ 182	**$ 190**	$ 837	$ 214	$ 192	$ 211	$ 220
$ 0.10	**$ 0.10**	$ 0.47	$ 0.12	$ 0.11	$ 0.12	$ 0.12
$ 4.31	**$ 4.93**	$ 7.29	$ 4.40	$ 5.84	$ 7.25	$ 7.29
$ 3.53	**$ 3.86**	$ 3.30	$ 3.30	$ 3.42	$ 5.54	$ 5.65

HISTORICAL FINANCIAL SUMMARY

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

			IFRS		Canadian GAAP
For the fiscal years ended	December 31 2012	December 31 2011[1]	January 31 2011	January 31 2010	January 31 2009
Revenues					
BA	**$ 8,628**	$ 8,594	$ 8,809	$ 9,357	$ 9,965
BT	**8,140**	9,753	9,083	10,009	9,756
	$ 16,768	$ 18,347	$ 17,892	$ 19,366	$ 19,721
EBIT before special items					
BA	**$ 382**	$ 502	$ 554	$ 473	$ 896
BT	**453**	700	651	625	533
	835	1,202	1,205	1,098	1,429
Special items					
BA	**(23)**	–	–	–	–
BT	**163**	–	–	–	–
	140	–	–	–	–
EBIT					
BA	**405**	502	554	473	896
BT	**290**	700	651	625	533
	695	1,202	1,205	1,098	1,429
Financing expense	**596**	681	684	279	408
Financing income	**(599)**	(519)	(476)	(96)	(270)
EBT	**698**	1,040	997	915	1,291
Income taxes	**100**	203	222	208	265
Net income	**$ 598**	$ 837	$ 775	$ 707	$ 1,026
Attributable to					
Equity holders of Bombardier Inc.	**$ 588**	$ 837	$ 762	$ 698	$ 1,008
NCI	**$ 10**	$ –	$ 13	$ 9	$ 18
Adjusted net income	**$ 692**	$ 865	$ 785	n/a	n/a
EPS (in dollars)					
Basic	**$ 0.32**	$ 0.47	$ 0.43	$ 0.39	$ 0.57
Diluted	**$ 0.32**	$ 0.47	$ 0.42	$ 0.39	$ 0.56
Adjusted	**$ 0.38**	$ 0.48	$ 0.43	n/a	n/a

1 The fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.

n/a: Not applicable

HISTORICAL FINANCIAL SUMMARY (CONTINUED)

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

			IFRS		Canadian GAAP
For the fiscal years ended	**December 31 2012**	December 31 2011[1]	January 31 2011	January 31 2010	January 31 2009
General information					
Export revenues from Canada	**$ 5,702**	$ 5,602	$ 6,112	$ 6,435	$ 7,002
Net additions to PP&E and intangible assets	**$ 2,089**	$ 1,475	$ 1,125	$ 767	$ 567
Amortization	**$ 371**	$ 333	$ 371	$ 498	$ 555
Impairment charges on PP&E	**$ 9**	$ –	$ 8	$ –	$ –
Dividend per common share (in Canadian dollars)					
Class A	**$ 0.10**	$ 0.10	$ 0.10	$ 0.10	$ 0.08
Class B	**$ 0.10**	$ 0.10	$ 0.10	$ 0.10	$ 0.08
Dividend per preferred share (in Canadian dollars)					
Series 2	**$ 0.75**	$ 0.69	$ 0.66	$ 0.59	$ 1.15
Series 3	**$ 1.05**	$ 1.32	$ 1.32	$ 1.32	$ 1.32
Series 4	**$ 1.56**	$ 1.56	$ 1.56	$ 1.56	$ 1.56
Market price ranges (in Canadian dollars)					
Class A					
High	**$ 5.00**	$ 7.29	$ 6.24	$ 5.63	$ 9.00
Low	**$ 3.08**	$ 3.41	$ 4.28	$ 2.29	$ 3.25
Close	**$ 3.83**	$ 4.06	$ 5.72	$ 5.04	$ 3.85
Class B					
High	**$ 4.93**	$ 7.29	$ 6.24	$ 5.64	$ 8.97
Low	**$ 2.97**	$ 3.30	$ 4.25	$ 2.22	$ 3.17
Close	**$ 3.76**	$ 4.06	$ 5.70	$ 5.04	$ 3.80
As at					
Number of common shares (in millions)	**1,730**	1,724	1,726	1,730	1,730
Book value per common share (in dollars)	**$ 0.57**	$ 0.17	$ 0.64	$ 1.94	$ 1.27
Shareholders of record	**13,544**	13,427	13,591	13,666	13,540

1 The fiscal year ended December 31, 2011 comprises 11 months of BA's results and 12 months of BT's results.

HISTORICAL FINANCIAL SUMMARY (CONTINUED)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of U.S. dollars)

				IFRS
As at	**December 31 2012**	December 31 2011	January 31 2011	February 1 2010
Assets				
Cash and cash equivalents	**$ 2,896**	$ 3,372	$ 4,195	$ 3,372
Trade and other receivables	**1,525**	1,408	1,377	1,141
Inventories	**7,729**	7,398	7,307	7,630
Other financial assets	**443**	526	705	537
Other assets	**683**	559	648	519
Current assets	**13,276**	13,263	14,232	13,199
Invested collateral	**–**	–	676	682
PP&E	**2,028**	1,864	1,878	1,674
Aerospace program tooling	**4,770**	3,168	2,088	1,385
Goodwill	**2,325**	2,253	2,358	2,247
Deferred income taxes	**1,452**	1,506	1,294	1,373
Other financial assets	**1,316**	1,305	1,104	1,003
Other assets	**623**	505	462	557
Non-current assets	**12,514**	10,601	9,860	8,921
	$ 25,790	$ 23,864	$ 24,092	$ 22,120
Liabilities				
Trade and other payables	**$ 3,553**	$ 3,210	$ 3,073	$ 3,045
Provisions	**1,062**	1,078	1,198	1,140
Advances and progress billings in excess of long-term contract inventories	**2,015**	1,885	2,370	1,850
Advances on aerospace programs	**3,053**	2,788	2,989	3,055
Other financial liabilities	**455**	732	860	537
Other liabilities	**2,236**	2,262	2,214	2,036
Current liabilities	**12,374**	11,955	12,704	11,663
Provisions	**524**	594	614	675
Advances on aerospace programs	**1,600**	1,266	1,193	1,373
Non-current portion of long-term debt	**5,360**	4,748	4,645	4,134
Retirement benefits	**2,997**	3,226	1,975	2,181
Other financial liabilities	**601**	502	532	558
Other liabilities	**957**	902	908	576
Non-current liabilities	**12,039**	11,238	9,867	9,497
	24,413	23,193	22,571	21,160
Equity				
Attributable to equity holders of Bombardier Inc.	**1,331**	639	1,454	902
Attributable to NCI	**46**	32	67	58
	1,377	671	1,521	960
	$ 25,790	$ 23,864	$ 24,092	$ 22,120