BOMBARDIER
the evolution of mobility

FIRST QUARTERLY REPORT

Three-month period ended March 31, 2013

GLOSSARY

The following table shows the abbreviations used in this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The data presented in this MD&A is structured by manufacturing segment: BA and BT, and then by market segment, which is reflective of our organizational structure.

Non-GAAP measures

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

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.

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 in the MD&A of our annual report for the fiscal year ended December 31, 2012. 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.

OVERVIEW

Restatements
Certain comparative figures have been restated as a result of our adoption of the amended IAS 19, *Employee benefits*, and IFRS 11, *Joint arrangements*. The joint arrangement restatements relate to the requirement to account for our investments in joint ventures using the equity method under IFRS 11, instead of proportionate consolidation. The employee benefit restatements mainly relate to the requirement under amended IAS 19 to calculate interest expense and interest income components on a net basis using the post-employment benefit obligation discount rate. Comparative figures have also been restated due to the change in methods of measurement of certain financial assets, as described in the Accounting and reporting developments section in Other.

HIGHLIGHTS

Results of the quarter(1)

- Revenues of $4.3 billion, compared to $3.5 billion for the corresponding period last fiscal year.
- EBIT and EBIT before special items(2) of $240 million, or 5.5% of revenues, compared to $211 million and $188 million, or 6.1% and 5.4%, respectively, for the corresponding period last fiscal year.
- Adjusted net income(2) of $156 million (adjusted EPS(1) of $0.08), compared to $150 million (adjusted EPS of $0.08) for the corresponding period last fiscal year.
- Free cash flow usage(2) of $590 million, compared to a usage of $695 million for the corresponding period last fiscal year.
- Net investment of $514 million in PP&E and intangible assets, compared to $383 million for the corresponding period last fiscal year.
- Available short-term capital resources of $5.1 billion, including cash and cash equivalents of $3.7 billion, as at March 31, 2013, compared to $4.0 billion and $2.6 billion, respectively, as at December 31, 2012.
- Order backlog of $63.0 billion as at March 31, 2013, compared to $64.9 billion as at December 31, 2012.

Key events

- In January 2013, we significantly increased our financial flexibility by issuing, at par, an aggregate of $2.0 billion of unsecured Senior Notes, comprised of $750 million due in January 2016 and $1.25 billion due in January 2023.

(1) Comparative figures have been restated for changes in accounting policies and methods.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.

CONSOLIDATED RESULTS OF OPERATIONS

The results of operations and cash flows for the three-month periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year. The fourth quarter has historically been the strongest in terms of revenues, profitability and cash flows.

Results of operations

	Three-month periods ended March 31	
	2013	2012
		restated
Revenues	**$ 4,339**	$ 3,481
Cost of sales	**3,723**	2,906
Gross margin	**616**	575
SG&A	**344**	364
R&D	**70**	65
Share of income of joint ventures and associates	**(44)**	(19)
Other expense (income)	**6**	(23)
EBIT before special items[1]	**240**	188
Special items	**-**	(23)
EBIT	**240**	211
Financing expense	**75**	82
Financing income	**(40)**	(45)
EBT	**205**	174
Income taxes	**57**	19
Net income	**$ 148**	$ 155
Attributable to		
Equity holders of Bombardier Inc.	**$ 143**	$ 150
NCI	**$ 5**	$ 5
EPS (in dollars)		
Basic and diluted	**$ 0.08**	$ 0.08

Non-GAAP financial measures[1]

	Three-month periods ended March 31	
	2013	2012
		restated
EBITDA	**$ 331**	$ 292
EBITDA before special items	**$ 331**	$ 269
Adjusted net income	**$ 156**	$ 150
Adjusted EPS	**$ 0.08**	$ 0.08

Revenues, EBIT margin and EBIT margin before special items[1]

	Three-month periods ended March 31	
	2013	2012
		restated
Revenues		
BA	**$ 2,258**	$ 1,499
BT	**$ 2,081**	$ 1,982
Consolidated	**$ 4,339**	$ 3,481
EBIT margin		
BA	**4.5%**	5.9%
BT	**6.7%**	6.2%
Consolidated	**5.5%**	6.1%
EBIT margin before special items		
BA	**4.5%**	4.4%
BT	**6.7%**	6.2%
Consolidated	**5.5%**	5.4%

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

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 $35 million for the three-month period ended March 31, 2013, compared to net financing expense of $37 million for the corresponding period last fiscal year.

The $2-million decrease is mainly due to:

- higher net financing income related to certain financial instruments classified as FVTP&L ($23 million);
- higher borrowing costs capitalized to PP&E and intangible assets ($18 million); and
- lower accretion on retirement benefit obligations ($7 million).

Partially offset by:

- higher interest on long-term debt as a result of the issuance of $2 billion in unsecured Senior Notes in January 2013 ($24 million); and
- lower interest income due to the interest income portion on a gain recorded in the first quarter last fiscal year in connection with a resolution of a litigation on capital tax ($17 million).

Income taxes

The effective income tax rate for the three-month period ended March 31, 2013 was 27.8%, compared to the statutory income tax rate in Canada of 26.8%. The higher effective income tax rate, compared to the statutory income tax rates in Canada, is mainly due to the negative net impact of the non-recognition of income tax benefits related to tax losses and temporary differences, partially offset by net positive permanent differences.

The effective income tax rate for the three-month period ended March 31, 2012 was 10.9%, compared to the statutory income tax rate in Canada of 26.7%. The lower effective income tax rate, compared to the statutory income tax rates in Canada, is mainly due to the positive impact of the recognition of income tax benefits related to tax losses and temporary differences, partially offset by unrecognized tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

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

	Three-month periods ended March 31	
	2013	2012
		restated
Segmented free cash flow		
BA	**$ (461)**	$ (572)
BT	**(73)**	(85)
Segmented free cash flow usage	**(534)**	(657)
Net income taxes and net interest paid(1)	**(56)**	(38)
Free cash flow usage	**(590)**	(695)
Add back: Net additions to PP&E and intangible assets	**514**	383
Cash flows from operating activities	**$ (76)**	$ (312)

(1) Not allocated to segments.

Variation in cash and cash equivalents

	Three-month periods ended March 31	
	2013	2012
		restated
Balance at the beginning of period(1)	**$ 2,557**	$ 2,892
Net proceeds from issuance of long-term debt	**1,970**	504
Free cash flow usage	**(590)**	(695)
Additions to investments in securities	**(70)**	-
Effect of exchange rate changes on cash and cash equivalents	**(57)**	50
Dividends paid	**(49)**	(93)
Repayments of long-term debt	**(10)**	(4)
Other	**(18)**	65
Balance at the end of period	**$ 3,733**	$ 2,719

(1) Restated

Available short-term capital resources

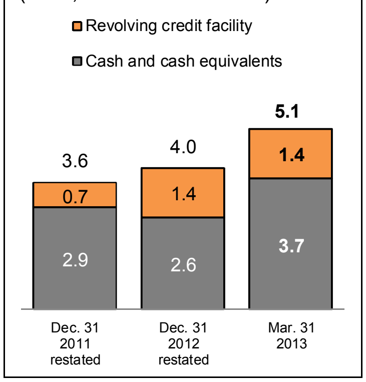
As at	Cash and cash equivalents	Available revolving credit facility	Available short-term capital resources
March 31, 2013	**$ 3,733**	**$ 1,390**	**$ 5,123**
December 31, 2012 - *restated*	$ 2,557	$ 1,410	**$** 3,967

Our available short-term capital resources include cash and cash equivalents and the amounts available under our two unsecured revolving credit facilities. These facilities are available for cash drawings for the general needs of the Corporation. Under these facilities, we must maintain the same financial covenants as for our BA and BT letter of credit facilities.

In January 2013, we significantly increased our financial flexibility by issuing, 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.

In April 2013, subsequent to the end of the quarter, the availability period under the BT letter of credit facility was extended by an additional year to May 2016.

AVAILABLE SHORT-TERM CAPITAL RESOURCES
(as at; in billions of dollars)



We consider that our expected cash flows from operating activities, combined with our available short-term capital resources of $5.1 billion as at March 31, 2013, 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.

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation. We believe that these metrics should be used to assess the creditworthiness 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, as well as other significant unusual items, which we believe are not representative of our core performance.

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]

	March 31 2013	December 31 2012	**Explanation of significant variances**
		restated	
Interest coverage ratio			
Adjusted EBIT[2]	**$ 981**	$ 916	
Adjusted interest[2]	**$ 313**	$ 288	
Adjusted EBIT to adjusted interest ratio	**3.1**	3.2	No significant variance.
Financial leverage ratio			Deteriorated due to the issuance of $2 billion of long-term debt in January 2013, partially offset by higher adjusted EBITDA.
Adjusted debt	**$ 7,869**	$ 5,669	
Adjusted EBITDA[2]	**$ 1,444**	$ 1,340	
Adjusted debt to adjusted EBITDA ratio	**5.4**	4.2	

(1) Refer to the Non-GAAP financial measures section for definitions and reconciliations to the most comparable IFRS measures.

(2) For the four-quarter trailing periods.

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.

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $2.7 billion as at March 31, 2013 ($3.0 billion as at December 31, 2012). 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. The $293-million decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability

Balance as at December 31, 2012 - restated[1]	$ 2,961
Actuarial gains on pension plan assets	(314)
Employer contributions	(105)
Changes in discount rates	103
Service costs	79
Changes in foreign exchange rates	(63)
Accretion on net retirement benefit obligations	29
Other	(22)
Balance as at March 31, 2013[1]	**$ 2,668**

(1) Includes retirement benefit assets of $123 million as at March 31, 2013 ($38 million as at December 31, 2012).

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, as well as other significant 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, accretion on net retirement benefit obligations, certain net gains and losses arising from changes in measurement of provisions and of financial instruments carried at FVTP&L and the related tax impacts of these items.
Adjusted EPS	EPS calculated based on adjusted net income attributable to equity holders of Bombardier Inc., using the treasury stock method, giving effect to the exercise of all dilutive elements.
Free cash flow	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 providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our interim consolidated financial statements with enhanced understanding of our results and related trends and increases transparency and clarity into the core results of the business. For these reasons a significant number of users of our MD&A analyze our results based on these performance measures. EBIT before special items, EBITDA before special items, adjusted net income and adjusted EPS exclude items that do not reflect, in our opinion, our core performance and help users of our MD&A to better analyze our results, enabling better comparability of our results from one period to another and with peers.

Non-GAAP measures are mainly derived from the interim consolidated financial statements, but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. 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.

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

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

Reconciliation of EBITDA before special items and EBITDA to EBIT

	Three-month periods ended March 31	
	2013	2012
		restated
EBIT	**$ 240**	$ 211
Amortization	**91**	81
EBITDA	**331**	292
Special items		
Gain on resolution of a litigation in connection with capital tax[1]	**-**	(23)
EBITDA before special items	**$ 331**	$ 269

[1] Relates to BA.

Reconciliation of adjusted net income to net income

	For the three-month periods ended March 31			
	2013		2012	
	(in millions of dollars)	**(per share)**	(in millions of dollars)	(per share)
				restated
Net income	**$ 148**		$ 155	
Adjustments to EBIT related to special items	**-**	**-**	(23)	$ (0.01)
Adjustments to net financing expense (income) related to				
Accretion on net retirement benefit obligations	**29**	**$ 0.01**	36	0.02
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**(17)**	**(0.01)**	1	-
Interest portion of a gain related to a special item	**-**	**-**	(17)	(0.01)
Tax impact of special and other adjusting items	**(4)**	**-**	(2)	-
Adjusted net income	**$ 156**		$ 150	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	2013	2012
Diluted EPS	**$ 0.08**	$ 0.08
Impact of special and other adjusting items	**-**	-
Adjusted EPS	**$ 0.08**	$ 0.08

Reconciliation of adjusted debt to long-term debt

	As at	
	March 31, 2013	December 31, 2012
		restated
Long-term debt	**$ 7,257**	$ 5,405
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	**(360)**	(444)
Long-term debt, net	**6,897**	4,961
Sale and leaseback obligations	**168**	168
Operating lease obligations[1]	**804**	540
Adjusted debt	**$ 7,869**	$ 5,669

[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

	Four-quarter trailing periods ended	
	March 31, 2013	December 31, 2012
		restated
EBIT	**$ 695**	$ 666
Special items[1]	**163**	140
Interest received	**87**	86
Interest adjustment for operating leases[2]	**36**	24
Adjusted EBIT	**981**	916
Amortization adjustment for operating leases[3]	**89**	60
Amortization	**374**	364
Adjusted EBITDA	**$ 1,444**	$ 1,340

(1) The special items for the four-quarter trailing period ended March 31, 2013 related to restructuring charges of $119 million, loss on flooding of $19 million and foreign exchange hedging loss of $25 million (restructuring charges of $119 million, gain on resolution of a litigation in connection with capital tax of $23 million, loss on flooding of $19 million and foreign exchange hedging loss of $25 million for the four-quarter trailing period ended December 31, 2012).
(2) Represents the interest cost of a debt equivalent to operating lease obligations 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.
(3) 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

	Four-quarter trailing periods ended	
	March 31, 2013	December 31, 2012
		restated
Interest paid	**$ 272**	$ 259
Accretion expense on sale and leaseback obligations	**5**	5
Interest adjustment for operating leases[1]	**36**	24
Adjusted interest	**$ 313**	$ 288

(1) Represents the interest cost of a debt equivalent to operating lease obligations 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)			
	March 31 2013	December 31 2012 *restated*	**Foreign exchange impact**	**Variance excluding foreign exchange**	**Explanation of significant variances other than foreign exchange impact**	
Cash and cash equivalents	**$ 3,733**	$ 2,557	$ (57)	$ 1,233	See the Variation in cash and cash equivalents table and Free cash flow in BA and BT for details	
Trade and other receivables	**1,351**	1,311	(20)	60	$ 72	Higher level in BA
Gross inventories	**12,545**	11,569	(153)	1,129	$ 287 841	Increase in aerospace program work-in-process inventories and finished products in both new and pre-owned business aircraft, mainly in the medium and large categories Increase following ramp-up in production ahead of deliveries in a few BT contracts
Advances and progress billings related to long-term contracts	**(6,346)**	(5,792)	(116)	670	Higher advances and progress billings on existing contracts and new orders	
Advances on aerospace programs	**(4,655)**	(4,653)	-	2	No significant variance	
PP&E	**1,930**	1,933	(23)	20	$ 61 (41)	Net additions Amortization
Aerospace program tooling	**5,179**	4,770	-	409	$ 444 (35)	Additions Amortization
Goodwill	**2,243**	2,316	(73)	-	No variance	
Deferred income tax asset	**1,346**	1,421	(10)	(65)	Mainly due to the utilization of deferred tax assets	
Investments in joint ventures & associates	**358**	311	(3)	50	$ 44	Share of income of joint ventures and associates
Other financial assets	**1,854**	1,782	(4)	76	$ 70	Additions to investments in securities
Other assets	**1,341**	1,234	(12)	119	$ 89	Increase in retirement benefit assets
Trade and other payables	**(3,463)**	(3,310)	(35)	188	$ 178	Higher level in BA
Provisions	**(1,564)**	(1,608)	(22)	(22)	No significant variance	
Non-current portion of long-term debt	**(7,216)**	(5,360)	(69)	1,925	Issuance of $750 million and $1.25 billion in unsecured Senior Notes due January 2016 and January 2023, respectively	
Retirement benefit liability	**(2,791)**	(2,999)	(27)	(181)	See the Variation in net retirement benefit liability table for details	
Other financial liabilities	**(1,177)**	(1,056)	(3)	124	$ 137	Increase in liabilities related to derivative financial instruments
Other liabilities	**(3,204)**	(3,169)	(44)	79	$ 106 (52) 33	Increase in employee benefit liabilities Decrease in accruals for long-term contract costs Increase in supplier contributions to aerospace programs
Equity	**(1,464)**	(1,257)	not applicable	207	$ 148 (51) 97 13	Net income Dividends OCI - mainly due to net actuarial gains on retirement benefits partially offset by CCTD and a net loss on derivative financial instruments designated as cash flow hedges Other

AEROSPACE

HIGHLIGHTS

Results of the quarter[1]

- Revenues of $2.3 billion, compared to $1.5 billion for the same period last fiscal year.
- EBIT and EBIT before special items[2] of $101 million, or 4.5% of revenues, compared to $89 million and $66 million, or 5.9% and 4.4%, respectively, for the same period last fiscal year.
- EBITDA and EBITDA before special items[2] of $162 million, or 7.2% of revenues, compared to $139 million and $116 million, or 9.3% and 7.7%, respectively, for the same period last fiscal year.
- Free cash flow usage[2] of $461 million, compared to a usage of $572 million for the same period last fiscal year.
- Net additions to PP&E and intangible assets of $503 million, compared to $372 million for the same period last fiscal year.
- 53 aircraft deliveries, compared to 37 for the same period last fiscal year.
- 28 net orders (book-to-bill ratio[3] of 0.5), compared to 68 net orders for the same period last fiscal year.
- Order backlog of $32.0 billion as at March 31, 2013, compared to $32.9 billion as at December 31, 2012.

(1) Comparative figures have been restated for changes in accounting policies and methods.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview and the Analysis of results section for definitions of these metrics and reconciliations to the most comparable IFRS measures.
(3) Defined as net orders received over aircraft deliveries, in units.

Key events

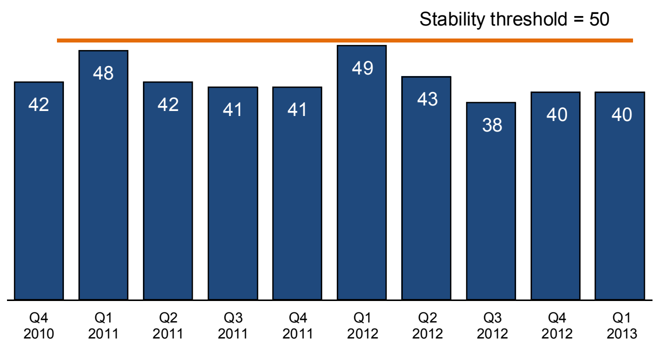
- In February 2013, Ilyushin Finance Co. (IFC) of Russia signed a purchase agreement to acquire 32 *CS300* aircraft, with options for an additional 10. This agreement is subject to approval by the company's shareholders and follows a letter of intent signed in 2011. Based on the list price, the conditional order for 32 aircraft is valued at $2.6 billion and is not included in our order backlog.
- In February 2013, production started at our transitional facility in Casablanca, Morocco. The facility is currently producing simple structures including flight controls for the *CRJ* Series aircraft.
- The *CSeries* aircraft development programs continue to make solid progress. We are now offering an extra capacity seating option that will increase the *CS300* aircraft seating up to 160 passengers. The option will be available for both in-production aircraft and as a retrofit. The assembly of the first flight vehicle (FTV1) has made significant progress. To date, tests have shown results as expected and the first flight of the *CS100* aircraft is scheduled to occur by the end of June 2013.
- Subsequent to the end of the quarter, Porter Airlines, the previously unidentified Americas-based customer, converted its December 2012 Letter of Intent into a conditional order for 12 *CS100* airliners, with options for an additional 18. Based on list price, the conditional order for 12 aircraft is valued at $870 million and is not included in our order backlog. Porter Airlines is the *CSeries* aircraft's Canadian launch customer.

INDUSTRY AND ECONOMIC ENVIRONMENT

Business aircraft

Industry confidence, as measured by the UBS Business Jet Market Index, remained essentially at the same level for the last four quarters and continues to be below the threshold of market stability. The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet in March 2013 remained at essentially the same level compared to December 2012, at 13.4%. We consider this level of pre-owned inventory to be within the normal range for the market. The increase in the level of pre-owned business aircraft inventory in the large category reflects higher trade-in activity related to increased sales in this category. Business jet utilization in the U.S. decreased by 2**%** in the first quarter of 2013, relative to the fourth quarter of 2012 and experienced a 1% decrease as compared to the first quarter of 2012. Business jet utilization levels in Europe decreased by 4% in the first quarter of 2013, relative to the fourth quarter of 2012, and experienced a 5% decrease as compared to the first quarter of 2012.

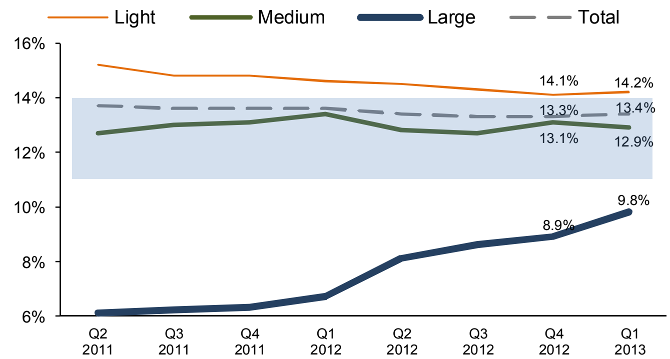
UBS BUSINESS JET MARKET INDEX[1]
(for calendar quarters; average on a 100-point scale)



Source: UBS

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

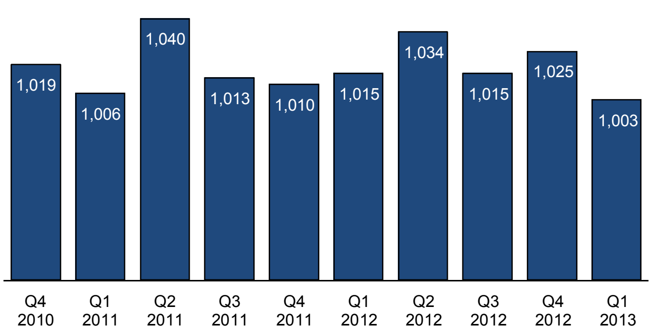
PRE-OWNED BUSINESS JET INVENTORY
(for calendar quarters; as a percentage of total business jet fleet, excluding very light jets)



Source: JETNET and Ascend Online

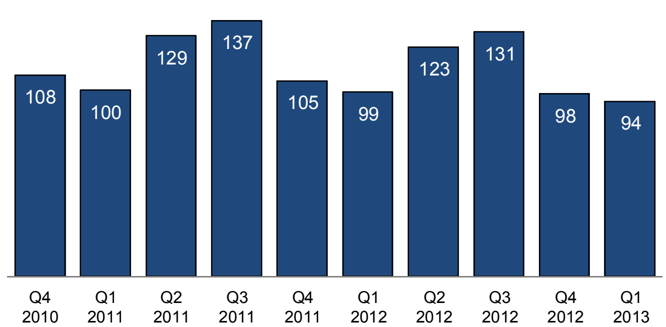
Shaded area indicates what we consider to be a normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.

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



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

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



Source: Eurocontrol

Commercial aircraft

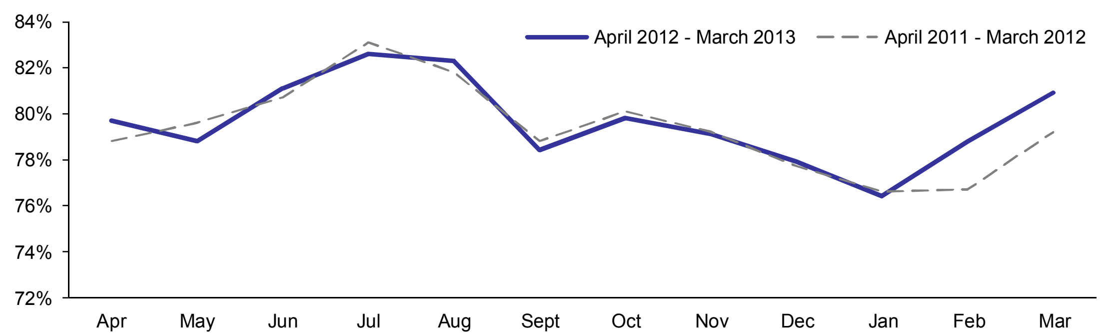
In its March 2013 Financial Forecast, International Air Transport Association ("IATA") upgraded its 2013 forecast for the commercial airline industry net post-tax profit to $10.6 billion, up from $8.4 billion previously projected in its December 2012 Financial Forecast. The increase in forecast is due mainly to stronger revenues as a result of higher air travel volumes, partially offset by IATA's expectation of an increase in Brent crude oil price to $110 per barrel, up from $104 per barrel in its December 2012 Financial Forecast. Asia-Pacific airlines are forecast to generate the highest profits in terms of dollars and percentage of revenues, followed by North American airlines which are expected to benefit from consolidation and efficiency gains, and the Middle East. Due to the recession in certain countries, Europe continues to lag. IATA's forecast is conditional on the Eurozone economic situation remaining stable.

The March 2013 Air Passenger Market Analysis report issued by the IATA indicates that scheduled domestic and international commercial air travel, measured by revenue passenger kilometres ("RPK"), were 3.8% and 4.5% higher, respectively, during the year-to-date period ended March 31, 2013 as compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors of 80.9% and 79.9%, respectively, in March 2013, compared to the 79.2% and 78.1% respective levels experienced in March 2012.

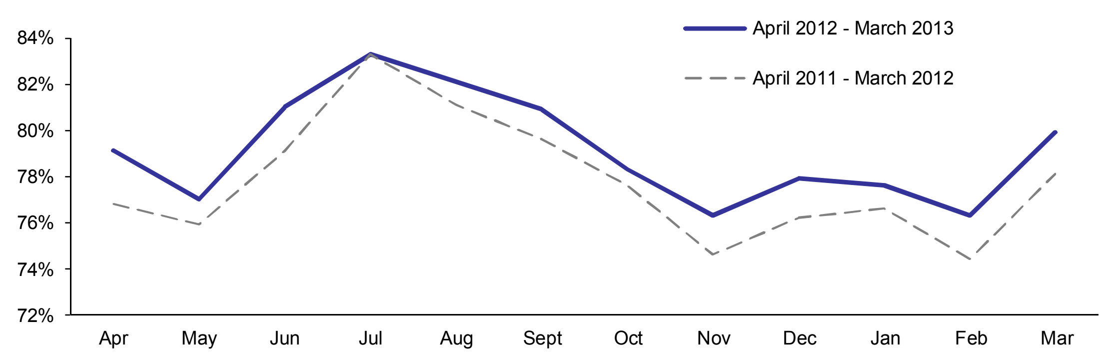
Regional passenger traffic measured by RPK for the five leading U.S. network carriers[(1)] and their affiliates, which represent a major portion of the regional airline passenger traffic in the U.S., our largest market, decreased by 2.6% during the year-to-date period ended March 31, 2013 as compared to the same period last year. These airlines achieved load factors of 78.0% in March 2013, up from the 77.0% experienced in March 2012.

[(1)] Delta Air Lines, American Airlines, United Airlines, US Airways and Alaska Air.

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



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



Source: IATA statistics for domestic and international 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 (RPK) is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported one kilometre.

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

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31	
	2013	2012
		restated
Revenues		
Manufacturing		
Business aircraft	**$ 1,162**	$ 643
Commercial aircraft	**301**	168
Other	**139**	131
Total manufacturing	**1,602**	942
Services[(1)]	**441**	436
Other[(2)]	**215**	121
Total revenues	**2,258**	1,499
Cost of sales	**1,951**	1,261
Gross margin	**307**	238
SG&A	**158**	162
R&D	**42**	31
Other expense (income)[(3)]	**6**	(21)
EBIT before special items	**101**	66
Special items[(4)]	**-**	(23)
EBIT	**101**	89
Amortization[(5)]	**61**	50
EBITDA	**$ 162**	$ 139
EBITDA before special items	**$ 162**	$ 116
(as a percentage of total revenues)		
Gross margin	**13.6%**	15.9%
EBIT before special items	**4.5%**	4.4%
EBIT	**4.5%**	5.9%
EBITDA before special items	**7.2%**	7.7%
EBITDA	**7.2%**	9.3%

(1) Includes revenues from parts services, *Flexjet* fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training), Specialized Aircraft Solutions and Military Aviation Training.
(2) Includes mainly sales of pre-owned aircraft.
(3) Includes 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 three-month period ended March 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.

Total aircraft deliveries

	Three-month periods ended March 31	
(in units)	**2013**	2012
Business aircraft		
Excluding those of the Flexjet fractional ownership program	**38**	28
Flexjet fractional ownership program[(1)]	**1**	1
	39	29
Commercial aircraft	**13**	7
Amphibious aircraft	**1**	1
	53	37

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

Manufacturing revenues

The $660-million increase is mainly due to:

- higher deliveries of business aircraft, in the large business jet category, mainly due to the low level of deliveries in the three-month period ended March 31, 2012 due to the transition to the *Global 5000 and Global 6000* aircraft with our *Bombardier Vision* Flight Deck ($519 million); and
- higher deliveries of commercial aircraft, mainly in the turboprops ($133 million).

Other revenues

The $94-million increase is mainly due to a favourable sales mix of pre-owned business aircraft.

EBIT margin

The EBIT margin decreased by 1.4 percentage points. The EBIT margin before special items (see explanation of special items below) increased by 0.1 percentage points mainly as a result of:

- higher absorption of lower SG&A, due to the abnormally low level of revenues in the quarter ended March 31, 2012.

Partially offset by:

- higher cost of sales per unit, including price escalation of materials;
- a net negative variance on provisions for credit and residual value guarantees and on aircraft loans and lease receivables recorded in other expense (income);
- lower margins from pre-owned business aircraft sales; and
- lower liquidated damage payments from customers upon cancellation of orders.

For the three-month period ended March 31, 2012, a special item positively impacted the EBIT margin by 1.5 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.

Free cash flow

Free cash flow usage

	Three-month periods ended March 31	
	2013	2012
		restated
EBIT	**$ 101**	$ 89
Amortization	**61**	50
EBITDA	**162**	139
Other non-cash items		
Gains on disposals of PP&E	**(1)**	(3)
Share-based expense	**5**	6
Net change in non-cash balances	**(124)**	(342)
Cash flows from operating activities	**42**	(200)
Net additions to PP&E and intangible assets	**(503)**	(372)
Free cash flow usage	**$ (461)**	$ (572)

The $111-million improvement is mainly due to:

- a positive period-over-period variation in net change in non-cash balances ($218 million) (see explanation below); and
- higher EBITDA ($23 million).

Partially offset by:

- higher net additions to PP&E and intangible assets ($131 million), due to our continued significant investments in product development.

Net change in non-cash balances
For the three-month period ended March 31, 2013, the $124-million cash outflow is mainly due to:

- an increase in aerospace program work-in-process inventories and finished products in both new and pre-owned business aircraft, mainly in the medium and large categories.

Partially offset by:

- an increase in trade and other payables.

For the three-month period ended March 31, 2012, the $342-million cash outflow was mainly due to:

- an increase in aerospace program work-in-process inventories and finished products, mainly due to the transition to the *Global 5000* and *Global 6000* aircraft with our *Bombardier Vision* Flight Deck, which entered into service on schedule at the end of March 2012. In addition, deliveries of commercial aircraft were delayed due to the timing of financing availability for a customer.

Partially offset by:

- an increase in advances for aerospace programs, resulting from higher order intake than deliveries for large business aircraft.

Product development

Investment in product development

	Three-month periods ended March 31	
	2013	2012
Program tooling[1]	**$ 444**	$ 346
R&D expense[2]	**7**	9
	$ 451	$ 355
As a percentage of manufacturing revenues	**28.2%**	37.7%

(1) Capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $35 million for the three-month period ended March 31, 2013 ($22 million for the three-month period ended March 31, 2012), 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.

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).

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. Planned EIS of the *CS300* aircraft program is scheduled for the end of 2014.	
Production and testing	In March 2013, the first flight test vehicle (FTV1), structurally complete with the main systems in place, was publicly unveiled in Mirabel, Québec, the production site of the program. Later that month, the first aircraft completed the full powering up of the main electrical distribution system. The focus continues to be on three key areas that will lead to the safety-of-flight permit: static airframe testing, building of flight test vehicles and on-the-ground testing. We have also begun a critical series of tests on the fly-by-wire system. To date, tests have shown results as expected. As well, other flight test vehicles are in various stages of fabrication and assembly.
	Also in March 2013, the ground testing on the airframe known as the Complete Airframe Static Test (CAST) article successfully concluded the wing-bending static tests, which represent the most significant wing static tests required for first flight. CAST continues to show compliance with safety-of-flight requirements at our Experimental Test Facility in Saint-Laurent, Québec.
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 are substantially complete. 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.(1)

(1) Key performance targets as described in our annual report for the fiscal year ended December 31, 2012, under certain operating conditions, when compared to aircraft currently in production, for flights of 500 nautical miles. The *CSeries* programs are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specification and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. 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 in the summer of 2014.	
Production and testing	The build of FTV1 is significantly advanced. The fuselage sections have been joined and the wing has been attached. The aircraft is on its wheels and the engines have been mounted on the airframe. Additionally, the FTV1 completed the full powering up of the main electrical distribution system and the aircraft's systems and flight test installations, which monitor and collect data during flight tests, are underway.
	Other flight test vehicles are in various stages of fabrication and assembly.
	The Complete Aircraft Static Test (CAST) article is at the National Institute for Aviation Research (NIAR) 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).
Suppliers	All suppliers are well underway with the manufacturing and delivery of components to the final assembly line. Testing on supplier rigs for safety-of-flight purposes is progressing well. 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. We have now completed 87% of system supplier requirements for safety-of-flight.
Facilities	The final assembly line in Wichita is operational. The Wichita site expansion, which includes building a new hangar, paint facilities and a new delivery centre to support the *Learjet 85* aircraft program, is progressing as scheduled.

THE *LEARJET 70* AND *LEARJET 75* AIRCRAFT PROGRAMS	
The *Learjet 70* and *Learjet 75* aircraft programs have moved into the product certification phase and are progressing towards EIS in the fourth quarter of 2013.	
Production and testing	The assembly of the first production aircraft has begun in Wichita. Engine runs have been completed for the first *Learjet 75* aircraft.
	Flight testing for the *Bombardier Vision* Flight Deck, upgraded engine and new contoured winglet is in progress. Three flight test vehicles have logged more than 90% of the flight test program.
Suppliers	Suppliers are in the final stages of qualification testing for their components and are delivering parts to the production line.

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.
	GE Aviation is currently assembling the first development engine for the *Global 7000* and *Global 8000* aircraft. The integrated propulsion system for the new Passport 20 GE engine is being developed specifically for the new *Global* aircraft platform.

Carrying amount of program tooling

		As at
	March 31, 2013	December 31, 2012
Business aircraft	**$ 2,171**	$ 2,004
Commercial aircraft		
CRJ Series	**461**	469
CSeries	**2,547**	2,297
	$ 5,179	$ 4,770

Aircraft deliveries

Business aircraft deliveries

	Three-month periods ended March 31	
(in units)	**2013**	2012
Light		
Learjet 40 XR/Learjet 45 XR	**1**	2
Learjet 60 XR	**2**	3
Medium		
Challenger 300	**14**	11
Challenger 605	**5**	8
Challenger 800 Series	**-**	1
Large		
Global 5000/Global 6000	**17**	4
	39	29

Deliveries of business aircraft increased by 34% compared to the corresponding period last year due to higher deliveries in the large business aircraft category. In the three-month period ended March 31, 2012, the abnormally low level of large business jet deliveries was mainly due to the transition to the *Global 5000* and *Global 6000* aircraft with our *Bombardier Vision* Flight Deck, which entered into service at the end of March 2012.

Commercial aircraft deliveries

	Three-month periods ended March 31	
(in units)	**2013**	2012
Regional jets		
CRJ700 NextGen	**1**	-
CRJ900 NextGen	**2**	1
CRJ1000 NextGen	**2**	3
Turboprops		
Q400 NextGen	**8**	3
	13	7

Aircraft orders

Total aircraft net orders

Three-month periods ended		**March 31, 2013**			March 31, 2012	
(in units)	**Gross orders**	**Cancellations**	**Net orders**	Gross orders	Cancellations	Net orders
Business aircraft (including those of the Flexjet fractional ownership program)	**36**	**(9)**	**27**	49	(9)	40
Commercial aircraft	**4**	**(3)**	**1**	28	-	28
	40	**(12)**	**28**	77	(9)	68

Commercial aircraft

Commercial aircraft net orders

	Three-month periods ended March 31	
(in units)	**2013**	2012
Regional jets		
CRJ900 NextGen	**-**	2
CRJ1000 NextGen	**-**	6
Commercial jets		
CS100	**(3)**	5
Turboprops		
Q400 NextGen	**4**	15
	1	28

During the first quarter of the current fiscal year, we terminated and removed from the order backlog an order from an undisclosed customer for three *CSeries* aircraft due to financial difficulties of the customer. This customer also had options for three additional *CSeries* aircraft.

In February 2013, IFC, 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 conditional order for 32 aircraft is valued at $2.6 billion and is not included in our order backlog.

In April 2013, Porter Airlines, the previously unidentified Americas-based customer, converted its December 2012 Letter of Intent into a conditional order for 12 *CS100* airliners, with options for an additional 18. Based on list price, the conditional order for 12 aircraft is valued at $870 million and could increase to $2.1 billion should the 18 options be converted to firm orders. Porter Airlines is the *CSeries* aircraft's Canadian launch customer. The agreement also includes purchase rights for six *Q400 NextGen* aircraft. Should Porter Airlines also exercise these purchase rights, the contract value would increase to $2.3 billion. The agreement is not included in our order backlog.

Book-to-bill ratio and order backlog

Book-to-bill ratio[1]

	Three-month periods ended March 31	
	2013	2012
Business aircraft	**0.7**	1.4
Commercial aircraft	**0.1**	4.0
Total	**0.5**	1.8

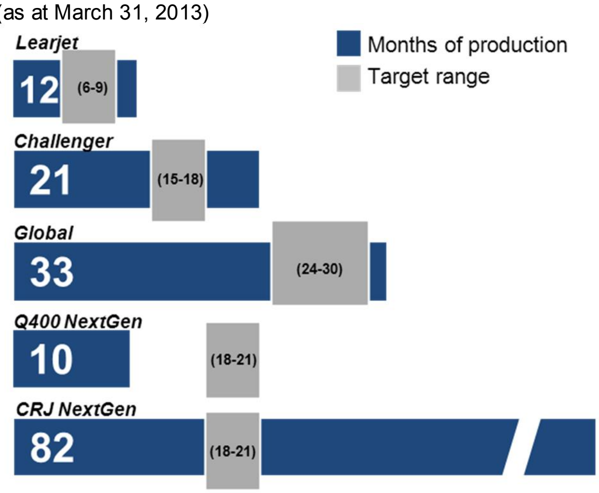
(1) Defined as net orders received over aircraft deliveries, in units.

Order backlog

	As at	
(in billions of dollars)	**March 31, 2013**	December 31, 2012
Aircraft programs	**$ 28.7**	$ 29.5
Long-term maintenance and spares support agreements	**2.8**	2.8
Military Aviation Training	**0.5**	0.6
	$ 32.0	$ 32.9

The order backlog as at March 31, 2013 decreased by 3% compared to December 31, 2012, mainly due to lower order intake than deliveries for large business aircraft and commercial aircraft. We continue to monitor our order backlog and the production horizon for our programs and to align our production rates to reflect market demand.

ORDER BACKLOG IN MONTHS OF PRODUCTION [1]
(as at March 31, 2013)



(1) The number of months in production is calculated by dividing the order backlog in units as at March 31, 2013 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	
	March 31, 2013		December 31, 2012	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Regional jets				
CRJ700 NextGen	**14**	**2**	15	2
CRJ900 NextGen	**51**	**42**	53	42
CRJ1000 NextGen	**37**	**22**	39	22
Commercial jets				
CS100	**63** (1)	**49**	66 (2)	52
CS300	**82** (1)	**72**	82 (2)	72
Turboprops				
Q400 NextGen	**34**	**87**	38	101
	281	**274**	293	291

(1) The total of 145 orders includes 81 firm orders with conversion rights to the other *CSeries* aircraft model.
(2) The total of 148 orders includes 83 firm orders with conversion rights to the other *CSeries* aircraft model.

The total *CSeries* firm order backlog comprises 145 aircraft with nine customers. As at March 31, 2013, we have signed firm orders and other agreements[1] for a total of 388 *CSeries* aircraft with 13 customers.

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

TRANSPORTATION

Changes in the presentation of our results of operations for joint ventures

Upon the adoption of IFRS 11, *Joint arrangements,* effective January 1, 2013, we are using the equity method to account for our interests in joint ventures and presenting our pro rata share of net income arising from joint ventures as a net of tax one-line item in the results of operations. IFRS 11 was adopted retrospectively and comparative figures have been restated. Prior to the adoption of IFRS 11, our share of revenues and expenses of joint ventures was consolidated line-by-line in our results of operations using the proportionate consolidation method.

As a result of the application of the equity method, certain transactions between us and our joint ventures, such as inter-company sales, are no longer eliminated, but transactions entered into by our joint ventures are not included in each line item. Accordingly, our revenues include the sales between us and our joint ventures, but exclude the sales of our joint ventures to their final customers. Also as a result of this change, we present our order intake and order backlog on a basis consistent with the presentation of our revenues, i.e. our order intake and order backlog include firm orders between us and our joint ventures, but exclude our pro rata share of our joint ventures' order intake and order backlog. This change in presentation impacts how the results of our joint ventures are presented in the MD&A, but does not affect the economics of our underlying businesses.

HIGHLIGHTS

Results of the quarter[1]

- Revenues of $2.1 billion, compared to $2.0 billion for the same period last fiscal year.
- EBIT of $139 million, or 6.7% of revenues, compared to $122 million, or 6.2%, for the same period last fiscal year.
- EBITDA of $169 million, or 8.1% of revenues, compared to $153 million, or 7.7%, for the same period last fiscal year.
- Free cash flow usage[2] of $73 million, compared to a usage of $85 million for the same period last fiscal year.
- $2.0 billion in new orders (book-to-bill ratio[3] of 0.9), compared to $1.2 billion for the same period last fiscal year.[4]
- Order backlog of $31.0 billion as at March 31, 2013, compared to $32.0 billion as at December 31, 2012.[4]

(1) Comparative figures have been restated for changes in accounting policies and methods.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview and Analysis of results section for a definition of this metric and a reconciliation to the most comparable IFRS measure.
(3) Defined as new orders over revenues.
(4) Excluding our share of new orders and order backlog of our joint ventures.

Key events

- In January and April 2013, CSR Nanjing Puzhen Rolling Stock Co. Ltd. (CSR Puzhen), China, won orders for 18 low-floor trams for the city of Suzhou, China, and 15 catenary-free low-floor trams for the city of Nanjing, China, which CSR Puzhen will build based on our *FLEXITY* 2 technology. The vehicles will be equipped with our innovative *FLEXX* Urban 3000 bogies and *MITRAC* 500 propulsion and control system. We will support the projects under a technology license agreement signed in 2012. The order of the city of Nanjing is strategically important as it is the first order worldwide for a catenary-free tram equipped with our new light and long-life *PRIMOVE* battery.
- In March 2013, we signed a variation order for 170 additional cars under a framework agreement with Siemens AG, Germany, to develop and supply important components for the next generation ICx high speed trains for Deutsche Bahn AG ("DB"). The variation order is valued at $440 million for BT.
- In March 2013, we announced the appointment of Lutz Bertling as President and Chief Operating Officer of BT, effective June 3, 2013. Mr. Bertling replaces André Navarri, who will remain as Strategic Advisor to Pierre Beaudoin, President and Chief Executive Officer of Bombardier Inc., until June 1, 2014 at which time he will retire from the organization.
- In April 2013, we signed agreements with Russian rail manufacturer Uralvagonzavod (UVZ) establishing a partnership for joint development of metros for the market in Russia and the CIS.
- On April 10, 2013, the *ZEFIRO* 380 very high speed train reached 385 km/h during testing in China, the fastest speed in BT's history.

INDUSTRY AND ECONOMIC ENVIRONMENT

The overall accessible market volume in the first quarter of 2013 was below the volume of the fourth quarter of 2012, which is typical in the rail industry as historically order volumes are lower during the first quarter and increase towards the end of the year. The market volume of the first quarter was in line with the same period last fiscal year.

In our market[(1)], we expect a steadily growing level of activity, as confirmed recently by a study of the Association of the European Rail Industry (UNIFE). In the World Rail Market Study "Forecast 2012 to 2017" published in September 2012, UNIFE forecasts a compound annual growth rate of 2.8% over the next six years[(2)] and expects the rail industry to remain resilient to economic short-term volatility and uncertainty.

Western Europe is forecast to remain the largest rail market worldwide and shows signs of reduced economic uncertainty. France and Germany remain growth drivers and plan to invest in several commuter systems as well as in regional trains. In addition, strong investments are expected in the U.K.

In Eastern Europe, countries such as Poland, Czech Republic, Hungary and Romania will have to solve their aging fleets and infrastructure situation. In Turkey, projects are underway in the high speed and very high speed segments, as well as in mass urban transit systems. In Southern Europe, investments may be limited due to the economic conditions in some countries. However, this region is not part of our core market and we anticipate only a limited impact on our business.

The outlook for Asia-Pacific remains positive. In China, the Ministry of Railways (MOR) has been reorganized into separate units and we expect investments to continue in urban transit and new high speed projects. In addition to these segments, the opening of the maintenance market as well as the growing light rail vehicle segment offer new opportunities. In India, investments will continue across all segments with a priority in urban transport and locomotives. However, the realization of some projects is progressing at a slower pace than expected. In Southeast Asia, investments in urban transport and signalling will continue to grow.

North America is expected to maintain its high pace of investment in rail with new projects for metro and commuter trains. Furthermore, the deployment of new signalling standards in the U.S. should result in a wave of investments.

In the Rest of World region, Russia's modernization of its rail fleet and of signalling solutions is on-going, with the Olympic Winter Games 2014 and the FIFA World Cup 2018 on the horizon. We expect to maintain our leadership position in signalling and are entering the local light rail vehicle and locomotives markets as well as pursuing opportunities in metros.

For 2013, we expect a positive industry environment and to win large competitive orders due to the execution of our strategic initiatives, good relationships with customers and broad and innovative leading mobility solutions.

(1) Our market refers to our accessible and relevant market. A market is considered accessible to the extent it is open to external suppliers and not served exclusively by a railway's in-house capacity. BT's relevant market excludes the infrastructure, freight wagons and shunter segments.

(2) UNIFE data is updated every two years based on a survey conducted in the 50 largest rail markets worldwide. UNIFE figures are presented for our accessible and relevant markets only.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended March 31			
		2013		2012
				restated
Revenues				
Rolling stock[2]	**$**	**1,378**	$	1,319
Services[3]		**370**		367
System and signalling[4]		**333**		296
Total revenues		**2,081**		1,982
Cost of sales		**1,772**		1,645
Gross margin		**309**		337
SG&A		**186**		202
R&D		**28**		34
Share of income of joint ventures and associates		**(44)**		(19)
Other income		**-**		(2)
EBIT		**139**		122
Amortization[5]		**30**		31
EBITDA	**$**	**169**	$	153
(as a percentage of total revenues)				
Gross margin		**14.8%**		17.0%
EBIT		**6.7%**		6.2%
EBITDA		**8.1%**		7.7%

(1) The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other 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) Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset.

Revenues by geographic region

	Three-month periods ended March 31					
		2013			2012	
						restated
Europe	**$**	**1,399**	**67%**	$	1,349	68%
North America		**371**	**18%**		388	20%
Asia-Pacific		**212**	**10%**		69	3%
Rest of world[1]		**99**	**5%**		176	9%
	$	**2,081**	**100%**	$	1,982	100%

(1) The Rest of world region includes South America, Central America, Africa, the Middle East and the CIS.

Revenues for the three-month period ended March 31, 2013 have been impacted by a ramp-up in production in Asia-Pacific and Europe, and by the completion of some contracts in the Rest of world region while major orders recently received in that region are still in the start-up phase. Overall, there have been no significant currency impacts and revenues have increased by 5% compared to the first quarter of last fiscal year.

Rolling stock revenues

The $59-million increase is mainly due to:

- higher activities in Asia-Pacific and Europe, mainly due to the ramp-up in production of commuter and regional train, high speed train and light rail vehicle contracts, partly compensated by some locomotive, intercity train and metro contracts in Europe nearing completion ($143 million).

Partially offset by:

- lower activities in the Rest of world region due to a temporary slow-down in production of some commuter and regional train contracts and in North America as some locomotive contracts are nearing completion, partly compensated by increased production in commuter and regional train contracts in North America ($92 million).

System and signalling revenues

The $37-million increase is mainly due to:

- higher activities in the Rest of world region, Europe and Asia-Pacific, mostly due to ramp-up in production of some systems and signalling contracts ($60 million).

Partially offset by:

- lower activities in North America, mostly due to completion of some systems contracts while new contracts recently received are still in the start-up phase ($24 million).

EBIT margin

The EBIT margin increased by 0.5 percentage points mainly as a result of:

- higher absorption of lower SG&A and R&D expense; and
- higher share of income from associates.

Partially offset by:

- a lower gross margin in rolling stock due to the current mix of contracts contributing to revenues and margin. Also, contracts where we faced execution issues last year continue negatively impacting this year's margin, while contracts recently received are still in the start-up phase.

Free cash flow

Free cash flow usage

	Three-month periods ended March 31	
	2013	2012
		restated
EBIT	**$ 139**	$ 122
Amortization	**30**	31
EBITDA	**169**	153
Other non-cash items		
Share of income of joint ventures and associates	**(44)**	(19)
Share-based expense	**6**	5
Dividends received from joint ventures and associates	**10**	-
Net change in non-cash balances	**(203)**	(213)
Cash flows from operating activities	**(62)**	(74)
Net additions to PP&E and intangible assets	**(11)**	(11)
Free cash flow usage	**$ (73)**	$ (85)

The free cash flow improved by $12 million, mainly due to:

- higher EBITDA ($16 million);
- a positive period-over-period variation in net change in non-cash balances related to operations ($10 million) (see explanations below); and
- higher dividends received from joint ventures and associates ($10 million).

Partially offset by:

- higher non-cash items, mainly arising from higher share of income of joint ventures and associates ($24 million).

Net change in non-cash balances

For the three-month period ended March 31, 2013, the $203-million cash outflow is mainly due to:

- an increase in inventories following ramp-up in production ahead of deliveries in a few contracts.

Partially offset by:

- an increase in advances and progress billings on existing contracts and new orders; and
- a reduction in trade and other receivables.

For the three-month period ended March 31, 2012, the $213-million cash outflow was mainly due to:

- a reduction in advances and progress billings related to existing contracts following deliveries in several contracts, partly compensated by advances on new orders; and
- lower trade and other payables as a result of a lower level of activities in the first quarter as compared to the fourth quarter of the fiscal year ended December 31, 2011.

Orders and backlog

Order intake and book-to-bill ratio

	Three-month periods ended March 31	
Order intake (in billions of dollars)[1]	**2013**	2012
Rolling stock	**$ 1.1**	$ 0.6
Services	**0.6**	0.3
System and signalling	**0.3**	0.3
	$ 2.0	$ 1.2
Book-to-bill ratio[2]	**0.9**	**0.6**

(1) Including any new orders between BT and its joint ventures, but excluding the order intake of our joint ventures.
(2) Ratio of new orders over revenues.

There was no significant currency impact in the order intake for the three-month period ended March 31, 2013.

In the first quarter of 2013, we have continued to receive orders across all divisions and geographic regions and maintained our role as industry leader.[1] The significant orders during the three-month period ended March 31, 2013 were as follows:

Customer	**Country**	**Product or service**	**Number of cars**	**Market segment**	**Value**
Siemens AG	Germany	Development and supply of components for ICx high speed trains for a DB contract	170	Rolling Stock	$ 440
Deutsche Bahn AG (DB)	Germany	*TWINDEXX* double-deck trains	48	Rolling stock	$ 145

(1) Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.

Order backlog[1]

	As at	
(in billions of dollars)	**March 31, 2013**	December 31, 2012
		restated
Rolling stock	**$ 19.9**	$ 20.7
Services	**6.9**	7.0
System and signalling	**4.2**	4.3
	$ 31.0	$ 32.0

(1) Including the order backlog for contracts between BT and its joint ventures, but excluding our share of joint ventures' backlog, which was $2.1 billion as at March 31, 2013 ($2.2 billion as at December 31, 2012).

Upon adoption of IFRS 11, *Joint arrangements,* effective January 1, 2013, we began using the equity method to account for interests in joint ventures instead of using proportionate consolidation. We restated our backlog as at December 31, 2012 by removing our proportionate share of backlog of joint ventures, to align with the presentation of revenues in accordance with IFRS 11.

The $1.0 billion or 3% decrease in order backlog is mainly due to the weakening of some foreign currencies versus the U.S. dollar as at March 31, 2013 compared to December 31, 2012 ($0.9 billion), mainly the euro and pound sterling.

OTHER

OFF-BALANCE SHEET 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. Trade receivables of €849 million ($1.1 billion) were outstanding under such facilities as at March 31, 2013 (€886 million [$1.2 billion] as at December 31, 2012). Trade receivables of €252 million ($323 million) were sold to these facilities during the three-month period ended March 31, 2013 (€114 million [$149 million] during the three-month period ended March 31, 2012).

RISKS AND UNCERTAINTIES

We operate in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties that could materially affect our business, financial condition and results of operations are described in our Annual Report for the fiscal year ended December 31, 2012 in Other, but are not necessarily the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business.

There was no significant change to these risks and uncertainties during the three-month period ended March 31, 2013, other than those described elsewhere in this MD&A. Also refer to Note 21, Commitments and contingencies, to the interim consolidated financial statements, for information regarding current litigation proceedings, including the S-Bahn claim.

FAIR VALUE MEASUREMENT

We measure a large part of our financial assets and some financial liabilities on the consolidated statement of financial position at fair value with changes in fair value recognized in net income. Our results of operations are therefore exposed to a certain level of volatility from such changes in fair value.

Note 20, Fair value of financial instruments, to the interim consolidated financial statements, provides a detailed description of the methods and assumptions used to determine the fair values of financial instruments. Fair values are determined by reference to quoted prices in the principal market at the measurement date under current market conditions. When quoted prices are unavailable, which is the case for most of our financial assets and liabilities, we determine fair value based on internal and external valuations. Note 20 also provides a three level fair value hierarchy, categorizing financial instruments by the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In cases where the inputs used to measure fair value are categorized within different levels of hierarchy, the fair value measurement is reported at the lowest level of the input that is significant to the entire measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, taking into account factors specific to the asset or liability. The fair value hierarchy is not meant to provide insight on the liquidity characteristics of a particular asset or on the degree of sensitivity of an asset or liability to other market inputs or factors.

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

In recent years, the call option attached to the €785-million Senior Notes maturing in November 2016 gave rise to significant accounting gains or losses. This financial instrument is in an asset position as a result of a fair value reduction in the quoted prices of the notes mostly due to the continuing decrease in interest rates. The unrealized gain on this instrument could only be materialized from the early repayment of the notes.

In connection with the sale of commercial aircraft, we hold financial assets and have incurred financial liabilities, measured at fair value, some of which are reported as Level 3 financial instruments, including certain aircraft loans and lease receivables, certain investments in financing structures and lease subsidies. The fair values of these financial instruments are determined using various assumptions, with the assumption on marketability risk being the most likely to change the fair value significantly from period to period. The fair value of aircraft loans and lease receivables was also moderately impacted by credit rating changes in the recent past. Refer to Note 20 for a sensitivity analysis indicating the impacts on fair value measurement as a result of using reasonably possible alternative assumptions.

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies and methods

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 amended IAS 1 was adopted effective January 1, 2013. The presentation of our consolidated financial statement was not impacted by these amendments as the items within OCI that may be reclassified to the consolidated statement of income are already disclosed together.

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 when another IFRS requires or permits the item to be measured at fair value. IFRS 13 was adopted effective January 1, 2013. The adoption of this standard had no significant impact on our consolidated financial statements other than to give rise to additional disclosures, see Note 20, Fair value of financial instruments, to the interim 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 an entity's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 was adopted effective January 1, 2013. The adoption of this standard had no impact on our consolidated financial statements.

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 was adopted effective January 1, 2013. These disclosures are required in annual 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 was 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 was adopted effective January 1, 2013 and the change has been accounted for retroactively in accordance with the transition rules of IFRS 11.

A large part of our investments in joint arrangements qualify as joint ventures and are now accounted for using the equity method of accounting. These investments were previously accounted for using the proportionate consolidation method. Under the equity method of accounting, our share of net assets, net income and OCI of joint ventures are 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 includes the cash flows between us and our joint ventures, and not our proportionate share of the joint ventures' cash flows.

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 previous IAS 19, interest income was 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 amended IAS 19 was adopted effective January 1, 2013. The changes in accounting policy have been accounted for retroactively in accordance with the transition rules of the amended IAS 19 and the additional disclosures will be provided in our annual consolidated financial statements for fiscal year 2013.

Change in methods of measurement of certain financial assets
We revised our methods of measurement of certain financial assets carried at fair value, mainly investments in financing structures. The carrying value of these financial assets is determined using a valuation model based on stochastic simulations and discounted cash flow analysis. In the past, the methods used to determine the discount rate did not include all the components that market participants would consider as inputs to establish fair value. Therefore, the impacted financial assets have been re-measured using revised discount rates and the change of method has been accounted for retroactively. Also, certain of these remeasured financial assets have been reclassified on the consolidated statements of financial position to present them separately from related provisions.

Impact of adopting the above-mentioned changes in accounting policies and methods
The following tables summarize the retroactive restatements to our consolidated financial statements resulting from the adoption of the amended IAS 19, *Employee benefits*, IFRS 11, *Joint arrangements* and the change of methods in measurement of certain financial assets, including the impact of reclassification.

The impacts on the consolidated statement of income are as follows:

		Three-month period ended March 31, 2012			
		Restatements			
	As presented	Joint arrangements [(1)]	Employee benefits	Remeasurement of certain financial assets	As restated
Revenues	$ 3,505	$ (24)	$ -	$ -	$ 3,481
Cost of sales	2,907	(4)	3	-	2,906
Gross margin	598	(20)	(3)	-	575
SG&A	364	(1)	1	-	364
R&D	65	-	-	-	65
Share of income of joint ventures and associates	(1)	(18)	-	-	(19)
Other income	(22)	-	(1)	-	(23)
Special items	(23)	-	-	-	(23)
EBIT	215	(1)	(3)	-	211
Financing expense	152	-	(75)	5	82
Financing income	(152)	3	107	(3)	(45)
EBT	215	(4)	(35)	(2)	174
Income taxes	25	(4)	(3)	1	19
Net income	$ 190	$ -	$ (32)	$ (3)	$ 155
EPS (in dollars)					
Basic and diluted	$ 0.10				$ 0.08

(1) Adjustments resulting from the application of the equity method:

i. Impact of ceasing to consolidate proportionally our share of revenues and expenses of joint ventures;
ii. Impact of not eliminating certain transactions between us and our joint ventures; and
iii. Impact of recording our pro-rata share of net income arising from joint ventures as a one-line item under the caption share of income of joint ventures and associates.

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

		December 31, 2012			
		Restatements			
	As presented	Joint arrangements	Employee benefits	Remeasurement of certain financial assets [(1)]	As restated
Assets					
Cash and cash equivalents	$ 2,896	$ (339)	$ -	$ -	$ 2,557
Other current assets	9,937	(406)	-	-	9,531
Investments in joint ventures and associates	66	245	-	-	311
Other financial assets	1,759	(6)	-	29	1,782
Other non-current assets	11,132	(128)	-	(10)	10,994
	$ 25,790	$ (634)	$ -	$ 19	$ 25,175
Liabilities					
Other current liabilities	$ 11,312	$ (578)	$ -	$ 59	$ 10,793
Provisions	1,586	(58)	-	80	1,608
Retirement benefits	2,997	-	2	-	2,999
Other non-current liabilities	8,518	-	-	-	8,518
	24,413	(636)	2	139	23,918
Equity	1,377	2	(2)	(120)	1,257
	$ 25,790	$ (634)	$ -	$ 19	$ 25,175

(1) Including reclassification.

	As presented	Joint arrangements	Employee benefits	Remeasurement of certain financial assets [1]	As restated
					January 1, 2012
		Restatements			
Assets					
Cash and cash equivalents	$ 3,372	$ (480)	$ -	$ -	$ 2,892
Other current assets	9,365	(159)	-	-	9,206
Investments in joint ventures and associates	37	238	-	-	275
Other financial assets	1,831	(15)	-	17	1,833
Other non-current assets	9,259	(118)	-	(8)	9,133
	$ 23,864	$ (534)	$ -	$ 9	$ 23,339
Liabilities					
Other current liabilities	$ 10,877	$ (479)	$ -	$ -	$ 10,398
Provisions	1,672	(59)	-	132	1,745
Retirement benefits	3,226	-	5	-	3,231
Other non-current liabilities	7,418	-	-	-	7,418
	23,193	(538)	5	132	22,792
Equity	671	4	(5)	(123)	547
	$ 23,864	$ (534)	$ -	$ 9	$ 23,339

[1] Including reclassification

The employee benefit restatement on the 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 comprehensive income and on the consolidated equity position, net of income taxes, are as follows:

	Three-month period ended March 31, 2012
Comprehensive income as presented	$ 550
Net income	
Employee benefits	(32)
Remeasurement of certain financial assets	(3)
OCI	
Employee benefits	34
Net decrease to comprehensive income	(1)
Comprehensive income as restated	$ 549

	As at March 31, 2012
Equity as presented	$ 1,182
Joint arrangements	4
Employee benefits	(3)
Remeasurement of certain financial assets	(126)
Equity as restated	$ 1,057

The impacts on the consolidated statements of cash flows are as follows:

	Three-month period ended March 31, 2012		
		Restatements	
	As presented	Joint arrangements	As restated
Cash flow from operating activities	$ (327)	$ 15	$ (312)
Cash flow from investing activities	(353)	2	(351)
Cash flow from financing activities	440	-	440
Effect of exchange rates	51	(1)	50
Net increase (decrease) in cash and cash equivalents	(189)	16	(173)
Cash and cash equivalents at beginning of period	3,372	(480)	2,892
Cash and cash equivalents at end of period	$ 3,183	$ (464)	$ 2,719

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. Those limited modifications include the introduction of a fair value through OCI category for debt instruments that would be based on an entity's business model.

The first part of IFRS 9 uses a new 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 FVTP&L, will 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.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the three-month period ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	March 31, 2013	December 31, 2012	Decrease
Euro	**1.2805**	1.3194	(3%)
Canadian dollar	**0.9834**	1.0043	(2%)
Pound sterling	**1.5143**	1.6167	(6%)

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

	March 31, 2013	March 31, 2012	Increase (decrease)
Euro	**1.3222**	1.3098	1%
Canadian dollar	**0.9938**	0.9979	0%
Pound sterling	**1.5568**	1.5698	(1%)

SELECTED FINANCIAL INFORMATION[1]

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

Fiscal years	**2013**			2012 *restated*			2011 *restated*
	First	Fourth	Third	Second	First	Fourth [2]	Third	Second
Revenues	**$ 4,339**	$ 4,625	$ 4,211	$ 4,097	$ 3,481	$ 4,219	$ 4,533	$ 4,613
Net income	**$ 148**	$ (4)	$ 172	$ 147	$ 155	$ 226	$ 146	$ 175
EPS (in dollars)								
Basic and diluted	**$ 0.08**	$ (0.01)	$ 0.09	$ 0.08	$ 0.08	$ 0.13	$ 0.08	$ 0.10

(1) Figures for fiscal years 2012 and 2011 have been restated for changes in accounting policies and methods.

(2) The fourth quarter ended December 31, 2011 comprised two months of BA's results and three months of BT's results.

INVESTOR INFORMATION

Authorized, issued and outstanding share data, as at May 7, 2013

	Authorized	Issued and outstanding
Class A Shares (multiple voting)(1)	1,892,000,000	314,536,762
Class B Shares (subordinate voting)(2)	1,892,000,000	1,416,603,864 (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).

No Class B Shares or Class A Shares were repurchased and cancelled from June 21, 2012 to May 7, 2013 (2,006,000 Class B Shares and no Class A Shares were repurchased and cancelled for a total amount of $14 million from June 17, 2011 to June 16, 2012).

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 March 31, 2013

Options issued and outstanding under the share option plans	27,419,880
PSUs and DSUs issued and outstanding under the PSU and DSU plans	30,581,312
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

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
First Quarterly Report, for the period ending March 31, 2014	May 1, 2014

Information

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

May 8, 2013

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

The *CSeries* family of aircraft, *Learjet 85* aircraft and *Global 7000* and *Global 8000* aircraft programs are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specification and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind.

The printed version of this quarterly report uses Rolland Enviro100 paper, containing 100% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 13 mature trees, 712 kg of solid waste, 1,850 kg of atmospheric emissions (equivalent to 12,372 kilometres by car) and 46,976 litres of water.

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

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2013
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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

		Three-month periods ended March 31	
	Notes	**2013**	2012
			restated [1]
Revenues		**$ 4,339**	$ 3,481
Cost of sales	11	**3,723**	2,906
Gross margin		**616**	575
SG&A		**344**	364
R&D	5	**70**	65
Share of income of joint ventures and associates		**(44)**	(19)
Other expense (income)	6	**6**	(23)
Special items	7	**-**	(23)
EBIT		**240**	211
Financing expense	8	**75**	82
Financing income	8	**(40)**	(45)
EBT		**205**	174
Income taxes		**57**	19
Net income		**$ 148**	$ 155
Attributable to			
Equity holders of Bombardier Inc.		**$ 143**	$ 150
NCI		**5**	5
		$ 148	$ 155
EPS (in dollars)	9		
Basic and diluted		**$ 0.08**	$ 0.08

[1] Refer to note 2 for the impact of changes in accounting policies and methods.

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions of U.S. dollars)

	Three-month periods ended March 31	
	2013	2012
		restated (1)
Net income	**$ 148**	$ 155
OCI		
Items that may be reclassified to net income		
Net change in cash flow hedges		
Foreign exchange re-evaluation	**6**	(9)
Net gain (loss) on derivative financial instruments designated as cash flow hedges	**(98)**	144
Reclassification to income or to the related non-financial asset	**37**	(69)
Income taxes	**19**	(33)
	(36)	33
AFS financial assets		
Net unrealized gain	**3**	-
Reclassification to income	**-**	(7)
Income taxes	**-**	1
	3	(6)
CCTD		
Net investments in foreign operations	**(102)**	90
Net gain (loss) on related hedging items	**29**	(32)
	(73)	58
Items that are never reclassified to net income		
Retirement benefits		
Net actuarial gains	**251**	399
Income taxes	**(48)**	(90)
	203	309
Total OCI	**97**	394
Total comprehensive income	**$ 245**	$ 549
Attributable to		
Equity holders of Bombardier Inc.	**$ 242**	$ 542
NCI	**3**	7
	$ 245	$ 549

(1) Refer to note 2 for the impact of changes in accounting policies and methods.

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

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

	Notes	**March 31 2013**	December 31 2012	January 1 2012
Assets			*restated* [1]	*restated* [1]
Cash and cash equivalents		**$ 3,733**	$ 2,557	$ 2,892
Trade and other receivables		**1,351**	1,311	1,342
Inventories	11	**8,068**	7,540	7,305
Other financial assets	12	**499**	443	522
Other assets	13	**698**	680	559
Current assets		**14,349**	12,531	12,620
PP&E		**1,930**	1,933	1,779
Aerospace program tooling		**5,179**	4,770	3,168
Goodwill		**2,243**	2,316	2,244
Deferred income taxes		**1,346**	1,421	1,476
Investments in joint ventures and associates		**358**	311	275
Other financial assets	12	**1,355**	1,339	1,311
Other assets	13	**643**	554	466
Non-current assets		**13,054**	12,644	10,719
		$ 27,403	$ 25,175	$ 23,339
Liabilities				
Trade and other payables		**$ 3,463**	$ 3,310	$ 3,032
Provisions	14	**977**	1,000	1,019
Advances and progress billings in excess of long-term contract inventories		**1,869**	1,763	1,638
Advances on aerospace programs		**3,095**	3,053	2,788
Other financial liabilities	15	**524**	455	732
Other liabilities	16	**2,195**	2,212	2,208
Current liabilities		**12,123**	11,793	11,417
Provisions	14	**587**	608	726
Advances on aerospace programs		**1,560**	1,600	1,266
Long-term debt	17	**7,216**	5,360	4,748
Retirement benefits		**2,791**	2,999	3,231
Other financial liabilities	15	**653**	601	502
Other liabilities	16	**1,009**	957	902
Non-current liabilities		**13,816**	12,125	11,375
		25,939	23,918	22,792
Equity				
Attributable to equity holders of Bombardier Inc.		**1,415**	1,211	515
Attributable to NCI		**49**	46	32
		1,464	1,257	547
		$ 27,403	$ 25,175	$ 23,339
Commitments and contingencies	21			

[1] Refer to note 2 for the impact of changes in accounting policies and methods.

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

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

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Deficit			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings	Net actuarial losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at December 31, 2012[1]	$ 347	$ 1,342	$ 2,239	$ (2,793)	$ 109	$ 10	$ (197)	$ 154	$ 1,211	$ 46	$ 1,257
Total comprehensive income											
Net income	-	-	143	-	-	-	-	-	143	5	148
OCI	-	-	-	203	-	3	(36)	(71)	99	(2)	97
	-	-	143	203	-	3	(36)	(71)	242	3	245
Options exercised	-	3	-	-	(1)	-	-	-	2	-	2
Dividends	-	-	(51)	-	-	-	-	-	(51)	-	(51)
Share-based expense	-	-	-	-	11	-	-	-	11	-	11
As at March 31, 2013	**$ 347**	**$ 1,345**	**$ 2,331**	**$ (2,590)**	**$ 119**	**$ 13**	**$ (233)**	**$ 83**	**$ 1,415**	**$ 49**	**$ 1,464**
As at January 1, 2012[1]	$ 347	$ 1,323	$ 1,988	$ (3,073)	$ 118	$ 27	$ (316)	$ 101	$ 515	$ 32	$ 547
Total comprehensive income											
Net income	-	-	150	-	-	-	-	-	150	5	155
OCI	-	-	-	309	-	(6)	33	56	392	2	394
	-	-	150	309	-	(6)	33	56	542	7	549
Dividends	-	-	(50)	-	-	-	-	-	(50)	-	(50)
Share-based expense	-	-	-	-	11	-	-	-	11	-	11
As at March 31, 2012[1]	$ 347	$ 1,323	$ 2,088	$ (2,764)	$ 129	$ 21	$ (283)	$ 157	$ 1,018	$ 39	$ 1,057

[1] Restated, refer to note 2 for the impact of changes in accounting policies and methods.

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

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

		Three-month periods ended March 31	
	Notes	**2013**	2012
Operating activities			*restated* [1]
Net income		**$ 148**	$ 155
Non-cash items			
Amortization		**91**	81
Deferred income taxes		**35**	8
Gains on disposals of PP&E	6	**(1)**	(3)
Share of income of joint ventures and associates		**(44)**	(19)
Share-based expense	18	**11**	11
Dividends received from joint ventures and associates		**10**	-
Net change in non-cash balances	19	**(326)**	(545)
Cash flows from operating activities		**(76)**	(312)
Investing activities			
Additions to PP&E and intangible assets		**(528)**	(415)
Proceeds from disposals of PP&E		**14**	32
Additions to investments in securities		**(70)**	-
Other		**(20)**	32
Cash flows from investing activities		**(604)**	(351)
Financing activities			
Proceeds from issuance of long-term debt	17	**1,970**	504
Repayments of long-term debt		**(10)**	(4)
Dividends paid[2]		**(49)**	(93)
Other		**2**	33
Cash flows from financing activities		**1,913**	440
Effect of exchange rates on cash and cash equivalents		**(57)**	50
Net increase (decrease) in cash and cash equivalents		**1,176**	(173)
Cash and cash equivalents at beginning of period - restated		**2,557**	2,892
Cash and cash equivalents at end of period		**$ 3,733**	$ 2,719
Supplemental information			
Cash paid for			
Interest		**$ 55**	$ 42
Income taxes		**$ 9**	$ 9
Cash received for			
Interest		**$ 7**	$ 6
Income taxes		**$ 1**	$ 7

[1] Refer to note 2 for the impact of changes in accounting policies and methods.
[2] $6 million of dividends paid relate to preferred shares for the three-month periods ended March 31, 2013 and 2012.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2013
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

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

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except for the changes in accounting policies and methods described in Note 2 – Changes in accounting policies and methods. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s Annual Report for the fiscal year ended December 31, 2012.

These interim consolidated financial statements for the three-month period ended March 31, 2013 were authorized for issuance by the Board of Directors on May 8, 2013.

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

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

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

			Exchange rates as at
	March 31, 2013	December 31, 2012	January 1, 2012
Euro	**1.2805**	1.3194	1.2939
Canadian dollar	**0.9834**	1.0043	0.9791
Pound sterling	**1.5143**	1.6167	1.5490

		Average exchange rates for the three-month periods ended March 31
	2013	2012
Euro	**1.3222**	1.3098
Canadian dollar	**0.9938**	0.9979
Pound sterling	**1.5568**	1.5698

2. CHANGES IN ACCOUNTING POLICIES AND METHODS

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 amended IAS 1 was adopted effective January 1, 2013. The presentation of the Corporation consolidated financial statement was not impacted by these amendments as the items within OCI that may be reclassified to the consolidated statement of income are already disclosed together.

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 when another IFRS requires or permits the item to be measured at fair value. IFRS 13 was adopted effective January 1, 2013. The adoption of this standard had no significant impact on the Corporation's consolidated financial statements other than to give rise to additional disclosures, see Note 20 – Fair value of financial instruments.

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 an entity's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 was adopted effective January 1, 2013. The adoption of this standard had no impact on the consolidated financial statements of the Corporation.

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 was adopted effective January 1, 2013. These disclosures requirements are required in annual 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 it was 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 was adopted effective January 1, 2013 and the change has been accounted for retroactively in accordance with the transition rules of IFRS 11.

A large part of the Corporation's investments in joint arrangements qualify as joint ventures and are now accounted for using the equity method of accounting. These investments were previously accounted for using the proportionate consolidation method. Under the equity method of accounting, the Corporation's share of net assets, net income and OCI of joint ventures are 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 includes the cash flows between the Corporation and its joint ventures, and not the Corporation's proportionate share of the joint ventures' cash flows.

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 previous IAS 19, interest income was 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 amended IAS 19 was adopted effective January 1, 2013. The changes in accounting policy have been accounted for retroactively in accordance with the transition rules of the amended IAS 19 and the additional disclosures will be provided in our annual consolidated financial statements for fiscal year 2013.

Change in methods of measurement of certain financial assets
The Corporation revised its methods of measurement of certain financial assets carried at fair value, mainly investments in financing structures. The carrying value of these financial assets is determined using a valuation model based on stochastic simulations and discounted cash flow analysis. In the past, the methods used to determine the discount rate did not include all the components that market participants would consider as inputs to establish fair value. Therefore, the impacted financial assets have been re-measured using revised discount rates and the change of method has been accounted for retroactively. Also, certain of these remeasured financial assets have been reclassified on the consolidated statements of financial position to present them separately from related provisions.

Impact of adopting the above-mentioned changes in accounting policies and methods
The following tables summarize the Corporation's retroactive restatements to its consolidated financial statements resulting from the adoption of the amended IAS 19, *Employee benefits,* IFRS 11, *Joint arrangements* and the change in methods of measurement of certain financial assets, including the impact of reclassification.

The impacts on the consolidated statement of income are as follows:

	Three-month period ended March 31, 2012				
		Restatements			
	As presented	Joint arrangements [1]	Employee benefits	Remeasurement of certain financial assets	As restated
Revenues	$ 3,505	$ (24)	$ -	$ -	$ 3,481
Cost of sales	2,907	(4)	3	-	2,906
Gross margin	598	(20)	(3)	-	575
SG&A	364	(1)	1	-	364
R&D	65	-	-	-	65
Share of income of joint ventures and associates	(1)	(18)	-	-	(19)
Other income	(22)	-	(1)	-	(23)
Special items	(23)	-	-	-	(23)
EBIT	215	(1)	(3)	-	211
Financing expense	152	-	(75)	5	82
Financing income	(152)	3	107	(3)	(45)
EBT	215	(4)	(35)	(2)	174
Income taxes	25	(4)	(3)	1	19
Net income	$ 190	$ -	$ (32)	$ (3)	$ 155
EPS (in dollars)					
Basic and diluted	$ 0.10				$ 0.08

[1] Adjustments resulting from the application of the equity method:
i. Impact of ceasing to consolidate proportionally the Corporation's share of revenues and expenses of joint ventures;
ii. Impact of not eliminating certain transactions between the Corporation and the joint ventures; and
iii. Impact of recording the Corporation's pro-rata share of net income arising from joint ventures as a one-line item under the caption share of income of joint ventures and associates.

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

					December 31, 2012
		Restatements			
	As presented	Joint arrangements	Employee benefits	Remeasurement of certain financial assets [1]	As restated
Assets					
Cash and cash equivalents	$ 2,896	$ (339)	$ -	$ -	$ 2,557
Other current assets	9,937	(406)	-	-	9,531
Investments in joint ventures and associates	66	245	-	-	311
Other financial assets	1,759	(6)	-	29	1,782
Other non-current assets	11,132	(128)	-	(10)	10,994
	$ 25,790	$ (634)	$ -	$ 19	$ 25,175
Liabilities					
Other current liabilities	$ 11,312	$ (578)	$ -	$ 59	$ 10,793
Provisions	1,586	(58)	-	80	1,608
Retirement benefits	2,997	-	2	-	2,999
Other non-current liabilities	8,518	-	-	-	8,518
	24,413	(636)	2	139	23,918
Equity	1,377	2	(2)	(120)	1,257
	$ 25,790	$ (634)	$ -	$ 19	$ 25,175

					January 1, 2012
		Restatements			
	As presented	Joint arrangements	Employee benefits	Remeasurement of certain financial assets [1]	As restated
Assets					
Cash and cash equivalents	$ 3,372	$ (480)	$ -	$ -	$ 2,892
Other current assets	9,365	(159)	-	-	9,206
Investments in joint ventures and associates	37	238	-	-	275
Other financial assets	1,831	(15)	-	17	1,833
Other non-current assets	9,259	(118)	-	(8)	9,133
	$ 23,864	$ (534)	$ -	$ 9	$ 23,339
Liabilities					
Other current liabilities	$ 10,877	$ (479)	$ -	$ -	$ 10,398
Provisions	1,672	(59)	-	132	1,745
Retirement benefits	3,226	-	5	-	3,231
Other non-current liabilities	7,418	-	-	-	7,418
	23,193	(538)	5	132	22,792
Equity	671	4	(5)	(123)	547
	$ 23,864	$ (534)	$ -	$ 9	$ 23,339

[1] Including reclassifications.

The impacts on the consolidated statements of comprehensive income and on the consolidated equity position, net of income taxes, are as follows:

	Three-month period ended March 31, 2012
Comprehensive income as presented	$ 550
Net income	
Employee benefits	(32)
Remeasurement of certain financial assets	(3)
OCI	
Employee benefits	34
Net decrease to comprehensive income	(1)
Comprehensive income as restated	$ 549

	As at March 31, 2012
Equity as presented	$ 1,182
Joint arrangements	4
Employee benefits	(3)
Remeasurement of certain financial assets	(126)
Equity as restated	$ 1,057

The impacts on the consolidated statements of cash flows are as follows:

	Three-month period ended March 31, 2012		
		Restatements	
	As presented	Joint arrangements	As restated
Cash flow from operating activities	$ (327)	$ 15	$ (312)
Cash flow from investing activities	(353)	2	(351)
Cash flow from financing activities	440	-	440
Effect of exchange rates	51	(1)	50
Net increase (decrease) in cash and cash equivalents	(189)	16	(173)
Cash and cash equivalents at beginning of period	3,372	(480)	2,892
Cash and cash equivalents at end of period	$ 3,183	$ (464)	$ 2,719

3. FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments
In October 2010, the IASB released IFRS 9, *Financial instruments*, which is the first part of a three-part project to replace IAS 39, *Financial instruments: recognition and measurement*. This first part only covers classification and measurement of financial assets and financial liabilities. 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. Those limited modifications include the introduction of a fair value through OCI category for debt instruments that would be based on an entity's business model.

The first part of IFRS 9 uses a new 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 FVTP&L, will be presented in OCI rather than in the statement of income. IFRS 9 will be effective for the Corporation's fiscal year beginning on January 1, 2015, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4. SEGMENT DISCLOSURE

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

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

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2012, except for the changes in accounting policies and methods described in Note 2 – Changes in accounting policies and methods.

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

	Three-month periods ended March 31					
			2013			2012
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 2,258**	**$ 2,081**	**$ 4,339**	$ 1,499	$ 1,982	$ 3,481
Cost of sales	**1,951**	**1,772**	**3,723**	1,261	1,645	2,906
Gross margin	**307**	**309**	**616**	238	337	575
SG&A	**158**	**186**	**344**	162	202	364
R&D	**42**	**28**	**70**	31	34	65
Share of income of joint ventures and associates	**-**	**(44)**	**(44)**	-	(19)	(19)
Other expense (income)	**6**	**-**	**6**	(21)	(2)	(23)
EBIT before special items	**101**	**139**	**240**	66	122	188
Special items[1]	**-**	**-**	**-**	(23)	-	(23)
EBIT	**$ 101**	**$ 139**	**240**	$ 89	$ 122	211
Financing expense			**75**			82
Financing income			**(40)**			(45)
EBT			**205**			174
Income taxes			**57**			19
Net income			**$ 148**			$ 155
Other information						
Net additions to PP&E and intangible assets[2]	**$ 503**	**$ 11**	**$ 514**	$ 372	$ 11	$ 383
Amortization	**$ 61**	**$ 30**	**$ 91**	$ 50	$ 31	$ 81

[1] See note 7 - Special items for more details.
[2] As per the consolidated statements of cash flows.

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

	March 31, 2013	December 31, 2012	January 1, 2012
Assets			
Total assets	**$ 27,403**	$ 25,175	$ 23,339
Assets not allocated to segments			
Cash and cash equivalents	**3,733**	2,557	2,892
Income tax receivable[(1)]	**29**	-	-
Deferred income taxes	**1,346**	1,421	1,476
Segmented assets	**22,295**	21,197	18,971
Liabilities			
Total liabilities	**25,939**	23,918	22,792
Liabilities not allocated to segments			
Interest payable[(2)]	**96**	66	59
Income taxes payable[(3)]	**144**	109	106
Long-term debt[(4)]	**7,257**	5,405	4,941
Deferred income taxes[(3)]	**45**	46	67
Segmented liabilities	**$ 18,397**	$ 18,292	$ 17,619
Net segmented assets			
BA	**$ 3,289**	$ 2,618	$ 899
BT	**$ 609**	$ 287	$ 453

(1) Included in other assets.
(2) Included in trade and other payables.
(3) Included in other liabilities.
(4) The current portion of long-term debt is included in other financial liabilities.

The Corporation's revenues by market segments are as follows:

	Three-month periods ended March 31	
	2013	2012
BA		
Manufacturing		
Business aircraft	**$ 1,162**	$ 643
Commercial aircraft	**301**	168
Other	**139**	131
Total manufacturing	**1,602**	942
Services[(1)]	**441**	436
Other[(2)]	**215**	121
	2,258	1,499
BT		
Rolling stock[(3)]	**1,378**	1,319
Services[(4)]	**370**	367
System and signalling[(5)]	**333**	296
	2,081	1,982
	$ 4,339	$ 3,481

(1) Includes revenues from parts services, *Flexjet* fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training), Specialized Aircraft Solutions and Military Aviation Training.
(2) Includes mainly sales of pre-owned aircraft.
(3) Comprised of 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.
(4) Comprised of revenues from fleet maintenance, refurbishment and overhaul, and material solutions.
(5) Comprised of revenues from mass transit and airport systems, mainline systems, operation and maintenance systems, e-mobility solutions, mass transit signalling and mainline signalling. Excludes the rolling stock portion of system orders manufactured by our other divisions.

5. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended March 31			
		2013		2012
R&D expenditures	**$**	**479**	$	389
Less: development expenditures capitalized to aerospace program tooling		**(444)**		(346)
		35		43
Add: amortization of aerospace program tooling		**35**		22
	$	**70**	$	65

6. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended March 31			
		2013		2012
Changes in estimates and fair value[(1)]	**$**	**9**	$	(18)
Severance and other involuntary termination costs (including changes in estimates)		**3**		(1)
Gains on disposals of PP&E		**(1)**		(3)
Other		**(5)**		(1)
	$	**6**	$	(23)

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

7. SPECIAL ITEMS

Special items comprise items which do not reflect, in management's opinion, the Corporation's core performance such as the impact of restructuring charges, significant impairment charges and reversals, as well as other significant unusual items.

Special items were as follows:

	Three-month periods ended March 31			
		2013		2012
Gain on resolution of a litigation[(1)]	**$**	**-**	$	(40)
	$	**-**	$	(40)
Of which is presented in				
Special items in EBIT	**$**	**-**	$	(23)
Financing income - interest related to the resolution of a litigation		**-**		(17)
	$	**-**	$	(40)

(1) Represents a gain upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations, of which $17 million represents the interest portion of the gain.

8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended March 31	
	2013	2012
Financing expense		
Accretion on net retirement benefit obligations	**$ 29**	$ 36
Accretion on other financial liabilities	**7**	7
Amortization of letter of credit facility costs	**4**	6
Accretion on provisions	**1**	1
Net loss on certain financial instruments[1]	**-**	6
Other	**3**	3
	44	59
Interest on long-term debt - after effect of hedges	**31**	23
	$ 75	$ 82
Financing income		
Net gain on certain financial instruments[1]	**$ (17)**	$ -
Interest related to the resolution of a litigation[2]	**-**	(17)
Changes in discount rates of provisions	**-**	(5)
Other	**(7)**	(3)
	(24)	(25)
Interest on loans and lease receivables - after effect of hedges	**(9)**	(9)
Interest on cash and cash equivalents	**(4)**	(8)
Income from investment in securities	**(3)**	(3)
	(16)	(20)
	$ (40)	$ (45)

[1] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[2] Represents 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. The remaining $23 million of the gain was recorded in special items.

Borrowing costs capitalized to PP&E and intangible assets totalled $56 million for three-month period ended March 31, 2013, using an average capitalization rate of 5.36% ($38 million and 5.84% for three-month period ended March 31, 2012). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

9. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended March 31	
	2013	2012
Net income attributable to equity holders of Bombardier Inc.	**$ 143**	$ 150
Preferred share dividends, including taxes	**(9)**	(6)
Net income attributable to common equity holders of Bombardier Inc.	**$ 134**	$ 144
Weighted-average number of common shares outstanding	**1,737,683,800**	1,729,843,000
Net effect of stock options, PSUs and DSUs	**1,696,896**	7,273,929
Weighted-average diluted number of common shares	**1,739,380,696**	1,737,116,929
EPS (in dollars)		
Basic and diluted	**$ 0.08**	$ 0.08

The effect of the exercise of stock options, PSUs and DSUs was included in the calculation of diluted EPS in the above table, except for 36,556,115 stock options, PSUs and DSUs for the three-month period ended March 31, 2013 (29,614,548 stock options, PSUs and DSUs for the three-month period ended March 31, 2012) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation's Class B Shares (subordinate voting) or predetermined financial performance targets had not been met.

10. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	HFT	Designated	AFS	Amortized cost [1]	DDHR	Total carrying value	Fair value
March 31, 2013							
Financial assets							
Cash and cash equivalents	**$ 3,733**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,733**	**$ 3,733**
Trade and other receivables	**-**	**-**	**-**	**1,351**	**-**	**1,351**	**1,351**
Other financial assets	**127**	**699**	**314**	**126**	**588**	**1,854**	**1,854**
	$ 3,860	**$ 699**	**$ 314**	**$ 1,477**	**$ 588**	**$ 6,938**	**$ 6,938**
Financial liabilities							
Trade and other payables	**$ -**	**$ 4**	**n/a**	**$ 3,459**	**$ -**	**$ 3,463**	**$ 3,463**
Long-term debt[2]	**-**	**-**	**n/a**	**7,257**	**-**	**7,257**	**7,298**
Other financial liabilities	**29**	**147**	**n/a**	**716**	**244**	**1,136**	**1,301**
	$ 29	**$ 151**	**n/a**	**$ 11,432**	**$ 244**	**$ 11,856**	**$ 12,062**
December 31, 2012							
Financial assets							
Cash and cash equivalents	$ 2,557	$ -	$ -	$ -	$ -	$ 2,557	$ 2,557
Trade and other receivables	-	-	-	1,311	-	1,311	1,311
Other financial assets	92	697	217	133	643	1,782	1,782
	$ 2,649	$ 697	$ 217	$ 1,444	$ 643	$ 5,650	$ 5,650
Financial liabilities							
Trade and other payables	$ -	$ -	n/a	$ 3,310	$ -	$ 3,310	$ 3,310
Long-term debt[2]	-	-	n/a	5,405	-	5,405	5,272
Other financial liabilities	15	158	n/a	712	126	1,011	1,146
	$ 15	$ 158	n/a	$ 9,427	$ 126	$ 9,726	$ 9,728
January 1, 2012							
Financial assets							
Cash and cash equivalents	$ 2,892	$ -	$ -	$ -	$ -	$ 2,892	$ 2,892
Trade and other receivables	-	-	-	1,342	-	1,342	1,342
Other financial assets	44	713	399	173	504	1,833	1,832
	$ 2,936	$ 713	$ 399	$ 1,515	$ 504	$ 6,067	$ 6,066
Financial liabilities							
Trade and other payables	$ -	$ -	n/a	$ 3,032	$ -	$ 3,032	$ 3,032
Long-term debt[2]	-	-	n/a	4,941	-	4,941	4,649
Other financial liabilities	21	140	n/a	557	323	1,041	1,118
	$ 21	$ 140	n/a	$ 8,530	$ 323	$ 9,014	$ 8,799

[1] Financial assets are classified as L&R and financial liabilities as other than HFT.
[2] Includes the current portion of long-term debt.
n/a: Not applicable

Offsetting financial assets and financial liabilities
Following the amendment to IFRS 7, *Financial instruments: disclosures,* the Corporation is now required to disclose information about rights to set-off financial instruments on its consolidated statements of financial position and related arrangements.

The Corporation is subject to enforceable master netting agreements related mainly to its derivative financial instruments and cash and cash equivalents which contain a right of set-off in case of default, insolvency or bankruptcy. The amounts that are subject to the enforceable master netting agreements, but which do not meet some or all of the offsetting criteria, are as follows as at March 31, 2013:

Description of recognized financial assets and liabilities	Amount recognized in the financial statements	Amounts subject to master netting agreements	Net amount not subject to master netting agreements
Derivative financial instruments - assets	$ 715	$ (206)	$ 509
Derivative financial instruments - liabilities	$ (273)	$ 227	$ (46)
Cash and cash equivalents	$ 3,733	$ (21)	$ 3,712

11. INVENTORIES

Inventories were as follows, as at:

	March 31, 2013	December 31, 2012	January 1, 2012
Aerospace programs	**$ 4,592**	$ 4,345	$ 3,845
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**6,057**	5,387	5,940
Less: advances and progress billings	**(4,459)**	(4,014)	(4,296)
	1,598	1,373	1,644
Service contracts			
Cost incurred and recorded margins	**421**	408	380
Less: advances and progress billings	**(18)**	(15)	(45)
	403	393	335
Finished products(1)	**1,475**	1,429	1,481
	$ 8,068	$ 7,540	$ 7,305

(1) Finished products include 1 new aircraft not associated with a firm order and 73 pre-owned aircraft, totalling $604 million as at March 31, 2013 (3 new aircraft and 74 pre-owned aircraft, totalling $551 million as at December 31, 2012 and 5 new aircraft and 95 pre-owned aircraft, totalling $691 million as at January 1, 2012).

Finished products as at March 31, 2013 include $155 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($147 million as at December 31, 2012 and $162 million as at January 1, 2012). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $3,398 million for three-month period ended March 31, 2013 ($2,605 million for three-month period ended March 31, 2012). These amounts include $30 million of write-downs for three-month period ended March 31, 2013 ($14 million for three-month period ended March 31, 2012).

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	March 31, 2013	December 31, 2012	January 1, 2012
Derivative financial instruments	**$ 715**	$ 735	$ 548
Aircraft loans and lease receivables(1)	**420**	423	467
Investments in securities(1) (2)	**338**	243	423
Investments in financing structures(1)	**334**	329	320
Restricted cash	**24**	25	44
Other	**23**	27	31
	$ 1,854	$ 1,782	$ 1,833
Of which current	**$ 499**	$ 443	$ 522
Of which non-current	**1,355**	1,339	1,311
	$ 1,854	$ 1,782	$ 1,833

(1) Carried at fair value, except for $11 million of aircraft loans and lease receivables, $24 million of investments in securities and $44 million of investment in financing structures carried at amortized cost as at March 31, 2013 ($11 million, $26 million and $44 million, respectively, as at December 31, 2012 and $32 million, $24 million and $42 million, respectively, as at January 1, 2012).

(2) Includes $70 million of securities ceded as collateral for guarantees issued in connection with the sale of aircraft as at March 31, 2013 (nil as at December 31, 2012, and $167 million as at January 1, 2012).

13. OTHER ASSETS

Other assets were as follows, as at:

	March 31, 2013	December 31, 2012	January 1, 2012
Prepaid expenses	**$ 389**	$ 366	$ 299
Sales tax and other taxes	**301**	281	184
Flexjet fractional ownership deferred costs	**202**	206	186
Intangible assets other than aerospace program tooling and goodwill	**201**	210	225
Retirement benefits	**123**	38	13
Deferred financing charges	**99**	103	85
Other	**26**	30	33
	$ 1,341	$ 1,234	$ 1,025
Of which current	**$ 698**	$ 680	$ 559
Of which non-current	**643**	554	466
	$ 1,341	$ 1,234	$ 1,025

14. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other [1]	Total
Balance as at December 31, 2012	**$ 907**	**$ 483**	**$ 127**	**$ 91**	**$ 1,608**
Additions	**106**	**12**	**4**	**2**	**124**
Utilization	**(83)**	**(2)**	**(11)**	**(4)**	**(100)**
Reversals	**(42)**	**-**	**(1)**	**(4)**	**(47)**
Accretion expense	**-**	**1**	**-**	**-**	**1**
Effect of changes in discount rates	**-**	**-**	**-**	**-**	**-**
Effect of foreign currency exchange rate changes	**(17)**	**-**	**(3)**	**(2)**	**(22)**
Balance as at March 31, 2013	**$ 871**	**$ 494**	**$ 116**	**$ 83**	**$ 1,564**
Of which current	**$ 732**	**$ 91**	**$ 112**	**$ 42**	**$ 977**
Of which non-current	**139**	**403**	**4**	**41**	**587**
	$ 871	**$ 494**	**$ 116**	**$ 83**	**$ 1,564**

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other [1]	Total
Balance as at January 1, 2012	$ 1,014	$ 588	$ 38	$ 105	$ 1,745
Additions	60	-	2	4	66
Utilization	(85)	-	(8)	(1)	(94)
Reversals	(32)	(6)	(4)	(2)	(44)
Accretion expense	-	1	-	-	1
Effect of changes in discount rates	-	(5)	-	-	(5)
Effect of foreign currency exchange rate changes	23	-	1	-	24
Balance as at March 31, 2012	$ 980	$ 578	$ 29	$ 106	$ 1,693
Of which current	$ 840	$ 60	$ 24	$ 68	$ 992
Of which non-current	140	518	5	38	701
	$ 980	$ 578	$ 29	$ 106	$ 1,693

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

15. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	March 31, 2013	December 31, 2012	January 1, 2012
Government refundable advances	**$ 387**	$ 398	$ 317
Derivative financial instruments	**273**	141	344
Sale and leaseback obligations	**168**	168	163
Lease subsidies	**147**	158	140
Vendor non-recurring costs	**54**	53	13
Current portion of long-term debt	**41**	45	193
Other	**107**	93	64
	$ 1,177	$ 1,056	$ 1,234
Of which current	**$ 524**	$ 455	$ 732
Of which non-current	**653**	601	502
	$ 1,177	$ 1,056	$ 1,234

16. OTHER LIABILITIES

Other liabilities were as follows, as at:

	March 31, 2013	December 31, 2012	January 1, 2012
Employee benefits	**$ 740**	$ 645	$ 663
Accruals for long-term contract costs	**607**	677	773
Deferred revenues	**474**	499	424
Supplier contributions to aerospace programs	**397**	364	348
Flexjet fractional ownership deferred revenues	**242**	241	212
Income and other taxes payable	**225**	252	214
Deferred income taxes	**45**	46	67
Other	**474**	445	409
	$ 3,204	$ 3,169	$ 3,110
Of which current	**$ 2,195**	$ 2,212	$ 2,208
Of which non-current	**1,009**	957	902
	$ 3,204	$ 3,169	$ 3,110

17. LONG-TERM DEBT

In January 2013, the Corporation issued, at par, unsecured Senior Notes comprised of $750 million, bearing interest at 4.25% per year, due on January 15, 2016 and $1,250 million, bearing interest at 6.125% per year, due on January 15, 2023. The net proceeds amounted to $1,970 million.

18. SHARE-BASED PLANS

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

	Three-month periods ended March 31			
	2013		2012	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**24,179,840**	**6,673,447**	19,149,004	4,367,000
Granted	**-**	**7,412**	53,000	70,000
Cancelled	**(279,387)**	**-**	(178,989)	(25,000)
Balance at end of period	**23,900,453**	**6,680,859** [(1)]	19,023,015	4,412,000 [(1)]

[(1)] Of which 1,183,396 DSUs are vested as at March 31, 2013 (nil as at March 31, 2012).

The compensation expense, with respect to the PSU and DSU plans, amounted to $9 million during the three-month periods ended March 31, 2013 and 2012.

Share option plans
The number of options issued and outstanding to purchase Class B Shares (Subordinate Voting) has varied as follows:

	Three-month periods ended March 31	
	2013	2012
Balance at beginning of period	**28,490,089**	27,249,846
Granted	**-**	90,000
Exercised	**(749,860)**	(140,000)
Cancelled	**(265,349)**	(394,069)
Expired	**(55,000)**	(1,722,000)
Balance at end of period	**27,419,880**	25,083,777

A compensation expense of $2 million was recorded during the three-month periods ended March 31, 2013 and 2012 with respect to share option plans.

19. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31	
	2013	2012
Trade and other receivables	**$ (12)**	$ 48
Inventories	**(349)**	(916)
Other financial assets and liabilities, net	**45**	(40)
Other assets	**(125)**	(143)
Trade and other payables	**189**	(7)
Provisions	**(21)**	(79)
Advances and progress billings in excess of long-term contract inventories	**(170)**	73
Advances on aerospace programs	**2**	401
Retirement benefits liability	**13**	57
Other liabilities	**102**	61
	$ (326)	$ (545)

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Methods and assumptions

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

Aircraft loans and lease receivables and investments in financing structures – The Corporation uses an internal valuation model based on stochastic simulations and discounted cash flow analysis to estimate fair value. Fair value is calculated using market data for interest rates, published credit ratings when available, yield curves and default probabilities. The Corporation uses market data to determine the marketability adjustments and also uses internal assumptions to take into account factors that market participants would consider when pricing these financial assets. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In addition, the Corporation uses aircraft residual value curves reflecting specific factors of the current aircraft market.

Lease subsidies – The Corporation uses an internal valuation model based on stochastic simulations to estimate fair value of lease subsidies incurred in connection with the sale of commercial aircraft. Fair value is calculated using market data for interest rates, published credit ratings when available, default probabilities from rating agencies and the Corporation's credit spread. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating.

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

The Corporation uses an option-adjusted spread model and a discounted cash flow model to estimate the fair value of call features on long-term debt, using market data such as interest-rate swap curves and external quotations.

The methods and assumptions used to measure fair value for items recorded at amortized cost are as follows:

Financial instruments whose carrying value approximates fair value – The fair values of trade and other receivables, certain aircraft loans and lease receivables, certain investments in securities, restricted cash, trade and other payables, and sales and leaseback obligations measured at amortized cost, approximate their carrying value due to the short-term maturities of these instruments, because they bear variable interest-rate or because the terms and conditions are comparable to current market terms and conditions for similar items.

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

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

Fair value hierarchy
The following tables present financial assets and financial liabilities measured at fair value on a recurring basis categorized using the fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs from observable markets other than quoted prices included in Level 1, including indirectly observable data (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows as at March 31, 2013:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	$ 409	$ -	$ -	$ 409
Derivative financial instruments[1]	715	-	715	-
Investments in securities	299 [2]	32	267	-
Investments in financing structures	290	-	150	140
	$ 1,713	$ 32	$ 1,132	$ 549
Financial liabilities				
Lease subsidies	$ 147	$ -	$ -	$ 147
Derivative financial instruments[1]	273	-	273	-
	$ 420	$ -	$ 273	$ 147

[1] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements, and cross-currency interest-rate swap agreements and embedded derivatives.
[2] Excludes $15 million of AFS investments carried at cost.

Changes in fair value of Level 3 financial instruments were as follows for three-month period ended:

	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Balance as at December 31, 2012	$ 412	$ 135	$ (158)
Net gains and interests included in net income[1]	1	5	2
Issuances	3	-	-
Settlements	(7)	-	9
Balance as at March 31, 2013	$ 409	$ 140	$ (147)

[1] Of which an amount of $9 million represents realized losses.

Main assumptions developed internally for Level 3 hierarchy
When measuring Level 3 financial instruments at fair value, some assumptions are not derived from an observable market. The main assumptions developed internally relate to credit risks of customers without published credit rating and marketability adjustments to discount rate specific to our financial assets.

These main assumptions are as follows as at March 31, 2013:

Main assumptions (weighted average)	**Aircraft loans and lease receivables**	**Investments in financing structures**	**Lease subsidies**
Internally assigned credit rating	Between BB- to CCC (B+)	Between BB- to CCC (B)	Between BBB- to C (B)
Discount rate adjustments for marketability	Between 3.25% and 5.42% (4.95%)	Between 1.63% and 7.59% (5.87%)	n/a

Also, aircraft residual value curves are important inputs in assessing the fair value of certain financial instruments. These curves were prepared by management based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balanced market in the medium and long term.

Sensitivity to selected changes of assumptions for Level 3 hierarchy

These assumptions not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows as at March 31, 2013:

Impact on EBT			**Change of assumptions**	
Gain (loss)	**Change in fair value recognized in EBT for the three-month period ended March 31, 2013**	**Decrease in aircraft residual value curves by 1%**	**Downgrade the internally assigned credit rating of unrated customers by 1 notch**	**Increase the marketability adjustments by 100 bps**
Aircraft loans and lease receivables	$ (7)	$ (2)	$ (14)	$ (21)
Investment in financing structures	$ 3	$ (1)	$ (9)	$ (11)
Lease subsidies	$ 4	n/a	$ 4	n/a

21. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2013	December 31, 2012	January 1, 2012
Aircraft sales			
Residual value	**$ 1,799**	$ 1,812	$ 2,108
Credit	**1,228**	1,218	1,389
Mutually exclusive exposure[(1)]	**(600)**	(594)	(771)
Total credit and residual value exposure	**$ 2,427**	$ 2,436	$ 2,726
Trade-in commitments	**$ 3,049**	$ 3,098	$ 1,619
Conditional repurchase obligations	**$ 465**	$ 489	$ 457
Other			
Credit and residual value	**$ 47**	$ 47	$ 156
Performance guarantees	**$ 39**	$ 41	$ 36

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

Provisions for anticipated losses amounted to $494 million as at March 31, 2013 ($483 million as at December 31, 2012 and $588 million as at January 1, 2012). In addition, lease subsidy liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $147 million as at March 31, 2013 ($158 million as at December 31, 2012 and $140 million as at January 1, 2012).

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

While the Corporation cannot predict the final outcome of legal proceedings pending as at March 31, 2013, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

S-Bahn claim
On March 4, 2013, S-Bahn Berlin GMBH ("SB") filed a claim against Bombardier Transportation GmbH, a wholly owned subsidiary of the Corporation, in the Berlin District Court ("Landgericht Berlin"), concerning the trains of the 481 Series delivered to SB between 1996 and 2004.

This lawsuit alleges damages of an aggregate value of €348 million ($446 million) related to allegedly defective wheels and braking system. The claim is for payment of €241 million ($309 million) and also for a declaratory judgement obliging the Corporation to compensate SB for further damages. SB currently alleges such further damages to be €107 million ($137 million).

It is the Corporation's position that this claim i) is filed in absence of any defect, ii) is not founded on any enforceable warranty, iii) is filed after the expiry of any statute of limitations and iv) is based on inapplicable standards. The lawsuit contains allegations against the Corporation which the Corporation rejects as unfounded and defamatory.

The Corporation intends to vigorously defend its position and will undertake all actions necessary to protect its reputation. While the Corporation cannot predict the final outcome of this claim pending as at March 31, 2013, based on information currently available, management believes the resolution of this claim will not have a material adverse effect on its financial position.

22. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period, mainly a reclassification from other assets to investments in joint ventures and associates and from provisions to other financial assets. See Note 2 – Changes in accounting policies and methods for more details.