BOMBARDIER
the evolution of mobility

FIRST QUARTERLY REPORT

Three-month period ended March 31, 2012

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 and amortization	PSU	Performance share unit
EBT	Earnings before income taxes	R&D	Research and development
EPS	Earnings per share attributable to equity holders of Bombardier Inc.	RVG	Residual value guarantee
FVTP&L	Fair value through profit and loss	SG&A	Selling, general and administrative
GAAP	Generally accepted accounting principles	SPE	Special purpose entity
GDP	Gross domestic product	U.K.	United Kingdom
		U.S.	United States of America

MANAGEMENT'S DISCUSSION AND ANALYSIS **2**
FORWARD-LOOKING STATEMENTS **2**
CHANGE OF YEAR-END 3
OVERVIEW **3**
HIGHLIGHTS OF THE QUARTER 3
CONSOLIDATED RESULTS OF OPERATIONS 4
LIQUIDITY AND CAPITAL RESOURCES 5
CAPITAL STRUCTURE 7
NON-GAAP FINANCIAL MEASURES 7
FINANCIAL POSITION 10
AEROSPACE **11**
HIGHLIGHTS OF THE QUARTER 11
INDUSTRY AND ECONOMIC ENVIRONMENT 12
ANALYSIS OF RESULTS 14
TRANSPORTATION **22**
HIGHLIGHTS OF THE QUARTER 22
INDUSTRY AND ECONOMIC ENVIRONMENT 22
ANALYSIS OF RESULTS 23
OTHER **26**
RISKS AND UNCERTAINTIES 26
FUTURE CHANGES IN ACCOUNTING POLICIES 26
CONTROLS AND PROCEDURES 27
FOREIGN EXCHANGE RATES 28
SELECTED FINANCIAL INFORMATION 28
INVESTOR INFORMATION 29
INTERIM CONSOLIDATED FINANCIAL STATEMENTS **31**
NOTES TO INTERIM FINANCIAL STATEMENTS **36**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The data presented in this MD&A is structured by manufacturing segment: BA and BT, and then by market segment, which is reflective of our organizational structure. Some financial measures used in this MD&A are not in accordance with IFRS. See the Non-GAAP financial measures section for reconciliations to the most comparable IFRS measures.

Materiality for disclosures

We determine if information is material based on whether we believe a reasonable investor's decision to buy, sell or hold 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" or "maintain", the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require us to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. While we consider our assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry and major rail operators), operational risks (such as risks related to developing new products and services; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; to the environment; dependence on certain customers and suppliers; human resources; fixed-price commitments and production and project execution), financing risks (such as risks related to liquidity and access to capital markets, 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 the Corporation's annual report for the fiscal year ended December 31, 2011. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect our expectations as at the date of this MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

CHANGE OF YEAR-END

Effective December 31, 2011, we changed our financial year-end from January 31 to December 31. Before the change of year-end, we were consolidating the operations of BT on a calendar year basis, i.e. with one-month lag with the remainder of our operations. As a result, the comparative three-month period ended April 30, 2011 is comprised of three months of results of BA for the period from February to April and of BT for the period from January to March.

OVERVIEW

HIGHLIGHTS OF THE QUARTER

- Revenues of $3.5 billion, compared to $4.7 billion for the corresponding period last fiscal year.
- EBIT of $215 million, or 6.1% of revenues, compared to $312 million, or 6.7%, for the corresponding period last fiscal year.
- Net income of $190 million (diluted EPS of $0.10), compared to $220 million (diluted EPS of $0.12) for the corresponding period last fiscal year.
- Free cash flow[(1)] usage of $712 million, compared to a usage of $409 million for the corresponding period last fiscal year.
- Cash position of $3.2 billion as at March 31, 2012, compared to $3.4 billion as at December 31, 2011.
- Solid order backlog of $55.2 billion as at March 31, 2012, compared to $53.9 billion as at December 31, 2011.
- We issued $500 million of 5.75% unsecured Senior Notes, at par, due in March 2022, of which $151 million was used subsequent to the end of the quarter to repay the 6.75% Notes that matured on May 1st, 2012.
- We entered into a new unsecured €500 million revolving credit facility ($668 million) available to BT for cash drawings. The facility matures in March 2015 and bears interest at EURIBOR plus a margin.
- Subsequent to the end of the quarter, the BT and the BA letter of credit facilities' availability periods were extended for an additional year to May 2015 and June 2015, respectively. Also in April 2012, the maturity date of our $750 million unsecured revolving credit facility was extended by one year to June 2015.

(1) Refer to the Non-GAAP financial measures section for a definition of this metric and the Liquidity and capital resources section for reconciliations to the most comparable IFRS measure.

CONSOLIDATED RESULTS OF OPERATIONS

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

Results of operations

	Three-month periods ended	
	March 31, 2012	April 30, 2011
Revenues	**$ 3,505**	$ 4,661
Cost of sales	**2,907**	3,925
Gross margin	**598**	736
SG&A	**364**	363
R&D	**65**	64
Other income	**(46)**	(3)
EBIT	**215**	312
Financing expense	**152**	177
Financing income	**(152)**	(141)
EBT	**215**	276
Income taxes	**25**	56
Net income	**$ 190**	$ 220
Attributable to:		
Equity holders of Bombardier Inc.	**$ 185**	$ 220
NCI	**$ 5**	$ -
Basic and diluted EPS (in dollars)	**$ 0.10**	$ 0.12

Supplemental information

	Three-month periods ended	
	March 31, 2012	April 30, 2011
EBIT	**$ 215**	$ 312
Amortization	**82**	87
EBITDA	**$ 297**	$ 399

Revenues and EBIT margin

	Three-month periods ended	
	March 31, 2012	April 30, 2011
Revenues		
BA	**$ 1,499**	$ 2,188
BT	**$ 2,006**	$ 2,473
Consolidated	**$ 3,505**	$ 4,661
EBIT margin		
BA	**6.1%**	6.4%
BT	**6.2%**	6.9%
Consolidated	**6.1%**	6.7%

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

Net financing expense
Net financing expense amounted to nil for the three-month period ended March 31, 2012, compared to $36 million for the corresponding period last fiscal year.

The $36-million decrease is mainly due to:

- an interest income representing the interest portion of a gain of $40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations ($17 million). The remainder of the gain ($23 million) was recorded in the EBIT of BA;
- lower interest expense on long-term debt, after effect of hedges ($9 million);
- lower amortization of letter of credit facility costs ($6 million); and
- lower accretion on provisions ($5 million).

Income taxes
The effective income tax rate was 11.6% for the three-month period ended March 31, 2012, compared to the statutory income tax rate in Canada of 26.7%. The lower effective tax rate was mainly due to the positive impact of the recognition of income tax benefits related to tax losses and temporary differences, partially offset by unrecognized tax benefits.

The effective income tax rate was 20.3% for the three-month period ended April 30, 2011, compared to the statutory income tax rate in Canada of 28.4%. The lower effective tax rate was mainly due to the positive impact of the recognition of income tax benefits related to tax losses and temporary differences, partially offset by permanent differences.

LIQUIDITY AND CAPITAL RESOURCES

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

	Three-month periods ended	
	March 31,2012	April 30,2011
Segmented free cash flow		
BA	**$ (572)**	$ (168)
BT	**(100)**	(168)
Segmented free cash flow usage	**(672)**	(336)
Net income taxes and net interest paid[1]	**(40)**	(73)
Free cash flow usage	**(712)**	(409)
Add back: Net additions to PP&E and intangible assets	**385**	301
Cash flows from operating activities	**$ (327)**	$ (108)

[1] Not allocated to segments.

Variation in cash and cash equivalents

	Three-month periods ended	
	March 31, 2012	April 30, 2011
Balance as at beginning of period	**$ 3,372**	$ 4,195
Free cash flow usage	**(712)**	(409)
Proceeds from issuance of long-term debt	**504**	63
Dividends paid	**(93)**	(5)
Effect of exchange rate changes on cash and cash equivalents	**51**	110
Purchase of NCI	**-**	(53)
Other	**61**	(45)
Balance as at end of period	**$ 3,183**	$ 3,856

Available short-term capital resources

	Cash and cash equivalents	Available credit facility	Available short-term capital resources
March 31, 2012	**$ 3,183**	**$ 1,418**	**$ 4,601**
December 31, 2011	$ 3,372	$ 750	$ 4,122

We proactively manage our debt maturities and take advantage of favourable conditions in capital markets when available. In March 2012, we issued $500 million of unsecured Senior Notes bearing interest of 5.75% per year, due in March 2022, of which $151 million was used subsequent to the end of the first quarter to repay the 6.75% Notes that matured on May 1st, 2012. The remainder of the proceeds is intended for general corporate purposes.

During the first quarter of the current fiscal year, BT entered into a three-year unsecured revolving credit facility of €500 million ($668 million), available for cash drawings for the general corporate purposes of BT. The facility matures in March 2015 and bears interest at EURIBOR plus a margin.

In April 2012, the availability periods of our BT and BA letter of credit facilities were extended by one year each, to May 2015 and June 2015, respectively. Also in April 2012, the maturity date of our $750 million unsecured revolving credit facility was extended by one year to June 2015.

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

We consider that our expected cash flows from operating activities, combined with our available short-term capital resources of $4.6 billion as at March 31, 2012, 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.

Other facilities

In the normal course of its business, BT has set up factoring facilities in Europe, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €648 million ($865 million) were outstanding under such facilities as at March 31, 2012 (€580 million ($751 million) as at December 31, 2011). Trade receivables of €114 million ($149 million) were sold to these facilities during the three-month period ended March 31, 2012 (€154 million ($216 million) during the three-month period ended April 30, 2011).

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation. We manage and monitor our global metrics in such a way as to achieve an investment-grade profile. These global metrics do not represent those required for bank covenants.

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

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

Global metrics[1]

	March 31, 2012	December 31, 2011	**Explanation of major variances**
Interest coverage			
Adjusted EBIT	**$ 1,171**	$ 1,271	
Adjusted interest	**$ 271**	$ 271	Deteriorated, due to lower profitability in both operating segments.
Adjusted EBIT to adjusted interest ratio	**4.3**	4.7	
Financial leverage			
Adjusted debt	**$ 5,876**	$ 5,263	Deteriorated, mainly due to the issuance of $500 million of long-term debt and lower profitability in both operating segments.
Adjusted EBITDA	**$ 1,557**	$ 1,657	
Adjusted debt to adjusted EBITDA ratio	**3.8**	3.2	

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

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $2,862 million as at March 31, 2012 ($3,213 million as at December 31, 2011). The measurement of this liability is dependent on numerous key long-term assumptions such as those regarding future compensation increases, inflation rates, mortality rates and current discount rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long term nature of the obligation. The $351 million-decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability

Balance as at December 31, 2011	**$ 3,213**
Actual gains on pension plan assets	**(374)**
Changes in discount rates	**(145)**
Accretion expense on retirement benefit obligations	**110**
Employer contributions	**(95)**
Service costs	**77**
Changes in foreign exchange rates	**74**
Changes in asset ceiling and additional liability	**2**
Balance as at March 31, 2012	**$ 2,862**

NON-GAAP FINANCIAL MEASURES

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

Non-GAAP financial measures

EBITDA	Earnings before financing expense, financing income, income taxes and amortization.
Free cash flow	Cash flows from operating activities less net additions to PP&E and intangible assets.
Adjusted debt	Long-term debt 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 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, including amortization adjustment for operating leases.
Adjusted net interest	Interest paid, as per the supplemental information provided in the consolidated statements of cash flows, plus accretion expense on sale and leaseback obligations and interest adjustment for operating leases.

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

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

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

Reconciliation of adjusted debt to long-term debt

		As at
	March 31, 2012	December 31, 2011
Long-term debt	**$ 5,504**	$ 4,941
Adjustment for the fair value of derivatives (or settled derivatives) designated in related hedge relationships	**(346)**	(318)
Long-term debt, net	**5,158**	4,623
Sale and leaseback obligations	**196**	163
Operating lease obligations[(1)]	**522**	477
Adjusted debt	**$ 5,876**	$ 5,263

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

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended [1]	
	March 31, 2012	December 31, 2011
EBIT	**$ 1,105**	$ 1,202
Interest received	**39**	40
Interest adjustment for operating leases[2]	**27**	29
Adjusted EBIT	**1,171**	1,271
Amortization adjustment for operating leases[3]	**58**	53
Amortization	**328**	333
Adjusted EBITDA	**$ 1,557**	$ 1,657

[1] Includes 11 months of BA's results due to the change of year-end to December 31, and 12 months of BT's results.
[2] Represents the interest cost of a debt equivalent to the amount included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related periods, 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 [1]	
	March 31, 2012	December 31, 2011
Interest paid	**$ 241**	$ 238
Accretion expense on sale and leaseback obligations	**3**	4
Interest adjustment for operating leases[2]	**27**	29
Adjusted interest	**$ 271**	$ 271

[1] Includes 11 months of BA's results due to the change of year-end to December 31, and 12 months of BT's results.
[2] Represents the interest cost on a debt equivalent to the amount included in adjusted debt, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related periods, given our credit rating.

FINANCIAL POSITION

	March 31 2012	December 31 2011	Increase (decrease) Foreign exchange impact	Variance excluding foreign exchange impact	Explanation of major variances other than foreign exchange impact
Cash and cash equivalents	**$ 3,183**	$ 3,372	$ 51	$ (240)	See the Variation in cash and cash equivalents table and Free cash flow in BA and BT for details
Trade and other receivables	**1,381**	1,408	28	(55)	$ (78) Lower level in BT 23 Higher level in BA
Gross inventories	**12,898**	11,992	184	722	$ 742 Higher level in BA, mainly due to the timing of the entry-into-service of our new Vision Flight Deck on the Global 5000 and Global 6000 aircraft
Advances and progress billings related to long-term contracts	**(6,482)**	(6,479)	158	(155)	Mainly due to lower advances and progress billings related to existing contracts following deliveries in several contracts, partly compensated by advances on new orders
Advances on aerospace programs	**(4,454)**	(4,054)	-	400	Due to higher order intake than deliveries for large business aircraft
PP&E	**1,883**	1,864	29	(10)	$ 35 Net additions (45) Amortization
Aerospace program tooling	**3,492**	3,168	-	324	$ 346 Additions (22) Amortization
Goodwill	**2,333**	2,253	80	-	No variance
Deferred income tax asset	**1,395**	1,506	18	(129)	Mainly resulting from net actuarial gains on retirement benefit plans and net change in cash flow hedges, both recorded in OCI.
Other financial assets	**1,777**	1,831	5	(59)	$ (28) Decrease in aircraft loans and lease receivables (27) Decrease in investments in securities
Other assets	**1,212**	1,064	11	137	$ 101 Increase in retirement benefits resulting from net actuarial gains 34 Increase in prepaid expenses
Trade and other payables	**(3,177)**	(3,210)	43	(76)	$ (90) Lower level of BT activities (42) Lower amount of dividends payable 56 Higher level in BA
Provisions	**(1,612)**	(1,672)	25	(85)	Mainly resulting from the utilization of product warranty provisions
Non-current portion of long-term debt	**(5,306)**	(4,748)	71	487	$ 504 Issuance of long-term debt
Retirement benefits liability	**(2,980)**	(3,226)	21	(267)	See the Variation in net retirement benefit liability table in Capital structure section for details
Other financial liabilities	**(1,153)**	(1,234)	6	(87)	$ (126) Decrease in derivatives 33 Increase in sale and leaseback obligations
Other liabilities	**(3,208)**	(3,164)	48	(4)	No significant variance
Equity	**(1,182)**	(671)	not applicable	511	$ 360 OCI 190 Net income (50) Dividends

AEROSPACE

HIGHLIGHTS OF THE QUARTER

Results of the quarter

- Revenues of $1.5 billion, compared to $2.2 billion for the corresponding period last fiscal year.
- EBIT of $91 million, or 6.1% of revenues, compared to $141 million, or 6.4%, for the corresponding period last fiscal year.
- EBITDA[1] of $141 million, or 9.4% of revenues, compared to $196 million, or 9.0%, for the corresponding period last fiscal year.
- Free cash flow[1] usage of $572 million, compared to a usage of $168 million for the corresponding period last fiscal year.
- Net additions to PP&E and intangible assets of $372 million, compared to $290 million for the corresponding period last fiscal year.
- 37 aircraft deliveries, compared to 61 for the corresponding period last fiscal year.
- 68 net orders, compared to 86 net orders, including 50 orders for *Global* aircraft from NetJets Inc., for the corresponding period last fiscal year.
- Order backlog of $23.3 billion as at March 31, 2012, compared to $22.0 billion as at December 31, 2011.

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

Key events

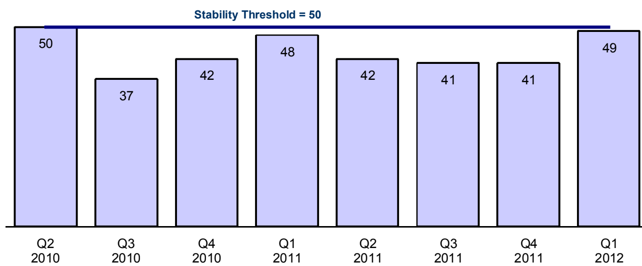
- Following certification from the European Aviation Safety Agency (“EASA”) and the U.S. Federal Aviation Administration (“FAA”), the *Global 5000* and the *Global 6000* aircraft with the *Vision Flight Deck* entered into service on schedule, in March 2012.
- In March 2012, we signed a definitive agreement with Commercial Aircraft Corporation of China Ltd. (“COMAC”) to collaborate on commonality projects, building on the complementary nature of COMAC’s C919 aircraft and our *CSeries* aircraft while helping to maximize both parties’ cost savings and market shares.
- In February 2012, we announced plans to open a full-scale company-owned and operated service centre in Singapore for business aircraft in 2013.
- Subsequent to the end of the quarter, we officially inaugurated our new Engineering Service Office in Bangalore, India, which will support our in-production and in-development aircraft programs. We also inaugurated our new office in Shanghai, China, which will house our teams working with COMAC, as well as our local supply chain, commercial aircraft sales and marketing and regional support groups.
- Subsequent to the end of the quarter, WestJet signed a letter of intent to purchase 20 *Q400 NextGen* turboprop aircraft, with an option to purchase an additional 25. This letter of intent is not included in the order backlog as at March 31, 2012.

INDUSTRY AND ECONOMIC ENVIRONMENT

Business aircraft

Business jet indicators are mixed, generally showing a positive trend, however challenges remain. The UBS Business Jet Market Index, which measures the industry confidence, has increased in the first quarter of calendar year 2012 to just under the threshold of market stability. The number of pre-owned aircraft available for sale as a percentage of the total in-service fleet in March 2012 remained at the same level compared to December 2011, at 13.6%. The level of pre-owned business aircraft inventory in the light category remains high, at 14.6% of the total in-service fleet in March 2012, although the level has gradually decreased from 16.5% in December 2010. The level of large pre-owned business aircraft inventory remains at a low level, at 6.7% of the total in-service fleet in March 2012. Business jet utilization in the U.S. has been essentially flat since the third quarter of 2011. European business jet utilization decreased in the first quarter of 2012, relative to the fourth quarter of 2011, due to seasonality, and remained stable as compared to the first quarter of 2011.

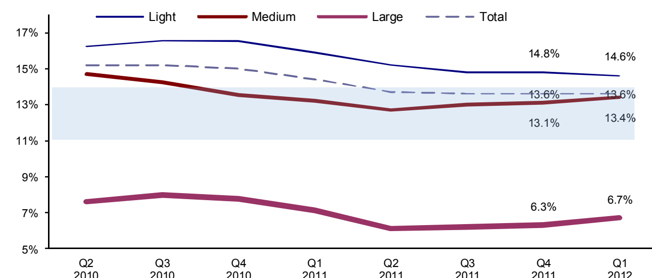
UBS BUSINESS JET MARKET INDEX[1]
(for calendar quarters, average on a 100-point scale)



Source: UBS

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

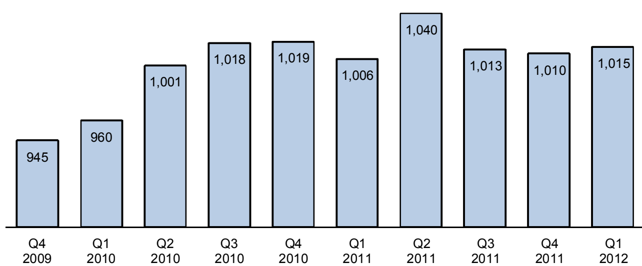
PRE-OWNED BUSINESS JET INVENTORY
(for calendar quarters, as a percentage of total business jet fleet, excluding very light jets)



Source: JETNET and Ascend Online

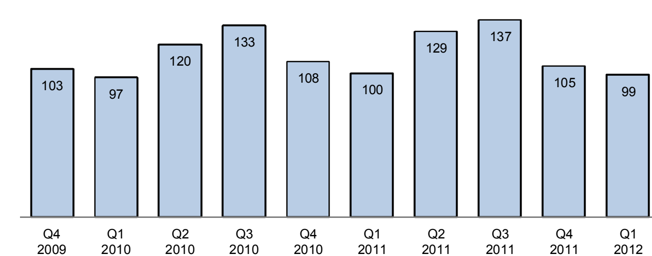
Shaded area indicates what we consider to be a normal range of pre-owned business jet inventory available for sale, between 11% and 14%.

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



Source: Federal Aviation Administration (FAA) website

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



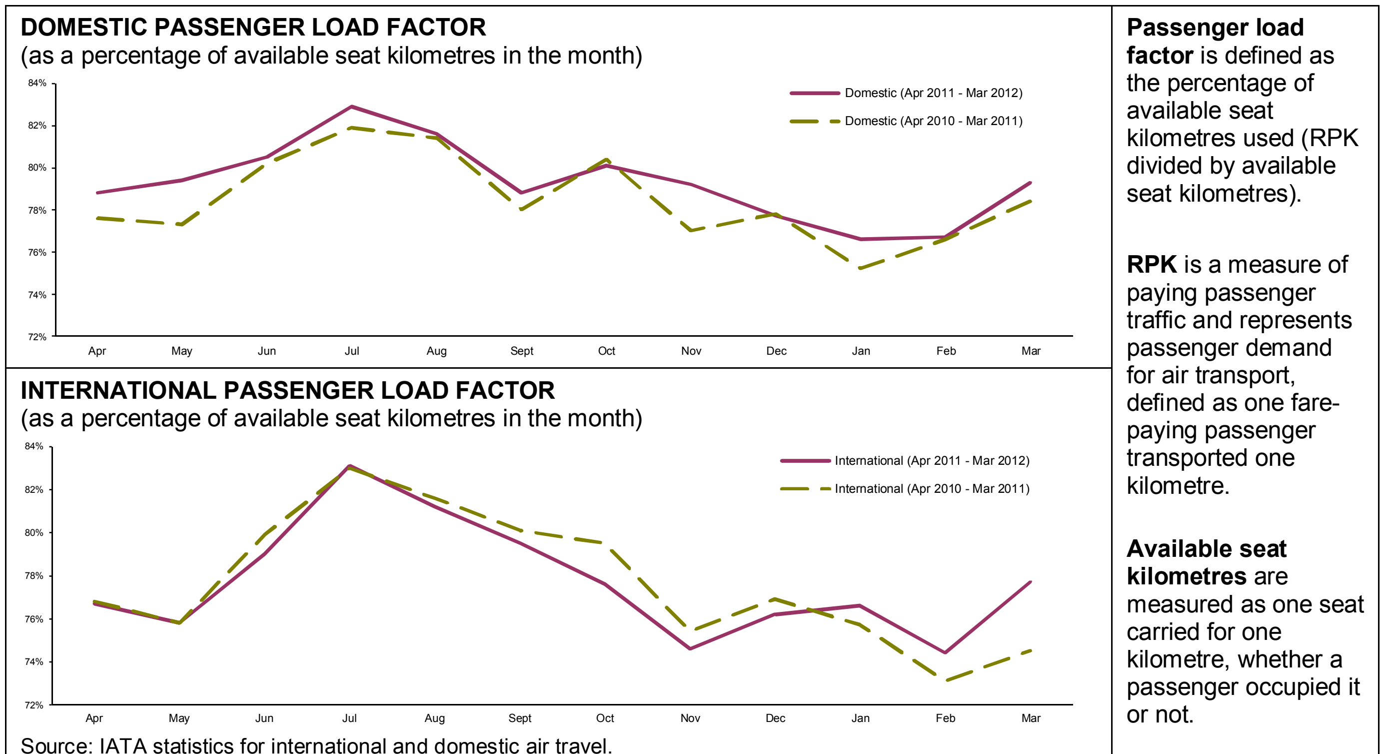
Source: Eurocontrol

Commercial aircraft

For the commercial aircraft market, the March 2012 Air Transport Market Analysis report issued by the International Air Transport Association ("IATA") indicates that air travel during March 2012 was up compared to the same month a year ago and compared to February 2012. Scheduled international and domestic air travel, measured by revenue passenger kilometres ("RPK"), was 8.2% and 6.0% higher, respectively, during the year-to-date period ended March 2012 than in the same period last year. Commercial airlines worldwide achieved an international and domestic passenger load factor of 77.7% and 79.3%, respectively, in March 2012, higher than the 74.5% and 78.4% respective levels experienced in March 2011. As shown in the graph below, monthly international passenger load factors in 2012 are now higher than the year before.

International air travel markets saw increases in all regions, with the largest year-to-date RPK increases being in the Middle East, Africa and Latin America and the highest load factors in March 2012 attained in North America, the Middle East and Europe. In domestic air travel markets, the emerging markets of China, Brazil and India saw the largest increases in year-to-date RPK, and the U.S. had a growth rate of 2.0%. Meanwhile Japanese RPK continued to suffer from the impact of last year's earthquake and tsunami combined with the tightening of capacity due to industry restructuring. Domestic load factors in March 2012 were highest in the U.S and China.

In its March 2012 Financial Forecast, IATA updated its 2012 forecast for the commercial airline industry to a net profit of $3.0 billion from $3.5 billion previously projected for 2012 in its December 2011 Financial Forecast. Per IATA, this lower forecast is primarily driven by an expected rise in the average Brent crude oil price to $115 per barrel, up from the previously forecast $99 per barrel. The forecasted increase in oil prices was partially offset by the avoidance of a significant worsening of the Eurozone crisis and an improvement in the U.S. economy. Asia-Pacific carriers are expected to again deliver the largest absolute profits as the region's relatively strong economies will continue to generate more rapid growth in travel than the other large regions. North American and Middle Eastern carriers are expected to see profits, while Latin American and African carriers combined are expected to be at near break-even. European carriers face the largest economic challenges as some European countries are in recession.



Source: IATA statistics for international and domestic air travel.

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

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

Available seat kilometres are measured as one seat carried for one kilometre, whether a passenger occupied it or not.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended	
	March 31, 2012	April 30, 2011
Revenues		
Manufacturing		
Business aircraft	**$ 643**	$ 1,031
Commercial aircraft	**168**	493
Other	**131**	126
Total manufacturing revenues	**942**	1,650
Services[(1)]	**436**	422
Other[(2)]	**121**	116
Total revenues	**1,499**	2,188
Cost of sales	**1,260**	1,857
Gross margin	**239**	331
SG&A	**161**	160
R&D	**31**	33
Other income[(3)]	**(44)**	(3)
EBIT	**91**	141
Amortization[(4)]	**50**	55
EBITDA	**$ 141**	$ 196
(as a percentage of total revenues)		
Gross margin	**15.9%**	15.1%
EBIT	**6.1%**	6.4%
EBITDA	**9.4%**	9.0%

(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) gain on resolution of a litigation; ii) 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; and iii) gains on disposals of PP&E.
(4) Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset.

Total aircraft deliveries

	Three-month periods ended	
(in units)	**March 31, 2012**	April 30, 2011
Business aircraft		
Excluding those of the Flexjet fractional ownership program	**28**	37
Flexjet fractional ownership programs[(1)]	**1**	-
	29	37
Commercial aircraft	**7**	23
Amphibious aircraft	**1**	1
	37	61

(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 $708-million decrease is mainly due to:

- lower deliveries of business aircraft mainly in large business jets due to the transition to the *Global 5000* and *Global 6000* aircraft with our new *Vision Flight Deck* ($388 million); and
- lower deliveries of commercial aircraft mainly due to lower production rates and due to the timing of financing availability for a customer ($325 million).

EBIT margin
The EBIT margin decreased by 0.3 percentage-points. Excluding the impact of this year's litigation gain (see explanation below), the EBIT margin decreased by 1.9 percentage-points mainly as a result of:

- lower absorption of SG&A and R&D expenses and amortization of PP&E due to the abnormally low level of revenues; and
- the negative impact of higher exchange rates, after giving effect to hedges, for the Canadian dollar against the U.S. dollar.

Partially offset by:

- higher net selling prices for business and commercial aircraft;
- the mix between business and commercial aircraft deliveries;
- higher margins from service activities; and
- a net positive variance on financial instruments carried at fair value and provisions for credit and residual value guarantees that are recorded in other income.

For the three-month period ended March 31, 2012, the EBIT margin was positively impacted by 1.6%, as a result of a $23 million gain recorded in other income following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.

FREE CASH FLOW

Free cash flow usage

	Three-month periods ended	
	March 31, 2012	April 30, 2011
EBIT	**$ 91**	$ 141
Amortization	**50**	55
EBITDA	**141**	196
Other non-cash items:		
Gains on disposals of PP&E	**(3)**	-
Share-based expense	**6**	4
Net change in non-cash balances related to operations	**(344)**	(78)
Cash flows from operating activities	**(200)**	122
Net additions to PP&E and intangible assets	**(372)**	(290)
Free cash flow usage	**$ (572)**	$ (168)

The $404-million decrease is mainly due to:

- a negative period-over-period variation in net change in non-cash balances related to operations ($266 million) (see explanation below);
- higher net additions to PP&E and intangible assets ($82 million), due to our significant investments in new products; and
- lower EBITDA ($55 million).

Net change in non-cash balances related to operations
For the three-month period ended March 31, 2012, the $344-million cash outflow is mainly due to:

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

Partially offset by:

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

For the three-month period ended April 30, 2011, the $78-million cash outflow was mainly due to:

- an increase in inventories mainly due to an increase in pre-owned business aircraft; and
- an increase in trade and other receivables.

Partially offset by:

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

PRODUCT DEVELOPMENT

Investment in product development

	Three-month periods ended	
	March 31, 2012	April 30, 2011
Program tooling[1]	**$ 346**	$ 258
R&D expense[2]	**9**	8
	$ 355	$ 266
As a percentage of manufacturing revenues	**37.7%**	16.1%

(1) Capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $22 million for the three-month period ended March 31, 2012 ($25 million for the three-month period ended April 30, 2011), as the related investments are already included in program tooling.

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

We participated in a six-partner consortium, led by Saskatchewan-based Targeted Growth Canada (TGC), the aim of which was to demonstrate the suitability of the emerging biofuel produced from an oilseed crop (camelina) in a Porter Airlines *Q400* turboprop by early calendar year 2012. Renewable fuel from camelina offers an opportunity to reduce the environmental impact of commercial aviation by significantly reducing aircraft lifecycle carbon emissions. In February 2012, we successfully flew *a Q400* turboprop test aircraft on bio-derived jet fuel, which was recently certified. This was the first jet fuel/biofuel-powered flight in Canada. In April 2012, Porter Airlines successfully conducted the first jet fuel/biofuel-powered revenue-generating passenger flight in Canada.

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.

The *CS100* aircraft program, in the detailed design phase, and the *CS300* aircraft program, in the joint definition phase, are driving towards planned entry-into-service in 2013 and 2014, respectively.	
Testing	The first series of systems tests and simulations have started at our Complete Integrated Aircraft Systems Test Area ("CIASTA"), which is designated as "Aircraft 0". With our suppliers, we are making progress in the development of the *CSeries* aircraft and we will test approximately 90% of its systems in the first half of 2012 on Aircraft 0. The progressive commissioning of the systems in Aircraft 0 will be continuing throughout the year to ensure aircraft validation on the ground, prior to flight testing.
	Over 200 components and systems for the *CSeries* aircraft are being tested worldwide and the data received to date confirms that the aircraft development programs are on track to reach key performance targets.
	A flight test program of 2,400 hours is planned on the *CS100* aircraft consisting of five test aircraft and a program of 750 hours is planned on the *CS300* aircraft consisting of two test aircraft.
	Our first flight test is planned for approximately one year prior to entry-into-service.
Suppliers	Continuing its engine certification program, Pratt & Whitney has initiated certification icing testing for its PurePower® PW1524G engine, and anticipates completing engine certification by the end of 2012. The second flight test campaign was completed logging 130 flight hours and 26 flights, and included extensive performance and operability testing at altitudes of up to 41,000 feet. To date, the test program has run more than 1,300 hours of full engine testing, including more than 250 flight hours on its flight test airplane.
Strategic cooperation	Further to the framework agreement signed in March 2011, we signed a definitive agreement with COMAC in March 2012 covering program commonalities between COMAC's C919 aircraft and our *CSeries* aircraft. More specifically, we have agreed to cooperate on four distinctive commonality projects to be executed as part of the first phase of COMAC and Bombardier's long-term collaboration on the C919 aircraft and the *CSeries* family of commercial airliners. The four initiatives in this initial phase are commonality on: i) the cockpit human-machine (crew) interfaces; ii) the electrical system; iii) the development of aluminum-lithium standards and specifications; and iv) areas of customer services in terms of technical publications and co-location of teams. All four projects are expected to be completed over the next 12 months. Both parties will continue exploring other possibilities for cooperation with regards to aircraft program commonalities, joint procurement, synergies in development and customer services, as well as collaboration on other existing Bombardier and COMAC programs.

The *Learjet 85* aircraft program is in the product definition release stage and is progressing towards planned entry-into-service in 2013.	
Production & testing	Our development and production teams in Wichita, Montréal, Belfast and Querétaro are actively engaged in manufacturing activities and manufacturing of the first flight test aircraft is underway.
	As part of the Bombardier composite structural technology readiness program, we are validating the manufacturing process for our composite technology.
Suppliers	All our suppliers have started the manufacturing of components, with approximately 85% of supplier test rigs operational and the balance planned to be operational over the coming months. These test rigs are used to ensure the reliability of systems (a collection of components) prior to shipment of flight worthy parts to the final assembly line in Wichita.

The *Global 7000* and *Global 8000* aircraft programs are in the joint definition phase and are progressing towards planned entry-into-service in 2016 and 2017, respectively.	
Suppliers	Our product development team and our suppliers' representatives are co-located at our Aerospace Product Development Centre in Montréal and are focused on advancing the technical design of the aircraft. Having completed the selection of major, world-class suppliers on the programs, we are now actively engaged in the selection of the interior suppliers and the remaining suppliers. During this phase of the program, we are focused on determining jointly with our partners and suppliers the technical design of the aircraft and defining interfaces between suppliers. We are also optimizing the aircraft design with respect to manufacturing, assembly and total life-cycle costs.

The *Vision Flight Deck* has entered into service.	
Certification	Following certification from the EASA and the U.S. FAA, the *Vision Flight Deck*, previously referred to as the *Global Vision* flight deck, entered into service in March 2012 on *Global 5000* and *Global 6000* aircraft.

Carrying amount of program tooling

	March 31, 2012	December 31, 2011
Business aircraft		
Learjet Series	**$ 921**	$ 833
Challenger Series	**151**	151
Global Series	**372**	333
Commercial aircraft		
CRJ Series	**485**	488
CSeries	**1,563**	1,363
	$ 3,492	$ 3,168

AIRCRAFT DELIVERIES

Business aircraft deliveries

	Three-month periods ended	
(in units)	**March 31, 2012**	April 30, 2011
Light business jets		
Learjet 40 XR/Learjet 45 XR	**2**	3
Learjet 60 XR	**3**	3
Medium business jets		
Challenger 300	**11**	8
Challenger 605	**8**	7
Challenger 800 Series	**1**	1
Large business jets		
Global 5000/Global Express XRS/Global 6000	**4**	15
	29	37

The decrease in business aircraft deliveries is mainly due to the transition to the *Global 5000* and *Global 6000* aircraft with our new *Vision Flight Deck*, which entered into service at the end of March 2012 and resulted in an abnormally low level of large business jet deliveries in the first quarter. This decrease was partly offset by an increase in deliveries of the *Challenger* family of aircraft. Deliveries are expected to ramp-up during the course of the year to reach our delivery guidance of approximately 180 business aircraft in the current fiscal year.

Commercial aircraft deliveries

	Three-month periods ended	
(in units)	**March 31, 2012**	April 30, 2011
Regional jets		
CRJ700 NextGen	**-**	5
CRJ900 NextGen	**1**	2
CRJ1000 NextGen	**3**	3
Turboprops		
Q400 NextGen	**3**	13
	7	23

The decrease in commercial aircraft deliveries is mainly due to lower production rates to reflect current demand and to the timing of financing availability for a customer.

AIRCRAFT ORDERS

Total aircraft net orders

Three-month periods ended	March 31, 2012			April 30, 2011		
	Gross orders	**Cancellations**	**Net orders**	Gross orders	Cancellations	Net orders
Business aircraft (including those of the Flexjet fractional ownership program)	**49**	**(9)**	**40**	85	(8)	77
Commercial aircraft	**28**	**-**	**28**	5	-	5
Amphibious aircraft	**-**	**-**	**-**	4	-	4
	77	**(9)**	**68**	94	(8)	86

Business aircraft

In March 2012, we received a firm order from AVWest of Australia for five *Global 6000* aircraft. Based on list price, the value of the firm order is $293 million.

In the three-month period ended on April 30, 2011, we signed the largest business aircraft firm order in our history with NetJets Inc. for 50 aircraft of the *Global* family. Excluding this order, net orders increased, mainly in the large business aircraft category.

Commercial aircraft

Commercial aircraft net orders

	Three-month periods ended	
(in units)	**March 31, 2012**	April 30, 2011
Regional jets		
CRJ900 NextGen	**2**	3
CRJ1000 NextGen	**6**	-
Commercial jets		
CS100	**5**	-
Turboprops		
Q400 NextGen	**15**	2
	28	5

Emerging markets have continued to show increasing demand. We have progressively improved our local presence in these markets, including the inauguration of our new sales and marketing office in Shanghai, China in April 2012, to adapt to a shifting in demand towards non-U.S. customers. In the three-month period ended March 31, 2012, many of the new orders were obtained in emerging markets.

The following significant orders were received during the three-month period ended March 31, 2012:

Customer	**Firm order**	**Options**	**Value of firm order based on list prices**
PrivatAir, Switzerland	5 *CS100*	5 *CS100*	$309 million
PT. Garuda Indonesia (Persero) Tbk.	6 *CRJ1000 NextGen*	18 *CRJ1000 NextGen*	$297 million
Eurolot S.A., Poland	8 *Q400 NextGen*	12 *Q400 NextGen*	$246 million
Ethiopian Airlines	5 *Q400 NextGen*	-	$160 million

Subsequent to the end of the quarter, WestJet signed a letter of intent to purchase 20 *Q400 NextGen* turboprop aircraft with an option to purchase an additional 25. This letter of intent is not included in the order backlog as at March 31, 2012.

On April 1st, 2012, Pinnacle Airlines Corp. ("Pinnacle") and its subsidiaries filed voluntary petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code. We are a member of the Unsecured Creditors' Committee. We are monitoring the situation; however, as we have no significant financial exposure to this bankruptcy, we do not expect a material impact on our results. As at April 1st, 2012, there were no aircraft in our order backlog to be delivered to Pinnacle.

BOOK-TO-BILL RATIO AND ORDER BACKLOG

Book-to-bill ratio[(1)]

	Three-month periods ended	
	March 31, 2012	April 30, 2011
Business aircraft	**1.4**	2.1
Commercial aircraft	**4.0**	0.2
Total	**1.8**	1.4

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

The book-to-bill ratio for business aircraft remained above 1.0 mainly as a result of orders in the large business aircraft category, including new programs under development, and lower than normal deliveries of the *Global* family of aircraft. The high book-to-bill ratio for commercial aircraft is mainly due to lower deliveries in the first quarter of 2012.

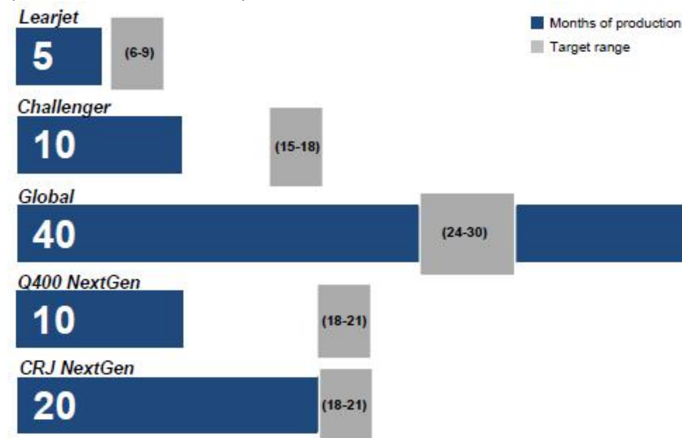
Total order backlog

	As at	
(in billions of dollars)	**March 31, 2012**	December 31, 2011
Aircraft programs	**$ 22.7**	$ 21.4
Military Aviation Training	**0.6**	0.6
	$ 23.3	$ 22.0

The order backlog as at March 31, 2012 increased by 5.9% compared to December 31, 2011, mainly due to an increase in orders for large business aircraft, turboprops and commercial jets. We continue to closely monitor our order backlog and the production horizon for our programs and to align our production rates to reflect market demand.

In addition, we have various long-term maintenance and spares support agreements, not included in the order backlog, amounting to $1.9 billion as at March 31, 2012 and December 31, 2011. Generally, revenues from such agreements will be recognized over the next five to 15 years.

ORDER BACKLOG IN MONTHS OF PRODUCTION
(as at March 31, 2012)



The number of months in production is calculated by dividing the order backlog in units as at March 31, 2012 for each family of aircraft (excluding orders for the *Learjet 85, Global 7000* and *Global 8000* aircraft and orders received by Flexjet) by the number of aircraft delivered in the previous 12 months, converted into an equivalent number of months.

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

Commercial aircraft order backlog and options

				As at
		March 31, 2012		December 31, 2011
	Firm orders	**Options**	Firm orders	Options
Regional jets				
CRJ700 NextGen	**9**	**2**	9	2
CRJ900 NextGen	**11**	**26**	10	24
CRJ1000 NextGen	**32**	**22**	29	4
Commercial jets				
CS100	**66** (1)	**52**	61 (2)	47
CS300	**72** (1)	**72**	72 (2)	72
Turboprops				
Q400 NextGen	**36**	**102**	24	118
	226	**276**	205	267

(1) Total of 138 orders includes 81 firm orders with conversion rights to the other *CSeries* aircraft model.
(2) Total of 133 orders includes 79 firm orders with conversion rights to the other *CSeries* aircraft model.

TRANSPORTATION

HIGHLIGHTS OF THE QUARTER

Results of the quarter

- Revenues of $2.0 billion, compared to $2.5 billion for the same period last fiscal year.
- EBIT of $124 million, or 6.2% of revenues, compared to $171 million, or 6.9%, for the same period last fiscal year.
- EBITDA[(1)] of $156 million, or 7.8% of revenues, compared to $203 million, or 8.2%, for the same period last fiscal year.
- Free cash flow[(1)] usage of $100 million, compared to a usage of $168 million for the same period last fiscal year.
- $1.2 billion in new orders, the same level as the corresponding period last fiscal year, resulting in a book-to-bill ratio[(2)] of 0.6, compared to a book-to-bill of 0.5 for the same period last fiscal year.
- Order backlog of $31.9 billion as at March 31, 2012, the same level as at December 31, 2011.

[(1)] Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section for reconciliations to the most comparable IFRS measures.
[(2)] Defined as new orders over revenues.

Key event

- We continue our long-term investment in the emerging markets, with the opening of the monorail facility in Hortolandia, Brazil, in April 2012.

INDUSTRY AND ECONOMIC ENVIRONMENT

In the first quarter of calendar year 2012, the market for rail equipment experienced a temporary contraction in certain regions, as compared to the same period last year. Nevertheless, we continued to win orders by pursuing our focused strategy.

The decrease in market activity in Asia-Pacific in the first quarter of 2012 is mainly explained by a temporary slow-down of rail investment in China. We expect growth in rail investment to resume in this market, driven by the strong need for mobility to support rapid urbanization and continued economic growth.

In Europe, the market is resilient despite economic uncertainty in some countries. The year started on a positive note with continued strong order activity, mainly due to high activity in Western Europe.

We continue to be well positioned for future growth in Europe. In our core markets of Western Europe and Northern Europe we expect to see continued investment in rail with various new orders and options on the horizon. In Eastern Europe, network signalling and fleet modernization plans should continue across the region with the support of European funding. In Southern Europe, new investments may be constrained, though we continue to anticipate a limited impact on our business as our historical market share in this region is small.

In North America, the rail market continues to develop with upcoming orders especially in the urban and suburban segments.

In other markets, growth in rail investment is driven by the Middle East, Brazil and Russia. The building of new rail infrastructure, such as the recently awarded high speed rail system in Saudi Arabia, demonstrates the momentum for new advanced rail investment in this region.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended	
	March 31, 2012	April 30, 2011
Revenues		
Rolling stock[2]	**$ 1,338**	$ 1,792
Services[3]	**372**	325
System and signalling[4]	**296**	356
Total revenues	**2,006**	2,473
Cost of sales	**1,647**	2,068
Gross margin	**359**	405
SG&A	**203**	203
R&D	**34**	31
Other income	**(2)**	-
EBIT	**124**	171
Amortization[5]	**32**	32
EBITDA	**$ 156**	$ 203
(as a percentage of total revenues)		
Gross margin	**17.9%**	16.4%
EBIT	**6.2%**	6.9%
EBITDA	**7.8%**	8.2%

[1] The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of 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 systems, e-mobility solutions, mass transit signalling and mainline signalling. Excludes the rolling stock portion of system orders manufactured by our other divisions.
[5] Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset.

Revenues by geographic region

	Three-month periods ended			
	March 31, 2012		April 30, 2011	
Europe[1]	**$ 1,349**	**67%**	$ 1,585	64%
North America	**388**	**19%**	332	13%
Other[2]	**178**	**9%**	37	2%
Asia-Pacific	**91**	**5%**	519	21%
	$ 2,006	**100%**	$ 2,473	100%

[1] The decrease in Europe reflects a negative currency impact of $91 million for the three-month period ended March 31, 2012.
[2] The region Other includes South America, Central America, Africa, the Middle East and the CIS.

Revenues for the first quarter of 2012 have been affected by the completion of some contracts, mostly in Asia-Pacific and, to a lesser extent, in Europe, while major orders received in these regions in the last quarters are still in the start-up phase. This lead to a drop in overall revenues of $467 million, or 19%, compared to the same period last fiscal year. Excluding a negative currency impact of $90 million, revenues decreased by $377 million, or 15%, compared to the same period last fiscal year.

Rolling stock revenues
The $454-million decrease reflects a negative currency impact ($58 million). Excluding this currency impact, revenues decreased by $396 million. This decrease is mainly due to:

- lower activities in Asia-Pacific and Europe ($529 million), as some commuter and regional train, metro, high speed train and propulsion contracts are nearing completion, partially offset by increased production in some light rail vehicle contracts in Europe.

Partially offset by:

- higher activities in region Other and North America ($133 million) mainly due to the ramp-up in production of commuter and regional train contracts in Israel and the U.S. and metro contracts in Canada.

Services revenues
The $47-million increase reflects a negative currency impact ($17 million). Excluding this currency impact, revenues increased by $64 million. This increase is due to higher activities in Europe, Asia-Pacific and region Other.

System and signalling revenues
The $60-million decrease reflects a negative currency impact ($15 million). Excluding this currency impact, revenues decreased by $45 million. This decrease is mainly due to:

- lower activities in Asia-Pacific ($65 million), mostly due to completion of some systems and signalling contracts while orders received in this region in past quarters are still in the start-up phase.

Partially offset by:

- higher activities in Europe and region Other ($20 million), mostly due to the ramp-up in production of some systems and signalling contracts received in past quarters, partially offset by the completion of a systems contract in South Africa.

EBIT margin
The 0.7 percentage-point decrease is mainly due to:

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

Partially offset by:

- a higher gross margin in services and system and signalling due to overall better contract execution; and
- a favourable product mix.

FREE CASH FLOW

Free cash flow usage

	Three-month periods ended	
	March 31, 2012	April 30, 2011
EBIT	**$ 124**	$ 171
Amortization	**32**	32
EBITDA	**156**	203
Other non-cash items:		
Share-based expense	**5**	5
Net change in non-cash balances related to operations	**(248)**	(365)
Cash flows from operating activities	**(87)**	(157)
Net additions to PP&E and intangible assets	**(13)**	(11)
Free cash flow usage	**$ (100)**	$ (168)

The $68-million improvement is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($117 million) (see explanations below).

Partially offset by:

- a lower EBITDA ($47 million).

Net change in non-cash balances related to operations
For the three-month period ended March 31, 2012, the $248-million cash outflow is mainly due to:

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

For the three-month period ended April 30, 2011, the $365-million cash outflow was mainly due to:

- a ramp-up of several contracts resulting in an increase in inventories; and
- lower trade and other payables as a result of a higher level of activities in the fourth quarter of the fiscal year ended January 31, 2011.

Partially offset by:

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

ORDERS AND BACKLOG

Order intake and book-to-bill ratio

	Three-month periods ended	
Order intake (in billions of dollars)	**March 31, 2012**	April 30, 2011
Rolling stock	**$ 0.6**	$ 0.7
Services	**0.3**	0.3
System and signalling	**0.3**	0.2
	$ 1.2	$ 1.2
Book-to-bill ratio	**0.6**	0.5

The order intake reflects a negative currency impact of $54 million, as a result of changes in foreign exchange rates, period-over-period.

Our level of order intake for the three-month period ended March 31, 2012 includes an order from Deutsche Bahn AG, in Germany, for 16 four-car *TWINDEXX* double-deck trains, valued at $208 million.

Order backlog

		As at
(in billions of dollars)	**March 31, 2012**	December 31, 2011
Rolling stock	**$ 22.0**	$ 22.6
Services	**6.0**	5.5
System and signalling	**3.9**	3.8
	$ 31.9	$ 31.9

Order backlog remained at the same level as higher revenues than order intake ($0.8 billion) were offset by the strengthening of most foreign currencies versus the U.S. dollar as at March 31, 2012 compared to December 31, 2011, mainly the euro and pound sterling ($0.8 billion).

OTHER

RISKS AND UNCERTAINTIES

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

There was no significant change to these risks and uncertainties during the three-month period ended March 31, 2012 other than those described elsewhere in this MD&A.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

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

Joint arrangements
In May 2011, the IASB released IFRS 11, *Joint arrangements*, which supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the use of the equity method to account for interests in joint ventures. IFRS 11 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. Although we have not yet completed our assessment, we expect that a large part of our investments in joint ventures, currently accounted for under the proportionate consolidation method, will be accounted for using the equity method of accounting under IFRS 11. Under the equity method, our share of net assets, net income and OCI of joint ventures will be presented as one-line items on the statement of financial position, the statement of income and the statement of comprehensive income, respectively. In addition, the statement of cash flows under the equity method will include the cash flows between us and our joint ventures, and not our proportionate share of the joint ventures' cash flows.

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

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

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

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendments to IAS 19 will be effective for our fiscal years beginning on January 1, 2013, with earlier application permitted. We are currently assessing the impact of the adoption of this revised standard on our consolidated financial statements. The main impact is expected to be an increase in the net financing expense. The adjustment will be measured as the difference between the financing cost component, calculated based on the net benefit liability, as prescribed by the revised standard, and the accretion expense on retirement benefit obligations net of expected return on pension plan assets, that would have been computed under current accounting rules.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the three-month period ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	March 31, 2012	December 31, 2011	Increase
Euro	**1.3356**	1.2939	3%
Canadian dollar	**1.0034**	0.9791	2%
Pound sterling	**1.6016**	1.5490	3%

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

	March 31, 2012	April 30, 2011	Decrease
Euro	**1.3098**	1.4030	(7%)
Canadian dollar	**0.9979**	1.0266	(3%)
Pound sterling	**1.5698**	1.6212	(3%)

SELECTED FINANCIAL INFORMATION

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

Fiscal years	**2012**	2011				F2011 [1]		
	First	Fourth [2]	Third	Second	First	Fourth	Third	Second
Revenues	**$ 3,505**	$ 4,316	$ 4,623	$ 4,747	$ 4,661	$ 5,586	$ 3,997	$ 4,045
Net income	**$ 190**	$ 214	$ 192	$ 211	$ 220	$ 295	$ 147	$ 138
EPS (in dollars):								
Basic and diluted	**$ 0.10**	$ 0.12	$ 0.11	$ 0.12	$ 0.12	$ 0.16	$ 0.08	$ 0.07

(1) Refers to the fiscal year ended January 31, 2011.
(2) The fourth quarter ended December 31, 2011 comprised two months of BA's results and three months of BT's results.

INVESTOR INFORMATION

Authorized, issued and outstanding share data as at May 8, 2012

	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[1]	1,892,000,000	314,537,162
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,409,591,329 [3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,464,920
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,535,080
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

[1] Ten votes each, convertible at the option of the holder into one Class B Share (Subordinate Voting).
[2] Convertible at the option of the holder into one Class A Share (Multiple Voting) under certain conditions.
[3] Net of 29,325,302 Class B Shares (Subordinate Voting) purchased and held in trust in connection with the PSU plan.

Normal course issuer bid

Our Board of Directors authorized the repurchase for cancellation, in the normal course of our activities from June 17, 2011 to June 16, 2012, of up to 4,000,000 Class B Shares (Subordinate Voting) and up to 438,263 Class A Shares (Multiple Voting) [from April 9, 2010 to April 8, 2011, of up to 3,000,000 Class B Shares (Subordinate Voting) and up to 660,000 Class A Shares (Multiple Voting)] in connection with the DSU plan (see note 15 – Share-based plans to the interim consolidated financial statements). During the second quarter of the fiscal year ended December 31, 2011, 2,006,000 Class B Shares (Subordinate Voting) were repurchased and cancelled, for a total amount of $14 million.

On May 9, 2012, our Board of Directors authorized the repurchase for cancellation, from June 17, 2012 to June 16, 2013, of up to 5% of the issued and outstanding shares of each of Class B shares (Subordinate Voting) and Class A shares (Multiple Voting), in connection with a new normal course issuer bid program, based on the number of outstanding shares as of June 11, 2012 (close of day), subject to the approval of the Toronto Stock Exchange.

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

Share option, PSU and DSU data as at March 31, 2012

Options issued and outstanding under the share option plans	25,083,777
PSUs and DSUs issued and outstanding under the PSU and DSU plans	23,435,015
Class B Shares held in trust to satisfy PSU obligations	29,325,302

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

Second Quarterly Report, for the period ending June 30, 2012	August 9, 2012
Third Quarterly Report, for the period ending September 30, 2012	November 7, 2012
Financial Report, for the fiscal year ending December 31, 2012	February 28, 2013
First Quarterly Report, for the period ending March 31, 2013	May 2, 2013

Information

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

May 9, 2012

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

The *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, *Challenger*, *Challenger 300*, *Challenger 605*, *Challenger 800*, *CRJ*, *CRJ700*, *CRJ900*, *CRJ1000*, *CSeries*, *CS100*, *CS300*, *Flexjet*, *Global*, *Global 5000*, *Global 6000*, *Global 7000*, *Global 8000*, *Global Express*, *Learjet, Learjet 40*, *Learjet 45*, *Learjet 60*, *Learjet 85*, *NextGen*, *Q400*, *The Evolution of Mobility*,*TWINDEXX*, *Vision Flight Deck*, *XR* and *XRS* 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 16 mature trees, 868 kg of solid waste, 2,257 kg of atmospheric emissions (equivalent to 15,094 kilometres by car) and 57,310 litres of water.

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

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In millions of U.S. dollars, except per share amounts)
For the three-month periods ended

	Notes	**March 31, 2012**	April 30, 2011
Revenues	3	**$ 3,505**	$ 4,661
Cost of sales	3, 8	**2,907**	3,925
Gross margin		**598**	736
SG&A	3	**364**	363
R&D	3, 4	**65**	64
Other income	3, 5	**(46)**	(3)
EBIT		**215**	312
Financing expense	6	**152**	177
Financing income	6	**(152)**	(141)
EBT		**215**	276
Income taxes		**25**	56
Net income		**$ 190**	$ 220
Attributable to:			
Equity holders of Bombardier Inc.		**$ 185**	$ 220
NCI		**5**	-
		$ 190	$ 220
EPS (in dollars):	7		
Basic and diluted		**$ 0.10**	$ 0.12

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)
For the three-month periods ended

	March 31, 2012	April 30, 2011
Net income	**$ 190**	$ 220
OCI		
Items that may be reclassified to net income		
Net change in cash flow hedges:		
Foreign exchange re-evaluation	**(9)**	(21)
Net gain on derivative financial instruments designated as cash flow hedges	**144**	360
Reclassification to income or to the related non-financial asset	**(69)**	(145)
Income taxes	**(33)**	(73)
	33	121
Net unrealized gain (loss) on AFS financial assets, net of income tax	**(6)**	17
CCTD:		
Net investments in foreign operations	**90**	172
Net loss on related hedging items	**(32)**	(93)
	58	79
Items that are never reclassified to net income		
Retirement benefits:		
Net actuarial gains (losses)	**360**	(107)
Income taxes	**(85)**	20
	275	(87)
Total OCI	**360**	130
Total comprehensive income	**$ 550**	$ 350
Attributable to:		
Equity holders of Bombardier Inc.	**$ 543**	$ 346
NCI	**7**	4
	$ 550	$ 350

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

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

	Notes	**March 31, 2012**	December 31, 2011	February 1, 2011
Assets				
Cash and cash equivalents		**$ 3,183**	$ 3,372	$ 4,195
Trade and other receivables		**1,381**	1,408	1,377
Inventories	8	**8,413**	7,398	7,307
Other financial assets	9	**470**	526	705
Other assets	10	**593**	559	648
Current assets		**14,040**	13,263	14,232
Invested collateral		**-**	-	676
PP&E		**1,883**	1,864	1,878
Aerospace program tooling		**3,492**	3,168	2,088
Goodwill		**2,333**	2,253	2,358
Deferred income taxes		**1,395**	1,506	1,294
Other financial assets	9	**1,307**	1,305	1,104
Other assets	10	**619**	505	462
Non-current assets		**11,029**	10,601	9,860
		$ 25,069	$ 23,864	$ 24,092
Liabilities				
Trade and other payables		**$ 3,177**	$ 3,210	$ 3,073
Provisions	11	**1,049**	1,078	1,198
Advances and progress billings in excess of long-term contract inventories		**1,997**	1,885	2,370
Advances on aerospace programs		**2,954**	2,788	2,989
Other financial liabilities	13	**664**	732	860
Other liabilities	14	**2,271**	2,262	2,214
Current liabilities		**12,112**	11,955	12,704
Provisions	11	**563**	594	614
Advances on aerospace programs		**1,500**	1,266	1,193
Non-current portion of long-term debt	12	**5,306**	4,748	4,645
Retirement benefits		**2,980**	3,226	1,975
Other financial liabilities	13	**489**	502	532
Other liabilities	14	**937**	902	908
Non-current liabilities		**11,775**	11,238	9,867
		23,887	23,193	22,571
Equity				
Attributable to equity holders of Bombardier Inc.		**1,143**	639	1,454
Attributable to NCI		**39**	32	67
		1,182	671	1,521
		$ 25,069	$ 23,864	$ 24,092

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

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

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Deficit			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings	Net actuarial losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity
As at December 31, 2011	$ 347	$ 1,323	$ 2,273	$ (3,233)	$ 118	$ 27	$ (316)	$ 100	$ 639	$ 32	$ 671
Total comprehensive income											
Net income	-	-	185	-	-	-	-	-	185	5	190
OCI	-	-	-	275	-	(6)	33	56	358	2	360
	-	-	185	275	-	(6)	33	56	543	7	550
Dividends	-	-	(50)	-	-	-	-	-	(50)		(50)
Share-based expense	-	-	-	-	11	-	-	-	11	-	11
As at March 31, 2012	**$ 347**	**$ 1,323**	**$ 2,408**	**$ (2,958)**	**$ 129**	**$ 21**	**$ (283)**	**$ 156**	**$ 1,143**	**$ 39**	**$ 1,182**
As at February 1, 2011	$ 347	$ 1,324	$ 1,702	$ (1,978)	$ 131	$ 10	$ (218)	$ 136	$ 1,454	$ 67	$ 1,521
Total comprehensive income											
Net income	-	-	220	-	-	-	-	-	220	-	220
OCI	-	-	-	(87)	-	17	121	75	126	4	130
	-	-	220	(87)	-	17	121	75	346	4	350
Options exercised	-	4	-	-	-	-	-	-	4	-	4
Dividends	-	-	(52)	-	-	-	-	-	(52)	-	(52)
Share-based expense	-	-	-	-	9	-	-	-	9	-	9
Purchase of NCI	-	-	(50)	-	-	-	-	-	(50)	(31)	(81)
As at April 30, 2011	$ 347	$ 1,328	$ 1,820	$ (2,065)	$ 140	$ 27	$ (97)	$ 211	$ 1,711	$ 40	$ 1,751

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)
For the three-month periods ended

	Notes	**March 31, 2012**	April 30, 2011
Operating activities			
Net income		**$ 190**	$ 220
Non-cash items:			
Amortization		**82**	87
Deferred income taxes		**12**	10
Gain on disposals of PP&E	5	**(3)**	-
Share-based expense	15	**11**	9
Net change in non-cash balances related to operations	16	**(619)**	(434)
Cash flows from operating activities		**(327)**	(108)
Investing activities			
Additions to PP&E and intangible assets		**(417)**	(302)
Disposals of PP&E and intangible assets		**32**	1
Other		**32**	9
Cash flows from investing activities		**(353)**	(292)
Financing activities			
Proceeds from issuance of long-term debt	12	**504**	63
Repayments of long-term debt		**(4)**	(3)
Dividends paid[1]		**(93)**	(5)
Purchase of NCI		**-**	(53)
Other		**33**	(51)
Cash flows from financing activities		**440**	(49)
Effect of exchange rate on cash and cash equivalents		**51**	110
Net decrease in cash and cash equivalents		**(189)**	(339)
Cash and cash equivalents at beginning of period		**3,372**	4,195
Cash and cash equivalents at end of period		**$ 3,183**	$ 3,856
Supplemental information [2] [3]			
Cash paid for:			
Interest		**$ 42**	$ 39
Income taxes		**$ 13**	$ 44
Cash received for:			
Interest		**$ 8**	$ 9
Income taxes		**$ 7**	$ 1

[1] $6 million of dividends paid relate to preferred shares for the three-month period ended March 31, 2012 ($5 million for the three-month period ended April 30, 2011).
[2] Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.
[3] Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities. Interest received comprises interest received related to cash and cash equivalents, invested collateral and aircraft loans and lease receivable, after the effect of hedges, if any.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2012
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Interim consolidated financial statements		**31**
Notes to interim consolidated financial statements		**36**
1.	BASIS OF PREPARATION	36
2.	FUTURE CHANGES IN ACCOUNTING POLICIES	37
3.	SEGMENT DISCLOSURE	39
4.	RESEARCH AND DEVELOPMENT	41
5.	OTHER INCOME	41
6.	FINANCING EXPENSE AND FINANCING INCOME	42
7.	EARNINGS PER SHARE	43
8.	INVENTORIES	43
9.	OTHER FINANCIAL ASSETS	44
10.	OTHER ASSETS	44
11.	PROVISIONS	45
12.	LONG-TERM DEBT	45
13.	OTHER FINANCIAL LIABILITIES	46
14.	OTHER LIABILITIES	46
15.	SHARE-BASED PLANS	47
16.	NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS	47
17.	CREDIT FACILITIES	48
18.	COMMITMENTS AND CONTINGENCIES	48
19.	RECLASSIFICATION	48

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. 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, 2011.

These interim consolidated financial statements for the three-month period ended March 31, 2012 were authorized for issuance by the Board of directors on May 9, 2012.

Effective December 31, 2011, the Corporation changed its financial year-end from January 31 to December 31. Before the change of year-end, the Corporation was consolidating the operations of BT on a calendar year basis, i.e. with one-month lag with the remainder of its operations. As a result, the comparative three-month period ended April 30, 2011 is comprised of three months of results of BA for the period from February to April and of BT for the period from January to March.

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

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

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

	March 31, 2012	December 31, 2011	February 1, 2011
Euro	**1.3356**	1.2939	1.3715
Canadian dollar	**1.0034**	0.9791	0.9978
Pound sterling	**1.6016**	1.5490	1.6040

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

	March 31, 2012	April 30, 2011
Euro	**1.3098**	1.4030
Canadian dollar	**0.9979**	1.0266
Pound sterling	**1.5698**	1.6212

2. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

Consolidation
In May 2011, the IASB released IFRS 10, *Consolidated financial statements*, which replaces SIC-12, *Consolidation – special purpose entities*, and 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 in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Joint arrangements
In May 2011, the IASB released IFRS 11, *Joint arrangements*, which supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities - non-monetary contributions by venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. The standard addresses inconsistencies in the reporting of joint arrangements by requiring the use of the equity method to account for interests in joint ventures. IFRS 11 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. Although the Corporation has not yet completed its assessment, it expects that a large part of its investments in joint ventures, currently accounted for under the proportionate consolidation method, will be accounted for using the equity method of accounting under IFRS 11. Under the equity method, the Corporation's share of net assets, net income and OCI of joint ventures will be presented as one-line items on the statement of financial position, the statement of income and the statement of comprehensive income, respectively. In addition, the statement of cash flows under the equity method will include the cash flows between the Corporation and its joint ventures, and not the Corporation's proportionate share of the joint ventures' cash flows.

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

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

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

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendments to IAS 19 will be effective for the Corporation's fiscal years beginning on January 1, 2013, with earlier application permitted. The Corporation is assessing the impact of the adoption of this revised standard on our consolidated financial statements. The main impact is expected to be an increase in the net financing expense. The adjustment will be measured as the difference between the financing cost component, calculated based on the net benefit liability, as prescribed by the revised standard, and the accretion expense on retirement benefit obligations net of expected return on pension plan assets, that would have been computed under current accounting rules.

3. SEGMENT DISCLOSURE

The Corporation has two reportable segments: BA and BT.

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 the 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, 2011.

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

	March 31, 2012			April 30, 2011		
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 1,499**	**$ 2,006**	**$ 3,505**	$ 2,188	$ 2,473	$ 4,661
Cost of sales	**1,260**	**1,647**	**2,907**	1,857	2,068	3,925
Gross margin	**239**	**359**	**598**	331	405	736
SG&A	**161**	**203**	**364**	160	203	363
R&D	**31**	**34**	**65**	33	31	64
Other income	**(44)**	**(2)**	**(46)**	(3)	-	(3)
EBIT	**$ 91**	**$ 124**	**215**	$ 141	$ 171	312
Financing expense			**152**			177
Financing income			**(152)**			(141)
EBT			**215**			276
Income taxes			**25**			56
Net income			**$ 190**			$ 220
Other information						
Net additions to PP&E and intangible assets	**$ 372**	**$ 13**	**$ 385**	$ 290	$ 11	$ 301
Amortization	**$ 50**	**$ 32**	**$ 82**	$ 55	$ 32	$ 87

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

	March 31, 2012	December 31, 2011	February 1, 2011
Assets			
Total assets	**$ 25,069**	$ 23,864	$ 24,092
Assets not allocated to segments:			
Cash and cash equivalents	**3,183**	3,372	4,195
Invested collateral	**-**	-	676
Deferred income taxes	**1,395**	1,506	1,294
Segmented assets	**20,491**	18,986	17,927
Liabilities			
Total liabilities	**23,887**	23,193	22,571
Liabilities not allocated to segments:			
Interest payable[1]	**83**	59	89
Income taxes payable[2]	**98**	104	93
Long-term debt	**5,504**	4,941	4,662
Deferred income taxes[2]	**67**	67	53
Segmented liabilities	**$ 18,135**	$ 18,022	$ 17,674
Net segmented assets			
BA	**$ 1,986**	$ 1,010	$ 1,171
BT	**$ 370**	$ (46)	$ (918)

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

The Corporation's revenues by market segments are as follows for the three-month periods ended:

	March 31, 2012	April 30, 2011
BA		
Manufacturing		
Business aircraft	**$ 643**	$ 1,031
Commercial aircraft	**168**	493
Other	**131**	126
Total manufacturing	**942**	1,650
Services[1]	**436**	422
Other[2]	**121**	116
	1,499	2,188
BT		
Rolling stock[3]	**1,338**	1,792
Services[4]	**372**	325
Systems and signalling[5]	**296**	356
	2,006	2,473
	$ 3,505	$ 4,661

[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 revenues.
[5] Comprised of revenues from mass transit and airport systems, mainline systems, operations 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.

4. RESEARCH AND DEVELOPMENT

R&D expense, net of government assistance, was as follows for the three-month periods ended:

	March 31, 2012	April 30, 2011
R&D expenditures	**$ 389**	$ 297
Less: development expenditures capitalized to aerospace program tooling	**(346)**	(258)
	43	39
Add: amortization of aerospace program tooling	**22**	25
	$ 65	$ 64

5. OTHER INCOME

Other income was as follows for the three-month periods ended:

	March 31, 2012	April 30, 2011
Gain on resolution of a litigation[1]	**$ (23)**	$ -
Changes in estimates and fair value[2]	**(18)**	(3)
Gain on disposals of PP&E	**(3)**	-
Other	**(2)**	-
	$ (46)	$ (3)

[1] Represents a portion of a gain of $40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations. The remaining $17 million of the gain was recorded in financing income.

[2] Includes net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions, excluding the losses (gains) arising from a change in interest rates.

6. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows for the three-month periods ended:

	March 31, 2012	April 30, 2011
Financing expense		
Accretion on retirement benefit obligations	**$ 110**	$ 112
Amortization of letter of credit facility costs	**7**	13
Accretion on other financial liabilities	**6**	7
Accretion on provisions	**1**	6
Changes in discount rates of provisions	**1**	3
Other	**4**	4
	129	145
Interest on long-term debt – after effect of hedges	**23**	32
	$ 152	$ 177
Financing income		
Expected return on pension plan assets	**$ (106)**	$ (110)
Interest related to the resolution of a litigation[1]	**(17)**	-
Net gain on certain financial instruments[2]	**(2)**	(7)
Other	**(10)**	(4)
	(135)	(121)
Interest on loans and lease receivables – after effect of hedges	**(9)**	(9)
Interest on cash and cash equivalents	**(8)**	(9)
Interest on invested collateral	**-**	(2)
	(17)	(20)
	$ (152)	$ (141)

[1] Represents the interest portion of a gain of $40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations. The remaining $23 million of the gain was recorded in other income.

[2] Includes net gains on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.

Borrowing costs capitalized to PP&E and intangible assets totalled $38 million for the three-month period ended March 31, 2012, using an average capitalization rate of 5.84% ($20 million using 5.34% for the three-month period ended April 30, 2011). 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).

7. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows for the three-month periods ended:

(Number of shares, stock options, PSUs and DSUs, in thousands)	**March 31, 2012**	April 30, 2011
Net income attributable to equity holders of Bombardier Inc.	**$ 185**	$ 220
Preferred share dividends	**(6)**	(6)
Net income attributable to common equity holders of Bombardier Inc.	**$ 179**	$ 214
Weighted-average number of common shares outstanding	**1,729,843**	1,732,401
Net effect of stock options, PSUs and DSUs	**7,274**	17,597
Weighted-average diluted number of common shares	**1,737,117**	1,749,998
EPS (in dollars):		
Basic and diluted	**$ 0.10**	$ 0.12

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 29,614,548 stock options, PSUs and DSUs for the three-month period ended March 31, 2012 (16,581,000 stock options for the three-month period ended April 30, 2011) 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.

8. INVENTORIES

Inventories were as follows as at:

	March 31, 2012	December 31, 2011	February 1, 2011
Aerospace programs	**$ 4,425**	$ 3,845	$ 4,146
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**6,399**	6,286	5,213
Less: advances and progress billings	**(4,450)**	(4,549)	(3,736)
	1,949	1,737	1,477
Service contracts			
Cost incurred and recorded margins	**466**	380	512
Less: advances and progress billings	**(35)**	(45)	(73)
	431	335	439
Finished products[(1)]	**1,608**	1,481	1,245
	$ 8,413	$ 7,398	$ 7,307

(1) Finished products include 7 new aircraft not associated with a firm aircraft order and 92 pre-owned aircraft, totalling $715 million as at March 31, 2012 (5 new aircraft and 95 pre-owned aircraft, totalling $691 million as at December 31, 2011 and 8 new aircraft and 68 pre-owned aircraft, totalling $532 million as at February 1, 2011).

Finished products as at March 31, 2012 include $190 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities. The related sales proceeds are accounted for as sale and leaseback obligations ($162 million as at December 31, 2011 and $209 million as at February 1, 2011).

The amount of inventories recognized as cost of sales totalled $2,607 million for the three-month period ended March 31, 2012 ($3,629 million for the three-month period ended April 30, 2011). These amounts include $14 million of write-down for the three-month period ended March 31, 2012 ($15 million for the three-month period ended April 30, 2011).

9. OTHER FINANCIAL ASSETS

Other financial assets were as follows as at:

	March 31, 2012	December 31, 2011	February 1, 2011
Derivative financial instruments	**$ 555**	$ 548	$ 557
Aircraft loans and lease receivables	**444**	472	432
Investments in securities[1]	**396**	423	415
Investments in financing structures	**242**	243	242
Servicing fees	**57**	57	49
Restricted cash	**44**	51	58
Other	**39**	37	56
	$ 1,777	$ 1,831	$ 1,809
Of which current	**$ 470**	$ 526	$ 705
Of which non-current	**1,307**	1,305	1,104
	$ 1,777	$ 1,831	$ 1,809

[1] Includes $165 million of securities ceded as collateral for guarantees issued in connection with the sale of aircraft as at March 31, 2012 ($167 million as at December 31, 2011 and $152 million as at February 1, 2011).

10. OTHER ASSETS

Other assets were as follows as at:

	March 31, 2012	December 31, 2011	February 1, 2011
Prepaid expenses	**$ 336**	$ 298	$ 327
Intangible assets other than aerospace program tooling and goodwill	**222**	227	243
Flexjet fractional ownership deferred costs	**198**	186	156
Sales tax and other taxes	**190**	185	183
Retirement benefits	**118**	13	29
Deferred financing charges	**80**	85	65
Investments in associates[1]	**38**	37	57
Other	**30**	33	50
	$ 1,212	$ 1,064	$ 1,110
Of which current	**$ 593**	$ 559	$ 648
Of which non-current	**619**	505	462
	$ 1,212	$ 1,064	$ 1,110

[1] The Corporation has pledged shares in investees subject to significant influence, with a carrying value of $30 million as at March 31, 2012 ($30 million as at December 31, 2011 and $33 million as at February 1, 2011).

11. PROVISIONS

Changes in provisions for the three-month periods were as follows:

		Product warranties		Credit and residual value guarantees		Restructuring		Other [1]		Total
Balance as at December 31, 2011	**$**	**1,073**	**$**	**456**	**$**	**38**	**$**	**105**	**$**	**1,672**
Additions		**60**		**-**		**2**		**4**		**66**
Utilization		**(86)**		**-**		**(8)**		**(1)**		**(95)**
Reversals		**(34)**		**(18)**		**(4)**		**(2)**		**(58)**
Accretion expense		**-**		**1**		**-**		**-**		**1**
Effect of changes in discount rates		**-**		**1**		**-**		**-**		**1**
Effect of foreign currency exchange rate changes		**24**		**-**		**1**		**-**		**25**
Balance as at March 31, 2012	**$**	**1,037**	**$**	**440**	**$**	**29**	**$**	**106**	**$**	**1,612**
Of which current	**$**	**897**	**$**	**60**	**$**	**24**	**$**	**68**	**$**	**1,049**
Of which non-current		**140**		**380**		**5**		**38**		**563**
	$	**1,037**	**$**	**440**	**$**	**29**	**$**	**106**	**$**	**1,612**

		Product warranties		Credit and residual value guarantees		Restructuring		Other [1]		Total
Balance as at February 1, 2011	$	1,120	$	493	$	70	$	129	$	1,812
Additions		95		-		-		4		99
Utilization		(81)		(46)		(15)		(5)		(147)
Reversals		(27)		(9)		(1)		(1)		(38)
Accretion expense		1		5		-		-		6
Effect of changes in discount rates		-		3		-		-		3
Effect of foreign currency exchange rate changes		60		-		5		6		71
Balance as at April 30, 2011	$	1,168	$	446	$	59	$	133	$	1,806
Of which current	$	1,024	$	62	$	52	$	63	$	1,201
Of which non-current		144		384		7		70		605
	$	1,168	$	446	$	59	$	133	$	1,806

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

12. LONG-TERM DEBT

The Corporation’s long-term debt has not changed significantly, except as described below.

On March 8, 2012, the Corporation issued $500 million of unsecured Senior Notes, at par, due in March 2022, bearing interest at 5.75%. Subsequent to the end of the quarter, the Corporation used $151 million of the net proceeds of $492 million to repay at maturity the 6.75% notes due May 1, 2012. The remainder of the proceeds is intended for general corporate purposes.

13. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows as at:

	March 31, 2012	December 31, 2011	February 1, 2011
Government refundable advances	**$ 326**	$ 317	$ 284
Derivative financial instruments	**224**	344	677
Current portion of long-term debt	**198**	193	17
Sale and leaseback obligations	**196**	163	216
Lease subsidies	**137**	140	161
Vendor non-recurring costs	**12**	13	15
Other	**60**	64	22
	$ 1,153	$ 1,234	$ 1,392
Of which current	**$ 664**	$ 732	$ 860
Of which non-current	**489**	502	532
	$ 1,153	$ 1,234	$ 1,392

14. OTHER LIABILITIES

Other liabilities were as follows as at:

	March 31, 2012	December 31, 2011	February 1, 2011
Accruals for long-term contract costs	**$ 807**	$ 816	$ 796
Employee benefits[1]	**795**	672	714
Supplier contributions to aerospace programs	**349**	348	314
Flexjet fractional ownership deferred revenues	**225**	212	196
Income and other taxes payable	**137**	216	166
Deferred income taxes	**67**	67	53
Other	**828**	833	883
	$ 3,208	$ 3,164	$ 3,122
Of which current	**$ 2,271**	$ 2,262	$ 2,214
Of which non-current	**937**	902	908
	$ 3,208	$ 3,164	$ 3,122

[1] Comprised of all employee benefits excluding those related to retirement benefits, which are reported in the line items retirement benefits on the consolidated statements of financial position and in other assets.

15. SHARE-BASED PLANS

PSU and DSU plans

The number of PSUs and DSUs has varied as follows for the three-month periods ended:

	March 31, 2012		April 30, 2011	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**19,149,004**	**4,367,000**	18,225,184	2,966,000
Granted	**53,000**	**70,000**	-	-
Cancelled	**(178,989)**	**(25,000)**	(163,765)	-
Balance at end of period	**19,023,015**	**4,412,000**	18,061,419	2,966,000

A compensation expense of $9 million was recorded during the three-month period ended March 31, 2012 with respect to the PSU and DSU plans ($7 million during the three-month period ended April 30, 2011).

Share option plans

The number of options issued and outstanding to purchase class B Shares (Subordinate Voting) has varied as follows for the three-month periods ended:

	March 31, 2012	April 30, 2011
Balance at beginning of period	**27,249,846**	35,911,189
Granted	**90,000**	-
Exercised	**(140,000)**	(1,176,974)
Cancelled	**(394,069)**	(272,931)
Expired	**(1,722,000)**	(671,500)
Balance at end of period	**25,083,777**	33,789,784

A compensation expense of $2 million was recorded with respect to share option plans during the three-month periods ended March 31, 2012 and April 30, 2011.

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

Net change in non-cash balances related to operations was as follows for the three-month periods ended:

	March 31, 2012	April 30, 2011
Trade and other receivables	**$ 55**	$ (61)
Inventories	**(914)**	(428)
Other financial assets and liabilities, net	**(34)**	32
Other assets	**(145)**	9
Trade and other payables	**(34)**	(50)
Provisions	**(86)**	(77)
Advances and progress billings in excess of long-term contract inventories	**77**	43
Advances on aerospace programs	**401**	85
Retirement benefit liability	**21**	36
Other liabilities	**40**	(23)
	$ (619)	$ (434)

17. CREDIT FACILITIES

The Corporation's credit facilities have not changed significantly, except as described below.

In March 2012, the Corporation entered into a new three-year unsecured revolving credit facility amounting to €500 million ($668 million), available to BT for cash drawings. The facility matures in March 2015 and bears interest at EURIBOR plus a margin. This facility has not been drawn on to date.

Subsequent to the end of the quarter, the availability periods of the BT and the BA letter of credit facilities were extended by one year each, to May 2015 and June 2015, respectively. Also in April 2012, the maturity date of the $750 million unsecured revolving credit facility was extended by one year to June 2015.

18. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2012	December 31, 2011	February 1, 2011
Aircraft sales			
Residual value	**$ 2,072**	$ 2,108	$ 2,239
Credit	**1,356**	1,389	1,453
Mutually exclusive exposure[1]	**(751)**	(771)	(806)
Total credit and residual value exposure	**$ 2,677**	$ 2,726	$ 2,886
Trade-in commitments	**2,039**	1,619	1,214
Conditional repurchase obligations	**563**	605	594
Other			
Credit and residual value	**160**	156	159
Performance guarantees	**37**	36	34

[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 $440 million as at March 31, 2012 ($456 million as at December 31, 2011 and $493 million as at February 1, 2011). In addition, lease subsidy liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $137 million as at March 31, 2012 ($140 million as at December 31, 2011 and $161 million as at February 1, 2011).

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

While the Corporation cannot predict the final outcome of legal proceedings pending as at March 31, 2012, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

19. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period, mainly a reclassification from advances and progress billings in excess of long-term contract inventories to other liabilities.