BOMBARDIER

THIRD QUARTERLY REPORT

Three- and nine-month periods ended September 30, 2017

GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
AFS	Available for sale	GAAP	Generally accepted accounting principles
BPS	Basis points	GDP	Gross domestic product
CAGR	Compound annual growth rate	HFT	Held for trading
CCTD	Cumulative currency translation difference	IAS	International Accounting Standard(s)
CDPQ	Caisse de dépôt et placement du Québec	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)
CSALP	C Series Aircraft Limited Partnership	L&R	Loans and receivables
DDHR	Derivative designated in a hedge relationship	MD&A	Management's discussion and analysis
DSU	Deferred share unit	NCI	Non-controlling interests
EBIT	Earnings (loss) before financing expense, financing income and income taxes	NMF	Information not meaningful
		OCI	Other comprehensive income (loss)
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	PP&E	Property, plant and equipment
		PSG	Performance security guarantee
		PSU	Performance share unit
EBT	Earnings (loss) before income taxes	R&D	Research and development
EIS	Entry-into-service	RSU	Restricted share unit
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	RVG	Residual value guarantee
		SG&A	Selling, general and administrative
FTV	Flight test vehicle	U.K.	United Kingdom
FVTP&L	Fair value through profit and loss	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" or "Bombardier"). 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.

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.

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.

Certain totals, subtotals and percentages may not agree due to rounding.

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; 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 completion, anticipated timing of the transaction with Airbus SE (Airbus) described herein and the receipt of regulatory and other approvals required with respect to this transaction and the anticipated timing thereof; the governance, funding and liquidity of C Series Aircraft Limited Partnership (CSALP); the impact and expected benefits of each of the transaction with Airbus described herein, the investment by the Government of Québec in CSALP and the private placement of a minority stake in Transportation by the Caisse de dépôt et placement du Québec (CDPQ) on our operations, infrastructure, capabilities, development, growth and other opportunities, geographic reach, scale, footprint, financial condition, access to capital and overall strategy; and the impact of such transaction and investments on our balance sheet and liquidity position.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as “may”, “will”, “shall”, “can”, “expect”, “estimate”, “intend”, “anticipate”, “plan”, “foresee”, “believe”, “continue”, “maintain” or “align”, the negative of these terms, variations of them or similar terminology, as they relate to Bombardier and CSALP. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of our current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of our business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

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 Bombardier’s and CSALP’s actual results in future periods to differ materially from forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions underlying the forward-looking statements made in this report in relation to the transaction with Airbus discussed herein include the following material assumptions: the satisfaction of all conditions of closing and the successful completion of the transaction within the anticipated timeframe, including receipt of regulatory (including antitrust) and other approvals; the fulfillment and performance by each party of its obligations pursuant to the transaction agreement and future commercial agreements and absence of significant inefficiencies and other issues in connection therewith; the realization of the anticipated benefits and synergies of the transaction in the timeframe anticipated; our ability to continue with our current funding plan of CSALP and to fund, if required, any cash shortfalls; adequacy of cash planning and management and project funding; and the accuracy of our assessment of anticipated growth drivers and sector trends. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in the MD&A of our financial report for the fiscal year ended December 31, 2016.

With respect to the transaction with Airbus discussed herein specifically, 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 the failure to receive or delay in receiving regulatory (including antitrust) or other approvals or otherwise satisfy the conditions to the completion of the transaction or delay in completing the transaction and uncertainty regarding the length of time required to complete the transaction; changes in the terms of the transaction; the failure by either party to satisfy and perform its obligations pursuant to the transaction agreement and future commercial agreements and/or significant inefficiencies and other issues arising in connection therewith; the impact of the announcement of the transaction on our relationships with third parties, including commercial counterparties, employees and competitors, strategic relationships, operating results and businesses generally; the failure to realize, in the timeframe anticipated or at all, the anticipated benefits and synergies of the transaction; our inability to continue with our current funding plan of CSALP and to fund, if required, the cash shortfalls; inadequacy of cash planning and management and project funding. Certain other 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 “Brexit”, the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or natural disasters), operational risks (such as risks related to developing new products and services; development of new business; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; our ability to successfully implement and execute our strategy and transformation plan; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers and suppliers; human resources; reliance on information systems; reliance on and protection of intellectual property rights; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial existing debt and interest payment requirements; certain restrictive debt covenants and minimum cash levels;

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; increases in commodity prices; and inflation rate fluctuations). 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, 2016.

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. Other risks and uncertainties not presently known to us or that we presently believe are not material could also cause actual results or events to differ materially from those expressed or implied in our forward-looking statements. In addition, there can be no assurance that the proposed transaction with Airbus will occur or that the anticipated strategic benefits and operational, competitive and cost synergies will be realized in their entirety, in part or at all. The forward-looking statements set forth herein reflect management’s 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	**2017**	2016	Variance
Revenues	**$ 3,835**	$ 3,736	3 %
EBIT	**$ 115**	$ 63	83 %
EBIT margin	**3.0 %**	1.7%	130 bps
EBIT before special items[(1)]	**$ 165**	$ 87	90 %
EBIT margin before special items[(1)]	**4.3 %**	2.3%	200 bps
EBITDA before special items[(1)]	**$ 236**	$ 172	37 %
EBITDA margin before special items[(1)]	**6.2 %**	4.6%	160 bps
Net loss	**$ (117)**	$ (94)	(24)%
Diluted EPS (in dollars)	**$ (0.05)**	$ (0.04)	(25)%
Adjusted net loss[(1)]	**$ (29)**	$ (10)	(190)%
Adjusted EPS (in dollars)[(1)]	**$ (0.01)**	$ 0.00	nmf
Net additions to PP&E and intangible assets	**$ 287**	$ 248	16 %
Cash flows from operating activities	**$ (208)**	$ (72)	(189)%
Free cash flow usage[(1)]	**$ (495)**	$ (320)	(55)%
As at	**September 30, 2017**	December 31, 2016	
Available short-term capital resources[(2)]	**$ 2,811**	$ 4,477	(37)%

Key highlights and events

- **Focus on operational excellence yields traction in rebuilding earnings power across business segments:**
  - Revenues grew 3% in the third quarter driven by Transportation's 20% revenue growth compared to the same period last year.
  - Strong EBIT momentum in the third quarter with EBIT margin before special items,[(1)] across Business Aircraft, Transportation, and Aerostructures and Engineering Services growing to 8.5% or above, respectively.
  - The financial performance year-to-date supports consolidated EBIT guidance before special items[(3)] for the full year of $630 million or above, the upper end of our previous guidance range.
    - On track to achieve EBIT margin guidance[(3)] of approximately 8.0% across Transportation, Business Aircraft, and Aerostructures and Engineering Services.
  - Consolidated revenue and free cash flow usage[(3)] guidance for the year are revised to approximately $16.3 billion and $1 billion respectively, near the low end of the previous guidance ranges, to align with fewer *C Series* aircraft deliveries resulting from engine delivery delays from Pratt & Whitney.
    - *C Series* aircraft deliveries now expected to be approximately 20 to 22 aircraft for the full year.

  We have entered into a Letter of Intent (LOI) whereby Pratt & Whitney has agreed to support excess inventory generated by engine delays by providing us a supplier advance starting in the fourth quarter. This advance will not be included in our free cash flow[(1)] but will benefit overall liquidity and cash on hand. The LOI is subject to the execution of definitive agreements between both parties, which is expected before year end.

(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.
(3) Profitability guidance is based on EBIT before special items or EBIT margin before special items. EBIT before special items and free cash flow (usage) are non-GAAP measures. Free cash flow (usage) includes cash flows related to special items. Refer to the Non-GAAP financial measures section for definitions of these metrics and the Consolidated results of operations and Liquidity and capital resources sections, as well as each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures. See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.

Key highlights and events (continued)

- **Continued progress on turnaround plan and key aircraft program milestones:**
  - On October 16, 2017 we announced a partnership with Airbus SE (Airbus) for the *C Series,* which should more than double the value of the program. The combination of Airbus' global reach and scale with Bombardier's newest, state-of-the-art jet aircraft family is expected to drive commercial momentum and production cost savings. In addition, the partnership intends to manufacture *C Series* aircraft from a second final assembly line in Mobile, Alabama, providing U.S. airline customers with an optimized solution in the 100-150 seat single-aisle segment. The transaction remains subject to regulatory approvals and is expected to close in the second half of 2018.[1]
  - Subsequent to the end of the third quarter, we signed a Letter of Intent (LOI) with a European customer for up to 61 *C Series* aircraft, including a firm order for 31 aircraft with options for an additional 30 aircraft. Based on list price of the aircraft, the firm order would be valued at approximately $2.4 billion. The LOI is subject to the execution of a purchase agreement, which is expected before year end.
  - The *Global 7000* aircraft is on track for EIS in the second half of 2018. The four FTVs continue to perform extremely well and to exhibit a high level of reliability. Multiple *Global 7000* business jets are in final assembly.
- The Corporation announced the appointment of Douglas R. Oberhelman to its Board of Directors. Mr. Oberhelman spent 41 years at Caterpillar Inc., where he held various executive positions, including Executive Chairman, a role he held until his retirement in March 2017. Mr. Oberhelman replaces Patrick Pichette, who expressed his intention to resign from the Company's Board of Directors for personal reasons. The Board accepted Mr. Pichette's resignation and thanks him for his four years of dedicated service and the insight and energy he brought to the Company during his tenure.

(1) See the forward-looking statements disclaimer.

2017 GUIDANCE UPDATE

Our guidance for Transportation, Business Aircraft and Aerostructures remains unchanged.[1] The following is an update of guidance as it relates to the strong margin performance year-to-date and new engine delays for the *C Series* aircraft program.

	Last guidance provided[1]	Results for the nine-month period ended September 30, 2017	2017 guidance update[2]
Consolidated	Excluding currency impacts, revenues in 2017 are expected to be higher than in 2016, with percentage growth in the low-single digits.	Revenues of $11.5 billion.	Revenues of approximately $16.3 billion.
	EBIT before special items[3] in the range of $580 million to $630 million.	EBIT before special items[3] of $457 million.	EBIT before special items[3] of $630 million or above.
	Free cash flow usage[3] in the range of $750 million to $1.0 billion.	Free cash flow usage[3] of $1.7 billion.	Free cash flow usage[3] of approximately $1.0 billion.
Commercial Aircraft	Revenues of approximately $2.9 billion. Between approximately 80 to 85 deliveries including approximately 30 *C Series* aircraft deliveries.	Revenues of approximately $1.7 billion. 51 deliveries, including 12 *C Series* aircraft deliveries.	Revenues of approximately $2.5 billion. Between approximately 70 to 75 deliveries, including approximately 20 to 22 *C Series* aircraft deliveries.

(1) Refer to our 2016 Financial Report and to our Second Quarterly Report ended June 30, 2017 for further details.
(2) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.
(3) Profitability guidance is based on EBIT before special items or EBIT margin before special items. EBIT before special items and free cash flow (usage) are non-GAAP measures. Free cash flow (usage) includes cash flows related to special items. Refer to the Non-GAAP financial measures section for definitions of these metrics and the Consolidated results of operations and Liquidity and capital resources sections, as well as each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures. See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.

Consolidated

Consolidated revenue and free cash flow usage guidance for the year are revised to approximately $16.3 billion and $1.0 billion respectively, near the low end of the previous guidance ranges, to align with fewer *C Series* aircraft deliveries resulting from engine delivery delays from Pratt & Whitney. We are increasing our consolidated EBIT guidance before special items to $630 million or above, the upper end of our previous guidance range to reflect the stronger financial performance year-to-date.[1]

Commercial Aircraft

We are revising Commercial Aircraft's revenue guidance and deliveries given new engine delivery delays from Pratt & Whitney. Furthermore, certain engines originally designated for production aircraft in the fourth quarter will be redirected to support spare engine requirements of current *C Series* customers. As a result, we are adjusting revenue guidance to approximately $2.5 billion and between approximately 70 to 75 deliveries, including approximately 20 to 22 *C Series* aircraft deliveries, with no adjustment to Commercial Aircraft negative EBIT before special items guidance.[1]

(1) Profitability guidance is based on EBIT before special items or EBIT margin before special items. EBIT before special items and free cash flow (usage) are non-GAAP measures. Free cash flow (usage) includes cash flows related to special items. Refer to the Non-GAAP financial measures section for definitions of these metrics and the Consolidated results of operations and Liquidity and capital resources sections, as well as each reportable segment's Analysis of results section for reconciliations to the most comparable IFRS measures. See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.

CONSOLIDATED RESULTS OF OPERATIONS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Revenues	**$ 3,835**	$ 3,736	**$ 11,503**	$ 11,959
Cost of sales	**3,369**	3,352	**10,192**	10,680
Gross margin	**466**	384	**1,311**	1,279
SG&A	**300**	281	**863**	846
R&D	**53**	58	**159**	192
Share of income of joint ventures and associates	**(52)**	(29)	**(139)**	(61)
Other income	**—**	(13)	**(29)**	(21)
EBIT before special items[1]	**165**	87	**457**	323
Special items	**50**	24	**360**	455
EBIT	**115**	63	**97**	(132)
Financing expense	**175**	195	**507**	547
Financing income	**(14)**	(14)	**(35)**	(30)
EBT	**(46)**	(118)	**(375)**	(649)
Income taxes	**71**	(24)	**69**	73
Net loss	**$ (117)**	$ (94)	**$ (444)**	$ (722)
Attributable to				
Equity holders of Bombardier Inc.	**$ (91)**	$ (79)	**$ (408)**	$ (771)
NCI	**$ (26)**	$ (15)	**$ (36)**	$ 49
EPS (in dollars)				
Basic and diluted	**$ (0.05)**	$ (0.04)	**$ (0.19)**	$ (0.36)
(as a percentage of total revenues)				
EBIT before special items[1]	**4.3%**	2.3%	**4.0%**	2.7 %
EBIT	**3.0%**	1.7%	**0.8%**	(1.1)%

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

Non-GAAP financial measures[1]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
EBITDA	**$ 186**	$ 148	**$ 367**	$ 140
EBITDA before special items	**$ 236**	$ 172	**$ 689**	$ 595
Adjusted net (loss) income	**$ (29)**	$ (10)	**$ 12**	$ (127)
Adjusted EPS	**$ (0.01)**	$ 0.00	**$ 0.01**	$ (0.09)

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

Reconciliation of segment to consolidated results

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Revenues				
Business Aircraft	**$ 1,095**	$ 1,314	**$ 3,488**	$ 4,090
Commercial Aircraft	**525**	538	**1,705**	1,918
Aerostructures and Engineering Services	**343**	337	**1,157**	1,230
Transportation	**2,134**	1,782	**6,032**	5,626
Corporate and Elimination	**(262)**	(235)	**(879)**	(905)
	$ 3,835	$ 3,736	**$ 11,503**	$ 11,959
EBIT before special items[1]				
Business Aircraft	**$ 96**	$ 84	**$ 296**	$ 269
Commercial Aircraft	**(94)**	(107)	**(235)**	(276)
Aerostructures and Engineering Services	**32**	29	**94**	94
Transportation	**181**	140	**495**	379
Corporate and Elimination	**(50)**	(59)	**(193)**	(143)
	$ 165	$ 87	**$ 457**	$ 323
Special Items				
Business Aircraft	**$ 3**	$ —	**$ 34**	$ (109)
Commercial Aircraft	**1**	—	**3**	483
Aerostructures and Engineering Services	**(6)**	9	**(6)**	(10)
Transportation	**52**	15	**284**	144
Corporate and Elimination	**—**	—	**45**	(53)
	$ 50	$ 24	**$ 360**	$ 455
EBIT				
Business Aircraft	**$ 93**	$ 84	**$ 262**	$ 378
Commercial Aircraft	**(95)**	(107)	**(238)**	(759)
Aerostructures and Engineering Services	**38**	20	**100**	104
Transportation	**129**	125	**211**	235
Corporate and Elimination	**(50)**	(59)	**(238)**	(90)
	$ 115	$ 63	**$ 97**	$ (132)

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

Analysis of consolidated results

Detailed analyses of revenues and EBIT are provided in each reportable segment's Analysis of results section.

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period, such as the impact of restructuring charges and significant impairment charges and reversals.

Special items were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2017**	2016	**2017**	2016
Restructuring charges	1	**$ 7**	$ 24	**$ 248**	$ 180
Primove impairment and other costs	2	**—**	—	**45**	—
Impairment of non-core operations	3	**43**	—	**43**	—
Re-negotiation of a commercial agreement	4	**—**	—	**35**	—
Tax litigation	5	**11**	—	**11**	40
Reversal of *Learjet 85* aircraft program cancellation provisions	6	**—**	—	**(11)**	(54)
Onerous contracts provision - *C Series* aircraft program	7	**—**	—	**—**	492
Pension obligation	8	**—**	—	**—**	(139)
Foreign exchange gains related to the sale of a minority stake in Transportation	9	**—**	—	**—**	(38)
Transaction costs	10	**—**	—	**—**	8
Tax impacts of special items		**—**	(6)	**(9)**	(19)
		$ 61	$ 18	**$ 362**	$ 470
Of which is presented in					
Special items in EBIT		**$ 50**	$ 24	**$ 360**	$ 455
Financing expense - interest related to tax litigation	5	**11**	—	**11**	26
Financing expense - transaction costs	10	**—**	—	**—**	8
Income taxes - effect of special items		**—**	(6)	**(9)**	(19)
		$ 61	$ 18	**$ 362**	$ 470

1. Represents severance charges of $7 million for the three-month period ended September 30, 2017 and $218 million partially offset by curtailment gains of $2 million, and impairment charges of PP&E of $32 million, for the nine-month period ended September 30, 2017, all related to previously-announced restructuring actions. For the three- and nine-month periods ended September 30, 2016, represents restructuring charges of $26 million and $199 million, respectively, and curtailment gains of $2 million and $19 million, respectively, also related to previously-announced restructuring actions.

2. Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, in the second quarter of 2017, we recorded an inventory write-down of $22 million, impairment charges of PP&E of $6 million, and a contract provision of $17 million, in Corporate and Elimination. *Primove* offers e-mobility solutions for several types of electronic rail and road vehicles.

3. An impairment charge related to non-core operations of $43 million recorded in the third quarter with respect to the expected sale of two legal entities, as part of our transformation plan.

4. A provision was taken during the second quarter of 2017 to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.

5. Represents a change in the estimates used to determine the provision related to tax litigation.

6. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, we reduced the related provisions by $11 million and $54 million in the second quarters of 2017 and 2016, respectively. The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.

7. Represents provision for onerous contracts in conjunction with the closing of *C Series* aircraft firm orders in the second quarter of 2016.

8. Bombardier had a constructive obligation for discretionary ad hoc indexation increases to certain pension plans. Following a communication to plan members that we do not expect to grant such increases in the foreseeable future in line with our current practice, the constructive obligation amounting to $139 million was reversed in the second quarter of 2016.

9. Represents foreign exchange gains related to the reorganization of Transportation under one holding entity necessary to facilitate the placement of a minority stake in Transportation.

10. Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco.

Net financing expense

Net financing expense amounted to $161 million and $472 million, respectively, for the three- and nine-month periods ended September 30, 2017, compared to $181 million and $517 million for the corresponding periods last fiscal year.

The $20-million decrease for the three-month period is mainly due to:

- a lower net loss related to certain financial instruments classified as FVTP&L ($45 million); and
- higher borrowing costs capitalized to PP&E and intangible assets ($19 million).

Partially offset by:

- higher interest on long-term debt, after the effect of hedges ($12 million);
- interest related to a tax litigation provision ($11 million), recorded as a special item; and
- higher accretion on retirement benefit obligations ($5 million).

The $45-million decrease for the nine-month period is mainly due to:

- higher borrowing costs capitalized to PP&E and intangible assets ($42 million);
- a lower net loss related to certain financial instruments classified as FVTP&L ($30 million);
- lower interest related to a tax litigation provision ($15 million), recorded as a special item;
- transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco recognized in the corresponding period last year ($8 million), recorded as a special item;
- lower amortization of letter of credit facility costs ($8 million); and
- lower net financing expense from changes in discount rates of provisions ($7 million).

Partially offset by:

- higher interest on long-term debt, after the effect of hedges ($38 million);
- higher accretion on retirement benefit obligations ($9 million); and
- higher accretion on provisions ($7 million).

Income taxes

The effective income tax rates for the three- and nine-month periods ended September 30, 2017 were (154.3)% and (18.4)%, respectively, compared to the statutory income tax rate in Canada of 26.7%. For the three- and nine-month periods, the negative effective income tax rates are due to the negative impacts of the net non-recognition of income tax benefits related to tax losses and temporary differences.

The effective income tax rates for the three- and nine-month periods ended September 30, 2016 were 20.3% and (11.2)%, respectively, compared to the statutory income tax rate in Canada of 26.8%. In the three-month period, the lower effective income tax rate was mainly due to the negative impact of permanent differences. In the nine-month period, the negative effective tax rate was mainly due to the negative impacts of the net non-recognition of income tax benefits related to tax losses and temporary differences and permanent differences.

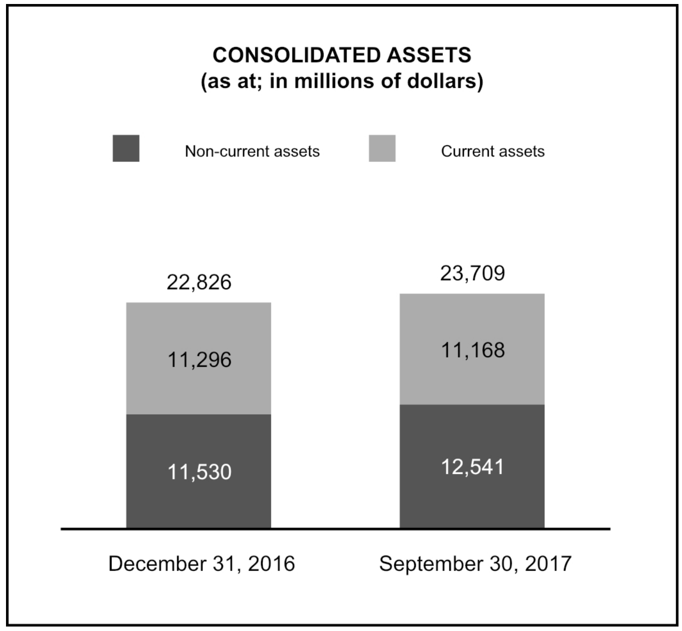
CONSOLIDATED FINANCIAL POSITION

The total assets increased by $883 million in the nine-month period, including a positive currency impact of $543 million. The $340-million increase excluding the currency impact is mainly explained by:

- a $1.5-billion increase in gross inventories mainly in Transportation, Commercial Aircraft and Aerostructures and Engineering Services; and
- a $768-million increase in aerospace program tooling. See the Investment in product development tables in Business Aircraft and Commercial Aircraft for details.

Partially offset by:

- a $1.6-billion decrease in cash and cash equivalents. See the Free cash flow usage and the Variation in cash and cash equivalents tables for details; and
- a $274-million increase in advances and progress billings related to Transportation.

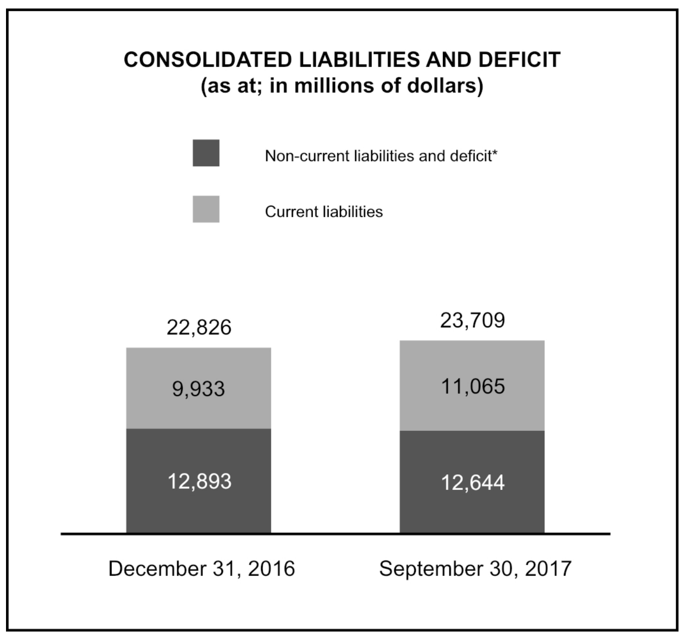


The total liabilities and deficit increased by $883 million in the nine-month period, including a currency impact of $543 million. The $340-million increase excluding the currency impact is mainly explained by:

- a $649-million increase in trade and other payables mainly in Transportation.

Partially offset by:

- a $167-million decrease in advances on aerospace programs in Business and Commercial Aircraft.



*Includes a deficit of $3.6 billion as at September 30, 2017 (a deficit of $3.5 billion as at December 31, 2016).

LIQUIDITY AND CAPITAL RESOURCES

Free cash flow

Free cash flow usage[(1)]

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Net loss	**$ (117)**	$ (94)	**$ (444)**	$ (722)
Non-cash items				
Amortization	**69**	85	**225**	272
Impairment charges on PP&E and intangible assets	**2**	—	**45**	—
Deferred income taxes	**35**	(34)	**40**	(90)
Share of income of joint ventures and associates	**(52)**	(29)	**(139)**	(61)
Other	**14**	4	**2**	3
Dividends received from joint ventures and associates	**27**	30	**30**	110
Net change in non-cash balances	**(186)**	(34)	**(465)**	(198)
Cash flows from operating activities	**(208)**	(72)	**(706)**	(686)
Net additions to PP&E and intangible assets	**(287)**	(248)	**(952)**	(874)
Free cash flow usage[(1)]	**(495)**	(320)	**(1,658)**	(1,560)
Net interest and income taxes paid	**(127)**	(195)	**(432)**	(512)
Free cash flow usage before net interest and income taxes paid[(1)]	**$ (368)**	$ (125)	**$ (1,226)**	$ (1,048)

The $175-million deterioration of free cash flow usage[(1)] for the three-month period is mainly due to:

- a negative period-over-period variation in net change in non-cash balances ($152 million) (see explanations below); and
- higher net additions to PP&E and intangible assets ($39 million).

Partially offset by:

- lower net loss before non-cash items ($19 million) mainly explained by higher EBITDA before special items[(1)], partially offset by higher special items[(2)].

The $98-million deterioration of free cash flow usage[(1)] for the nine-month period is due to:

- a negative period-over-period variation in net change in non-cash balances ($267 million) (see explanations below);
- lower dividends received from joint ventures and associates ($80 million); and
- higher net additions to PP&E and intangible assets ($78 million).

Partially offset by:

- lower net loss before non-cash items ($327 million) mainly explained by lower special items[(2)] and higher EBITDA before special items[(1)].

Net change in non-cash balances

For the three-month period ended September 30, 2017, the $186-million outflow is mainly due to:

- an increase in Transportation's gross inventories following ramp-up in production ahead of deliveries; and
- an increase in aerospace programs inventories mainly in Aerostructures and Engineering Services due to the ramp-up in production for the *C Series* and *Global 7000* aircraft.

Partially offset by:

- an increase in Transportation's trade and other payables;
- a decrease in Transportation's trade and other receivables; and
- an increase in Transportation's advances and progress billings on new orders and existing contracts.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section for definitions of these metrics.
(2) Refer to the Consolidated results of operations section for details regarding special items.

For the three-month period ended September 30, 2016, the $34-million outflow was mainly due to:

- a decrease in trade and other payables mainly related to Business Aircraft and Commercial Aircraft.

Partially offset by:

- a decrease in Business Aircraft's inventories, partially offset by an increase in the *C Series* aircraft program inventory, due to the ramp-up in production and including the impacts of write-downs on early production units.[1]

For the nine-month period ended September 30, 2017, the $465-million outflow is mainly due to:

- an increase in Transportation's gross inventories following ramp-up in production ahead of deliveries;
- an increase in aerospace programs inventories mainly in Commercial Aircraft due to the ramp-up in production of the *C Series* aircraft program and including the impacts of write-downs on early production units[1] and in Aerostructures and Engineering Services due to the ramp-up in production for the *C Series* and *Global 7000* aircraft, partially offset by a decrease in Business Aircraft's inventories; and
- a decrease in Business Aircraft and Commercial Aircraft's advances on aerospace programs.

Partially offset by:

- an increase in trade and other payables mainly related to Transportation;
- an increase in Transportation's advances and progress billings on new orders and existing contracts; and
- a decrease in Transportation's trade and other receivables.

For the nine-month period ended September 30, 2016, the $198-million outflow was mainly due to:

- a decrease in trade and other payables in Business Aircraft, Transportation and Commercial Aircraft;
- an increase in inventories, mainly due to an increase in Transportation's gross inventories following ramp-up in production ahead of deliveries and in Commercial Aircraft's inventories, mainly due to the *C Series* aircraft program, due to the ramp-up in production and including the impacts of write-downs on early production units[1], partially offset by a decrease in regional aircraft;
- a decrease in Business Aircraft's advances on aerospace programs;
- a change in retirement benefit liability, excluding the impact of the remeasurement of defined benefit plans included in OCI, mainly related to employer contributions and the reversal of a constructive obligation for discretionary ad hoc indexation increases to certain pensions, recorded as a special item in the second quarter, following a communication to plan members that we do not expect to grant such increases in the foreseeable future in line with our current practice; and
- a decrease in the net other financial assets and liabilities.

Partially offset by:

- a decrease in Business Aircraft's inventories;
- an increase in Transportation's advances and progress billings on existing contracts and new orders;
- an increase in provisions, mainly due to the *C Series* onerous contracts provision recorded as a special item in the second quarter;
- a decrease in Transportation's trade and other receivables; and
- an increase in Commercial Aircraft's advances on aerospace programs mainly in the *C Series* aircraft program.

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

Available short-term capital resources

Variation in cash and cash equivalents

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Balance at the beginning of period	**$ 2,217**	$ 3,336	**$ 3,384**	$ 2,720
Free cash flow usage[1]	**(495)**	(320)	**(1,658)**	(1,560)
Repayments of long-term debt	**(7)**	(9)	**(24)**	(56)
Net change in short-term borrowings	**113**	(27)	**167**	84
Dividends paid on preferred shares	**(7)**	(5)	**(15)**	(13)
Purchase of Class B shares held in trust under the PSU and RSU plans	**—**	(43)	**—**	(43)
Dividends paid to NCI	**(5)**	(2)	**(53)**	(44)
Effect of exchange rate changes on cash and cash equivalents	**26**	(30)	**47**	(99)
Net proceeds from the sale of minority stakes in subsidiaries	**—**	487	**—**	2,419
Other	**(7)**	5	**(13)**	(16)
Balance at the end of period	**$ 1,835**	$ 3,392	**$ 1,835**	$ 3,392

Available short-term capital resources

	September 30, 2017	December 31, 2016
Cash and cash equivalents	**$ 1,835**	$ 3,384
Available revolving credit facilities	**976**	1,093
Available short-term capital resources	**$ 2,811**	$ 4,477

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

In March 2017, we extended the maturity dates of Transportation’s €658-million and the $400-million[2] unsecured revolving credit facilities to May 2020 and June 2020, respectively. In addition, Transportation’s €658-million unsecured revolving credit facility was decreased to €640 million ($753 million).

Short-term borrowings of €150 million ($177 million) remain outstanding under Transportation's €640-million ($753-million) unsecured revolving credit facility as at September 30, 2017 (nil as at December 31, 2016).

(1) Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and the Free cash flow usage table above for reconciliations to the most comparable IFRS measure.
(2) Available for other than Transportation’s usage.

Letter of credit facilities

In March 2017, we extended the availability periods of Transportation’s €3.31-billion ($3.9 billion) and the $400-million[1] letter of credit facilities by one year to May 2020 and June 2020, respectively. In May 2017, the committed amount under Transportation’s facility was increased to €3.53 billion ($4.2 billion). On November 1, 2017, the committed amount under Transportation’s facility was increased to €3.56 billion ($4.2 billion).

(1) Available for other than Transportation’s usage.

Financial covenants

Effective March 2017, the minimum liquidity level of $750 million at the end of each quarter required by the $400-million[1] letter of credit facility and the $400-million[1] unsecured revolving credit facility, is now between $750 million and $850 million depending on the level of the EBITDA to fixed charges ratio. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and a minimum EBITDA threshold, all calculated based on an adjusted consolidated basis, excluding Transportation.

Transportation's letter of credit facility and unsecured revolving facility continue to require a minimum liquidity level of €600 million ($707 million) at the end of each quarter, as well as a minimum equity level and a maximum debt to EBITDA ratio, all calculated on a Transportation stand-alone basis.

These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to any specific terms used in the MD&A. Minimum liquidity is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

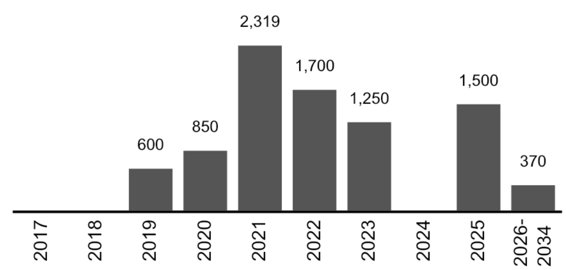
The financial covenants under these credit facilities were all met as at September 30, 2017 and December 31, 2016.

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

Future liquidity requirements

We consider that our cash flows from operating activities, combined with our available short-term capital resources of $2.8 billion will enable the development of new products to enhance our competitiveness and support our growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable us to meet all other expected financial requirements in the foreseeable future. There is no significant debt maturing before 2019.

DEBT MATURITY PROFILE (NOTIONAL AMOUNT)
(as at September 30, 2017; in millions of dollars)



Creditworthiness

In October 2017, Moody's Investors Service, Inc. changed their rating from B2 to B3, while Fitch Ratings Ltd. and Standard & Poor's Rating Services did not change their ratings.

Credit Ratings

	Investment-grade rating		Bombardier Inc.'s rating
		November 1, 2017	December 31, 2016
Fitch Ratings Ltd.	BBB-	**B**	B
Moody's Investors Service, Inc.	Baa3	**B3**	B2
Standard & Poor's Rating Services	BBB-	**B-**	B-

Over the long term, we believe that we will be in a good position to improve our credit ratings as we progress towards profitability targets and return to a more normalized level of investment in product development.

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 consider to be representative of our core performance or where their exclusion will assist users in understanding our results for the period.

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, 2017	December 31, 2016
Adjusted EBIT[(1)]	**$ 654**	$ 498
Adjusted interest[(1)]	**$ 581**	$ 618
Adjusted EBIT to adjusted interest ratio	**1.1**	0.8

The interest coverage ratio improved as a result of higher adjusted EBIT mainly due to higher EBIT before special items.

Financial leverage ratio

	As at and for the four-quarter trailing periods ended	
	September 30, 2017	December 31, 2016
Adjusted debt[(1)]	**$ 9,400**	$ 9,184
Adjusted EBITDA[(1)]	**$ 1,055**	$ 943
Adjusted debt to adjusted EBITDA ratio	**8.9**	9.7

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.

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

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $2.5 billion as at September 30, 2017 ($2.5 billion as at December 31, 2016). 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. We closely monitor the impact of the net retirement benefit liability on our future cash flows and we have introduced significant risk mitigation initiatives in recent years to gradually reduce key risks associated with the retirement benefit plans. The $53-million decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability

Balance as at December 31, 2016	$	2,523 [(1)]
Actuarial gains on pension plan assets		(304)
Employer contributions		(218)
Other net actuarial gains on defined benefit obligations		(89)
Service costs		200
Changes in foreign exchange rates		181
Changes in discount rates and other financial assumptions		101
Accretion on net retirement benefit obligation		59
Other		17
Balance as at September 30, 2017	**$**	**2,470** [(1)]

[(1)] Includes retirement benefit assets of $182 million as at September 30, 2017 ($124 million as at December 31, 2016).

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 (loss)	Net income (loss) 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 (usage)	Cash flows from operating activities less net additions to PP&E and intangible assets.
Free cash flow (usage) before net interest and income taxes paid or received	Free cash flow (usage) excluding cash paid and received for interest and income taxes, as per the consolidated statements of cash flows.
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 short-term borrowings, 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 our results and related trends and increases the transparency and clarity of the core results of our 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 our core performance or where their exclusion will assist users in understanding our results for the period. We believe these measures help users of our MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

We analyze our capital structure using global metrics, based on adjusted EBIT, adjusted EBITDA, adjusted interest and adjusted debt. Refer to the Capital structure section for more detail.

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	
	2017	2016	**2017**	2016
EBIT	**$ 115**	$ 63	**$ 97**	$ (132)
Amortization	**69**	85	**225**	272
Impairment charges on PP&E and intangible assets[1]	**2**	—	**45**	—
EBITDA	**186**	148	**367**	140
Special items excluding impairment charges on PP&E and intangible assets[1]	**50**	24	**322**	455
EBITDA before special items	**$ 236**	$ 172	**$ 689**	$ 595

Reconciliation of adjusted net loss to net loss and computation of adjusted EPS

	Three-month periods ended September 30			
	2017		2016	
		(per share)		(per share)
Net loss	**$ (117)**		$ (94)	
Adjustments to EBIT related to special items[1]	**50**	**$ 0.02**	24	$ 0.01
Adjustments to net financing expense related to:				
Accretion on net retirement benefit obligations	**21**	**0.01**	16	0.01
Interest related to tax litigation[1]	**11**	**0.01**	—	—
Net change in provisions arising from changes in interest rates and net loss on certain financial instruments	**7**	**0.00**	50	0.02
Tax impact of special[1] and other adjusting items	**(1)**	**0.00**	(6)	0.00
Adjusted net loss	**(29)**		(10)	
Net loss attributable to NCI	**26**		15	
Preferred share dividends, including taxes	**(7)**		(7)	
Adjusted net loss attributable to equity holders of Bombardier Inc.	**$ (10)**		$ (2)	
Weighted-average diluted number of common shares (in thousands)	**2,195,330**		2,210,085	
Adjusted EPS (in dollars)	**$ (0.01)**		$ 0.00	

[1] Refer to the Consolidated results of operations section for details regarding special items.

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Three-month periods ended September 30	
	2017	2016
Diluted EPS	**$ (0.05)**	$ (0.04)
Impact of special[(1)] and other adjusting items	**0.04**	0.04
Adjusted EPS	**$ (0.01)**	$ 0.00

Reconciliation of adjusted net income (loss) to net loss and computation of adjusted EPS

	Nine-month periods ended September 30			
	2017		2016	
		(per share)		(per share)
Net loss	**$ (444)**		$ (722)	
Adjustments to EBIT related to special items[(1)]	**360**	**$ 0.16**	455	$ 0.21
Adjustments to net financing expense related to:				
Accretion on net retirement benefit obligations	**59**	**0.03**	50	0.02
Net change in provisions arising from changes in interest rates and net (gain) loss on certain financial instruments	**38**	**0.02**	75	0.03
Interest related to tax litigation[(1)]	**11**	**0.00**	26	0.01
Transaction costs related to the conversion option embedded in the CDPQ investment[(1)]	**—**	**—**	8	0.00
Tax impact of special[(1)] and other adjusting items	**(12)**	**(0.01)**	(19)	0.00
Adjusted net income (loss)	**12**		(127)	
Net loss (income) attributable to NCI	**36**		(49)	
Preferred share dividends, including taxes	**(19)**		(18)	
Adjusted net income (loss) attributable to equity holders of Bombardier Inc.	**$ 29**		$ (194)	
Weighted-average diluted number of common shares (in thousands)	**2,254,047**		2,217,102	
Adjusted EPS (in dollars)	**$ 0.01**		$ (0.09)	

Reconciliation of adjusted EPS to diluted EPS (in dollars)

	Nine-month periods ended September 30	
	2017	2016
Diluted EPS	**$ (0.19)**	$ (0.36)
Impact of special[(1)] and other adjusting items	**0.20**	0.27
Adjusted EPS	**$ 0.01**	$ (0.09)

Reconciliation of adjusted debt to long-term debt

		As at
	September 30, 2017	December 31, 2016
Long-term debt	**$ 8,831**	$ 8,769
Adjustment for the fair value of derivatives designated (or settled derivatives) in related hedge relationships	**(239)**	(278)
Long-term debt, net	**8,592**	8,491
Short-term borrowings[(2)]	**177**	—
Operating lease obligations[(3)]	**631**	668
Sale and leaseback obligations	**—**	25
Adjusted debt	**$ 9,400**	$ 9,184

(1) Refer to the Consolidated results of operations section for details regarding special items.
(2) Relates to amounts drawn under Transportation's €640-million ($753-million) unsecured revolving credit facility. Also see Note 18 - Credit facilities.
(3) Discounted using the average five-year U.S. Treasury Notes plus the average credit spread, given our credit rating, for the corresponding period.

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended	
	September 30, 2017	December 31, 2016
EBIT	**$ 171**	$ (58)
Special items[1]	**390**	485
Interest received	**60**	20
Interest adjustment for operating leases[2]	**33**	51
Adjusted EBIT	**654**	498
Amortization	**324**	371
Impairment charges on PP&E and intangible assets[3]	**7**	—
Amortization adjustment for operating leases[4]	**70**	74
Adjusted EBITDA	**$ 1,055**	$ 943

Reconciliation of adjusted interest to interest paid

	Four-quarter trailing periods ended	
	September 30, 2017	December 31, 2016
Interest paid	**$ 547**	$ 565
Interest adjustment for operating leases[2]	**33**	51
Accretion expense on sale and leaseback obligations	**1**	2
Adjusted interest	**$ 581**	$ 618

(1) Refer to the Consolidated results of operations section for details regarding special items for the nine-month periods ended September 30, 2017 and 2016. The special items included in EBIT in the fourth quarter of 2016 relate to: restructuring charges of $35 million and $5 million of reduction of provisions related to the cancellation of the *Learjet 85* aircraft program.

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

(3) Excluding amounts recognized as special items.

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

BUSINESS AIRCRAFT

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	**2017**	2016	Variance
Revenues	**$ 1,095**	$ 1,314	(17)%
Aircraft deliveries (in units)	**31**	36	(5)
EBIT	**$ 93**	$ 84	11 %
EBIT margin	**8.5%**	6.4%	210 bps
EBIT before special items[1]	**$ 96**	$ 84	14 %
EBIT margin before special items[1]	**8.8%**	6.4%	240 bps
EBITDA before special items[1]	**$ 117**	$ 120	(3)%
EBITDA margin before special items[1]	**10.7%**	9.1%	160 bps
Net additions to PP&E and intangible assets	**$ 242**	$ 165	47 %
As at	**September 30, 2017**	December 31, 2016	
Order backlog (in billions of dollars)	**$ 14.5**	$ 15.4	(6)%

Key highlights and events

- Delivered 31 aircraft during the quarter. With year-to-date deliveries totaling 96 aircraft, we are on track to reach our guidance of approximately 135 aircraft as we head into the seasonally strongest quarter of the year.[2]
- Continued strong execution on our transformation plan and cost control initiatives with EBIT margin before special items[1] yielding another strong quarter at 8.8%, or 8.5% year-to-date. On track to achieve margins of approximately 8.0% for the full year.[2]
- The *Global 7000* aircraft is on track for EIS in the second half of 2018. The fourth FTV successfully completed its maiden flight on September 28, 2017 and will be used for interior validation testing. The four FTVs have accumulated over 900 flight hours to date. The aircraft continue to perform extremely well and to exhibit a high level of reliability. The results show a maturity which is in full support of the planned certification activities. Final preparations are under way for FTV5's initial flight and multiple *Global 7000* business jets are in final assembly.
- In line with our strategy to grow our aftermarket business, we expanded our service center in Tucson, Arizona, opened parts depots in Miami, Florida and Tianjin, China as well as introduced new subscription-based services including *Smart Services* and Smart Training programs.

(1) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(2) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.

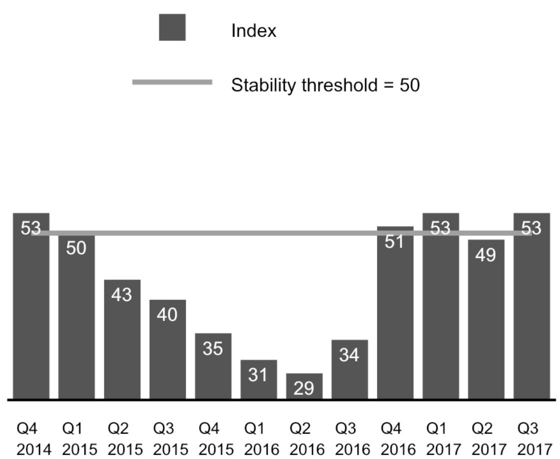
INDUSTRY AND ECONOMIC ENVIRONMENT

Industry short-term indicators continue to be stable. Industry confidence[(1)] rose slightly above the threshold of market stability as at the end of the third quarter.[(2)] As indicated in the graphs below, overall business jet utilization in the U.S. and Europe increased compared to the same periods in the last three years. The global economy is expected to grow at a rate of 2.9% in 2017, higher than growth of 2.4% in 2016.[(3)] The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet stood at 10.5% as at September 30, 2017, a decrease from 10.9% as at June 30, 2017. We consider this level of pre-owned inventory to be slightly below the low end of the normal range for the overall market, which is a positive indicator for the secondary market.

We remain confident in the potential of the business aircraft industry, with significant growth expected in the long term due to a better economic outlook combined with the introduction of new aircraft models and technologies.

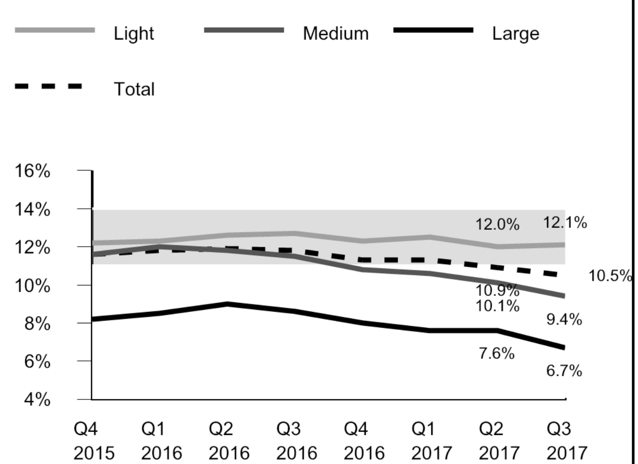
(1) As measured by the UBS Business Jet Market Index.
(2) According to the October 5, 2017 UBS Business Jet Survey.
(3) According to "Oxford Economics Global Data Report" dated October 17, 2017.

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

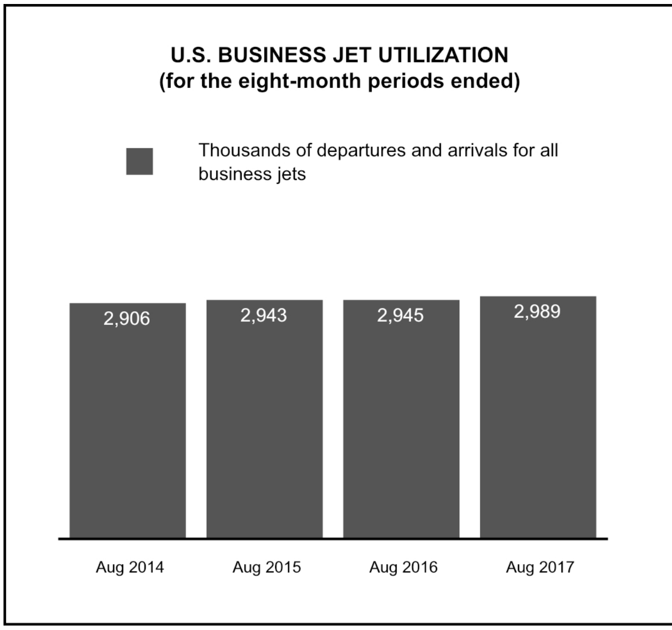


Source: UBS
* The UBS Business Jet Market Index is a measure of market confidence from industry professionals, gathered through bi-monthly surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.

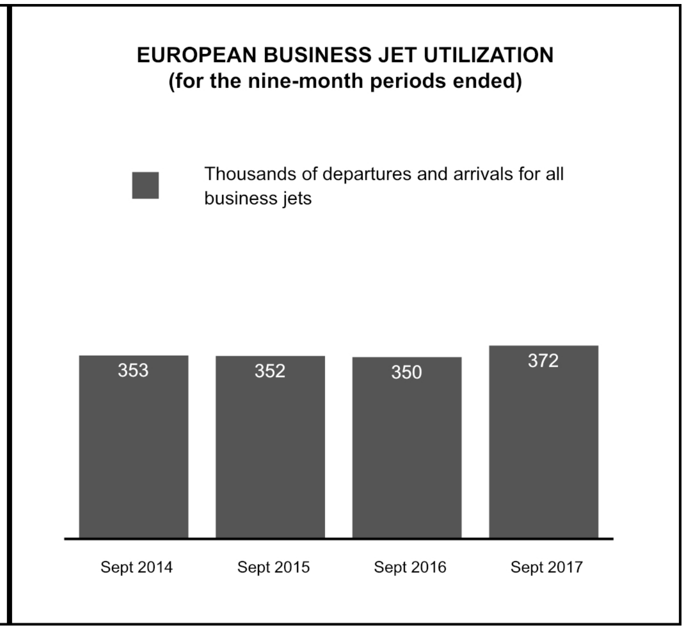
PRE-OWNED BUSINESS JET INVENTORY*
(as at end of)



Sources: JETNET and Ascend online and Bombardier's estimates
* 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



Source: Eurocontrol

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Revenues	**$ 1,095**	$ 1,314	**$ 3,488**	$ 4,090
EBITDA before special items[1]	**$ 117**	$ 120	**$ 362**	$ 378
Amortization	**21**	36	**66**	109
EBIT before special items[1]	**96**	84	**296**	269
Special items	**3**	—	**34**	(109)
EBIT	**$ 93**	$ 84	**$ 262**	$ 378
EBIT margin before special items[1]	**8.8%**	6.4%	**8.5%**	6.6%
EBIT margin	**8.5%**	6.4%	**7.5%**	9.2%

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

Revenues

Planned lower aircraft deliveries, as well as lower revenues from sales of pre-owned aircraft, reflecting a lower level of pre-owned aircraft inventory, partially offset by higher revenues from aftermarket activities, are the main drivers of the $219-million and $602-million decreases for the three- and nine-month periods, respectively.

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period, such as the impact of restructuring charges and significant impairment charges and reversals.

The special items were as follows:

		Three-month periods ended September 30				Nine-month periods ended September 30			
	Ref		**2017**		2016		**2017**		2016
Re-negotiation of a commercial agreement	1	**$**	**—**	$	—	**$**	**35**	$	—
Restructuring charges	2		**3**		—		**10**		8
Pension obligation	3		**—**		—		**—**		(63)
Reversal of *Learjet 85* aircraft program cancellation provisions	4		**—**		—		**(11)**		(54)
		$	**3**	$	—	**$**	**34**	$	(109)
EBIT margin impact			**(0.3)%**		0.0%		**(1.0)%**		2.6%

1. A provision was taken during the second quarter of 2017 to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.

2. Represent restructuring charges related to previously-announced restructuring actions.

3. Bombardier had a constructive obligation for discretionary ad hoc indexation increases to certain pension plans. Following a communication to plan members, in the second quarter of 2016, that we do not expect to grant such increases in the foreseeable future in line with our current practice, the constructive obligation amounting to $63 million was reversed.

4. Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, we reduced the related provisions by $11 million and $54 million in the second quarters of 2017 and 2016, respectively. The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.

EBIT margin

The EBIT margin before special items for the three-month period increased by 2.4 percentage points, mainly as a result of:

- higher overall aircraft margin, in part due to an inventory write-down in the light aircraft category recorded last year; and
- lower aerospace program tooling amortization included in R&D expense.

Partially offset by:

- lower absorption of SG&A expenses due to lower revenues as planned.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 2.1 percentage points compared to the same period last year.

The EBIT margin before special items for the nine-month period increased by 1.9 percentage points, mainly as a result of:

- lower aerospace program tooling amortization included in R&D expense; and
- higher overall aircraft margin, in part due to an inventory write-down in the light aircraft category recorded last year.

Partially offset by:

- lower absorption of SG&A expenses due to lower revenues as planned.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period decreased by 1.7 percentage points compared to the same period last year.

Product development

Investment in product development

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Program tooling[1]	**$ 221**	$ 167	**$ 766**	$ 490
R&D expense[2]	**4**	2	**9**	4
	$ 225	$ 169	**$ 775**	$ 494
As a percentage of revenues	**20.5%**	12.9%	**22.2%**	12.1%

The carrying amount of business aircraft program tooling[3] as at September 30, 2017 was $3.4 billion, compared to $2.6 billion as at December 31, 2016.

(1) Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers upon delivery of the aircraft for acquired development costs carried out by them.
(2) Excluding amortization of aerospace program tooling of $8 million and $30 million, respectively, for the three- and nine-month periods ended September 30, 2017 ($24 million and $82 million, respectively, for the three- and nine-month periods ended September 30, 2016), as the related investments are already included in aerospace program tooling.
(3) Capitalized borrowing costs included in the business aircraft aerospace program tooling balance amounted to $392 million as at September 30, 2017 ($266 million as at December 31, 2016).

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

On September 28, 2017, the fourth *Global 7000* FTV joined the *Global 7000* and *Global 8000* flight test program, which has accomplished over 900 flight hours. Equipped with a cabin interior, FTV4 will be used for interior validation testing. Four FTVs have entered the flight test program in less than one year since the start of flight testing on November 4, 2016. Final preparations are under way for the initial flight of FTV5. The final assembly line activities are ramping up as multiple customer aircraft are now in production.

In addition, ground testing continues with several test rigs to ensure all systems operate with the highest level of reliability when the aircraft enters into service.

The *Global 7000* and *Global 8000* aircraft program manufacturing process makes use of the highest caliber technology, including a state-of-the-art automated positioning system using laser-guided measuring to join the wing structure to the fuselage with a very high level of precision.

The category-defining *Global 7000* aircraft is expected to enter into service in the second half of 2018. It will set the standard for a new category of large business jets, as the first and only clean-sheet business jet with four living spaces.

Aircraft deliveries and industry-leading order backlog

Aircraft deliveries

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in units)	**2017**	2016	**2017**	2016
Light				
Learjet 70/75	**4**	7	**12**	13
Medium				
Challenger 350	**13**	13	**34**	43
Challenger 605/650	**4**	6	**16**	15
Challenger 850	**1**	—	**2**	—
Large				
Global 5000/Global 6000	**9**	10	**32**	38
	31	36	**96**	109

Order backlog

		As at
(in billions of dollars)	**September 30, 2017**	December 31, 2016
	$ 14.5	$ 15.4

Deliveries in the third quarter ended September 30, 2017 include the sale of one aircraft to Commercial Aircraft who will modify the aircraft with specialized aircraft solutions to suit the needs of an external customer for mission requirements. In our consolidated financial statements, the revenue and margin associated with this aircraft have been reversed and will be recognized when Commercial Aircraft completes the specialized work on the aircraft.

COMMERCIAL AIRCRAFT

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	2017	2016	Variance
Revenues	**$ 525**	$ 538	(2)%
Aircraft deliveries (in units)	**16**	16	—
Net orders (in units)	**25**	(9)	34
Book-to-bill ratio[1]	**1.6**	nmf	nmf
EBIT	**$ (95)**	$ (107)	11 %
EBIT margin	**(18.1)%**	(19.9)%	180 bps
EBIT before special items[2]	**$ (94)**	$ (107)	12 %
EBIT margin before special items[2]	**(17.9)%**	(19.9)%	200 bps
EBITDA before special items[2]	**$ (79)**	$ (96)	18 %
EBITDA margin before special items[2]	**(15.0)%**	(17.8)%	280 bps
Net additions to PP&E and intangible assets	**$ 16**	$ 47	(66)%
As at	**September 30, 2017**	December 31, 2016	
Order backlog (in units)	**433**	436	(3)

Key highlights and events

- On October 16, 2017 we announced a partnership with Airbus SE (Airbus) for the *C Series,* which should more than double the value of the program. The combination of Airbus' global reach and scale with Bombardier's newest, state-of-the-art jet aircraft family is expected to drive commercial momentum and production cost savings. In addition, the partnership intends to manufacture *C Series* aircraft from a second final assembly line in Mobile, Alabama, providing U.S. airline customers with an optimized solution in the 100-150 seat single-aisle segment. The transaction remains subject to regulatory approvals and is expected to close in the second half of 2018.[3]
- We delivered 16 aircraft during the quarter, including 4 *CRJ Series*, 7 *Q400* and 5 *C Series*. With year-to-date deliveries of regional aircraft and turboprops totaling 39 aircraft, we are on track to reach approximately 50 aircraft for the year.[4]
- During the quarter, we received an order from SpiceJet for up to 50 *Q400* turboprop aircraft. The purchase agreement, the largest *Q400* turboprop order ever, includes a firm order for 25 *Q400* turboprops and purchase rights on an additional 25 aircraft. Based on list prices, the order is valued at up to $1.7 billion. This order will launch our new high-density 90-passenger model.
- New engine delivery delays from Pratt & Whitney will impact full year *C Series* aircraft deliveries. Furthermore, certain engines originally designated for production aircraft in the fourth quarter will be redirected to support spare engine requirements of current *C Series* customers. As a result, approximately 8 to 10 *C Series* aircraft are now expected to be delivered in the fourth quarter, and approximately 20 to 22 aircraft for the full year. Commercial Aircraft's revenue guidance for 2017 is therefore adjusted to approximately $2.5 billion.[4] We have entered into a Letter of Intent (LOI) whereby Pratt & Whitney has agreed to support excess inventory generated by engine delays by providing us a supplier advance starting in the fourth quarter. This advance will not be included in our free cash flow,[2] but will benefit overall liquidity and cash on hand. The LOI is subject to the execution of definitive agreements between both parties, which is expected before year end.

(1) Ratio of net orders received over aircraft deliveries, in units.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(3) See the forward-looking statements disclaimer.
(4) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.

Key highlights and events (continued)

- *C Series* aircraft program continues to gain market acceptance with exceptional performance:
  - Subsequent to the end of the third quarter, we signed a Letter of Intent (LOI) with a European customer for up to 61 *C Series* aircraft, including a firm order for 31 aircraft with options for an additional 30 aircraft. Based on list price of the aircraft, the firm order would be valued at approximately $2.4 billion. The LOI is subject to the execution of a purchase agreement, which is expected before year end.
  - The *C Series* aircraft is performing very well, with up to 3% better fuel burn than first advertised, creating additional opportunities and improving economics of the aircraft;
  - The *CS100* aircraft from Swiss International Air Lines (SWISS) completed its first commercial flight into London City Airport in August becoming the largest passenger aircraft certified to operate from this challenging city airport, offering new possibilities for airlines and the flying public; and
  - The *C Series* aircraft received a second Environmental Product Declaration, confirming its unmatched environmental performance. Bombardier *CS300*'s Environmental Product Declaration (EPD®) comes one year after the EPD® for the *CS100* aircraft.
- We released our 20-year Market Forecast for 2017-2036, the market for which we are the only manufacturer with a complete range of solutions (*CRJ Series*, *Q400* and *C Series*). We expect this segment of the market, currently at 6,900 aircraft, to double by 2036 to 14,250, driven by fleet retirement and market growth.(1)
- With respect to the petition filed by The Boeing Company (Boeing) before the U.S. Department of Commerce and the U.S. International Trade Commission regarding the alleged threat caused by future exports of the *C Series* family of aircraft to the U.S., we strongly disagree with the Commerce Department's preliminary determinations of 300% duties on imports of 100-150 seat large civil aircraft from Canada. We remain confident that, at the end of the processes, the U.S. International Trade Commission will reach the right conclusion, which is that Boeing suffered no injury. We expect the U.S. International Trade Commission to issue in the first half of 2018 its final determination on the threat of injury.

(1) Available on Bombardier's dedicated investor relations website at ir.bombardier.com. Refer to the forward-looking statements disclaimer.

2017 GUIDANCE UPDATE

The following is an update of revenues and deliveries guidance provided in our Second Quarterly Report ended June 30, 2017.

Last guidance provided(1)	Results for the nine-month period ended September 30, 2017	2017 guidance update(2)
Revenues of approximately $2.9 billion. Between approximately 80 to 85 deliveries including approximately 30 *C Series* aircraft deliveries.	Revenues of approximately $1.7 billion. 51 deliveries, including 12 *C Series* aircraft deliveries.	Revenues of approximately $2.5 billion. Between approximately 70 to 75 deliveries, including approximately 20 to 22 *C Series* aircraft deliveries.

We are revising Commercial Aircraft's revenue guidance and deliveries given new engine delivery delays from Pratt & Whitney. Furthermore, certain engines originally designated for production aircraft in the fourth quarter will be redirected to support spare engine requirements of current *C Series* customers. As a result, we are adjusting revenue guidance to approximately $2.5 billion and between approximately 70 to 75 deliveries, including approximately 20 to 22 *C Series* aircraft deliveries, with no adjustment to Commercial Aircraft negative EBIT before special items guidance.(3)

(1) Refer to our Second Quarterly Report ended June 30, 2017 for further details.
(2) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.
(3) Profitability guidance is based on EBIT before special items. Refer to the Non-GAAP financial measures section for a definition of this metric and the Analysis of results section for a reconciliation to the most comparable IFRS measure for the nine-month period ended September 30, 2017.

INDUSTRY AND ECONOMIC ENVIRONMENT

Since the beginning of 2017, the demand for air travel, measured by revenue passenger kilometres ("RPK"),[1] continues to show robust growth for commercial airlines compared to the same period last year.[2]

Scheduled domestic and international commercial air travel, measured by RPK, were 7.5% and 8.2% higher, respectively, during the year-to-date period ended August 2017, compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors[3] of 83.0% and 81.0%, respectively, during the year-to-date period ended August 2017, and were higher than the 81.9% and 79.8% respective levels experienced during the same period in 2016.[2]

For domestic commercial air travel specifically, increases in China, the U.S. and India account for most of the 7.5% increase in RPK compared to the same period last year. On the international commercial air travel side, increases in Europe, Asia-Pacific and the Middle-East account for most of the 8.2% increase in RPK compared to the same period last year.[2]

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, decreased by 1.8% during the year-to-date period ended September 2017, compared to the same period last year. These airlines achieved an average passenger load factor of 79.2% during the year-to-date period ended September 2017, compared to 80.3% during the same period in 2016.

Crude oil prices stood at approximately $57 per barrel at the end of September 2017, compared to $47 per barrel at the end of June 2017.[5] Although the futures market expects oil prices to remain stable at or around current levels over the next four years,[6] uncertainty surrounding supplies from some crude oil producing countries and signs of potentially slower than expected growth in U.S. crude oil production, along with strong oil demand have led to the recent volatility in the crude oil market.[7] Volatility in crude oil prices should result in continued demand for more fuel efficient aircraft.

Environmental issues and regulations related to local air quality, aircraft emissions and community noise, as well as commitments by the aviation industry towards reducing carbon emissions, should speed up the retirement of older, less fuel efficient 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) Per IATA's August 2017 Air Passenger Market Analysis report.
(3) Passenger load factor is defined as the percentage of available seat kilometres used (RPK 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.
(4) Delta Air Lines, American Airlines, United Airlines, and Alaska Air.
(5) Per the U.S. Energy Information Administration's (EIA) website.
(6) Per IATA's August-September 2017 Airlines Financial Monitor Report.
(7) Per the International Energy Agency (IEA) Oil Market Report dated October 12, 2017.

Commercial Aircraft 20-year market forecast

In September 2017, Commercial Aircraft released its market forecast for the 20-year period from calendar years 2017 to 2036.[1]

The Commercial Aircraft Market Forecast estimates 12,550 aircraft deliveries, valued at $820 billion,[2] for 60- to 150-seat commercial aircraft in the next 20 years. Approximately half of the forecast deliveries are in the small single-aisle segment,[3] valued at approximately $580 billion,[2] representing approximately 70% of revenues. The remainder of the deliveries are in the large regional aircraft segment,[4] valued at approximately $240 billion.[2][5]

(1) Available at ir.bombardier.com.
(2) Revenue estimates are based on 2017 list prices.
(3) Typically configured between 100 and 150 seats.
(4) Typically configured between 60 and 100 seats.
(5) See the forward-looking statements disclaimer.

Demand for 60- to 150-seat commercial aircraft will be driven by the replacement of aging fleet, the opportunity to further optimize airline networks and the opening of new routes globally.(1)

North America is expected to account for the greatest number of 60- to 150-seat commercial aircraft deliveries, followed by Europe, Greater China and East Asia & Oceania.(1)

We forecast 5,200 aircraft in the 60- to 150-seat segment to retire by 2036, which represent 75% of the current global fleet. Specifically, 3,100 aircraft in the small single-aisle segment(2) and 2,100 aircraft in the large regional aircraft segment,(3) representing approximately 86% and 64% of the current global fleet respectively, are expected to retire by 2036. Furthermore, 2,200 aircraft or 89% of the current 20- to 60-seat small regional aircraft fleet are forecast to retire by 2036 and are expected to be replaced with larger regional aircraft.(1)

(1) See the forward-looking statements disclaimer.
(2) Typically configured between 100 and 150 seats.
(3) Typically configured between 60 and 100 seats.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Revenues	**$ 525**	$ 538	**$ 1,705**	$ 1,918
EBITDA before special items(1)	**$ (79)**	$ (96)	**$ (181)**	$ (226)
Amortization	**15**	11	**49**	50
Impairment charges on PP&E and intangible assets	**—**	—	**5**	—
EBIT before special items(1)	**(94)**	(107)	**(235)**	(276)
Special items	**1**	—	**3**	483
EBIT	**$ (95)**	$ (107)	**$ (238)**	$ (759)
EBIT margin before special items(1)	**(17.9)%**	(19.9)%	**(13.8)%**	(14.4)%
EBIT margin	**(18.1)%**	(19.9)%	**(14.0)%**	(39.6)%

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

Revenues

The $13-million and $213-million decreases for the three- and nine-month periods, respectively, are mainly due to fewer deliveries of regional jets, following the previously-announced production rate adjustment, as well as fewer deliveries of turboprops and lower revenues from pre-owned aircraft, partially offset by higher *C Series* aircraft deliveries.

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period, such as the impact of restructuring charges and significant impairment charges and reversals.

The special items were as follows:

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Ref	**2017**	2016	**2017**	2016
Restructuring charges	1	**$ 1**	$ —	**$ 3**	$ —
Onerous contracts provision - *C Series* aircraft program	2	**—**	—	**—**	516
Pension obligation	3	**—**	—	**—**	(33)
		$ 1	$ —	**$ 3**	$ 483
EBIT margin impact		**(0.2)%**	0.0%	**(0.2)%**	(25.2)%

1. Represents restructuring charges related to previously-announced restructuring actions.

2. In conjunction with the closing of *C Series* aircraft firm orders in the second quarter of 2016, on a consolidated basis, we recorded an onerous contracts provision of $492 million, net of $24 million included in Corporate and Elimination.
3. Bombardier had a constructive obligation for discretionary ad hoc indexation increases to certain pension plans. Following a communication to plan members, in the second quarter of 2016, that we do not expect to grant such increases in the foreseeable future in line with our current practice, the constructive obligation amounting to $33 million was reversed.

EBIT margin

The EBIT margin before special items for the three-month period increased by 2.0 percentage points, mainly as a result of:

- higher overall aircraft margins, including a favourable Canadian dollar exchange rate, after giving effect to hedges.

Partially offset by:

- higher R&D expense, mainly as a result of the amortization of aerospace program tooling on higher deliveries of *C Series* aircraft.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 1.8 percentage points compared to the same period last year.

The EBIT margin before special items for the nine-month period increased by 0.6 percentage points, mainly as a result of:

- higher other income mainly due to a gain on disposal of PP&E and a net positive variance of certain financial instruments carried at fair value;
- improved margins related to pre-owned aircraft activities; and
- stronger contribution from aftermarket activities due to a favourable mix between aftermarket activities and aircraft deliveries and higher margins this year.

Partially offset by:

- lower aircraft margin on the *C Series* aircraft program due to production ramp-up, partially offset by a favourable Canadian dollar exchange rate, after giving effect to hedges.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period increased by 25.6 percentage points compared to the same period last year.

Product development

Investment in product development

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Program tooling[(1)]	**$ 13**	$ 27	**$ 93**	$ 252
R&D expense[(2)]	**1**	1	**3**	2
	$ 14	$ 28	**$ 96**	$ 254
As a percentage of revenues	**2.7%**	5.2%	**5.6%**	13.2%

The carrying amount of commercial aircraft program tooling[(3)] as at September 30, 2017 was $2.6 billion, at a similar level compared to the amount as at December 31, 2016.

(1) Net amount capitalized in aerospace program tooling, as well as the amount that was paid to suppliers upon delivery of the aircraft for acquired development costs carried out by them.

(2) Excluding amortization of aerospace program tooling of $9 million and $26 million, respectively, for the three- and nine-month periods ended September 30, 2017 ($3 million and $14 million, respectively, for the three- and nine-month periods ended September 30, 2016), as the related investments are already included in aerospace program tooling.

(3) Capitalized borrowing costs included in the commercial aircraft aerospace program tooling balance amounted to $297 million as at September 30, 2017 ($299 million as at December 31, 2016).

Aircraft deliveries, orders, book-to-bill ratio and order backlog

Aircraft deliveries

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in units)	**2017**	2016	**2017**	2016
Commercial jets				
CS100	**—**	1	**3**	2
CS300	**5**	—	**9**	—
Regional jets				
CRJ700	**—**	—	**1**	1
CRJ900	**3**	5	**14**	32
CRJ1000	**1**	1	**4**	5
Turboprops				
Q400	**7**	9	**20**	23
	16	16	**51**	63

Net orders

	Three-month periods ended September 30		Nine-month periods ended September 30	
(in units)	**2017**	2016	**2017**	2016
Commercial jets				
CS100	**—**	—	**—**	75
CS300	**—**	(12)	**—**	40
Regional jets				
CRJ900	**—**	—	**10**	19
Turboprops				
Q400	**25**	3	**38**	18
	25	(9)	**48**	152
Book-to-bill ratio[1]	**1.6**	nmf	**0.9**	2.4

[1] Ratio of net orders received over aircraft deliveries, in units.

The following significant orders were received during the nine-month period ended September 30, 2017:

Customer	Firm order	Value[1]
Third quarter		
SpiceJet Limited (India)[2]	25 *Q400*	$ 850
Second quarter		
Philippine Airlines, Inc. (Philippines)	7 *Q400*	$ 235
Ethiopian Airlines Enterprise (Ethiopia)	5 *Q400*	$ 162
First quarter		
CityJet (Ireland)	10 *CRJ900*	$ 467

[1] Value of firm order based on list prices.
[2] The purchase agreement also includes purchase rights on an additional 25 *Q400* aircraft, which are not included in the order backlog as at September 30, 2017. This firm purchase order follows the previously announced letter of intent signed in June 2017**.** Based on list price, the order, including the purchase rights, is valued at up to $1.7 billion.

Subsequent to the end of the third quarter, we signed a Letter of Intent (LOI) with a European customer for up to 61 *C Series* aircraft, including a firm order for 31 aircraft with options for an additional 30 aircraft. Based on list price of the aircraft, the firm order would be valued at approximately $2.4 billion and would increase to nearly $4.8 billion should all the options be exercised. This LOI is not included in the order backlog as at September 30, 2017. The LOI is subject to the execution of a purchase agreement, which is expected before year end.

Commercial aircraft order backlog and options

				As at
	September 30, 2017		December 31, 2016	
(in units)	**Firm orders**	**Options**	Firm orders	Options
Commercial jets				
CS100	**115** [(1)]	**99**	118 [(1)]	99
CS300	**226** [(1)]	**133**	235 [(1)]	133
Regional jets				
CRJ700	**8**	**—**	9	—
CRJ900	**22**	**—**	26	18
CRJ1000	**13**	**—**	17	—
Turboprops				
Q400	**49**	**31**	31	12
	433	**263**	436	262

(1) The total of 341 orders includes 122 firm orders with conversion rights to the other *C Series* aircraft model as at September 30, 2017 (total of 353 orders included 137 firm orders with conversion rights to the other *C Series* aircraft model as at December 31, 2016).

Consistent with our previously-disclosed production rate adjustments, deliveries of regional jets in the three- and nine-month periods ended September 30, 2017 are lower compared to the same periods last year.

STRATEGIC PARTNERSHIP

Airbus entered into an agreement to acquire a majority stake in the C Series Aircraft Limited Partnership

On October 16, 2017, we entered into an agreement with Airbus SE (Airbus) whereby Airbus will provide procurement, sales and marketing, and customer support expertise to the CSALP, the entity that manufactures and sells the *C Series* aircraft. At closing, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Québec (IQ) will own approximately 31% and 19% respectively.

CSALP's headquarters and primary assembly line and related functions will remain in Québec, with the support of Airbus' global reach and scale. Airbus' global industrial footprint will expand with the final assembly line in Canada and additional *C Series* aircraft production at Airbus' manufacturing site in Alabama, U.S.

Ownership Structure and Agreement Highlights
The *C Series* aircraft program is operated by CSALP in respect of which Bombardier and IQ respectively hold approximately a 63% and a 37% interest respectively as at September 30, 2017. The Investment Agreement contemplates Airbus acquiring a 50.01% interest in CSALP. Airbus will enter into commercial agreements relating to (i) sales and marketing support services for the *C Series* aircraft program, (ii) management of procurement, which will include leading negotiations to improve CSALP level supplier agreements, and (iii) customer support. At closing, there will be no cash contribution by any of the partners, nor will CSALP assume any financial debt. It also contemplates that Bombardier will continue with its current funding plan of CSALP and will fund, if required, the cash shortfalls of CSALP during the first year following the closing up to a maximum amount of $350 million, and during the second and third years following the closing up to a maximum aggregate amount of $350 million over both years, in consideration for non-voting participating units of CSALP with cumulative annual dividends of 2%, with any excess shortfall during such periods to be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion.

Airbus will benefit from call rights in respect of all of Bombardier's interest in CSALP at fair market value, with the amount for non-voting participating units capped at the invested amount plus accrued but unpaid dividends, including a call right exercisable no earlier than 7.5 years following the closing, except in the event of certain circumstances such as changes in the control of Bombardier, in which case the right is accelerated. Bombardier will benefit from a corresponding put right whereby it could require that Airbus acquire its interest at fair market value after the expiry of the same period. IQ's interest is redeemable at fair market value by CSALP, under certain conditions, starting in 2023. IQ will benefit from a corresponding put right whereby it could require that CSALP, under certain conditions, acquire its interest at fair market value starting in 2023. IQ will also benefit from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

The Board of Directors of CSALP will initially consist of seven directors, four of whom will be proposed by Airbus, two of whom will be proposed by Bombardier, and one of whom will be proposed by IQ. Airbus will be entitled to name the Chairman of CSALP.

The transaction also provides for the issuance to Airbus, upon closing, of warrants exercisable to acquire up to 100,000,000 Class B Shares (subordinate voting) of Bombardier, at an exercise price per share equal to the US$ equivalent of $2.29 Canadian dollars. The warrants will have a five-year term from the date of issue, will not be listed and will provide for market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations. The Toronto Stock Exchange (TSX) has determined to accept notice of the private placement of such warrants and has conditionally approved the listing of the Class B Shares issuable pursuant to the terms of the warrants on the TSX. Listing will be subject to Bombardier fulfilling all the listing requirements of the TSX.

The transaction has been approved by the Boards of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The transaction remains subject to regulatory approvals, as well as other conditions usual in this type of transaction. There are no guarantees that the transaction will be completed and that the conditions to which it is subject would be met. Completion of the transaction is currently expected for the second half of 2018.[1]

[1] See the forward-looking statements disclaimer.

AEROSTRUCTURES AND ENGINEERING SERVICES

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30	**2017**	2016	Variance
Revenues	**$ 343**	$ 337	2 %
External order intake	**$ 96**	$ 104	(8)%
External book-to-bill ratio[(1)]	**0.9**	1.0	(0.1)
EBIT	**$ 38**	$ 20	90 %
EBIT margin	**11.1%**	5.9%	520 bps
EBIT before special items[(2)]	**$ 32**	$ 29	10 %
EBIT margin before special items[(2)]	**9.3%**	8.6%	70 bps
EBITDA before special items[(2)]	**$ 43**	$ 42	2 %
EBITDA margin before special items[(2)]	**12.5%**	12.5%	0 bps
Net additions to PP&E and intangible assets	**$ 4**	$ 7	(43)%
As at	**September 30, 2017**	December 31, 2016	
External order backlog	**$ 88**	$ 42	110 %

Key highlights and events

- EBIT margin before special items[(2)] was 9.3% for the quarter and 8.1% year-to-date. On track to achieve margins of approximately 8.0% for the full year.[(3)]
- Significantly ramped-up operations in line with the expected program growth for the *C Series* and *Global 7000* aircraft.[(3)]

(1) Ratio of new external orders over external revenues.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(3) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.

INDUSTRY AND ECONOMIC ENVIRONMENT

Key drivers of the aerostructures market are strongly linked to factors such as economic growth (GDP per capita), political stability, air passenger traffic and aircraft retirement rates. More specifically, this 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 original equipment manufacturers in the aerospace market, it is subject to the same industry and economic drivers 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 influences the aerostructures business.

In the commercial aircraft market, passenger traffic levels and load factors remain strong on a year-to-date basis . Meanwhile, short-term indicators of the business jet market are stable. Overall, we remain confident in the long-term potential for significant growth in the aircraft industry.

ANALYSIS OF RESULTS

Results of operations

		Three-month periods ended September 30				Nine-month periods ended September 30		
		2017		2016		**2017**		2016
Revenues								
External revenues	**$**	**107**	$	102	**$**	**304**	$	326
Intersegment revenues		**236**		235		**853**		904
		343		337		**1,157**		1,230
EBITDA before special items(1)	**$**	**43**	$	42	**$**	**130**	$	133
Amortization		**11**		13		**36**		39
EBIT before special items(1)		**32**		29		**94**		94
Special items		**(6)**		9		**(6)**		(10)
EBIT	**$**	**38**	$	20	**$**	**100**	$	104
EBIT margin before special items(1)		**9.3%**		8.6%		**8.1%**		7.6%
EBIT margin		**11.1%**		5.9%		**8.6%**		8.5%

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

Revenues

The $73-million decrease for the nine-month period is due to:

- lower intersegment revenues ($51 million), mainly due to lower volume for regional aircraft, partially offset by higher volume for business aircraft and the *C Series* aircraft program related to the production ramp-up; and
- lower external revenues ($22 million), mainly due to lower manufacturing volume, partially offset by an increase in aftermarket sales.

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period, such as the impact of restructuring charges and significant impairment charges and reversals.

The special item for the three- and nine-month periods ended September 30, 2017 represent an adjustment to the provision related to previously-announced restructuring actions.

The special item for the three-month period ended September 30, 2016 represented restructuring charges related to previously-announced restructuring actions.

The special items for the nine-month period ended September 30, 2016 represented:

- a $43-million decrease in the pension obligation. Bombardier had a constructive obligation for discretionary ad hoc indexation increases to certain pension plans. Following a communication to plan members that we do not expected to grant such increases in the foreseeable future in line with our current practice, the constructive obligation was reversed; and
- restructuring charges of $33 million related to previously-announced restructuring actions.

EBIT margin

The EBIT margin before special items for the three-month period increased by 0.7 percentage point, mainly as a result of:

- higher margins on aftermarket sales;
- higher margins on intersegment aircraft contracts, mainly due to favourable Canadian dollar and pound sterling exchange rates, after giving effect to hedges and savings from transformation initiatives; and
- lower SG&A expenses including savings from transformation initiatives.

Partially offset by:

- lower margins on external contracts.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period increased by 5.2 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 increased by 0.5 percentage point, mainly as a result of:

- higher margins on aftermarket sales; and
- higher margins on intersegment aircraft contracts, mainly due to favourable Canadian dollar and pound sterling exchange rates, after giving effect to hedges, as well as last year's recognition of expected losses on the *C Series* aircraft program and savings from transformation initiatives.

Partially offset by:

- lower margins on external contracts.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period increased by 0.1 percentage points compared to the same period last year.

Order backlog and book-to-bill ratio

External order backlog

				As at
		September 30, 2017		December 31, 2016
	$	**88**	$	42

External order intake and book-to-bill ratio

		Three-month periods ended September 30				**Nine-month periods ended September 30**		
		2017		2016		**2017**		2016
External order intake	**$**	**96**	$	104	**$**	**350**	$	308
External book-to-bill ratio[1]		**0.9**		1.0		**1.2**		0.9

[1] Ratio of new external orders over external revenues.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended September 30		2017		2016	Variance
Revenues	$	2,134	$	1,782	20 %
Order intake (in billions of dollars)	$	1.8	$	2.9	(38)%
Book-to-bill ratio[1]		0.9		1.6	(0.7)
EBIT	$	129	$	125	3 %
EBIT margin		6.0%		7.0%	(100) bps
EBIT before special items[2]	$	181	$	140	29 %
EBIT margin before special items[2]		8.5%		7.9%	60 bps
EBITDA before special items[2]	$	204	$	164	24 %
EBITDA margin before special items[2]		9.6%		9.2%	40 bps
Net additions to PP&E and intangible assets	$	18	$	28	(36)%
As at		**September 30, 2017**		December 31, 2016	
Order backlog (in billions of dollars)	$	33.0	$	30.1	10 %

Key highlights and events

- Revenues in the third quarter increased by 20% to $2.1 billion, driven by the ramp-up of key projects, which are gradually contributing to the approximately $8.5 billion guidance for the year.[3]
- Order intake of $1.8 billion in the third quarter, primarily related to contracts signed in Asia-Pacific and Europe, bringing our book-to-bill ratio[1] to 1.1 for the nine-month period. The majority of our order intake is based on current platforms, supporting the re-use of existing technologies.
- EBIT margin before special items[2] of 8.5% in the third quarter and 8.2% for the nine-month period, puts us on track to reach our guidance of approximately 8.0% for the full year.[3]
- Transformation initiatives continue to support margin expansion. In September 2017, management and the General Works Council of Bombardier Transportation GmbH formalized a general company agreement regarding the transformation in Germany, paving the way for key milestones of the transformation including the specialization of German sites.

(1) Ratio of new orders over revenues.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.
(3) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview and the Guidance and forward-looking statements section in each reportable segment in the 2016 Financial Report for details regarding the assumptions on which the guidance is based.

INDUSTRY AND ECONOMIC ENVIRONMENT

Transportation's relevant and accessible market[1] improved slightly in Europe. Fewer orders were recorded in Asia Pacific, North America and Rest of world regions mainly due to large orders awarded during the same period last year. Based on UNIFE forecasts, the overall Transportation's relevant and accessible rail market is expected to grow at an average annualized rate of 3.4% over the next five years.[2]

In Europe, the year-to-date level of orders increased slightly compared to the same period in 2016. In the third quarter of 2017, the most significant orders were awarded in the commuter and regional train segment in Switzerland, Austria, Germany and the Netherlands. In the signalling and services segments, various orders were signed in countries across Europe. In the upcoming quarters, orders are expected in Western Europe, both for mainline and for urban transit solutions. In the intercity and commuter and regional train segments, significant orders are anticipated in the U.K., Sweden and Austria. Investments in urban solutions, such as metro, light rail vehicles (LRVs) and systems segments are expected primarily in France and Germany. Volume in the signalling and services segments is expected to be mainly driven by opportunities in Germany, U.K., Spain and Norway. Poland is anticipated to be the main driver for volume in Eastern Europe with opportunities for mainline rolling stock and signalling solutions. Eastern Europe is foreseen to modernize current fleet and infrastructure supported by the 2014-2020 European financial framework defining the European Union investment plan.

The overall order volume in the North American market decreased compared to the same period last year primarily because of large orders awarded in the rolling stock and services segments in the second and third quarters of 2016. However, investment in urban mobility and related infrastructure remains high with a significant contract for metro cars and signalling awarded for the city of Baltimore, U.S. in 2017. Multiple small orders have been awarded in the signalling and services segments primarily in the U.S. By the end of the year, major opportunities are anticipated in the U.S., where large orders are expected in the locomotive segment as well as in the commuter and regional train segment. In the signalling and services segments, contract awards are anticipated in the U.S. and Canada in the upcoming quarters. In Mexico, a LRV contract is likely to be granted in the upcoming quarters.

In Asia-Pacific, the year to date order volume compared to the same period last year recorded a decrease due to major investments secured in 2016 in China, Thailand and Taiwan for the extension and upgrade of new metro lines as well as significant business projects signed in Australia and South Korea in 2016. As expected, urban transit solutions continue to drive the order volume in Asia-Pacific region where significant metro contracts were signed in China and South Korea. Several small and medium signalling and services orders have been awarded in the region. New orders are expected to be granted in the urban application segment such as metro solutions in China and LRVs in South Korea. In Taiwan, a noteworthy locomotive order is anticipated to be awarded, while in South Korea an order is expected in the intercity segment. In the signalling and services segments, further opportunities are foreseen in Australia, China and Taiwan.

On a year-to-date basis, the overall order volume in the Rest of world region decreased compared to last year. In the third quarter of 2017, several orders were awarded in Ukraine and Iran in the LRV and metro segments, respectively. In the signalling and services segments, smaller sized contracts were signed in Latin America and CIS countries. In the upcoming quarters, significant opportunities are expected in the commuter and regional train and metro segments in Israel and Egypt. Further order volume is expected to be generated in the signalling and services segments with opportunities in Israel, Iran and South Africa. Other markets of the Rest of world region also show growth potential due to a strong need for mobility solutions to support rapid urbanization, especially in South America and the Middle East.

(1) Transportation's relevant and 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, and excluding the infrastructure, freight wagon and shunter segments.

(2) Based on data from the UNIFE World Rail Market Study "Forecast 2016 to 2021" published in September 2016, based on 60 countries representing more than 95% of the world rail market.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Revenues	**$ 2,134**	$ 1,782	**$ 6,032**	$ 5,626
EBITDA before special items[1]	**$ 204**	$ 164	**$ 569**	$ 452
Amortization	**22**	24	**73**	73
Impairment charges on PP&E	**1**	—	**1**	—
EBIT before special items[1]	**181**	140	**495**	379
Special items	**52**	15	**284**	144
EBIT	**$ 129**	$ 125	**$ 211**	$ 235
EBIT margin before special items[1]	**8.5%**	7.9%	**8.2%**	6.7%
EBIT margin	**6.0%**	7.0%	**3.5%**	4.2%

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

Revenues

Total revenues for the three- and nine-month periods ended September 30, 2017, have increased by $352 million and $406 million, respectively, compared to the same periods last year. Excluding a positive currency impact of $55 million for the three-month period, and a negative currency impact of $60 million for the nine-month period, revenues have increased by $297 million, or 16.7%, and $466 million, or 8.3%, for the three- and nine-month periods, respectively, compared to the same periods last year.

The $297-million increase excluding currency impact for the three-month period is mainly explained by:

- higher activities in rolling stock in all regions, mainly due to ramp-up in production related to some light rail vehicle contracts in North America and Europe, some commuter and regional train contracts in all regions, and some metro contracts in North America ($226 million); and
- higher activities in systems in North America and the Rest of world region ($68 million).

The $466-million increase excluding currency impact for the nine-month period is mainly explained by:

- higher activities in rolling stock mainly in North America, mostly due to ramp-up in production related to some light rail vehicle, metro and commuter and regional train contracts ($307 million); and
- higher activities in systems in North America and Europe, and in signalling in Asia-Pacific and the Rest of world region ($105 million).

Special items

Special items comprise items which do not reflect our core performance or where their separate presentation will assist users in understanding our results for the period, such as the impact of restructuring charges and significant impairment charges and reversals.

The special items for the three- and nine-month periods ended September 30, 2017 represent:

- severance costs of $9 million and $209 million, respectively, mainly related to our transformation in Europe. In line with these initiatives, asset write-downs of $32 million were also recorded as restructuring charges in the second quarter as we implement the site specialization strategy; and
- an impairment charge related to non-core operations of $43 million recorded in the third quarter with respect to the expected sale of two legal entities, as part of our transformation plan.

The special items for the three- and nine-month periods ended September 30, 2016 represented:

- restructuring charges of $139 million related to previously-announced restructuring actions, of which $15 million were recorded in the third quarter; and
- a foreign exchange loss of $5 million related to the reorganization of Transportation under one holding entity necessary to facilitate the placement of a minority stake in Transportation, recorded in the first quarter.

EBIT margin

The EBIT margin before special items for the three-month period increased by 0.6 percentage point, mainly as a result of:

- higher margin in systems, mainly due to better performance;
- higher absorption of SG&A expenses; and
- a higher share of income from joint ventures and associates.

Partially offset by:

- lower margin in rolling stock, mainly due to adjustments on certain contracts; and
- lower margin in signalling and services, mainly due to an unfavourable contract mix.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 1.0 percentage point compared to the same period last year.

The EBIT margin before special items for the nine-month period increased by 1.5 percentage points, mainly as a result of:

- a higher share of income from joint ventures and associates;
- higher margin in systems, mainly due to better performance; and
- higher absorption of lower SG&A expenses, including a positive impact from transformation savings.

Partially offset by:

- lower margin in rolling stock, signalling and services, mainly due to an unfavourable contract mix.

Including the impact of special items (see explanation of special items above), the EBIT margin for the nine-month period decreased by 0.7 percentage point, compared to the same period last year.

Orders and backlog

Order backlog

		As at
(in billions of dollars)	**September 30, 2017**	December 31, 2016
	$ 33.0	$ 30.1

The $2.9 billion increase in order backlog is due to higher order intake than revenues ($0.7 billion), and the strengthening of some foreign currencies, mainly the euro, pound sterling, Australian dollar and Swedish krona, versus the U.S. dollar as at September 30, 2017, compared to December 31, 2016 ($2.2 billion).

Order intake and book-to-bill ratio

	Three-month periods ended September 30		**Nine-month periods ended September 30**	
	2017	2016	**2017**	2016
Order intake (in billions of dollars)	**$ 1.8**	$ 2.9	**$ 6.7**	$ 6.2
Book-to-bill ratio[1]	**0.9**	1.6	**1.1**	1.1

The $1.1 billion decrease in order intake in the three-month period ended September 30, 2017, is mainly explained by the significant order signed with Angel Trains Ltd., U.K., in 2016, valued at $1.1 billion. The $0.5 billion increase in order intake in the nine-month period ended September 30, 2017, reflects several orders across various product segments and regions, with focus in Europe and Asia-Pacific. The variances include a positive currency impact of $125 million in the three-month period, and a negative currency impact of $178 million in the nine-month period. We maintained a leading position[2] in our relevant and accessible rail market.[3]

(1) Ratio of new orders over revenues.

(2) Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.

(3) Our relevant and 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, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the nine-month period ended September 30, 2017 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value	
Third quarter						
Northern Bangkok Monorail Co. Ltd. (NBM) and Eastern Bangkok Monorail Co. Ltd. (EBM)	Thailand	*INNOVIA* Monorail 300 system and *CITYFLO* 650 automatic train control technology	288	System and signalling	n/a	(1)
London Underground Ltd. (LUL)	U.K.	*MITRAC* traction systems and traction control equipment	n/a	Rolling stock	$ 144	
Second quarter						
FirstGroup and MTR	U.K.	*AVENTRA* Electrical Multiple Units (EMUs) and Technical Services and Spares Supply Agreement (TSSSA)	750	Rolling stock and Services	$ 1,100	
Société Nationale des Chemins de fer Français (SNCF) on behalf of Syndicat des Transports d'Ile-de-France (STIF)	France	*OMNEO* / Regio 2N double-deck EMUs	664	Rolling stock	$ 968	(2)
First quarter						
Société Nationale des Chemins de fer Français (SNCF)	France	Design and build of intermediate cars, design of air conditioning and passenger access systems	299	Rolling stock	$ 395	(3)
Zurich Public Transport (VBZ)	Switzerland	*FLEXITY* trams	70	Rolling stock	$ 296	
Prasarana Malaysia Berhad	Malaysia	*INNOVIA* metro 300 cars	108	Rolling stock	$ 266	(4)
Deutsche Bahn AG (DB)	Germany	*TRAXX* locomotives *TWINDEXX* Vario double-deck intercity cars	25 124	Rolling stock	n/a	(1)

During the nine-month period ended September 30, 2017, the following significant orders were awarded to our joint ventures and are not included in our backlog:

- In March 2017, our Chinese joint venture, Bombardier Sifang (Qingdao) Transportation Ltd. (BST), of which we own 50% of the shares, was awarded a contract with China Railway Corp. (CRC) to supply 144 CRH1A-A new generation high-speed train cars for China's evolving high-speed rail network. The contract for 18 eight-car trainsets is valued at $284 million.
- In May 2017, our Chinese joint venture, Shentong Bombardier (Shanghai) Rail Transit Vehicle Maintenance Co. Ltd. (SHBRT), of which we own 50% of the shares, was awarded two contracts with Shanghai Shentong Metro Group Co. Ltd. to provide 10-years of overhaul services for 498 metro cars operating on Shanghai Metro's lines 7 and 9. Together, the two contracts are valued at $158 million.

(1) Contract value not disclosed.
(2) Contract value includes price escalation based on best faith assessment of assumptions.
(3) Contract signed as part of a consortium with Alstom. The order is valued at $1.22 billion, and only our share is stated above.
(4) Contract signed together with local partner HARTASUMA SDN BHD. The order is valued at $388 million, and only our share is stated above.

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 €925 million ($1.1 billion) were outstanding under such facilities as at September 30, 2017 (€820 million ($864 million) as at December 31, 2016). During the three- and nine-month period ended September 30, 2017, trade receivables of €140 million ($178 million) and €861 million ($957 million), respectively, were sold to these facilities (€234 million ($261 million) and €770 million ($859 million), respectively, during the three- and nine-month periods ended September 30, 2016).

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, 2017. Refer to the Off-balance sheet arrangements section in Other of our Financial Report for the year ended December 31, 2016 for a description of these arrangements, and to Note 20, Commitments and Contingencies, to the interim consolidated financial statements for further details.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 2016 in Other, but are not necessarily the only risks and uncertainties that we face.

There was no significant change to these risks and uncertainties during the nine-month period ended September 30, 2017, other than those described elsewhere in this MD&A. Also refer to Note 20, Commitments and contingencies, to our interim consolidated financial statements.

If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows and results of operations could be materially adversely affected.

ACCOUNTING AND REPORTING DEVELOPMENTS

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. Refer to Note 2, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

IFRS 9 will be effective for our fiscal year beginning on January 1, 2018. We are currently assessing the impact of the adoption of this standard on our consolidated financial statements. We do not expect significant hedge accounting differences in respect of our aerospace segments. We continue to analyze the application of hedge accounting under the new standard in respect of long-term contracts in our Transportation segment. Our preliminary analysis has not identified significant recognition or measurement differences in respect of classification and measurement.

Revenue Recognition

In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* as well as other related interpretations. Refer to Note 2, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

The standard comes into effect January 1, 2018, and as a result, IFRS 15 will be adopted in the first quarter of 2018. At that time we will restate our 2017 results, with an opening adjustment to equity as at January 1, 2017.

The majority of long-term manufacturing and service contracts at Transportation currently accounted for under the percentage-of-completion method are expected to meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method. The principal differences identified in respect of the accounting for long-term contracts at Transportation relate to the treatment of customer options for additional trains and the recognition of variable consideration such as price escalation clauses.

Under IAS 11, estimated revenues at completion include anticipated customer options for additional trains if it is probable that the customer will exercise the options and the amount can be measured reliably. Under IFRS 15, customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional trains. This change will result in the deferral of revenue and margin until the customer exercises their option. The change in policy is expected to reduce equity at transition by approximately $635 million ($631 million after tax).

Under IAS 11, variable consideration such as price escalation clauses is included in estimated revenues at completion when the amount is considered probable and can be reliably measured. IFRS 15 introduces the concept of a constraint on the recognition of variable consideration whereby amounts can only be included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The introduction of this constraint will result in the transaction price recognizing the effect of price escalation for certain indices at a later point in time. Consequently this will have the effect of deferring revenue and margin which is expected to reduce equity at transition by approximately $85 million ($84 million after tax).

For the aerospace segments, revenues from the sale of aircraft will continue to be recognized when the aircraft have been delivered.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. When the new revenue standard is adopted all loss provisions for contracts with customers will need to follow the same policy for the definition of unavoidable costs of fulfilling the contract. In line with one of the two approaches identified as reasonable by the IFRS Interpretations Committee in its June 13, 2017 tentative agenda decision, we will define unavoidable costs as the costs that we cannot avoid because we have the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract). This approach is currently used for long-term contracts, however it will represent a change in accounting policy for other contracts in the aerospace segments and will increase the amount of onerous contract provisions and thereby lower subsequent inventory net realizable value charges. It is expected this change in policy will result in a reduction of equity at transition of approximately $150 million ($155 million after tax).

We will need to account for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. Most of our contracts do not have a significant financing component. However, there are several orders in the business aircraft segment where advances were received well before expected delivery and therefore a financing component will need to be accounted for separately. The result is that interest expense will be accrued during the advance period and the transaction price will be increased by a corresponding amount. This change is expected to result in a decrease in equity at transition of approximately $25 million.

Under IFRS 15 revenues earned by the Aerostructures and Engineering Services on the inter-segment contract for the *C Series* program will be recognized at a point in time (delivery) as opposed to the current policy whereby it is recognized over-time (long-term contract accounting). Although this will impact the timing of revenues and profit recognition for the Aerostructures and Engineering Services segment, since it is inter-segment it will have no impact on our consolidated results.

While these changes will impact the timing of revenue and margin recognition, and will result in a reduction of equity at transition, there will be no change to cash flows and there will be no change in the profitability over the life of the contracts.

Based on our preliminary analysis, the changes in accounting policies are expected to result in an aggregate reduction of equity at January 1, 2017 of approximately $900 million after tax.

For the first quarter of 2017 the changes in accounting policies are expected to result in an increase of consolidated revenues and EBIT of approximately $30 million and $45 million respectively. These impacts are mainly due to an expected increase of revenue and EBIT at Transportation of approximately $30 million due to customers exercising their options and the timing of recognizing price escalation for long-term contracts.

We are continuing to assess the impact of the new standard on our consolidated financial statements and will provide further updates as we advance in our assessment.

Leases

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations. Refer to Note 2, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

IFRS 16 will be effective for our fiscal year beginning on January 1, 2019. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements. Where we are a lessee, we expect IFRS 16 will result in on-balance sheet recognition of most of our leases that are considered operating leases under IAS 17. This will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense.

Income taxes

In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatm*ents. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Refer to Note 2, Future changes in accounting policies, to our interim consolidated financial statements, for more detail.

IFRIC 23 will be effective for our fiscal year beginning on January 1, 2019, with earlier application permitted. We are assessing 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, 2017 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, 2017	December 31, 2016	Increase
Euro	**1.1778**	1.0541	12%
Canadian dollar	**0.8021**	0.7430	8%
Pound sterling	**1.3440**	1.2312	9%

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, 2017	September 30, 2016	Increase/(Decrease)
Euro	**1.1729**	1.1163	5%
Canadian dollar	**0.7962**	0.7675	4%
Pound sterling	**1.3068**	1.3142	(1%)

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, 2017	September 30, 2016	Increase/(Decrease)
Euro	**1.1118**	1.1159	—%
Canadian dollar	**0.7647**	0.7566	1%
Pound sterling	**1.2744**	1.3943	(9%)

SELECTED FINANCIAL INFORMATION

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

Fiscal years		**2017**					2016	2015
	Third	Second	First	Fourth	Third	Second	First	Fourth
Revenues	**$ 3,835**	$ 4,092	$ 3,576	$ 4,380	$ 3,736	$ 4,309	$ 3,914	$ 5,017
Net loss	**$ (117)**	$ (296)	$ (31)	$ (259)	$ (94)	$ (490)	$ (138)	$ (677)
EPS (in dollars)								
Basic and diluted	**$ (0.05)**	$ (0.13)	$ (0.02)	$ (0.12)	$ (0.04)	$ (0.24)	$ (0.07)	$ (0.31)
Adjusted net income (loss)[1]	**$ (29)**	$ 39	$ 2	$ (141)	$ (10)	$ (83)	$ (34)	$ 9
Adjusted EPS (in dollars)[1]	**$ (0.01)**	$ 0.02	$ 0.00	$ (0.07)	$ 0.00	$ (0.06)	$ (0.03)	$ 0.00

[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 31, 2017

	Authorized	Issued and outstanding
Class A Shares (multiple voting)[(1)]	3,592,000,000	313,900,549
Class B Shares (subordinate voting)[(2)]	3,592,000,000	1,879,692,813 [(3)]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	5,811,736
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	6,188,264
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 Subordinate Voting Share.
(2) Convertible at the option of the holder into one Class A Share under certain conditions.
(3) Net of 52,983,051 Class B Subordinate Voting Shares purchased and held in trust in connection with the PSU and RSU plans.

Warrant, share option, PSU, DSU and RSU data as at September 30, 2017

Warrants issued and outstanding	205,851,872
Options issued and outstanding under the share option plans	118,115,845
PSUs, DSUs and RSUs issued and outstanding under the PSU, DSU and RSU plans	90,225,285
Class B Subordinate Voting Shares held in trust to satisfy PSU and RSU obligations	52,983,051

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

Financial Report, for the fiscal year ending December 31, 2017	February 15, 2018
First Quarterly Report, for the period ending March 31, 2018	April 26, 2018
Second Quarterly Report, for the period ending June 30, 2018	July 26, 2018
Third Quarterly Report, for the period ending September 30, 2018	November 1, 2018

Information

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

November 1, 2017

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

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

The printed version of this quarterly report uses Rolland Enviro100 paper, containing 100% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 13 mature trees, 580 kg of waste, 1,907 kg of CO_2 emissions (equivalent to 12,753 kilometres driven) and 47,335 litres of water.

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, 2017
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

The following table shows the abbreviations used in the consolidated financial statements.

Term	Description	Term	Description
AFS	Available for sale	HFT	Held for trading
BPS	Basis points	IAS	International Accounting Standard(s)
BT Holdco	Bombardier Transportation (Investment) UK Limited	IASB	International Accounting Standards Board
CCTD	Cumulative currency translation difference	IFRIC	International Financial Reporting Interpretation Committee
CDPQ	Caisse de dépôt et placement du Québec	IFRS	International Financial Reporting Standard(s)
CSALP	C Series Aircraft Limited Partnership	L&R	Loans and receivables
DDHR	Derivative designated in a hedge relationship	NCI	Non-controlling interests
DSU	Deferred share unit	OCI	Other comprehensive income (loss)
EBIT	Earnings (loss) before financing expense, financing income and income taxes	PP&E	Property, plant and equipment
		PSU	Performance share unit
EBT	Earnings (loss) before income taxes	R&D	Research and development
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	RSU	Restricted share unit
		SG&A	Selling, general and administrative
FVTP&L	Fair value through profit and loss	U.S.	United States of America

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	**2017**	2016	**2017**	2016
Revenues		**$ 3,835**	$ 3,736	**$ 11,503**	$ 11,959
Cost of sales	10	**3,369**	3,352	**10,192**	10,680
Gross margin		**466**	384	**1,311**	1,279
SG&A		**300**	281	**863**	846
R&D	4	**53**	58	**159**	192
Share of income of joint ventures and associates		**(52)**	(29)	**(139)**	(61)
Other income	5	**—**	(13)	**(29)**	(21)
Special items	6	**50**	24	**360**	455
EBIT		**115**	63	**97**	(132)
Financing expense	7	**175**	195	**507**	547
Financing income	7	**(14)**	(14)	**(35)**	(30)
EBT		**(46)**	(118)	**(375)**	(649)
Income taxes		**71**	(24)	**69**	73
Net loss		**$ (117)**	$ (94)	**$ (444)**	$ (722)
Attributable to					
Equity holders of Bombardier Inc.		**$ (91)**	$ (79)	**$ (408)**	$ (771)
NCI		**(26)**	(15)	**(36)**	49
		$ (117)	$ (94)	**$ (444)**	$ (722)
EPS (in dollars)	8				
Basic and diluted		**$ (0.05)**	$ (0.04)	**$ (0.19)**	$ (0.36)

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	
	2017	2016	**2017**	2016
Net loss	**$ (117)**	$ (94)	**$ (444)**	$ (722)
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**3**	(4)	**(2)**	(11)
Net gain (loss) on derivative financial instruments	**123**	(2)	**217**	125
Reclassification to income or to the related non-financial asset	**(5)**	54	**85**	244
Income taxes	**(9)**	(13)	**(38)**	(88)
	112	35	**262**	270
AFS financial assets				
Net unrealized gain (loss)	**(5)**	—	**(4)**	5
CCTD				
Net investments in foreign operations	**(53)**	(25)	**(68)**	(146)
Items that are never reclassified to net income				
Retirement benefits				
Remeasurement of defined benefit plans	**264**	(344)	**185**	(1,515)
Income taxes	**(1)**	27	**(25)**	100
	263	(317)	**160**	(1,415)
Total OCI	**317**	(307)	**350**	(1,286)
Total comprehensive income (loss)	**$ 200**	$ (401)	**$ (94)**	$ (2,008)
Attributable to				
Equity holders of Bombardier Inc.	**$ 167**	$ (398)	**$ (213)**	$ (2,059)
NCI	**33**	(3)	**119**	51
	$ 200	$ (401)	**$ (94)**	$ (2,008)

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 2017	December 31 2016	January 1 2016
Assets				
Cash and cash equivalents		**$ 1,835**	$ 3,384	$ 2,720
Trade and other receivables		**1,291**	1,291	1,473
Inventories	10	**7,158**	5,844	6,978
Other financial assets	11	**420**	336	450
Other assets	12	**464**	441	484
Current assets		**11,168**	11,296	12,105
PP&E		**1,948**	1,949	2,061
Aerospace program tooling		**5,942**	5,174	3,975
Goodwill		**2,029**	1,855	1,978
Deferred income taxes		**636**	705	761
Investments in joint ventures and associates		**469**	332	356
Other financial assets	11	**929**	915	870
Other assets	12	**588**	600	797
Non-current assets		**12,541**	11,530	10,798
		$ 23,709	$ 22,826	$ 22,903
Liabilities				
Trade and other payables		**$ 4,022**	$ 3,239	$ 4,040
Provisions	13	**1,040**	822	1,108
Advances and progress billings in excess of long-term contract inventories		**1,679**	1,539	1,408
Advances on aerospace programs		**1,480**	1,550	2,002
Other financial liabilities	14	**596**	608	991
Other liabilities	15	**2,248**	2,175	2,274
Current liabilities		**11,065**	9,933	11,823
Provisions	13	**1,272**	1,444	918
Advances on aerospace programs		**1,438**	1,535	1,534
Long-term debt		**8,813**	8,738	8,908
Retirement benefits		**2,652**	2,647	2,159
Other financial liabilities	14	**1,181**	999	619
Other liabilities	15	**911**	1,019	996
Non-current liabilities		**16,267**	16,382	15,134
		27,332	26,315	26,957
Equity (deficit)				
Attributable to equity holders of Bombardier Inc.		**(5,599)**	(5,243)	(4,067)
Attributable to NCI		**1,976**	1,754	13
		(3,623)	(3,489)	(4,054)
		$ 23,709	$ 22,826	$ 22,903
Commitments and contingencies	20			

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	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at June 30, 2017	$ 347	$ 2,152	$ 73	$ (5,356)	$ (2,863)	$ 146	$ 7	$ 25	$ (270)	$ (5,739)	$ 1,914	$ (3,825)
Total comprehensive income												
Net loss	—	—	—	(91)	—	—	—	—	—	(91)	(26)	(117)
OCI	—	—	—	—	257	—	(5)	106	(100)	258	59	317
	—	—	—	(91)	257	—	(5)	106	(100)	167	33	200
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(5)	(5)
Share-based expense	—	—	—	—	—	14	—	—	—	14	—	14
Change in NCI	—	—	—	(34)	—	—	—	—	—	(34)	34	—
As at September 30, 2017	**$ 347**	**$ 2,152**	**$ 73**	**$ (5,488)**	**$ (2,606)**	**$ 160**	**$ 2**	**$ 131**	**$ (370)**	**$ (5,599)**	**$ 1,976**	**$ (3,623)**
As at June 30, 2016	$ 347	$ 2,195	$ 40	$ (4,679)	$ (3,178)	$ 116	$ 12	$ (140)	$ (159)	$ (5,446)	$ 1,528	$ (3,918)
Total comprehensive income												
Net loss	—	—	—	(79)	—	—	—	—	—	(79)	(15)	(94)
OCI	—	—	—	—	(314)	—	—	35	(40)	(319)	12	(307)
	—	—	—	(79)	(314)	—	—	35	(40)	(398)	(3)	(401)
Issuance of warrants[(1)]	—	—	33	—	—	—	—	—	—	33	—	33
Issuance of NCI[(1)]	—	—	—	125	—	—	—	—	—	125	340	465
Dividends	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(2)	(2)
Shares purchased - PSU plans	—	(43)	—	—	—	—	—	—	—	(43)	—	(43)
Share-based expense	—	—	—	—	—	8	—	—	—	8	—	8
As at September 30, 2016	$ 347	$ 2,152	$ 73	$ (4,640)	$ (3,492)	$ 124	$ 12	$ (105)	$ (199)	$ (5,728)	$ 1,863	$ (3,865)

(1) Related to the minority stake in the C Series Aircraft Limited Partnership issued to the Government of Québec on September 1, 2016.

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	Warrants	Other retained earnings (deficit)	Remeasurement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at December 31, 2016	$ 347	$ 2,152	$ 73	$ (4,905)	$ (2,772)	$ 128	$ 6	$ (123)	$ (149)	$ (5,243)	$ 1,754	$ (3,489)
Total comprehensive income												
Net loss	—	—	—	(408)	—	—	—	—	—	(408)	(36)	(444)
OCI	—	—	—	—	166	—	(4)	254	(221)	195	155	350
	—	—	—	(408)	166	—	(4)	254	(221)	(213)	119	(94)
Dividends	—	—	—	(19)	—	—	—	—	—	(19)	—	(19)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(53)	(53)
Share-based expense	—	—	—	—	—	32	—	—	—	32	—	32
Change in NCI	—	—	—	(156)	—	—	—	—	—	(156)	156	—
As at September 30, 2017	**$ 347**	**$ 2,152**	**$ 73**	**$ (5,488)**	**$ (2,606)**	**$ 160**	**$ 2**	**$ 131**	**$ (370)**	**$ (5,599)**	**$ 1,976**	**$ (3,623)**
As at January 1, 2016	$ 347	$ 2,195	$ —	$ (4,219)	$ (2,080)	$ 106	$ 7	$ (375)	$ (48)	$ (4,067)	$ 13	$ (4,054)
Total comprehensive income												
Net income (loss)	—	—	—	(771)	—	—	—	—	—	(771)	49	(722)
OCI	—	—	—	—	(1,412)	—	5	270	(151)	(1,288)	2	(1,286)
	—	—	—	(771)	(1,412)	—	5	270	(151)	(2,059)	51	(2,008)
Issuance of warrants[(1)]	—	—	73	—	—	—	—	—	—	73	—	73
Issuance of NCI[(1)]	—	—	—	368	—	—	—	—	—	368	1,843	2,211
Dividends	—	—	—	(18)	—	—	—	—	—	(18)	—	(18)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(44)	(44)
Shares purchased - PSU plans	—	(43)	—	—	—	—	—	—	—	(43)	—	(43)
Share-based expense	—	—	—	—	—	18	—	—	—	18	—	18
As at September 30, 2016	$ 347	$ 2,152	$ 73	$ (4,640)	$ (3,492)	$ 124	$ 12	$ (105)	$ (199)	$ (5,728)	$ 1,863	$ (3,865)

[(1)] Related to the convertible shares issued to the CDPQ on February 11, 2016 in relation to the sale of a minority stake in Transportation and the minority stake in the C Series Aircraft Limited Partnership issued to the Government of Québec on June 30, 2016 and September 1, 2016.

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	**2017**	2016	**2017**	2016
Operating activities					
Net loss		**$ (117)**	$ (94)	**$ (444)**	$ (722)
Non-cash items					
Amortization		**69**	85	**225**	272
Impairment charges on PP&E and intangible assets	5, 6	**2**	—	**45**	—
Deferred income taxes		**35**	(34)	**40**	(90)
Gains on disposals of PP&E and intangible assets	5	**—**	(4)	**(30)**	(15)
Share of income of joint ventures and associates		**(52)**	(29)	**(139)**	(61)
Share-based expense	16	**14**	8	**32**	18
Dividends received from joint ventures and associates		**27**	30	**30**	110
Net change in non-cash balances	17	**(186)**	(34)	**(465)**	(198)
Cash flows from operating activities		**(208)**	(72)	**(706)**	(686)
Investing activities					
Additions to PP&E and intangible assets		**(287)**	(264)	**(1,011)**	(913)
Proceeds from disposals of PP&E and intangible assets		**—**	16	**59**	39
Other		**(7)**	20	**15**	21
Cash flows from investing activities		**(294)**	(228)	**(937)**	(853)
Financing activities					
Net proceeds from issuance of long-term debt		**—**	—	**—**	1
Repayments of long-term debt		**(7)**	(9)	**(24)**	(56)
Net change in short-term borrowings	14	**113**	(27)	**167**	84
Dividends paid(1)		**(7)**	(5)	**(15)**	(13)
Purchase of Class B Shares held in trust under the PSU and RSU plans		**—**	(43)	**—**	(43)
Issuance of NCI, net of transaction costs(2)		**—**	487	**—**	2,419
Dividends to NCI		**(5)**	(2)	**(53)**	(44)
Other		**—**	(15)	**(28)**	(38)
Cash flows from financing activities		**94**	386	**47**	2,310
Effect of exchange rates on cash and cash equivalents		**26**	(30)	**47**	(99)
Net increase (decrease) in cash and cash equivalents		**(382)**	56	**(1,549)**	672
Cash and cash equivalents at beginning of period		**2,217**	3,336	**3,384**	2,720
Cash and cash equivalents at end of period		**$ 1,835**	$ 3,392	**$ 1,835**	$ 3,392
Supplemental information(3)(4)					
Cash paid for					
Interest		**$ 136**	$ 177	**$ 433**	$ 451
Income taxes		**$ 39**	$ 25	**$ 71**	$ 82
Cash received for					
Interest		**$ 45**	$ 6	**$ 56**	$ 16
Income taxes		**$ 3**	$ 1	**$ 16**	$ 5

(1) Related to preferred shares.
(2) Related to the convertible shares issued to the CDPQ on February 11, 2016 in relation to the sale of a minority stake in Transportation and the minority stake in the C Series Aircraft Limited Partnership issued to the Government of Québec on June 30, 2016 and September 1, 2016.
(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 and the interest portion related to the settlement of an interest-rate swap, if any.

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, 2017
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. ("the Corporation" or "our" or "we") 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: 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, 2016.

These interim consolidated financial statements for the three- and nine-month periods ended September 30, 2017 were authorized for issuance by the Board of Directors on November 1, 2017.

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, 2017	December 31, 2016	January 1, 2016
Euro	**1.1778**	1.0541	1.0887
Canadian dollar	**0.8021**	0.7430	0.7202
Pound sterling	**1.3440**	1.2312	1.4833

	Average exchange rates for the three-month periods ended		**Average exchange rates for the nine-month periods ended**	
	September 30, 2017	September 30, 2016	**September 30, 2017**	September 30, 2016
Euro	**1.1729**	1.1163	**1.1118**	1.1159
Canadian dollar	**0.7962**	0.7675	**0.7647**	0.7566
Pound sterling	**1.3068**	1.3142	**1.2744**	1.3943

2. 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. The Corporation is currently assessing the impact of the adoption of this standard on its consolidated financial statements. The Corporation does not expect significant hedge accounting differences in respect of aerospace segments. The Corporation continues to analyze the application of hedge accounting under the new standard in respect of long-term contracts in the Transportation segment. The Corporation's preliminary analysis has not identified significant recognition or measurement differences in respect of classification and measurement.

Revenue Recognition
In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* as well as other related interpretations. 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. Revenue is recognized when, or as, the customer obtains control of the goods or services.

For the Corporation the standard comes into effect January 1, 2018, and as a result IFRS 15 will be adopted in the first quarter of 2018. At that time the Corporation will restate its 2017 results, with an opening adjustment to equity as at January 1, 2017.

The majority of long-term manufacturing and service contracts at Transportation currently accounted for under the percentage-of-completion method are expected to meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method. The principal differences identified in respect of the Corporation's accounting for long-term contracts at Transportation relate to the treatment of customer options for additional trains and the recognition of variable consideration such as price escalation clauses.

Under IAS 11, estimated revenues at completion include anticipated customer options for additional trains if it is probable that the customer will exercise the options and the amount can be measured reliably. Under IFRS 15, customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional trains. This change will result in the deferral of revenue and margin until the customer exercises their option. The change in policy is expected to reduce equity at transition by approximately $635 million ($631 million after tax).

Under IAS 11, variable consideration such as price escalation clauses is included in estimated revenues at completion when the amount is considered probable and can be reliably measured. IFRS 15 introduces the concept of a constraint on the recognition of variable consideration whereby amounts can only be included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The introduction of this constraint will result in the transaction price recognizing the effect of price escalation for certain indices at a later point in time. Consequently this will have the effect of deferring revenue and margin which is expected to reduce equity at transition by approximately $85 million ($84 million after tax).

For the aerospace segments, revenues from the sale of aircraft will continue to be recognized when the aircraft have been delivered.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. When the new revenue standard is adopted all loss provisions for contracts with customers will need to follow the same policy for the definition of unavoidable costs of fulfilling the contract. In line with one of the two approaches identified as reasonable by the IFRS Interpretations Committee in its June 13, 2017 tentative agenda decision, the Corporation will define unavoidable costs as the costs that the Corporation cannot avoid because it has the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract). This approach is currently used for long-term contracts, however it will represent a change in accounting policy for other contracts in the aerospace segments and will increase the amount of onerous contract provisions and thereby lower subsequent inventory net realizable value charges. It is expected this change in policy will result in a reduction of equity at transition of approximately $150 million ($155 million after tax).

The Corporation will need to account for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. Most of the Corporation's contracts do not have a significant financing component. However, there are several orders in the business aircraft segment where advances were received well before expected delivery and therefore a financing component will need to be accounted for separately. The result is that interest expense will be accrued during the advance period and the transaction price will be increased by a corresponding amount. This change is expected to result in a decrease in equity at transition of approximately $25 million.

Under IFRS 15 revenues earned by the Aerostructures and Engineering Services on the inter-segment contract for the *C Series* program will be recognized at a point in time (delivery) as opposed to the current policy whereby it is recognized over-time (long-term contract accounting). Although this will impact the timing of revenues and profit recognition for the Aerostructures and Engineering Services segment, since it is inter-segment it will have no impact on the consolidated results of the Corporation.

While these changes will impact the timing of revenue and margin recognition, and will result in a reduction of equity at transition, there will be no change to cash flows and there will be no change in the profitability over the life of the contracts.

Based on our preliminary analysis, the changes in accounting policies are expected to result in an aggregate reduction of equity at January 1, 2017 of approximately $900 million after tax.

For the first quarter of 2017 the changes in accounting policies are expected to result in an increase of consolidated revenues and EBIT of approximately $30 million and $45 million respectively. These impacts are mainly due to an expected increase of revenue and EBIT at Transportation of approximately $30 million due to customers exercising their options and the timing of recognizing price escalation for long-term contracts.

The Corporation is continuing to assess the impact of the new standard on its consolidated financial statements and will provide further updates as it advances in its assessment.

Leases
In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations**.** IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Corporation's fiscal year beginning on January 1, 2019. The Corporation is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements. Where the Corporation is a lessee, the Corporation expects IFRS 16 will result in on-balance sheet recognition of most of its leases that are considered operating leases under IAS 17. This will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense.

Income taxes
In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatm*ents. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

IFRIC 23 will be effective for the Corporation's fiscal year beginning on January 1, 2019, with earlier application permitted. The Corporation is assessing the impact of the adoption of this standard on its consolidated financial statements.

3. SEGMENT DISCLOSURE

The Corporation has four reportable segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. Each reportable segment offers different products and services and mostly requires different technology and marketing strategies.

Business Aircraft

A global leader in the design, manufacture and 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 150-seat categories, including the *Q400* turboprops, the *CRJ Series* family of regional jets as well as the all-new *C Series* 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 provides the most comprehensive product range and services offering in the rail industry and covers the full spectrum of rail solutions, ranging from complete trains to subsystems, services, system integration, signalling and e-mobility solutions.

Corporate and Elimination

Corporate and Elimination comprise corporate charges that are not allocated to segments, elimination of profit on intercompany transactions and other adjustments.

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, 2016.

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

						Three-month period ended September 30, 2017
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	$ 2,133	$ 1,069	$ 525	$ 107	$ 1	$ 3,835
Intersegment revenues	1	26	—	236	(263)	—
Total revenues	2,134	1,095	525	343	(262)	3,835
EBIT before special items	181	96	(94)	32	(50)	165
Special items[(1)]	52	3	1	(6)	—	50
EBIT	$ 129	$ 93	$ (95)	$ 38	$ (50)	115
Financing expense						175
Financing income						(14)
EBT						(46)
Income taxes						71
Net loss						$ (117)
Other information						
R&D[(2)]	$ 25	$ 12	$ 10	$ 1	$ 5	$ 53
Net additions to PP&E and intangible assets[(3)]	$ 18	$ 242	$ 16	$ 4	$ 7	$ 287
Amortization	$ 22	$ 21	$ 15	$ 11	$ —	$ 69
Impairment charges on PP&E	$ 1	$ —	$ —	$ —	$ 1	$ 2

						Three-month period ended September 30, 2016
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 1,780	$ 1,314	$ 538	$ 102	$ 2	$ 3,736
Intersegment revenues	2	—	—	235	(237)	—
Total revenues	1,782	1,314	538	337	(235)	3,736
EBIT before special items	140	84	(107)	29	(59)	87
Special items[(1)]	15	—	—	9	—	24
EBIT	$ 125	$ 84	$ (107)	$ 20	$ (59)	63
Financing expense						195
Financing income						(14)
EBT						(118)
Income taxes						(24)
Net loss						$ (94)
Other information						
R&D[(2)]	$ 21	$ 26	$ 4	$ 1	$ 6	$ 58
Net additions to PP&E and intangible assets[(3)]	$ 28	$ 165	$ 47	$ 7	$ 1	$ 248
Amortization	$ 24	$ 36	$ 11	$ 13	$ 1	$ 85

(1) See Note 6 – Special items for more details.
(2) Includes tooling amortization. See Note 4 – Research and development for more details.
(3) As per the consolidated statements of cash flows.

	Nine-month period ended September 30, 2017					
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 6,028**	**$ 3,462**	**$ 1,705**	**$ 304**	**$ 4**	**$ 11,503**
Intersegment revenues	**4**	**26**	**—**	**853**	**(883)**	**—**
Total revenues	**6,032**	**3,488**	**1,705**	**1,157**	**(879)**	**11,503**
EBIT before special items	**495**	**296**	**(235)**	**94**	**(193)**	**457**
Special items(1)	**284**	**34**	**3**	**(6)**	**45**	**360**
EBIT	**$ 211**	**$ 262**	**$ (238)**	**$ 100**	**$ (238)**	**97**
Financing expense						**507**
Financing income						**(35)**
EBT						**(375)**
Income taxes						**69**
Net loss						**$ (444)**
Other information						
R&D(2)	**$ 74**	**$ 39**	**$ 29**	**$ 2**	**$ 15**	**$ 159**
Net additions to PP&E and intangible assets(3)	**$ 42**	**$ 823**	**$ 77**	**$ 15**	**$ (5)**	**$ 952**
Amortization	**$ 73**	**$ 66**	**$ 49**	**$ 36**	**$ 1**	**$ 225**
Impairment charges on intangible assets	**$ —**	**$ —**	**$ 5**	**$ —**	**$ —**	**$ 5**
Impairment charges on PP&E(1)	**$ 33**	**$ —**	**$ —**	**$ —**	**$ 7**	**$ 40**

	Nine-month period ended September 30, 2016					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 5,621	$ 4,089	$ 1,918	$ 326	$ 5	$ 11,959
Intersegment revenues	5	1	—	904	(910)	—
Total revenues	5,626	4,090	1,918	1,230	(905)	11,959
EBIT before special items	379	269	(276)	94	(143)	323
Special items(1)	144	(109)	483	(10)	(53)	455
EBIT	$ 235	$ 378	$ (759)	$ 104	$ (90)	(132)
Financing expense						547
Financing income						(30)
EBT						(649)
Income taxes						73
Net loss						$ (722)
Other information						
R&D(2)	$ 71	$ 86	$ 16	$ 5	$ 14	$ 192
Net additions to PP&E and intangible assets(3)	$ 80	$ 480	$ 297	$ 15	$ 2	$ 874
Amortization	$ 73	$ 109	$ 50	$ 39	$ 1	$ 272

(1) See Note 6 – Special items for more details.
(2) Includes tooling amortization. See Note 4 – 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, 2017	December 31, 2016	January 1, 2016
Assets			
Total assets	**$ 23,709**	$ 22,826	$ 22,903
Assets not allocated to segments			
Cash and cash equivalents	**1,835**	3,384	2,720
Income tax receivable(1)	**33**	41	56
Deferred income taxes	**636**	705	761
Segmented assets	**21,205**	18,696	19,366
Liabilities			
Total liabilities	**27,332**	26,315	26,957
Liabilities not allocated to segments			
Interest payable(2)	**143**	141	154
Income taxes payable(3)	**206**	222	224
Long-term debt(4)	**8,831**	8,769	8,979
Segmented liabilities	**$ 18,152**	$ 17,183	$ 17,600
Net segmented assets			
Transportation	**$ 298**	$ (33)	$ 354
Business Aircraft	**$ 2,335**	$ 1,448	$ 395
Commercial Aircraft	**$ 774**	$ 434	$ 467
Aerostructures and Engineering Services	**$ 255**	$ 142	$ 434
Corporate and Elimination	**$ (609)**	$ (478)	$ 116

(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.

4. 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	
	2017	2016	**2017**	2016
R&D expenditures	**$ 270**	$ 225	**$ 932**	$ 1,177
Less: development expenditures capitalized to aerospace program tooling	**(234)**	(195)	**(829)**	(1,083)
	36	30	**103**	94
Add: amortization of aerospace program tooling	**17**	28	**56**	98
	$ 53	$ 58	**$ 159**	$ 192

5. OTHER INCOME

Other income was as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Gains on disposals of PP&E and intangible assets	**$ —**	$ (4)	**$ (30)**	$ (15)
Impairment of intangible assets and PP&E(1)	**2**	—	**7**	—
Changes in estimates and fair value(2)	**2**	(8)	**(2)**	(3)
Severance and other involuntary termination costs (including changes in estimates)(1)	**(3)**	(1)	**—**	(3)
Other	**(1)**	—	**(4)**	—
	$ —	$ (13)	**$ (29)**	$ (21)

(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.

6. SPECIAL ITEMS

Special items comprise items which do not reflect the Corporation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding the Corporation's results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

Special items were as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
Restructuring charges[1]	**$ 7**	$ 24	**$ 248**	$ 180
Primove impairment and other costs[2]	**—**	—	**45**	—
Impairment of non-core operations[3]	**43**	—	**43**	—
Re-negotiation of a commercial agreement[4]	**—**	—	**35**	—
Tax litigation[5]	**11**	—	**11**	40
Reversal of *Learjet 85* aircraft program cancellation provisions[6]	**—**	—	**(11)**	(54)
Onerous contracts provision - *C Series* aircraft program[7]	**—**	—	**—**	492
Pension obligation[8]	**—**	—	**—**	(139)
Foreign exchange gains related to the sale of a minority stake in Transportation[9]	**—**	—	**—**	(38)
Transaction costs[10]	**—**	—	**—**	8
Tax impacts of special items	**—**	(6)	**(9)**	(19)
	$ 61	$ 18	**$ 362**	$ 470
Of which is presented in				
Special items in EBIT	**$ 50**	$ 24	**$ 360**	$ 455
Financing expense - interest related to tax litigation[5]	**11**	—	**11**	26
Financing expense - transaction costs[10]	**—**	—	**—**	8
Income taxes - effect of special items	**—**	(6)	**(9)**	(19)
	$ 61	$ 18	**$ 362**	$ 470

(1) Represents severance charges of $7 million for the three-month period ended September 30, 2017 and $218 million partially offset by curtailment gains of $2 million, and impairment charges of PP&E of $32 million, for the nine-month period ended September 30, 2017, all related to previously-announced restructuring actions, respectively. For the three- and nine-month periods ended September 30, 2016, represents restructuring charges of $26 million and $199 million and curtailment gains of $2 million and $19 million related to previously-announced restructuring actions, respectively.

(2) Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, the Corporation recorded an inventory write-down of $22 million, impairment charges of PP&E of $6 million, and a contract provision of $17 million, for the nine-month period ended September 30, 2017. *Primove* offers e-mobility solutions for several types of electronic rail and road vehicles.

(3) An impairment charge related to non-core operations of $43 million recorded in the three-month period ended September 30, 2017 with respect to the expected sale of two legal entities, as part of the transformation plan.

(4) A provision was taken, for the nine-month period ended September 30, 2017, to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.

(5) Represents a change in the estimates used to determine the provision related to tax litigation.

(6) Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $11 million in the nine-month period ended September 30, 2017 ($54 million for the nine-month period ended September 30, 2016). The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.

(7) Represents provision for onerous contracts in conjunction with the closing of *C Series* aircraft firm orders.

(8) The Corporation had a constructive obligation for discretionary ad hoc indexation increases to certain pension plans. Following a communication to plan members that the Corporation does not expect to grant such increases in the foreseeable future in line with the Corporation's current practice, the constructive obligation amounting to $139 million was reversed.

(9) Represents foreign exchange gains related to the reorganization of Transportation under one holding entity necessary to facilitate the placement of a minority stake in Transportation.

(10) Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco.

7. 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	
	2017	2016	**2017**	2016
Financing expense				
Accretion on net retirement benefit obligations	**$ 21**	$ 16	**$ 59**	$ 50
Accretion on other financial liabilities	**16**	16	**44**	43
Net loss on certain financial instruments[1]	**8**	53	**36**	66
Accretion on provisions	**4**	2	**14**	7
Amortization of letter of credit facility costs	**4**	4	**12**	20
Tax litigation[2]	**11**	—	**11**	26
Changes in discount rates of provisions	**—**	—	**2**	9
Transaction costs[3]	**—**	—	**—**	8
Other	**26**	12	**58**	43
	90	103	**236**	272
Interest on long-term debt, after effect of hedges	**85**	92	**271**	275
	$ 175	$ 195	**$ 507**	$ 547
Financing income				
Changes in discount rates of provisions	**$ (1)**	$ (3)	**$ —**	$ —
Other	**(3)**	(3)	**(8)**	(7)
	(4)	(6)	**(8)**	(7)
Income from investment in securities	**(6)**	(3)	**(13)**	(8)
Interest on cash and cash equivalents	**(3)**	(4)	**(9)**	(9)
Interest on loans and lease receivables, after effect of hedges	**(1)**	(1)	**(5)**	(6)
	(10)	(8)	**(27)**	(23)
	$ (14)	$ (14)	**$ (35)**	$ (30)

[1] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[2] Represents a change in the estimates used to determine the provision related to tax litigation. See Note 6 – Special items for more details.
[3] Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco. See Note 6 – Special items for more details.

Borrowing costs capitalized to PP&E and intangible assets totalled $49 million and $131 million for the three- and nine-month periods ended September 30, 2017, using an average capitalization rate of 6.27% and 6.15%, respectively ($30 million and $89 million and 5.57% and 5.42% for the three- and nine-month periods ended September 30, 2016, 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).

8. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2017	2016	**2017**	2016
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)				
Net loss attributable to equity holders of Bombardier Inc.	**$ (91)**	$ (79)	**$ (408)**	$ (771)
Preferred share dividends, including taxes	**(7)**	(7)	**(19)**	(18)
Net loss attributable to common equity holders of Bombardier Inc.	**$ (98)**	$ (86)	**$ (427)**	$ (789)
Weighted-average number of common shares outstanding	**2,195,330**	2,210,085	**2,195,501**	2,217,102
Net effect of stock options, PSUs, DSUs, RSUs, warrants and conversion option	**—**	—	**—**	—
Weighted-average diluted number of common shares	**2,195,330**	2,210,085	**2,195,501**	2,217,102
EPS (in dollars)				
Basic and diluted	**$ (0.05)**	$ (0.04)	**$ (0.19)**	$ (0.36)

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 379,359,763 and 365,276,210 for the three- and nine-month periods ended September 30, 2017, respectively (300,855,145 and 228,088,432 for the three- and nine-month periods ended September 30, 2016, 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. The calculation of diluted EPS did not include the impact of the CDPQ conversion option since the minimum return entitlement was greater than CDPQ’s shares of the BT Holdco net income on an as converted basis assuming Transportation does not achieve its performance targets. The Corporation’s obligation to fund the CSALP through issuance of additional units is not dilutive since the subscription price approximates the fair value of the equity to be acquired.

9. 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, 2017							
Financial assets							
Cash and cash equivalents	**$ 1,835**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1,835**	**$ 1,835**
Trade and other receivables	**—**	**—**	**—**	**1,291**	**—**	**1,291**	**1,291**
Other financial assets	**158**	**215**	**340**	**328**	**308**	**1,349**	**1,386**
	$ 1,993	**$ 215**	**$ 340**	**$ 1,619**	**$ 308**	**$ 4,475**	**$ 4,512**
Financial liabilities							
Trade and other payables	**$ —**	**$ 6**	**$ —**	**$ 4,016**	**$ —**	**$ 4,022**	**$ 4,022**
Long-term debt[(2)]	**—**	**—**	**—**	**8,831**	**—**	**8,831**	**8,829**
Other financial liabilities	**279**	**125**	**—**	**1,104**	**251**	**1,759**	**1,747**
	$ 279	**$ 131**	**n/a**	**$ 13,951**	**$ 251**	**$ 14,612**	**$ 14,598**
December 31, 2016							
Financial assets							
Cash and cash equivalents	$ 3,384	$ —	$ —	$ —	$ —	$ 3,384	$ 3,384
Trade and other receivables	—	—	—	1,291	—	1,291	1,291
Other financial assets	144	227	374	310	196	1,251	1,272
	$ 3,528	$ 227	$ 374	$ 1,601	$ 196	$ 5,926	$ 5,947
Financial liabilities							
Trade and other payables	$ —	$ 6	n/a	$ 3,233	$ —	$ 3,239	$ 3,239
Long-term debt[(2)]	—	—	n/a	8,769	—	8,769	8,624
Other financial liabilities	259	141	n/a	808	368	1,576	1,616
	$ 259	$ 147	n/a	$ 12,810	$ 368	$ 13,584	$ 13,479
January 1, 2016							
Financial assets							
Cash and cash equivalents	$ 2,720	$ —	$ —	$ —	$ —	$ 2,720	$ 2,720
Trade and other receivables	—	—	—	1,473	—	1,473	1,473
Other financial assets	13	230	348	380	349	1,320	1,326
	$ 2,733	$ 230	$ 348	$ 1,853	$ 349	$ 5,513	$ 5,519
Financial liabilities							
Trade and other payables	$ —	$ 1	n/a	$ 4,039	$ —	$ 4,040	$ 4,040
Long-term debt[(2)]	—	—	n/a	8,979	—	8,979	6,767
Other financial liabilities	41	135	n/a	702	661	1,539	1,426
	$ 41	$ 136	n/a	$ 13,720	$ 661	$ 14,558	$ 12,233

(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

10. INVENTORIES

Inventories were as follows, as at:

	September 30, 2017	December 31, 2016	January 1, 2016
Aerospace programs	**$ 3,539**	$ 3,187	$ 4,215
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**8,654**	6,995	7,064
Less: advances and progress billings	**(6,158)**	(5,457)	(5,490)
	2,496	1,538	1,574
Service contracts			
Cost incurred and recorded margins	**439**	221	223
Less: advances and progress billings	**(61)**	(6)	(17)
	378	215	206
Finished products[1]	**745**	904	983
	$ 7,158	$ 5,844	$ 6,978

[1] Finished products include 4 new aircraft not associated with a firm order and 6 pre-owned aircraft, totaling $78 million as at September 30, 2017 (1 new aircraft and 12 pre-owned aircraft, totaling $67 million as at December 31, 2016 and 4 new aircraft and 54 pre-owned aircraft, totaling $279 million as at January 1, 2016).

Finished products as at September 30, 2017 include nil of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($19 million as at December 31, 2016 and $81 million as at January 1, 2016). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $3,040 million and $9,482 million for the three- and nine-month periods ended September 30, 2017, respectively ($3,156 million and $9,952 million for the three- and nine-month periods ended September 30, 2016, respectively). These amounts include $46 million and $245 million of write-downs and nil and $14 million of reversal of write-downs for the three- and nine-month periods ended September 30, 2017, respectively ($74 million and $184 million of write-downs and nil of reversal of write-downs for the three- and nine-month periods ended September 30, 2016, respectively).

For the three- and nine-month periods ended September 30, 2017, an amount of inventories of nil and $22 million has been recognized as a special item following the impairment of *Primove* assets. See Note 6 – 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 €483 million ($568 million) as at September 30, 2017 (€471 million ($496 million) as at December 31, 2016 and (€334 million ($364 million) as at January 1, 2016). 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.

11. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	September 30, 2017	December 31, 2016	January 1, 2016
Derivative financial instruments	**$ 466**	$ 340	$ 362
Investments in securities[1][2]	**340**	380	359
Long-term contract receivables	**251**	231	298
Investments in financing structures[1]	**216**	211	197
Aircraft loans and lease receivables[1]	**50**	64	81
Restricted cash	**12**	10	11
Other	**14**	15	12
	$ 1,349	$ 1,251	$ 1,320
Of which current	**$ 420**	$ 336	$ 450
Of which non-current	**929**	915	870
	$ 1,349	$ 1,251	$ 1,320

(1) Carried at fair value, except for $2 million of aircraft loans and lease receivables, nil of investments in securities and $49 million of investment in financing structures carried at amortized cost as at September 30, 2017 ($2 million, $6 million and $46 million, respectively, as at December 31, 2016 and $2 million, $11 million and $46 million, respectively, as at January 1, 2016).

(2) Includes $51 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, 2017 ($78 million as at December 31, 2016, and $80 million as at January 1, 2016).

12. OTHER ASSETS

Other assets were as follows, as at:

	September 30, 2017	December 31, 2016	January 1, 2016
Prepaid sales concessions and deferred contract costs	**$ 268**	$ 300	$ 341
Sales tax and other taxes	**229**	238	244
Retirement benefits	**182**	124	251
Prepaid expenses	**165**	145	174
Intangible assets other than aerospace program tooling and goodwill	**95**	112	114
Deferred financing charges	**45**	51	72
Income taxes receivable	**33**	41	56
Other	**35**	30	29
	$ 1,052	$ 1,041	$ 1,281
Of which current	**$ 464**	$ 441	$ 484
Of which non-current	**588**	600	797
	$ 1,052	$ 1,041	$ 1,281

13. 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, 2016	$	**670**	$	**562**	$	**111**	$	**923**	$	**2,266**
Additions		**103**		**2**		**212** [(2)]		**100** [(3)]		**417**
Utilization		**(77)**		**(17)**		**(67)**		**(151)**		**(312)**
Reversals		**(36)**		**(3)**		**(2)**		**(30)** [(4)]		**(71)**
Accretion expense		**1**		**4**		**—**		**5**		**10**
Effect of changes in discount rates		**—**		**(2)**		**—**		**5**		**3**
Effect of foreign currency exchange rate changes		**30**		**—**		**17**		**6**		**53**
Balance as at June 30, 2017	$	**691**	$	**546**	$	**271**	$	**858**	$	**2,366**
Additions		**63**		**8**		**13** [(2)]		**34** [(5)]		**118**
Utilization		**(49)**		**—**		**(11)**		**(75)**		**(135)**
Reversals		**(47)**		**(3)**		**(9)** [(2)]		**—**		**(59)**
Accretion expense		**—**		**2**		**—**		**2**		**4**
Effect of changes in discount rates		**(1)**		**(3)**		**—**		**3**		**(1)**
Effect of foreign currency exchange rate changes		**14**		**—**		**4**		**1**		**19**
Balance as at September 30, 2017	$	**671**	$	**550**	$	**268**	$	**823**	$	**2,312**
Of which current	$	**571**	$	**90**	$	**187**	$	**192**	$	**1,040**
Of which non-current		**100**		**460**		**81**		**631**		**1,272**
	$	**671**	$	**550**	$	**268**	$	**823**	$	**2,312**

		Product warranties		Credit and residual value guarantees		Restructuring, severance and other termination benefits		Other[(1)]		Total
Balance as at January 1, 2016	$	725	$	670	$	66	$	565	$	2,026
Additions		109		2		175 [(2)]		555 [(6)]		841
Utilization		(106)		(10)		(40)		(90)		(246)
Reversals		(53)		(22)		(6)		(57) [(4)]		(138)
Accretion expense		1		4		—		—		5
Effect of changes in discount rates		1		11		—		—		12
Effect of foreign currency exchange rate changes		3		—		(4)		—		(1)
Balance as at June 30, 2016	$	680	$	655	$	191	$	973	$	2,499
Additions		74		3		30 [(2)]		160		267
Utilization		(68)		(22)		(54)		(149)		(293)
Reversals		(6)		—		(4)		(40)		(50)
Accretion expense		—		1		—		1		2
Effect of changes in discount rates		(1)		(2)		—		—		(3)
Effect of foreign currency exchange rate changes		3		—		3		(1)		5
Balance as at September 30, 2016	$	682	$	635	$	166	$	944	$	2,427
Of which current	$	541	$	68	$	165	$	303	$	1,077
Of which non-current		141		567		1		641		1,350
	$	682	$	635	$	166	$	944	$	2,427

(1) Mainly comprised of onerous contract provisions, claims and litigations.
(2) See Note 6 – Special items for more details on additions and reversals related to restructuring charges.
(3) See Note 6 – Special items for more details on the addition related to the re-negotiation of a commercial agreement and on the addition related to the *Primove* impairment and other costs.
(4) See Note 6 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions.
(5) See Note 6 – Special items for more details on the addition related to the tax litigation provision.
(6) See Note 6 – Special items for more details on the addition related to the *C Series* aircraft program onerous contracts provision.

14. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	September 30, 2017	December 31, 2016	January 1, 2016
Derivative financial instruments	**$ 530**	$ 627	$ 702
Government refundable advances	**528**	395	411
Vendor non-recurring costs	**344**	351	20
Short-term borrowings[1]	**177**	—	—
Lease subsidies	**125**	141	135
Current portion of long-term debt	**18**	31	71
Sale and leaseback obligations	**—**	25	133
Other	**55**	37	138
	$ 1,777	$ 1,607	$ 1,610
Of which current	**$ 596**	$ 608	$ 991
Of which non-current	**1,181**	999	619
	$ 1,777	$ 1,607	$ 1,610

[1] Relates to amounts drawn under Transportation's €640-million ($753-million) unsecured revolving credit facility. Also see Note 18 – Credit facilities.

15. OTHER LIABILITIES

Other liabilities were as follows, as at:

	September 30, 2017	December 31, 2016	January 1, 2016
Accruals for long-term contract costs	**$ 654**	$ 579	$ 606
Supplier contributions to aerospace programs	**638**	650	606
Employee benefits	**636**	652	647
Deferred revenues	**487**	422	397
Income taxes payable	**206**	222	224
Other taxes payable	**75**	163	212
Other	**463**	506	578
	$ 3,159	$ 3,194	$ 3,270
Of which current	**$ 2,248**	$ 2,175	$ 2,274
Of which non-current	**911**	1,019	996
	$ 3,159	$ 3,194	$ 3,270

16. 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
			2017			2016
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**40,063,630**	**2,677,843**	**21,356,181**	15,083,308	4,026,599	23,203,111
Granted	**36,272,136**	**439**	**—**	31,198,310	—	—
Exercised	**—**	**—**	**—**	—	(102,178)	—
Forfeited	**(8,545,499)**	**(1,372,230)**	**(227,215)**	(6,528,719)	(1,133,703)	(599,579)
Balance at end of period	**67,790,267**	**1,306,052** [(1)]	**21,128,966**	39,752,899	2,790,718 [(1)]	22,603,532

						Nine-month periods ended September 30
			2017			2016
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**39,324,712**	**2,677,843**	**22,058,924**	15,627,217	4,883,829	22,332,682
Granted	**38,454,421**	**439**	**—**	31,198,310	—	1,659,631
Exercised	**—**	**—**	**—**	(65,790)	(351,061)	—
Forfeited	**(9,988,866)**	**(1,372,230)**	**(929,958)**	(7,006,838)	(1,742,050)	(1,388,781)
Balance at end of period	**67,790,267**	**1,306,052** [(1)]	**21,128,966**	39,752,899	2,790,718 [(1)]	22,603,532

[(1)] Of which 1,306,052 DSUs are vested as at September 30, 2017 (1,260,639 as at September 30, 2016).

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to $9 million and $20 million during the three- and nine-month periods ended September 30, 2017 ($5 million and $11 million during the three- and nine-month periods ended September 30, 2016).

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	
	2017	2016	**2017**	2016
Balance at beginning of period	**93,815,621**	73,572,041	**97,039,186**	74,347,206
Granted	**25,793,617**	26,532,128	**27,721,382**	29,195,107
Forfeited	**(1,316,739)**	(796,924)	**(3,789,339)**	(3,239,068)
Expired	**(176,654)**	(1,021,000)	**(2,855,384)**	(2,017,000)
Balance at end of period	**118,115,845**	98,286,245	**118,115,845**	98,286,245

A compensation expense of $5 million and $12 million was recorded during the three- and nine-month periods ended September 30, 2017, with respect to share option plans ($3 million and $7 million for the three- and nine-month periods ended September 30, 2016).

17. 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	
	2017	2016	**2017**	2016
Trade and other receivables	**$ 67**	$ 10	**$ 62**	$ 235
Inventories	**(451)**	127	**(1,242)**	291
Other financial assets and liabilities, net	**176**	17	**210**	(148)
Other assets	**32**	31	**62**	221
Trade and other payables	**30**	(321)	**650**	(759)
Provisions	**(73)**	(78)	**(22)**	395
Advances and progress billings in excess of long-term contract inventories	**81**	205	**91**	121
Advances on aerospace programs	**33**	(27)	**(167)**	(139)
Retirement benefit liability	**83**	(7)	**77**	(248)
Other liabilities	**(164)**	9	**(186)**	(167)
	$ (186)	$ (34)	**$ (465)**	$ (198)

18. CREDIT FACILITIES

In March 2017, the availability periods of Transportation’s €3,310-million ($3,899-million using the exchange rate as at September 30, 2017) letter of credit facility and the $400-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2020 and June 2020, respectively. In addition, the maturity dates of Transportation’s €658-million ($774-million using the exchange rate as at September 30, 2017) unsecured revolving credit facility and the $400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, were also extended by one year to May 2020 and June 2020, respectively.

Also, in March 2017, Transportation’s €658-million ($774-million using the exchange rate as at September 30, 2017) unsecured revolving credit facility was decreased to €640 million ($753 million using the exchange rate as at September 30, 2017). Short-term borrowings of €150 million ($177 million) remain outstanding under Transportation's €640-million ($753-million) unsecured revolving credit facility as at September 30, 2017 (nil as at December 31, 2016 and January 1, 2016).

Effective in March 2017, the minimum liquidity required by the $400-million letter of credit facility and the $400-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now between $750 million and $850 million depending on the level of the EBITDA to fixed charges ratio, calculated based on an adjusted consolidated basis (i.e. excluding Transportation) at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the Transportation letter of credit and revolving credit facilities financial covenants continue to require a minimum equity, a maximum debt to EBITDA ratio as well as minimum liquidity of €600 million ($707 million) at the end of each quarter, all calculated based on Transportation stand-alone financial data.

In May 2017, the committed amount under Transportation’s €3,310-million ($3,899-million using the exchange rate as at September 30, 2017) letter of credit facility was increased to €3,530 million ($4,158 million using the exchange rate as at September 30, 2017).

On November 1, 2017, the committed amount under Transportation’s €3,530-million ($4,158-million using the exchange rate as at September 30, 2017) letter of credit facility was increased to €3,560 million ($4,193 million using the exchange rate as at September 30, 2017).

19. 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 option-pricing models and discounted cash flow models to estimate the fair value of embedded derivatives using applicable market data.

The Corporation uses an internal valuation model based on stochastic simulations to estimate the fair value of the conversion option embedded in the BT Holdco convertible shares. The fair value of the embedded conversion option is based on the difference in value between: the convertible shares' accrued liquidation preference based on the minimum return entitlement; and the fair value of the common shares on an as converted basis. This value is dependent on the Transportation segment meeting the performance incentives agreed upon with the CDPQ, the timing of exercise of the conversion rights and the applicable conversion rate. The simulation model generates multiple Transportation performance scenarios over the expected term of the option. Fair value of the shares on an as converted basis is calculated using an EBIT multiple, which is based on market data, to determine the enterprise value. The discount rate used is also determined using market data. The Corporation uses internal assumptions to determine the term of the instrument and the future performance of the Transportation segment.

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, short-term borrowings 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, 2017:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	$ 48	$ —	$ —	$ 48
Derivative financial instruments[1]	466	—	466	—
Investments in securities	336 [2]	44	292	—
Investments in financing structures	167	—	—	167
	$ 1,017	$ 44	$ 758	$ 215
Financial liabilities				
Trade and other payables	$ (6)	$ —	$ —	$ (6)
Lease subsidies	(125)	—	—	(125)
Derivative financial instruments[1]	(530)	—	(305)	(225)
	$ (661)	$ —	$ (305)	$ (356)

[1] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.
[2] Excludes $4 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	Conversion option
Balance as at December 31, 2016	**$ 62**	**$ 165**	**$ (6)**	**$ (141)**	**$ (170)**
Net gains (losses) and interest included in net income[(1)]	**2**	**1**	**—**	**(3)**	**(48)**
Issuances	**—**	**—**	**(3)**	**—**	**—**
Settlements	**(17)**	**(2)**	**—**	**14**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**(13)**
Balance as at June 30, 2017	**$ 47**	**$ 164**	**$ (9)**	**$ (130)**	**$ (231)**
Net gains and interest included in net income[(1)]	**2**	**4**	**—**	**—**	**14**
Settlements	**(1)**	**(1)**	**3**	**5**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**(8)**
Balance as at September 30, 2017	**$ 48**	**$ 167**	**$ (6)**	**$ (125)**	**$ (225)**

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option
Balance as at January 1, 2016	$ 79	$ 151	$ (1)	$ (135)	$ —
Net gains (losses) and interest included in net income[(1)]	2	24	—	(21)	(3)
Issuances	—	—	(6)	—	(120)
Settlements	(8)	—	7	11	—
Balance as at June 30, 2016	$ 73	$ 175	$ —	$ (145)	$ (123)
Net gains (losses) and interest included in net income[(1)]	2	7	—	(5)	(46)
Settlements	(9)	(8)	—	6	—
Balance as at September 30, 2016	$ 66	$ 174	$ —	$ (144)	$ (169)

(1) Of which nil and $1 million represents realized gains for the three- and nine-month periods ended September 30, 2017, which are recorded in financing income (nil and $2 million represents realized gains for the three- and nine-month periods ended September 30, 2016, 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 for aerospace segments' level 3 financial instruments 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, 2017:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between BB to CCC (B)	Between BB- to CCC+ (B+)	Between BB- to CCC (B+)
Discount rate adjustments for marketability	9.84%	Between 1.75% and 8.17% (6.41%)	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.

The projected future performance of the Transportation segment is an important input for the determination of the fair value of the embedded derivative option in the convertible shares issued to the CDPQ. The projected future performance of the Transportation segment is prepared by management based on the budget and strategic plan.

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, 2017:

Impact on EBT					**Change of assumptions**
	Change in fair value recognized in EBT for the :				
Gain (loss)	**Three-month period ended September 30, 2017**	**Nine-month period ended September 30, 2017**	**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	$ —	$ (1)	$ (1)	$ (1)	$ (2)
Investment in financing structures	$ 1	$ (5)	$ (4)	$ (11)	$ (9)
Lease subsidies	$ 1	$ —	n/a	$ 1	n/a

n/a: not applicable

Conversion option
Sensitivity analysis
A 5% decrease in the expected future performance of the Transportation segment would have resulted in a decrease in the fair value with a corresponding gain recognized in EBT for the nine-month period ended September 30, 2017 of $2 million.

A 5% increase in the expected future performance of the Transportation segment would have resulted in an increase in the fair value with a corresponding loss recognized in EBT for the nine-month period ended September 30, 2017 of $2 million.

20. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2017	December 31, 2016	January 1, 2016
Aircraft sales			
Residual value	**$ 1,305**	$ 1,300	$ 1,669
Credit	**1,214**	1,233	1,248
Mutually exclusive exposure[1]	**(542)**	(557)	(598)
Total credit and residual value exposure	**$ 1,977**	$ 1,976	$ 2,319
Trade-in commitments	**$ 1,469**	$ 1,721	$ 1,818
Conditional repurchase obligations	**$ 159**	$ 207	$ 192
Other			
Credit	**$ 48**	$ 48	$ 48

(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 $550 million as at September 30, 2017 ($562 million as at December 31, 2016 and $670 million as at January 1, 2016) 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 $125 million as at September 30, 2017 ($141 million as at December 31, 2016 and $135 million as at January 1, 2016).

The Corporation has committed to invest additional capital contributions in CSALP up to a maximum amount of $1.0 billion in case of any liquidity shortfall in CSALP, of which as at September 30, 2017, the Corporation has contributed $684 million in CSALP.

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, 2017, 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.

Transportation
Since the fourth quarter of 2016, one of the Corporation's subsidiaries is cooperating with police authorities in relation to an on-going investigation alleging questionable actions in regard to a 2013 contract for the supply of signaling equipment to Azerbaijan Railways ADY. The Corporation's subsidiary has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. Both the investigation and the internal review are still ongoing. On August 18, 2017, charges were laid against an employee of the subsidiary for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of the Company. In a decision rendered on October 11, 2017, the employee was acquitted of all charges. The decision has been appealed on October 25, 2017 by the Prosecution Authority. The underlying contract in Transportation that has given rise to this matter is currently also being audited by the World Bank Group pursuant to its contractual audit rights. The audit is still ongoing and no results have been communicated to the Corporation or its subsidiary. The Corporation's policy is to comply with all applicable laws and it is cooperating with the investigation and the audit. Due to the nature of these proceedings, it is not possible at this time to identify the potential outcome of this investigation.

Investigation in Brazil
On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a 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. Since the service of process in 2014 on BT Brazil, the competition authority has decided to detach the proceedings against 43 individuals whom it claims to have been difficult to serve process and has also issued additional technical notes dealing with various procedural objections raised by the defendant corporations and individuals. BT Brazil is currently contesting before the courts both the decision to detach the proceedings against 43 individuals and decisions by CADE restricting physical access to some of the forensic evidence.

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 September 2015, the prosecution service of Sao Paulo announced a second public civil action for 'cartel' in relation to the follow-on five year maintenance contract covering the period 2007 to 2012. In addition, BT Brazil was served notice and joined in December 2014 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.

Triumph litigation

Triumph Aerostructures LLC ("Triumph"), a supplier to the Corporation on the *Global 7000* and *Global 8000* aircraft program, filed a lawsuit against the Corporation with the Québec Superior Court, District of Montréal on December 22, 2016 seeking approximately $340 million in compensation for alleged directed changes by the Corporation to the wing requirements that Triumph claims are outside the scope of the contract as well as for alleged delays and disruption in connection with the contract.

In May 2017, Triumph and the Corporation entered into a comprehensive settlement agreement that resolves all outstanding commercial disputes between them, including all pending litigation, related to the design, manufacture and supply of wing components for the *Global 7000* and *Global 8000* aircraft program. The settlement resets the commercial relationship between the companies and allows each company to better achieve its business objectives going forward. The settlement did not have a material impact on earnings.

Metrolinx

In July 2016, Bombardier Transportation Canada Inc. (BTCI), a subsidiary of Bombardier Inc., received a notice of default in respect of its contract to supply 182 Light vehicles to Metrolinx. The contract was entered into on June 14, 2010. The value of the contract is $770 million CDN ($618 million). BTCI is actively opposing the notice of default utilizing the Dispute Resolution Process under the contract. On October 28, 2016, Metrolinx served BTCI with a Notice of Intention to Terminate the Contract on the basis of the notice of default. In order to prevent Metrolinx from serving a notice of termination until such time as the dispute resolution process is concluded including all adjudication by the Dispute Resolution Panel and any subsequent appeals, BTCI filed an application in Ontario Superior Court on February 10, 2017 seeking an order maintaining the status quo and declaring that Metrolinx is not permitted to terminate the contract. On April 19, 2017, the Superior Court of Ontario granted BTCI's application thereby preventing Metrolinx to terminate its contract with BTCI without first submitting the matter to the Dispute Resolution Board, as provided for in the contract. BTCI intends to fulfill its obligations under the contract. On May 19, 2017 a notice of appeal of the order was served by Metrolinx, to which BTCI opposed. On July 24, 2017, Metrolinx withdrew its appeal. The Dispute Resolution Board will hear the dispute in January 2018. The Corporation is not able to predict the potential outcome of the dispute, however if negative it could result in a material adverse impact on the contract.

Petition before the U.S. Department of Commerce and the U.S. International Trade Commission

On April 27, 2017, The Boeing Company filed a petition before the U.S. Department of Commerce and the U.S. International Trade Commission seeking the imposition of antidumping and countervailing duties on imports from Canada to the U.S. of large civil aircraft with 100 to 150 seats. The petition was filed pursuant to sections 701 and 731 of the Tariff Act of 1930, 19 U.S.C. § 1671 and 1673. The Boeing petition alleged that the Corporation's *C Series* aircraft program has received government subsidies, that the Corporation is "dumping" the *C Series* aircraft into the U.S. market, and that such sales represent a threat to the domestic aerospace industry in the U.S. The Corporation is responding to the petition in the U.S. Department of Commerce and the U.S. International Trade Commission proceedings. On June 9, 2017, the U.S. International Trade Commission made a preliminary affirmative determination, finding that there is a reasonable indication that an industry in the U.S. is threatened with material injury by reason of imports of 100- to 150-seat large civil aircraft from Canada that are allegedly sold in the U.S. at less than fair value and that are allegedly subsidized by the Governments of Canada, Québec and the United Kingdom. On September 25, 2017, the U.S. Department of Commerce issued a preliminary affirmative countervailing duty determination of 219.63%, and on October 4, 2017, the U.S. Department of Commerce issued a preliminary affirmative antidumping duty determination of 79.82%. The Corporation disagrees with these preliminary determinations of the U.S. Department of Commerce. The Corporation is expecting the U.S. Department of Commerce to issue in December 2017 its final determinations on applicable countervailing and antidumping duties, if any. The Corporation expects the U.S. International Trade Commission to issue in the first half of 2018 its final determination on the threat of injury. The Corporation is cooperating with the investigations and, at this time, is not able to predict the potential outcome of the proceedings, however if negative it could result in a material adverse impact on the program.

21. EVENT AFTER THE REPORTING DATE

Airbus entered into an agreement to acquire a majority stake in the C Series Aircraft Limited Partnership

On October 16, 2017, the Corporation entered into an agreement with Airbus SE (Airbus) whereby Airbus will provide procurement, sales and marketing, and customer support expertise to the CSALP, the entity that manufactures and sells the *C Series* aircraft. At closing, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Québec (IQ) will own approximately 31% and 19% respectively.

CSALP's headquarters and primary assembly line and related functions will remain in Québec, with the support of Airbus' global reach and scale. Airbus' global industrial footprint will expand with the final assembly line in Canada and additional *C Series* aircraft production at Airbus' manufacturing site in Alabama, U.S.

Ownership Structure and Agreement Highlights

The *C Series* aircraft program is operated by CSALP in respect of which Bombardier and IQ respectively hold approximately a 63% and a 37% interest respectively as at September 30, 2017. The Investment Agreement contemplates Airbus acquiring a 50.01% interest in CSALP. Airbus will enter into commercial agreements relating to (i) sales and marketing support services for the *C Series* aircraft program, (ii) management of procurement, which will include leading negotiations to improve CSALP level supplier agreements, and (iii) customer support. At closing, there will be no cash contribution by any of the partners, nor will CSALP assume any financial debt. It also contemplates that Bombardier will continue with its current funding plan of CSALP and will fund, if required, the cash shortfalls of CSALP during the first year following the closing up to a maximum amount of $350 million, and during the second and third years following the closing up to a maximum aggregate amount of $350 million over both years, in consideration for non-voting participating units of CSALP with cumulative annual dividends of 2%, with any excess shortfall during such periods to be shared proportionately amongst the Corporation, Airbus and IQ, but in the latter case, at its discretion.

Airbus will benefit from call rights in respect of all of Bombardier's interest in CSALP at fair market value, with the amount for non-voting participating units capped at the invested amount plus accrued but unpaid dividends, including a call right exercisable no earlier than 7.5 years following the closing, except in the event of certain circumstances such as changes in the control of Bombardier, in which case the right is accelerated. Bombardier will benefit from a corresponding put right whereby it could require that Airbus acquire its interest at fair market value after the expiry of the same period. IQ's interest is redeemable at fair market value by CSALP, under certain conditions, starting in 2023. IQ will benefit from a corresponding put right whereby it could require that CSALP, under certain conditions, acquire its interest at fair market value starting in 2023. IQ will also benefit from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

The Board of Directors of CSALP will initially consist of seven directors, four of whom will be proposed by Airbus, two of whom will be proposed by Bombardier, and one of whom will be proposed by IQ. Airbus will be entitled to name the Chairman of CSALP.

The transaction also provides for the issuance to Airbus, upon closing, of warrants exercisable to acquire up to 100,000,000 Class B Shares (subordinate voting) of Bombardier, at an exercise price per share equal to the US$ equivalent of $2.29 CDN. The warrants will have a five-year term from the date of issue, will not be listed and will provide for market standard adjustment provisions, including in the event of corporate changes, stock splits, non-cash dividends, distributions of rights, options or warrants to all or substantially all shareholders or consolidations. The Toronto Stock Exchange (TSX) has determined to accept notice of the private placement of such warrants and has conditionally approved the listing of the Class B Shares issuable pursuant to the terms of the warrants on the TSX. Listing will be subject to Bombardier fulfilling all of the listing requirements of the TSX.

The transaction has been approved by the Boards of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The transaction remains subject to regulatory approvals, as well as other conditions usual in this type of transaction. There are no guarantees that the transaction will be completed and that the conditions to which it is subject would be met. Completion of the transaction is currently expected for the second half of 2018.