BOMBARDIER
the evolution of mobility

THIRD QUARTERLY REPORT
Three-month period ended September 30, 2015

GLOSSARY
The following table shows the abbreviations used in this report.

Term	Description	Term	Description
AFS	Available for sale	GDP	Gross domestic product
AOCI	Accumulated other comprehensive income	HFT	Held for trading
BPS	Basis points	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CGU	Cash generating unit	IFRIC	International Financial Reporting Interpretation Committee
CIS	Commonwealth of Independent States	IFRS	International Financial Reporting Standard(s)
DDHR	Derivative designated in a hedge relationship	L&R	Loans and receivables
DSU	Deferred share unit	MD&A	Management's discussion and analysis
EBIT	Earnings (loss) before financing expense, financing income and income taxes	NCI	Non-controlling interests
		NMF	Information not meaningful
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	OCI	Other comprehensive income
		PP&E	Property, plant and equipment
		PSG	Performance security guarantee
EBT	Earnings (loss) before income taxes	PSU	Performance share unit
EIS	Entry-into-service	R&D	Research and development
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	RSU	Restricted share unit
		RVG	Residual value guarantee
FTV	Flight test vehicle	SG&A	Selling, general and administrative
FVTP&L	Fair value through profit and loss	U.K.	United Kingdom
GAAP	Generally accepted accounting principles	U.S.	United States of America

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The data presented in this MD&A is structured by reporting segment: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation, which is reflective of our organizational structure effective as of January 1, 2015.

IFRS and non-GAAP measures

This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure (see the Non-GAAP financial measures and Liquidity and capital resources sections in Overview and each reporting segment's Analysis of results section).

Materiality for disclosures

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

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, guidance, targets, goals, priorities, market and strategies, financial position, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected growth in demand for products and services; product development, including projected design, characteristics, capacity or performance; expected or scheduled entry-into-service of products and services, orders, deliveries, testing, lead times, certifications and project execution in general; competitive position; and the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations; available liquidities and ongoing review of strategic and financial alternatives, the launch and completion of an initial public offering (IPO) or private placement of a minority stake and the proceeds therefrom; the completion of the investment by the Government of Québec in the *C Series* aircraft program (the "Investment") and the use of proceeds therefrom; the impact and expected benefits of an IPO or private placement of a minority stake and the Investment on our operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; the impact of an IPO or private placement of a minority stake on the Corporation's share price, the statement that a carve-out IPO or private placement of a minority stake should help to crystallize share price value, the impact of the sale of equity on our balance sheet and liquidity position, the effect of an IPO or private placement of a minority stake on the range of options available to us, our participation in future rail equipment industry consolidation, the stock exchange on which an IPO would be effected, the capital and governance structure of the Transportation segment following an IPO or private placement of a minority stake, the receipt of required third party, regulatory and other approvals, and the anticipated timing thereof. Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe", "continue", "maintain" or "align", the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require management to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause actual results in future periods to differ materially from forecast results. While management considers their assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry and rail industry, political instability and force majeure), operational risks (such as risks related to developing new products and services; fixed-price commitments and production and project execution; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; the environment; dependence on certain customers and suppliers; human resources), financing risks (such as risks related to liquidity and access to capital markets, retirement benefit plan risk, exposure to credit risk, certain restrictive debt covenants, financing support provided for the benefit of certain customers and reliance on government support), market risks (such as risks related to foreign currency fluctuations, changing interest rates, decreases in residual values and increases in commodity prices), the conditions to completion of the Investment not being satisfied, failure to receive third party, regulatory and other approvals, and changes in the terms of the Investment. For more details, see the Risks and uncertainties section in Other in the MD&A of our financial report for the fiscal year ended December 31, 2014. Certain important assumptions by management in making forward-looking statements include, but are not limited to: the decision to launch an IPO or private placement of a minority stake and the timing, size and successful completion thereof; our ability to consummate an IPO or private placement of a minority stake in favourable market conditions, that ongoing due diligence investigations by the Government of Québec will not identify any materially adverse facts or circumstances; the satisfaction of all conditions to the completion of the Investment; the receipt of required third party, regulatory and other approvals, and our ability to consummate the Investment. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the Guidance and forward-looking statements sections in the MD&A of our financial report for the fiscal year ended December 31, 2014. There can be no assurance that any IPO or private placement of a minority stake, or the Investment or other transaction will be undertaken or completed in whole or in part or of the timing, size and proceeds of any such offering or transaction, which will depend on a number of factors, including prevailing market conditions.

Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect our expectations as at the date of this report and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	**2015**	2014	Variance
Revenues	**$ 4,138**	$ 4,906	(16)%
EBIT	**$ (4,635)**	$ 171	nmf
EBIT margin	**nmf**	3.5%	nmf
EBIT before special items[1]	**$ 75**	$ 291	(74)%
EBIT margin before special items[1]	**1.8 %**	5.9%	(410) bps
Net income (loss)	**$ (4,888)**	$ 74	nmf
Diluted EPS (in dollars)	**$ (2.20)**	$ 0.03	nmf
Adjusted net income[1]	**$ 2**	$ 222	(99)%
Adjusted EPS (in dollars)[1]	**$ 0.00**	$ 0.12	(100)%
Net additions to PP&E and intangible assets	**$ 501**	$ 444	13 %
Free cash flow usage[1]	**$ (816)**	$ (368)	(122)%
As at	**September 30, 2015**	December 31, 2014	
Order backlog (in billions of dollars)	**$ 61.8**	$ 69.1	(11)%
Available short-term capital resources[2]	**$ 3,654**	$ 3,846	(5)%

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures and Liquidity and capital resources sections for definitions of these metrics and reconciliations to the most comparable IFRS measures.
[2] Defined as cash and cash equivalents plus the amount available under the revolving credit facilities.

Key events

- Subsequent to the end of the third quarter, in October 2015, we entered into a memorandum of understanding with the Government of Québec, who will invest $1.0 billion in the *C Series* aircraft program in return for a 49.5% equity stake in a newly created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will carry on the operations related to our *C Series* aircraft program and will be consolidated in our financial results. The investment also includes the issuance of warrants to the Government of Québec, exercisable to acquire up to 200,000,000 Class B Shares (subordinate voting) in the capital of Bombardier Inc. The disbursement of the investment and issuance of the warrants is expected in the second quarter of 2016, subject to the closing conditions. The Government of Québec's interest in the partnership will be redeemable in certain circumstances. Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec, which resulted in the memorandum of understanding, Commercial Aircraft recorded a charge of $3.2 billion in special items in the third quarter of 2015, mainly related to the impairment of aerospace program tooling. We continue to believe that the *C Series* aircraft program meets specific market requirements and that it has long-term market potential.
- Subsequent to the end of the third quarter, on October 28, 2015, due to the lack of sales following the prolonged market weakness, we canceled the *Learjet 85* aircraft program. Business Aircraft recorded a charge of $1.2 billion in special items in the third quarter of 2015, mainly related to the impairment of the remaining *Learjet 85* development costs as well as to an increase in other provisions. We remain committed to the *Learjet* family of aircraft.
- The previously announced placement of a minority stake in Bombardier Transportation is progressing well. Following the placement, Bombardier Transportation will continue to be controlled by Bombardier Inc. and consolidated in our financial results.
- In August 2015 John Di Bert became Senior Vice President and Chief Financial Officer, Bombardier Inc.
- In September 2015 Nico Buchholz became Senior Vice President and Chief Procurement Officer, Bombardier Inc.

2015 LIQUIDITY GUIDANCE

In the first quarter of 2015, in the context of the new organizational structure, we conducted a benchmark analysis of disclosures. Following this analysis, we decided to change the liquidity guidance by business segment to a consolidated one. Consequently, the segmented liquidity guidance for 2015 provided in our 2014 Financial Report was withdrawn.

In the fourth quarter of 2015, we expect positive consolidated free cash flow, resulting in an anticipated consolidated free cash flow usage between $1.9 billion and $2.2 billion for the year ending December 31, 2015.

CONSOLIDATED RESULTS OF OPERATIONS

The results of operations and cash flows for the three- and nine-month periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year.

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Revenues	**$ 4,138**	$ 4,906	**$ 13,155**	$ 14,151
Cost of sales	**3,721**	4,226	**11,583**	12,220
Gross margin	**417**	680	**1,572**	1,931
SG&A	**284**	315	**857**	1,007
R&D	**78**	80	**236**	235
Share of income of joint ventures and associates	**(19)**	(14)	**(53)**	(64)
Other expense (income)	**(1)**	8	**(6)**	(14)
EBIT before special items[1]	**75**	291	**538**	767
Special items	**4,710**	120	**4,719**	132
EBIT	**(4,635)**	171	**(4,181)**	635
Financing expense	**129**	66	**326**	185
Financing income	**(12)**	(15)	**(52)**	(59)
EBT	**(4,752)**	120	**(4,455)**	509
Income taxes	**136**	46	**208**	165
Net income (loss)	**$ (4,888)**	$ 74	**$ (4,663)**	$ 344
Attributable to				
Equity holders of Bombardier Inc.	**$ (4,891)**	$ 68	**$ (4,668)**	$ 334
NCI	**$ 3**	$ 6	**$ 5**	$ 10
EPS (in dollars)				
Basic and diluted	**$ (2.20)**	$ 0.03	**$ (2.30)**	$ 0.18
(as a percentage of total revenues)				
EBIT before special items[1]	**1.8%**	5.9%	**4.1%**	5.4%
EBIT	**nmf**	3.5%	**nmf**	4.5%

Non-GAAP financial measures[1]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
EBITDA	**$ (527)**	$ 276	**$ 138**	$ 936
EBITDA before special items	**$ 179**	$ 396	**$ 853**	$ 1,068
Adjusted net income	**$ 2**	$ 222	**$ 317**	$ 565
Adjusted EPS	**$ 0.00**	$ 0.12	**$ 0.14**	$ 0.31

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

Reconciliation of segment to consolidated results

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014 [1]	**2015**	2014 [1]
Revenues				
Business Aircraft	**$ 1,558**	$ 1,640	**$ 4,910**	$ 4,738
Commercial Aircraft	**480**	787	**1,751**	2,020
Aerostructures and Engineering Services	**411**	444	**1,354**	1,397
Transportation	**1,985**	2,336	**6,117**	6,983
Corporate and eliminations	**(296)**	(301)	**(977)**	(987)
	$ 4,138	$ 4,906	**$ 13,155**	$ 14,151
EBIT before special items[2]				
Business Aircraft	**$ 54**	$ 103	**$ 280**	$ 325
Commercial Aircraft	**(63)**	13	**(83)**	33
Aerostructures and Engineering Services	**30**	33	**113**	75
Transportation	**109**	162	**342**	415
Corporate and eliminations	**(55)**	(20)	**(114)**	(81)
	$ 75	$ 291	**$ 538**	$ 767
Special Items				
Business Aircraft	**$ 1,169**	$ 35	**$ 1,180**	$ 45
Commercial Aircraft	**3,561**	18	**3,560**	16
Aerostructures and Engineering Services	**—**	10	**(1)**	14
Transportation	**—**	57	**—**	57
Corporate and eliminations	**(20)**	—	**(20)**	—
	$ 4,710	$ 120	**$ 4,719**	$ 132
EBIT				
Business Aircraft	**$ (1,115)**	$ 68	**$ (900)**	$ 280
Commercial Aircraft	**(3,624)**	(5)	**(3,643)**	17
Aerostructures and Engineering Services	**30**	23	**114**	61
Transportation	**109**	105	**342**	358
Corporate and eliminations	**(35)**	(20)	**(94)**	(81)
	$ (4,635)	$ 171	**$ (4,181)**	$ 635

[1] Financial results for the three- and nine-month periods ended September 30, 2014 have been reclassified to conform with current period presentation. See Reclassification at the beginning of each reporting segment for more details.
[2] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and each reporting segment's Analysis of results section for reconciliations to the most comparable IFRS measure.

Analysis of consolidated results

A detailed analysis of revenues and EBIT is provided in each reporting segment's Analysis of results section.

Special items

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

Special items were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2015**	2014	**2015**	2014
Impairment and other charges - *C Series* aircraft program	1	**$ 3,235**	$ —	**$ 3,235**	$ —
Impairment and other charges - *Learjet 85* aircraft program	2	**1,163**	—	**1,163**	—
Changes in estimates and fair value	3	**353**	—	**353**	—
Loss on repurchase of long-term debt	4	**—**	—	**22**	43
Restructuring charge	5	**—**	120	**9**	142
Gain on resolution of a litigation	6	**—**	—	**—**	(18)
Tax impacts of special items	7	**106**	(9)	**106**	(11)
		$ 4,857	$ 111	**$ 4,888**	$ 156
Of which is presented in					
Special items in EBIT		**$ 4,710**	$ 120	**$ 4,719**	$ 132
Financing expense - loss on financial instruments	3	**41**	—	**41**	—
Financing expense - loss on repurchase of long-term debt	4	**—**	—	**22**	43
Financing income - interests related to the resolution of a litigation	6	**—**	—	**—**	(8)
Income taxes - effect of special items	7	**106**	(9)	**106**	(11)
		$ 4,857	$ 111	**$ 4,888**	$ 156

1. The amounts for the three- and nine-month periods ended September, 30, 2015 represent an impairment charge of $3.1 billion on aerospace program tooling, and inventory write-downs and other provisions of $165 million, following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the October 2015 memorandum of understanding. The special item includes a credit of $14 million in Corporate and eliminations.
2. The amounts for the three- and nine-month periods ended September, 30, 2015 represent an impairment charge of $919 million on aerospace program tooling (including a credit of $6 million in Corporate and eliminations), inventory write-downs, write-downs of other assets and PP&E, other provisions and other financial liabilities of $244 million, as a result of the cancellation of the *Learjet 85* aircraft program due to the lack of sales following the prolonged market weakness.
3. The amounts for the three- and nine-month periods ended September, 30, 2015 represent an increase in provisions for credit and RVGs as a result of changes in assumptions concerning residual value curves of regional aircraft due to difficult market conditions for regional pre-owned aircraft and a higher probability that the guaranteed party will exercise the RVG given the recent experience with respect to RVG guarantees and a loss on certain financial instruments due to changes in estimated fair value.
4. The amount for the nine-month period ended September, 30, 2015 represents the loss related to the redemption of the $750-million Senior Notes. The amount for the nine-month period ended September 30, 2014 represents the loss related to the redemption of the €785-million ($1,093-million) Senior Notes.

5. The amount for the nine-month period ended September 30, 2015 represents restructuring charges of $13 million related to the workforce reduction announced in January 2015 of approximately 1,000 positions, located mostly in Querétaro, Mexico and Wichita, U.S., as a result of the decision to pause the *Learjet 85* aircraft program, and a reversal of restructuring provisions taken in prior year of $4 million. The amounts for the three- and nine-month periods ended September 30, 2014 include restructuring charges of $120 million related to the workforce reduction announced in July 2014, of which $63 million relates to the Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services and $57 million relates to Transportation. The amount for the nine-month period ended September 30, 2014 also includes a restructuring charge of $22 million related to the Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services workforce reduction announced in January 2014 of approximately 1,700 positions, located mostly in Canada and the U.S.
6. Represents a gain at Business Aircraft and Commercial Aircraft upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital, of which $8 million represents the interest portion of the gain for the nine-month period ended September 30, 2014.
7. The amounts for the three- and nine-month periods ended September, 30, 2015 represent net write-downs of deferred income tax assets, mainly due to the reorganization and consolidation of Bombardier Transportation under one holding entity necessary to facilitate the planned placement of a minority stake in Bombardier Transportation. This item has a significant impact on the effective income tax rates.

Net financing expense

Net financing expense amounted to $117 million and $274 million, respectively, for the three- and nine-month periods ended September 30, 2015, compared to $51 million and $126 million for the corresponding periods last fiscal year.

The $66-million increase for the three-month period is mainly due to:
- a higher net loss related to certain financial instruments classified as FVTP&L ($31 million), due to special item losses of $41 million as a result of changes in estimated fair value; and
- higher interest on long-term debt, after the effect of hedges ($30 million).

The $148-million increase for the nine-month period is mainly due to:
- a higher net loss related to certain financial instruments classified as FVTP&L ($67 million), mainly due to special item losses of $41 million as a result of changes in estimated fair value; and
- higher interest on long-term debt, after the effect of hedges ($65 million).

Partially offset by:
- a lower loss on repurchase of long-term debt ($21 million).

Income taxes

The effective income tax rates for the three- and nine-month periods ended September 30, 2015 were (2.9)% and (4.7)%, respectively, compared to the statutory income tax rate in Canada of 26.8%. The negative effective income tax rates are due to the net write-downs of deferred income tax assets, mainly due to the reorganization and consolidation of Bombardier Transportation under one holding entity necessary to facilitate the planned placement of a minority stake in Bombardier Transportation (recorded as a special item), and the net non-recognition of tax benefits related to tax losses and temporary differences, partially offset by the positive impacts of the income tax rate differential of foreign subsidiaries.

The effective income tax rates for the three- and nine-month periods ended September 30, 2014 were 38.3% and 32.4%, respectively, compared to the statutory income tax rate in Canada of 26.8%. For the three-month period, the higher effective income tax rate was mainly due to the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences, partially offset by permanent differences. For the nine-month period, the higher effective income tax rate was mainly due to the negative impact of the net non-recognition of income tax benefits related to tax losses and temporary differences.

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow usage[1]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Net income (loss)	**$ (4,888)**	$ 74	**$ (4,663)**	$ 344
Non-cash items				
Amortization	**104**	105	**315**	301
Impairment charges on PP&E and intangible assets	**4,004**	—	**4,004**	—
Deferred income taxes	**104**	11	**118**	59
Share of income of joint ventures and associates	**(19)**	(14)	**(53)**	(64)
Loss on repurchase of long-term debt	**—**	—	**22**	43
Other	**5**	(12)	**11**	(5)
Dividends received from joint ventures and associates	**32**	1	**59**	63
Net change in non-cash balances[2]	**343**	(89)	**(863)**	(979)
Cash flows from operating activities	**(315)**	76	**(1,050)**	(238)
Net additions to PP&E and intangible assets	**(501)**	(444)	**(1,319)**	(1,469)
Free cash flow usage[1]	**(816)**	(368)	**(2,369)**	(1,707)
Net interest and income taxes paid	**(168)**	(107)	**(396)**	(216)
Free cash flow usage before net interest and income taxes paid[1]	**$ (648)**	$ (261)	**$ (1,973)**	$ (1,491)

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics.
[2] Net change in non-cash balances before special items excluding impairment charges on PP&E and intangible assets for the three- and nine-month periods ended September 30, 2015 amounted to outflows of $363 million and $1,578 million, respectively (outflows of $209 million and $1,111 million, respectively, for the three- and nine-month periods ended September 30, 2014). For the amounts of special items excluding impairment charges on PP&E and intangible assets refer to the Reconciliation of EBITDA before special items and EBITDA to EBIT table in Non-GAAP financial measures.

The $448-million deterioration of free cash flow usage for the three-month period is mainly due to:
- lower net income before non-cash items and special items excluding impairment charges on PP&E and intangible assets ($268 million)
- a negative period-over-period variation in net change in non-cash balances before special items excluding impairment charges on PP&E and intangible assets ($154 million) (see explanation below); and
- higher net additions to PP&E and intangible assets ($57 million).

The $662-million deterioration of free cash flow usage for the nine-month period is mainly due to:
- a negative period-over-period variation in net change in non-cash balances before special items excluding impairment charges on PP&E and intangible assets ($467 million) (see explanation below); and
- lower net income before non-cash items and special items excluding impairment charges on PP&E and intangible assets ($341 million).

Partially offset by:
- lower net additions to PP&E and intangible assets ($150 million) mainly in the *Learjet 85* aircraft program.

Net change in non-cash balances
For the three-month period ended September 30, 2015, the $363-million outflow before special items excluding impairment charges on PP&E and intangible assets is mainly due to:
- a decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries in the large business aircraft category; and
- an increase in Transportation’s inventories following ramp-up of production ahead of deliveries.

Partly offset by:
- an increase in Transportation’s advances and progress billings on existing contracts and new orders; and
- a decrease in aerospace program inventories in all business aircraft categories but mainly in the large and light business aircraft categories partly offset by an increase in Commercial Aircraft inventories.

For the three-month period ended September 30, 2014, the $209-million outflow before special items excluding impairment charges on PP&E and intangible assets was mainly due to:

- a reduction in Transportation's advances and progress billings on existing contracts following deliveries in several contracts;
- an increase in Business Aircraft pre-owned aircraft inventories;
- an increase in Transportation's trade and other receivables following deliveries in several contracts;
- an increase in Transportation's inventories following ramp-up of production ahead of deliveries; and
- contributions to retirement benefit plans in aerospace segments.

Partially offset by:

- a net increase in advances on aerospace programs, mainly in Business Aircraft;
- a decrease in finished product and aerospace program inventories, mainly in regional jets;
- a reduction in Transportation's other financial assets and liabilities; and
- an increase in Transportation's trade and other payables partly offset by lower trade and other payables in all aerospace segments but mainly Business Aircraft.

For the nine-month period ended September 30, 2015, the $1.6-billion outflow before special items excluding impairment charges on PP&E and intangible assets is mainly due to:

- a decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries in all aircraft categories but mainly in the large and medium business aircraft categories;
- an increase in Transportation's inventories following ramp-up of production ahead of deliveries;
- an increase in aerospace program inventories mainly in the medium and large business aircraft categories; and
- a decrease in trade and other payables mainly related to Transportation segment.

Partly offset by:

- an increase in Transportation's advances and progress billings on existing contracts and new orders;
- a decrease in trade and other receivables mainly related to the Transportation segment; and
- a decrease in Business Aircraft finished product inventories mainly in pre-owned aircraft inventories.

For the nine-month period ended September 30, 2014, the $1.1-billion outflow before special items excluding impairment charges on PP&E and intangible assets was mainly due to:

- an increase in Transportation's inventories following ramp-up of production ahead of deliveries;
- an increase in Transportation's trade and other receivables;
- an increase in Business Aircraft's finished product inventories, mainly in the medium and light categories, as well as in pre-owned business aircraft, partially offset by lower finished product inventories in Commercial Aircraft;
- an increase in aerospace program inventories, mainly in the large business aircraft category;
- a reduction in Transportation's other liabilities; and
- contributions to retirement benefit plans in aerospace segments.

Partially offset by:

- a net increase in advances on aerospace programs, mainly in the medium business aircraft category and in Commercial Aircraft, partially offset by lower advances for the large business aircraft category;
- an increase in Transportation's advances and progress billings on existing contracts and new orders;
- a reduction in Transportation's other financial assets and liabilities; and
- an increase in Transportation's trade and other payables partially offset by a decrease in all aerospace segments but mainly in Business Aircraft.

Variation in cash and cash equivalents

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Balance at the beginning of period	**$ 3,105**	$ 2,476	**$ 2,489**	$ 3,397
Free cash flow (usage)[1]	**(816)**	(368)	**(2,369)**	(1,707)
Net proceeds from issuance of long-term debt	**—**	5	**2,218**	1,815
Net proceeds from issuance of shares	**—**	—	**822**	—
Repayments of long-term debt	**(12)**	(10)	**(816)**	(1,318)
Proceeds from investment in financing structure	**150**	—	**150**	—
Effect of exchange rate changes on cash and cash equivalents	**(44)**	(117)	**(68)**	(69)
Dividends paid	**(4)**	(45)	**(14)**	(137)
Net variation in AFS investments in securities	**54**	—	**(10)**	(53)
Purchase of Class B shares held in trust under the RSU plan	**(9)**	—	**(9)**	—
Net proceeds from disposal of a business[2]	**—**	—	**—**	25
Other	**(80)**	(6)	**(49)**	(18)
Balance at the end of period	**$ 2,344**	$ 1,935	**$ 2,344**	$ 1,935

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for definition of this metric and the Free cash flow usage table above for reconciliation to the most comparable IFRS measure.
[2] Represents the balance of sale price related to the sale of the main assets and related liabilities of our Flexjet activities.

Available short-term capital resources

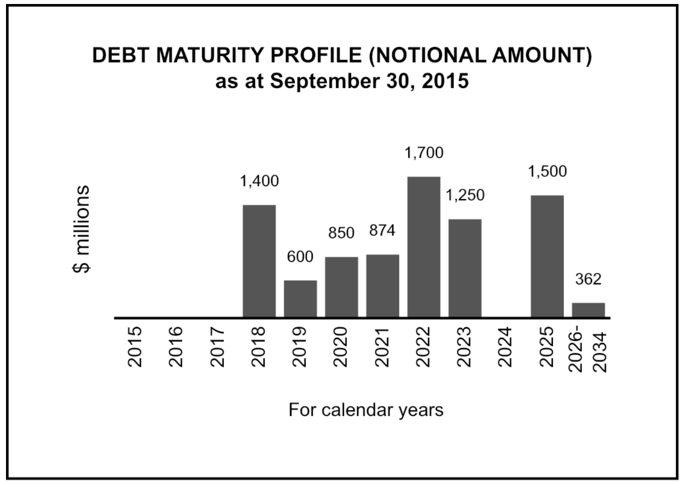
	September 30, 2015	December 31, 2014
Cash and cash equivalents	**$ 2,344**	$ 2,489
Available revolving credit facility	**1,310**	1,357
Available short-term capital resources	**$ 3,654**	$ 3,846

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

On February 27, 2015, we announced the closing of a public offering, with an over-allotment option having been exercised in full for an aggregate of 487,840,350 subscription receipts at a price of $2.21 Canadian dollars per subscription receipt for aggregate gross proceeds of $1.1 billion Canadian dollars, or $868 million. The net proceeds of the offering are to be used for general corporate purposes. Following the adoption of a resolution to increase the number of authorized Class A and Class B shares of the Corporation effective on March 27, 2015, the subscription receipts were converted into Class B common shares and the proceeds of issuance were released to the Corporation.

On March 13, 2015, we issued a $2.25-billion aggregate amount of unsecured Senior Notes, comprised of $750 million of notes bearing interest at 5.50% due on September 15, 2018 and $1.5 billion of notes bearing interest at 7.50% due on March 15, 2025.

Pursuant to an optional early redemption, on April 29, 2015, a portion of the proceeds from the Senior Notes were used to finance the redemption of the $750-million Senior Notes bearing interest at 4.25% due in January 2016. The remainder was used to pay fees and expenses related to this offering and for general corporate purposes.



In March 2015, we extended the availability periods of Transportation's €3.5-billion ($3.9-billion) and the $600-million[(1)] letter of credit facilities by one year to May 2018 and June 2018, respectively. The maturity dates of Transportation's €500-million ($560-million) and the $750-million[(1)] unsecured revolving credit facilities were also extended by one year to March 2017 and June 2018, respectively. In June 2015, Transportation's €3.5-billion ($3.9-billion) committed amount increased to €3.64 billion ($4.1 billion). Also, in June 2015, we extended the availability period of the PSG facility to August 2016.

Pursuant to the financing plan announced in the first quarter of 2015, the minimum liquidity required at the end of each fiscal quarter to meet the financial covenants related to the $600-million letter of credit facility[(1)] and $750-million unsecured revolving facility[(1)] has increased from $500 million to $750 million. Transportation's €3.64-billion ($4.1-billion) letter of credit and €500-million ($560-million) unsecured revolving facilities continue to require a minimum liquidity level of €600 million ($672 million). Minimum liquidity is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

We have launched the Bombardier transformation plan focusing on three priorities: improve cash generation, reduce costs and drive performance. We have identified and quantified opportunities within each business segment. The transformation plan is transitioning to the execution phase. We are working with our internal and external suppliers to reduce product cost and implementing tighter controls of our working capital through better synchronization of our supply chain. We are also using our cash more effectively, particularly when it comes to consumables, discretionary spend and capital investments. This transformation plan will give us the momentum to raise our level of operational performance.

Subsequent to the end of the third quarter, in October 2015, we entered into a memorandum of understanding with the Government of Québec, who will invest $1.0 billion in the *C Series* aircraft program in return for a 49.5% equity stake in a newly created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will carry on the operations related to our *C Series* aircraft program and will be consolidated in our financial results. The investment also includes the issuance of warrants to the Government of Québec, exercisable to acquire up to 200,000,000 Class B Shares (subordinate voting) in the capital of Bombardier Inc. The disbursement of the investment and issuance of the warrants is expected in the second quarter of 2016, subject to the closing conditions. The proceeds of the investment will be used entirely for the cash flow purposes of the *C Series* aircraft program. The Government of Québec's interest in the partnership will be redeemable in certain circumstances.

We consider that our expected cash flows from operating activities, combined with our available short-term capital resources of $3.7 billion and our partnership with the Government of Québec who will invest $1.0 billion in the *C Series* program as well as other opportunities coming from our various initiatives, including our planned placement of a minority stake in Bombardier Transportation and our transformation plan, will enable the development of new products to enhance competitiveness and support growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable us to meet all other expected financial requirements in the foreseeable future.

[(1)] Available for other than Transportation's usage.

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation, in order to assess the creditworthiness of the Corporation. These global metrics are managed and monitored so as to achieve an investment-grade profile.

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

Our objectives with regard to 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.

Interest coverage ratio

For the four quarter trailing periods ended	**September 30, 2015**	December 31, 2014
Adjusted EBIT[(1)]	**$ 944**	$ 1,262
Adjusted interest[(1)]	**$ 500**	$ 401
Adjusted EBIT to adjusted interest ratio	**1.9**	3.1

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

The interest coverage ratio deteriorated as a result of:

- lower adjusted EBIT, mainly due to lower EBIT before special items (see each reporting segment's Analysis of results section for details) and lower interest received as a result of the interest portion related to the settlement of a cross-currency interest-rate swap recognized in the second quarter of 2014; and
- higher adjusted interest, mainly due to interest paid on unsecured Senior Notes issued in March 2015.

Financial leverage ratio

As at and for the four quarter trailing periods ended	**September 30, 2015**	December 31, 2014
Adjusted debt[(1)]	**$ 9,473**	$ 8,401
Adjusted EBITDA[(1)]	**$ 1,443**	$ 1,775
Adjusted debt to adjusted EBITDA ratio	**6.6**	4.7

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

The financial leverage ratio deteriorated as a result of:

- lower adjusted EBITDA, mainly due to lower adjusted EBIT (see variance explanation above); and
- higher adjusted debt, due to the issuance of $2.25 billion of unsecured Senior Notes in March 2015, partially offset by the optional redemption in April 2015 of $750 million of Senior Notes due in January 2016.

These global metrics do not represent the calculations required for bank covenants. They represent our key business metrics and as such are used to analyze our capital structure. For compliance purposes, we regularly monitor our bank covenants to ensure that they are all met.

In addition to the above global metrics, management separately monitors our net retirement benefit liability which amounted to $2.2 billion as at September 30, 2015 ($2.5 billion as at December 31, 2014). The measurement of this liability is dependent on numerous key long-term assumptions such as 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. Management closely monitors the impact of the net retirement benefit liability on our future cash flows and has introduced significant risk mitigation initiatives in recent years to gradually reduce risks associated with the retirement benefit plans. The $233-million decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability

Balance as at December 31, 2014	$	2,470 [1]
Actuarial losses on pension plan assets		293
Changes in discount rates		(237)
Other net actuarial gains on defined benefit obligations		(131)
Current service costs		221
Changes in foreign exchange rates		(215)
Employer contributions		(213)
Accretion on net retirement benefit obligation		55
Other		(6)
Balance as at September 30, 2015	**$**	**2,237** [1]

[1] Includes retirement benefit assets of $204 million as at September 30, 2015 ($159 million as at December 31, 2014).

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

- EBIT before special items to EBIT – see the Results of operations tables in the reporting segments and Consolidated results of operations section; and
- free cash flow usage before net interest and income taxes paid and free cash flow usage to cash flows from operating activities – see the Free cash flow usage table in the Liquidity and capital resources section.

Reconciliation of EBITDA before special items and EBITDA to EBIT

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
EBIT	**$ (4,635)**	$ 171	**$ (4,181)**	$ 635
Amortization	**104**	105	**315**	301
Impairment charges on PP&E and intangible assets[1]	**4,004**	—	**4,004**	—
EBITDA	**(527)**	276	**138**	936
Special items excluding impairment charges on PP&E and intangible assets[1]	**706**	120	**715**	132
EBITDA before special items	**$ 179**	$ 396	**$ 853**	$ 1,068

Reconciliation of adjusted net income to net income

	Three-month periods ended September 30			
	2015		2014	
		(per share)		(per share)
Net income (loss)	**$ (4,888)**		$ 74	
Adjustments to EBIT related to special items[1]	**4,710**	**$ 2.11**	120	$ 0.07
Adjustments to net financing expense related to:				
Accretion on net retirement benefit obligations	**18**	**0.01**	19	0.01
Net change in provisions arising from changes in interest rates and net loss on certain financial instruments[1]	**57**	**0.03**	20	0.02
Tax impact of special and other adjusting items[1]	**105**	**0.05**	(11)	(0.01)
Adjusted net income	**$ 2**		$ 222	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended September 30	
	2015	2014
Diluted EPS	**$ (2.20)**	$ 0.03
Impact of special and other adjusting items[1]	**2.20**	0.09
Adjusted EPS	**$ 0.00**	$ 0.12

Reconciliation of adjusted net income to net income

	Nine-month periods ended September 30			
	2015		2014	
		(per share)		(per share)
Net income (loss)	**$ (4,663)**		$ 344	
Adjustments to EBIT related to special items[1]	**4,719**	**$ 2.31**	132	$ 0.08
Adjustments to net financing expense related to:				
Accretion on net retirement benefit obligations	**55**	**0.03**	57	0.03
Net change in provisions arising from changes in interest rates and net loss on certain financial instruments[1]	**80**	**0.04**	9	0.01
Loss on repurchase of long-term debt[1]	**22**	**0.01**	43	0.02
Interest portion of gains related to special items[1]	**—**	**—**	(8)	0.00
Tax impact of special and other adjusting items[1]	**104**	**0.05**	(12)	(0.01)
Adjusted net income	**$ 317**		$ 565	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Nine-month periods ended September 30	
	2015	2014
Diluted EPS	**$ (2.30)**	$ 0.18
Impact of special and other adjusting items[1]	**2.44**	0.13
Adjusted EPS	**$ 0.14**	$ 0.31

[1] Refer to the Analysis of results sections in Overview and the reporting segments for details regarding special items.

Reconciliation of adjusted debt to long-term debt

	As at	
	September 30, 2015	December 31, 2014
Long-term debt	**$ 9,098**	$ 7,683
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	**(449)**	(407)
Long-term debt, net	**8,649**	7,276
Operating lease obligations[1]	**608**	865
Sale and leaseback obligations	**216**	260
Adjusted debt	**$ 9,473**	$ 8,401

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended	
	September 30, 2015	December 31, 2014
EBIT	**$ (5,382)**	$ (566)
Special items[2]	**6,076**	1,489
Interest received	**183**	298
Interest adjustment for operating leases[3]	**67**	41
Adjusted EBIT	**944**	1,262
Amortization	**431**	417
Amortization adjustment for operating leases[4]	**68**	96
Adjusted EBITDA	**$ 1,443**	$ 1,775

Reconciliation of adjusted interest to interest paid

	Four-quarter trailing periods ended	
	September 30, 2015	December 31, 2014
Interest paid	**$ 424**	$ 354
Interest adjustment for operating leases[3]	**67**	41
Accretion expense on sale and leaseback obligations	**9**	6
Adjusted interest	**$ 500**	$ 401

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

(2) Refer to the Analysis of consolidated results sections in Overview for details of the special items for the nine-month periods ended September 30, 2015 and 2014. The special item for the three-month period ended December 31, 2014 related to a $1.4-billion charge in connection with the pause of the *Learjet 85* program.

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

(4) Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

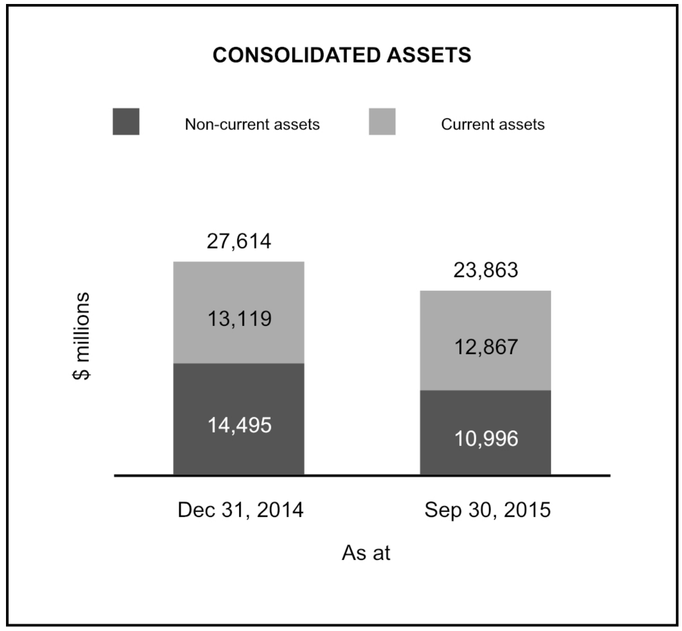
CONSOLIDATED FINANCIAL POSITION

The total assets decreased by $3.8 billion in the nine-month period, including a negative currency impact of $570 million. The $3.2-billion decrease excluding the currency impact is mainly explained by:

- a $2.9-billion decrease in aerospace program tooling mainly related to the impairment charges on the *C Series* and *Learjet 85* aircraft programs of $4.0 billion partly offset by net additions of $1.2 billion in Commercial Aircraft and Business Aircraft;
- a $856-million increase in advances and progress billings related to Transportation; and
- a $210-million decrease in trade and other receivables mainly in Transportation.

Partially offset by:

- a $1.1-billion increase in gross inventories mainly due to a ramp-up of production ahead of deliveries in Transportation.

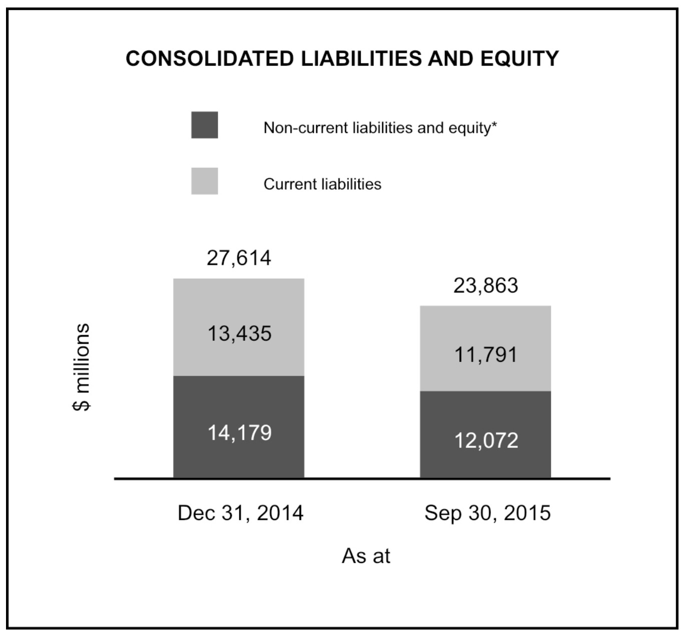


The total liabilities and equity decreased by $3.8 billion in the nine-month period, including a currency impact of $570 million. The $3.2-billion decrease excluding the currency impact is mainly explained by:

- a $3.7-billion decrease in equity, mainly due to a net loss of $4.7 billion partially offset by the issuance of share capital of $822 million and remeasurement of defined benefit plans of $255 million; and
- a $941-million decrease in advances on aerospace programs mainly resulting from lower order intake than deliveries mainly in the large and medium business aircraft categories.

Partially offset by:

- a $1.5-billion increase in long-term debt, mainly related to the issuance of $2.25 billion of Senior Notes partially offset by the redemption of the $750-million Senior Notes.



*Includes negative equity of $3.7 billion as at September 30, 2015 (equity of $55 million as at December 31, 2014).

BUSINESS AIRCRAFT

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current period presentation. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which impacted period-over-period variances.

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30		**2015**		2014	Variance
Revenues	**$**	**1,558**	$	1,640	(5)%
Aircraft deliveries (in units)		**43**		45	(2)
Net orders (in units)[(1)]		**(32)**		21	(53)
Book-to-bill ratio[(2)]		**nmf**		0.5	nmf
EBIT	**$**	**(1,115)**	$	68	nmf
EBIT margin		**nmf**		4.1%	nmf
EBIT before special items[(3)]	**$**	**54**	$	103	(48)%
EBIT margin before special items[(3)]		**3.5%**		6.3%	(280) bps
EBITDA before special items[(3)]	**$**	**99**	$	139	(29)%
EBITDA margin before special items[(3)]		**6.4%**		8.5%	(210) bps
Net additions to PP&E and intangible assets	**$**	**172**	$	198	(13)%
As at		**September 30, 2015**		December 31, 2014	
Order backlog (in billions of dollars)	**$**	**20.3**	$	24.0	(15)%

(1) The negative net orders for the three-month period ended September 30, 2015 reflect 64 cancellations following our decision to cancel the *Learjet 85* aircraft program.
(2) Defined as net orders received over aircraft deliveries, in units.
(3) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measure.

Key events

- Subsequent to the end of the third quarter, on October 28, 2015, due to the lack of sales following the prolonged market weakness, we canceled the *Learjet 85* aircraft program. As a result, a charge of $1.2 billion was recorded in special items in the third quarter of 2015, mainly related to the impairment of the remaining *Learjet 85* development costs as well as to an increase in other provisions. We remain committed to the *Learjet* family of aircraft.
- The engines have been mounted on the first *Global 7000* FTV. All structural components have been joined on FTV1, including the rear, centre and forward fuselage sections, the wing, the landing gear and vertical and horizontal stabilizers. See the Product development section for further details.

INDUSTRY AND ECONOMIC ENVIRONMENT

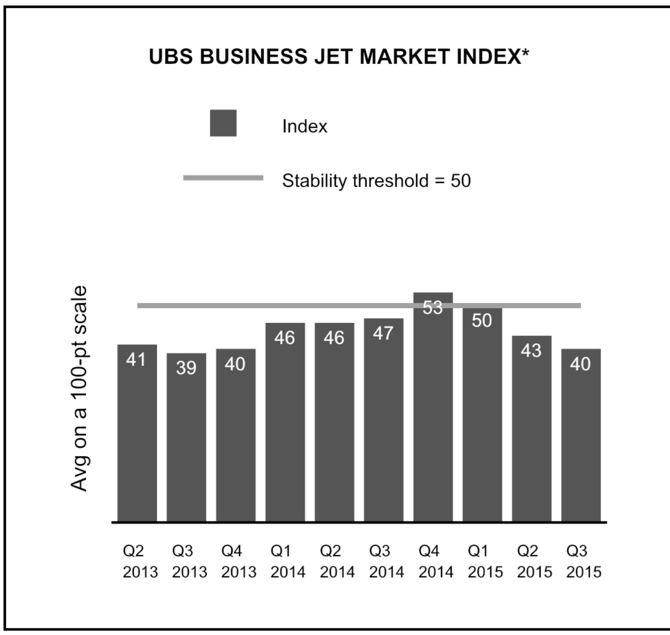
The world economy is anticipated to grow in 2015, 2016 and 2017 but at slower GDP rates compared to what was expected at the beginning of the year.

Industry confidence[(1)] further declined since the second quarter of 2015 and was under the threshold of market stability, at the lowest level since the fourth quarter of 2013. The decline in the confidence index since the second quarter of 2015 continues to be mainly due to reduced confidence in selling prices, business conditions and customer interest.[(2)] Despite the current economic conditions and geopolitical issues in some markets such as China, Latin America and Russia, we remain confident in the potential of the business aircraft industry with a strong outlook for long-term drivers of business jet demand.

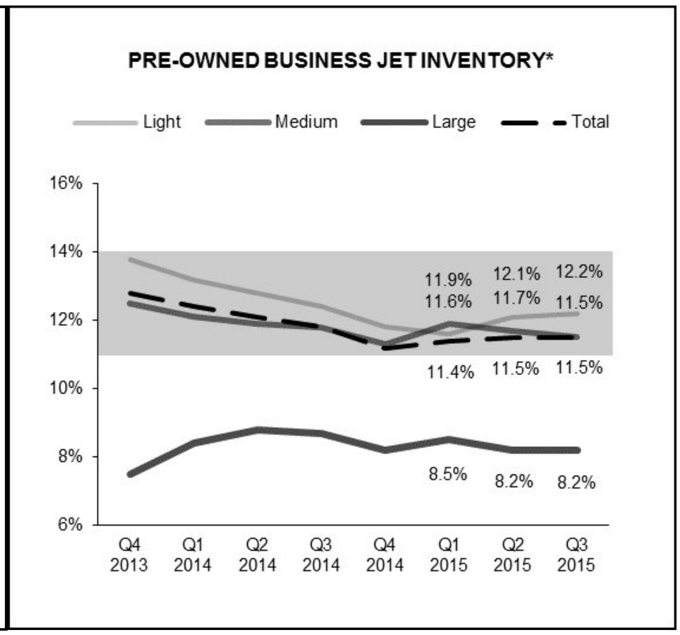
The level of light pre-owned aircraft inventory has slightly increased, while the level of medium pre-owned aircraft inventory has slightly decreased, in the third quarter compared to the previous quarter. The level of large pre-owned aircraft inventory remained stable in the third quarter of 2015. The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet also remained stable in the third quarter of 2015 and stands at 11.5% as at September 30, 2015. We consider this level of pre-owned inventory to be within the normal range for the overall market.

In the eight-month period ended August 31, 2015, business jet utilization in the U.S. increased compared to the same periods in the last three years. Business jet utilization in Europe remained stable in the nine-month period ended September 30, 2015 compared to the same periods in the last three years.

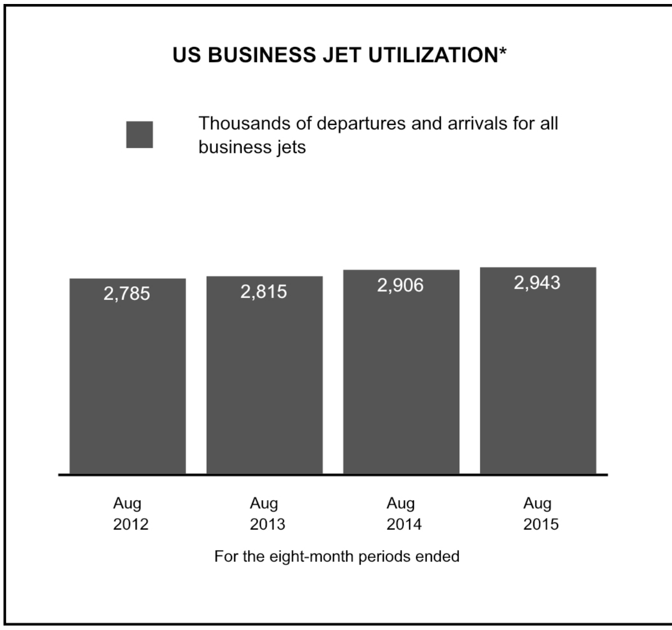
(1) As measured by the UBS Business Jet Market Index.
(2) According to the October 2015 UBS Business Jet Survey.

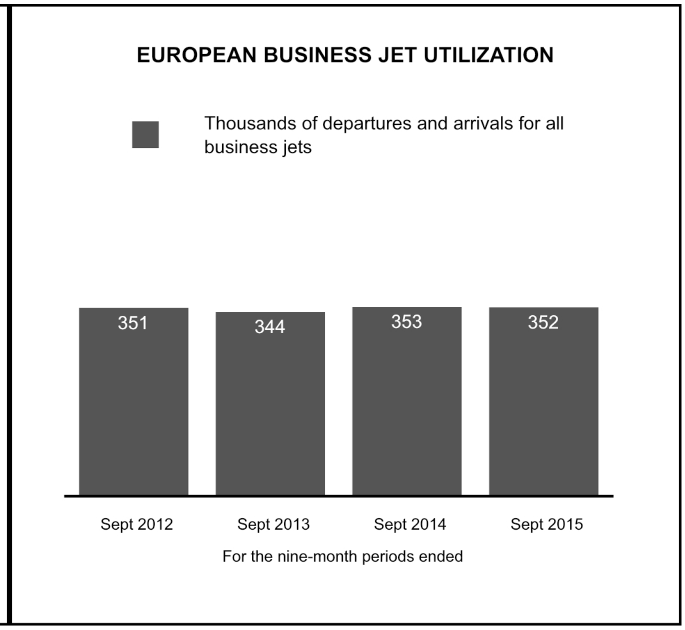


Source: UBS
* The UBS Business Jet Market Index is a measure of market confidence from industry professionals, gathered through bi-monthly surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.



Sources: JETNET and Ascend
* As a percentage of total business jet fleet, excluding very light jets.
Shaded area indicates what we consider to be the normal range of total pre-owned business jet inventory available for sale, i.e. between 11% and 14%.





Source: U.S. Federal Aviation Administration (FAA) website
* Comparative figures have been restated to reflect an updated population of aircraft models.

Source: Eurocontrol

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Revenues	**$ 1,558**	$ 1,640	**$ 4,910**	$ 4,738
EBITDA before special items(1)	**$ 99**	$ 139	**$ 409**	$ 423
Amortization	**45**	36	**129**	98
EBIT before special items(1)	**54**	103	**280**	325
Special items	**1,169**	35	**1,180**	45
EBIT	**$ (1,115)**	$ 68	**$ (900)**	$ 280
(as a percentage of total revenues)				
EBIT before special items	**3.5 %**	6.3%	**5.7 %**	6.9%
EBIT	**nmf**	4.1%	**nmf**	5.9%
Aircraft deliveries	**43**	45	**135**	126

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $82-million decrease for the three-month period is mainly due to:

- lower deliveries of large business aircraft.

Partially offset by:

- higher deliveries of medium business aircraft; and
- higher deliveries and favourable mix of pre-owned business aircraft.

The $172-million increase for the nine-month period is mainly due to:

- higher deliveries of medium and light business aircraft, partially offset by lower deliveries of large business aircraft; and
- higher deliveries and favourable mix of pre-owned business aircraft.

Special items

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

The special items were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2015**	2014	**2015**	2014
Impairment and other charges - *Learjet 85* aircraft program	1	**$ 1,169**	$ —	**$ 1,169**	$ —
Restructuring charge	2	**—**	35	**11**	48
Gain on resolution of a litigation	3	**—**	—	**—**	(3)
		$ 1,169	$ 35	**$ 1,180**	$ 45

1. Represents an impairment charge of $925 million on aerospace program tooling, inventory write-downs, write-downs of other assets and PP&E, other provisions and other financial liabilities of $244 million, as a result of the cancellation of the *Learjet 85* aircraft program due to the lack of sales following the prolonged market weakness. A credit of $6 million related to this special item is included in Corporate and eliminations.
2. Restructuring charge in 2015 related to:
   - a $13-million restructuring charge related to the workforce reduction of 1,000 employees in Querétaro, Mexico and Wichita, U.S., related to the *Learjet 85* program;
   - partially offset by a $2-million adjustment to a restructuring provision recorded in the prior year.

   Restructuring charges in 2014 related to:
   - a $35-million expense in 2014 related to the workforce reduction connected to the new organizational structure announced in July 2014; and
   - a $13-million expense due to the workforce reduction announced in January 2014.
3. Gain of $3 million on a resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

EBIT margin

There was a significant decrease in EBIT margin for the three-month period ended September 30, 2015 compared to the same period last fiscal year, mainly due to the special items described above. The EBIT margin before special items (see explanation of special items above) for the three-month period decreased by 2.8 percentage points, mainly as a result of:

- higher write-downs of pre-owned aircraft;
- lower margins on large business aircraft; and
- higher other expenses, mainly due to severance and other termination benefits related to the production rate decrease for the *Global 5000* and *Global 6000* aircraft.

Partially offset by:

- lower SG&A expense; and
- a favourable mix of aircraft deliveries.

There was a significant decrease in EBIT margin for the nine-month period ended September 30, 2015 compared to the same period last fiscal year, mainly due to the special items described above. The EBIT margin before special items (see explanation of special items above) for the nine-month period decreased by 1.2 percentage points, mainly as a result of:

- lower margins on medium business aircraft;
- higher write-downs of pre-owned aircraft; and
- higher R&D expenses as a result of the amortization of aerospace program tooling following the EIS of the *Challenger 350* aircraft at the end of the second quarter of 2014.

Partially offset by:

- higher absorption of lower SG&A expense; and
- higher margins on large business aircraft.

Product development

Investment in product development

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Program tooling[1]	**$ 161**	$ 188	**$ 480**	$ 698
R&D expense[2]	**1**	3	**3**	8
	$ 162	$ 191	**$ 483**	$ 706
As a percentage of revenues	**10.4%**	11.6%	**9.8%**	14.9%

(1) Net amount capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $30 million and $86 million respectively for the three- and nine-month periods ended September 30, 2015 ($23 million and $60 million for the three- and nine-month periods ended September 30, 2014), as the related investments are already included in aerospace program tooling.

Program tooling additions mainly relate to the development of the *Global 7000* and *Global 8000* as well as the *Challenger 650* aircraft programs.

The carrying amount of business aircraft program tooling[1] as at September 30, 2015 was $1.9 billion, compared to $2.5 billion as at December 31, 2014. The decrease in the carrying amount of business aircraft program tooling as at September 30, 2015 includes the impairment charge of $925 million related to the remaining program tooling balance following the decision to cancel the *Learjet 85* aircraft program in October 2015. The carrying amount as at December 31, 2014 is net of an impairment charge of $1,266 million related to the January 2015 decision to pause the program.

(1) Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to $141 million as at September 30, 2015 ($208 million as at December 31, 2014).

The *Global 7000* and *Global 8000* aircraft program

We continue to prioritize our efforts on the flight test program. The engines have been mounted on the first *Global 7000* FTV. All structural components have been joined on FTV1, including the rear, centre and forward fuselage sections, the wing, the landing gear and vertical and horizontal stabilizers. In addition, installation of the wiring harnesses and functional test procedures[1] have commenced on FTV1.

FTV2 is in final assembly with major structural components joined, including the rear, centre and forward fuselage sections and cockpit. Two additional FTVs are in various stages of production and assembly.

The Integrated Systems Test and Certification Rig (ISTCR)[2] has been commissioned and safety-of-flight testing is underway. The avionics System Integrated Test Stand (SITS) rig[3] has been installed in Toronto and the *Global 7000* Complete Airframe Static Test (CAST) rig[4] has been commissioned. These comprehensive test articles will ensure the maturity of the aircraft's structure and systems throughout the flight test program and before EIS. Engine development by our supplier as well as ground and flight testing of the engine are progressing as expected. The aircraft is expected to enter into service in the second half of 2018.

(1) The functional test procedures (FTP) define a step-by-step procedure to adjust and verify the interfaces and functionality of the installed systems.
(2) The ISTCR or "Aircraft Zero" allows for functional testing of various systems prior to first flight. Flight test engineers input commands through the cockpit and confirm the associated response, validating system integration prior to first flight.
(3) The SITS rig ensures proper systems integration prior to flight testing.
(4) The CAST rig is an airframe used to test the maximum payload and structure of the aircraft.

The *Challenger 650* aircraft program

The *Challenger 650* aircraft program, the evolution of the *Challenger 605* aircraft, was launched in October 2014. The *Challenger 650* certification program is currently 95% complete and is progressing towards EIS in the fourth quarter of 2015. A *Challenger 605* aircraft with upgraded avionics was used to perform certification testing.

Aircraft deliveries

Aircraft deliveries

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in units)	**2015**	2014	**2015**	2014
Light				
Learjet 70/75	**7**	7	**21**	15
Learjet 60 XR	**—**	1	**—**	1
Medium				
Challenger 300/350	**18**	12	**50**	35
Challenger 605	**3**	6	**11**	20
Challenger 850	**—**	—	**1**	—
Large				
Global 5000/Global 6000	**15**	19	**52**	55
	43	45	**135**	126

The deliveries in the nine-month period ended September 30, 2015 in the medium aircraft category were higher compared to the same period in the last fiscal year mainly due to the transition to the *Challenger 350* aircraft which entered into service on June 27, 2014.

Aircraft orders

Net orders

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in units)	**2015**	2014	**2015**	2014
Gross orders	**41**	36	**88**	132
Cancellations	**(73)**	(15)	**(93)**	(35)
Net orders	**(32)**	21	**(5)**	97

The net negative orders for the three- and nine-month periods ended September 30, 2015 reflect order cancellations of the *Learjet 85* aircraft program following our decision to cancel the program in October 2015. The total cancellations include 64 and 74 cancellations for the *Learjet 85* program during the three- and nine-month periods ended September 30, 2015, respectively, compared to three and eight cancellations, respectively, for this program during the three- and nine-month periods last fiscal year.

Excluding the order cancellations for the *Learjet 85* aircraft program, the net order intake for the three-month period ended September 30, 2015 was higher than the same period last fiscal year, mainly in the medium aircraft category.

In the nine-month period ended September 30, 2015, there was a lower net order intake in the medium and large business aircraft categories when compared to the same period last fiscal year.

Book-to-bill ratio and order backlog

Book-to-bill ratio[(1)]

	Three-month periods ended September 30		**Nine-month periods ended September 30**	
	2015	2014	**2015**	2014
Net orders	**(32)**	21	**(5)**	97
Deliveries	**43**	45	**135**	126
	nmf	0.5	**nmf**	0.8

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

Book-to-bill ratio excluding *Learjet 85* cancellations[(1)]

	Three-month periods ended September 30		**Nine-month periods ended September 30**	
	2015	2014	**2015**	2014
Net orders excluding *Learjet 85* cancellations	**32**	24	**69**	105
Deliveries	**43**	45	**135**	126
	0.7	0.5	**0.5**	0.8

[(1)] Defined as net orders received excluding *Learjet 85* cancellations over aircraft deliveries, in units.

Order backlog

		As at
(in billions of dollars)	**September 30, 2015**	December 31, 2014
	$ 20.3	$ 24.0

The decrease in the order backlog for the nine-month period ended September 30, 2015 reflects lower net order intake than deliveries in all business aircraft categories. In addition, orders for the *Learjet 85* aircraft program were removed from the order backlog as at September 30, 2015 following our decision to cancel the program.

The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand. On May 14, 2015, we announced a reduction in the production rate for the *Global 5000* and *Global 6000* aircraft.

COMMERCIAL AIRCRAFT

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current period presentation. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which impacted period-over-period variances.

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	**2015**	2014	Variance
Revenues	**$ 480**	$ 787	(39)%
Aircraft deliveries (in units)	**14**	26	(12)
Net orders (in units)	**2**	55	(53)
Book-to-bill ratio[1]	**0.1**	2.1	nmf
EBIT	**$ (3,624)**	$ (5)	nmf
EBIT margin	**nmf**	(0.6)%	nmf
EBIT before special items[2]	**$ (63)**	$ 13	nmf
EBIT margin before special items[2]	**(13.1)%**	1.7 %	nmf
EBITDA before special items[2]	**$ (40)**	$ 41	nmf
EBITDA margin before special items[2]	**(8.3)%**	5.2 %	nmf
Net additions to PP&E and intangible assets	**$ 299**	$ 204	47 %
As at	**September 30, 2015**	December 31, 2014	
Order backlog (in billions of dollars)	**$ 11.5**	$ 12.5	(8)%

(1) Defined as net orders received over aircraft deliveries, in units.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measure.

Key events

- Subsequent to the end of the third quarter, in October 2015, Bombardier Inc. entered into a memorandum of understanding with the Government of Québec, who will invest $1.0 billion in the *C Series* aircraft program in return for a 49.5% equity stake in a newly created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will carry on the operations related to our *C Series* aircraft program and will be consolidated in our financial results. The investment also includes the issuance of warrants to the Government of Québec, exercisable to acquire up to 200,000,000 Class B Shares (subordinate voting) in the capital of Bombardier Inc. The disbursement of the investment and issuance of the warrants is expected in the second quarter of 2016, subject to the closing conditions. The Government of Québec's interest in the partnership will be redeemable in certain circumstances. Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec, which resulted in the memorandum of understanding, a charge of $3.2 billion was recorded in special items in the third quarter of 2015, mainly related to the impairment of aerospace program tooling. We continue to believe that the *C Series* aircraft program meets specific market requirements and that it has long-term market potential.
- More than 90% of the *CS100* certification program is complete and the certification configuration has now been frozen. The *CS100* aircraft has completed all noise performance testing, confirming it is the quietest in-production commercial jet in its class.[1] See the Product development section for further details.

(1) Key performance targets under certain operating conditions when compared to aircraft currently in production. See the *C Series* family of aircraft program disclaimer at the end of this MD&A.

INDUSTRY AND ECONOMIC ENVIRONMENT

Since the beginning of fiscal year 2015, the demand for air travel, measured by revenue passenger kilometres ("RPK")[(1)], confirms that the trend in air travel growth remains strong for commercial airlines compared to the same period last year, and passenger load factors[(2)] have improved.

Scheduled domestic and international commercial air travel, measured by RPK, were 6.6% and 6.7% higher, respectively, during the year-to-date period ended August 2015, compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors of 81.6% and 80.2%, respectively, during the year-to-date period ended August 2015, and were slightly higher than the 81.1% and 79.8% respective levels experienced during the same period ended August 2014. The domestic and international passenger load factors reached an all-time high in August 2015 at 83.8% and 85.2%, respectively.[(3)]

Despite softening in global economic growth, most regions, including the U.S., experienced increases of RPK for both domestic and international commercial air travel in the eight-month period ended August 2015, compared to the same period last year. The Indian, Chinese, Russian and the U.S. domestic travel markets have shown the most significant increases compared to the same period last year; however, growth of RPK in Russia has been trending downwards in 2015. Carriers from the Middle East, Asia-Pacific and Latin American international travel markets have shown the most improvement. The European international travel market continued to improve, supported by the economic recovery in the Eurozone.[(3)]

Regional passenger traffic measured by RPK for the four leading U.S. network carriers[(4)] and their affiliates, which represent a major portion of the regional airline passenger traffic in the U.S., Commercial Aircraft's largest market, slightly decreased during the year-to-date period ended September 2015, compared to the same period last year. These airlines achieved an average passenger load factor of 81.4% during the year-to-date period ended September 2015, compared to 80.9% during the same period ended September 2014.

Crude oil prices remain at low levels and should continue sustaining growth and demand for air travel in 2015. Per the International Air Transport Association ("IATA"), low oil prices are expected to reduce replacement of old less fuel efficient aircraft in the short-term. Despite the low oil prices, airlines have been increasing capacity at a slower rate than growth in demand.[(3)(5)] However, we anticipate that the demand for more fuel efficient aircraft will grow. In addition, environmental issues and regulations related to local air quality, aircraft emissions and community noise, as well commitments by the aviation industry towards reducing carbon emissions, should speed up the retirement of older aircraft worldwide.

(1) RPK is a measure of paying passenger traffic and represents passenger demand for air transport, defined as one fare-paying passenger transported over one kilometre.
(2) Passenger load factor is defined as the percentage of available seat kilometres used (revenue passenger kilometres divided by available seat kilometres). Available seat kilometres are measured as the number of seats multiplied by the kilometres flown, whether a passenger occupied the seat or not.
(3) Per IATA's August 2015 Air Passenger Market Analysis report.
(4) Delta Air Lines, American Airlines, United Airlines, and Alaska Air.
(5) Per IATA's August-September 2015 Airlines Financial Monitor report.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Revenues	**$ 480**	$ 787	**$ 1,751**	$ 2,020
EBITDA before special items[1]	**$ (40)**	$ 41	**$ (8)**	$ 108
Amortization	**23**	28	**75**	75
EBIT before special items[1]	**(63)**	13	**(83)**	33
Special items	**3,561**	18	**3,560**	16
EBIT	**$ (3,624)**	$ (5)	**$ (3,643)**	$ 17
(as a percentage of total revenues)				
EBIT before special items	**(13.1)%**	1.7 %	**(4.7)%**	1.6%
EBIT	**nmf**	(0.6)%	**nmf**	0.8%
Aircraft deliveries	**14**	26	**56**	63

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $307-million decrease and the $269-million decrease for the three-month and nine-month periods are mainly due to lower deliveries of regional jets.

Special items

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

The special items were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2015**	2014	**2015**	2014
Impairment and other charges - *C Series* aircraft program	1	**$ 3,249**	$ —	**$ 3,249**	$ —
Changes in estimates and fair value	2	**312**	—	**312**	—
Restructuring charge	3	**—**	18	**(1)**	23
Gain on resolution of a litigation	4	**—**	—	**—**	(7)
		$ 3,561	$ 18	**$ 3,560**	$ 16

1. Represents an impairment charge of $3.1 billion on aerospace program tooling, and inventory write-downs and other provisions of $179 million, following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the October 2015 memorandum of understanding. A credit of $14 million related to this special item is included in Corporate and eliminations.
2. Represents an increase in provisions for credit and RVGs as a result of changes in assumptions concerning residual value curves of regional aircraft due to difficult market conditions for regional pre-owned aircraft and a higher probability that the guaranteed party will exercise the RVG given the recent experience with respect to RVG guarantees and a loss on certain financial instruments due to changes in estimated fair value.
3. Restructuring charge in 2015 related to:
   - an adjustment to a restructuring provision recorded in the prior year.

   Restructuring charges in 2014 related to:
   - a $18-million expense in 2014 related to the workforce reduction connected to the new organizational structure announced in July 2014; and
   - a $5-million expense due to the workforce reduction announced in January 2014.
4. Gain of $7 million on a resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital.

EBIT margin

There was a significant decrease in EBIT margin for the three- and nine-month periods ended September 30, 2015 compared to the same periods last year, mainly due to the special items described above. The EBIT margin before special items for the three- and nine-month periods ended September 30, 2015 compared to the same periods last year decreased by 14.8 percentage points and by 6.3 percentage points, respectively, mainly as a result of:

- lower margins related to aircraft deliveries;
- a one-time write-down of used spares inventory related to the *CRJ200* aircraft program; and
- higher losses related to early production units of the *C Series* aircraft program(1).

(1) Early production units in a new aircraft program require higher costs than units produced later in the program and the selling prices of early units are generally lower.

Product development

Investment in product development

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Program tooling(1)	**$ 298**	$ 172	**$ 717**	$ 563
R&D expense(2)	**—**	3	**2**	6
	$ 298	$ 175	**$ 719**	$ 569
As a percentage of revenues	**62.1%**	22.2%	**41.1%**	28.2%

(1) Net amount capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $13 million and $48 million for the three- and nine-month periods ended September 30, 2015 ($22 million and $57 million for the three- and nine-month period ended September 30, 2014), as the related investments are already included in aerospace program tooling.

Program tooling additions essentially relate to the development of the *C Series* family of aircraft.

Carrying amount of commercial aircraft program tooling(1)

		As at
	September 30, 2015	December 31, 2014
CRJ Series and *Q400 NextGen*	**$ 313**	$ 358
C Series	**1,633**	3,989
	$ 1,946	$ 4,347

(1) Capitalized borrowing costs included in the commercial aircraft aerospace program tooling balance amounted to $243 million as at September 30, 2015 ($523 million as at December 31, 2014).

The carrying amount of *C Series* aircraft program tooling as at September 30, 2015 is net of an impairment charge of $3.1 billion recorded in the third quarter of 2015.

The *C Series* aircraft program

More than 2,800 flight-test hours have been accumulated on the *CS100* aircraft, representing 97% of the flight test program, and, overall, more than 90% of the *CS100* certification program is complete. The certification configuration has now been frozen, and will be the basis for compliance with the applicable regulatory requirements for the Type Design. The type certification for the *CS100* aircraft is targeted for completion by the end of 2015. The *CS100* and *CS300* aircraft have over 95% parts commonality, as well as the same type rating. The *CS300* aircraft's certification is over 60% complete and type certification is expected to follow approximately six months after that of the *CS100* aircraft. The EIS of the *CS100* aircraft is expected to occur in the first half of 2016 with Swiss International Air Lines (SWISS) as the first operator. SWISS is currently working with Bombardier's Customer Services training crews and readying its operations for the EIS of the *CS100* aircraft.

Flight testing activities on five *CS100* FTVs are ongoing with multiple milestone tests completed and all systems are performing well. Passengers flew on board the *CS100* aircraft for the first time as part of the cabin testing program. The first *CS300* FTV has been performing planned tests, such as flutter, handling, cruise performance, cross-wind takeoff and landing, braking and anti-skid testing. All the aircraft are displaying a high level of reliability and the aircraft performance and test results are in line with expectations. Assembly of the second *CS300* FTV is ongoing at the *C Series* aircraft assembly facility in Mirabel, Québec. It is now powered-on and is expected to come off the production line later this year.

Flight and aircraft structural test performance results continue to exceed original targets for fuel burn, payload, range and airfield performance.(1) The *CS100* aircraft has completed all noise performance testing, confirming it is the quietest in-production commercial jet in its class.

During the fourth quarter of 2015, the final phase of flight testing began when the first production *CS100* aircraft commenced function and reliability testing. To complete these tests, the aircraft will operate on a schedule similar to that of a commercial airline. More production aircraft are moving down the assembly line, including units for launch operator SWISS.

(1) Key performance targets under certain operating conditions when compared to aircraft currently in production for flights of 500 nautical miles. See the *C Series* family of aircraft program disclaimer at the end of this MD&A.

Aircraft deliveries

Aircraft deliveries

	Three-month periods ended September 30		**Nine-month periods ended September 30**	
(in units)	**2015**	2014	**2015**	2014
Regional jets				
CRJ700 NextGen	**—**	3	**2**	6
CRJ900 NextGen	**8**	15	**32**	35
CRJ1000 NextGen	**—**	1	**1**	4
Turboprops				
Q400 NextGen	**5**	7	**19**	17
Amphibious aircraft	**1**	—	**2**	1
	14	26	**56**	63

Aircraft orders

Net orders

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in units)	**2015**	2014	**2015**	2014
Regional jets				
CRJ700 NextGen	**2**	—	**2**	1
CRJ900 NextGen	**—**	—	**7**	20
CRJ1000 NextGen	**—**	—	**(2)**	—
Commercial jets				
CS300	**—**	40	**—**	61
Turboprops				
Q400 NextGen	**—**	15	**23**	34
Amphibious aircraft	**—**	—	**—**	2
	2	55	**30**	118

In the nine-month period ended September 30, 2014, significant orders were received from Macquarie AirFinance for 40 *CS300* aircraft, from Al Qahtani Aviation Company for 16 *CS300* aircraft and from China Express Airlines for 16 *CRJ900 NextGen* aircraft.

The following significant orders were received during the nine-month period ended September 30, 2015:

Customer	Firm order	Value[(1)]	Options[(2)]
First quarter			
Chorus Aviation Inc. (Canada)	13 *Q400 NextGen*	$ 424	10 *Q400 NextGen*
Mesa Airlines (U.S.)	7 *CRJ900 NextGen*	$ 326	—

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

Subsequent to the end of the third quarter, a firm purchase agreement was signed with an undisclosed customer for eight *CRJ900 NextGen* aircraft with options for an additional six aircraft. The aircraft will be operated in Sweden's Scandinavian Airlines (SAS) network by Dublin-based CityJet. Based on list price, the firm order is valued at approximately $369 million. The firm order is not included in the order backlog as at September 30, 2015.

Book-to-bill ratio and order backlog

Book-to-bill ratio[1]

	Three-month periods ended September 30		**Nine-month periods ended September 30**	
	2015	2014	**2015**	2014
Net orders	**2**	55	**30**	118
Deliveries	**14**	26	**56**	63
	0.1	2.1	**0.5**	1.9

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

Order backlog

		As at
(in billions of dollars)	**September 30, 2015**	December 31, 2014
	$ 11.5	$ 12.5

The order backlog decreased during the nine-month period ended September 30, 2015, mainly as a result of lower order backlog in regional jets as well as the sale of Military Aviation Training activities to CAE Inc. in the third quarter of 2015. The order backlog and the production horizon for programs are monitored to align production rates to reflect market demand.

Order backlog and options

				As at
	September 30, 2015		December 31, 2014	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Regional jets				
CRJ700 NextGen	**10**	**—**	10	—
CRJ900 NextGen	**32**	**26**	57	56
CRJ1000 NextGen	**28**	**9**	31	22
Commercial jets				
CS100	**53** (1) (2)	**49**	63 (1)	49
CS300	**190** (1) (2)	**113**	180 (1)	113
Turboprops				
Q400 NextGen	**46**	**77**	42	94
Amphibious aircraft	**1**	**—**	3	—
	360	**274**	386	334

(1) The total of 243 orders includes 86 firm orders with conversion rights to the other *C Series* aircraft model.
(2) On June 15, 2015, Commercial Aircraft announced that launch operator SWISS has converted 10 of its 30 firm-ordered *CS100* aircraft to the larger *CS300* aircraft.

The total *C Series* firm order backlog comprises 243 aircraft with 14 customers in 14 countries as at September 30, 2015. As at the date of this report, firm orders and other agreements[1] for a total of 603 *C Series* aircraft have been signed with 22 customers in 20 countries, including 243 firm orders.

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

GOVERNMENT OF QUÉBEC'S INVESTMENT IN THE *C SERIES* AIRCRAFT PROGRAM

In October 2015, Bombardier Inc. entered into a memorandum of understanding which contemplates a $1.0 billion investment by the Ministère de l'Économie, de l'Innovation et des Exportations du Québec (through Investissement Québec) (the Government) for a 49.5% equity stake in a newly-created limited partnership to which we would transfer the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will be owned 50.5% by Bombardier Inc. and, as a subsidiary of Bombardier Inc., will carry on the operations related to our *C Series* aircraft program. After the investment, the newly created limited partnership will be consolidated in our financial results. The investment remains conditional upon the completion of definitive agreements, the receipt of consents from third parties, the completion of an internal pre-closing reorganization, the receipt of required regulatory approvals and other customary conditions precedent. The proceeds of the investment will be used entirely for cash flow purposes of the *C Series* aircraft program.

The investment also includes the issuance to the Government of warrants exercisable to acquire up to 200,000,000 Class B Shares (subordinate voting) in the capital of Bombardier Inc., at an exercise price per share equal to the U.S. dollar equivalent of $2.21 Canadian dollars on the date of execution of definitive agreements.

The definitive agreements are expected to be entered into on or before January 1, 2016, or such other date as the Corporation and the Government shall agree, and disbursement of the investment and issuance of the warrants will occur over two equal installments, expected to take place on April 1, 2016 and June 30, 2016, subject to the conditions to closing.

The investment contemplates a continuity undertaking providing that Bombardier Inc. shall maintain in the Province of Québec, for a period of 20 years, the newly-created limited partnership's operational, financial and strategic headquarters, manufacturing and engineering activities, shared services, policies, practices and investment plans for research and development, in each case in respect of the design, manufacture and marketing of the *CS100* and *CS300* aircraft and after-sales services for these aircraft and that we will operate the facilities located in Mirabel for these purposes.

The Government's interest in the partnership will be redeemable in certain circumstances.

AEROSTRUCTURES AND ENGINEERING SERVICES

Specialized in aerostructures manufacturing and engineering services, Aerostructures and Engineering Services designs and builds aerostructures for Bombardier and other aircraft manufacturers. Aerostructures and Engineering Services is the largest aerostructures supplier for Bombardier's sustaining programs as well as for the *C Series* and the *Global 7000* and *Global 8000* programs, providing structures such as cockpits, all-composite wings for the *C Series* programs and the rear fuselage for the *Global 7000* and *Global 8000* aircraft. Our key focus over the short to medium term remains to deliver on cost saving initiatives for current sustaining programs and programs under development.

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current period presentation. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which impacted period-over-period variances.

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30		**2015**		2014	Variance
Revenues	**$**	**411**	$	444	(7)%
External order intake	**$**	**110**	$	137	(20)%
External book-to-bill ratio[1]		**0.9**		0.9	nmf
EBIT	**$**	**30**	$	23	30 %
EBIT margin		**7.3%**		5.2%	210 bps
EBIT before special items[2]	**$**	**30**	$	33	(9)%
EBIT margin before special items[2]		**7.3%**		7.4%	(10) bps
EBITDA before special items[2]	**$**	**43**	$	45	(4)%
EBITDA margin before special items[2]		**10.5%**		10.1%	40 bps
Net additions to PP&E and intangible assets	**$**	**1**	$	14	(93)%

(1) Defined as new external orders over external revenues.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measure.

INDUSTRY AND ECONOMIC ENVIRONMENT

Aerostructures and Engineering Services' key market drivers are strongly linked to factors such as economic growth (GDP per capita), air passenger traffic and aircraft retirement rates. More specifically, the aerostructures market is driven by the number of new products in development or upgrades to existing platforms as well as growth in production rates and backlogs in various aircraft sectors.

Given that the industry's revenues are generated from supplying aerostructures to original equipment manufacturers in the aerospace market, it is impacted by the same industry and economic environments described in Business Aircraft and Commercial Aircraft. Refer to the Industry and economic environment sections of Business Aircraft and Commercial Aircraft for further discussion of the overall aerospace market which may affect the business.

The current status of some market drivers could potentially have a negative impact over the short- to medium-term for the aerostructures industry. The economic conditions and on-going geopolitical issues in China, Russia and Latin America have had a negative impact on both business and commercial aircraft orders. Industry confidence in the business jet market[(1)] declined further during the third quarter of 2015, the third consecutive quarter of decline, and was under the threshold of market stability. On the positive side, the demand for air travel (measured by RPK) has increased for commercial airlines compared to the same period last year and remains robust since the beginning of the current year.

The long-term outlook for Aerostructures and Engineering Services remains strong. Aerostructures and related aftermarket (including components repair and overhaul, spare parts and other engineering services) is currently estimated to be approximately a $70-billion market worldwide, with forecast annual growth of 2.8% to 2023.[(2)]

(1) As measured by the UBS Business Jet Market index. See Industry and economic environment section in Business Aircraft for details.
(2) Estimated based on data from Counterpoint Market Intelligence Limited (CPMIL) 2015 - The eleventh review of the Aerostructures Market from Counterpoint and ICF International - Aerostructures & Components MRO Market Overview, March 17, 2015.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Revenues				
External revenues	**$ 119**	$ 145	**$ 385**	$ 415
Intersegment revenues	**292**	299	**969**	982
	411	444	**1,354**	1,397
EBITDA before special items[(1)]	**$ 43**	$ 45	**$ 151**	$ 114
Amortization	**13**	12	**38**	39
EBIT before special items[(1)]	**30**	33	**113**	75
Special items	**—**	10	**(1)**	14
EBIT	**$ 30**	$ 23	**$ 114**	$ 61
(as a percentage of total revenues)				
EBIT before special items	**7.3%**	7.4%	**8.3%**	5.4%
EBIT	**7.3%**	5.2%	**8.4%**	4.4%

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

The $33-million decrease for the three-month period is due to:

- lower external revenues ($26 million), mainly due to lower volume; and
- lower intersegment revenues ($7 million), mainly due to lower volume on both commercial and business aircraft, partially offset by higher pricing on both commercial and business aircraft, reflecting changes in the intersegment pricing policy.

The $43-million decrease for the nine-month period is due to:

- lower external revenues ($30 million), mainly due to lower volume, partially offset by an increase in spare parts sales; and
- lower intersegment revenues ($13 million), mainly due to lower volume for commercial aircraft, partially offset by higher pricing for business aircraft, reflecting changes to the intersegment pricing policy.

Special items

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

The special item for the nine-month period ended September 30, 2015 relates to an adjustment to a restructuring provision recorded in the prior year.

The special items for the three and nine-month periods ended September 30, 2014 included a $10-million expense related to the workforce reduction connected to the new organizational structure announced in July 2014. The special items for the nine-month period ended September 30, 2014 also related to a $4-million expense related to the workforce reduction announced in January 2014.

EBIT margin

The EBIT margin percentage for the three-month period increased by 2.1 percentage points compared to the same period last year. The EBIT margin before special items (see explanation of special items above) for the three-month period decreased by 0.1 percentage points, mainly as a result of the following items, which include timing elements:

- higher spend on cost reduction initiatives.

Partially offset by:

- higher margins on intersegment contracts, mainly due to higher pricing, reflecting changes to the intersegment pricing policy, and costs incurred in foreign currencies translated at lower exchange rates after giving effect to hedges, partially offset by higher cost.

The EBIT margin percentage for the nine-month period increased by 4.0 percentage points compared to the same period last fiscal year. The EBIT margin before special items (see explanation of special items above) for the nine-month period increased by 2.9 percentage points, mainly as a result of the following items, which include timing elements:

- higher margins on intersegment contracts, mainly due to higher pricing for business aircraft, reflecting changes to the intersegment pricing policy, lower cost and costs incurred in foreign currencies translated at lower exchange rates after giving effect to hedges; and
- higher margins on external contracts, mainly due to a favourable long-term contract adjustment, costs incurred in foreign currencies translated at lower exchange rates after giving effect to hedges and improved pricing, partially offset by higher costs.

Partially offset by:

- higher spend on cost reduction initiatives.

Book-to-bill ratio and order backlog

External order intake and book-to-bill ratio

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
External order intake	**$ 110**	$ 137	**$ 371**	$ 420
External book-to-bill ratio[1]	**0.9**	0.9	**1.0**	1.0

[1] Defined as new external orders over external revenues.

External order backlog

		As at
	September 30, 2015	December 31, 2014
	$ 99	$ 113

The external order backlog has decreased over the nine-month period as a result of lower order intake on a contract.

TRANSPORTATION

Reclassification
As a result of the new organizational structure effective as of January 1, 2015, financial results for the year ended December 31, 2014 have been reclassified to conform with the current period presentation.

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	2015	2014	Variance
Revenues	**$ 1,985**	$ 2,336	(15)%
Order intake (in billions of dollars)	**$ 2.2**	$ 1.1	100 %
Book-to-bill ratio(1)	**1.1**	0.5	nmf
EBIT	**$ 109**	$ 105	4 %
EBIT margin	**5.5%**	4.5%	100 bps
EBIT before special items(2)	**$ 109**	$ 162	(33)%
EBIT margin before special items(2)	**5.5%**	6.9%	(140) bps
EBITDA before special items(2)	**$ 131**	$ 190	(31)%
EBITDA margin before special items(2)	**6.6%**	8.1%	(150) bps
Net additions to PP&E and intangible assets	**$ 29**	$ 29	—
As at	**September 30, 2015**	December 31, 2014	
Order backlog (in billions of dollars)	**$ 30.0**	$ 32.5	(8)%

(1) Defined as new orders over revenues.
(2) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measure.

Key events

- The previously announced placement of a minority stake in Bombardier Transportation is progressing well. Following the placement, Bombardier Transportation will continue to be controlled by Bombardier Inc. and consolidated in its financial results.
- On September 2, 2015, Bombardier-Sifang Transportation, a Chinese entity in which the Corporation holds a 50 percent interest, has been awarded a contract with China Railway Corp. (CRC) to supply 15 CRH380D very high-speed trains valued at approximately $381 million. The order confirms our successful business model for this restricted market and our leading position amongst Western players in China.

INDUSTRY AND ECONOMIC ENVIRONMENT

During the third quarter of 2015, investment in the rail industry has reached a similar volume compared with the same quarter last year. However, the overall accessible market[(1)] volume for the year to date period contracted compared with the same period last year due to very large contracts awarded in the first half of 2014.

In Western Europe, the year to date order volume for 2015 has exceeded the level reached during the same period in 2014, supported by strong market activity in the third quarter. In Germany, France and the U.K., large orders have been placed and options exercised mainly in the regional and commuter trains segment. In the upcoming quarters, major contracts in other countries in the region are expected to be awarded such as regional trains in Belgium, Light Rail Vehicles (LRV) in Sweden, very high-speed trains in Spain and signalling solutions in Italy. Despite investments in regional trains in Hungary during the quarter, market activity in Eastern Europe remains relatively low. Aging fleets in Poland and Czech Republic still denote high potential for services and rolling stock solutions although budgetary and funding constraints persist.

In North America, the year to date level of investment in 2015 was lower compared to the same period last year. In the third quarter, although several contracts in the locomotive, metro and services segments were awarded in the region, overall investment decreased due to significant services contracts granted in the U.S. in 2014. Additional investments are expected in the U.S. in the metro, electric commuter train, high-speed train and services segments in the upcoming quarters. In Canada, contracts in the services segment are expected to be tendered while further investment in urban rail and signalling solutions is planned in the next quarters. Despite past delays, Mexico has promising opportunities, especially in the metro segment.

Asia-Pacific has shown a strong third quarter mainly driven by large contracts awarded in China in the metro, regional and commuter train as well as very high-speed train segments. The high level of investment for the first three quarters of 2015 matched the high levels observed in the same period last year. The outlook for the region remains positive, as new projects are expected to be tendered in China, Thailand and Australia across all segments. In India, large investments in the regional and commuter train, locomotive and signalling segments are expected to fulfil the need for higher capacity solutions.

Compared to the same quarter last year, investment in the rail industry in the Rest of world region has shown a similar level of activity. However, due to two very large contracts awarded in South Africa in the first half of 2014, the year to date volume remains lower in 2015 compared to the same period last year. Rapid urbanization and need for high capacity solutions leads to further opportunities for urban system solutions in the Middle East and Northern Africa. In South America, several metro and other urban projects are forecast in Brazil, Peru and Colombia.

Based on UNIFE forecasts, the overall accessible rail market is expected to grow at an average annualized rate of 2.7%[(2)] over the next four years.

(1) The overall accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition. Bombardier Transportation's accessible market also excludes the infrastructure, freight wagon and shunter segments.

(2) Based on data from the UNIFE World Rail Market Study "Forecast 2014 to 2019" published in September 2014 for the overall accessible rail market only.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Revenues				
External revenues	**$ 1,985**	$ 2,334	**$ 6,113**	$ 6,978
Intersegment revenues	**—**	2	**4**	5
	1,985	2,336	**6,117**	6,983
EBITDA before special items[(1)]	**$ 131**	$ 190	**$ 414**	$ 502
Amortization	**22**	28	**72**	87
EBIT before special items[(1)]	**109**	162	**342**	415
Special items	**—**	57	**—**	57
EBIT	**$ 109**	$ 105	**$ 342**	$ 358
(as a percentage of total revenues)				
EBIT before special items	**5.5%**	6.9%	**5.6%**	5.9%
EBIT	**5.5%**	4.5%	**5.6%**	5.1%

(1) Non-GAAP financial measure. Refer to Non-GAAP financial measures section in Overview for a definition of this metric.

Revenues

Total external revenues for the three- and nine-month periods ended September 30, 2015, have decreased by $349 million and $865 million, respectively. Excluding negative currency impacts of $302 million and $968 million, respectively, revenues have decreased by $47 million, or 2%, for the three-month period while revenues for the nine-month period have increased by $103 million, or 1%, compared to the same periods last fiscal year.

The $47-million decrease excluding currency impact for the three-month period is mainly explained by:

- lower activities in rolling stock in Europe mainly related to some commuter and regional train, metro and intercity train contracts ($225 million).

Partially offset by:

- higher activities in signalling in all regions ($84 million);
- higher activities in services in the Rest of world region, Asia-Pacific and Europe ($58 million); and
- higher activities in rolling stock in the Rest of world region, Asia-Pacific and North America mainly due to ramp-up in production related to some metro contracts in North America, some locomotive contracts in the Rest of world region, and some propulsion and commuter and regional train contracts in Asia-Pacific, partly offset by completion of some commuter and regional train contracts in North America and some metro contracts in Asia-Pacific ($45 million).

The $103-million increase excluding currency impact for the nine-month period is mainly explained by:

- higher activities in signalling in all regions ($223 million);
- higher activities in services mainly in Asia-Pacific, Europe and the Rest of world region ($134 million); and
- higher activities in rolling stock in Asia-Pacific mainly due to ramp-up in production related to some commuter and regional train and propulsion contracts ($82 million).

Partially offset by:

- lower activities in rolling stock in Europe and North America following completion of some commuter and regional train contracts in both regions and some metro, light rail vehicle and intercity train contracts in Europe, partly offset by ramp-up in production of some locomotive and very high-speed train contracts in Europe ($324 million).

Special items

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

The special item for the three and nine-month periods ended September 30, 2014 related to a restructuring charge of $57 million in connection with measures to further improve competitiveness and cost structure of indirect functions and align capacity, mainly the reduction of worldwide direct and indirect positions by approximately 900 employees.

EBIT margin

The EBIT margin percentage for the three-month period increased by 1.0 percentage points compared to the same period last year. The EBIT margin before special items (see explanation of special items above) for the three-month period decreased by 1.4 percentage points, mainly as a result of:

- a lower gross margin in rolling stock due to an unfavourable contract mix; and
- higher R&D expenses.

Partially offset by:

- a higher gross margin in services and in system and signalling; and
- a higher share of income of joint ventures and associates.

The EBIT margin percentage for the nine-month period increased by 0.5 percentage points compared to the same period last year. The EBIT margin before special items (see explanation of special items above) for the nine-month period decreased by 0.3 percentage points, mainly as a result of:

- a lower gross margin in rolling stock due to an unfavourable contract mix; and
- a lower share of income of joint ventures and associates.

Partially offset by:

- lower SG&A expenses; and
- a higher gross margin in services.

Orders and backlog

Order intake and book-to-bill ratio

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Order intake (in billions of dollars)	**$ 2.2**	$ 1.1	**$ 5.4**	$ 10.8
Book-to-bill ratio[1]	**1.1**	0.5	**0.9**	1.6

[1] Ratio of new orders over revenues.

The order intake for the three- and nine-month periods ended September 30, 2015 reflect negative currency impacts of $268 million and $819 million, respectively. Excluding negative currency impacts, the order intake for the three-month period increased by $1.4 billion while the order intake for the nine-month period decreased by $4.6 billion compared to the same periods last fiscal year. The decrease for the nine-month period is mainly explained by the significant orders signed with the State of Queensland, Australia, with Transport for London, U.K., and with Transnet Freight Rail, South Africa, in the first quarter of 2014, for approximately $6.0 billion.

Several small and medium orders across various regions and product segments were won in the third quarter of 2015 and Bombardier Transportation maintained a leading position[1] in the overall accessible rail market[2].

[1] Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
[2] The overall accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition. Bombardier Transportation's accessible market also excludes the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the nine-month period ended September 30, 2015 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value
Third quarter					
Transport for London (TfL)	U.K.	Electrical multiple units (EMUs) and fleet maintenance	180	Rolling stock and Services	$ 558
Crosslinx Transit Solutions Maintenance General Partnership	Canada	Fleet maintenance	n/a	Services	$ 308
Israel Railways (ISR)	Israel	*TRAXX* Locomotives	62	Rolling stock	$ 262 [(1)]
Second quarter					
Vienna Transport Authority Wiener Linien	Austria	*FLEXITY* trams and *FlexCare* fleet maintenance	119	Rolling stock and Services	$ 480
Delhi Metro Rail Corporation Ltd (DMRC)	India	*MOVIA* metro cars	162	Rolling stock	$ 228
Chicago Department of Aviation (CDA)	U.S.	*INNOVIA* APM 256 automated people mover	36	System	$ 180
Syndicat des Transports d'Île-de-France (STIF) and Société Nationale des Chemins de fer Français (SNCF)	France	EMUs	133	Rolling stock	$ 141
De Lijn (VVM)	Belgium	*FLEXITY* 2 trams	40	Rolling stock	$ 107
First quarter					
National Express Group	U.K.	Fleet maintenance and spare parts	n/a	Services	$ 213
Rheinbahn AG and Cologne transport authority (KVB)	Germany	*FLEXITY* trams	62	Rolling stock	$ 203

n/a: Not applicable
(1) Based on list price.

Order backlog

		As at
(in billions of dollars)	**September 30, 2015**	December 31, 2014
	$ 30.0	$ 32.5

The $2.5-billion decrease in order backlog is due to the weakening of some foreign currencies, mainly the euro, the Australian dollar and the South African rand versus the U.S. dollar as at September 30, 2015, compared to December 31, 2014 ($1.8 billion) and revenues recorded being higher than order intake ($0.7 billion).

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

Factoring facilities

In the normal course of its business, Transportation has set up factoring facilities, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €960 million ($1.1 billion) were outstanding under such facilities as at September 30, 2015 (€974 million ($1.2 billion) as at December 31, 2014). During the three- and nine-month periods ended September 30, 2015, trade receivables of €312 million ($346 million) and €1.0 billion ($1.2 billion), respectively, were sold to these facilities (€296 million ($393 million) and €808 million ($1.1 billion), respectively, during the three- and nine-month periods ended September 30, 2014).

Other arrangements

In the normal course of operations, we maintain other off-balance sheet arrangements including credit and residual value guarantees, financing commitments and financing structures related to the sale of commercial aircraft. There was no significant change in these arrangements during the nine-month period ended September 30, 2015. Refer to the Off-balance sheet arrangements section of the Financial Report for the year ended December 31, 2014 in Other for a description of these arrangements, and to Note 23, Commitments and Contingencies, to the interim consolidated financial statements for further details.

RISKS AND UNCERTAINTIES

We operate in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties that could materially affect our business, financial condition and results of operations are described in the Financial Report for the fiscal year ended December 31, 2014 in Other, but are not necessarily the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business.

There was no significant change to these risks and uncertainties during the nine-month period ended September 30, 2015, other than those described elsewhere in this MD&A. Also refer to Note 23, Commitments and contingencies, to the interim consolidated financial statements for information regarding current litigation proceedings such as the allegations of cartel activity in Brazil.

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies

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 was adopted effective January 1, 2015. The adoption of this amendment had no significant impact on our consolidated financial statements.

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 our fiscal year beginning on January 1, 2018, with earlier application permitted. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

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 our fiscal year beginning on January 1, 2018, with earlier application permitted. We have not yet assessed the impact of the adoption of this standard on our consolidated financial statements.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the nine-month period ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	September 30, 2015	December 31, 2014	Decrease
Euro	**1.1204**	1.2141	(8%)
Canadian dollar	**0.7469**	0.8633	(13%)
Pound sterling	**1.5159**	1.5587	(3%)

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

	September 30, 2015	September 30, 2014	Decrease
Euro	**1.1116**	1.3283	(16%)
Canadian dollar	**0.7651**	0.9205	(17%)
Pound sterling	**1.5509**	1.6728	(7%)

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

	September 30, 2015	September 30, 2014	Decrease
Euro	**1.1138**	1.3565	(18%)
Canadian dollar	**0.7950**	0.9146	(13%)
Pound sterling	**1.5315**	1.6698	(8%)

SELECTED FINANCIAL INFORMATION

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

Fiscal years	**2015**						2014	2013
	Third	Second	First	Fourth	Third	Second	First	Fourth
Revenues	**$ 4,138**	$ 4,620	$ 4,397	$ 5,960	$ 4,906	$ 4,891	$ 4,354	$ 5,324
Net income (loss)	**$ (4,888)**	$ 125	$ 100	$ (1,590)	$ 74	$ 155	$ 115	$ 97
EPS (in dollars)								
Basic and diluted	**$ (2.20)**	$ 0.06	$ 0.05	$ (0.92)	$ 0.03	$ 0.08	$ 0.06	$ 0.05
Adjusted net income[(1)]	**$ 2**	$ 145	$ 170	$ 83	$ 222	$ 192	$ 151	$ 129
Adjusted EPS (in dollars)[(1)]								
Basic and diluted	**$ 0.00**	$ 0.06	$ 0.09	$ 0.04	$ 0.12	$ 0.10	$ 0.08	$ 0.07

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

SHAREHOLDER INFORMATION

Authorized, issued and outstanding share data, as at October 27, 2015

	Authorized	Issued and outstanding
Class A Shares (multiple voting)(1)	2,742,000,000	313,900,550
Class B Shares (subordinate voting)(2)	2,742,000,000	1,906,222,883 (3)
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,692,521
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,307,479
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) Ten votes each, convertible at the option of the holder into one Class B Share (subordinate voting).
(2) Convertible at the option of the holder into one Class A Share (multiple voting) under certain conditions.
(3) Net of 26,194,908 Class B Shares (subordinate voting) purchased and held in trust in connection with the PSU and RSU plans.

Share option, PSU, DSU and RSU data as at September 30, 2015

Options issued and outstanding under the share option plans	74,487,846
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	43,722,593
Class B Shares held in trust to satisfy PSU and RSU obligations	26,194,908

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

Financial Report, for the fiscal year ending December 31, 2015	February 17, 2016
First Quarterly Report, for the period ending March 31, 2016	April 28, 2016
Second Quarterly Report, for the period ending June 30, 2016	August 5, 2016
Third Quarterly Report, for the period ending September 30, 2016	November 3, 2016

Information

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October 28, 2015

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

The *C Series* family of aircraft, *Global 7000* and *Global 8000* aircraft and *Challenger 650* aircraft programs are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind.

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2015
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Notes	**2015**	2014	**2015**	2014
Revenues		**$ 4,138**	$ 4,906	**$ 13,155**	$ 14,151
Cost of sales	11	**3,721**	4,226	**11,583**	12,220
Gross margin		**417**	680	**1,572**	1,931
SG&A		**284**	315	**857**	1,007
R&D	5	**78**	80	**236**	235
Share of income of joint ventures and associates		**(19)**	(14)	**(53)**	(64)
Other expense (income)	6	**(1)**	8	**(6)**	(14)
Special items	7	**4,710**	120	**4,719**	132
EBIT		**(4,635)**	171	**(4,181)**	635
Financing expense	8	**129**	66	**326**	185
Financing income	8	**(12)**	(15)	**(52)**	(59)
EBT		**(4,752)**	120	**(4,455)**	509
Income taxes		**136**	46	**208**	165
Net income (loss)		**$ (4,888)**	$ 74	**$ (4,663)**	$ 344
Attributable to					
Equity holders of Bombardier Inc.		**$ (4,891)**	$ 68	**$ (4,668)**	$ 334
NCI		**3**	6	**5**	10
		$ (4,888)	$ 74	**$ (4,663)**	$ 344
EPS (in dollars)	9				
Basic and diluted		**$ (2.20)**	$ 0.03	**$ (2.30)**	$ 0.18

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

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Net income (loss)	**$ (4,888)**	$ 74	**$ (4,663)**	$ 344
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**20**	9	**10**	11
Net loss on derivative financial instruments	**(47)**	(153)	**(396)**	(243)
Reclassification to income or to the related non-financial asset	**116**	50	**335**	133
Income taxes	**(6)**	29	**(5)**	24
	83	(65)	**(56)**	(75)
AFS financial assets				
Net unrealized gain (loss)	**(1)**	—	**(6)**	4
CCTD				
Net investments in foreign operations	**(119)**	(108)	**(49)**	(69)
Net gain on related hedging items	**—**	2	**1**	3
	(119)	(106)	**(48)**	(66)
Items that are never reclassified to net income				
Retirement benefits				
Remeasurement of defined benefit plans(1)	**(222)**	(250)	**237**	(602)
Income taxes	**41**	23	**18**	29
	(181)	(227)	**255**	(573)
Total OCI	**(218)**	(398)	**145**	(710)
Total comprehensive loss	**$ (5,106)**	$ (324)	**$ (4,518)**	$ (366)
Attributable to				
Equity holders of Bombardier Inc.	**$ (5,108)**	$ (325)	**$ (4,523)**	$ (371)
NCI	**2**	1	**5**	5
	$ (5,106)	$ (324)	**$ (4,518)**	$ (366)

(1) Includes net actuarial gains (losses).

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

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

	Notes	September 30 2015	December 31 2014	January 1 2014
Assets				
Cash and cash equivalents		**$ 2,344**	$ 2,489	$ 3,397
Trade and other receivables		**1,248**	1,538	1,492
Inventories	11	**8,056**	7,970	8,234
Other financial assets	12	**544**	530	637
Other assets	13	**675**	592	626
Current assets		**12,867**	13,119	14,386
PP&E		**2,035**	2,092	2,066
Aerospace program tooling		**3,907**	6,823	6,606
Goodwill		**2,017**	2,127	2,381
Deferred income taxes		**740**	875	1,231
Investments in joint ventures and associates		**289**	294	318
Other financial assets	12	**1,099**	1,328	1,568
Other assets	13	**909**	956	807
Non-current assets		**10,996**	14,495	14,977
		$ 23,863	$ 27,614	$ 29,363
Liabilities				
Trade and other payables		**$ 3,936**	$ 4,216	$ 4,089
Provisions	14	**1,102**	990	881
Advances and progress billings in excess of long-term contract inventories		**1,392**	1,698	2,352
Advances on aerospace programs		**2,255**	3,339	3,228
Other financial liabilities	15	**1,020**	1,010	1,009
Other liabilities	16	**2,086**	2,182	2,227
Current liabilities		**11,791**	13,435	13,786
Provisions	14	**873**	562	584
Advances on aerospace programs		**1,751**	1,608	1,688
Long-term debt	17	**9,029**	7,627	6,988
Retirement benefits		**2,441**	2,629	2,161
Other financial liabilities	15	**631**	602	717
Other liabilities	16	**1,007**	1,096	990
Non-current liabilities		**15,732**	14,124	13,128
		27,523	27,559	26,914
Equity (deficit)				
Attributable to equity holders of Bombardier Inc.	18	**(3,675)**	42	2,426
Attributable to NCI		**15**	13	23
		(3,660)	55	2,449
		$ 23,863	$ 27,614	$ 29,363
Commitments and contingencies	23			

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

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

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at June 30, 2015	$ 347	$ 2,203	$ 1,360	$ (2,225)	$ 100	$ 7	$ (461)	$ 112	$ 1,443	$ 16	$ 1,459
Total comprehensive income											
Net income (loss)	—	—	(4,891)	—	—	—	—	—	(4,891)	3	(4,888)
OCI	—	—	—	(181)	—	(1)	83	(118)	(217)	(1)	(218)
	—	—	(4,891)	(181)	—	(1)	83	(118)	(5,108)	2	(5,106)
Dividends	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Capital distribution	—	—	—	—	—	—	—	—	—	(3)	(3)
Shares purchased - RSU plan	—	(9)	—	—	—	—	—	—	(9)	—	(9)
Share-based expense	—	—	—	—	6	—	—	—	6	—	6
As at September 30, 2015	**$ 347**	**$ 2,194**	**$ (3,538)**	**$ (2,406)**	**$ 106**	**$ 6**	**$ (378)**	**$ (6)**	**$ (3,675)**	**$ 15**	**$ (3,660)**
As at June 30, 2014	$ 347	$ 1,380	$ 2,768	$ (2,316)	$ 103	$ 9	$ (213)	$ 217	$ 2,295	$ 27	$ 2,322
Total comprehensive income											
Net income	—	—	68	—	—	—	—	—	68	6	74
OCI	—	—	—	(227)	—	—	(65)	(101)	(393)	(5)	(398)
	—	—	68	(227)	—	—	(65)	(101)	(325)	1	(324)
Dividends	—	—	(48)	—	—	—	—	—	(48)	—	(48)
Capital distribution	—	—	—	—	—	—	—	—	—	(6)	(6)
Share-based income	—	—	—	—	(12)	—	—	—	(12)	—	(12)
As at September 30, 2014	$ 347	$ 1,380	$ 2,788	$ (2,543)	$ 91	$ 9	$ (278)	$ 116	$ 1,910	$ 22	$ 1,932

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

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

	Attributable to equity holders of Bombardier Inc.										
	Share capital		Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at December 31, 2014	$ 347	$ 1,381	$ 1,151	$ (2,661)	$ 92	$ 12	$ (322)	$ 42	$ 42	$ 13	$ 55
Total comprehensive income											
Net income (loss)	—	—	(4,668)	—	—	—	—	—	(4,668)	5	(4,663)
OCI	—	—	—	255	—	(6)	(56)	(48)	145	—	145
	—	—	(4,668)	255	—	(6)	(56)	(48)	(4,523)	5	(4,518)
Issuance of share capital	—	822	—	—	—	—	—	—	822	—	822
Dividends	—	—	(21)	—	—	—	—	—	(21)	—	(21)
Capital distribution	—	—	—	—	—	—	—	—	—	(3)	(3)
Shares purchased - RSU plan	—	(9)	—	—	—	—	—	—	(9)	—	(9)
Share-based expense	—	—	—	—	14	—	—	—	14	—	14
As at September 30, 2015	**$ 347**	**$ 2,194**	**$ (3,538)**	**$ (2,406)**	**$ 106**	**$ 6**	**$ (378)**	**$ (6)**	**$ (3,675)**	**$ 15**	**$ (3,660)**
As at January 1, 2014	$ 347	$ 1,380	$ 2,598	$ (1,970)	$ 92	$ 5	$ (203)	$ 177	$ 2,426	$ 23	$ 2,449
Total comprehensive income											
Net income	—	—	334	—	—	—	—	—	334	10	344
OCI	—	—	—	(573)	—	4	(75)	(61)	(705)	(5)	(710)
	—	—	334	(573)	—	4	(75)	(61)	(371)	5	(366)
Dividends	—	—	(144)	—	—	—	—	—	(144)	—	(144)
Capital distribution	—	—	—	—	—	—	—	—	—	(6)	(6)
Share-based income	—	—	—	—	(1)	—	—	—	(1)	—	(1)
As at September 30, 2014	$ 347	$ 1,380	$ 2,788	$ (2,543)	$ 91	$ 9	$ (278)	$ 116	$ 1,910	$ 22	$ 1,932

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

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

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Notes	**2015**	2014	**2015**	2014
Operating activities					
Net income (loss)		**$ (4,888)**	$ 74	**$ (4,663)**	$ 344
Non-cash items					
Amortization		**104**	105	**315**	301
Impairment charges on PP&E and intangible assets	7	**4,004**	—	**4,004**	—
Deferred income taxes		**104**	11	**118**	59
Gains on disposals of PP&E and intangible assets	6	**(1)**	—	**(3)**	(4)
Share of income of joint ventures and associates		**(19)**	(14)	**(53)**	(64)
Share-based expense (income)	19	**6**	(12)	**14**	(1)
Loss on repurchase of long-term debt	8	**—**	—	**22**	43
Dividends received from joint ventures and associates		**32**	1	**59**	63
Net change in non-cash balances	20	**343**	(89)	**(863)**	(979)
Cash flows from operating activities		**(315)**	76	**(1,050)**	(238)
Investing activities					
Additions to PP&E and intangible assets		**(502)**	(444)	**(1,331)**	(1,484)
Proceeds from disposals of PP&E and intangible assets		**1**	—	**12**	15
Proceeds from investment in financing structure		**150**	—	**150**	—
Additions to AFS investments in securities		**—**	—	**(64)**	(53)
Proceeds from disposal of AFS investments in securities		**54**	—	**54**	—
Net proceeds from disposal of a business[1]		**—**	—	**—**	25
Other		**8**	(3)	**(2)**	(4)
Cash flows from investing activities		**(289)**	(447)	**(1,181)**	(1,501)
Financing activities					
Net proceeds from issuance of long-term debt	17	**—**	5	**2,218**	1,815
Repayments of long-term debt	17	**(12)**	(10)	**(816)**	(1,318)
Dividends paid[2]		**(4)**	(45)	**(14)**	(137)
Purchase of Class B shares held in trust under the RSU plan		**(9)**	—	**(9)**	—
Net proceeds from issuance of shares	18	**—**	—	**822**	—
Other		**(88)**	(3)	**(47)**	(14)
Cash flows from financing activities		**(113)**	(53)	**2,154**	346
Effect of exchange rates on cash and cash equivalents		**(44)**	(117)	**(68)**	(69)
Net decrease in cash and cash equivalents		**(761)**	(541)	**(145)**	(1,462)
Cash and cash equivalents at beginning of period		**3,105**	2,476	**2,489**	3,397
Cash and cash equivalents at end of period		**$ 2,344**	$ 1,935	**$ 2,344**	$ 1,935
Supplemental information[3][4]					
Cash paid for					
Interest		**$ 153**	$ 88	**$ 343**	$ 258
Income taxes		**$ 22**	$ 27	**$ 72**	$ 80
Cash received for					
Interest		**$ 5**	$ 6	**$ 16**	$ 116
Income taxes		**$ 2**	$ 2	**$ 3**	$ 6

(1) Represents the balance of sale price related to the sale of the main assets and related liabilities of the Corporation's Flexjet activities.
(2) $4 million and $14 million of dividends paid relate to preferred shares for the three- and nine-month periods ended September 30, 2015 ($5 million and $16 million for the three- and nine-month periods ended September 30, 2014).
(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 receivables after the effect of hedges, if any, and the interest portion of a gain related to the resolution of a litigation in connection with part IV of the Québec Income Tax Act, the Tax on Capital and the interest portion related to the settlement of a cross-currency interest-rate swap.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2015
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. ("the Corporation") is incorporated under the laws of Canada. The Corporation is a manufacturer of transportation equipment, including business and commercial aircraft, as well as major aircraft structural components, and rail transportation equipment and systems, and is a provider of related services. The Corporation carries out its operations in four distinct segments, effective January 1, 2015: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation.

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Financial Report for the fiscal year ended December 31, 2014.

The Corporation restated Note 4 - Segment disclosure for the comparative periods to reflect its four reportable segments.

These interim consolidated financial statements for the three- and nine-month periods ended September 30, 2015 were authorized for issuance by the Board of Directors on October 28, 2015.

The results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year.

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

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

			Exchange rates as at
	September 30, 2015	December 31, 2014	January 1, 2014
Euro	**1.1204**	1.2141	1.3791
Canadian dollar	**0.7469**	0.8633	0.9400
Pound sterling	**1.5159**	1.5587	1.6542

	Average exchange rates for the three-month periods ended		**Average exchange rates for the nine-month periods ended**	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Euro	**1.1116**	1.3283	**1.1138**	1.3565
Canadian dollar	**0.7651**	0.9205	**0.7950**	0.9146
Pound sterling	**1.5509**	1.6728	**1.5315**	1.6698

2. CHANGES IN ACCOUNTING POLICIES

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 was adopted effective January 1, 2015. The adoption of this amendment had no significant impact on the consolidated financial statements of the Corporation.

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.

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, 2018, with earlier application permitted. The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4. SEGMENT DISCLOSURE

Following the reorganization announced in July 2014, the Corporation has adopted a new organizational structure with four reportable segments, effective January 1, 2015: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. The Corporation restated the comparative periods to reflect its four reportable segments as described below. Each reportable segment offers different products and services and mostly requires different technology and marketing strategies.

Business Aircraft

Business Aircraft designs, manufactures and provides aftermarket support for three families of business jets (*Learjet, Challenger* and *Global)*, spanning from the light to large categories.

Commercial Aircraft

Commercial Aircraft designs and manufactures a broad portfolio of commercial aircraft in the 60- to 149-seat categories, including the *Q400 NextGen* turboprops, the *CRJ700, 900* and *1000 NextGen* regional jets as well as the clean-sheet *CS100* and *CS300* mainline jets. Commercial Aircraft provides aftermarket support for these aircraft as well as for the 20- to 59-seat range category.

Aerostructures and Engineering Services

Aerostructures and Engineering Services designs and manufactures major aircraft structural components (such as engine nacelles, fuselages and wings) and provides aftermarket component repair and overhaul as well as other engineering services for both internal and external clients.

Transportation

Transportation, a global leader in rail technology, offers the broadest portfolio in the rail industry and delivers innovative products and services that set new standards in sustainable mobility.

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2014.

The revenue recognition policies of Aerostructures and Engineering Services follow the Corporation's policies for either long-term contracts or aerospace programs depending on the nature of the contracts. Profit on intercompany transactions is eliminated in the consolidated financial statements and corporate charges that were previously allocated to segments are now part of Corporate and Elimination. Intersegment transaction policies put in place following the adoption of the new organizational structure in 2015 were not applied retroactively, which has not significantly impacted period-over-period variances.

Management assesses segment performance based on EBIT and EBIT before special items. The segmented results of operations and other information are as follows:

	Three-month period ended September 30, 2015					
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 1,985**	**$ 1,557**	**$ 477**	**$ 119**	**$ —**	**$ 4,138**
Intersegment revenues	**—**	**1**	**3**	**292**	**(296)**	**—**
Total revenues	**1,985**	**1,558**	**480**	**411**	**(296)**	**4,138**
EBIT before special items	**109**	**54**	**(63)**	**30**	**(55)**	**75**
Special items(1)	**—**	**1,169**	**3,561**	**—**	**(20)**	**4,710**
EBIT	**$ 109**	**$ (1,115)**	**$ (3,624)**	**$ 30**	**$ (35)**	**(4,635)**
Financing expense						**129**
Financing income						**(12)**
EBT						**(4,752)**
Income taxes						**136**
Net loss						**$ (4,888)**
Other information						
R&D(2)	**$ 30**	**$ 31**	**$ 13**	**$ 4**	**$ —**	**$ 78**
Net additions to PP&E and intangible assets(3)	**$ 29**	**$ 172**	**$ 299**	**$ 1**	**$ —**	**$ 501**
Amortization	**$ 22**	**$ 45**	**$ 23**	**$ 13**	**$ 1**	**$ 104**
Impairment charges on intangible assets (1)	**$ —**	**$ 925**	**$ 3,070**	**$ —**	**$ (6)**	**$ 3,989**
Impairment charges on PP&E (1)	**$ —**	**$ 15**	**$ —**	**$ —**	**$ —**	**$ 15**

	Three-month period ended September 30, 2014					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 2,334	$ 1,640	$ 787	$ 145	$ —	$ 4,906
Intersegment revenues	2	—	—	299	(301)	—
Total revenues	2,336	1,640	787	444	(301)	4,906
EBIT before special items	162	103	13	33	(20)	291
Special items(1)	57	35	18	10	—	120
EBIT	$ 105	$ 68	$ (5)	$ 23	$ (20)	171
Financing expense						66
Financing income						(15)
EBT						120
Income taxes						46
Net income						$ 74
Other information						
R&D(2)	$ 29	$ 26	$ 25	$ —	$ —	$ 80
Net additions to PP&E and intangible assets(3)	$ 29	$ 198	$ 204	$ 14	$ (1)	$ 444
Amortization	$ 28	$ 36	$ 28	$ 12	$ 1	$ 105

(1) See Note 7 – Special items for more details.
(2) Includes tooling amortization. See Note 5 – Research and development for more details.
(3) As per the consolidated statements of cash flows.

	Nine-month period ended September 30, 2015					
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 6,113**	**$ 4,909**	**$ 1,748**	**$ 385**	**$ —**	**$ 13,155**
Intersegment revenues	**4**	**1**	**3**	**969**	**(977)**	**—**
Total revenues	**6,117**	**4,910**	**1,751**	**1,354**	**(977)**	**13,155**
EBIT before special items	**342**	**280**	**(83)**	**113**	**(114)**	**538**
Special items[1]	**—**	**1,180**	**3,560**	**(1)**	**(20)**	**4,719**
EBIT	**$ 342**	**$ (900)**	**$ (3,643)**	**$ 114**	**$ (94)**	**(4,181)**
Financing expense						**326**
Financing income						**(52)**
EBT						**(4,455)**
Income taxes						**208**
Net loss						**$ (4,663)**
Other information						
R&D[2]	**$ 88**	**$ 89**	**$ 50**	**$ 9**	**$ —**	**$ 236**
Net additions to PP&E and intangible assets[3]	**$ 62**	**$ 508**	**$ 732**	**$ 21**	**$ (4)**	**$ 1,319**
Amortization	**$ 72**	**$ 129**	**$ 75**	**$ 38**	**$ 1**	**$ 315**
Impairment charges on intangible assets [1]	**$ —**	**$ 925**	**$ 3,070**	**$ —**	**$ (6)**	**$ 3,989**
Impairment charges on PP&E [1]	**$ —**	**$ 15**	**$ —**	**$ —**	**$ —**	**$ 15**

	Nine-month period ended September 30, 2014					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 6,978	$ 4,738	$ 2,020	$ 415	$ —	$ 14,151
Intersegment revenues	5	—	—	982	(987)	—
Total revenues	6,983	4,738	2,020	1,397	(987)	14,151
EBIT before special items	415	325	33	75	(81)	767
Special items[1]	57	45	16	14	—	132
EBIT	$ 358	$ 280	$ 17	$ 61	$ (81)	635
Financing expense						185
Financing income						(59)
EBT						509
Income taxes						165
Net income						$ 344
Other information						
R&D[2]	$ 97	$ 68	$ 63	$ 7	$ —	$ 235
Net additions to PP&E and intangible assets[3]	$ 61	$ 721	$ 654	$ 34	$ (1)	$ 1,469
Amortization	$ 87	$ 98	$ 75	$ 39	$ 2	$ 301

[1] See Note 7 – Special items for more details.
[2] Includes tooling amortization. See Note 5 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

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

	September 30, 2015	December 31, 2014	January 1, 2014
Assets			
Total assets	**$ 23,863**	$ 27,614	$ 29,363
Assets not allocated to segments			
Cash and cash equivalents	**2,344**	2,489	3,397
Income tax receivable[(1)]	**58**	64	27
Deferred income taxes	**740**	875	1,231
Segmented assets	**20,721**	24,186	24,708
Liabilities			
Total liabilities	**27,523**	27,559	26,914
Liabilities not allocated to segments			
Interest payable[(2)]	**106**	124	116
Income taxes payable[(3)]	**245**	248	198
Long-term debt[(4)]	**9,098**	7,683	7,203
Segmented liabilities	**$ 18,074**	$ 19,504	$ 19,397
Net segmented assets			
Transportation	**$ 672**	$ 226	$ 296
Business Aircraft	**$ 594**	$ 440	$ 1,306
Commercial Aircraft	**$ 822**	$ 3,693	$ 3,241
Aerostructures and Engineering Services	**$ 263**	$ 204	$ 221
Corporate and Elimination	**$ 296**	$ 119	$ 247

(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.

5. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended September 30				Nine-month periods ended September 30			
		2015		2014		**2015**		2014
R&D expenditures	**$**	**498**	$	402	**$**	**1,311**	$	1,386
Less: development expenditures capitalized to aerospace program tooling		**(463)**		(365)		**(1,210)**		(1,267)
		35		37		**101**		119
Add: amortization of aerospace program tooling		**43**		43		**135**		116
	$	**78**	$	80	**$**	**236**	$	235

6. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended September 30				Nine-month periods ended September 30			
		2015		2014		**2015**		2014
Severance and other involuntary termination costs (including changes in estimates)(1)	**$**	**9**	$	3	**$**	**14**	$	8
Changes in estimates and fair value(1)(2)		**2**		1		**(6)**		(18)
Gains on disposals of PP&E and intangible assets		**(1)**		—		**(3)**		(4)
Other		**(11)**		4		**(11)**		—
	$	**(1)**	$	8	**$**	**(6)**	$	(14)

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

7. SPECIAL ITEMS

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

Special items were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Impairment and other charges - *C Series* aircraft program[(1)]	**$ 3,235**	$ —	**$ 3,235**	$ —
Impairment and other charges - *Learjet 85* aircraft program[(2)]	**1,163**	—	**1,163**	—
Changes in estimates and fair value[(3)]	**353**	—	**353**	—
Loss on repurchase of long-term debt[(4)]	**—**	—	**22**	43
Restructuring charge[(5)]	**—**	120	**9**	142
Gain on resolution of a litigation[(6)]	**—**	—	**—**	(18)
Tax impacts of special items[(7)]	**106**	(9)	**106**	(11)
	$ 4,857	$ 111	**$ 4,888**	$ 156
Of which is presented in				
Special items in EBIT	**$ 4,710**	$ 120	**$ 4,719**	$ 132
Financing expense - loss on financial instruments[(3)]	**41**	—	**41**	—
Financing expense - loss on repurchase of long-term debt[(4)]	**—**	—	**22**	43
Financing income - interests related to the resolution of a litigation[(6)]	**—**	—	**—**	(8)
Income taxes - effect of special items[(7)]	**106**	(9)	**106**	(11)
	$ 4,857	$ 111	**$ 4,888**	$ 156

(1) Represents an impairment charge of $3,070 million on aerospace program tooling, and inventory write-downs and other provisions of $165 million, following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the October 2015 memorandum of understanding. See Note 11 - Inventories and Note 14 - Provisions.

(2) Represents an impairment charge of $919 million on aerospace program tooling, and inventory write-downs, write-downs of other assets and PP&E, other provisions and other financial liabilities of $244 million, as a result of the cancellation of the *Learjet 85* aircraft program due to the lack of sales following the prolonged market weakness**.** See Note 11 - Inventories and Note 14 - Provisions.

(3) Related to an increase in provisions for credit and RVGs as a result of changes in assumptions concerning residual value curves of regional aircraft due to difficult market conditions for regional pre-owned aircraft and a higher probability that the guaranteed party will exercise the RVG given the recent experience with respect to RVG guarantees and a loss on certain financial instruments due to changes in estimated fair value.

(4) Represents the loss related to the redemption of the $750-million Senior Notes for the nine-month period ended September 30, 2015. See Note 17 - Long-term debt for more details ($43 million represents the loss related to the redemption of the €785-million ($1,093-million) Senior Notes for the nine-month period ended September 30, 2014).

(5) Represents restructuring charges of $13 million related to the workforce reduction announced in January 2015 of approximately 1,000 positions, located mostly in Querétaro, Mexico and Wichita, U.S., as a result of the decision to pause the *Learjet 85* aircraft program, and a reversal of restructuring provisions taken in prior year of $4 million, for the nine-month period ended September 30, 2015. During the three-month period ended September 30, 2014, the Corporation recorded restructuring charges of $120 million related to the workforce reduction announced in July 2014, of which $63 million relates to the Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services and $57 million relates to Transportation. In addition, during the three-month period ended March 31, 2014, the Corporation recorded a restructuring charge of $22 million related to the Business Aircraft, Commercial Aircraft and Aerostructures and Engineering Services workforce reduction announced in January 2014.

(6) Represents a gain at Business Aircraft and Commercial Aircraft upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital, of which $8 million represents the interest portion of the gain for the nine-month period ended September 30, 2014.

(7) Represents net write-downs of deferred income tax assets, mainly due to the reorganization and consolidation of Bombardier Transportation under one holding entity necessary to facilitate the planned placement of a minority stake in Bombardier Transportation, for the three-and nine-month period ended September 30, 2015. This item has a significant impact on the effective income tax rates.

C Series aircraft program

In October 2015, the Corporation entered into a memorandum of understanding for the *C Series* aircraft program with the Government of Québec. See Note 24 – Event after the reporting date for more details.
Following the completion of an in-depth review of the *C Series* aircraft program as well as discussions with the Government of Québec which resulted in the memorandum of understanding, the Corporation performed an impairment test on the *C Series* cash generating unit (the "*C Series* program") which principally consists of capitalized development costs. The Corporation determined that the *C Series* program carrying amount exceeded

its recoverable amount, and accordingly recorded an impairment charge of $3,070 million related to the *C Series* development costs. After the impairment charge, the remaining balance of the *C Series* aerospace program tooling is $1,633 million.

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. The estimated future cash flows for the first five years are based on the strategic plan. After the initial five 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.

For purposes of impairment testing, management exercises judgment to identify independent cash inflows to identify CGUs by family of aircraft. 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. They also include future cash flows from aftermarket activities, as well as synergies from the perspective of a market participant.

The recoverable amount of the *C Series* program was based on fair value less costs of disposal. The fair value measurement of the *C Series* 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 probability-based long-range forecasts prepared by management and an after tax discount rate of 8.75% based on a benchmark sampling of publicly traded companies in the aerospace sector.

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 the *C Series* program evenly distributed over future periods, would have resulted in an additional impairment charge of approximately $403 million.

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 $210 million.

***Learjet 85* aircraft program**
On October 28, 2015, due to the lack of sales following the prolonged market weakness, the Corporation announced the cancellation of the *Learjet 85* aircraft program. As a result, the Corporation recorded an impairment charge of $919 million related to the remaining *Learjet 85* development costs.

8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
Financing expense				
Net loss on certain financial instruments(1)(2)	**$ 54**	$ 23	**$ 77**	$ 10
Accretion on net retirement benefit obligations	**18**	19	**55**	57
Accretion on other financial liabilities	**6**	4	**18**	9
Loss on repurchase of long-term debt(3)	**—**	—	**22**	43
Amortization of letter of credit facility costs	**4**	4	**11**	11
Accretion on provisions	**2**	2	**5**	6
Changes in discount rates of provisions	**3**	—	**3**	—
Other	**5**	7	**17**	20
	92	59	**208**	156
Interest on long-term debt, after effect of hedges	**37**	7	**118**	29
	$ 129	$ 66	**$ 326**	$ 185
Financing income				
Interest related to the resolution of a litigation(4)	**$ —**	$ —	**$ —**	$ (8)
Changes in discount rates of provisions	**—**	(3)	**—**	(1)
Other	**(2)**	—	**(17)**	(14)
	(2)	(3)	**(17)**	(23)
Interest on loans and lease receivables, after effect of hedges	**(5)**	(6)	**(17)**	(21)
Income from investment in securities	**(3)**	(3)	**(13)**	(9)
Interest on cash and cash equivalents	**(2)**	(3)	**(5)**	(6)
	(10)	(12)	**(35)**	(36)
	$ (12)	$ (15)	**$ (52)**	$ (59)

(1) Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
(2) Includes $41 million of special items. See Note 7 – Special items for more details.
(3) Represents the loss related to the redemption of the $750-million Senior Notes, which was recorded as a special item for the nine-month period ended September 30, 2015 ($43 million represents the loss related to the redemption of the €785-million ($1,093-million) Senior Notes, which was recorded as a special item for the nine-month period ended September 30, 2014).
(4) Represents the interest portion of a gain of $18 million for the nine-month period ended September 30, 2014 upon the successful resolution of a litigation in connection with Part IV of the Québec Income Tax Act, the Tax on Capital. The remaining $10 million of the gain was recorded in EBIT as special items for the nine-month period ended September 30, 2014.

Borrowing costs capitalized to PP&E and intangible assets totalled $98 million and $228 million for the three- and nine-month periods ended September 30, 2015, using an average capitalization rate of 5.31% and 4.95%, respectively ($77 million and $235 million and 4.86% and 4.95% for the three- and nine-month periods ended September 30, 2014, respectively). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

9. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2015	2014	**2015**	2014
(Number of shares, stock options, PSUs, DSUs and RSUs, in thousands)				
Net income (loss) attributable to equity holders of Bombardier Inc.	**$ (4,891)**	$ 68	**$ (4,668)**	$ 334
Preferred share dividends, including taxes	**(7)**	(8)	**(21)**	(23)
Net income (loss) attributable to common equity holders of Bombardier Inc.	**$ (4,898)**	$ 60	**$ (4,689)**	$ 311
Weighted-average number of common shares outstanding	**2,225,636**	1,741,790	**2,040,938**	1,741,767
Net effect of stock options, PSUs, DSUs and RSUs	**—**	320	**—**	673
Weighted-average diluted number of common shares	**2,225,636**	1,742,110	**2,040,938**	1,742,440
EPS (in dollars)				
Basic and diluted	**$ (2.20)**	$ 0.03	**$ (2.30)**	$ 0.18

The effect of the exercise of stock options, PSUs, DSUs and RSUs was included in the calculation of diluted EPS in the above table, except for 83,819,411 and 66,112,810 stock options, PSUs, DSUs and RSUs for the three- and nine-month periods ended September 30, 2015, respectively (38,534,187 and 42,714,991 stock options, PSUs and DSUs for the three- and nine-month periods ended September 30, 2014, respectively) 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, or the effect of the exercise would be antidilutive.

10. FINANCIAL INSTRUMENTS

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

	FVTP&L						
	HFT	Designated	AFS	Amortized cost [1]	DDHR	Total carrying value	Fair value
September 30, 2015							
Financial assets							
Cash and cash equivalents	**$ 2,344**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 2,344**	**$ 2,344**
Trade and other receivables	**—**	**—**	**—**	**1,248**	**—**	**1,248**	**1,248**
Other financial assets	**36**	**320**	**336**	**386**	**565**	**1,643**	**1,676**
	$ 2,380	**$ 320**	**$ 336**	**$ 1,634**	**$ 565**	**$ 5,235**	**$ 5,268**
Financial liabilities							
Trade and other payables	**$ —**	**$ 2**	**n/a**	**$ 3,934**	**$ —**	**$ 3,936**	**$ 3,936**
Long-term debt[2]	**—**	**—**	**n/a**	**9,098**	**—**	**9,098**	**7,010**
Other financial liabilities	**56**	**133**	**n/a**	**697**	**696**	**1,582**	**1,551**
	$ 56	**$ 135**	**n/a**	**$ 13,729**	**$ 696**	**$ 14,616**	**$ 12,497**
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
January 1, 2014							
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

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

11. INVENTORIES

Inventories were as follows, as at:

	September 30, 2015	December 31, 2014	January 1, 2014
Aerospace programs	**$ 4,742**	$ 4,600	$ 4,847
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**8,002**	7,369	7,064
Less: advances and progress billings	**(6,041)**	(5,558)	(5,406)
	1,961	1,811	1,658
Service contracts			
Cost incurred and recorded margins	**254**	310	420
Less: advances and progress billings	**(20)**	(17)	(19)
	234	293	401
Finished products[(1)]	**1,119**	1,266	1,328
	$ 8,056	$ 7,970	$ 8,234

(1) Finished products include 1 new aircraft not associated with a firm order and 49 pre-owned aircraft, totalling $282 million as at September 30, 2015 (1 new aircraft and 57 pre-owned aircraft, totalling $485 million as at December 31, 2014 and 11 new aircraft and 43 pre-owned aircraft, totalling $535 million as at January 1, 2014).

Finished products as at September 30, 2015 include $193 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($248 million as at December 31, 2014 and $134 million as at January 1, 2014). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $3,458 million and $10,795 million for the three- and nine-month periods ended September 30, 2015, respectively ($3,567 million and $11,069 million for the three- and nine-month periods ended September 30, 2014, respectively). These amounts include $136 million and $219 million of write-downs for the three- and nine-month periods ended September 30, 2015, respectively ($37 million and $104 million for the three- and nine-month periods ended September 30, 2014, respectively). An additional write-down of $57 million is recognized in special items for the three- and nine-month periods ended September 30, 2015. See Note 7 – Special items for more details.

In connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. Amounts received under these arrangements are included as advances and progress billings in reduction of long-term contracts (production contracts) inventories and amounted to €300 million ($336 million) as at September 30, 2015. The third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations under the related long-term contract.

12. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	September 30, 2015		December 31, 2014		January 1, 2014	
Derivative financial instruments	**$**	**601**	$	528	$	792
Investments in securities[(1) (2)]		**347**		346		335
Long-term contract receivables		**305**		321		319
Investments in financing structures[(1)]		**198**		360		331
Aircraft loans and lease receivables[(1)]		**170**		275		400
Restricted cash		**10**		17		19
Other		**12**		11		9
	$	**1,643**	$	1,858	$	2,205
Of which current	**$**	**544**	$	530	$	637
Of which non-current		**1,099**		1,328		1,568
	$	**1,643**	$	1,858	$	2,205

(1) Carried at fair value, except for $2 million of aircraft loans and lease receivables, $11 million of investments in securities and $46 million of investment in financing structures carried at amortized cost as at September 30, 2015 ($12 million, $16 million and $45 million, respectively, as at December 31, 2014 and $12 million, $20 million and $46 million, respectively, as at January 1, 2014).

(2) Includes $80 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 September 30, 2015 ($70 million as at December 31, 2014, and January 1, 2014).

13. OTHER ASSETS

Other assets were as follows, as at:

	September 30, 2015		December 31, 2014		January 1, 2014	
Prepaid expenses	**$**	**722**	$	760	$	620
Sales tax and other taxes		**360**		302		344
Retirement benefits		**204**		159		174
Deferred financing charges		**166**		138		100
Intangible assets other than aerospace program tooling and goodwill		**111**		156		186
Other		**21**		33		9
	$	**1,584**	$	1,548	$	1,433
Of which current	**$**	**675**	$	592	$	626
Of which non-current		**909**		956		807
	$	**1,584**	$	1,548	$	1,433

14. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other[(1)]	Total
Balance as at December 31, 2014	**$ 773**	**$ 456**	**$ 117**	**$ 206**	**$ 1,552**
Additions	**160**	**4**	**20** [(2)]	**14**	**198**
Utilization	**(116)**	**(23)**	**(44)**	**(3)**	**(186)**
Reversals	**(50)**	**(6)**	**(5)** [(2)]	**(16)**	**(77)**
Accretion expense	**—**	**3**	**—**	**—**	**3**
Effect of foreign currency exchange rate changes	**(32)**	**—**	**(5)**	**(2)**	**(39)**
Balance as at June 30, 2015	**$ 735**	**$ 434**	**$ 83**	**$ 199**	**$ 1,451**
Additions	**55**	**250** [(3)]	**7**	**310** [(4)]	**622**
Utilization	**(59)**	**(12)**	**(8)**	**(2)**	**(81)**
Reversals	**(14)**	**—**	**—**	**(2)**	**(16)**
Accretion expense	**1**	**1**	**—**	**—**	**2**
Effect of changes in discount rates	**1**	**2**	**—**	**—**	**3**
Effect of foreign currency exchange rate changes	**(4)**	**—**	**(1)**	**(1)**	**(6)**
Balance as at September 30, 2015	**$ 715**	**$ 675**	**$ 81**	**$ 504**	**$ 1,975**
Of which current	**$ 559**	**$ 69**	**$ 79**	**$ 395**	**$ 1,102**
Of which non-current	**156**	**606**	**2**	**109**	**873**
	$ 715	**$ 675**	**$ 81**	**$ 504**	**$ 1,975**

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other[(1)]	Total
Balance as at January 1, 2014	$ 863	$ 463	$ 81	$ 58	$ 1,465
Additions	153	1	40 [(2)]	8	202
Utilization	(153)	(27)	(55)	(3)	(238)
Reversals	(23)	(5)	(8)	(9)	(45)
Accretion expense	1	3	—	—	4
Effect of changes in discount rates	—	2	—	—	2
Effect of foreign currency exchange rate changes	(4)	—	(1)	—	(5)
Balance as at June 30, 2014	$ 837	$ 437	$ 57	$ 54	$ 1,385
Additions	93	—	138 [(2)]	5	236
Utilization	(76)	(23)	(13)	(1)	(113)
Reversals	(19)	(12)	(5)	(1)	(37)
Accretion expense	—	2	—	—	2
Effect of changes in discount rates	(1)	(2)	—	—	(3)
Effect of foreign currency exchange rate changes	(37)	—	(5)	(3)	(45)
Balance as at September 30, 2014	$ 797	$ 402	$ 172	$ 54	$ 1,425
Of which current	$ 641	$ 44	$ 166	$ 22	$ 873
Of which non-current	156	358	6	32	552
	$ 797	$ 402	$ 172	$ 54	$ 1,425

(1) Includes onerous contract provisions, litigations and claims, as well as environmental liabilities.
(2) See Note 7 – Special items for more details on the addition and the reversal related to restructuring charges.
(3) See Note 7 – Special items for more details on changes in estimates and fair value related to Credit and residual value guarantees.
(4) Includes other provisions related to the *C Series* aircraft program and to the cancellation of the *Learjet 85* program, which are included in special items. See Note 7 – Special items for more details.

15. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	September 30, 2015	December 31, 2014	January 1, 2014
Derivative financial instruments	**$ 752**	$ 665	$ 411
Government refundable advances	**406**	363	481
Sale and leaseback obligations	**216**	260	138
Lease subsidies	**133**	172	142
Current portion of long-term debt	**69**	56	215
Vendor non-recurring costs	**27**	36	38
Other	**48**	60	301
	$ 1,651	$ 1,612	$ 1,726
Of which current	**$ 1,020**	$ 1,010	$ 1,009
Of which non-current	**631**	602	717
	$ 1,651	$ 1,612	$ 1,726

16. OTHER LIABILITIES

Other liabilities were as follows, as at:

	September 30, 2015	December 31, 2014	January 1, 2014
Employee benefits	**$ 609**	$ 661	$ 750
Supplier contributions to aerospace programs	**609**	601	529
Accruals for long-term contract costs	**577**	631	630
Deferred revenues	**393**	450	460
Income and other taxes payable	**338**	367	368
Other	**567**	568	480
	$ 3,093	$ 3,278	$ 3,217
Of which current	**$ 2,086**	$ 2,182	$ 2,227
Of which non-current	**1,007**	1,096	990
	$ 3,093	$ 3,278	$ 3,217

17. LONG-TERM DEBT

In March 2015, the Corporation issued, at par, unsecured Senior Notes comprised of $750 million, bearing interest at 5.50%, due on September 15, 2018 and $1,500 million, bearing interest at 7.50%, due on March 15, 2025.

The Corporation issued on March 30, 2015 a notice of redemption for the $750-million Senior Notes due January 15, 2016. The optional redemption was exercised on April 29, 2015.

The Corporation used the net proceeds of $2,213 million to finance the redemption of the $750-million Senior Notes due January 15, 2016 with the remainder being for general corporate purposes.

18. SHARE CAPITAL

Following a resolution approved on March 27, 2015, the number of Class A and Class B shares authorized has increased from 1,892,000,000 to 2,742,000,000. In addition, the Corporation issued 487 840 350 Class B shares (subordinate voting). The Corporation used the net proceeds of CDN $1,035 million ($822 million) to supplement its working capital and for general corporate purposes.

19. SHARE-BASED PLANS

PSU, DSU and RSU plans

The number of PSUs, DSUs and RSUs has varied as follows:

						Three-month periods ended September 30
			2015			2014
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**25,084,158**	**6,989,586**	**—**	16,980,181	6,716,783	—
Granted	**—**	**—**	**22,390,685**	—	16,381	—
Exercised	**—**	**—**	**—**	—	(48,997)	—
Forfeited	**(9,084,923)**	**(1,589,531)**	**(67,382)**	(488,756)	(663,803)	—
Balance at end of period	**15,999,235**	**5,400,055** (1)	**22,323,303**	16,491,425	6,020,364 (1)	—

						Nine-month periods ended September 30
			2015			2014
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**26,045,936**	**7,666,464**	**—**	23,596,681	8,169,850	—
Granted	**248,757**	**—**	**22,390,685**	106,641	48,112	—
Exercised	**—**	**(168,486)**	**—**	—	(48,997)	—
Forfeited	**(10,295,458)**	**(2,097,923)**	**(67,382)**	(7,211,897)	(2,148,601)	—
Balance at end of period	**15,999,235**	**5,400,055** (1)	**22,323,303**	16,491,425	6,020,364 (1)	—

(1) Of which 1,783,649 DSUs are vested as at September 30, 2015 (2,447,687 as at September 30, 2014).

The Board of Directors of the Corporation approved a RSU plan under which RSUs may be granted to executives and other designated employees. The RSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (Subordinate Voting) or to receive a cash payment equal to the value of the RSUs. RSUs granted will vest regardless of the performance. RSUs generally vest three years following the grant date. For grants issued in August 2015, the vesting date will be in August 2018.

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to $4 million and $9 million during the three- and nine-month periods ended September 30, 2015, respectively (compensation revenue of $12 million and $5 million during the three- and nine-month periods ended September 30, 2014, respectively).

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

	Three-month periods ended September 30		**Nine-month periods ended September 30**	
	2015	2014	**2015**	2014
Balance at beginning of period	**32,558,998**	28,451,761	**31,446,124**	29,355,757
Granted	**44,722,033**	714,924	**48,762,044**	903,016
Exercised	**—**	—	**—**	(23,000)
Forfeited	**(209,785)**	(1,829,379)	**(1,995,532)**	(2,165,648)
Expired	**(2,583,400)**	(3,147,688)	**(3,724,790)**	(3,880,507)
Balance at end of period	**74,487,846**	24,189,618	**74,487,846**	24,189,618

A compensation expense of $2 million and $5 million was recorded during the three- and nine-month periods ended September 30, 2015, respectively, with respect to share option plans (nil and $4 million for the three- and nine-month periods ended September 30, 2014, respectively).

20. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended September 30		**Nine-month periods ended September 30**	
	2015	2014	**2015**	2014
Trade and other receivables	**$ 15**	$ (70)	**$ 208**	$ (237)
Inventories	**(68)**	22	**(298)**	(654)
Other financial assets and liabilities, net	**173**	88	**119**	86
Other assets	**156**	49	**(102)**	(31)
Trade and other payables	**(57)**	59	**(148)**	10
Provisions	**528**	86	**467**	11
Advances and progress billings in excess of long-term contract inventories	**36**	(404)	**(203)**	(480)
Advances on aerospace programs	**(181)**	172	**(941)**	515
Retirement benefits liability	**(50)**	(64)	**134**	(87)
Other liabilities	**(209)**	(27)	**(99)**	(112)
	$ 343	$ (89)	**$ (863)**	$ (979)

21. CREDIT FACILITIES

In March 2015, the availability periods of Transportation's €3,500-million ($3,921-million) letter of credit facility and the $600-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2018 and June 2018, respectively. In addition, the maturity dates of Transportation's €500-million ($560-million) unsecured revolving credit facility and the $750-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, were also extended by one year to March 2017 and June 2018, respectively.

In June 2015, Transportation's €3,500-million ($3,921-million) committed amount increased to €3,640-million ($4,078-million). Also, in June 2015, the availability period of the PSG facility was extended to August 2016.

The minimum liquidity required at the end of each fiscal quarter to meet the financial covenants related to the $600-million letter of credit facility and $750-million unsecured revolving facility, which are available for the Corporation excluding Transportation, has increased from $500 million to $750 million. Transportation's €3,640-million ($4,078-million) letter of credit and €500-million ($560-million) unsecured revolving facilities still require a minimum liquidity level of €600 million ($672 million). Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed in these consolidated financial statements represent the Corporation's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the 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 September 30 2015:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	**$ 168**	**$ —**	**$ —**	**$ 168**
Derivative financial instruments(1)	**601**	**—**	**601**	**—**
Investments in securities	**323** (2)	**36**	**287**	**—**
Investments in financing structures	**152**	**—**	**—**	**152**
	$ 1,244	**$ 36**	**$ 888**	**$ 320**
Financial liabilities				
Trade and other payables	**$ (2)**	**$ —**	**$ —**	**$ (2)**
Lease subsidies	**(133)**	**—**	**—**	**(133)**
Derivative financial instruments(1)	**(752)**	**—**	**(752)**	**—**
	$ (887)	**$ —**	**$ (752)**	**$ (135)**

(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 the three- and nine-month periods ended:

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies
Balance as at December 31, 2014	**$ 263**	**$ 165**	**$ (18)**	**$ (172)**
Net gains and interest included in net income(1)	**16**	**15**	**—**	**2**
Issuances	**—**	**—**	**(6)**	**—**
Settlements	**(28)**	**—**	**18**	**11**
Balance as at June 30, 2015	**$ 251**	**$ 180**	**$ (6)**	**$ (159)**
Net gains (losses) and interest included in net income(1)	**(81)**	**(27)**	**—**	**19**
Issuances	**4**	**—**	**—**	**—**
Settlements	**(6)**	**(1)**	**4**	**7**
Balance as at September 30, 2015	**$ 168**	**$ 152**	**$ (2)**	**$ (133)**

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies
Balance as at January 1, 2014	$ 388	$ 135	$ —	$ (142)
Net gains (losses) and interest included in net income(1)	41	32	—	(21)
Issuances	4	—	—	(38)
Settlements	(125)	(1)	—	12
Balance as at June 30, 2014	$ 308	$ 166	$ —	$ (189)
Net gains (losses) and interest included in net income(1)	(15)	1	—	(2)
Settlements	(6)	(1)	—	6
Balance as at September 30, 2014	$ 287	$ 166	$ —	$ (185)

(1) Of which $3 million and $7 million represent realized gains for the three- and nine-month periods ended September 30, 2015, respectively, which are recorded in financing income ($2 million and $10 million represent realized gains for the three- and nine-month periods ended September 30, 2014, which are recorded in financing income).

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 September 30, 2015:

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 7.71% and 10.19% (10.13%)	Between 1.86% and 8.67% (6.62%)	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 September 30, 2015:

Impact on EBT			Change of assumptions		
	Change in fair value recognized in EBT for the :				
Gain (loss)	Three-month period ended September 30, 2015	Nine-month period ended September 30, 2015	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
Aircraft loans and lease receivables	$ (87)	$ (83)	$ (2)	$ (5)	$ (8)
Investment in financing structures	$ (31)	$ (22)	$ (3)	$ (10)	$ (11)
Lease subsidies	$ 21	$ 26	n/a	$ 2	n/a

n/a: not applicable

23. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2015	December 31, 2014	January 1, 2014
Aircraft sales			
Residual value	**$ 1,677**	$ 1,749	$ 1,828
Credit	**1,242**	1,275	1,297
Mutually exclusive exposure[(1)]	**(593)**	(628)	(639)
Total credit and residual value exposure	**$ 2,326**	$ 2,396	$ 2,486
Trade-in commitments	**$ 1,932**	$ 2,696	$ 3,416
Conditional repurchase obligations	**$ 212**	$ 204	$ 472
Other			
Credit	**$ 48**	$ 48	$ 48
Performance guarantees	**$ 35**	$ 38	$ 43

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

Provisions for anticipated losses amounting to $675 million as at September 30, 2015 ($456 million as at December 31, 2014 and $463 million as at January 1, 2014) have been established to cover the risks from credit and residual value guarantees. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $133 million as at September 30, 2015 ($172 million as at December 31, 2014 and $142 million as at January 1, 2014).

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 September 30, 2015, 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.

<u>S-Bahn claim</u>

On March 20, 2015, Deutsche Bahn and Transportation announced that they had agreed on an out-of-court Settlement regarding various claims. The out-of-court Settlement terminated the claim filed on March 4, 2013 by S-Bahn Berlin GmbH ("SB") 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. Under the out-of-court Settlement, Bombardier Transportation GmbH made no admission of liability.

<u>Investigation in Brazil</u>

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.

BT Brazil as a result of the administrative proceedings initiated by CADE in 2014 became a party as defendant to legal proceedings brought by the Sao Paulo State prosecution service against it and other companies for alleged 'administrative improbity' in relation to refurbishment contracts awarded in 2009 by the Sao Paulo metro operator CMSP and for 'cartel' in relation to a five year-maintenance contract with the Sao Paulo urban transit operator CPTM signed in 2002. In addition, BT Brazil was served notice and joined in December 2014 to a civil suit as co-defendant first commenced by the Sao Paulo state government against Siemens AG in the fall of 2013 and with which the State government seeks to recover loss for alleged cartel activities.

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.

24. EVENT AFTER THE REPORTING DATE

In October 2015, the Corporation entered into a memorandum of understanding which contemplates a $1.0 billion investment by the Ministère de l'Économie, de l'Innovation et des Exportations du Québec (through Investissement Québec) (the Government) for a 49.5% equity stake in a newly-created limited partnership to which would be transferred the assets, liabilities and obligations of the *C Series* aircraft program. This newly created limited partnership will be owned 50.5% by the Corporation and, as a subsidiary of the Corporation, will carry on the operations related to the Corporation's *C Series* aircraft program. After the investment, the newly created limited partnership will be consolidated in its financial results. The investment remains conditional upon the completion of definitive agreements, the receipt of consents from third parties, the completion of an internal pre-closing reorganization, the receipt of required regulatory approvals and other customary conditions precedent. The proceeds of the investment will be used entirely for cash flow purposes of the *C Series* aircraft program.

The investment also includes the issuance to the Government of warrants exercisable to acquire up to 200,000,000 Class B Shares (subordinate voting) in the capital of Bombardier Inc. (Class B Shares), at an exercise price per share equal to the U.S. dollar equivalent of $2.21 Cdn on the date of execution of definitive agreements.

The definitive agreements are expected to be entered into on or before January 1, 2016, or such other date as the Corporation and the Government shall agree, and disbursement of the investment and issuance of the warrants will occur over two equal installments, expected to take place on April 1, 2016 and June 30, 2016, subject to the conditions to closing.

The investment contemplates a continuity undertaking providing that the Corporation shall maintain in the Province of Québec, for a period of 20 years, the newly-created limited partnership's operational, financial and strategic headquarters, manufacturing and engineering activities, shared services, policies, practices and investment plans for research and development, in each case in respect of the design, manufacture and marketing of *CS100* and *CS300* aircraft and after-sales services for these aircraft and that the Corporation will operate the facilities located in Mirabel for these purposes.

The Government's interest in the partnership will be redeemable in certain circumstances.