

CONSOLIDATED FINANCIAL STATEMENTS

**For the fiscal years ended
December 31, 2014 and 2013**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and MD&A of Bombardier Inc. and all other information in the financial report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with IFRS as issued by the International Accounting Standards Board. The MD&A has been prepared in accordance with the requirements of Canadian Securities Administrators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects. Financial information presented in the MD&A is consistent with that in the consolidated financial statements.

Bombardier Inc.'s Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures and internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to Bombardier Inc. has been made known to them; and information required to be disclosed in Bombardier Inc.'s filings is recorded, processed, summarized and reported within the time periods specified in Canadian securities legislation.

Bombardier Inc.'s CEO and CFO have also evaluated the effectiveness of Bombardier Inc.'s disclosure controls and procedures and internal controls over financial reporting as of the end of the fiscal year 2014. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures and internal controls over financial reporting were effective as of that date, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework). In addition, based on this assessment, they determined that there were no material weaknesses in internal control over financial reporting as of the end of the fiscal year 2014. In compliance with the Canadian Securities Administrators' National Instrument 52-109, Bombardier Inc.'s CEO and CFO have provided a certification related to Bombardier Inc.'s annual disclosure to the Canadian Securities Administrators, including the consolidated financial statements and MD&A.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to review the consolidated financial statements, independent auditors' report, MD&A, auditing matters and financial reporting issues, to discuss internal controls over the financial reporting process, and to satisfy itself that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management, and to review and make recommendations to the Board of Directors with respect to the independence and the fees of the independent auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the consolidated financial statements and MD&A for issuance to shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards and International Standards on auditing on behalf of the shareholders. The independent auditors have full and free access to the Audit Committee to discuss their audit and related matters.



Pierre Beaudoin,
President and Chief Executive Officer



Pierre Alary, FCPA, FCA
Senior Vice President and Chief Financial Officer

February 11, 2015

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BOMBARDIER INC.

We have audited the accompanying consolidated financial statements of Bombardier Inc. which comprise the consolidated statements of financial position as at December 31, 2014, 2013 and January 1, 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for fiscal years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and International Standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

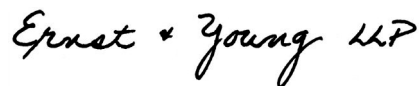
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bombardier Inc. as at December 31, 2014, 2013 and January 1, 2013, and its financial performance and its cash flows for fiscal years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

(1)



Ernst & Young LLP
Montréal, Canada

February 11, 2015

⁽¹⁾ CPA auditor, CA, public accountancy permit no. A112431

CONSOLIDATED FINANCIAL STATEMENTS

For fiscal years 2014 and 2013

(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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See MD&A for the abbreviations used in the consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ended December 31
(in millions of U.S. dollars, except per share amounts)

	Notes	2014	2013
Revenues		\$ 20,111	\$ 18,151
Cost of sales	16	17,534	15,658
Gross margin		2,577	2,493
SG&A		1,358	1,417
R&D	6	347	293
Share of income of joint ventures and associates	34	(89)	(119)
Other expense	7	38	9
Special items	8	1,489	(30)
EBIT		(566)	923
Financing expense	9	249	271
Financing income	9	(75)	(119)
EBT		(740)	771
Income taxes	11	506	199
Net income (loss)		\$ (1,246)	\$ 572
Attributable to			
Equity holders of Bombardier Inc.		\$ (1,260)	\$ 564
NCI		14	8
		\$ (1,246)	\$ 572
EPS (in dollars)	12		
Basic and diluted		\$ (0.74)	\$ 0.31

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the fiscal years ended December 31
(in millions of U.S. dollars)

	Note	2014	2013
Net income (loss)		\$ (1,246)	\$ 572
OCI			
Items that may be reclassified to net income			
Net change in cash flow hedges			
Foreign exchange re-evaluation		17	(6)
Net gain (loss) on derivative financial instruments		(389)	26
Reclassification to income or to the related non-financial asset ⁽¹⁾⁽²⁾		216	(32)
Income taxes		37	6
		(119)	(6)
AFS financial assets			
Net unrealized gain (loss)		7	(5)
CCTD			
Net investments in foreign operations		(146)	36
Net gain (loss) on related hedging items		4	(15)
		(142)	21
Items that are never reclassified to net income			
Retirement benefits			
Remeasurements of defined benefit plans ⁽³⁾		(646)	911
Income taxes	21	(45)	(87)
		(691)	824
Total OCI		(945)	834
Total comprehensive income (loss)		\$ (2,191)	\$ 1,406
Attributable to			
Equity holders of Bombardier Inc.		\$ (2,198)	\$ 1,399
NCI		7	7
		\$ (2,191)	\$ 1,406

⁽¹⁾ Include \$97 million of loss reclassified to the related non-financial asset for fiscal year 2014 (\$10 million of gain for fiscal year 2013).

⁽²⁾ \$196 million of net deferred loss is expected to be reclassified from OCI to the carrying amount of the related non-financial asset or to income during fiscal year 2015.

⁽³⁾ Include net actuarial gains (losses).

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at
(in millions of U.S. dollars)

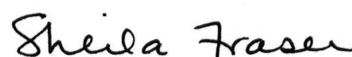
	Notes	December 31 2014	December 31 2013	January 1 2013
Assets				
Cash and cash equivalents	14	\$ 2,489	\$ 3,397	\$ 2,557
Trade and other receivables	15	1,538	1,492	1,311
Inventories	16	7,970	8,234	7,540
Other financial assets	17	530	637	443
Other assets	18	592	626	564
Current assets		13,119	14,386	12,415
PP&E	19	2,092	2,066	1,933
Aerospace program tooling	20	6,823	6,606	4,770
Goodwill	20	2,127	2,381	2,316
Deferred income taxes	11	875	1,231	1,421
Investments in joint ventures and associates		294	318	311
Other financial assets	17	1,328	1,568	1,339
Other assets	18	956	807	670
Non-current assets		14,495	14,977	12,760
		\$ 27,614	\$ 29,363	\$ 25,175
Liabilities				
Trade and other payables	22	\$ 4,216	\$ 4,089	\$ 3,310
Provisions	23	990	881	1,000
Advances and progress billings in excess of long-term contract inventories	16	1,698	2,352	1,763
Advances on aerospace programs		3,339	3,228	3,053
Other financial liabilities	24	1,010	1,009	455
Other liabilities	25	2,182	2,227	2,212
Current liabilities		13,435	13,786	11,793
Provisions	23	562	584	608
Advances on aerospace programs		1,608	1,688	1,600
Long-term debt	26	7,627	6,988	5,360
Retirement benefits	21	2,629	2,161	2,999
Other financial liabilities	24	602	717	601
Other liabilities	25	1,096	990	957
Non-current liabilities		14,124	13,128	12,125
		27,559	26,914	23,918
Equity				
Attributable to equity holders of Bombardier Inc.		42	2,426	1,211
Attributable to NCI		13	23	46
		55	2,449	1,257
		\$ 27,614	\$ 29,363	\$ 25,175
Commitments and contingencies	37			

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

On behalf of the Board of Directors,



Laurent Beaudoin, C.C., FCPA, FCA
Director



Sheila Fraser, FCPA, FCA
Director

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the fiscal years ended
(in millions of U.S. dollars)

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Retained earnings (deficit)		Contributed surplus	Accumulated OCI			Total	NCI	Total Equity
	Preferred shares	Common shares	Other retained earnings	Remea- surement losses		AFS financial assets	Cash flow hedges	CCTD			
As at January 1, 2013	\$ 347	\$ 1,342	\$ 2,239	\$ (2,794)	\$ 109	\$ 10	\$ (197)	\$ 155	\$ 1,211	\$ 46	\$ 1,257
Total comprehensive income											
Net income	—	—	564	—	—	—	—	—	564	8	572
OCI	—	—	—	824	—	(5)	(6)	22	835	(1)	834
	—	—	564	824	—	(5)	(6)	22	1,399	7	1,406
Options exercised	—	13	—	—	(3)	—	—	—	10	—	10
Dividends											
Common shares	—	—	(173)	—	—	—	—	—	(173)	—	(173)
Preferred shares	—	—	(32)	—	—	—	—	—	(32)	—	(32)
Capital distribution	—	—	—	—	—	—	—	—	—	(30)	(30)
Shares distributed - PSU plans	—	25	—	—	(25)	—	—	—	—	—	—
Share-based expense	—	—	—	—	11	—	—	—	11	—	11
As at December 31, 2013	\$ 347	\$ 1,380	\$ 2,598	\$ (1,970)	\$ 92	\$ 5	\$ (203)	\$ 177	\$ 2,426	\$ 23	\$ 2,449
Total comprehensive income											
Net income (loss)	—	—	(1,260)	—	—	—	—	—	(1,260)	14	(1,246)
OCI	—	—	—	(691)	—	7	(119)	(135)	(938)	(7)	(945)
	—	—	(1,260)	(691)	—	7	(119)	(135)	(2,198)	7	(2,191)
Dividends											
Common shares	—	—	(160)	—	—	—	—	—	(160)	—	(160)
Preferred shares	—	—	(27)	—	—	—	—	—	(27)	—	(27)
Capital distribution	—	—	—	—	—	—	—	—	—	(17)	(17)
Shares distributed - DSU plans	—	1	—	—	(2)	—	—	—	(1)	—	(1)
Share-based expense	—	—	—	—	2	—	—	—	2	—	2
As at December 31, 2014	\$ 347	\$ 1,381	\$ 1,151	\$ (2,661)	\$ 92	\$ 12	\$ (322)	\$ 42	\$ 42	\$ 13	\$ 55

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended December 31
(in millions of U.S. dollars)

	Notes	2014	2013
Operating activities			
Net income (loss)		\$ (1,246)	\$ 572
Non-cash items			
Amortization		417	391
Impairment charge on intangible assets	8, 20	1,266	—
Deferred income taxes	11	354	74
Gains on disposals of PP&E	7	(3)	—
Gain on disposal of a business ⁽¹⁾	8	—	(23)
Share of income of joint ventures and associates	34	(89)	(119)
Share-based expense	28	2	11
Loss on repurchase of long-term debt	8	43	—
Dividends received from joint ventures and associates		101	115
Net change in non-cash balances	29	2	359
Cash flows from operating activities		847	1,380
Investing activities			
Additions to PP&E and intangible assets		(1,982)	(2,357)
Proceeds from disposals of PP&E and intangible assets		18	70
Additions to AFS investments in securities		(53)	(122)
Proceeds from disposal of AFS investments in securities		53	52
Net proceeds from disposal of a business ⁽¹⁾		25	83
Other		(17)	13
Cash flows from investing activities		(1,956)	(2,261)
Financing activities			
Net proceeds from issuance of long-term debt	26	1,820	1,983
Repayments of long-term debt	26	(1,334)	(51)
Dividends paid ⁽²⁾		(182)	(196)
Other		66	(13)
Cash flows from financing activities		370	1,723
Effect of exchange rates on cash and cash equivalents		(169)	(2)
Net increase (decrease) in cash and cash equivalents		(908)	840
Cash and cash equivalents at beginning of year		3,397	2,557
Cash and cash equivalents at end of year		\$ 2,489	\$ 3,397
Supplemental information⁽³⁾⁽⁴⁾			
Cash paid for			
Interest		\$ 354	\$ 303
Income taxes		\$ 111	\$ 80
Cash received for			
Interest		\$ 298	\$ 36
Income taxes		\$ 6	\$ 20

⁽¹⁾ Related to the sale of the main assets and related liabilities of the Corporation's Flexjet activities completed in December 2013. In fiscal year 2014, the Corporation received the balance of the sale price.

⁽²⁾ \$22 million of dividends paid relate to preferred shares for fiscal year 2014 (\$23 million for fiscal year 2013).

⁽³⁾ 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.

⁽⁴⁾ 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, investments in securities, loans and lease receivable after the effect of hedges, if any, the interest portion of a gain related to the resolution of a litigation in connection with part IV of the Quebec Income Tax Act, the Tax on Capital and part 1.3 of the Canadian Income Tax Act, the Tax on Large Corporations and the interest portion related to the settlement of a cross-currency interest-rate swap and an interest-rate swap.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended December 31, 2014 and 2013

(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. is incorporated under the laws of Canada. The consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries (“the Corporation”). 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 main activities of the Corporation are described in Note 5 - Segment disclosure.

The Corporation’s consolidated financial statements for fiscal years 2014 and 2013 were authorized for issuance by the Board of Directors on February 11, 2015.

The comparative year includes the results of the Corporation’s Flexjet activities which have been disposed of on December 4, 2013.

Statement of compliance

The Corporation’s consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IFRS, as issued by the IASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

Basis of consolidation

Subsidiaries – Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases.

The Corporation consolidates investees, including structured entities when, based on the evaluation of the substance of the relationship with the Corporation, it concludes that it controls the investees. The Corporation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Corporation’s principal subsidiaries, whose revenues represent more than 10% of total revenues of their respective segment, are as follows:

Subsidiary	Location
Bombardier Transportation GmbH	Germany
Bombardier Transportation (Holdings) UK Ltd.	U.K.
Bombardier Transportation S.A.S.	France
Learjet Inc.	U.S.

Revenues of these subsidiaries combined with those of Bombardier Inc. totalled 71% of consolidated revenues for fiscal year 2014 (69% for fiscal year 2013).

Joint ventures – Joint ventures are those entities over which the Corporation exercises joint control, requiring unanimous consent of the parties sharing control of relevant activities such as, strategic financial and operating decision making and where the parties have rights to the net assets of the arrangement. The Corporation recognizes its interest in joint ventures using the equity method of accounting.

Associates – Associates are entities in which the Corporation has the ability to exercise significant influence over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting.

Foreign currency translation

The consolidated financial statements are expressed in U.S. dollars, the functional currency of Bombardier Inc. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency, mainly the U.S. dollar in BA, and the euro, pound sterling, various other European currencies and the U.S. dollar in BT.

Foreign currency transactions – Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in income except for exchange differences related to retirement benefits asset and liability, as well as financial liabilities designated as hedges of the Corporation's net investments in foreign operations, which are recognized in OCI. Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined. Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

Foreign operations – Assets and liabilities of foreign operations whose functional currency is other than the U.S. dollar are translated into U.S. dollars using closing exchange rates. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI and are reclassified in income on disposal or partial disposal of the investment in the related foreign operation.

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

	Exchange rates as at			Average exchange rates for fiscal years	
	December 31 2014	December 31 2013	January 1 2013	2014	2013
Euro	1.2141	1.3791	1.3194	1.3297	1.3285
Canadian dollar	0.8633	0.9400	1.0043	0.9061	0.9717
Pound sterling	1.5587	1.6542	1.6167	1.6483	1.5654

Revenue recognition

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing specifically designed products (including rail vehicles and component overhaul) and service contracts are recognized using the percentage-of-completion method of accounting. The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. Estimated revenues at completion are adjusted for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur, they are included in estimated revenues at completion. If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in cost of sales in the period in which the negative gross margin is identified. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are expected to be recovered.

When a contract covers a number of products, the construction of each product is treated as a separate contract when (1) separate proposals have been submitted for each product, (2) each product has been subject to separate negotiation, and (3) the costs and revenues of each product can be identified. A group of contracts, whether with a single customer or with several customers, are treated as a single contract when (1) the group of contracts is negotiated as a single package, (2) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin, and (3) the contracts are performed concurrently or in a continuous sequence. Options for additional assets are treated as a separate contract when (1) the asset differs significantly in design, technology or function from the asset or assets covered by the original contract or (2) the price of the asset is negotiated without regard to the original contract price.

Aerospace programs – Revenues from the sale of new aircraft are recognized when the aircraft has been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. All costs incurred or to be incurred in connection with the sale, including warranty costs and sales incentives, are charged to cost of sales or as a deduction from revenues at the time revenue is recognized.

Multiple deliverables – Sales of goods and services sometimes involve the provision of multiple components. In these cases, the Corporation determines whether the contract or arrangement contains more than one unit of accounting. When certain criteria are met, such as when the delivered item has value to the customer on a stand-alone basis, the recognition criteria are applied to the separate identifiable components of a single transaction to reflect the substance of the transaction. Conversely, two or more transactions may be considered together for revenue recognition purposes, when the commercial effect cannot be understood without reference to a series of transactions as a whole. Revenue is allocated to the separate components based on their relative fair value.

Sales of aircraft fractional shares are considered together with the related service agreement for purpose of revenue recognition. Accordingly, revenues from such sales are recognized over the period during which the related services are rendered to the customer, generally five years. At the time of sale, the proceeds from the sale are recorded in other liabilities, under Flexjet fractional ownership deferred revenues. The carrying value of the related aircraft is transferred to other assets, under Flexjet fractional ownership deferred costs, and is charged to cost of sales over the same period.

Other – Revenues from the sale of pre-owned aircraft and spare parts are recognized when the goods have been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured.

Government assistance and refundable advances

Government assistance, including investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that the Corporation will comply with all relevant conditions. Government assistance related to the acquisition of inventories, PP&E and intangible assets is recorded as a reduction of the cost of the related asset. Government assistance related to current expenses is recorded as a reduction of the related expenses.

Government refundable advances are recorded as a financial liability if there is reasonable assurance that the amount will be repaid.

Special items

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

Income taxes

The Corporation applies the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred income tax assets and liabilities are recognized directly in income, OCI or equity based on the classification of the item to which they relate.

Earnings per share

Basic EPS is computed based on net income attributable to equity holders of Bombardier Inc. less dividends on preferred shares, including taxes, divided by the weighted-average number of Class A Shares (Multiple Voting) and Class B Shares (Subordinate Voting) outstanding during the fiscal year.

Diluted EPS are computed using the treasury stock method, giving effect to the exercise of all dilutive elements.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, trade and other receivables, aircraft loans and lease receivables, investments in securities, investments in financing structures, long-term contract receivables, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade and other payables, long-term debt, lease subsidies, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and derivative financial instruments with a negative fair value.

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as HFT, b) financial instruments designated as FVTP&L, c) AFS financial assets, d) L&R, or e) other than HFT financial liabilities. Their classification is determined by management on initial recognition based on the purpose for their acquisition. Financial instruments are subsequently measured at amortized cost, unless they are classified as AFS or HFT or designated as FVTP&L, in which case they are subsequently measured at fair value.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Corporation has transferred its rights to receive cash flows from the asset and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For transactions where it is not obvious whether the Corporation has transferred or retained substantially all the risks and rewards of ownership, the Corporation performs a quantitative analysis to compare its exposure to the variability in asset cash flows before and after the transfer. Judgment is applied in determining a number of reasonably possible scenarios that reflect the expected variability in the amount and timing of net cash flows, and then in assigning each scenario a probability with greater weighting being given to those outcomes which are considered more likely to occur.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

a) Financial instruments classified as HFT

Cash and cash equivalents – Cash and cash equivalents consist of cash and highly liquid investments held with investment-grade financial institutions and money market funds, with maturities of three months or less from the date of acquisition.

Derivative financial instruments – Derivative financial instruments are mainly used to manage the Corporation's exposure to foreign exchange and interest-rate market risks, generally through forward foreign exchange contracts, interest rate swap agreements and cross-currency interest-rate swap agreements. Derivative financial instruments include derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts.

Derivative financial instruments are classified as HFT, unless they are designated as hedging instruments for which hedge accounting is applied (see below). Changes in the fair value of derivative financial instruments not designated in a hedging relationship, excluding embedded derivatives, are recognized in cost of sales or financing expense or financing income, based on the nature of the exposure.

Embedded derivatives of the Corporation include financing rate commitments related to the sale of aircraft, call options on long-term debt and foreign exchange instruments included in sale or purchase agreements. Upon initial recognition, the fair value of financing rate commitments linked to the sale of products is recognized as deferred charge in other assets. The deferred charge is recorded as an adjustment of the sale price of the related products. Call options on long-term debt that are not closely related to the host contract are measured at fair value, with the initial value recognized as an increase of the related long-term debt and amortized to net income using the effective interest method. Upon initial recognition, the fair value of the foreign exchange instruments not designated in a hedge relationship is recognized in cost of sales. Subsequent changes in fair value of embedded derivatives are recorded in cost of sales, other expense (income) or financing expense or financing income, based on the nature of the exposure.

b) Financial instruments designated as FVTP&L

Financial instruments may be designated on initial recognition as FVTP&L if any of the following criteria is met: (i) the financial instrument contains one or more embedded derivatives that otherwise would have to be accounted for separately; (ii) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or liability or recognizing the gains and losses on them on a different basis; or (iii) the financial asset and financial liability are part of a group of financial assets, financial liabilities, or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The Corporation has designated as FVTP&L, certain aircraft loans and lease receivables, certain investments in financing structures and lease subsidies, which were all designated as FVTP&L based on the above criterion (iii).

Subsequent changes in fair value of such financial instruments are recorded in other expense (income), except for the fair value changes arising from a change in interest rates which are recorded in financing expense or financing income.

c) AFS financial assets

Investments in securities are usually classified as AFS. They are accounted for at fair value if reliably measurable, with unrealized gains and losses included in OCI, except for foreign exchange gains and losses on monetary investments, such as fixed income investments, which are recognized in income. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost.

When a decline in the fair value of an AFS financial asset has been recognised in OCI and there is objective evidence that the asset is impaired, the cumulative loss equal to the difference between the acquisition cost of the investments and its current fair value, less any impairment loss on that financial asset previously recognized in net income, is removed from AOCI and recognized in net income. Impairment losses recognized in net income for financial instruments classified as AFS can be reversed, except for investments in equity instruments.

d) L&R

Trade and other receivables, restricted cash, certain aircraft loans and lease receivables, certain investments in financing structures, long-term contract receivables and other financial assets, are

classified as L&R. Financial assets classified as L&R are measured at amortized cost using the effective interest rate method less any impairment losses.

Trade receivables as well as other financial assets classified as L&R are subject to periodic impairment review and are classified as impaired when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

e) Other than HFT financial liabilities

Trade and other payables, long-term debt, government refundable advances, vendor non-recurring costs, sale and leaseback obligations and certain other financial liabilities are classified as other than HFT liabilities and are measured at amortized cost using the effective interest rate method.

Hedge accounting

Designation as a hedge is only allowed if, both at the inception of the hedge and throughout the hedge period, the changes in the fair value of the derivative and non-derivative hedging financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure.

The Corporation formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to forecasted cash flows or to a specific asset or liability. The Corporation also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are highly effective in offsetting the changes in the fair value or cash flows of the hedged items. There are three permitted hedging strategies.

Fair value hedges – The Corporation generally applies fair value hedge accounting to certain interest-rate derivatives and forward foreign exchange contracts hedging the exposures to changes in the fair value of recognised financial assets and financial liabilities. In a fair value hedge relationship, gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net income, while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in net income.

Cash flow hedges – The Corporation generally applies cash flow hedge accounting to forward foreign exchange contracts and interest-rate derivatives entered into to hedge foreign exchange risks on forecasted transactions and recognized assets and liabilities. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income as a reclassification adjustment when the hedged item affects net income. However, when an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in OCI are reclassified in the initial carrying amount of the related asset.

Hedge of net investments in foreign operations – The Corporation generally designates certain long-term debt as hedges of its net investments in foreign operations. The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when corresponding exchange gains or losses arising from the translation of the foreign operations are recorded in net income.

The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recorded as an adjustment of the cost or revenue of the related hedged item. Gains and losses on derivatives not designated in a hedge relationship and gains and losses on the ineffective portion of effective hedges are recorded in cost of sales or financing expense or financing income for the interest component of the derivatives or when the derivatives were entered into for interest rate management purposes.

Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

When the Corporation is the lessee – Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

When the Corporation is the lessor – Assets subject to finance leases, mainly commercial aircraft, are initially recognized at an amount equal to the net investment in the lease and are included in aircraft lease receivables. Interest income is recognized over the term of the applicable leases based on the effective interest rate method. Assets under operating leases, mostly pre-owned regional and business aircraft, are included in PP&E. Lease income from operating leases is recognized on a straight-line basis over the term of the lease and is included in revenues.

Inventory valuation

Long-term contracts – Long-term contract inventories include materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition, as well as estimated contract margins. Advances and progress billings received on accounts of work performed for long-term contracts are deducted from related long-term contract inventories. Advances and progress billings received in excess of related long-term contract inventories are shown as liabilities.

Aerospace program and finished products – Aerospace program work in progress, raw materials, and finished product inventories are valued at the lower of cost or net realizable value. Cost is generally determined using the unit cost method, except for the cost of spare part inventory that is determined using the moving average method. The cost of manufactured inventories comprises all costs that are directly attributable to the manufacturing process, such as materials, direct labour, manufacturing overhead, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs, except for raw materials for which it is determined using replacement cost. The Corporation estimates the net realizable value using both external and internal aircraft valuations, including information developed from the sale of similar aircraft in the secondary market.

Impairment of inventories – Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed.

Retirement and other long-term employee benefits

Retirement benefit plans are classified as either defined benefit plans or defined contribution plans.

Defined benefit plans

Retirement benefit liability or asset recognised on the consolidated statement of financial position is measured at the difference between the present value of the defined benefit obligation and the fair value of plan asset at the reporting date. When the Corporation has a surplus in a defined benefit plan, the value of any plan asset recognized is restricted to the asset ceiling - i.e. the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ("asset ceiling test"). A minimum liability is recorded when legal minimum funding requirements for past services exceed economic benefits available in the

form of refunds from the plan or reductions in future contributions to the plan. A constructive obligation is recorded as a defined benefit obligation when there is no realistic alternative but to pay employee benefits. Retirement benefit liability or asset includes the effect of any asset ceiling, minimum liability and constructive obligation.

The cost of pension and other benefits earned by employees is actuarially determined for each plan using the projected unit credit method, and management's best estimate of salary escalation, retirement ages, life expectancy, inflation, discount rates and health care costs. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. These assets are measured at fair value at the end of the reporting period, which is based on published market mid-price information in the case of quoted securities. The discount rates are determined at each reporting date by reference to market yields at the end of the reporting period on high quality corporate fixed-income investments consistent with the currency and the estimated terms of the related retirement benefit liability.

The remeasurement gains and losses (including the foreign exchange impact) arising on the plan assets and defined benefit obligation and the effect of any asset ceiling and minimum liability are recognized directly in OCI in the period in which they occur and are never reclassified to net income. Past service costs (credits) are recognized directly in income in the period in which they occur.

The accretion on net retirement benefit obligations is included in financing income or financing expense. The remaining components of the benefit cost are either capitalized as part of labour costs and included in inventories and in certain PP&E and intangible assets during their construction, or are recognized directly in income. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Defined contribution plans

Contributions to defined contribution plans are recognized in net income or are either capitalized as part of labour costs and included in inventories and in certain PP&E and intangible assets during their construction. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Other long-term employee benefits – The accounting method is similar to the method used for defined benefit plans, except that all actuarial gains and losses are recognized immediately in income. Other long-term employee benefits are included in other liabilities.

Property, plant and equipment

PP&E are carried at cost less accumulated amortization and impairment losses. The cost of an item of PP&E includes its purchase price or manufacturing cost, borrowing costs as well as other costs incurred in bringing the asset to its present location and condition. If the cost of certain components of an item of PP&E is significant in relation to the total cost of the item, the total cost is allocated between the various components, which are then separately depreciated over the estimated useful lives of each respective component. The amortization of PP&E is computed on a straight-line basis over the following useful lives:

Buildings	5 to 75 years
Equipment	2 to 15 years
Other	3 to 20 years

The amortization method and useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense and impairments are recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying asset or in special items. Amortization of assets under construction begins when the asset is ready for its intended use.

When a significant part is replaced or a major inspection or overhaul is performed, its cost is recognized in the carrying amount of the PP&E if the recognition criteria are satisfied, and the carrying amount of the replaced part or previous inspection or overhaul is derecognized. All other repair and maintenance costs are charged to income when incurred.

Intangible assets

Internally generated intangible assets include development costs (mostly aircraft prototype design and testing costs) and internally developed or modified application software. These costs are capitalized when certain criteria for deferral such as proven technical feasibility are met. The costs of internally generated intangible assets include the cost of materials, direct labour, manufacturing overheads and borrowing costs.

Acquired intangible assets include the cost of development activities carried out by vendors for which the Corporation controls the underlying output from the usage of the technology, as well as the cost related to externally acquired licences, patents and trademarks.

Intangible assets are recorded at cost less accumulated amortization and impairment losses and include goodwill, aerospace program tooling, as well as other intangible assets such as licenses, patents and trademarks. Other intangible assets are included in other assets.

Amortization of aerospace program tooling begins at the date of completion of the first aircraft of the program. Amortization of other intangibles begins when the asset is ready for its intended use. Amortization expense is recognized as follows:

	Method	Estimated useful life
Aerospace program tooling	Unit of production	Expected number of aircraft to be produced ⁽¹⁾
Other intangible assets		
Licenses, patent and trademarks	Straight-line	3 to 20 years
Other	Straight-line	3 to 5 years

⁽¹⁾ As at December 31, 2014, the remaining number of units to fully amortize the aerospace program tooling, except for aerospace program tooling under development, is expected to be produced over the next 6 years.

The amortization methods and estimated useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense is recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying assets.

The Corporation does not have indefinite-life intangible assets, other than goodwill. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Borrowing costs

Borrowing costs consist of interest on long-term debt and other costs that the Corporation incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset and are deducted from the financing expense to which they relate. The Corporation suspends the capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset. All other borrowing costs are expensed in the period they occur.

Impairment of PP&E and intangible assets

The Corporation assesses at each reporting date whether there is an indication that a PP&E or intangible asset may be impaired. If any indication exists, the Corporation estimates the recoverable amount of the individual asset, when possible.

When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the CGU level. Most of the Corporation's non-financial assets are tested for impairment at the CGU level. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

- The fair value less costs to sell reflects the amount the Corporation could obtain from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as the discounted cash flow models.

- The value in use is calculated using estimated net cash flows, with detailed projections generally over a three-year period and subsequent years being extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

When the recoverable amount is less than the carrying value of the related asset or CGU, the related assets are written down to their recoverable amount and an impairment loss is recognized in net income.

For PP&E and intangible assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset or CGU to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized to income in the same line item where the original impairment was recognized.

Intangible assets and PP&E not yet available for use and goodwill are reviewed for impairment at least annually or more frequently if circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that the asset or CGU might be impaired. Impairment losses relating to goodwill are not reversed in future periods.

Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. These liabilities are presented as provisions when they are of uncertain timing or amount. Provisions are measured at their present value.

Product warranties – A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The interest component associated with product warranties, when applicable, is recorded in financing expense. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of products sold and in service and counter-warranty coverage available from the Corporation's suppliers. Claims for reimbursement from third parties are recorded if their realization is virtually certain. Product warranties typically range from one to five years, except for aircraft structural and bogie warranties that extend up to 20 years.

Credit and residual value guarantees – Credit and residual value guarantees related to the sale of aircraft are recorded at the amount the Corporation expects to pay under these guarantees when the revenue for the related product is recognized. Subsequent to initial recognition, changes in the value of these guarantees are recorded in other expense (income), except for the changes in value arising from a change in interest rates, which are recorded in financing expense or financing income.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing.

Residual value guarantees provide protection, through contractually limited payments, to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value. In most cases, these guarantees are provided as part of a financing arrangement.

Restructuring provisions – Restructuring provisions are recognised only when the Corporation has an actual or a constructive obligation. The Corporation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

Onerous contracts – If it is more likely than not that the unavoidable costs of meeting the obligations under a contract, other than a long-term contract, exceed the economic benefits expected to be received under it, a provision for onerous contracts is recorded in cost of sales, except for the interest component, which is recorded in financing expense. Unavoidable costs include anticipated cost overruns, as well as expected costs associated with late delivery penalties and technological problems. Costs incurred to set up an efficient manufacturing process in the early phase of an aircraft program are not considered unavoidable costs related to a specific contract. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Termination benefits – Termination benefits are usually paid when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to terminate the employment of current employees. Termination benefits are included in provisions.

Environmental costs – A provision for environmental costs is recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Legal asset retirement obligations and environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in PP&E and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in cost of sales.

Litigation – A provision for litigation is recorded in case of legal actions, governmental investigations or proceedings when it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated.

Share-based payments

Equity-settled share-based payment plans – Equity-settled share-based payments are measured at fair value at the grant date. For the PSUs and DSUs, the value of the compensation is measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs and DSUs that are expected to vest. For share option plans, the value of the compensation is measured using a Black-Scholes option pricing model. The effect of any change in the number of options, PSUs and DSUs that are expected to vest is accounted for in the period in which the estimate is revised. Compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in contributed surplus. Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

Employee share purchase plan – The Corporation's contributions to the employee share purchase plan are measured at cost and accounted for in the same manner as the related employee payroll costs. Compensation expense is recorded at the time of the employee contribution.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments

In July 2014, the IASB completed the three-part project to replace IAS 39, *Financial instruments: recognition and measurement* by issuing IFRS 9, *Financial instruments*. IFRS 9, *Financial instruments* includes classification and measurement of financial assets and financial liabilities, a forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the

portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at FVTP&L, will be presented in OCI rather than in the statement of income.

IFRS 9 also introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

Lastly, IFRS 9 introduced a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model, represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Corporation's fiscal year beginning on January 1, 2018, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

Employee benefits

In November 2013, the IASB amended IAS 19, *Employee benefits*, in order to simplify the accounting for contributions of defined benefit plans that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment will be effective for the Corporation's fiscal year beginning on January 1, 2015, with earlier application permitted. The Corporation has started to assess the impact the adoption of this standard will have on its consolidated financial statements and no significant impact is expected.

Revenue Recognition

In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenues*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 will be effective for the Corporation's fiscal year beginning on January 1, 2017, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4. USE OF ESTIMATES AND JUDGMENT

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

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

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

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

Long-term contracts – BT conducts most of its business under long-term manufacturing and service contracts and BA has some long-term maintenance service contracts, as well as design and development contracts for third parties. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles and component overhaul) and service contracts are recognized using the percentage-of-completion method of accounting. The long-term nature of these contracts requires estimates of total contract costs and revenues at completion.

Estimated revenues at completion are adjusted for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur, they are included in estimated revenues at completion.

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

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

up adjustment in the period in which the estimates are revised. In the fourth quarter of fiscal year 2014, the Corporation revised the escalation assumptions for some contracts, mainly in rolling stock, which impacted estimated future revenues and resulted in a catch-up adjustment to reflect lower contract margins on revenue already recognized.

Sensitivity analysis

A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased BT's gross margin for fiscal year 2014 by approximately \$97 million.

Aerospace program tooling – Aerospace program tooling amortization and the calculation of recoverable amounts used in impairment testing require estimates of the expected number of aircraft to be delivered over the life of each program. The expected number of aircraft is based on management's aircraft market forecasts and the Corporation's expected share of each market. Such estimates are reviewed in detail as part of the budget and strategic plan process. For purposes of impairment testing, management exercises judgment to identify independent cash inflows to identify CGUs by family of aircraft. The recoverable amount of a group of assets is based on fair value less costs of disposal, generally determined using a discounted cash flow model. Other key estimates used to determine the recoverable amount include the applicable discount rate, the expected future cash flows over the remaining life of each program, which include costs to complete the development activities, if any, as well as potential upgrades, and derivatives expected over the life of the program. The estimated cost of potential upgrades and derivatives is based on past experience with previous programs. They also include future cash flows from aftermarket activities, as well as expected cost savings due to synergies from the perspective of a market participant. The inputs used in the discounted cash flow model are Level 3 inputs (inputs that are not based on observable market data).

The discount rate is based on a weighted average cost of capital calculated using market-based inputs, available directly from financial markets or based on a benchmark sampling of representative publicly traded companies in the aerospace sector.

The estimated future cash flows for the first three years are based on the budget and strategic plan. After the initial three years, long-range forecasts prepared by management are used. Forecast future cash flows are based on management's risk-adjusted best estimate of future sales under existing firm orders, expected future orders, timing of payments based on expected delivery schedule, revenues from related services, procurement costs based on existing contracts with suppliers, future labour costs, general market conditions, foreign exchange rates and applicable income tax rates.

The recoverable amounts were established during the fourth quarter of fiscal year 2014 using the assumptions described above. A post-tax discount rate of 8.0% was used.

On January 15, 2015 the Corporation announced its decision to pause the *Learjet 85* business aircraft program. The pause follows a downward revision of Bombardier's business aircraft market forecast, primarily due the continued weakness of the light aircraft category since the economic downturn. As a result, the Corporation has recorded an impairment charge in the fourth quarter of fiscal year 2014 of \$1.3 billion. See Note 20 - Intangible assets for more details.

Sensitivity analysis

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

A 10% decrease in the expected future net cash inflows for all programs evenly distributed over future periods, would have resulted in an additional impairment charge of approximately \$410 million in fiscal year 2014 for certain programs under development.

An increase of 100-basis points in the discount rate used to perform the impairment test would have resulted in an additional impairment charge of approximately \$440 million in fiscal year 2014 for certain programs under development.

Goodwill – The recoverable amount of the BT operating segment, the group of CGUs at which level goodwill is monitored by management, is based on the higher of fair value less costs to sell and value in use. During fiscal year 2014, the Corporation completed an impairment test. The recoverable amount was calculated based on fair value less costs to sell using a discounted cash flow model. The inputs used in the discounted cash flow model are Level 3 inputs (inputs that are not based on observable market data). The Corporation did not identify any impairment.

Estimated future cash flows were based on the budget and strategic plan for the first three years and a constant growth rate of 1% was applied to derive estimated cash flows beyond the initial three-year period. The post-tax discount rate is also a key estimate in the discounted cash flow model and was based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2014 was 7.25%. A 100-basis point change in the post-tax discount rate would not have resulted in an impairment charge in fiscal year 2014. A 10% decrease on the growth rate of 1% would not have resulted in an impairment charge in fiscal year 2014.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of conservative tax strategies. On January 15, 2015 the Corporation announced its decision to pause the *Learjet 85* business aircraft program. The pause follows a downward revision of Bombardier's business aircraft market forecast, primarily due to the continued weakness of the light aircraft category since the economic downturn. As a result, the Corporation has recorded a write-down of deferred income tax assets in the fourth quarter of fiscal year 2014. See Note 11 - Income taxes for more details.

Tax contingencies – Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Corporation establishes tax provisions for possible consequences of audits by the tax authorities of each country in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the legal entities.

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

Sensitivity analysis

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

Assuming a decrease of 5% in the residual value curves of all aircraft as at December 31, 2014, EBIT for fiscal year 2014 would have been negatively impacted by \$18 million.

Assuming a 100-basis point decrease in interest rates as at December 31, 2014, EBT for fiscal year 2014 would have been negatively impacted by \$16 million. Assuming a 100-basis point increase in interest rates as at December 31, 2014, EBT for fiscal year 2014 would have been positively impacted by \$15 million.

Retirement and other long-term employee benefits – The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities. As the Canadian high-quality corporate bond market, as defined under IFRS, includes relatively few medium- and long- term maturity bonds, the discount rate for the Corporation's Canadian pension and other post-employment plans is established by constructing a yield curve using four maturity ranges. The first maturity range of the curve was based on observed market rates for AA-rated corporate bonds with maturities of less than six years. In the longer maturity ranges, due to the smaller number of high-quality bonds available, the curve is derived using market observations and extrapolated data. The extrapolated data points were created by adding a term-based yield spread over long-term provincial bond yields. This spread is based on the observed spreads between AA-rated corporate bonds and AA-rated provincial bonds in the last three maturity ranges of the curve.

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

See Note 21 – Retirement benefits for further details regarding assumptions used and sensitivity to changes in critical actuarial assumptions.

Consolidation – From time to time, the Corporation participates in structured entities where voting rights are not the dominant factor in determining control. In these situations, management may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether the Corporation is exposed to, or has rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether the Corporation is acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if the Corporation has power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control. Management reassesses its initial determination of control if facts or circumstances indicate that there may be changes to one or more elements of control.

5. SEGMENT DISCLOSURE

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

BA	BT
BA is a world leader in the design, manufacture and support of innovative aviation products. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets, as well as specialized and amphibious aircraft. BA also offers aftermarket services. BA was also offering Flexjet fractional ownership and flight entitlement programs up to December 4, 2013.	BT is a world leader in the design, manufacture and support of rail equipment and systems, offering a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides bogies, electric propulsion, control equipment and maintenance services, as well as complete rail transportation systems and rail control solutions.

The segmented information is prepared using the accounting policies described in Note 2 – Summary of significant accounting policies.

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

	2014			2013		
	BA	BT	Total	BA	BT	Total
Results of operations						
Revenues	\$ 10,499	\$ 9,612	\$ 20,111	\$ 9,385	\$ 8,766	\$ 18,151
Cost of sales	9,148	8,386	17,534	8,118	7,540	15,658
Gross margin	1,351	1,226	2,577	1,267	1,226	2,493
SG&A	672	686	1,358	699	718	1,417
R&D	199	148	347	173	120	293
Share of income of joint ventures and associates	—	(89)	(89)	—	(119)	(119)
Other expense (income)	43	(5)	38	7	2	9
EBIT before special items	437	486	923	388	505	893
Special items ⁽¹⁾	1,432	57	1,489	(30)	—	(30)
EBIT	\$ (995)	\$ 429	(566)	\$ 418	\$ 505	923
Financing expense			249			271
Financing income			(75)			(119)
EBT			(740)			771
Income taxes			506			199
Net income (loss)			\$ (1,246)			\$ 572
Other information						
Net additions to PP&E and intangible assets ⁽²⁾	\$ 1,857	\$ 107	\$ 1,964	\$ 2,213	\$ 74	\$ 2,287
Amortization	\$ 301	\$ 116	\$ 417	\$ 267	\$ 124	\$ 391
Impairment charge on intangible assets ⁽³⁾	\$ 1,266	\$ —	\$ 1,266	\$ —	\$ —	\$ —

⁽¹⁾ See Note 8 – Special items for more details.

⁽²⁾ As per the consolidated statements of cash flows.

⁽³⁾ See Note 20 – Intangible assets for more details.

The reconciliation of total assets and total liabilities to segmented assets and liabilities is as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Assets			
Total assets	\$ 27,614	\$ 29,363	\$ 25,175
Assets not allocated to segments			
Cash and cash equivalents	2,489	3,397	2,557
Income tax receivable ⁽¹⁾	64	27	—
Deferred income taxes	875	1,231	1,421
Segmented assets	24,186	24,708	21,197
Liabilities			
Total liabilities	27,559	26,914	23,918
Liabilities not allocated to segments			
Interest payable ⁽²⁾	124	116	66
Income taxes payable ⁽³⁾	248	198	109
Long-term debt ⁽⁴⁾	7,683	7,203	5,405
Deferred income taxes ⁽³⁾	—	—	46
Segmented liabilities	\$ 19,504	\$ 19,397	\$ 18,292
Net segmented assets			
BA	\$ 4,407	\$ 4,921	\$ 2,618
BT	\$ 275	\$ 390	\$ 287

⁽¹⁾ Included in other assets.

⁽²⁾ Included in trade and other payables.

⁽³⁾ Included in other liabilities.

⁽⁴⁾ The current portion of long-term debt is included in other financial liabilities.

The Corporation's revenues by market segments are as follows, for fiscal years:

	2014	2013
BA		
Manufacturing		
Business aircraft	\$ 5,744	\$ 5,038
Commercial aircraft	1,956	1,248
Other	537	550
Total manufacturing	8,237	6,836
Services ⁽¹⁾	1,619	1,897
Other ⁽²⁾	643	652
	10,499	9,385
BT		
Rolling stock ⁽³⁾	6,330	5,511
Services ⁽⁴⁾	1,717	1,596
System and signalling ⁽⁵⁾	1,565	1,659
	9,612	8,766
	\$ 20,111	\$ 18,151

⁽¹⁾ Includes revenues from parts services, Flexjet fractional ownership and hourly flight entitlement programs' service activities (prior to disposal on December 4, 2013), product support activities (including aircraft maintenance and commercial training), Specialized Aircraft Solutions and Military Aviation Training.

⁽²⁾ Includes mainly sales of pre-owned aircraft.

⁽³⁾ Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, and bogies.

⁽⁴⁾ Comprised of revenues from fleet maintenance, refurbishment and overhaul, and material solutions.

⁽⁵⁾ Comprised of revenues from mass transit and airport systems, mainline systems, operation and maintenance systems, e-mobility solutions, mass transit signalling and mainline signalling. Excludes the rolling stock portion of system orders manufactured by the other divisions of the Corporation.

The Corporation's revenues and PP&E and intangible assets are, allocated to countries, as follows:

	Revenues for fiscal years ⁽¹⁾		PP&E and intangible assets as at ⁽²⁾		
	2014	2013	December 31 2014	December 31 2013	January 1 2013
North America					
United States	\$ 5,417	\$ 5,640	\$ 1,198	\$ 2,003	\$ 1,517
Canada	1,096	1,351	5,839	4,746	3,565
Mexico	229	93	84	151	106
	6,742	7,084	7,121	6,900	5,188
Europe					
Germany	2,318	1,954	1,092	1,235	1,214
United Kingdom	1,691	1,913	1,801	1,767	1,501
France	1,412	960	43	50	52
Switzerland	450	575	368	398	387
Other	2,559	2,508	670	803	797
	8,430	7,910	3,974	4,253	3,951
Asia-Pacific					
China	815	560	7	7	8
Australia	748	471	28	20	21
India	171	224	24	27	34
Other	927	685	4	2	2
	2,661	1,940	63	56	65
Other					
Russia	505	240	1	1	1
Other	1,773	977	39	29	24
	2,278	1,217	40	30	25
	\$ 20,111	\$ 18,151	\$ 11,198	\$ 11,239	\$ 9,229

⁽¹⁾ Allocated to countries based on the location of the customer.

⁽²⁾ PP&E and intangible assets, excluding goodwill, are attributed to countries based on the location of the assets. Goodwill is attributed to countries based on the Corporation's allocation of the related purchase price.

6. RESEARCH AND DEVELOPMENT

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

	2014	2013
R&D expenditures	\$ 1,831	\$ 2,130
Less: development expenditures capitalized to aerospace program tooling	(1,656)	(1,984)
	175	146
Add: amortization of aerospace program tooling	172	147
	\$ 347	\$ 293

7. OTHER EXPENSE

Other expense was as follows, for fiscal years:

	2014	2013
Changes in estimates and fair value ⁽¹⁾	\$ 42	\$ 17
Severance and other involuntary termination costs (including changes in estimates) ⁽²⁾	4	(2)
Gains on disposals of PP&E	(3)	—
Other	(5)	(6)
	\$ 38	\$ 9

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

⁽²⁾ Excludes those presented in special items for fiscal year 2014.

8. SPECIAL ITEMS

Special items were as follows, for fiscal years:

	2014	2013
Impairment charge and other ⁽¹⁾	\$ 1,357	\$ —
Restructuring charge ⁽²⁾	142	—
Loss on repurchase of long-term debt ⁽³⁾	43	—
Gains on resolution of litigations ⁽⁴⁾	(18)	(43)
Inventory write-down ⁽⁵⁾	—	24
Gain on disposal of a business ⁽⁶⁾	—	(23)
	\$ 1,524	\$ (42)
Of which is presented in		
Special items in EBIT	\$ 1,489	\$ (30)
Financing expense - loss on repurchase of long-term debt	43	—
Financing income - interests related to the resolution of litigations	(8)	(12)
	\$ 1,524	\$ (42)

⁽¹⁾ As a result of the decision to pause the *Learjet 85* program, an impairment charge of \$1,266 million, an inventory write-down of \$21 million and \$71 million of other provisions were recorded as special items. See Note 20 - Intangible assets for more details.

⁽²⁾ Represents restructuring charges of \$155 million and a curtailment gain of \$13 million related to the workforce reduction announced in January and July 2014, of which \$85 million relates to BA and \$57 million to BT, for fiscal year 2014. These measures include the reduction of approximately 3,700 employees at BA and 900 employees at BT.

⁽³⁾ Represents the loss related to the redemption of the €785 million (\$1,093 million) Senior Notes.

⁽⁴⁾ Represent a gain at BA upon the successful resolution of a litigation of \$18 million in connection with Part IV of the Quebec Income Tax Act, the Tax on Capital, of which \$8 million represents the interest portion of the gain for fiscal year 2014 (\$43 million of which \$12 million represents the interest portion of the gain for fiscal year 2013).

⁽⁵⁾ Represents a BA inventory write-down related to the prolonged production pause for the *Learjet 60* program.

⁽⁶⁾ Related to the sale of the main assets and related liabilities of the Corporation's Flexjet activities completed in December 2013.

Subsequent to the end of the fiscal year, in January 2015, as a result of the decision to pause the *Learjet 85* business aircraft program, BA announced a workforce reduction of approximately 1,000 employees at the sites in Querétaro, Mexico, and Wichita, United States. A severance provision of approximately \$20 million will be recorded as a special item during the first quarter of 2015.

9. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows, for fiscal years:

	2014	2013
Financing expense		
Loss on repurchase of long-term debt ⁽¹⁾	\$ 43	\$ —
Accretion on net retirement benefit obligations	76	113
Amortization of letter of credit facility costs	16	16
Accretion on other financial liabilities	19	29
Accretion on provisions	8	4
Net loss on certain financial instruments ⁽²⁾	21	—
Other	29	21
	212	183
Interest on long-term debt, after effect of hedges	37	88
	\$ 249⁽³⁾	\$ 271⁽³⁾
Financing income		
Interest related to the resolution of litigations ⁽⁴⁾	\$ (8)	\$ (12)
Changes in discount rates of provisions	—	(18)
Net gain on certain financial instruments ⁽²⁾	—	(4)
Other	(17)	(27)
	(25)	(61)
Interest on loans and lease receivables, after effect of hedges	(27)	(33)
Interest on cash and cash equivalents	(11)	(14)
Income from investment in securities	(12)	(11)
	(50)	(58)
	\$ (75)⁽⁵⁾	\$ (119)⁽⁵⁾

⁽¹⁾ Represents the loss related to the redemption of the €785 million (\$1,093 million) Senior Notes, which was recorded as a special item.

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

⁽³⁾ Of which \$70 million represents the interest expense calculated using the effective interest rate method for financial liabilities classified as other than HFT for fiscal year 2014 (\$125 million for fiscal year 2013).

⁽⁴⁾ Represents the interest portion of a gain of \$18 million for fiscal year 2014 upon the successful resolution of a litigation in connection with Part IV of the Quebec Income Tax Act, the Tax on Capital (\$43 million for fiscal year 2013). The remaining \$10 million of the gain was recorded in EBIT as special items for fiscal year 2014 (\$31 million for fiscal year 2013).

⁽⁵⁾ Of which \$9 million represents the interest income calculated using the effective interest rate method for financial assets classified as L&R for fiscal year 2014 (\$16 million for fiscal year 2013).

Borrowing costs capitalized to PP&E and intangible assets totalled \$293 million for fiscal year 2014, using an average capitalization rate of 4.88% (\$271 million and 5.48% for fiscal year 2013). 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).

10. EMPLOYEE BENEFIT COSTS

Employee benefit costs⁽¹⁾ were as follows, for fiscal years:

	Notes	2014	2013
Wages, salaries and other employee benefits		\$ 5,893	\$ 5,961
Retirement benefits ⁽²⁾	21	420	496
Share-based expense	28	2	11
Restructuring, severance and other involuntary termination costs	7, 8	142	(2)
		\$ 6,457	\$ 6,466

⁽¹⁾ Employee benefit costs include costs capitalized as part of the cost of inventories and other self-constructed assets.

⁽²⁾ Includes defined benefit and defined contribution plans.

11. INCOME TAXES

Analysis of income tax expense

Details of income tax expense were as follows, for fiscal years:

	2014	2013
Current income taxes	\$ 152	\$ 125
Deferred income taxes	354	74
	\$ 506	\$ 199

The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax expense was as follows, for fiscal years:

	2014	2013
EBT	\$ (740)	\$ 771
Canadian statutory tax rate	26.8%	26.8%
Income tax expense (recovery) at statutory rate	(198)	207
Increase (decrease) resulting from		
Non-recognition of tax benefits related to tax losses and temporary differences	488	200
Write-down of deferred income tax assets	409	51
Income tax rates differential of foreign subsidiaries and other investees	(139)	(33)
Recognition of previously unrecognized tax losses or temporary differences	(57)	(211)
Permanent differences	(36)	(36)
Effect of substantively enacted income tax rate changes and tax status changes in certain entities	—	(6)
Other	39	27
Income tax expense	\$ 506 ⁽¹⁾	\$ 199
Effective tax rate	(68.4)%	25.8%

⁽¹⁾ An income tax expense of \$283 million was recorded as a result of the special item in relation to the pause of the *Learjet 85* program.

The Corporation's applicable Canadian statutory tax rate is the Federal and Provincial combined tax rate applicable in the jurisdiction in which the Corporation operates.

Details of deferred income tax expense were as follows, for fiscal years:

	2014	2013
Non-recognition of tax benefits related to tax losses and temporary differences	\$ 488	\$ 200
Origination and reversal of temporary differences	(486)	40
Write-down of deferred income tax assets	409	51
Recognition of previously unrecognized tax losses or temporary differences	(57)	(211)
Effect of substantively enacted income tax rate changes and tax status changes in certain entities	—	(6)
	\$ 354	\$ 74

Deferred income taxes

The significant components of the Corporation's deferred income tax asset and liability were as follows, as at:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Asset	Liability	Asset	Liability	Asset	Liability
Operating tax losses carried forward	\$ 1,919	\$ —	\$ 1,985	\$ —	\$ 1,788	\$ —
Retirement benefits	609	—	444	—	714	—
Advance and progress billings in excess of long-term contract inventories and advances on aerospace programs	1,007	—	927	—	900	—
Inventories	120	—	240	—	305	(46)
Provisions	428	—	370	—	448	—
Other financial assets and other assets	(161)	—	(172)	—	(183)	—
PP&E	(55)	—	(63)	—	(36)	—
Other financial liabilities and other liabilities	231	—	155	—	61	—
Intangible assets	(436)	—	(821)	—	(591)	—
Other	175	—	167	—	166	—
	3,837	—	3,232	—	3,572	(46)
Unrecognized deferred tax assets	(2,962)	—	(2,001)	—	(2,151)	—
	\$ 875	\$ —	\$ 1,231	\$ —	\$ 1,421	\$ (46)

The changes in the net deferred income tax asset were as follows for the fiscal years:

	2014	2013
Balance at beginning of year, net	\$ 1,231	\$ 1,375
In net income	(354)	(74)
In OCI		
Retirement benefits	(45)	(87)
Cash flow hedges	37	6
AFS financial assets	—	—
Other ⁽¹⁾	6	11
Balance at end of year, net	\$ 875	\$ 1,231

⁽¹⁾ Mainly comprises foreign exchange rate effects.

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to \$9,688 million as at December 31, 2014, of which \$1,718 million relates to retirement benefits that will reverse through OCI (\$7,121 million as at December 31, 2013 of which \$954 million relates to retirement benefits that will reverse through OCI and \$7,852 million as at January 1, 2013 of which \$1,678 million relates to retirement benefits that will reverse through OCI). Of these amounts, approximately \$7,383 million as at December 31, 2014 has no expiration date (\$6,506 million as at December 31, 2013 and \$7,390 million as at January 1, 2013) and approximately \$2,214 million relates to the Corporation's operations in Germany where a minimum income tax is payable on 40% of taxable income (\$2,066 million as at December 31, 2013 and \$1,636 million as at January 1, 2013) and \$444 million relate to the Corporation's operations in France where a minimum income tax is payable on 50% of taxable income (\$338 million as at December 31, 2013).

In addition, the Corporation has \$694 million of unused investment tax credits, most of which can be carried forward for 20 years and \$80 million of net capital losses carried forward for which deferred tax assets have not been recognized (\$517 million and \$57 million as at December 31, 2013). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

Net deferred tax assets of \$242 million were recognized as at December 31, 2014 (\$639 million as at December 31, 2013 and \$821 million as at January 1, 2013) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is probable the Corporation will realize the benefits of these deductible differences and operating tax losses carried forward. A write-down of \$283 million of previously recognized tax assets was recorded in fiscal year 2014. As a result of the pause of the *Learjet 85* program, management believes there is uncertainty related to the recoverability of these deferred tax assets. See Note 4 – Use of estimates and judgment for more information on how the Corporation determines the extent to which deferred income tax assets are recognized.

No deferred tax liabilities have been recognized on undistributed earnings of the Corporation's foreign subsidiaries, joint ventures and associates when they are considered to be indefinitely reinvested, unless it is probable that these temporary differences will reverse. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to corporation and/or withholding taxes. Taxable temporary differences for which a deferred tax liability was not recognized amount to approximately \$343 million as at December 31, 2014 (\$364 million as at December 31, 2013 and \$269 million as at January 1, 2013).

12. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows, for fiscal years:

	2014	2013
(Number of shares, stock options, PSUs and DSUs, in thousands)		
Net income (loss) attributable to equity holders of Bombardier Inc.	\$ (1,260)	\$ 564
Preferred share dividends, including taxes	(27)	(32)
Net income (loss) attributable to common equity holders of Bombardier Inc.	\$ (1,287)	\$ 532
Weighted-average number of common shares outstanding	1,741,733	1,738,916
Net effect of stock options, PSUs and DSUs	733	2,213
Weighted-average diluted number of common shares	1,742,466	1,741,129
EPS (in dollars)		
Basic and diluted	\$ (0.74)	\$ 0.31

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 41,274,213 stock options, PSUs and DSUs for fiscal year 2014 (45,300,120 stock options, PSUs and DSUs for fiscal year 2013) 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.

13. FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments recognized in income were as follows, for fiscal years:

	2014	2013
Financial instruments measured at amortized cost		
L&R - impairment charges	\$ (5)	\$ (13)
Financial instruments measured at fair value		
FVTP&L - changes in fair value		
Designated as FVTP&L		
Financial assets	\$ 15	\$ (37)
Financial liabilities	\$ (14)	\$ (13)
Required to be classified as HFT		
Derivatives not designated in hedging relationships	\$ (101)	\$ (20)
Other ⁽¹⁾	\$ (12)	\$ 37

⁽¹⁾ Excluding the interest income portion related to cash and cash equivalents of \$11 million for the fiscal year 2014 (\$14 million for fiscal year 2013).

Carrying amounts and fair value of financial instruments

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

	FVTP&L				Amortized cost ⁽¹⁾	DDHR	Total carrying value	Fair value
	HFT	Designated	AFS					
December 31, 2014								
Financial assets								
Cash and cash equivalents	\$ 2,489	\$ —	\$ —	\$ —	\$ —	\$ 2,489	\$ 2,489	
Trade and other receivables	—	—	—	1,538	—	1,538	1,538	
Other financial assets	43	578	330	422	485	1,858	1,869	
	\$ 2,532	\$ 578	\$ 330	\$ 1,960	\$ 485	\$ 5,885	\$ 5,896	
Financial liabilities								
Trade and other payables	\$ —	\$ 18	n/a	\$ 4,198	\$ —	\$ 4,216	\$ 4,216	
Long-term debt ⁽²⁾	—	—	n/a	7,683	—	7,683	7,692	
Other financial liabilities	73	172	n/a	719	592	1,556	1,655	
	\$ 73	\$ 190	n/a	\$ 12,600	\$ 592	\$ 13,455	\$ 13,563	
December 31, 2013								
Financial assets								
Cash and cash equivalents	\$ 3,397	\$ —	\$ —	\$ —	\$ —	\$ 3,397	\$ 3,397	
Trade and other receivables	—	—	—	1,492	—	1,492	1,492	
Other financial assets	129	673	315	425	663	2,205	2,203	
	\$ 3,526	\$ 673	\$ 315	\$ 1,917	\$ 663	\$ 7,094	\$ 7,092	
Financial liabilities								
Trade and other payables	\$ —	\$ —	n/a	\$ 4,089	\$ —	\$ 4,089	\$ 4,089	
Long-term debt ⁽²⁾	—	—	n/a	7,203	—	7,203	7,346	
Other financial liabilities	25	142	n/a	958	386	1,511	1,656	
	\$ 25	\$ 142	n/a	\$ 12,250	\$ 386	\$ 12,803	\$ 13,091	
January 1, 2013								
Financial assets								
Cash and cash equivalents	\$ 2,557	\$ —	\$ —	\$ —	\$ —	\$ 2,557	\$ 2,557	
Trade and other receivables	—	—	—	1,311	—	1,311	1,311	
Other financial assets	92	697	217	133	643	1,782	1,782	
	\$ 2,649	\$ 697	\$ 217	\$ 1,444	\$ 643	\$ 5,650	\$ 5,650	
Financial liabilities								
Trade and other payables	\$ —	\$ —	n/a	\$ 3,310	\$ —	\$ 3,310	\$ 3,310	
Long-term debt ⁽²⁾	—	—	n/a	5,405	—	5,405	5,272	
Other financial liabilities	15	158	n/a	712	126	1,011	1,146	
	\$ 15	\$ 158	n/a	\$ 9,427	\$ 126	\$ 9,726	\$ 9,728	

⁽¹⁾ Financial assets are classified as L&R and financial liabilities as other than HFT.

⁽²⁾ Includes the current portion of long-term debt.

n/a: Not applicable

Offsetting financial assets and financial liabilities

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

Description of recognized financial assets and liabilities	Amount recognized in the financial statements		Amounts subject to master netting agreements		Net amount not subject to master netting agreements	
December 31, 2014						
Derivative financial instruments - assets	\$	528	\$	(271)	\$	257
Derivative financial instruments - liabilities	\$	(665)	\$	344	\$	(321)
Cash and cash equivalents	\$	2,489	\$	(73)	\$	2,416
December 31, 2013						
Derivative financial instruments - assets	\$	792	\$	(304)	\$	488
Derivative financial instruments - liabilities	\$	(411)	\$	316	\$	(95)
Cash and cash equivalents	\$	3,397	\$	(12)	\$	3,385

Derivatives and hedging activities

The carrying amounts of all derivative and non-derivative financial instruments in a hedge relationship were as follows, as at:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments designated as fair value hedges						
Cross-currency interest-rate swaps	\$ —	\$ —	\$ 36	\$ —	\$ 17	\$ 6
Interest-rate swaps	226	—	296	67	394	—
	226	—	332	67	411	6
Derivative financial instruments designated as cash flow hedges⁽¹⁾						
Forward foreign exchange contracts	259	592	331	319	232	120
Derivative financial instruments classified as HFT⁽²⁾						
Forward foreign exchange contracts	29	72	27	22	13	12
Interest-rate swaps	—	1	—	2	—	2
Embedded derivative financial instruments						
Foreign exchange	—	—	1	1	3	1
Call options on long-term debt	14	—	101	—	76	—
	43	73	129	25	92	15
Total derivative financial instruments	\$ 528	\$ 665	\$ 792	\$ 411	\$ 735	\$ 141
Non-derivative financial instruments designated as hedges of net investment						
Long-term debt	\$ —	\$ 23	\$ —	\$ 517	\$ —	\$ 1,042

⁽¹⁾ The maximum length of time of derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 35 months as at December 31, 2014.

⁽²⁾ Held as economic hedges, except for embedded derivative financial instruments.

The net gains on hedging instruments designated in fair value hedge relationships and net losses on the related hedged items attributable to the hedged risk recognized in financing expense, amounted to \$173 million and \$168 million respectively for fiscal year 2014 (net losses of \$205 million and net gains of \$213 million respectively for fiscal year 2013).

The methods and assumptions used to measure the fair value of financial instruments are described in Note 33 – Fair value of financial instruments.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Cash	\$ 997	\$ 1,475	\$ 916
Cash equivalents			
Term deposits	796	762	656
Money market funds	696	1,160	985
Cash and cash equivalents	\$ 2,489	\$ 3,397	\$ 2,557

See Note 30 – Credit facilities for details on covenants related to cash and cash equivalents.

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

	Total	Not past due	Past due but not impaired ⁽³⁾		Impaired ⁽⁴⁾
			less than 90 days	more than 90 days	
December 31, 2014⁽¹⁾⁽²⁾					
Trade receivables, gross	\$ 1,453	\$ 717	\$ 238	\$ 381	\$ 117
Allowance for doubtful accounts	(39)	—	—	—	(39)
	1,414	\$ 717	\$ 238	\$ 381	\$ 78
Other	124				
Total	\$ 1,538				
December 31, 2013⁽¹⁾⁽²⁾					
Trade receivables, gross	\$ 1,430	\$ 796	\$ 194	\$ 359	\$ 81
Allowance for doubtful accounts	(44)	—	—	—	(44)
	1,386	\$ 796	\$ 194	\$ 359	\$ 37
Other	106				
Total	\$ 1,492				
January 1, 2013⁽¹⁾⁽²⁾					
Trade receivables, gross	\$ 1,256	\$ 813	\$ 204	\$ 200	\$ 39
Allowance for doubtful accounts	(34)	—	—	—	(34)
	1,222	\$ 813	\$ 204	\$ 200	\$ 5
Other	89				
Total	\$ 1,311				

⁽¹⁾ Of which \$355 million and \$475 million are denominated in euros and other foreign currencies, respectively, as at December 31, 2014 (\$465 million and \$411 million, respectively, as at December 31, 2013 and \$396 million and \$356 million, respectively, as at January 1, 2013).

⁽²⁾ Of which \$419 million represents customer retentions relating to long-term contracts as at December 31, 2014 based on normal terms and conditions (\$392 million as at December 31, 2013 and \$240 million as at January 1, 2013).

⁽³⁾ Of which \$525 million of trade receivables relates to BT long-term contracts as at December 31, 2014, of which \$376 million were more than 90 days past due (\$509 million as at December 31, 2013, of which \$353 million were more than 90 days past due and \$335 million as at January 1, 2013, of which \$190 million were more than 90 days past due). BT assesses whether these receivables are collectible as part of its risk management practices applicable to long-term contracts as a whole.

⁽⁴⁾ Of which a gross amount of \$71 million of trade receivables are individually impaired as at December 31, 2014 (\$73 million as at December 31, 2013 and \$34 million as at January 1, 2013).

The factors that the Corporation considers to classify trade receivables as impaired are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears. Further information on financial risk is provided in Note 32 – Financial risk management.

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows, for fiscal years:

	2014	2013
Balance at beginning of year	\$ (44)	\$ (34)
Provision for doubtful accounts	(5)	(13)
Amounts written-off	(1)	3
Recoveries	8	3
Effect of foreign currency exchange rate changes	3	(3)
Balance at end of year	\$ (39)	\$ (44)

Off-balance sheet factoring facilities

In the normal course of its business, BT has factoring facilities to which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €974 million (\$1,183 million) were outstanding under such facilities as at December 31, 2014 (€1,084 million (\$1,495 million) as at December 31, 2013 and €886 million (\$1,169 million) as at January 1, 2013). Trade receivables of €1,287 million (\$1,712 million) were sold to these facilities during fiscal year 2014 (€1,213 million (\$1,611 million) during fiscal year 2013).

16. INVENTORIES

Inventories were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Aerospace programs	\$ 4,600	\$ 4,847	\$ 4,345
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	7,369	7,064	5,387
Less: advances and progress billings	(5,558)	(5,406)	(4,014)
	1,811	1,658	1,373
Service contracts			
Cost incurred and recorded margins	310	420	408
Less: advances and progress billings	(17)	(19)	(15)
	293	401	393
Finished products ⁽¹⁾	1,266	1,328	1,429
	\$ 7,970	\$ 8,234	\$ 7,540

⁽¹⁾ Finished products include 1 new aircraft not associated with a firm order and 57 pre-owned aircraft, totalling \$485 million as at December 31, 2014 (11 new aircraft and 43 pre-owned aircraft, totalling \$535 million as at December 31, 2013 and 3 new aircraft and 74 pre-owned aircraft, totalling \$551 million as at January 1, 2013).

Finished products as at December 31, 2014 include \$248 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities (\$134 million as at December 31, 2013 and \$147 million as at January 1, 2013). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled \$16,426 million for fiscal year 2014 (\$14,106 million for fiscal year 2013). These amounts include \$172 of write-downs for fiscal year 2014 (\$147 million for fiscal year 2013). An additional write-down of \$21 million is recognized in special items for fiscal year 2014 (\$24 million for fiscal year 2013). See Note 8 – Special items for more details.

Under certain contracts, title to inventories is vested to the customer as the work is performed, in accordance with contractual arrangements and industry practice. In addition, in the normal course of business, the Corporation provides performance bonds, bank guarantees and other forms of guarantees to customers, mainly in BT, as security for advances received from customers pending performance under certain contracts. In accordance with industry practice, the Corporation remains liable to the purchasers for the usual contractor's obligations relating to contract completion in accordance with predetermined specifications, timely delivery and product performance.

Advances and progress billings received on long-term contracts in progress were \$7,273 million as at December 31, 2014 (\$7,777 million as at December 31, 2013 and \$5,792 million as at January 1, 2013). Revenues include revenues from BT long-term contracts, which amounted to \$7,366 million for fiscal year 2014 (\$6,409 million for fiscal year 2013).

17. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Derivative financial instruments ⁽¹⁾	\$ 528	\$ 792	\$ 735
Investments in financing structures ⁽²⁾	360	331	329
Investments in securities ^{(2) (3)}	346	335	243
Long-term contract receivables	321	319	—
Aircraft loans and lease receivables ^{(2) (4)}	275	400	423
Restricted cash	17	19	25
Other	11	9	27
	\$ 1,858	\$ 2,205	\$ 1,782
Of which current	\$ 530	\$ 637	\$ 443
Of which non-current	1,328	1,568	1,339
	\$ 1,858	\$ 2,205	\$ 1,782

⁽¹⁾ See Note 13 – Financial instruments.

⁽²⁾ Carried at fair value, except for \$12 million of aircraft loans and lease receivables, \$16 million of investments in securities and \$45 million of investment in financing structures carried at amortized cost as at December 31, 2014 (\$12 million, \$20 million and \$46 million, respectively, as at December 31, 2013 and \$11 million, \$26 million and \$44 million, respectively, as at January 1, 2013).

⁽³⁾ Includes \$70 million of securities to secure contingent capital contributions to be made in relation to guarantees issued in connection with the sale of aircraft as at December 31, 2014 (\$70 million as at December 31, 2013, and nil as at January 1, 2013).

⁽⁴⁾ Financing with three airlines represents 64% of the total aircraft loans and lease receivables as at December 31, 2014 (four airlines represented 59% as at December 31, 2013 and four airlines represented 60% as at January 1, 2013). Aircraft loans and lease receivables are generally collateralized by the related assets. The value of the collateral is closely related to commercial airline industry performance and aircraft-specific factors (age, type-variant and seating capacity), as well as other factors.

18. OTHER ASSETS

Other assets were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Prepaid expenses	\$ 760	\$ 620	\$ 366
Sales tax and other taxes	302	344	281
Retirement benefits ⁽¹⁾	159	174	38
Intangible assets other than aerospace program tooling and goodwill ⁽²⁾	156	186	210
Deferred financing charges	138	100	103
Flexjet fractional ownership deferred costs	—	—	206
Other	33	9	30
	\$ 1,548	\$ 1,433	\$ 1,234
Of which current	\$ 592	\$ 626	\$ 564
Of which non-current	956	807	670
	\$ 1,548	\$ 1,433	\$ 1,234

⁽¹⁾ See Note 21 – Retirement benefits.

⁽²⁾ See Note 20 – Intangible assets.

19. PROPERTY, PLANT AND EQUIPMENT

PP&E were as follows, as at:

	Land	Buildings	Equipment	Construction in progress	Other	Total
Cost						
Balance as at December 31, 2013	\$ 98	\$ 2,218	\$ 1,287	\$ 356	\$ 429	\$ 4,388
Additions	—	41	45	228	2	316
Disposals	—	(5)	(81)	—	(12)	(98)
Transfers	—	279	124	(407)	4	—
Effect of foreign currency exchange rate changes	(7)	(120)	(28)	(6)	(1)	(162)
Balance as at December 31, 2014	\$ 91	\$ 2,413	\$ 1,347	\$ 171	\$ 422	\$ 4,444
Accumulated amortization and impairment						
Balance as at December 31, 2013	\$ —	\$ (1,232)	\$ (825)	\$ —	\$ (265)	\$ (2,322)
Amortization	—	(65)	(107)	—	(17)	(189)
Disposals	—	4	66	—	10	80
Effect of foreign currency exchange rate changes	—	81	2	—	(4)	79
Balance as at December 31, 2014	\$ —	\$ (1,212)	\$ (864)	\$ —	\$ (276)	\$ (2,352)
Net carrying value	\$ 91	\$ 1,201	\$ 483	\$ 171	\$ 146	\$ 2,092

	Land	Buildings	Equipment	Construction in progress	Other	Total
Cost						
Balance as at January 1, 2013	\$ 99	\$ 2,132	\$ 1,333	\$ 179	\$ 447	\$ 4,190
Additions	1	68	41	254	27	391
Disposals	(3)	(29)	(149)	—	(42)	(223)
Transfers	—	13	68	(78)	(3)	—
Effect of foreign currency exchange rate changes	1	34	(6)	1	—	30
Balance as at December 31, 2013	\$ 98	\$ 2,218	\$ 1,287	\$ 356	\$ 429	\$ 4,388
Accumulated amortization and impairment						
Balance as at January 1, 2013	\$ —	\$ (1,164)	\$ (832)	\$ —	\$ (261)	\$ (2,257)
Amortization	—	(60)	(104)	—	(18)	(182)
Disposals	—	17	101	—	12	130
Effect of foreign currency exchange rate changes	—	(25)	10	—	2	(13)
Balance as at December 31, 2013	\$ —	\$ (1,232)	\$ (825)	\$ —	\$ (265)	\$ (2,322)
Net carrying value	\$ 98	\$ 986	\$ 462	\$ 356	\$ 164	\$ 2,066

Included in the above table are assets under finance lease, where the Corporation is the lessee, presented in Other, with cost and accumulated amortization amounting to \$243 million and \$91 million, respectively, as at December 31, 2014 (\$195 million and \$83 million as at December 31, 2013 and \$225 million and \$103 million as at January 1, 2013).

Also included in the previous table are aircraft under operating leases where the Corporation is the lessor, presented in Other, with a cost and accumulated amortization amounting to \$35 million and \$14 million, respectively, as at December 31, 2014 (\$40 million and \$12 million as at December 31, 2013 and \$51 million and \$12 million as at January 1, 2013). Rental income from operating leases and amortization of assets under operating leases amounted to \$5 million and \$2 million, respectively, for fiscal year 2014 (\$10 million and \$3 million, respectively, for fiscal year 2013).

20. INTANGIBLE ASSETS

Intangible assets were as follows, as at:

	Aerospace program tooling			Goodwill	Other ⁽¹⁾⁽²⁾	Total
	Acquired	Internally generated	Total ⁽³⁾			
Cost						
Balance as at December 31, 2013	\$ 1,404	\$ 8,503	\$ 9,907	\$ 2,381	\$ 739	\$ 13,027
Additions	235	1,421	1,656	11	33	1,700
Disposals	—	(1)	(1)	—	(10)	(11)
Effect of foreign currency exchange rate changes	—	—	—	(265)	(48)	(313)
Balance as at December 31, 2014	\$ 1,639	\$ 9,923	\$ 11,562	\$ 2,127	\$ 714	\$ 14,403
Accumulated amortization and impairment						
Balance as at December 31, 2013	\$ (620)	\$ (2,681)	\$ (3,301)	\$ —	\$ (553)	\$ (3,854)
Amortization	(11)	(161)	(172)	—	(56)	(228)
Impairment	(69)	(1,197)	(1,266)	—	—	(1,266)
Disposals	—	—	—	—	10	10
Effect of foreign currency exchange rate changes	—	—	—	—	41	41
Balance as at December 31, 2014	\$ (700)	\$ (4,039)	\$ (4,739)	\$ —	\$ (558)	\$ (5,297)
Net carrying value	\$ 939	\$ 5,884	\$ 6,823	\$ 2,127	\$ 156	\$ 9,106

	Aerospace program tooling			Goodwill	Other ⁽¹⁾⁽²⁾	Total
	Acquired	Internally generated	Total ⁽³⁾			
Cost						
Balance as at January 1, 2013	\$ 1,254	\$ 6,670	\$ 7,924	\$ 2,316	\$ 737	\$ 10,977
Additions	150	1,834	1,984	—	44	2,028
Disposals	—	(1)	(1)	—	(56)	(57)
Effect of foreign currency exchange rate changes	—	—	—	65	14	79
Balance as at December 31, 2013	\$ 1,404	\$ 8,503	\$ 9,907	\$ 2,381	\$ 739	\$ 13,027
Accumulated amortization and impairment						
Balance as at January 1, 2013	\$ (604)	\$ (2,550)	\$ (3,154)	\$ —	\$ (527)	\$ (3,681)
Amortization	(16)	(131)	(147)	—	(62)	(209)
Disposals	—	—	—	—	47	47
Effect of foreign currency exchange rate changes	—	—	—	—	(11)	(11)
Balance as at December 31, 2013	\$ (620)	\$ (2,681)	\$ (3,301)	\$ —	\$ (553)	\$ (3,854)
Net carrying value	\$ 784	\$ 5,822	\$ 6,606	\$ 2,381	\$ 186	\$ 9,173

⁽¹⁾ Presented in Note 18 – Other assets.

⁽²⁾ Includes internally generated intangible assets with a cost and accumulated amortization of \$367 million and \$254 million, respectively, as at December 31, 2014 (\$359 million and \$243 million as at December 31, 2013 and \$325 million and \$207 million as at January 1, 2013).

⁽³⁾ Includes intangible assets under development with a cost of \$6,126 million as at December 31, 2014 (\$5,923 million as at December 31, 2013 and \$4,059 million as at January 1, 2013).

Aerospace program tooling

The net carrying value of aerospace program tooling comprises \$4,359 million for commercial aircraft and \$2,464 million for business aircraft as at December 31, 2014 (\$3,746 million and \$2,860 million, respectively, as at December 31, 2013 and \$2,766 million and \$2,004 million, respectively, as at January 1, 2013).

Learjet 85 business aircraft program

On January 15, 2015 the Corporation announced its decision to pause the *Learjet 85* business aircraft program. The pause follows a downward revision of Bombardier's business aircraft market forecast, primarily due the continued weakness of the light aircraft category since the economic downturn. As a result, the Corporation performed an impairment test on the *Learjet 85* cash generating unit (the "*Learjet 85* program") which principally consists of capitalized development costs. The Corporation determined that the *Learjet 85* program carrying amount exceeded its recoverable amount, and accordingly recorded an impairment charge of \$1,266 million in special items related to the *Learjet 85* development costs.

The recoverable amount of the *Learjet 85* program was based on fair value less costs of disposal. The fair value measurement of the *Learjet 85* program is categorized within level 3 of the fair value hierarchy. The estimate of the fair value less costs of disposal was determined using forecasted cash flows based on long-range forecasts prepared by management thereafter, and an after tax discount rate of 8% based on a benchmark sampling of publicly traded companies in the aerospace sector. The forecasted cash flows for the *Learjet 85* recoverable amount assume a 25 year program life which reflects incremental investments related to improvements and variants, followed by an additional 10 year period of after-market sales.

Additional information related to the Corporation's impairment testing methodology for aerospace program tooling is included in Note 4 - Use of estimates and judgment.

Goodwill

Goodwill is related to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. Goodwill is monitored by management at the BT operating segment level. During the fourth quarter of fiscal year 2014, the Corporation completed an impairment test. The Corporation did not identify any impairment. See Note 4 – Use of estimates and judgment for more details.

21. RETIREMENT BENEFITS

The Corporation sponsors several funded and unfunded defined benefit pension plans as well as defined contribution pension plans in Canada and abroad, covering a majority of its employees. The Corporation also provides other unfunded defined benefit plans, covering certain groups of employees mainly in Canada and the U.S.

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

Funded plans are plans for which segregated plan assets are invested in trust. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice.

FUNDED DB PLANS

The Corporation's major DB plans reside in Canada, the U.K. and the U.S., therefore very significant portions of the DB pension plan assets and benefit obligation are located in those countries. The following text focuses mainly on plans registered in these three countries.

Governance

Under applicable pension legislations, the administrator of each plan is either the Corporation, in the case of U.S. plans and Canadian plans registered outside of Québec, or a pension committee, board of trustees or corporate trustee in the case of plans registered in Québec and the U.K.

Plan administrators are responsible for the management of plan assets and the establishment of investment policies, which define, for each plan, investment objectives, target asset allocation, risk mitigation strategies, and other elements required by pension legislation.

Plan assets are pooled in three common investment funds (CIFs) for Canadian, U.K. and U.S. plans, respectively, in order to achieve economies of scale and greater efficiency, diversification and liquidity. The CIFs are broken down by sub-funds or asset classes in order to allow each plan to have its own asset allocation given its associated pension obligation liability profile.

The management of the CIFs has been delegated to three (Canadian, U.K. and U.S.) investment committees (ICs). The ICs are responsible for allocating assets among various sub-funds and asset classes in accordance with each plan's investment policy. They are also responsible for hiring, monitoring and terminating investment managers and have established a multi-manager structure for each sub-fund and asset class. They are supported by Bombardier Inc. Pension Asset Management Services, who oversee the management of the plans' assets and of the CIFs on a daily basis. Daily administration of the plans is delegated to either Bombardier Inc. or to external pension administration service providers. The administrators, the ICs and Bombardier Inc. also rely on the expertise of external legal advisors, actuaries, auditors and investment consultants.

Benefit Policy

DB plan benefits are based on salary and years of service. In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (i.e. they no longer have the option of joining DB or hybrid plans). Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan.

In the U.K., seven out of nine DB plans are closed to new members. New employees join DC plans. Pension entitlements are indexed to inflation according to pension legislation and plan rules.

Funding requirements

Actuarial valuations are conducted by independent firms hired by the Corporation or the administrators, as required by pension legislation. The purpose of the valuations is to determine the plans' financial position and the annual contributions to be made by the Corporation to fund both benefits accruing in the year (normal cost) and deficits accumulated over prior years. Minimum funding requirements are set out by applicable pension legislations.

Pension plans in Canada are governed under the Supplemental Pension Plans Act in Québec, the Pension Benefits Act in Ontario, the Pension Benefits Standards Act of 1985 for plans under federal authority, and the Income Tax Act. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. Contributions are determined by the appointed actuary and cover the going-concern normal costs and deficits (established under the assumption that the plan will continue to be in force) or solvency deficits (established under the assumption that the plan stops its operations and is being liquidated), as prescribed by laws and actuarial practices. Under the laws in effect, minimum contributions are required to amortize the going-concern deficits over a period of fifteen years and solvency deficits over a period of five years. Temporary solvency relief measures put in place to mitigate the adverse effects of the 2008 financial crisis allow for the amortization of solvency deficits over a period of up to ten years.

Pension plans in the U.S. are mainly governed under the Employee Retirement Income Security Act, the Internal Revenue Code, the Pension Protection Act of 2006 and the Highway and Transportation Funding Act. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover normal cost and deficits as prescribed by law. Funding deficits are generally amortized over a period of seven years.

Pension plans in the U.K. are governed under the Pensions Act of 2004. Actuarial valuations are required at least every three years. The funding deficit amortization period is determined jointly by the administrators and the Corporation.

Investment Policy

The investment policies are established to achieve a long-term investment return so that, in conjunction with contributions, the plans have sufficient assets to pay for the promised benefits while maintaining a level of risk that is acceptable given the tolerance of plan stakeholders. See below for more information about risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk.

The plans' investment strategy is to invest broadly in fixed income and equity securities and to have a smaller portion of the funds' assets invested in real return asset securities (global infrastructure and real estate listed securities).

As at December 31, 2014, the average target asset allocation was as follows:

- 52%, 50% and 51% in fixed income securities, for Canadian, U.K. and U.S. plans, respectively;
- 38%, 35% and 44% in equity securities, for Canadian, U.K. and U.S. plans, respectively; and
- 10%, 15% and 5% in real return asset securities, for Canadian, U.K. and U.S. plans, respectively.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term Gilt forwards) were implemented in 2013 for most of the plans. The interest rate hedging overlay portfolios were liquidated in 2014 to crystallize the gains realized from declining bond yields. These portfolios will be re-implemented when the market will be favorable.

The plan administrators have also established dynamic de-risking strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve. Bombardier Inc. Pension Asset Management Services monitors the de-risking triggers on a daily basis to ensure timely and efficient implementation of these strategies. The Corporation and administrators periodically undertake asset and liability studies to determine the appropriateness of the investment policies and de-risking strategies.

Risk management initiatives

The Corporation's pension plans are exposed to various risks, including equity, interest rate, inflation, foreign exchange, liquidity and longevity risks. Several risk strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of DB plans and on the future level of contributions by the Corporation. The following is a description of key risks together with the mitigation measures in place to address them.

Equity risk

Equity risk is the risk that results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

Interest rate risk

Interest rate risk is the risk that results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation. This is accomplished by having a portion of the portfolio invested in long-term fixed income securities and interest rate hedging overlay portfolios.

Inflation risk

Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the benefit indexation has been capped in certain plans and a portion of plan assets has been invested in real return asset securities and real return fixed income securities.

Foreign exchange risk

Currency risk exposure arises from fluctuations in the fair value of plan assets denominated in a currency other than the currency of the plan liabilities. Currency risk is managed with foreign currency hedging strategies as per plan investment policies.

Liquidity risk

Liquidity risk is the risk stemming from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in government bonds and equity futures and by having no investments in private placements or hedge funds.

Longevity risk

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

UNFUNDED DB PLANS

Unfunded plans are located in countries where the establishment of funds for segregated plan assets is generally not permitted or not in line with local practice. The Corporation's main unfunded DB plans are located in Germany. Nearly half of the German unfunded DB plan liability relates to plans for which benefits no longer accrue. The Corporation contributes annually to the Pensions Sicherungs Verein, Germany's pension protection association, which provides protection for pension benefits up to certain limits in the event that plan sponsors become insolvent.

DC PLANS

A growing proportion of employees are participating in DC plans and, as a result, contributions to DC plans have increased over the past several years. The largest DC plans are located in Canada and in the U.S. The plan administrators and ICs oversee the management of DC plan assets.

OTHER PLANS

The Corporation also provides other unfunded defined benefit plans, consisting essentially of post-retirement healthcare coverage, life insurance benefits and retirement allocations mainly in Canada for BA. The Corporation provides post-retirement life insurance and post-retirement health care, with provisions that vary between groups of employees in Canada. New non-unionized hires are generally no longer offered post-retirement health care and receive, instead, lump sum retirement allocations.

RETIREMENT BENEFITS PLANS

The following table provides the components of the retirement benefit cost, for fiscal years:

	2014			2013		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
Current service cost	\$ 273	\$ 7	\$ 280	\$ 301	\$ 12	\$ 313
Accretion expense	61	15	76	96	17	113
Past service cost (credit)	(2)	(3)	(5)	—	—	—
Curtailment	(22)	1	(21)	(15)	—	(15)
Settlement	(2)	—	(2)	(3)	—	(3)
Other	2	—	2	1	—	1
DB plans	310	20	330	380	29	409
DC plans	90	—	90	87	—	87
Total retirement benefit cost	\$ 400	\$ 20	\$ 420	\$ 467	\$ 29	\$ 496
Related to						
Funded DB plans	\$ 264	n/a	\$ 264	\$ 335	n/a	\$ 335
Unfunded DB plans	\$ 46	\$ 20	\$ 66	\$ 45	\$ 29	\$ 74
DC plans	\$ 90	n/a	\$ 90	\$ 87	n/a	\$ 87
Recorded as follows						
EBIT expense or capitalized cost	\$ 339	\$ 5	\$ 344	\$ 371	\$ 12	\$ 383
Financing expense	\$ 61	\$ 15	\$ 76	\$ 96	\$ 17	\$ 113

n/a: Not applicable

Changes in the cumulative amount of remeasurements gains (losses) of defined benefit plans recognized in OCI, and presented as a separate component of deficit, were as follows, for fiscal years:

Gains (losses)	
Balance as at January 1, 2013	\$ (2,794)
Impact of asset ceiling	(30)
Actuarial gains, net	865
Effect of exchange rate changes	76
Income taxes	(87)
Balance as at December 31, 2013	(1,970)
Impact of asset ceiling	28
Actuarial gains, net	(767)
Effect of exchange rate changes	93
Income taxes	(45)
Balance as at December 31, 2014	\$ (2,661)

The following tables present the changes in the defined benefit obligation and fair value of pension plan assets, for fiscal years:

	2014			2013		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
Change in benefit obligation						
Obligation at beginning of year	\$ 9,955	\$ 335	\$ 10,290	\$ 9,979	\$ 416	\$ 10,395
Accretion	444	15	459	416	17	433
Current service cost	273	7	280	301	12	313
Plan participants' contributions	39	—	39	41	—	41
Past service cost (credit)	(2)	(3)	(5)	—	—	—
Actuarial losses (gains) - changes in financial assumptions	1,470	44	1,514	(432)	(34)	(466)
Actuarial losses (gains) - changes in experience adjustments	(98)	(23)	(121)	65	(6)	59
Actuarial losses (gains) - changes in demographic assumptions	58	(8)	50	104	(34)	70
Benefits paid	(333)	(16)	(349)	(294)	(14)	(308)
Curtailment	(22)	1	(21)	(15)	—	(15)
Settlement	(26)	—	(26)	(3)	—	(3)
Other	2	—	2	(26)	—	(26)
Effect of exchange rate changes	(797)	(25)	(822)	(181)	(22)	(203)
Obligation at end of year	\$ 10,963	\$ 327	\$ 11,290	\$ 9,955	\$ 335	\$ 10,290
Obligation is attributable to						
Active members	\$ 5,912	\$ 200	\$ 6,112	\$ 5,485	\$ 207	\$ 5,692
Deferred members	1,443	—	1,443	1,298	—	1,298
Retirees	3,608	127	3,735	3,172	128	3,300
	\$ 10,963	\$ 327	\$ 11,290	\$ 9,955	\$ 335	\$ 10,290
Change in plan assets						
Fair value at beginning of year	\$ 8,332	\$ —	\$ 8,332	\$ 7,434	\$ —	\$ 7,434
Employer contributions	370	16	386	467	14	481
Plan participants' contributions	39	—	39	41	—	41
Interest income on plan assets	383	—	383	320	—	320
Actuarial gains	676	—	676	528	—	528
Benefits paid	(333)	(16)	(349)	(294)	(14)	(308)
Settlement	(24)	—	(24)	—	—	—
Administration costs	(9)	—	(9)	(9)	—	(9)
Effect of exchange rate changes	(614)	—	(614)	(155)	—	(155)
Fair value at end of year	\$ 8,820	\$ —	\$ 8,820	\$ 8,332	\$ —	\$ 8,332

The following table presents the reconciliation of plan assets and obligations to the amount recognized in the consolidated statements of financial position, as at:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Pension benefits	Other benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
Present value of defined benefit obligation	\$ 10,963	\$ 327	\$ 9,955	\$ 335	\$ 9,979	\$ 416
Fair value of plan assets	(8,820)	—	(8,332)	—	(7,434)	—
	2,143	327	1,623	335	2,545	416
Impact of asset ceiling test ⁽¹⁾	—	—	29	—	—	—
Net amount recognized	\$ 2,143	\$ 327	\$ 1,652	\$ 335	\$ 2,545	\$ 416
Amounts included in:						
Retirement benefit						
Liability	\$ 2,302	\$ 327	\$ 1,826	\$ 335	\$ 2,583	\$ 416
Asset ⁽²⁾	(159)	—	(174)	—	(38)	—
Net liability	\$ 2,143	\$ 327	\$ 1,652	\$ 335	\$ 2,545	\$ 416

⁽¹⁾ Comprises the effect of exchange rate changes.

⁽²⁾ Presented in Note 18 – Other assets.

The following table presents the allocation of the net retirement benefit liability by major countries, as at:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Pension benefits	Other benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
Funded pension plans						
Canada	\$ 826	\$ —	\$ 502	\$ —	\$ 1,138	\$ —
U.S.	347	—	186	—	333	—
U.K.	74	—	125	—	170	—
Other	103	—	114	—	167	—
	1,350	—	927	—	1,808	—
Unfunded pension plans						
Germany	560	—	515	—	517	—
Canada	29	290	29	301	33	373
U.S.	32	26	26	25	27	28
Other	172	11	155	9	160	15
	793	327	725	335	737	416
Net liability	\$ 2,143	\$ 327	\$ 1,652	\$ 335	\$ 2,545	\$ 416

The following table presents the allocation of benefit obligation and plan assets by major countries, as at:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Benefit obligation	Plan assets	Benefit obligation	Plan assets	Benefit obligation	Plan assets
Funded pension plans						
Canada	\$ 5,015	\$ 4,189	\$ 4,479	\$ 4,006	\$ 4,823	\$ 3,685
U.K.	3,805	3,731	3,570	3,445	3,121	2,951
U.S.	946	599	750	564	846	513
Other	404	301	431	317	452	285
	10,170	8,820	9,230	8,332	9,242	7,434
Unfunded pension plans						
	1,120	—	1,060	—	1,153	—
	\$ 11,290	\$ 8,820	\$ 10,290	\$ 8,332	\$ 10,395	\$ 7,434

The fair value of plan assets by level of hierarchy, was as follows, as at:

					December 31, 2014			
	Total	Level 1	Level 2	Level 3				
Cash and cash equivalents	\$ 673	\$ 548	\$ 125	\$ —				
Equity securities								
U.S.	931	927	—	4				
U.K.	389	371	18	—				
Canada	359	359	—	—				
Other	1,110	1,110	—	—				
	2,789	2,767	18	4				
Fixed-income securities								
Corporate	1,201	—	1,201	—				
Government	2,642	—	2,642	—				
Other	27	—	27	—				
	3,870	—	3,870	—				
Real return asset securities	911	911	—	—				
Other	577	—	503	74				
	\$ 8,820	\$ 4,226	\$ 4,516	\$ 78				

					December 31, 2013			
	Total	Level 1	Level 2	Level 3				
Cash and cash equivalents	\$ 503	\$ 398	\$ 105	\$ —				
Equity securities								
U.S.	1,022	1,018	—	4				
U.K.	509	489	20	—				
Canada	409	409	—	—				
Other	1,290	1,288	—	2				
	3,230	3,204	20	6				
Fixed-income securities								
Corporate	855	—	855	—				
Government	2,483	—	2,483	—				
Other	23	—	23	—				
	3,361	—	3,361	—				
Real return asset securities	876	876	—	—				
Other	362	—	289	73				
	\$ 8,332	\$ 4,478	\$ 3,775	\$ 79				

					January 1, 2013			
	Total	Level 1	Level 2	Level 3				
Cash and cash equivalents	\$ 215	\$ 90	\$ 125	\$ —				
Equity securities								
U.S.	1,009	1,006	—	3				
U.K.	465	445	20	—				
Canada	446	446	—	—				
Other	1,260	1,258	—	2				
	3,180	3,155	20	5				
Fixed-income securities								
Corporate	970	—	970	—				
Government	2,089	—	2,089	—				
Other	22	—	22	—				
	3,081	—	3,081	—				
Real return asset securities	653	653	—	—				
Other	305	—	238	67				
	\$ 7,434	\$ 3,898	\$ 3,464	\$ 72				

Plan assets did not include any of the Corporation's shares, nor any property occupied by the Corporation or other assets used by the Corporation as at December 31, 2014, 2013 and January 1, 2013.

The following table presents the contributions made for fiscal year 2014 and 2013 as well as the estimated contributions for fiscal year 2015:

	2015	2014	2013
	<i>Estimated</i>		
Contribution to			
Funded pension plans	\$ 296	\$ 342	\$ 440
Unfunded pension plans	24	28	27
Other benefits	17	16	14
Total defined benefits plans	337	386	481
DC pension plans	91	90	87
Total contributions	\$ 428	\$ 476	\$ 568

The following table presents information about the maturity profile of the defined benefit obligation expected to be paid, as at:

	December 31, 2014
Benefits expected to be paid	
Within 1 year	\$ 298
Between 1 and 5 years	1,405
Between 5 and 10 years	2,262
Between 10 and 15 years	2,824
Between 15 and 20 years	3,161
	\$ 9,950

The following table provides the weighted average duration of the defined benefit obligations related to pension plans, as at:

Duration in years as at	December 31, 2014
Funded pension plans	
Canada	17.8
U.S.	15.6
U.K.	20.7
Other	13.9
Unfunded pension plans	
Germany	17.7
Canada	13.7
U.S.	13.7
Other	16.0

The following table provides the expected payments to be made under the unfunded plans, as at December 31, 2014:

	Germany	Other	Total
Benefits expected to be paid			
Within 1 year	\$ 18	\$ 22	\$ 40
Between 1 and 5 years	82	98	180
Between 5 and 10 years	123	145	268
Between 10 and 15 years	158	164	322
Between 15 and 20 years	184	172	356
	\$ 565	\$ 601	\$ 1,166

The significant actuarial assumptions reflect the economic situation of each country. The weighted-average assumptions used to determine the benefit cost and obligation were as follows, as at:

(in percentage)	December 31, 2014		December 31, 2013		January 1, 2013	
	Pension benefits	Other benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit cost						
Discount rate	4.59%	4.97%	4.25%	4.38%	4.44%	4.25%
Rate of compensation increase	3.36%	3.25%	3.35%	3.25%	3.71%	3.50%
Inflation rate	2.34%	2.40%	2.19%	2.00%	2.24%	3.15%
Ultimate health care cost trend rate	n/a	4.98%	n/a	5.00%	n/a	5.00%
Benefit obligation						
Discount rate	3.69%	4.07%	4.59%	4.97%	4.25%	4.38%
Rate of compensation increase	3.26%	3.25%	3.36%	3.25%	3.35%	3.25%
Inflation rate	2.21%	2.05%	2.34%	2.40%	2.19%	3.00%
Initial health care cost trend rate	n/a	6.08%	n/a	6.55%	n/a	7.00%
Ultimate health care cost trend rate	n/a	4.99%	n/a	4.98%	n/a	5.00%

n/a: Not applicable

The mortality tables and the average life expectancy in years of a member at age 45 or 65 is as follows, as at December 31:

(in years)		Life expectancy over 65 for a male member currently			
		Aged 65 on December		Aged 45 on December	
Country	Mortality tables	2014	2013	2014	2013
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using the CMP Improvement Scale B ("CPM-B") ⁽¹⁾	21.6	21.3	22.7	22.9
U.K.	SNA02M_CMI 2010 and S1P(M/F)A CMI 2012 ⁽²⁾	22.0	21.8	23.8	23.9
U.S.	RP-2014 mortality table projected generationally using the MP-2014 improvement scale ⁽³⁾	21.7	19.1	23.4	19.1
Germany	Dr. K Heubeck 2005	20.1	20.0	22.8	22.6

(in years)		Life expectancy over 65 for a female member currently			
		Aged 65 on December		Aged 45 on December	
Country	Mortality tables	2014	2013	2014	2013
Canada	2014 Private Sector Mortality Table ("CPM2014Priv") projected generationally using the CMP Improvement Scale B ("CPM-B") ⁽¹⁾	24.1	23.5	25.1	24.5
U.K.	SNA02M_CMI 2010 and S1P(M/F)A CMI 2012 ⁽²⁾	24.2	24.0	26.2	26.1
U.S.	RP-2014 mortality table projected generationally using the MP-2014 improvement scale ⁽³⁾	23.9	21.0	25.5	21.0
Germany	Dr. K Heubeck 2005	23.9	23.7	26.4	26.2

⁽¹⁾ RPP2014Priv using draft improvement scale A1-2014 (CPM-A1D2014) as at December 31, 2013.

⁽²⁾ S1NA_L CMI 2010 G as at December 31, 2013.

⁽³⁾ PPA mandated mortality table per IRC as at December 31, 2013.

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

Assumption	Retirement benefit cost for fiscal year 2014	Net retirement benefit liability as at December 31, 2014
Discount rate	\$ (34)	\$ (483)
Rate of compensation increase	\$ 8	\$ 89
Inflation rate	\$ 9	\$ 138

A one year additional life expectancy as at December 31, 2014 for all DB plans would increase the net retirement benefit liability by \$272 million and the retirement benefit cost for fiscal year 2014 by \$17 million, all other actuarial assumptions remaining unchanged.

As at December 31, 2014, the health care cost trend rate for retirement benefits other than pension, which is a weighted-average annual rate of increase in the per capita cost of covered health and dental care benefits, is assumed to be 6.08% and to decrease progressively to 4.99% by calendar year 2017 and then remain at that level for all participants. A one percentage point change in assumed health care cost trend rates would have the following effects, as at December 31, 2014 and for fiscal year 2014:

	One percentage point increase	One percentage point decrease
Effect on the net retirement benefit liability	\$ 30	\$ (26)
Effect on the retirement benefit cost	\$ 2	\$ (2)

22. TRADE AND OTHER PAYABLES

Trade and other payables were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Trade payables	\$ 3,037	\$ 2,959	\$ 2,398
Accrued liabilities	566	623	519
Interest	124	116	66
Other	489	391	327
	\$ 4,216	\$ 4,089	\$ 3,310

23. PROVISIONS

Changes in provisions were as follows, for fiscal years 2014 and 2013:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other ⁽¹⁾	Total
Balance as at December 31, 2013	\$ 863	\$ 463	\$ 81	\$ 58	\$ 1,465
Additions	354	51	178 ⁽²⁾	173 ⁽³⁾	756
Utilization	(321)	(50)	(114)	(6)	(491)
Reversals	(58)	(15)	(15)	(15)	(103)
Accretion expense	1	6	—	1	8
Effect of changes in discount rates	(1)	1	—	—	—
Effect of foreign currency exchange rate changes	(65)	—	(13)	(5)	(83)
Balance as at December 31, 2014	\$ 773	\$ 456	\$ 117	\$ 206	\$ 1,552
Of which current	\$ 607	\$ 92	\$ 115	\$ 176	\$ 990
Of which non-current	166	364	2	30	562
	\$ 773	\$ 456	\$ 117	\$ 206	\$ 1,552

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other ⁽¹⁾	Total
Balance as at January 1, 2013	\$ 907	\$ 483	\$ 127	\$ 91	\$ 1,608
Additions	369	77	9	14	469
Utilization	(356)	(64)	(43)	(24)	(487)
Reversals	(71)	(19)	(15)	(25)	(130)
Accretion expense	1	3	—	—	4
Effect of changes in discount rates	(1)	(17)	—	—	(18)
Effect of foreign currency exchange rate changes	14	—	3	2	19
Balance as at December 31, 2013	\$ 863	\$ 463	\$ 81	\$ 58	\$ 1,465
Of which current	\$ 715	\$ 65	\$ 77	\$ 24	\$ 881
Of which non-current	148	398	4	34	584
	\$ 863	\$ 463	\$ 81	\$ 58	\$ 1,465

⁽¹⁾ Includes litigations and claims, as well as environmental liabilities.

⁽²⁾ Includes \$155 million of special items. For more details on the addition related to the BA and BT restructuring charges, see Note 8 – Special items.

⁽³⁾ Includes \$108 million of other provisions related to the pause of the *Learjet 85* program, of which \$71 million is included in special items and the balance is in the impairment charge in special items. For more details on the addition related to the pause of the *Learjet 85* program, see Note 8 – Special items.

24. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Derivative financial instruments ⁽¹⁾	\$ 665	\$ 411	\$ 141
Government refundable advances	363	481	398
Sale and leaseback obligations	260	138	168
Lease subsidies ⁽²⁾	172	142	158
Current portion of long-term debt ⁽³⁾	56	215	45
Vendor non-recurring costs	36	38	53
Other	60	301	93
	\$ 1,612	\$ 1,726	\$ 1,056
Of which current	\$ 1,010	\$ 1,009	\$ 455
Of which non-current	602	717	601
	\$ 1,612	\$ 1,726	\$ 1,056

⁽¹⁾ See Note 13 – Financial instruments.

⁽²⁾ The amount contractually required to be paid is \$206 million as at December 31, 2014 (\$172 million as at December 31, 2013 and \$203 million as at January 1, 2013).

⁽³⁾ See Note 26 – Long-term debt.

Sale and leaseback obligations

The Corporation has set up sale and leaseback facilities, which may be used to sell pre-owned business aircraft. For accounting purposes, amounts outstanding under certain of these arrangements are considered financial obligations secured by the pre-owned business aircraft. The arrangements are generally for a term no longer than 24 months. The Corporation may settle the obligation at any time during the arrangement.

25. OTHER LIABILITIES

Other liabilities were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Employee benefits ⁽¹⁾	\$ 661	\$ 750	\$ 645
Accruals for long-term contract costs	631	630	677
Supplier contributions to aerospace programs	601	529	364
Deferred revenues	450	460	499
Income and other taxes payable	367	368	252
Deferred income taxes ⁽²⁾	—	—	46
Flexjet fractional ownership deferred revenues	—	—	241
Other	568	480	445
	\$ 3,278	\$ 3,217	\$ 3,169
Of which current	\$ 2,182	\$ 2,227	\$ 2,212
Of which non-current	1,096	990	957
	\$ 3,278	\$ 3,217	\$ 3,169

⁽¹⁾ Comprises all employee benefits excluding those related to retirement benefits, which are reported in the line items Retirement benefits and in Other assets (see Note 21 – Retirement benefits).

⁽²⁾ See Note 11 – Income taxes.

26. LONG-TERM DEBT

Long-term debt was as follows, as at:

						December 31 2014	December 31 2013	January 1 2013
	Amount in currency of origin	Currency	Contractual ⁽¹⁾	Interest rate		Amount	Amount	Amount
				After effect of fair value hedges	Maturity			
Senior notes	750	USD	4.25%	n/a	Jan. 2016	\$ 746	\$ 742	\$ —
	650	USD	7.50%	3-month Libor + 4.19	Mar. 2018	686	695	724
	600	USD	4.75%	n/a	Apr. 2019	593	—	—
	850	USD	7.75%	3-month Libor + 4.14	Mar. 2020	922	915	978
	780	EUR	6.13%	3-month Euribor + 2.87 ⁽⁶⁾	May 2021	1,110	1,187	1,183
	500	USD	5.75%	3-month Libor + 3.37	Mar. 2022	504	478	492
	1,200	USD	6.00%	3-month Libor + 3.56	Oct. 2022	1,219	—	—
	1,250	USD	6.13%	3-month Libor + 3.50	Jan. 2023	1,277	1,200	—
	785 ⁽⁵⁾	EUR	7.25%	3-month Libor + 4.83	n/a	—	1,171	1,162
Notes	250	USD	7.45%	n/a	May 2034	248	248	247
	162	USD	6.30%	3-month Libor + 1.59	n/a	—	164	171
Debentures	150	CAD	7.35%	n/a	Dec. 2026	129	140	150
Other ⁽²⁾	Various ⁽³⁾	Various	Various ⁽³⁾	n/a	2015-2026	249	263	298
						\$ 7,683	\$ 7,203	\$ 5,405
Of which current ⁽⁴⁾						\$ 56	\$ 215	\$ 45
Of which non-current						7,627	6,988	5,360
						\$ 7,683	\$ 7,203	\$ 5,405

⁽¹⁾ Interests on long-term debt as at December 31, 2014 are payable semi-annually, except for the other debts for which the timing of interest payments is variable.

⁽²⁾ Includes obligations under finance leases.

⁽³⁾ The notional amount of other long-term debt is \$249 million as at December 31, 2014 (\$263 million as at December 31, 2013 and \$298 million as at January 1, 2013). The contractual interest rate, which represents a weighted average rate, is 4.46% as at December 31, 2014 (4.62% as at December 31, 2013 and 4.65% as at January 1, 2013).

⁽⁴⁾ See Note 24 – Other financial liabilities.

⁽⁵⁾ Repurchased pursuant to an optional redemption exercised in April, 2014.

⁽⁶⁾ The interest-rate swap agreement related to the €780 million Senior Notes was settled in the fourth quarter of fiscal year 2014. As this interest-rate swap was in a fair value hedge relationship, the related deferred gain recorded in the hedged item will be amortized in interest expense up to the maturity of the debt.

n/a: Not applicable

All Senior notes and Notes rank pari-passu and are unsecured. The Corporation is subject to various financial covenants under the BA and BT letter of credit facilities and the two unsecured revolving credit facilities, which must be met on a quarterly basis, see Note 30 - Credit facilities for more details. A breach of any of these agreements or the inability to comply with these covenants could result in a default under these facilities, which would permit the Corporation's banks to request immediate defeasance or cash cover of all outstanding letters of credit, and bond holders and other lenders to declare amounts owed to them to be immediately payable. These conditions were all met as at December 31, 2014 and 2013 and January 1, 2013.

The carrying value of long-term debt includes principal repayments, transaction costs, unamortized discounts and the basis adjustments related to derivatives designated in fair value hedge relationships. The following table presents the contractual principal repayments of the long-term debt, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Within 1 year	\$ 56	\$ 213	\$ 45
Between 1 and 5 years	2,127	2,630	1,358
More than 5 years	5,193	4,130	3,522
	\$ 7,376	\$ 6,973	\$ 4,925

27. SHARE CAPITAL

Preferred shares

The preferred shares authorized were as follows, as at December 31, 2014, and 2013 and January 1, 2013:

	Authorized for the specific series
Series 2 Cumulative Redeemable Preferred Shares	12,000,000
Series 3 Cumulative Redeemable Preferred Shares	12,000,000
Series 4 Cumulative Redeemable Preferred Shares	9,400,000

The preferred shares issued and fully paid were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Series 2 Cumulative Redeemable Preferred Shares	9,692,521	9,692,521	9,692,521
Series 3 Cumulative Redeemable Preferred Shares	2,307,479	2,307,479	2,307,479
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000	9,400,000

Series 2 Cumulative Redeemable Preferred Shares

Redemption: Redeemable, at the Corporation's option, at \$25.50 Cdn per share.

Conversion: Convertible on a one-for-one basis, at the option of the holder, on August 1, 2017 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, then no Series 2 Cumulative Redeemable Preferred Shares may be converted.

Dividend: Since August 1, 2002, the variable cumulative preferential cash dividends are payable monthly on the 15th day of each month, if declared, with the annual variable dividend rate being set between 50% to 100% of the Canadian prime rate, and adjusted as follows. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of Series 2 Cumulative Redeemable Preferred Shares is less than \$24.90 Cdn per share or more than \$25.10 Cdn per share.

Series 3 Cumulative Redeemable Preferred Shares

- Redemption: Redeemable, at the Corporation's option, at \$25.00 Cdn per share on August 1, 2017 and on August 1 of every fifth year thereafter.
- Conversion: Convertible on a one-for-one basis, at the option of the holder, on August 1, 2017 and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that, at such time, there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, then no Series 3 Cumulative Redeemable Preferred Shares may be converted.
- Dividend: For the five-year period from August 1, 2012 and including July 31, 2017, the Series 3 Cumulative Redeemable Preferred Shares carry fixed cumulative preferential cash dividends at a rate of 3.134% or \$0.7835 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of \$0.195875 Cdn, if declared. For each succeeding five-year period, the applicable fixed annual rate of the cumulative preferential cash dividends calculated by the Corporation shall not be less than 80% of the Government of Canada bond yield, as defined in the Articles of Amalgamation.
-

Series 4 Cumulative Redeemable Preferred Shares

- Redemption: The Corporation may, subject to certain provisions, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Cumulative Redeemable Preferred Shares at \$25.00 Cdn.
- Conversion: The Corporation may, subject to the approval of the Toronto Stock Exchange and such other stock exchanges on which the Series 4 Cumulative Redeemable Preferred Shares are then listed, at any time convert all or any of the outstanding Series 4 Cumulative Redeemable Preferred Shares into fully paid and non-assessable Class B Shares (Subordinate Voting) of the Corporation. The number of Class B Shares (Subordinate Voting) into which each Series 4 Cumulative Redeemable Preferred Shares may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to, but excluding the date of conversion, by the greater of \$2.00 Cdn and 95% of the weighted-average trading price of such Class B Shares (Subordinate Voting) on the Toronto Stock Exchange for the period of 20 consecutive trading days, which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day. The Corporation may, at its option, at any time, create one or more further series of Preferred Shares of the Corporation, into which the holders of Series 4 Cumulative Redeemable Preferred Shares could have the right, but not the obligation, to convert their shares on a share-for-share basis.
- Dividend: The holders of Series 4 Cumulative Redeemable Preferred Shares are entitled to fixed cumulative preferential cash dividends, if declared, at a rate of 6.25% or \$1.5625 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of \$0.390625 Cdn per share.
-

Common shares

All common shares are without nominal or par value.

Class A Shares (Multiple Voting)

- Voting rights: Ten votes each.
- Conversion: Convertible, at any time, at the option of the holder, into one Class B Share (Subordinate Voting).
- Dividend: After payment of the priority dividend on the Class B Shares (Subordinate Voting) mentioned below, the Class A Shares (Multiple Voting) shall share equally, share for share, with respect to any additional dividends which may be declared in respect of the Class A Shares (Multiple Voting) and Class B Shares (Subordinate Voting). These dividends, if declared, shall be payable quarterly on the last day of March, June, September and December of each year.
-

Class B Shares (Subordinate Voting)

Voting rights: One vote each.

Conversion: Convertible, at the option of the holder, into one Class A Share (Multiple Voting): (i) if an offer made to Class A (Multiple Voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); or (ii) if such controlling shareholder ceases to hold more than 50% of all outstanding Class A Shares (Multiple Voting) of the Corporation.

Dividend: The holders of Class B Shares (Subordinate Voting) are entitled, in priority to the holders of Class A Shares (Multiple Voting) to non-cumulative dividends of \$0.0015625 Cdn per share, payable quarterly on the last day of March, June, September and December of each year at a rate of \$0.000390625 Cdn per share, if declared. After payment of said priority dividend, the Class B Shares (Subordinate Voting) shall share equally, share for share, with respect to any additional dividends which may be declared in respect of the Class A Shares (Multiple Voting) and the Class B Shares (Subordinate Voting). These dividends, if declared, shall be payable quarterly on the last day of March, June, September and December of each year.

The change in the number of common shares issued and fully paid and in the number of common shares authorized was as follows as at:

Class A Shares (multiple voting)

	December 31, 2014	December 31, 2013
Issued and fully paid		
Balance at beginning of year	314,530,462	314,537,162
Converted to Class B	(257,207)	(6,700)
Balance at end of year	314,273,255	314,530,462
Authorized	1,892,000,000	1,892,000,000

Class B Shares (subordinate voting)

	December 31, 2014	December 31, 2013
Issued and fully paid		
Balance at beginning of year	1,443,496,418	1,440,364,381
Issuance of shares	378,501	3,125,337
Converted from Class A	257,207	6,700
	1,444,132,126	1,443,496,418
Held in trust under the PSU plan		
Balance at beginning of year	(18,736,908)	(24,542,027)
Distributed	—	5,805,119
	(18,736,908)	(18,736,908)
Balance at end of year	1,425,395,218	1,424,759,510
Authorized	1,892,000,000	1,892,000,000

Dividends

Dividends declared were as follows:

	Dividend declared for fiscal years				Dividend declared after	
	December 31, 2014		December 31, 2013		December 31, 2014	
	Total		Total		Total	
	Per share (Cdn\$)	(in millions of U.S.\$)	Per share (Cdn\$)	(in millions of U.S.\$)	Per share (Cdn\$)	(in millions of U.S.\$)
Class A common shares	0.10	\$ 29	0.10	\$ 31	—	\$ —
Class B common shares	0.10	131	0.10	142	—	—
		160		173		—
Series 2 Preferred Shares	0.75	7	0.75	7	0.13	1
Series 3 Preferred Shares	0.78	2	0.78	2	0.20	—
Series 4 Preferred Shares	1.56	13	1.56	14	0.39	4
		22		23		5
	\$	182	\$	196	\$	5

28. SHARE-BASED PLANS

PSU and DSU plans

The Board of Directors of the Corporation approved a PSU plan under which PSUs may be granted to executives and other designated employees. The PSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (Subordinate Voting). The Board of Directors of the Corporation has also approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment. During fiscal year 2014, a combined value of \$53 million of DSUs and PSUs were authorized for issuance (\$52 million during fiscal year 2013).

The number of PSUs and DSUs has varied as follows, for fiscal years:

	2014		2013	
	PSU	DSU	PSU	DSU
Balance at beginning of year	23,596,681	8,169,850	24,179,840	6,673,447
Granted	9,971,382	2,377,003	7,884,242	2,229,555
Performance adjustment	—	—	(1,543,133)	(333,900)
Exercised	—	(500,771)	(5,805,119)	(109,240)
Cancelled	(7,522,127)	(2,379,618)	(1,119,149)	(290,012)
Balance at end of year	26,045,936	7,666,464 ⁽¹⁾	23,596,681	8,169,850 ⁽¹⁾

⁽¹⁾ Of which 2,008,128 DSUs are vested as at December 31, 2014 (2,448,572 as at December 31, 2013).

PSUs and DSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested PSUs and DSUs ranges from 70% to 150%. PSUs and DSUs generally vest three years following the grant date if the financial performance thresholds are met. For grants issued between January 1, 2012 and December 31, 2014, the vesting dates range from August 14, 2015 to August 7, 2017.

The weighted-average grant date fair value of PSUs and DSUs granted during fiscal year 2014 was \$3.38 (\$4.63 during fiscal year 2013). The fair value of each PSUs and DSUs granted was measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange.

From time to time, the Corporation provides instructions to a trustee under the terms of a Trust Agreement to purchase Class B Shares (Subordinate Voting) of the Corporation in the open market (see Note 27 – Share capital) in connection with the PSU plan. These shares are held in trust for the benefit of the beneficiaries until the PSUs become vested or are cancelled. The cost of these purchases has been deducted from share capital.

A compensation revenue of \$3 million was recorded during fiscal year 2014 with respect to the PSU and DSU plans (a compensation expense of \$4 million during fiscal year 2013). The compensation revenue is due to the revision, in the third quarter of fiscal year 2014, of assumptions related to future performance.

Share option plans

Under share option plans, options are granted to key employees to purchase Class B Shares (Subordinate Voting). Of the 135,782,688 Class B Shares (Subordinate Voting) reserved for issuance, 61,068,883 were available for issuance under these share option plans, as at December 31, 2014.

Current share option plan - Effective June 1, 2009, the Corporation amended the share option plan for key employees for options granted after this date. The most significant terms and conditions of the amended plan are as follows:

- The exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted.
- The options vest at the expiration of the third year following the grant date.
- The options terminate no later than seven years after the grant date.

The summarized information on the current share option plan is as follows as at December 31, 2014:

Exercise price range (Cdn\$)	Issued and outstanding			Exercisable	
	Number of options	Weighted-average remaining life (years)	Weighted-average exercise price (Cdn\$)	Number of options	Weighted-average exercise price (Cdn\$)
2 to 4	16,398,065	5.40	3.68	2,065,000	3.45
4 to 6	8,286,637	4.33	4.79	3,476,528	4.72
6 to 8	3,127,022	3.62	7.01	3,127,022	7.01
	27,811,724			8,668,550	

The weighted-average share price of options exercised during fiscal year 2014 was \$3.71 (\$4.68 during fiscal year 2013).

The number of options issued and outstanding under the current share option plan has varied as follows, for fiscal years:

	2014		2013	
	Number of options	Weighted-average exercise price (Cdn\$)	Number of options	Weighted-average exercise price (Cdn\$)
Balance at beginning of year	20,654,419	4.66	15,891,601	4.57
Granted	8,630,184	3.77	5,478,566	4.86
Exercised	(110,000)	3.45	(174,414)	3.45
Cancelled	(1,351,310)	4.62	(541,334)	4.65
Expired	(11,569)	3.45	—	—
Balance at end of year	27,811,724	4.39	20,654,419	4.66
Options exercisable at end of year	8,668,550	5.24	5,783,097	4.24

Performance share option plan - For options issued to key employees after May 27, 2003, and before June 1, 2009, the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted. These options vest at 25% per year during a period beginning one year following the grant date. However, predetermined target market price thresholds must be achieved in order for the options to be exercised. Such options may be exercised if within the 12-month period preceding the date on which such options vest, the weighted-average trading price on the stock exchange (during a period of 21 consecutive trading days) is greater than or equal to the target price threshold established at the time the options were granted. If within such 12-month period, the weighted-average trading price has not been reached, the target price threshold applicable to the next vesting tranche becomes effective. The options terminate no later than seven years after the grant date. As at December 31, 2014, target prices ranged between \$6 Cdn and \$8 Cdn.

The summarized information on the performance share option plan is as follows, as at December 31, 2014:

Exercise price range (Cdn\$)	Issued and outstanding			Exercisable	
	Number of options	Weighted-average target price (Cdn\$)	Weighted-average remaining life (years)	Weighted-average exercise price (Cdn\$)	Number of options
4 to 6	105,000	7.52	0.74	5.75	25,000
8 to 10	3,529,400	8.00	0.63	8.53	—
	3,634,400				25,000

The weighted-average share price of options exercised during fiscal year 2014 was nil (\$4.45 during fiscal year 2013).

The number of options has varied as follows, for fiscal years:

	2014		2013	
	Number of options	Weighted-average exercise price (Cdn\$)	Number of options	Weighted-average exercise price (Cdn\$)
Balance at beginning of year	8,701,338	7.08	12,598,488	6.05
Exercised	—	—	(2,898,350)	3.22
Cancelled	(1,198,000)	8.15	(474,050)	7.00
Expired	(3,868,938)	5.48	(524,750)	3.55
Balance at end of year	3,634,400	8.44	8,701,338	7.08
Options exercisable at end of year	25,000	5.89	4,027,938	5.48

Share-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2014 was \$0.78 per option (\$1.51 per option for fiscal year 2013). The fair value of each option granted was determined using a Black-Scholes option pricing model, which incorporates the share price at the grant date, and the following weighted-average assumptions, for fiscal years:

	2014	2013
Risk-free interest rate	1.52%	1.73%
Expected life	5 years	5 years
Expected volatility in market price of shares	32.32%	43.18%
Expected dividend yield	2.51%	2.50%

A compensation expense of \$5 million was recorded during fiscal year 2014 with respect to share option plans (\$7 million during fiscal year 2013).

Employee share purchase plan

Under the employee share purchase plan, employees of the Corporation are eligible to purchase Class B Shares (Subordinate Voting) of the Corporation up to a maximum of 20% of their base salary to a yearly maximum of \$30,000 Cdn per employee. The Corporation contributes to the plan an amount equal to 20% of the employees' contributions. The contributions are used to purchase the Corporation's Class B Shares (Subordinate Voting) in the open market on monthly investment dates or as otherwise determined by the Corporation, but not less frequently than monthly. The Corporation's contribution to the plan amounted to \$8 million for fiscal year 2014 (\$8 million for fiscal year 2013). Shares purchased by the Corporation are subject to a mandatory 12-month holding period that must be completed at the anniversary date of January 1.

29. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows, for fiscal years:

	2014	2013
Trade and other receivables	\$ (184)	\$ (134)
Inventories	87	(631)
Other financial assets and liabilities, net	184	(15)
Other assets	(175)	(437)
Trade and other payables	327	749
Provisions	169	(161)
Advances and progress billings in excess of long-term contract inventories	(529)	301
Advances on aerospace programs	31	334
Retirement benefits liability	(104)	(8)
Other liabilities	196	361
	\$ 2	\$ 359

30. CREDIT FACILITIES

Letter of credit facilities

The letter of credit facilities and their maturities were as follows, as at:

	Amount committed	Letters of credit issued	Amount available	Maturity
December 31, 2014				
BT facility	\$ 4,249 ⁽¹⁾	\$ 3,573	\$ 676	2018 ⁽²⁾
BA facility	600	261	339	2017 ⁽³⁾
PSG facility	600	327	273	2015 ⁽⁴⁾
	\$ 5,449	\$ 4,161	\$ 1,288	
December 31, 2013				
BT facility	\$ 4,827 ⁽¹⁾	\$ 4,132	\$ 695	2018
BA facility	600	403	197	2016
PSG facility	600	393	207	2014 ⁽⁴⁾
	\$ 6,027	\$ 4,928	\$ 1,099	
January 1, 2013				
BT facility	\$ 4,486 ⁽¹⁾	\$ 3,291	\$ 1,195	2017
BA facility	600	430	170	2015
PSG facility	900	339	561	2013 ⁽⁴⁾
	\$ 5,986	\$ 4,060	\$ 1,926	

⁽¹⁾ €3,500 million as at December 31, 2014 (€3,500 million as at December 31, 2013 and €3,400 million as at January 1, 2013).

⁽²⁾ The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment amount of the facility, plus a one year amortization period during which new letters of credit cannot be issued. The final maturity date of the facility is 2018.

⁽³⁾ The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment of the facility. The facility can be extended annually on the anniversary date for an additional year subject to approval by a majority of the bank syndicate members.

⁽⁴⁾ The PSG facility is renewed and extended annually if mutually agreed. In June 2014, the facility was extended until June 2015 and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

In addition to the outstanding letters of credit shown in the above table, letters of credit of \$1,731 million were outstanding under various bilateral agreements as at December 31, 2014 (\$1,018 million as at December 31, 2013 and \$875 million as at January 1, 2013).

The Corporation also uses numerous bilateral bonding facilities with insurance companies to support BT's operations. An amount of \$2.4 billion was outstanding under such facilities as at December 31, 2014 (\$2.3 billion as at December 31, 2013 and \$2.3 billion as at January 1, 2013).

Revolving credit facilities

The Corporation has a \$750-million unsecured revolving credit facility ("revolving credit facility") that matures in June 2017 and bears interest at the applicable base rate (Libor, in the case of a U.S. dollar cash drawing) plus a margin based on the Corporation's credit ratings. This facility is available for cash drawings for the general working capital needs of the Corporation. In addition, the Corporation has an unsecured revolving credit facility ("BT revolving credit facility") amounting to €500 million (\$607 million), available to BT for cash drawings. The facility matures in March 2016 and bears interest at EURIBOR plus a margin.

Financial covenants

The Corporation is subject to various financial covenants under the BA and BT letter of credit facilities and the two unsecured revolving credit facilities, which must be met on a quarterly basis. The BA letter of credit and revolving credit facility include financial covenants requiring a minimum EBITDA to fixed charges ratio, as well as a maximum net debt to EBITDA ratio, all calculated based on an adjusted consolidated basis i.e. excluding BT. The BT letter of credit and BT revolving credit facility include financial covenants requiring minimum equity as well as a maximum debt to EBITDA ratio, all calculated based on BT stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics as described in Note 31 – Capital management or to the specific terms used in the MD&A. In addition, the Corporation must

maintain a minimum BT liquidity of €600 million (\$728 million) and a minimum BA liquidity of \$500 million at the end of each quarter. These conditions were all met as at December 31, 2014 and 2013 and January 1, 2013.

The Corporation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met.

31. CAPITAL MANAGEMENT

The Corporation's capital management strategy is designed to maintain strong liquidity and to optimize its capital structure in order to reduce costs and improve its ability to seize strategic opportunities. The Corporation analyzes its capital structure using global metrics, which are based on a broad economic view of the Corporation. The Corporation manages and monitors its global metrics such that it can achieve an investment-grade profile.

The Corporation's objectives with regard to its 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 – The following global metrics do not represent the ratios required for bank covenants. A reconciliation of the global metrics to the most comparable IFRS financial measures are provided in the Non-GAAP financial measures section of the MD&A for fiscal year 2014.

	2014	2013
Adjusted EBIT ⁽¹⁾	\$ 1,262	\$ 967
Adjusted interest ⁽²⁾	\$ 401	\$ 346
Adjusted EBIT to adjusted interest ratio	3.1	2.8
Adjusted debt ⁽³⁾	\$ 8,401	\$ 7,912
Adjusted EBITDA ⁽⁴⁾	\$ 1,775	\$ 1,454
Adjusted debt to adjusted EBITDA ratio	4.7	5.4

⁽¹⁾ Represents EBIT before special items plus interest adjustment for operating leases, and interest received as per the supplemental information provided in the consolidated statements of cash flows, adjusted, if needed, for the settlement of fair value hedge derivatives before their contractual maturity dates.

⁽²⁾ Represents 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.

⁽³⁾ Represents long-term debt 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.

⁽⁴⁾ Represents adjusted EBIT plus amortization and impairment charges of PP&E and intangible assets and amortization adjustment for operating leases.

In addition to the above global level metrics, the Corporation separately monitors its net retirement benefit liability which amounted to \$2.5 billion as at December 31, 2014 (\$2.0 billion as at December 31, 2013). The measurement of this liability is dependent on numerous key long-term assumptions such as current discount rates, future compensation increases, inflation rates and mortality rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long-term nature of the obligation. The Corporation closely monitors the impact of the net retirement benefit liability on its future cash flows and has introduced significant risk mitigation initiatives in recent years in this respect.

In order to adjust its capital structure, the Corporation may issue or reduce long-term debt, make discretionary contributions to pension funds, repurchase or issue share capital, or vary the amount of dividends paid to shareholders.

See Note 30 – Credit facilities for a description of bank covenants.

32. FINANCIAL RISK MANAGEMENT

The Corporation is primarily exposed to credit risk, liquidity risk and market risk as a result of holding financial instruments.

Credit risk	Risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Liquidity risk	Risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities.
Market risk	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is primarily exposed to foreign exchange risk and interest rate risk.

Credit risk

The Corporation is exposed to credit risk through its normal treasury activities on its derivative financial instruments and other investing activities. The Corporation is also exposed to credit risk through its trade receivables arising from its normal commercial activities. Credit exposures arising from lending activities relate primarily to aircraft loans and lease receivables provided to BA customers in connection with the sale of commercial aircraft.

The effective monitoring and controlling of credit risks is a key component of the Corporation's risk management activities. Credit risks arising from the treasury activities are managed by a central treasury function in accordance with the Corporate Foreign Exchange Risk Management Policy and Corporate Investment Management Policy (the "Policy"). The objective of the policy is to minimize the Corporation's exposure to credit risk from its treasury activities by ensuring that the Corporation transacts strictly with investment-grade financial institutions and money market funds based on pre-established consolidated counterparty risk limits per financial institution and fund.

Credit risks arising from the Corporation's normal commercial activities, lending activities and under indirect financing support are managed and controlled by the two reportable segments, BA and BT. The main credit exposure managed by the segments arises from customer credit risk. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and the Corporation's experience with the customers. The credit risks and credit limits are dynamically reviewed based on fluctuations in the customer's financial results and payment behaviour.

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

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

Maximum exposure to credit risk – The maximum exposures to credit risk for financial instruments is usually equivalent to their carrying value, as presented in Note 13 – Financial instruments, except for the financial instruments in the table below, for which the maximum exposures were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Aircraft loans and lease receivables	\$ 243	\$ 371	\$ 392
Derivative financial instruments	\$ 514	\$ 690	\$ 656
Investments in securities	\$ 295	\$ 287	\$ 197
Investments in financing structures	\$ 331	\$ 305	\$ 304

Credit quality – The credit quality, using external and internal credit rating system, of financial assets that are neither past due nor impaired is usually investment grade, except for BA receivables, aircraft loans and lease receivables and certain investments in financing structures. BA receivables are usually not externally or internally quoted, however the credit quality of customers are dynamically reviewed and is based on the Corporation's

experience with the customers and payment behaviour. The Corporation usually holds underlying assets or security deposits as collateral or letters of credit for the receivables. The Corporation's customers for aircraft loans and lease receivables are mainly regional airlines with a credit rating below investment grade. The credit quality of the Corporation's aircraft loans and lease receivables portfolio is strongly correlated to the credit quality of the regional airline industry. The financed aircraft is used as collateral to reduce the Corporation's exposure to credit risk.

Refer to Note 37 – Commitment and Contingencies for the Corporation's off-balance sheet credit risk, including credit risk related to support provided for sale of aircraft.

Liquidity risk

The Corporation manages liquidity risk by maintaining detailed cash forecasts, as well as long-term operating and strategic plans. The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of the Corporation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. Liquidity adequacy is continually monitored, taking into consideration historical volatility and seasonal needs, the maturity profile of indebtedness, access to capital markets, the level of customer advances, working capital requirements, the funding of product developments and other financial commitments. The Corporation also monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility. In addition, the Corporation engages in certain working capital financing initiatives such as the sale of receivables, aircraft sale and leaseback transactions and the negotiation of extended payment terms with certain suppliers.

Maturity analysis – The maturity analysis of financial assets and financial liabilities, excluding derivative financial instruments, was as follows, as at December 31, 2014:

	Carrying amount	Undiscounted cash flows (before giving effect to the related hedging instruments)						Total
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	
Cash and cash equivalents	\$ 2,489	\$ 2,489	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,489
Trade and other receivables	\$ 1,538	1,356	54	15	41	4	72	1,542
Other financial assets ⁽¹⁾	\$ 1,330	143	173	98	891	399	60	1,764
Assets		3,988	227	113	932	403	132	5,795
Trade and other payables	\$ 4,216	4,179	2	—	7	—	28	4,216
Other financial liabilities ⁽¹⁾	\$ 891	357	134	77	362	561	—	1,491
Long-term debt								
Principal	\$ 7,683	56	854	1,273	4,796	397	—	7,376
Interest		449	844	735	829	196	—	3,053
Liabilities		5,041	1,834	2,085	5,994	1,154	28	16,136
Net amount		\$ (1,053)	\$ (1,607)	\$ (1,972)	\$ (5,062)	\$ (751)	\$ 104	\$ (10,341)

⁽¹⁾ The carrying amount of other financial assets excludes the carrying amount of derivative financial instruments and the carrying amount of other financial liabilities excludes the carrying amount of derivative financial instruments and the current portion of long-term debt.

Other financial assets include long-term contract receivables. Under the respective agreements, the Corporation will receive incentive payments related to the reliability of manufactured trains. Due to future variations in the relevant index and reassessment of the achievement of the reliability targets, the amounts shown in the table above may vary. Also, termination of a related service contract in case of our non-performance would extinguish our right to future payments.

The Corporation, mainly in BT, negotiated extended payment terms of 240 days after delivery with certain of its suppliers. Trade payables with these extended terms totaled \$372 million and bore interest at a weighted average rate of 2% as at December 31, 2014.

Other financial liabilities include government refundable advances. Under the respective agreements, the Corporation is required to pay amounts to governments at the time of the delivery of aircraft. Due to uncertainty about the number of aircraft to be delivered and the timing of delivery of aircraft, the amounts shown in the table above may vary.

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows, as at December 31, 2014:

	Nominal value (USD equivalent)		Undiscounted cash flows ⁽¹⁾					Total
			Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	
Derivative financial assets								
Forward foreign exchange contracts	\$ 8,669	\$ 278	\$ 47	\$ —	\$ —	\$ —	\$ 325	
Interest-rate derivatives	4,445	114	79	39	18	(24)	226	
	\$ 13,114	\$ 392	\$ 126	\$ 39	\$ 18	\$ (24)	\$ 551	
Derivative financial liabilities								
Forward foreign exchange contracts	\$ 14,156	\$ (619)	\$ (83)	\$ —	\$ —	\$ —	\$ (702)	
Interest-rate derivatives	16	(1)	—	—	—	—	(1)	
	\$ 14,172	\$ (620)	\$ (83)	\$ —	\$ —	\$ —	\$ (703)	
Net amount		\$ (228)	\$ 43	\$ 39	\$ 18	\$ (24)	\$ (152)	

⁽¹⁾ Amounts denominated in foreign currency are translated at the period end exchange rate.

Market risk

Foreign exchange risk

The Corporation is exposed to significant foreign exchange risks in the ordinary course of business through its international operations, in particular to the Canadian dollar, pound sterling, Swiss franc and euro. The Corporation employs various strategies, including the use of derivative financial instruments and by matching asset and liability positions, to mitigate these exposures.

The Corporation's main exposures to foreign currencies are managed by the segments and covered by a central treasury function. Foreign currency exposures are managed in accordance with the Corporation's Foreign Exchange Risk Management Policy (the "FX Policy"). The objective of the FX Policy is to mitigate the impact of foreign exchange movements on the Corporation's consolidated financial statements. Under the FX Policy, potential losses from adverse movements in foreign exchange rates should not exceed pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an unhedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-quarter period. The FX Policy also strictly prohibits any speculative foreign exchange transactions that would result in the creation of an exposure in excess of the maximum potential loss approved by the Board of Directors of the Corporation.

Under the FX Policy, it is the responsibility of the segments' management to identify all actual and potential foreign exchange exposures arising from their operations. This information is communicated to the central treasury group, which has the responsibility to execute the hedge transactions in accordance with the FX Policy.

In order to properly manage their exposures, each segment maintains long-term cash flow forecasts in each currency. BA has adopted a progressive hedging strategy while BT hedges all its identified foreign currency exposures to limit the effect of currency movements on their results. The segments also mitigate foreign currency risks by maximizing transactions in their functional currency for their operations such as material procurement, sale contracts and financing activities.

In addition, the central treasury function manages balance sheet exposures to foreign currency movements by matching asset and liability positions. This program consists mainly in matching the long-term debt in foreign currency with long-term assets denominated in the same currency.

The Corporation mainly uses forward foreign exchange contracts to manage the Corporation's exposure from transactions in foreign currencies and to synthetically modify the currency of exposure of certain balance sheet items. The Corporation applies hedge accounting for a significant portion of anticipated transactions and firm commitments denominated in foreign currencies, designated as cash flow hedges. Notably, the Corporation enters into forward foreign exchange contracts to reduce the risk of variability of future cash flows resulting from forecasted sales and purchases and firm commitments.

The Corporation's foreign currency hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity, consistent with the objective to lock in currency rates on the hedged item.

Sensitivity analysis

Foreign exchange risk arises on financial instruments that are denominated in foreign currencies. The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments recorded in its statement of financial position. The following impact on EBT for fiscal year 2014 is before giving effect to cash flow hedge relationships.

	Variation	Effect on EBT				
		CAD/USD	GBP/USD	EUR/USD	EUR/CHF	Other
Gain (loss)	+10%	\$ 20	\$ 13	\$ 5	\$ 1	(67)

The following impact on OCI for fiscal year 2014 is for derivatives designated in a cash flow hedge relationship. For these derivatives, any change in fair value is mostly offset by the re-measurement of the underlying exposure.

	Variation	Effect on OCI before income taxes				
		CAD/USD	GBP/USD	EUR/USD	EUR/CHF	Other
Gain (loss)	+10%	\$ 235	\$ 77	\$ 35	\$ 88	24

Interest rate risk

The Corporation is exposed to fluctuations in its future cash flows arising from changes in interest rates through its variable-rate financial assets and liabilities including long-term debt synthetically converted to variable interest rate (see Note 26 – Long-term debt). The Corporation is exposed from time to time to changes in interest rates for certain financing commitments, when a financing rate has been guaranteed to a customer in the future. For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. These exposures are predominantly managed by a central treasury function as part of an overall risk management policy, including the use of financial instruments, such as interest-rate swap agreements. Derivative financial instruments used to synthetically convert interest-rate exposures consist mainly of interest-rate swap agreements and cross-currency interest-rate swap agreements.

In addition, the Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risk, through its financial instruments carried at fair value. These financial instruments include certain aircraft loans and lease receivables, certain investments in financing structures, investments in securities, lease subsidies and certain derivative financial instruments.

The Corporation's interest rate hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held to maturity to ensure proper assets/liabilities management matching, consistent with the objective to reduce risks arising from interest rates movements.

Sensitivity analysis

The interest rate risk primarily relates to financial instruments carried at fair value. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, excluding derivative financial instruments in a hedge relationship, as of December 31, 2014 and 2013, the impact on EBT would have been a negative adjustment of \$37 million as at December 31, 2014 (\$68 million as at December 31, 2013).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Methods and assumptions

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

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

Investments in securities – The Corporation uses discounted cash flow models to estimate the fair value of unquoted investments in fixed-income securities, using market data such as interest-rate.

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

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

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

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

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

Long-term contract receivables – The Corporation uses discounted cash flow analyses to estimate the fair value using market data for interest rates.

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

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

Fair value hierarchy

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2014:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	\$ 263	\$ —	\$ —	\$ 263
Derivative financial instruments ⁽¹⁾	528	—	528	—
Investments in securities	317 ⁽²⁾	38	279	—
Investments in financing structures	315	—	150	165
	\$ 1,423	\$ 38	\$ 957	\$ 428
Financial liabilities				
Trade and other payables	\$ (18)	\$ —	\$ —	\$ (18)
Lease subsidies	(172)	—	—	(172)
Derivative financial instruments ⁽¹⁾	(665)	—	(665)	—
	\$ (855)	\$ —	\$ (665)	\$ (190)

⁽¹⁾ Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.

⁽²⁾ Excludes \$13 million of AFS investments carried at cost.

Changes in the fair value of Level 3 financial instruments were as follows, for fiscal years 2014 and 2013:

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies
Balance as at January 1, 2013	\$ 412	\$ 135	\$ —	\$ (158)
Net gains (losses) and interest included in net income ⁽¹⁾	3	2	—	(18)
Issuances	8	—	—	1
Settlements	(35)	(2)	—	33
Balance as at December 31, 2013	388	135	—	(142)
Net gains (losses) and interest included in net income ⁽¹⁾	20	32	—	(19)
Issuances	3	—	(18)	(38)
Settlements	(148)	(2)	—	27
Balance as at December 31, 2014	\$ 263	\$ 165	\$ (18)	\$ (172)

⁽¹⁾ Of which an amount of \$2 million represents realized losses for fiscal year 2014 (\$5 million represents realized gains for fiscal year 2013).

Main assumptions developed internally for Level 3 hierarchy

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

These main assumptions are as follows as at December 31, 2014:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between BB to C (B)	Between BB- to CCC+ (B+)	Between BB- to CCC (B+)
Discount rate adjustments for marketability	Between 3.17% and 5.29% (5.07%)	Between 1.59% and 7.40% (5.78%)	n/a

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

Sensitivity to selected changes of assumptions for Level 3 hierarchy

These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows as at December 31, 2014:

Impact on EBT	Change in fair value recognized in EBT for fiscal year 2014	Change of assumptions		
		Decrease in aircraft residual value curves by 5%	Downgrade the internally assigned credit rating of unrated customers by 1 notch	Increase the marketability adjustments by 100 bps
Gain (loss)				
Aircraft loans and lease receivables	\$ (6)	\$ (4)	\$ (11)	\$ (15)
Investment in financing structures	\$ 21	\$ (4)	\$ (11)	\$ (11)
Lease subsidies	\$ (14)	n/a	\$ 3	n/a

n/a: Not applicable

Fair value hierarchy for items recorded at amortized cost

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

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

The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2014:

	Total	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	\$ 1,538	\$ —	\$ —	\$ 1,538
Other financial assets				
Investments in financing structures	45	—	—	45
Other	388	—	—	388
	\$ 1,971	\$ —	\$ —	\$ 1,971
Financial liabilities				
Trade and other payables	\$ (4,198)	\$ —	\$ —	\$ (4,198)
Long-term debt	(7,692)	—	(7,692)	—
Other financial liabilities				
Government refundable advances	(456)	—	—	(456)
Other	(362)	—	—	(362)
	\$ (12,708)	\$ —	\$ (7,692)	\$ (5,016)

34. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In the normal course of business, the Corporation carries out a portion of its businesses through joint ventures and associates, mainly in BT, none of which are individually material.

The Corporation's aggregate pro rata shares of net income of joint ventures and associates, were as follows, for fiscal years:

	2014	2013
Joint ventures	\$ 72	\$ 91
Associates	17	28
Net income	\$ 89	\$ 119

The Corporation has pledged shares in associates, with a carrying value of \$18 million as at December 31, 2014 (\$12 million as at December 31, 2013 and \$60 million as at January 1, 2013).

35. TRANSACTIONS WITH RELATED PARTIES

The Corporation's related parties are its joint ventures, associates and key management personnel.

Joint ventures and associates

The Corporation buys and sells products and services on arm's length terms with some of its joint ventures and associates in the ordinary course of business. The following table presents the portion of these transactions that is attributable to the interests of the other venturers, and transaction with associates, for fiscal years:

	2014		2013	
	Joint ventures	Associates	Joint ventures	Associates
Sales of products and services, and other income	\$ 128	\$ —	\$ 161	\$ 33
Purchase of products and services, and other expenses	\$ 109	\$ 6	\$ 41	\$ 49

The following table presents the Corporation's outstanding balances with joint ventures and associates, as at:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Joint ventures	Associates	Joint ventures	Associates	Joint ventures	Associates
Receivables	\$ 39	\$ 5	\$ 62	\$ 1	\$ 147	\$ 26
Payables	\$ 6	\$ 6	\$ 14	\$ 10	\$ 8	\$ 28

Compensation paid to key management personnel

The annual remuneration and related compensation costs of the executive and non-executive board members and key Corporate management, defined as the President and Chief Executive Officer of Bombardier Inc., the Presidents and Chief Operating Officers of BA and BT, and the Senior Vice Presidents of Bombardier Inc., were as follows, for fiscal years:

	2014	2013
Share-based benefits	\$ 11	\$ 13
Salaries, bonuses and other short-term benefits	11	13
Retirement benefits	4	5
Other long-term benefits	1	2
	\$ 27	\$ 33

36. UNCONSOLIDATED STRUCTURED ENTITIES

The following table presents the assets and liabilities of unconsolidated structured entities in which the Corporation had a significant exposure, as at:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Financing structures related to the sale of commercial aircraft	\$ 7,380	\$ 4,796	\$ 7,965	\$ 5,452	\$ 8,881	\$ 6,294

The Corporation has provided credit and/or residual value guarantees to certain structured entities created solely to provide financing related to the sale of commercial aircraft.

Typically, these structured entities are financed by third-party long-term debt and by third-party equity investors who benefit from tax incentives. The aircraft serve as collateral for the structured entities long-term debt. The Corporation retains certain interests in the form of credit and residual value guarantees, subordinated debt and residual interests. Residual value guarantees typically cover a percentage of the first loss from a guaranteed value upon the sale of the underlying aircraft at an agreed upon date. The Corporation also provides administrative services to certain of these structured entities in return for a market fee.

The Corporation's maximum potential exposure was \$1.8 billion, of which \$295 million was recorded as provisions and related liabilities as at December 31, 2014 (\$1.8 billion and \$291 million, respectively, as at December 31, 2013 and \$1.9 billion and \$352 million, respectively, as at January 1, 2013). The Corporation's maximum exposure under these guarantees is included in Note 37 – Commitments and contingencies.

The Corporation concluded that it did not control these structured entities.

37. COMMITMENTS AND CONTINGENCIES

The Corporation enters into various sale support arrangements, including credit and residual value guarantees and financing rate commitments, mostly provided in connection with sales of commercial aircraft and related financing commitments. The Corporation is also subject to other off-balance sheet risks described in the following table. These off-balance sheet risks are in addition to the commitments and contingencies described elsewhere in these consolidated financial statements. Some of these off-balance sheet risks are also included in Note 36 – Unconsolidated special purposes entities. The maximum potential exposure does not reflect payments expected to be made by the Corporation.

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

	December 31, 2014	December 31, 2013	January 1, 2013
Aircraft sales			
Residual value (a)	\$ 1,749	\$ 1,828	\$ 1,812
Credit (a)	1,275	1,297	1,218
Mutually exclusive exposure ⁽¹⁾	(628)	(639)	(594)
Total credit and residual value exposure	\$ 2,396	\$ 2,486	\$ 2,436
Trade-in commitments (b)	\$ 2,696	\$ 3,416	\$ 3,098
Conditional repurchase obligations (c)	\$ 204	\$ 472	\$ 489
Other⁽²⁾			
Credit (d)	\$ 48	\$ 48	\$ 47
Performance guarantees (e)	\$ 38	\$ 43	\$ 41

⁽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.

⁽²⁾ The Corporation has also provided other guarantees (see section f) below).

The Corporation's maximum exposure in connection with credit and residual value guarantees related to the sale of aircraft represents the face value of the guarantees before giving effect to the net benefit expected from the estimated value of the aircraft and other assets available to mitigate the Corporation's exposure under these guarantees. Provisions for anticipated losses amounting to \$456 million as at December 31, 2014 (\$463 million as at December 31, 2013 and \$483 million as at January 1, 2013) have been established to cover the risks from these guarantees after considering the effect of the estimated resale value of the aircraft, which is based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balance market in the medium and long-term, and the anticipated proceeds from other assets covering such exposures. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to \$172 million as at December 31, 2014 (\$142 million as at December 31, 2013 and \$158 million as at January 1, 2013). The provisions for anticipated losses are expected to cover the Corporation's total credit and residual value exposure, after taking into account the anticipated proceeds from the sale of underlying aircraft and the extinguishment of certain lease subsidies obligations.

Aircraft sales

a) Credit and residual value guarantees - The Corporation has provided credit guarantees in the form of lease and loan payment guarantees, as well as services related to the remarketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to 2025. Substantially all financial support involving potential credit risk lies with regional airline customers. The credit risk relating to three regional airline customers accounted for 71% of the total maximum credit risk as at December 31, 2014 (70% as at December 31, 2013 and 67% as at January 1, 2013).

In addition, the Corporation may provide a guarantee for the residual value of aircraft at an agreed-upon date, generally at the expiry date of related financing and lease arrangements. The arrangements generally include operating restrictions such as maximum usage and minimum maintenance requirements. The guarantee provides for a contractually limited payment to the guaranteed party, which is typically a percentage of the first loss from a guaranteed value. In most circumstances, a claim under such guarantees may be made only upon resale of the underlying aircraft to a third party.

The following table summarizes the outstanding residual value guarantees, at the earliest exercisable date, and the period in which they can be exercised, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	\$ 56	\$ 64	\$ 41
From 1 to 5 years	777	860	850
From 5 to 10 years	880	872	855
From 10 to 15 years	36	32	66
	\$ 1,749	\$ 1,828	\$ 1,812

b) Trade-in commitments - In connection with the signing of firm orders for the sale of new aircraft, the Corporation enters into specified-price trade-in commitments with certain customers. These commitments give customers the right to trade-in their pre-owned aircraft as partial payment for the new aircraft purchased.

The Corporation's trade-in commitments were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	\$ 687	\$ 1,452	\$ 865
From 1 to 3 years	627	355	869
Thereafter	1,382	1,609	1,364
	\$ 2,696	\$ 3,416	\$ 3,098

c) Conditional repurchase obligations - In connection with the sale of new aircraft, the Corporation enters into conditional repurchase obligations with certain customers. Under these obligations, the Corporation agrees to repurchase the initial aircraft at predetermined prices, during predetermined periods or at predetermined dates, conditional upon mutually acceptable agreement for the sale of a new aircraft. At the time the Corporation enters into an agreement for the sale of a subsequent aircraft and the customer exercises its right to partially pay for the subsequent aircraft by trading-in the initial aircraft to the Corporation, a conditional repurchase obligation is accounted for as a trade-in commitment.

The Corporation's conditional repurchase obligations, as at the earliest exercise date, were as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	\$ 195	\$ 378	\$ 248
From 1 to 3 years	9	94	232
Thereafter	—	—	9
	\$ 204	\$ 472	\$ 489

Other guarantees

d) Credit and residual value guarantees - In connection with the sale of certain transportation rail equipment, the Corporation has provided a credit guarantee of lease payments amounting to \$48 million as at December 31, 2014 (\$48 million as at December 2013 and \$47 million as at January 1, 2013). This guarantee matures in 2025.

e) Performance guarantees - In certain projects carried out through consortia or other partnership vehicles in BT, partners may be jointly and severally liable to the customer for a default by the other partners. In such cases partners would normally provide counter indemnities to each other. These obligations and guarantees typically extend until final product acceptance by the customer and in some cases to the warranty period.

The Corporation's maximum net exposure to projects for which the exposure of the Corporation is capped, amounted to \$38 million as at December 31, 2014 (\$43 million as at December 31, 2013 and \$41 million as at January 1, 2013), assuming all counter indemnities are fully honoured. For projects where the Corporation's exposure is not capped, such exposure has been determined in relation to the Corporation's partners' share of the total contract value. Under this methodology, the Corporation's net exposure is not significant, assuming all counter indemnities are fully honoured. Such joint and several obligations and guarantees have been rarely called upon in the past.

f) Other - In the normal course of its business, the Corporation has entered into agreements that include indemnities in favour of third parties, mostly tax indemnities. These agreements generally do not contain specified limits on the Corporation's liability and therefore, it is not possible to estimate the Corporation's maximum liability under these indemnities.

Operating leases

The Corporation leases buildings and equipment and assumes aircraft operating lease obligations in connection with the sale of new aircraft. Future minimum lease payments, mostly related to buildings and equipment, under non-cancellable operating leases are due as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Within 1 year	\$ 165	\$ 161	\$ 130
Between 1 to 5 years	438	413	247
More than 5 years	512	504	266
	\$ 1,115	\$ 1,078	\$ 643

Rent expense was \$175 million for fiscal year 2014 (\$174 million for fiscal year 2013).

Other commitments

The Corporation also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

	December 31, 2014	December 31, 2013	January 1, 2013
Within 1 year	\$ 7,061	\$ 8,026	\$ 7,062
Between 1 to 5 years	4,141	3,667	3,943
More than 5 years	233	207	361
	\$ 11,435	\$ 11,900	\$ 11,366

The purchase obligations of the Corporation include capital commitments for the purchase of PP&E and intangible assets amounting to \$196 million and \$432 million, respectively, as at December 31, 2014 (\$331 million and \$435 million as at December 31, 2013 and \$292 million and \$356 million as at January 1, 2013).

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 all legal proceedings pending as at December 31, 2014, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

S-Bahn claim

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

This lawsuit alleges damages of an aggregate value of €348 million (\$423 million) related to allegedly defective wheels and braking systems. The claim is for payment of €241 million (\$293 million) and also for a declaratory judgment obliging the Corporation to compensate SB for further damages. SB currently alleges such further damages to be €107 million (\$130 million).

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

The Corporation intends to vigorously defend its position and will undertake all actions necessary to protect its reputation.

Investigation in Brazil

On March 20, 2014, Bombardier Transportation Brasil Ltda (“BT Brazil”), a wholly owned subsidiary of the Corporation, received notice that it was among the 18 companies and over 100 individuals named in administrative proceedings initiated by governmental authorities in Brazil, including the Administrative Council for Economic Protection (“CADE”), and the Sao Paulo Public Prosecutor’s office, following previously disclosed investigations carried on by such governmental authorities with respect to allegations of cartel activity in the public procurement of railway equipment and the construction and maintenance of railway lines in Sao Paulo and other areas.

Companies found to have engaged in unlawful cartel conduct are subject to administrative fines, state actions for repayment of overcharges and potentially disqualification for a certain period. The Corporation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

38. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period, mainly a reclassification from current other assets to non-current other assets.