BOMBARDIER
the evolution of mobility

SECOND QUARTERLY REPORT

Three-month period ended June 30, 2013

GLOSSARY

The following table shows the abbreviations used in this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS 2
FORWARD-LOOKING STATEMENTS 2
OVERVIEW 3
HIGHLIGHTS 3
CONSOLIDATED RESULTS OF OPERATIONS 4
LIQUIDITY AND CAPITAL RESOURCES 6
CAPITAL STRUCTURE 7
NON-GAAP FINANCIAL MEASURES 8
CONSOLIDATED FINANCIAL POSITION 12
AEROSPACE 13
HIGHLIGHTS 13
INDUSTRY AND ECONOMIC ENVIRONMENT 14
ANALYSIS OF RESULTS 16
TRANSPORTATION 26
HIGHLIGHTS 26
INDUSTRY AND ECONOMIC ENVIRONMENT 27
ANALYSIS OF RESULTS 28
OTHER 33
OFF-BALANCE SHEET ARRANGEMENTS 33
RISKS AND UNCERTAINTIES 33
FAIR VALUE MEASUREMENT 33
ACCOUNTING AND REPORTING DEVELOPMENTS 34
CONTROLS AND PROCEDURES 39
FOREIGN EXCHANGE RATES 39
SELECTED FINANCIAL INFORMATION 40
INVESTOR INFORMATION 40
INTERIM CONSOLIDATED FINANCIAL STATEMENTS 42
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS 49

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

Non-GAAP measures

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

Materiality for disclosures

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

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, guidance, targets, goals, priorities, our market and strategies, financial position, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected growth in demand for products and services; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and project execution in general; our competitive position; and the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe", "continue", "maintain" or "align", the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require us to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. While we consider our assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry and major rail operators), operational risks (such as risks related to developing new products and services; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; the environment; dependence on certain customers and suppliers; human resources; fixed-price commitments and production and project execution), financing risks (such as risks related to liquidity and access to capital markets, exposure to credit risk, certain restrictive debt covenants, financing support provided for the benefit of certain customers and reliance on government support) and market risks (such as risks related to foreign currency fluctuations, changing interest rates, decreases in residual values and increases in commodity prices). For more details, see the Risks and uncertainties section in Other in the MD&A of our annual report for the fiscal year ended December 31, 2012. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect our expectations as at the date of this report and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

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

HIGHLIGHTS

Results of the quarter[1]

- Revenues of $4.4 billion, compared to $4.1 billion for the corresponding period last fiscal year.
- EBIT of $288 million and EBIT before special items[2] of $257 million, or 6.5% and 5.8% of revenues, respectively, compared to EBIT of $214 million, or 5.2%, for the corresponding period last fiscal year.
- Adjusted net income[2] of $158 million (adjusted EPS[2] of $0.09), compared to $167 million (adjusted EPS of $0.09) for the corresponding period last fiscal year.
- Free cash flow usage[2] of $566 million, compared to a usage of $608 million for the corresponding period last fiscal year.
- Net investment of $550 million in PP&E and intangible assets, compared to $501 million for the corresponding period last fiscal year.
- Available short-term capital resources of $4.5 billion, including cash and cash equivalents of $3.1 billion, as at June 30, 2013, compared to $4.0 billion and $2.6 billion, respectively, as at December 31, 2012.
- A record order backlog of $65.5 billion as at June 30, 2013, compared to $64.9 billion as at December 31, 2012.

Key events

- The *CSeries* aircraft's first flight is expected to take place in the coming weeks. Refer to BA for details.
- During the second quarter of 2013, BT strengthened its market position in key segments by winning three large and strategic contracts in Europe. Refer to BT for details.
- Since the beginning of the fiscal year, our net retirement benefit liability decreased by $614 million mainly due to increases in discount rates, as well as good returns on pension plan assets.

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

CONSOLIDATED RESULTS OF OPERATIONS

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

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated		*restated*
Revenues	**$ 4,430**	$ 4,097	**$ 8,769**	$ 7,578
Cost of sales	**3,758**	3,483	**7,481**	6,389
Gross margin	**672**	614	**1,288**	1,189
SG&A	**382**	369	**726**	733
R&D	**75**	62	**145**	127
Share of income of joint ventures and associates	**(34)**	(50)	**(78)**	(69)
Other expense (income)	**(8)**	19	**(2)**	(4)
EBIT before special items(1)	**257**	214	**497**	402
Special items(2)	**(31)**	-	**(31)**	(23)
EBIT	**288**	214	**528**	425
Financing expense	**83**	89	**151**	160
Financing income	**(47)**	(60)	**(80)**	(94)
EBT	**252**	185	**457**	359
Income taxes	**72**	38	**129**	57
Net income	**$ 180**	$ 147	**$ 328**	$ 302
Attributable to				
Equity holders of Bombardier Inc.	**$ 181**	$ 147	**$ 324**	$ 297
NCI	**$ (1)**	$ -	**$ 4**	$ 5
EPS (in dollars)				
Basic and diluted	**$ 0.10**	$ 0.08	**$ 0.18**	$ 0.16

Non-GAAP financial measures(1)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated		*restated*
EBITDA	**$ 390**	$ 302	**$ 721**	$ 594
EBITDA before special items	**$ 359**	$ 302	**$ 690**	$ 571
Adjusted net income	**$ 158**	$ 167	**$ 314**	$ 317
Adjusted EPS	**$ 0.09**	$ 0.09	**$ 0.17**	$ 0.17

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

(2) Relates to BA.

Revenues, EBIT margin and EBIT margin before special items

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated		*restated*
Revenues				
BA	**$ 2,255**	$ 2,265	**$ 4,513**	$ 3,764
BT	**$ 2,175**	$ 1,832	**$ 4,256**	$ 3,814
Consolidated	**$ 4,430**	$ 4,097	**$ 8,769**	$ 7,578
EBIT margin				
BA	**6.1%**	4.4%	**5.3%**	5.0%
BT	**6.9%**	6.3%	**6.8%**	6.2%
Consolidated	**6.5%**	5.2%	**6.0%**	5.6%
EBIT margin before special items[(1)]				
BA	**4.7%**	4.4%	**4.6%**	4.4%
BT	**6.9%**	6.3%	**6.8%**	6.2%
Consolidated	**5.8%**	5.2%	**5.7%**	5.3%

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

Analysis of consolidated results

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

Net financing expense

Net financing expense amounted to $36 million and $71 million for the three- and six-month periods ended June 30, 2013, compared to $29 million and $66 million for the corresponding periods last fiscal year.

The $7-million increase for the three-month period is mainly due to:

- higher net financing expense related to certain financial instruments classified as FVTP&L ($26 million);
- higher interest expense on long-term debt as a result of issuance of $2 billion in unsecured Senior Notes in January 2013 ($24 million); and
- lower interest income from investment in securities ($23 million).

Partially offset by:

- higher borrowing costs capitalized to PP&E and intangible assets ($29 million);
- higher favourable impact related to changes in discount rates for provisions ($19 million); and
- an interest income representing the interest portion of a gain of $43 million upon the successful resolution of a litigation in connection with Part IV of the Quebec Income Tax Act, the Tax on Capital ($12 million). The remainder of the gain ($31 million) was recorded in special items.

The $5-million increase for the six-month period is mainly due to:

- higher interest expense on long-term debt as a result of issuance of $2 billion in unsecured Senior Notes in January 2013 ($48 million); and
- lower interest income from investment in securities ($23 million).

Partially offset by:

- higher borrowing costs capitalized to PP&E and intangible assets ($47 million);
- higher favourable impact related to changes in discount rates for provisions ($14 million); and
- lower accretion on retirement benefit obligations ($13 million).

Income taxes

The effective income tax rates for the three- and six-month periods ended June 30, 2013 were 28.6% and 28.2%, respectively, compared to the statutory income tax rate in Canada of 26.8%. The higher effective income tax rates, compared to the statutory income tax rates in Canada, are mainly due to the negative impact of the non-recognition of income tax benefits, partially offset by the recognition of previously unrecognized income tax benefits as well as income tax rate differential of foreign subsidiaries and other investees.

The effective income tax rate for the three- and six-month periods ended June 30, 2012 were 20.5% and 15.9%, respectively, compared to the statutory income tax rate in Canada of 26.8%. The lower effective income tax rates, compared to the statutory income tax rates in Canada, were mainly due to the positive impact of the recognition of previously unrecognized income tax benefits as well as permanent differences, partially offset by unrecognized tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated		*restated*
Segmented free cash flow				
BA	**$ (459)**	$ (504)	**$ (920)**	$ (1,076)
BT	**(21)**	(44)	**(94)**	(129)
Segmented free cash flow usage	**(480)**	(548)	**(1,014)**	(1,205)
Net income taxes and net interest paid[1]	**(86)**	(60)	**(142)**	(98)
Free cash flow usage	**(566)**	(608)	**(1,156)**	(1,303)
Add back: Net additions to PP&E and intangible assets	**550**	501	**1,064**	884
Cash flows from operating activities	**$ (16)**	$ (107)	**$ (92)**	$ (419)

[1] Not allocated to segments.

Variation in cash and cash equivalents

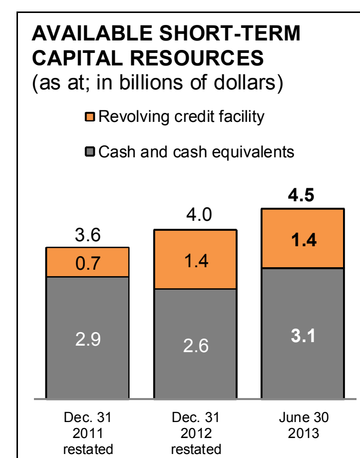
	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated		*restated*
Balance at the beginning of period	**$ 3,733**	$ 2,719	**$ 2,557** [1]	$ 2,892
Net proceeds from issuance of long-term debt	**8**	5	**1,978**	509
Free cash flow usage	**(566)**	(608)	**(1,156)**	(1,303)
Additions to AFS investments in securities	**(52)**	-	**(122)**	-
Dividends paid	**(50)**	(51)	**(99)**	(144)
Effect of exchange rate changes on cash and cash equivalents	**(14)**	(41)	**(71)**	9
Repayments of long-term debt	**(17)**	(163)	**(27)**	(167)
Proceeds from disposal of AFS investments in securities	**-**	133	**-**	133
Other	**59**	83	**41**	148
Balance at the end of period	**$ 3,101**	$ 2,077	**$ 3,101**	$ 2,077

[1] Restated

Available short-term capital resources

	As at	
	June 30, 2013	December 31, 2012
		restated
Cash and cash equivalents	**$ 3,101**	$ 2,557
Available revolving credit facility	**1,404**	1,410
Available short-term capital resources	**$ 4,505**	$ 3,967

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



In January 2013, we significantly increased our financial flexibility by issuing, at par, an aggregate of $2.0 billion of new unsecured Senior Notes, comprised of $750 million of 4.25% Senior Notes due on January 15, 2016 and $1.25 billion of 6.125% Senior Notes due on January 15, 2023.

In April and May 2013, respectively, the availability periods under the BT and BA letter of credit facilities were extended by an additional year to May 2016 and June 2016, respectively. In June 2013, the BT letter of credit facility committed amount increased from €3.4 billion ($4.4 billion) to €3.5 billion ($4.6 billion). Also in June 2013, the availability period of the PSG facility was extended by one year to June 2014 and the amount committed reduced from $900 million to $600 million, due to lower utilization levels. In May 2013, the maturity date of our $750-million unsecured revolving credit facility was extended by one year to June 2016.

We consider that our expected cash flows from operating activities, combined with our available short-term capital resources of $4.5 billion as at June 30, 2013, will enable the development of new products to enhance our competitiveness and support our growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable us to meet all other expected financial requirements in the near term.

CAPITAL STRUCTURE

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

Reconciliations of these measures to the most comparable IFRS financial measures are in the Non-GAAP financial measures section. The adjusted EBIT and adjusted EBITDA exclude special items, such as restructuring charges, significant impairment charges and reversals, as well as other significant unusual items, which we believe are not representative of our core performance.

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

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

Global metrics[(1)]

	June 30 2013	December 31 2012	**Explanation of significant variances**
		restated	
Interest coverage ratio			
Adjusted EBIT[(2)]	**$ 988**	$ 916	
Adjusted interest[(2)]	**$ 296**	$ 288	
Adjusted EBIT to adjusted interest ratio	**3.3**	3.2	No significant variance.
Financial leverage ratio			Deteriorated due to the issuance of $2 billion of long-term debt in January 2013, partially offset by higher adjusted EBITDA.
Adjusted debt	**$ 7,883**	$ 5,669	
Adjusted EBITDA[(2)]	**$ 1,463**	$ 1,340	
Adjusted debt to adjusted EBITDA ratio	**5.4**	4.2	

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

These global metrics do not represent the calculations required for bank covenants. For compliance purposes, we regularly monitor these covenants to ensure that they are all met.

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $2.3 billion as at June 30, 2013 ($3.0 billion as at December 31, 2012). The measurement of this liability is dependent on numerous key long-term assumptions such as current discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. The $614-million decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability

Balance as at December 31, 2012 - restated	$	2,961 [1]
Changes in discount rates		(487)
Employer contributions		(213)
Service costs		156
Changes in foreign exchange rates		(89)
Actuarial gains on pension plan assets		(78)
Actuarial losses on defined benefit obligation		59
Accretion on net retirement benefit obligation		57
Other		(19)
Balance as at June 30, 2013	**$**	**2,347** [1]

[1] Includes retirement benefit assets of $150 million as at June 30, 2013 ($38 million as at December 31, 2012).

NON-GAAP FINANCIAL MEASURES

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

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

We believe that providing certain non-GAAP performance measures, in addition to IFRS measures, provides users of our interim consolidated financial statements with enhanced understanding of our results and related trends and increases transparency and clarity into the core results of the business. For these reasons a significant number of users of our MD&A analyze our results based on these performance measures. EBIT before special items, EBITDA before special items, adjusted net income and adjusted EPS exclude items that do not reflect, in our opinion, our core performance and help users of our MD&A to better analyze our results, enabling better comparability of our results from one period to another and with peers.

Non-GAAP measures are mainly derived from the interim consolidated financial statements, but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. From time to time, we may exclude additional items if we believe doing so would result in a more transparent and comparable disclosure. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to use similarly named non-GAAP measures of other entities to compare the performance of those entities to our performance.

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

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

Reconciliation of EBITDA before special items and EBITDA to EBIT

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012 [1]	**2013**	2012 [1]
		restated		*restated*
EBIT	**$ 288**	$ 214	**$ 528**	$ 425
Amortization	**102**	88	**193**	169
EBITDA	**390**	302	**721**	594
Special items				
Gains on resolution of litigations in connection with capital tax[1]	**(31)**	-	**(31)**	(23)
EBITDA before special items	**$ 359**	$ 302	**$ 690**	$ 571

[1] Relates to BA.

Reconciliation of adjusted net income to net income

	For the three-month periods ended June 30			
	2013		2012	
	(in millions of dollars)	**(per share)**	(in millions of dollars)	(per share)
				restated
Net income	**$ 180**		$ 147	
Adjustments to EBIT related to special items	**(31)**	**$ (0.02)**	-	
Adjustments to net financing expense (income) related to				
Accretion on net retirement benefit obligations	**28**	**0.02**	34	$ 0.02
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**(4)**	**-**	(11)	(0.01)
Interest portion of a gain related to a special item	**(12)**	**(0.01)**	-	-
Tax impact of adjusting items	**(3)**	**-**	(3)	-
Adjusted net income	**$ 158**		$ 167	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	2013	2012
Diluted EPS	**$ 0.10**	$ 0.08
Impact of special and other adjusting items	**(0.01)**	0.01
Adjusted EPS	**$ 0.09**	$ 0.09

Reconciliation of adjusted net income to net income

	For the six-month periods ended June 30			
	2013		2012	
	(in millions of dollars)	**(per share)**	(in millions of dollars)	(per share)
				restated
Net income	**$ 328**		$ 302	
Adjustments to EBIT related to special items	**(31)**	**$ (0.02)**	(23)	$ (0.01)
Adjustments to net financing expense (income) related to				
Accretion on net retirement benefit obligations	**57**	**0.03**	70	0.04
Net change in provisions arising from changes in interest rates and net loss (gain) on certain financial instruments	**(21)**	**(0.01)**	(10)	(0.01)
Interest portion of a gain related to a special item	**(12)**	**(0.01)**	(17)	(0.01)
Tax impact of adjusting items	**(7)**	**-**	(5)	-
Adjusted net income	**$ 314**		$ 317	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	2013	2012
Diluted EPS	**$ 0.18**	$ 0.16
Impact of special and other adjusting items	**(0.01)**	0.01
Adjusted EPS	**$ 0.17**	$ 0.17

Reconciliation of adjusted debt to long-term debt

	As at	
	June 30, 2013	December 31, 2012
		restated
Long-term debt	**$ 7,181**	$ 5,405
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	**(290)**	(444)
Long-term debt, net	**6,891**	4,961
Sale and leaseback obligations	**206**	168
Operating lease obligations[1]	**786**	540
Adjusted debt	**$ 7,883**	$ 5,669

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

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended	
	June 30, 2013	December 31, 2012
		restated
EBIT	**$ 769**	$ 666
Special items[1]	**132**	140
Interest received	**56**	86
Interest adjustment for operating leases[2]	**31**	24
Adjusted EBIT	**988**	916
Amortization adjustment for operating leases[3]	**87**	60
Amortization	**388**	364
Adjusted EBITDA	**$ 1,463**	$ 1,340

[1] The special items for the four-quarter trailing period ended June 30, 2013 related to restructuring charges of $119 million, a gain on resolution of a litigation in connection with capital tax of $31 million, loss on flooding of $19 million and foreign exchange hedging loss of $25 million (restructuring charges of $119 million, gain on resolution of a litigation in connection with capital tax of $23 million, loss on flooding of $19 million and foreign exchange hedging loss of $25 million for the four-quarter trailing period ended December 31, 2012).

[2] Represents the interest cost of a debt equivalent to operating lease obligations included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related period, given our credit rating.

[3] Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

Reconciliation of adjusted interest to interest paid

	Four-quarter trailing periods ended	
	June 30, 2013	December 31, 2012
		restated
Interest paid	**$ 260**	$ 259
Accretion expense on sale and leaseback obligations	**5**	5
Interest adjustment for operating leases[1]	**31**	24
Adjusted interest	**$ 296**	$ 288

[1] Represents the interest cost of a debt equivalent to operating lease obligations included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related period, given our credit rating.

CONSOLIDATED FINANCIAL POSITION

	June 30 2013	December 31 2012 *restated*	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance excluding foreign exchange	Explanation of significant variances other than foreign exchange	
Cash and cash equivalents	**$ 3,101**	$ 2,557	$ (71)	$ 615		See the Variation in cash and cash equivalents table and Free cash flow in BA and BT for details
Trade and other receivables	**1,429**	1,311	(23)	141	$ 45	Higher level in BA
					96	Higher level in BT
Gross inventories	**13,179**	11,569	(128)	1,738	$ 430	Increase in aerospace program work-in-process inventories mainly in medium and large business aircraft
					1,308	Increase following ramp-up of production related to some BT contracts ahead of deliveries
Advances and progress billings related to long-term contracts	**(6,667)**	(5,792)	(122)	997		Higher advances and progress billings on existing contracts and new orders
Advances on aerospace programs	**(4,521)**	(4,653)	-	(132)		Decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries for business aircraft, partly offset by higher order intake than deliveries in commercial aircraft
PP&E	**1,952**	1,933	(18)	37	$ 125	Net additions
					(88)	Amortization
Aerospace program tooling	**5,679**	4,770	-	909	$ 982	Additions
					(73)	Amortization
Goodwill	**2,255**	2,316	(61)	-		No variance
Deferred income tax asset	**1,320**	1,421	(9)	(92)		Mainly due to the utilization of deferred tax assets in a few countries.
Investments in joint ventures & associates	**352**	311	(5)	46	$ 78	Share of income
					(38)	Dividends declared
Other financial assets	**1,863**	1,782	(5)	86	$ 122	Additions to investments in securities
					(28)	Decrease in assets related to derivative financial instruments
Other assets	**1,494**	1,234	(5)	265	$ 113	Increase in retirement benefit assets
					87	Increase in prepaid expenses
					87	Increase in sales tax and other taxes
Trade and other payables	**(3,596)**	(3,310)	(43)	329	$ 238	Higher level in BA
					91	Higher level in BT
Provisions	**(1,520)**	(1,608)	(17)	(71)		Mainly resulting from utilization of provisions for restructuring, severance and other termination benefits and a net decrease in provisions for product warranties
Non-current portion of long-term debt	**(7,132)**	(5,360)	(30)	1,802		Issuance of $750 million and $1.25 billion in unsecured Senior Notes due January 2016 and January 2023, respectively, partially offset by a movement of $145 million in fair value of derivatives designated in hedge relationships
Retirement benefit liability	**(2,497)**	(2,999)	(11)	(491)		See the Variation in net retirement benefit liability table for details
Other financial liabilities	**(1,486)**	(1,056)	(3)	433	$ 266	Increase in liabilities related to derivative financial instruments
Other liabilities	**(3,342)**	(3,169)	(29)	202	$ 140	Increase in supplier contributions to aerospace programs
					105	Increase in employee benefit liabilities
					(81)	Decrease in accruals for long-term contract costs
Equity	**(1,863)**	(1,257)	not applicable	606	$ 328	Net income
					(103)	Dividends
					355	OCI - mainly due to net actuarial gains on retirement benefits partially offset by CCTD and a net loss on derivative financial instruments designated as cash flow hedges
					26	Other

AEROSPACE

HIGHLIGHTS

Results of the quarter[1]

- Revenues of $2.3 billion, the same level as the comparative period in the previous fiscal year.
- EBIT of $138 million and EBIT before special items[2] of $107 million, or 6.1% and 4.7% of revenues, respectively, compared to EBIT of $99 million, or 4.4%, for the same period last fiscal year.
- EBITDA of $209 million and EBITDA before special items[2] of $178 million, or 9.3% and 7.9% of revenues, respectively, compared to EBITDA of $157 million, or 6.9%, for the same period last fiscal year.
- Free cash flow usage[2] of $459 million, compared to a usage of $504 million for the same period last fiscal year.
- Net additions to PP&E and intangible assets of $534 million, compared to $481 million for the same period last fiscal year.
- 57 aircraft deliveries, compared to 62 for the same period last fiscal year.
- 82 net orders (book-to-bill ratio[3] of 1.4), compared to 146 net orders for the same period last fiscal year.
- A record order backlog of $33.4 billion as at June 30, 2013, compared to $32.9 billion as at December 31, 2012.

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

Key events

Business aircraft

- In May 2013, we launched the new *Challenger 350* aircraft, the evolution of the *Challenger 300* aircraft, expanding our *Challenger* family of business jets. The *Challenger 350* jet will offer increased performance from the upgraded engines, increased aerodynamic efficiency, an entirely new interior and advanced avionics. Entry-into-service (EIS) is scheduled for 2014.
- In June 2013, an undisclosed customer placed a firm order for 12 *Global 8000* business jets. Based on list price, the value of the firm order is $804 million.
- In June 2013, VistaJet placed a firm order for 20 *Challenger 350* business jets, with options for an additional 20. Based on list price, the value of the firm order is $518 million.

Commercial aircraft

- The integration of the *CSeries* aircraft's auxiliary power unit and the engines on the first flight test vehicle (FTV1) is running smoothly allowing for testing of the aircraft's key systems. Also, the latest software upgrades on the aircraft continue to be successfully completed. The *CSeries* aircraft's overall integration is progressing well and we are pleased with the results; however, the highly technical last steps are taking more time than initially anticipated to validate the overall systems and ongoing software integrations. First flight is expected to occur in the coming weeks. An update on the EIS dates of the *CS100* and *CS300* aircraft will be provided following our review of the first flight activities of FTV1.
- In June 2013, the conditional purchase agreement for 32 *CS300* aircraft and options for an additional 10 with Ilyushin Finance Co. (IFC) of Russia was approved by IFC's shareholders, converting the conditional order into a firm order for 32 aircraft, with options for an additional 10. Based on list price, the value of the firm order is $2.6 billion.

Customer Services and Support

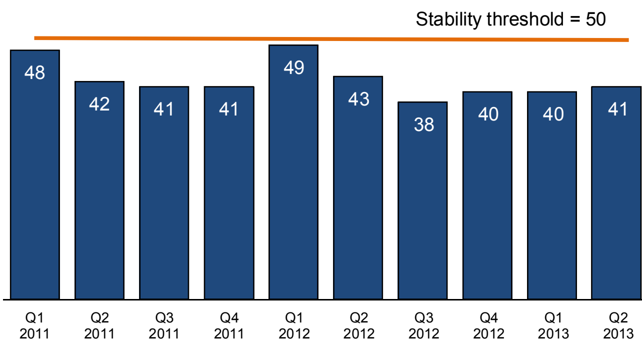
- In July 2013, we enhanced our worldwide aftermarket support network with a new Regional Support Office (RSO) and parts depot in Johannesburg, South Africa. The RSO and parts depot will provide regional support for our business and commercial aircraft customers, with the aim of capturing increasing opportunities for aviation in Africa as the operator base grows in this region.

INDUSTRY AND ECONOMIC ENVIRONMENT

Business aircraft

Industry confidence, as measured by the UBS Business Jet Market Index, remained essentially at the same level for the last five quarters and continues to be below the threshold of market stability. The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet in June 2013 remained at the same level compared to March 2013, at 13.4%. We consider this level of pre-owned inventory to be within the normal range. In the five-month period ended May 31, 2013, business jet utilization in the U.S. remained unchanged compared to the same period in the last two years. Business jet utilization levels in Europe decreased by 3% in the six-month period ended June 30, 2013 compared to the same period last year (4% decrease for the same period in 2012 compared to 2011).

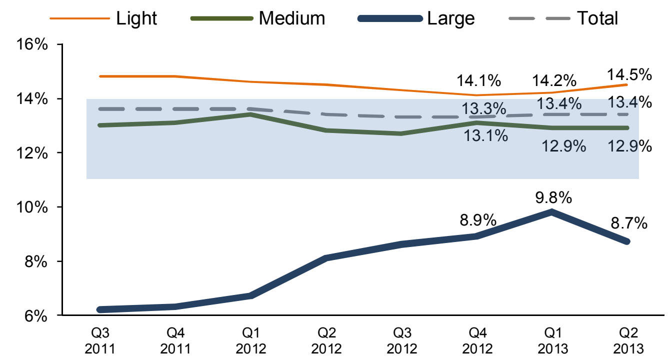
UBS BUSINESS JET MARKET INDEX[(1)]
(for calendar quarters; average on a 100-point scale)



Source: UBS

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

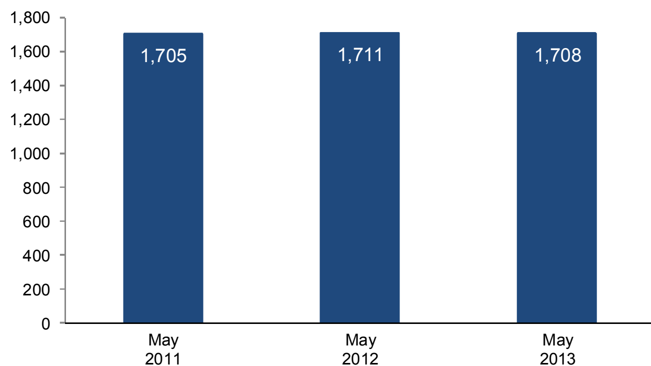
PRE-OWNED BUSINESS JET INVENTORY
(for calendar quarters; as a percentage of total business jet fleet, excluding very light jets)



Source: JETNET and Ascend Online

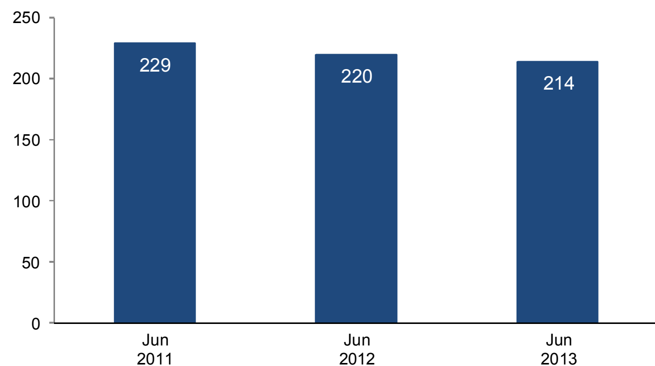
Shaded area indicates what we consider to be a normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.

U.S. BUSINESS JET UTILIZATION
(for the five-month periods ended; in thousands of departures and arrivals for all business jets)



Source: latest data available from the U.S. Federal Aviation Administration (FAA) website

EUROPEAN BUSINESS JET UTILIZATION
(for the six-month periods ended; in thousands of departures and arrivals for all business jets)



Source: latest data available from Eurocontrol

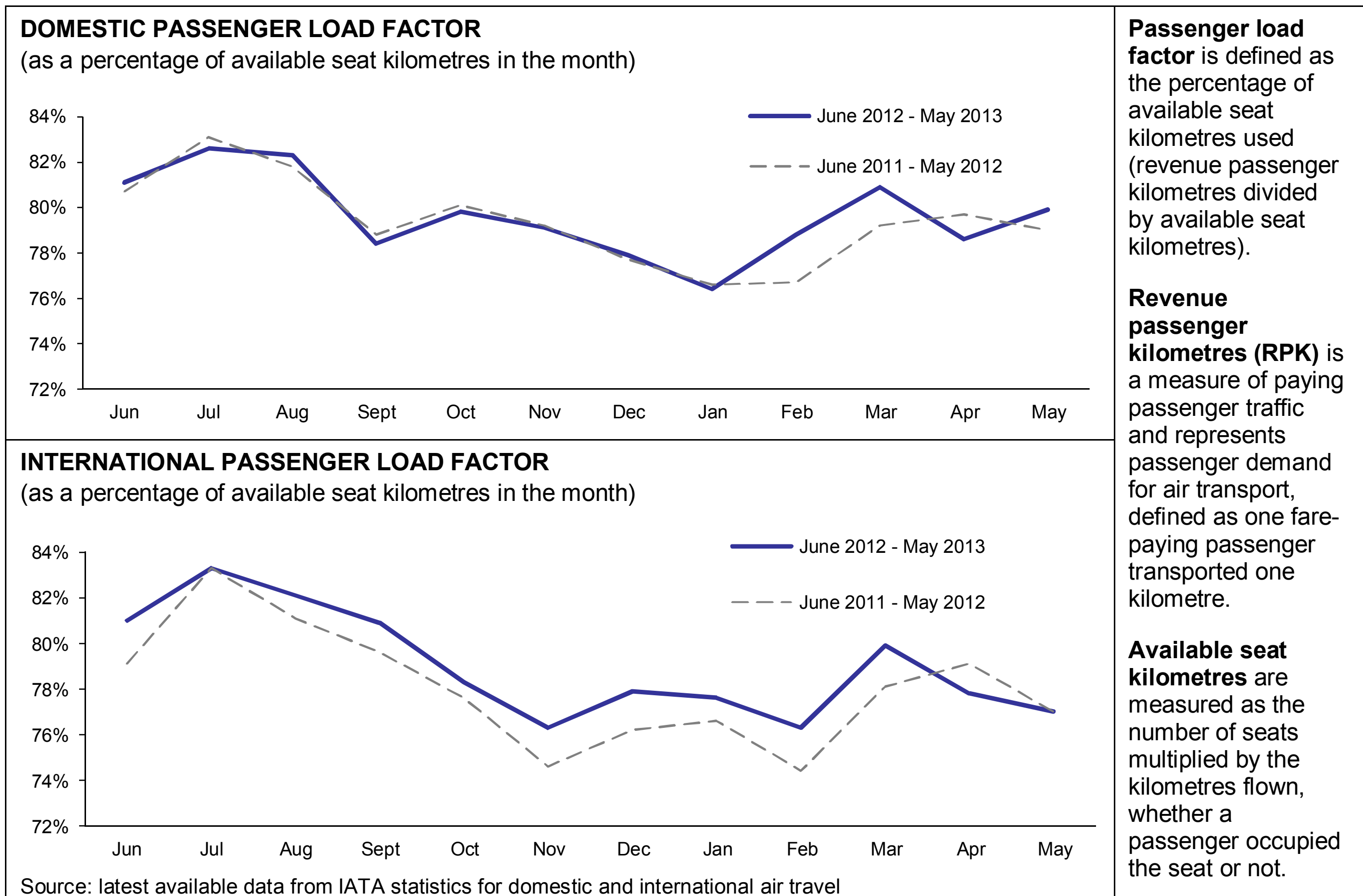
Commercial aircraft

In its June 2013 Financial Forecast, International Air Transport Association ("IATA") further increased its 2013 forecast for the commercial airline industry net post-tax profit to $12.7 billion, up from $10.6 billion and $8.4 billion previously projected in its March 2013 and December 2012 Financial Forecasts, respectively. The increased forecast is due mainly to structural changes by airlines, including consolidation in North America, which are improving the industry's ability to generate profits despite continued high fuel prices and slower than expected economic growth. IATA's forecast increased despite the outlook for global economic growth having deteriorated slightly, as the recession in certain countries in Europe proves to be deeper than expected. IATA has lowered its forecasted Brent crude oil price to $108 per barrel, down from $110 per barrel in its March 2013 Financial Forecast as a result of the softer growth expectations and also because expectations of new fuel supply from the U.S. are having a stronger impact on prices. Asia-Pacific airlines are forecast to generate the highest profits in terms of dollars and percentage of revenues, followed by North American airlines.

The May 2013 Air Passenger Market Analysis report issued by IATA indicates that scheduled domestic and international commercial air travel, measured by revenue passenger kilometres ("RPK")[(1)], were 4.0% and 4.5% higher, respectively, during the year-to-date period ended May 31, 2013 compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors[(1)] of 79.9% and 77.0%, respectively, in May 2013, compared to the 79.0% and 77.0% respective levels experienced in May 2012.

Regional passenger traffic measured by RPK for the five leading U.S. network carriers[(2)] and their affiliates, which represent a major portion of the regional airline passenger traffic in the U.S., our largest market, decreased by 2.3% during the year-to-date period ended June 30, 2013 compared to the same period last year. These airlines achieved an average load factor of 81.7% in June 2013, up from the 80.5% experienced in June 2012.

[(1)] Refer to table below for definitions of these measures.
[(2)] Delta Air Lines, American Airlines, United Airlines, US Airways and Alaska Air.



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

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

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

Update on our 20-year market forecasts

On June 14, 2013, we released our Business Aircraft Market Forecast and Commercial Aircraft Market Forecast for the 20-year period from calendar years 2013 to 2032. Our Business Aircraft Market Forecast estimates 24,000 aircraft deliveries in the light to large categories, which is the same overall level of deliveries as our previous forecast for calendar years 2012 to 2031. These deliveries are valued at $650 billion.

Our Commercial Aircraft Market Forecast predicts 12,800 aircraft deliveries for 20- to 149-seat commercial aircraft in the next 20 years, the same overall level of deliveries as last year's forecast for calendar years 2012 to 2031. The total forecast delivery demand is valued at over $646 billion.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated [7]		*restated* [7]
Revenues				
Manufacturing				
Business aircraft	**$ 1,259**	$ 1,256	**$ 2,421**	$ 1,899
Commercial aircraft	**272**	315	**573**	483
Other	**98**	123	**237**	254
Total manufacturing	**1,629**	1,694	**3,231**	2,636
Services[1]	**471**	420	**912**	856
Other[2]	**155**	151	**370**	272
Total revenues	**2,255**	2,265	**4,513**	3,764
Cost of sales	**1,922**	1,934	**3,873**	3,195
Gross margin	**333**	331	**640**	569
SG&A	**189**	179	**347**	341
R&D	**45**	35	**87**	66
Other expense (income)[3]	**(8)**	18	**(2)**	(3)
EBIT before special items[4]	**107**	99	**208**	165
Special items[5]	**(31)**	-	**(31)**	(23)
EBIT	**138**	99	**239**	188
Amortization[6]	**71**	58	**132**	108
EBITDA[4]	**$ 209**	$ 157	**$ 371**	$ 296
EBITDA before special items[4]	**$ 178**	$ 157	**$ 340**	$ 273
(as a percentage of total revenues)				
Gross margin	**14.8%**	14.6%	**14.2%**	15.1%
EBIT before special items	**4.7%**	4.4%	**4.6%**	4.4%
EBIT	**6.1%**	4.4%	**5.3%**	5.0%
EBITDA before special items	**7.9%**	6.9%	**7.5%**	7.3%
EBITDA	**9.3%**	6.9%	**8.2%**	7.9%

(1) Includes revenues from parts services, *Flexjet* fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training), Specialized Aircraft Solutions and Military Aviation Training.
(2) Includes mainly sales of pre-owned aircraft.
(3) Includes i) net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding the losses (gains) arising from changes in interest rates; ii) severance and other involuntary termination costs (including changes in estimates); and iii) gains on disposals of PP&E.
(4) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.
(5) The special item for the three- and six-month periods ended June 30, 2013 relates to a gain following the successful resolution of a litigation in connection with Part IV of the Quebec Income Tax Act, the Tax on Capital. The special item for the six-month period ended June 30, 2012 relates to a gain following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations. Both gains relate to a similar matter, at the Canadian federal and Quebec provincial levels.
(6) Amortization is included in cost of sales, SG&A and R&D expense, based on the underlying function of the asset.
(7) Refer to Overview and Accounting and reporting developments section in Other for detail regarding restatements of 2012 figures.

Total aircraft deliveries

	Three-month periods ended June 30		Six-month periods ended June 30	
(in units)	**2013**	2012	**2013**	2012
Business aircraft				
Excluding those of the Flexjet fractional ownership program	**45**	46	**83**	74
Flexjet fractional ownership program[1]	**-**	-	**1**	1
	45	46	**84**	75
Commercial aircraft	**12**	15	**25**	22
Amphibious aircraft	**-**	1	**1**	2
	57	62	**110**	99

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

Manufacturing revenues

The $65-million decrease for the three-month period is mainly due to lower deliveries of turboprops, partially offset by higher deliveries of regional jets.

The $595-million increase for the six-month period is mainly due to:

- higher deliveries of business aircraft, in the large business jet category, mainly due to the low level of deliveries in the three-month period ended March 31, 2012 due to the transition to the *Global 5000* and *Global 6000* aircraft with our *Bombardier Vision* Flight Deck, which entered into service at the end of March 2012 ($522 million); and
- higher deliveries of regional jets, partially offset by lower deliveries of turboprops ($90 million).

Services revenues

The $51-million and $56-million increases for the three- and six-month periods are mainly due to higher revenues from parts services and aircraft maintenance.

Other revenues

The $98-million increase for the six-month period is mainly due to a favourable sales mix of pre-owned business aircraft.

EBIT margin

The EBIT margin for the three-month period ended June 30, 2013 increased by 1.7 percentage points. The EBIT margin before special items (see explanation of special items below) for the three-month period increased by 0.3 percentage points mainly as a result of:

- higher margins from service activities;
- a favourable impact in other expense (income), mainly due to a net positive variance on provisions for credit and residual value guarantees and on aircraft loans and lease receivables; and
- a favourable mix of large and medium versus light business aircraft deliveries.

Partially offset by:

- higher write-downs of inventory and lower margins from pre-owned business aircraft sales;
- higher cost of sales per unit, mainly due to price escalation of materials;
- higher R&D expense due to higher amortization of aerospace program tooling; and
- higher SG&A expense.

The EBIT margin for the six-month period ended June 30, 2013 increased by 0.3 percentage points. The EBIT margin before special items (see explanation of special items below) for the six-month period increased by 0.2 percentage points mainly as a result of:

- higher absorption of SG&A expense, due to the abnormally low level of revenues in the quarter ended March 31, 2012;
- higher margins from service activities; and
- a favourable mix of large and medium versus light business aircraft deliveries.

Partially offset by:

- higher cost of sales per unit, mainly due to price escalation of materials; and
- higher write-downs of inventory and lower margins from pre-owned business aircraft sales.

For the three- and six-month periods ended June 30, 2013, a special item positively impacted the EBIT margin by 1.4 and 0.7 percentage points, related to a $31-million gain following the successful resolution of a litigation in connection with Part IV of the Quebec Income Tax Act, the Tax on Capital.

For the six-month period ended June 30, 2012, a special item positively impacted the EBIT margin by 0.6 percentage points, related to a $23-million gain following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.

Free cash flow

Free cash flow usage

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated [1]		*restated* [1]
EBIT	**$ 138**	$ 99	**$ 239**	$ 188
Amortization	**71**	58	**132**	108
EBITDA	**209**	157	**371**	296
Other non-cash items				
Gains on disposals of PP&E	**-**	-	**(1)**	(3)
Share-based expense (income)	**3**	(7)	**8**	(1)
Net change in non-cash balances	**(137)**	(173)	**(261)**	(515)
Cash flows from operating activities	**75**	(23)	**117**	(223)
Net additions to PP&E and intangible assets	**(534)**	(481)	**(1,037)**	(853)
Free cash flow usage	**$ (459)**	$ (504)	**$ (920)**	$ (1,076)

[1] Refer to Overview and Accounting and reporting developments section in Other for details regarding restatements of 2012 figures.

The $45-million improvement for the three-month period is mainly due to:

- higher EBITDA ($52 million); and
- a positive period-over-period variation in net change in non-cash balances ($36 million) (see explanation below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($53 million), due to our continued significant investment in product development.

The $156-million improvement for the six-month period is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($254 million) (see explanation below); and
- higher EBITDA ($75 million).

Partially offset by:

- higher net additions to PP&E and intangible assets ($184 million), due to our continued significant investment in product development.

Net change in non-cash balances

For the three-month period ended June 30, 2013, the $137-million cash outflow is mainly due to:

- an increase in aerospace program work-in-process inventories, mainly in the large business aircraft category; and
- a net decrease in advances on aerospace programs.

Partially offset by:

- an increase in liabilities related to supplier contributions to aerospace programs.

For the three-month period ended June 30, 2012, the $173-million cash outflow was mainly due to:

- an increase in aerospace program work-in-process inventories and finished products, mainly due to an increase in pre-owned business aircraft inventories and to certain deliveries of commercial aircraft being pushed to the second half of the year; and
- a decrease in advances on aerospace programs.

For the six-month period ended June 30, 2013, the $261-million cash outflow is mainly due to:

- an increase in aerospace program work-in-process inventories, mainly in the medium and large business aircraft categories; and
- a decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries for business aircraft, partly offset by higher order intake than deliveries in commercial aircraft.

Partially offset by:

- an increase in trade and other payables; and
- an increase in liabilities related to supplier contributions to aerospace programs.

For the six-month period ended June 30, 2012, the $515-million cash outflow was mainly due to:

- an increase in aerospace program work-in-process inventories and finished products, mainly due to an increase in pre-owned business aircraft inventories and due to the transition to the *Global 5000* and *Global 6000* aircraft with our *Bombardier Vision* Flight Deck, which entered into service at the end of March 2012. In addition, certain deliveries of commercial aircraft were pushed to the second half of the year.

Partially offset by:

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

Product development

Investment in product development

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
Program tooling[1]	**$ 538**	$ 409	**$ 982**	$ 755
R&D expense[2]	**7**	5	**14**	14
	$ 545	$ 414	**$ 996**	$ 769
As a percentage of manufacturing revenues	**33.5%**	24.4%	**30.8%**	29.2%

(1) Capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $38 million and $73 million, respectively, for the three- and six-month periods ended June 30, 2013 ($30 million and $52 million, respectively, for the three- and six-month periods ended June 30, 2012), as the related investments are already included in aerospace program tooling.

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

The following tables explain the key elements of our product development process and the status of our most significant programs under development.

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

THE *CSERIES* AIRCRAFT PROGRAMS	
The *CS100* aircraft program is in the product definition release phase, and the *CS300* aircraft program is in the detailed design phase. The first flight of the *CS100* aircraft is expected to occur in the coming weeks. An update on the EIS dates of the *CS100* and *CS300* aircraft will be provided following our review of the first flight activities of FTV1.	
Production and testing	The ground testing required for first flight has been completed on the airframe known as the Complete Airframe Static Test (CAST) article. CAST testing met the safety-of-flight requirements at our Experimental Test Facility in Saint-Laurent, Québec, and demonstrated that the aircraft was structurally sound for first flight.
	The integration of the aircraft’s auxiliary power unit and the engines on FTV1 is running smoothly, allowing for testing of the aircraft’s key systems. Also, the latest software upgrades on the aircraft continue to be successfully completed.
	While in its final testing stage in preparation for first flight, FTV1 is undergoing important and complex pre-flight tests including aircraft in the loop testing (ACIL). During ACIL tests, FTV1 is “flown” on the ground in a simulated flight environment to ensure the first aircraft behaves in the same manner as experienced with the on-the-ground Complete Integrated Aircraft Systems Test Area (CIASTA), also known as “Aircraft 0”. This will be followed by low- and high-speed taxiing. We expect the Flight Test Permit from Transport Canada for FTV1 in the coming weeks.
Suppliers	All suppliers have begun the manufacturing of components and all their safety-of-flight statements were obtained in late June 2013. Components and systems continue to be tested worldwide and the data received to date confirms that the aircraft development programs are on track to reach key performance targets.[1]

[1] Key performance targets as described in our annual report for the fiscal year ended December 31, 2012, under certain operating conditions, when compared to aircraft currently in production, for flights of 500 nautical miles. The *CSeries* programs are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. See the *CSeries* family of aircraft program disclaimer at the end of this MD&A.

THE *LEARJET 85* AIRCRAFT PROGRAM	
The *Learjet 85* aircraft program is in the product definition release phase and is progressing towards EIS in the summer of 2014.	
Production and testing	The build of FTV1 is significantly advanced. The fuselage sections have been joined and the wing has been attached. The aircraft is on its wheels and the engines and the horizontal stabilizer have been mounted on the airframe. The aircraft has been painted in readiness for flight. Additionally, FTV1 completed the full powering up of the main electrical distribution system, and the aircraft's systems and flight test installations, which monitor and collect data during flight tests, are underway.
	Other flight test vehicles are in various stages of fabrication and assembly.
	The CAST article is at the National Institute for Aviation Research (NIAR) and testing for structural safety-of-flight is in progress. As part of the Wichita State University, NIAR is an aviation research centre in the U.S. which specializes in testing of composite materials.
	As part of the Bombardier composite structural technology readiness program, we are continuing to validate and certify the manufacturing process for our composite technology with the U.S. Federal Aviation Administration (FAA).
Suppliers	All suppliers are well underway with the manufacturing and delivery of components to the final assembly line. Testing on supplier rigs for safety-of-flight purposes is progressing well. These test rigs are initially used to ensure that system safety critical tests are conducted for components prior to shipment of flightworthy parts to the final assembly line in Wichita. We have now completed 94% of system supplier requirements for safety-of-flight.
Facilities	The final assembly line in Wichita is operational. The Wichita site expansion, which includes building a new hangar, paint facilities and a new delivery centre to support the *Learjet 85* aircraft program, is progressing as scheduled.

THE *LEARJET 70* AND *LEARJET 75* AIRCRAFT PROGRAMS	
The *Learjet 70* and *Learjet 75* aircraft programs are in the product certification phase and are progressing towards EIS in the fourth quarter of 2013.	
Production and testing	The first *Learjet 75* production aircraft was presented during the May 2013 European Business Aviation Convention and Exhibition (EBACE).
	Flight testing for the *Bombardier Vision* Flight Deck, upgraded engine and new canted winglet is in progress. Three flight test vehicles have logged approximately 95% of the flight test program.
	The engines, winglets and avionics are in the final stages of certification testing. EIS activities are progressing as planned.
Suppliers	Suppliers are in the final stages of qualification testing for their components and are delivering parts to the production line.

THE *GLOBAL 7000* AND *GLOBAL 8000* AIRCRAFT PROGRAMS	
The *Global 7000* and *Global 8000* aircraft programs are in the joint definition phase and transitioning to the detailed design phase. Planned EIS is scheduled in 2016 and 2017, respectively.	
Suppliers	Our product development team and our suppliers' representatives, co-located at our Aerospace Product Development Centre in Montréal, are making progress as planned on the design definition of the aircraft and are transitioning the programs into the detailed design phase. We have essentially completed the selection of suppliers for the programs.
	GE Aviation is currently assembling the first development engine for the *Global 7000* and *Global 8000* aircraft and began the first full engine ground test in June 2013. The integrated propulsion system for the new Passport 20 GE engine is being developed specifically for the new *Global* aircraft platform.

THE *CHALLENGER 350* AIRCRAFT PROGRAM	
The *Challenger 350* aircraft program is in the product certification phase and is progressing towards EIS in 2014.	
Production and testing	The *Challenger 350* aircraft program was launched at EBACE in May 2013. First flight was successfully completed in March 2013 using a modified *Challenger 300* aircraft with upgraded avionics, new winglets and upgraded engines. Two flight test vehicles have logged approximately one third of the flight test program.

Carrying amount of program tooling

	As at	
	June 30, 2013	December 31, 2012
Business aircraft	**$ 2,392**	$ 2,004
Commercial aircraft		
CRJ Series	**454**	469
CSeries	**2,833**	2,297
	$ 5,679	$ 4,770

Aircraft deliveries

Business aircraft deliveries

	Three-month periods ended June 30		Six-month periods ended June 30	
(in units)	**2013**	2012	**2013**	2012
Light				
Learjet 40 XR/Learjet 45 XR	**-**	3	**1**	5
Learjet 60 XR	**4**	3	**6**	6
Medium				
Challenger 300	**16**	13	**30**	24
Challenger 605	**11**	12	**16**	20
Challenger 800 Series	**-**	1	**-**	2
Large				
Global 5000/Global 6000	**14**	14	**31**	18
	45	46	**84**	75

In the six-month period ended June 30, 2013, business aircraft deliveries increased by 12%, due to higher deliveries in the large business aircraft category. In the six-month period ended June 30, 2012, the lower level of large business jet deliveries was mainly due to the transition to the *Global 5000* and *Global 6000* aircraft with our *Bombardier Vision* Flight Deck, which entered into service at the end of March 2012.

Commercial aircraft deliveries

	Three-month periods ended June 30		Six-month periods ended June 30	
(in units)	**2013**	2012	**2013**	2012
Regional jets				
CRJ700 NextGen	**-**	1	**1**	1
CRJ900 NextGen	**2**	-	**4**	1
CRJ1000 NextGen	**4**	-	**6**	3
Turboprops				
Q400 NextGen	**6**	14	**14**	17
	12	15	**25**	22

Aircraft orders

Total aircraft net orders

	June 30, 2013			June 30, 2012		
(in units)	**Gross orders**	**Cancellations**	**Net orders**	Gross orders	Cancellations	Net orders
Three-month periods ended						
Business aircraft (including those of the Flexjet fractional ownership program)	**65**	**(18)**	**47**	147	(13)	134
Commercial aircraft	**43**	**(8)**	**35**	12	-	12
	108	**(26)**	**82**	159	(13)	146
Six-month periods ended						
Business aircraft (including those of the Flexjet fractional ownership program)	**101**	**(27)**	**74**	196	(22)	174
Commercial aircraft	**47**	**(11)**	**36**	40	-	40
	148	**(38)**	**110**	236	(22)	214

Business aircraft

The decreases in net order intake in the three- and six-month periods ended June 30, 2013, compared to the corresponding periods last fiscal year, are mainly due to the June 2012 NetJets Inc. order for 100 aircraft of the *Challenger* family.

The following significant orders were received during the six-month period ended June 30, 2013:

Customer	Firm order	Value[1]	Options[2]
Undisclosed customer	12 *Global 8000*	$ 804	-
VistaJet	20 *Challenger 350*	$ 518	20 *Challenger 350*

[1] Value of firm order based on list prices.
[2] Not included in the order backlog.

Commercial aircraft

Commercial aircraft net orders

	Three-month periods ended June 30		Six-month periods ended June 30	
(in units)	**2013**	2012	**2013**	2012
Regional jets				
CRJ900 NextGen	**(8)**	-	**(8)**	2
CRJ1000 NextGen	**3**	12	**3**	18
Commercial jets				
CS100	**-**	-	**(3)**	5
CS300	**32**	-	**32**	-
Turboprops				
Q400 NextGen	**8**	-	**12**	15
	35	12	**36**	40

The following significant orders were received during the six-month period ended June 30, 2013:

Customer	Firm order	Value[1]	Options[2]
Ilyushin Finance Co. (IFC) (Russia)	32 *CS300*	$ 2,560	10 *CS300*
Arik Air (Nigeria)	3 *CRJ1000 NextGen* 4 *Q400 NextGen*	$ 297	-

[1] Value of firm order based on list prices.
[2] Not included in the order backlog.

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

During the second quarter of the current fiscal year, we terminated and removed from the order backlog orders from two customers for a total of eight *CRJ900 NextGen* aircraft along with options for a total of four aircraft.

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

In June 2013, we confirmed that Gulf Air, the national carrier of the Kingdom of Bahrain, is the previously undisclosed customer in the June 2011 firm order for 10 *CS100* aircraft, with options for an additional six aircraft. Also in June 2013, we confirmed that Odyssey Airlines, a new airline that intends to operate from London City Airport, is the previously undisclosed European customer in the June 2011 firm order for 10 *CS100* aircraft.

Book-to-bill ratio and order backlog

Book-to-bill ratio[1]

	Three-month periods ended June 30		**Six-month periods ended June 30**	
	2013	2012	**2013**	2012
Business aircraft	**1.0**	2.9	**0.9**	2.3
Commercial aircraft	**2.9**	0.8	**1.4**	1.8
Total	**1.4**	2.4	**1.0**	2.2

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

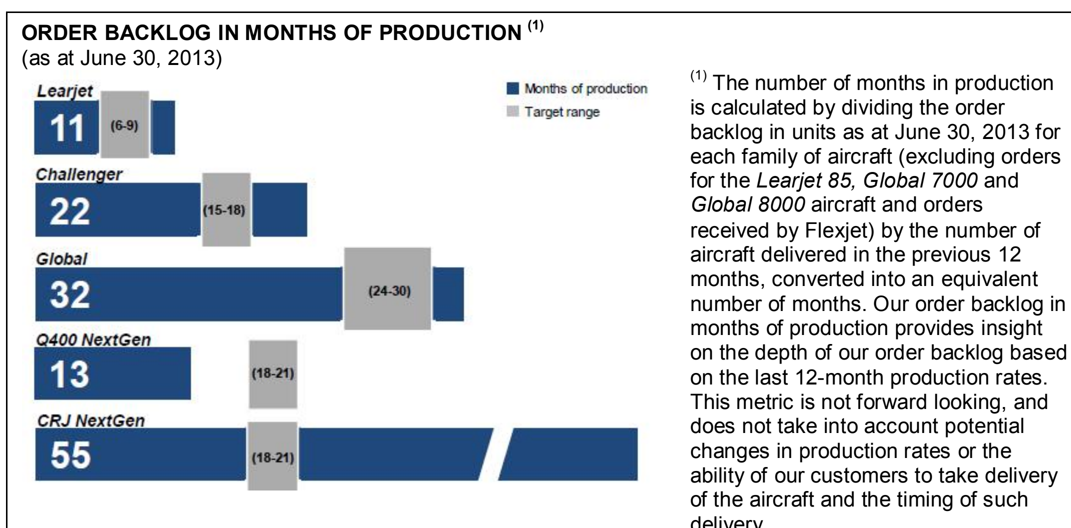
The book-to-bill ratios for commercial aircraft for the three- and six-month periods ended June 30, 2013 reflect the net order intake for the *CSeries* aircraft program. The lower book-to-bill ratios for the business aircraft for the three- and six-month periods ended June 30, 2013, compared to the corresponding periods last fiscal year, are mainly due to the June 2012 NetJets Inc. order for 100 aircraft of the *Challenger* family.

Order backlog

		As at
(in billions of dollars)	**June 30, 2013**	December 31, 2012
Aircraft programs	**$ 30.1**	$ 29.5
Long-term maintenance and spares support agreements	**2.8**	2.8
Military Aviation Training	**0.5**	0.6
	$ 33.4	$ 32.9

The increase in the order backlog is mainly due to the order intake for the *CSeries* aircraft, offset by lower net orders than deliveries for the regional jets and light business aircraft. We continue to monitor our order backlog and the production horizon for our programs and to align our production rates to reflect market demand.

ORDER BACKLOG IN MONTHS OF PRODUCTION [(1)]
(as at June 30, 2013)



[(1)] The number of months in production is calculated by dividing the order backlog in units as at June 30, 2013 for each family of aircraft (excluding orders for the *Learjet 85, Global 7000* and *Global 8000* aircraft and orders received by Flexjet) by the number of aircraft delivered in the previous 12 months, converted into an equivalent number of months. Our order backlog in months of production provides insight on the depth of our order backlog based on the last 12-month production rates. This metric is not forward looking, and does not take into account potential changes in production rates or the ability of our customers to take delivery of the aircraft and the timing of such delivery.

Commercial aircraft order backlog and options

				As at
	June 30, 2013		December 31, 2012	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Regional jets				
CRJ700 NextGen	**14**	**2**	15	2
CRJ900 NextGen	**41**	**33**	53	42
CRJ1000 NextGen	**36**	**22**	39	22
Commercial jets				
CS100	**63** [(1)]	**49**	66 [(2)]	52
CS300	**114** [(1)]	**82**	82 [(2)]	72
Turboprops				
Q400 NextGen	**36**	**91**	38	101
	304	**279**	293	291

[(1)] The total of 177 orders includes 86 firm orders with conversion rights to the other *CSeries* aircraft model.
[(2)] The total of 148 orders includes 83 firm orders with conversion rights to the other *CSeries* aircraft model.

The total *CSeries* firm order backlog comprises 177 aircraft with 10 customers. As at June 30, 2013, we have signed firm orders and other agreements[(1)] for a total of 388 *CSeries* aircraft with 13 customers.

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

TRANSPORTATION

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

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

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

HIGHLIGHTS

Results of the quarter[1]

- Revenues of $2.2 billion, compared to $1.8 billion for the same period last fiscal year.
- EBIT of $150 million, or 6.9% of revenues, compared to $115 million, or 6.3%, for the same period last fiscal year.
- EBITDA of $181 million, or 8.3% of revenues, compared to $145 million, or 7.9%, for the same period last fiscal year.
- Free cash flow usage[2] of $21 million, compared to a usage of $44 million for the same period last fiscal year.
- $3.2 billion in new orders (book-to-bill ratio[3] of 1.5), compared to $2.9 billion for the same period last fiscal year.[4]
- Order backlog of $32.1 billion as at June 30, 2013, compared to $32.0 billion as at December 31, 2012.[4]

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

Key events

- During the second quarter of 2013, we won the following three large and strategic contracts in Europe which strengthen our market position in key segments:
    - We signed a framework contract with Deutsche Bahn AG (DB) for up to 450 electric locomotives for a value of up to $2.0 billion under which a first call-off was received for 130 locomotives, for a value of $573 million. This is the biggest contract for electric locomotives in our core European markets over the past several years.
    - We were awarded one of the largest metro orders in Europe in recent history by SL, the Stockholm Public Transport Authority. This contract for 96 new generation *MOVIA* C30 metro vehicles is valued at $771 million and includes an option for up to 80 additional vehicles.
    - We were awarded an order from the S-Bahn Hamburg GmbH, a subsidiary of DB, to deliver 60 new single and dual-voltage commuter trains, valued at $427 million. The contract also provides an option to order up to 86 additional trains until the end of 2018.
- On June 3, 2013, Lutz Bertling replaced André Navarri as President and Chief Operating Officer of BT.

INDUSTRY AND ECONOMIC ENVIRONMENT

During the second quarter of 2013, significant orders were awarded in Europe and Asia-Pacific, but the overall accessible market volume in the first half of 2013 was below the same period of last year.

In Europe, the market remained resilient despite economic uncertainty as the market volume of the first half of 2013 was in line with the corresponding period last year. Significant orders were awarded in the market, such as locomotive and commuter train orders in Germany and a large metro order in Sweden. Additional orders are expected during the second half of the year in the commuter and regional train markets, particularly in France and in the U.K.

Rail investments in North America in the first half of 2013 have been below the investments of the first half of 2012, which showed very strong order activities. For the second half of 2013 we expect the market to pick up due to a number of orders to be awarded in the U.S. and Canada, especially in the commuter and light rail vehicle segments. In addition, new rail investments are also planned in Mexico, where a number of train projects across different segments have been identified and are currently being developed.

In the Asia-Pacific region, market volumes in the second quarter improved over the first quarter of the year, but for the first half of 2013 market volumes were below those of the same period of last year. The outlook for this region remains positive, as we expect growth in rail investment to resume, especially in India, China and Australia, the largest rail markets in the region. In India, orders are expected for several urban transit projects and for locomotives, although realization is still progressing at a slower pace than planned. In China and Australia, in addition to rolling stock projects, the services segment is expected to continue to grow. Also, in other emerging markets of the region, investments are forecast to increase in the second half of 2013, driven by the strong need for mobility to support rapid urbanization and continued economic growth.

In the Rest of world region, investments in the first half of 2013 remained at a high level and growth is forecast to continue, driven by large projects in the Middle East, Brazil, Russia and South Africa. Additional investments are also on government agendas in other Latin American countries such as Peru, Chile and Ecuador, due to an increasing interest in public rail transport as a solution for traffic congestion and to keep pace with economic development.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated		*restated*
Revenues				
Rolling stock[2]	**$ 1,340**	$ 1,205	**$ 2,718**	$ 2,524
Services[3]	**391**	326	**761**	693
System and signalling[4]	**444**	301	**777**	597
Total revenues	**2,175**	1,832	**4,256**	3,814
Cost of sales	**1,836**	1,549	**3,608**	3,194
Gross margin	**339**	283	**648**	620
SG&A	**193**	190	**379**	392
R&D	**30**	27	**58**	61
Share of income of joint ventures and associates	**(34)**	(50)	**(78)**	(69)
Other expense (income)	**-**	1	**-**	(1)
EBIT	**150**	115	**289**	237
Amortization[5]	**31**	30	**61**	61
EBITDA[6]	**$ 181**	$ 145	**$ 350**	$ 298
(as a percentage of total revenues)				
Gross margin	**15.6%**	15.4%	**15.2%**	16.3%
EBIT	**6.9%**	6.3%	**6.8%**	6.2%
EBITDA	**8.3%**	7.9%	**8.2%**	7.8%

(1) The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of foreign currencies compared to the U.S. dollar negatively affects revenues and positively affects expenses, while higher exchange rates have the opposite impacts (defined as "negative currency impact" and "positive currency impact"). See the Foreign exchange rates section in Other for the average exchange rates used to translate revenues and expenses.
(2) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls and bogies.
(3) Comprised of revenues from fleet maintenance, refurbishment and overhaul and material solutions.
(4) Comprised of revenues from mass transit and airport systems, mainline systems, operation and maintenance services, e-mobility solutions, mass transit signalling and mainline signalling. Excludes the rolling stock portion of system orders manufactured by our other divisions.
(5) Amortization is included in cost of sales, SG&A and R&D expense, based on the underlying function of the asset.
(6) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric.

Revenues by geographic region

	Three-month periods ended June 30				Six-month periods ended June 30			
	2013		2012		**2013**		2012	
				restated				*restated*
Europe	**$ 1,446**	**67%**	$ 1,214	66%	**$ 2,845**	**67%**	$ 2,563	67%
North America	**394**	**18%**	334	18%	**765**	**18%**	722	19%
Asia-Pacific	**196**	**9%**	166	9%	**408**	**9%**	235	6%
Rest of world[1]	**139**	**6%**	118	7%	**238**	**6%**	294	8%
	$ 2,175	**100%**	$ 1,832	100%	**$ 4,256**	**100%**	$ 3,814	100%

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

Revenues for the three- and six-month periods ended June 30, 2013 have significantly increased due to the ramp-up of production related to contracts received in past quarters in Europe, North America and Asia-Pacific. Overall, there have been no significant currency impacts and revenues have increased by $343 million, or 19%, in the three-month period and by $442 million, or 12%, in the six-month period compared to the same periods last fiscal year.

Rolling stock revenues
The $135-million increase for the three-month period is explained by higher activities in all regions, mainly due to the ramp-up of production related to some commuter and regional train contracts in all regions as well as metro contracts in North America, partly offset by some locomotive contracts in North America and Europe and intercity train contracts in Europe nearing completion.

The $194-million increase for the six-month period is mainly explained by:

- higher activities in Asia-Pacific, Europe and North America mainly due to the ramp-up of production related to some commuter and regional train, high-speed train and metro contracts, partly compensated by some locomotive contracts in North America and Europe as well as some intercity contracts in Europe nearing completion ($251 million).

Partially offset by:

- lower activities in the Rest of world region due to a temporary slow-down in production related to some commuter and regional train contracts ($68 million).

Services revenues
The $65-million and $68-million increases for the three- and six-month periods respectively are mainly due to higher activities in Europe and North America ($63 million and $75 million respectively).

System and signalling revenues
The $143-million increase for the three-month period is mainly due to better performance in systems and ramp-up of production related to some signalling contracts, mainly in Europe.

The $180-million increase for the six-month period is mainly due to higher activities in Europe, Asia-Pacific and the Rest of world region, mostly due to better performance in systems and ramp-up of production related to some signalling contracts ($196 million).

EBIT margin
The EBIT margin for the three-month period increased by 0.6 percentage points mainly as a result of:

- a higher gross margin in system and signaling and services due to overall better contract execution; and
- higher absorption of SG&A expense.

Partially offset by:

- a lower gross margin in rolling stock due to execution issues in a few large contracts; and
- lower share of income from associates due to a $24 million gain in 2012 following the finalization of the build-phase of a system and hand-over to the customer.

The EBIT margin for the six-month period increased by 0.6 percentage points mainly as a result of:

- a higher gross margin in system and signaling and services due to overall better contract execution; and
- higher absorption of lower SG&A and R&D expenses.

Partially offset by:

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

Free cash flow

Free cash flow usage

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated		*restated*
EBIT	**$ 150**	$ 115	**$ 289**	$ 237
Amortization	**31**	30	**61**	61
EBITDA	**181**	145	**350**	298
Other non-cash items				
Share of income of joint ventures and associates	**(34)**	(50)	**(78)**	(69)
Share-based expense	**3**	(7)	**9**	(2)
Dividends received from joint ventures and associates	**47**	26	**57**	26
Net change in non-cash balances	**(202)**	(138)	**(405)**	(351)
Cash flows from operating activities	**(5)**	(24)	**(67)**	(98)
Net additions to PP&E and intangible assets	**(16)**	(20)	**(27)**	(31)
Free cash flow usage	**$ (21)**	$ (44)	**$ (94)**	$ (129)

The $23-million improvement for the three-month period is mainly due to:

- higher EBITDA ($36 million);
- lower other non-cash items, mainly arising from lower share of income of joint ventures and associates ($26 million); and
- higher dividends received from joint ventures and associates ($21 million).

Partially offset by:

- a negative period-over-period variation in net change in non-cash balances ($64 million) (see explanation below).

The $35-million improvement for the six-month period is mainly due to:

- higher EBITDA ($52 million); and
- higher dividends received from joint ventures and associates ($31 million).

Partially offset by:

- a negative period-over-period variation in net change in non-cash balances ($54 million) (see explanation below).

Net change in non-cash balances

For the three-month period ended June 30, 2013, the $202-million cash outflow is mainly due to:

- an increase in inventories following ramp-up of production ahead of deliveries; and
- an increase in trade and other receivables.

Partially offset by:

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

For the three-month period ended June 30, 2012, the $138-million cash outflow was mainly due to:

- an increase in inventories due to the ramp-up of several contracts in the start-up phase ahead of deliveries;
- lower other liabilities mostly as a result of the reduction in accruals for long-term contract costs in contracts with a high percentage of completion; and
- lower trade and other payables as a result of a lower level of activities in the second quarter as compared to the first quarter.

Partially offset by:

- an increase in advances and progress billings on new orders and existing contracts, partly compensated by a reduction related to existing contracts following several deliveries.

For the six-month period ended June 30, 2013, the $405-million cash outflow is mainly due to:

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

Partially offset by:

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

For the six-month period ended June 30, 2012, the $351-million cash outflow was mainly due to:

- lower trade and other payables as a result of a lower level of activities in the second quarter of 2012 as compared to the fourth quarter of the fiscal year ended December 31, 2011;
- lower other liabilities mostly as a result of the reduction in accruals for long-term contract costs in contracts with a high percentage of completion;
- an increase in inventories due to the ramp-up of several contracts in the start-up phase ahead of deliveries; and
- a reduction in advances and progress billings related to existing contracts following deliveries in several contracts, partly compensated by advances on new orders and existing contracts.

Orders and backlog

Order intake and book-to-bill ratio

	Three-month periods ended June 30		Six-month periods ended June 30	
Order intake (in billions of dollars)[1]	**2013**	2012	**2013**	2012
Rolling stock	**$ 2.2**	$ 2.5	**$ 3.3**	$ 3.1
Services	**0.7**	0.3	**1.3**	0.6
System and signalling	**0.3**	0.1	**0.6**	0.4
	$ 3.2	$ 2.9	**$ 5.2**	$ 4.1
Book-to-bill ratio[2]	**1.5**	1.6	**1.2**	1.1

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

The order intake for the three- and six-month periods ended June 30, 2013 reflect positive currency impacts of $51 million and $53 million, respectively.

In the second quarter of 2013, we won several small and medium orders across all divisions and geographies, as well as multiple large orders in Europe. We maintained our position of industry leader.[1] The significant orders during the six-month period ended June 30, 2013 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value
Stockholm Public Transport Authority (SL)	Sweden	*MOVIA* metro cars	384	Rolling Stock	$ 771
Deutsche Bahn AG (DB)	Germany	*TRAXX* electric locomotives	130	Rolling Stock	$ 573
Siemens AG	Germany	Development and supply of components for ICx high speed trains for a DB contract	170	Rolling Stock	$ 440
S-Bahn Hamburg GmbH	Germany	ET490 series electrical multiple units (EMUs)	180	Rolling Stock	$ 427
National Express Rail GmbH	Germany	*TALENT* 2 electrical multiple units (EMUs)	155	Rolling Stock	$ 221
State of Florida Department of Transportation	U.S.	Mobilization and 10 years operations and maintenance services of commuter rail system	n/a	Services	$ 195
Deutsche Bahn AG (DB)	Germany	*TWINDEXX* double-deck trains	48	Rolling stock	$ 145
Transport for London (TfL)	U.K.	*ELECTROSTAR* rail cars	57	Rolling stock	$ 137

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

Subsequent to the end of the second quarter, we received the following orders which are not included in our order backlog as at June 30, 2013:

- as a member of the ArRiyadh New Mobility Consortium, we signed a contract to deliver technology for the new metro line 3 in Riyadh, Kingdom of Saudi Arabia. The contract involves system interface management, project management and design as well as the delivery of 47 two-car driverless *INNOVIA* Metro 300 trains equipped with our *MITRAC* propulsion technology. Our share of this contract is valued at approximately $383 million; and
- an order from Southern Railway, U.K. for 116 cars of the latest version of our ELECTROSTAR electrical multiple units valued at approximately $274 million, including a spares supply agreement.

Order backlog[1]

		As at
(in billions of dollars)	**June 30, 2013**	December 31, 2012
		restated
Rolling stock	**$ 20.9**	$ 20.7
Services	**7.2**	7.0
System and signalling	**4.0**	4.3
	$ 32.1	$ 32.0

[1] Including the order backlog for contracts between BT and its joint ventures, but excluding our share of joint ventures' backlog, which was $2.0 billion as at June 30, 2013 ($2.2 billion as at December 31, 2012).

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

The $0.1 billion increase in order backlog is due to order intake being higher than revenues recorded ($0.9 billion), partially offset by the weakening of some foreign currencies versus the U.S. dollar as at June 30, 2013 compared to December 31, 2012 ($0.8 billion), mainly the pound sterling, Australian dollar and euro.

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of its business, BT has set up factoring facilities in Europe, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €769 million ($1.0 billion) were outstanding under such facilities as at June 30, 2013 (€886 million ($1.2 billion) as at December 31, 2012). During the three- and six-month periods ended June 30, 2013, trade receivables of €211 million ($276 million) and €463 million ($609 million), respectively, were sold to these facilities (€224 million ($287 million) and €369 million ($479 million), respectively, during the three- and six-month periods ended June 30, 2012).

RISKS AND UNCERTAINTIES

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

There was no significant change to these risks and uncertainties during the six-month period ended June 30, 2013, other than those described elsewhere in this MD&A. Also refer to Note 22, Commitments and contingencies, to the interim consolidated financial statements, for information regarding current litigation proceedings, including the S-Bahn claim.

FAIR VALUE MEASUREMENT

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

Note 21, Fair value of financial instruments, to the interim consolidated financial statements, provides a detailed description of the methods and assumptions used to determine the fair values of financial instruments. Fair values are determined by reference to quoted prices in the principal market at the measurement date under current market conditions. When quoted prices are unavailable, which is the case for most of our financial assets and liabilities, we determine fair value based on internal and external valuations. Note 21 also provides a three level fair value hierarchy, categorizing financial instruments by the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In cases where the inputs used to measure fair value are categorized within different levels of hierarchy, the fair value measurement is reported at the lowest level of the input that is significant to the entire measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, taking into account factors specific to the asset or liability. The fair value hierarchy is not meant to provide insight on the liquidity characteristics of a particular asset or on the degree of sensitivity of an asset or liability to other market inputs or factors.

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

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

In connection with the sale of commercial aircraft, we hold financial assets and have incurred financial liabilities, measured at fair value, some of which are reported as Level 3 financial instruments, including certain aircraft loans and lease receivables, certain investments in financing structures and lease subsidies. The fair values of these financial instruments are determined using various assumptions, with the assumption on marketability risk being the most likely to change the fair value significantly from period to period. The fair value of aircraft loans and lease receivables was also moderately impacted by credit rating changes in the recent past. Refer to Note 21 for a sensitivity analysis indicating the impacts on fair value measurement as a result of using reasonably possible alternative assumptions.

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies and methods

Financial statement presentation
In June 2011, the IASB amended IAS 1, *Presentation of financial statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group items within OCI that may be reclassified to the statement of income. The amendments also reaffirmed existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amended IAS 1 was adopted effective January 1, 2013. The presentation of our consolidated financial statement was not impacted by these amendments as the items within OCI that may be reclassified to the consolidated statement of income are already disclosed together.

Fair value measurement
In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS when another IFRS requires or permits the item to be measured at fair value. IFRS 13 was adopted effective January 1, 2013. The adoption of this standard had no significant impact on our consolidated financial statements other than to give rise to additional disclosures, see Note 21, Fair value of financial instruments, to the interim consolidated financial statements.

Consolidation
In May 2011, the IASB released IFRS 10, *Consolidated financial statements*, which replaces SIC-12, *Consolidation – special purpose entities*, and the parts of IAS 27, *Consolidated and separate financial statements* related to the preparation and the presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor to assess whether an entity should be included in an entity's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 was adopted effective January 1, 2013. The adoption of this standard had no impact on our consolidated financial statements.

Disclosure of interests in other entities
In May 2011, the IASB released IFRS 12, *Disclosure of interests in other entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 was adopted effective January 1, 2013. These disclosures are required in the annual consolidated financial statements beginning with fiscal year 2013.

Joint arrangements
In May 2011, the IASB released IFRS 11, *Joint arrangements*, which supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities - non-monetary contributions by venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as was the case under IAS 31. IFRS 11 classifies joint arrangements into two types: joint ventures and joint operations. Joint ventures are arrangements whereby the parties have rights to the net assets, while joint operations are arrangements whereby the parties have rights to the assets and obligations for the liabilities. The standard eliminates choices in the reporting of joint arrangements by requiring the use of the equity method to account for interests in joint ventures, and by requiring joint operators to recognize assets and liabilities in relation to their interests in the arrangements. IFRS 11 was adopted effective January 1, 2013 and the change has been accounted for retroactively in accordance with the transition rules of IFRS 11.

A large part of our investments in joint arrangements qualify as joint ventures and are now accounted for using the equity method of accounting. These investments were previously accounted for using the proportionate consolidation method. Under the equity method of accounting, our share of net assets, net income and OCI of joint ventures are presented as one-line items on the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, respectively. In addition, the consolidated statement of cash flows under the equity method of accounting includes the cash flows between us and our joint ventures, and not our proportionate share of the joint ventures' cash flows.

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee benefits*. Among other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). Under the previous IAS 19, interest income was presented separately from interest expense and calculated based on the expected return on the plan assets. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amended IAS 19 was adopted effective January 1, 2013. The changes in accounting policy have been accounted for retroactively in accordance with the transition rules of the amended IAS 19 and the additional disclosures will be provided in our annual consolidated financial statements for fiscal year 2013.

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

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

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

	Three-month period ended June 30, 2012				
		Restatements			
	As presented	Joint arrangements [1]	Employee benefits	Remeasurement of certain financial assets	As restated
Revenues	$ 4,170	$ (73)	$ -	$ -	$ 4,097
Cost of sales	3,523	(43)	3	-	3,483
Gross margin	647	(30)	(3)	-	614
SG&A	371	(3)	1	-	369
R&D	62	-	-	-	62
Share of income of joint ventures and associates	(25)	(25)	-	-	(50)
Other expense (income)	19	(1)	1	-	19
EBIT	220	(1)	(5)	-	214
Financing expense	155	-	(75)	9	89
Financing income	(166)	4	106	(4)	(60)
EBT	231	(5)	(36)	(5)	185
Income taxes	49	(5)	(5)	(1)	38
Net income	$ 182	$ -	$ (31)	$ (4)	$ 147
EPS (in dollars)					
Basic and diluted	$ 0.10				$ 0.08

	Six-month period ended June 30, 2012				
		Restatements			
	As presented	Joint arrangements [1]	Employee benefits	Remeasurement of certain financial assets	As restated
Revenues	$ 7,675	$ (97)	$ -	$ -	$ 7,578
Cost of sales	6,430	(47)	6	-	6,389
Gross margin	1,245	(50)	(6)	-	1,189
SG&A	735	(4)	2	-	733
R&D	127	-	-	-	127
Share of income of joint ventures and associates	(26)	(43)	-	-	(69)
Other income	(3)	(1)	-	-	(4)
Special items	(23)	-	-	-	(23)
EBIT	435	(2)	(8)	-	425
Financing expense	307	-	(150)	3	160
Financing income	(318)	7	213	4	(94)
EBT	446	(9)	(71)	(7)	359
Income taxes	74	(9)	(8)	-	57
Net income	$ 372	$ -	$ (63)	$ (7)	$ 302
EPS (in dollars)					
Basic	$ 0.21				$ 0.16
Diluted	$ 0.20				$ 0.16

[1] Adjustments resulting from the application of the equity method:

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

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

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

[1] Including reclassification.

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

[1] Including reclassification.

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

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

	Three-month period ended June 30, 2012	Six-month period ended June 30, 2012
Comprehensive income as presented	$ (384)	$ 166
Net income		
Employee benefits	(31)	(63)
Remeasurement of certain financial assets	(4)	(7)
OCI		
Employee benefits	31	65
Net decrease in comprehensive income	(4)	(5)
Comprehensive income as restated	$ (388)	$ 161

	As at June 30, 2012
Equity as presented	$ 736
Joint arrangements	4
Employee benefits	(3)
Remeasurement of certain financial assets	(130)
Equity as restated	$ 607

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

	Three-month period ended June 30, 2012		
		Restatements	
	As presented	Joint arrangements	As restated
Cash flow from operating activities	$ (135)	$ 28	$ (107)
Cash flow from investing activities	(381)	29	(352)
Cash flow from financing activities	(142)	-	(142)
Effect of exchange rates	(46)	5	(41)
Net increase (decrease) in cash and cash equivalents	(704)	62	(642)
Cash and cash equivalents at beginning of period	3,183	(464)	2,719
Cash and cash equivalents at end of period	$ 2,479	$ (402)	$ 2,077

	Six-month period ended June 30, 2012		
		Restatements	
	As presented	Joint arrangements	As restated
Cash flow from operating activities	$ (462)	$ 43	$ (419)
Cash flow from investing activities	(734)	31	(703)
Cash flow from financing activities	298	-	298
Effect of exchange rates	5	4	9
Net increase (decrease) in cash and cash equivalents	(893)	78	(815)
Cash and cash equivalents at beginning of period	3,372	(480)	2,892
Cash and cash equivalents at end of period	$ 2,479	$ (402)	$ 2,077

Future changes in accounting policies

Financial instruments

In October 2010, the IASB released IFRS 9, *Financial instruments*, which is the first part of a three-part project to replace IAS 39, *Financial instruments: recognition and measurement*. This first part only covers classification and measurement of financial assets and financial liabilities. The other two parts, impairment of financial assets and hedge accounting, are still under development. The IASB is currently considering making limited modifications to the first part of IFRS 9. Those limited modifications include the introduction of a fair value through OCI category for debt instruments that would be based on an entity’s business model.

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

In June 2013, the IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment will be effective for our fiscal year beginning on January 1, 2014. Similar relief will be included in IFRS 9.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the six-month period ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	June 30, 2013	December 31, 2012	Decrease
Euro	**1.3080**	1.3194	(1%)
Canadian dollar	**0.9538**	1.0043	(5%)
Pound sterling	**1.5259**	1.6167	(6%)

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

	June 30, 2013	June 30, 2012	Increase (decrease)
Euro	**1.3066**	1.2851	2%
Canadian dollar	**0.9771**	0.9916	(1%)
Pound sterling	**1.5360**	1.5850	(3%)

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

	June 30, 2013	June 30, 2012	Increase (decrease)
Euro	**1.3144**	1.2975	1%
Canadian dollar	**0.9854**	0.9947	(1%)
Pound sterling	**1.5464**	1.5774	(2%)

SELECTED FINANCIAL INFORMATION[1]

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

Fiscal years	2013		2012 *restated*				2011 *restated*	
	Second	**First**	Fourth	Third	Second	First	Fourth [2]	Third
Revenues	**$ 4,430**	**$ 4,339**	$ 4,625	$ 4,211	$ 4,097	$ 3,481	$ 4,219	$ 4,533
Net income (loss)	**$ 180**	**$ 148**	$ (4)	$ 172	$ 147	$ 155	$ 226	$ 146
EPS (in dollars)								
Basic and diluted	**$ 0.10**	**$ 0.08**	$ (0.01)	$ 0.09	$ 0.08	$ 0.08	$ 0.13	$ 0.08

[1] Figures for fiscal years 2012 and 2011 have been restated for changes in accounting policies and methods.
[2] The fourth quarter ended December 31, 2011 comprised two months of BA's results and three months of BT's results.

INVESTOR INFORMATION

Authorized, issued and outstanding share data, as at July 30, 2013

	Authorized	**Issued and outstanding**
Class A Shares (multiple voting)[1]	1,892,000,000	314,530,562
Class B Shares (subordinate voting)[2]	1,892,000,000	1,418,786,718 [3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,692,521
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,307,479
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

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

Share option, PSU and DSU data as at June 30, 2013

Options issued and outstanding under the share option plans	25,359,949
PSUs and DSUs issued and outstanding under the PSU and DSU plans	22,922,872
Class B Shares held in trust to satisfy PSU obligations	24,542,027

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

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

Information

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

July 31, 2013

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

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

Bombardier, Bombardier Vision, Challenger, Challenger 300, Challenger 350, Challenger 605, Challenger 800, CRJ, *CRJ700, CRJ900, CRJ1000, CSeries, CS100, CS300, ELECTROSTAR, Flexjet, Global, Global 5000, Global 6000, Global 7000, Global 8000, INNOVIA, Learjet, Learjet 40, Learjet 45, Learjet 60, Learjet 70, Learjet 75, Learjet 85, MITRAC, MOVIA, NextGen, Q400, TALENT, The Evolution of Mobility, TRAXX, TWINDEXX,* and *XR* are trademarks of Bombardier Inc. or its subsidiaries.

The printed version of this quarterly report uses Rolland Enviro100 paper, containing 100% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 21 mature trees, 1,158 kg of solid waste, 3,011 kg of atmospheric emissions (equivalent to one car for one year) and 76,476 litres of water.

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

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2013
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Interim consolidated financial statements		**42**
Notes to interim consolidated financial statements		**49**
1.	BASIS OF PREPARATION	49
2.	CHANGES IN ACCOUNTING POLICIES AND METHODS	50
3.	FUTURE CHANGES IN ACCOUNTING POLICIES	55
4.	SEGMENT DISCLOSURE	55
5.	RESEARCH AND DEVELOPMENT	58
6.	OTHER EXPENSE (INCOME)	58
7.	SPECIAL ITEMS	58
8.	FINANCING EXPENSE AND FINANCING INCOME	59
9.	EARNINGS PER SHARE	60
10.	FINANCIAL INSTRUMENTS	61
11.	INVENTORIES	62
12.	OTHER FINANCIAL ASSETS	63
13.	OTHER ASSETS	63
14.	PROVISIONS	64
15.	OTHER FINANCIAL LIABILITIES	65
16.	OTHER LIABILITIES	65
17.	LONG-TERM DEBT	65
18.	SHARE-BASED PLANS	66
19.	NET CHANGE IN NON-CASH BALANCES	67
20.	CREDIT FACILITIES	67
21.	FAIR VALUE OF FINANCIAL INSTRUMENTS	67
22.	COMMITMENTS AND CONTINGENCIES	70
23.	RECLASSIFICATIONS	71

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

		Three-month periods ended June 30		Six-month periods ended June 30	
	Notes	**2013**	2012	**2013**	2012
			restated [1]		*restated* [1]
Revenues		**$ 4,430**	$ 4,097	**$ 8,769**	$ 7,578
Cost of sales	11	**3,758**	3,483	**7,481**	6,389
Gross margin		**672**	614	**1,288**	1,189
SG&A		**382**	369	**726**	733
R&D	5	**75**	62	**145**	127
Share of income of joint ventures and associates		**(34)**	(50)	**(78)**	(69)
Other expense (income)	6	**(8)**	19	**(2)**	(4)
Special items	7	**(31)**	-	**(31)**	(23)
EBIT		**288**	214	**528**	425
Financing expense	8	**83**	89	**151**	160
Financing income	8	**(47)**	(60)	**(80)**	(94)
EBT		**252**	185	**457**	359
Income taxes		**72**	38	**129**	57
Net income		**$ 180**	$ 147	**$ 328**	$ 302
Attributable to					
Equity holders of Bombardier Inc.		**$ 181**	$ 147	**$ 324**	$ 297
NCI		**(1)**	-	**4**	5
		$ 180	$ 147	**$ 328**	$ 302
EPS (in dollars)	9				
Basic and diluted		**$ 0.10**	$ 0.08	**$ 0.18**	$ 0.16

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

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

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
		restated [1]		*restated* [1]
Net income	**$ 180**	$ 147	**$ 328**	$ 302
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**(4)**	17	**2**	8
Net loss on derivative financial instruments designated as cash flow hedges	**(18)**	(182)	**(116)**	(38)
Reclassification to income or to the related non-financial asset	**(17)**	61	**20**	(8)
Income taxes	**9**	40	**28**	7
	(30)	(64)	**(66)**	(31)
AFS financial assets				
Net unrealized gain (loss)	**(10)**	4	**(7)**	4
Reclassification to income	**-**	(22)	**-**	(29)
Income taxes	**-**	5	**-**	6
	(10)	(13)	**(7)**	(19)
CCTD				
Net investments in foreign operations	**1**	(110)	**(101)**	(20)
Net gain (loss) on related hedging items	**(18)**	56	**11**	24
	(17)	(54)	**(90)**	4
Items that are never reclassified to net income				
Retirement benefits				
Net actuarial gains (losses)	**328**	(490)	**579**	(91)
Income taxes	**(13)**	86	**(61)**	(4)
	315	(404)	**518**	(95)
Total OCI	**258**	(535)	**355**	(141)
Total comprehensive income (loss)	**$ 438**	$ (388)	**$ 683**	$ 161
Attributable to				
Equity holders of Bombardier Inc.	**$ 439**	$ (387)	**$ 681**	$ 155
NCI	**(1)**	(1)	**2**	6
	$ 438	$ (388)	**$ 683**	$ 161

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

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

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

	Notes	June 30 2013	December 31 2012	January 1 2012
Assets			*restated* [1]	*restated* [1]
Cash and cash equivalents		**$ 3,101**	$ 2,557	$ 2,892
Trade and other receivables		**1,429**	1,311	1,342
Inventories	11	**8,446**	7,540	7,305
Other financial assets	12	**594**	443	522
Other assets	13	**821**	680	559
Current assets		**14,391**	12,531	12,620
PP&E		**1,952**	1,933	1,779
Aerospace program tooling		**5,679**	4,770	3,168
Goodwill		**2,255**	2,316	2,244
Deferred income taxes		**1,320**	1,421	1,476
Investments in joint ventures and associates		**352**	311	275
Other financial assets	12	**1,269**	1,339	1,311
Other assets	13	**673**	554	466
Non-current assets		**13,500**	12,644	10,719
		$ 27,891	$ 25,175	$ 23,339
Liabilities				
Trade and other payables		**$ 3,596**	$ 3,310	$ 3,032
Provisions	14	**923**	1,000	1,019
Advances and progress billings in excess of long-term contract inventories		**1,934**	1,763	1,638
Advances on aerospace programs		**2,925**	3,053	2,788
Other financial liabilities	15	**740**	455	732
Other liabilities	16	**2,119**	2,212	2,208
Current liabilities		**12,237**	11,793	11,417
Provisions	14	**597**	608	726
Advances on aerospace programs		**1,596**	1,600	1,266
Long-term debt	17	**7,132**	5,360	4,748
Retirement benefits		**2,497**	2,999	3,231
Other financial liabilities	15	**746**	601	502
Other liabilities	16	**1,223**	957	902
Non-current liabilities		**13,791**	12,125	11,375
		26,028	23,918	22,792
Equity				
Attributable to equity holders of Bombardier Inc.		**1,815**	1,211	515
Attributable to NCI		**48**	46	32
		1,863	1,257	547
		$ 27,891	$ 25,175	$ 23,339
Commitments and contingencies	22			

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

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

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

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings	Net actuarial losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at March 31, 2013	$ 347	$ 1,345	$ 2,331	$ (2,590)	$ 119	$ 13	$ (233)	$ 83	$ 1,415	$ 49	$ 1,464
Total comprehensive income											
Net income	-	-	181	-	-	-	-	-	181	(1)	180
OCI	-	-	-	315	-	(10)	(30)	(17)	258	-	258
	-	-	181	315	-	(10)	(30)	(17)	439	(1)	438
Options exercised	-	9	-	-	(2)	-	-	-	7	-	7
Dividends	-	-	(52)	-	-	-	-	-	(52)	-	(52)
Shares distributed - PSU plans	-	31	-	-	(31)	-	-	-	-	-	-
Share-based expense	-	-	-	-	6	-	-	-	6	-	6
As at June 30, 2013	**$ 347**	**$ 1,385**	**$ 2,460**	**$ (2,275)**	**$ 92**	**$ 3**	**$ (263)**	**$ 66**	**$ 1,815**	**$ 48**	**$ 1,863**
As at March 31, 2012[1]	$ 347	$ 1,323	$ 2,088	$ (2,764)	$ 129	$ 21	$ (283)	$ 157	$ 1,018	$ 39	$ 1,057
Total comprehensive income											
Net income	-	-	147	-	-	-	-	-	147	-	147
OCI	-	-	-	(404)	-	(13)	(64)	(53)	(534)	(1)	(535)
	-	-	147	(404)	-	(13)	(64)	(53)	(387)	(1)	(388)
Options exercised	-	5	-	-	(2)	-	-	-	3	-	3
Dividends	-	-	(51)	-	-	-	-	-	(51)	-	(51)
Shares distributed - PSU plans	-	14	-	-	(14)	-	-	-	-	-	-
Share-based expense	-	-	-	-	(14)	-	-	-	(14)	-	(14)
Purchase of NCI	-	-	(3)	-	-	-	-	-	(3)	3	-
As at June 30, 2012[1]	$ 347	$ 1,342	$ 2,181	$ (3,168)	$ 99	$ 8	$ (347)	$ 104	$ 566	$ 41	$ 607

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

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

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

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings	Net actuarial losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at December 31, 2012[1]	$ 347	$ 1,342	$ 2,239	$ (2,793)	$ 109	$ 10	$ (197)	$ 154	$ 1,211	$ 46	$ 1,257
Total comprehensive income											
Net income	-	-	324	-	-	-	-	-	324	4	328
OCI	-	-	-	518	-	(7)	(66)	(88)	357	(2)	355
	-	-	324	518	-	(7)	(66)	(88)	681	2	683
Options exercised	-	12	-	-	(3)	-	-	-	9	-	9
Dividends	-	-	(103)	-	-	-	-	-	(103)	-	(103)
Shares distributed - PSU plans	-	31	-	-	(31)	-	-	-	-	-	-
Share-based expense	-	-	-	-	17	-	-	-	17	-	17
As at June 30, 2013	**$ 347**	**$ 1,385**	**$ 2,460**	**$ (2,275)**	**$ 92**	**$ 3**	**$ (263)**	**$ 66**	**$ 1,815**	**$ 48**	**$ 1,863**
As at January 1, 2012[1]	$ 347	$ 1,323	$ 1,988	$ (3,073)	$ 118	$ 27	$ (316)	$ 101	$ 515	$ 32	$ 547
Total comprehensive income											
Net income	-	-	297	-	-	-	-	-	297	5	302
OCI	-	-	-	(95)	-	(19)	(31)	3	(142)	1	(141)
	-	-	297	(95)	-	(19)	(31)	3	155	6	161
Options exercised	-	5	-	-	(2)	-	-	-	3	-	3
Dividends	-	-	(101)	-	-	-	-	-	(101)	-	(101)
Shares distributed - PSU plans	-	14	-	-	(14)	-	-	-	-	-	-
Share-based expense (income)	-	-	-	-	(3)	-	-	-	(3)	-	(3)
Purchase of NCI	-	-	(3)	-	-	-	-	-	(3)	3	-
As at June 30, 2012[1]	$ 347	$ 1,342	$ 2,181	$ (3,168)	$ 99	$ 8	$ (347)	$ 104	$ 566	$ 41	$ 607

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

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

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

	Notes	Three-month periods ended June 30 2013	Three-month periods ended June 30 2012	Six-month periods ended June 30 2013	Six-month periods ended June 30 2012
Operating activities			*restated* [1]		*restated* [1]
Net income		**$ 180**	$ 147	**$ 328**	$ 302
Non-cash items					
Amortization		**102**	88	**193**	169
Deferred income taxes		**24**	6	**59**	14
Gains on disposals of PP&E	6	**-**	-	**(1)**	(3)
Share of income of joint ventures and associates		**(34)**	(50)	**(78)**	(69)
Share-based expense (income)	18	**6**	(14)	**17**	(3)
Dividends received from joint ventures and associates		**47**	26	**57**	26
Net change in non-cash balances	19	**(341)**	(310)	**(667)**	(855)
Cash flows from operating activities		**(16)**	(107)	**(92)**	(419)
Investing activities					
Additions to PP&E and intangible assets		**(576)**	(501)	**(1,104)**	(916)
Proceeds from disposals of PP&E and intangible assets		**26**	-	**40**	32
Additions to AFS investments in securities		**(52)**	-	**(122)**	-
Proceeds from disposal of AFS investments in securities		**-**	133	**-**	133
Other		**14**	16	**(6)**	48
Cash flows from investing activities		**(588)**	(352)	**(1,192)**	(703)
Financing activities					
Proceeds from issuance of long-term debt	17	**8**	5	**1,978**	509
Repayments of long-term debt		**(17)**	(163)	**(27)**	(167)
Dividends paid[2]		**(50)**	(51)	**(99)**	(144)
Other		**45**	67	**47**	100
Cash flows from financing activities		**(14)**	(142)	**1,899**	298
Effect of exchange rates on cash and cash equivalents		**(14)**	(41)	**(71)**	9
Net increase (decrease) in cash and cash equivalents		**(632)**	(642)	**544**	(815)
Cash and cash equivalents at beginning of period		**3,733**	2,719	**2,557** [1]	2,892
Cash and cash equivalents at end of period		**$ 3,101**	$ 2,077	**$ 3,101**	$ 2,077
Supplemental information					
Cash paid for					
Interest		**$ 68**	$ 80	**$ 123**	$ 122
Income taxes		**$ 22**	$ 18	**$ 31**	$ 27
Cash received for					
Interest		**$ 12**	$ 43	**$ 19**	$ 49
Income taxes		**$ 1**	$ 11	**$ 2**	$ 18

[1] Restated, refer to note 2 for the impact of changes in accounting policies and methods.
[2] $6 million and $12 million of dividends paid relate to preferred shares for the three- and six-month periods ended June 30, 2013 and 2012.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2013
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

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

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

These interim consolidated financial statements for the three- and six-month periods ended June 30, 2013 were authorized for issuance by the Board of Directors on July 31, 2013.

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

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

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

		Exchange rates as at	
	June 30, 2013	December 31, 2012	January 1, 2012
Euro	**1.3080**	1.3194	1.2939
Canadian dollar	**0.9538**	1.0043	0.9791
Pound sterling	**1.5259**	1.6167	1.5490

	Average exchange rates for the three-month periods ended		**Average exchange rates for the six-month periods ended**	
	June 30, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
Euro	**1.3066**	1.2851	**1.3144**	1.2975
Canadian dollar	**0.9771**	0.9916	**0.9854**	0.9947
Pound sterling	**1.5360**	1.5850	**1.5464**	1.5774

2. CHANGES IN ACCOUNTING POLICIES AND METHODS

Financial statement presentation
In June 2011, the IASB amended IAS 1, *Presentation of financial statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group items within OCI that may be reclassified to the statement of income. The amendments also reaffirmed existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amended IAS 1 was adopted effective January 1, 2013. The presentation of the Corporation consolidated financial statement was not impacted by these amendments as the items within OCI that may be reclassified to the consolidated statement of income are already disclosed together.

Fair value measurement
In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS when another IFRS requires or permits the item to be measured at fair value. IFRS 13 was adopted effective January 1, 2013. The adoption of this standard had no significant impact on the Corporation's consolidated financial statements other than to give rise to additional disclosures, see Note 21 – Fair value of financial instruments.

Consolidation
In May 2011, the IASB released IFRS 10, *Consolidated financial statements*, which replaces SIC-12, *Consolidation – special purpose entities*, and the parts of IAS 27, *Consolidated and separate financial statements* related to the preparation and the presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor to assess whether an entity should be included in an entity's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 was adopted effective January 1, 2013. The adoption of this standard had no impact on the consolidated financial statements of the Corporation.

Disclosure of interests in other entities
In May 2011, the IASB released IFRS 12, *Disclosure of interests in other entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 was adopted effective January 1, 2013. These disclosures are required in the annual consolidated financial statements beginning with fiscal year 2013.

Joint arrangements
In May 2011, the IASB released IFRS 11, *Joint arrangements*, which supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities - non-monetary contributions by venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as it was the case under IAS 31. IFRS 11 classifies joint arrangements into two types: joint ventures and joint operations. Joint ventures are arrangements whereby the parties have rights to the net assets, while joint operations are arrangements whereby the parties have rights to the assets and obligations for the liabilities. The standard eliminates choices in the reporting of joint arrangements by requiring the use of the equity method to account for interests in joint ventures, and by requiring joint operators to recognize assets and liabilities in relation to their interests in the arrangements. IFRS 11 was adopted effective January 1, 2013 and the change has been accounted for retroactively in accordance with the transition rules of IFRS 11.

A large part of the Corporation's investments in joint arrangements qualify as joint ventures and are now accounted for using the equity method of accounting. These investments were previously accounted for using the proportionate consolidation method. Under the equity method of accounting, the Corporation's share of net assets, net income and OCI of joint ventures are presented as one-line items on the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, respectively. In addition, the consolidated statement of cash flows under the equity method of accounting includes the cash flows between the Corporation and its joint ventures, and not the Corporation's proportionate share of the joint ventures' cash flows.

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee benefits*. Among other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). Under the previous IAS 19, interest income was presented separately from interest expense and calculated based on the expected return on the plan assets. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amended IAS 19 was adopted effective January 1, 2013. The changes in accounting policy have been accounted for retroactively in accordance with the transition rules of the amended IAS 19 and the additional disclosures will be provided in the annual consolidated financial statements for fiscal year 2013.

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

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

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

	Three-month period ended June 30, 2012				
		Restatements			
	As presented	Joint arrangements [1]	Employee benefits	Remeasurement of certain financial assets	As restated
Revenues	$ 4,170	$ (73)	$ -	$ -	$ 4,097
Cost of sales	3,523	(43)	3	-	3,483
Gross margin	647	(30)	(3)	-	614
SG&A	371	(3)	1	-	369
R&D	62	-	-	-	62
Share of income of joint ventures and associates	(25)	(25)	-	-	(50)
Other expense (income)	19	(1)	1	-	19
EBIT	220	(1)	(5)	-	214
Financing expense	155	-	(75)	9	89
Financing income	(166)	4	106	(4)	(60)
EBT	231	(5)	(36)	(5)	185
Income taxes	49	(5)	(5)	(1)	38
Net income	$ 182	$ -	$ (31)	$ (4)	$ 147
EPS (in dollars)					
Basic and diluted	$ 0.10				$ 0.08

	Six-month period ended June 30, 2012				
		Restatements			
	As presented	Joint arrangements [1]	Employee benefits	Remeasurement of certain financial assets	As restated
Revenues	$ 7,675	$ (97)	$ -	$ -	$ 7,578
Cost of sales	6,430	(47)	6	-	6,389
Gross margin	1,245	(50)	(6)	-	1,189
SG&A	735	(4)	2	-	733
R&D	127	-	-	-	127
Share of income of joint ventures and associates	(26)	(43)	-	-	(69)
Other income	(3)	(1)	-	-	(4)
Special items	(23)	-	-	-	(23)
EBIT	435	(2)	(8)	-	425
Financing expense	307	-	(150)	3	160
Financing income	(318)	7	213	4	(94)
EBT	446	(9)	(71)	(7)	359
Income taxes	74	(9)	(8)	-	57
Net income	$ 372	$ -	$ (63)	$ (7)	$ 302
EPS (in dollars)					
Basic	$ 0.21				$ 0.16
Diluted	$ 0.20				$ 0.16

[1] Adjustments resulting from the application of the equity method:

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

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

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

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

[1] Including reclassifications.

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

	Three-month period ended June 30, 2012	Six-month period ended June 30, 2012
Comprehensive income as presented	$ (384)	$ 166
Net income		
Employee benefits	(31)	(63)
Remeasurement of certain financial assets	(4)	(7)
OCI		
Employee benefits	31	65
Net decrease in comprehensive income	(4)	(5)
Comprehensive income as restated	$ (388)	$ 161

	As at June 30, 2012
Equity as presented	$ 736
Joint arrangements	4
Employee benefits	(3)
Remeasurement of certain financial assets	(130)
Equity as restated	$ 607

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

	Three-month period ended June 30, 2012		
		Restatements	
	As presented	Joint arrangements	As restated
Cash flow from operating activities	$ (135)	$ 28	$ (107)
Cash flow from investing activities	(381)	29	(352)
Cash flow from financing activities	(142)	-	(142)
Effect of exchange rates	(46)	5	(41)
Net increase (decrease) in cash and cash equivalents	(704)	62	(642)
Cash and cash equivalents at beginning of period	3,183	(464)	2,719
Cash and cash equivalents at end of period	$ 2,479	$ (402)	$ 2,077

	Six-month period ended June 30, 2012		
		Restatements	
	As presented	Joint arrangements	As restated
Cash flow from operating activities	$ (462)	$ 43	$ (419)
Cash flow from investing activities	(734)	31	(703)
Cash flow from financing activities	298	-	298
Effect of exchange rates	5	4	9
Net increase (decrease) in cash and cash equivalents	(893)	78	(815)
Cash and cash equivalents at beginning of period	3,372	(480)	2,892
Cash and cash equivalents at end of period	$ 2,479	$ (402)	$ 2,077

3. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

In June 2013, the IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment will be effective for the Corporation's fiscal year beginning on January 1, 2014. Similar relief will be included in IFRS 9.

4. SEGMENT DISCLOSURE

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

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

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

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

						Three-month periods ended June 30
			2013			2012
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 2,255**	**$ 2,175**	**$ 4,430**	$ 2,265	$ 1,832	$ 4,097
Cost of sales	**1,922**	**1,836**	**3,758**	1,934	1,549	3,483
Gross margin	**333**	**339**	**672**	331	283	614
SG&A	**189**	**193**	**382**	179	190	369
R&D	**45**	**30**	**75**	35	27	62
Share of income of joint ventures and associates	**-**	**(34)**	**(34)**	-	(50)	(50)
Other expense (income)	**(8)**	**-**	**(8)**	18	1	19
EBIT before special items	**107**	**150**	**257**	99	115	214
Special items[1]	**(31)**	**-**	**(31)**	-	-	-
EBIT	**$ 138**	**$ 150**	**288**	$ 99	$ 115	214
Financing expense			**83**			89
Financing income			**(47)**			(60)
EBT			**252**			185
Income taxes			**72**			38
Net income			**$ 180**			$ 147
Other information						
Net additions to PP&E and intangible assets[2]	**$ 534**	**$ 16**	**$ 550**	$ 481	$ 20	$ 501
Amortization	**$ 71**	**$ 31**	**$ 102**	$ 58	$ 30	$ 88

						Six-month periods ended June 30
			2013			2012
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 4,513**	**$ 4,256**	**$ 8,769**	$ 3,764	$ 3,814	$ 7,578
Cost of sales	**3,873**	**3,608**	**7,481**	3,195	3,194	6,389
Gross margin	**640**	**648**	**1,288**	569	620	1,189
SG&A	**347**	**379**	**726**	341	392	733
R&D	**87**	**58**	**145**	66	61	127
Share of income of joint ventures and associates	**-**	**(78)**	**(78)**	-	(69)	(69)
Other income	**(2)**	**-**	**(2)**	(3)	(1)	(4)
EBIT before special items	**208**	**289**	**497**	165	237	402
Special items[1]	**(31)**	**-**	**(31)**	(23)	-	(23)
EBIT	**$ 239**	**$ 289**	**528**	$ 188	$ 237	425
Financing expense			**151**			160
Financing income			**(80)**			(94)
EBT			**457**			359
Income taxes			**129**			57
Net income			**$ 328**			$ 302
Other information						
Net additions to PP&E and intangible assets[2]	**$ 1,037**	**$ 27**	**$ 1,064**	$ 853	$ 31	$ 884
Amortization	**$ 132**	**$ 61**	**$ 193**	$ 108	$ 61	$ 169

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

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

	June 30, 2013	December 31, 2012	January 1, 2012
Assets			
Total assets	**$ 27,891**	$ 25,175	$ 23,339
Assets not allocated to segments			
Cash and cash equivalents	**3,101**	2,557	2,892
Income tax receivable[(1)]	**26**	-	-
Deferred income taxes	**1,320**	1,421	1,476
Segmented assets	**23,444**	21,197	18,971
Liabilities			
Total liabilities	**26,028**	23,918	22,792
Liabilities not allocated to segments			
Interest payable[(2)]	**116**	66	59
Income taxes payable[(3)]	**170**	109	106
Long-term debt[(4)]	**7,181**	5,405	4,941
Deferred income taxes[(3)]	**44**	46	67
Segmented liabilities	**$ 18,517**	$ 18,292	$ 17,619
Net segmented assets			
BA	**$ 4,079**	$ 2,618	$ 899
BT	**$ 848**	$ 287	$ 453

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

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

	Three-month periods ended June 30		**Six-month periods ended June 30**	
	2013	2012	**2013**	2012
BA				
Manufacturing				
Business aircraft	**$ 1,259**	$ 1,256	**$ 2,421**	$ 1,899
Commercial aircraft	**272**	315	**573**	483
Other	**98**	123	**237**	254
Total manufacturing	**1,629**	1,694	**3,231**	2,636
Services[(1)]	**471**	420	**912**	856
Other[(2)]	**155**	151	**370**	272
	2,255	2,265	**4,513**	3,764
BT				
Rolling stock[(3)]	**1,340**	1,205	**2,718**	2,524
Services[(4)]	**391**	326	**761**	693
System and signalling[(5)]	**444**	301	**777**	597
	2,175	1,832	**4,256**	3,814
	$ 4,430	$ 4,097	**$ 8,769**	$ 7,578

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

5. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
R&D expenditures	**$ 575**	$ 441	**$ 1,054**	$ 830
Less: development expenditures capitalized to aerospace program tooling	**(538)**	(409)	**(982)**	(755)
	37	32	**72**	75
Add: amortization of aerospace program tooling	**38**	30	**73**	52
	$ 75	$ 62	**$ 145**	$ 127

6. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
Changes in estimates and fair value[(1)]	**$ (6)**	$ 4	**$ 3**	$ (14)
Severance and other involuntary termination costs (including changes in estimates)	**(1)**	5	**2**	4
Gains on disposals of PP&E	**-**	-	**(1)**	(3)
Other	**(1)**	10	**(6)**	9
	$ (8)	$ 19	**$ (2)**	$ (4)

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

7. SPECIAL ITEMS

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

Special items were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
Gains on resolution of litigations[(1)]	**$ (43)**	$ -	**$ (43)**	$ (40)
Of which is presented in				
Special items in EBIT	**$ (31)**	$ -	**$ (31)**	$ (23)
Financing income - interests related to the resolution of litigations	**(12)**	-	**(12)**	(17)
	$ (43)	$ -	**$ (43)**	$ (40)

(1) Represents a gain upon the successful resolution of a litigation of $43 million in connection with Part IV of the Quebec Income Tax Act, the Tax on Capital, of which $12 million represents the interest portion of the gain for the three- and six-month periods ended June 30, 2013 ($40 million in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations, of which $17 million represents the interest portion of the gain for the six-month period ended June 30, 2012).

8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
Financing expense				
Accretion on net retirement benefit obligations	**$ 28**	$ 34	**$ 57**	$ 70
Accretion on other financial liabilities	**5**	7	**12**	14
Amortization of letter of credit facility costs	**4**	5	**8**	11
Accretion on provisions	**-**	1	**1**	2
Net loss on certain financial instruments[1]	**7**	-	**-**	-
Changes in discount rates for provisions	**-**	8	**-**	3
Other	**6**	7	**9**	10
	50	62	**87**	110
Interest on long-term debt, after effect of hedges	**33**	27	**64**	50
	$ 83	$ 89	**$ 151**	$ 160
Financing income				
Interests related to the resolution of litigations[2]	**$ (12)**	$ -	**$ (12)**	$ (17)
Changes in discount rates of provisions	**(11)**	-	**(11)**	-
Net gain on certain financial instruments[1]	**-**	(19)	**(10)**	(13)
Other	**(10)**	(1)	**(17)**	(4)
	(33)	(20)	**(50)**	(34)
Interest on loans and lease receivables, after effect of hedges	**(8)**	(10)	**(17)**	(19)
Interest on cash and cash equivalents	**(3)**	(4)	**(7)**	(12)
Income from investment in securities	**(3)**	(26)	**(6)**	(29)
	(14)	(40)	**(30)**	(60)
	$ (47)	$ (60)	**$ (80)**	$ (94)

[1] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[2] Represents the interest portion of a gain of $43 million for the three- and six-month periods ended June 30, 2013 upon the successful resolution of a litigation in connection with Part IV of the Quebec Income Tax Act, the Tax on Capital ($40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations for the six-month period ended June 30, 2012). The remaining $31 million of the gain was recorded in special items for the three- and six-month periods ended June 30, 2013 ($23 million for the six-month period ended June 30, 2012).

Borrowing costs capitalized to PP&E and intangible assets totalled $69 million and $125 million for the three- and six-month periods ended June 30, 2013, using an average capitalization rate of 5.98% and 5.70%, respectively ($40 million and $78 million and 5.58% and 5.71% for the three- and six-month periods ended June 30, 2012, respectively). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

9. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
(Number of shares, stock options, PSUs and DSUs, in thousands)				
Net income attributable to equity holders of Bombardier Inc.	**$ 181**	$ 147	**$ 324**	$ 297
Preferred share dividends, including taxes	**(8)**	(6)	**(17)**	(12)
Net income attributable to common equity holders of Bombardier Inc.	**$ 173**	$ 141	**$ 307**	$ 285
Weighted-average number of common shares outstanding	**1,738,965**	1,730,809	**1,738,646**	1,730,680
Net effect of stock options, PSUs and DSUs	**2,177**	6,283	**1,996**	6,994
Weighted-average diluted number of common shares	**1,741,142**	1,737,092	**1,740,642**	1,737,674
EPS (in dollars)				
Basic and diluted	**$ 0.10**	$ 0.08	**$ 0.18**	$ 0.16

The effect of the exercise of stock options, PSUs and DSUs was included in the calculation of diluted EPS in the above table, except for 36,939,785 and 37,122,191 stock options, PSUs and DSUs for the three- and six-month periods ended June 30, 2013 (25,255,992 and 26,020,852 stock options, PSUs and DSUs for the three- and six-month periods ended June 30, 2012) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation’s Class B Shares (subordinate voting) or predetermined financial performance targets had not been met.

10. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	HFT	Designated	AFS	Amortized cost [1]	DDHR	Total carrying value	Fair value
June 30, 2013							
Financial assets							
Cash and cash equivalents	**$ 3,101**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,101**	**$ 3,101**
Trade and other receivables	**-**	**-**	**-**	**1,429**	**-**	**1,429**	**1,429**
Other financial assets	**125**	**692**	**344**	**123**	**579**	**1,863**	**1,863**
	$ 3,226	**$ 692**	**$ 344**	**$ 1,552**	**$ 579**	**$ 6,393**	**$ 6,393**
Financial liabilities							
Trade and other payables	**$ -**	**$ 1**	**n/a**	**$ 3,595**	**$ -**	**$ 3,596**	**$ 3,596**
Long-term debt[2]	**-**	**-**	**n/a**	**7,181**	**-**	**7,181**	**7,138**
Other financial liabilities	**40**	**144**	**n/a**	**888**	**365**	**1,437**	**1,599**
	$ 40	**$ 145**	**n/a**	**$ 11,664**	**$ 365**	**$ 12,214**	**$ 12,333**
December 31, 2012							
Financial assets							
Cash and cash equivalents	$ 2,557	$ -	$ -	$ -	$ -	$ 2,557	$ 2,557
Trade and other receivables	-	-	-	1,311	-	1,311	1,311
Other financial assets	92	697	217	133	643	1,782	1,782
	$ 2,649	$ 697	$ 217	$ 1,444	$ 643	$ 5,650	$ 5,650
Financial liabilities							
Trade and other payables	$ -	$ -	n/a	$ 3,310	$ -	$ 3,310	$ 3,310
Long-term debt[2]	-	-	n/a	5,405	-	5,405	5,272
Other financial liabilities	15	158	n/a	712	126	1,011	1,146
	$ 15	$ 158	n/a	$ 9,427	$ 126	$ 9,726	$ 9,728
January 1, 2012							
Financial assets							
Cash and cash equivalents	$ 2,892	$ -	$ -	$ -	$ -	$ 2,892	$ 2,892
Trade and other receivables	-	-	-	1,342	-	1,342	1,342
Other financial assets	44	713	399	173	504	1,833	1,832
	$ 2,936	$ 713	$ 399	$ 1,515	$ 504	$ 6,067	$ 6,066
Financial liabilities							
Trade and other payables	$ -	$ -	n/a	$ 3,032	$ -	$ 3,032	$ 3,032
Long-term debt[2]	-	-	n/a	4,941	-	4,941	4,649
Other financial liabilities	21	140	n/a	557	323	1,041	1,118
	$ 21	$ 140	n/a	$ 8,530	$ 323	$ 9,014	$ 8,799

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

11. INVENTORIES

Inventories were as follows, as at:

	June 30, 2013	December 31, 2012	January 1, 2012
Aerospace programs	**$ 4,815**	$ 4,345	$ 3,845
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**6,545**	5,387	5,940
Less: advances and progress billings	**(4,719)**	(4,014)	(4,296)
	1,826	1,373	1,644
Service contracts			
Cost incurred and recorded margins	**425**	408	380
Less: advances and progress billings	**(14)**	(15)	(45)
	411	393	335
Finished products[(1)]	**1,394**	1,429	1,481
	$ 8,446	$ 7,540	$ 7,305

(1) Finished products include 3 new aircraft not associated with a firm order and 69 pre-owned aircraft, totalling $597 million as at June 30, 2013 (3 new aircraft and 74 pre-owned aircraft, totalling $551 million as at December 31, 2012 and 5 new aircraft and 95 pre-owned aircraft, totalling $691 million as at January 1, 2012).

Finished products as at June 30, 2013 include $196 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($147 million as at December 31, 2012 and $162 million as at January 1, 2012). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $3,334 million and $6,732 million for the three- and six-month periods ended June 30, 2013 ($3,187 million and $5,792 million for the three- and six-month periods ended June 30, 2012). These amounts include $36 million and $66 million of write-downs for the three- and six-month periods ended June 30, 2013 ($17 million and $31 million for the three- and six-month periods ended June 30, 2012).

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	June 30, 2013	December 31, 2012	January 1, 2012
Derivative financial instruments	**$ 704**	$ 735	$ 548
Aircraft loans and lease receivables[1]	**414**	423	467
Investments in securities[1] [2]	**368**	243	423
Investments in financing structures[1]	**333**	329	320
Restricted cash	**21**	25	44
Other	**23**	27	31
	$ 1,863	$ 1,782	$ 1,833
Of which current	**$ 594**	$ 443	$ 522
Of which non-current	**1,269**	1,339	1,311
	$ 1,863	$ 1,782	$ 1,833

[1] Carried at fair value, except for $11 million of aircraft loans and lease receivables, $24 million of investments in securities and $44 million of investment in financing structures carried at amortized cost as at June 30, 2013 ($11 million, $26 million and $44 million, respectively, as at December 31, 2012 and $32 million, $24 million and $42 million, respectively, as at January 1, 2012).

[2] Includes $122 million of securities to secure contingent capital contributions to be made in relation to guarantees issued in connection with the sale of aircraft as at June 30, 2013 (nil as at December 31, 2012, and $167 million as at January 1, 2012).

13. OTHER ASSETS

Other assets were as follows, as at:

	June 30, 2013	December 31, 2012	January 1, 2012
Prepaid expenses	**$ 452**	$ 366	$ 299
Sales tax and other taxes	**367**	281	184
Flexjet fractional ownership deferred costs	**199**	206	186
Intangible assets other than aerospace program tooling and goodwill	**198**	210	225
Retirement benefits	**150**	38	13
Deferred financing charges	**106**	103	85
Other	**22**	30	33
	$ 1,494	$ 1,234	$ 1,025
Of which current	**$ 821**	$ 680	$ 559
Of which non-current	**673**	554	466
	$ 1,494	$ 1,234	$ 1,025

14. PROVISIONS

Changes in provisions were as follows, for the three- and six-month periods ended June 30:

		Product warranties		Credit and residual value guarantees		Restructuring, severance and other termination benefits		Other [1]		Total
Balance as at December 31, 2012	$	**907**	$	**483**	$	**127**	$	**91**	$	**1,608**
Additions		**106**		**12**		**4**		**2**		**124**
Utilization		**(83)**		**(2)**		**(11)**		**(4)**		**(100)**
Reversals		**(42)**		**-**		**(1)**		**(4)**		**(47)**
Accretion expense		**-**		**1**		**-**		**-**		**1**
Effect of foreign currency exchange rate changes		**(17)**		**-**		**(3)**		**(2)**		**(22)**
Balance as at March 31, 2013	$	**871**	$	**494**	$	**116**	$	**83**	$	**1,564**
Additions		**102**		**4**		**-**		**4**		**110**
Utilization		**(98)**		**(8)**		**(19)**		**(7)**		**(132)**
Reversals		**(4)**		**(7)**		**-**		**(5)**		**(16)**
Effect of changes in discount rates		**(1)**		**(10)**		**-**		**-**		**(11)**
Effect of foreign currency exchange rate changes		**2**		**-**		**1**		**2**		**5**
Balance as at June 30, 2013	**$**	**872**	**$**	**473**	**$**	**98**	**$**	**77**	**$**	**1,520**
Of which current	**$**	**723**	**$**	**70**	**$**	**94**	**$**	**36**	**$**	**923**
Of which non-current		**149**		**403**		**4**		**41**		**597**
	$	**872**	**$**	**473**	**$**	**98**	**$**	**77**	**$**	**1,520**

		Product warranties		Credit and residual value guarantees		Restructuring, severance and other termination benefits		Other [1]		Total
Balance as at January 1, 2012	$	1,014	$	588	$	38	$	105	$	1,745
Additions		60		-		2		4		66
Utilization		(85)		-		(8)		(1)		(94)
Reversals		(32)		(6)		(4)		(2)		(44)
Accretion expense		-		1		-		-		1
Effect of changes in discount rates		-		(5)		-		-		(5)
Effect of foreign currency exchange rate changes		23		-		1		-		24
Balance as at March 31, 2012	$	980	$	578	$	29	$	106	$	1,693
Additions		68		-		8		2		78
Utilization		(92)		-		(3)		(4)		(99)
Reversals		(5)		(9)		(2)		(3)		(19)
Accretion expense		-		1		-		-		1
Effect of changes in discount rates		-		8		-		-		8
Effect of foreign currency exchange rate changes		(36)		-		(1)		(2)		(39)
Balance as at June 30, 2012	$	915	$	578	$	31	$	99	$	1,623
Of which current	$	772	$	70	$	27	$	62	$	931
Of which non-current		143		508		4		37		692
	$	915	$	578	$	31	$	99	$	1,623

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

15. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	June 30, 2013	December 31, 2012	January 1, 2012
Government refundable advances	**$ 446**	$ 398	$ 317
Derivative financial instruments	**405**	141	344
Sale and leaseback obligations	**206**	168	163
Lease subsidies	**144**	158	140
Vendor non-recurring costs	**54**	53	13
Current portion of long-term debt	**49**	45	193
Other	**182**	93	64
	$ 1,486	$ 1,056	$ 1,234
Of which current	**$ 740**	$ 455	$ 732
Of which non-current	**746**	601	502
	$ 1,486	$ 1,056	$ 1,234

16. OTHER LIABILITIES

Other liabilities were as follows, as at:

	June 30, 2013	December 31, 2012	January 1, 2012
Employee benefits	**$ 747**	$ 645	$ 663
Accruals for long-term contract costs	**591**	677	773
Supplier contributions to aerospace programs	**504**	364	348
Deferred revenues	**464**	499	424
Income and other taxes payable	**271**	252	214
Flexjet fractional ownership deferred revenues	**237**	241	212
Deferred income taxes	**44**	46	67
Other	**484**	445	409
	$ 3,342	$ 3,169	$ 3,110
Of which current	**$ 2,119**	$ 2,212	$ 2,208
Of which non-current	**1,223**	957	902
	$ 3,342	$ 3,169	$ 3,110

17. LONG-TERM DEBT

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

18. SHARE-BASED PLANS

PSU and DSU plans

The number of PSUs and DSUs has varied as follows:

	Three-month periods ended June 30			
	2013		2012	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**23,900,453**	**6,680,859**	19,023,015	4,412,000
Granted	**259,867**	**91,479**	-	97,012
Performance adjustment	**(1,543,133)**	**(333,900)**	47,359	10,960
Exercised	**(5,805,119)**	**-**	(4,783,276)	-
Cancelled	**(327,634)**	**-**	(48,902)	(117,000)
Balance at end of period	**16,484,434**	**6,438,438** (1)	14,238,196	4,402,972 (1)

	Six-month periods ended June 30			
	2013		2012	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**24,179,840**	**6,673,447**	19,149,004	4,367,000
Granted	**259,867**	**98,891**	53,000	167,012
Performance adjustment	**(1,543,133)**	**(333,900)**	47,359	10,960
Exercised	**(5,805,119)**	**-**	(4,783,276)	-
Cancelled	**(607,021)**	**-**	(227,891)	(142,000)
Balance at end of period	**16,484,434**	**6,438,438** (1)	14,238,196	4,402,972 (1)

(1) Of which 2,530,975 DSUs are vested as at June 30, 2013 (1,203,972 as at June 30, 2012).

The compensation expense, with respect to the PSU and DSU plans, amounted to $5 million and $14 million during the three- and six-month periods ended June 30, 2013 (compensation revenue of $16 million and $7 million during the three- and six-month periods ended 2012).

Share option plans

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
Balance at beginning of period	**27,419,880**	25,083,777	**28,490,089**	27,249,846
Granted	**709,523**	-	**709,523**	90,000
Exercised	**(2,159,904)**	(1,534,750)	**(2,909,764)**	(1,674,750)
Cancelled	**(139,800)**	(337,058)	**(405,149)**	(731,127)
Expired	**(469,750)**	(328,000)	**(524,750)**	(2,050,000)
Balance at end of period	**25,359,949**	22,883,969	**25,359,949**	22,883,969

A compensation expense of $1 million and $3 million was recorded during the three- and six-month periods ended June 30, 2013 with respect to share option plans ($2 million and $4 million for the three- and six-month periods ended June 30, 2012).

19. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012	**2013**	2012
Trade and other receivables	**$ (90)**	$ 39	**$ (102)**	$ 87
Inventories	**(403)**	53	**(752)**	(863)
Other financial assets and liabilities, net	**124**	94	**169**	54
Other assets	**(152)**	29	**(277)**	(114)
Trade and other payables	**140**	(85)	**329**	(92)
Provisions	**(51)**	(28)	**(72)**	(107)
Advances and progress billings in excess of long-term contract inventories	**101**	(150)	**(69)**	(77)
Advances on aerospace programs	**(134)**	(62)	**(132)**	339
Retirement benefits liability	**36**	24	**49**	81
Other liabilities	**88**	(224)	**190**	(163)
	$ (341)	$ (310)	**$ (667)**	$ (855)

20. CREDIT FACILITIES

In April 2013 and May 2013, the availability periods of the BT and the BA letter of credit facilities were extended by one year to May 2016 and June 2016, respectively. In June 2013, the BT letter of credit facility committed amount increased from €3,400 million ($4,447 million) to €3,500 million ($4,578 million). Also in June 2013, the availability period of the PSG facility was extended by one year to June 2014 and the amount committed reduced from $900 million to $600 million, due to lower utilization levels.

In May 2013, the maturity date of the $750 million unsecured revolving credit facility was extended by one year to June 2016.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Methods and assumptions

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

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

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

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

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

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

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

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

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

Fair value hierarchy

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at June 30, 2013:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	$ 403	$ -	$ -	$ 403
Derivative financial instruments[1]	704	-	704	-
Investments in securities	330 [2]	27	303	-
Investments in financing structures	289	-	150	139
	$ 1,726	$ 27	$ 1,157	$ 542
Financial liabilities				
Lease subsidies	$ (144)	$ -	$ -	$ (144)
Derivative financial instruments[1]	(405)	-	(405)	-
	$ (549)	$ -	$ (405)	$ (144)

[1] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements, and cross-currency interest-rate swap agreements and embedded derivatives.
[2] Excludes $14 million of AFS investments carried at cost.

Changes in fair value of Level 3 financial instruments were as follows, for the three- and six-month periods ended:

	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Balance as at December 31, 2012	$ 412	$ 135	$ (158)
Net gains and interests included in net income[1]	1	5	2
Issuances	3	-	-
Settlements	(7)	-	9
Balance as at March 31, 2013	$ 409	$ 140	$ (147)
Net losses and interests included in net income[1]	-	-	(8)
Issuances	5	-	-
Settlements	(11)	(1)	11
Balance as at June 30, 2013	**$ 403**	**$ 139**	**$ (144)**

[1] Of which an amount of nil and $9 million represents realized losses for the three- and six-month periods ended June 30, 2013.

Main assumptions developed internally for Level 3 hierarchy

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

These main assumptions are as follows as at June 30, 2013:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between BB- to CCC (B+)	Between BB- to CCC (B)	Between BBB- to C (B)
Discount rate adjustments for marketability	Between 3.2% and 5.33% (4.86%)	Between 1.6% and 7.46% (5.53%)	n/a

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

Sensitivity to selected changes of assumptions for Level 3 hierarchy
These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows, as at June 30, 2013:

Impact on EBT			**Change of assumptions**		
	Change in fair value recognized in EBT for the :				
Gain (loss)	**Three-month period ended June 30, 2013**	**Six-month period ended June 30, 2013**	**Decrease in aircraft residual value curves by 1%**	**Downgrade the internally assigned credit rating of unrated customers by 1 notch**	**Increase the marketability adjustments by 100 bps**
Aircraft loans and lease receivables	$ (8)	$ (15)	$ (1)	$ (13)	$ (20)
Investment in financing structures	$ (3)	$ -	$ (7)	$ (8)	$ (11)
Lease subsidies	$ (7)	$ (3)	n/a	$ 3	n/a

22. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2013	December 31, 2012	January 1, 2012
Aircraft sales			
Residual value	**$ 1,811**	$ 1,812	$ 2,108
Credit	**1,227**	1,218	1,389
Mutually exclusive exposure[1]	**(598)**	(594)	(771)
Total credit and residual value exposure	**$ 2,440**	$ 2,436	$ 2,726
Trade-in commitments	**$ 3,031**	$ 3,098	$ 1,619
Conditional repurchase obligations	**$ 438**	$ 489	$ 457
Other			
Credit and residual value	**$ 47**	$ 47	$ 156
Performance guarantees	**$ 40**	$ 41	$ 36

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

Provisions for anticipated losses amounted to $473 million as at June 30, 2013 ($483 million as at December 31, 2012 and $588 million as at January 1, 2012). In addition, lease subsidy liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $144 million as at June 30, 2013 ($158 million as at December 31, 2012 and $140 million as at January 1, 2012).

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

While the Corporation cannot predict the final outcome of legal proceedings pending as at June 30, 2013, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

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

This lawsuit alleges damages of an aggregate value of €348 million ($455 million) related to allegedly defective wheels and braking systems. The claim is for payment of €241 million ($315 million) and also for a declaratory judgment obliging the Corporation to compensate SB for further damages. SB currently alleges such further damages to be €107 million ($140 million).

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

The Corporation intends to vigorously defend its position and will undertake all actions necessary to protect its reputation. While the Corporation cannot predict the final outcome of this claim pending as at June 30, 2013, based on information currently available, management believes the resolution of this claim will not have a material adverse effect on its financial position.

23. RECLASSIFICATION

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