TURNING OBSTACLES INTO OPPORTUNITY

BOMBARDIER

ANNUAL REPORT, YEAR ENDED JANUARY 31, 2010

Every day around the globe, Bombardier manufactures state-of-the-art planes and trains that help people and goods get where they need to go. And every day, we work diligently to earn our worldwide leadership in aerospace and rail transportation. We do this by developing ingenious and sustainable solutions to today's mobility challenges.

As a global transportation company, we are present in more than 60 countries on five continents. Our 62,900 employees design, manufacture, sell and support the broadest range of world-class products in aerospace and rail transportation. This includes commercial and business aircraft, as well as rail transportation equipment and systems.

Bombardier is headquartered in Montréal, Canada, and our shares (BBD) are traded on the Toronto Stock Exchange. In the fiscal year ended January 31, 2010, we posted revenues of $19.4 billion.*

2	Financial highlights
10	Message to shareholders and employees
18	Our answers to obstacles
20	Board of Directors
22	J. Armand Bombardier Foundation
24	Financial section
206	Main business locations
207	Board of Directors, Board Committees and Corporate Management
208	Investor information

*All amounts in this annual report are in U.S. dollars unless otherwise indicated.

THIS IS A STORY ABOUT INGENUITY

At Bombardier, ingenuity is woven into our DNA. Where most perceive obstacles, we see an opportunity to roll up our sleeves and move boldly forward. We know that business is cyclical. What matters most is how we apply our ingenuity to capitalize on the downturn to fine-tune every aspect of the way we operate. Executing better. Cutting costs intelligently. Developing our people and game-changing products to accelerate our growth and gain market share when the cycle swings upwards. Redefining our role in the community. Preparing ourselves by investing in our future.

FINANCIAL HIGHLIGHTS

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

For fiscal years ended January 31	**2010**	2009[1]
Revenues	**$19,366**	$19,721
Earnings before financing income, financing expense and income taxes (EBIT)	**$ 1,098**	$ 1,429
Income taxes	**$ 208**	$ 265
Net income	**$ 707**	$ 1,026
Earnings per share (EPS) (in dollars)		
Basic	**$ 0.39**	$ 0.57
Diluted	**$ 0.39**	$ 0.56
Dividend per common share (in Cdn dollars)		
Class A	**$ 0.10**	$ 0.08
Class B	**$ 0.10**	$ 0.08

As at January 31	**2010**	2009[1]
Total assets	**$21,273**	$21,306
Shareholders' equity	**$ 3,769**	$ 2,610
Net additions to property, plant and equipment and intangible assets	**$ 767**	$ 567
Total backlog (in billions of dollars)	**$ 43.8**	$ 48.2
Book value per common share (in dollars)	**$ 1.94**	$ 1.27
Number of common shares		
Class A	**316,231,937**	316,582,537
Class B	**1,413,419,069**	1,413,866,601

1 Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details).

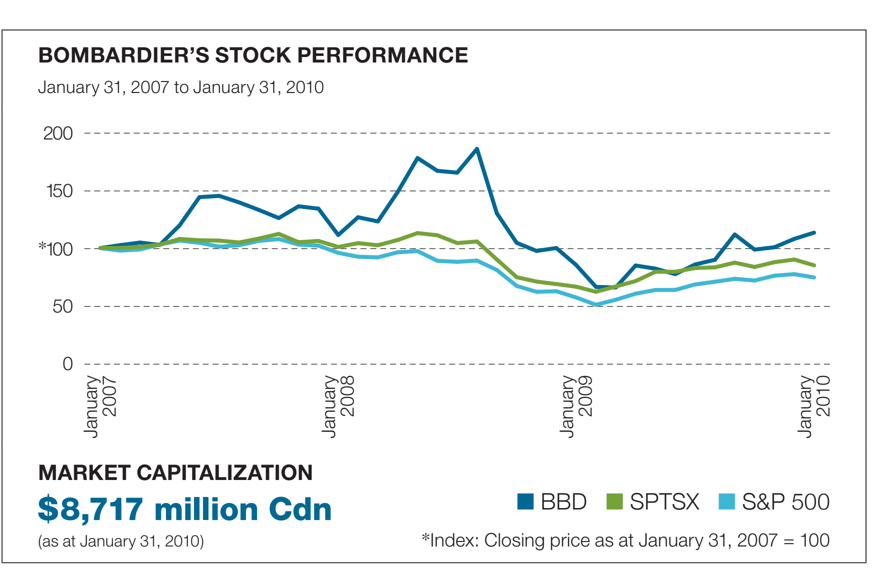
STOCK MARKET PRICE RANGES

(in Cdn dollars)

For fiscal years ended January 31	**2010**	2009
Class A		
High	**$5.63**	$9.00
Low	**$2.29**	$3.25
Close	**$5.04**	$3.85
Class B		
High	**$5.64**	$8.97
Low	**$2.22**	$3.17
Close	**$5.04**	$3.80

BOMBARDIER'S STOCK PERFORMANCE

January 31, 2007 to January 31, 2010



*Index: Closing price as at January 31, 2007 = 100

MARKET CAPITALIZATION

$8,717 million Cdn

(as at January 31, 2010)

HOW WE DELIVERED

REVENUES	DILUTED EPS	FREE CASH FLOW	ORDER BACKLOG
Fiscal year 2010	Fiscal year 2010	Fiscal year 2010	January 31, 2010
$19.4 billion	$0.39	($215) million	$43.8 billion

THREE CRITICAL SUCCESS FACTORS KEPT US ON COURSE.

Against a challenging economic backdrop, we delivered good financial results in fiscal 2010 by focusing on the following three crucial factors:

Adapting to the current reality

Short term the current economic reality is one of reduced volume and demand in our Aerospace group. While overall we're more solid now than we were during the last downturn, like every leading company, we've had to adapt. This included reducing business and regional jet production, which unfortunately resulted in layoffs. Along with tighter scrutiny of all capital expenditures and stringent cash flow management, a temporary salary freeze at our Corporate Office and Aerospace group for salaried employees became musts. So did concentrating our employees' considerable talents on better execution to build efficiency, further streamline costs and improve customer satisfaction across Bombardier.

Continuing our new product investments

A strong balance sheet allowed us to continue investing in innovative products that will generate long-term value. This counter-cyclical investment approach ensures that we differentiate ourselves and ultimately strengthen our competitive advantage. It includes three major research and development programs: the game-changing *CSeries* family of mainline aircraft, the all-composite *Learjet 85* business aircraft and the very high speed *ZEFIRO* 380 train with our groundbreaking *ECO4* technologies.

Advancing our corporate strategy

At Bombardier, product innovation and manufacturing excellence remain the cornerstones of our overall strategy. To achieve this strategy and flourish in a changing world, we intensified our focus on the five priorities of the company-wide initiative, Our Way Forward.

These priorities set our strategic direction enabling us to address the key challenges ahead. In fiscal 2010, our Aerospace and Transportation groups aligned their strategies and initiatives with these priorities, which are:

- Be #1 in customer satisfaction through flawless execution.
- Raise our game in global talent management.
- Actively manage risks.
- Establish local roots in all key markets.
- Enhance our corporate social responsibility.

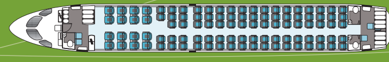
THE GAME CHANGER IN ITS CLASS

In an industry committed to carbon-neutral growth by 2020, Bombardier Aerospace continues to lead the way in driving down emissions. Our *CSeries* commercial aircraft will deliver an unmatched 20%* fuel burn and emission reduction advantage, making them the world's greenest single-aisle mainliners. Their cash operating costs will be 15%* lower compared to current in-production aircraft of similar size.

Our *CS100* and *CS300* commercial jets redefine operational flexibility, efficiency and passenger comfort in the 100- to 149-seat market segment. Streamlined design. Advanced lightweight materials. Full operational commonality. Longer range performance of up to 2,950 nautical miles. Widebody comfort in single-aisle aircraft. Powered by the award-winning and advanced fuel-efficient PurePower® PW1000G engine. The *CSeries* aircraft are designed, without compromise, to meet commercial airline needs in 2013 and beyond.

CS100 EXTERNAL DIMENSIONS

Length:	34.9 m / 114 ft. 6 in.
Wingspan:	35.1 m / 115 ft. 1 in.
Wing area (net):	112.3 m^2 / 1,209 ft.^{2}
Height:	11.5 m / 37 ft. 9 in.
Fuselage max. diameter:	3.7 m / 12 ft. 2 in.



CS100 CONFIGURATIONS

Dual class: 100 seats
91.4 cm / 36 in. seat pitch in business class
81.3 cm / 32 in. seat pitch in economy class

Standard single class: 110 seats
81.3 cm / 32 in. seat pitch

High density single class: 125 seats
76.2 cm / 30 in. seat pitch

CS100 RANGE CAPABILITY

Up to 5,463 km / 2,950 NM

85% annual wind / enroute temperature ISA

*Under certain operating conditions. See *CSeries* aircraft program disclaimer at the end of this annual report.
PurePower® PW1000G engine is a registered trademark of United Technologies Corp. – Pratt & Whitney or its subsidiaries.

CSERIES
LEADING
THE CHANGE

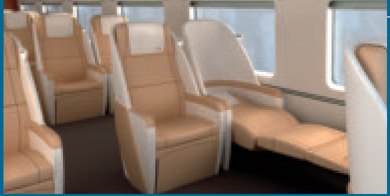
A NEW SENSE OF VERY HIGH SPEED

Today's rail passengers want more than very high speed (VHS) trains. The new priorities in rail transportation for all stakeholders are customized comfort, high-capacity, energy efficiency and sustainable solutions to society's mounting ecological challenges. Our new *ZEFIRO* portfolio of VHS trains addresses each of these priorities.

As the world leader in rail transportation, we set out to develop a radically new definition of VHS rail travel, establishing benchmarks in very high speed, performance, passenger comfort and energy efficiency. The *ZEFIRO* 380 train will attain an operating speed of up to 380 kilometres per hour. It also takes energy-savings to the next level by incorporating several of our groundbreaking *ECO4* technologies, which will enable it to deliver the lowest energy consumption per seat in the VHS segment.

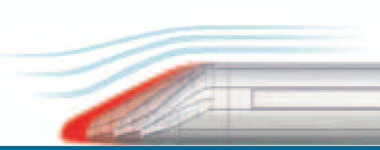
VERY HIGH PERFORMANCE

- Powerful exterior design for very high speeds
- Maximum operating speed of 380 km/h
- Capacity of 1,336 seats in a 16-car train
- Lowest energy consumption per seat
- Operational flexibility with scalable traction power



VERY HIGH COMFORT

- Spacious interior in open tube design
- New VIP class with luxury sleeping seats
- Customizable seating layout
- Restaurant coach plus bistro booth in each car



***ECO4* TECHNOLOGIES**

- AeroEfficient Optimized Train Shaping
- ThermoEfficient Climatization System
- *EBI* Drive 50 Driver Assistance System
- Energy Management Control System

RADICALLY
NEW
ZEFIRO 380
ZEFIRO

INGENUITY FROM NOSE TO TAIL

Development of our *Learjet 85* business jet is on schedule with entry into service planned for calendar year 2013. Designed from a clean sheet and featuring an all-composite airframe, this revolutionary aircraft incorporates dramatic advances in aerodynamics, structure and efficiency to usher in the next generation of performance and comfort. Its interior is sophisticated in design and smart in function, including stand-up headroom, a full storage galley and multiple floor plan options.

With the second proof-of-concept fuselage and all wind tunnel testing completed, we're now forging ahead with expanded production and final assembly sites for our largest *Learjet* aircraft. The *Learjet 85* business jet targets a high speed cruise of Mach 0.82 and a transcontinental range of 3,000* nautical miles, broadening both customer reach and possibilities.

CABIN

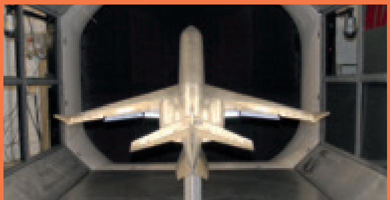
Standard passenger seating:
8 passengers (+ 2 crew)

Height: 180.3 cm / 71 in.

Width at centerline: 185.4 cm / 73 in.

Volume: 18.8 m^3/665 ft.^{3}

Baggage volume (total): 3.7 m^3/ 130 ft.^{3}



PERFORMANCE

High speed cruise[1]: M0.82 / 470 KTAS

Maximum range[2]: 5,556 km / 3,000 NM

Maximum cruise altitude:
14,935 m / 49,000 ft.

Takeoff distance[3]: 1,463 m / 4,800 ft.

AVIONICS

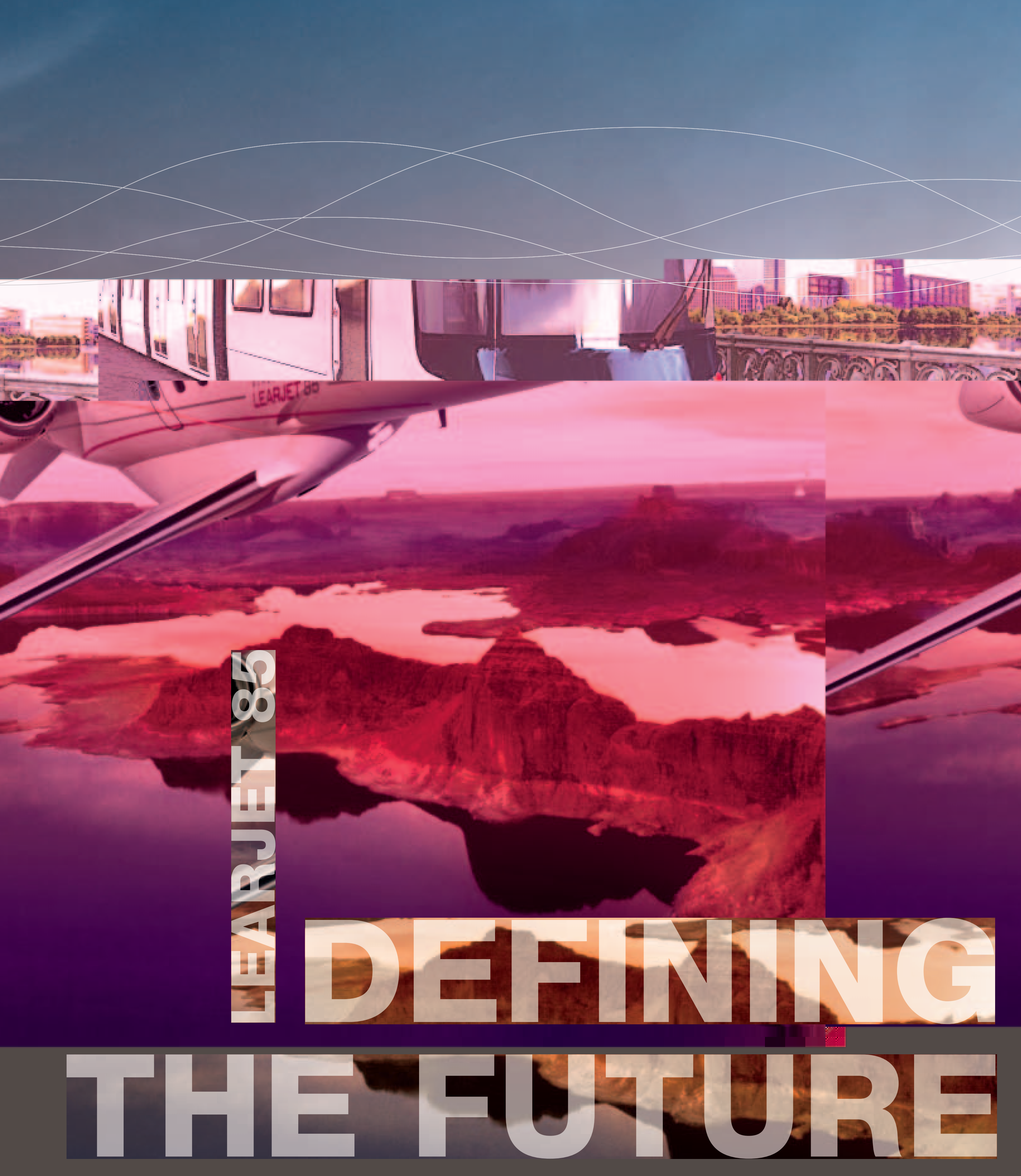
Three large 36x28 cm / 14x11 in. active matrix liquid crystal displays

Synthetic vision system (SVS)

Paperless charts and manuals

Latest in navigation and communication technology

* Under certain operating conditions
1 At 43,000 ft. / 13,106 m, 31,200 lb. / 14,152 kg cruise weight, ISA
2 4 passengers, 2 crew, LRC with NBAA IFR 100 NM fuel reserves
3 MTOW, SL, ISA, ±5%



DEFINING THE FUTURE

OPPORTUNITY: OUR WAY FORWARD

Message to shareholders and employees

BE #1 IN CUSTOMER SATISFACTION THROUGH FLAWLESS EXECUTION

RAISE OUR GAME IN GLOBAL TALENT MANAGEMENT

ACTIVELY MANAGE RISKS

ESTABLISH LOCAL ROOTS IN ALL KEY MARKETS

ENHANCE OUR CORPORATE SOCIAL RESPONSIBILITY

At Bombardier, our path to the future is clearly defined. Our approach to obstacles leverages our ingenuity to transform them into opportunities. This approach now includes five strategic priorities—being the leader in customer satisfaction through flawless execution, developing unbeatable talent, proactively managing risks, planting deep local roots in key markets and demonstrating greater corporate social responsibility. This is Our Way Forward.

From left to right: Guy C. Hachey, President and Chief Operating Officer, Bombardier Aerospace; Pierre Beaudoin, President and Chief Executive Officer, Bombardier Inc.; André Navarri, President and Chief Operating Officer, Bombardier Transportation.

We're not the same organization

Today's Bombardier is a different company than the one that faced the global economic turmoil of 2001. We've evolved into the world's number one train and number three civil aircraft manufacturer.

Despite one of the most turbulent decades in civil aviation history, we've rebuilt solid foundations by setting and achieving three objectives: good profitability, liquidity and capital structures. At the end of fiscal 2010, we posted revenues of $19.4 billion and earnings before financing income, financing expense and income taxes (EBIT) of $1.1 billion. Rigorous cash management translated into a solid cash position of $3.4 billion. Our $43.8 billion order backlog represents more than two years of future revenues. In a challenging economic environment, our Aerospace and Transportation groups remained leaders in their markets.

Today our company is truly global with 95% of revenues generated outside Canada. More than 100,000 Bombardier rail cars and locomotives are in service worldwide. Every three seconds, one of our aircraft takes off or lands somewhere on the planet. All thanks to our passionate and skilled teams.

What makes us tick?

We're proud of our leadership in aerospace and rail transportation. It's the result of believing in our ability to compete with the best worldwide. From snowmobiles to trains and planes. From local entrepreneur to global leader. From revenues of less than $150 million in the early '70s to $19.4 billion in 2010. This is our heritage. A heritage built by ingenious employees who share Bombardier's entrepreneurial spirit.

While no company welcomes downturns, our heritage has taught us to seek the opportunities inherent in them. That's why we're using the current slowdown to prepare for the upturn by addressing three critical success factors: building efficiency while adapting to the new economy, remaining firmly committed to developing our new products, and sharpening our focus on the five priorities of Our Way Forward.

BOMBARDIER AEROSPACE: A GLOBAL AVIATION LEADER

We performed well in a difficult environment

In 2009, the global recession and financial crisis triggered a downturn in the aerospace industry. Despite this challenging environment, our Aerospace group turned in a good performance.

Delivering on our large backlog generated market share gains. We increased our revenue market share in business aircraft from 31% in calendar year 2008 to 32% in calendar year 2009. Our delivery market share grew from 26% to 30% during the same period. In the 20- to 99-seat commercial aircraft segment, our regional jet delivery market share rose from 29% to 37% and our turboprop delivery market share from 52% to 54% during this time frame.

Several changes were necessary

Like all businesses, we've taken action to adapt to these turbulent times. To prevent accumulating inventory and to preserve cash, we scaled back production of our business jets and *CRJ* regional aircraft in the face of reduced demand. This resulted in approximately 4,700 layoffs. However, we hired more than 500 employees as part of our ongoing investment in new aircraft programs.

Lower demand and volume also prompted us to accelerate our efforts to improve our operations, processes and controls. To date, 98% of our work teams either achieved or qualified for Silver certification in our Achieving Excellence System (AES). AES Silver, combined with Lean and other continuous improvement initiatives, drove progress in our operational performance, costs and quality. We're now set to launch AES Gold.

We also enhanced our customer services and support through a broad range of initiatives. They included a new feature-rich online commercial aircraft customer portal, our first wholly owned service centre in Europe and a third Bombardier commercial aircraft service centre in the United States. These efforts are paying off. For the third consecutive year, third-party surveys reported greater customer satisfaction with our services and support.

Business aircraft took a hard hit

We offer the industry's most comprehensive portfolio of business aircraft. The financial crisis is having a substantial impact on business aircraft sales globally. As a result, we delivered 25% fewer business jets in fiscal 2010 than during the previous year.

Despite the slowdown, we continued to invest in our *Learjet 85* business aircraft program, which is now in the detailed design phase. We began construction of a new *Learjet 85* aircraft manufacturing and pre-assembly facility in Mexico's Querétaro Aerospace Park, which will be operational in mid-2010. We also completed a flawless first test flight for our *Global Vision* cockpit on our *Global Express XRS* business jet.

AEROSPACE
FISCAL YEAR 2010 HIGHLIGHTS

- 302 aircraft deliveries
- $16.7 billion backlog
- Revenues of $9.4 billion
- EBIT of $473 million for a 5.1% EBIT margin
- Increased market share in both business and commercial aircraft
- Improved execution and customer satisfaction
- Broke ground on aircraft testing and component facilities in Mexico, Canada and the United Kingdom
- Secured 50 firm orders for the *CSeries* aircraft
- Adjusted business and regional jet production rates

Our commercial aircraft business held steady

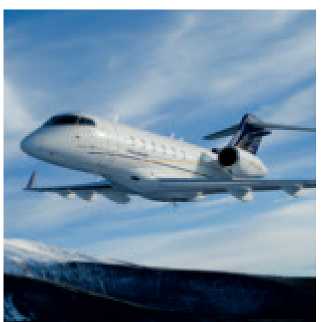
The financial crisis is also impacting the commercial aircraft industry, lowering both airline profitability and aircraft financing availability in the short term. While we experienced some order deferrals, we delivered 10% more commercial aircraft in fiscal 2010 than during fiscal 2009 due in large part to our popular *Q400* turboprops.

With software updates to the rudder control-by-wire system in place, flight testing of our *CRJ1000 NextGen* aircraft resumed in mid-February 2010. The first *CRJ1000 NextGen* aircraft deliveries are scheduled for the second half of calendar year 2010. Firm orders for this advanced 100-seat regional jet stand at 49.

Fiscal 2010 milestones in the *CSeries* aircraft program included stress testing on its aluminum lithium fuselage and breaking ground on the CIASTA (Complete Integrated Aircraft Systems Test Area) facility north of Montréal, Canada. We also started to build a state-of-the-art aircraft wing composite manufacturing and assembly facility in Belfast, U.K.

In fiscal year 2010, we secured 50 firm orders for our *CSeries* mainline commercial jets, scheduled to enter service in 2013. In early fiscal 2011, we received a firm order for 40 *CS300* jetliners, with an option for 40 more, from Republic Airways Holdings Inc., our first *CSeries* aircraft customer in North America. Our fuel-efficient family of *CS100* and *CS300* jetliners could potentially capture 50% of the market in the 100- to 149-seat category.

Q400 NEXTGEN



CHALLENGER 300

ADDING TO OUR WAY FORWARD IN AEROSPACE

In our Aerospace group, we incorporated two strategic elements into Our Way Forward in fiscal 2010. The first element is our commitment to developing innovative, environmentally conscious technologies and products that meet customer needs globally. The second is our focus on evolving into a lean enterprise with strong global supply-chain partnerships. These actions will allow us to strengthen our long-term leadership in our industry segments through revenue growth and sustainable best-in-class financial performance with the most loyal customer base by 2020.

BOMBARDIER TRANSPORTATION: LEADING MOBILITY INTO THE FUTURE

Rail is unmatched at meeting key societal challenges

Sustainable and environmentally friendly, rail plays an unrivalled role in tackling the challenges posed by climate change, urbanization and population growth.

In fiscal 2010, our Transportation group retained its leadership in an increasingly competitive market by providing an extensive portfolio of innovative solutions. Seven vehicle platforms spanning all segments, advanced rail control solutions, total transit systems and comprehensive services position us to seize new market opportunities in Asia, Europe and North America.

Our fundamentals are strong

In fiscal 2010, growth in Transportation helped offset challenges in Aerospace. We concluded a successful year in a difficult environment by remaining focused on profitable growth. This focus paid off as we surpassed our targeted EBIT margin of 6%, reaching 6.2%.

Overall, our new orders reached $9.6 billion for a book-to-bill ratio of 1.0. Revenues rose to $10 billion compared to $9.8 billion in the previous year.

It was a high speed year in emerging markets

In fiscal 2010, we demonstrated our global credentials in high speed rail technology by continuing to make inroads in China, a market with huge potential. Through our joint venture with a Chinese partner, we signed a $4-billion contract to supply the country's Ministry of Railways with 80 VHS *ZEFIRO* 380 trains capable of operating at 380 kilometres per hour. This builds on the recent successful introduction of our high speed sleeper trains, delivered in record time.

The *ZEFIRO* 380 train is one of the world's fastest series-production eco-efficient trains. Delivery of the first of the 1,120 *ZEFIRO* 380 railcars will occur in 2012.

We also consolidated our position in China's metro market with a new order for *MOVIA* metro cars for Shanghai's Line 12.

In India, our new state-of-the-art Savli plant rolled out its first Delhi metro trains. This facility will reinforce our market position across the Asia-Pacific region.

Traditional markets remained robust

Business also boomed for us in commuter and regional trains in France, Germany and Sweden. We strengthened our success in this segment in early fiscal 2011 by signing a framework agreement of approximately $11 billion with the French railways SNCF for regional double-deck trains. The light rail market continued to thrive and we received our first contract in the U.K. for *FLEXITY* 2, our latest tram platform.

TRANSPORTATION

FISCAL YEAR 2010 HIGHLIGHTS

- $9.6 billion in new orders for a 1.0 book-to-bill ratio
- Strong $27.1 billion backlog
- Revenues of $10 billion
- EBIT of $625 million for a 6.2% EBIT margin
- Began *MOVIA* metro car deliveries from our new manufacturing site in Savli, India
- Signed breakthrough contracts for our new vehicle platforms (*ZEFIRO* very high speed trains and *FLEXITY* 2 trams)
- Introduced new *MOVIA* metro cars in Delhi, India, and *SPACIUM* commuter trains (Francilien) in France
- Won two major orders for light rail vehicles in Canada and electrical locomotives in Italy

However, overall economic uncertainty and the ongoing decline in freight traffic decreased activity in our freight locomotive and service segments.

Our technology is unbeatable

We continue to drive innovation in reliability and passenger comfort. Energy efficiency, profitability and total train performance are also priorities for our customers.

Launched in 2008, our pioneering *ECO4* solutions contribute to sustainable mobility and enhance total train performance. *ECO4* balances the four cornerstones of Energy, Efficiency, Economy and Ecology. The portfolio encompasses breakthroughs in aerodynamic optimization, hybrid drives for electric-diesel interoperability, low-emission C.L.E.A.N. diesel engines, intelligent air-conditioning technology and advanced energy-saving systems.

In June 2009, we received a prestigious Engineering Innovation Award for our groundbreaking *ORBITA* predictive maintenance system in the U.K.

Our advanced *TRAXX* locomotives are also shaping the future of interoperable and energy-efficient cross-border rail travel in Europe. In May 2009, we delivered the first of 65 *TRAXX* locomotives to DB Schenker Rail for operation across the France-Germany-Belgium corridor.

MOVIA

SPACIUM

BUILDING ON OUR WAY FORWARD AT TRANSPORTATION

In fiscal 2010, driving innovation and renewing our product portfolio became key elements of Our Way Forward. Optimizing our geographic footprint and ensuring effective management structures are also integral to our Transportation strategy. This approach will enable us to further grow our EBIT margin, while maintaining our leadership; increase product competitiveness through innovation and customer-driven development; be our customers' preferred and most reliable partner; and continue to capitalize on new market opportunities.

Our Way Forward sets the stage for sustainable growth

Introduced in the spring of 2009, Our Way Forward tackles our key challenges for the years to come. We will begin assessing the performance of our organization and senior management on the basis of these priorities in fiscal 2011. Here's a brief look at how joint teams from our corporate office and two business groups drove these priorities forward in fiscal 2010.

Be #1 in customer satisfaction through flawless execution: Strengthening our core processes and capabilities to better execute on our promises will help us achieve this objective. In fiscal 2010, we significantly improved our operational performance and customer satisfaction by leveraging the Achieving Excellence System (AES) in Aerospace as well as the Bombardier Operating System (BOS) and the Project Management (PRO) program at Transportation. These actions are transforming us into a leaner, more customer-centric organization.

Raise our game in global talent management: Raising our talent management standards will ensure we attract, retain and engage the right talent to win. In fiscal 2010, we launched our new Integrated Talent Management Roadmap. It focuses us on cultivating our people leadership and developing a consistent global Employment Value Proposition to highlight our value as an employer and facilitate recruitment. We also began reviewing our human resources policies, programs and processes to ensure they support best practices in talent management.

Actively manage risks: Strengthening our risk management capabilities and culture are musts. In fiscal 2010, we surveyed managers to identify our risk management strengths and improvement opportunities. We completed a common framework for pinpointing risks in our three-year plans. Our Transportation group began transferring PRO, its proven risk assessment process and tools, to Aerospace.

Establish local roots in all key markets: We must strengthen our local capabilities to more efficiently and rapidly seize opportunities in strategic markets worldwide. These deep local roots already serve us well in North America and Europe. Now our focus is on building equally effective indigenous teams in China and Mexico. To this end, joint Aerospace and Transportation councils that incorporate local talent are developing a coordinated strategy to optimize our presence and success in both countries.

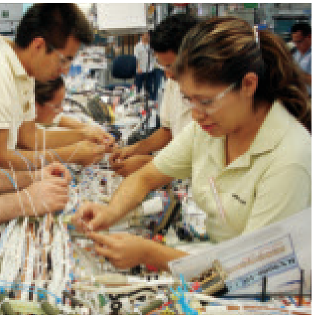
Enhance our corporate social responsibility: In fiscal 2010, we strengthened our Corporate Social Responsibility (CSR) Committee and formed working groups to drive improvements in four areas: community investment, stakeholder engagement, employee volunteering, and CSR reporting and communication. We also published our second annual CSR report.

We couldn't do it without our talented employees and skilled Board members

Our employees represent 95 nationalities and speak some 20 languages. Working on five continents, they drive our

competitive advantage and fuel innovation. Without their dedication and ideas, obstacles would remain insurmountable hurdles. We are grateful for their unflagging efforts and are committed to always striving to expand the opportunities we offer them.

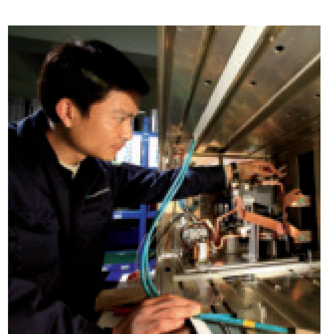
We also thank our Board of Directors for its valuable guidance. In addition, we welcome new Board member Martha Finn Brooks, until May 2009 President and COO of Novelis Inc., an $11-billion international aluminum rolling company. Her strong track record in businesses worldwide will be invaluable as we expand our global leadership. Martha's appointment increases our Board members to 14, of whom nine are independent and two are women.



Well prepared for the future

The world's economic indicators appear to be stabilizing. When the economy recovers, we will be ready with our innovative and eco-conscious aircraft to fulfill the growing need for more efficient and sustainable air travel.

The rail industry's fundamentals remain positive with a large number of tenders expected over the next few years. Despite greater competition and cost pressures, we're determined to grow our Transportation group's EBIT margin to 8% over the next three to four years[1] while retaining our leadership.



As we saw in fiscal 2010, the recession affords a unique opportunity to enhance our competitiveness. Throughout all cycles, we will continue to improve our company by ensuring better execution, better teams and a more responsible organization, while investing in our people and breakthrough products. These will always be the drivers of a sustainable future at Bombardier.

Pierre Beaudoin
President and Chief Executive Officer
Bombardier Inc.

1 As computed under IFRS – In the Management's discussion and analysis, see the IFRS section in Overview and the Forward-looking statements section in Bombardier Transportation.

OUR ANSWERS TO OBSTACLES

A discussion with our leaders

WHY IS FLAWLESS EXECUTION SO CRUCIAL FOR BOMBARDIER?

Simply put, because our continued success depends on it. We manufacture planes and trains for customers worldwide. Success means ensuring that these customers are totally satisfied with our products and services while, at the same time, improving our profitability. Achieving these two interrelated objectives requires nothing less than flawless execution.

Despite the complexity of managing rail transportation and aircraft projects, our customers expect us to deliver, on time, a premium quality product with the highest reliability standards. The final product is ultimately a reflection of how we execute in all phases of the design and manufacturing process. An inability to execute flawlessly during a project can create confusion, risks and missed opportunities. In contrast, our ability to sense and properly respond to the evolving needs of our customers enhances their overall positive experience.

Throughout Bombardier, several initiatives are in place to engage and focus our employees on building a culture of flawless execution. Two key ones are the Achieving Excellence System (AES) at Aerospace and the Bombardier Operating System (BOS) at our Transportation group. These systems are helping us evolve into a leaner, more customer-focused organization capable of best-in-class execution discipline across all core processes.

HOW WILL BOMBARDIER WIN THE GLOBAL BATTLE FOR TALENT?

Recruitment is undeniably easier during a recession, but there's a perfect storm brewing in the battle for talent these days. An aging workforce is shrinking the talent pool while the demand for talent, particularly from emerging markets, grows larger. At the same time, the need for specialized talent is rising but the number of people with these skills is falling. All of these elements are making it much harder to recruit and retain the talent we need for future growth at Bombardier.

That's why we included raising the bar on talent management as one of the pillars of Our Way Forward, a Bombardier-wide initiative. This pillar includes our new Talent Management Roadmap, which will guide us as we enhance and integrate our talent management practices so that they reach world-class status. The roadmap's singular mission is to drive how we plan, develop, measure and reward employee performance.

Our employees have been the authors of many aspects of our roadmap. As part of The Bombardier Way, they helped identify what cultural values we stand for as a company. Their input also shaped our new Employment Value Proposition, which captures our pride and passion for what we do. This proposition sums up our promise to future and existing employees about the enriching experiences and opportunities available at Bombardier.

Pierre Beaudoin
President and Chief Executive Officer
Bombardier Inc.

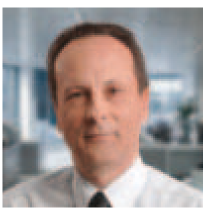
HOW WILL YOU ACHIEVE TRANSPORTATION'S NEW 8% EBIT MARGIN TARGET?

Our priority has been and remains delivering long-term profitable growth. In fiscal 2010, we increased our EBIT margin for the fifth consecutive year. We exceeded our 2010 objective of 6% and are determined to continue building on this positive momentum. That's why we set an ambitious 8% EBIT margin target to be achieved over the next three to four years[1].

In our complex environment, reaching this target will require us to further reinforce our processes to ensure flawless execution. It also demands strong project management capabilities and a competitive geographic footprint that evolves with the needs of our customers. Rigorous cash management, a determination to take calculated risks and better talent management are also key success factors.

Combined with our worldwide presence, focusing on these factors will position us to maintain our leadership and capture significant opportunities in the global railway industry. That's what we did in fiscal 2010 when we secured several landmark orders in key markets.

These orders continued in the first quarter of fiscal 2011 as we signed a framework agreement of approximately $11 billion to provide new regional double-deck trains in France. Our goal is to use our existing tools and systems to ramp up both our manufacturing excellence and the profitability of these projects. That's how we'll reach our EBIT margin target.



André Navarri
President and Chief Operating Officer
Bombardier Transportation

HOW ARE YOU IMPROVING CUSTOMER SATISFACTION AT AEROSPACE?

We decided to take advantage of the economic downturn to increase our focus on customer satisfaction. Our Achieving Excellence System is helping us improve our processes and quality controls to ensure flawless execution. This enabled us to significantly increase our process capabilities and attain more uniform and sustainable levels of performance and quality. Our customers are now benefiting from improved on-time delivery, dispatch and field reliability, parts availability and consistently better service.

We also continue to expand our global service network. Our new service centre in Macon, Georgia, our third in the U.S., enhances our service to commercial aircraft customers. To boost the efficiency of our *CRJ* Series and *Q-Series* aircraft operators, we also launched iflybombardier.com, an advanced interactive customer portal.

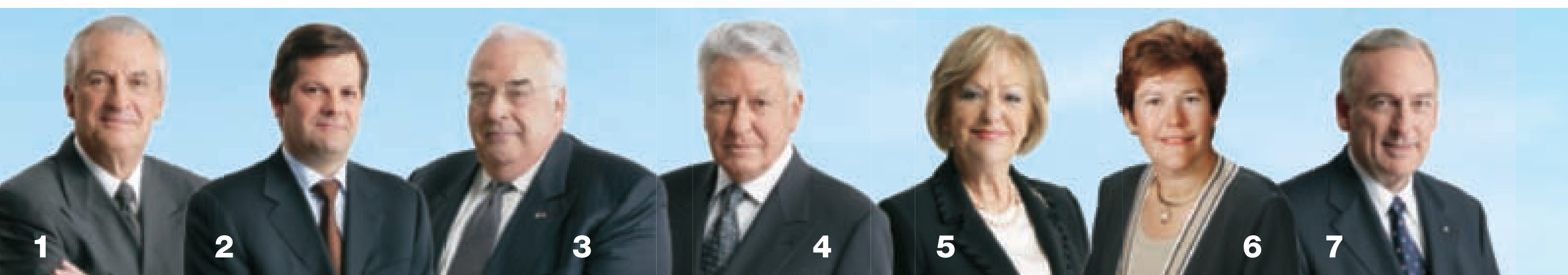
In Europe, we introduced our *PartsExpress* and Mobile Response Team services to assist our business aircraft customers in Europe and the Middle East. Our first wholly owned European aircraft service centre in Amsterdam, scheduled to open in spring 2010, will support our growing fleet of more than 550 Bombardier business jets in the region.

I am pleased that our customers are noticing the difference and appreciating our efforts. In independent industry surveys conducted by *Aviation International News, Professional Pilot* and Gallup, our customer satisfaction rankings increased for the third year in a row. We're committed to doing even better this year.

Guy C. Hachey
President and Chief Operating Officer
Bombardier Aerospace

1 As computed under IFRS – In the Management's discussion and analysis, see the IFRS section in Overview and the Forward-looking statements section in Bombardier Transportation.

LEADERSHIP: MEET OUR BOARD OF DIRECTORS



1

LAURENT BEAUDOIN, C.C., FCA

Chairman of the Board of Directors, Bombardier Inc. ■ Westmount, Canada ■ Director since 1975 ■ Not independent

Mr. Laurent Beaudoin began his career with Bombardier in 1963. Over the years, he has received many honours including Canada's Outstanding CEO of the Year and Canada's International Executive of the Year. He is a member of the International Business Council of the World Economic Forum. He is also the Chairman of Bombardier Recreational Products Inc. (BRP).

2

PIERRE BEAUDOIN

President and Chief Executive Officer, Bombardier Inc. ■ Westmount, Canada ■ Director since 2004 ■ Not independent

Mr. Pierre Beaudoin joined Bombardier in 1985, rising through management positions of increasing responsibilities before becoming President and COO of Bombardier Recreational Products, President of Bombardier Aerospace, Business Aircraft and President and COO of Bombardier Aerospace. He is a member of the Boards of Directors of Power Corporation of Canada and BRP.

3

ANDRÉ BÉRARD

Corporate Director ■ Montréal, Canada ■ Director since 2004 ■ Lead Director since 2007 ■ Independent

Mr. André Bérard was Chairman of the Board of National Bank of Canada from 2002 to 2004. He previously served as the Bank's President and COO (1986 to 1989), President and CEO (1989), and Chairman of the Board and CEO (1990 to 2002). He also serves on other boards.

4

J.R. ANDRÉ BOMBARDIER

Vice Chairman of the Board of Directors, Bombardier Inc. ■ Montréal, Canada ■ Director since 1975 ■ Not independent

Mr. J.R. André Bombardier joined Bombardier in 1969 as Vice President, Industrial Division. He held several positions before assuming the Vice Chairmanship of Bombardier Inc. in 1978. He is a member of the Board of Directors of BRP.

5

JANINE BOMBARDIER

President and Governor, J. Armand Bombardier Foundation ■ Westmount, Canada ■ Director since 1984 ■ Not independent

Mrs. Janine Bombardier has been a Governor of the J. Armand Bombardier Foundation since March 27, 1965, and its President since August 21, 1978.

6

MARTHA FINN BROOKS

Corporate Director ■ Atlanta, United States ■ Director since 2009 ■ Independent

Ms. Martha Finn Brooks was until May 2009 President and COO of Novelis Inc., a global aluminum rolling company spun off by Alcan Inc. in 2005. Prior to the spin off, she served as President and CEO of Alcan Rolled Products, Americas and Asia. She also serves on the board of Harley-Davidson Inc.

7

L. DENIS DESAUTELS, O.C., FCA

Corporate Director ■ Ottawa, Canada ■ Director since 2003 ■ Independent

Auditor General of Canada from 1991 to 2001, Mr. L. Denis Desautels was previously a senior partner in the Montréal office of Ernst & Young, where he worked for 27 years. He is Vice Chairman of the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants. He also serves on other boards.

You will find detailed biographies of our Directors on our website at www.bombardier.com and in the 2010 Management Proxy Circular.

8 THIERRY DESMAREST

Chairman of the Board of Directors, Total ■ Paris, France ■ Director since 2009 ■ Independent

Mr. Thierry Desmarest has been Chairman of the Board of Total since 2007. He has held various senior management positions within Total since joining the company in 1981, ultimately becoming its Chairman and Chief Executive Officer. He also serves on the board of other companies.

9 JEAN-LOUIS FONTAINE

Vice Chairman of the Board of Directors, Bombardier Inc. ■ Westmount, Canada ■ Director since 1975 ■ Not independent

Mr. Jean-Louis Fontaine joined Bombardier in 1964 as Vice President, Production, Ski-Doo division. He subsequently held various senior management positions before becoming Vice Chairman of Bombardier Inc. in 1988. He also serves on the board of Héroux-Devtek Inc.

10 DANIEL JOHNSON

Counsel, McCarthy Tétrault LLP ■ Montréal, Canada ■ Director since 1999 ■ Independent

A former Premier of the Province of Québec, Mr. Daniel Johnson was a member of the National Assembly of Québec for more than 17 years and held numerous positions in the provincial government. He also serves on the board of other companies.

11 JEAN C. MONTY

Corporate Director ■ Montréal, Canada ■ Director since 1998 ■ Independent

Former Chairman of the Board and Chief Executive Officer of Bell Canada Enterprises (BCE Inc.), Mr. Jean C. Monty retired following a 28-year career at BCE Inc., Bell Canada and Nortel Networks. In recognition of his achievements, he was named Canada's Outstanding CEO of the Year in 1997. He also serves on other boards.

12 CARLOS E. REPRESAS

Chairman of the Board, Nestlé Group México ■ Mexico City, Mexico ■ Director since 2004 ■ Independent

Mr. Carlos E. Represas has been Chairman of Nestlé Group México since 1983. In 2004, he retired from his executive responsibilities at Nestlé, where he had worked for 36 years in seven different countries. He serves on other boards and is a member of the Latin American Business Council (CEAL).

13 JEAN-PIERRE ROSSO

Chairman, World Economic Forum USA Inc. ■ New York City, United States ■ Director since 2006 ■ Independent

Retired Chairman and former CEO of CNH Global N.V., Mr. Rosso also served as Chairman and CEO of Case Corporation. Prior to that, he was President of Honeywell's Home & Building Control Business, and President of its European operations. He also serves on the board of other companies.

14 HEINRICH WEISS

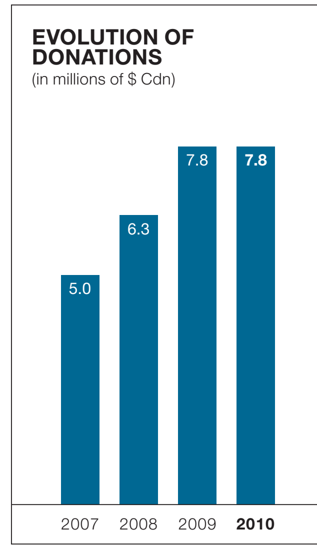
Chairman and Chief Executive Officer, SMS GmbH ■ Düsseldorf, Germany ■ Director since 2005 ■ Independent

Dr. Weiss is Chairman of the Foreign Trade Advisory Council to the German Secretary of Economics and Labour. He is a board member of the Asia Pacific Committee of German Business and sits on the Board of the East-West Trade Committee. He also serves on other boards.

AN INVESTMENT FOR LIFE

J. Armand Bombardier Foundation

Since 1965, the J. Armand Bombardier Foundation has participated in the growth of Canadian communities by supporting projects that foster the development of organizations and individuals. Through its grantees, the Foundation touches the lives of thousands of Canadians, giving more than $98 million Cdn in donations to date.



HIGHLIGHTS

Fiscal year 2010 was marked by the vagaries of the financial market. Concerned about the situation, Foundation governors looked at various strategies to maximize the Foundation's impact in times of crisis. Since the support of the philanthropic community is essential to the survival of many social and humanitarian organizations, the governors decided to stay the course during this difficult period.

As a result of this commitment, the Foundation gave $7.8 million Cdn in donations and supported 157 organizations active in the fields of education, community support, healthcare, as well as arts and culture. Particular attention was paid to organizations that offer front-line services to the most vulnerable.

COMMUNITY SUPPORT – $3.4 MILLION CDN

An investment in mutual cooperation

Contribution of $3.4 million Cdn to 101 organizations, including:

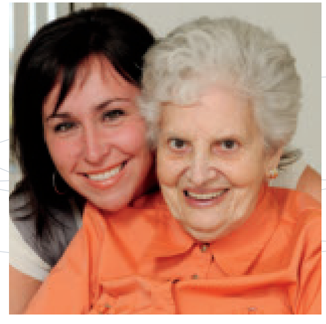
- **Association sportive et communautaire du Centre-Sud** – Educational and recreational projects aimed at the overall development of youths from 4 to 17 years of age
- **Centraide/United Way** – The Foundation, in concert with the Bombardier family, supports the efforts of Bombardier employees who collect funds for the annual Centraide/United Way campaign in the following regions: Greater Montréal, Estrie, Laurentides, KRTB-Côte-du-Sud, Greater Toronto and Kingston-Frontenac-Lennox. The combined efforts of the Bombardier employees, family and Foundation resulted in a total donation of $1.87 million Cdn.
- **Centre de répit Philou** – Centre offering respite services for parents of physically disabled children aged 0-5
- **FIRST Robotics Canada** – Introduction to robotics for high school students
- **Marie-Vincent Foundation** – Centre of expertise on child abuse and sexual aggression
- **On the Tip of the Toes Foundation** – Therapeutic adventure expeditions for teens with cancer
- **REVDEC** – Support activities for children from 12 to 16 years of age who are experiencing problems in school or who have dropped out

Operation Haiti – Exceptional emergency aid was also provided to the survivors of the Haiti earthquake through the Red Cross and Doctors of the World, two organizations with which the Foundation has long-standing relations. The J. Armand Bombardier Foundation ($500,000 Cdn) and the Bombardier family ($650,000 Cdn) donated $1.15 million Cdn to support relief efforts in Haiti.

Meeting basic needs to preserve human dignity

The economic crisis has severely affected those already vulnerable. To help them through this difficult period with dignity, the Foundation paid special attention to organizations that offer emergency lodging and food services:

- **Cuisine Collective Le Blé D'Or de Sherbrooke** – Promotion of food autonomy and healthy lifestyles
- **Herstreet Foundation** – Short-, medium- and long-term lodging for homeless women or women in difficulty
- **Sun Youth Organization** – Food bank program
- **L'Avenue hébergement communautaire** – Short-, medium- and long-term lodging for young people in difficulty from 18 to 30 years of age
- **La Maison du Partage d'Youville** – Food bank program and sale of food products at moderate prices
- **La Maison Marguerite** – Temporary and short-term lodging for women in difficulty
- **Le Bon Dieu dans la rue** – Temporary shelter and hot meals for street kids



- **Le Garde-Manger Pour Tous** – Food distribution programs and meal preparation for school children from disadvantaged neighbourhoods
- **MAP Montréal** – Lodging and social insertion programs for young single mothers
- **Moisson Montréal** – Food distribution program serving community organizations
- **Share the Warmth** – Food bank program and meal preparation for school children from disadvantaged neighbourhoods
- **Refuge des Jeunes de Montréal** – Temporary shelter and hot meals for homeless young men in difficulty

The Foundation also made additional commitments of $670,000 Cdn to various organizations over the next three years.

EDUCATION – $1.8 MILLION CDN

An investment in the future

Contribution of $1.8 million Cdn to five Canadian universities and many institutions, including:

- Confederation College Foundation
- École Polytechnique de Montréal
- Fondation Cégep de Sherbrooke
- Concordia University
- McGill University

The Foundation also made additional commitments of $1.8 million Cdn to various institutions over the next six years.

HEALTHCARE – $1.5 MILLION CDN

An investment in people's well-being

Contribution of $1.5 million Cdn to various institutions and organizations, including:

- Hôpital Louis-H. Lafontaine Foundation
- St. Mary's Hospital Foundation
- The Lighthouse, Children and Families
- Mazankowski Alberta Heart Institute
- PROCURE

The Foundation also made additional commitments of $1.4 million Cdn to various organizations and healthcare institutions over the next three years.

ARTS AND CULTURE – $1.1 MILLION CDN

An investment in our collective imagination

Contribution of $1.1 million Cdn to 15 organizations, including:

- **Fondation de l'OSM** – Endowment fund aimed at ensuring the sustainability of the Orchestre symphonique de Montréal
- **Maison Théâtre** – Programs that make theatre accessible to children from disadvantaged neighbourhoods
- **McCord Museum** – Educational activities program
- **Wapikoni Mobile** – Audiovisual and musical project for young people in First Nations communities

The Foundation also made additional commitments of $2.5 million Cdn to various institutions over the next four years.

Bombardier: Moving Forward Responsibly

At Bombardier, we further expanded our corporate social responsibility (CSR) initiatives to increase our positive contribution to the communities where we operate. Highlights include:

In November 2009, we launched the second phase of our ethics training program to coach managers on specific aspects of our Code of Ethics and Business Conduct, including corruption and discrimination. Employee engagement continued to rise and both our accident frequency and severity ratios dropped dramatically between fiscal 2004 and 2009.

On the environmental front, we expanded our *ECO4* portfolio of breakthrough energy-saving rail solutions. We also led the business aircraft industry to develop greenhouse gas (GHG) emission reduction targets. Over the past five years, we reduced our energy consumption by 17.5% and our GHG emissions by 10%.

These examples demonstrate our commitment to act responsibly as a public company, employer, neighbour and partner. To find out more, see our second company-wide CSR Report, available exclusively online at **www.bombardier.com/en/corporate/corporate-responsibility**.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS 25

- **OVERVIEW** 26
- **AEROSPACE** 60
- **TRANSPORTATION** 104
- **OTHER** 134

HISTORICAL FINANCIAL SUMMARY 152

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING 154

AUDITORS' REPORT 154

CONSOLIDATED FINANCIAL STATEMENTS 155

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 160

The following table shows the abbreviations used in the financial section.

TERM	DESCRIPTION
AcSB	Accounting Standards Board
AFS	Available for sale
AOCI	Accumulated other comprehensive income
BA	Bombardier Aerospace
BT	Bombardier Transportation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CTA	Cumulative translation adjustment
DSU	Deferred share unit
EBIT	Earnings before financing income, financing expense and income taxes
EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization
EBT	Earnings before income taxes
EMU	Electrical multiple unit
EPS	Earnings per share
GAAP	Generally accepted accounting principles
G&A	General and administrative
GDP	Gross domestic product
HFT	Held for trading
H&S	Health and safety
HSE	Health, safety and environment
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
L&R	Loans and receivables
MD&A	Management's discussion and analysis
OCI	Other comprehensive income
OEM	Original equipment manufacturer
PSU	Performance share unit
R&D	Research and development
SG&A	Selling, general and administrative
VIE	Variable interest entity

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 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. Some financial measures used in this MD&A are not in accordance with Canadian GAAP. See the Non-GAAP financial measures section hereafter for the reconciliation to the most comparable Canadian GAAP measures.

Materiality for disclosures

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

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to, statements with respect to our objectives, targets, goals, priorities and strategies, financial position, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business conditions outlook, prospects and trends of the 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" or "continue", the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require us to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. While we consider our assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the respective Forward-looking statements sections in BA and BT.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry and major rail operators), operational risks (such as risks related to developing new products and services; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; to the environment; dependence on certain customers and suppliers; human resources; fixed-price commitments and production and project execution), financing risks (such as risks related to liquidity and access to capital markets, certain restrictive debt covenants, financing support provided for the benefit of certain customers and reliance on government support) and market risks (such as risks related to foreign currency fluctuations, changing interest rates, decreases in residual value and increases in commodity prices). For more details, see the Risks and uncertainties section in Other. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect our expectations as at the date of this MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

FORWARD-LOOKING STATEMENTS 25
Disclaimers in connection with our forward-looking statements.

HIGHLIGHTS 27
Highlights for the fourth quarter and fiscal year.
Guidance and subsequent events.

PROFILE 28
Overview of our operations and worldwide presence.

KEY PERFORMANCE MEASURES 30
Key performance measures that we use to monitor our progress.
Our results over the last five fiscal years.

BUSINESS ENVIRONMENT 31
Recent trends in our business environment.
Impact on our results and our outlook for fiscal year 2011.
Long-term market trends.

STRATEGY 34
Our Way Forward and financial priorities.
How we will deliver. Management of key risks.

IFRS CONVERSION 40
Status of our IFRS conversion project and summary of key expected changes.

CONSOLIDATED RESULTS OF OPERATIONS 46
Our consolidated results for the fourth quarter and fiscal year.

LIQUIDITY AND CAPITAL RESOURCES 48
An analysis of our cash flows, available short-term
capital resources and future liquidity needs.

CREDIT FACILITIES NOT AVAILABLE FOR CASH DRAWINGS 51
Our committed and outstanding amount under our credit
facilities not available for cash drawings.

CAPITAL STRUCTURE 52
Our global metrics used to manage our capital structure.

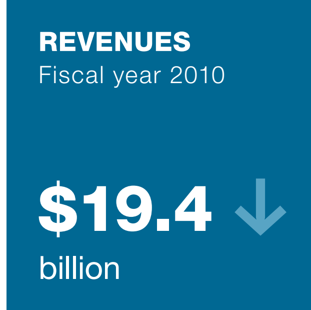
PENSION 54
Our pension plan deficit, and actual and expected contributions.

FINANCIAL POSITION 56
Explanations of significant variations in our assets, liabilities and equity.

NON-GAAP FINANCIAL MEASURES 58
Definitions and reconciliations to the most comparable
Canadian GAAP financial measures.

HIGHLIGHTS

Our results were affected by the difficult environment

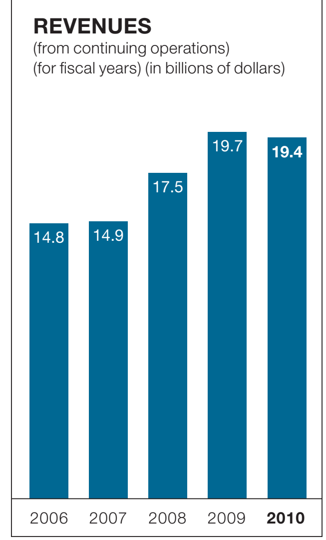


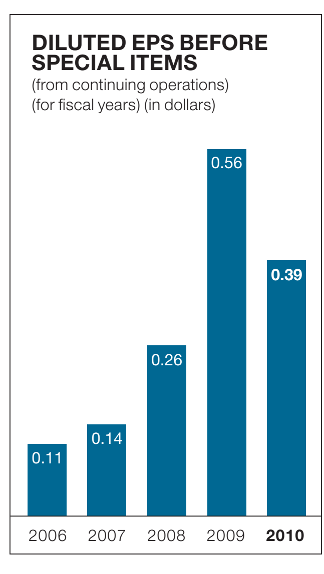
Fourth quarter

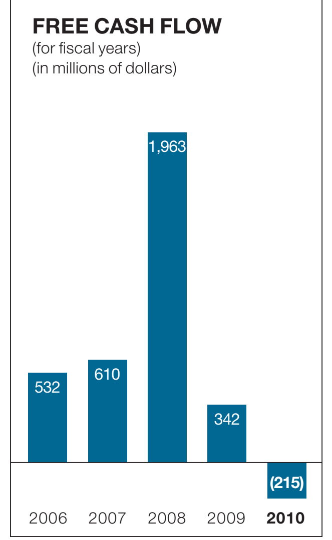
- Revenues of $5.4 billion, in line with the same period last fiscal year.
- EBIT of $288 million, or 5.4% of revenues, compared to $438 million, or 8.1%, for the same period last fiscal year.
- Net income of $179 million (diluted EPS of $0.10), compared to $312 million (diluted EPS of $0.17) for the same period last fiscal year.
- Free cash flow of $512 million, compared to a usage of $91 million for the same period last fiscal year.
- In November 2009, AMR Eagle Holding Corporation signed a purchase agreement for 22 *CRJ700 NextGen* regional jets, which is valued at $779 million based on list price.

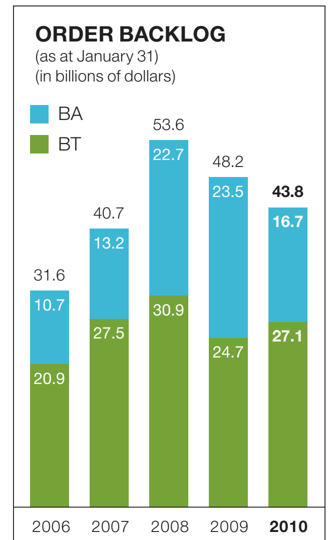
Fiscal year

- Revenues of $19.4 billion, a decrease of $355 million compared to last fiscal year.
- EBIT of $1,098 million, or 5.7% of revenues, compared to $1,429 million, or 7.2%, last fiscal year.
- Net income of $707 million (diluted EPS of $0.39), compared to $1,026 million (diluted EPS of $0.56) last fiscal year.
- Free cash flow usage of $215 million, compared to a free cash flow of $342 million last fiscal year.
- Cash position of $3.4 billion as at January 31, 2010, a level similar to January 31, 2009.
- Order backlog of $43.8 billion, compared to $48.2 billion as at January 31, 2009.
- Signing of a $4.0 billion landmark order to supply 80 very high speed trains to the Ministry of Railways of China, of which our share is $2.0 billion.









Building on a strong base

Guidance and subsequent events

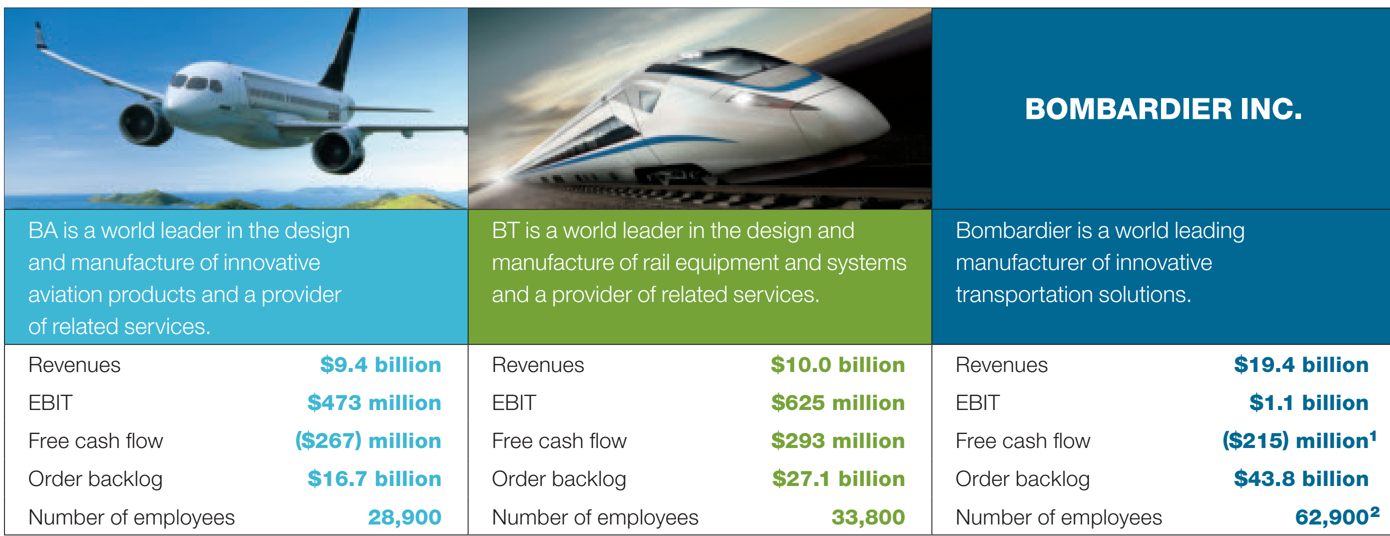
- BT's goal is to improve its EBIT margin to 8% within the next three to four years[1].
- BA expects to deliver approximately 15% and 20% fewer business and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010. Overall, we expect improvements to lag economic recovery, therefore BA's EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. BA's free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flows from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010.
- In February 2010, BT signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement.
- In February 2010, Republic Airways Holdings Inc. signed a purchase agreement for 40 *CS300* aircraft, with options for an additional 40 *CS300* aircraft. Based on the list price, the value of this contract is $3.1 billion, which could increase to $6.3 billion if all options are exercised.
- In March 2010, we issued $650 million of 7.5% senior notes due in calendar year 2018 and $850 million of 7.75% senior notes due in calendar year 2020. Concurrently, we launched a tender offer to repurchase up to $1.0 billion of outstanding long-term debt maturing from calendar year 2012 to 2014. These transactions will result in net cash proceeds of approximately $500 million and in an extension of our debt maturity profile, bringing the weighted-average long-term debt maturity from 6.5 years to 7.9 years.

1 As computed under IFRS – See the IFRS section in Overview and the Forward-looking statements section in BT.

PROFILE

Planes. Trains. Worldwide.

We operate under two broad manufacturing segments: aerospace (through BA) and rail transportation (through BT).

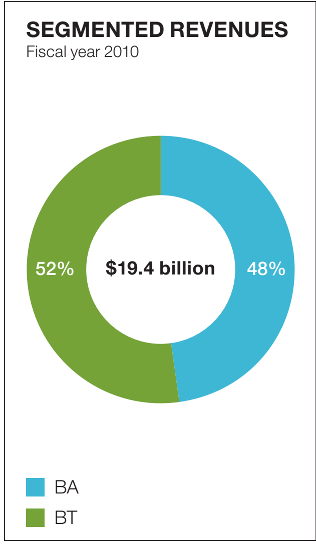


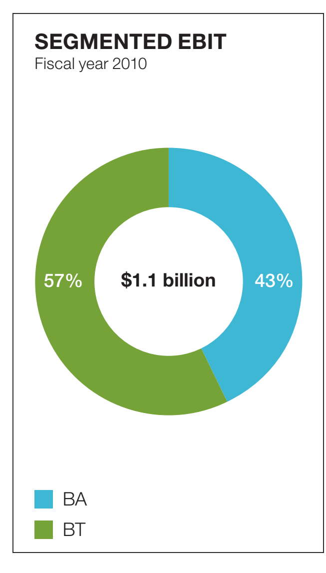
					BOMBARDIER INC.
BA is a world leader in the design and manufacture of innovative aviation products and a provider of related services.		BT is a world leader in the design and manufacture of rail equipment and systems and a provider of related services.		Bombardier is a world leading manufacturer of innovative transportation solutions.	
Revenues	**$9.4 billion**	Revenues	**$10.0 billion**	Revenues	**$19.4 billion**
EBIT	**$473 million**	EBIT	**$625 million**	EBIT	**$1.1 billion**
Free cash flow	**($267) million**	Free cash flow	**$293 million**	Free cash flow	**($215) million[1]**
Order backlog	**$16.7 billion**	Order backlog	**$27.1 billion**	Order backlog	**$43.8 billion**
Number of employees	**28,900**	Number of employees	**33,800**	Number of employees	**62,900[2]**

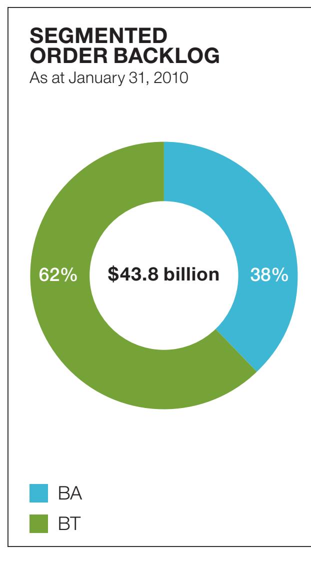
1 Including income taxes and net financing expense, which are not allocated to segments.
2 Including head office employees, which are not allocated to segments.

For fiscal year 2010, 95% of our revenues were generated outside Canada, with Europe accounting for 48%. We have 68 production and engineering sites in 23 countries, and a worldwide network of service centres. We have customers in over 100 countries. Every three seconds, a Bombardier aircraft takes off or lands somewhere around the globe, and more than 100,000 Bombardier rail cars and locomotives are in service around the world.

Our two manufacturing segments operate in the transportation industry. Our markets feature fundamentally solid demand and interesting growth prospects, but present different economic realities and risk profiles. The aerospace industry is capital-intensive, requiring significant investments in product development and long recovery periods, while such investments in the rail industry are more project-specific. The aerospace industry also tends to be more cyclical, such cycles being aligned with a certain lag to the world real GDP, while the rail industry is usually less impacted by such fluctuations. Accordingly, the long-term profitability of the BA and BT segments reflects this reality.







KEY PERFORMANCE MEASURES

Incentive compensation is linked to the achievement of targeted results, generally based on EBIT, net utilized assets and free cash flow. The table below summarizes our most relevant key performance measures.

KEY PERFORMANCE MEASURES	
Profitability	■ Diluted EPS, as a measure of global performance. ■ EBIT margin, as a measure of segment performance.
Liquidity	■ Free cash flow and net utilized assets, as measures of liquidity generation. ■ Available short-term capital resources, defined as cash and cash equivalents and the amount available under the revolving credit facility, as a measure of liquidity adequacy.
Growth and competitive positioning	■ Revenues, as a measure of growth. ■ Order backlog, as an indicator of future revenues. ■ Book-to-bill ratio[1], as an indicator of future revenues. ■ Market share and scale, as measures of competitive positioning.
Capital structure	■ Adjusted EBIT to adjusted net interest ratio[2], as a measure of interest coverage. ■ Adjusted debt to adjusted EBITDA ratio[2], as a measure of financial leverage. ■ Adjusted debt to adjusted total capitalization ratio[2], as a measure of capitalization. ■ Weighted-average long-term debt maturity, as a measure of the term structure.

1 Refer to BA's and BT's Key performance measures and metrics sections for definitions of this metric.
2 Refer to the Non-GAAP financial section hereafter for definitions of these metrics.

FIVE-YEAR SUMMARY

(from continuing operations)	**2010**	2009[1]	2008[1]	2007[1]	2006[1]
For fiscal years					
Revenues	**$19,366**	$19,721	$17,506	$14,882	$14,781
EBIT before special items	**$ 1,098**	$ 1,429	$ 910	$ 587	$ 450
EBIT margin before special items	**5.7%**	7.2%	5.2%	3.9%	3.0%
EBIT	**$ 1,098**	$ 1,429	$ 748	$ 563	$ 362
EBIT margin	**5.7%**	7.2%	4.3%	3.8%	2.4%
Effective income tax rate	**22.7%**	20.5%	27.3%	26.7%	9.7%
Net income	**$ 707**	$ 1,026	$ 325	$ 278	$ 254
Diluted EPS (in dollars)	**$ 0.39**	$ 0.56	$ 0.16	$ 0.12	$ 0.06
Free cash flow	**$ (215)**	$ 342	$ 1,963	$ 610	$ 532
Adjusted EBIT to adjusted net interest ratio	**3.7**	6.3	2.5	1.9	1.5
As at January 31					
Order backlog (in billions)	**$ 43.8**	$ 48.2	$ 53.6	$ 40.7	$ 31.6
Cash and cash equivalents	**$ 3,372**	$ 3,470	$ 3,602	$ 2,648	$ 2,917
Adjusted debt to adjusted EBITDA ratio	**3.4**	2.7	3.8	5.5	5.8
Adjusted debt to adjusted total capitalization ratio	**61%**	66%	67%	73%	76%
Weighted-average long-term debt maturity	**6.5**	7.5	8.5	7.9	4.9

1 Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures have been restated accordingly.

BUSINESS ENVIRONMENT

Slowly recovering from the deepest downturn in recent history

According to the World Economic Outlook Update report published in January 2010 by the International Monetary Fund (IMF), following the deepest global economic downturn in recent history, economic growth solidified and broadened to developed economies in the second half of calendar year 2009. Driving the global rebound was the extraordinary amount of policy stimulus.

Aerospace environment remains difficult

The global economic crisis continued to significantly impact the civil aerospace industry as a whole during calendar year 2009. The International Air Transport Association (IATA) affirmed on January 27, 2010 that calendar year 2009 statistics showed the largest post-war decline in terms of demand for international scheduled air traffic.

Indicators of market stabilization have started to emerge, and the world real GDP is expected to grow by 3.2% in calendar year 2010 and by 3.4% in calendar year 2011 according to a report from IHS Global Insight dated February 15, 2010. Calendar year 2010 is still expected to be another challenging year, as there has historically been a lag between the time the economy recovers and the time it positively impacts revenues.

Rail industry continues to perform well, with a mixed impact from the recession

The climate continues to be right for trains, as urbanization and sustainability continue to drive the trend for rolling stock orders throughout the world. Rolling stock products such as light rail vehicles and high speed and intercity trains have grown. The recession, however, had an impact on some segments of the rail industry. For example, we have observed a decline in trade volumes in the overall freight locomotive market resulting from the lower level of economic activity. Overall, we expect the current recession to have a mixed impact on the rail market.

Adapting to the new economic reality

BA's results were impacted by this recession but we persevere in our actions

The aerospace industry is cyclical and BA has been impacted by this recession:

- significant reduction in new orders and 202 aircraft order cancellations received in fiscal year 2010, added to the 41 cancellations in the fourth quarter of fiscal year 2009;
- lower customers' advances for both business and commercial aircraft, consistent with low net order intake;
- lower selling prices for business aircraft;
- disruption costs in connection with changes in production rates; and
- write-down of pre-owned aircraft inventories.

Most of the OEMs were forced to reduce capacity and right size workforce, and BA was no different as it reduced its production rates for all business and commercial jets in fiscal year 2010. These adjustments to workforce and production levels helped us limit the impact of the current environment on our profitability and working capital. Capacity reductions and adjustments to our supply chain are beginning to reflect in our level of inventories.

Our strong financial condition allows us to turn obstacles into opportunity. Despite the difficult and evolving economic environment, BA:

- continues to invest in its current and future products and services;
- improved its market share in both business aircraft and commercial aircraft markets;
- improved customer satisfaction, as evidenced by third-party surveys; and
- met its aircraft delivery guidance for fiscal year 2010, delivering 25% fewer business aircraft and 10% more commercial aircraft in fiscal year 2010 compared to fiscal year 2009.

Determined to steer through the crisis and emerge stronger, BA perseveres in its actions, including:

- managing its skyline by collaborating with customers to advance or delay aircraft deliveries;
- working in concert with commercial and business aircraft customers to facilitate access to financing;
- actively managing its new and pre-owned aircraft inventories; and
- accelerating implementation of lean initiatives and cost reduction programs across BA, including a tighter screening of all expenditure items.

Given the environment and its planned production rates, BA expects to deliver approximately 15% and 20% fewer business aircraft and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010.

BT's results were less impacted and we continue to be proactive

Despite the global economic downturn, BT improved its EBIT margin in fiscal year 2010 to a record level of 6.2%, surpassing its target of 6%, and maintained its order backlog, through a book-to-bill ratio of 1.0. BT received a number of significant orders illustrating its strong position in the marketplace, including a $4.0 billion landmark order through a joint venture for 80 *ZEFIRO* 380 trains from the Ministry of Railways of China, of which BT's share is $2.0 billion. In February 2010, BT signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement.

BT continues to proactively monitor the impact of the economic crisis on its operations by:

- further improving profitability through its strategy based on Our Way Forward, which along with an anticipated growth in line with the overall market, result in our new EBIT margin target of 8% within the next three to four years[1];
- taking measures to adjust its capacity where necessary to sustain its competitiveness, while preparing to capture opportunities in the most prominent areas; and
- capitalizing on new market opportunities.

1 As computed under IFRS – See the IFRS section in Overview and the Forward-looking statements section in BT.

A more conservative approach to liquidity

Our strong improvements in terms of profitability and financial condition in recent years, as well as our large diversified order backlog both geographically and by products, helped us navigate the economic crisis without jeopardizing our future. However, in light of the current economic environment, a more conservative approach to liquidity management has been implemented. For example, we implemented subsequent to year-end a refinancing plan consisting of a combination of issuance and repurchase of long-term debts, which will result in net cash proceeds of approximately $500 million, available for general corporate purposes, and an extension of our debt maturity profile, bringing the weighted-average long-term debt maturity from 6.5 years to 7.9 years. In addition, we set up in fiscal year 2010 additional factoring and sale and leaseback facilities, as well as a new $500-million revolving credit facility, to secure additional access to liquidity. Both groups are continuously looking for ways to reduce overall costs in their operations and improve their working capital to maximize liquidity.

While the economic uncertainty remains, we are seeing positive trends. BA's cash flows from operating activities should continue to gradually recover as we realign our production and supply chain material inflow with demand, we sell aircraft in our finished product inventories and new orders continue their recovery. BA's free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flow from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010. However, BA's free cash flow for the first part of fiscal year 2011 should be negative due to the anticipated delivery profile of our regional aircraft, including the entry into service of the *CRJ1000* aircraft in the second part of the year, and the anticipated gradual improvement in order intake taking place mostly in the second half of the fiscal year.

We continue to manage for the long term

Both groups are actively seizing the opportunity created by the turbulent economy to focus on efficiency and customer satisfaction. We strongly believe that through flawless execution and by creating a loyal customer base for our products and services, we will emerge from this crisis a stronger and more efficient company. We continue to invest in key product developments such as the *CSeries* family of aircraft, the *Learjet 85* aircraft and the *ZEFIRO* trains. We remain committed to invest in our current and future products and services to maintain or build our leadership position. We are thus well positioned to take advantage of the upturn.

Performance remains strong in the current context

	HIGHLIGHTS	OUTLOOK
Profitability	▪ Diluted EPS of $0.39, down from $0.56 last fiscal year. ▪ Lower profitability at BA, mainly due to the impact from the current economic crisis resulting in disruption costs in connection with changes in production rates, lower selling prices for business aircraft and write-down of pre-owned aircraft inventories. ▪ Higher profitability at BT, mainly driven by better contract execution. BT improved its EBIT margin before special items for the fifth consecutive year and exceeded its 6% goal by posting an EBIT margin of 6.2%, a record level for BT.	▪ We expect improvements to lag economic recovery, therefore BA's EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. ▪ BT's goal is to further grow its EBIT margin to 8%[1] within the next three to four years.
Liquidity	▪ Strong cash position of $3.4 billion as at January 31, 2010. ▪ Decreased level of free cash flow at BA, mainly due to lower profitability and order cancellations and lack of significant orders compared to last fiscal year, as well as significant investments in product development. ▪ BT's free cash flow of $293 million was lower than EBIT, due to an increase in net segmented assets resulting from the ramp-up in production. ▪ New $500-million revolving credit facility, which is undrawn as at January 31, 2010. ▪ Subsequent to year-end, we implemented a refinancing plan of our long-term debt that will result in net cash proceeds of approximately $500 million and the extension of the weighted average maturity of our long-term debt from 6.5 years to 7.9 years.	▪ BA's free cash flow in fiscal year 2011 is expected to be negative in the first part of the year and essentially neutral for the total year, as cash flows from operating activities will be used to finance capital expenditures, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010. ▪ BT is expected to maintain its free cash flow generally in line with EBIT, although it may vary significantly from quarter to quarter.
Growth and competitive positioning	▪ As planned, lower overall aircraft deliveries, with 25% fewer business aircraft deliveries and 10% more commercial aircraft compared to fiscal year 2009. ▪ BA's order backlog remains healthy despite the greater-than-usual level of order cancellations. BT maintained its order backlog with a book-to-bill ratio of 1.0. ▪ BA is the leader in terms of revenues and units delivered in the business aircraft market categories in which it competes. In the commercial aircraft market, BA also improved its market share. ▪ BT achieved a record level of revenues of $10.0 billion, and remains a market leader in the rail industry.	▪ Business and commercial aircraft deliveries are expected to be respectively approximately 15% and 20% lower than in fiscal year 2010, which will negatively impact BA's revenues. ▪ BT is consolidating the important growth of the past four years and expects to maintain a book-to-bill ratio around one in the near future, in line with market evolution.
Capital structure	▪ The recession had a negative impact on BA's profitability and free cash flow, hence on our global metrics. ▪ Our pension deficit stood at $1.5 billion as at December 31, 2009, a level similar to last year. Our pension contributions totalled $359 million for calendar year 2009.	▪ Balance sheet deleveraging is being suspended until the economy recovers. ▪ Expected pension contributions of $381 million for calendar year 2010.

1 As computed under IFRS – See the IFRS section in Overview and the Forward-looking statements section in BT.

The future remains bright

The long-term outlook of the aerospace industry is positive despite current economic challenges

Long-term market fundamentals remain strong in both business and commercial markets, mainly driven by an improved worldwide economic environment and strong expected growth in emerging markets. The highest demand growth rate is expected to be in China, while North America and Europe will continue to represent the largest markets.

BA's product development strategy is aligned with the evolution of its industry. BA has a strong product offering and is constantly developing innovative products and continuously exploring opportunities to enhance each of its aircraft families to benefit from the expected substantial demand growth.

The upcoming years suggest continued order momentum in rail transportation

Driven by momentum to improve mobility and increase sustainability, BT's customers throughout the world continue to invest in their transportation systems and plan rolling stock replacement orders. BT is constantly monitoring these opportunities. The overall rail market is forecasted to grow moderately in every segment, with the main growth areas being in the Asia-Pacific and Other regions, mostly represented by emerging and developing countries. Europe is expected to remain the single most important accessible market, while Asia-Pacific is expected to become the second largest accessible market by calendar year 2016, replacing North America.

BT continues to develop new products that meet its customer's needs. BT is a global player with the right products to serve the demand for environmentally-friendly transportation and the right capability to deliver on its order backlog and future orders.

STRATEGY

Paving the way to sustainable growth through Our Way Forward

Our innovative products and our manufacturing excellence are the cornerstones of our strategy and our passion since the beginning. We strive to achieve world-class status not just within our industry but as an international entity. We lead through our high standards of innovation, product safety, efficiency and performance. With Our Way Forward, we want to take our organization to new heights by leveraging our strengths and focusing on the areas where we could improve, to deliver on our mission to be the world's leading manufacturer of planes and trains. We also strive to deliver best-in-class value for customers and increasing returns for shareholders.

As introduced last year, Our Way Forward rests on five business priorities. Delivering on these business priorities enables us to take advantage of the global trends, while allowing us to better navigate through difficult economic cycles. Our Way Forward has been rolled out across the entire organization and both BA and BT made progress toward the five business priorities (see the respective BA's and BT's Strategy sections for more details).

Be #1 in customer satisfaction through flawless execution	Achieve best-in-class execution discipline in each step of the business processes along the value chain to radically improve customer satisfaction. This entails flawlessly delivering on our promises in everything we do.
Raise our game in global talent management	Intensify our efforts as a world-class employer invested in the development of skilled, engaged and proud talent around the globe.
Actively manage risks	Develop our insight and transparency in the management of key risks that drive value while proactively mitigating, managing or transferring risks that do not create value, by further embedding risk management in all key functions across the organization.
Establish local roots in all key markets	Develop an effective "local roots" organizational model targeting our key markets worldwide. This will allow us to readily capture new business opportunities and deliver best-in-class value for customers and overall profitability.
Enhance our corporate social responsibility	Enhance our commitment to corporate social responsibility by reducing the environmental footprint of our products and operations, further promoting employee H&S in our daily decisions and actions, and actively contributing to the development of communities where we operate.

Our Way Forward represents our strategic priorities for success in the years to come. It reinforces our evergreen strategic pillars of products and service leadership through innovation and manufacturing excellence. Our Way Forward enables us to adjust to the new reality resulting from the economic crisis. No company likes economic downturns, but we have learned to use them as an opportunity to differentiate ourselves and strengthen our competitive advantage. This entrepreneurial reflex of taking advantage of cycles to transform the organization is part of our DNA. We have a clear plan and priorities to ensure we emerge stronger. Only businesses with the best products and services, execution, quality, people and customer orientation will stay at the top.

We have what it takes to deliver results

We have a clear strategy and defined plans. Our capacity to deliver results is based on the following attributes:

- we have a broad, leading-edge product and service offering;
- we are in markets with solid long-term demand growth;
- we have a global presence and a diversified customer base;
- we are focused on continuous improvement of key business processes through our Achieving Excellence System ("AES") at BA and transversal initiatives at BT;
- we are committed to invest in our product development programs;
- we have a strong relationship with our key stakeholders;
- we have a large talent pool of well-trained and motivated employees; and
- we have an experienced management team, committed to the long-term success of the organization.

Financial priorities

We will execute our strategy with financial discipline. We would not be where we are today without the discipline shown to restore financial health and strengthen our balance sheet. This is what enables us to implement our strategy, including the significant investment in our product development to reinforce our position as a global leader in aerospace and transportation.

PROFITABILITY	LIQUIDITY	CAPITAL STRUCTURE
Increase the level and consistency of profitability.	Increase the level and consistency of free cash flow and ensure sufficient capacity to meet capital requirements.	Optimize the capital structure to reduce costs and improve our ability to seize strategic opportunities.

Since fiscal year 2005, we significantly improved our three financial priorities of profitability, liquidity and capital structure:

- Our diluted EPS from continuous operations before special items went from nil in fiscal year 2005 to $0.39 in fiscal year 2010, mainly driven by increased profitability across both manufacturing segments. Both groups remain committed to continue to improve their long-term financial performance through the effective management of operations.
- We increased cash and cash equivalents from $2.3 billion as at January 31, 2005 to $3.4 billion as at January 31, 2010. With the current market conditions, maintaining sufficient liquidity has become even more important. Liquidity adequacy is continually monitored, taking into consideration historical volatility and seasonal needs, the maturity profile of indebtedness, access to capital markets, working capital requirements and the funding of our product developments. To further strengthen our liquidity, we implemented subsequent to year-end a refinancing plan of our long-term debt, which will result in net cash proceeds of approximately $500 million and the extension of our debt maturity profile from 6.5 years to 7.9 years. We also set up a $500-million two-year revolving credit facility during fiscal year 2010, which is undrawn as at January 31, 2010. This facility was obtained essentially to provide additional financial flexibility, if needed. We also set up factoring facilities in Europe to which BT can sell, without recourse, qualifying trade receivables, as well as off-balance sheet sale and leaseback facilities to which BA can sell pre-owned aircraft.

- We also significantly improved our capital structure, mainly due to improved profitability and our focus on reducing long-term debt and pension deficit. Our adjusted debt went from $8.4 billion as at January 31, 2005 to $6.1 billion as at January 31, 2010 ($6.6 billion after giving effect to the refinancing plan). This helped us navigate the current economic crisis, and provide additional flexibility to obtain financing, if needed. Our conservative management of debt maturities resulting in having no significant debt maturing before May 2012, allows us to avoid important repayments in these difficult economic conditions. Over the long run, our goal remains to further improve our capital structure, reduce financing costs and improve our ability to seize strategic opportunities.

Risk management embedded in our activities

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

Our Way Forward, for which one of the priorities is active risk management, builds on what we currently do to ensure that we adopt best-in-class risk management practices. It also provides the basis to continue to select risks that drive value while proactively mitigating, managing or transferring risks that do not create value. While we have proven our ability to successfully take on challenges, we must become even more proactive in recognizing and managing risks through a more structured framework. The magnitude of the recent financial crisis, as well as its significant repercussions on the world economy and on many of our customers and suppliers, highlighted more than ever the need to have a broad and comprehensive risk management approach. As a result, we are adopting a broad and strategic approach to risk management, taking into account both internal and external risks, and we are strengthening our governance process to react quickly as needed.

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

In addition, our CEO and CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Corporation has been made known to them, and information required to be disclosed in our public filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. We have also evaluated the design and effectiveness of our disclosure controls and procedures, under the supervision of the CEO and the CFO, as of the end of each fiscal year. Refer to the Controls and procedure section in Other for more details.

We have also developed governance and risk management practices to reduce the nature and extent of our exposure to economic, business, operational, financing, and market risks (see the Risks and uncertainties section in Other for further details on these risks). Our risk management practices address many risks, with some of the main areas being BA's product development and BT's project execution, foreign currency fluctuations, changing interest rates and exposure to credit risk. The first two risks are covered in the respective Strategy section in BA and BT.

Foreign currency fluctuations

Our main exposures to foreign currencies are managed in accordance with our foreign exchange risk management policy and procedures. Our policy requires each segment and Corporate Office to identify all potential foreign currency exposures arising from their operations or financial position and to hedge these exposures according to pre-set criteria. During fiscal year 2010, we modified our coverage of forecasted cash outflows for both BA and Corporate Office.

FOREIGN EXCHANGE MANAGEMENT

Owner	Hedged exposures	Hedging policy[1]	Risk-mitigation strategies
BA	Forecasted cash outflows, mainly denominated in Canadian dollar and pound sterling.	Hedge a minimum of 85% of the identified exposures for the first three months and a minimum of 75% for the next 15 months.	▪ Use of forward foreign exchange contracts, mainly to sell U.S. dollars and buy Canadian dollars and pounds sterling.
BT	Forecasted cash inflows and outflows denominated in a currency other than the functional currency of the entity incurring the cash flows.	Hedge 100% of the identified foreign currency exposures at the time of order intake.	▪ Use of forward foreign exchange contracts, mainly to sell or purchase euros, pounds sterling, U.S. dollars, Swiss francs, Canadian dollars and other Western European currencies.
Corporate Office	Forecasted cash outflows denominated in Canadian dollar.	Hedge a minimum of 85% of the identified exposures for the first 18 months.	▪ Use of forward foreign exchange contracts to sell U.S. dollars and Canadian dollars.
	Balance sheet exposures, including long-term debts and net investments in self-sustaining foreign operations.		▪ Matching of asset and liability positions. ▪ Use of forward foreign exchange contracts. ▪ Designation of long-term debt and cross-currency interest-rate swap agreements as hedges of our net investments in self-sustaining foreign operations.

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

The hedged portion of BA's foreign currency denominated costs for fiscal year 2011 was as follows as at January 31, 2010:

BA'S FOREIGN CURRENCY DENOMINATED COSTS

	Expected costs	Hedged portion	Weighted-average hedge rates	
			USD/foreign currency	Foreign currency/USD
Expected costs denominated in:				
Canadian dollar	2,091	81%	0.9275	1.0782
Pound sterling	217	94%	1.8306	0.5463

The U.S. dollar depreciated versus the Canadian dollar and pound sterling since January 31, 2009. Should this recent weakening continue, BA's costs incurred in these currencies will be higher, although on a delayed basis due to our hedging program.

Sensitivity analysis

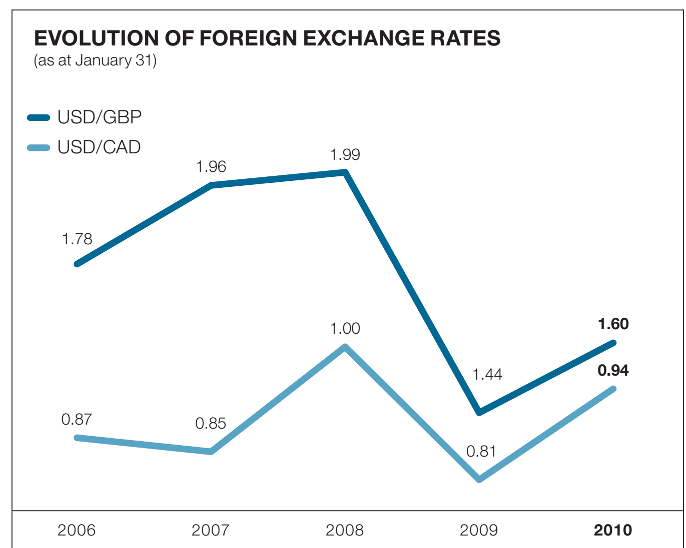
A U.S. one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact BA's expected costs for fiscal year 2011 by approximately $21 million before giving effect to forward foreign exchange contracts ($4 million impact after giving effect to such contracts).

Sensitivity analysis

A U.S. one-cent change in the value of the pound sterling compared to the U.S. dollar would impact BA's expected costs for fiscal year 2011 by approximately $2 million before giving effect to forward foreign exchange contracts (immaterial impact after giving effect to such contracts).

BT's identified cash flow exposures are generally entirely hedged at the time of order intake, contract by contract, consistent with BT's policy to hedge all currency exposures arising from cash inflows and outflows. As such, BT's results of operations are not significantly exposed to gains and losses from transactions in foreign currencies, but remain exposed to translation risks.

Corporate Office's identified cash flow exposures are not significant and mainly arise from expenses denominated in Canadian dollars. Corporate Office's balance sheet exposure arising mainly from investments in foreign operations and long-term debt is reduced using risk-mitigation strategies. However, the impact of foreign currency fluctuations on equity can be significant given the size of our investments in foreign operations.



Sensitivity analysis

The impact of foreign currency movements on the results of operations of BT and Corporate Office is not significant, as most of the identified foreign currency exposures are hedged by matching asset and liability positions, using forward foreign exchange contracts or through designation of long-term debt and cross-currency interest rate swap agreements.

For our net investments exposed to foreign currency movements, a 10% fluctuation of the relevant currencies as at January 31, 2010 would have impacted OCI, before income taxes, by $225 million, before giving effect to the related hedging items, and by $143 million, after giving effect to the related hedging items.

Changing interest rates

Our cash flow exposures to changing interest rates arise mainly from existing assets and liabilities that bear variable interest rates. These exposures are managed by a central treasury function as part of an overall risk management policy, using asset/liability management techniques, including the use of financial instruments, such as interest-rate swap agreements, to align asset/liability exposures. This is achieved by synthetically converting our long-term debt from a fixed rate to a variable rate in order to match assets yielding variable interest. Derivative financial instruments used to synthetically convert interest rate exposures consist mainly of interest rate swap agreements and cross-currency interest rate swaps.

In addition, we are economically exposed to changes in the fair value of our on- and off-balance sheet assets and liabilities as a result of changes in interest rates or marketability risk. The most significant on-balance sheet exposure arises from our credit and residual value guarantee provisions and portfolio of loans and lease receivables. Our exposure arising from financial guarantees is partially mitigated by offsetting positions from our portfolio of loans and lease receivables and other assets or liabilities that are carried at fair value, such as our portfolio of investments. In addition, our exposure to fixed-rate long-term debt, which is carried at amortized cost, has been significantly reduced using the previously mentioned asset/liability management techniques.

Our most important off-balance sheet risk arises from pension plans, for which there is a duration and nominal mismatch between the plans' assets and liabilities. Since fiscal year 2008, we have been mitigating such risk for all our U.S. and for some Canadian defined benefit pension plans through the utilization of interest-rate swap overlay portfolios. These derivatives are designed to protect the Corporation from an increase in the pension deficit arising from a reduction in long-term bond yields. This strategy generated gains following the disruption in capital markets leading to additional reductions in interest-rate and unprecedented negative swap spreads. Since the hedging relationship was disrupted as a result of the financial crisis, the hedging strategy was temporarily suspended with the termination of the swap agreements at the end of fiscal year 2009 and at the beginning of fiscal year 2010. Interest rate hedging strategies will be re-introduced for some U.S., U.K. and Canadian defined benefit pension plans when we consider that the financial conditions become favourable.

Sensitivity analysis

Assuming a 100-basis point increase in interest rate impacting the measurement of on-balance sheet assets and liabilities carried at fair value as of January 31, 2010, EBT would have been negatively impacted by $34 million for fiscal year 2010.

Exposure to credit risk

Through our normal treasury activities, we are exposed to credit risk on our derivative financial instruments, invested collateral and other investing activities. The effective monitoring and controlling of credit risk is a key component of our risk management activities. Credit risk arising from the treasury activities is managed in accordance with our Investment Management policy. The objective of this policy is to minimize our exposure to credit risk from our treasury activities by ensuring that we transact strictly with investment-grade financial institutions and highly rated market funds, with limits per counterparty based on their long-term credit rating.

Exposure to customer credit risk is managed by the segments. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and our own experience with the customers. The credit ratings and credit limits are dynamically reviewed based on fluctuations in the customer's financial results and payment behaviour.

Customer credit ratings and credit limits are critical inputs in determining the conditions under which credit or financing will be offered to customers, including obtaining collateral to reduce our exposure to losses. Specific governance is in place to ensure that financial risks arising from large transactions are analyzed and approved by the appropriate level of management before financing or credit support is offered to the customer.

Credit risk is recorded and monitored on an ongoing basis using different systems and methodologies depending on the underlying exposure. Various accounting and reporting systems are used to monitor trade receivables, loans and lease receivables.

IFRS CONVERSION

Status of our IFRS conversion project

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS. IFRS

PHASE	KEY ACTIVITIES	STATUS
Initial awareness	Develop an initial project plan. Obtain management buy-in and tone-at-the-top. Establish project structure, including Steering Committee and core and extended teams. Raise awareness across the organization. Train core project team.	Completed.
Detailed assessment	Perform a detailed analysis of IFRS, compared to our accounting policies and document the results. Identify required changes and make accounting policy choices, including those under IFRS 1, "First time adoption of IFRS". Conduct a high-level preliminary assessment of their impact.	Detailed assessment has been completed for all key standards and significant policy choices have been made (see Summary of key expected changes hereafter). Standards with lower impact and requiring limited data collection will be assessed in fiscal year 2011.
	Identify additional resource requirements and establish an appropriate level of IFRS financial reporting expertise.	In addition to the core project team at Corporate Office, project teams have been designated at BA and BT to oversee the IFRS conversion. Appropriate training has been provided to all project teams. Additional resources with IFRS expertise have been added to the project teams.
	Train extended project teams on specific topics.	Business Process Owners, responsible to carry out the IFRS conversion at the divisional level, have been trained for all key standards for each division.

PHASE	KEY ACTIVITIES	STATUS
Detailed assessment (continued)	Determine processes for approval of key decisions and project oversight.	A Steering Committee has been appointed to approve all significant policy decisions. The Audit Committee receives regular progress updates.
	Identify required changes in internal controls over financial reporting, disclosure controls and procedures and information systems.	Assessments of impacts on these processes and systems were made and action plans are in place.
Design and solution development	Design tools to prepare IFRS opening balance sheet and comparative information.	We have created a duplicate IFRS environment in our information systems to track all adjusting IFRS entries for our opening balance sheet and throughout our dual reporting period.
	Design and develop any required changes to information systems.	We do not expect a significant impact on our information systems.
	Design and develop internal controls over financial reporting.	We have concluded that internal controls applicable to our reporting processes under Canadian GAAP are fundamentally the same as those required in our IFRS reporting environment.
	Design and develop disclosure controls and procedures.	Disclosure controls and procedures are being updated. We are updating our reporting package tools to include all data required for financial statement disclosures under IFRS.
	Identify business impacts of conversion, including the effect on financial covenants, contracts, hedging activities, budgeting processes and compensation arrangements.	Our bank arrangements have been negotiated to allow the transition from Canadian GAAP to IFRS. Our other contracts are being reviewed and we do not expect any significant impacts as a result of conversion to IFRS. We have implemented a process to test hedge effectiveness quantitatively under IFRS using regression analyses. Processes are being put in place to prepare budgets and strategic plans under IFRS for fiscal year 2012. Our variable incentive compensation will be amended in reference to IFRS financial targets for relevant periods.
	Prepare a model of our IFRS financial statements.	A complete IFRS financial statement model was built and reviewed by top finance management.
	Provide selected training to employees across the organization.	The majority of the selected training has been performed.
	Design a communication plan to convey impacts of conversion to IFRS to external stakeholders.	A detailed communication plan will be developed in the first half of fiscal year 2011.
Implementation rollout	Test rollout processes and systems.	In progress.
	Perform data gathering and prepare IFRS opening balance sheet and comparative financial information, including additional disclosures.	Data collection for opening balance sheet is in progress. Data collection for each quarter in fiscal year 2011 is intended to be performed shortly following the closing of each quarter under Canadian GAAP. A complete assessment of the impact of adopting IFRS will be performed later in fiscal year 2011, once the data collection is completed. Processes to track additional disclosure under IFRS are being implemented.
	Communicate impact of conversion to IFRS to external stakeholders.	Communication will continue to be made through annual and quarterly reports. Additional information will be provided to external stakeholders in accordance with our communication plan which is currently under development.
	Prepare IFRS financial statements.	To be prepared during fiscal year 2012.

Summary of key expected changes

The IASB has a number of ongoing projects on its agenda. We continue to monitor standards to be issued by the IASB, but we do not expect these new standards to be mandatory for our fiscal 2012 financial statements. Our summary of key expected changes was completed with the expectation that we will apply IFRS as currently written at our transition date. However we will only make final decisions regarding early adoption of any new standards as they are issued by the IASB.

IFRS 1 generally requires that a first-time adopter apply IFRS accounting policies retrospectively to all periods presented in its first IFRS financial statements. IFRS 1 also provides certain mandatory and optional exemptions to the full retrospective application. The significant optional exemptions that we expect to apply are described within the relevant accounting policy below, along with the expected opening balance sheet impact of each choice.

The following are some of our key changes in accounting policies, which we expect will have significant impacts with respect to the recognition and measurement of certain balance sheet and income statement items. Unless otherwise indicated, all changes in accounting policy will be applied retrospectively.

ACCOUNTING POLICY	KEY DIFFERENCES IN ACCOUNTING TREATMENT	POTENTIAL KEY IMPACTS
Employee benefits	We elected to immediately recognize all actuarial gains and losses directly in equity, rather than amortize these through earnings as done under Canadian GAAP.	**Opening balance sheet:** A decrease in accrued benefit assets, an increase in accrued benefit liabilities and a decrease in equity. **Subsequent to transition:** Pension cost will no longer include the amortization component of the net actuarial losses at transition and future actuarial gains and losses will be recorded directly in equity. Given our current deficit, this change will result in a reduction of pension cost in the near term. This policy choice will also give rise to higher volatility of equity.
	Vested past service costs of defined benefit plans must be expensed immediately, while they are currently amortized over the estimated weighted-average remaining service life of plan participants.	**Opening balance sheet:** A decrease in accrued benefit assets, an increase in accrued benefit liabilities and a decrease in equity. **Subsequent to transition:** Plan amendments for vested past service costs will be recorded as pension cost when granted.
	We elected, under IFRS, to record interest costs and expected return on plan assets in financing income and financing expense, rather than as part of pension cost.	**Opening balance sheet:** No significant impact is expected. **Subsequent to transition:** Apart from the fact that these amounts will be recorded as financing income and financing expense, no significant impact is expected.
	Under certain circumstances, an additional minimum liability will be recognized under the rules of IFRIC 14, "The limit on a defined benefit asset, minimum funding requirements and their interaction". Changes to this amount will be recorded directly to equity.	**Opening balance sheet:** Accrued benefit assets will decrease, accrued benefit liabilities will increase and equity will decrease. **Subsequent to transition:** Volatility in accrued benefit assets and liabilities and equity will arise as a result of this change.

ACCOUNTING POLICY	KEY DIFFERENCES IN ACCOUNTING TREATMENT	POTENTIAL KEY IMPACTS
Revenue recognition of medium and large business aircraft	Revenues from the sale of medium and large business aircraft will be recognized only when the completed aircraft is delivered to the customer (no longer recognized upon green aircraft deliveries, i.e. before exterior painting and installation of interiors and optional avionics).	**Opening balance sheet:** The reversal of sales of green aircraft will increase inventories and advances on aerospace programs and decrease receivables and accounts payable and accrued liabilities, with a decrease in equity for the net amount. **Subsequent to transition:** In an environment where production rates and/or pricing are increasing or decreasing, there may be a significant impact on EBIT due to the change in the timing of revenue recognition for medium and large business aircraft.
Government assistance	Government assistance contingently repayable based on aircraft deliveries must be recognized as a liability when it is probable that the conditions for repayment will be met. Under Canadian GAAP, such government assistance is recorded as a reduction of the cost of the aerospace program tooling or R&D costs when received and repayments are recorded in cost of sales at the time of delivery of the aircraft.	**Opening balance sheet:** An increase in liabilities, with most of the adjustment recorded to equity. The balance of the adjustment will increase aerospace program tooling. **Subsequent to transition:** The cost of sales will no longer include repayments of government assistance and future program tooling amortization will be higher. Additional interest expense will arise from the recorded liability.
Intangible assets	We decided to use the units-of-production method of amortization for our aerospace program tooling under IFRS, while under Canadian GAAP we use the straight-line method of amortization. Vendor R&D expenditures incurred on our behalf by suppliers and repayable upon delivery of aircraft must be recognized as aerospace program tooling upon evidence of successful development. Under Canadian GAAP, such costs are only recognized when the amounts become payable.	**Opening balance sheet:** A decrease in aerospace program tooling and an increase in liabilities, with a net adjustment to equity. **Subsequent to transition:** The depreciation expense for aerospace program tooling will be based on production of aircraft rather than the passage of time. Vendor R&D expenditures will be recorded earlier as aerospace program tooling, which will result in earlier depreciation of these amounts. A counter credit to liabilities will be recorded as vendor R&D expenditures are incurred and interest expense will arise from the related liability.
Provisions and contingent liabilities	IFRS requires a provision to be recognized when it is probable (more likely than not) that an outflow of resource will be required to settle the obligation, while a higher threshold is used under Canadian GAAP. IFRS also requires a provision to be recognized when a contract becomes onerous, which Canadian GAAP only requires recognition of such a liability in certain situations.	**Opening balance sheet and subsequent to transition:** We have not completed our assessment of the impact. It is possible that additional provisions will be recognized under IFRS.

ACCOUNTING POLICY	KEY DIFFERENCES IN ACCOUNTING TREATMENT	POTENTIAL KEY IMPACTS
Long-term contracts	Accounting for long-term contracts requires base contracts and options to be combined into a single contract unless certain criteria are met. Less restrictive criteria under IFRS, namely the absence of a combining restriction when the base contract and the option have significantly different margins, will result in additional contracts being combined.	**Opening balance sheet:** Certain contract losses previously recorded will be reversed, resulting in an increase in long-term contract inventories and an increase in equity. **Subsequent to transition:** Additional combining of base contract with options should generally result in the recognition of positive cumulative catch-up adjustments when option contracts are signed.
Income taxes	Various changes in accounting policy under IFRS will also impact the corresponding deferred tax asset or liability, unless a valuation allowance is required.	**Opening balance sheet:** An overall net increase in deferred tax assets is expected. **Subsequent to transition:** The impact will depend on the net amount of all differences in accounting policy.
	Tax consequences of a transaction recorded in other comprehensive income or directly in equity in previous periods must be recorded in other comprehensive income or directly in equity (i.e. backward tracing). Under Canadian GAAP, all subsequent changes in deferred income taxes are recorded through earnings.	**Opening balance sheet:** No significant impact is expected. **Subsequent to transition:** The impact on earnings will depend on the extent of changes to deferred income taxes that will be recorded in other comprehensive income or directly to equity.
Lease accounting	IFRS requires a qualitative and quantitative assessment of lease classification while the Canadian GAAP requirement is based on quantitative tests.	**Opening balance sheet:** Our pre-owned aircraft off-balance sheet sale and leaseback facilities will be accounted for on balance sheet, leading to an increase in assets and liabilities. **Subsequent to transition:** No significant impact on earnings is expected. More lease arrangements entered into following transition may also require on-balance sheet treatment under IFRS.
Presentation and disclosure	We must present a classified balance sheet under IFRS to highlight the current and non-current portion of our assets and liabilities. The classification will be based on the operating cycles of the groups for operating components, and on a one-year basis or as otherwise required by IFRS for the other components.	**Opening ba** [illegible]

The IASB is contemplating issuing a new standard to replace the current IAS 31, "Interests in joint ventures", which is expected in the second quarter of calendar year 2010. It is expected that the new standard will require the use of the equity method to account for all joint ventures. Under the current standard, the use of the equity method or proportionate consolidation is allowed. Joint ventures must be proportionally consolidated under Canadian GAAP. We have not yet determined whether we will adopt the new standard on transition or what would be our accounting policy under the current standard if we do not adopt the new standard on transition. When our accounting policy for recognition of joint ventures will change from proportionate consolidation to the equity method, this will result in a reduction of various balance sheet items as our net investment in joint ventures will then be recorded as a one-line item, with no significant impact on equity. For the income statement, the main impact of using the equity method will be a reduction in revenues and costs, as well as a reduction in EBIT as our share of the net results of joint ventures will be reported in EBIT net of related tax.

Below are selected additional changes in accounting policies, which we do not expect to have a significant impact on our consolidated financial statements.

ACCOUNTING POLICY	DIFFERENCES IN ACCOUNTING TREATMENT
Property, plant and equipment	IFRS requires separate amortization of major components of an asset. This requirement being less explicit under Canadian GAAP, we identified a greater number of major components that will be amortized separately under IFRS. Depreciation expense will therefore be different under IFRS.
Borrowing costs	The computation of amounts to be capitalized may be different with regard to capitalization period, scope of qualifying assets and/or rates used. Under the exemption allowed by IFRS 1, we decided to begin capitalization of borrowing costs to qualifying assets effective February 19, 2007, the launch date of the *CRJ1000* aircraft program. Aerospace program tooling and equity will decrease in our opening balance sheet as a result.
Financial instruments	Under IFRS, we will assess the effectiveness of hedge relationships quantitatively and hedge ineffectiveness will be recognized in net income. Credit and liquidity risks will be excluded from the assessment of effectiveness and will be recognized in net income. Under Canadian GAAP, a quantitative assessment of hedge effectiveness is not required if certain specific criteria are met (known as the shortcut method or the critical-terms match method). There will be greater volatility in earnings under IFRS as a result.
Service concession arrangements	IFRS provides specific guidance on service concession arrangements, where Canadian GAAP does not explicitly address such arrangements. We do not currently participate directly in service concession arrangements. However, certain of our investments accounted for under the equity method will be subject to the service concession arrangement rules. As a result, the amounts recorded under the equity method for such investments may be different under IFRS.
Business combinations	We will elect to apply IFRS prospectively for business combinations from the date of transition to IFRS. There will be no impact to our consolidated financial statements as a result of this election.
Basis of consolidation	Under IFRS, the requirement to consolidate an entity is determined based on control, with additional consideration for special purpose entities. Under Canadian GAAP a similar control model applies, except in the case of special purpose entities, which are accounted for under the VIE model. No significant impact is expected to our consolidated financial statements as a result of this difference.

The differences identified in this document should not be regarded as an exhaustive list and other changes may result from our conversion to IFRS. Furthermore, the disclosed impacts of our conversion to IFRS reflect our most recent assumptions, estimates and expectations, including our assessment of the IFRS expected to be applicable at time of conversion. As a result of changes in circumstances, such as economic conditions or operations, and the inherent uncertainty from the use of assumptions, the actual impacts of our conversion to IFRS may be different from those presented above.

CONSOLIDATED RESULTS OF OPERATIONS

Good results in a difficult environment

RESULTS OF OPERATIONS

	Fourth quarters ended January 31[1]		Fiscal years ended January 31[1]	
	2010	2009	**2010**	2009
Revenues	**$5,352**	$5,429	**$19,366**	$19,721
Cost of sales	**4,489**	4,413	**16,202**	16,049
Margin	**863**	1,016	**3,164**	3,672
Selling, general and administrative	**388**	387	**1,453**	1,558
Research and development	**54**	50	**141**	171
Other expense (income)	**4**	2	**(26)**	(41)
EBITDA	**417**	577	**1,596**	1,984
Amortization	**129**	139	**498**	555
EBIT	**288**	438	**1,098**	1,429
Financing income	**(9)**	(47)	**(96)**	(270)
Financing expense	**69**	103	**279**	408
EBT	**228**	382	**915**	1,291
Income taxes	**49**	70	**208**	265
Net income	**$ 179**	$ 312	**$ 707**	$ 1,026
Attributable to:				
Shareholders of Bombardier Inc.	**$ 177**	$ 309	**$ 698**	$ 1,008
Non-controlling interests	**$ 2**	$ 3	**$ 9**	$ 18
EPS (in dollars)				
Basic	**$ 0.10**	$ 0.17	**$ 0.39**	$ 0.57
Diluted	**$ 0.10**	$ 0.17	**$ 0.39**	$ 0.56

1 Effective February 1, 2009, we elected to early adopt Section 1602 “Non-controlling interests” (see the Accounting and reporting developments section in Other for further details). Comparative figures include a reclassification of non-controlling interests of $3 million for the quarter and $18 million for the fiscal year from other expense (income) to net income attributable to non-controlling interests.

REVENUES AND EBIT MARGIN

	Fourth quarters ended January 31			Fiscal years ended January 31		
	2010	2009	Increase (decrease)	**2010**	2009	Increase (decrease)
Revenues						
BA	**$2,675**	$2,777	(4%)	**$ 9,357**	$ 9,965	(6%)
BT	**$2,677**	$2,652	1%	**$10,009**	$ 9,756	3%
Consolidated	**$5,352**	$5,429	(1%)	**$19,366**	$19,721	(2%)
EBIT margin			Percentage points			Percentage points
BA	**4.0%**	9.8%	(5.8)	**5.1%**	9.0%	(3.9)
BT	**6.8%**	6.3%	0.5	**6.2%**	5.5%	0.7
Consolidated	**5.4%**	8.1%	(2.7)	**5.7%**	7.2%	(1.5)

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

Higher net financing expense

Net financing expense amounted to $60 million and $183 million for the fourth quarter and fiscal year ended January 31, 2010, compared to $56 million and $138 million for the same periods last fiscal year. The $4-million and $45-million increases are mainly due to:

- lower interest income on cash and cash equivalents ($15 million for the fourth quarter, $117 million for the fiscal year), consistent with lower variable interest rates and a lower average level of cash on hand;
- lower interest income on invested collateral ($8 million for the fourth quarter, $37 million for the fiscal year), consistent with the lower level of invested collateral required under the new BT and BA letter of credit facilities and lower variable interest rates; and
- a net financing gain realized in fiscal year 2009 for long-term debt repurchases on the open market ($10 million for the fourth quarter, $22 million for the fiscal year).

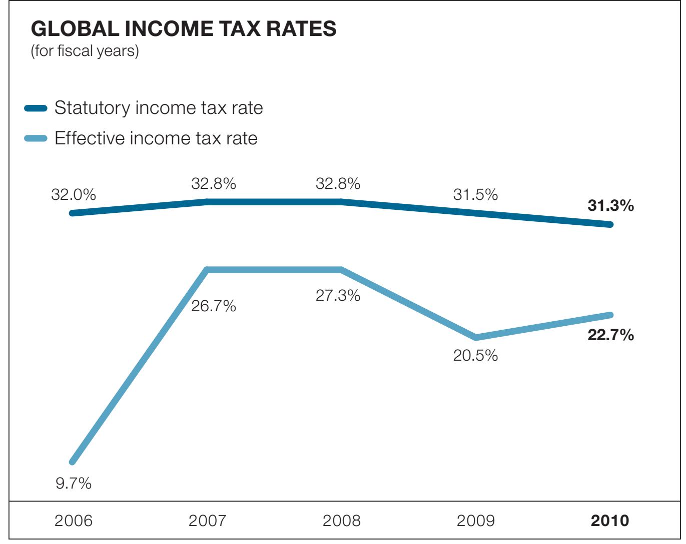
Partially offset by:

- lower interest expense on long-term debt, after the effect of hedges ($13 million for the fourth quarter, $84 million for the fiscal year), consistent with lower variable interest rates;
- positive variations in fair value of financial instruments ($44 million for the fiscal year); and
- a loss of $20 million related to the write-off of deferred costs in connection with the BT portion of the previous letter of credit facility recorded in the fourth quarter of fiscal year 2009.

Lower global effective income tax rate

The effective income tax rate was 21.5% and 22.7% respectively for the fourth quarter and fiscal year ended January 31, 2010, compared to the statutory income tax rate of 31.3%. The lower effective tax rates are mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences, partially offset by unrecognized tax benefits, permanent differences and a write-down of deferred tax assets.

The effective income tax rate was 18.3% and 20.5% respectively for the fourth quarter and fiscal year ended January 31, 2009, compared to the statutory income tax rate of 31.5%. The lower effective tax rates were mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences, partially offset by permanent differences and a write-down of deferred tax assets. The lower effective tax rate for the fiscal year was also due to the lower effective income tax rates of foreign investees.



LIQUIDITY AND CAPITAL RESOURCES

Our improved capital structure and solid cash position help us mitigate the impact of the recession

Our free cash flow is improving gradually

RECONCILIATION OF FREE CASH FLOW TO CASH FLOW FROM OPERATING ACTIVITIES

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Segmented free cash flow				
BA	**$ 212**	$ (271)	**$ (267)**	$ 128
BT	**372**	360	**293**	480
Segmented free cash flow	**584**	89	**26**	608
Income taxes and net financing expense[1]	**(72)**	(180)	**(241)**	(266)
Free cash flow	**512**	(91)	**(215)**	342
Add back: Net additions to property, plant and equipment and intangible assets	**272**	223	**767**	567
Cash flows from operating activities	**$ 784**	$ 132	**$ 552**	$ 909

1 Income taxes and net financing expense are not allocated to segments.

VARIATION IN CASH AND CASH EQUIVALENTS

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Balance as at beginning of period/fiscal year	**$3,020**	$3,251	**$3,470**	$3,602
Free cash flow	**512**	(91)	**(215)**	342
Effect of exchange rate changes on cash and cash equivalents	**(173)**	1	**270**	(494)
Dividends paid	**(47)**	(41)	**(178)**	(147)
Invested collateral	**64**	390	**145**	390
Repayments of long-term debt	**(4)**	(54)	**(11)**	(166)
Purchase of Class B shares held in trust under the PSU plan	**–**	–	**(21)**	(54)
Other	**–**	14	**(88)**	(3)
Balance as at end of fiscal year	**$3,372**	$3,470	**$3,372**	$3,470

We continue our proactive approach to cash deployment to ensure a sufficient level of liquidity to fund our ongoing operations and growth initiatives such as product development

Maintaining sufficient liquidity continues to be one of our key focuses. In March 2010, we implemented a refinancing plan of our long-term debt ("the Refinancing Plan") aimed at providing additional short-term capital resources and extending our long-term debt maturity profile. As such, we issued $650 million of unsecured Senior Notes, due in calendar year 2018 and bearing interest at 7.5% per year, and $850 million of unsecured Senior Notes, due in calendar year 2020 and bearing interest at 7.75% per year. Concurrently, we launched a tender offer to repurchase up to $1.0 billion of outstanding long-term debt maturing from calendar year 2012 to calendar year 2014. As a result of this Refinancing Plan, we will increase our net cash position by approximately $500 million, to be used for general corporate purposes, and the weighted-average long-term maturity will be extended from 6.5 years to 7.9 years, on a pro forma basis as at January 31, 2010. The approximately $500 million cash increase is net of the premium paid on the tender offer, the money collected on the settlement of the interest-rate swaps related to the repurchased debt, and the issuance fees related to the new debt.

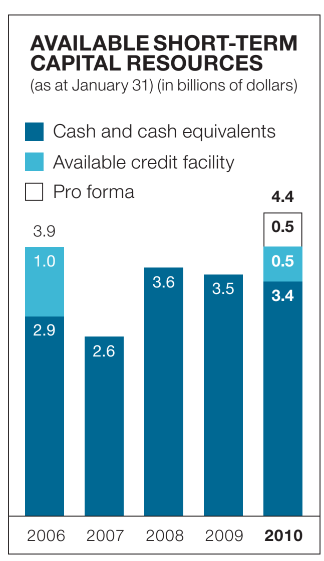
In addition, we set up in September 2009 a $500-million two-year unsecured revolving credit facility with a syndicate of commercial banks and other institutions. This facility is available for cash drawings for the general working capital needs of the Corporation, and was undrawn as at January 31, 2010. Under this facility, we must maintain the same financial covenants as for our BA letter of credit facility. This facility provides additional financial flexibility, if needed.

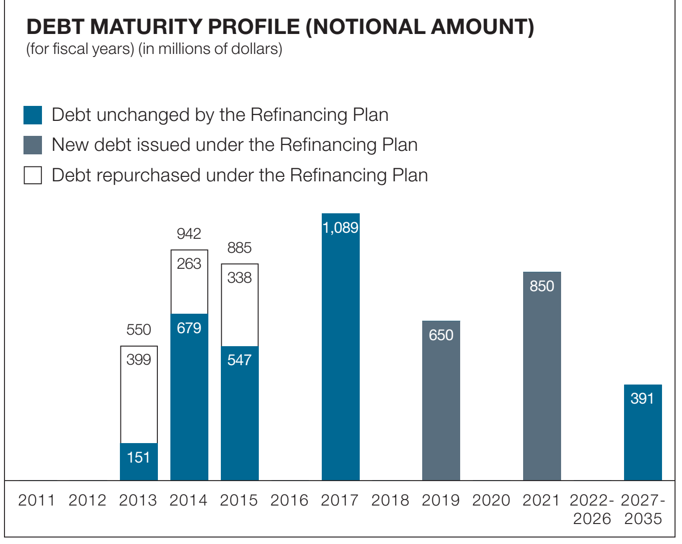
Our short-term capital resources totalling $3.9 billion as at January 31, 2010 includes cash and cash equivalents and the amount available under the previously mentioned revolving credit facility ($4.4 billion on a pro forma basis, giving effect to the Refinancing Plan). Our liquidity position as at January 31, 2010 and the absence of significant debt maturing before May 2012 will help us mitigate the impact of the recession.

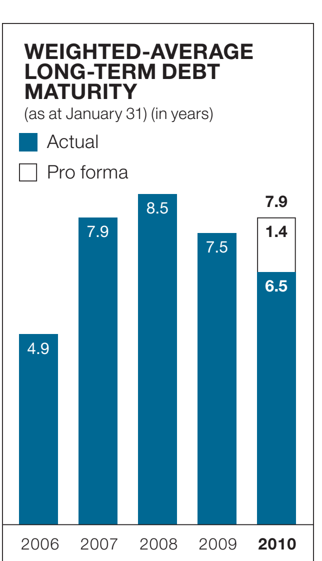
AVAILABLE SHORT-TERM CAPITAL RESOURCES

	Cash and cash equivalents	Available credit facility	Available short-term capital resources	Pro forma net cash proceeds	Pro forma available short-term capital resources
January 31, 2010	**$3,372**	**$500**	**$3,872**	**$500**	**$4,372**
January 31, 2009	$ 3,470	$ –	$ 3,470	$ 0	$ 3,470

The following graphs give effect to the impact of the Refinancing Plan:







We consider that our available short-term capital resources of $3.9 billion as at January 31, 2010 ($4.4 billion on a pro forma basis) combined with our expected free cash flow will enable the development of new products to enhance our competitiveness and support our growth when demand returns, 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.

Other facilities

In the normal course of our business, we set up factoring facilities in Europe to which BT can sell, without recourse, qualifying trade receivables. Trade receivables of $194 million were outstanding under such facilities as at January 31, 2010 ($18 million as at January 31, 2009). Trade receivables of $188 million and $542 million were sold to these facilities during the fourth quarter and fiscal year ended January 31, 2010.

In addition, we set up off-balance sheet sale and leaseback facilities to which BA can sell pre-owned business aircraft. An amount of $180 million was outstanding under such facilities as at January 31, 2010 ($54 million as at January 31, 2009). Aircraft worth $217 million were sold to these facilities and leased back during fiscal year 2010.

EXPECTED TIMING OF FUTURE LIQUIDITY REQUIREMENTS

					January 31, 2010
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Pro forma long-term debt[1,2]	$ 4,495	$ 11	$ 178	$ 1,237	$ 3,069
Pro forma interest payments[2]	2,690	299	628	589	1,174
Operating lease obligations	729	125	260	114	230
Outsourcing commitments	315	40	56	53	166
Purchase obligations[3]	7,659	4,948	2,288	421	2
Account payable and accrued liabilities	3,949	3,498	148	83	220
	$ 19,837	$ 8,921	$ 3,558	$ 2,497	$ 4,861

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

The above table presents the expected timing of contractual liquidity requirements, excluding derivatives and other payments contingent on future events such as payments in connection with credit and residual value guarantees related to the sale of aircraft and product warranties. These payments have not been included in this table because of the uncertainty on the timing of payments arising from their contingent nature. In addition, our required pension fund cash contributions have not been reflected in this table, as such cash contributions depend on periodic funding actuarial valuations (see the Capital structure section hereafter for more details). The amounts presented in the table represent the undiscounted payments and do not give effect to the related hedging instruments (see Note 3 to the Consolidated Financial Statements for the expected timing of payments on derivative financial instruments).

CREDIT FACILITIES NOT AVAILABLE FOR CASH DRAWINGS

On June 30, 2009, a $600-million facility agreement was signed with a syndicate of first-quality financial institutions, mainly North America-based, available for the issuance of letters of credit to support BA's operations as well as the general needs of the Corporation, excluding BT, in replacement of the previous BA facility. Also, the amount committed under the performance security guarantee facility ("PSG facility") was increased by $650 million in fiscal year 2010. The PSG facility is available for the issuance of letters of credit to support BT's operations, and letters of credit are issued by commercial banks and are guaranteed by Export Development Canada (EDC).

LETTER OF CREDIT FACILITIES

	Amount committed	Letters of credit issued	Amount available	Maturity (fiscal year)
January 31, 2010				
BT facility	**$5,201[1]**	**$3,921**	**$1,280**	**2014[2]**
BA facility	**600**	**484**	**116**	**2012**
PSG facility	**900**	**377**	**523**	**2011[3]**
	$6,701	**$4,782**	**$1,919**	
January 31, 2009				
BT facility	$ 4,801[1]	$ 4,446	$ 355	2014[2]
Previous BA facility	840	655	185	2012
PSG facility	250	30	220	2010[3]
	$ 5,891	$ 5,131	$ 760	

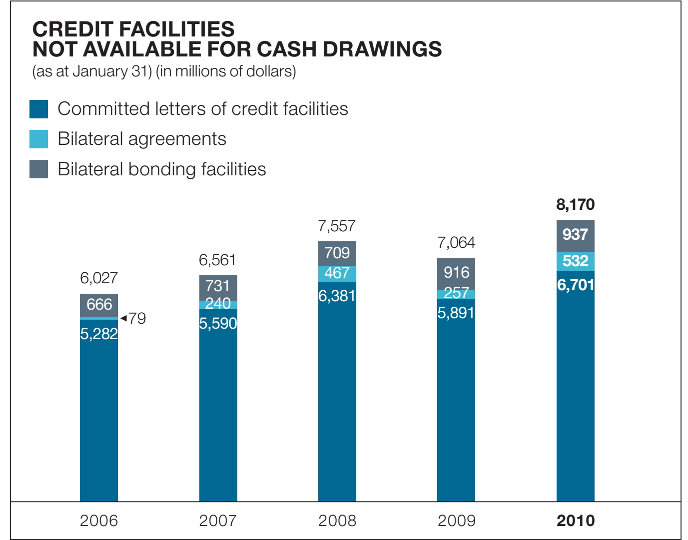
1 €3.75 billion.
2 In December 2011, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature up to December 2013.
3 The PSG facility is renewed and extended annually if mutually agreed. In December 2009, the facility was extended to April 2010 to coincide with the release of our annual financial statements, and is expected to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

Letter of credit facilities are only available for the issuance of letters of credit. As these facilities only require an unfunded commitment from the banks, they provide a better pricing for the Corporation as compared to credit facilities available for cash drawings.

Under the BA and BT facilities, we must maintain certain financial covenants, including a requirement to maintain a minimum BT liquidity of €600 million at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. In addition, we must maintain €404 million ($560 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at January 31, 2010.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $532 million were outstanding under various bilateral agreements as at January 31, 2010 ($257 million as at January 31, 2009).

We also use numerous bilateral bonding facilities with insurance companies to support BT's operations. An amount of $937 million was outstanding under such facilities as at January 31, 2010 ($916 million as at January 31, 2009).



CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation, taking into consideration in the definition of adjusted debt the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations.

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

GLOBAL METRICS[1]

	January 31 2010	January 31 2009
Interest coverage		
Adjusted EBIT	**$1,249**	$1,535
Adjusted net interest	**$ 334**	$ 244
Adjusted EBIT to adjusted net interest ratio	**3.7**	6.3
Financial leverage		
Adjusted debt	**$6,084**	$5,841
Adjusted EBITDA	**$1,792**	$2,129
Adjusted debt to adjusted EBITDA ratio	**3.4[2]**	2.7
Capitalization		
Adjusted debt	**$6,084**	$5,841
Adjusted total capitalization	**$9,928**	$8,906
Adjusted debt to adjusted total capitalization ratio	**61%[3]**	66%

1 Refer to the Non-GAAP financial measures section hereafter for definitions and reconciliations to the most comparable Canadian GAAP measures.
2 A pro forma ratio of 3.7, after increasing the adjusted debt by $500 million to give effect to the Refinancing Plan executed subsequent to January 31, 2010.
3 A pro forma ratio of 63%, after increasing the adjusted debt and the total capitalization by $500 million to give effect to the Refinancing Plan executed subsequent to January 31, 2010.

The economic environment had a negative impact on our interest coverage and financial leverage metrics, while our capitalization metric improved. These variations are a combination of numerous factors:

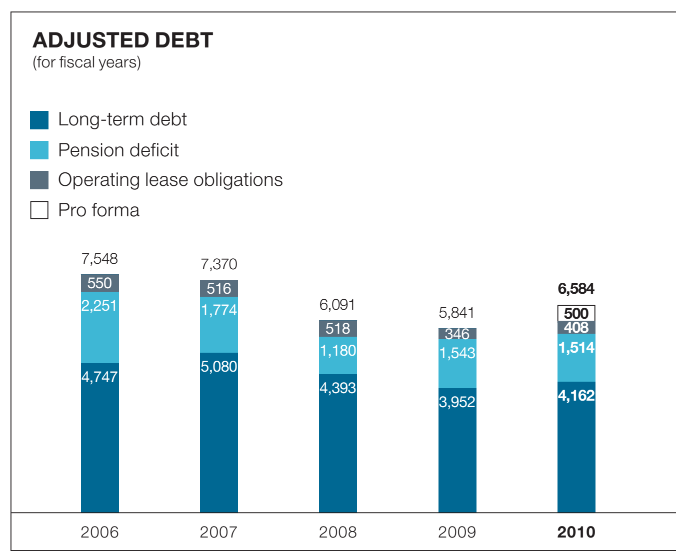
- Adjusted EBIT and adjusted EBITDA decreased by $286 million and $337 million respectively due to lower BA profitability following the impact of the recession on the aerospace industry, partially offset by higher BT profitability.
- Adjusted net interest increased by $90 million, due to a higher average credit spread for our credit rating, a lower level of cash on hand and lower variable interest rates.
- Adjusted debt increased by $243 million, mainly due to the foreign exchange impact ($206 million).
- Adjusted total capitalization increased by $1.0 billion, mainly as a result of the net income for the period ($707 million), increase in adjusted debt described above ($243 million) and a positive CTA impact ($212 million), partially offset by dividends declared ($178 million).

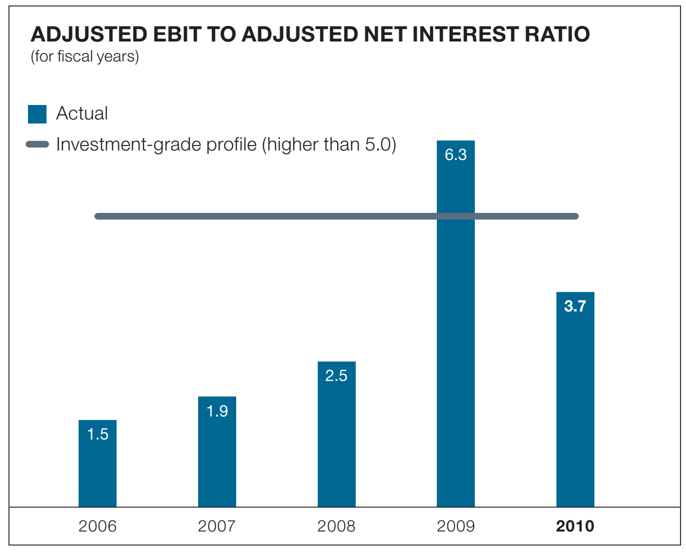
Our capital structure improved since fiscal year 2006, mainly due to improved profitability and our continued focus on reducing long-term debt and pension deficit. However, our global metrics for fiscal year 2010 suffered as the current economic situation creates volatility that affects our performance. This volatility is expected to continue until economic conditions stabilize.

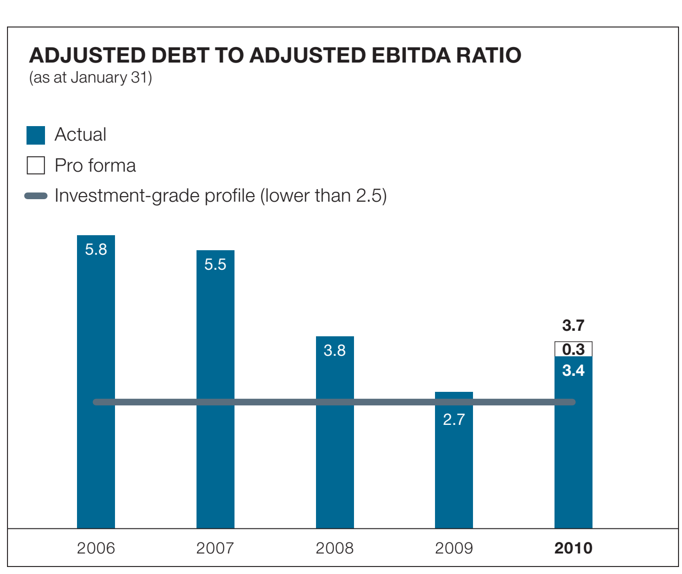
Given the current economic environment, our near-term focus is to preserve liquidity. Upon return to normal economic conditions, we remain committed to improve our capital structure.

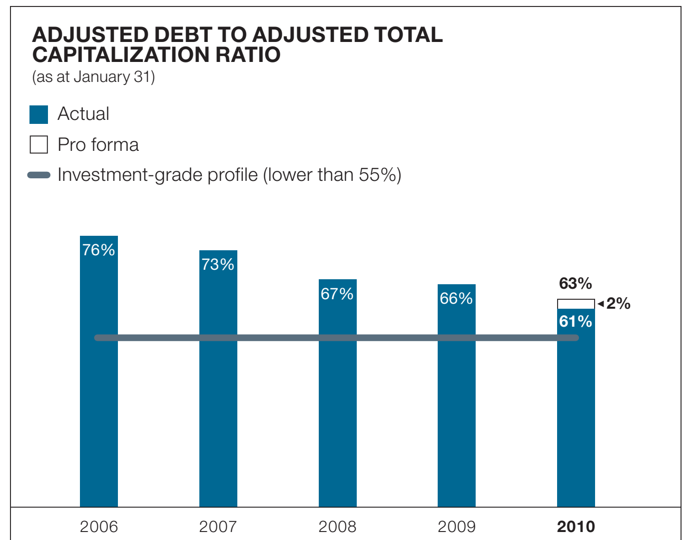
Our objective with regard to the global metrics is to manage and monitor them such that we can achieve an investment-grade profile, which among other considerations typically requires the respect of the following ratios:

- adjusted EBIT to adjusted net interest ratio greater than 5.0;
- adjusted debt to adjusted EBITDA ratio lower than 2.5; and
- adjusted debt to adjusted total capitalization ratio lower than 55%.









Investment-grade status remains an objective

Credit ratings are intended to provide investors with an independent measure of credit quality. We are currently rated by three rating agencies: Moody's Investors Services ("Moody's"), Standard & Poor's Rating Services ("S&P") and Fitch Ratings Ltd. ("Fitch").

CREDIT RATINGS

	Investment-grade rating	Bombardier Inc.'s rating	
		January 31 2010	January 31 2009
S&P	BBB-	**BB+**	BB+
Fitch	BBB-	**BB+**	BB+
Moody's	Baa3	**Ba2**	Ba2

The current ratings are one level away from investment grade at S&P and Fitch and two levels away at Moody's. Upon return to normalized market and economic conditions, we should be in a good position to improve our credit rating, subject to the achievement of our planned profitability. An investment-grade rating would be beneficial to the Corporation as it would generally reduce the cost of our banking activities, improve our access to capital markets and lower the amount and cost of the guarantees we provide. It would also put us in a better position to seize strategic opportunities.

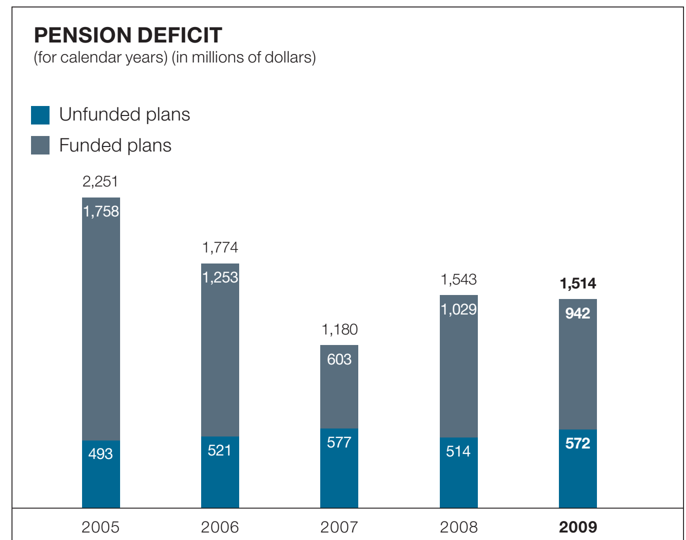
PENSION

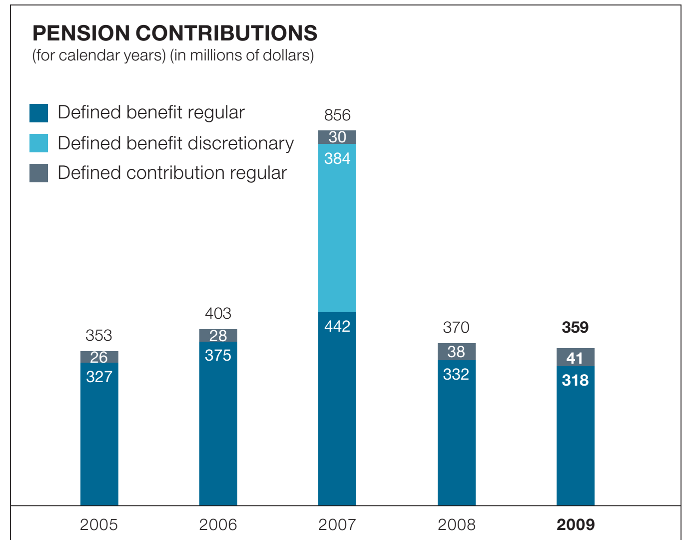
Pension deficit remains at a manageable level

We sponsor several domestic and foreign funded and unfunded defined benefit pension plans. Funded plans are plans for which segregated plan assets are invested in trusts. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice because of adverse tax consequences. There will therefore always be a deficit for unfunded plans. We also manage several defined contribution plans which specify how contributions are determined rather than the amount of benefits an employee is to receive at retirement. There is no deficit or surplus for defined contribution plans.

While we work closely with the trustees of our various pension plans to implement risk-management measures, including aligning plan assets with the terms of the plan obligations, our future cash contributions to the funded pension plans will nonetheless be dependent on changes in discount rates, actual returns on plan assets and other factors such as plan amendments.

The defined benefit pension contributions of $318 million for calendar year 2009 are lower than the $400-million anticipated last year. The decrease is mainly due to positive variations in foreign exchange rates and lower funding requirements in some countries, arising from the finalization of our funding calculations or from funding reliefs provided by some governments to alleviate the impact of the financial crisis.





PENSION CONTRIBUTIONS		
	Calendar year 2009 Actual	**Calendar year 2010 Estimate**
Defined benefit pension plans	$318	$336
Defined contribution pension plans	41	45
	$359	$381

Our pension deficit totalled $1.5 billion as at December 31, 2009, essentially unchanged compared to December 31, 2008.

VARIATION IN PENSION DEFICIT	
Balance as at December 31, 2008[1]	$ 1,543
Actual return on plan assets[2]	(753)
Interest cost[3]	363
Employer contributions	(318)
Changes in discount rate assumptions[4]	238
Effect of changes in foreign exchange rates	177
Current service cost[5]	172
Change in inflation assumptions	67
Change in compensation increase assumptions	(33)
Plan amendments and other	58
Balance as at December 31, 2009[1]	**$1,514**

1 Of which $572 million is related to unfunded plans as at December 31, 2009 ($514 million as at December 31, 2008).
2 The performance of stock markets is a key driver in determining the pension fund's asset performance, since our targeted allocation for pension plan assets invested in publicly traded equity securities is 57%. Most of the remaining plan assets are invested in publicly traded long-term fixed-income securities.
3 Represents the expected increase in pension obligation due to the passage of time.
4 The discount rate is used to determine the present value of the estimated future benefit payments at the measurement date. A higher discount rate decreases the benefit obligation and pension deficit. The discount rate must represent the market rate for high-quality corporate fixed-income investments available for the period to maturity of the benefits, and thus management has little discretion in its selection.
5 Current service cost represents the present value of retirement benefits earned by participants during the current year.

The pension cost of defined benefit pension plans is estimated at $302 million for fiscal year 2011, compared to an actual pension cost of $234 million for fiscal year 2010. The expected increase is mainly due to:

- the negative impact in fiscal year 2011 of the three-year smoothing of net losses realized on equity investments over the preceding three-year period; and
- the negative variation in discount rates, reflecting the recent decrease in high-quality corporate fixed-income rates in Canada.

SENSITIVITY ANALYSIS		
		Impact of a 0.25% increase on:
Increase (decrease)	**Pension cost for fiscal year 2011**	**Pension deficit as at December 31, 2009**
Discount rate	$(32)	$ (283)
Expected return on plan assets	$(13)	n/a
Rate of compensation increase	$ 17	$ 85

n/a: Not applicable.

FINANCIAL POSITION

We are feeling the recession, mainly through higher working capital at BA

	January 31 2010	January 31 2009	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance excluding foreign exchange	Explanation of variances other than foreign exchange impact
Cash and cash equivalents	**$ 3,372**	$ 3,470	$ 270	$ (368)	See the previous Variation in cash and cash equivalents table for details.
Invested collateral	**682**	777	50	(145)	Release of a portion of existing BA and BT collateral.
Receivables	**1,897**	1,981	86	(170)	$ (95) Lower level of receivables in BT. (72) Lower level of receivables in BA.
Aircraft financing	**473**	418	6	49	No significant variance.
Gross inventories	**9,423**	8,830	477	116	$ 813 Higher activities in rolling stock at BT. (423) Lower level of new and pre-owned aircraft at BA. (275) Lower level of aerospace programs work-in-process inventories at BA as a result of production rate decreases.
Advances and progress billings related to long-term contract costs	**(6,054)**	(5,380)	523	151	Increased activities at BT.
Advances on aerospace programs	**(2,092)**	(2,991)	–	899	Lower net order intake for business and commercial aircraft.
Property, plant and equipment	**1,643**	1,568	80	(5)	$ (166) Amortization (17) Disposals 222 Additions
Intangible assets	**1,696**	1,399	13	284	$ 583 Additions (303) Amortization
Fractional ownership					Decline in aircraft share sales and increase in early redemption, as a result of the current economic environment.
– deferred costs	**271**	444	–	(173)	
– deferred revenues	**346**	573	–	(227)	
Deferred income tax					The components have varied as follows:
– asset	**1,166**	1,216			$ (317) Decrease in inventories.
– liabilities	**(65)**	–			(138) Decrease on derivative financial instruments.
	1,101	1,216	34	(149)	(77) Decrease in property, plant and equipment. 339 Increase in product warranty and other provisions. 177 Increase in operating losses carried forward.

	January 31 2010	January 31 2009	Increase (decrease) Foreign exchange impact	Variance excluding foreign exchange	Explanation of variances other than foreign exchange impact	
Accrued benefit						
– assets	**$ 1,070**	$ 926	$ –			
– liabilities	**(1,084)**	(992)	19			
	(14)	(66)	19	$ (71)	No significant variance.	
Derivatives						
– assets	**482**	626	–		Strengthening of the Canadian dollar,	
– liabilities	**(429)**	(1,194)	(9)		euro and pound sterling and expiration	
	53	(568)	9	612	of out-of-the money derivatives.	
Goodwill	**2,247**	2,010	237	–	No variance.	
Other assets	**1,006**	949	36	21	$ 153	Increase in investment in VIEs, following the elimination of the $150-million prepayment under an exchange agreement, that was subsequently invested in a VIE.
					125	Increase in investment in securities.
					(150)	Elimination of the prepayment under an exchange agreement.
					(78)	Lower level of prepaid expense at BA.
Accounts payable and accrued liabilities	**(7,427)**	(6,922)	345	160	$ (300)	Ramp up in production at BT.
					157	Lower level of payables in BA.
Long-term debt	**(4,162)**	(3,952)	192	18	No significant variance.	
Shareholders' equity	**(3,769)**	(2,610)	n/a	1,159	$ 380	Positive impact of cash flow hedges measured at fair value.
					707	Net income
					212	Positive CTA impact.
					(178)	Dividends declared.

n/a: Not applicable.

NON-GAAP FINANCIAL MEASURES

This MD&A is based on reported earnings in accordance with Canadian GAAP and on the following non-GAAP financial measures, including their pro forma equivalent:

NON-GAAP FINANCIAL MEASURES	
EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization.
Free cash flow	Cash flows from operating activities less net additions to property, plant and equipment and intangible assets.
Adjusted debt	Long-term debt plus the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations.
Adjusted EBIT	EBIT plus adjustment for operating leases and pension deficit.
Adjusted EBITDA	EBITDA plus amortization adjustment for operating leases and adjustment for operating leases and pension deficit.
Adjusted net interest	Financing income and financing expense plus adjustment for operating leases and pension deficit.
Adjusted total capitalization	Adjusted debt plus shareholders' equity less amount in AOCI relating to cash flow hedges.

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

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

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

RECONCILIATION OF ADJUSTED DEBT TO LONG-TERM DEBT	**January 31 2010**	January 31 2009
Long-term debt	**$4,162**	$3,952
Pension deficit	**1,514**	1,543
Operating lease obligations[1]	**408**	346
Adjusted debt	**$6,084**	$5,841

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

RECONCILIATION OF ADJUSTED EBITDA AND ADJUSTED EBIT TO EBIT

	Fiscal year 2010	Fiscal year 2009[1]
EBIT	**$1,098**	$1,429
Adjustment for pension deficit and operating leases[2]	**151**	106
Adjusted EBIT	**1,249**	1,535
Amortization adjustment for operating leases[3]	**45**	39
Amortization	**498**	555
Adjusted EBITDA	**$1,792**	$2,129

1 Following the adoption of Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details), EBIT, adjusted EBIT and adjusted EBITDA now include the income attributable to non-controlling interests. The January 31, 2009 figures have been restated accordingly.
2 Represents the interest cost of a debt equivalent to the amount included in adjusted debt for these two items, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related twelve months, given our credit rating for the corresponding periods.
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 NET INTEREST TO FINANCING INCOME AND FINANCING EXPENSE

	Fiscal year 2010	Fiscal year 2009
Financing income and financing expense	**$ 183**	$ 138
Adjustment for pension deficit and operating leases[1]	**151**	106
Adjusted net interest	**$ 334**	$ 244

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

RECONCILIATION OF ADJUSTED TOTAL CAPITALIZATION TO SHAREHOLDERS' EQUITY

	January 31 2010	January 31 2009
Shareholders' equity[1]	**$3,769**	$2,610
Exclude: amount in AOCI related to cash flow hedges	**75**	455
Adjusted debt	**6,084**	5,841
Adjusted total capitalization	**$9,928**	$8,906

1 Following the adoption of Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details), shareholders' equity now includes non-controlling interests. The January 31, 2009 figure has been restated accordingly.

AEROSPACE

The data presented in this section of the MD&A is structured by market segment (business aircraft, commercial aircraft, amphibious and specialized aircraft, customer services and *Flexjet*), which is reflective of our organizational structure.

HIGHLIGHTS 61
Highlights of the fourth quarter and fiscal year.
Guidance and subsequent events.

FORWARD-LOOKING STATEMENTS 62
Assumptions related to our forward-looking statements.
Previous EBIT guidance.

PROFILE 63
Overview of our operations and products.

KEY PERFORMANCE MEASURES 66
Key performance measures that we use to monitor our progress.
Our results over the last five fiscal years.

CURRENT BUSINESS ENVIRONMENT 67
Position of our industry in the current business environment.

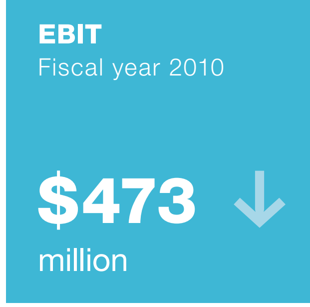
MARKET 70
Overview of our markets and major competitors.
Short-term and long-term market outlooks.

STRATEGY 82
Our fiscal year 2010 achievements.
Product development process.
Our seven strategic priorities to strengthen our long-term industry leadership.
How we will deliver.

ANALYSIS OF RESULTS 92
Our financial performance for the fourth quarter and fiscal year 2010.
Order backlog and workforce as at January 31, 2010.

HIGHLIGHTS

Our results were affected by the difficult economic environment

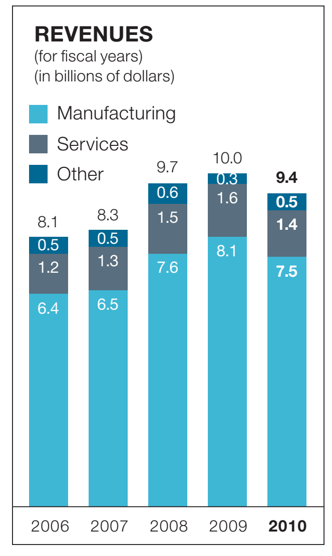


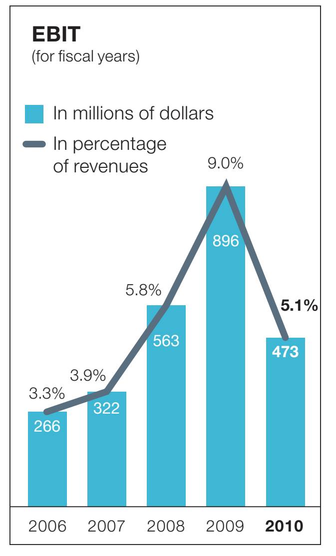
Fourth quarter

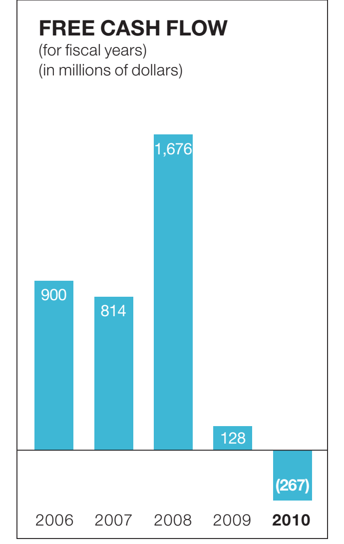
- Revenues of $2.7 billion, compared to $2.8 billion for the same period last fiscal year.
- EBIT of $106 million, or 4.0% of revenues, compared to $271 million, or 9.8%, for the same period last fiscal year.
- Free cash flow of $212 million, compared to free cash flow usage of $271 million for the same period last fiscal year.
- 86 aircraft deliveries, compared to 93 for the same period last fiscal year.
- 33 net orders (59 gross orders and 26 business aircraft cancellations), compared to 6 net orders (47 gross orders and 41 business aircraft cancellations) for the same period last fiscal year.
- In November 2009, AMR Eagle Holding Corporation signed a purchase agreement for 22 *CRJ700 NextGen* regional jets, which is valued at $779 million based on list price.

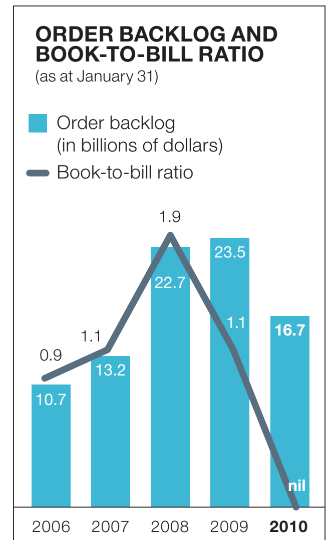
Fiscal year

- Revenues of $9.4 billion, compared to $10.0 billion last fiscal year.
- EBIT of $473 million, or 5.1% of revenues, compared to $896 million, or 9.0%, last fiscal year.
- Free cash flow usage of $267 million, compared to free cash flow of $128 million last fiscal year.
- 302 aircraft deliveries, compared to 349 last fiscal year.
- 11 net orders (213 gross orders, 186 business aircraft cancellations and 16 commercial aircraft cancellations), compared to 367 net orders (423 gross orders and 56 business aircraft cancellations) last fiscal year.
- Order backlog of $16.7 billion, compared to $23.5 billion as at January 31, 2009.
- Reduction in production rates for all our business and regional jets, leading to a reduction of our workforce by approximately 4,700 permanent and contractual employees.









Guidance and subsequent events

- BA expects to deliver approximately 15% and 20% fewer business and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010. Overall, we expect improvements to lag economic recovery, therefore BA's EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. BA's free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flows from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010.
- In February 2010, Republic Airways Holdings Inc. signed a purchase agreement for 40 *CS300* aircraft, with options for an additional 40. Based on the list price, the value of this contract is $3.1 billion, which could increase to $6.3 billion if all options are exercised.

FORWARD-LOOKING STATEMENTS

Forward-looking statements[1] in this section of the MD&A are based on:

- current firm order backlog and estimated future order intake determined by[2]:
  - significant increase in orders for business aircraft over the next fiscal year compared to fiscal year 2010;
  - significant increase in orders for commercial aircraft (excluding orders for the *CSeries* family of aircraft, see below) over the next fiscal year compared to fiscal year 2010;
  - orders for the *CSeries* aircraft as planned. The deliveries of the *CSeries* aircraft do not impact the short-term outlook of this MD&A as the entry into service of this family of aircraft is scheduled for the second half of calendar year 2013; and
  - growth in after-market services in line with the in-service fleet.
- continued deployment and execution of strategic initiatives related to cost reductions;
- ability to meet scheduled entry-into-service dates for new aircraft programs;
- ability to recruit and retain highly skilled resources to deploy our product development strategy; and
- ability of supply base to support planned production rates.

1 See also the Forward-looking statements section in Overview.
2 Demand forecast is based on the analysis of main market drivers, as detailed in the Market section.

Previous EBIT guidance

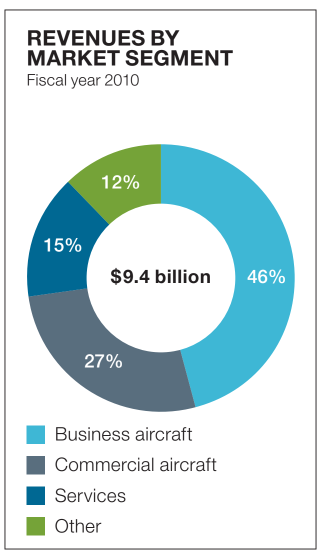
We previously provided guidance for a 12% EBIT in fiscal year 2013 computed under Canadian GAAP. Since IFRS will be the accounting standards applicable to the period covered by the guidance, we now have to provide guidance under IFRS, as required by the securities legislation. We are currently in the process of assessing the impact of the adoption of IFRS, but substantial work remains to be performed (see the IFRS section in Overview). Although the underlying profitability of our businesses will not be affected by the adoption of IFRS, the change in accounting standards could have a material impact on the timing of the recognition of revenues and expenses and therefore on the profitability for a given period. In addition, certain income statement items could be recognized in different line items under IFRS. Although such reclassifications have no impact on the overall profitability, they will impact certain key performance measures such as EBIT.

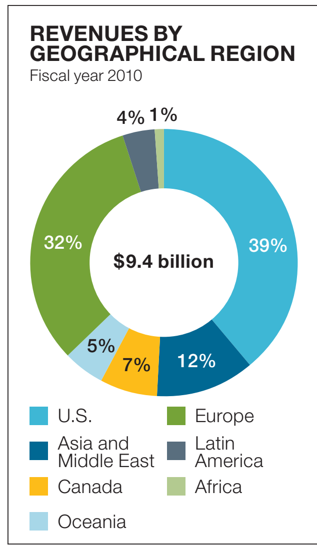
We expect to be able to provide a new BA EBIT guidance under IFRS in the annual report of fiscal year 2011, when both the impact of adopting IFRS will be known and our budget process prepared under the new accounting standards will have provided visibility on our expected IFRS results for the periods covered by the new guidance. At the same time, this will provide us with the opportunity to better assess the impact of the current economic conditions on each of our significant businesses covered by the EBIT guidance.

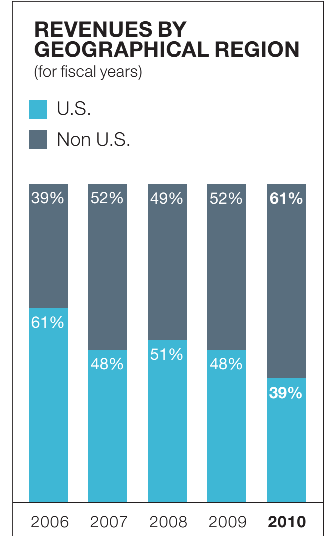
Accordingly, our previous EBIT guidance provided under Canadian GAAP is no longer applicable.

PROFILE

Bombardier Aerospace: A world leader







We are a world leader in the design and manufacture of innovative aviation products and a provider of related services for the business, commercial, amphibious and specialized aircraft markets. Through our 10 manufacturing and engineering sites and our international service and support network, we have a presence in 22 countries. We had a workforce of 28,900 employees as at January 31, 2010, of which 51% were covered by collective agreements.

Our revenues reached $9.4 billion for fiscal year 2010. We are becoming less concentrated on the U.S. market, accounting for 39% of our total revenues for fiscal year 2010, compared to 61% for fiscal year 2006. We have customers located in over 100 countries, which are primarily civil owner operators or aviation service providers. They consist mainly of corporations and high net worth individuals for business aircraft, and airlines and leasing companies for commercial aircraft. *Flexjet* also serves the private jet travel needs of corporations and high net worth individuals in the U.S. without the requirement for them to purchase and manage an entire aircraft.

Meeting the needs of our customers

Our business aircraft customers are buying aircraft that meet their requirements in terms of performance such as speed and range, cabin comfort and style, amenities and interior customization. Our business jet customers expect nothing less than reliable flight operations with flawless service and maintenance support and exclusive and personalized customer care. Our industry-leading comprehensive portfolio of business jets and our focus on delivering an amazing customer experience are key to meeting our objective of exceeding the high standards of our business aircraft customers.

Our commercial aircraft customers are buying aircraft that meet their required range and payload, as well as competitive operating costs. They are selecting product features that ensure safe and reliable service adapted to their business model. Among these customers, we have a product offering for:

- regional airlines (40- to 100-seat category) offering higher-frequency service to complement mainline airlines;
- commercial airlines (100- to 149-seat category) needing the right capacity in order to meet flight frequency expected by passengers at cost levels that allow for profitable operations;
- low-fare carriers needing aircraft that consistently deliver low seat-mile costs, while subjected to very high utilization levels; and
- leasing companies needing flexibility in terms of performance and interior configuration for their leasing customers' varying needs.

Our broad portfolio of commercial aircraft is designed to meet those diverse operational requirements from airlines around the world.

We have a strong global supply chain

An effective global supply chain is critical to our business. We seek long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support our customers with related services. We are continuously assessing and streamlining our supplier base to ensure an efficient global supply chain and sustainable procurement processes. Within our supply chain, we built relationships with suppliers present in over 40 countries.

We have a strong product and service offering

BUSINESS AIRCRAFT

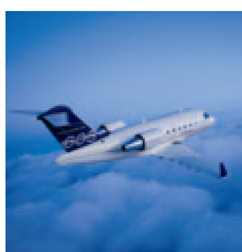
Our three families of business jets, when combined, represent the most comprehensive offering of all business aircraft manufacturers and enable us to address the needs of most business aircraft users, owners and operators. The market categories in which we have a product offering cover 94% of the total business aircraft market revenues for calendar year 2009.

LEARJET FAMILY OF AIRCRAFT

Models: *Learjet 40 XR, Learjet 45 XR, Learjet 60 XR* and *Learjet 85*[1]

Market category: Light business jets

Competitive advantages[2]**:** The *Learjet* heritage of high performance is upheld by each *Learjet* product. The *Learjet* family of aircraft sports the highest operating ceilings, exceptionally fast cruise speeds, quick climb rates and competitive operating costs.

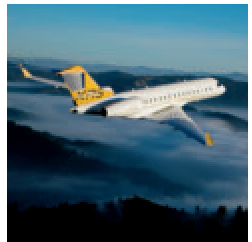


CHALLENGER FAMILY OF AIRCRAFT

Models: *Challenger 300, Challenger 605* and *Challenger 800* Series

Market category: Medium business jets

Competitive advantages[2]**:** The *Challenger* aircraft are productivity enhancing business tools, with the widest, most spacious cabins within their segments, which can be customized with leading-edge cabin communication equipment, creating highly efficient business environments in the sky.



GLOBAL FAMILY OF AIRCRAFT

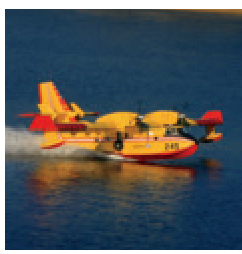
Models: *Global 5000* and *Global Express XRS*

Market category: Large business jets

Competitive advantages[2]**:** The *Global* family of aircraft offers the fastest cruise speeds and greatest interior volumes within the large business jet category, providing the perfect balance of performance and comfort for long range missions. These superior long- and ultra-long range business aircraft incorporate advanced technologies and superior design.

1 Currently under development.
2 Under certain operating conditions, when compared to currently in-service aircraft.

AMPHIBIOUS AND SPECIALIZED AIRCRAFT



AMPHIBIOUS TURBOPROPS

Models: *Bombardier 415* and *Bombardier 415* MP

Competitive advantages[1]**:** The *Bombardier 415* amphibious aircraft, a purpose-built fire fighting aircraft, offers unique operational capabilities and exceptional performance, allowing it to operate in the most rugged and demanding of circumstances. The *Bombardier 415* MP aircraft can be used in a variety of specialized missions such as search and rescue, coastal patrol, environmental protection and transportation.

SPECIALIZED AIRCRAFT SOLUTIONS

Models: All Bombardier business and commercial aircraft.

Competitive advantages: Specialized aircraft solutions offer a comprehensive and unique range of aircraft platforms and solutions to meet a wide variety of customer needs, ranging from surveillance, monitoring to communication platforms.

1 Under certain operating conditions, when compared to currently in-service aircraft.

COMMERCIAL AIRCRAFT

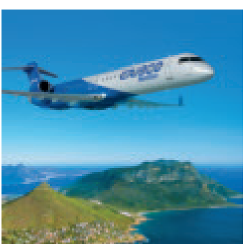
Bombardier has the widest portfolio of commercial products within the 40- to 149-seat categories. All our products and product families of jets and turboprops are optimized for the market segments they serve. With increased customer emphasis on operating efficiencies, environmental footprint and passenger appeal, our products are strongly positioned to satisfy these most important customer requirements.

Q-SERIES TURBOPROP AIRCRAFT

Model: *Q400 NextGen*

Market category: 60- to 90-seat turboprops

Competitive advantages[1]: For short-haul operations, the optimized *Q400 NextGen* airliner is a fast, fuel-efficient and low-emission large turboprop. It is the only in-production turboprop that offers jet-like speed and an extended range. It also offers competitive operating costs and product commonality across the family.



CRJ NEXTGEN REGIONAL JETS FAMILY OF AIRCRAFT

Models: *CRJ200*[2], *CRJ700/CRJ705 NextGen, CRJ900 NextGen* and *CRJ1000 NextGen*[3]

Market category: 40- to 100-seat regional jets

Competitive advantages[1]: Designed for hub expansion and point-to-point services, the *CRJ* family of aircraft is optimized for medium to long distance routes where traffic volumes are low. The family features best-in-class operating costs, fuel burn, greenhouse gas (GHG) emissions and product commonality across the family.

CSERIES MAINLINE SINGLE-AISLE JETS FAMILY OF AIRCRAFT

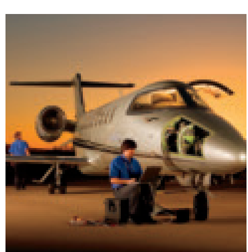
Models: *CS100*[3] and *CS300*[3]

Market category: 100- to 149-seat commercial jets

Competitive advantages[4]: The *CSeries* family of aircraft is specifically intended to revolutionize the 100- to 149-seat category. It is designed to provide transcontinental range and superior field performance, 15% lower cash operating costs, 20% lower fuel burn and CO_2 emissions, a noise footprint four times smaller and 50% lower NO_X emissions.

1 Under certain operating conditions, when compared to currently in-service aircraft in the respective category for short haul flights of 500 nautical miles.
2 Not currently in production.
3 Currently under development.
4 Under certain operating conditions. See *CSeries* aircraft program disclaimer at the end of this annual report.

CUSTOMER SERVICES



- Parts logistics
- Aircraft maintenance
- Training solutions
- Tailored per hour parts and services solutions
- Customer support

Competitive advantages: Worldwide service and support through a network of field-service personnel, 24/7 customer response centres, a flexible airborne parts delivery service, spare parts depots, training centres, service centres and authorized service facilities.

FLEXJET

- Whole aircraft ownership and management
- Fractional ownership
- Jet card programs
- Charter brokerage services

Competitive advantages: Amongst the youngest fleet in the U.S. fractional ownership industry. In calendar year 2009, *Flexjet* was selected as the "Best of the Best" in three categories by the *Robb Report* publication and was the recipient, for the 11th consecutive year, of the Federal Aviation Administration (FAA) Diamond award.

KEY PERFORMANCE MEASURES

Incentive compensation, which extends to most salaried employees in Canada and in the U.S., is generally linked to the achievement of targeted results, based on EBIT, average net utilized assets (a measure of liquidity, similar to free cash flow), on-time aircraft deliveries and fleet dispatch reliability. The table below summarizes our most relevant key performance measures.

KEY PERFORMANCE MEASURES	
Profitability	▪ EBIT margin, as a measure of performance.
Liquidity	▪ Free cash flow and average net utilized assets, as measures of liquidity generation.
Growth and competitive positioning	▪ Revenues and delivery units, as measures of growth. ▪ Order backlog, as an indicator of future revenues. ▪ Book-to-bill ratio, as an indicator of future revenues. The ratio represents the net orders received over aircraft deliveries, measured in units in a given period. ▪ Market share (in terms of revenues and/or deliveries) and scale, as measures of competitive positioning.
Customer satisfaction	▪ On-time aircraft deliveries, as a measure of meeting our commitment to customers. ▪ Fleet dispatch reliability, as a measure of our products' reliability.

FIVE-YEAR SUMMARY	2010	2009	2008	2007	2006
For fiscal years					
Aircraft deliveries (in units)					
Business aircraft	**176**	235	232	212	197
Commercial aircraft	**121**	110	128	112	138
Amphibious aircraft	**5**	4	1	2	2
	302	349	361	326	337
Revenues	**$ 9,357**	$ 9,965	$ 9,713	$ 8,296	$ 8,142
EBIT	**$ 473**	$ 896	$ 563[1]	$ 323[2]	$ 266[3]
EBIT margin	**5.1%**	9.0%	5.8%[1]	3.9%[2]	3.3%[3]
Free cash flow	**$ (267)**	$ 128	$ 1,676	$ 814	$ 900
Net orders (in units)	**11**	367	698	363	302
Book-to-bill ratio	**–**	1.1	1.9	1.1	0.9
As at January 31					
Order backlog (in billions)	**$ 16.7**	$ 23.5	$ 22.7	$ 13.2	$ 10.7
Total number of employees[4]	**28,900**	32,500	28,100	27,100	26,800

1 EBIT of $834 million, or 8.6%, before EOAPC charge.
2 EBIT of $599 million, or 7.2%, before EOAPC charge.
3 EBIT for fiscal year 2006 was not restated to reflect the impact from the change in accounting policy from the average cost to the unit cost method.
4 Including contractual employees.

CURRENT BUSINESS ENVIRONMENT

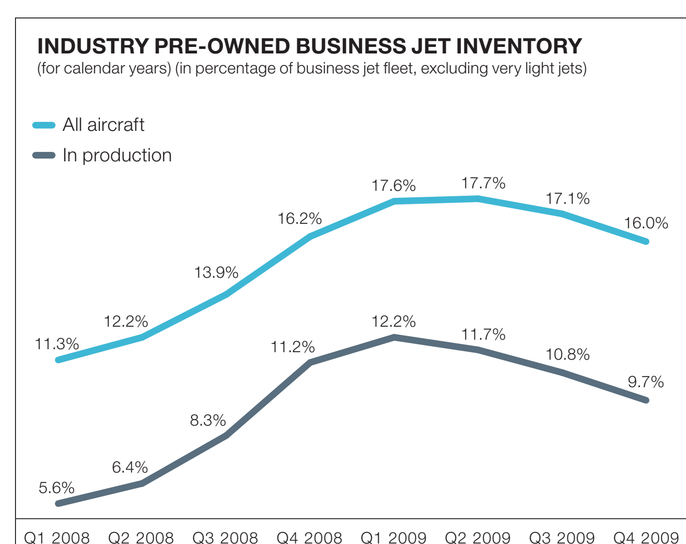
The current business environment continues to be challenging for the industry but we are determined to steer through the crisis and emerge stronger

The global economic crisis continued to significantly impact the civil aerospace industry as a whole during calendar year 2009. Worsening economic conditions and restricted credit availability translated into a high level of order cancellations and deferrals of aircraft deliveries. This caused most of the OEMs to reduce their production rates and has impacted their profitability.

We were impacted in both our business aircraft and commercial aircraft markets

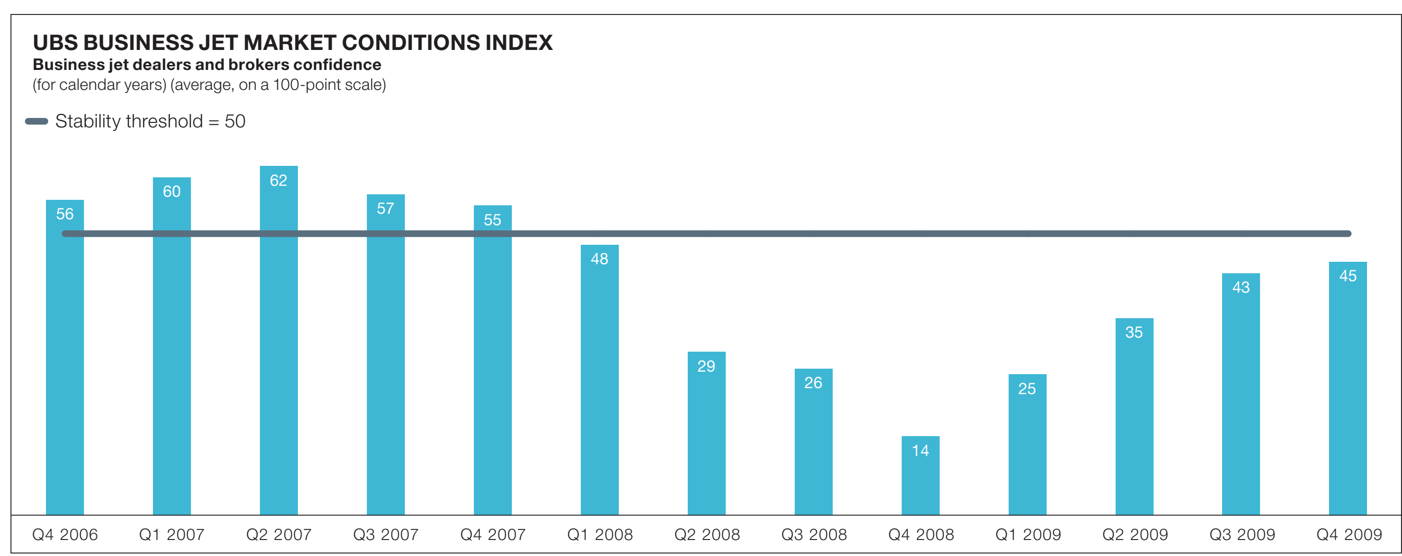
Business aircraft

The global economy continued its contraction in calendar year 2009, as illustrated by the decrease in GDP, corporate profits and personal wealth. Together, these factors led to a slump in business jet utilization rates, an increase in pre-owned business jet inventory, a high level of order cancellations and a low level of order intake. Furthermore, the difficulty in securing financing also adversely affected a number of business aircraft customers, leading to additional order cancellations and deferrals. These market conditions translated into pricing pressures on new and pre-owned aircraft. Our order backlog provided some protection against this high level of business aircraft order cancellations and deferrals.



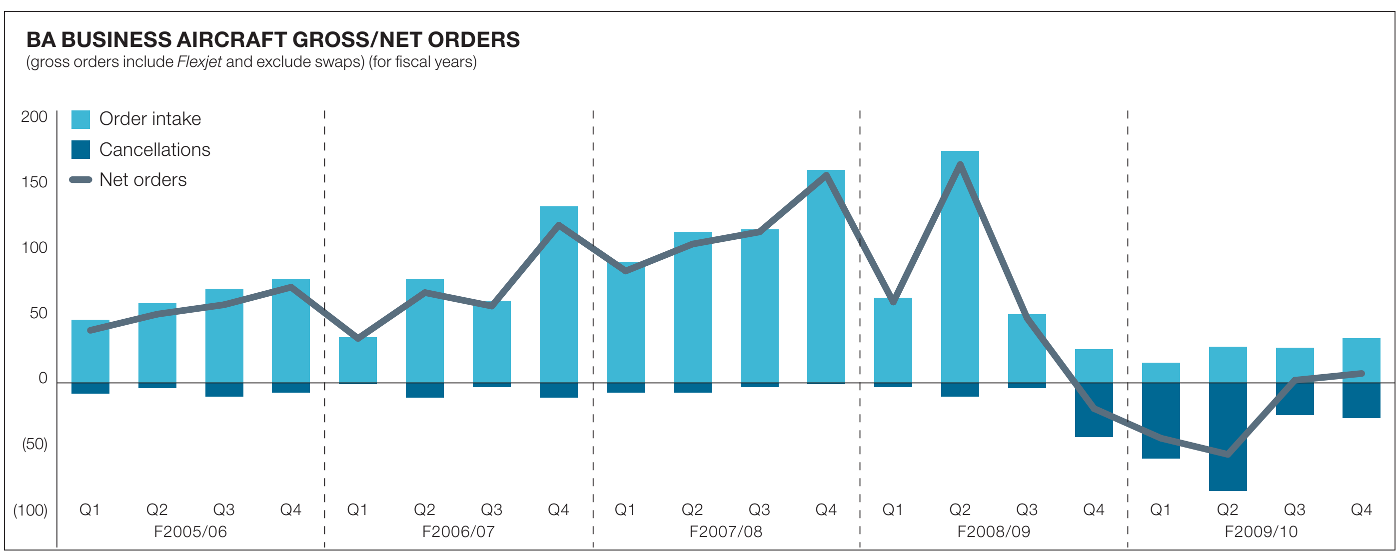
Source: Based on Jetnet and Case database.

Toward the second half of calendar year 2009, the business jet market began to stabilize. The industry's pre-owned business jet inventory (as a percentage of business jet fleet) started to decrease and business jet utilization rates improved. The UBS Business Jet Market Conditions Index, which is a measure of broker and jet dealer confidence, also improved throughout calendar year 2009 and, for the first time in two years, achieved the threshold of market stability in January 2010.



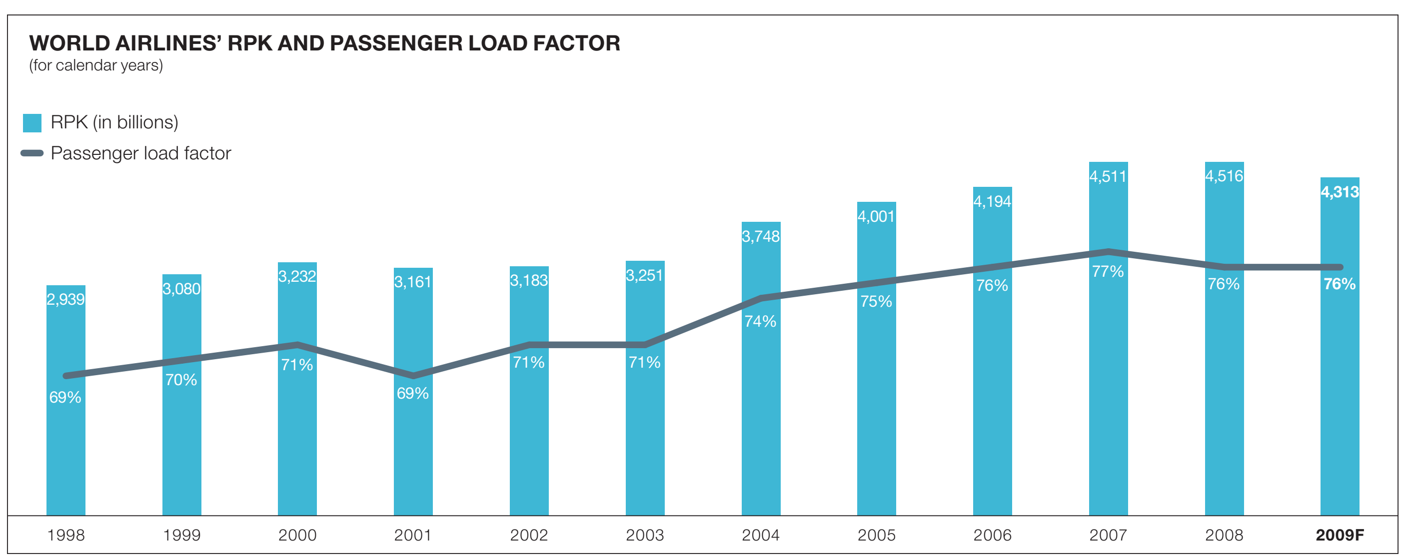
Source: UBS.

These improvements allowed us to secure positive net orders in the third and fourth quarters of fiscal year 2010, albeit at a low level.



Commercial aircraft

The current economic crisis had a significant impact on the airline industry, which led to declining air traffic (with revenue passenger kilometres ("RPK") decreasing by an estimated 4.5% compared to calendar year 2008) and decreasing airfares. At the same time, several banks offering financing for aircraft purchases exited the market and those remaining proceeded more cautiously than before. These multiple factors impacted OEMs through deferrals of deliveries and/or order cancellations. A drop in order intake was also observed throughout the industry, indicating that airlines were postponing the purchase of new aircraft.



Source: Airlines Monitor, January-February 2010.

As a result, replenishing our order backlog remained challenging in fiscal year 2010, as the number of new orders declined compared to pre-recession levels. In the last months of fiscal year 2010, a number of indicators began to show signs of recovery, as economic growth, airline's available seat capacity, passenger traffic and yields (defined as revenues per RPK), achieved positive gains. Despite these improvements, IATA affirmed on January 27, 2010 that the global airline industry had permanently lost 2.5 years of growth in passenger markets in calendar year 2009, and that calendar year 2010 would be another challenging year.

We are managing through the turbulence

Determined to steer through the crisis and emerge stronger, we persevere in our actions. In order to counter our falling order backlog, we decided to reduce our production rates for all business jets and all regional jets during fiscal year 2010. To further address customer-requested delays as well as to limit production rate fluctuations, we have been actively working on the following initiatives:

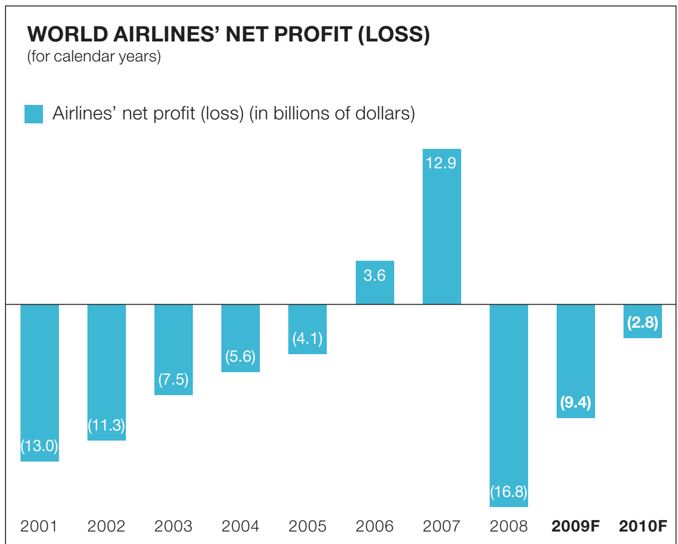
- managing our skyline by collaborating with our customers to advance or delay a number of aircraft deliveries;
- working in concert with our commercial and business aircraft customers to facilitate access to financing;
- aggressively managing our new and pre-owned aircraft inventories;
- keeping a strict control over cash and over discretionary expenditures; and
- establishing risk identification, monitoring, and mitigation practices within our supply base, as our suppliers are an integral part of our extended enterprise.

Challenges remain for calendar year 2010

Unfortunately, economic uncertainty remains for calendar year 2010. For business jets, while we project that the stabilization of indicators that began in the second half of calendar year 2009 will continue, the timing and sustainability of the economic recovery remains fragile. According to a report dated February 15, 2010 from IHS Global Insight, a leading economic forecasting company, world real GDP is expected to grow by 3.2% in calendar year 2010 and by 3.4% in calendar year 2011. Historically, there has been a lag between the time the economy recovers and the time it positively impacts revenues.

In calendar year 2010, we expect to be confronted again with pricing pressures and difficult aircraft financing conditions in the business jet market. However, we believe that our production rate adjustments made in April 2009 were adequate to deal with this uncertainty. Given the environment and our planned production rates, we expect to deliver approximately 15% fewer business aircraft in fiscal year 2011 than in fiscal year 2010.

Regarding the commercial aircraft market, a global increase in passenger traffic is predicted by IATA in calendar year 2010. However, yield pressures will continue to exist and fuel prices will likely continue to rise. As a result, IATA forecasts a world airlines' net loss of $2.8 billion in calendar year 2010, compared to a forecasted net loss of $9.4 billion in calendar year 2009. The limited availability of aircraft financing seen during calendar year 2009 will also contribute in restraining airlines' ability to buy new aircraft in calendar year 2010. Given this climate and our planned production rates, we expect to deliver approximately 20% fewer commercial aircraft in fiscal year 2011 than in fiscal year 2010.



Source: IATA, Industry Financial Forecast, March 2010.

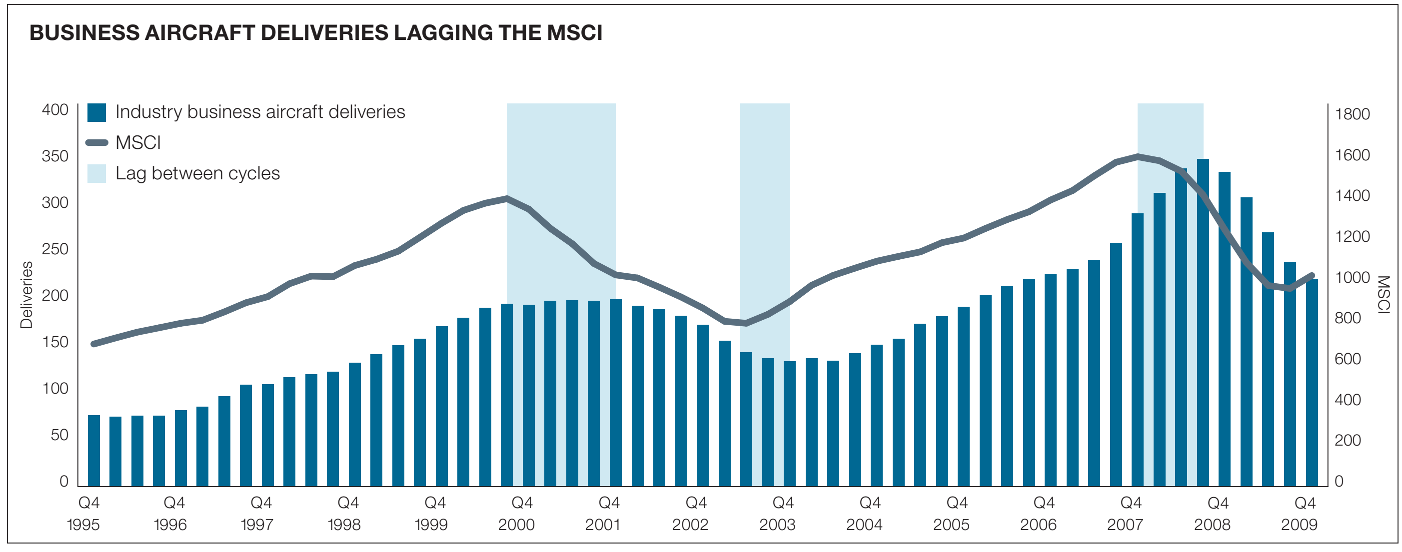
Despite these challenges, we remain focused on strengthening our customer relationships and operations, and on investing in our current and future products. We will continue to monitor our book-to-bill ratio and to take appropriate action should we see deteriorating trends in order cancellations, deferrals of deliveries or new orders. Working capital management will remain a key focus, including the levels of pre-owned and new aircraft in inventories, and if required we may further adjust production rates. We will also continue to work with our partners and suppliers to mitigate the risk of disruption to our business because of challenges they are facing, and to assist our customers in securing financing for their aircraft purchases.

MARKET

Business aircraft

Weathering the storm in a cyclical industry

The purchase of a valuable productivity tool like a business aircraft is a significant investment for a corporation, an individual or a government. When economic or business conditions are unfavourable, potential buyers tend to delay their aircraft purchases. The business aircraft market has therefore been historically categorized by many up- and down-cycles, lagging behind economic expansion and recessions. This lag is evidenced by the business aircraft deliveries lagging the Morgan Stanley Capital International ("MSCI") index, which is a market capitalization weighted index that is designed to measure equity market performance, as provided by MSCI Barra.



Source: Moving averages of GAMA industy deliveries and MSCI Barra World Standard Core.

The last industry up-cycle started in calendar year 2004, following two years of contraction in deliveries. Between calendar year 2004 and the third quarter of calendar year 2008, business jet market conditions were underpinned by a period of strong global economic growth, and the emergence of new buyers in previously untapped markets such as Eastern Europe, Russia and the Commonwealth of Independent States, Asia and the Middle East. In parallel, demand was stimulated by a continuous inflow of newly developed business aircraft models. Consequently, the industry experienced a record number of net orders and deliveries.

The most recent downturn for the business aviation industry was initiated by the global collapse of the financial markets starting in the second half of 2008. According to the General Aviation Airplane Shipment Report from the General Aviation Manufacturers Association ("GAMA") dated February 16, 2010, calendar year 2009 showed a 37% reduction in industry deliveries compared to calendar year 2008. This situation recalls the down-cycles of the late 1960's, early 1980's and early 2000's, for which peak-to-trough deliveries fell 63%, 61%, and 40% respectively. After each of those difficult periods, the resilient business aviation industry recovered within a few years, and we expect the industry to rebound again.

Assessing the future

In the second half of calendar year 2009, most economies showed a positive real GDP growth. The majority of economists interpret these results as a sign that the world is no longer in a recession. In its February 2010 forecast, IHS Global Insight predicts that the real GDP growth in calendar year 2010 should be well above the world average of 3.2% in China (10.1%), India (8.0%) and the Middle East (4.1%). This bodes well for us, as these high-growth regions accounted for over 20% of our gross business aircraft orders in fiscal year 2010.

Business aircraft market driver long-term outlook

CALENDAR YEARS 2010-19 OUTLOOK		
Market drivers	**Outlook**	**Description**
Wealth creation	↑	Our customer base, comprised of corporations, individuals and governments, is highly dependent on real GDP growth to sustain its wealth creation. The Real GDP growth from 2003 to 2007 averaged 3.6%, which allowed the market to enjoy record order levels during this period. Over the next 10 years, IHS Global Insight is forecasting an average Real GDP growth of 3.6%, which should enable healthy market conditions.
Emerging markets	↑	According to the February 2010 IHS Global Insight report, the contribution of countries outside of North America and Europe to the world real GDP is expected to increase from 39% in calendar year 2010, to 43% by the end of calendar year 2019. Accelerated wealth creation coupled with aviation infrastructure development is expected to help business aircraft OEMs penetrate emerging countries.
Globalization of trade	↑	As international trade and global mobility increase, the business community requires flexible travel means like business aviation to efficiently link all workplaces. According to the February 2010 IHS Global Insight report, the value of world merchandise exports should increase by a compound annual growth rate of 7.6% over the next 10 years.
Replacement demand	↑	The worldwide installed base is comprised of over 17,000 aircraft. With the majority of aircraft replacement occurring 5 to 10 years after initial delivery, the market should continue to show vitality.
New aircraft programs	↑	New aircraft programs stimulate demand. In the categories in which we compete, there are numerous aircraft programs in development scheduled for potential entry into service over the next decade.
Demand from non-traditional offerings	→	Non-traditional offerings (air taxi, branded charter, jet card programs and fractional ownership) provide air travel customers with more tailor-made options to suit their needs. The world recession drastically reduced the demand for non-traditional offerings. As economic conditions improve, the contribution of non-traditional demand to business aircraft sales is expected to return to pre-recession levels.

Indicates a favourable trend.
Indicates a neutral trend.

We closely monitor business aircraft market drivers. The combined effect of these drivers leads us to believe that the current recession should not impact market fundamentals in the long term.

The 2009 edition of our Business Aircraft Market 10-Year Outlook forecasts 11,500 deliveries for calendar years 2009 to 2018, a number within the consensual range of other industry experts at the beginning of fiscal year 2009. We assumed a total of 6,000 aircraft deliveries in the Light category and 5,500 aircraft deliveries in the Medium and Large categories. However, the rapid deterioration of market conditions in calendar year 2009, especially for the Light category, impacted our view. The June 2010 edition of our Business Aircraft Market 10-year Outlook will likely reflect a reduction in the 10-year delivery forecast, relative to the 2009 edition. This adjustment will mostly affect the Light aircraft category.

Leading in a competitive environment

In the business aircraft market categories in which we compete, the landscape of our competitors consists of five main OEMs:

- Cessna Aircraft Company ("Cessna"), a subsidiary of Textron Inc.;
- Dassault Aviation ("Dassault");
- Embraer - Empresa Brasileira de Aeronáutica S.A ("Embraer");
- Gulfstream Aerospace Corporation ("Gulfstream"), a subsidiary of General Dynamics; and
- Hawker Beechcraft Corporation ("Hawker Beechcraft"), a private company owned by Goldman Sachs and Onex Partners.

<table>
<tr><th></th><th colspan="4">Light</th><th colspan="3">Medium</th><th colspan="2">Large</th></tr>
<tr><th>Bombardier</th><th>L40 XR
In service</th><th>L45 XR
In service</th><th>L60 XR
In service</th><th>L85
Under development</th><th>CL300
In service</th><th>CL605
In service</th><th>CL800 Series
In service</th><th>G5000
In service</th><th>GEX XRS
In service</th></tr>
<tr><td>Cessna</td><td>In service, Under development</td><td>In service</td><td colspan="2">In service</td><td>In service</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Dassault</td><td></td><td></td><td colspan="2"></td><td></td><td>In service</td><td></td><td>In service, Under development</td><td>In service</td></tr>
<tr><td>Embraer</td><td>In service</td><td></td><td colspan="2">Under development</td><td>Under development</td><td></td><td>In service, Under development</td><td></td><td></td></tr>
<tr><td>Gulfstream</td><td></td><td></td><td colspan="2">In service</td><td>In service, Under development</td><td>In service</td><td></td><td>In service</td><td>In service, Under development</td></tr>
<tr><td>Hawker Beechcraft</td><td>In service, Under development</td><td>In service</td><td colspan="2">In service</td><td>In service</td><td></td><td></td><td></td><td></td></tr>
</table>

L refers to *Learjet,* CL to *Challenger,* G to *Global* and GEX XRS to *Global Express XRS*

Product(s) in service   Product(s) under development

For a sixth consecutive year, the GAMA General Aviation Shipment Report confirms our leadership position in terms of revenues in the business aircraft market categories in which we compete, with a market share of 32%. This is a one percentage-point improvement versus calendar year 2008. In terms of units delivered, we also lead the way in the business aircraft market categories in which we compete, with a market share of 30%, a four percentage-point improvement.

BUSINESS AIRCRAFT MARKET AND SHARES (BASED ON DELIVERIES)[1,2,3]

	Calendar year 2009			Calendar year 2008		
		BA			BA	
By market category	**Total market (in units)**	**Total deliveries (in units)**	**Market share**	Total market (in units)	Total deliveries (in units)	Market share
Light	**240**	**46**	**19%**	501	74	15%
Medium	**163**	**76**	**47%**	243	120	49%
Large	**173**	**51**	**29%**	183	51	28%
	576	**173**	**30%**	927	245	26%

Source: GAMA report dated February 16, 2010.

1 Deliveries in the Very Light category (273 units in calendar year 2009 and 371 units in calendar year 2008) are not included in the market total shown above as we have no product offering in this category.

2 We no longer consider the Airbus ACJ and ACJ Elite, the Boeing BBJ-1/2/3 and the Embraer Lineage 1000 as direct competitors in the principal business jet market. These aircraft are all primarily designed as commercial transports and all have a maximum takeoff weight ("MTOW") in excess of 120,000 lbs. By comparison, our largest purpose-built business jet, the *Global Express XRS*, has a MTOW of less than 100,000 lbs. Airbus, Boeing and Embraer had respectively 11, 4, and 5 deliveries of these aircraft in calendar year 2009 (9,6, and nil deliveries in calendar year 2008).

3 Assessment of market share in the business aircraft industry is based on delivery data from GAMA for the calendar year and thus does not correspond with the number of aircraft deliveries recorded during the Corporation's fiscal years ended January 31.

- The Light category has been the most impacted by the rapid deterioration of market conditions. Nevertheless, we managed to improve our market share by four percentage points to 19% in calendar year 2009.
- The Medium category was less impacted by the economic crisis and we are still the leader with a market share of 47%.
- The Large category has proven to be resilient to the downturn as industry deliveries decreased only slightly while *Global* aircraft deliveries remained steady thus increasing our market share.

These successes were driven for the most part by our comprehensive product line, as well as the active management of our skyline through collaboration with our customers.

Even though market conditions will take slightly longer to recover in the Light category than previously forecasted, we remain confident that our *Learjet* family of aircraft will improve our market position within this category. The *Learjet 85* aircraft, the newest member of our product family, will thrive in the Light category by demonstrating bold innovation, the essence of the legendary *Learjet* brand.

At the forefront of innovation to surpass customer needs

Companies featuring products best adapted to their respective market places generally perform better during good and bad times. A significant part of our market share gains obtained throughout calendar year 2009 demonstrates the strength of our portfolio. We have the most comprehensive portfolio, with eight business aircraft models in production covering 94% of the total business aircraft market revenues for calendar year 2009.

In order to address the substantial demand growth we expect for business jets over the next 10 years, we are continuously developing innovative products and exploring opportunities to enhance each of our aircraft families.

Below is a summary of the progress we made on our major product development initiatives:

PRODUCT DEVELOPMENT	FEATURES	KEY MILESTONES[1]
Learjet 85 aircraft	▪ The first all-composite structure business jet designed for type certification under U.S. Federal Aviation Regulation (FAR) Part 25. ▪ Larger, more comfortable stand-up cabin than any existing aircraft in its class. ▪ High cruise speed of Mach 0.82 and a transcontinental range of up to 3,000 nautical miles (5,556 km) under certain operating conditions. ▪ Pratt & Whitney Canada Corp.'s PW307B turbofan engines, each boasting 6,100 pounds of take-off thrust, while the low NO_X emission combustor will offer reduced environmental impact. ▪ Rockwell Collins' new Pro Line Fusion avionics suite, which incorporates a number of advanced technologies. ▪ A state-of-the-art cockpit.	▪ All suppliers are now onboard, materials selection and manufacturing processes have been finalized. ▪ We began construction of a new manufacturing facility for key components of the *Learjet 85* aircraft at Querétaro, Mexico. ▪ The Joint Definition Phase ("JDP") was completed for all key suppliers.
Global Vision flight deck	▪ Improved avionics system based on Rockwell Collins' new Pro Line Fusion avionics suite. ▪ Increased situational awareness and comfort. ▪ Superior design aesthetics in the cockpit.	▪ The *Global Vision* flight deck program achieved a flawless first flight on August 3, 2009 and is progressing through the certification flight test program. ▪ A second test aircraft joined the certification flight test program after completing its first flight on February 21, 2010.
Learjet 40 XR extended range	▪ Increased range from 1,723 nautical miles (3,190 km) to 1,991 nautical miles (3,687 km) at a cruising speed of Mach 0.75, now opening routes such as Teterboro, New Jersey, U.S. to Aspen, Colorado, U.S.	▪ The range increase is now available as an option for all new *Learjet 40 XR* aircraft scheduled for delivery after August 1, 2009.
Learjet 60 XR Signature Series	▪ New cabin options, such as Swift Broadband capability offering high speed data connectivity for passengers' electronic devices, as well as floor plans with new larger galley layouts, soft colour schemes and dark wood veneers.	▪ The Signature Series was launched at the National Business Aviation Association's (NBAA) convention in October 2009.

1 See the Strategy section for more details on our aircraft development process.

Looking at future customer needs, environmental considerations should have an increasing impact, as customers require more efficient aircraft due to more stringent world aviation regulatory frameworks and impending levies. We continue to influence the future of business aviation not only through product innovation, but also by being an active force in reducing the business aviation environmental footprint. In calendar year 2009, we took the initiative to work with GAMA and the International Business Aviation Council (IBAC) on aligning manufacturers and operators to set ambitious targets for business aviation CO_2 emission reductions. The stated targets committed by business aviation are as follows:

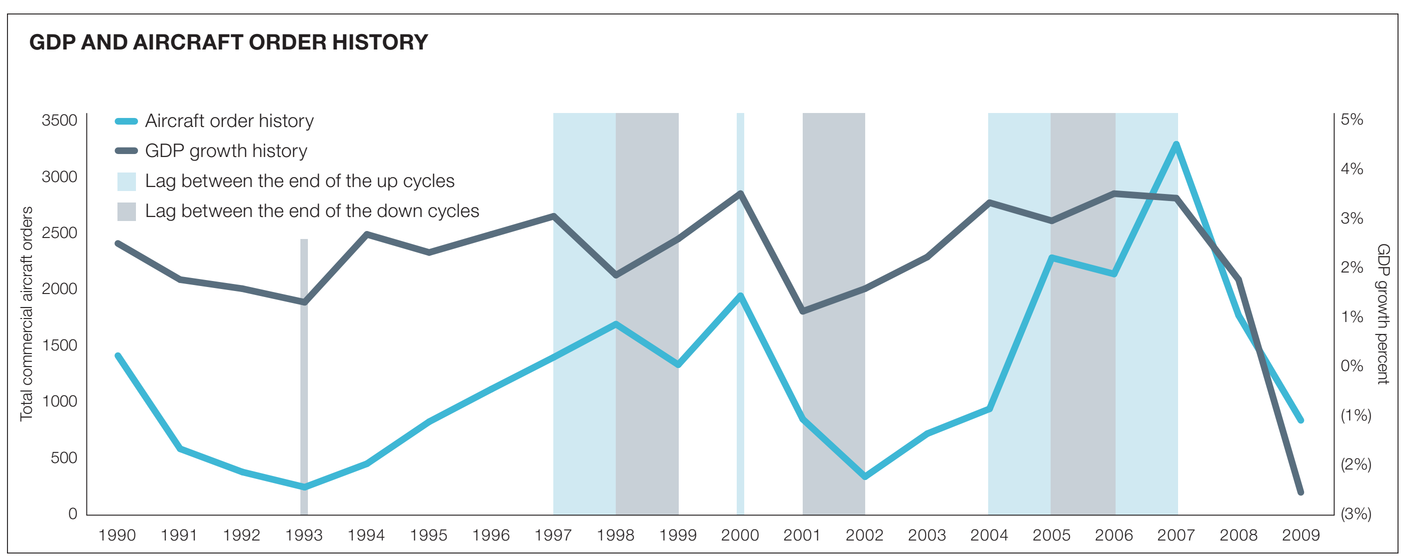
- achieve carbon neutral growth by calendar year 2020;
- improve fuel efficiency by 2% per year from calendar year 2009 to 2020; and
- reduce total CO_2 emissions by 50% by calendar year 2050, relative to calendar year 2005.

Commercial aircraft: Prepared for market growth

Long-term trends remain positive despite short-term cyclicality

On a long-term basis, the airline passenger traffic growth outpaced the real GDP growth rate. However, the aviation industry is a cyclical industry and short-term setbacks closely mirror, with a lag, those of the general economic environment. This is evidenced by the historical trend of aircraft orders lagging the GDP growth. With the most recent economic downturn spanning from the second half of calendar year 2008 and through calendar year 2009, we expect that the aviation industry recovery pace will be slow for the next two years and should accelerate thereafter. Airlines' available seat capacity returned to growth, as reported by OAG Travel Solutions in January 2010. Airlines in developing markets are leading the way, with Chinese, African and Middle Eastern carriers expected to have double-digit available seat capacity growth in the first quarter of calendar year 2010. These developing markets are also exhibiting more positive passenger yield trends than the mature markets of North America and Europe. The industry's growth in available seat capacity is led by large regional aircraft of 60- to 100-seats, with jets and turboprops each contributing in similar proportions.

GDP AND AIRCRAFT ORDER HISTORY



Source: IHS Global Insight and OAG Travel Solutions.

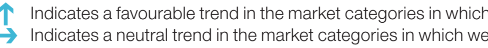
As in past downturns, regional airlines benefited from mainline carriers reducing their network capacity. This helped decrease the impact of the economic downturn, but regional airlines' available seat capacity growth remained below the 4% average of the past 10 years, with a 2.3% increase for calendar year 2009 compared to calendar year 2008. Over the long term, we forecast that the regional market will continue to grow in both total capacity and aircraft size, as detailed in our Commercial Aircraft Market Forecast available on our website. As emerging markets develop, further demand segmentation will drive the need for

rightsizing of capacity, increasing the need for 20- to 100-seat aircraft. Scope clauses will be a short-term constraint, but we predict that they will evolve to allow regional airlines to fly aircraft of up to 100 seats.

The lower end of the 100- to 149-seat aircraft single-aisle category was severely impacted by the downturn, recording an 8% decline in available seat capacity in calendar year 2009. The negative trends were distributed relatively evenly on a geographic scale. On the positive side, OAG Travel Solutions, a leader in airline information and analytical services, stated in January 2010 that the declines in available seat capacity lessened throughout calendar year 2009, with growth showing a return in the early part of calendar year 2010. Capacity reductions centred on out-of-production aircraft, which recorded a 16% decline in calendar year 2009. In Europe, out-of-production aircraft capacity declined by 25%, while it increased in India and the Middle East, highlighting the migration of aircraft between developed and emerging markets. Over the long term, we predict that the demand for new 100- to 149-seat aircraft will be driven by retirements of old generation types and the benefits from new technology applied to aircraft specifically built for this segment.

Commercial aircraft 20- to 149-seat category market driver long-term outlook

CALENDAR YEARS 2010-2029 OUTLOOK		
Market drivers	**Outlook**	**Description**
Economic growth	↑	Air travel demand is directly related to economic growth. Based on Global Insight data issued in February 2010, the worldwide real GDP growth rate should average 3.2% over the next 20 years. On a geographic basis, real GDP growth should average 2.7% in North America, 1.9% in Europe and 7.4% in China, as forecasted by Global Insight. We take a positive view of the economic growth forecast as it indicates a recovery following the market downturn experienced in calendar years 2008-09.
Fuel prices	→	The price of fuel has an impact on airline fleet mix. As per the Energy Information Agency (EIA), fuel/oil prices will remain high in the long term. While high prices negatively impact airline profitability, they will also accelerate the retirements of old, less efficient aircraft types, increasing demand for fuel-efficient new aircraft. We have a neutral view of this driver.
Developing markets	↑	Growth potential from developing countries is strong as economic growth forecasts are well above the average for these markets. With infrastructure in place, countries such as India and China will represent a proportionately larger share of order growth. As economies develop, so does their demand for aircraft needed to satisfy a growing traveller base, thus giving us a positive outlook for these markets.
Environmental regulations	→	Environmental concerns are being addressed by the aviation industry with increased retirements of older aircraft, fleet modernization, technology, infrastructure and operational improvements. New technology aircraft with lowered emissions and noise profiles will be required to meet increasingly stringent environmental regulations, like the Emissions Trading Scheme planned in Europe. The progression of environmental awareness and regulations will have a positive effect on the demand for new efficient aircraft while negatively impacting airline profitability. We have a neutral view of this driver.
Replacement demand	↑	More than half of the current commercial aircraft fleet will be replaced in the next 20 years due to technical obsolescence. Most of those replaced will be 100- to 149-seat aircraft. The retirement of older aircraft types will have a positive impact on demand for new aircraft.
Labour trends	↑	As fuel prices have increased, labour costs for airlines have been driven downward and scope clauses eased. It is predicted that scope clauses will evolve, permitting 100-seat aircraft to be flown by regional carriers. Changes to scope clauses that allow regional airlines to fly larger aircraft will have a positive impact on demand.



↑ Indicates a favourable trend in the market categories in which we compete.
→ Indicates a neutral trend in the market categories in which we compete.

We closely monitor commercial aircraft market drivers. The combined effect of these drivers on airline profits and on demand for new aircraft leads us to believe that the market will grow at a moderate pace.

According to our Commercial Aircraft Market Forecast covering calendar years 2009-28 published in June 2009, we estimate 12,400 new aircraft deliveries in the 20-year period up to calendar year 2028.

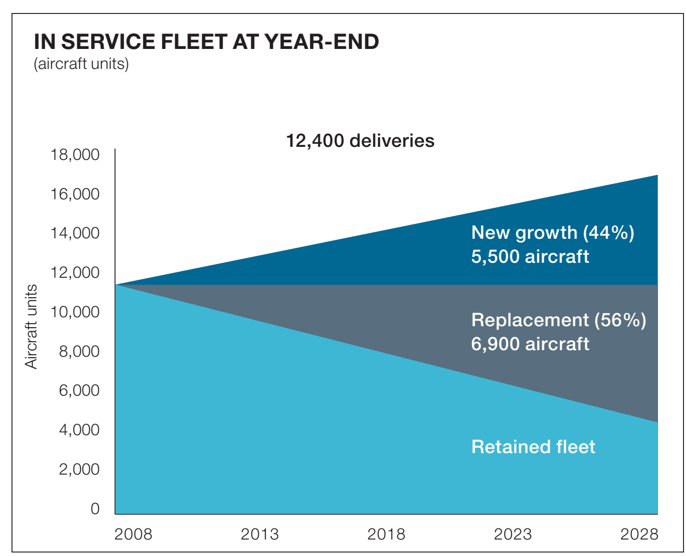
20-YEAR COMMERCIAL AIRCRAFT 20- TO 149-SEAT CATEGORY MARKET OUTLOOK

	Calendar years 2009-28 Outlook	Calendar years 1989-2008 Actual
Aircraft deliveries worldwide (in units)	12,400	10,700
Industry revenues (in billions of dollars)	$ 588	$ 420

Source: BA Commercial Aircraft Market Forecast covering calendar years 2009-28 published in June 2009.

The June 2010 edition of our Commercial Aircraft Market Forecast will likely remain at a similar level relative to the June 2009 edition.

Despite the short-term setback attributed to the economic downturn, the 20- to 149-seat category is forecasted to grow from a fleet of 11,500 aircraft to 17,000 aircraft during the next 20 years. Given the 6,900 aircraft that are expected to retire over that period, this results in 12,400 expected new aircraft deliveries. Of these 12,400 new aircraft deliveries, 6,100 aircraft are expected to be in the 20- to 100-seat category and 6,300 in the 100- to 149-seat category. We forecast that the value of these deliveries will be approximately $588 billion.



Source: BA Commercial Aircraft Market Forecast published in June 2009.

We are facing increasing competition, particularly in the regional jet segments

	TURBOPROPS	REGIONAL JETS			COMMERCIAL JETS	
	60-90	40-59	60-79	80-100	100-119	120-149
Bombardier	Q400 (in service)	CRJ200 (in service)	CRJ700/705[1] (in service)	CRJ900[1] (in service); CRJ1000[1] (under development)	CS100 (under development)	CS300 (under development)
ATR	In service					
Embraer		In service	In service	In service	In service	
COMAC				Under development		
MHI			Under development	Under development		
Sukhoi			Under development	Under development		
Airbus					In service	In service
Boeing					In service	In service

1 *NextGen* aircraft models

Product(s) in service Product(s) under development

Our main competitors in the up to 149-seat category, representing the market in which we have a product offering, are:

- Avions de Transport Régional ("ATR"), a joint venture between EADS and Alenia Aeronautica S.P.A., a Finmeccanica S.P.A. company, in the turboprop market;
- Embraer in the 40- to 100-seat regional jet market; and
- Airbus, Boeing and Embraer in the 100- to 149-seat commercial jet market.

Other companies currently developing competitive products in the 40- to 100-seat category include Commercial Aircraft Corporation of China, Ltd. ("COMAC"), a state-owned company in which China Aviation Industry Corporation (formerly known as AVIC I) holds an interest, Mitsubishi Heavy Industries Ltd. ("MHI") and Sukhoi Company (JSC) ("Sukhoi").

COMMERCIAL AIRCRAFT MARKET AND MARKET SHARE (BASED ON DELIVERIES)

	Calendar year 2009			Calendar year 2008		
		BA			BA	
By market category	**Total market (in units)**	**Total deliveries (in units)**	**Market share[1]**	Total market (in units)	Total deliveries (in units)	Market share[1]
20- to 99-seat turboprops	**117**	**63**	**54%**	114	59	52%
40- to 100-seat regional jets	**162**	**60**	**37%**	209	60	29%
100- to 149-seat commercial jets	**161**	**–**	**n/a**	181	–	n/a
	440	**123**		504	119	

1 Assessment of market share in the commercial aircraft industry is calculated on the basis of aircraft deliveries recorded during the calendar year, which does not correspond to the number of aircraft deliveries recorded during the Corporation's fiscal years ended January 31.

Source: Competitor reports publicly available.
n/a: Not applicable.

A total of 440 commercial aircraft (up to 149 seats) were delivered worldwide in calendar year 2009, compared to 504 in calendar year 2008. This 13% decline is directly attributable to the economic downturn. Despite the market challenges, we delivered more aircraft in calendar year 2009 compared to calendar year 2008. Furthermore, our market share for the combined turboprop and regional jet categories improved to 44% in calendar year 2009, from 37% compared to calendar year 2008. Both the *CRJ* family and *Q400* aircraft continue to benefit from the *NextGen* product improvements which led, in part, to our market share improvements. In calendar year 2009, the total number of regional jets delivered decreased by 22%. This delivery reduction was absorbed by our competition, while we increased our market share by eight percentage points.

We believe that we are well positioned in the regional jet and turboprop categories, due to the economic advantage of our products, a large installed customer base and family commonality benefits across the *CRJ* Series family of aircraft and the *Q-Series* family of aircraft. Although we will be facing increased competition in the regional jet category that may impact our market share in the future, we believe that the entry into service of the *CRJ1000 NextGen* aircraft will further enhance the *CRJ* family of aircraft, keeping it very competitive for years to come.

According to an *Air Transport World* publication dated January 2010, our turboprops and regional jets are in service in 7 of the world's 10 largest airlines, their subsidiaries or affiliated companies. Upcoming regional and commercial aircraft product developments, including the *CSeries* family of aircraft and the *CRJ1000 NextGen* aircraft, are aimed at strengthening the economic advantage of our aircraft portfolio and offering aircraft with distinct value propositions that respond to customers' needs in the 40- to 149-seat category.

We continue to invest in our products and services to emerge stronger

Continuous improvements in aircraft design allow airlines to develop new markets and/or improve their profitability. We believe the design characteristics of our *Q400 NextGen* aircraft, *CRJ NextGen* family of aircraft and the *CSeries* family of aircraft position us well to allow airlines to optimize their networks to maximize capability, passenger appeal and minimize cost.

Our product development strategy is aligned with the evolution of the airline industry. With a specific focus on low operating costs, our products meet airlines' requirements on regional routes (short/medium-haul feeder routes) and longer-haul mainline routes. We are committed to continue investing in our aircraft portfolio.

The following product developments are aimed at strengthening our market leadership:

PRODUCT DEVELOPMENT	FEATURES	KEY MILESTONES[1]
CSeries	▪ The *CSeries* family of aircraft is specifically designed for transcontinental range in the 100- to 149-seat category. It will offer superior field performance and passenger comfort, as well as 15% lower cash operating costs, 20% lower fuel burn and CO_2 emissions, a noise footprint four times smaller and 50% lower NO_x emissions[2]. ▪ Our use of fourth-generation aerodynamics, as well as an increased use of composites and advanced aluminum alloys and of the latest in system technologies will be accountable for half of the improvements, with the engine accounting for the other half.	▪ All major suppliers have now successfully completed the Joint Conceptual Definition Phase ("JCDP"). ▪ The *CSeries* family of aircraft program is now at the Joint Definition Phase ("JDP"), expected to be completed by the second quarter of fiscal year 2011. ▪ Design freeze will follow JDP exit, after which suppliers will return to their home base to complete their respective component design in the Detail Design Phase ("DDP"). ▪ Major demonstrator parts were manufactured during fiscal year 2010: a composite wing by Shorts in Belfast, and an advanced aluminum alloy fuselage barrel by Shenyang Aircraft Corporation. Both demonstrators have now been fully instrumented and will undergo extensive structural testing through fiscal year 2011. ▪ Construction started on testing facilities in Mirabel for the Complete Integrated Aircraft Test Area ("CIASTA"). The CIASTA is one of several buildings to house test cells that together will constitute a *CSeries* test aircraft, allowing for systems and software reliability and functionality tests to be conducted before the first prototype aircraft flies, and thus mitigate risks associated with program development. ▪ Construction started in Belfast for the new 580,000 sq. ft. wing-manufacturing facility. ▪ A series of wind tunnel tests have been completed. Tests confirmed the *CSeries* family of aircraft overall performance benefits.
CRJ1000 NextGen	▪ The *CRJ1000 NextGen* aircraft will further enhance the *CRJ NextGen* family of aircraft, allowing regional airlines to optimize capacity from 40 to 100 seats with common crew qualifications. ▪ The *CRJ1000 NextGen* aircraft will provide the lightest and most cost-efficient 100-seat regional jet on the market on typical regional jet flight times[3].	▪ The first production aircraft completed its first flight in July 2009. The prototype aircraft met predicted performance levels and the aircraft weight is consistent with expectations. ▪ The *CRJ1000 NextGen* simulator was certified by Transport Canada, the FAA and the European Aviation Safety Agency (EASA) in calendar year 2009. ▪ Flight testing was suspended in late fiscal year 2010 pending a software issue in the rudder control-by-wire system. 70% of the flight test program had been completed. ▪ Flight testing resumed in mid-February 2010, with 27 missions and over 80 flight hours have since been completed. Two aircraft are currently active in flight testing. ▪ Type certification and the first aircraft deliveries will now occur in the second half of calendar year 2010.

1 See the Strategy section for more details on our aircraft development process.
2 Under certain operating conditions. See *CSeries* aircraft program disclaimer at the end of this annual report.
3 Under certain operating conditions, when compared to currently in-service aircraft in its category for short haul flights of 500 nautical miles.

Operating in the commercial aircraft market, we continue to strengthen our leadership through the extension of our *CRJ NextGen* family of aircraft to the 100-seat *CRJ1000 NextGen* aircraft. In response to the continued market requirements for reduced operating costs, higher profitability and environmentally sustainable products, we launched the *CSeries* family of aircraft for the 100- to 149-seat category. This segment had been without a product specifically designed for this category in the last 20 years. With a large retirement pool scheduled over the next 20 years, this product is set to capture a substantial share of the 6,300 aircraft deliveries forecasted for this market. Our target is to achieve 50% market share of the 100- to 149-seat category. The *CSeries* family of aircraft is a game-changing family of aircraft offering superior passenger comfort, unrivalled low operating costs and the smallest environmental footprint (measured in CO_2, NO_X and noise emissions) within the 100- to 149-seat category. This product has been designed to offer maximum operational flexibility in terms of range, field performance and overall productivity. It will meet the full spectrum of requirements from mainline to low cost carriers, including those of the aircraft leasing community, because of this flexibility. From a geographical perspective, this platform caters to the short-range obstacle-constrained missions within Europe, the longer transcontinental range for the U.S., the high-temperature long-range missions within Middle East and South America and the more challenging routes with high-temperature and high-altitude airports within developing markets such as China and India.

Specialized and amphibious aircraft: Providing tailored solutions

The aerial firefighting market is a niche market providing protection for countries facing severe fire threats. During fiscal year 2010, the *Bombardier 415* aircraft and its predecessor, the *CL-215* aircraft, operated in 10 countries with 16 different operators.

We continue to identify and provide special-mission aircraft solutions to governments and special-requirement organizations worldwide. There are currently over 340 Bombardier business and commercial aircraft in operation in specialized roles and in various configurations, including maritime patrol, runway calibration, communications and surveillance platforms, search and rescue, transport and government aircraft.

We also offer Military Aviation Training that provides training system solutions for any military organization seeking to develop and train quality aircrew, with maximum efficiency and minimal risk.

PRODUCT AND SERVICE OFFERING		DESCRIPTION	MAIN COMPETITORS
Amphibious turboprops	*Bombardier 415* *Bombardier 415* MP	We manufacture and market the *Bombardier 415* amphibious aircraft, a purpose-built firefighting aircraft. It can also be adapted to a multi-purpose version, the *Bombardier 415* MP aircraft, which can be used in a variety of specialized missions such as search and rescue, coastal patrol, environmental protection, and transportation. We also offer an application for maritime patrol and surveillance operations.	Although a variety of other land-based fixed-wing aircraft exist, mostly old converted aircraft and adapted helicopters, the *Bombardier 415* aircraft is the only large amphibious aircraft currently in production purposely designed for aerial firefighting.
Specialized aircraft solutions	Comprehensive range of aircraft platforms including the *Learjet, Challenger, Global* and *CRJ* families of aircraft, as well as *Q400* turboprops.	We provide specialized aircraft solutions for governments, agencies and specialized organizations worldwide by modifying commercial and business aircraft to suit the needs of customers for different mission requirements.	We face competition from the other aerospace OEMs.
Military Aviation Training	NATO Flying Training in Canada (NFTC) and CF-18 Advanced Distributed Combat Training System (ADCTS)	In cooperation with governments, we provide complete military training solutions by integrating training aircraft, simulators and other training products.	We face competition from logistic support service providers, aerospace OEMs and training equipment manufacturers.

Customer services: Providing innovative and comprehensive lifecycle service and support

Aftermarket poised to grow in the long term despite a short-term slowdown in aircraft utilization

The aftermarket includes every activity that needs to be performed to support aircraft operations, which can be offered as customized service solutions to meet our customer needs. Such services are provided through our international network of authorized providers and fully owned facilities, as well as through our four 24/7 Customer Response Centres.

In the short term, recent economic events have negatively impacted aircraft utilization. Capacity and flight hours decreased over the past months, delaying spare part and service sales. However, according to the AeroStrategy Management Consulting reports published in September 2009, the worldwide demand for aircraft services will continue to grow steadily in the long term. Therefore, we remain confident of the future potential of this segment.

To capture a greater share of the aftermarket business generated from our growing installed base of approximately 6,000 business, commercial, specialized and amphibious aircraft, we are offering customers our Smart services program, an integrated hourly based service including spare parts and rotables management. Within our business aircraft customer base, over 1,000 aircraft have already been enrolled to use our Smart services offering. Moreover, we are constantly investing in strengthening our worldwide service network.

In November 2009, we announced that we will offer our commercial aircraft customers in the Middle East ready access to spare parts through our existing parts depot at Dubai International Airport. The facility, which currently services *Learjet, Challenger* and *Global* aircraft customers, will be soon equipped to meet the parts requirements of the *CRJ* Series, *Q-Series* and eventually the *CSeries* family of aircraft customers in the region.

In February 2010, we opened our first wholly owned European aircraft service centre, Bombardier Aerospace Netherlands B.V., at Schiphol Airport in Amsterdam, Netherlands. This new addition to our company-owned aircraft service centre network enables us to better support our growing fleet of *Learjet, Challenger* and *Global* aircraft in the region.

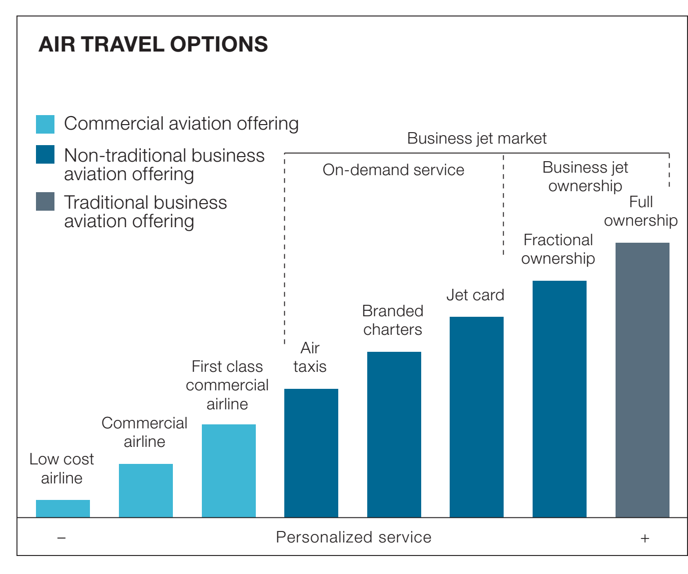
In February 2010, we also added a third commercial aircraft service centre to our growing worldwide customer support network. The facility, located in Macon, Georgia, U.S., complements the two Bombardier-owned commercial aircraft service centres in Bridgeport, West Virginia, U.S., and Tucson, Arizona, U.S. The facility, which began operations on January 18, 2010, will perform heavy maintenance, including C Check events, on all Bombardier *CRJ* aircraft.

ACTIVITIES	INTERNATIONAL SERVICE AND SUPPORT NETWORK
Parts logistics	▪ Two spare parts distribution centres[1] and six spare parts depots[1].
Aircraft maintenance	▪ A total of 41 third-party Aircraft on Ground (AOG)/line maintenance[2] and authorized service[3] facilities (ASF) for business aircraft maintenance. ▪ One business aircraft maintenance centre in which we own an equity interest. ▪ Five third-party recognized service[3] facilities for commercial aircraft maintenance. ▪ Eight service centres[1], including the two opened early in fiscal year 2011.
Training solutions	▪ Two training centres[1]. ▪ One training centre through a joint venture.
Customer support	▪ Four customer response centres[1]. ▪ Four regional support offices[1] for commercial aircraft customers. ▪ Over 170 field-service employees.

1 Wholly owned by the Corporation.
2 An authorized Aircraft on Ground (AOG)/line maintenance facility is capable of performing first-level inspections, has line maintenance capabilities and provides warranty support.
3 Authorized and recognized service facilities are capable of performing routine, minor and major inspections, modifications and repairs, as well as providing warranty support.

Flexjet: Complementing our business aircraft activities

Fractional ownership and charter operations offer convenient turnkey solutions to customers who may not need an entire aircraft, or who seek to avoid the cost, commitment and complexities of whole aircraft ownership. Through *Flexjet,* we offer full and fractional ownership, jet card programs and branded charter services. *Flexjet* features the world's largest fleet of Bombardier business jets, including the *Learjet 40 XR, Learjet 45 XR, Learjet 60 XR, Challenger 300* and *Challenger 604/605* business jets.



FLEXJET PRODUCT OFFERING		MAIN COMPETITORS
Fractional ownership	Through the U.S. *Flexjet* program, we offer a turnkey program enabling owners to purchase a share in a Bombardier business jet at a fraction of the full ownership cost. Owners pay predictable monthly management and usage fees, while *Flexjet* manages aircraft maintenance, flight crews, hangars, fuel and insurance on their behalf.	▪ NetJets Inc. ▪ Flight Options, LLC. ▪ CitationAir ▪ XOJET, Inc.
Jet card programs	*Flexjet* provides access to two jet card programs: ▪ The *Flexjet* 25 Jet Card program, which offers flights on a closed fleet of aircraft operated by air carrier Jet Solutions, LLC. ▪ An open-fleet jet card that allows customers to utilize aircraft through *Flexjet*'s network of charter operators via a debit card model.	▪ Marquis Jet Partners, Inc. ▪ Flight Options, LLC. ▪ CitationAir ▪ Sentient Flight Group, LLC. ▪ Delta AirElite Business Jets, Inc.
Whole aircraft ownership and management	The *Flexjet* One program provides an aircraft management solution for owners interested in purchasing a whole aircraft and having it managed by *Flexjet.* Owners benefit from having access to all of the benefits of fractional ownership (including access to multiple aircraft on the same day) and can generate lease revenues.	▪ Executive Jet Management, Inc. ▪ XOJET, Inc. ▪ CitationAir
Charter brokerage services	For those with an occasional need for business jet travel services, customers have access to aircraft through a carefully selected network of operators. Customers have the ability to purchase on a flight-by-flight basis and are able to choose from six aircraft classes.	▪ JetDirect Aviation, Inc. ▪ Blue Star Jets, Inc.

Fractional providers typically represent between 10% to 20% of annual deliveries of new business jets from the various aircraft manufacturers. In the U.S. alone, 676 business jets were in service at the four major fractional providers by the end of calendar year 2009. *Flexjet*'s fleet comprises 80 aircraft in service as of January 31, 2010, and is amongst the youngest fleet in the U.S. fractional ownership industry. *Flexjet* ranks second in terms of shares sold in the U.S. fractional ownership industry.

Flexjet introduced a variety of new products, designed to retain existing customers and appealing to potential new customers. In an industry reflective of general economic challenges, *Flexjet* developed an outstanding reputation for quality, leadership, stability and innovation.

STRATEGY

We will emerge from this crisis stronger and more efficient

A glance at our performance since fiscal year 2001 provides much insight into our capability to overcome challenging times. In the last market downturn following the September 11, 2001 events, we executed a turnaround that involved some difficult decisions, including downsizing our operations, reducing our workforce and reorganizing into market segments (business aircraft, commercial aircraft and customer services) to improve accountability.

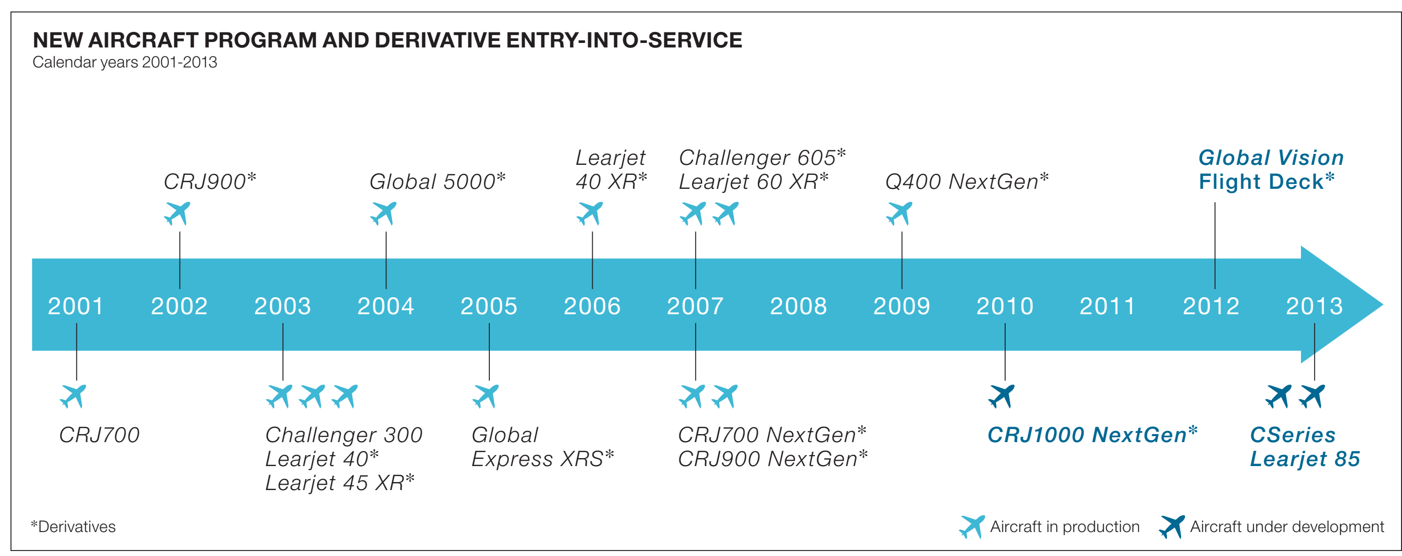
By fiscal year 2004, we had started on our path to profitable growth through our cultural transformation and introduction of our Achieving Excellence System ("AES"). Our cultural transformation, operational improvements and supporting strategies contributed to improve our results and exceed our goal of an EBIT margin of 8% in fiscal year 2009.

However, as anticipated last fiscal year, our revenues, EBIT margin and free cash flow have been negatively impacted in fiscal year 2010. The recession affected our customers' financial situations and their ability to secure financing, resulting in a lower number of commercial and business aircraft orders, as well as in a higher than normal level of order cancellations and deferrals of deliveries. The recession also impacted commercial and business aircraft utilization rates, as well as the purchase of related support and services, in particular spare parts. For business aircraft, high levels of order cancellations and deferrals of deliveries were experienced in fiscal year 2010, along with pricing pressures due in part to increased pre-owned business jet inventories. For commercial aircraft, we experienced one customer order cancellation and decided to terminate a 15 aircraft firm order purchase agreement due to another customer's uncertain situation. In addition, in fiscal year 2010, a number of commercial customers deferred their aircraft deliveries.

In fiscal year 2011, we expect to deliver approximately 15% and 20% fewer business and commercial aircraft respectively compared to fiscal year 2010. Overall, we expect improvements to lag economic recovery, therefore our EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. Our free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flows from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010. However, our free cash flow for the first part of fiscal year 2011 should be negative due to the anticipated delivery profile of our regional aircraft, including the entry into service of the *CRJ1000* aircraft in the second part of the year, and the anticipated gradual improvement in order intake taking place mostly in the second half of the year.

Our strategy is to turn obstacles into opportunity, as we have successfully done following the downturn of calendar year 2001. Therefore, we want to use this temporary market slowdown to capture a greater market share, continue our transformation into a customer-centric organization. We recognize that in the short term, our focus has to be operational, so we adjusted production rates and made the difficult decision of reducing workforce. These temporary issues did not change our long-term course, and we remain committed to our launched aircraft development programs. Since calendar year 2007, we solidified our position in the growing business jet market through a targeted product strategy that brought eight business jets and derivatives to market, while in the commercial aircraft market, we evolved to meet changing customer needs by bringing one new regional jet and three derivatives to market.

Recognizing the long-term nature of these investments and the significant investments required, we follow a rigorous gated process throughout the product development cycle to mitigate the risk of developing new products. The stages in the process are described hereafter and specific milestones must be met before a product can move from one stage of development to another. These gates consist of exit reviews with varying levels of management and leading experts to demonstrate technical feasibility, customer acceptance and financial return.



AIRCRAFT PROGRAM DEVELOPMENT PROCESS

CONCEPTUAL DEFINITION	LAUNCH PREPARATION	PRELIMINARY DEFINITION	DETAIL DEFINITION	PRODUCT DEFINITION RELEASE	PRODUCT CERTIFICATION	PROGRAM COMPLETION
JTAP JCDP		JDP				
JTAP: Joint Technical Assessment Phase Preliminary review with our potential partners/suppliers to analyze technologies desired to build or modify an aircraft. **JCDP: Joint Conceptual Definition Phase** Cooperative effort with our potential partners/suppliers to perform a configuration trade-off study and define the system architecture and functionality.	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.	Optimization of the aircraft design with respect to manufacturing, assembly and total lifecycle cost. **JDP: Joint Definition Phase** Joint determination with our partners/suppliers of the technical design of the aircraft and the sharing of work required.	Preparation of detailed production drawings and confirmation of the design based on the preliminary design definition agreed in the previous phase.	Formal issue of the engineering drawings to manufacturing, allowing for the completion of tool designs and the assembly of the first article (first produced aircraft).	Completion of certification activities to demonstrate that the aircraft complies with the original design requirements and all regulatory Airworthiness Standards.	Conclusion of final design activity. Preparation for entry into service.

We have also been paving the way to sustainable growth by improving our operational efficiency, focusing on key performance metrics (such as on-time aircraft deliveries and fleet dispatch reliability), on inventory management and on productivity improvements at all our sites across the world. We continued our efforts to deliver the highest level of quality and made strides in our AES deployment. Finally, we signed two major labour agreements and remain committed to promoting employee engagement as we recognize that our people are a key component of our success.

Seven strategic priorities to strengthen our long-term industry leadership

We strive to achieve world-class status not just within our industry but as a global company. We are guided by our Enterprise Strategy Statement.

BA's Enterprise Strategy Statement: Strengthen our long-term leadership in our industry segments through revenue growth and sustainable best-in-class financial performance, with the most loyal customer base by 2020. We will achieve this by leveraging our comprehensive portfolio of high-performance business jets, efficient commercial jets and turboprops, and quality innovative aircraft services.

Our Enterprise Strategy is the foundation of Our Way Forward and it is structured around seven priorities that provide alignment and therefore strength in achieving our goals. Our seven strategic priorities are as follows:

1	**Be #1 in customer satisfaction through flawless execution**
2	**Raise our game in global talent management**
3	**Actively manage risks**
4	**Establish local roots in all key markets**
5	**Enhance our corporate social responsibility**
6	**Develop innovative, environmentally conscious products that meet customer needs globally**
7	**Evolve into a lean enterprise with strong global supply chain partnership**

Be #1 in customer satisfaction through flawless execution

We are fully committed to support our customers by providing a consistently reliable customer experience, the foundation of which is our internal quality processes and systems. We are focusing the entire organization on customer engagement by embedding customer satisfaction metrics in our Management and Employee Incentive Plan, and by concentrating on enhanced execution in order to always deliver on our promises to our customers.

CUSTOMER SATISFACTION THROUGH FLAWLESS EXECUTION	
Goal	Be #1 in quality and customer satisfaction by exceeding our customer expectations and delivering on our brand promises through a culture of flawless execution. We aim to achieve world-class standards of customer engagement.

Leading initiatives	■ We are creating a customer-centric culture through the deployment of the AES Gold phase of the program, integrating common lean tools, techniques and processes, as well as other transformation initiatives, which will engage our employees to achieve world-class best practices in all our activities.
	■ We are focusing on improving the performance of our aircraft by standardizing our operational and internal quality processes and systems, to improve our on-time aircraft deliveries and fleet dispatch reliability.
	■ We are continuously improving the performance of our sales, contracting, delivery and in-service support processes through specific targeted initiatives, to improve key performance metrics on customer satisfaction.
	■ In fiscal year 2011, we will expand our international service and support network to enhance our service offering and be closer to our customers:
	  ■ we are planning to add a regional support office in Mumbai, India;
	  ■ we will further increase our customer support presence (customer support account managers and field-service representatives) in strategic regions; and
	  ■ we are planning to install a *Global Express* aircraft simulator in Dubai, U.A.E.

Fiscal year 2010 highlights	■ To date, 98% of our work teams qualified for Silver certification in our AES.
	■ For the third consecutive year, third-party surveys reported greater customer satisfaction with our service and support in both business and commercial aircraft.
	■ We invested in international services infrastructure:
	  ■ we added a commercial aircraft service centre in Macon, U.S. offering heavy maintenance on all Bombardier *CRJ* aircraft;
	  ■ we inaugurated a new service centre at Schiphol airport in Amsterdam, Netherlands, enabling our customers to benefit from Bombardier's technical and maintenance expertise for *Learjet, Challenger* and *Global* aircraft in Europe;
	  ■ we deployed a Mobile Response Party (MRP) in Europe, increased parts availability for the European parts depot and launched *PartsExpress* Europe to strengthen Aircraft on Ground (AOG) support for our business aircraft customers in Europe;
	  ■ we opened two new authorized service facilities in Luton, England and in Indianapolis, Indiana, U.S., and opened a new Recognized Service Facility (RSF) in Beek, Netherlands;
	  ■ we implemented a customer survey and quality audit process in all authorized service facilities;
	  ■ we added a *Global Express* aircraft simulator in Dallas, U.S.; and
	  ■ we improved parts availability for commercial aircraft customers in the Middle East through an existing parts depot at Dubai International Airport.
	■ We expanded our Customer Care organization initiatives to include the launch of a customer listening program involving senior executives, to enhance our customer relationships.
	■ We harmonized delivery processes across all platforms and developed an enhanced customer delivery survey.
	■ We launched the *iflybombardier.com*, a new online commercial aircraft customer portal, to strengthen customer communication.

Raise our game in global talent management

Our people are a key driver of our success. To achieve customer engagement, employees need to be fully engaged. Recent recruitment undertaken and our management of the economic downturn continue to underscore the need for effective talent planning and management. Our focus is on intensifying our efforts to become a world-class employer, and on investing in the development of a skilled, engaged and proud talent pool around the globe.

UNBEATABLE TALENT	
Goal	Provide a safe and rewarding environment that attracts and retains a talented team and where employees are engaged in delivering exceptional results to our customers and our key stakeholders.
Leading initiatives	▪ We are strengthening the motivation and engagement of our employees by developing and introducing a consistent global employment value proposition ("EVP") to clarify the value we bring to current and prospective employees and accelerate the hiring process. ▪ We are promoting employee engagement year over year through the deployment of our AES. ▪ We are launching our Employee Incentive Plan for all non-unionized employees across all BA sites outside Canada. This program rewards the collective efforts of our employees in achieving company objectives. ▪ We are enhancing the diversity of our management team by focusing on increasing the number of women in management positions to reach 25% by fiscal year 2012. ▪ We are accelerating the development of our leaders through our Talent Acceleration Pool ("TAP") program and the implementation of our new Emerging Leader program. ▪ We are deploying our leadership development curriculum program at all levels of the organization. ▪ We are aligning our selection, talent management, employee engagement and recognition processes to support the implementation of our AES.
Fiscal year 2010 highlights	▪ We conducted employee focus groups to provide input into our EVP. ▪ We further increased the number of employees under our TAP program by 29% to 139 employees. We also increased our focus on monitoring and managing talent movement across the organization to accelerate the development of our leaders. ▪ We created an executive level steering committee as part of our governance system to support the implementation of our diversity initiative. In fiscal year 2010, we determined that our primary focus would be to increase the number of women in management positions. ▪ Our leadership development curriculum program was enhanced to provide learning opportunities at all levels of the organization; however, not all programs were launched in fiscal year 2010. ▪ As part of our AES, we introduced the new Employee Incentive Plan for all salaried employees in Canada.

Actively manage risks

The magnitude of the recent financial crisis as well as its significant repercussions on the world economy and on many of our key customers and suppliers have highlighted more than ever the need to have a broad and comprehensive risk management approach. While risk management has always been at the forefront of the corporation's focus, we have embarked on a more systematic and far reaching risk management approach in order to both mitigate unwanted risks and identify potentially untapped opportunities.

CALCULATED RISKS	
Goal	Proactively manage strategic and operational risks, seeking an appropriate reward for the risk level taken and ensuring that effective mitigation strategies are put in place.
Leading initiatives	▪ We are constantly monitoring our key markets and using scenario analysis to stress-test our revenues and cash flows projections to ensure the right sizing of the organization, maintain minimum inventories and maximize earnings' potential. ▪ We are proactively monitoring the exposure on our order backlog, future profitability and free cash flow that could result from higher deferrals of deliveries and order cancellation rates, lower order intake, lower availability of customer financing, deterioration in the financial health of our key suppliers and a sustained increase in pre-owned aircraft jet inventories. ▪ We are optimizing cash flows through the effective management of operations and net utilized assets, mainly inventories, receivables, advances from customers and capital expenditures. ▪ We are harmonizing and standardizing program management and product development activities through a rigorous governance process at each stage of the value chain. Further, we are implementing a technical audit process for new development programs consisting of audits and analyses of our key technical risks by internal and/or external experts, after which our dedicated technical oversight team follows up on our mitigation actions for these technical risks. ▪ With Corporate Audit Services and Risk Assessment (CASRA), we are strengthening our identification and monitoring of our major risks through a dedicated process whereby our top 10 risks and their mitigation plans are reviewed periodically in a governance body.
Fiscal year 2010 highlights	▪ We adjusted our production schedules and re-sized the organization to better reflect the current economic reality. ▪ We formalized the use of scenario analysis as part of the strategic planning process. ▪ We established comprehensive governance at the senior management level to monitor progress on the development of our strategic aircraft programs. ▪ We developed risk-sharing approaches with key partners on strategic programs. ▪ We reduced the volatility of future costs through long-term price protection agreements with major production suppliers. ▪ We launched the Achieving Excellence System (AES), which aims at standardizing key business processes and provide effective planning, analytical and problem solving tools to all employees. ▪ We deployed extensive performance and risk management activities to improve availability and quality of supply, namely by performing more than 100 supplier financial assessments.

Establish local roots in all key markets

Our key markets are evolving, with a larger portion of our orders and deliveries originating from outside our traditional markets of North America and Europe. The rise of emerging economies such as China, India and Latin America offer numerous opportunities, including new markets for our products and services and access to well-trained talent pools. At the same time, increasingly capable and well-funded competitors in these emerging markets pose challenges, requiring us to be ever more innovative and cost-effective. Expanding local roots in these markets will strengthen our global scale and leadership.

DEEP LOCAL ROOTS	
Goal	To build centres of gravity in key markets by adapting our organizational structure to grow deeper local roots, by leveraging synergies within these markets across Bombardier and by enhancing our local brand and reputation.
Leading initiatives	▪ We are establishing clear priorities for international expansion based on customer needs, revenue opportunities and the need to increase our competitiveness. ▪ We are working closely with local partners (governments, educational establishments, suppliers, customers and our employees) to further develop the local aerospace industry, build expertise, develop technology and attract investment. ▪ We are establishing an organizational model, which can be used to quickly establish a local presence and will facilitate communication and alignment across all the organization.
Fiscal year 2010 highlights	▪ We invested in our international services infrastructure, in particular in Europe, where we expanded both owned and authorized service centre capacity, as well as increasing parts availability, strengthening Aircraft on Ground (AOG) support and increasing training capacity. This was supplemented with increased service centre capacity in the U.S., improved commercial aircraft parts availability in the Middle East and an additional regional support office in India. ▪ In Mexico, we started construction of production facilities for the *Learjet 85* aircraft. In connection with this program, we trained 68 Mexican employees throughout calendar 2009 on the new composite technology required. In 2010/2011, we will create a new engineering organization, based at our facility in Querétaro, which will support existing products, but also participate in product development initiatives and, particularly, build and develop local engineering talent. ▪ In China, working with our partners Shenyang Aircraft Corporation (SAC) and Shenyang Aircraft Corporation China (SACC), we transferred knowledge on lean manufacturing concepts, thus integrating our supplier in our journey to world-class manufacturing. ▪ In India, through our Bombardier India Centre, over 270 engineers are contributing daily to our existing and new development programs. Beyond our centre, we also started to do research in collaboration with Indian universities. This collaboration is in line with our strategy to tap into the global talent pool and to raise the bar on creating innovative products. ▪ We have become a Tier 1 member of the aerospace research program in Singapore's Science and Engineering Research Council that profits from public funding to drive innovation in the aerospace industry. ▪ Participation in over 20 airshows and tradeshows in calendar 2009, bringing our products closer to our customer and supporting the aerospace industry. ▪ Benchmarked organizational models of other global companies to identify best practices, to use as a basis for recommendations on future developments in our own organization. ▪ Established specific country councils with a cross section of senior management, with the objective of improving communication on specific business unit country initiatives, as well as aligning with our priorities.

Enhance our corporate social responsibility

In today's business environment, we see the continuous improvement of our products' environmental performance as a competitive advantage and as an opportunity to strengthen our customers' engagement. Ensuring that our own manufacturing and service operations are sustainable is just as crucial. Through our AES, we are engaging our employees in continuous improvement initiatives and diligently embedding sustainable development principles in day-to-day activities. We also remain committed to play a constructive role within the communities where we operate.

GREATER CORPORATE SOCIAL RESPONSIBILITY	
Goals	■ Build socially responsible products and play a leadership role in the aviation industry's environmental efforts. ■ Minimize our operations' environmental footprint, eliminate restricted substances and adopt high sustainability standards for our buildings and operations to achieve carbon neutrality and deliver a "zero waste" performance. ■ Continuously improve employee engagement and promote an injury-free culture. ■ Ensure the efficiency and viability of our suppliers, enhance the sustainability of our procurement processes, and promote ethics, human rights and internationally sanctioned labour standards across our global supply chain. ■ Act as a responsible citizen through focused initiatives regarding donations, sponsorships and community involvement.
Leading initiatives	■ We are continuing the deployment of our Design for Environment capabilities on the *CSeries* family of aircraft and *Learjet 85* aircraft programs and will produce Environmental Product Declarations (EPDs) for our new aircraft. ■ We are sharing best practices between BA and BT by developing standard procedures for HSE and are incorporating these into existing operating systems (HSE excellence system). ■ We are supporting our customers in establishing their compliance plan for new environmental regulations such as the European Union Emission Trading Scheme. ■ We are developing a strategy and objectives to manage our carbon footprint and we continuously assess our environmental liabilities. We are committed to reduce our energy consumption by an additional 10% between fiscal year 2010 and fiscal year 2015, and to promote the adoption of a carbon-neutrality mindset throughout our activities, with annual targets meeting at least the levels defined in relevant national and international agreements. ■ We are developing a Green Building Policy with third parties such as Leadership in Energy and Environmental Design (LEED) for all new facilities.
Fiscal year 2010 highlights	■ We supported and promoted the industry commitment to reduce commercial aviation emissions through our involvement in the Air Transport Action Group (ATAG), the IATA and the International Coordinating Council of Aerospace Industries Associations (ICCAIA). ■ We spearheaded the creation of a business aviation position statement focused on greenhouse gas emission reductions under the umbrella of GAMA, the International Business Aviation Council (IBAC) and its member associations. ■ Based on the latest figures available, for fiscal year 2009 compared to fiscal year 2004, we reduced our water consumption by 36.3%, achieved a 13.6% reduction in energy consumption, a 1.1% reduction in CO_2 emissions and generated 13.1% less waste. ■ We achieved an accident frequency ratio of 0.98 accident per 200,000 hours worked, compared to 1.32 in fiscal year 2009, and reduced our accident severity ratio to 32 workdays lost per 200,000 hours worked, compared to 39 in fiscal year 2009, both ratios including hours worked for restricted duty. ■ We continued our Occupational Health and Safety Assessment Series (OHSAS) 18001 certification activities and reached 83% of our manufacturing and service sites with over 150 employees certified as at January 31, 2010, compared to 53% as at January 31, 2009. We put in place a plan to reach our target of 100% certification in the first half of fiscal year 2011. ■ Since fiscal year 2009, 83 of our suppliers have committed to adhere to our Supplier Code of Conduct. Of these, 50 are aircraft equipment vendors representing 80% of our total bill of material cost. ■ We became a long-term supporter of the Sierra Gorda World Biosphere Reserve in Querétaro, Mexico, with three environmental and economic development projects that will directly benefit the reserve's 23,000 residents. ■ We received the 20/20 Vision Award from Business in the Community, Northern Ireland, in recognition of our significant social impact in Northern Ireland during the past 20 years.

Develop innovative, environmentally conscious products that meet customer needs globally

Development of innovative, environmentally conscious products that meet customer needs globally is a cornerstone of our product strategy. Through fuel-efficient aircraft, lower noise and emissions and through new technologies such as composite materials wings and fuselages, fly-by-wire and electrical systems, new aircraft configurations and an innovative aftermarket service offering, we are aiming at setting industry standards in delivering value to our customers.

PRODUCT INNOVATION	
Goals	▪ Develop products that deliver on customer needs and expectations and that encompass latest technologies. ▪ Design fuel-efficient aircraft that respect the highest environmental standards, as put forth in our Corporate Social Responsibility (CSR) strategic priority. ▪ Provide innovative service solutions that respond to customer aftermarket and fleet management needs.
Leading initiatives	▪ We continue to review and increase our product technology roadmap through our Aircraft Portfolio Strategy Board. ▪ We continue to develop our core expertise to sustain, improve and create new innovative products in areas such as advanced composites, new metallic materials, aircraft systems, emerging technologies and future aircraft configurations. ▪ We will continue to expand our collaboration with universities and research institutions across the world. As such, we want to continue initiatives just started with regard to our R&D Network participation in Singapore and leading several research consortiums such as the Consortium for Research and Innovation in Aerospace in Québec (CRIAQ). ▪ We are strengthening our product development system to leverage lean principles and ensure continuous improvement of the critical aspects of the system that drive efficient, customer focused product development. The system's emphasis is on knowledge creation and to re-use this knowledge across products to ensure higher levels of quality and optimization. ▪ For our new aircraft programs in development, we are extending our lifecycle solutions to address the complete aftermarket experience, including parts, maintenance services, and pilot training.
Fiscal year 2010 highlights	▪ We successfully built the first demonstrator for a composite wing using Resin Transfer Infusion through our involvement in a U.K. national research program aimed at developing new composite wing technologies. ▪ We built the first demonstrator of a forward fuselage in composite materials using Automated Fibre Placement through a collaborative project with several partner organizations and consortia. Initial structural tests of the composite fuselage section have shown the potential for further weight reductions as well as the improvement of passenger comfort due to better adjustment of cabin pressure. ▪ We developed several key performance indicators to track our progress in significantly reducing our aircraft emissions and replacing certain materials by more environmentally friendly alternatives. ▪ We co-chaired the Canadian Aviation Environmental Technology Roadmap (CAETRM). This initiative identified technologies that must be developed to improve the environmental footprint of aerospace in Canada. As a consequence, we became a founding member of the Green Aviation Research and Development Network, a business-led centre of excellence funded by the federal government and dedicated to research in aviation environment such as noise and emission reductions. ▪ We improved our industry-leading carbon offset program by offering a per-flight-hour payment scheme, which leverages our Smart Services administrative platform.

Evolve into a lean enterprise with strong global supply chain partnerships

We are evolving into a world-class organization that adheres to lean principles and has a culture of continuous improvement. We strive to optimize our manufacturing network, leverage our emerging country presence and build strong mutual relationships with our suppliers to drive quality, reliability and overall world-class performance.

LEAN ENTERPRISE	
Goals	▪ Develop a world-class manufacturing organization that adheres to lean principles and has a culture of continuous improvement. ▪ Improve our asset utilization. ▪ Improve supplier performance on quality, delivery and reliability to reach world-class standards.
Leading initiatives	▪ We will continue to focus on efficiency improvement and deployment of lean principles across the organization, through the deployment of AES and building on momentum created within the organization since the introduction of this continuous improvement program. ▪ We will continue to further develop our manufacturing base in emerging countries, specifically through new programs under development. ▪ We will develop functional excellence across the organization by establishing functional forums to drive standard policies and practices. ▪ We will continue to secure competitive total lifecycle value propositions from our supply base on new and existing programs, including long-term cost protection and joint lean improvement initiatives. ▪ We will further deploy our simplified contractual framework and code of conduct with key suppliers. ▪ We will further enhance our supplier management activities, such as a structured cross-functional and collaborative problem solving approach, and expand our vendor inspection program with suppliers to improve quality and reliability.
Fiscal year 2010 highlights	▪ Due to the overall economic situation, we put on hold new transfers of work packages from Saint-Laurent, Toronto and Belfast to Querétaro. We however completed transfers already underway. ▪ Through AES, we established a common set of key performance metrics that is consolidated into a balanced scorecard to ensure the organization is consistently aligned and linked to the overall strategy and goals. ▪ We created logistics and quality councils to complement the already existing operations and engineering committees. To drive results, we are leveraging this network to standardize and reinforce our efforts to improve current operations and cultivate enhanced execution. As a result, we significantly improved several key operational drivers, such as the number of purchased and manufactured parts late to master schedule, non conformity reports raised and travelled work between sites. ▪ We established a new contract framework covering all future business with top suppliers, which together accounts for 33% of the annual aircraft related procurement spend in fiscal year 2010. ▪ We introduced a supplier scorecard allowing us to more effectively measure supplier performance and provide improved guidance for supplier management activities. ▪ We deployed an improved vendor inspection program with 140 suppliers and drove standard material management measurements and processes across our sites. ▪ We continued our ISO 14001 certification activities and reached our goal of 100% at our manufacturing and service sites with over 150 employees certified as at January 31, 2010, compared to 80% as at January 31, 2009.

We have what it takes to deliver on our long-term strategy

We are confident in our proven ability to overcome turbulent economic times by turning obstacles into opportunity. We continue to reinforce our foundations and to grow sustainably. We are leveraging our diversified portfolio of jet- and turbo-propelled aircraft to address the various needs of geographically diversified commercial and business aviation customers both today and into the future, building on a strong commitment to innovation, based on more than 300 years of combined aerospace experience and heritage, brought about by a combination of Canadair, Short Brothers, de Havilland and Learjet and the 25 new aircraft programs brought to market since 1989.

Our capability to deliver results is based on the attributes described in the Bombardier Way:

- we have a common vision and seven clear strategic priorities which create alignment and drive behaviour in the organization;
- we are focused on enhancing execution through the continuous improvement of key business processes and on implementing lean principles through our AES;
- we have strong relationships with our key stakeholders, including customers, unions, suppliers, local governments and regulatory agencies, which enable us to improve our operations and products and foster mutually beneficial continuous improvement in our relationships;
- we are focused on customer engagement and as such have strengthened our customer relationships;
- we are in markets with solid long-term demand growth;
- we have a broad, leading-edge product offering;
- we are committed to invest in our product development programs;
- we have a large talent pool of well-trained and engaged employees; and
- we have an experienced management team, committed to the long-term success of the organization.

ANALYSIS OF RESULTS

Our results were impacted by the current economic crisis

RESULTS OF OPERATIONS

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Revenues				
Manufacturing				
Business aircraft	**$ 1,223**	$ 1,363	**$ 4,282**	$ 5,203
Commercial aircraft	**778**	790	**2,565**	2,271
Other	**154**	192	**628**	642
Total manufacturing revenues	**2,155**	2,345	**7,475**	8,116
Services[1]	**344**	354	**1,359**	1,588
Other[2]	**176**	78	**523**	261
Total revenues	**2,675**	2,777	**9,357**	9,965
Cost of sales	**2,312**	2,220	**7,959**	7,876
Margin	**363**	557	**1,398**	2,089
Selling, general and administrative	**156**	180	**601**	715
Research and development	**10**	13	**6**	51
Other expense (income)[3]	**1**	(16)	**(53)**	(4)
EBITDA	**196**	380	**844**	1,327
Amortization	**90**	109	**371**	431
EBIT	**$ 106**	$ 271	**$ 473**	$ 896
(as a percentage of total revenues)				
Margin	**13.6%**	20.1%	**14.9%**	21.0%
EBITDA	**7.3%**	13.7%	**9.0%**	13.3%
EBIT	**4.0%**	9.8%	**5.1%**	9.0%

1 Includes revenues from parts logistics, aircraft fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training) and Military Aviation Training.

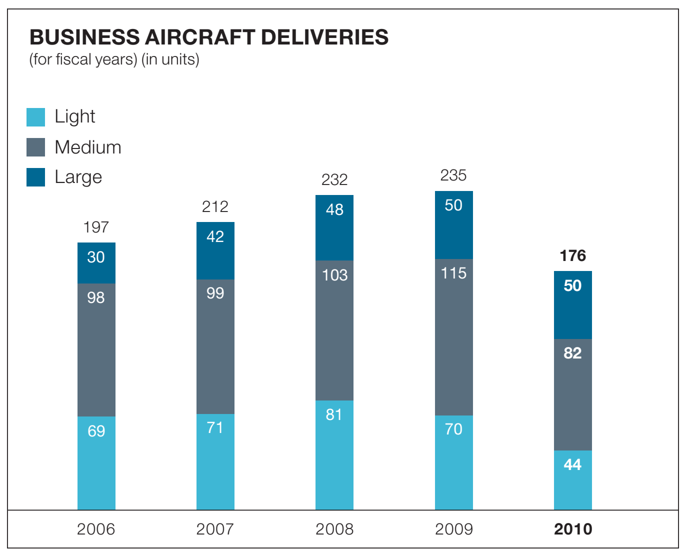
2 Includes mainly sales of pre-owned aircraft.

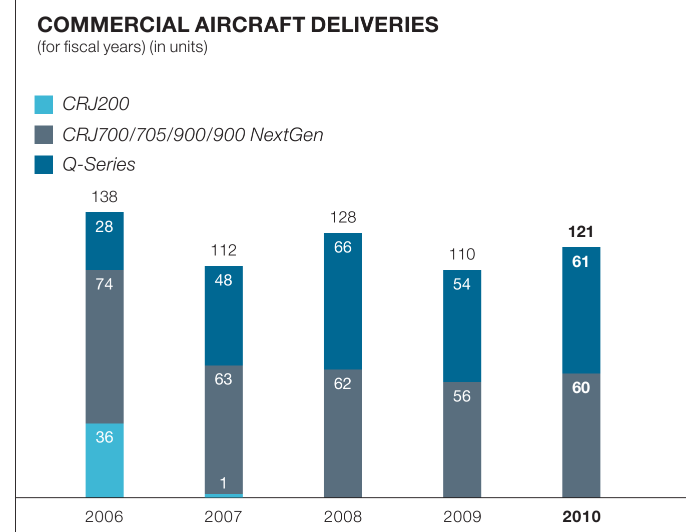
3 Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates), settlement of claims and losses (gains) related to disposals of businesses, property, plant and equipment and intangible assets.

TOTAL AIRCRAFT DELIVERIES

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Business aircraft				
Excluding those of the fractional ownership programs	**49**	53	**175**	223
Fractional ownership programs[1]	**–**	1	**1**	12
	49	54	**176**	235
Commercial aircraft	**35**	37	**121**	110
Amphibious aircraft	**2**	2	**5**	4
	86	93	**302**	349

1 An aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model have 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 $190-million decrease for the fourth quarter is mainly due to lower deliveries and selling prices for business aircraft ($140 million).

The $641-million decrease for the fiscal year is mainly due to:

- lower deliveries and selling prices for business aircraft, partially offset by a higher percentage of medium and large business aircraft deliveries ($921 million).

Partially offset by:

- higher revenues for commercial aircraft, mainly due to higher deliveries ($294 million).

Services revenues

The $229-million decrease for the fiscal year is mainly due to:

- lower fractional share and hourly flight entitlement programs' service activities, mainly resulting from fewer hours flown by customers due to the current economic environment ($141 million);
- lower business aircraft maintenance revenues and volume for spare parts, resulting from lower flight activity due to the current economic environment ($88 million); and
- lower product support activities, mainly related to amphibious aircraft ($33 million).

Other revenues

The $98-million and $262-million increases for the fourth quarter and fiscal year are mainly due to:

- higher deliveries of pre-owned business aircraft, mainly as a result of a higher level of pre-owned aircraft inventory ($92 million for the three-month period, $300 million for the fiscal year).

Partially offset by:

- different mix of pre-owned commercial aircraft deliveries ($41 million for the fiscal year).

EBIT margin

The 5.8 percentage-point decrease for the fourth quarter is mainly due to:

- higher cost of sales per unit, mainly due to price escalations of materials;
- lower selling prices for business aircraft;
- the mix between business and commercial aircraft deliveries; and
- the net negative impact in other expense (income) from the re-valuation of certain balance sheet accounts in foreign currencies at the balance sheet date.

Partially offset by:

- higher write-down of inventories for the fourth quarter of fiscal year 2009 compared to the fourth quarter of fiscal year 2010, based on the respective market values for pre-owned business aircraft for these periods;
- lower SG&A expenses, mainly due to lower business aircraft deliveries;
- lower amortization expense, due to the aerospace program tooling on some aircraft models being fully amortized; and
- liquidated damages from customers, mainly as a result of business aircraft order cancellations.

The 3.9 percentage-point decrease for the fiscal year is mainly due to:

- higher cost of sales per unit, mainly due to price escalations of materials and disruption costs in connection with changes in production rates;
- lower selling prices for business aircraft;
- the mix between business and commercial aircraft deliveries;
- lower margins for services activities;
- the net negative impact in other expense (income) from the re-valuation of certain balance sheet accounts in foreign currencies at the balance sheet date; and
- higher write-down of inventories, mainly due to lower market values for pre-owned aircraft.

Partially offset by:

- liquidated damages from customers, mainly as a result of business aircraft order cancellations;
- lower SG&A expenses, mainly due to lower business aircraft deliveries; and
- a net positive variance on financial instruments carried at fair value and recorded in other expense (income);
- lower amortization expense, due to the aerospace program tooling on some aircraft models being fully amortized.

The EBIT margin for the fiscal year ended January 31, 2010 was also impacted by the following non-recurring items:

- severance and other involuntary termination costs of $38 million recorded in other expense (income), resulting from the decisions during fiscal year 2010 to reduce our workforce and production rates;
- $28 million recorded as a reduction in R&D expenses, following the receipt of contingently repayable government investment in connection with previously expensed R&D costs for the *CSeries* family of aircraft; and
- a gain of $10 million recorded in other expense (income), resulting from the disposal of property, plant and equipment.

The EBIT margin for the fiscal year ended January 31, 2009 was also impacted by the following non-recurring items recorded in other expense (income):

- a gain of $28 million, arising from the settlement with a supplier with respect to the transfer of the production of certain components for the *CRJ* family of aircraft to another third-party supplier; and
- a loss of $23 million, related to accumulated foreign exchange losses in connection with the sale of *Skyjet International.*

Free cash flow

FREE CASH FLOW				
	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
EBIT	**$ 106**	$ 271	**$ 473**	$ 896
Amortization	**90**	109	**371**	431
EBITDA	**196**	380	**844**	1,327
Other non-cash items:				
Loss (gain) on disposals of property, plant and equipment	**–**	–	**(10)**	4
Stock-based compensation	**6**	7	**23**	25
Net change in non-cash balances related to operations	**243**	(505)	**(513)**	(802)
Net additions to property, plant and equipment and intangible assets	**(233)**	(153)	**(611)**	(426)
Free cash flow	**$ 212**	$(271)	**$(267)**	$ 128

The $483-million increase for the fourth quarter is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($748 million) (see explanation hereafter).

Partially offset by:

- a lower EBITDA ($184 million); and
- higher net additions to property, plant and equipment and intangible assets ($80 million), due to our significant investments in product development.

The $395-million decrease for the fiscal year is mainly due to:

- a lower EBITDA ($483 million); and
- higher net additions to property, plant and equipment and intangible assets ($185 million), due to our significant investments in product development.

Partially offset by:

- a positive period-over-period variation in net change in non-cash balances related to operations ($289 million) (see explanation hereafter).

Net change in non-cash balances related to operations

For the fourth quarter of fiscal year 2010, the $243-million cash inflow is mainly due to:

- a decrease in aerospace program work-in-process inventories as a result of production rate decreases;
- a decrease in finished product inventories mainly due to lower levels of commercial and business aircraft on hand without an associated firm order and lower levels of pre-owned aircraft; and
- a decrease in accounts receivable.

Partially offset by:

- a decrease in advances on aerospace programs, resulting from a lower net order intake for business and commercial aircraft; and
- a decrease in accounts payable and accrued liabilities.

For fiscal year 2010, the $513-million cash outflow is mainly due to:

- a decrease in advances on aerospace programs, resulting from a lower net order intake for business and commercial aircraft; and
- a decrease in accounts payable and accrued liabilities.

Partially offset by:

- a decrease in aerospace program work-in-process inventories as a result of production rate decreases; and
- a decrease in finished product inventories due to a lower level of business aircraft on hand without an associated firm order.

For the fourth quarter of fiscal year 2009, the $505-million cash outflow was mainly due to a decrease in advances on aerospace programs resulting from a lower net order intake.

For fiscal year 2009, the $802-million cash outflow was mainly due to:

- an increase in finished product inventories resulting from increased deferrals and cancellations of deliveries for both business and commercial aircraft;
- an increase in pre-owned business aircraft inventories, resulting from a softer market for pre-owned aircraft;
- an increase in aerospace program work-in-progress inventories in the first three quarters as a result of production rate increases; and

- an increase in receivables resulting from a higher level of medium and large business aircraft deliveries and delays in business aircraft customers obtaining financing.

Partially offset by:

- an increase in accounts payable and accrued liabilities, following the increase in inventories on aerospace programs.

Continuing to invest in our future

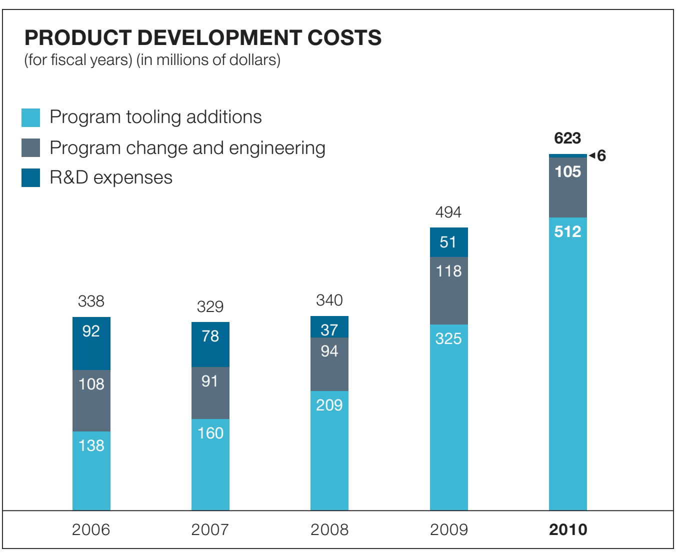
PRODUCT DEVELOPMENT COSTS

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Program tooling additions[1]	**$ 177**	$ 110	**$ 512**	$ 325
Program change and engineering[2]	**26**	28	**105**	118
R&D expenses	**10**	13	**6**	51
	$ 213	$ 151	**$ 623**	$ 494
As a percentage of manufacturing revenues	**9.9%**	6.4%	**8.3%**	6.1%

1 Capitalized in intangible assets.
2 Included in cost of sales.

Our program tooling investments are mainly due to the development of the *CSeries* family of aircraft, the *CRJ1000 NextGen* aircraft, as well as the *Learjet 85* aircraft programs.

The decrease in R&D expenses for fiscal year 2010 is mainly due to the receipt of contingently repayable investments from the governments of Canada, Québec and the U.K. in connection with previously expensed R&D costs for the *CSeries* aircraft program ($37 million less a reversal of investment tax credits of $9 million, for a net of $28 million). In addition, development costs related to the *CSeries* aircraft program were capitalized in program tooling subsequent to the July 2008 launch date of the program.



CARRYING AMOUNT OF PROGRAM TOOLING

	January 31 2010	January 31 2009
Business aircraft		
Learjet Series	**$ 234**	$ 116
Challenger Series	**249**	313
Global Series	**135**	143
Commercial aircraft		
CRJ Series	**498**	471
Q-Series	**35**	60
CSeries	**289**	72
	$ 1,440	$ 1,175

Deliveries in line with our delivery guidance

BUSINESS AIRCRAFT DELIVERIES				
	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Light business jets				
Learjet 40/40 XR/Learjet 45/45 XR	**4**	6	**30**	43
Learjet 60 XR	**6**	5	**14**	27
Medium business jets				
Challenger 300	**8**	13	**36**	54
Challenger 605	**14**	15	**36**	45
Challenger 800 Series	**5**	3	**10**	16
Large business jets				
Global 5000/Global Express XRS	**12**	12	**50**	50
	49	54	**176**	235

The 25% decrease in business aircraft deliveries for fiscal year 2010 is consistent with the delivery guidance provided in our annual report for fiscal year 2009. The economic downturn, which started in the third quarter of calendar year 2008 and continued in calendar year 2009, as well as the credit scarcity, created a significant challenge for our business aircraft customers. This led several customers to either defer or cancel their aircraft deliveries and also resulted in a decline in the fractional aircraft shares sold to external customers by *Flexjet.*

Although credit conditions have generally improved, credit availability continued to be an issue in the three-month period ended January 31, 2010, which resulted in delays in the recognition of aircraft deliveries. We expect to deliver 15% fewer business aircraft during fiscal year 2011, compared to fiscal year 2010.

COMMERCIAL AIRCRAFT DELIVERIES				
	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Regional jets				
CRJ700/CRJ700 NextGen	**10**	2	**27**	4
CRJ900 NextGen	**8**	17	**33**	52
Turboprops				
Q200	**–**	3	**–**	5
Q300	**–**	1	**6**	6
Q400/Q400 NextGen	**17**	14	**55**	43
	35	37	**121**	110

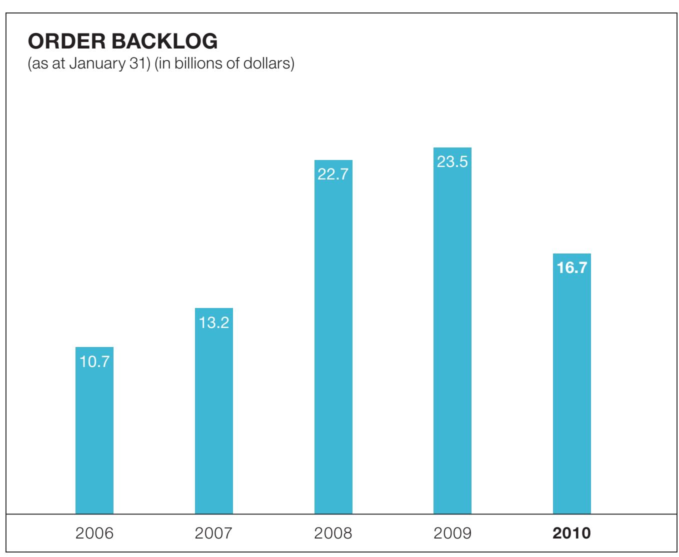
The 10% increase in commercial aircraft deliveries for fiscal year 2010 is consistent with the delivery guidance provided in our annual report for fiscal year 2009. The current economic and airline industry environment continues to make it difficult to gain new aircraft orders, particularly the *CRJ* aircraft family. In response to this decrease in demand, we reduced the production rates for all regional jets. We expect to deliver 20% fewer commercial aircraft during fiscal year 2011, compared to fiscal year 2010.

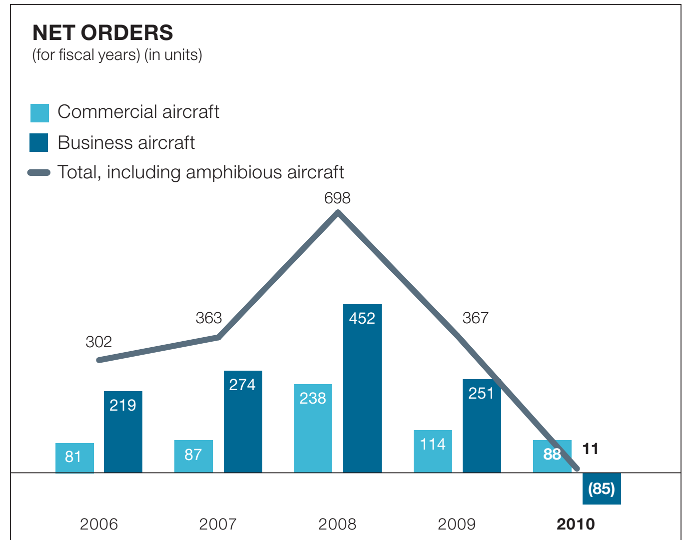
Order backlog impacted by lower new orders and high level of cancellations

TOTAL ORDER BACKLOG		
(in billions of dollars)	**January 31 2010**	January 31 2009
Aircraft programs	**$15.9**	$22.7
Military Aviation Training	**0.8**	0.8
	$16.7	$23.5

The decrease in the order backlog reflects the significantly higher business aircraft order cancellations, as well as an overall level of new orders lower than revenues in business aircraft and in regional jets, partially offset by orders received for the *CSeries* family of aircraft in the first quarter of fiscal year 2010.

We establish production rates based on our regular reviews of our skyline, supply base capacity, existing order backlog and expected order intake.





TOTAL AIRCRAFT NET ORDERS AND BOOK-TO-BILL RATIO

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Aircraft net orders (in units)				
Business aircraft (including those of the fractional ownership program)	**7**[1]	(19)[2]	**(85)**[3]	251[5]
Commercial aircraft	**22**	25	**88**[4]	114
Amphibious aircraft	**4**	–	**8**	2
	33	6	**11**	367
Book-to-bill ratio[6]				
Business aircraft	**0.1**	(0.4)	**(0.5)**	1.1
Commercial aircraft	**0.6**	0.7	**0.7**	1.0
Total	**0.4**	0.1	**–**	1.1

1 33 gross orders and 26 cancellations. In addition, there were 4 firm order conversions within other business aircraft models.
2 22 gross orders and 41 cancellations. In addition, there were 3 firm order conversions within other business aircraft models.
3 101 gross orders and 186 cancellations. In addition, there were 35 firm order conversions within other business aircraft models.
4 104 gross orders and 16 cancellations. In addition, there were 6 firm order conversions within other commercial aircraft models.
5 307 gross orders and 56 cancellations. In addition, there were 5 firm order conversions within other business aircraft models.
6 Defined as net orders received over aircraft deliveries, in units.

Business aircraft

Although the business aircraft market is still experiencing difficulties, it is starting to show signs of stability with positive business aircraft net orders for the last two quarters of the fiscal year 2010.

The negative order intake during fiscal year 2010 reflects the difficult current economic environment, which led to significant order cancellations as well as a reduction in demand for business aircraft. In response to the current demand, we have reduced production rates for all business aircraft, as announced in February and April 2009.

In the second quarter of fiscal year 2010, we terminated a purchase agreement with Jet Republic, consisting of 25 firm orders for the *Learjet 60 XR* aircraft, which was originally announced in June 2008. These orders were removed from the order backlog as at July 31, 2009.

Commercial aircraft

COMMERCIAL AIRCRAFT NET ORDERS

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Regional jets				
CRJ700 NextGen	**22**	–	**22**	18
CRJ900 NextGen	**–**	–	**(4)**	23
CRJ1000 NextGen	**–**	–	**4**	6
Commercial jets				
CS100	**–**	–	**33**	–
CS300	**–**	–	**17**	–
Turboprops				
Q400/Q400 NextGten	**–**	25	**16**	67
	22	25	**88**	114

According to recent reports from the IATA, conserving cash, controlling costs and carefully matching capacity to demand remain essential to an airline's survival. Airlines are refraining from making significant capital expenditures for new aircraft. Commercial airlines are also having difficulties gaining access to credit and securing financing to purchase new aircraft.

In the second quarter of fiscal year 2010, we announced the termination of a firm order with MyAir.com of Italy regarding the remaining 15 undelivered *CRJ1000 NextGen* aircraft. As a result of this termination, these orders were removed from the order backlog as at July 31, 2009. In the second quarter of fiscal year 2010, an agreement was reached with Horizon Air Industries, Inc. to defer eight *Q400 NextGen* aircraft to calendar years 2012 and 2013. This deferral has not impacted our production rate for this program. During fiscal year 2010, we have also received a cancellation for one *Q400* aircraft order.

On January 5, 2010, Mesa Air Group, Inc. ("Mesa") announced that it has started financial restructuring through the voluntary filing of petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Bombardier is a member of the Unsecured Creditors' Committee. As at January 31, 2010, there were ten *CRJ700 NextGen* aircraft in our order backlog yet to be delivered to Mesa. We are continuously monitoring the situation with Mesa and the potential impact this may have on us. As part of the restructuring plan, Mesa may choose not to take delivery of these aircraft and to reject certain aircraft in its current fleet for which Bombardier has provided financing support such as credit guarantees. Our assessment of how Mesa will reorganize and emerge from Chapter 11 has been taken into consideration in the determination of our provisions.

In spite of the difficult global economic environment, we secured positive firm orders for commercial aircraft during fiscal year 2010.

In the first quarter of fiscal year 2010, Deutsche Lufthansa AG ("Lufthansa") signed a firm order for 30 *CS100* aircraft. Based on the list price, the value of this contract is $1.5 billion, and includes options for an additional 30 *CSeries* aircraft. These aircraft will be operated by Lufthansa's subsidiary, Swiss International Air Lines Ltd.

In the first quarter of fiscal year 2010, Lease Corporation International Aviation (New Buildings) Limited ("Lease Corporation") signed a firm order for 3 *CS100* and 17 *CS300* aircraft. Based on the list price, the value of this contract is $1.4 billion, and includes an option for an additional 20 *CSeries* aircraft.

Also, in the second quarter of fiscal year 2010, we received a firm order for 15 *CRJ1000 NextGen* aircraft from Air Nostrum of Spain, valued at $793 million based on the list price. Air Nostrum has now placed firm orders for a total of 35 *CRJ1000 NextGen* aircraft worth $1.75 billion. In the same period, Air Nostrum also converted a firm order for five *CRJ900 NextGen* aircraft to a firm order for five *CRJ1000 NextGen* aircraft.

In the third quarter of fiscal year 2010, we signed a firm order agreement for 22 *CRJ700 NextGen* regional jets with AMR Eagle Holding Corporation, parent company of American Eagle Airlines Inc. The transaction represents the conversion of 22 options held by the airline. Based on list price, the contract is valued at $779 million.

COMMERCIAL AIRCRAFT SIGNIFICANT ORDERS

	Fiscal year 2010
(in units)	
CRJ700 NextGen	
AMR Eagle Holding Corporation	22
CRJ1000 NextGen	
Air Nostrum	15
CS100	
Lufthansa	30[1]
Lease Corporation	3
CS300	
Lease Corporation	17
Q400/Q400 NextGen	
MIG Aviation 3 Limited[2]	8
Undisclosed customer	5

1 These aircraft will be operated by Lufthansa's subsidiary, Swiss International Air Lines Ltd.
2 A subsidiary of Marfin Investment Group Holdings S.A. of Greece.

COMMERCIAL AIRCRAFT ORDER BACKLOG AND OPTIONS AND CONDITIONAL ORDERS				
		January 31 2010		January 31 2009
	Aircraft on firm order	**Options and conditional orders**	Aircraft on firm order	Options and conditional orders
Regional jets				
CRJ700 NextGen	**41**	**5**	46	38
CRJ900 NextGen	**18**	**104**	55[2]	184
CRJ1000 NextGen	**49**	**4**	45	20
Commercial jets				
CS100	**33[1]**	**33**	–	–
CS300	**17[1]**	**17**	–	–
Turboprops				
Q300	**–**	**–**	6	–
Q400/Q400 NextGen	**75**	**115**	114	129
	233	**278**	266	371

1 Includes 20 firm orders with conversion rights to the other *CSeries* aircraft model.
2 Includes seven firm orders with conversion rights from the *CRJ900 NextGen* aircraft to the *CRJ1000 NextGen* aircraft.

In February 2010, Republic Airways Holdings Inc. signed a firm order to acquire 40 *CS300* aircraft. The agreement also includes options for an additional 40 *CS300* aircraft. Republic Airways Holdings is the first North American airline to place a firm order for the *CSeries* aircraft. Based on the list price, the value of this contract is $3.1 billion, which could increase to $6.3 billion if all options are exercised.

Specialized and amphibious aircraft

In the third quarter of fiscal year 2010, the Government of Newfoundland and Labrador purchased four *Bombardier 415* amphibious aircraft to replace a portion of its aging fleet. Based on list price, the contract is worth $120 million and includes aircraft modifications, spare parts provisioning, training, and technical support. Aircraft deliveries will begin in the second quarter of fiscal year 2011 and continue through fiscal year 2012.

During the fourth quarter of fiscal year 2010, an undisclosed customer purchased *Bombardier 415* amphibious aircraft. Based on current list price, the contract is valued at approximately $126 million and includes training and technical support. Deliveries of the aircraft will begin during the fourth quarter of fiscal year 2011 and will continue until fiscal year 2013.

Workforce aligned with production rates

TOTAL NUMBER OF EMPLOYEES	January 31 2010	January 31 2009
Permanent	**27,650**	30,000
Contractual	**1,250**	2,500
	28,900	32,500
Percentage of permanent employees covered by collective agreements	**51%**	55%

In February, April and November 2009, we announced reductions in the production rates for all business aircraft and regional jets to reflect current market conditions, which led to a reduction in workforce. These reductions resulted in a total decrease in workforce of approximately 4,700 employees. Severance and other involuntary termination costs associated with the February and April 2009 announcements amounted to $32 million and were recorded during the first quarter of fiscal year 2010. Severance and other involuntary termination costs associated with the November 2009 announcement amounted to $6 million and were recorded during the fourth quarter of fiscal year 2010. The reduction of permanent employees, beginning in February 2009, included unionized, salaried and management personnel and took place at all of our manufacturing sites. As at January 31, 2010, predominately all of these layoffs had taken place. We were able to mitigate some of the layoffs announced in November 2009 through the use of time sharing and redeployment programs.

These layoffs were partially offset by new hires related to the *CSeries* and *Learjet 85* aircraft programs and to the *Global* aircraft completion centre. Our long-term human resources strategy is to continue to hire contractual workers to provide increased flexibility in periods of fluctuation and thus ensure stability of our permanent workforce.

MAJOR COLLECTIVE AGREEMENTS

Location	Union	Approximate number of permanent employees covered as at January 31, 2010	Expiration of current collective agreement
Belfast	Unite the Union and the General Machinists & Boilermakers	4,300	January 24, 2010
Montréal	International Association of Machinists and Aerospace Workers (IAMAW) 712	4,200	November 28, 2014
Toronto	Canadian Auto Workers (CAW)	2,600	June 22, 2012
Montréal *Global* aircraft completion centre	National Automobile, Aerospace, Transport and Other Workers of Canada (CAW)	1,300	December 5, 2010
Wichita	International Association of Machinists and Aerospace Workers (IAMAW) 639	900	October 8, 2012
Querétaro	Confederación de Trabajadores de México	700	April 27, 2010

The agreements with Unite the Union and the General Machinists & Boilermakers, covering approximately 4,300 employees in Belfast, expired on January 24, 2010. We are currently in discussions with the union.

TRANSPORTATION

The data presented in this section of the MD&A is structured by market segment (rolling stock, services, system and signalling) and by geographic region (Europe, North America, Asia Pacific and Other), which is reflective of our organizational structure.

HIGHLIGHTS 105
Highlights for the fourth quarter and fiscal year.
Guidance and subsequent events.

PROFILE 106
Overview of our operations and products.

KEY PERFORMANCE MEASURES 111
Key performance measures that we use to monitor our progress.
Our results over the last five fiscal years.

FORWARD-LOOKING STATEMENTS 111
Assumptions related to our forward-looking statements.

CURRENT BUSINESS ENVIRONMENT 112
Position of our industry and of BT in the current business environment.

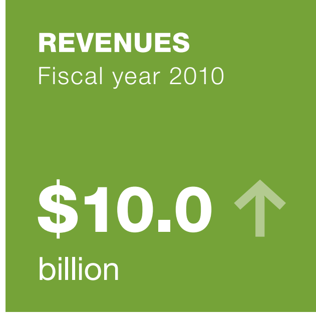
MARKET 114
Overview of our markets and major competitors.
Short-term and long-term market outlooks.

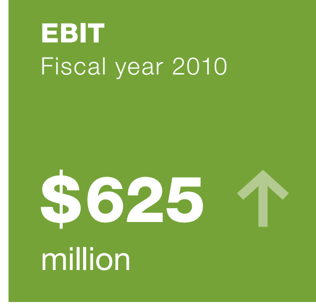
STRATEGY 120
Our fiscal year 2010 achievements.
Execution of our long-term contracts.
Our seven strategic priorities to further strengthen our position.
How we will deliver.

ANALYSIS OF RESULTS 128
Our financial performance in the fourth quarter and fiscal year.
Order backlog and workforce as at January 31, 2010.

HIGHLIGHTS

BT exceeded its 6.0% EBIT margin target for fiscal year 2010





Fourth quarter

- Revenues of $2.7 billion, a similar level compared to the same period last fiscal year.
- EBIT of $182 million, or 6.8% of revenues, compared to $167 million, or 6.3%, for the same period last fiscal year.
- Free cash flow of $372 million, a similar level compared to the same period last fiscal year.
- $1.8 billion in new orders (book-to-bill ratio of 0.7), compared to $2.6 billion (book-to-bill ratio of 1.0) for the same period last fiscal year.
- Signing of a $383 million order to supply 100 E464 electric locomotives to Trenitalia, Italy, despite the difficult environment in the locomotive segment.

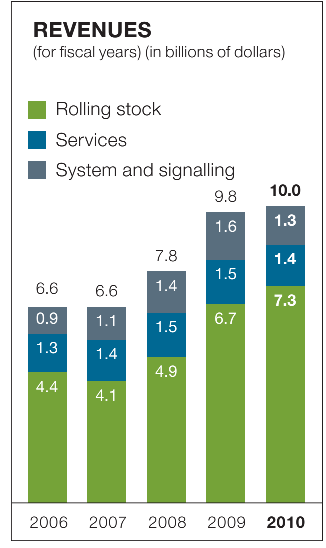
Fiscal year

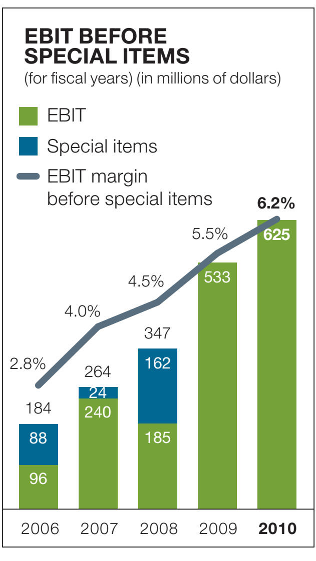
- Revenues of $10.0 billion, compared to $9.8 billion last fiscal year.
- EBIT of $625 million, or 6.2% of revenues, compared to $533 million, or 5.5%, last fiscal year.
- Free cash flow of $293 million, compared to $480 million last fiscal year.
- $9.6 billion in new orders, compared to $9.8 billion last fiscal year. Book-to-bill ratio of 1.0 for both fiscal years.
- Order backlog of $27.1 billion, compared to $24.7 billion as at January 31, 2009.
- Signing of a $4.0 billion landmark order to supply 80 very high speed trains to the Ministry of Railways of China, of which our share is $2.0 billion.

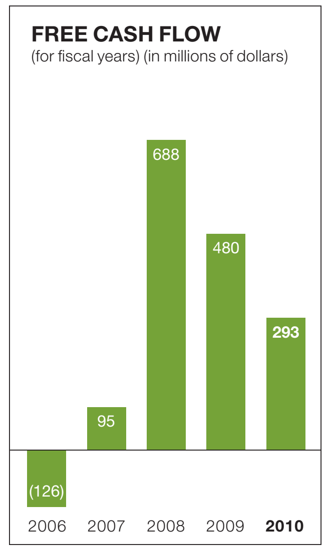
Guidance and subsequent events

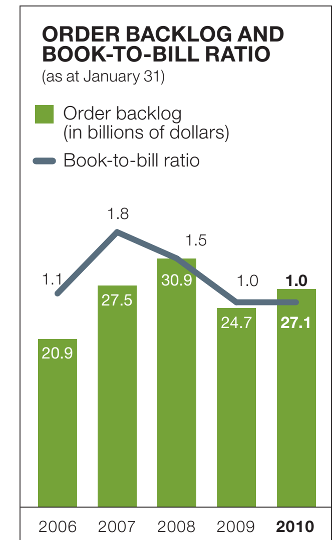
- Our goal is to improve our EBIT margin to 8% within the next three to four years[1].
- In February 2010, BT signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement.

1 As computed under IFRS – see the IFRS section in Overview and the Forward-looking statements section in BT.



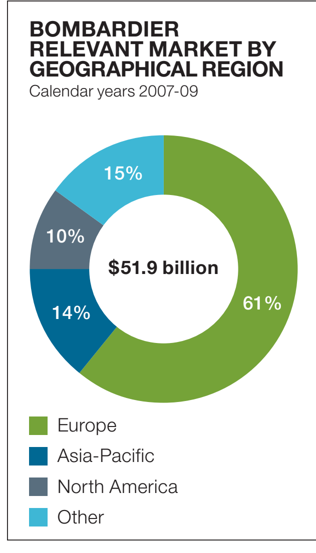


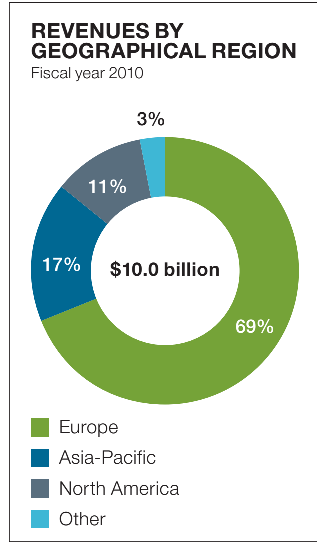


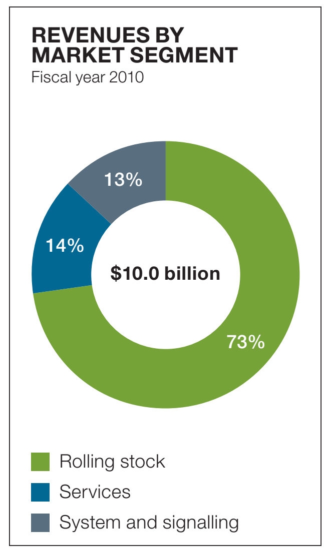


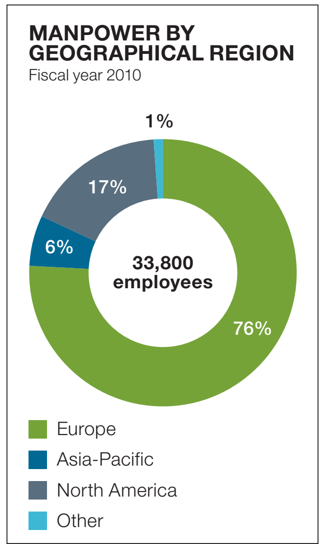
PROFILE

Bombardier Transportation: A leading player in the global rail industry









Global presence. Local roots

We are a global leader in the rail industry. Our revenues reached $10.0 billion in fiscal year 2010, with Europe being our largest market. Our broad international capability is based on strong local roots. We have 58 production and engineering sites in 23 countries. Additionally, we operate over 40 service centres at our customers' premises across the world. Our 33,800 employees, consisting of 95 nationalities and speaking 23 different languages, are located in 36 countries.

Almost 85% of our rolling stock business is conducted with large, well-financed railway operators in the public sector, such as national railways and municipal transit authorities. These organizations rely on public involvement for infrastructure funding and operations financing. Most operate on a regional or national basis, but some are now focusing operations internationally along with emerging private trans-national operators. While deregulation is a factor in some markets, public-sector entities still dominate in most regions.

Meeting our customers' needs across the globe

Our customers compete with air- and road-based transportation, making passenger comfort, travel times, accessibility, efficiency, service reliability and capacity important competitive factors. Key factors in rail procurement tenders are compliant with customer specifications, product reliability, maintainability, availability, safety, price, energy efficiency and design. Local content in products is often an important criterion to public operators as well, especially in the fast-growing Asian markets. We are continuously investing in our broad portfolio of products and services, and are building a systematic process to monitor customer satisfaction.

Delivering complete solutions for modern mobility

Rail is one of the most climate-friendly means of transportation. With its low energy consumption and emissions, as well as its contribution to reduce congestion and travel times, rail is helping cities to breathe better and to connect people. We cover the full spectrum of railway solutions, ranging from complete trains to sub-systems, maintenance services, system integration and signalling. Our installed rolling stock product base exceeds 100,000 rail cars and locomotives worldwide.

Ensuring excellence in our worldwide supplier network

We provide highly complex rail solutions that incorporate a wide range of high-technology sub-systems, parts and components. An effective global supply chain is therefore critical to our business. We are constantly assessing and streamlining our supplier base to ensure an efficient global supply chain and sustainable procurement processes. Our procurement system helps us to ensure that our supplier relationships add value to our supply chain. Today, our business utilizes highly qualified suppliers in more than 70 countries, with more than 85% of our total product-related procurement spend focused on approximately 400 preferred suppliers. We are continuously and systematically monitoring our supplier network, which has proven resilient to the downturn.

Organized to deliver on our customer needs

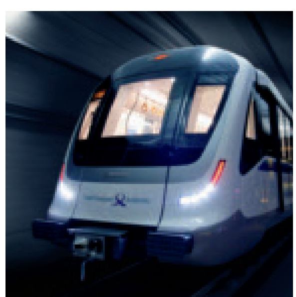
We offer the broadest portfolio of products and services in the rail industry, with an organizational structure designed to meet requirements of customers around the world. Our business is structured around six divisions and focuses on four key market segments: Rolling stock, Services, System and Signalling.

PASSENGERS DIVISION (MARKET SEGMENT: ROLLING STOCK)

Provides the complete range of rail vehicles for multiple applications across global markets (except North America)

LIGHT RAIL VEHICLES

Application:	Efficient transit in dense urban centres.
Major product:	*FLEXITY* family
Main market:	Europe
Key competitive advantages:	The world's most complete modular portfolio of light rail solutions, ranging from 100% low-floor trams to high-capacity light rail vehicles, covering the diverse needs of cities around the world.



METRO CARS

Application:	High-capacity mobility for inner-city transit.
Major product:	*MOVIA*
Main markets:	Europe and Asia
Key competitive advantages:	Flexible modular product platform adaptable to current and future requirements of customers across diverse markets, with a track record for rapid, efficient, reliable and cost-effective operation.

COMMUTER AND REGIONAL TRAINS

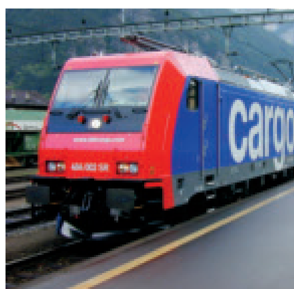
Application:	Suburban and regional rail transit for urban centres and outlying regions.
Major products:	AGC, *SPACIUM, TALENT, TALENT* 2, *ELECTROSTAR* and *TURBOSTAR*
Main market:	Europe
Key competitive advantages:	Broad product line featuring electrical, diesel and dual-mode self-propelled vehicles, along with a wide range of locomotive-hauled coaches in both single and double-deck configurations. Modular platforms offer maximum flexibility to transit authorities and operators. These products have won many awards, especially for high reliability.

INTERCITY, HIGH SPEED TRAINS AND VERY HIGH SPEED TRAINS

Application:	Equipment for medium- and long-distance operations.
Major products:	*ZEFIRO, REGINA* and AVE power heads
Main markets:	Europe, China and North America
Key competitive advantages:	Solutions covering the full spectrum of speed requirements: intercity (160-200 km/h), high speed (200-250 km/h) and very high speed (above 250 km/h). Our *ZEFIRO* very high speed trains sold to the Ministry of Railways of China target a maximum operational speed of 380 km/h, placing them among the world's fastest series-production trains. We have been involved in almost all major European very high speed trains as well as other international high speed projects.

LOCOMOTIVES AND EQUIPMENT DIVISION (MARKET SEGMENT: ROLLING STOCK)

Provides an extensive line of locomotives and vehicle sub-systems for global markets

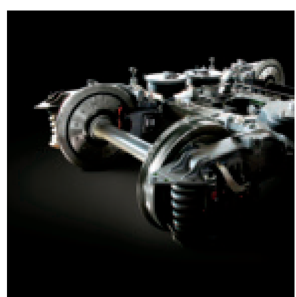


LOCOMOTIVES

Application:	Locomotives for intercity, regional and freight rail service.
Major products:	*TRAXX* and dual-mode
Main market:	Worldwide
Key competitive advantages:	Industry-leading product family offering electric, diesel-electric, dual-mode and multi-system capabilities.

PROPULSION AND CONTROLS

Application:	Complete propulsion, train control and management systems for our rail vehicles and third-party customers. Intelligent wayside solutions to increase operational efficiency and productivity.
Major product:	*MITRAC*
Main market:	Worldwide
Key competitive advantages:	Leading-edge reliability, efficiency and energy-saving technologies covering the full spectrum of rolling stock applications. Integrated wayside applications enhance train and fleet capabilities.

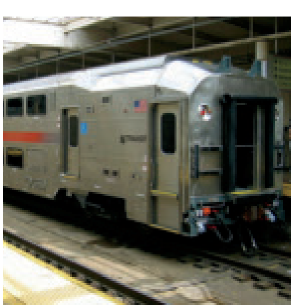


BOGIES

Application:	Complete bogies solutions for our rail vehicles and third-party customer vehicles.
Major products:	*FLEXX* Eco, *FLEXX* Compact and *FLEXX* Tronic
Main market:	Worldwide
Key competitive advantages:	Advanced product technology and complete aftermarket services covering the full spectrum of rolling stock applications. Our track-friendly bogies reduce wear of wheel and rail, as well as minimize operational costs and noise emission.

NORTH AMERICA DIVISION (MARKET SEGMENT: ROLLING STOCK, SERVICES)

Provides a range of rail vehicles and services tailored specifically to the specialized requirements of North American markets



MASS TRANSIT

Application:	High-capacity solutions for urban, suburban, regional and intercity transit.
Major products:	Light rail vehicles, metros and commuters, including *BiLevel* and Multilevel commuter cars
Main market:	North America
Key competitive advantages:	Complete portfolio of products designed to North American specifications. Strong track record for high reliability and efficiency in operation.

SERVICES

Application:	Third-party fleet maintenance, equipment overhaul as well as material and technology solutions supporting North American transit agencies.
Main market:	North America
Key competitive advantages:	Largest provider of third-party services with a full line of lifecycle-based solutions.

SERVICES DIVISION (MARKET SEGMENT: SERVICES)

Provides full portfolio of services supporting railway operators' efficiency and cost effectiveness (except North America)

FLEET MAINTENANCE

Application: Third-party fleet maintenance services for railway operators.

Main market: Europe

Key competitive advantages: Best-in-class engineering expertise, maintenance techniques and tools, such as the *ORBITA* predictive maintenance management solutions.

REFURBISHMENT AND OVERHAUL

Application: Modernization, reengineering and overhaul of rail vehicles and components.

Main market: Europe

Key competitive advantages: Strong experience with more than 3,000 vehicles refurbished and more than 4,000 different types of components overhauled worldwide.

MATERIAL SOLUTIONS

Application: Supply chain management, spare parts inventory management and technical support services for railway operators.

Main market: Europe

Key competitive advantages: Global engineering and purchasing power through vast network of parts and components suppliers.

SYSTEMS DIVISION (MARKET SEGMENT: SYSTEM, ROLLING STOCK)

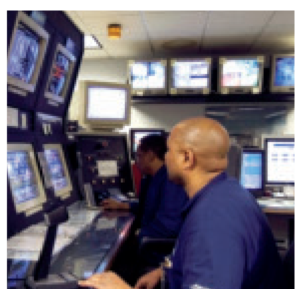
Develops, designs, builds, operates and maintains turnkey transportation systems

AUTOMATED PEOPLE MOVER (APM) SYSTEMS

Application:	Development and delivery of urban and airport transit systems.
Major products:	*INNOVIA*
Main market:	Worldwide
Key competitive advantages:	Successful, on-time delivery with strong track record for reliability and dependability across 20 complete systems around the world.

MASS TRANSIT SYSTEMS

Application:	Fully automated rapid transit, light rail, metro and intercity systems, as well as related products such as transit security, energy management and catenary-free solutions.
Major products:	*PRIMOVE* and ART systems
Main market:	Worldwide
Key competitive advantages:	Broad rolling stock portfolio that can be customized to provide a complete system solution. Proven experience in on-time project management, systems engineering and integration, as well as driverless or unattended operations.

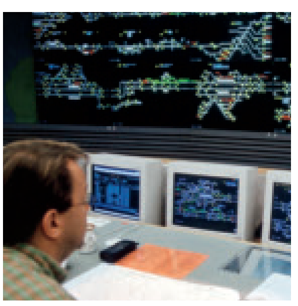


OPERATIONS AND MAINTENANCE

Application:	Operations and maintenance ("O&M") services for fully automated transit and mass transit systems.
Main market:	Worldwide
Key competitive advantages:	Strong O&M experience in automated, driverless technologies, including rapid transit, light rail, monorail and mass transit systems.

RAIL CONTROL SOLUTIONS DIVISION (MARKET SEGMENT: SIGNALLING)

Provides a comprehensive portfolio of onboard and wayside signalling solutions that increase speed, safety and track capacity on rail networks



MASS TRANSIT

Application:	Rail control and signalling solutions for mass transit systems such as metros, light rail or automated people movers.
Major product:	*CITYFLO*
Main market:	Worldwide
Key competitive advantages:	Complete portfolio of solutions ranging from manual applications to fully automated communication-based train control (CBTC).

MAINLINE

Application:	Rail control and signalling solutions for mainline transit ranging from freight traffic to regional/commuter, intercity and high speed lines.
Major Products:	*INTERFLO* and *EBI* Cab ATC onboard equipment
Main market:	Worldwide
Key competitive advantages:	Complete portfolio of conventional signalling systems. Market leader in European Rail Traffic Management System (ERTMS) technology.

KEY PERFORMANCE MEASURES

Incentive compensation is generally linked to the achievement of targeted results, based on EBIT and free cash flow. The table below summarizes the most relevant key performance measures.

KEY PERFORMANCE MEASURES	
Profitability	▪ EBIT margin, as a measure of performance.
Liquidity	▪ Free cash flow, as a measure of liquidity generation.
Growth and competitive positioning	▪ Revenues, as a measure of growth. ▪ Order backlog, as an indicator of future revenues. ▪ Book-to-bill ratio, as an indicator of future revenues. The ratio represents new orders over revenues, measured in dollars in a given period. ▪ Market share and scale, as measures of competitive positioning.

FIVE-YEAR SUMMARY	2010	2009[1]	2008[1]	2007[1]	2006[1]
For fiscal years					
Revenues					
Rolling stock	**$ 7,264**	$ 6,663	$ 4,894	$ 4,066	$ 4,356
Services	**1,408**	1,529	1,474	1,404	1,329
System and signalling	**1,337**	1,564	1,425	1,116	954
	$10,009	$ 9,756	$ 7,793	$ 6,586	$ 6,639
EBIT before special items	**$ 625**	$ 533	$ 347	$ 264	$ 184
EBIT margin before special items	**6.2%**	5.5%	4.5%	4.0%	2.8%
Free cash flow	**$ 293**	$ 480	$ 688	$ 95	$ (126)
Order intake (in billions)	**$ 9.6**	$ 9.8	$ 11.3	$ 11.8	$ 7.3
Book-to-bill ratio	**1.0**	1.0	1.5	1.8	1.1
As at January 31					
Order backlog (in billions)	**$ 27.1**	$ 24.7	$ 30.9	$ 27.5	$ 20.9
Number of employees	**33,800**	34,200	31,500	29,100	28,600

1 Effective February 1, 2009, we elected to early adopt section 1602 "Non-controlling interest" (see the Accounting and reporting developments section in Other for further details). Comparative figures have been restated accordingly.

FORWARD-LOOKING STATEMENTS

Forward-looking statements[1] in this section of the MD&A are based on:

- current order backlog;
- the realization of upcoming tenders and our ability to capture them, based on market forecasts using market demand models consistent with latest available market information;
- market leadership in rolling stock, system and services;
- normal contract execution and continued deployment and execution of leading initiatives, especially those linked to cost reductions, including procurement and operational improvement initiatives;
- recent industry trends based on main market drivers analysis, as detailed in the Market section;
- a sustained level of public-sector spending;
- ability of supply base to support the execution of our projects; and
- the expected impact of our changeover to IFRS in fiscal year 2012.

1 See also the Forward-looking statements section in Overview.

CURRENT BUSINESS ENVIRONMENT

Current economic environment is having a mixed impact on the rail industry

Though economic activity is recovering, uncertainty continues to affect some segments of the rail industry. We have observed a decline in trade volumes, affecting the overall freight locomotive market. However, rolling stock products segments such as light rail vehicles and high speed and intercity trains have grown. In line with these market conditions, we are taking measures to adjust our capacity where needed, to sustain our competitiveness, while we are preparing to capture opportunities in the most promising areas.

We continued to grow profitability and order intake in real terms throughout the global economic downturn. Our order backlog remains strong at $27.1 billion as at January 31, 2010, demonstrating the resilience of our business through the crisis. We have continued to focus on profitable growth, surpassing our target of 6.0% EBIT margin for fiscal year 2010, through a persistent focus on execution excellence. We see strong potential in our business and we will continue to convert market opportunity into business success in the years ahead.

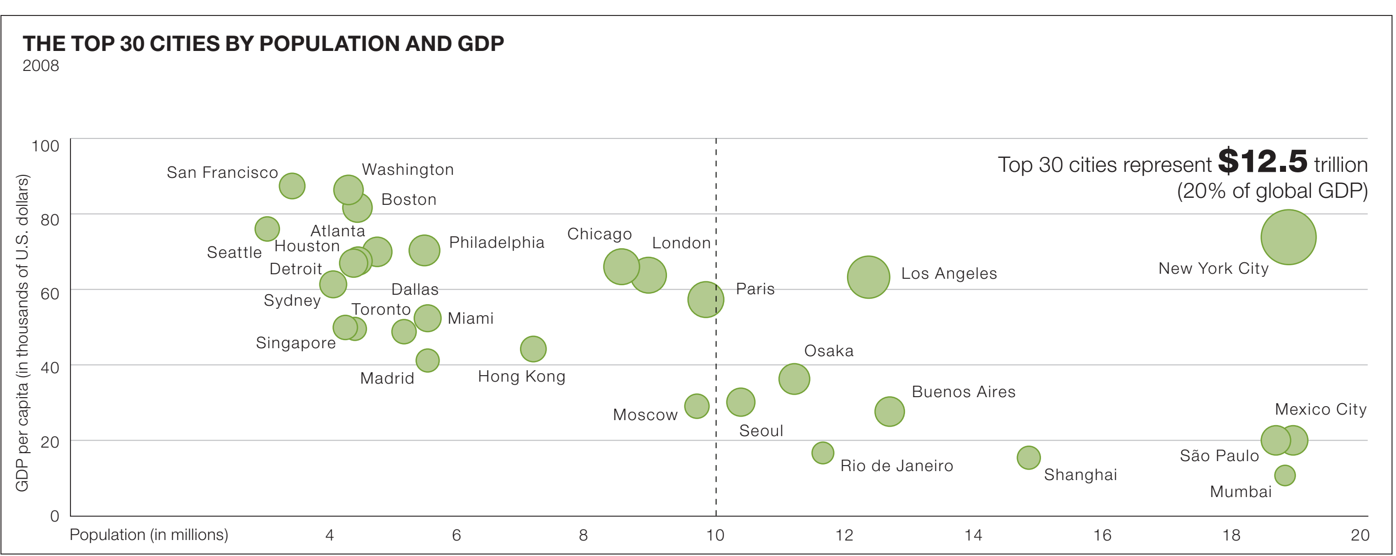
The climate is right for trains

The economic and political environment, even with the short-term challenges, is right for investing in sustainable transportation that will foster more efficient economic growth in the future. Rail transportation is an economic and environmentally-conscious transportation mode enabling sustainable mobility within and between cities.

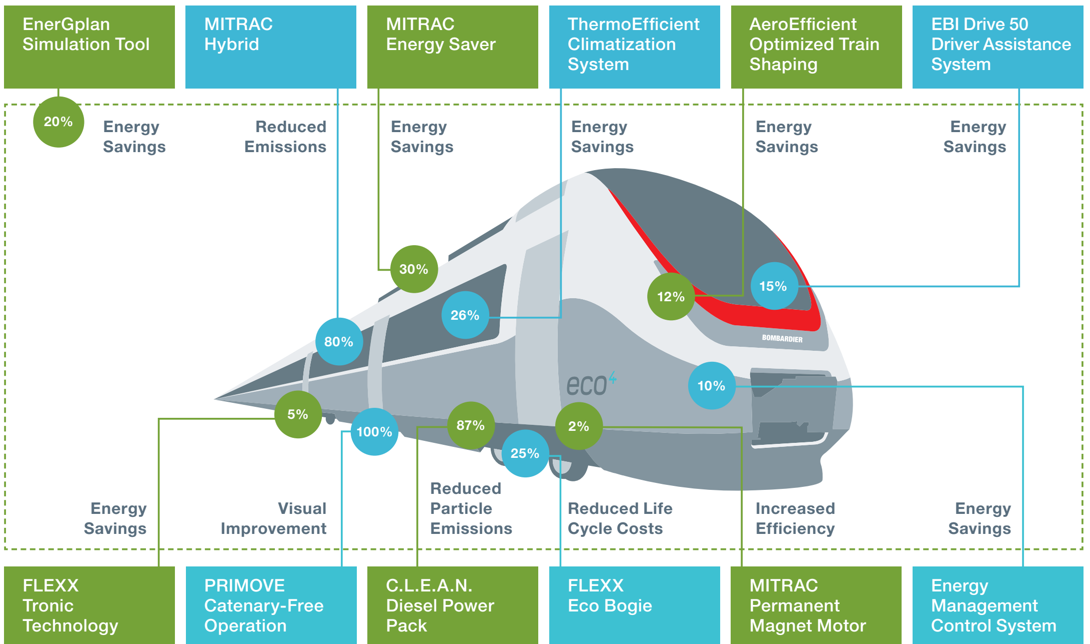
Urbanization has contributed significantly to economic growth. As per the latest available data obtained in calendar year 2008, the 30 largest cities in the world contributed $12.5 trillion or 20% of the world GDP. Currently, over 50% of the world's population live in urban areas and the 30 largest cities have a combined population of 370 million inhabitants. Based on the United Nations World Urbanization Prospects study, by calendar year 2025, over 60% of the world's population will live in urban areas and the number of mega-cities (defined as cities with a population of ten million inhabitants or more) will double.

As barriers to trade, finance and immigration continue to fall, cities are increasingly competing to attract talent and capital globally. However, this increasingly urban environment faces significant challenges, including road congestion, climate change, and rising and volatile energy costs. These challenges are some of the factors threatening the competitiveness of cities across the globe and their inhabitants' quality of life. One factor contributing to the competitiveness of cities is the transportation choice these cities make.

For instance, the high oil prices since calendar year 2000 have led individuals, businesses and governments to spend a growing share of their income on oil for transportation. Efficiency gains have enabled both advanced and emerging economies to reduce oil consumption per unit of GDP. However, global oil consumption has continued to grow on an absolute basis, reaching 85 million barrels per day in calendar year 2008. The International Energy Agency forecasts demand will grow to 105 million barrels per day by calendar year 2030, challenging cities that remain heavily dependent on oil for freight and passenger transportation networks. To foster sustainable growth, policy makers and planners must pursue long-term investments in inter- and intra-urban transportation, which will improve transportation efficiency.



Note: Chart excludes Tokyo due to its population of 35 million inhabitants.
Source: PWC City Competitiveness 2008; United Nations Urbanization Prospects; 2008 World Bank GDP Facts & Figures.



Rail transportation is energy efficient and flexible, emission-friendly, land-use efficient, reliable and fast, making it increasingly competitive for passenger and freight transportation. Citizens and policy-makers have acknowledged the benefits of rail transportation, as reflected by the steady increase in order activity.

We are well positioned, as our products and services are the engine of sustainable mobility

We are a global leader in the rail industry. We offer a broad range of efficient and competitive rail products and services. Our product portfolio is well aligned with current trends in the industry, including increasing demand for high speed trains and energy efficient and flexible solutions. We recognize the challenges facing our society and believe that investing in sustainable mobility will increase the long-term competitiveness of cities and the overall quality of life of their inhabitants.

We place environmental sustainability firmly at the top of our agenda and strongly promote sustainable mobility as a step toward fighting global warming. By offering a suite of solutions, services, products and technologies with best-in-class environmental performance, we support the benefits of rail as a preferred mode of transportation and we help to reduce congestion and pollution.

Our *ECO4* portfolio offers state-of-the-art environmental performance and addresses the most critical concern rail transit operators face today: reducing Energy consumption, improving Efficiency and protecting the Ecology, thereby improving the Economics for our customers. The portfolio encompasses breakthroughs in aerodynamic optimization, hybrid driver for electric-diesel interoperability, low-emission C.L.E.A.N. diesel engines, intelligent air conditioning technology and advanced energy-saving systems.

MARKET

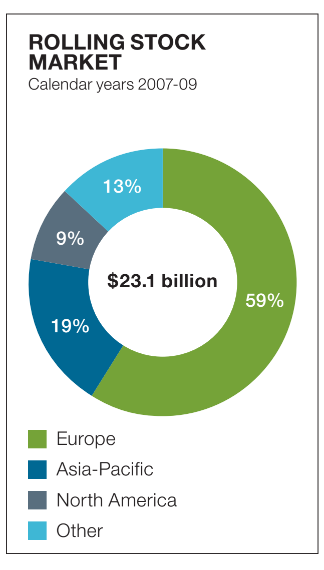
Our relevant market represents the worldwide rail market accessible to external suppliers, therefore excluding the share of local contractors in emerging markets, maintenance performed in-house by operators and the Japanese market. This market also excludes markets in which we do not have a product offering, therefore excluding freight locomotives in North America, worldwide freight cars, rail infrastructure and electrification. Due to the cyclical nature of the market and in line with common industry practice, our relevant market is stated as the average of a three-year period, based on published orders for rolling stock and system, and on estimated market volumes for services and signalling.

Rail market remains resilient despite the economic downturn

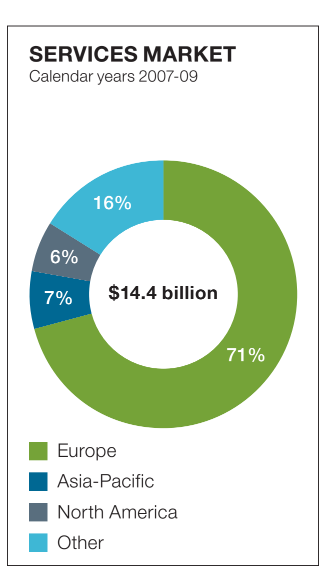
BOMBARDIER RELEVANT MARKET				
(in billions of dollars)	**Calendar years 2007-09**		Calendar years 2006-08[1]	
By market segment				
Rolling stock	**$23.1**	**44%**	$23.1	45%
Services	**14.4**	**28%**	13.5	27%
Signalling	**11.4**	**22%**	10.7	21%
System	**3.9**	**8%**	4.5	9%
Reallocation[2]	**(0.9)**	**(2%)**	(1.1)	(2%)
	$51.9	**100%**	$50.7	100%
By geographical region				
Europe	**$31.6**	**61%**	$30.9	61%
Asia-Pacific	**7.5**	**14%**	6.7	13%
North America	**5.0**	**10%**	5.1	10%
Other	**7.8**	**15%**	8.0	16%
	$51.9	**100%**	$50.7	100%

1 Restated from $50.3 billion to $50.7 billion, reflecting updated market sizes for calendar years 2006-08.
2 Relates to the rolling stock, services and signalling portion of the system market.

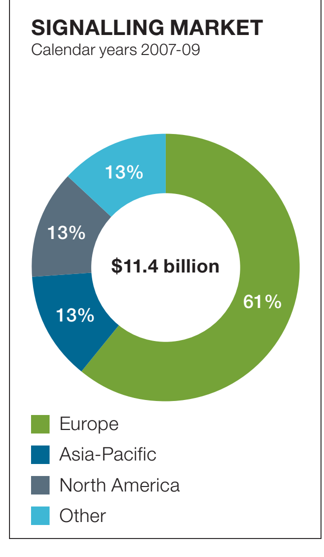
The overall rail market was not significantly impacted by the economic downturn, as demonstrated by a 2% growth compared to calendar years 2006 to 2008. The overall market growth is mainly driven by Europe and Asia-Pacific, which is in line with long-term market trends.



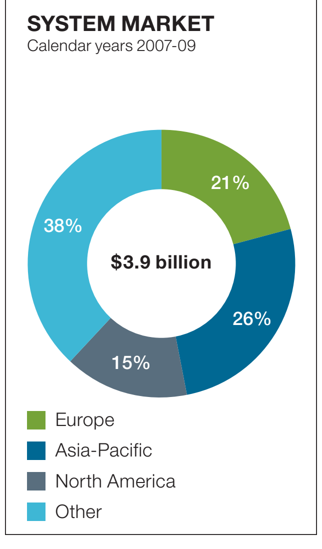
Source: BT market intelligence (based on published orders).



Source: BT market intelligence (based on UNIFE 2008 Study).



Source: BT market intelligence (based on UNIFE 2008 Study).



Source: BT market intelligence (based on published orders).

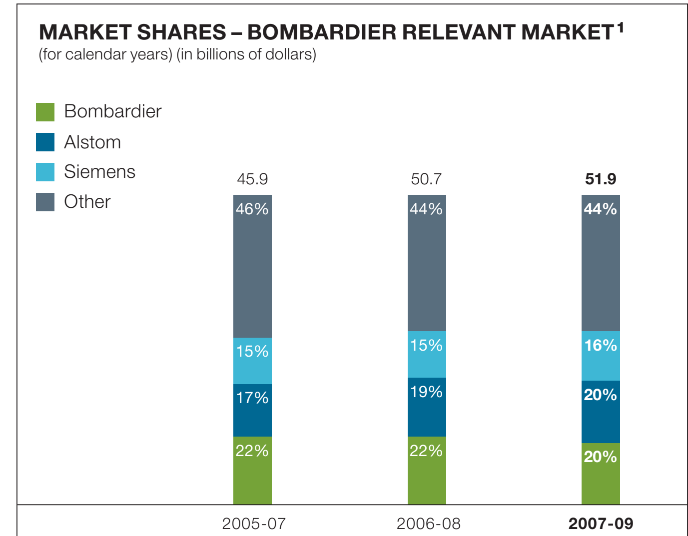
We remain a world leader despite increasing competition

Our major competitors are Alstom Transport ("Alstom"), a business unit of Alstom SA and Siemens Mobility ("Siemens"), a business unit of Siemens AG.

Based on a three-year average for calendar years 2007-09, we are a market leader in the rail industry, with a market share of 20% of our relevant market. For the same period, we remain the market leader in most rolling stock segments and in the services business, as we rank first in seven out of our eleven product segments. In terms of revenues and order intake, we are the rail market leader in calendar year 2009.

Depending on the product segment, country and region, we also face competition from specialized and regional competitors. In the service segment, for example, competition mainly comes from railway operators, sub-system and component suppliers, as well as from third-party service providers.

Moreover, we noted increasing competition from Asian players, especially from Chinese, Korean and Japanese competitors. These players are positioning themselves in the rolling stock segment, mainly in the Other and North America regions, and are increasingly present in deregulated markets like the U.K. The Chinese players China South Locomotive & Rolling Stock Corporation Limited (CSR) and China CNR Corporation Limited (CNR) are entering new markets and competing internationally in specific product segments such as metro cars. Hyundai Rotem, a Korean rolling stock manufacturer, is also active in Asia, the U.S. and Europe. In calendar year 2009, Hitachi of Japan was selected as preferred bidder for the Intercity Express Program in the U.K. for the supply of rolling stock and services.



Both Alstom and Siemens are active in the same markets as we are, but Siemens is also present in infrastructure logistics (e.g. postal automation) and road solutions (e.g. tolling systems), which inflates Siemens' market shares when compared to BT.

1 Based on published orders for rolling stock and system markets, revenues for services and signalling markets.

COMPETITORS WITH AT LEAST 10% MARKET SHARE IN ONE SEGMENT

Main competitors[1]	Rolling stock: Light rail	Metros	Commuter	Regional	High speed and intercity	Electric locomotives[2]	Bogies	Propulsion and controls	Services	System	Signalling
Bombardier	#1	#4	#1	#1	#3	#1	#1	#1	#1	#2	#6[3]
Alstom	■	■	■	■	■	■	■	■		■	■
Siemens	■		■	■	■	■	■	■			■
Stadler				■							
CAF[4]		■	■								
Hyundai Rotem		■									
Ansaldo STS										■	
Thales											■

1 Shaded areas represent competitors with at least a 10% market share in one product segment.
2 Including dual-mode locomotives.
3 BT holds a market share of 6%.
4 Construcciones y Auxiliar de Ferrocarriles
Source: BT market intelligence

In the rolling stock market, we are number one in six out of eight product segments, thanks to our superior product portfolio, which we are continuously improving by investing in innovation and focusing on our customers' needs. For example, our continuous research on modular and flexible light rail platforms has led us to win a launch order in the U.K. with our new *FLEXITY* 2 tram, which allows us

to streamline our product offering in the light rail vehicle market while offering an innovative product. In February 2010, we signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement. This prestigious project allows us to launch our new *OMNEO* regional double-deck train and introduce significant innovations, such as permanent magnet motors and high-integrity brakes. In the metro segment, the market has recently been defined through a handful of significant orders, and the loss of some of these key orders has impacted our market share.

In the services segment, we maintain our leadership position. We secured large orders in Brazil, Germany and Austria among others. Many positive developments in our parts business have been reached where we built a good partnership with customers, for example in Sweden and Spain.

In the system segment, we remain one of the market leaders despite the recent lack of large orders due to the economic slowdown. Nevertheless, in calendar year 2009, we were selected to provide the first driverless transit system (Automated People Mover system) in Arizona, U.S., at the Phoenix Sky Harbor International Airport.

In the signalling segment, we continue to grow both in mainline and mass transit applications. For example, we have recently announced the implementation of our first ERTMS delivery in China, where our *INTERFLO* 450 solution has been implemented, together with our partner system integrator China Railway Signalling and Communications Corp (CSRC), for the Dedicated Passenger Line ("DPL") between the cities of Wuhan and Guangzhou (covering approximately 1,000 km, with operating speeds of 350 km/h). This is the first ERTMS Level 2 communications-based DPL system to be implemented in China.

In general, we see the current economic downturn as an opportunity to differentiate ourselves and strengthen our competitive advantage. We are a global player with the right products to serve the demand for environmentally-friendly transportation and the right capability to deliver on our order backlog and future orders.

The upcoming years suggest continued order momentum as illustrated by announced tenders

Driven by momentum to improve mobility offerings and increase sustainability, our worldwide customers continue to invest in their transportation systems and to plan rolling stock replacement orders. We are constantly monitoring these opportunities. As a result, we expect continued order momentum for calendar years 2010 to 2012.

Not included in the table below are upcoming tenders on very high speed trains in China and the U.S., since the potential number of cars is not yet available.

PROJECT	COUNTRY	SEGMENT	POTENTIAL NO. OF CARS[1]
London – Piccadilly Lines, Thameslink and Crossrail	U.K.	Commuter trains and Metro cars	3,200
Indian Railways	India	Metro cars and Locomotives	2,500
Single Deck EMUs	Central Europe countries	Commuter and Regional trains	1,600
TGV Next Generation	France	Very high speed trains	1,200
ICEx	Germany	Very high speed trains	1,000
Metro Montréal	Canada	Metro cars	765
South East Asia – metros	Thailand, Malaysia, Singapore, Philippines	Metro cars	750
Metros for New York, Miami, Boston and Washington	U.S.	Metro cars	600
Intercity Replacement	Switzerland	Intercity trains	500
Queensland Rail and Melbourne	Australia	Commuter trains	500
Paris – commuter	France	Commuter trains	500
Trenitalia Alta Velocità	Italy	Very high speed trains	400
San Francisco BART	U.S.	Metro cars	200

1 Base contracts only, options not included.

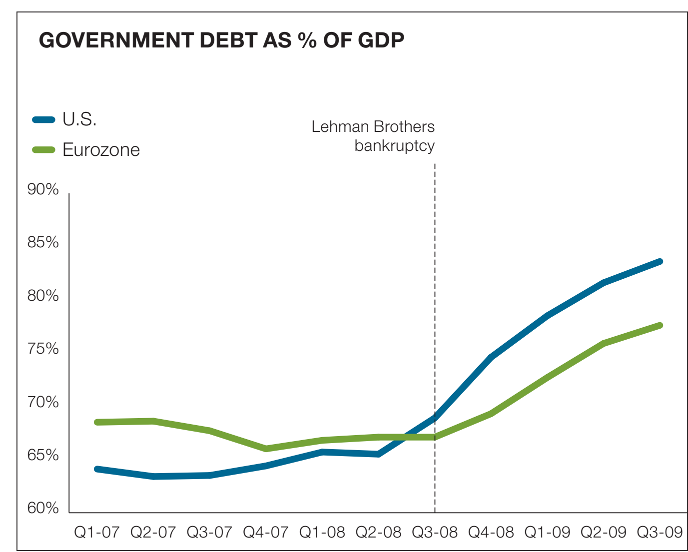
Stimulus plans may have a positive impact on our industry

The vast majority of the previously mentioned tenders are planned by large, well-financed public operators, thus their realization depends on a sustained level of public-sector spending. Since the beginning of the crisis, many governments have offered stimulus packages as a means to stabilize their economy. We can directly benefit from the stimulus packages, potentially accelerating some projects and leading to additional investments in new rolling stock or replacement of aging fleets.

The stimulus packages have however increased the governments' public debt. As this debt is repaid, some government programs will be reduced and rail transportation could suffer. In the near future, governments remain committed to their stimulus plans, and are aware that a premature exit would have significant negative implications on the economy.

The impact of the various stimulus programs on rail transportation is already visible in some economies. The Chinese Ministry of Railways aims at expanding its network from 80,000 km in calendar year 2008 to 120,000 km by calendar year 2020. In addition, of the 48 cities in China with a population of over 1.0 million inhabitants, 10 already have a mass transit network and 25 have plans to build one. There is ongoing growth in metros, but local players are capturing a substantial share of the Chinese domestic market. We are leveraging our position in China through our three joint ventures.

In North America, stimulus packages for the rail sector have recently been detailed. The largest share of the stimulus is directed toward investments in railway infrastructure, which should have a positive impact on the rolling stock, signalling and service segments in the medium to long term. U.S. economic stimulus funding for rail will be allocated to 13 rail corridors, mostly for new high speed passenger services. This would result in the biggest single U.S. investment in high speed rail

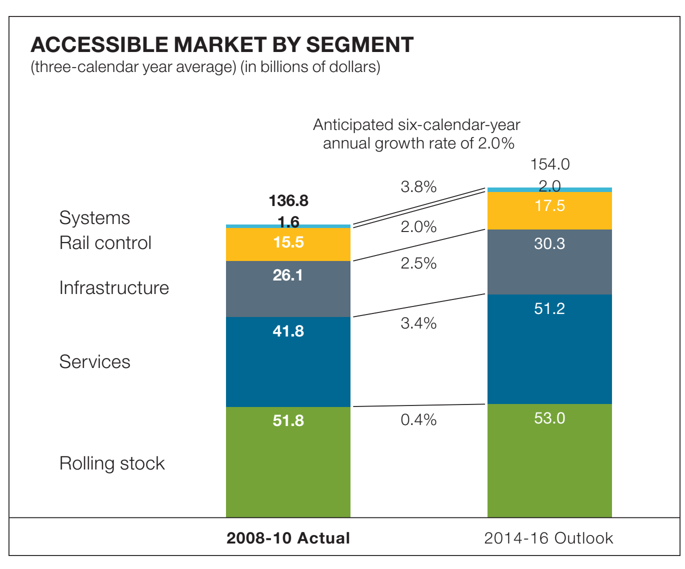


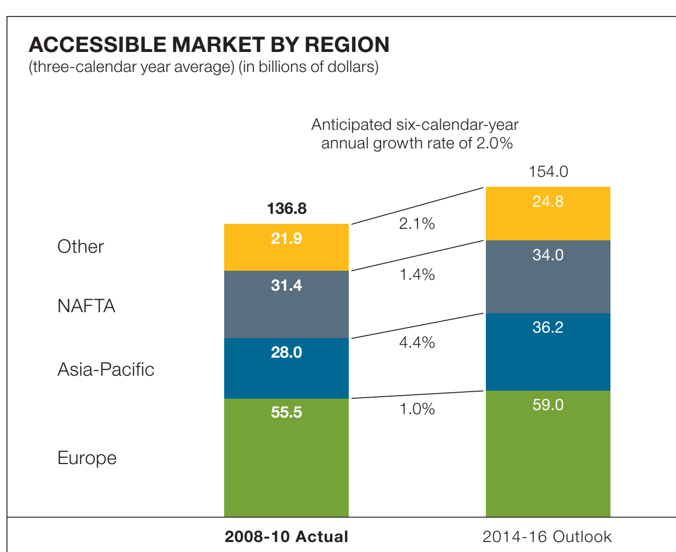
infrastructure to date. As with many new opportunities, we believe that the U.S. government stimulus package announcement can generate more aggressive competition in that market. Nevertheless, we are well positioned to capture opportunities in the North American market through our strong products and by leveraging our long-standing customer partnerships.

In Europe, an economic recovery plan was released in calendar year 2008, which included funding allocation to accelerate the implementation of infrastructure projects. Countries such as Germany, France and the Netherlands also have specific investment plans for rolling stock replacement, infrastructure expansion and rail signalling. As the largest market, Europe will continue to offer important opportunities. We expect the realization of orders, mainly in the very high speed trains, intercity trains and signalling product segments. We are well positioned to capture these opportunities, through our leading-edge technology and ability to provide the right product fit for the European market.

Steady growth around the globe in the long run

According to the 2008 UNIFE study, the latest available report, the accessible market, defined as the share of the worldwide rail market open to external suppliers, will reach an annual volume of €111 billion ($154 billion) for calendar years 2014 to 2016, representing an average annual growth rate of 2.0%. The accessible market is forecasted to grow in every segment worldwide, with the main growth areas being in the Asia-Pacific and Other regions, mostly represented by emerging and developing countries. Europe is expected to remain the single most important accessible market, while Asia-Pacific is expected to become the second largest accessible market by calendar year 2016, replacing North America.





Source: "Worldwide rail market study – status quo and outlook 2016", published by the Association of the European Rail Industry in September 2008 (2008 UNIFE Study).

Values converted based on exchange rate euro/dollar: 1.3870

MARKET DRIVER OUTLOOK FOR CALENDAR YEARS 2010-16

Market drivers	Market segments	Geographical regions	Outlook	Description
Urbanization and population growth	All	Asia-Pacific and Other	↑	According to the United Nations Department of Economics and Social Affairs, urban areas will account for 60% of the total world population by calendar year 2025, compared to the current level of 50%. This will create major challenges in urban planning and traffic management to keep congestion and pollution under control, and rail transport can be a key part of the solution.
Oil scarcity and energy price	Rolling stock, services and system	Worldwide	↑	An International Union of Railways (UIC) study shows that rail transportation is on average two to five times more energy efficient than road, water and air transportation. As oil scarcity and rising fuel prices lead to a change in behaviour in the long run toward more efficient transportation modes, this is expected to increase demand for green technologies such as rail transportation.

↑ Indicates a favourable trend in the market categories in which we compete.
→ Indicates a neutral trend in the market categories in which we compete.

MARKET DRIVER OUTLOOK FOR CALENDAR YEARS 2010-16				
Market drivers	Market segments	Geographical regions	Outlook	Description
Environmental awareness	All	Worldwide	↑	According to a study conducted by UIC, rail transportation is three to ten times less CO_2 emission intensive compared to road or air transportation. As environmental awareness is increasing worldwide, this should lead to a change in behaviour in the long run to increase use of rail transportation.
Replacement of aging rail equipment	Rolling stock, services and signalling	Europe and North America	↑	Increasing ridership and growing competition among operators, as well as higher expected passenger comfort are all pushing operators to replace or modernize their rolling stock. To cope with the higher usage of the existing infrastructure, signalling equipment modernization is also key to improving both network safety and capacity.
Liberalization of rail transport markets	Rolling stock and services	Europe	↑	The creation of open market conditions for new railway operators has a positive effect on rolling stock and services demand for both passengers and freight transportation. The liberalization of transportation that has started in Europe should grow over time and open up new business opportunities, particularly in the services field. Most public operators still perform the main part of their maintenance services in-house, but some have started to outsource key maintenance processes, similar to private operators.
Public funding	All	Worldwide	→	Governments' response to the financial crisis through stimulus plans is in part directed towards transportation infrastructure, which could have a positive impact on our business. This response will, however, add pressure on governments' budgets. Almost 85% of our rolling stock business is conducted with public-sector railway operators, whose access to funding might become more difficult in the future.

↑ Indicates a favourable trend in the market categories in which we compete.
→ Indicates a neutral trend in the market categories in which we compete.

Overall trends are positive for the rail industry in the long term, and are likely to induce changes in investment policies toward a more sustainable transport infrastructure while driving operators to replace and/or modernize their fleets to cope with the increased transport demand.

STRATEGY

Remain an industry leader through execution excellence, customer-driven innovation and overall flexibility to adjust to new markets

We are moving into high gear

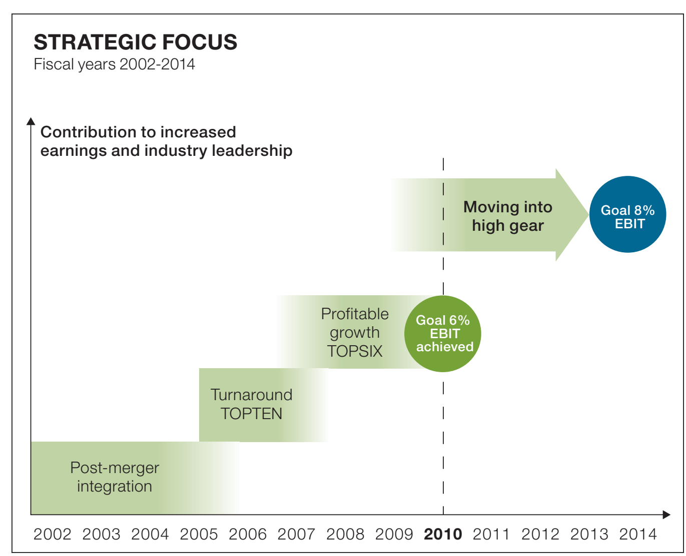
Following its acquisition in fiscal year 2002, we have successfully integrated Adtranz into Bombardier and created the number one company in the rail industry. To turn around our business and improve our competitive position, we launched in fiscal year 2005 a BT-wide improvement program called TOPTEN, focusing on ten transversal initiatives across all our divisions, countries and projects.

As of fiscal year 2007, we concluded four of our TOPTEN initiatives and started our path to profitable growth by focusing on the six remaining initiatives called TOPSIX: market leadership (LEAD), product portfolio (SUPRO), operational excellence (BOS), project management (PRO), procurement (CODE30+) and human resources (PEOPLE). These initiatives have been successfully implemented and have enabled us to deliver on our profitability goal of 6% EBIT margin.

We have now launched the next stage of our corporate development, "Moving into high gear", to better leverage our capabilities, to continue capitalizing on new market opportunities and to further increase our profitability, even in the current turbulent economy. We have clear priorities through Our Way Forward and we are taking action to deliver excellent project performance through improved execution. We are continuously increasing our product competitiveness through innovation and customer-driven development, as illustrated by the award of the launch order of our own very high speed train *ZEFIRO* 380 into the Chinese market. We aspire to be the preferred and most reliable partner for our customers, and we are building local roots to be closer to them, most notably in China and India where we have substantial investments. In China, we have expanded our three joint ventures and five wholly owned foreign enterprises. In India, we have built a new plant enabling us to deliver the first metro cars to Delhi only 24 months after signing the contract.

We have set our goal and delivered

Since the launch of our turnaround program in fiscal year 2005, we have improved our profitability year after year through effective management of operations and a focus on efficient execution. We have been successful even in the current challenging economic environment, exceeding our goal by posting an EBIT margin of 6.2% for fiscal year 2010.

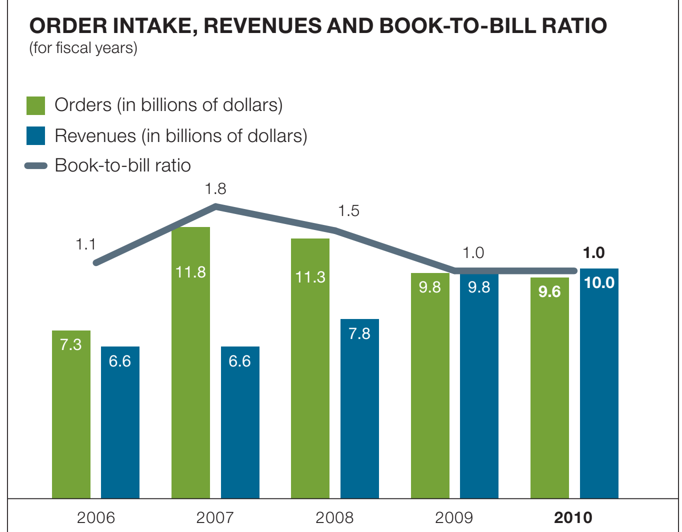


Our goal is now to improve our EBIT margin to 8% within the next three to four years[1] through our strategy based on Our Way Forward, leading us to improve execution, adjust our capacity where necessary and thus accelerate profitability growth. We are also capitalizing on new market opportunities by focusing our efforts in the fast-growing rail markets of emerging economies, especially in Asia. Although the difficult economic environment has and will continue to create obstacles, we are confident that we will continue to turn them into opportunities and remain a leading player in the global rail industry.

Along with this goal, we also expect free cash flow to be generally in line with EBIT. However, the level of free cash flow may vary significantly from quarter to quarter, in line with the specific cash profile of our numerous manufacturing contracts, including the timing of receipt of significant customer advance payments on large contracts.

Over the last five fiscal years, we have achieved a consistent book-to-bill ratio of, or above one. Our consistently high level of order intake has resulted in a strong order backlog of $27.1 billion as at January 31, 2010, and in a continuous revenue growth, with revenues totalling $10.0 billion for fiscal year 2010. We are now consolidating the important growth of the past four years and expect to maintain a book-to-bill ratio around one in the near future, in line with market evolution.

1 As computed under IFRS – see the IFRS section in Overview and the Forward-looking statements section in BT.



We are also actively managing our exposure to key business risks within each function of our organization (see the Risks and uncertainties section in Other for further details on these risks). Our most significant risk remains whether we can efficiently execute our order backlog on time, on quality and at a competitive cost. We have put in place risk-mitigation strategies with defined processes.

- Bid approval process is managed by senior executives, with bids reviewed for compliance with internal policies and guidelines in various areas.
- Bid approval, project start-up and design phases include a technical risk assessment, a legal review of contracts, development of long-term relationships with some suppliers, together with supplier evaluation and costs.
- A risk analysis and assessment of our exposure are performed at the beginning of each project and on a continuing basis thereafter. Projects carried out through consortia or other partnership vehicles also normally provide counter-indemnities among the partners in order to limit exposure.
- Products are subject to a thorough peer review to leverage the knowledge acquired on other similar projects and increase the standardization level of components. The quality of components and the end product are rigorously tested throughout the design and production process.
- Internal resources, independent of the project management team, perform periodic project management audits, assessing contracts both from a project management and a financial perspective. Those audits cover all key projects in terms of size and risk levels, but also include selected smaller projects.
- Regular reviews are performed on all our projects, focusing on project improvement management, proactive risk and opportunity management and forecasts.
- All products are subject to product safety policies and processes on product safety, supported by our centres of competency.

Seven strategic priorities are our formula to success

We plan to further grow our EBIT margin to 8% within the next three to four years[1] while keeping a leading position in the market. Deeply rooted in Our Way Forward, our strategy is structured around seven priorities that should enable us to achieve this goal by ensuring our continued success and sustainable growth.

1	**Be #1 in customer satisfaction through flawless execution**
2	**Raise our game in global talent management**
3	**Actively manage risks**
4	**Establish local roots in all key markets**
5	**Enhance our corporate social responsibility**
6	**Develop innovative, environmentally conscious products that meet customer needs globally**
7	**Optimize our footprint/supply chain and ensure efficient structures**

1 As computed under IFRS – see the IFRS section in Overview and the Forward-looking statements section in BT.

Be #1 in customer satisfaction through flawless execution

Customer satisfaction is one of our top priorities. We are continuously seeking improvement in our execution through targeted and specific action plans to maintain our high standards. We are also building a comprehensive monitoring system to stay ahead of our customers' key concerns. We are working closely with them around the world to develop solutions that meet their specific challenges like cost efficiency, environmental performance, reliable transportation capacity, speed and safety. Continuous improvement in our operational performance has become part of our DNA, and we believe that we can achieve our new profitability goal by ensuring a continued focus on flawless execution.

CUSTOMER SATISFACTION THROUGH FLAWLESS EXECUTION	
Goal	Be #1 in customer satisfaction through flawless execution, by leveraging existing activities and by enhancing the link to the customer.
Leading initiatives	▪ In response to our analysis of customer satisfaction drivers, we are implementing a system to consistently monitor execution excellence and customer satisfaction across four dimensions: cost, quality, responsiveness and people. ▪ We are developing division-specific action plans to further improve delivery, quality and customer satisfaction. ▪ We are working closely with our suppliers to continuously streamline and improve our supply base. ▪ We are continuing our path towards world-class operations through implementation of lean manufacturing principles at all our sites, best practice sharing and active collaboration across the value chain.
Fiscal year 2010 highlights	▪ We enhanced project governance through project gate reviews performed for all new projects. ▪ We have identified seven levers to improve engineering efficiency. ▪ We achieved high customer satisfaction, such as winning eight out of ten prestigious reliability awards for the most reliable train fleets in the U.K.

Raise our game in global talent management

Winning the competition for the best talent worldwide is a critical factor to defend our leadership position and reach our profitability targets. To stay ahead of the competition, we need skilled, engaged people who continuously drive the development of state-of-the-art products and strive for flawless execution. Moreover, we need the right people to establish our local roots and to build a sustainable presence in various countries around the world. We are committed to offering each and every employee attractive career opportunities and continuous professional development.

UNBEATABLE TALENT	
Goal	Raise the standards in talent management to attract, retain, and develop the best people.
Leading initiatives	▪ We are developing a consistent global employment value proposition ("EVP") to improve retention and engagement of current employees and clearly show the value we can offer to prospective employees. The next step will be to develop a BT customized EVP by key talent group and geography. ▪ We are increasing diligence on our talent review process to achieve our long-term employee development planning and increase focus on succession management. ▪ We are consolidating global talent data to create global talent market pools by key functions to facilitate increased mobility across all of Bombardier.
Fiscal year 2010 highlights	▪ We involved employees in the development of our EVP through a series of interviews and focus groups. ▪ We launched our BT talent management system, which includes talent KPIs as part of a global people dashboard. ▪ We improved our employee engagement by investing in training and development programs that create opportunities for professional growth. As a result, employee engagement at BT increased to 76% in the latest survey, compared to 71% in the survey performed in fiscal year 2008. ▪ We successfully introduced a global graduate program as a means to position Bombardier better in the talent market. The number of applications received during the second year of the program increased by more than 30% compared to the first year.

Actively managing risks

The high number of large projects in our portfolio exposes us to substantial risks. Today, these risks are amplified by the worldwide economic environment, requiring even greater attention and more careful monitoring of our environment. While we are addressing risks arising from the economic crisis and our project portfolio, we must also actively manage longer-term strategic risks, which may affect us directly or indirectly through customers and suppliers to whom we are closely linked. As a result, we need to adopt a broad and strategic approach to risk management, taking into account both internal and external risks, and to strengthen our governance process to react as quickly as needed.

<table>
<tr><th colspan="2">CALCULATED RISKS</th></tr>
<tr><td>Goal</td><td>Raise our risk management capabilities to a new level by using a common framework to identify sources of risk, by establishing company-wide effective monitoring and by mitigating risks as they arise.</td></tr>
<tr><td>Leading initiatives</td><td>▪ We are continuously increasing our expertise to identify and mitigate business risks over a three- to five-year horizon.
  ▪ We are proactively monitoring the exposure on our order backlog, future profitability and free cash flow that could result from lower order intake, order cancellations and deterioration in the financial health of our key suppliers.
  ▪ We are managing internal risks in execution and project management.
▪ We are monitoring and managing long-term risks beyond five years. For example, among others the impact of global megatrends (e.g., demographics, urbanization), technological innovations (e.g., electric cars) or industry dynamics (e.g., changes in business models of competitors and customers).
▪ With Corporate Audit Services and Risk Assessment (CASRA), we are strengthening our identification and monitoring of our major risks through a dedicated process whereby our top ten risks and their mitigation plans are reviewed periodically through a governance body.</td></tr>
<tr><td>Fiscal year 2010 highlights</td><td>▪ We implemented a common risk framework and identified BT's emerging business and long-term risks:
  ▪ We set up a monitoring mechanism to detect key developments at our customers affecting specific tenders.
  ▪ We implemented a tool to analyze the financial health of our suppliers.
  ▪ We established a process to provide a bi-monthly update on the general economic environment and its impact on the rail industry.
  ▪ We prepared a mitigation plan to react quickly and to change our risk profile. When necessary, mitigation actions have been taken, for example through capacity adjustments.
▪ For long-term risks specifically, we conducted an in-depth study of megatrends affecting the rail industry until calendar year 2025 and developed possible industry scenarios. We set up a continuous monitoring of the competitive environment, which will be further elaborated in the next years.</td></tr>
</table>

Establish local roots in all key markets

More so than in the past, true local presence and “roots” in both mature and emerging markets will be a key factor to sustainable growth. Our mature markets will remain our key markets in the future. Substantial future growth will also originate from emerging economies such as China and India. The Chinese government had ambitious plans to expand its railway network even before the start of the economic crisis, and has now accelerated its infrastructure spending through its stimulus plan. We are well positioned in China with our three joint ventures and five wholly owned foreign enterprises. The Indian government is investing heavily in urban mass transit and electric locomotives, where we can offer some of our core technologies. Since strong local presence is an important selection criterion for rail equipment suppliers in these countries, BT is clearly in a superior competitive position.

DEEP LOCAL ROOTS	
Goal	Enhance our participation in both mature and emerging markets and implement optimal organizations in key countries to ensure our future success.
Leading initiatives	▪ We are emphasizing Asia as a growing region both in terms of local market potential and as a base for export. ▪ We are improving organizational structures, governance processes and market strategies for our pilot countries: China, India and Mexico. ▪ We are optimizing our strategy, presence and governance in the U.S. in response to the American government’s high speed rail investment program.

Fiscal year 2010 highlights	▪ We continue to achieve successes in key emerging markets, including:
	  ▪ winning the order for 380 km/h *ZEFIRO* very high speed trains in China;
	  ▪ delivering our first export contract for Singapore from our joint venture site in China; and
	  ▪ opening a rolling stock manufacturing facility in India in record time.
	▪ We selected two emerging markets, Mexico and China, as well as the mature U.S. market as a starting point to pursue a common, Bombardier-wide local roots approach.

Establish our corporate social responsibility

Everywhere we operate, our stakeholders expect more from us than just the timely and efficient delivery of great products. We need to provide a safe, healthy and rewarding workplace to our employees and give back to the communities where we operate. At the same time, we need to minimize the environmental footprint of our operations. All aspects of our business, first and foremost our products, need to contribute to a greener planet and enable our customers to operate as efficiently and as environmentally consciously as possible. Our occupational HSE priorities are aligned with these expectations. Our products are also recognized as leaders in energy efficiency, low carbon emissions, and recyclability.

<table>
<tr><th colspan="2">GREATER CORPORATE SOCIAL RESPONSIBILITY</th></tr>
<tr><td>Goals</td><td>
▪ Continue on our road to world-class safety performance by promoting a zero-accident culture and by improving employee engagement.
▪ Play a leadership role in the industry with regard to products' sustainability.
▪ Minimize our operations' environmental footprint, and achieve carbon neutrality by calendar year 2020.
▪ Enhance the sustainability of our procurement processes and promote ethics, human rights and internationally sanctioned labour standards across our global supply chain.
▪ Act as a responsible citizen through focused initiatives regarding donations, sponsorships and community involvement initiatives.</td></tr>
<tr><td>Leading initiatives</td><td>
▪ We are striving to maintain our position as sector leader with respect to Design for Environment and Environmental Product Declarations.
▪ We are sharing best practices between BA and BT by developing standard procedures for HSE and are incorporating these into existing operating systems (HSE excellence system).
▪ We are developing a strategy and objectives to manage our carbon footprint and are continuously assessing our environmental liabilities. We want to reduce our energy consumption by an additional 10% between fiscal year 2011 and fiscal year 2015, and progressively achieving carbon neutrality throughout our activities, with annual targets at least meeting the levels defined in relevant national and international agreements.
▪ We are aiming at reducing the overall environmental footprint of our operations in terms of water consumption and waste generation by 1% (water) and 3% (waste) annually, and to phase out certain hazardous substances.
▪ We are developing an audit program with regard to adherence to the Suppliers Code of Conduct, and include on-site contractors/suppliers in our HSE systems.</td></tr>
<tr><td>Fiscal year 2010 highlights</td><td>
▪ We created a common HSE and CSR vision statement for fiscal years 2010 to 2016:
  ▪ H&S: In fiscal year 2010, we achieved an accident frequency ratio of less than 0.4 accidents per 200,000 hours worked (0.6 in fiscal year 2009) and a severity ratio of less than six workdays lost per 200,000 hours worked (11 in fiscal year 2009), which is considered world-class.
  ▪ Environmental footprint of operations: Between fiscal year 2004 and fiscal year 2009, we achieved a reduction of energy use of 14%, greenhouse gas (GHG) emissions of 18%, water consumption of 32% and waste generation of 9%.
  ▪ Carbon neutrality: We completed a detailed inventory of energy sources and GHG emissions at all our manufacturing facilities, services centres and main offices. Based on this, we developed a global Energy and Carbon Management Strategy based on three pillars: improved energy efficiency, increased use of renewable energy sources and carbon offsetting.
▪ Product sustainability: We led a standardization initiative with UNIFE, resulting in common Environmental Product Declarations guidelines approval for rail vehicles by all major European manufacturers, and initiated standardization work on determining recyclability.
▪ Supply chain: In order to ensure that our HSE and CSR values are understood and adopted throughout our supply chain, we promoted adoption of the Bombardier Supplier Code of Conduct by approximately 400 preferred suppliers.
▪ Community involvement: We continued to give back to the communities where we operate through STARS, which supports knowledge development and the educational needs of students in South Africa. In fiscal year 2010, activities focused on the Ithemba Institute of Technology in Soweto and the University of Cape Town. In total, 300 students participated in the STARS Boost Program, and all four Bombardier scholars awardees were admitted to Cape Town University to start an academic career.
▪ Essential enablers: We implemented a state-of-the-art HSE information system to be applied starting in fiscal year 2011.</td></tr>
</table>

Develop innovative, environmentally conscious products that meet customer needs globally

We are extending our competitive advantage through state-of-the-art products that address the needs of customers worldwide. Our products and services are helping our customers to operate in the most environmentally friendly and energy-saving ways, while at the same time ensuring the highest standards of safety and passenger comfort or highest efficiency for freight operations. At InnoTrans 2008, the world's largest rail industry fair, we launched our innovative *ECO4* portfolio of solutions, services, products and technologies, which maximizes total train performance for rail operators. Fulfilling our motto "*The climate is right for trains*", the *ECO4* portfolio offers state-of-the-art environmental performance and addresses the most critical concerns rail transit operators face today: reducing Energy consumption, improving Efficiency and protecting the Ecology, thereby improving the Economics for our customers through energy savings of up to 50% compared to other products not using these technologies. Customers recognize our leading position in this field and we have received substantial orders as a result. By continuously delivering even on challenging projects, we demonstrate that we deserve our customers' trust.

PRODUCT INNOVATION	
Goal	Sustain our industry leadership through innovative and environmentally conscious products and services. The three focus areas are efficient performance, simplification, and customer and user satisfaction.

Leading initiatives	■ We are maintaining a structured approach of continuously improving our product portfolio through product roadmaps and innovation management.
	■ We are developing next-generation products, especially for locomotives and equipment, systems and signalling:
	  ■ We are maintaining our product leadership in the locomotives product segment through the launch of an innovative program covering our *TRAXX* locomotive family, as well as selected propulsion and bogie features to further develop efficient and environmentally friendly solutions.
	  ■ We are accelerating the development of product platforms in the system market to enhance the competitiveness of our automated rapid transit solutions and our automated people movers worldwide.
	  ■ We are taking action to ensure timely delivery of our signalling projects and further strengthen our competitiveness in state-of-the-art technologies, including mass transit solutions and ERTMS portfolio of solutions.
	  ■ We are further enhancing our *ECO4* portfolio, in particular with regard to reducing CO_2 emissions and with regard to a new solution for inductive transfer of electrical energy to vehicles (the *PRIMOVE* technology).

Fiscal year 2010 highlights	■ We won an order for our new *ZEFIRO* 380 very high speed platform for the Chinese Ministry of Railways, incorporating our advanced *ECO4* energy-saving technologies to create best-in-class energy and operating efficiencies.
	■ We won the launch order for our versatile *FLEXITY* 2 tram for the city of Blackpool, U.K. This new product platform offers features such as a 100% low-floor technology, lower energy consumption and multiple design options with competitive price and delivery time.
	■ We won landmark orders given our competitive advantage in terms of low energy consumption and passenger comfort. For example:
	  ■ The order from Toronto Transit Commission (TTC), the largest single order for light rail vehicles in the world, where the new vehicles are based on the *FLEXITY* 100% low-floor, light rail technology, providing improved reliability and operating performance.
	  ■ The order for more than 80 EMUs for regional transport in the city of Stuttgart, Germany, with our EMUs being approximately 40% more energy-efficient than the vehicles currently running on the customer's network.

Optimize our footprint/supply chain and ensure efficient structures

We see two trends in the market that require us more than ever to operate as lean and as efficiently as possible. First, the financial crisis has negatively impacted some of our customers, especially in the locomotives and services markets, causing delays and order cancellations. Second, some of our customers are looking for ways to improve their liquidity. In order to remain competitive, we must continuously optimize our structures and supply chain, while at the same time living up to our promise of delivering flawlessly to our customers.

EFFICIENT STRUCTURES	
Goal	Optimize our footprint and our supply chain to ensure efficient structures across the entire organization.
Leading initiatives	▪ We are proactively analyzing and adapting our global industrial footprint. For example, in our locomotives and equipment division, we are reducing duplicate structures in some sites and are preparing for opportunities in new markets with localization requirements. ▪ We continue to build lean manufacturing culture and processes, supported by the Bombardier Operations System (BOS) and best practices sharing. ▪ We are further developing our supplier management capabilities to ensure high supplier quality and on-time delivery along our entire supply chain.
Fiscal year 2010 highlights	▪ We reshaped our service business model in the U.K. to align the core capability with the fleet maintenance market. ▪ We have adjusted our footprint in Europe and North America to ensure efficient structures by reducing our head count by 1% in Europe, mostly in Hungary and the U.K. and by 13% in North America, mainly in Mexico. ▪ We reinforced deployment of BOS principles in operations across our sites through rigid governance by senior management and best practice sharing, and 360 best practices were implemented in fiscal year 2010. Assessment shows a 50% improvement over fiscal year 2008 in terms of maturity (progress towards world-class processes) along five BOS criteria such as quality and continuous improvement. ▪ We are setting up new sites in markets where we recently won significant orders, anticipating the need for localized equipment.

We have the right capabilities to capture our opportunities and deliver results

Our capability to deliver results is based on the following attributes:

- we have a broad, leading-edge products portfolio that can be customized to specific customer requirements;
- we continuously improve our key business processes through our transversal initiatives;
- we are in markets with solid long-term demand growth;
- we have a global presence and a diversified customer base;
- we have a strong relationship with our key stakeholders, including customers, unions and suppliers;
- we have a large talent pool of well-trained and motivated employees; and
- we have an experienced management team, committed to the long-term success of the organization.

Our attributes, combined with our risk management practices, will enable us to successfully deliver on our long-term strategy. In fiscal year 2011, we will continue to make significant progress on our seven strategic priorities, including Our Way Forward, which should result in a better competitive position and sustainable growth. Employees across all our divisions, countries and sites understand and apply these strategies. We are confident we will reach the strategic goals set for the coming years.

ANALYSIS OF RESULTS

Record revenues and EBIT despite the difficult economic environment

We have improved our EBIT margin for the fifth consecutive year, reaching 6.2% in fiscal year 2010. Despite a challenging environment in the services and locomotive markets, we maintained a book-to-bill ratio of 1.0. We have a strong order backlog of $27.1 billion, representing an average of 2.7 years of revenues. We continue to be proactive by monitoring the impact of the recession on our business and by further improving our cost structure and competitive positioning.

RESULTS OF OPERATIONS [1]

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009[2]	**2010**	2009[2]
Revenues				
Rolling stock	**$ 1,939**	$ 1,922	**$ 7,264**	$ 6,663
Services	**357**	365	**1,408**	1,529
System and signalling[3,4]	**381**	365	**1,337**	1,564
Total revenues	**2,677**	2,652	**10,009**	9,756
Cost of sales	**2,177**	2,193	**8,243**	8,173
Margin	**500**	459	**1,766**	1,583
Selling, general and administrative	**232**	207	**852**	843
Research and development	**44**	37	**135**	120
Other expense (income)[5]	**3**	18	**27**	(37)
EBITDA	**221**	197	**752**	657
Amortization	**39**	30	**127**	124
EBIT	**$ 182**	$ 167	**$ 625**	$ 533
(as a percentage of total revenues)				
Margin	**18.7%**	17.3%	**17.6%**	16.2%
EBITDA	**8.3%**	7.4%	**7.5%**	6.7%
EBIT	**6.8%**	6.3%	**6.2%**	5.5%

1 The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of the euro and other European currencies compared to the U.S. dollar negatively affects revenues and positively affects expenses, while higher exchange rates would have the opposite impact (defined as "negative currency impact" and "positive currency impact"). See the Foreign exchange rates section in Other for the average exchange rates used to translate revenues and expenses.

2 Effective February 1, 2009, the Corporation elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures include a reclassification of non-controlling interests of $3 million for the quarter and $18 million for the fiscal year from other expense (income) to net income attributable to non-controlling interests.

3 The system and signalling revenues are presented in the caption other revenues in the consolidated statements of income.

4 Excluding the rolling stock portion of system orders manufactured by our other divisions.

5 Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates and capacity adjustments), losses (gains) from equity accounted investees, losses (gains) on disposals of property, plant and equipment, and intangible assets, and losses (gains) on the sale of business.

REVENUES BY GEOGRAPHIC REGION

	Fourth quarters ended January 31				Fiscal years ended January 31			
		2010		2009		**2010**		2009
Europe	**$1,666**	**62%**	$1,930	73%	**$ 6,883[1]**	**69%**	$7,383	76%
Asia-Pacific	**578**	**22%**	379	14%	**1,678**	**17%**	1,091	11%
North America	**342**	**13%**	272	10%	**1,091**	**11%**	1,003	10%
Other	**91**	**3%**	71	3%	**357**	**3%**	279	3%
	$2,677	**100%**	$2,652	100%	**$10,009**	**100%**	$9,756	100%

1 Decrease in revenues compared to fiscal year 2009 is attributable to the currency impact.

Rolling stock revenues

The $17-million increase for the fourth quarter is mainly due to:

- a positive currency impact ($144 million);
- increased activities in intercity, high speed and very high speed trains, mainly in China ($132 million); and
- increased activities in propulsion and controls in China ($27 million).

Partially offset by:

- lower activities in locomotives, mainly in the U.K. and Italy ($188 million); and
- lower activities in commuter and regional trains, mainly in the U.K. and France ($97 million).

The $601-million increase for the fiscal year is mainly due to increased activities:

- in commuter and regional trains and in metros, mainly in Germany, India, Denmark, France, Sweden and the U.K. ($502 million);
- in intercity, high speed and very high speed trains, mainly in China ($429 million);
- in locomotives, mainly in Germany and Spain ($240 million); and
- in propulsion and controls in China ($96 million).

Partially offset by:

- a negative currency impact ($347 million); and
- lower activities in locomotives, mainly in the U.K. and Italy ($216 million).

Services revenues

The $8-million decrease for the fourth quarter is mainly due to:

- a decrease in activities in Europe, mainly in the U.K. and Hungary, and in North America ($39 million).

Partially offset by:

- a positive currency impact ($33 million).

The $121-million decrease for the fiscal year is mainly due to a negative currency impact ($115 million).

System and signalling revenues

The $16-million increase for the fourth quarter is mainly due to a positive currency impact ($23 million).

The $227-million decrease for the fiscal year is mainly due to:

- last year's payment of £95 million ($189 million) to Westinghouse Rail Systems Limited ("WRSL") regarding the de-scoping of the Metronet Sub-Surface Lines signalling sub-contract, which under contract accounting led to an increase in costs and revenues by the same amount (no margin);
- a negative currency impact ($62 million);
- lower activities in systems in Europe and Asia ($62 million); and
- the reduced scope of the Metronet Sub-Surface Lines signalling contract ($46 million).

Partially offset by:

- an increase in activities in signalling in Europe and Asia ($115 million); and
- the ramp-up of a system project in South Africa ($46 million).

EBIT margin

The 0.5 percentage-point increase for the fourth quarter is mainly due to:

- better contract execution.

Partially offset by:

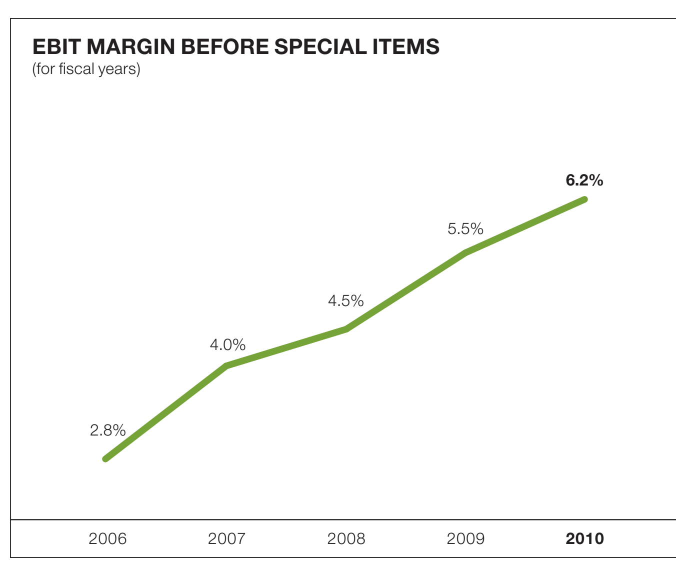
- higher SG&A expenses, mainly due to a high level of bid activities to capture significant new market opportunities; and
- higher R&D expenses related to our continuous upgrades in product offering.

The 0.7 percentage-point increase for the fiscal year is mainly due to:

- better contract execution, mainly in North America.

Partially offset by:

- a lower net gain recorded in other expense (income) compared to the same period last fiscal year related to foreign exchange fluctuations and certain financial instruments carried at fair value.



MD&A – TRANSPORTATION

The EBIT margins for the fourth quarter and fiscal year ended January 31, 2010 were also impacted by the following items recorded in other expense (income):

- provisions related to capacity adjustments to reflect the impact of timing of new orders in some market segments and sustain our competitiveness ($35 million for the fourth quarter, $62 million for the fiscal year), negatively impacting EBIT margin by 1.3% and 0.6% respectively;
- a gain on the sale of a non-core business in Germany ($20 million for the fourth quarter and for the fiscal year), positively impacting EBIT margin by 0.7% and 0.2% respectively; and
- a gain on the sale of property, plant and equipment ($8 million for the fourth quarter, $9 million for the fiscal year), positively impacting EBIT margin by 0.3% and 0.1% respectively.

The EBIT margins for the fourth quarter and fiscal year ended January 31, 2009 were also impacted by the following items recorded in other expense (income):

- a capacity adjustment in the U.K. ($33 million for the fourth quarter, $44 million for the fiscal year), negatively impacting EBIT margin by 1.2% and 0.4% respectively; and
- a gain on the sale of property, plant and equipment ($11 million for the fourth quarter, $32 million for the fiscal year), positively impacting EBIT margin by 0.4% and 0.3% respectively.

Free cash flow

FREE CASH FLOW

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009[1]	**2010**	2009[1]
EBIT	**$182**	$167	**$ 625**	$ 533
Amortization	**39**	30	**127**	124
EBITDA	**221**	197	**752**	657
Other non-cash items:				
Gain on disposals of property, plant and equipment	**(8)**	(11)	**(9)**	(32)
Stock-based compensation	**6**	7	**23**	26
Net change in non-cash balances related to operations	**192**	237	**(317)**	(30)
Net additions to property, plant and equipment and intangible assets	**(39)**	(70)	**(156)**	(141)
Free cash flow	**$372**	$360	**$ 293**	$ 480

1 Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures have been restated accordingly.

The $12-million increase for the fourth quarter is mainly due to lower net additions to property, plant and equipment and intangible assets ($31 million) and a higher EBITDA ($24 million), partially offset by a negative period-over-period variation in net change in non-cash balances related to operations ($45 million) (see explanations below).

The $187-million decrease for the fiscal year is mainly due to a negative period-over-period variation in net change in non-cash balances related to operations ($287 million) (see explanations below), partially offset by a higher EBITDA ($95 million).

Net change in non-cash balances related to operations

For the fourth quarter of fiscal year 2010, the $192-million cash inflow is mainly due to:

- deliveries in several contracts following the build-up of inventories in rolling stock in previous quarters, resulting in a decrease in inventories, partially offset by an increase in receivables; and
- order intake in previous quarters and the timing of related advance payments, leading to an increase in advances and progress billings.

For the fourth quarter of fiscal year 2009, the $237-million cash inflow was mainly due to:

- the ramp-up in production of projects received in fiscal years 2007 and 2008, leading to an increase in accounts payable and accrued liabilities, partially offset by a decrease in advances and progress billings in excess of related long-term contract costs and an increase in inventories; and
- the settlement of an outstanding customer claim in North America, resulting in a decrease in receivables.

For the fiscal year 2010, the $317-million cash outflow is mainly due to:

- higher activities in rolling stock, leading to an increase in inventories, partially offset by an increase in accounts payable and accrued liabilities.

Partially offset by:

- a higher level of advances received, leading to an increase in advances and progress billings.

For the fiscal year 2009, the $30-million cash outflow was mainly due to:

- the settlement of £95 million ($189 million) to WRSL.

Partially offset by:

- the ramp-up in production of projects received in fiscal years 2007 and 2008, leading to an increase in accounts payable and accrued liabilities, partially offset by a decrease in advances and progress billings in excess of related long-term contract costs and an increase in inventories; and
- the settlement of an outstanding customer claim in North America, resulting in a decrease in receivables.

Book-to-bill of 1.0 achieved in the context of a difficult environment

ORDER BACKLOG

(in billions of dollars)	**January 31 2010**	January 31 2009
Rolling stock[1]	**$18.5**	$16.8
Services	**5.9**	5.4
System and signalling	**2.7**	2.5
	$27.1	$24.7

1 Of which $12.4 billion, or 67% of rolling stock order backlog, had a percentage of completion from 0% to 25% as at January 31, 2010 ($10.8 billion, or 64%, as at January 31, 2009).

The increase is due to:

- the strengthening of foreign currencies as at January 31, 2010 compared to January 31, 2009, mainly the euro and pound sterling compared to the U.S. dollar ($2.8 billion).

Partially offset by:

- revenues recorded being higher than order intake ($0.4 billion).

ORDER INTAKE AND BOOK-TO-BILL RATIO

	Fourth quarters ended January 31		**Fiscal years ended January 31**	
(in billions of dollars)	**2010**	2009	**2010**	2009
Rolling stock	**$1.0**	$ 2.1	**$ 7.3**	$ 6.3
Services	**0.6**	0.2	**1.2**	2.2
System and signalling	**0.2**	0.3	**1.1**	1.3
	$1.8	$ 2.6	**$ 9.6**	$ 9.8
Book-to-bill ratio	**0.7**	1.0	**1.0**	1.0

In fiscal year 2010, we maintained a book-to-bill ratio of 1.0. This highlights BT's ability to capture market opportunities in a more challenging environment.

The decrease in order intake for the fourth quarter is mainly due to:

- lower order intake in rolling stock in Europe and Asia.

Partially offset by:

- higher order intake in services in Europe; and
- a positive currency impact ($172 million).

The slight decrease in order intake for the fiscal year is mainly due to:

- fewer orders received in services in Europe, as some customers are postponing orders given the current economic situation;
- lower order intake in rolling stock in Europe;
- a negative currency impact ($312 million); and
- lower order intake in system and signalling in Europe.

Partially offset by:

- higher order intake in rolling stock in Asia.

We received the following major orders during fiscal year 2010:

MAJOR ORDERS

Customer	Product or service	Number of cars	Rolling stock	Services	System and signalling
Chinese Ministry of Railways (MOR), China	*ZEFIRO* 380 very high speed trains	1,120	$2,000[1]	$ –	$ –
Toronto Transit Commission (TTC), Canada	*FLEXITY* trams	204	735	–	–
Deutsche Bahn AG ("DB"), Germany	ET 430 series EMUs	332	605	–	–
Berliner Verkehrsbetriebe (BVG), Germany	*FLEXITY* trams	99	431	–	–
RENFE, Spain	14-year contract for the maintenance of 30 AVE S/112 very high speed trains	–	–	405[2]	–
Régie Autonome des Transports Parisiens (RATP), France	Double-deck commuter trains	180[3]	386[2]	–	–
Trenitalia, Italy	E464 electric locomotives	100	383	–	–
Phoenix Sky Harbor International Airport, U.S.	*INNOVIA* APM system, and operations and maintenance	–	–	–	255
London Eastern Railways (National Express), U.K.	*ELECTROSTAR* EMUs and three-year maintenance contract	120	220	29	–
Verkehrsbetriebe Karlsruhe GmbH (VBK), Germany	*FLEXITY* Swift trams	30	190	–	–
DB, Germany, for use in Bavaria and Thuringia	*TALENT* 2 trains	91	140	–	–
Shanghai Shentong Metro Group Co., China	*MOVIA* metro cars	246	138[1]	–	–
Transitio AB, Sweden	*CONTESSA* trains	33	137	–	–
DB, Germany, for use in Central Hesse	*TALENT* 2 trains	82	131	–	–
Companhia do Metropolitano de São Paulo (CMSP), Brazil	Modernization services on the 30-year-old EMUs	–	–	120[2]	–
Undisclosed	EMUs	64[3]	108[2]	–	–

1 Contract performed through a joint venture. Only the value of our proportionate share is stated.
2 Contract includes consortium partner. Only the value of our share is stated.
3 Contract includes consortium partner. Only the number of cars in our share is stated.

Subsequent to the end of the fourth quarter of fiscal year 2010, we signed a framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion, which are not included in the order backlog as at January 31, 2010, were obtained under this framework agreement. The total framework is for an estimated amount of $11 billion, based on the expected exercise of technical options.

Furthermore, we also received an order for 48 *TALENT* 2 trains from DB, Germany, amounting to $272 million, which is also not included in the order backlog as at January 31, 2010.

Stable workforce level

TOTAL NUMBER OF EMPLOYEES

	January 31 2010	January 31 2009
Permanent	**29,450**	29,400
Contractual	**4,350**	4,800
	33,800	34,200
Percentage of permanent employees covered by collective agreements	**56%**	64%

We are optimizing our footprint and aligning capacity where needed to sustain our competitiveness. This has resulted in an overall decrease in the number of employees by 1%. We have reduced our headcount in North America (mostly in Mexico) as well as in Europe (mostly in Hungary and the U.K.), while we have increased headcount in our growing markets of Asia (mainly India). These shifts in the workforce have also decreased the percentage of permanent employees covered by collective agreements.

OTHER

OFF-BALANCE SHEET ARRANGEMENTS	135
RISKS AND UNCERTAINTIES	138
ACCOUNTING AND REPORTING DEVELOPMENTS	142
FINANCIAL INSTRUMENTS	143
CRITICAL ACCOUNTING ESTIMATES	144
CONTROLS AND PROCEDURES	147
FOREIGN EXCHANGE RATES	147
INVESTOR INFORMATION	148
SELECTED FINANCIAL INFORMATION	149

OFF-BALANCE SHEET ARRANGEMENTS

Commitments and contingencies

Our commitments and contingencies are described in Note 25 – Commitments and contingencies to the Consolidated Financial Statements.

Credit and residual value guarantees

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

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing (ranging within 1 to 16 years) under the relevant financing arrangements. In the event of default, we usually act as an agent for the guaranteed parties for the repossession, refurbishment and re-marketing of the underlying assets. We typically receive a fee for these services.

Residual value guarantees provide protection to the guaranteed parties in cases where the market value of the underlying asset is below the guaranteed value. In most cases, these are guarantees provided at the end of a financing arrangement, ranging within 1 to 16 years. The value of the underlying asset may be adversely affected by a number of factors. To mitigate our exposure, the financing arrangements generally require the collateral to meet certain contractual return conditions in order to exercise the guarantee. If a residual value guarantee is exercised, it provides for a contractually limited payment to the guaranteed parties, which is typically the first loss from a guaranteed level. A claim under the guarantee may typically be made only on the sale of the underlying asset to a third party.

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

For more details, refer to Note 25 – Commitments and contingencies of the Consolidated Financial Statements.

Financing commitments

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

As at January 31, 2010, we were committed to arrange financing for two customers in relation to the future sale of aircraft scheduled for delivery through fiscal year 2012, amounting to $142 million. In connection with these commitments, we have provided credit spread guarantees. The recorded fair value of these guarantees amounted to $9 million as at January 31, 2010. We mitigate such exposure from our financing rate commitments by including terms and conditions in the financing agreements that guaranteed parties must satisfy prior to benefiting from our commitment.

We anticipate that we will be able to satisfy our financing commitments to our customers through third-party financing. However, our ability to satisfy our financing commitments may be affected by financial difficulties in the commercial airline industry in general and of certain customers in particular, credit scarcity in the market, and by our current and future credit condition.

Other commitments and contingencies

In connection with our contracts with LUL Nominee BCV Ltd. and LUL Nominee SSL Ltd. for the modernization of the London Underground, we are committed to provide collateral (surety bonds and letters of credit) in support of our obligations. These commitments extend to calendar year 2018. As at fiscal year 2010, £150 million ($240 million) of surety bonds maturing in 2014 were outstanding. The period covered by the surety bonds must be extended by one year, every year. In the event that the bonds are not extended, we could have to provide, within one year, alternate collateral, which could reduce availability under the BT's letter of credit facility.

Government financial support

As at January 31, 2010, BA has invested $4.3 billion cumulatively in aerospace program tooling as well as other significant amounts in product development and capital assets. We receive government financial support related to the development of certain aircraft from various levels of government.

Certain of these financial-support programs require us to repay amounts to governments at the time of the delivery of products, contingent on a minimum agreed-upon level of related product sales being achieved. If such minimum agreed-upon level is not reached, no amount is repayable. We record the amount payable to governments at the time the product giving rise to such payment is delivered. In connection with our aerospace aircraft programs, we have received from Federal and Provincial Canadian governments cumulative contingently repayable government investments amounting to $629 million Cdn as at January 31, 2010 ($590 million translated at the closing balance sheet rate). In connection with such government support, the total repayments amounted to $542 million Cdn as at January 31, 2010 ($509 million translated at the closing balance sheet rate). The estimated remaining undiscounted maximum amount repayable under these programs, mostly based on future deliveries of aircraft, amounted to $383 million Cdn ($360 million) as at January 31, 2010. In addition, we have received from the U.K. government a contingently repayable government investment amounting to £25 million as at January 31, 2010 ($40 million translated at the closing balance sheet rate). The estimated remaining undiscounted maximum amount repayable under this program, mostly based on future deliveries of aircraft, amounted to £27 million ($44 million) as at January 31, 2010.

In addition, we have received from the U.K. government cumulative contingently repayable investments in the amount of £24 million as at January 31, 2010 ($39 million translated at the closing balance sheet rate), which is mainly repayable if certain conditions, such as minimum employment levels, are not maintained over certain periods.

Litigation

In the normal course of operations, we are 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. We intend to vigorously defend our position in these matters.

While we cannot predict the final outcome of legal proceedings pending as at January 31, 2010, based on information currently available, we believe that the resolution of these legal proceedings will not have a material adverse effect on our financial position.

Variable interest entities

VIES IN WHICH WE HAVE A SIGNIFICANT VARIABLE INTEREST[1]				
	January 31, 2010		January 31, 2009	
	Assets	**Liabilities**	Assets	Liabilities
BA				
Financing structures related to the sale of regional aircraft[2]	**$6,537**	**$3,994**	$6,369	$3,555
BT				
Partnership arrangements[3]	**1,403**	**1,319**	1,094	1,015
Sale support guarantee	**372**	**366**	352	337
Cash collateral accounts	**–**	**–**	59	59
	8,312	**5,679**	7,874	4,966
Less assets and liabilities of consolidated VIEs:				
Financing structures related to the sale of regional aircraft	**10**	**–**	9	–
Cash collateral accounts	**–**	**–**	59	59
	10	**–**	68	59
Assets and liabilities of non-consolidated VIEs	**$8,302**	**$5,679**	$7,806	$4,907

1 See also in Note 26 – Variable Interest Entities to the Consolidated Financial Statements.

2 We have provided credit and/or residual value guarantees to certain special purpose entities created solely i) to purchase regional aircraft from us and to lease these aircraft to airline companies and ii) to purchase financial assets related to the sale of regional aircraft.

3 We are a party to partnership arrangements to provide manufactured rail equipment and civil engineering work as well as related long-term services, such as the operation and maintenance of rail equipment. Our involvement with these entities results mainly from investments in their equity and through manufacturing and long-term service contracts.

The liabilities recognized as a result of consolidating certain VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating certain VIEs do not represent additional assets that could be used to satisfy claims against our general assets. The consolidation of debt resulting from the application of AcG-15 is generally excluded from the computation of our financial covenant ratios.

Financial arrangements

In addition to the off-balance sheet lease obligations disclosed in the Liquidity and capital resources section in Overview, we entered into a $150-million three-year sale and leaseback facility with a third party in fiscal year 2010. Under this facility, we can sell certain pre-owned business aircraft and lease them back for a 24-month period. We have the right to buy the aircraft back during the term of the lease for predetermined amounts. Aircraft amounting to $197 million were sold to this facility and leased back during fiscal year 2010, of which $147 million were outstanding as at January 31, 2010. In addition, we have another sale and leaseback facility with a third party under which an amount of $33 million was outstanding as at January 31, 2010 ($54 million as at January 31, 2009). Aircraft worth $20 million were sold to this facility and leased back during fiscal year 2010.

In the normal course of its business, BT has set up factoring facilities in Europe to which it can sell, without recourse, qualifying trade receivables. Trade receivables of $542 million were sold to these facilities during fiscal year ended January 31, 2010 ($18 million as at January 31, 2009), of which an amount of $194 million was outstanding as at January 31, 2010 ($18 million as at January 31, 2009).

RISKS AND UNCERTAINTIES

We operate in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties described below are risks that could materially affect our business, financial condition and results of operations, but are not necessarily the only risks 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. To the extent possible, we apply risk assessment. Where practicable, we apply risk management and mitigation practices to reduce the nature and extent of our exposure to these risks to an acceptable level.

General economic risk	Potential loss due to unfavourable economic conditions, such as a continued macroeconomic downturn in key markets, could result in a lower order intake, order cancellation or deferral, downward pressure on selling prices, increased inventory levels, curtailment of production activities, termination of employees and adverse impacts on our suppliers. The impacts of general economic risk on our business is discussed in Overview, BA and BT.
Business environment risk	Business environment risk is the risk of potential loss due to external risk factors, more specifically the financial condition of the airline industry and major rail operators, government policies related to import and export restrictions, changing priorities and possible spending cuts by government agencies, government support to export sales, world trade policies, competition from other businesses, as well as scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates. In addition, acts of terrorism, global health risks and political instability, or the outbreak of war or continued hostilities in certain regions of the world, could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of our products.
Operational risk	Operational risk is the risk of potential loss due to risks related to developing new products and services; actions of business partners; product performance warranty and casualty claim losses; regulatory and legal risks; environmental, health and safety risks; as well as dependence on customers, suppliers and human resources. In addition, large and complex projects are common in our businesses, most often structured as fixed-price contracts. We are also subject to risks related to problems with production and project execution, supply management, reliance on information systems, as well as the successful integration of new acquisitions.
Financing risk	Financing risk is the risk of potential loss related to liquidity and access to capital markets, restrictive debt covenants, financing support provided for the benefit of certain customers, as well as government support.
Market risk	Market risk is the risk of potential loss due to adverse movements in market rates, including foreign currency fluctuations, changing interest rates, decreases in residual values of assets and increases in commodity prices.

Business environment risk

Airline industry financial condition

The airline industry's financial condition and viability, as well as the ability of airlines to secure financing, influence the demand for BA's commercial aircraft. The nature of the airline industry makes it difficult to predict the timing of the impact of economic downturns or recoveries on the industry and cycles may be longer than expected. Continued cost and yield pressure in the airline industry puts pressure on the selling price of BA's products. An increased supply of used aircraft as companies downsize or discontinue operations also adds downward pressure on selling price of new and used business and commercial aircraft. We are faced with the challenge of finding ways to reduce costs and improve productivity to sustain a favourable market position at acceptable profit margins. The loss of any major commercial airline as a customer or the termination of a contract could significantly reduce our revenues and profitability.

Rail industry financial condition

World economic and financial conditions may have a negative impact on some rail operators, particularly in the freight segment. Unfavourable economic conditions may result in projects being reduced in size, postponed or even cancelled. Such actions by rail operators or governments would negatively impact BT's order intake and revenues and put pressure on its cost structure.

Operational risk

Developing new products and services

The principal markets in which we operate experience change due to the introduction of new technologies. To meet our customers' needs, we must continuously design new products, update existing products and services, and invest and develop new technologies, which may require significant capital investments. Introducing new products requires a significant commitment to R&D, which may or may not be successful.

Our sales may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if the products are not approved by regulatory authorities, or if the products are not brought to market in a timely manner or become obsolete. We are subject to stringent certification and approval requirements, which vary by country and can delay the certification of our products. Non-compliance with current or future regulatory requirements imposed by Transport Canada, the Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), the Transport Safety Institute and national rail regulatory bodies or other regulatory authorities, could result in the service interruption of our products.

Fixed-price commitments and project execution

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

We are exposed to risks associated with these contracts, including unexpected technological problems, difficulties with our partners and subcontractors and logistical difficulties that could lead to cost overruns and late delivery penalties. In addition, long-term contract revenues and costs are based, in part, on estimates that are subject to a number of assumptions, such as forecasted costs of materials, inflation rates, foreign exchange rates, labour productivity, employment levels and salaries, and are influenced by the nature and complexity of the work to be performed, the impact of change orders and the impact of delayed delivery.

Business partners

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

Product performance warranty and casualty claim losses

The products that we manufacture are highly complex and sophisticated and may contain defects that are difficult to detect and correct. Our products are subject to stringent certification or approval requirements, as well as detailed specifications listed in the individual contracts with customers. Defects may be found in our products after they are delivered to the customer. If discovered, we may not be able to correct

defects in a timely manner, or at all. The occurrence of defects and failures in our products could result in warranty claims, negatively affect our reputation, profitability and result in the loss of customers. Correcting such defects could require significant capital investment.

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

Regulatory and legal risks

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

Environmental risks

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

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

Customers

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

Suppliers

Our manufacturing operations are dependent on a limited number of suppliers for the delivery of raw materials (aluminum, advanced aluminum alloy, titanium) and services and major systems (engines, wings, nacelles and fuselages) in BA, and raw materials (steel, aluminum) and major systems (brakes, doors, heating, ventilation and air conditioning) in BT. A failure to meet performance specifications, quality standards, and delivery schedules by one or more suppliers could adversely affect our ability to meet our commitments to customers. Some of these suppliers participate in the development of products such as aircraft or rolling stock platforms. They also participate in the subsequent delivery of materials and major components and own some of the intellectual property on the key components they develop. Our contracts with these suppliers are therefore on a long-term basis. The replacement of suppliers could be costly and take a significant amount of time.

Human resources (including collective agreements)

Human resource risk would arise if we were unable to recruit, retain, and motivate highly skilled employees, including those involved in the R&D activities that are essential to our success. In addition, we are party to several collective agreements that are due to expire at various times in the future. If we are unable to renew these collective agreements on similar terms as they become subject to renegotiation from time to time, this could result in work stoppages or other labour disturbances and/or increased costs of labour.

Financing risk

Liquidity and access to capital markets

We require continued access to capital markets to support our activities. To satisfy our financing needs, we rely on cash resources, debt and cash flow generated from operations. A decline in credit ratings, a significant reduction in the surety or financing market global capacity, significant changes in market interest rates or general economic conditions, or an adverse perception in capital markets of our financial condition or prospects, could all significantly impede our ability to access capital markets. Credit ratings may be impacted by many external factors beyond our control and, accordingly, no assurance can be given that our credit ratings may not be reduced in the future.

Restrictive debt covenants

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

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

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

We are subject to various financial covenants under our BA and BT letter of credit facilities and our revolving credit facility, which must be met on a quarterly basis. The BA letter of credit and revolving facilities include financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum debt to EBITDA ratio and a minimum liquidity level, all calculated based on an adjusted consolidated basis (i.e. excluding BT). The BT financial covenants require minimum equity and liquidity levels as well as a maximum debt to EBITDA ratio, all calculated based on BT standalone data. These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to the specific terms used in the MD&A.

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

Financing support provided for the benefit of certain customers

From time to time, we provide aircraft financing support to customers. We may also provide interim financing while a permanent financing solution is being arranged, which includes loans made to customers and, on a limited basis, the leasing of aircraft to customers. We face the risk that certain customers may not be able to obtain permanent financing.

We may also provide, directly or indirectly, credit and residual value guarantees to airlines to support financing for airlines or to support financings by certain SPEs created solely i) to purchase our commercial aircraft and to lease those aircraft to airlines and ii) to purchase financial assets related to commercial aircraft manufactured by BA. Under these arrangements, we are obligated to make payments to a guaranteed party in the event that the original debtor or lessee does not make the lease or loan payments, or if the market or resale value of the aircraft is below the guaranteed residual value amount at an agreed-upon date. A substantial portion of these guarantees has been extended to support original debtors or lessees with less than investment grade credit.

Government support

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

Market risk

Foreign currency fluctuations

Our financial results are reported in U.S. dollars and a significant portion of our sales and operating costs are realized in currencies other than U.S. dollars, in particular euros, Canadian dollars and pounds sterling. Our results of operations are therefore affected by movements in these currencies against the U.S. dollar. Significant long-term fluctuations in relative currency values could therefore have a significant impact on our future profitability.

Interest rate risk

We are exposed to fluctuation in our future cash flows arising from changes in interest rates through our variable-rate financial assets and liabilities, including long-term debt synthetically converted to variable interest rates, and through certain financing commitments and off-balance sheet pension obligations. For these items, cash flows could be impacted by changes in benchmark rates such as Libor, Euribor or Banker's Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, which include marketability risk, through our financial instruments carried at fair value, including certain commercial aircraft loans and lease receivables, investments in securities, invested collateral and certain derivatives.

Residual value risk

We are exposed to residual value risks through residual value guarantees ("RVG") provided in support of regional aircraft sales. We may provide RVGs either directly to the customer or to the financing party that participates in the long-term financing associated with the sale of regional aircraft. RVGs are offered as a strip of the value of the aircraft and are always capped. If the underlying aircraft is sold at the end of the financing period (or during this period in limited circumstances), the resale value is compared to the RVG. We are required to make payments under these RVGs when the resale value of the aircraft falls within the strip covered by the guarantee.

Commodity price risk

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

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the AcSB released Section 1582 "Business combinations", Section 1601 "Consolidated financial statements" and Section 1602 "Non-controlling interests", which replace Section 1581 "Business combinations" and Section 1600 "Consolidated financial statements".

Section 1582 provides the Canadian equivalent to IFRS 3 "Business Combinations". The new recommendations require measuring business acquisitions at the fair value of the acquired business, including the measurement at fair value of items such as non-controlling interests and contingent payment considerations. Also, the previously unrecognized deferred tax assets related to the acquiree subsequent to the business combination are recognized in the consolidated statements of income rather than as a reduction in goodwill. In addition, business acquisition-related costs are expensed as incurred.

The adoption of Section 1582 should have a material effect on the accounting for business combinations that occur subsequent to February 1, 2009. Past acquisitions are not restated.

Section 1601, together with Section 1602, replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements and is aligned with the corresponding provisions of Section 1600.

Section 1602 is aligned with the corresponding provisions of IAS 27, "Consolidated and Separate Financial Statements", and establishes standards for accounting for non-controlling interests in a subsidiary subsequent to a business combination. Section 1602 introduces a number of changes, for example:

- in the consolidated balance sheets and consolidated statements of shareholders' equity, non-controlling interests are now presented as a separate component of shareholders' equity rather than as a liability;
- non-controlling interests are no longer recorded as a deduction of net income and total comprehensive income as a result of their presentation in equity;
- for the purpose of computing EPS, net income is attributed between the shareholders of Bombardier Inc. and the non-controlling interests based on their respective economic interests. The components of OCI are attributed following the same logic; and
- changes in non-controlling ownership interests not resulting in a loss of control are accounted for as equity transactions, with no gains and losses recorded in the consolidated statements of income.

We have elected to early adopt these sections, effective February 1, 2009, in order to more closely align ourselves with IFRS and mitigate the impact of adopting IFRS at the changeover date. In accordance with the transitional provisions, these sections have been applied prospectively, except for the presentation requirements for non-controlling interests, which must be applied retrospectively. The adoption of these sections did not have a significant impact on our consolidated financial statements but gave rise to the previously mentioned reclassifications of non-controlling interests.

Future changes in accounting policies

IFRS

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. Our first reporting under IFRS is required for interim and annual financial statements beginning on February 1, 2011. We have developed a plan anchored around four phases to convert our Consolidated Financial Statements to IFRS. For more details on our IFRS conversion plan, refer to the IFRS conversion section of Overview.

FINANCIAL INSTRUMENTS

An important portion of our consolidated balance sheets is composed of financial instruments. Our financial assets include cash and cash equivalents, invested collateral, trade receivables, commercial aircraft loans and leases receivables, investment in securities, investments in VIEs, restricted cash and derivative financial instruments with a positive fair value. Our financial liabilities include trade account payables, certain accrued liabilities, related liabilities in connection with the sale of commercial aircraft, accrued interest, certain payroll-related liabilities, long-term debt and derivative financial instruments with a negative fair value. Derivative financial instruments are mainly used to manage our exposure to foreign exchange and interest rate risks. They consist mostly of forward foreign exchange contracts, interest-rate swap agreements, cross-currency interest-rate swap agreements and interest-rate cap agreements. The classification of our financial instruments as well as the revenues, expenses, gains and losses associated with these instruments is provided in Note 2 – Summary of significant accounting policies and in Note 3 – Financial instruments, to the Consolidated Financial Statements.

The use of financial instruments exposes the Corporation primarily to credit, liquidity and market risks, including foreign exchange and interest rates. A description on how we manage these risks is included in Note 23 – Financial risk management to the Consolidated Financial Statements and in the Strategy section in Overview.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in the Notes to Consolidated Financial Statements. The preparation of financial statements, in conformity with Canadian GAAP, requires the use of estimates, judgment and assumptions. Critical accounting estimates, which are evaluated on a regular ongoing basis and can change from period to period, are described in this section. An accounting estimate is considered critical if the estimate requires us to make assumptions about matters that were highly uncertain at the time the estimate was made, if different estimates could reasonably have been used, or if changes in the estimate that could have a material impact on our financial condition or results of operations are likely to occur from period to period.

The sensitivity analysis included in this section should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Fair value of financial instruments

All financial instruments are required to be recognized at their fair value on initial recognition. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments. Financial instruments classified as HFT or AFS are carried at fair value.

Fair value amounts disclosed in the Consolidated Financial Statements represent our estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the most advantageous active market for that instrument to which we have immediate access. However, there is no active market for most of our financial instruments. In the absence of an active market, we determine fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models.

Fair value determined using valuation models requires the use of assumptions 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, we use primarily external, readily observable market inputs including factors such as interest rates, credit ratings, credit spreads, default probability, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are not available. These calculations represent our best estimates based on a range of methodologies and assumptions. Since they are based on estimates, these fair values may not be realized in an actual sale or immediate settlement of the instruments.

A detailed description of the methods and assumptions used to measure the fair value of our financial instruments and their fair value hierarchy is discussed in Note 22 – Fair value of financial instruments to the Consolidated Financial Statements.

Sensitivity analysis

Our main exposures to changes in the fair value of financial instruments are related to foreign exchange and interest rate derivative financial instruments and commercial aircraft loans and lease receivables. These financial instruments are all measured at fair value in our Consolidated Financial Statements.

Derivative financial instruments are mostly exposed to changes in foreign exchange rates and interest rates. For derivative financial instruments exposed to foreign currency movements, an appreciation of 10% in the following currencies as of January 31, 2010, would have had the following impact on EBT, before giving effect to the related hedged items, and on OCI before income taxes, for derivatives designated in a cash flow hedge relationship, for fiscal year 2010:

Gain (loss)	CAD/USD	GBP/USD	USD/Euro	Euro/USD	Other
Impact on EBT	$ 11	$ –	$ (53)	$141	$ 15
Impact on OCI before income taxes	$183	$74	$ (49)	$ 10	$ (23)

Refer to Note 23 – Financial risk management of the Consolidated Financial Statements which presents a foreign exchange rate sensitivity of the Corporation's financial instruments recorded on its balance sheets, which give effect to economic hedges.

Since the majority of our interest-rate derivative financial instruments are designated in a fair value hedge relationship, a shift of 100-basis points in the yield curves as of January 31, 2010 would have had no significant impact on EBT.

Changes in the fair value of commercial aircraft loans and leases receivables are mostly affected by changes in interest rates. Assuming a 100-basis point increase in interest rates as of January 31, 2010, EBT would have been negatively impacted by $24 million for fiscal year 2010.

Credit and residual value guarantees

We have issued credit and residual value guarantees in connection with the sale of commercial aircraft. Guarantees are initially recognized at fair value on the date the guarantees are unconditionally given. These guarantees are subsequently remeasured using the settlement-value method. The settlement value represents an estimate of what we expect to pay under these guarantees, so it does not take into consideration our own credit risk in establishing the value.

We use an internal valuation model based on stochastic simulations to estimate the value of these credit and residual value guarantees. The value is calculated using current market assumptions for interest rates, published credit ratings when available and default probabilities from rating agencies. We also perform internal credit assessments to determine the credit risk of customers without published credit rating. In addition, we use aircraft residual value curves obtained from independent appraisers adjusted to reflect the specific factors of the current aircraft market.

Sensitivity analysis

Our main exposures to changes in the value of credit and residual value guarantees are related to the residual value curves of the underlying aircraft and interest rate. The following are presented in isolation from one another.

Assuming an adverse change of 1% in the residual value curves as of January 31, 2010, EBT would have been negatively impacted by $18 million for fiscal year 2010. Assuming a positive change of 1% in the residual value curves as of January 31, 2010, EBT would have been positively impacted by $11 million for fiscal year 2010.

Assuming a 100-basis point decrease in interest rates as of January 31, 2010, EBT would have been negatively impacted by $14 million for fiscal year 2010.

Aerospace program tooling

Aerospace program tooling is amortized over ten years and is reviewed for impairment when certain events or changes in circumstances indicate that the carrying amount of the tooling may not be recoverable. The recoverability test is performed using undiscounted expected future net cash flows that are directly associated with the asset's use. An impairment charge is recorded when the undiscounted value of the expected future cash flow is less than the carrying value of program tooling. The amount of impairment, if any, is measured as the difference between the carrying value and the fair value of the program tooling. Estimates of net future cash flows over the remaining useful life of program tooling are subject to uncertainties with respect to expected selling prices.

Long-term contracts

BT conducts most of its business under long-term contracts with customers. Revenues and margins from long-term contracts relating to designing, engineering or manufacturing of products, including vehicle and component overhaul, are mostly recognized using the percentage-of-completion method. For maintenance contracts entered into on or after December 17, 2003, revenues and margins are recognized in proportion to the total costs originally anticipated to be incurred at the beginning of the contract. The long-term nature of contracts involves considerable use of estimates in determining total contract costs, revenues and percentage of completion.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Total contract costs are estimated based on forecasted costs of materials, inflation rates, foreign exchange rates, labour productivity, and employment levels and salaries, and are driven by the nature and complexity of the work to be performed, the impact of change orders and the impact of delayed delivery. Cost estimates are based mainly on economic trends and projections, collective agreements, information provided by suppliers and historical performance trends.

Revenue estimates are based on the negotiated contract price adjusted for change orders, claims, penalties and contract terms that provide for the adjustment of prices in the event of variations from projected inflationary trends. Contract change orders and claims are included in revenue when they can be reliably estimated and realization is probable.

The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance.

Recognized revenues and margins are subject to revisions as the contract progresses to completion. We conduct quarterly reviews, and a detailed annual review as part of our annual budget process, of our estimated costs to complete, percentage-of-completion estimates and revenues and margins recognized, on a contract-by-contract basis. The effect of any revision is accounted for by way of a cumulative catch-up adjustment in the period in which the revision takes place.

If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in the period in which the negative gross margin is identified.

Sensitivity analysis

A 1% increase in the estimated future costs to complete all ongoing contracts accounted for under the percentage-of-completion method in BT would have decreased margin by approximately $66 million for fiscal year 2010.

Goodwill

Goodwill recorded is mainly the result of the purchase of Adtranz. Goodwill is reviewed for impairment using a two-step test, annually or more frequently if events or circumstances, such as significant declines in expected sales, earnings or cash flows, indicate that it is more likely than not that the asset might be impaired. Under the first step, the fair value of a reporting unit, based on discounted future cash flows, is compared to its net carrying amount. If the fair value is greater than the carrying amount, no impairment is deemed to exist and the second step is not required to be performed. If the fair value is less than the carrying amount, the second test must be performed whereby the implied fair value of the reporting unit's goodwill must be estimated. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. The carrying value of goodwill in excess of its implied fair value is charged to income. We selected the fourth quarter as our annual testing period for goodwill.

Future cash flows are forecasted based on our best estimate of revenues, production costs, manufacturing overhead and other costs. These estimates are made by reviewing existing contracts, expected future orders, current cost structure, anticipated cost variations, collective agreements and general market conditions.

Variable interest entities

We consolidate VIEs for which we assume a majority of the risk of losses, or for which we are entitled to receive a majority of the residual returns (if no party is exposed to a majority of the VIE's losses), or both (the primary beneficiary). Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value at the date the variable interest holder became the primary beneficiary. See Note 26 – Variable interest entities to the Consolidated Financial Statements, for additional information on VIEs. We revise our initial determination of the accounting for VIEs when certain events occur, such as changes in related governing documents or contractual arrangements.

We use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether an entity is a VIE, and to analyze and calculate our expected losses and our expected residual returns. These processes involve estimating the future cash flows and performance of the VIE, analyzing the variability in those cash flows from expected cash flows, and allocating the expected losses and expected returns among the identified parties holding variable interests to then determine who is the primary beneficiary. In addition, there is a significant amount of judgment exercised in applying these consolidation rules to our transactions.

Variable interest includes credit and residual value guarantees to certain SPEs created solely to purchase commercial aircraft, subordinated debt, and equity investments related to partnership arrangements entered into to provide manufactured rail equipment, civil engineering work and related long-term services.

Product warranties

We issue warranties for products sold related to systems, accessories, equipment, parts and software that we develop. A provision for warranty cost is recorded when revenue for the underlying product is recognized. The cost is estimated based on a number of factors, including historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of the products sold and the counter-warranty coverage available from our suppliers.

We review our product warranty provisions quarterly, and any adjustment is recognized to income. Warranty expense is recorded as a component of cost of sales.

Employee future benefits

Pension and other employee benefit costs and obligations are dependent on assumptions used in calculating such amounts. The discount rate, the expected long-term rate of return on plan assets and the rate of compensation increase are important elements of cost and obligation measurement. Other assumptions include the inflation rate and the healthcare cost trend rate, as well as demographic factors such as retirement, mortality and turnover rates. All assumptions are reviewed on an annual basis.

The discount rate is used to determine the present value of the estimated future benefit payments on the measurement date. We have little discretion in selecting the discount rate, as it must represent the market rates for high-quality fixed-income investments available for the period to maturity of the benefits. A lower discount rate increases the benefit obligation and generally increases benefit cost.

The expected long-term rate of return on plan assets is determined considering historical returns, future estimates of long-term investment returns and asset allocations. A lower expected return assumption increases benefit cost.

The rate of compensation increase is determined considering current salary structure, historical wage increases and anticipated wage increases.

Sensitivity analyses are presented in the Pension section in Overview.

CONTROLS AND PROCEDURES

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

Disclosure controls and procedures

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

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

Internal controls over financial reporting

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

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

Changes in internal controls over financial reporting

No changes were made to our internal controls over financial reporting that occurred during the quarter and fiscal year ended January 31, 2010 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 self-sustaining foreign operations using a functional currency other than the U.S. dollar, mainly the euro, pound sterling and other Western European currencies, and from transactions denominated in foreign currencies, mainly the Canadian dollar and pound sterling.

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

	January 31 2010	January 31 2009	Increase
Euro	**1.3870**	1.2803	8%
Canadian dollar	**0.9390**	0.8088	16%
Pound sterling	**1.6008**	1.4411	11%

The average exchange rates used to translate revenues and expenses were as follows for the fourth quarters ended January 31:

	2010	2009	Increase
Euro	**1.4388**	1.3160	9%
Canadian dollar	**0.9452**	0.8156	16%
Pound sterling	**1.6222**	1.4904	9%

The average exchange rates used to translate revenues and expenses were as follows for the fiscal years ended January 31:

	2010	2009	Decrease
Euro	**1.4018**	1.4583	(4%)
Canadian dollar	**0.8918**	0.9294	(4%)
Pound sterling	**1.5791**	1.8097	(13%)

INVESTOR INFORMATION

AUTHORIZED, ISSUED AND OUTSTANDING SHARE DATA AS AT FEBRUARY 28, 2010	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[1]	1,892,000,000	316,145,137
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,413,505,869[3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,464,920
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,535,080
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

1 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 25,098,637 Class B Shares (Subordinate Voting) purchased and held in trust in connection with the PSU plan.

SHARE OPTION, PSU AND DSU DATA AS AT JANUARY 31, 2010	
Options issued and outstanding under the share option plans	39,001,075
PSUs and DSUs issued and outstanding under the PSU and DSU plans	17,012,267
Class B Shares held in trust to satisfy PSU obligations	(25,098,637)

EXPECTED ISSUANCE DATE OF OUR FINANCIAL REPORTS FOR THE NEXT 12 MONTHS	
First Quarterly Report, for the period ended April 30, 2010	June 2, 2010
Second Quarterly Report, for the period ended July 31, 2010	September 1, 2010
Third Quarterly Report, for the period ended October 31, 2010	December 2, 2010
Annual Report, for the fiscal year ended January 31, 2011	March 31, 2011

Information

Bombardier Inc.

Investor Relations

800 René-Lévesque Blvd. West

Montréal, Québec, Canada H3B 1Y8

Telephone: +1 514-861-9481, extension 3487

Fax: +1 514-861-2420

Email: investors@bombardier.com

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with the Consolidated Financial Statements for fiscal years 2008 to 2010.

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

(in millions of U.S. dollars, except per share amounts)	**2010**	2009	2008
For fiscal years			
Revenues	**$19,366**	$19,721	$17,506
EBIT before special items[1]	**$ 1,098**	$ 1,429	$ 910
EBIT[1]	**$ 1,098**	$ 1,429	$ 748
EBT before special items[1]	**$ 915**	$ 1,291	$ 609
EBT[1]	**$ 915**	$ 1,291	$ 447
Net income[1]	**$ 707**	$ 1,026	$ 325
EPS (in dollars):			
Basic	**$ 0.39**	$ 0.57	$ 0.17
Diluted	**$ 0.39**	$ 0.56	$ 0.16
Cash dividends declared per share (in Cdn dollars):			
Class A Shares (Multiple Voting)	**$ 0.10**	$ 0.08	$ –
Class B Shares (Subordinate Voting)	**$ 0.10**	$ 0.08	$ –
Series 2 Preferred Shares	**$ 0.59**	$ 1.15	$ 1.52
Series 3 Preferred Shares	**$ 1.32**	$ 1.32	$ 1.34
Series 4 Preferred Shares	**$ 1.56**	$ 1.56	$ 1.56
As at January 31			
Total assets	**$21,273**	$21,306	$22,120
Long-term debt	**$ 4,162**	$ 3,952	$ 4,393
Shareholders' equity[1]	**$ 3,769**	$ 2,610	$ 3,184

1 Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures include a reclassification of non-controlling interests from other income to net income attributable to non-controlling interests.

The quarterly data table is shown hereafter.

March 31, 2010

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

QUARTERLY DATA
(UNAUDITED)

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

For the fiscal years ended January 31	2010	2010	2010
	Total	Fourth quarter	Third quarter
Revenues			
BA	$ 9,357	$2,675	$2,064
BT	10,009	2,677	2,533
	19,366	5,352	4,597
EBIT			
BA	473	106	103
BT	625	182	159
Income before the following:	1,098	288	262
Financing income	(96)	(9)	(29)
Financing expense	279	69	70
EBT	915	228	221
Income taxes	208	49	53
Net income	$ 707	$ 179	$ 168
Attributable to:			
Shareholders of Bombardier Inc.	$ 698	$ 177	$ 167
Non-controlling interests	$ 9	$ 2	$ 1
EPS (in dollars):			
Basic	$ 0.39	$ 0.10	$ 0.09
Diluted	$ 0.39	$ 0.10	$ 0.09
Market price range of Class B Shares (in Cdn dollars)			
High	$ 5.64	$ 5.64	$ 5.35
Low	$ 2.22	$ 4.30	$ 3.78

1 Refer to Note 1 for impact of new accounting policies.

2010	2010	2009[1]	2009[1]	2009[1]	2009[1]	2009[1]
Second quarter	**First quarter**	Total	Fourth quarter	Third quarter	Second quarter	First quarter
$2,399	**$2,219**	$ 9,965	$2,777	$2,292	$2,516	$2,380
2,547	**2,252**	9,756	2,652	2,279	2,416	2,409
4,946	**4,471**	19,721	5,429	4,571	4,932	4,789
154	**110**	896	271	176	243	206
159	**125**	533	167	120	128	118
313	**235**	1,429	438	296	371	324
(23)	**(35)**	(270)	(47)	(80)	(82)	(61)
72	**68**	408	103	105	118	82
264	**202**	1,291	382	271	335	303
62	**44**	265	70	45	76	74
$ 202	**$ 158**	$ 1,026	$ 312	$ 226	$ 259	$ 229
$ 198	**$ 156**	$ 1,008	$ 309	$ 222	$ 251	$ 226
$ 4	**$ 2**	$ 18	$ 3	$ 4	$ 8	$ 3
$ 0.11	**$ 0.09**	$ 0.57	$ 0.17	$ 0.12	$ 0.14	$ 0.13
$ 0.11	**$ 0.09**	$ 0.56	$ 0.17	$ 0.12	$ 0.14	$ 0.12
$ 4.45	**$ 3.91**	$ 8.97	$ 5.48	$ 8.50	$ 8.97	$ 6.88
$ 3.16	**$ 2.22**	$ 3.17	$ 3.50	$ 3.17	$ 6.38	$ 4.64

MD&A – OTHER

HISTORICAL FINANCIAL SUMMARY
CONSOLIDATED BALANCE SHEETS

(In millions of U.S. dollars)

As at January 31	**2010**	2009[1]	2008[1]	2007[1]	2006[1]
Assets					
Cash and cash equivalents	**$ 3,372**	$ 3,470	$ 3,602	$ 2,648	$ 2,917
Invested collateral	**682**	777	1,295	1,129	–
Receivables	**1,897**	1,981	1,998	1,789	1,684
Aircraft financing	**473**	418	626	1,042	1,457
Inventories	**5,268**	5,522	5,092	5,275	4,715
Property, plant and equipment	**1,643**	1,568	1,732	1,602	1,616
Intangible assets	**1,696**	1,399	1,451	1,492	1,646
Fractional ownership deferred costs	**271**	444	500	390	270
Deferred income taxes	**1,166**	1,216	935	813	653
Accrued benefit assets	**1,070**	926	924	461	384
Derivative financial instruments	**482**	626	458	39	42
Goodwill	**2,247**	2,010	2,533	2,286	2,142
Assets held for sale	**–**	–	–	–	237
Other assets	**1,006**	949	974	925	635
	$21,273	$21,306	$22,120	$19,891	$18,398
Liabilities					
Accounts payable and accrued liabilities	**$ 7,427**	$ 6,922	$ 6,853	$ 6,779	$ 6,821
Advances and progress billings in excess of related long-term contract costs	**1,899**	2,072	2,791	1,882	1,640
Advances on aerospace programs	**2,092**	2,991	2,926	1,875	1,467
Fractional ownership deferred revenues	**346**	573	631	487	325
Deferred income taxes	**65**	–	–	–	9
Long-term debt	**4,162**	3,952	4,393	5,080	4,747
Accrued benefit liabilities	**1,084**	992	1,066	995	877
Derivative financial instruments	**429**	1,194	276	13	17
Liabilities related to assets held for sale	**–**	–	–	–	42
	17,504	18,696	18,936	17,111	15,945
Shareholders' equity					
Preferred shares	**347**	347	347	347	347
Common shareholders' equity	**3,354**	2,197	2,771	2,386	2,078
Equity attributable to shareholders of Bombardier Inc.	**3,701**	2,544	3,118	2,733	2,425
Equity attributable to non-controlling interests	**68**	66	66	47	28
	3,769	2,610	3,184	2,780	2,453
	$21,273	$21,306	$22,120	$19,891	$18,398

1 Refer to Note 1 for impact of new accounting policies.

HISTORICAL FINANCIAL SUMMARY

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

For the fiscal years ended January 31	**2010**	2009[1]	2008[1]	2007[1]	2006[1]
Revenues					
BA	**$ 9,357**	$ 9,965	$ 9,713	$ 8,296	$ 8,142
BT	**10,009**	9,756	7,793	6,586	6,639
	$19,366	$19,721	$17,506	$14,882	$14,781
Income from continuing operations before special items, financing income and expense and income taxes					
BA	**$ 473**	$ 896	$ 563	$ 323	$ 266
BT	**625**	533	347	264	184
	1,098	1,429	910	587	450
Special items					
BT	**–**	–	162	24	88
Income from continuing operations before financing income and expense and income taxes					
BA	**473**	896	563	323	266
BT	**625**	533	185	240	96
	1,098	1,429	748	563	362
Financing income	**(96)**	(270)	(225)	(157)	(156)
Financing expense	**279**	408	526	375	363
Income from continuing operations before income taxes	**915**	1,291	447	345	155
Income taxes	**208**	265	122	92	15
Income from continuing operations	**707**	1,026	325	253	140
Income from discontinued operations, net of tax	**–**	–	–	25	114
Net income	**$ 707**	$ 1,026	$ 325	$ 278	$ 254
Attributable to:					
Shareholders of Bombardier Inc.	**$ 698**	$ 1,008	$ 317	$ 268	$ 249
Non-controlling interests	**$ 9**	$ 18	$ 8	$ 10	$ 5
EPS (in dollars):					
Basic					
From continuing operations	**$ 0.39**	$ 0.57	$ 0.17	$ 0.12	$ 0.06
Net income	**$ 0.39**	$ 0.57	$ 0.17	$ 0.14	$ 0.13
Diluted					
From continuing operations	**$ 0.39**	$ 0.56	$ 0.16	$ 0.12	$ 0.06
Net income	**$ 0.39**	$ 0.56	$ 0.16	$ 0.14	$ 0.13
General information for continuing operations					
Export revenues from Canada	**$ 6,435**	$ 7,002	$ 6,670	$ 5,715	$ 5,271
Additions to property, plant and equipment and intangible assets	**$ 805**	$ 621	$ 472	$ 344	$ 331
Amortization	**$ 498**	$ 555	$ 512	$ 518	$ 545
Dividend per common share (in Cdn dollars)					
Class A	**$ 0.10**	$ 0.08	$ –	$ –	$ –
Class B	**$ 0.10**	$ 0.08	$ –	$ –	$ –
Dividend per preferred share (in Cdn dollars)					
Series 2	**$ 0.59**	$ 1.15	$ 1.52	$ 1.46	$ 1.12
Series 3	**$ 1.32**	$ 1.32	$ 1.34	$ 1.37	$ 1.37
Series 4	**$ 1.56**	$ 1.56	$ 1.56	$ 1.56	$ 1.56
Number of common shares (in millions)	**1,730**	1,730	1,731	1,739	1,745
Book value per common share (in dollars)	**$ 1.94**	$ 1.27	$ 1.60	$ 1.37	$ 1.19
Shareholders of record	**13,666**	13,540	13,843	13,539	13,600
Market price ranges (in Cdn dollars)					
Class A					
High	**$ 5.63**	$ 9.00	$ 7.00	$ 4.61	$ 3.69
Low	**$ 2.29**	$ 3.25	$ 4.10	$ 2.69	$ 2.34
Close	**$ 5.04**	$ 3.85	$ 4.96	$ 4.48	$ 3.02
Class B					
High	**$ 5.64**	$ 8.97	$ 6.97	$ 4.62	$ 3.66
Low	**$ 2.22**	$ 3.17	$ 4.06	$ 2.68	$ 2.28
Close	**$ 5.04**	$ 3.80	$ 4.95	$ 4.45	$ 2.98

1 Refer to Note 1 for impact of new accounting policies.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated Financial Statements and MD&A of Bombardier Inc. and all other information in this Annual Report are the responsibility of Management and have been reviewed and approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with Canadian GAAP. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects. Financial information presented elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

Bombardier's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to Bombardier Inc. has been made known to them; and information required to be disclosed in Bombardier Inc.'s filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Bombardier's CEO and CFO have also evaluated the effectiveness of Bombardier Inc.'s disclosure controls and procedures as of the end of fiscal year 2010. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective as of that date, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework. In addition, based on this assessment, they determined that there were no material weaknesses in internal control over financial reporting as of fiscal year 2010. In compliance with the Canadian Securities Administrators' National Instrument 52-109, Bombardier's CEO and CFO have provided a certification related to Bombardier's annual disclosure to the Canadian Securities Administrators, including the Consolidated Financial Statements and MD&A.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the Consolidated Financial Statements and 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 meets periodically with Management, as well as with the internal and external auditors, to review the Consolidated Financial Statements, external auditors' report, MD&A, auditing matters and financial reporting issues, to discuss internal controls over the financial reporting process, and to satisfy itself that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the Consolidated Financial Statements as presented by Management, and to review and make recommendations to the Board of Directors with respect to the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the Consolidated Financial Statements and MD&A for issuance to shareholders.

The Consolidated Financial Statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related matters.

Pierre Beaudoin,
President and CEO

Pierre Alary, CA
Senior Vice President and CFO

March 31, 2010

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BOMBARDIER INC.

We have audited the consolidated balance sheets of Bombardier Inc. as at January 31, 2010 and 2009 and the consolidated statements of shareholders' equity, income, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at January 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP[1]

Ernst & Young LLP
Chartered Accountants
Montréal, Canada

March 31, 2010

1 CA auditor permit no. 9859

CONSOLIDATED BALANCE SHEETS

(In millions of U.S. dollars)

As at January 31		2010	2009[1]
Assets			
Cash and cash equivalents	*Note 11*	**$ 3,372**	$ 3,470
Invested collateral	*Note 11*	**682**	777
Receivables	*Note 4*	**1,897**	1,981
Aircraft financing	*Note 5*	**473**	418
Inventories	*Note 6*	**5,268**	5,522
Property, plant and equipment	*Note 7*	**1,643**	1,568
Intangible assets	*Note 8*	**1,696**	1,399
Fractional ownership deferred costs		**271**	444
Deferred income taxes	*Note 19*	**1,166**	1,216
Accrued benefit assets	*Note 24*	**1,070**	926
Derivative financial instruments	*Note 3*	**482**	626
Goodwill	*Note 9*	**2,247**	2,010
Other assets	*Note 10*	**1,006**	949
		$21,273	$21,306
Liabilities			
Accounts payable and accrued liabilities	*Note 12*	**$ 7,427**	$ 6,922
Advances and progress billings in excess of related long-term contract costs		**1,899**	2,072
Advances on aerospace programs		**2,092**	2,991
Fractional ownership deferred revenues		**346**	573
Deferred income taxes	*Note 19*	**65**	–
Long-term debt	*Note 13*	**4,162**	3,952
Accrued benefit liabilities	*Note 24*	**1,084**	992
Derivative financial instruments	*Note 3*	**429**	1,194
		17,504	18,696
Shareholders' equity			
Equity attributable to shareholders of Bombardier Inc.		**3,701**	2,544
Equity attributable to non-controlling interests		**68**	66
		3,769	2,610
		$21,273	$21,306
Commitments and contingencies	*Note 25*		

1 Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

On behalf of the Board of Directors,

Laurent Beaudoin
Director

L. Denis Desautels
Director

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions of U.S. dollars, except number of shares)

For the fiscal years ended January 31		**2010**		2009[1]	
		Number (in thousands)	**Amount**	Number (in thousands)	Amount
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF BOMBARDIER INC.	*Note 14*				
Preferred shares					
Series 2		**9,465**	**$ 159**	9,465	$ 159
Series 3		**2,535**	**40**	2,535	40
Series 4		**9,400**	**148**	9,400	148
		21,400	**347**	21,400	347
Common shares					
Class A Shares (Multiple Voting)					
Balance at beginning of year		**316,583**	**29**	316,962	29
Converted to Class B		**(351)**	**–**	(379)	–
Balance at end of year		**316,232**	**29**	316,583	29
Class B Shares (Subordinate Voting)					
Balance at beginning of year		**1,437,520**	**1,428**	1,434,974	1,419
Issuance of shares		**647**	**2**	2,167	9
Converted from Class A		**351**	**–**	379	–
		1,438,518	**1,430**	1,437,520	1,428
Held in trust under the PSU	*Note 14*				
Balance at beginning of year		**(23,654)**	**(130)**	(21,273)	(89)
Purchased		**(7,068)**	**(21)**	(6,942)	(54)
Distributed		**5,623**	**16**	4,561	13
Balance at end of year		**(25,099)**	**(135)**	(23,654)	(130)
Balance at end of year		**1,413,419**	**1,295**	1,413,866	1,298
Balance at end of year - common shares		**1,729,651**	**1,324**	1,730,449	1,327
Total – share capital			**$1,671**		$ 1,674
Contributed surplus					
Balance at beginning of year			**$ 104**		$ 68
Stock-based compensation	*Note 15*		**46**		51
Options exercised and shares distributed under the PSU plan			**(18)**		(15)
Balance at end of year			**132**		104
Retained earnings					
Balance at beginning of year			**1,567**		706
Net income attributable to shareholders of Bombardier Inc.			**698**		1,008
Dividends:					
Common shares			**(157)**		(120)
Preferred shares, net of tax			**(21)**		(27)
Balance at end of year			**2,087**		1,567
Accumulated OCI	*Note 16*				
Balance at beginning of year			**(801)**		311
OCI attributable to shareholders of Bombardier Inc.			**612**		(1,112)
Balance at end of year			**(189)**		(801)
			3,701		2,544
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS					
Balance at beginning of year			**66**		66
Foreign exchange re-evaluation			**5**		(10)
Net income attributable to non-controlling interests			**9**		18
Capital distribution			**(12)**		(8)
Balance at end of year			**68**		66
SHAREHOLDERS' EQUITY			**$3,769**		$ 2,610

1 Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

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

For the fiscal years ended January 31		**2010**	2009[1]
Revenues			
Manufacturing		**$14,739**	$14,779
Services		**2,767**	3,117
Other		**1,860**	1,825
		19,366	19,721
Cost of sales	*Note 6*	**16,202**	16,049
Selling, general and administrative		**1,453**	1,558
Research and development		**141**	171
Other income	*Note 17*	**(26)**	(41)
Amortization		**498**	555
		18,268	18,292
Income before the following:		**1,098**	1,429
Financing income	*Note 18*	**(96)**	(270)
Financing expense	*Note 18*	**279**	408
Income before income taxes		**915**	1,291
Income taxes	*Note 19*	**208**	265
Net income		**$ 707**	$ 1,026
Attributable to:			
Shareholders of Bombardier Inc.		**$ 698**	$ 1,008
Non-controlling interests		**$ 9**	$ 18
EPS (in dollars):	*Note 20*		
Basic		**$ 0.39**	$ 0.57
Diluted		**$ 0.39**	$ 0.56

1 Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of U.S. dollars)

For the fiscal years ended January 31		2010	2009[1]
Net income		**$ 707**	$ 1,026
OCI	*Note 16*		
Net unrealized gain (loss) on financial AFS, net of tax[2]		**20**	(20)
Net change in cash flow hedges:			
Foreign exchange re-evaluation		**8**	(9)
Net gain (loss) on derivative financial instruments designated as cash flow hedges		**451**	(865)
Reclassification to income or to the related non-financial asset		**125**	33
Income tax recovery (expense)		**(204)**	275
		380	(566)
CTA			
Net investments in self-sustaining foreign operations		**356**	(812)
Net gain (loss) on related hedging items[3]		**(144)**	286
		212	(526)
Total OCI		**612**	(1,112)
Total comprehensive income		**$1,319**	$ (86)
Attributable to:			
Shareholders of Bombardier Inc.		**$1,310**	$ (104)
Non-controlling interests		**$ 9**	$ 18

1 Refer to Note 1 for impact of new accounting policies.
2 Includes a loss of $2 million reclassified to income in fiscal year 2010 (nil in fiscal year 2009).
3 Net of income taxes of $3 million for fiscal year 2010 ($2 million for fiscal year 2009).

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of U.S. dollars)

For the fiscal years ended January 31		2010	2009[1]
Operating activities			
Net income		**$ 707**	$1,026
Non-cash items:			
Amortization		**498**	555
Deferred income taxes	*Note 19*	**(9)**	69
Gain on disposals of property, plant and equipment		**(19)**	(28)
Stock-based compensation	*Note 15*	**46**	51
Net change in non-cash balances related to operations	*Note 21*	**(671)**	(764)
Cash flows from operating activities		**552**	909
Investing activities			
Additions to property, plant and equipment and intangible assets		**(805)**	(621)
Disposals of property, plant and equipment and intangible assets		**38**	54
Invested collateral		**145**	390
Other		**(82)**	(4)
Cash flows from investing activities		**(704)**	(181)
Financing activities			
Proceeds from issuance of long-term debt		**4**	–
Repayments of long-term debt		**(11)**	(166)
Purchase of Class B shares – held in trust under the PSU plan	*Note 14*	**(21)**	(54)
Issuance of shares, net of related costs		**2**	7
Dividends paid		**(178)**	(147)
Capital distribution to non-controlling interests		**(12)**	(8)
Other		**–**	2
Cash flows from financing activities		**(216)**	(366)
Effect of exchange rate changes on cash and cash equivalents		**270**	(494)
Net decrease in cash and cash equivalents		**(98)**	(132)
Cash and cash equivalents at beginning of year		**3,470**	3,602
Cash and cash equivalents at end of year		**$3,372**	$3,470
Supplemental information			
Cash paid for:			
Interest		**$ 254**	$ 413
Income taxes		**$ 115**	$ 98

1 Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 31, 2010 and January 31, 2009
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PRESENTATION	**161**
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	**162**
3. FINANCIAL INSTRUMENTS	**169**
4. RECEIVABLES	**171**
5. AIRCRAFT FINANCING	**172**
6. INVENTORIES	**173**
7. PROPERTY, PLANT AND EQUIPMENT	**174**
8. INTANGIBLE ASSETS	**174**
9. GOODWILL	**175**
10. OTHER ASSETS	**175**
11. CREDIT FACILITIES	**176**
12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**177**
13. LONG-TERM DEBT	**178**
14. SHARE CAPITAL	**179**
15. SHARE-BASED PLANS	**181**
16. ACCUMULATED OTHER COMPREHENSIVE INCOME	**184**
17. OTHER INCOME	**184**
18. FINANCING INCOME AND FINANCING EXPENSE	**185**
19. INCOME TAXES	**185**
20. EARNINGS PER SHARE	**187**
21. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS	**187**
22. FAIR VALUE OF FINANCIAL INSTRUMENTS	**188**
23. FINANCIAL RISK MANAGEMENT	**190**
24. EMPLOYEE FUTURE BENEFITS	**193**
25. COMMITMENTS AND CONTINGENCIES	**198**
26. VARIABLE INTEREST ENTITIES	**201**
27. CAPITAL MANAGEMENT	**202**
28. SEGMENT DISCLOSURE	**203**
29. RECLASSIFICATIONS	**203**
30. SUBSEQUENT EVENT	**203**

Bombardier Inc. (“the Corporation”) is incorporated under the laws of Canada and is a manufacturer of transportation equipment, including business and commercial aircraft and rail transportation equipment and systems, and is a provider of related services.

BASIS OF PRESENTATION

The Consolidated Financial Statements are expressed in U.S. dollars and have been prepared in accordance with Canadian GAAP. The Corporation and its subsidiaries carry out their operations in two distinct segments, the aerospace segment (BA) and the transportation segment (BT), each one characterized by a specific operating cycle; therefore, the consolidated balance sheets are unclassified.

Changes in accounting policies

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the AcSB released Section 1582 “Business combinations”, Section 1601 “Consolidated financial statements” and Section 1602 “Non-controlling interests”, which replace Section 1581 “Business combinations” and Section 1600 “Consolidated financial statements”.

Section 1582 provides the Canadian equivalent to IFRS 3 “Business Combinations”. The new recommendations require measuring business acquisitions at the fair value of the acquired business, including the measurement at fair value of items such as non-controlling interests and contingent payment considerations. Also, the previously unrecognized deferred tax assets related to the acquiree subsequent to the business combination are recognized in the consolidated statements of income rather than as a reduction in goodwill. In addition, business acquisition related costs are expensed as incurred.

The adoption of Section 1582 should have a material effect on the accounting for business combinations that occur subsequent to February 1, 2009. Past acquisitions are not restated.

Section 1601, together with Section 1602, replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements and is aligned with the corresponding provisions of Section 1600.

Section 1602 is aligned with the corresponding provisions of IAS 27, “Consolidated and Separate Financial Statements” and establishes standards for accounting for non-controlling interests in a subsidiary subsequent to a business combination. Section 1602 introduces a number of changes, for example:

- in the consolidated balance sheets and consolidated statements of shareholders’ equity, non-controlling interests are now presented as a separate component of shareholders’ equity rather than as a liability;
- non-controlling interests are no longer recorded as a deduction of net income and total comprehensive income as a result of their presentation in equity;
- for the purpose of computing EPS, net income is attributed between the shareholders of Bombardier Inc. and the non-controlling interests based on their respective economic interests. The components of OCI are attributed following the same logic; and
- changes in non-controlling ownership interests not resulting in a loss of control are accounted for as equity transactions, with no gains and losses recorded in the consolidated statements of income.

The Corporation has elected to early adopt these sections, effective February 1, 2009, in order to more closely align itself with IFRS and mitigate the impact of adopting IFRS at the changeover date. In accordance with the transitional provisions, these sections have been applied prospectively, except for the presentation requirements for non-controlling interests, which must be applied retrospectively. The adoption of these sections did not have a significant impact on the Corporation’s consolidated financial statements but gave rise to the above-mentioned reclassifications of non-controlling interests.

Future changes in accounting policies

IFRS

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. First reporting under IFRS is required for the Corporation’s interim and annual financial statements beginning on February 1, 2011.

The Corporation’s IFRS project is progressing according to plan. The Corporation has completed its detailed assessment of all key standards and is now in the process of data gathering. For more details on the Corporation IFRS conversion, refer to the IFRS conversion section of the MD&A for the fiscal year ended January 31, 2010 and 2009.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Consolidated Financial Statements include:

- the accounts of Bombardier Inc. and its subsidiaries, substantially all of which are wholly owned;
- the accounts of VIEs when the Corporation is the primary beneficiary; and
- the Corporation's proportionate share of the assets, liabilities and results of operations and cash flows of its joint ventures.

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

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

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

VIEs – AcG-15 "Consolidation of Variable Interest Entities" ("AcG-15") requires the consolidation of VIEs if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is exposed to a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party is exposed to a majority of the VIE's losses), or both (the primary beneficiary). Upon consolidation, the primary beneficiary must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value at the date the variable interest holder becomes the primary beneficiary. See Note 26 – Variable interest entities, for additional information on VIEs. The Corporation revises its determination of the accounting for VIEs when certain events occur, such as changes in governing documents or contractual arrangements.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions, particularly as they relate to long-term contracts, fair value measurement of financial instruments, provision for credit and residual value guarantees related to the sales of aircraft, revenue recognition for medium and large business aircraft, valuation of pre-owned aircraft, actuarial and economic assumptions used in determining employee future benefits, useful lives of long-lived assets, recovery of goodwill, VIEs, accrual of product warranties and income taxes. Management's best estimates are based on the facts and circumstances available at the time estimates are made, historical experience, general economic conditions and trends, and management assessment of probable future outcomes of these matters. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates, and such differences could be material.

Management conducts quarterly reviews, as well as a detailed annual review of its cost estimates as part of its annual budget process. The effect of revision on long-term contracts is accounted for by way of a cumulative catch-up adjustment to cost of sales in the period in which the revision takes place.

Translation of foreign currencies

The Corporation's functional currencies are mainly the U.S. dollar in BA, and the euro, various other Western European currencies and the U.S. dollar in BT. All significant foreign operations are classified as self-sustaining foreign operations.

Self-sustaining foreign operations – All assets and liabilities are translated using the exchange rates in effect at year-end. Revenues and expenses are translated using the average exchange rates for the period. Translation gains or losses are included in OCI.

Accounts denominated in foreign currencies – Accounts denominated in foreign currencies are translated using the temporal method. Under this method, monetary balance sheet items are translated using the exchange rates in effect at year-end and non-monetary items are translated using the historical exchange rates. Revenues and expenses (other than amortization, which is translated using the same exchange rates as the related assets) are translated using the average exchange rates for the period.

Hedging items designated as hedges of net investments in self-sustaining foreign operations – Translation gains or losses, net of tax, related to the hedging items designated as hedges of the Corporation's net investments in self-sustaining foreign operations are included in OCI.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, invested collateral, trade receivables, commercial aircraft loans and lease receivables, investment in securities, investment in VIEs, servicing fees, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade account payables, certain accrued liabilities, related liabilities in connection with the sale of commercial aircraft, accrued interest, certain payroll-related liabilities, long-term debt and derivative financial instruments with a negative fair value.

Financial instruments are recognized on the balance sheet when the Corporation becomes a party to the contractual obligations of the instrument. Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in determining the carrying value of financial assets and financial liabilities not classified as HFT. Subsequently, financial assets and financial liabilities are measured according to the category to which they are assigned, which are AFS financial assets, L&R, other than HFT financial liabilities or financial assets and liabilities classified as HFT. See Note 3 – Financial instruments, for their classifications. Financial assets and financial liabilities are subsequently measured at amortized cost, unless they are classified as AFS or HFT, in which case they are subsequently measured at fair value.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments held with investment-grade financial institutions, with maturities of three months or less from the date of acquisition. Cash and cash equivalents are classified as HFT and measured at fair value.

Invested collateral

Invested collateral consist mainly of bonds (government and agency notes and bonds, corporate bonds and covered bonds), commercial paper and certificates of deposit, held with a custodian. The weighted-average maturity of the securities in the portfolios is not to exceed one year and should have a minimum weighted-average rating of A. These investments serve as collateral for the €3.75-billion ($5.2-billion) BT letter of credit facility and for the $600-million BA letter of credit facility (see Note 11 – Credit facilities). The weighted-average credit rating of both portfolios is rated AA+ as at January 31, 2010. These investments include a portion that is invested in asset-backed and mortgage-backed securities of the highest credit quality (AAA). The invested collateral is designated as HFT using the fair value option and measured at fair value. Gains and losses arising on the re-evaluation of the invested collateral are recorded in financing income.

Sales of receivables

Transfers of loans and receivables are recognized as sales when control over these assets has been surrendered and consideration other than beneficial interests in the transferred assets was received. Retained interests are accounted for as loans or lease receivables in accordance with their substance.

When the transfer is considered a sale, all assets sold are derecognized. Assets received and liabilities incurred, such as those arising from credit enhancement support, are recognized at fair value. The gain or loss is recognized upon the sale of assets. Fair values are generally estimated based on the present value of future expected cash flows using management's best estimates for credit losses, forward yield curves and discount rates commensurate with the risks involved.

Loans and lease receivables

Aircraft leased under terms that transfer substantially all of the benefits and risks of ownership to customers are accounted for as sale-type leases and are presented in aircraft financing.

Loans and lease receivables presented in aircraft financing are classified as L&R unless they have been designated as HFT using the fair value option. Loans and lease receivables classified as L&R are carried at amortized cost.

Loans and lease receivables designated as HFT are measured at fair value. Gains and losses arising on the re-evaluation of loans and lease receivables classified as HFT are recorded in other expense (income), except for the interest portion of the gains and losses, which is recorded in financing income.

Assets under operating leases (lessor)

Assets under operating leases are recorded at cost. Amortization is computed under the straight-line method over periods representing their estimated useful lives. Assets under operating leases related to aircraft, most of which are pre-owned, are presented in aircraft financing.

Long-term investments

Investments in entities over which the Corporation exercises significant influence are accounted for under the equity method and are presented in other assets. Investments in financing structures are classified as L&R, carried at amortized cost and presented in aircraft financing. Investment in securities are classified as AFS, carried at fair value and presented in other assets. Investments in VIEs are designated as HFT using the fair value option (measured at fair value) and presented in other assets.

Impairment of financial assets

Allowance for doubtful accounts – Trade receivables carried at amortized cost are subject to periodic impairment review and are classified as impaired when, in the opinion of management, there is a reasonable doubt that credit-related losses are expected to be incurred taking into consideration all circumstances known at the date of review.

Allowance for credit losses – Loans and lease receivables carried at amortized cost are subject to periodic impairment review and are classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of a portion of principal and interest, generally when contractually due payments are 90 days in arrears or customers have filed for bankruptcy.

The Corporation maintains an allowance for credit losses in an amount sufficient to absorb expected losses. The level of allowance is based on management's assessment of the risks associated with each of the Corporation's portfolios, including delinquencies, loss and recovery experience, collateral-specific factors, including age and type of aircraft, risk of individual customer credit, published historical default rates for different credit rating categories, commercial airline industry performance, and the impact of current and projected economic conditions.

Other-than-temporary impairment for investment in securities – When there is objective evidence that a decline in fair value of an AFS financial asset is other than temporary, the cumulative loss equal to the difference between the acquisition cost of the investment and its current fair value, less any impairment loss on that financial asset previously recognized in net income, is removed from AOCI and recognized in net income. Impairment losses recognized in net income for equity instruments classified as AFS cannot be reversed. Impairment losses recognized in net income for debt instruments classified as AFS can be reversed if the increase can be objectively related to an event occurring after the impairment losses were recognized.

Inventory valuation

Aerospace programs – Inventories determined under the unit cost method are recorded at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Cost of inventories includes materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (the reversal is limited to the amount of the original write-down).

Long-term contracts – Long-term contract inventories accounted for under the percentage-of-completion method includes materials, direct labour and manufacturing overhead as well as estimated contract margins. Inventories related to long-term service contracts accounted for as the services are rendered include materials, direct labour and manufacturing overhead.

Finished products – Finished product inventories, which include spare parts and new and pre-owned aircraft, are mainly determined under the unit cost and moving average method, and are valued at the lower of cost or net realizable value. The cost of finished products includes the cost of materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (the reversal is limited to the amount of the original write-down).

The Corporation estimates net realizable value by using both external and internal aircraft valuations, including information developed from the sale of similar aircraft in the secondary market.

Payments, advances and progress billings – Payments received on account of work performed for long-term contracts are deducted from related costs in inventories. Advances received and progress billings in excess of related costs are shown as liabilities.

Property, plant and equipment

Property, plant and equipment are recorded at cost and include certain leased equipments.

Amortization is computed under the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Equipment	2 to 15 years
Other	3 to 20 years

Amortization of assets under construction begins when they are ready for their intended use.

Improvements to existing property, plant and equipment that significantly extend the useful life or utility of the assets are capitalized, whereas maintenance and repair costs are charged to income when incurred.

Intangible assets

Intangible assets are recorded at cost and are comprised of aerospace program tooling as well as costs related to licences, patents and trademarks and other intangible assets. The Corporation does not have indefinite-lived intangible assets, other than goodwill.

Aerospace program tooling – Development costs, including prototype design, testing costs and interest charges during the development, are capitalized when certain criteria for deferral are met, such as proven technical feasibility and official program launch. Amortization begins at the date of delivery of the first aircraft of the program.

Licences, patents and trademarks – Represents mainly intangible assets acquired from third parties. Amortization begins when the asset is ready for its intended use.

Other intangible assets – These costs are mainly related to application software. Internally modified application software are capitalized when certain criteria for deferral are met, such as proven technical feasibility. Application software are treated as intangible assets as they are not integral to the operation of a related hardware. Amortization begins when the asset is ready for its intended use.

Amortization is computed under the following methods and estimated useful lives:

Aerospace program tooling	Straight-line	10 years
Licences, patents and trademarks	Straight-line	3 to 20 years
Other intangible assets	Straight-line	3 to 5 years

Impairment of long-lived assets

Impairment – Long-lived assets include aircraft under operating leases, property, plant and equipment and finite-life intangible assets. Long-lived assets are tested for impairment when certain events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The first step in the recoverability test is performed using undiscounted future net cash flows that are directly associated with the asset's use and eventual disposition. If the carrying value exceeds the undiscounted cash flows, the amount of the impairment is measured as the difference between the carrying value and the fair value of the impaired assets and is recorded in amortization.

Long-lived assets held for sale are recorded at the lower of cost or fair value, less cost to sell.

Goodwill

Goodwill represents the excess of the purchase price, including acquisition costs, over the fair value of the identifiable net assets acquired.

Goodwill is reviewed for impairment annually, or more frequently if events or circumstances, such as significant declines in expected sales, earnings or cash flows, indicate that it is more likely than not that the asset might be impaired.

The Corporation evaluates the recoverability of goodwill using a two-step test approach at the segment level ("reporting unit"). Under the first step, the fair value of the reporting unit, based upon discounted future cash flows, is compared to its net carrying amount. If the fair value is greater than the carrying amount, no impairment is deemed to exist and the second step is not required to be performed. If the fair value is less than the carrying amount, a second test must be performed whereby the implied fair value of the reporting unit's goodwill must be estimated. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. The carrying value of goodwill in excess of its implied fair value is charged to income.

Guarantees

The Corporation has issued credit guarantees, residual value guarantees, trade-in commitment and performance guarantees. Guarantees are initially recognized at fair value on the date the guarantees are unconditionally given.

Credit and residual value guarantees related to the sale of aircraft are subsequently remeasured using the settlement-value method. Subsequent changes in the value of these guarantees are recorded in cost of sales, except for the interest portion, which is recorded in financing expense.

Subsequent to initial recognition, adverse changes in the fair value of the trade-in aircraft are recorded in cost of sales as they occur.

Other guarantees are subsequently remeasured when a loss becomes probable.

Derivative financial instruments

Derivative financial instruments are mainly used to manage the Corporation's exposure to foreign exchange and interest-rate market risks. They consist of forward foreign exchange contracts, interest-rate swap agreements, cross-currency interest-rate swap agreements and interest-rate cap agreements. Derivative financial instruments are measured at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts.

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

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

Hedge accounting

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

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

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

Cash flow hedges – The Corporation designates forward foreign exchange contracts and interest-rate swap agreements as cash flow hedges. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when the hedged item affects net income. However, when an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in OCI are reclassified in the initial carrying amount of the related asset.

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

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

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

Stock-based compensation and other stock-based payments

Share option plans – All awards granted or modified after January 31, 2003, are accounted for under the fair value method. Under this method, the value of the compensation is measured at the grant date using a modified Black-Scholes option-pricing model. The value of the compensation expense is recognized over the vesting period of the stock options with a corresponding increase in contributed surplus.

All awards granted or modified prior to February 1, 2003 are accounted for as capital transactions. No compensation expense is recorded in income for these awards.

Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

PSU and DSU plans – The value of the compensation for PSUs and DSUs that are expected to vest is measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange on the date of grant. The value of the compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in contributed surplus. The effect of any change in the number of PSUs and DSUs that are expected to vest is accounted for in the period in which the estimate is revised.

Employee share purchase plan – The Corporation's contributions to the employee share purchase plan are accounted for in the same manner as the related employee payroll costs.

Revenue recognition

Aerospace programs – Revenues from the sale of commercial aircraft and light business aircraft (*Learjet* Series) are recognized upon final delivery of products and presented in manufacturing revenues.

Medium and large business aircraft (*Challenger* and *Global* Series) contracts are segmented between green aircraft (i.e. before exterior painting and installation of customer-selected interiors and optional avionics) and completion. Revenues are recognized based on green aircraft deliveries (when certain conditions are met), and upon final acceptance of interiors and optional avionics by customers. Revenues for green aircraft delivery and completion are presented in manufacturing revenues.

Fractional shares – Revenues from the sale of aircraft fractional shares are recognized over the period during which the related services are rendered to the customer, generally five years, and are included in manufacturing revenues. At the time of sale, the proceeds from the sale are recorded in fractional ownership deferred revenues. The carrying value of the related aircraft is transferred to fractional ownership deferred costs and is charged to cost of sales over the same period. Other revenues from the fractional share ownership program, including flight crew and maintenance support, are recognized at the time the service is rendered to the customer and are presented in services revenues.

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing of products, including vehicle and component overhaul, are recognized using the percentage-of-completion method of accounting. The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. Vehicle and component overhaul revenues are presented in services revenues. System and signalling revenues are presented in other revenues. All other long-term manufacturing contract revenues are presented in manufacturing revenues.

Revenues from maintenance service contracts entered into on or after December 17, 2003 are recognized in proportion to the total costs originally anticipated to be incurred at the beginning of the contract and are presented in services revenues. Maintenance service contracts entered into before this date are recognized using the percentage-of-completion method of accounting.

Revenues from other long-term service contracts are generally recognized as services are rendered and are presented in services revenues.

Estimated revenues from long-term contracts include revenues from change orders and claims when it is probable that they will result in additional revenues in an amount that can be reliably estimated.

If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in cost of sales in the period in which the negative gross margin is identified.

Other – Revenues from the sale of pre-owned aircraft and spare parts are recognized upon delivery. Pre-owned aircraft revenues are presented in other revenues and spare parts revenues are included in services revenues. Operating lease income, mainly from pre-owned aircraft, is recognized on a straight-line basis over the term of the lease and is included in other revenues. Interest income related to aircraft financing is recognized over the term of the applicable loans or leases using the effective interest method and is included in financing income.

Sales incentives

In connection with the sale of new aircraft, the Corporation may provide sales incentives in the form of credit and residual value guarantees, financing rate commitment, trade-in commitments, conditional repurchase obligations and free related product and services.

Credit and residual value guarantees related to the sale of aircraft and trade-in commitments are discussed in the guarantees section and financing rate commitment are discussed in the derivative financial instruments section.

Conditional repurchase obligations are accounted for as trade-in commitments from the time the Corporation enters into an agreement for the sale of a new aircraft and the customer exercises its right to partially pay for the new aircraft by trading in its pre-owned aircraft. No provision is recorded for conditional repurchase obligations until they become trade-in commitments.

Other sales incentives, such as free training and spare parts, are recorded at their estimated cost as a reduction of manufacturing revenues or included in cost of sales at the time of the sale.

Government assistance

Government assistance, including investment tax credits, relating to the acquisition of inventories, property, plant and equipment and intangible assets, is recorded as a reduction of the cost of the related asset. Government assistance, including investment tax credits, related to current expenses is recorded as a reduction of the related expenses.

Product warranties

A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of products sold and in service and counter-warranty coverage available from the Corporation's suppliers.

The Corporation reviews its recorded product warranty provisions quarterly and any adjustment is recorded in cost of sales.

Income taxes

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

A valuation allowance is recorded to reduce the carrying amount of deferred income tax assets when it is more likely than not that these assets will not be realized.

Earnings per share

Basic earnings per share are computed based on net income less dividends on preferred shares, net of tax, divided by the weighted-average number of Class A Shares (Multiple Voting) and Class B Shares (Subordinate Voting) outstanding during the fiscal year.

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

Employee future benefits

The defined benefit plans are accounted for as follows:

- Plan assets are measured at fair value.
- With regard to equity securities, the Corporation uses an evaluation based on asset market values, which, for benefit cost measurement purposes, takes into account the impact of gains or losses over a three-year period starting from the fiscal year during which these gains or losses occur. With regard to investments other than equity securities, the Corporation uses an evaluation based on current market values.
- The net actuarial gains and losses over 10% of the greater of the projected benefit obligation and the market-related value of plan assets, as well as past service costs, are amortized over the estimated weighted-average remaining service life of plan participants, which is on average approximately 14 years but varies from plan to plan.
- Plan obligations are determined based on expected future benefit payments discounted using market interest rates on high-quality debt instruments that match the timing and amount of expected benefit payments.
- When an event, such as the sale of a segment, gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement. A curtailment is the loss by employees of the right to earn future benefits under the plan. A settlement is the discharge of a plan's obligation by the Corporation.
- The cost of pension and other benefits earned by employees is actuarially determined using the projected benefit method prorated on services, and management's best estimate of expected plan investment performance, salary escalation, retirement ages, mortality and healthcare costs.
- Benefit cost is capitalized as part of labour costs and included in inventories and aerospace program tooling, or is recognized directly through income.
- The Corporation uses a December 31 measurement date.

Environmental obligations

Environmental liabilities are recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Environmental costs that are not legal asset retirement obligations are expensed or capitalized, as appropriate. Environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in property, plant and equipment and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in cost of sales.

3 FINANCIAL INSTRUMENTS

The classification of financial instruments as HFT, AFS, L&R and other than HFT, as well as their carrying amounts and fair values, were as follows as at:

							January 31, 2010
	HFT						
	Required	**Designated**	**AFS**	**Amortized cost[1]**	**DDHR[2]**	**Total carrying value**	**Fair value**
Financial assets							
Cash and cash equivalents	**$3,372**	**$ –**	**$ –**	**$ –**	**$ –**	**$3,372**	**$3,372**
Invested collateral	**–**	**682**	**–**	**–**	**–**	**682**	**682**
Receivables	**–**	**–**	**–**	**1,766[3]**	**–**	**1,766**	**1,766**
Aircraft financing	**–**	**280[4]**	**–**	**95[5]**	**–**	**375**	**375**
Derivative financial instruments	**98[6]**	**–**	**–**	**–**	**384**	**482**	**482**
Other assets	**–**	**228[7]**	**328[8]**	**115[9]**	**–**	**671**	**671**
	$3,470	**$1,190**	**$328**	**$1,976**	**$384**	**$7,348**	**$7,348**
Financial liabilities							
Accounts payable and accrued liabilities	**$ –**	**$ 196[10]**	**n/a**	**$3,726[11]**	**$ –**	**$3,922**	**$3,922**
Long-term debt	**–**	**–**	**n/a**	**4,162**	**–**	**4,162**	**4,035**
Derivative financial instruments	**77[6]**	**–**	**n/a**	**–**	**352**	**429**	**429**
	$ 77	**$ 196**	**n/a**	**$7,888**	**$352**	**$8,513**	**$8,386**

							January 31, 2009
	HFT						
	Required	Designated	AFS	Amortized cost[1]	DDHR[2]	Total carrying value	Fair value
Financial assets							
Cash and cash equivalents	$3,470	$ –	$ –	$ –	$ –	$3,470	$3,470
Invested collateral	–	777	–	–	–	777	777
Receivables	–	–	–	1,905[3]	–	1,905	1,905
Aircraft financing	–	240[4]	–	104[5]	–	344	335
Derivative financial instruments	179[6]	–	–	–	447	626	626
Other assets	–	231[7]	203[8]	160[9]	–	594	594
	$3,649	$1,248	$203	$2,169	$ 447	$7,716	$7,707
Financial liabilities							
Accounts payable and accrued liabilities	$ –	$ 192[10]	n/a	$3,675[11]	$ –	$3,867	$3,867
Long-term debt	–	–	n/a	3,952	–	3,952	2,965
Derivative financial instruments	163[6]	–	n/a	–	1,031	1,194	1,194
	$ 163	$ 192	n/a	$7,627	$1,031	$9,013	$8,026

1 Financial assets classified as L&R and financial liabilities as other than HFT.
2 DDHR: Derivatives designated in a hedge relationship.
3 Represents trade receivables and certain other receivables.
4 Represents certain commercial aircraft loans and lease receivables.
5 Represents certain commercial aircraft loans and lease receivables, investment in financing structures and business aircraft loans.
6 Represents derivative financial instruments not designated in a hedging relationship but that are economic hedges, and embedded derivatives accounted for separately.
7 Includes investment in VIEs, prepayment under an exchange agreement and servicing fees.
8 Represents investment in securities.
9 Includes restricted cash.
10 Represents related liabilities in connection with the sale of commercial aircraft.
11 Includes trade accounts payable, accrued interest, as well as certain accrued liabilities and payroll-related liabilities.
n/a: Not applicable

The methods and assumptions used to measure the fair value of financial instruments are described in Note 22 – Fair value of financial instruments.

3 FINANCIAL INSTRUMENTS (CONT'D)

The net gain (loss) on financial instruments recognized in income was as follows for fiscal years:

	2010	2009
Financial instruments measured at amortized cost		
L&R	**$ (4)**	$ (13)
Other than HFT	**$ –**	$ 22
Financial instruments measured at fair value		
AFS	**$ (2)**	$ –
Designated as HFT[1]	**$ 29**	$ (13)
Required to be classified as HFT[2, 3]	**$ 37**	$ (38)

1 Excludes the interest income portion related to the invested collateral and prepayment under an exchange agreement of $14 million for fiscal year 2010 ($56 million for fiscal year 2009).
2 Excludes the interest income portion related to cash and cash equivalents of $26 million for fiscal year 2010 ($143 million for fiscal year 2009).
3 Includes a net gain of $53 million in connection with economic hedges not designated in hedging relationships for fiscal year 2010 (net loss of $62 million for fiscal year 2009).

Net gains (losses) on L&R represent changes in valuation allowance. Net gains (losses) on financial liabilities measured at amortized cost represent gains or losses from derecognition. Net losses on AFS financial assets consist of impairment losses. Net gains (losses) on financial assets and financial liabilities HFT consist of changes in fair value, excluding interest income and interest expense for those classified as HFT. For the amounts of unrealized gains (losses) on AFS financial assets recognized directly in OCI during fiscal years 2010 and 2009, see the consolidated statements of comprehensive income.

Derivative and hedging activities

The carrying amounts of all derivative financial instruments and certain non-derivative financial instruments in a hedge relationship were as follows as at:

	January 31, 2010		January 31, 2009	
	Assets	**Liabilities**	Assets	Liabilities
Derivative financial instruments designated as fair value hedges				
Cross-currency interest-rate swap	**$ –**	**$ 35**	$ –	$ –
Interest-rate swaps	**140**	**–**	169	3
	140	**35**	169	3
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts[1, 2]	**244**	**279**	278	1,018
Derivative financial instruments designated as hedges of net investment				
Cross-currency interest-rate swap	**–**	**38**	–	10
Derivative financial instruments classified as HFT[3]				
Forward foreign exchange contracts	**31**	**53**	96	133
Cross-currency interest-rate swap	**21**	**–**	9	–
Interest-rate swaps	**–**	**7**	–	4
Others	**–**	**–**	1	1
Embedded derivative financial instruments:				
Foreign exchange	**26**	**8**	73	25
Call options on long-term debt	**20**	**–**	–	–
Financing rate commitments	**–**	**9**	–	–
	98	**77**	179	163
Total derivative financial instruments	**$ 482**	**$ 429**	$ 626	$ 1,194
Non-derivative financial instruments designated as hedges of net investment				
Long-term debt	**$ –**	**$ 399**	$ –	$ 908
Inter-company loans	**–**	**–**	–	29
Total non-derivative financial instruments designated in a hedge relationship	**$ –**	**$ 399**	$ –	$ 937

1 For fiscal year 2010, the component of the hedging item's gain or loss excluded from the assessment of effectiveness amounted to a net loss of $3 million ($20 million for fiscal year 2009).
2 The maximum length of time of the derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 36 months as at January 31, 2010.
3 Held as economic hedges, except for embedded derivative financial instruments.

3 FINANCIAL INSTRUMENTS (CONT'D)

Maturity analysis – The following table presents the maturity analysis of derivative financial instruments. The amounts presented in the table below are the undiscounted cash flows (amounts denominated in foreign currency are translated at the closing balance sheet rate).

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows as at January 31, 2010:

	Nominal value (USD equivalent)	Undiscounted net cash flows					
		Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial assets							
Forward foreign exchange contracts	$6,694	$ 175	$ 73	$ –	$ –	$ –	$ 248
Interest-rate derivatives	1,501	61	72	38	4	–	175
	$8,195	$ 236	$145	$ 38	$ 4	$ –	$ 423
Derivative financial liabilities							
Forward foreign exchange contracts	$6,515	$(216)	$ (99)	$ –	$ –	$ –	$(315)
Interest-rate derivatives	1,514	8	3	(24)	(85)	(8)	(106)
	$8,029	$(208)	$ (96)	$(24)	$(85)	$(8)	$(421)

RECEIVABLES

Receivables were as follows as at January 31:

	2010	2009
Trade receivables[1]		
BA	**$ 858**	$ 937
BT	**863**	885
	1,721	1,822
Sales tax	**74**	61
Other	**154**	168
	1,949	2,051
Allowance for doubtful accounts	**(52)**	(70)
	$1,897	$1,981

1 Of which $966 million and $313 million are denominated in U.S. dollars and euro invoicing currency, respectively, as at January 31, 2010 ($1,098 million and $458 million, respectively as at January 31, 2009).

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows as at January 31:

	2010	2009
Balance at beginning of year	**$ (70)**	$ (75)
Provision for doubtful accounts	**(11)**	(17)
Amounts charged off, net of recoveries	**34**	12
Effect of foreign currency exchange rate changes	**(5)**	10
Balance at end of year	**$ (52)**	$ (70)

Receivables that are past due but not impaired – The trade receivables that are past due but not impaired for BA amounted to $53 million, of which $14 million were more than 90 days past due as at January 31, 2010 ($106 million, of which $25 million were more than 90 days past due as at January 31, 2009).

In addition, $350 million of trade receivables related to BT long-term contracts are past due but not impaired as at January 31, 2010, of which $160 million were more than 90 days past due ($358 million as at January 31, 2009, of which $169 million were more than 90 days past due). BT assesses whether these receivables are collectible as part of its risk management practices applicable to long-term contracts as a whole.

Receivables that are impaired – The Corporation has determined that a gross amount of $38 million of trade receivables are individually determined to be impaired as at January 31, 2010 ($62 million as at January 31, 2009). The factors the Corporation considers are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears for over 90 days.

5 AIRCRAFT FINANCING

Aircraft financing was as follows as at January 31:

	2010				2009			
		Weighted-average				Weighted-average		
	Total	**Maturity (in months)**	**Rate (in %)[1]**	**Fixed/ variable rate[1]**	Total	Maturity (in months)	Rate (in %)[1]	Fixed/ variable rate[1]
Commercial aircraft								
Loans	**$ 248**	**108**	**9.0**	**Fix/Var**	$ 194	117	13.1	Fix./var.
Lease receivables[2]	**69**	**159**	**4.1**	**Fix/Var**	82	80	8.3	Fix./var.
	317				276			
Business aircraft loans[3]	**8**	**18**	**7.5**	**Fix/Var**	23	18	6.7	Fix./var.
Total loans and lease receivables	**325**				299			
Allowance for credit losses	**(3)**				(10)			
	322				289			
Assets under operating leases	**98**				74			
Investment in financing structures	**53**				55			
	$ 473				$ 418			

1 Effective interest rates are before giving effect to the related hedging derivative financial instruments.
2 Includes $11 million of lease receivables related to consolidated VIEs as at January 31, 2010 ($9 million as at January 31, 2009).
3 This portfolio is being wound down.

Loans and lease receivables – Financing with three airlines represents approximately 43% of the total loans and lease receivables as at January 31, 2010 (three airlines represented 35% as at January 31, 2009). Loans and lease receivables are generally collateralized by the related assets. The value of the collateral is closely related to commercial airline industry performance and aircraft-specific factors (age, type-variant and seating capacity), as well as other factors. The value of the collateral also fluctuates with economic cycles.

Lease receivables consist of the following, before allowance for credit losses, as at January 31:

	2010	2009
Total minimum lease payments	**$ 47**	$ 79
Unearned income	**(17)**	(22)
Unguaranteed residual value	**39**	25
	$ 69	$ 82

Assets under operating leases – Assets under operating leases were as follows as at January 31:

	2010		2009	
	Cost	**Net book value**	Cost	Net book value
Pre-owned commercial aircraft	**$ 60**	**$45**	$ 49	$ 28
Pre-owned business aircraft	**56**	**53**	50	46
	$116	**$98**	$ 99	$ 74

Rental income from operating leases and amortization of assets under operating leases amounted to $5 million and $12 million, respectively, for fiscal year 2010 ($9 million and $15 million, respectively, for fiscal year 2009).

6 INVENTORIES

Inventories were as follows as at January 31:

	2010	2009
Long-term contracts		
Costs incurred and recorded margins	**$ 5,793**	$ 4,503
Less: advances and progress billings	**(4,155)**	(3,308)
	1,638	1,195
Aerospace programs	**2,576**	2,850
Finished products[1]	**1,054**	1,477
	$ 5,268	$ 5,522

1 Finished products include 7 new aircraft not associated with a firm order and 19 pre-owned aircraft, totalling $274 million as at January 31, 2010 (19 new aircraft and 29 pre-owned aircraft, totalling $448 million as at January 31, 2009).

Under certain contracts, title to inventories is vested to the customer as the work is performed, in accordance with contractual arrangements and industry practice. In addition, in the normal course of business, the Corporation provides performance bonds, bank guarantees and other forms of guarantees to customers, mainly in BT, as security for advances received from customers pending performance under certain contracts. In accordance with industry practice, the Corporation remains liable to the purchasers for the usual contractor's obligations relating to contract completion in accordance with predetermined specifications, timely delivery and product performance.

Inventories recognized as cost of sales – The amount of inventories recognized as cost of sales totalled $15,227 million for fiscal year ended 2010 ($15,007 million for fiscal year 2009). These amounts include $78 million of write-down for fiscal year 2010 ($59 million for fiscal year 2009).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were as follows as at January 31:

	2010		2009	
	Cost	**Net book value**	Cost	Net book value
Land	**$ 99**	**$ 99**	$ 93	$ 93
Buildings	**1,943**	**899**	1,772	837
Equipment	**1,149**	**433**	1,085	462
Other	**240**	**212**	212	176
	$ 3,431	**$ 1,643**	$ 3,162	$ 1,568

Included in the above table are assets under capital lease with a cost and net book value amounting to $147 million and $79 million, respectively, as at January 31, 2010 ($143 million and $81 million, respectively, as at January 31, 2009).

Also included in the above table are assets under construction amounting to $88 million as at January 31, 2010 ($100 million as at January 31, 2009).

Amortization of property, plant and equipment amounted to $168 million for fiscal year 2010 ($180 million for fiscal year 2009).

INTANGIBLE ASSETS

Intangible assets were as follows as at January 31:

	2010		2009	
	Cost	**Net book value**	Cost	Net book value
Aerospace program tooling				
Business aircraft	**$ 2,237**	**$ 618**	$ 2,074	$ 572
Commercial aircraft	**2,028**	**822**	1,682	603
Licences, patents and trademarks	**297**	**113**	281	121
Other	**522**	**143**	428	103
	$ 5,084	**$ 1,696**	$ 4,465	$ 1,399

Intangible assets capitalized during fiscal year 2010 amounted to $583 million ($376 million for fiscal year 2009) of which $512 million ($325 million for fiscal year 2009) were capitalized in aerospace program tooling. Of the amount of intangible assets capitalized during fiscal year 2010, $162 million were acquired and $421 million were internally generated.

Amortization of intangible assets was as follows for fiscal years:

	2010	2009
Aerospace program tooling	**$ 243**	$ 310
Other	**75**	50
	$ 318	$ 360

9 GOODWILL

Goodwill is mainly related to the DaimlerChrysler Rail Systems GmbH ("Adtranz") acquisition in May 2001. Changes in the goodwill balance were as follows for fiscal years:

	2010	2009
Balance at beginning of year	**$ 2,010**	$ 2,533
Resolution of a tax uncertainty[1]	**–**	(41)
Effect of foreign currency exchange rate changes	**237**	(482)
Balance at end of year	**$ 2,247**	$ 2,010

1 Effective February 1, 2009, the Corporation has adopted Section 1582. As a result, resolution of tax uncertainty related to the acquiree subsequent to the business combination is recognized in the consolidated statement of income rather than as a reduction in goodwill.

The Corporation completed the required annual impairment review during the fourth quarter of fiscal year 2010 and did not identify any impairment.

10 OTHER ASSETS

Other assets were as follows as at January 31:

	2010	2009
Investment in securities[1]	**$ 328**	$ 203
Investment in VIEs[2]	**180**	27
Prepaid expenses	**179**	257
Deferred financing charges	**99**	65
Servicing fees	**48**	54
Restricted cash[3]	**40**	85
Investment in companies subject to significant influence[4]	**33**	30
Prepayment under an exchange agreement	**–**	150
Other	**99**	78
	$ 1,006	$ 949

1 Includes an amount of $148 million held in an aircraft financing structure to support certain of the Corporation's financial obligations as at January 31, 2010 ($64 million as at January 31, 2009).
2 Includes an investment of $150 million in replacement of the prepayment under an exchange agreement.
3 Includes $59 million related to consolidated VIEs as at January 31, 2009 (nil as at January 31, 2010).
4 The Corporation has pledged shares in investees subject to significant influence, with a carrying value of $26 million as at January 31, 2010 ($20 million as at January 31, 2009). Investment in companies subject to significant influence includes $9 million of loans as at January 31, 2010 ($8 million as at January 31, 2009), mostly related to BT.

11 CREDIT FACILITIES

Letter of credit facilities

The letter of credit facilities and their maturities were as follows as at:

	Amount committed	Letters of credit issued	Amount available	Maturity (fiscal year)
January 31, 2010				
BT facility	**$5,201[1]**	**$3,921**	**$1,280**	**2014[2]**
BA facility	**600**	**484**	**116**	**2012**
PSG facility	**900**	**377**	**523**	**2011[3]**
	$6,701	**$4,782**	**$1,919**	
January 31, 2009				
BT facility	$ 4,801[1]	$ 4,446	$ 355	2014[2]
Previous BA facility	840	655	185	2012
PSG facility	250	30	220	2010[3]
	$ 5,891	$ 5,131	$ 760	

1 €3,750 million.

2 In December 2011, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature up to December 2013.

3 The performance security guarantee facility ("PSG facilities") is renewed and extended annually if mutually agreed. In December 2009, the facility was extended to April 2010 to coincide with the release of the Corporation's annual consolidated financial statements, and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

On June 30, 2009, a $600-million facility agreement was signed with a syndicate of first-quality financial institutions, mainly North American-based, available for the issuance of letters of credit to support BA's operations as well as the general needs of the Corporation, excluding BT, in replacement of the previous BA facility.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $532 million were outstanding under various bilateral agreements as at January 31, 2010 ($257 million as at January 31, 2009).

We also use numerous bilateral facilities with insurance companies to support BT's operations. An amount of $937 million was outstanding under such facilities as at January 31, 2010 ($916 million as at January 31, 2009).

Revolving credit facility

On September 1, 2009, the Corporation entered into a $500-million two-year unsecured revolving credit facility with a syndicate of commercial banks and other institutions. This facility is available for cash drawings for the general working capital needs of the Corporation, and was undrawn as at January 31, 2010.

Covenants – The Corporation is subject to various financial covenants under its BA and BT letter of credit facilities and its revolving credit facility, which must be met on a quarterly basis. The BA letter of credit and revolving credit facilities include financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum debt to EBITDA ratio and a minimum liquidity level all calculated based on an adjusted consolidated basis (i.e. excluding BT). The BT financial covenants require minimum equity and liquidity levels as well as a maximum debt to EBITDA ratio, all calculated based on BT standalone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics or to the specific terms used in the MD&A.

In addition, the Corporation must maintain a minimum BT liquidity of €600 million at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. The Corporation must also maintain €404 million ($560 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at January 31, 2010.

The Corporation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met.

Other facilities

In the normal course of its business, BT has set up factoring facilities in Europe to which it can sell, without recourse, qualifying trade receivables. Trade receivables of $194 million were outstanding under such facilities as at January 31, 2010 ($18 million as at January 31, 2009). Trade receivables of $542 million were sold to these facilities during fiscal year 2010.

In addition, BA has set up sale and leaseback facilities to which it can sell pre-owned business aircraft. An amount of $180 million was outstanding under such facilities as at January 31, 2010 ($54 million as at January 31, 2009). Aircraft worth $217 million were sold and leased-back to these facilities during fiscal year 2010.

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at January 31:

	2010	2009
Trade accounts payable	**$2,311**	$ 2,243
Accrued liabilities	**1,239**	1,048
Product warranties	**1,040**	931
Sales incentives[1]	**968**	1,001
Payroll-related liabilities	**486**	438
Income and other taxes	**206**	113
Severance and other involuntary termination costs	**82**	43
Interest payable	**56**	61
Provision for repurchase obligations	**–**	59
Other	**1,039**	985
	$7,427	$ 6,922

1 Comprised of provision for credit and residual value guarantees and trade-in commitments, as well as other related provisions and related liabilities in connection with the sale of aircraft (see Note 25 – Commitments and contingencies). The carrying value of related liabilities in connection with the sale of aircraft is $196 million as at January 31, 2010 ($190 million as at January 31, 2009). The amount contractually required to be paid for these liabilities is $228 million as at January 31, 2010 ($232 million as at January 31, 2009).

Product warranties – Product warranties typically range from one to five years, except for aircraft structural warranties that extend up to 20 years.

Changes in the product warranty provision were as follows for fiscal years 2010 and 2009:

	BA	BT	Total
Balance as at January 31, 2008	$ 285	$ 756	$ 1,041
Current expense	95	279	374
Changes in estimates	–	(63)	(63)
Cash paid	(100)	(202)	(302)
Effect of foreign currency exchange rate changes	–	(119)	(119)
Balance as at January 31, 2009	280	651	931
Current expense	66	378	444
Changes in estimates	–	(94)	(94)
Cash paid	(67)	(239)	(306)
Effect of foreign currency exchange rate changes	–	65	65
Balance as at January 31, 2010	**$279**	**$ 761**	**$ 1,040**

13 LONG-TERM DEBT

Long-term debt was as follows as at January 31:

			Interest rate				2010	2009
	Amount in currency of origin 2010/2009	Currency	Fixed/ Variable[1]	Contractual 2010/2009[1]	After effect of fair value hedges 2010/2009	Maturity	Amount	Amount
Senior notes	679	EUR	Variable	4.53%/ 7.74%	n/a	Nov. 2013	**$ 933**	$ 858
	385	USD	Fixed	8.00%	3-month Libor + 2.91	Nov. 2014	**419**	430
	785	EUR	Fixed	7.25%	3-month Libor + 4.83/ 6-month Euribor + 3.36	Nov. 2016	**1,139**	1,028
Notes	550	USD	Fixed	6.75%	3-month Libor + 2.28	May 2012	**597**	587
	500	USD	Fixed	6.30%	3-month Libor + 1.60	May 2014	**550**	551
	250	USD	Fixed	7.45%	n/a	May 2034	**247**	247
Debentures	150	CAD	Fixed	7.35%	n/a	Dec. 2026	**139**	120
Other[2]	138/131[3]	Various	Fix./var.	7.42%/ 7.21%	n/a	2011-2027	**138**	131
							$ 4,162	$ 3,952

1 For variable-rate debt, the interest rate represents the average rate for the fiscal year. All interests on long-term debt are payable semi-annually, except for the Senior note due in November 2013, for which they are payable quarterly, and for the other debts for which the timing of interest payments is variable.
2 Includes $76 million relating to obligations under capital leases as at January 31, 2010 ($66 million as at January 31, 2009).
3 Amounts are expressed in U.S. dollars.
n/a: Not applicable

All long-term debt items rank pari-passu and are unsecured.

The carrying value of long-term debt includes principal repayments, transaction costs and the basis adjustments related to derivatives designated in a fair value hedge relationships. The following table presents the principal repayment of the long-term debt:

	Debt	Capital leases	Total
2011	$ 3	$ 8	$ 11
2012	3	10	13
2013	554	10	564
2014	943	3	946
2015	888	3	891
Thereafter	1,528	42	1,570
	$ 3,919	$ 76	$ 3,995

In addition, refer to Note 30 – Subsequent event for the issuance and repurchase of Notes subsequent to year-end.

14 SHARE CAPITAL

Preferred shares

An unlimited number of non-voting preferred shares, without nominal or par value, issuable in series are authorized. The following series have been issued as at January 31, 2010 and 2009:

12,000,000 SERIES 2 CUMULATIVE REDEEMABLE PREFERRED SHARES	
Redemption:	Redeemable, at the Corporation's option, at $25.50 Cdn per share.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2012 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines that on any conversion date, there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, then no Series 2 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	Since August 1, 2002, the variable cumulative preferential cash dividends are payable monthly on the 15th day of each month, if declared, with the annual variable dividend rate being equal to 80% of the Canadian prime rate. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of Series 2 Cumulative Redeemable Preferred Shares is less than $24.90 Cdn per share or more than $25.10 Cdn per share.

12,000,000 SERIES 3 CUMULATIVE REDEEMABLE PREFERRED SHARES	
Redemption:	Redeemable, at the Corporation's option, at $25.00 Cdn per share on August 1, 2012, and on August 1 of every fifth year thereafter.
Conversion:	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2012, and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines that on any conversion date there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, then no Series 3 Cumulative Redeemable Preferred Shares may be converted.
Dividend:	For the five-year period from August 1, 2007, and including July 31, 2012, the Series 3 Cumulative Redeemable Preferred Shares carry fixed cumulative preferential cash dividends at a rate of 5.267% or $1.31675 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.32919 Cdn, if declared. For each succeeding five-year period, the applicable fixed annual rate of the cumulative preferential cash dividends calculated by the Corporation shall not be less than 80% of the Government of Canada bond yield, as defined in the Articles of Incorporation. These dividends shall be payable quarterly on the last day of January, April, July and October, if declared.

9,400,000 SERIES 4 CUMULATIVE REDEEMABLE PREFERRED SHARES	
Redemption:	The Corporation may, subject to certain provisions, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Cumulative Redeemable Preferred Shares at $25.50 Cdn if redeemed on or after March 31, 2009, but prior to March 31, 2010; $25.25 Cdn if redeemed on or after March 31, 2010, but prior to March 31, 2011; and $25.00 Cdn if redeemed on or after March 31, 2011.
Conversion:	The Corporation may, subject to the approval of the Toronto Stock Exchange and such other stock exchanges on which the Series 4 Cumulative Redeemable Preferred Shares are then listed, at any time convert all or any of the outstanding Series 4 Cumulative Redeemable Preferred Shares into fully paid and non-assessable Class B Shares (Subordinate Voting) of the Corporation. The number of Class B Shares (Subordinate Voting) into which each Series 4 Cumulative Redeemable Preferred Shares may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to, but excluding the date of conversion, by the greater of $2.00 Cdn and 95% of the weighted-average trading price of such Class B Shares (Subordinate Voting) on the Toronto Stock Exchange for the period of 20 consecutive trading days, which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day. The Corporation may, at its option, at any time, create one or more further series of Preferred Shares of the Corporation, into which the holders of Series 4 Cumulative Redeemable Preferred Shares could have the right, but not the obligation, to convert their shares on a share-for-share basis.
Dividend:	The holders of Series 4 Cumulative Redeemable Preferred Shares are entitled to fixed cumulative preferential cash dividends, if declared, at a rate of 6.25% or $1.5625 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.390625 Cdn per share.

Common shares

The following classes of common shares, without nominal or par value, were authorized as at January 31, 2010 and 2009:

1,892,000,000 CLASS A SHARES (MULTIPLE VOTING)	
Voting rights:	Ten votes each.
Conversion:	Convertible, at any time, at the option of the holder, into one Class B Share (Subordinate Voting).

1,892,000,000 CLASS B SHARES (SUBORDINATE VOTING)	
Voting rights:	One vote each.
Conversion:	Convertible, at the option of the holder, into one Class A Share (Multiple Voting): (i) if an offer made to Class A (Multiple Voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); or (ii) if such controlling shareholder ceases to hold more than 50% of all outstanding Class A Shares (Multiple Voting) of the Corporation.
Dividend:	Annual non-cumulative preferential dividend of $0.0015625 Cdn per share, in priority to the Class A Shares (Multiple Voting), payable quarterly on the last day of January, May, July and October of each year at a rate of $0.000390625 Cdn per share, if declared.

On June 3, 2008, the Board of Directors of the Corporation authorized the reinstatement of the payment of a quarterly dividend on each Class A Shares (Multiple Voting) and each Class B Shares (Subordinate Voting) of the Corporation. As a result, if and when declared payable by the Board of Directors, holders of these shares are entitled to a quarterly dividend of $0.025 Cdn per share, in addition, to the quarterly preferential dividend of $0.000390625 Cdn for class B Shares mentioned above.

In connection with the performance share unit plan, the Corporation provided instructions to a trustee under the terms of a Trust Agreement to purchase 7,068,000 Class B Shares (Subordinate Voting) of the Corporation in the open market for $21 million during fiscal year 2010 (6,942,000 Class B Shares for $54 million during fiscal year 2009) (see Note 15 – Share-based plans).

15 SHARE-BASED PLANS

Share option plans

Under share option plans, options are granted to key employees to purchase Class B Shares (Subordinate Voting). Options were also granted to directors up to October 1, 2003. Of the 135,782,688 Class B Shares (Subordinate Voting) reserved for issuance, 61,854,596 were available for issuance under these share option plans as at January 31, 2010.

Current share option plan – Effective June 1, 2009, the Corporation amended the share option plan for key employees for options granted after this date. The significant terms and conditions of the amended plan are as follows:

- The exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted.
- The options vest at the expiration of the third year following the grant date.
- The options terminate no later than seven years after the grant date.

The number of options issued and outstanding under the amended share option plan has varied as follows for fiscal year 2010:

	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	–	–
Granted	2,620,000	3.45
Cancelled	(40,000)	3.45
Balance at end of year	**2,580,000**	**3.45**
Options exercisable at end of year	–	–

Performance share option plan – For options issued to key employees after May 27, 2003 and before June 1, 2009, the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted. These options vest at 25% per year during a period beginning one year following the grant date. However, predetermined target market price thresholds must be achieved in order for the options to be exercised. Such options may be exercised if within the 12-month period preceding the date on which such options vest, the weighted-average trading price on the stock exchange (during a period of 21 consecutive trading days) is greater than or equal to the target price threshold established at the time the options were granted. If within such 12-month period, the weighted-average trading price has not been reached, the target price threshold applicable to the next vesting tranche becomes effective. The options terminate no later than seven years after the grant date. As at January 31, 2010, target prices ranged between $4 Cdn and $11 Cdn.

The summarized information on the performance share option plan is as follows as at January 31, 2010:

	Issued and outstanding				Exercisable	
Exercise price range (Cdn$)	Number of options	Weighted-average target price (Cdn$)	Weighted-average remaining life (years)	Weighted-average exercise price (Cdn$)	Number of options	Weighted-average exercise price (Cdn$)
2 to 4	11,711,425	5.85	2.29	3.18	7,421,363	2.95
4 to 6	13,466,650	9.01	2.54	4.80	2,622,150	5.50
6 to 8	449,000	9.60	1.94	7.05	112,250	7.05
8 to 10	5,627,000	8.00	5.36	8.53	1,406,750	8.53
	31,254,075				11,562,513	

15 SHARE-BASED PLANS (CONT'D)

The number of options has varied as follows for fiscal years:

	2010		2009	
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**33,817,321**	**4.85**	31,698,625	3.99
Granted	**10,000**	**3.48**	6,090,000	8.48
Exercised	**(646,746)**	**2.83**	(2,167,304)	3.03
Cancelled	**(1,647,250)**	**4.84**	(1,604,000)	4.26
Expired	**(279,250)**	**3.91**	(200,000)	4.16
Balance at end of year	**31,254,075**	**4.90**	33,817,321	4.85
Options exercisable at end of year	**11,562,513**	**4.25**	6,650,634	3.54

Prior share option plans – For options issued to key employees prior to May 27, 2003, and options issued to directors, the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the option was granted. These options are all vested, and terminate no later than 10 years after the grant date.

The summarized information on these options is as follows as at January 31, 2010:

	Issued, outstanding and exercisable		
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**
12 to 15	2,143,000	2.15	14.58
15 to 25	3,024,000	0.70	20.45
	5,167,000		

The number of options has varied as follows for fiscal years:

	2010		2009	
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**10,488,500**	**14.75**	11,696,500	14.59
Cancelled	**(419,500)**	**17.21**	(506,000)	15.01
Expired	**(4,902,000)**	**11.10**	(702,000)	11.93
Balance at end of year	**5,167,000**	**18.01**	10,488,500	14.75
Options exercisable at end of year	**5,167,000**	**18.01**	10,488,500	14.75

Stock-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2010 was $1.15 per option ($3.11 per option during fiscal year 2009). The fair value of each option granted was determined using a Black-Scholes option-pricing model, modified to incorporate target prices related to the performance share option plan in the fair value calculation for options issued before June 1, 2009, when appropriate, the share price at the grant date, and the following weighted-average assumptions for fiscal years:

	2010	2009
Risk-free interest rate	**2.82%**	3.57%
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**50.79%**	48.03%
Expected dividend yield	**2.10%**	1.66%

A compensation expense of $10 million was recorded during fiscal year 2010 with respect to share option plans ($14 million during fiscal year 2009).

PSU and DSU plans

During fiscal year 2006, the Board of Directors of the Corporation approved a PSU plan under which PSUs may be granted to executives and other designated employees. The PSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (Subordinate Voting). On June 3, 2009, the Board of Directors of the Corporation approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment. During fiscal year 2010, a combined total of 6,712,000 PSUs and DSUs were authorized for issuance (6,265,000 PSUs during fiscal year 2009).

The number of PSUs and DSUs has varied as follows for fiscal years:

		2010		2009
	PSU	**DSU**	PSU	DSU
Balance at beginning of year	**15,006,293**	**–**	13,696,996	–
Granted	**5,059,700**	**1,164,000**	5,695,000	–
Performance adjustment	**1,874,374**	**–**	969,715	–
Exercised	**(5,623,122)**	**–**	(4,561,241)	–
Cancelled	**(428,978)**	**(40,000)**	(794,177)	–
Balance at end of year	**15,888,267**	**1,124,000**	15,006,293	–

DSUs and PSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested DSUs and PSUs ranges from 70% to 150%. If the financial performance threshold of PSUs and DSUs are met, they will vest at the following date:

- for grants during fiscal year 2010, June 9, 2012;
- for grants during fiscal year 2009, June 10, 2011; and
- for grants during fiscal year 2008, June 4, 2010.

The Corporation provided instructions to a trustee under the terms of a Trust Agreement to purchase Class B Shares (Subordinate Voting) of the Corporation in the open market (see Note 14 – Share capital) in connection with the PSU plan. These shares are held in trust for the benefit of the beneficiaries until the PSU become vested or are cancelled. The cost of these purchases has been deducted from share capital.

A compensation expense of $36 million was recorded during fiscal year 2010 with respect to the PSU and DSU plans ($37 million during fiscal year 2009).

Employee share purchase plan

Under the employee share purchase plan, employees of the Corporation are eligible to purchase the Corporation's Class B Shares (Subordinate Voting) up to a maximum of 20% of their base salary to a yearly maximum of $30,000 Cdn per employee. The Corporation contributes to the plan an amount equal to 20% of the employees' contributions. The contributions are used to purchase the Corporation's Class B Shares (Subordinate Voting) in the open market on monthly investment dates or as otherwise determined by the Corporation, but not less frequently than monthly. The Corporation's contribution to the plan amounted to $5 million for fiscal years 2010 and 2009. Shares purchased by the Corporation are subject to a mandatory 12-month holding period that must be completed at the anniversary date of January 1.

16 ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the AOCI were as follows for fiscal years 2010 and 2009:

	AFS financial assets	Cash flow hedges	CTA	Total
Balance as at January 31, 2008	$ 3	$ 111	$ 197	$ 311
Change during the year	(20)	(566)	(526)	(1,112)
Balance as at January 31, 2009	(17)	(455)	(329)	(801)
Change during the year	20	380	212	612
Balance as at January 31, 2010	**$ 3**	**$ (75)**	**$ (117)**	**$ (189)**

17 OTHER INCOME

Other income was as follows for fiscal years:

	2010	2009
Severance and other involuntary termination costs (including changes in estimates and capacity adjustments)	**$ 100**	$ 46
Net loss (gain) on financial instruments[1]	**(56)**	6
Loss (gain) related to disposal of businesses	**(20)**	23
Gain on disposal of property, plant and equipment	**(19)**	(26)
Foreign exchange gains	**(6)**	(75)
Loss (gain) from equity accounted investees	**(4)**	2
Settlement of claims	**–**	(28)
Other	**(21)**	11
	$ (26)	$ (41)

1 Net loss (gain) on certain financial instruments classified as HFT, including foreign exchange embedded derivatives and financing rate commitments.

18 FINANCING INCOME AND FINANCING EXPENSE

Financing income and financing expense were as follows for fiscal years:

	2010	2009
Financing income		
Loans and lease receivables – after effect of hedges	$ (31)	$ (43)
Cash and cash equivalents	(26)	(143)
Net gain on financial instruments[1]	(17)	–
Invested collateral	(14)	(51)
Gain on long-term debt repayment	–	(22)
Other	(8)	(11)
	$ (96)[2]	$ (270)[2]
Financing expense		
Interest on long-term debt – after effect of hedges	$ 223	$ 307
Accretion expense on certain sales incentives	36	45
Net loss on financial instruments[1]	–	27
Write-off of deferred costs[3]	–	20
Other	20	9
	$ 279[4]	$ 408[4]

1 Net gain/loss on certain financial instruments required to be classified as HFT, including certain call options on long-term debt.
2 Of which $11 million represents the interest income calculated using the effective interest method for financial assets classified as L&R for fiscal year 2010 ($22 million for fiscal year 2009).
3 Related to the previous BT letter of credit facility.
4 Of which $236 million represents the interest expense calculated using the effective interest method for financial liabilities classified as other than HFT for fiscal year 2010 ($339 million for fiscal year 2009).

19 INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's deferred income tax assets and liabilities were as follows as at January 31:

	2010	2009
Operating losses carried forward	$ 1,226	$ 1,049
Inventories	534	851
Advances and progress billings in excess of related long-term contract costs and advances on aerospace programs	409	513
Warranty and other provisions	330	(9)
Property, plant and equipment	(344)	(267)
Intangible assets	39	41
Derivative financial instruments, net	27	165
Accrued benefit liabilities	4	18
Other	2	1
	2,227	2,362
Valuation allowance	(1,126)	(1,146)
Net amount	$ 1,101	$ 1,216

NOTES

19 INCOME TAXES (CONT'D)

The net amount of deferred income taxes is composed as follows as at January 31:

	2010	2009
Deferred income taxes assets	**$ 1,166**	$ 1,216
Deferred income taxes liabilities	**(65)**	–
	$ 1,101	$ 1,216

Details of income tax expense were as follows for fiscal years:

	2010	2009
Current income taxes		
Canada	**$ 127**	$ 88
Foreign	**90**	108
	217	196
Deferred income taxes		
Recognition of previously unrecognized tax benefits	**(181)**	(264)
Write-down of deferred income tax assets	**15**	19
Non-recognition of tax benefits and temporary differences	**146**	306
Effect of substantively enacted income tax rate changes	**11**	8
	(9)	69
Income tax expense	**$ 208**	$ 265

The reconciliation of income taxes, computed at the Canadian statutory rates of 31.29% in fiscal year 2010 and 31.54% in fiscal year 2009, to income tax expense was as follows for fiscal years:

	2010	2009
Income tax expense at statutory rate	**$ 286**	$ 407
Increase (decrease) resulting from:		
Recognition of previously unrecognized tax benefits	**(181)**	(264)
Write-down of deferred income tax assets	**15**	19
Non-recognition of tax benefits related to losses and temporary differences	**83**	110
Effect of substantively enacted income tax rate changes	**11**	8
Permanent differences	**18**	41
Income tax rates differential of foreign investees	**(21)**	(53)
Other	**(3)**	(3)
Income tax expense	**$ 208**	$ 265

The net operating losses carried forward and temporary differences (which are available to reduce future taxable income of certain subsidiaries) for which a valuation allowance has been recognized amounted to $4,039 million as at January 31, 2010. Of these amounts, $1,767 million relate to the Corporation's operations in Germany, where a minimum income tax is payable on 40% of taxable income. These amounts have essentially no expiration dates.

In addition, the Corporation has $261 million of available net capital losses, most of which can be carried forward indefinitely. Net capital losses can only be used against future taxable capital gains, and therefore no deferred tax benefit has been recognized.

Undistributed earnings of the Corporation's foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no income taxes have been provided thereon. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to withholding taxes.

20 EARNINGS PER SHARE

Basic and diluted EPS were computed as follows for fiscal years:

(Number of shares, stock options, PSUs and DSUs, in thousands)	**2010**	2009
Net income attributable to shareholders of Bombardier Inc.	**$ 698**	$ 1,008
Preferred share dividends, net of tax	**(21)**	(27)
Net income attributable to common shareholders of Bombardier Inc.	**$ 677**	$ 981
Weighted-average basic number of common shares outstanding	**1,729,810**	1,730,545
Net effect of stock options, PSUs and DSUs	**25,223**	23,897
Weighted-average diluted number of common shares outstanding	**1,755,033**	1,754,442
EPS (in dollars):		
Basic	**$ 0.39**	$ 0.57
Diluted	**$ 0.39**	$ 0.56

The effect of the exercise of stock options was included in the calculation of diluted EPS in the above table, except for 30,761,517 stock options for fiscal year 2010 (25,427,192 for fiscal year 2009) since the average market value of the underlying shares was lower than the exercise price or because the predetermined target market price thresholds for the Corporation's Class B Shares (Subordinate Voting) had not been met.

21 NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS

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

	2010	2009
Receivables	**$ 167**	$ (249)
Aircraft financing	**(61)**	125
Inventories	**466**	(1,211)
Fractional ownership deferred costs and revenues, net	**(67)**	(7)
Derivative financial instruments, net	**(7)**	71
Accounts payable and accrued liabilities	**143**	778
Advances and progress billings in excess of related long-term contract costs	**(401)**	(263)
Advances on aerospace programs	**(899)**	88
Accrued benefit liabilities, net	**(71)**	(85)
Other	**59**	(11)
	$ (671)	$ (764)

22 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 most advantageous active 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 probability, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable. These calculations represent management's best estimates based on a range of methods and assumptions. 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 the fair value are as follows:

Financial instruments whose carrying value approximates fair value – The fair values of receivables, commercial aircraft loans and lease receivables, business aircraft loans, restricted cash, trade account payables and accrued liabilities, interest and certain payroll-related liabilities, measured at amortized cost, approximate their carrying value due to the short-term maturities of these instruments or because the terms and conditions of loans or lease receivables are comparable to current market terms and conditions for similar items.

Invested collateral – The fair value is determined using external quotations when available. When not available, discounted cash flow analyses are used based on both market data and internal assumptions. The market data used for the discounted cash flow analysis relate to yield curves and credit spreads.

Commercial aircraft loans and lease receivables designated as HFT – The Corporation uses an internal valuation model based on stochastic simulations and discounted cash flow analysis to estimate the fair value. The 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 assumption to take into account factors that market participants would consider when pricing these financial assets, when relevant. 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 obtained from independent appraisers adjusted to reflect the specific factors of the current aircraft market.

Related liabilities in connection with the sale of aircraft – The Corporation uses an internal valuation model based on stochastic simulations to estimate the fair value of related liabilities incurred in connection with the sale of commercial aircraft. The 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 – The 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 Corporations' credit risk, at the reporting dates. The Corporation uses discounted cash flows analyses and public quotations to estimate the fair value of forward agreements and interest-rate derivatives. The fair value is calculated using market data such as interest rates, credit spreads and foreign exchange spot rates.

The Corporation uses an option-pricing model adjusted for aircraft financing specific factors to estimate the fair value of financing rate commitments. The fair value is calculated using market data such as interest rates, credit spreads, published credit ratings, when available, and default probabilities. 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 obtained from independent appraisers adjusted to reflect the specific factors of the current aircraft market.

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

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

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 January 31, 2010:

	Total	Level 1	Level 2	Level 3
Financial assets				
Invested collateral	$ 682	$ 44	$ 638	$ –
Commercial aircraft loans and lease receivables	280	–	–	280
Derivative financial instruments[1]	482	–	482	–
Servicing fees	48	–	–	48
Investment in securities[2]	324	241	82	1
Investment in VIEs	180	–	150	30
Total	$1,996	$285	$1,352	$359
Financial liabilities				
Related liabilities	$ 196	$ –	$ –	$196
Derivative financial instruments[1]	429	–	420	9
Total	$ 625	$ –	$ 420	$205

1 Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements, cross-currency interest-rate swap agreements and embedded derivatives.
2 Excludes $4 million of investments held at cost.

Changes in Level 3 financial instruments were as follows for fiscal year 2010:

	Commercial aircraft loans and lease receivables	Servicing fees	Investment in VIEs	Investment in securities	Related liabilities	Embedded derivatives
Balance as at January 31, 2009	$ 240	$ 54	$ 27	$ 2	$ (190)	$ –
Gains (losses) included in net income	94	(5)	3	(1)	(48)	2
Issuances	–	–	–	–	(26)	(11)
Settlements	(54)	(1)	–	–	68	–
Balance as at January 31, 2010	**$280**	**$48**	**$30**	**$ 1**	**$(196)**	**$ (9)**

Sensitivity to selected changes of assumptions for Level 3 hierarchy

When measuring Level 3 financial instruments at fair value, some assumptions may not be derived from an observable market. 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:

			January 31, 2010
Impact on EBT (gain (loss))	**Change in carrying value**		**Change of assumption**
	Change in fair value recognized in net income during fiscal year 2010	**Downgrade the credit rating of unrated customers by 1 notch**	**Increase the liquidity risk by 100 bps**
Commercial aircraft loans and lease receivables	$ 67	$ (8)	$ (23)

NOTES

23 FINANCIAL RISK MANAGEMENT

The Corporation is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments.

Credit risk	Risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Liquidity risk	Risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.
Market risk	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is primarily exposed to foreign exchange risk and interest-rate risk.

Credit risk

The Corporation is exposed to credit risk through its normal treasury activities on its derivative instruments, invested collateral and other investing activities. The Corporation is also exposed to credit risk through its trade receivable arising from its normal commercial activities. Credit exposures arising from lending activities relate primarily to loans and lease receivables provided to BA customers in connection with the sale of aircraft.

The effective monitoring and controlling of credit risks is a key component of the Corporation's risk management activities. Credit risks arising from the treasury activities are managed by a central treasury function in accordance with the Corporate Investment Management Policy ("Policy"). The objective of the policy is to minimize the Corporation's exposure to credit risk from its treasury activities by ensuring that the Corporation transacts strictly with investment-grade financial institutions and highly-rated market funds based on pre-established limits per financial institution.

Credit risks arising from the Corporation's normal commercial activities, lending activities and indirect financing support are managed and controlled by the two manufacturing segments. The main credit exposure managed by the segments arises from customer credit risk. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and the Corporation's experience with the customers. The credit risks and credit limits are dynamically reviewed based on fluctuations in the customer's financial results and payment behaviour.

These customer credit risk assessments and credit limits are critical inputs in determining the conditions under which credit or financing will be offered to customers, including obtaining collateral to reduce the Corporation's exposure to losses. Specific governance is in place to ensure that financial risks arising from large transactions are analyzed and approved by the appropriate management level before financing or credit support is offered to the customer.

Credit risk is monitored on an ongoing basis using different systems and methodologies depending on the underlying exposure. Various accounting and reporting systems are used to monitor trade receivables, lease receivables and other direct financings.

Maximum exposure to credit risk – The maximum exposures to credit risk for financial instruments is usually equivalent to their carrying value, as presented in Note 3 – Financial Instruments, except for the financial instruments in the table below, for which the maximum exposures were as follows:

	January 31, 2010		January 31, 2009	
	HFT	**AFS**	HFT	AFS
Aircraft financing	**$248**	**n/a**	$216	n/a
Derivative financial instruments[1]	**$ 52**	**n/a**	$106	n/a
Other assets	**$198**	**$279**	$204	$166

1 Comprised of derivative financial instruments HFT, excluding embedded derivatives.

Credit quality – The credit quality, using external and internal credit rating system, of financial assets that are neither past due nor impaired is usually investment grade, except for BA receivables and aircraft financing. BA receivables are not externally or internally quoted, however the credit quality of customers are dynamically reviewed and are based on the Corporation's experience with the customers and payment behaviour. The Corporation usually holds underlying assets or security deposits as collateral or letters of credit for the receivables. The Corporation's customers for aircraft financing are mainly regional airlines with a credit rating below investment grade. The credit quality of the Corporation's aircraft financing portfolio is strongly correlated to the credit quality of the regional airline industry. The financed aircraft is used as collateral to reduce the Corporation's exposure to credit risk.

Refer to Note 25 – Commitment and Contingencies for the Corporation's off-balance sheet credit risk, including credit risk related to support provided for sale of aircraft.

Liquidity risk

The Corporation manages the liquidity risk by maintaining detailed cash forecasts, as well as long-term operating and strategic plans. The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of the Corporation's liquidity position, to ensure adequacy and efficient use of cash resources. Liquidity adequacy is continually monitored, taking into consideration historical volatility and seasonal needs, the maturity profile of indebtedness (including off-balance sheet indebtedness), access to capital markets, the level of customer advances and progress billings in excess of related long-term contract costs, working capital requirements and the funding of product developments. The Corporation also constantly monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility.

Maturity analysis – The maturity analysis of financial assets and liabilities (undiscounted cash flows before giving effect to the related hedging instruments), excluding derivatives, was as follows as at January 31, 2010:

	Carrying amount							Undiscounted cash flows
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	Total
Cash and cash equivalents	$ 3,372	$ 3,372	$ –	$ –	$ –	$ –	$ –	$ 3,372
Invested collateral	682	–	121	561	–	–	–	682
Trade receivables and other receivables	1,766	1,722	32	12	–	–	–	1,766
Aircraft financing	375	25	40	27	102	310	–	504
Other financial assets	671	156	92	6	90	372	45	761
Assets	$ 6,866	$ 5,275	$ 285	$ 606	$ 192	$ 682	$ 45	$ 7,085
Trade and other payables	$ 3,922	$ 3,498	$ 148	$ 83	$ 95	$ 25	$100	$ 3,949
Long-term debt								
Principal	4,162	11	577	1,837	1,112	458	–	3,995
Interest	–	254	507	394	297	388	–	1,840
Liabilities	$ 8,084	$ 3,763	$ 1,232	$ 2,314	$ 1,504	$ 871	$100	$ 9,784
Net amount		$ 1,512	$ (947)	$(1,708)	$(1,312)	$(189)	$ (55)	$(2,699)

The maturity analysis of derivative financial instruments is presented in Note 3 – Financial instruments.

Market risk

Foreign exchange risk

The Corporation is exposed to significant foreign exchange risks, in the ordinary course of business, through its international operations in particular to the Canadian dollar, pound sterling and Euro. The Corporation employs various strategies, including the use of derivative financial instruments and by matching asset and liability positions, to mitigate these exposures.

The Corporation's main exposures to foreign currencies are managed by the segments and covered by a central treasury function. Foreign currency exposures are managed in accordance with the Corporation's Foreign Exchange Risk Management Policy (the "FX Policy"). The objective of the FX Policy is to mitigate the impact of foreign exchange movements on the Corporation's Consolidated Financial Statements. Under the FX Policy, potential losses from adverse movements in foreign exchange rates should not exceed pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an unhedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-quarter period. The FX Policy also strictly prohibits any speculative foreign exchange transactions whose end result is to create an exposure in excess of the maximum potential loss approved by the Board of Directors of the Corporation.

Under the FX Policy, it is the responsibility of the segments' management to identify all actual and potential foreign exchange exposures arising from their operations. This information is communicated to the central treasury group, who has the responsibility to execute the hedge transactions in accordance with the policy requirements.

In order to properly manage their exposures, each segment maintains long-term cash flow forecasts in currency. BA has adopted a progressive hedging strategy while BT hedges all its identified foreign currency exposures to limit the effect of currency movements on their results. The segments are also mitigating foreign currency risks by maximizing transactions in the functional currency of each operation such as material procurement, sale contracts and financing activities.

In addition, the central treasury function manages balance sheet exposures to foreign currency movements by matching asset and liability positions. This program consists mainly in matching the long-term debt in foreign currency with long-term assets denominated in the same currency.

The Corporation mainly uses forward foreign exchange contracts to manage the Corporation's exposure from transactions in foreign currencies and to synthetically modify the currency of exposure of certain balance sheet items. The Corporation applies hedge accounting for a significant portion of anticipated transactions and firm commitments denominated in foreign currencies, designated as cash flow hedges. Notably, the Corporation enters into forward foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales and purchases and firm commitments.

The Corporation's foreign currency hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity, consistent with the objective to lock in currency rates on the hedged item.

Sensitivity analysis

Foreign exchange risk arises on financial instruments that are denominated in foreign currencies. The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments recorded on its balance sheet. The following impact on income is before giving effect to hedge relationships.

Gain (loss)						**Effect on pre-tax income**
	Variation in the foreign currency as at January 31, 2010	**CAD/USD**	**GBP/USD**	**USD/EUR**	**EUR/SEK**	**Other**
For fiscal year 2010	+10%	$ (5)	$ (6)	$ –	$ 2	$ (13)

The following impact on OCI is for derivatives designated in a cash flow hedge relationship. For derivatives that qualify for hedge accounting, any change in fair value is mostly offset by the re-measurement of the underlying exposure.

Gain (loss)						**Effect on OCI before income taxes**
	Variation in the foreign currency as at January 31, 2010	**CAD/USD**	**GBP/USD**	**USD/EUR**	**EUR/SEK**	**Other**
For fiscal year 2010	+10%	$183	$74	$ (49)	$ (41)	$ 29

Interest rate risk

The Corporation is exposed to fluctuations in its future cash flows arising from changes in interest rates through its variable-rate financial assets and liabilities including long-term debt synthetically converted to variable interest rate (see Note 13 – Long-term debt). The Corporation is also exposed to changes in interest rates for certain financing commitments, when a financing rate has been guaranteed to a customer in the future. For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. These exposures are predominantly managed by a central treasury function as part of an overall risk management policy, by matching asset and liability positions, including the use of financial instruments, such as interest-rate swap agreements, to align asset/liability exposures. Derivative financial instruments used to synthetically convert interest-rate exposures consist mainly of interest-rate swap agreements, cross-currency interest rate swap agreements and interest rate cap agreements.

In addition, the Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risk, through its financial instruments carried at fair value. These financial instruments include certain commercial aircraft loans and lease receivables, investments in securities, invested collateral, related liabilities in connection with the sale of aircraft and certain derivative financial instruments.

The Corporation's interest rate hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity to ensure proper assets/liabilities management matching, consistent with the objective to reduce risks arising from interest rate movements.

Sensitivity analysis

The interest rate risk primarily related to financial instruments carried at fair value such as certain aircraft loans and lease receivables, investment in securities, invested collateral, related liabilities in connection with the sale of aircraft and certain embedded derivatives. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, as of January 31, 2010 and 2009, the impact on income before income taxes would have been a negative adjustment of $48 million for fiscal year 2010 ($40 million for fiscal year 2009).

For interest-rate derivative financial instruments not designated in a hedge relationship, an increase of 100-basis points in interest rates as of January 31, 2010 and 2009 would have had no significant impact on net income.

24 EMPLOYEE FUTURE BENEFITS

Defined benefit pension plans – The Corporation sponsors several funded and unfunded defined benefit pension plans in Canada and abroad, covering a majority of its employees. Salaried employees' defined benefit pension plans are generally based on salary and years of service. Some of the hourly employees' defined benefit pension plans provide benefits based on stated amounts for each year of service.

The most recent actuarial valuations for funding purposes of the Corporation's funded pension plans, excluding the United Kingdom ("U.K.") plans, were prepared with effective dates ranging between December 31, 2007, and December 31, 2008. In the U.K., the most recent actuarial valuations for funding purposes were prepared with effective dates ranging between December 31, 2006, and December 31, 2008. The next effective valuation date for funding purposes for most of the Corporation's funded pension plans is December 31, 2009.

Benefits other than pension – The Corporation provides post-employment and other post-retirement benefit plans. These benefit plans consist essentially of self-insured long-term disability plans in Canada and post-retirement healthcare coverage and life insurance benefits, mainly in Canada and in the U.S.

The following table provides the accrued benefit assets and liabilities recognized in the consolidated balance sheets as at January 31:

AMOUNTS RECOGNIZED

			2010			2009
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Accrued benefit assets						
Pension plans	**$ 535**	**$ 535**	**$ 1,070**	$ 476	$ 450	$ 926
Accrued benefit liabilities						
Pension plans	**$ (64)**	**$(668)**	**$ (732)**	$ (60)	$(595)	$(655)
Benefits other than pension	**(303)**	**(49)**	**(352)**	(290)	(47)	(337)
	$(367)	**$(717)**	**$(1,084)**	$(350)	$(642)	$(992)

The significant actuarial assumptions adopted to determine the projected benefit obligation and benefit cost were as follows (weighted-average assumptions as at the December 31 measurement date preceding the fiscal year-ends):

ACTUARIAL ASSUMPTIONS

				2010				2009
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
(in percentage)	**Canada**	**Foreign**	**Total**		Canada	Foreign	Total	
Projected benefit obligation								
Discount rate	**6.00**	**5.64**	**5.79**	**5.99**	6.60	5.62	6.01	6.50
Rate of compensation increase	**3.50**	**3.89**	**3.74**	**3.53**	3.72	3.92	3.85	3.69
Benefit cost								
Discount rate	**6.60**	**5.62**	**6.01**	**6.50**	5.20	5.57	5.39	5.30
Expected long-term rate of return on plan assets	**6.99**	**6.98**	**6.98**	**n/a**	7.22	7.41	7.33	n/a
Rate of compensation increase	**3.72**	**3.92**	**3.85**	**3.69**	3.73	3.92	3.84	3.75

n/a: Not applicable

24 EMPLOYEE FUTURE BENEFITS (CONT'D)

As at December 31, 2009, the healthcare cost trend rate for benefits other than pension, which is a weighted-average annual rate of increase in the per capita cost of covered health and dental care benefits, is assumed to be 8.5% and to decrease to 5% by fiscal year 2018 and then remain at that level for all participants. A one percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One percentage-point increase	**One percentage-point decrease**
Effect on projected benefit obligation	$ 33	$ (29)
Effect on the total service and interest cost	$ 3	$ (2)

The following table presents the changes in the projected benefit obligation for the 12-month period ended December 31, measurement date preceding the fiscal year-ends, and its allocation by major countries:

PROJECTED BENEFIT OBLIGATION

			2010				2009	
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Obligation at beginning of the year	**$2,141**	**$3,235**	**$5,376**	**$299**	$3,103	$4,078	$ 7,181	$436
Interest cost	**159**	**204**	**363**	**20**	154	219	373	20
Actuarial loss (gain)	**244**	**62**	**306**	**26**	(594)	(52)	(646)	(76)
Current service cost	**67**	**105**	**172**	**8**	100	118	218	12
Plan amendments	**35**	**7**	**42**	**(3)**	34	–	34	1
Plan participants' contributions	**20**	**16**	**36**	**–**	23	17	40	–
Benefits paid	**(108)**	**(140)**	**(248)**	**(20)**	(124)	(155)	(279)	(21)
Curtailment	**(19)**	**1**	**(18)**	**(7)**	–	–	–	–
Settlement	**–**	**(8)**	**(8)**	**–**	(5)	–	(5)	–
Effect of exchange rate changes	**376**	**353**	**729**	**46**	(550)	(990)	(1,540)	(73)
Obligation at end of the year	**$2,915**	**$3,835**	**$6,750**	**$369**	$2,141	$3,235	$ 5,376	$299
Canada			**$2,915**	**$323**			$ 2,141	$256
U.K.			**2,438**	**10**			1,975	8
U.S.			**576**	**30**			515	30
Germany			**401**	**–**			358	–
Switzerland			**237**	**–**			214	–
Other			**183**	**6**			173	5
			$6,750	**$369**			$ 5,376	$299

24 EMPLOYEE FUTURE BENEFITS (CONT'D)

The following table presents the changes in fair value of plan assets for defined benefit pension plans for the 12-month period ended December 31, measurement date preceding the fiscal year-ends, and its allocation by major countries:

PENSION PLAN ASSETS

			2010			2009
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Fair value at beginning of the year	**$ 1,806**	**$ 2,027**	**$ 3,833**	$ 2,644	$ 3,357	$ 6,001
Actual return on plan assets	**324**	**429**	**753**	(416)	(647)	(1,063)
Employer contributions	**134**	**184**	**318**	154	178	332
Plan participants' contributions	**20**	**16**	**36**	23	17	40
Benefits paid	**(108)**	**(140)**	**(248)**	(124)	(155)	(279)
Settlement	**–**	**(8)**	**(8)**	(5)	–	(5)
Effect of exchange rate changes	**322**	**230**	**552**	(470)	(723)	(1,193)
Fair value at end of the year	**$ 2,498**	**$ 2,738**	**$ 5,236**	$ 1,806	$ 2,027	$ 3,833
Canada			**$ 2,498**			$ 1,806
U.K.			**2,093**			1,497
U.S.			**427**			358
Switzerland			**186**			146
Other			**32**			26
			$ 5,236			$ 3,833

The reconciliation of the funded status of the pension plans and of benefit plans other than pensions to the amounts recorded on the consolidated balance sheets was as follows as at January 31:

FUNDED STATUS

				2010				2009
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Fair value of plan assets	**$ 2,498**	**$ 2,738**	**$ 5,236**	**$ –**	$ 1,806	$ 2,027	$ 3,833	$ –
Projected benefit obligation	**(2,915)**	**(3,835)**	**(6,750)**	**(369)**	(2,141)	(3,235)	(5,376)	(299)
Funded status – deficit	**(417)**	**(1,097)**	**(1,514)**	**(369)**	(335)	(1,208)	(1,543)	(299)
Unamortized net actuarial loss	**695**	**1,069**	**1,764**	**62**	570	1,187	1,757	12
Unamortized past service costs	**184**	**(109)**	**75**	**(46)**	175	(134)	41	(50)
Contributions paid in January	**9**	**5**	**14**	**1**	6	10	16	–
Other	**–**	**(1)**	**(1)**	**–**	–	–	–	–
Accrued benefit assets (liabilities)	**$ 471**	**$ (133)**	**$ 338**	**$ (352)**	$ 416	$ (145)	$ 271	$ (337)

NOTES

Included in the previous table are plans with projected benefit obligation in excess of plan assets as follows:

PROJECTED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS

			2010			2009
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Fair value of plan assets	**$ 1,484**	**$ 2,602**	**$ 4,086**	$ 1,047	$ 2,023	$ 3,070
Projected benefit obligation	**(2,041)**	**(3,706)**	**(5,747)**	(1,505)	(3,233)	(4,738)
	$ (557)	**$(1,104)**	**$(1,661)**	$ (458)	$(1,210)	$(1,668)

Plan assets are held in trust and their weighted-average allocations were as follows as at the December 31 measurement date:

PLAN ASSETS

	Target allocation	**Actual allocation**	Actual allocation
Asset category	2010	**2009**	2008
Cash and cash equivalents	2%	**5%**	4%
Publicly traded equity securities	57%	**55%**	56%
Publicly traded fixed-income securities	36%	**35%**	36%
Global infrastructure and real estate assets	5%	**5%**	4%

As at December 31, 2009 and 2008, the publicly traded equity securities did not include any of the Corporation's shares.

The following table provides the components of the benefit cost for fiscal years:

BENEFIT COST

	2010				2009			
	Pension benefits			**Other benefits**	Pension benefits			Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Current service cost	**$ 67**	**$ 105**	**$ 172**	**$ 8**	$ 100	$ 118	$ 218	$ 12
Interest cost	**159**	**204**	**363**	**20**	154	219	373	20
Actual return on plan assets	**(324)**	**(429)**	**(753)**	**–**	416	647	1,063	–
Actuarial (gain) loss	**244**	**62**	**306**	**26**	(594)	(52)	(646)	(76)
Plan amendments	**35**	**7**	**42**	**(3)**	34	–	34	1
Curtailment	**12**	**(5)**	**7**	**(4)**	–	–	–	–
Other	**–**	**–**	**–**	**–**	1	–	1	–
Benefit cost (revenue) before adjustments to recognize the long-term nature of the plans	**193**	**(56)**	**137**	**47**	111	932	1,043	(43)
Difference between actual and expected return on plan assets	**152**	**237**	**389**	**–**	(596)	(879)	(1,475)	–
Difference between actual actuarial loss and the amount recognized	**(240)**	**(17)**	**(257)**	**(15)**	621	89	710	76
Difference between plan amendments and amounts recognized	**(20)**	**(16)**	**(36)**	**(1)**	(20)	(10)	(30)	(6)
Other	**–**	**1**	**1**	**–**	–	–	–	–
Benefit cost recognized	**$ 85**	**$ 149**	**$ 234**	**$ 31**	$ 116	$ 132	$ 248	$ 27

Defined contribution pension plans

The Corporation also offers Canadian and foreign defined contribution pension plans covering a portion of its employees, mainly in BA. Defined contribution plan formulas are based on a percentage of salary.

Cash contributions to the defined contribution pension plans, which correspond to the benefit cost recognized, amounted to $41 million for fiscal year 2010 ($38 million for fiscal year 2009).

COMMITMENTS AND CONTINGENCIES

In relation to the sale of commercial aircraft and related financing commitments, the Corporation enters into various sale support arrangements including credit and residual value guarantees and financing rate commitments. The Corporation is also subject to other off-balance sheet risks described in the following table, in addition to the commitments and contingencies described elsewhere in these Consolidated Financial Statements. Some of these off-balance sheet risks are also included in Note 26 – Variable interest entities. The maximum potential exposure does not reflect payments expected to be made by the Corporation.

The table below presents the maximum potential exposure for each major group of exposure, as at January 31:

	2010	2009
Aircraft sales		
Credit (a)	**$1,524**	$1,572
Residual value (a)	**2,425**	2,606
Mutually exclusive exposure[1]	**(894)**	(954)
Total credit and residual value exposure	**$3,055**	$3,224
Trade-in commitments (b)	**761**	1,095
Conditional repurchase obligations (c)	**599**	698
Other[2]		
Credit and residual value (f)	**157**	150
Performance guarantees (g)	**44**	60

1 Some of the residual value guarantees can only be exercised once the credit guarantees have expired without exercise and, therefore, the guarantees must not be added together to calculate the combined maximum exposure for the Corporation.
2 The Corporation has also provided other guarantees (see section h) below).

The Corporation's maximum exposure in connection with credit and residual value guarantees related to the sale of aircraft represents the face value of the guarantees before giving effect to the net benefit expected from the estimated value of the aircraft and other assets available to mitigate the Corporation's exposure under these guarantees. Provisions for anticipated losses amounting to $536 million as at January 31, 2010 ($538 million as at January 31, 2009) have been established to cover the risks from these guarantees after considering the effect of the estimated resale value of the aircraft, which is based on independent third-party evaluations adjusted to reflect specific factors of the current aircraft market, and the anticipated proceeds from other assets covering such exposures. In addition, related liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $196 million as at January 31, 2010 ($190 million as at January 31, 2009). The provisions for anticipated losses are expected to cover the Corporation's total credit and residual value exposure, after taking into account the anticipated proceeds from the underlying aircraft and related liabilities.

Aircraft sales

a) Credit and residual value guarantees – The Corporation has provided credit guarantees in the form of lease and loan payment guarantees, as well as services related to the re-marketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to 2026. Substantially all financial support involving potential credit risk lies with regional airline customers. The credit risk relating to three regional airline customers accounted for 62% of the total maximum credit risk as at January 31, 2010.

In addition, the Corporation may provide a guarantee for the residual value of aircraft at an agreed-upon date, generally at the expiry date of related financing and lease arrangements. The arrangements generally include operating restrictions such as maximum usage and minimum maintenance requirements. The guarantee provides for a contractually limited payment to the guaranteed party, which is typically a percentage of the first loss from a guaranteed value. In most circumstances, a claim under such guarantees may be made only upon resale of the underlying aircraft to a third party.

The following table summarizes the outstanding residual value guarantees, at the earliest exercisable date, as at January 31, 2010, and the period in which they can be exercised:

Less than 1 year	$ 35
From 1 to 5 years	634
From 5 to 10 years	1,415
From 10 to 15 years	341
	$2,425

b) Trade-in commitments – In connection with the signing of firm orders for the sale of new aircraft, the Corporation enters into specified-price trade-in commitments with certain customers. These commitments give customers the right to trade in their pre-owned aircraft as partial payment for the new aircraft purchased.

The Corporation's trade-in commitments were as follows as at January 31, 2010:

Less than 1 year	$377
From 1 to 3 years	384
	$761

c) Conditional repurchase obligations – In connection with the sale of new aircraft, the Corporation enters into conditional repurchase obligations with certain customers. Under these obligations, the Corporation agrees to repurchase the initial aircraft at predetermined prices, during predetermined periods or at predetermined dates, conditional upon mutually acceptable agreement for the sale of a new aircraft. At the time the Corporation enters into an agreement for the sale of a subsequent aircraft and the customer exercises its right to partially pay for the subsequent aircraft by trading in the initial aircraft to the Corporation, a conditional repurchase obligation is accounted for as a trade-in commitment.

The Corporation's conditional repurchase obligations, as at the earliest exercise date, were as follows as at January 31, 2010:

Less than 1 year	$524
From 1 to 3 years	40
Thereafter	35
	$599

d) Fractional ownership put options – Under the North American *Flexjet* fractional ownership program, the Corporation provides customers with an option to sell back their fractional shares of the aircraft at estimated fair value within a predetermined period from the date of purchase. The Corporation's commitment to repurchase fractional shares of aircraft based on estimated current fair values totalled $598 million as at January 31, 2010 ($813 million as at January 31, 2009). Since the purchase price is established at the estimated fair value of the fractional shares at the time the option is exercised, the Corporation is not exposed to off-balance sheet risk in connection with these options.

e) Financing commitments – The Corporation is committed to arrange financing, in relation to the future sale of aircraft scheduled for delivery through fiscal year 2012. The Corporation's total financing commitment amounted to $142 million as at January 31, 2010 ($770 million as at January 31, 2009). In connection with these commitments, the Corporation has provided credit spread guarantees. The recorded fair value of these guarantees amounted to $9 million as at January 31, 2010. Such exposures from our financing rate commitments are mitigated by including terms and conditions in the financing agreements that guaranteed parties must satisfy prior to benefiting from our commitment.

Other guarantees

f) Credit and residual value guarantees – In connection with the sale of certain transportation rail equipment, the Corporation has provided a credit guarantee of lease payments amounting to $47 million as at January 31, 2010 ($47 million as at January 31, 2009). This guarantee matures in 2025. In addition, the Corporation has provided residual value guarantees at the expiry date of certain financing and other agreements, amounting to $110 million as at January 31, 2010 ($103 million as at January 31, 2009), in BT. These guarantees are mainly exercisable in 2013.

g) Performance guarantees – In certain projects carried out through consortia or other partnership vehicles in BT, all partners are jointly and severally liable to the customer. In the normal course of business under such joint and several obligations, or under performance guarantees that may be issued in relation thereto, each partner is generally liable to the customer for a default by the other partners. These projects normally provide counter indemnities among the partners. These obligations and guarantees typically extend until final product acceptance by the customer. The Corporation's maximum net exposure to projects for which the exposure of the Corporation is capped, amounted to $42 million as at January 31, 2010 ($39 million as at January 31, 2009), assuming all counter indemnities are fully honoured. For projects where the Corporation's exposure is not capped, such exposure has been determined in relation to the Corporation's partners' share of the total contract value. Under this methodology, the Corporation's net exposure would amount to $2 million as at January 31, 2010 ($21 million as at January 31, 2009), assuming all counter indemnities are fully honoured. Such joint and several obligations and guarantees have been rarely called upon in the past.

h) Other – In the normal course of its business, the Corporation has entered into agreements that include indemnities in favour of third parties, mostly tax indemnities. These agreements generally do not contain specified limits on the Corporation's liability and therefore, it is not possible to estimate the Corporation's maximum liability under these indemnities.

Operating leases

The Corporation leases buildings and equipment and assumes aircraft operating lease obligations in connection with the sale of new aircraft. In addition, the Corporation concluded third-party sale and leaseback transactions relating to pre-owned aircraft and other equipment. The related minimum lease payments for the next five fiscal years and thereafter are as follows:

	Buildings and equipment	Aircraft	Residual value guarantees	Total
2011	$ 93	$ 25	$ 7	$ 125
2012	78	20	101	199
2013	57	4	–	61
2014	50	2	–	52
2015	62	–	–	62
Thereafter	193	–	37	230
	$ 533	$ 51	$ 145	$ 729

Total minimum lease payments include $157 million and $17 million for the sale and leaseback of pre-owned aircraft and equipment, respectively. Rent expense was $134 million for fiscal year 2010 ($116 million for fiscal year 2009).

Other commitments

The Corporation has commitments under agreements to outsource a portion of its information technology function, as well as the logistics for the centrally located spare parts warehouses in BA. Agreements that are cancellable without substantial penalties are excluded from the table below. The related minimum payments for the next five fiscal years and thereafter are as follows:

2011	$ 40
2012	27
2013	29
2014	27
2015	26
Thereafter	166
	$ 315

The Corporation also has purchase obligations under various agreements, made in the normal course of business.

The Corporation receives government financial support from various levels of government related to the development of aircraft. Certain of these financial support programs require the Corporation to pay amounts to governments at the time of the delivery of products, contingent on a minimum agreed-upon level of related product sales being achieved. If the minimum agreed-upon level is not reached, no amount is payable to governments. The Corporation records the amount payable to governments at the time the product giving rise to such payment is delivered. The estimated remaining undiscounted maximum amount repayable under these programs, mostly based on future deliveries of aircraft, amounted to $404 million as at January 31, 2010 ($395 million as at January 31, 2009).

In connection with the *CSeries* family of aircraft program, $121 million of contingently repayable investments were received for fiscal year 2010. Of these amounts, $37 million was recorded as a reduction of R&D expense for fiscal year 2010, with the remaining $84 million recorded against intangible assets.

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 January 31, 2010, 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.

26 VARIABLE INTEREST ENTITIES

The following table summarizes by segment the VIEs in which the Corporation had a significant variable interest as at January 31:

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
BA				
Financing structures related to the sale of regional aircraft	**$6,537**	**$3,994**	$6,369	$3,555
BT				
Partnership arrangements	**1,403**	**1,319**	1,094	1,015
Sale support guarantee	**372**	**366**	352	337
Cash collateral accounts	**–**	**–**	59	59
	8,312	**5,679**	7,874	4,966
Less assets and liabilities of consolidated VIEs:				
Financing structures related to the sale of regional aircraft	**10**	**–**	9	–
Cash collateral accounts	**–**	**–**	59	59
	10	**–**	68	59
Assets and liabilities of non-consolidated VIEs	**$8,302**	**$5,679**	$7,806	$4,907

The liabilities recognized as a result of consolidating certain VIEs do not represent additional claims on the Corporation's general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating certain VIEs do not represent additional assets that could be used to satisfy claims against the Corporation's general assets. The consolidation of debt resulting from the application of AcG-15 is generally excluded from the computation of the Corporation's financial covenant ratios.

BA

Financing structures related to the sale of regional aircraft – The Corporation has provided credit and/or residual value guarantees to certain special purpose entities ("SPEs") created solely i) to purchase regional aircraft from the Corporation and to lease these aircraft to airline companies and ii) to purchase financial assets related to the sale of regional aircraft.

Typically, these SPEs are financed by third-party long-term debt and by third-party equity investors who benefit from tax incentives. The aircraft serve as collateral for the SPEs' long-term debt. The Corporation's variable interests in these SPEs are in the form of credit and residual value guarantees, subordinated debt and residual interests. The Corporation also provides administrative services to certain of these SPEs in return for a market fee.

The Corporation concluded that most SPEs are VIEs, and the Corporation is the primary beneficiary for only one of them. For all other SPEs, consolidation is not appropriate under AcG-15. The Corporation's maximum potential exposure relating to the non-consolidated SPEs was $2.0 billion, of which $572 million of provisions and related liabilities were available to cover the Corporation's exposure as at January 31, 2010 ($2.2 billion and $584 million respectively as at January 31, 2009). The Corporation's maximum exposure under these guarantees is presented in Note 25 – Commitments and contingencies.

BT

Partnership arrangements – The Corporation is a party to partnership arrangements to provide manufactured rail equipment and civil engineering work as well as related long-term services, such as the operation and maintenance of rail equipment.

The Corporation's involvement with these entities results mainly from investments in their equity and/or in subordinated loans and through manufacturing and long-term service contracts. The Corporation concluded that some of these entities are VIEs, but the Corporation is not the primary beneficiary. Accordingly, these entities have not been consolidated. The Corporation continues to account for these investments under the equity method, recording its share of the net income or loss based upon the terms of the partnership arrangement.

Sale support guarantee – In August 1998, the Corporation provided residual value guarantees on diesel-electric multiple unit trains sold to Lombard Leasing Contracts Limited ("Lombard"). Under an operating lease structure, Lombard leases the trains to a third-party operator. The Corporation concluded that Lombard is a VIE, but the Corporation is not the primary beneficiary; accordingly, this entity has not been consolidated. The Corporation's maximum exposure as a result of its involvement with Lombard is limited to its residual value guarantees for an amount of $110 million as at January 31, 2010 ($103 million as at January 31, 2009). The Corporation's maximum exposure under these guarantees is presented in Note 25 – Commitments and contingencies.

27 CAPITAL MANAGEMENT

The Corporation's capital management strategy is designed to maintain strong liquidity and to optimize its capital structure in order to reduce costs and improve its ability to seize strategic opportunities.

The capital structure provides the Corporation with the ability to meet its liquidity needs as well as support its longer-term strategic investments. The Corporation analyzes its capital structure using global metrics, which are based on a broad economic view of the Corporation. The Corporation's adjusted total capitalization consists of adjusted debt and adjusted shareholders' equity (see definitions in table hereafter).

The Corporation's objective with regard to the global metrics is to manage and monitor them such that it can achieve an investment-grade profile, which among other considerations typically requires the respect of the following ratios:

- adjusted EBIT to adjusted net interest ratio greater than 5.0;
- adjusted debt to adjusted EBITDA ratio lower than 2.5; and
- adjusted debt to adjusted total capitalization ratio lower than 55%.

Given the current economic environment, the Corporation's near-term focus is to preserve liquidity. Upon return to normal economic conditions, the Corporation remains committed to improve its capital structure.

Global metrics – The following global metrics do not represent the calculations required for bank covenants. Details of the methods for calculating global leverage metrics are provided in the Non-GAAP financial measures section of the MD&A for fiscal year 2010. The only change in the method for calculating the global metrics from fiscal year 2009 is that following the adoption of Section 1602 "Non-controlling interests" (see Note 1 – Basis of presentation for further details), EBIT, adjusted EBIT and adjusted EBITDA now include income attributable to non-controlling interests and adjusted shareholders' equity now includes non-controlling interests. The January 31, 2009 figures have been restated accordingly.

GLOBAL METRICS

	January 31 2010	January 31 2009
Interest coverage		
Adjusted EBIT[1]	**$1,249**	$1,535
Adjusted net interest[2]	**$ 334**	$ 244
Adjusted EBIT to adjusted net interest ratio	**3.7**	6.3
Financial leverage		
Adjusted debt[3]	**$6,084**	$5,841
Adjusted EBITDA[4]	**$1,792**	$2,129
Adjusted debt to adjusted EBITDA ratio	**3.4**	2.7
Capitalization		
Adjusted debt[3]	**$6,084**	$5,841
Adjusted total capitalization[5]	**$9,928**	$8,906
Adjusted debt to adjusted total capitalization ratio	**61%**	66%

1 Represents earnings before financing income, financing expense and income taxes, plus adjustment for pension deficit and operating leases.
2 Represents financing income and financing expense, plus adjustment for pension deficit and operating leases.
3 Represents long-term debt (including the value of the related derivative hedging financial instruments), the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations.
4 Represents earnings before financing income, financing expense, income taxes, depreciation and amortization, plus amortization adjustment for operating leases and adjustment for pension deficit and operating leases.
5 Consists of adjusted shareholders' equity (represents all components of shareholders' equity less the amount in AOCI relating to cash flow hedges) and adjusted debt.

In order to adjust its capital structure, the Corporation may issue or reduce long-term debt, make discretionary contributions to pension funds, repurchase or issue share capital, or vary the amount of dividends paid to shareholders. Subsequent to year-end, the Corporation implemented a refinancing plan; see Note 30 – Subsequent event.

Bank covenants are described in Note 11 – Credit facilities.

28 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 and manufacture of innovative aviation products and is a provider of related services. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets and amphibious aircraft. BA also offers aftermarket services as well as fractional ownership and flight entitlement programs.	BT is a world leader in the design and manufacture of rail equipment and system manufacturing and a provider of related services, 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 accounting policies of the segments are the same as those described in Note 2 – Summary of significant accounting policies. Management assesses segment performance based on income before financing income, financing expense and income taxes. Corporate charges are allocated to segments mostly based on each segment's revenues.

Net segmented assets exclude cash and cash equivalents, invested collateral and deferred income taxes, and are net of accounts payable and accrued liabilities (excluding interest and income taxes payable), advances and progress billings in excess of related long-term contract costs, advances on aerospace program, fractional ownership deferred revenues, accrued benefit liabilities and derivative financial instruments.

The tables containing the detailed segmented data are shown hereafter.

29 RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

30 SUBSEQUENT EVENT

As part of its capital management strategy, the Corporation implemented a series of transactions to increase its liquidity and to extend the weighted-average long-term debt maturity profile.

On March 15, 2010, the Corporation launched a tender offer to repurchase up to $1.0 billion of the following Notes, which are presented on the order of repurchase priority:

- $550 million, bearing interest at 6.75%, due in May 2012;
- $500 million, bearing interest at 6.30%, due in May 2014; and
- €679 million ($942 million), bearing floating interest rate, due in November 2013.

The tender offer will expire on April 12, 2010, unless extended or earlier terminated. The final allocation of the purchase price between each series of outstanding Notes will be determined only upon expiry of the tender offer.

On March 29, 2010, the Corporation issued the following unsecured Senior notes:

- $650 million, bearing interest at 7.5% per year, due in calendar year 2018; and
- $850 million, bearing interest at 7.75% per year due in calendar year 2020.

The net cash proceeds arising from these capital transactions, estimated at approximately $500 million after payment of fees and expenses, will be used for general corporate purposes.

SEGMENTED INFORMATION

Industry segments	Bombardier Inc. consolidated		BA		BT	
For the fiscal years ended January 31	**2010**	2009[1]	**2010**	2009[1]	**2010**	2009[1]
Revenues						
Manufacturing	**$14,739**	$14,779	**$7,475**	$8,116	**$ 7,264**	$6,663
Services	**2,767**	3,117	**1,359**	1,588	**1,408**	1,529
Other	**1,860**	1,825	**523**	261	**1,337**	1,564
	19,366	19,721	**9,357**	9,965	**10,009**	9,756
Cost of sales	**16,202**	16,049	**7,959**	7,876	**8,243**	8,173
Selling, general and administrative	**1,453**	1,558	**601**	715	**852**	843
Research and development	**141**	171	**6**	51	**135**	120
Other expense (income)	**(26)**	(41)	**(53)**	(4)	**27**	(37)
Amortization	**498**	555	**371**	431	**127**	124
	18,268	18,292	**8,884**	9,069	**9,384**	9,223
EBIT	**$ 1,098**	$ 1,429	**$ 473**	$ 896	**$ 625**	$ 533
Additions to property, plant and equipment and intangible assets	**$ 805**	$ 621	**$ 634**	$ 430	**$ 171**	$ 191
As at	**January 31 2010**	January 31 2009	**January 31 2010**	January 31 2009	**January 31 2010**	January 31 2009
Net segmented assets	**$ 2,929**	$ 1,230	**$ 2,758**	$1,296	**$ 171**	$ (66)
Liabilities allocated to segments:						
Accounts payable and accrued liabilities[2]	**7,274**	6,791				
Advances and progress billings in excess of related long-term contract costs	**1,899**	2,072				
Advances on aerospace programs	**2,092**	2,991				
Fractional ownership deferred revenues	**346**	573				
Accrued benefit liabilities	**1,084**	992				
Derivative financial instruments	**429**	1,194				
Assets not allocated to segments:						
Cash and cash equivalents	**3,372**	3,470				
Invested collateral	**682**	777				
Deferred income taxes	**1,166**	1,216				
Total consolidated assets	**$21,273**	$21,306				

1 Refer to Note 1 for impact of new accounting policies.

2 Excluding interest and income taxes payable amounting to $56 million and $97 million respectively as at January 31, 2010 ($61 million and $70 million as at January 31, 2009), which were not allocated to segments.

SEGMENTED INFORMATION

Geographic information	Revenues[1]		Property, plant and equipment, intangible assets and goodwill[2]	
	2010	2009	**2010**	2009
United States	**$ 4,370**	$ 5,451	**$ 523**	$ 413
Germany	**1,977**	1,429	**1,421**	1,351
France	**1,607**	1,421	**54**	44
United Kingdom	**1,552**	2,264	**812**	658
China	**1,343**	615	**42**	34
Canada	**1,036**	807	**1,562**	1,477
Sweden	**651**	416	**444**	374
Australia	**570**	388	**9**	7
Italy	**541**	497	**144**	133
Spain	**541**	567	**9**	8
Russia	**537**	104	**–**	–
Switzerland	**491**	774	**335**	301
India	**353**	234	**12**	21
Netherlands	**350**	540	**1**	–
Other – Europe	**1,639**	2,043	**124**	124
Other – Asia	**945**	974	**52**	1
Other – Americas	**403**	665	**32**	22
Other – Africa	**402**	518	**10**	9
Other – Oceania	**58**	14	**–**	–
	$19,366	$19,721	**$5,586**	$4,977

1 Revenues are attributed to countries based on the location of the customer.

2 Property, plant and equipment and intangible assets are attributed to countries based on the location of the assets. Goodwill is attributed to countries based on the Corporation's allocation of the related purchase price.

MAIN BUSINESS LOCATIONS

BOMBARDIER INC.

Corporate Office
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1Y8
Tel.: +1 514-861-9481
Fax: +1 514-861-7053

BOMBARDIER AEROSPACE

Headquarters
400 Côte-Vertu Road West
Dorval, Québec
Canada H4S 1Y9
Tel.: +1 514-855-5000
Fax: +1 514-855-7401

Toronto Site
123 Garratt Blvd.
Toronto, Ontario
Canada M3K 1Y5
Tel.: +1 416-633-7310
Fax: +1 416-375-4546

Commercial Aircraft
123 Garratt Blvd.
Toronto, Ontario
Canada M3K 1Y5
Tel.: +1 416-633-7310
Fax: +1 416-375-4546

Learjet Inc.
One Learjet Way
Wichita, Kansas 67209
United States
Tel.: +1 316-946-2000
Fax: +1 316-946-2220

Short Brothers plc
Airport Road
Belfast BT3 9DZ
Northern Ireland
Tel.: +44 2890 458 444
Fax: +44 2890 733 396

Aircraft Services
Customer Training
8575 Côte-de-Liesse Road
Saint-Laurent, Québec
Canada H4T 1G5
Tel.: +1 514-344-6620
Fax: +1 514-344-6641

Specialized and Amphibious Aircraft
3400 Douglas-B. Floréani Street
Saint-Laurent, Québec
Canada H4S 1V2
Tel.: +1 514-855-5000
Fax: +1 514-855-7604

Mexico Manufacturing Centre
Airport Site
Carretera Qro-Tequisquiapan
Km 22,500
C.P. 76270
Colon, Qro
Querétaro, Mexico
Tel.: +52 442 101-7500
Fax: +52 442 101-7502

El Marques Site
Retorno El Marques No. 4-F
Parque Industrial El Marques
C.P. 76246
El Marques, Querétaro
Mexico
Tel.: +52 442 101-7500
Fax: +52 442 101-7502

Flexjet
3400 Waterview Parkway
Suite 400
Richardson, Texas 75080
United States
Tel.: +1 800-353-9538
(toll-free, North America only)
Fax: +1 972-720-2435

Skyjet
3400 Waterview Parkway
Suite 400
Richardson, Texas 75080
United States
Tel.: +1 888-2-SKYJET
(759 538)
(toll-free, North America only)
Fax: +1 469-791-4470

Bombardier Capital Inc.
261 Mountain View Drive
Colchester, Vermont 05446
United States
Tel.: +1 800-949-5568 or
+1 802-764-5232
Fax: +1 802-764-5244

BOMBARDIER TRANSPORTATION

Global Headquarters
Schöneberger Ufer 1
10785 Berlin
Germany
Tel.: +49 30 986 07 0
Fax: +49 30 986 07 2000

Passengers
Am Rathenaupark
16761 Hennigsdorf
Germany
Tel.: +49 33 02 89 0
Fax: +49 33 02 89 20 88

Locomotives and Equipment
Schöneberger Ufer 1
10785 Berlin
Germany
Tel.: +49 30 986 07 0
Fax: +49 30 986 07 2000

Bombardier Transportation
North America
1101 Parent Street
Saint-Bruno, Québec
Canada J3V 6E6
Tel.: +1 450-441-2020
Fax: +1 450-441-1515

Services
Schöneberger Ufer 1
10785 Berlin
Germany
Tel.: +49 30 986 07 0
Fax: +49 30 986 07 2000

Systems
Schöneberger Ufer 1
10785 Berlin
Germany
Tel.: +49 30 986 07 0
Fax: +49 30 986 07 2000

Rail Control Solutions
Årstaängsvägen 29
PO Box 425 05
126 16 Stockholm
Sweden
Tel.: +46 10 852 5000
Fax: +46 10 852 5100

BOARD OF DIRECTORS, BOARD COMMITTEES AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

Laurent Beaudoin, C.C., FCA
Chairman of the
Board of Directors
Bombardier Inc.

Pierre Beaudoin
President and
Chief Executive Officer
Bombardier Inc.

André Bérard
Corporate Director

Lead Director
Bombardier Inc.

J.R. André Bombardier
Vice Chairman of the
Board of Directors
Bombardier Inc.

Janine Bombardier
President and Governor
J. Armand Bombardier
Foundation

Martha Finn Brooks
Corporate Director

L. Denis Desautels, O.C., FCA
Corporate Director

Thierry Desmarest
Chairman of the
Board of Directors
Total S.A.

Jean-Louis Fontaine
Vice Chairman of the
Board of Directors
Bombardier Inc.

Daniel Johnson
Counsel
McCarthy Tétrault LLP

Jean C. Monty
Corporate Director

Carlos E. Represas
Chairman of the Board
Nestlé Group México

Jean-Pierre Rosso
Chairman
World Economic
Forum USA Inc.

Heinrich Weiss
Chairman and Chief
Executive Officer
SMS GmbH

BOARD COMMITTEES

Audit Committee
Chair: L. Denis Desautels
Members: André Bérard,
Martha Finn Brooks,
Daniel Johnson,
Jean-Pierre Rosso

Human Resources and Compensation Committee
Chair: Jean C. Monty
Members: André Bérard,
Martha Finn Brooks,
Carlos E. Represas

Corporate Governance and Nominating Committee
Chair: Jean-Pierre Rosso
Members: Jean C. Monty,
Carlos E. Represas,
Heinrich Weiss

Finance and Risk Management Committee
Chair: André Bérard
Members: L. Denis Desautels,
Daniel Johnson,
Carlos E. Represas

CORPORATE MANAGEMENT

Pierre Beaudoin
President and
Chief Executive Officer
Bombardier Inc.

Guy C. Hachey
President and
Chief Operating Officer
Bombardier Aerospace

André Navarri
President and
Chief Operating Officer
Bombardier Transportation

Pierre Alary
Senior Vice President and
Chief Financial Officer

Richard C. Bradeen
Senior Vice President
Strategy and Corporate Audit
Services and Risk Assessment

Daniel Desjardins
Senior Vice President
General Counsel

John Paul Macdonald
Senior Vice President
Human Resources
and Public Affairs

Roger Carle
Corporate Secretary

INVESTOR INFORMATION

STOCK EXCHANGE LISTINGS

Class A and Class B shares	Toronto (Canada)
Preferred shares, Series 2, Series 3 and Series 4	Toronto (Canada)
Stock listing ticker	BBD (Toronto)

FISCAL YEAR 2011 FINANCIAL RESULTS

First quarterly report	June 2, 2010
Second quarterly report	September 1, 2010
Third quarterly report	December 2, 2010
Annual Report, Q4 and Fiscal Year 2011	March 31, 2011

Shareholders

If you wish to obtain a copy of this annual report, or other corporate documents, we encourage you to download them from our website at www.bombardier.com, which provides practical, timely and environmentally friendly access. You can, however, order paper copies from our website by going to Investor Relations, then Contacts, or by contacting:

Bombardier Inc.
Public Affairs
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1Y8
Tel.: +1 514-861-9481
extension 3390
Fax: +1 514-861-2420

Investors

Bombardier Inc.
Investor Relations
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1Y8
Tel.: +1 514-861-9481
extension 3273
Fax: +1 514-861-2420
Email:
investors@bombardier.com

Incorporation

The Corporation was incorporated on June 19, 1902, by letters patent and prorogated June 23, 1978, under the Canadian Business Corporations Act.

Auditors

Ernst & Young LLP
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1X9

Transfer Agent and Registrar

Shareholders with inquiries concerning their shares should contact:

Computershare
Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario
Canada M5J 2Y1

or

1500 University Street, Suite 700
Montréal, Québec
Canada H3A 3S8
Tel.: +1 514-982-7555 or
+1 800-564-6253
(toll-free, North America only)
Fax: +1 416-263-9394 or
+1 888-453-0330
(toll-free, North America only)
Email:
service@computershare.com

Annual Meeting

The annual meeting of shareholders will be held on Wednesday, June 2, 2010, at 9:30 a.m. at the following address:

Centre Mont-Royal
Auditorium – Level 1
2200 Mansfield Street
Montréal, Québec
Canada H3A 3R8

Duplication: Although Bombardier strives to ensure that registered shareholders receive only one copy of corporate documents, duplication is unavoidable if securities are registered under different names and addresses. If this is the case, please call one of the following numbers: +1 514-982-7555 or +1 800-564-6253 (toll-free, North America only) or send an email to service@computershare.com.

SHARE CAPITAL

Authorized, issued and outstanding as at January 31, 2010

	Authorized	Issued and outstanding
Class A shares	1,892,000,000	316,231,937
Class B shares	1,892,000,000	1,438,517,706[1]
Preferred shares, Series 2	12,000,000	9,464,920
Preferred shares, Series 3	12,000,000	2,535,080
Preferred shares, Series 4	9,400,000	9,400,000

1 Including 25,098,637 shares purchased and held in trust for the performance stock unit plan

COMMON DIVIDENDS PAYMENT DATES

For fiscal year 2011 – Payment subject to approval by the Board of Directors

Class A		Class B	
Record date	Payment date	Record date	Payment date
2010-05-14	2010-05-31	2010-05-14	2010-05-31
2010-07-16	2010-07-31	2010-07-16	2010-07-31
2010-10-15	2010-10-31	2010-10-15	2010-10-31
2011-01-14	2011-01-31	2011-01-14	2011-01-31

PREFERRED DIVIDENDS PAYMENT DATES

For fiscal year 2011 – Payment subject to approval by the Board of Directors

Series 2[2]			
Record date	Payment date	Record date	Payment date
2010-01-29	2010-02-15	2010-07-30	2010-08-15
2010-02-26	2010-03-15	2010-08-31	2010-09-15
2010-03-31	2010-04-15	2010-09-30	2010-10-15
2010-04-30	2010-05-15	2010-10-29	2010-11-15
2010-05-31	2010-06-15	2010-11-30	2010-12-15
2010-06-30	2010-07-15	2010-12-31	2011-01-15

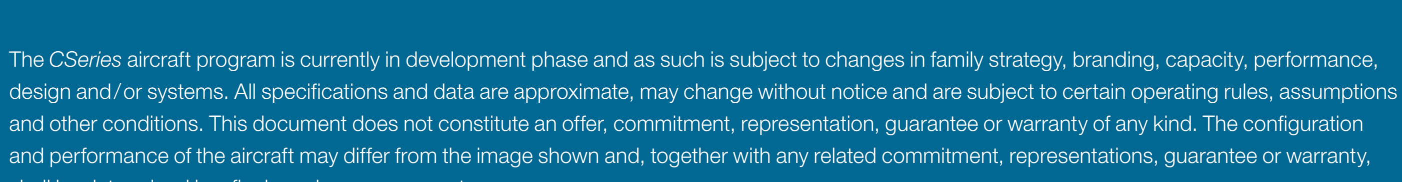
2 Convertible on August 1, 2012, into Series 3 Cumulative Redeemable Preferred Shares (See note on Share Capital in the Consolidated Financial Statements)

PREFERRED DIVIDENDS PAYMENT DATES

For fiscal year 2011 – Payment subject to approval by the Board of Directors

Series 3[3]		Series 4	
Record date	Payment date	Record date	Payment date
2010-04-16	2010-04-30	2010-04-16	2010-04-30
2010-07-16	2010-07-31	2010-07-16	2010-07-31
2010-10-15	2010-10-31	2010-10-15	2010-10-31
2011-01-14	2011-01-31	2011-01-14	2011-01-31

3 Convertible on August 1, 2012, into Series 2 Cumulative Redeemable Preferred Shares (See note on Share Capital in the Consolidated Financial Statements)



The *CSeries* aircraft program is currently in development phase and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications 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 configuration and performance of the aircraft may differ from the image shown and, together with any related commitment, representations, guarantee or warranty, shall be determined in a final purchase agreement.

BiLevel, Bombardier, Bombardier 415, Bombardier Global 5000, Challenger, Challenger 300, Challenger 604, Challenger 605, Challenger 800, CITYFLO, CL-215, CONTESSA, CRJ, CRJ200, CRJ700, CRJ705, CRJ900, CRJ1000, CSeries, CS100, CS300, EBI, ECO4, ELECTROSTAR, EnerGplan, FLEXITY, Flexjet, FLEXX, Global, Global Express, Global Vision, INNOVIA, INTERFLO, Learjet, Learjet 40, Learjet 45, Learjet 60, Learjet 85, MITRAC, MOVIA, NextGen, OMNEO, ORBITA, PartsExpress, PRIMOVE, Q200, Q300, Q400, Q-Series, REGINA, Skyjet, Skyjet International, SPACIUM, TALENT, The climate is right for trains, TRAXX, TURBOSTAR, XR, XRS and *ZEFIRO* are trademarks of Bombardier Inc. or its subsidiaries.

The printed version of this annual report uses Rolland Opaque 50 paper, containing 50% post-consumer fibres, certified EcoLogo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves:

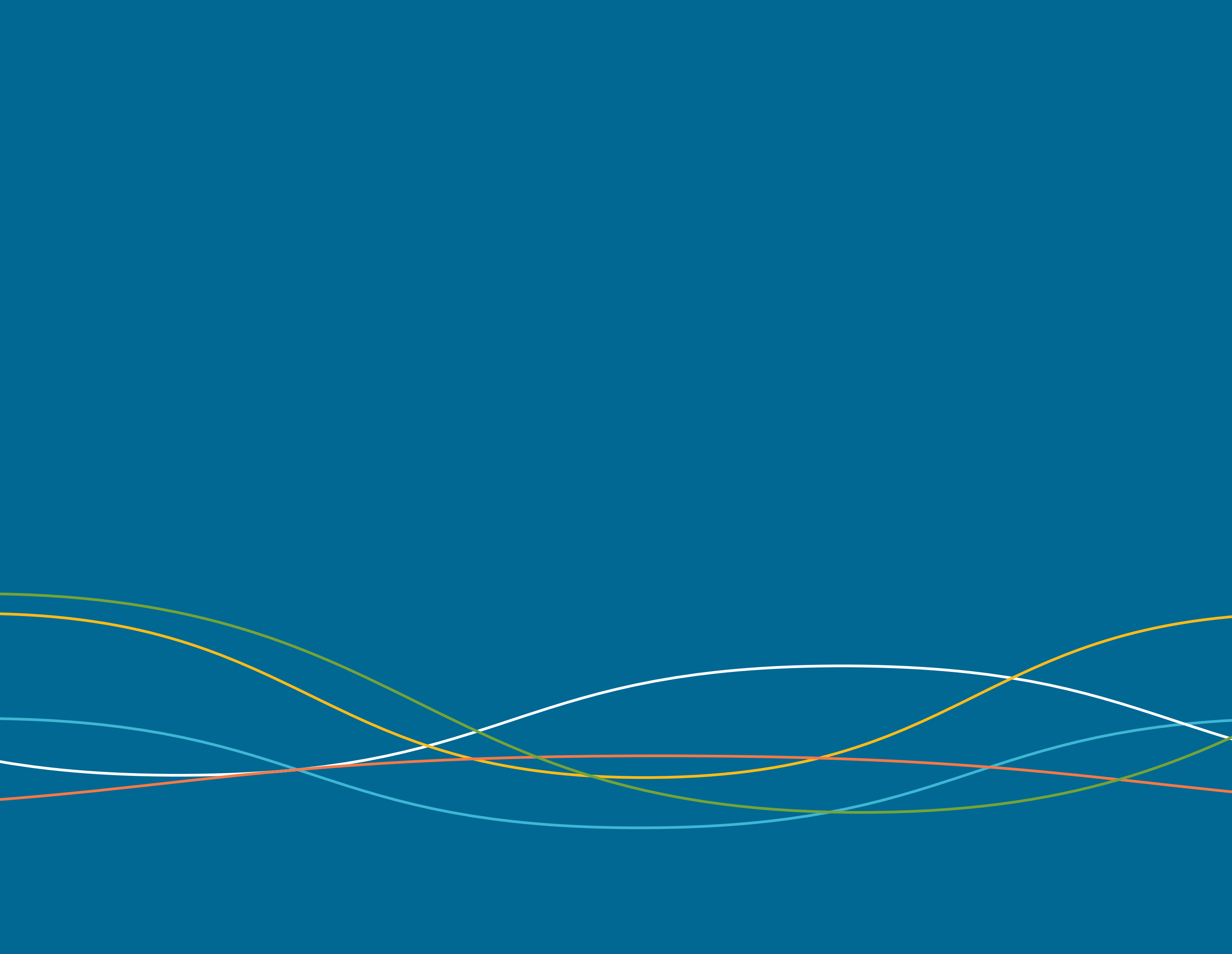
the equivalent of 221 mature trees

6,005 kg of solid waste

14,706 kg of atmospheric emissions (equivalent to those of 2.9 cars per year)

473,006 litres of water (equivalent to taking a shower for 26.3 days)

Design: TAXI
Printing: Transcontinental Litho Acme
Printed in Canada
ISBN: 978-2-923797-02-1
Legal deposit, Bibliothèque
et Archives nationales du Québec
All rights reserved.
© 2010 Bombardier Inc. or its subsidiaries.



BOMBARDIER