BOMBARDIER
the evolution of mobility

THIRD QUARTERLY REPORT

Three-month period ended September 30, 2012

GLOSSARY

The following table shows the abbreviations used in this report.

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

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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

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

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

Materiality for disclosures

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

FORWARD-LOOKING STATEMENTS

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

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

CHANGE OF YEAR-END

Effective December 31, 2011, we changed our financial year-end from January 31 to December 31. Before the change of year-end, we were consolidating the operations of BT on a calendar year basis, i.e. with one-month lag with the remainder of our operations. As a result, the comparative three- and nine-month periods ended October 31, 2011 are comprised of three and nine months of results of BA for the periods from August to October and from February to October and of BT for the periods from July to September and from January to September.

OVERVIEW

HIGHLIGHTS

- Revenues of $4.3 billion, compared to $4.6 billion for the corresponding period last fiscal year.
- EBIT of $248 million, or 5.7% of revenues, compared to $301 million, or 6.5%, for the corresponding period last fiscal year.
- Net income of $212 million (diluted EPS of $0.12), compared to $192 million (diluted EPS of $0.11) for the corresponding period last fiscal year.
- Free cash flow[1] usage of $237 million, compared to a usage of $346 million for the corresponding period last fiscal year.
- Available short-term capital resources of $3.5 billion as at September 30, 2012, including cash and cash equivalents of $2.1 billion, compared to $4.1 billion and $3.4 billion respectively as at December 31, 2011.
- Solid order backlog of $58.6 billion as at September 30, 2012, compared to $53.9 billion as at December 31, 2011.

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

CONSOLIDATED RESULTS OF OPERATIONS

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

Guidance
The economic recovery is proving slower than originally anticipated and this situation continues to negatively affect the Corporation, mainly in BA. As a result, BA's free cash flow usage for the fiscal year ending December 31, 2012 is now expected to be approximately $800 million. The Corporation's consolidated free cash flow usage is anticipated to be approximately $500 million for the fiscal year ending December 31, 2012.

Results of operations

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Revenues	**$ 4,338**	$ 4,623	**$ 12,013**	$ 14,031
Cost of sales	**3,710**	3,886	**10,140**	11,843
Gross margin	**628**	737	**1,873**	2,188
SG&A	**351**	373	**1,086**	1,100
R&D	**69**	74	**196**	196
Other income	**(40)**	(11)	**(92)**	(17)
EBIT	**248**	301	**683**	909
Financing expense	**145**	192	**452**	531
Financing income	**(170)**	(134)	**(488)**	(402)
EBT	**273**	243	**719**	780
Income taxes	**61**	51	**135**	157
Net income	**$ 212**	$ 192	**$ 584**	$ 623
Attributable to:				
Equity holders of Bombardier Inc.	**$ 209**	$ 194	**$ 576**	$ 624
NCI	**$ 3**	$ (2)	**$ 8**	$ (1)
EPS (in dollars)				
Basic and diluted	**$ 0.12**	$ 0.11	**$ 0.32**	$ 0.35

Supplemental information

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
EBIT	**$ 248**	$ 301	**$ 683**	$ 909
Amortization	**90**	93	**262**	258
EBITDA	**$ 338**	$ 394	**$ 945**	$ 1,167

Revenues and EBIT margin

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
	2012	2011	**2012**	2011
Revenues				
BA	**$ 2,267**	$ 2,305	**$ 6,031**	$ 6,578
BT	**$ 2,071**	$ 2,318	**$ 5,982**	$ 7,453
Consolidated	**$ 4,338**	$ 4,623	**$ 12,013**	$ 14,031
EBIT margin				
BA	**5.4%**	5.6%	**5.2%**	5.7%
BT	**6.0%**	7.4%	**6.1%**	7.2%
Consolidated	**5.7%**	6.5%	**5.7%**	6.5%

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

Net financing (income) expense

Net financing income amounted to $25 million and $36 million for the three- and nine-month periods ended September 30, 2012, compared to net financing expense of $58 million and $129 million for the corresponding periods last fiscal year.

The $83-million improvement in the net financing (income) expense for the three-month period is mainly due to:

- higher net unrealized gain on certain financial instruments ($58 million); and
- lower interest expense on long-term debt, after effect of hedges, mainly as a result of higher capitalization of borrowing costs ($20 million).

The $165-million improvement in the net financing (income) expense for the nine-month period is mainly due to:

- higher net unrealized gain on certain financial instruments ($64 million);
- lower interest expense on long-term debt, after effect of hedges, mainly as a result of higher capitalization of borrowing costs ($37 million);
- a gain on the sale of AFS investments in securities ($22 million);
- lower amortization of letter of credit facility costs ($20 million); and
- the interest portion of a gain of $40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations ($17 million).

Income taxes

The effective income tax rates were 22.3% and 18.8%, respectively, for the three- and nine-month periods ended September 30, 2012, compared to the statutory income tax rate of 26.8%. The lower effective income tax rates are mainly due to the positive net impact of the recognition of unrecognized income tax benefits.

For the three- and nine-month periods ended October 31, 2011, the effective income tax rates were 21.0% and 20.1%, respectively, compared to the statutory income tax rate of 28.4%. The lower effective income tax rates were mainly due to the positive impact of the recognition of previously unrecognized income tax benefits and temporary differences.

LIQUIDITY AND CAPITAL RESOURCES

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

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Segmented free cash flow				
BA	**$ (68)**	$ 53	**$ (1,144)**	$ (563)
BT	**(109)**	(347)	**(287)**	(988)
Segmented free cash flow usage	**(177)**	(294)	**(1,431)**	(1,551)
Net income taxes and net interest paid[(1)]	**(60)**	(52)	**(160)**	(271)
Free cash flow usage	**(237)**	(346)	**(1,591)**	(1,822)
Add back: Net additions to PP&E and intangible assets	**566**	393	**1,458**	1,084
Cash flows from operating activities	**$ 329**	$ 47	**$ (133)**	$ (738)

(1) Not allocated to segments.

Variation in cash and cash equivalents

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Balance as at beginning of period	**$ 2,479**	$ 3,226	**$ 3,372**	$ 4,195
Free cash flow usage	**(237)**	(346)	**(1,591)**	(1,822)
Proceeds from issuance of long-term debt	**-**	8	**509**	103
Dividends paid	**(53)**	(50)	**(197)**	(155)
Repayments of long-term debt	**(5)**	(5)	**(172)**	(13)
Proceeds from disposal of AFS investments in securities	**-**	-	**133**	-
Effect of exchange rate changes on cash and cash equivalents	**20**	(27)	**25**	35
Proceeds from disposal of invested collateral	**-**	-	**-**	705
Purchase of Class B shares held in trust under the PSU plan	**-**	-	**-**	(58)
Purchase of NCI	**-**	(8)	**-**	(61)
Other	**(58)**	(90)	**67**	(221)
Balance as at end of period	**$ 2,146**	$ 2,708	**$ 2,146**	$ 2,708

Available short-term capital resources

As at	Cash and cash equivalents	Available credit facility	Available short-term capital resources
September 30, 2012	**$ 2,146**	**$ 1,397**	**$ 3,543**
December 31, 2011	$ 3,372	$ 750	$ 4,122

We proactively manage our debt maturities and take advantage of favourable conditions in capital markets when available. In March 2012, we issued $500 million of unsecured Senior Notes bearing interest of 5.75% per year, due in March 2022, of which $151 million was used to repay the 6.75% Notes that matured in May 2012.

In March 2012, BT entered into a three-year unsecured revolving credit facility of €500 million ($647 million), available for cash drawings for the general corporate purposes of BT. The facility matures in March 2015 and bears interest at EURIBOR plus a margin.

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

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

We consider that our expected cash flows from operating activities, combined with our available short-term capital resources of $3.5 billion as at September 30, 2012, will enable the development of new products to enhance our competitiveness and support our growth; will allow the payment of dividends, if and when declared by the Board of Directors; and will enable us to meet all other expected financial requirements in the near term.

Other facilities

In the normal course of our business, BT has set up factoring facilities in Europe, under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €811 million ($1,049 million) were outstanding under such facilities as at September 30, 2012 (€580 million ($751 million) as at December 31, 2011). Trade receivables of €197 million ($248 million) and €493 million ($632 million), respectively, were sold to these facilities during the three- and nine-month periods ended September 30, 2012 (€136 million ($190 million) and €398 million ($562 million), respectively, during the three- and nine-month periods ended October 31, 2011).

CAPITAL STRUCTURE

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

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

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

Global metrics[1]

	September 30 2012	December 31 2011	**Explanation of major variances**
Interest coverage			
Adjusted EBIT[2]	**$ 1,086**	$ 1,271	
Adjusted interest[2]	**$ 278**	$ 271	Deteriorated, due to lower profitability in
Adjusted EBIT to adjusted interest ratio	**3.9**	4.7	both operating segments.
Financial leverage			Deteriorated, mainly due to the issuance
Adjusted debt	**$ 5,687**	$ 5,263	of $500 million of long-term debt, partially offset by a repayment of $151 million, and
Adjusted EBITDA[2]	**$ 1,479**	$ 1,657	lower profitability in both operating
Adjusted debt to adjusted EBITDA ratio	**3.8**	3.2	segments.

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

In addition to the above global metrics, we separately monitor our net retirement benefit liability which amounted to $3,210 million as at September 30, 2012 ($3,213 million as at December 31, 2011). The measurement of this liability is dependent on numerous key long-term assumptions such as those regarding future compensation increases, inflation rates, mortality rates and current discount rates. In recent years, this liability has been particularly volatile due to changes in discount rates. Such volatility is exacerbated by the long term nature of the obligation. The $3-million decrease in the net retirement benefit liability is explained as follows:

Variation in net retirement benefit liability

Balance as at December 31, 2011[1]	$ 3,213
Actual gains on pension plan assets	(534)
Accretion expense on retirement benefit obligations	330
Employer contributions	(293)
Service costs	239
Changes in discount rates	185
Changes in foreign exchange rates	92
Other net actuarial gains	(22)
Balance as at September 30, 2012[1]	**$ 3,210**

[1] Includes a retirement benefit asset of 13 million as at September 30, 2012 and December 31, 2011.

NON-GAAP FINANCIAL MEASURES

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

Non-GAAP financial measures

EBITDA	Earnings before financing expense, financing income, income taxes and amortization.
Free cash flow	Cash flows from operating activities less net additions to PP&E and intangible assets.
Adjusted debt	Long-term debt as presented in our consolidated statements of financial position, adjusted for the fair value of derivatives (or settled derivatives) designated in related hedge relationships, plus sale and leaseback obligations and the net present value of operating lease obligations.
Adjusted EBIT	EBIT plus interest adjustment for operating leases and interest received (as per the supplemental information provided in the consolidated statements of cash flows, adjusted, if needed, for the settlement of fair value hedge derivatives before their contractual maturity dates).
Adjusted EBITDA	Adjusted EBIT plus amortization, including amortization adjustment for operating leases.
Adjusted interest	Interest paid, as per the supplemental information provided in the consolidated statements of cash flows, plus accretion expense on sale and leaseback obligations and interest adjustment for operating leases.

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

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

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

Reconciliation of adjusted debt to long-term debt

		As at
	September 30, 2012	December 31, 2011
Long-term debt	**$ 5,388**	$ 4,941
Adjustment for the fair value of derivatives (or settled derivatives) designated in related hedge relationships	**(416)**	(318)
Long-term debt, net	**4,972**	4,623
Sale and leaseback obligations	**215**	163
Operating lease obligations[1]	**500**	477
Adjusted debt	**$ 5,687**	$ 5,263

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

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended[1]	
	September 30, 2012	December 31, 2011
EBIT	**$ 976**	$ 1,202
Interest received	**91**	40
Interest adjustment for operating leases[2]	**19**	29
Adjusted EBIT	**1,086**	1,271
Amortization adjustment for operating leases[3]	**56**	53
Amortization	**337**	333
Adjusted EBITDA	**$ 1,479**	$ 1,657

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

Reconciliation of adjusted interest to interest paid

	Four-quarter trailing periods ended[1]	
	September 30, 2012	December 31, 2011
Interest paid	**$ 255**	$ 238
Accretion expense on sale and leaseback obligations	**4**	4
Interest adjustment for operating leases[2]	**19**	29
Adjusted interest	**$ 278**	$ 271

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

FINANCIAL POSITION

	September 30 2012	December 31 2011	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance excluding foreign exchange impact	Explanation of major variances other than foreign exchange impact
Cash and cash equivalents	**$ 2,146**	$ 3,372	$ 25	$ (1,251)	See the variation in cash and cash equivalents table and Free cash flow in BA and BT for details
Trade and other receivables	**1,410**	1,408	11	(9)	No significant variance
Gross inventories	**12,773**	11,992	61	720	$ 794 Mainly due to increase in aerospace program work-in-process inventories and in BA finished products (74) Due to the deliveries in several BT contracts ahead of the ramp-up of contracts in the start-up phase
Advances and progress billings related to long-term contracts	**(6,036)**	(6,479)	(33)	(410)	Mainly due to lower advances and progress billings related to existing contracts following deliveries in several contracts, partly compensated by advances on new orders and existing contracts
Advances on aerospace programs	**(4,355)**	(4,054)	-	301	Mainly due to higher order intake than deliveries for business aircraft
PP&E	**1,930**	1,864	10	56	$ 191 Net additions (135) Amortization
Aerospace program tooling	**4,301**	3,168	-	1,133	$ 1,216 Additions (83) Amortization
Goodwill	**2,297**	2,253	44	-	No variance
Deferred income tax asset	**1,455**	1,506	3	(54)	Mainly due to the utilization of deferred tax assets in several countries
Other financial assets	**1,868**	1,831	4	33	No significant variance
Other assets	**1,143**	1,064	3	76	$ 72 Mainly an increase in prepaid expenses
Trade and other payables	**(3,488)**	(3,210)	31	247	$ 254 Higher level in BA (7) Lower level in BT
Provisions	**(1,504)**	(1,672)	6	(174)	Mainly resulting from a net decrease in product warranty provisions (see Free cash flow in BT for details) and credit guarantee and RVG provisions
Non-current portion of long-term debt	**(5,342)**	(4,748)	6	588	$ 509 Mainly due to issuance of $500 million of unsecured Senior Notes in March 2012
Retirement benefit liabilities	**(3,223)**	(3,226)	9	(12)	See the Variation in net retirement benefit liability table in Capital structure section for details
Other financial liabilities	**(1,085)**	(1,234)	3	(152)	$ (147) Decrease mainly due to the repayment of the $151 million Notes due in May 2012
Other liabilities	**(3,054)**	(3,164)	16	(126)	$ (106) Mostly due to a reduction of accruals for long-term contract costs with a high percentage of completion
Equity	**(1,236)**	(671)	not applicable	565	$ 584 Net income 129 OCI - Mainly due to net change in cash flow hedges and CCTD (154) Dividends 6 Other

AEROSPACE

HIGHLIGHTS

Results of the quarter

- Revenues of $2.3 billion, the same level as for the corresponding period last fiscal year.
- EBIT of $123 million, or 5.4% of revenues, compared to $129 million, or 5.6%, for the corresponding period last fiscal year.
- EBITDA[1] of $182 million, or 8.0% of revenues, compared to $186 million, or 8.1%, for the corresponding period last fiscal year.
- Free cash flow[1] usage of $68 million, compared to a free cash flow of $53 million for the corresponding period last fiscal year.
- Net additions to PP&E and intangible assets of $543 million, compared to $356 million for the corresponding period last fiscal year.
- 57 aircraft deliveries, compared to 68 for the corresponding period last fiscal year.
- 83 net orders (book-to-bill ratio[2] of 1.5), compared to 34 net orders for the corresponding period last fiscal year.
- Order backlog of $26.1 billion as at September 30, 2012, compared to $22.0 billion as at December 31, 2011.

(1) Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section for reconciliations to the most comparable IFRS measures.
(2) Defined as net orders received over aircraft deliveries, in units.

Key events

Business aircraft

- We received three multi-aircraft orders for 19 aircraft of the *Global* family. Based on list prices, the value of the firm orders is $1.2 billion.

Commercial aircraft

- The conditional order placed by WestJet in June 2012 for 20 *Q400 NextGen* turboprops was converted into a firm purchase order during the quarter. Based on list price, the firm order is valued at $683 million.
- During the quarter, options and conditional orders were converted into firm orders for six *CRJ900 NextGen* regional jets and 12 *Q400 NextGen* turboprops. Based on list prices, the value of the firm orders is $643 million.
- During the quarter, we received a conditional order from an undisclosed customer for five *CS100* and 10 *CS300* aircraft and we signed a letter of intent with Air Baltic Corp. for 10 *CS300* aircraft. Based on list prices, these agreements are valued at $1.0 billion and $764 million, respectively. Conditional orders and letters of intent are not included in the order backlog.
- The *CSeries* aircraft development program is making solid progress. The build for both the Complete Airframe Static Test (CAST) and the first flight test aircraft is progressing well. Results from the on-the-ground integrated systems test and certification rig (CIASTA/Aircraft 0) are as expected and we have met a number of key milestones, but at this point in the program we have encountered certain issues, mainly related to some suppliers. As a result, first flight of the *CS100* aircraft is now scheduled to occur by the end of June 2013. We expect that entry-into-service of the *CS100* aircraft will occur approximately one year after first flight. Together with all our suppliers, we are working with the momentum gained over the last few months in order to fly by the revised date, a date that all parties have agreed is achievable. However, the timeline for the *CS300* aircraft, which represents a significant portion of the *CSeries* programs' orders and commitments, remains unchanged with entry-into-service scheduled for the end of 2014.

INDUSTRY AND ECONOMIC ENVIRONMENT

Business aircraft

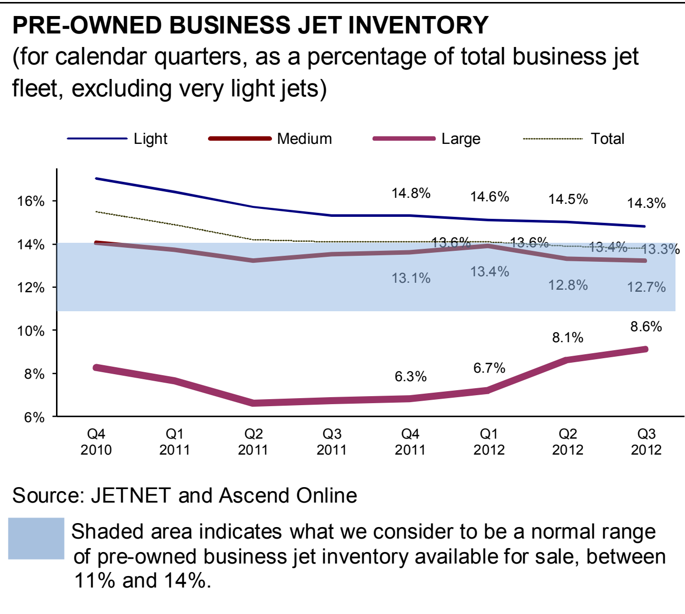
We continue to have significant market share in terms of revenue and orders in the market categories in which we compete, but the recovery in the overall business aviation market remains sluggish. Current indicators in the business aviation market are mixed. After reaching a level just below the threshold of market stability in the first quarter of 2012, the UBS Business Jet Market Index has decreased in subsequent quarters. The total number of pre-owned aircraft available for sale as a percentage of the total in-service fleet decreased slightly to 13.3% in September 2012 from 13.6% in December 2011. We consider this level of pre-owned inventory to be normal for the market. In the light category, the level of pre-owned business aircraft inventory has been trending downward over the last two years, but remains above the normal range. The level of large pre-owned business aircraft inventory has been moving upward in the current year, but remains below the normal range. Meanwhile, over the last two years, pre-owned business aircraft in the medium category has remained stable as a percentage of total in-service fleet. Business jet utilization in the U.S. was flat in the third quarter of 2012 as compared to the third quarter of 2011, but lower than the second quarter of 2012. Business jet utilization levels in Europe in the third quarter of 2012 were slightly lower than those of the third quarter of 2011, but have increased compared to the second quarter of 2012.

UBS BUSINESS JET MARKET INDEX[1]

(for calendar quarters, average on a 100-point scale)

Source: UBS

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

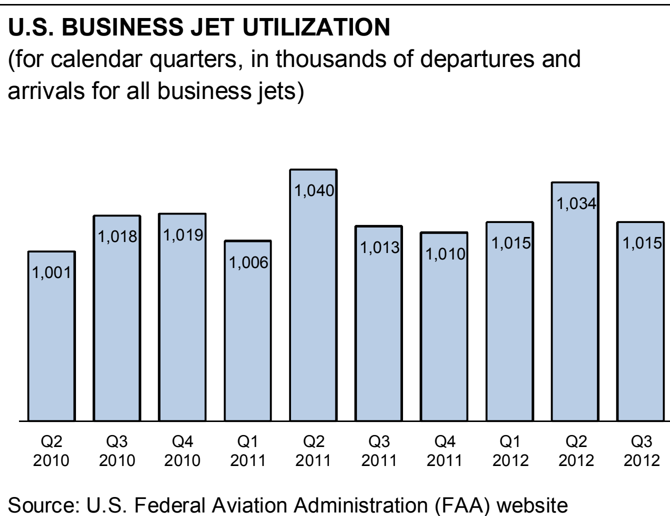


PRE-OWNED BUSINESS JET INVENTORY

(for calendar quarters, as a percentage of total business jet fleet, excluding very light jets)

Source: JETNET and Ascend Online

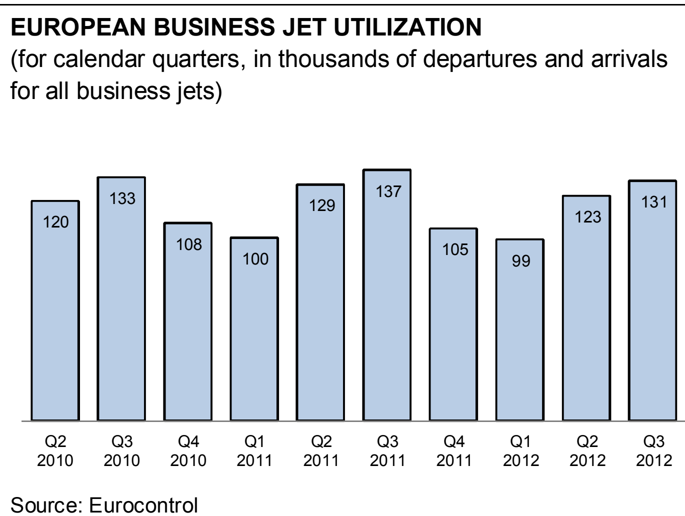
Shaded area indicates what we consider to be a normal range of pre-owned business jet inventory available for sale, between 11% and 14%.



U.S. BUSINESS JET UTILIZATION

(for calendar quarters, in thousands of departures and arrivals for all business jets)

Source: U.S. Federal Aviation Administration (FAA) website



EUROPEAN BUSINESS JET UTILIZATION

(for calendar quarters, in thousands of departures and arrivals for all business jets)

Source: Eurocontrol

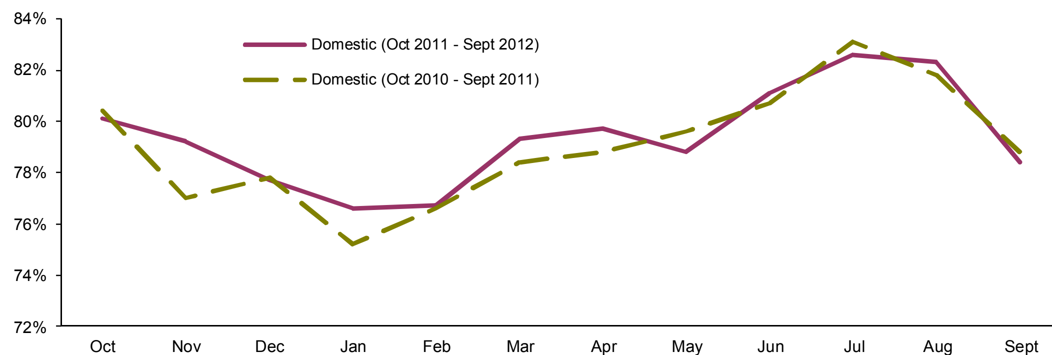
Commercial aircraft

Although current indicators in the overall commercial aviation market are generally positive, they remain mixed in the U.S., the largest market for our aircraft. Significant firm orders have not materialized for regional jets and turboprops in the U.S, indicating that the regional aircraft market continues to be challenging in this region. For the commercial aircraft market, the September 2012 Air Transport Market Analysis report issued by the International Air Transport Association ("IATA") indicates that scheduled domestic and international air travel, measured by revenue passenger kilometres ("RPK"), were 4.4% and 6.4% higher, respectively, during the year-to-date period ended September 30, 2012 as compared to the same period last year. Commercial airlines worldwide achieved domestic and international passenger load factors of 78.4% and 80.9%, respectively, in September 2012, comparable to the 78.8% and 79.6% respective levels experienced in September 2011.

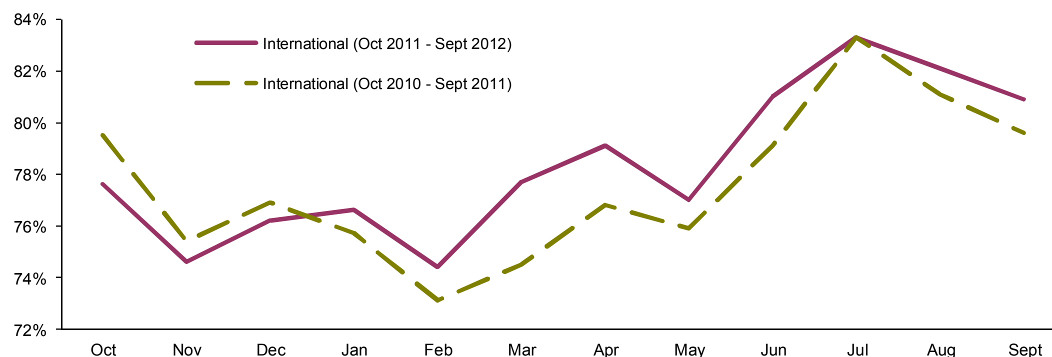
Domestic air travel markets saw increases in all regions, with the largest increases in year-to-date RPK in China and Brazil and the lowest growth in India and the U.S. International air travel markets also saw increases in all regions, with the largest increases in year-to-date RPK in the Middle East, Latin America and Africa, and the lowest growth in North America. The highest domestic load factors in September 2012 were attained in China and the U.S., while the highest international load factors were attained in North America and Europe.

In its September 2012 Financial Forecast, IATA updated its 2012 forecast for the commercial airline industry of a net profit of $4.1 billion, from $3.0 billion previously projected in its June 2012 Financial Forecast, due to better airline performance and more robust demand for travel earlier in the year. IATA maintained its Brent crude oil price forecast at an average of $110 per barrel. Significant geographical differences remain in the revised forecast, with European losses unchanged, but North American airlines' performance being revised higher. In its first outlook for calendar year 2013, IATA is projecting better profits of $7.5 billion, with slightly faster growth and slightly lower oil prices, coupled with improved airline performance on capacity. This forecast assumes the Eurozone situation does not get out of control, support to economic growth from fiscal and monetary policy continues in the U.S., and the Chinese economic slowdown stabilizes.

DOMESTIC PASSENGER LOAD FACTOR
(as a percentage of available seat kilometres in the month)



INTERNATIONAL PASSENGER LOAD FACTOR
(as a percentage of available seat kilometres in the month)



Source: IATA statistics for domestic and international air travel.

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

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

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

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
	2012	2011	**2012**	2011
Revenues				
Manufacturing				
Business aircraft	**$ 1,243**	$ 1,103	**$ 3,142**	$ 3,064
Commercial aircraft	**257**	526	**740**	1,480
Other	**134**	136	**388**	403
Total manufacturing revenues	**1,634**	1,765	**4,270**	4,947
Services[1]	**404**	410	**1,260**	1,240
Other[2]	**229**	130	**501**	391
Total revenues	**2,267**	2,305	**6,031**	6,578
Cost of sales	**1,972**	1,978	**5,164**	5,638
Gross margin	**295**	327	**867**	940
SG&A	**173**	172	**512**	489
R&D	**37**	38	**103**	95
Other income[3]	**(38)**	(12)	**(64)**	(19)
EBIT	**123**	129	**316**	375
Amortization[4]	**59**	57	**167**	156
EBITDA	**$ 182**	$ 186	**$ 483**	$ 531
(as a percentage of total revenues)				
Gross margin	**13.0%**	14.2%	**14.4%**	14.3%
EBIT	**5.4%**	5.6%	**5.2%**	5.7%
EBITDA	**8.0%**	8.1%	**8.0%**	8.1%

[1] Includes revenues from parts services, *Flexjet* fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training), Specialized Aircraft Solutions and Military Aviation Training.
[2] Includes mainly sales of pre-owned aircraft.
[3] Includes i) net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding the loss (gain) arising from a change in interest rates; ii) gain on resolution of a litigation; iii) severance and other involuntary termination costs (including changes in estimates); and iv) gains on disposals of PP&E.
[4] Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset.

Total aircraft deliveries

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
(in units)	**2012**	2011	**2012**	2011
Business aircraft				
Excluding those of the Flexjet fractional ownership programs	**43**	43	**117**	114
Flexjet fractional ownership programs[1]	**1**	-	**2**	1
	44	43	**119**	115
Commercial aircraft	**12**	24	**34**	67
Amphibious aircraft	**1**	1	**3**	3
	57	68	**156**	185

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

Manufacturing revenues

The $131-million decrease for the three-month period is mainly due to:

- lower deliveries of commercial aircraft, mainly due to lower production rates to reflect current demand and to certain deliveries being pushed to the fourth quarter of the year ($269 million).

Partially offset by:

- higher deliveries in the large business jet category and higher selling prices of business aircraft, partially offset by lower deliveries of medium business jets ($140 million).

The $677-million decrease for the nine-month period is mainly due to:

- lower deliveries of commercial aircraft, mainly due to lower production rates to reflect current demand and to certain deliveries being pushed to the fourth quarter of the year ($740 million).

Partially offset by:

- higher deliveries of medium business jets and higher selling prices of business aircraft, partially offset by lower deliveries in the large business jet category resulting from the transition to the *Global 5000* and *Global 6000* aircraft with the new *Bombardier Vision* Flight Deck ($78 million).

Other revenues

The $99-million increase for the three-month period is mainly due to a favourable sales mix of pre-owned business aircraft.

The $110-million increase for the nine-month period is mainly due to higher deliveries of and a favourable sales mix of pre-owned business aircraft, partially offset by lower deliveries of pre-owned commercial aircraft.

EBIT margin

The 0.2 percentage-point decrease for the three-month period is mainly due to:

- higher cost of sales per unit, mainly due to price escalation of materials; and
- costs incurred in Canadian dollars translated at higher exchange rates, after giving effect to hedges.

Partially offset by:

- higher net selling prices for business aircraft;
- the mix between business and commercial aircraft deliveries; and
- a net positive variance on provisions for credit and residual value guarantees recorded in other income.

The EBIT margin for the nine-month period decreased by 0.5 percentage-points. Excluding the impact of this year's litigation gain (see explanation below), the EBIT margin decreased by 0.8 percentage-points mainly as a result of:

- higher cost of sales per unit, mainly due to price escalation of materials;
- costs incurred in Canadian dollars translated at higher exchange rates, after giving effect to hedges;
- lower absorption of higher SG&A expenses; and
- higher R&D expenses due to higher amortization of aerospace program tooling.

Partially offset by:

- higher net selling prices for business and commercial aircraft;
- the mix between business and commercial deliveries;
- higher margins from services activities; and
- a net positive variance on provisions for credit and residual value guarantees recorded in other income.

For the nine-month period ended September 30, 2012, the EBIT margin was positively impacted by 0.3 percentage-points, as a result of a $23 million gain recorded in other income following the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.

FREE CASH FLOW

Free cash flow (usage)

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
EBIT	**$ 123**	$ 129	**$ 316**	$ 375
Amortization	**59**	57	**167**	156
EBITDA	**182**	186	**483**	531
Other non-cash items:				
Gains on disposals of PP&E	**-**	-	**(3)**	-
Share-based expense	**2**	7	**1**	16
Net change in non-cash balances related to operations	**291**	216	**(229)**	(122)
Cash flows from operating activities	**475**	409	**252**	425
Net additions to PP&E and intangible assets	**(543)**	(356)	**(1,396)**	(988)
Free cash flow (usage)	**$ (68)**	$ 53	**$ (1,144)**	$ (563)

The $121-million decrease for the three-month period is mainly due to:

- higher net additions to PP&E and intangible assets ($187 million), due to our significant investments in new products, mainly for the *CSeries* and *Learjet 85* programs.

Partially offset by:

- a positive period-over-period variation in net change in non-cash balances related to operations ($75 million) (see explanations below).

The $581-million decrease for the nine-month period is mainly due to:

- higher net additions to PP&E and intangible assets ($408 million), due to our significant investments in new products, mainly for the *CSeries* and *Learjet 85* programs; and
- a negative period-over-period variation in net change in non-cash balances related to operations ($107 million) (see explanations below).

Net change in non-cash balances related to operations

For the three-month period ended September 30, 2012, the $291-million cash inflow is mainly due to:

- an increase in trade and other payables; and
- a decrease in inventories, mainly due to a decrease in pre-owned business aircraft.

For the three-month period ended October 31, 2011, the $216-million cash inflow was mainly due to an increase in advances on aerospace programs for business aircraft.

For the nine-month period ended September 30, 2012, the $229-million cash outflow is mainly due to:

- an increase in aerospace program work-in-process inventories, mainly in business aircraft, and finished products, as certain deliveries of commercial aircraft were pushed to the fourth quarter of the year.

Partially offset by:

- an increase in advances on aerospace programs mainly resulting from higher order intake than deliveries for business aircraft; and
- an increase in trade and other payables.

For the nine-month period ended October 31, 2011, the $122-million cash outflow was mainly due to:

- an increase in inventories, mainly due to an increase in pre-owned business aircraft.

Partially offset by:

- an increase in trade and other payables.

PRODUCT DEVELOPMENT

Investment in product development

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Program tooling[1]	**$ 461**	$ 316	**$ 1,216**	$ 868
R&D expense[2]	**6**	9	**20**	25
	$ 467	$ 325	**$ 1,236**	$ 893
As a percentage of manufacturing revenues	**28.6%**	18.4%	**28.9%**	18.1%

(1) Capitalized in aerospace program tooling.
(2) Excluding amortization of aerospace program tooling of $31 million and $83 million, respectively, for the three- and nine-month periods ended September 30, 2012 ($29 million and $70 million, respectively, for the three- and nine-month periods ended October 31, 2011), as the related investments are already included in program tooling.

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

In May 2012, we launched the *Learjet 70* and *Learjet 75* aircraft programs. These new jets represent the evolution of the *Learjet 40 XR* and *Learjet 45 XR* aircraft, and will feature a new interior, new cabin management system, the *Bombardier Vision* Flight Deck and an improved engine.

In June 2012, the Interstate Aviation Committee, commonly known by its Russian acronym "MAK", awarded aircraft type certification to the *Q400 NextGen* aircraft for operation in Russia and the CIS.

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

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

The *CS100* aircraft program has moved into the product definition release phase, and the *CS300* aircraft program has moved into the detailed design phase. The first flight of the *CS100* aircraft is now scheduled to occur by the end of June 2013 and we expect that entry-into-service of the *CS100* aircraft will occur approximately one year after first flight. The *CS300* aircraft program's planned entry-into-service in 2014 remains unchanged.	
Testing	Following the commissioning of all the test rigs, we are conducting virtual flights with CIASTA/Aircraft 0, our on-the-ground integrated systems test and certification rig. The avionics, electrical, flight control, fly-by-wire, hydraulic, landing gear and wiring systems are now all commissioned, and systems integration and communication have been successfully demonstrated. To date tests have shown no unusual results.
	The assembly of the test airframe is well underway at our Experimental Test Facility in Saint-Laurent, Quebec. The first wings arrived on site in October 2012 and are now in the process of being mated to the test airframe, known as the Complete Airframe Static Test (CAST) article (an aircraft destined for ground testing only) that is designed to demonstrate the static strength of the airframe and show compliance with certification requirements. The delivered wings were built at our facility in Belfast from composite materials using our Resin Transfer Infusion (RTI) process. During the CAST, the wing and other components of the airframe will be subjected to a series of load cases (representing flight maneuvers, landing, take-off and other in-flight and on-ground conditions) to test the strength of the airframe. For selected load cases, internal cabin pressure will also be applied when simulating in-flight conditions. Data collected will be monitored by our stress engineers, as well as by the partners and suppliers that are involved in the development of structural components for the *CSeries* aircraft.
	The cockpit and all fuselage sections for the first flight test vehicle (FTV1) have arrived at Mirabel, Québec, the production site of the program, and the assembly of the first flight test vehicle is in progress. Our Belfast site manufactured the centre fuselage for the first flight test vehicle, while the forward and aft fuselage sections, as well as the cockpit, were supplied by our Saint-Laurent facility. The rear barrel was supplied by Shenyang Aircraft Corporation (SAC), a subsidiary of the state-owned aviation industrial entity, China Aviation Industry Corporation (AVIC).
	Over 200 components and systems for the *CSeries* aircraft continue to be tested worldwide and the data received to date confirms that the aircraft development programs are on track to reach key performance targets.(1)
	A flight test program of 2,400 hours is planned on the *CS100* aircraft consisting of five test aircraft and a program of 750 hours is planned on the *CS300* aircraft consisting of two test aircraft.
	The first flight of the *CS100* aircraft is now scheduled to occur by the end of June 2013.
Suppliers	Continuing its engine certification program, Pratt & Whitney has completed certification icing testing for its PurePower® PW1524G engine, and anticipates completing engine certification by the end of 2012. The second flight test campaign was completed logging 130 flight hours and 26 flights, and included extensive performance and operability testing at altitudes of up to 41,000 feet. At the date of this report, the test program has run approximately 1,500 hours of full engine testing, including more than 250 flight hours on its flight test aircraft.

(1) Key performance targets as described in our annual report for the fiscal year ended December 31, 2011, under certain operating conditions, when compared to aircraft currently in service for flights of 500 nautical miles. The *CSeries* programs are currently in development, and as such are subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specification and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. See *CSeries* family of aircraft program disclaimer at the end of this MD&A.

The *Learjet 85* aircraft program is in the product definition release phase and is driving towards planned entry-into-service in 2013.	
Production and testing	The final assembly line in Wichita is operational.
	Five flight test vehicles are in various stages of fabrication. Work on the two first flight test vehicles and on the Complete Aircraft Static Test (CAST) article (an aircraft destined for ground testing only) is well underway with the production of hundreds of composite components, including the unique 32-foot composite pressure fuselage. Major components of the first complete pressure fuselage, including the nose, aft fuselage and empennage have been received from Querétaro and are now on the assembly line in Wichita.
	Work on the first and second wings is currently focused on the wing plank installation. The second wing will be part of the CAST article. The third wing is also advancing with the build-up of internal structure of wing spars and ribs.
	As part of the Bombardier composite structural technology readiness program, we are validating and certifying the manufacturing process for our composite technology with the U.S. Federal Aviation Administration (FAA).
	Initial bird strike testing on the aircraft nose section has been successfully achieved.
Suppliers	All our suppliers have started the manufacturing of components, and all supplier safety-of-flight test rigs have been commissioned. These test rigs are used to ensure the reliability of systems (a collection of components) prior to shipment of flightworthy parts to the final assembly line in Wichita.
	Components such as the aircraft's Pratt & Whitney Canada PW307B engines are now on site at the final assembly line in Wichita.
Facilities	A ground breaking ceremony on April 30, 2012 marked the official start of the next phase of the *Learjet* Wichita site expansion plan. The site expansion includes building a new hangar to hold completed aircraft that are in the process of obtaining their certificate of airworthiness, paint facilities and a new delivery centre to support the *Learjet 85* aircraft program.

The *Learjet 70* and *Learjet 75* aircraft programs have moved into the product definition release phase and are progressing towards entry-into-service in the first half of 2013 for the *Learjet 75* aircraft and in the second half of 2013 for the *Learjet 70* aircraft.	
Production and testing	In August 2012, we powered the first *Learjet 75* aircraft's electrical systems, including the *Bombardier Vision* Flight Deck, on the Wichita production line. With full power on, the production line has started functional testing of the *Bombardier Vision* Flight Deck and other systems.
	The first three flight test vehicles have already logged more than 300 flights. These aircraft are a modified *Learjet 40 XR* aircraft and a modified *Learjet 45 XR* aircraft, currently used for avionics testing, plus a *Learjet 45 XR* flight test aircraft, modified to carry out engine testing. Assembly of the remaining two flight test vehicles is on track. These aircraft will be used for winglet and aircraft performance testing and for the certification for the interior installations and cabin management systems. The assembly of the first production aircraft has begun in Wichita.
Suppliers	A number of suppliers have been selected for the avionics, the cabin management system and for the interior. Critical Design Review, the milestone that marks the review of the final design against certain technical requirements as well as cost, weight, and performance targets, has been conducted for all major suppliers, leading to design freeze. Suppliers are in the final stages of qualification testing for their components and are delivering parts to the production line.
Facilities	The aircraft will use the same manufacturing and assembly processes as the *Learjet 40 XR* and *Learjet 45 XR* aircraft.

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

The *Bombardier Vision* Flight Deck has entered into service.	
Certification	Following certification from the European Aviation Safety Agency (EASA) and the U.S. FAA, the *Bombardier Vision* Flight Deck entered into service in March 2012 on *Global 5000* and *Global 6000* aircraft.

Carrying amount of program tooling

		As at
	September 30, 2012	December 31, 2011
Business aircraft		
Learjet Series	**$ 1,161**	$ 833
Challenger Series	**152**	151
Global Series	**477**	333
Commercial aircraft		
CRJ Series	**480**	488
CSeries	**2,031**	1,363
	$ 4,301	$ 3,168

AIRCRAFT DELIVERIES

Business aircraft deliveries

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
(in units)	**2012**	2011	**2012**	2011
Light business jets				
Learjet 40 XR/Learjet 45 XR	**8**	1	**13**	7
Learjet 60 XR	**1**	7	**7**	13
Medium business jets				
Challenger 300	**11**	12	**35**	26
Challenger 605	**7**	10	**27**	28
Challenger 800 Series	**-**	-	**2**	3
Large business jets				
Global 5000/Global Express XRS/Global 6000	**17**	13	**35**	38
	44	43	**119**	115

The increase in business aircraft deliveries for the nine-month period ended September 30, 2012 is due to the *Challenger* family of aircraft, partly offset by a slight decrease in deliveries of the *Global* family of aircraft. The transition to the *Global 5000* and *Global 6000* aircraft with our new *Bombardier Vision* Flight Deck, which entered into service at the end of March 2012, pushed deliveries from the first quarter of 2012 into the rest of the year.

Commercial aircraft deliveries

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
(in units)	**2012**	2011	**2012**	2011
Regional jets				
CRJ700 NextGen	**-**	3	**1**	10
CRJ900 NextGen	**2**	2	**3**	10
CRJ1000 NextGen	**-**	4	**3**	8
Turboprops				
Q400 NextGen	**10**	15	**27**	39
	12	24	**34**	67

The decreases in commercial aircraft deliveries are mainly due to lower production rates to reflect current demand and to certain deliveries being pushed to the fourth quarter of the year.

AIRCRAFT ORDERS

Total aircraft net orders

	September 30, 2012			October 31, 2011		
	Gross orders	**Cancellations**	**Net orders**	Gross orders	Cancellations	Net orders
Three-month periods ended						
Business aircraft (including those of the *Flexjet* fractional ownership programs)	**55**	**(10)**	**45**	38	(8)	30
Commercial aircraft	**38**	**-**	**38**	4	-	4
	93	**(10)**	**83**	42	(8)	34
Nine-month periods ended						
Business aircraft (including those of the *Flexjet* fractional ownership programs)	**251**	**(32)**	**219**	179	(29)	150
Commercial aircraft	**78**	**-**	**78**	52	-	52
Amphibious aircraft	**-**	**-**	**-**	4	-	4
	329	**(32)**	**297**	235	(29)	206

Business aircraft

The increase in net order intake in the nine-month period is mainly due to a firm order by NetJets Inc. during the second quarter of 2012, for 100 aircraft of the *Challenger* family (during the three-month period ended April 30, 2011, NetJets Inc. placed a firm order of 50 aircraft of the *Global* family). In the third quarter of 2012, there were three significant orders from undisclosed customers for 19 *Global* aircraft totaling $1.2 billion based on list prices, which contributed to the increases in net order intake in the three- and nine-month periods ended September 30, 2012, compared to the corresponding periods last fiscal year.

The following significant orders were received during the nine-month period ended September 30, 2012:

Customer	**Firm order**	**Options**	**Value of firm order based on list prices**
NetJets Inc.	75 *Challenger 300* Series 25 *Challenger 605* Series	125 *Challenger 300* Series 50 *Challenger 605* Series	$2.6 billion
Undisclosed customer	3 *Global 6000* 5 *Global 8000*	-	$507 million
Undisclosed customer	4 *Global 6000* 4 *Global 8000*	-	$500 million
Undisclosed customer	6 *Global 6000*	-	$350 million
Undisclosed customer	4 *Global 6000* 1 *Global 8000*	-	$300 million
AVWest (Australia)	5 *Global 6000*	-	$293 million

Commercial aircraft

Commercial aircraft net orders

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
(in units)	**2012**	2011	**2012**	2011
Regional jets				
CRJ900 NextGen	**6**	-	**8**	3
CRJ1000 NextGen	**-**	-	**18**	-
Commercial jets				
CS100	**-**	-	**5**	28
CS300	**-**	-	**-**	15
Turboprops				
Q400 NextGen	**32**	4	**47**	6
	38	4	**78**	52

The increase in commercial aircraft net orders is due to turboprops and regional jets for both the three- and nine-month periods ended September 30, 2012, partially offset by lower orders of *CSeries* aircraft for the nine-month period ended September 30, 2012.

We have progressively improved our local presence in emerging markets, including the inauguration of our new sales and marketing offices in Shanghai in April 2012, to serve our growing activities in China, and in Dallas in September 2012, to serve customers in the U.S. and in the growth market of Latin America. In the nine-month period ended September 30, 2012, several new orders were obtained in emerging markets.

The following significant orders were received during the nine-month period ended September 30, 2012:

Customer	Firm order	Options	Value of firm order based on list prices
WestJet Airlines Ltd. (Canada)	20 *Q400 NextGen*	25 *Q400 NextGen*	$683 million
Nordic Aviation Capital A/S (Denmark)	12 *CRJ1000 NextGen*	-	$595 million
Eurolot S.A. (Poland)	14 *Q400 NextGen*	6 *Q400 NextGen*	$436 million
PrivatAir (Switzerland)	5 *CS100*	5 *CS100*	$309 million
PT. Garuda Indonesia (Persero) Tbk.	6 *CRJ1000 NextGen*	18 *CRJ1000 NextGen*	$297 million
China Express Airlines	6 *CRJ900 NextGen*	5 *CRJ900 NextGen*	$264 million
Chorus Aviation Inc. (Canada), the parent company of Jazz Aviation LP (Jazz)	6 *Q400 NextGen*	-	$189 million
Ethiopian Airlines	5 *Q400 NextGen*	-	$160 million

During the quarter ended September 30, 2012, we received the following conditional orders and letters of intent:

- We received a conditional order from an undisclosed customer for five *CS100* and 10 *CS300* aircraft. Based on list prices, the conditional order is valued at $1.02 billion.
- Air Baltic Corp. signed a letter of intent to acquire 10 *CS300* aircraft, with purchase rights on an additional 10. Based on list price, the letter of intent for the 10 aircraft is valued at $764 million, and could increase to $1.57 billion should the 10 purchase rights be converted to firms orders.

BOOK-TO-BILL RATIO AND ORDER BACKLOG

Book-to-bill ratio[(1)]

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
	2012	2011	**2012**	2011
Business aircraft	**1.0**	0.7	**1.8**	1.3
Commercial aircraft	**3.2**	0.2	**2.3**	0.8
Total	**1.5**	0.5	**1.9**	1.1

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

The high book-to-bill ratio for business aircraft for the nine-month period ended September 30, 2012 is due to the significant order received from NetJets Inc. for 100 aircraft of the *Challenger* family during the three-month period ended June 30, 2012.

The book-to-bill ratios for commercial aircraft for the three- and nine-month periods ended September 30, 2012 reflect higher order intake than deliveries for turboprops and regional jets, including the significant order received from WestJet Airlines Ltd. for 20 *Q400 NextGen* aircraft during the three-month period ended September 30, 2012.

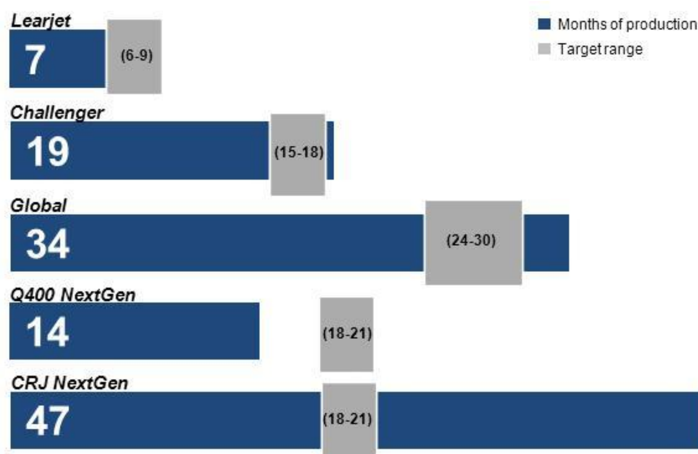
Total order backlog

	As at	
(in billions of dollars)	**September 30, 2012**	December 31, 2011
Aircraft programs	**$ 25.5**	$ 21.4
Military Aviation Training	**0.6**	0.6
	$ 26.1	$ 22.0

The order backlog as at September 30, 2012 increased by 18.6% compared to December 31, 2011, mainly due to higher order intake than deliveries for the *Challenger* and *Global* families of aircraft, as well as for the regional jets and turboprops. We continue to closely monitor our order backlog and the production horizon for our programs and to align our production rates to reflect market demand.

In addition, we have various long-term maintenance and spares support agreements with customers, not included in the order backlog above, amounting to $2.8 billion as at September 30, 2012 and $1.9 billion as at December 31, 2011. This amount includes a recent long-term service agreement signed with NetJets Inc. related to the firm order for 100 aircraft of the *Challenger* family. Generally, revenues from such agreements will be recognized over the next five to 15 years.

ORDER BACKLOG IN MONTHS OF PRODUCTION
(as at September 30, 2012)



The number of months in production is calculated by dividing the order backlog in units as at September 30, 2012 for each family of aircraft (excluding orders for the *Learjet 85*, *Global 7000* and *Global 8000* aircraft and orders received by Flexjet) by the number of aircraft delivered in the previous 12 months, converted into an equivalent number of months.

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

Commercial aircraft order backlog and options

				As at
	September 30, 2012		December 31, 2011	
	Firm orders	**Options**	Firm orders	Options
Regional jets				
CRJ700 NextGen	**8**	**2**	9	2
CRJ900 NextGen	**15**	**31**	10	24
CRJ1000 NextGen	**44**	**22**	29	4
Commercial jets				
CS100	**66** [(1)]	**52**	61 [(2)]	47
CS300	**72** [(1)]	**72**	72 [(2)]	72
Turboprops				
Q400 NextGen	**44**	**107**	24	118
	249	**286**	205	267

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

WORKFORCE

On October 8, 2012, the International Association of Machinists and Aerospace Workers (IAMAW) 639 collective agreement in Wichita, U.S., expired. Following the rejection of management's contract offer, the employees covered by the collective agreement went on strike at the Learjet plant in Wichita. A contingency plan has been implemented and we are working towards minimizing disruption to the production line, our customers and the community.

OTHER

In August 2012, Tulpar Technic, in Kazan, Russia, was appointed an Authorized Service Facility (ASF) to provide all maintenance work on *CRJ100* and *CRJ200* aircraft for operators in Russia and the CIS.

In September 2012, we announced the opening of a commercial aircraft sales and marketing office in Dallas, Texas to serve customers in the U.S. and in the growth market of Latin America. The sales and marketing team will operate through one of our U.S. subsidiaries and will be co-located with Flexjet.

In September 2012, we also announced the opening of a Regional Support Office (RSO) in Moscow, Russia, which will serve our commercial and business aircraft customers in Russia and the CIS.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

- Revenues of $2.1 billion, compared to $2.3 billion for the same period last fiscal year.
- EBIT of $125 million, or 6.0% of revenues, compared to $172 million, or 7.4%, for the same period last fiscal year.
- EBITDA[1] of $156 million, or 7.5% of revenues, compared to $208 million, or 9.0%, for the same period last fiscal year.
- Free cash flow[1] usage of $109 million, compared to a usage of $347 million for the same period last fiscal year.
- $2.3 billion in new orders (book-to-bill ratio[2] of 1.1), compared to $1.6 billion for the same period last fiscal year. On a year-to-date basis, we obtained $6.4 billion in new orders resulting in a book-to-bill ratio of 1.1.
- Order backlog of $32.5 billion as at September 30, 2012, compared to $31.9 billion as at December 31, 2011.

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

Key events

- We signed the following significant contracts: with Talgo S.A. as part of the Spanish-Saudi Al Shoula consortium for the development, supply and maintenance of components for 36 very high speed trains for Saudi Arabia, valued at $367 million; with the Port Authority of New York and New Jersey (PANYNJ), U.S., for a 10-year operations and maintenance and a capital asset upgrade program, valued at $243 million; and with the City of Basel's Transport Authority (BVB), Switzerland, for 60 *FLEXITY* trams, valued at $241 million.
- During the third quarter we agreed on a variation order with the Chinese Ministry of Railways (MOR). The original order of 60 16-car and 20 eight-car *ZEFIRO* 380 very high speed trains signed in 2009 was amended to an order for 70 eight-car *ZEFIRO* 380 very high speed trains, 46 *ZEFIRO* 250 and 60 *ZEFIRO* 250NG high speed trains. The original contract value of $4 billion remains unchanged.
- We continued our long-term investment in emerging markets, with: the signature of a 10-year technology licence agreement in July 2012 with CSR Puzhen, under which we will provide CSR Puzhen with a licence to manufacture and sell 100% low-floor trams with Bombardier technology in China; and, also in July, the signature of a co-operation agreement with Russian rail manufacturer Uralvagonzavod (UVZ) to jointly develop and sell state-of-the-art metros and trams for Moscow Metro and other cities in the CIS.
- Subsequent to the end of the quarter, we announced measures to improve our competitiveness and cost structure. These measures include the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by approximately 1,200 employees, including Aachen. We are in the process of assessing the impact of these measures and expect to record a restructuring charge in the fourth quarter of the fiscal year ending December 31, 2012 which should not exceed $150 million.

INDUSTRY AND ECONOMIC ENVIRONMENT

In the third quarter of 2012, the rail industry market experienced a slight slowdown compared to the previous quarters of the year. Nevertheless, we achieved a strong order intake across all our market segments as the lower level of activity was mainly caused by reduced investments in markets where we do not have a strong presence. The smaller level of activity in these rail markets where we do not have a strong presence is in line with previous third quarters as, historically, order volumes rebound in the last quarter of the year.

In Western Europe, the rail market was stronger in the third quarter of 2012 as compared to the third quarter of 2011. We continue to be well positioned for future growth and expect to see several new orders and the exercise of options attached to the large framework contracts we have already secured. The rolling stock segment is also supported by cities and municipalities which have placed various large orders for light rail vehicles.

In the third quarter of 2012, the Asia-Pacific rail market is stabilizing at a good level, confirming the region’s commitment to investment in rail. For example, mass transit investment continued in India with orders for metros in the third quarter of 2012. Despite slower overall economic growth in China, positive signs are visible in the rail market, one of them being an increase in ridership for mainline passengers in the first three quarters of 2012 compared to the same period in 2011.

The positive development of the rail market in North America continues. The level of activity in the third quarter of 2012 was significantly above the level in the third quarter of 2011, despite the already high order volume placed in the second quarter of 2012.

Although the level of investment in rail in the Other regions was lower in the third quarter of 2012 as compared to the previous quarters this year, the order pipeline contains a large number of projects from the Middle East, Brazil and Russia. The overall business environment for rail transportation in developing markets continues to be positive.

The UNIFE recently issued its bi-annual World Rail Market Study, which corroborates that the rail supply industry remains on track and forecasts that the accessible market will continue growing steadily at a rate of 2.7% per annum over the next six years.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Revenues				
Rolling stock[2]	**$ 1,382**	$ 1,573	**$ 3,985**	$ 5,323
Services[3]	**332**	387	**1,043**	1,043
System and signalling[4]	**357**	358	**954**	1,087
Total revenues	**2,071**	2,318	**5,982**	7,453
Cost of sales	**1,738**	1,908	**4,976**	6,205
Gross margin	**333**	410	**1,006**	1,248
SG&A	**178**	201	**574**	611
R&D	**32**	36	**93**	101
Other expense (income)[5]	**(2)**	1	**(28)**	2
EBIT	**125**	172	**367**	534
Amortization[6]	**31**	36	**95**	102
EBITDA	**$ 156**	$ 208	**$ 462**	$ 636
(as a percentage of total revenues)				
Gross margin	**16.1%**	17.7%	**16.8%**	16.7%
EBIT	**6.0%**	7.4%	**6.1%**	7.2%
EBITDA	**7.5%**	9.0%	**7.7%**	8.5%

[1] The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of foreign currencies compared to the U.S. dollar negatively affects revenues and positively affects expenses, while higher exchange rates have the opposite impacts (defined as “negative currency impact” and “positive currency impact”). See the Foreign exchange rates section in Other for the average exchange rates used to translate revenues and expenses.
[2] Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, and bogies.
[3] Comprised of revenues from fleet maintenance, refurbishment and overhaul and material solutions.
[4] Comprised of revenues from mass transit and airport systems, mainline systems, operation and maintenance systems, e-mobility solutions, mass transit signalling and mainline signalling. Excludes the rolling stock portion of system orders manufactured by our other divisions.
[5] Includes i) share of income of associates; ii) severance and other involuntary termination costs (including changes in estimates); and iii) gains on disposals of PP&E.
[6] Amortization is included in cost of sales, SG&A and R&D expense, based on the nature of the underlying function of the asset.

Revenues by geographic region

	Three-month periods ended				Nine-month periods ended			
	September 30, 2012		October 31, 2011		**September 30, 2012**		October 31, 2011	
Europe[1]	**$ 1,252**	**60%**	$ 1,497	65%	**$ 3,815**	**64%**	$ 4,808	64%
North America	**373**	**18%**	317	14%	**1,095**	**18%**	1,023	14%
Asia-Pacific	**348**	**17%**	265	11%	**678**	**11%**	1,187	16%
Other[2]	**98**	**5%**	239	10%	**394**	**7%**	435	6%
	$ 2,071	**100%**	$ 2,318	100%	**$ 5,982**	**100%**	$ 7,453	100%

[1] The decreases in Europe reflect negative currency impacts of $145 million and $361 million, respectively, for the three- and nine-month periods ended September 30, 2012.
[2] The Other regions include South America, Central America, Africa, the Middle East and the CIS.

Revenues for the three-month period ended September 30, 2012 have been affected by the completion of some contracts in Europe and Other regions while major orders received in these regions in the last quarters are still in the start-up phase. Revenues in Asia-Pacific returned to normal levels following an agreement with the Chinese MOR on a variation order and a ramp-up in production on new contracts. Overall, revenues have decreased by $247 million, or 11%, as compared to the same period last fiscal year. Excluding a negative currency impact of $160 million, revenues decreased by $87 million, or 4%, compared to the same period last fiscal year.

Revenues for the nine-month period ended September 30, 2012 have been affected by the completion of some contracts, mostly in Asia-Pacific and Europe, while major orders received in these regions in the last quarters are still in the start-up phase. Overall, revenues have decreased by $1,471 million, or 20%, as compared to the same period last fiscal year. Excluding a negative currency impact of $387 million, revenues decreased by $1,084 million, or 15%, compared to the same period last fiscal year.

Rolling stock revenues
The $191-million decrease for the three-month period reflects a negative currency impact ($102 million). Excluding this currency impact, revenues decreased by $89 million. This decrease is due to:

- lower activities in Europe and Other regions ($209 million), as some locomotive, commuter and regional train and intercity train contracts are nearing completion, partly compensated by increased production in some light rail vehicle contracts.

Partially offset by:

- higher activities in North America, mainly due to the ramp-up in production of commuter and regional train and metro contracts, partly offset by a locomotive contract nearing completion, and in Asia-Pacific, mainly due to the ramp-up in production of high speed train contracts following the signing of a variation order with the Chinese MOR ($120 million).

The $1,338-million decrease for the nine-month period reflects a negative currency impact ($250 million). Excluding this currency impact, revenues decreased by $1,088 million. This decrease is due to:

- lower activities in Europe and Asia-Pacific ($1,211 million), as some commuter and regional train, locomotive, metro, propulsion and intercity train contracts are nearing completion, partly compensated by increased production in some light rail vehicle contracts.

Partially offset by:

- higher activities in North America ($115 million) mainly due to the ramp-up in production of commuter and regional train and metro contracts, partly offset by a locomotive contract nearing completion.

Services revenues
The $55-million decrease for the three-month period reflects a negative currency impact ($23 million). Excluding this currency impact, revenues decreased by $32 million, mainly due to lower activities in Europe ($48 million), partially offset by higher activities in Asia-Pacific ($20 million).

The stable revenues for the nine-month period include a negative currency impact ($63 million). Excluding this currency impact, revenues increased by $63 million, mainly due to higher activities in Asia-Pacific ($67 million), partially offset by lower activities in Europe ($22 million).

System and signalling revenues
The $1-million decrease for the three-month period reflects a negative currency impact ($35 million). Excluding this currency impact, revenues increased by $34 million. This increase is due to:

- higher activities in Europe ($72 million), mostly due to the ramp-up in production of contracts received in past quarters.

Partially offset by:

- lower activities in Other regions ($44 million), mostly due to completion of some systems contracts, while orders received in past quarters are still in the start-up phase.

The $133-million decrease for the nine-month period reflects a negative currency impact ($74 million). Excluding this currency impact, revenues decreased by $59 million. This decrease is due to:

- lower activities in Asia-Pacific, North America and Other region ($144 million), mostly due to completion of some contracts while orders received in these regions in past quarters are still in the start-up phase.

Partially offset by:

- higher activities in Europe ($85 million), mostly due to the ramp-up in production of contracts received in past quarters.

EBIT margin

The 1.4 percentage-point decrease in the EBIT margin for the three-month period is mainly due to:

- a lower overall gross margin in rolling stock due to execution issues in some contracts.

Partially offset by:

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

The 1.1 percentage-point decrease in the EBIT margin for the nine-month period is mainly due to:

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

Partially offset by:

- a higher gross margin in services and system and signalling due to overall better contract execution;
- a $24 million gain following the finalisation of the build-phase of a system and hand-over to the customer, recorded in other expense (income) as part of our share of income of associates; and
- a favourable product mix.

FREE CASH FLOW

Free cash flow usage

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
EBIT	**$ 125**	$ 172	**$ 367**	$ 534
Amortization	**31**	36	**95**	102
EBITDA	**156**	208	**462**	636
Other non-cash items:				
Gains on disposals of PP&E	**(3)**	(1)	**(3)**	(1)
Share-based expense	**4**	7	**2**	16
Net change in non-cash balances related to operations	**(243)**	(524)	**(686)**	(1,543)
Cash flows from operating activities	**(86)**	(310)	**(225)**	(892)
Net additions to PP&E and intangible assets	**(23)**	(37)	**(62)**	(96)
Free cash flow usage	**$ (109)**	$ (347)	**$ (287)**	$ (988)

The $238-million improvement for the three-month period is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($281 million) (see explanations below).

Partially offset by:

- lower EBITDA ($52 million).

The $701-million improvement for the nine-month period is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($857 million) (see explanations below).

Partially offset by:

- lower EBITDA ($174 million).

Net change in non-cash balances related to operations

For the three-month period ended September 30, 2012, the $243-million cash outflow is mainly due to:

- a reduction in advances and progress billings related to existing contracts following deliveries in several contracts, partly compensated by advances on new orders and existing contracts;
- the impact of settlements of derivative financial instruments used in roll-forward cash flow hedge relationships; and
- an increase in trade and other receivables following deliveries in several contracts.

Partially offset by:

- a reduction in inventories following the deliveries in several contracts ahead of the ramp-up of contracts in the start-up phase; and
- higher trade and other payables.

For the three-month period ended October 31, 2011, the $524-million cash outflow was mainly due to:

- an increase in inventories due to the ramp-up of several contracts ahead of deliveries and delays experienced in deliveries for some rolling stock contracts; and
- the impact of settlements of derivative financial instruments used in roll-forward cash flow hedge relationships.

For the nine-month period ended September 30, 2012, the $686-million cash outflow is mainly due to:

- a reduction in advances and progress billings related to existing contracts following deliveries in several contracts, partly compensated by advances on new orders and existing contracts;
- lower other liabilities mostly as a result of the reduction in accruals for long-term contract costs for contracts with a high percentage of completion;
- a decrease in product warranty provisions, mainly for contracts nearing the end of their warranty periods; and
- the impact of settlements of derivative financial instruments used in roll-forward cash flow hedge relationships.

Partially offset by:

- a reduction in inventories following the deliveries in several contracts ahead of the ramp-up of contracts in the start-up phase.

For the nine-month period ended October 31, 2011, the $1,543-million cash outflow was mainly due to:

- an increase in inventories due to the ramp-up of several contracts ahead of deliveries and delays experienced in deliveries for some rolling stock contracts; and
- the impact of settlements of derivative financial instruments used in roll-forward cash flow hedge relationships.

Partially offset by:

- higher advances and progress billings on new orders and existing contracts.

ORDERS AND BACKLOG

Order intake and book-to-bill ratio

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
Order intake (in billions of dollars)	**2012**	2011	**2012**	2011
Rolling stock	**$ 1.3**	$ 1.1	**$ 4.4**	$ 4.3
Services	**0.4**	0.1	**1.0**	0.6
System and signalling	**0.6**	0.4	**1.0**	1.8
	$ 2.3	$ 1.6	**$ 6.4**	$ 6.7
Book-to-bill ratio[(1)]	**1.1**	0.7	**1.1**	0.9

[(1)] Ratio of new orders over revenues.

The order intake for the three- and nine-month periods ended September 30, 2012 reflect negative currency impacts of $179 million and $357 million, respectively.

We received the following significant orders during the first nine-months of the current fiscal year:

Customer	Country	Product or service	Number of cars	Market segment	Value
San Francisco Bay Area Rapid Transit District (BART)	U.S.	Metro cars	410[1]	Rolling stock	$ 897[1]
Metropolitan Transportation Authority (MTA) of New York City	U.S.	Metro cars	300	Rolling stock	$ 599
Régie Autonome des Transports Parisiens (RATP) & Syndicat des Transports d'Île-de-France (STIF)	France	Double-deck commuter trains	210[2]	Rolling stock	$ 417[2]
Port Authority of New York and New Jersey (PANYNJ)	U.S.	10-year operations and maintenance and capital asset upgrade program for *INNOVIA* Monorail system	n/a	System and signalling	$ 243
City of Basel's Transport Authority (BVB)	Switzerland	*FLEXITY* trams	60	Rolling stock	$ 241
Deutsche Bahn AG	Germany	*TWINDEXX* double-deck trains	64	Rolling stock	$ 208
Talgo S.A.	Saudi Arabia	12-year maintenance services for the Bombardier-built systems and components	n/a	Services	$ 201
		MITRAC 3000 propulsion and control package and *FLEXX* Power 350 high speed bogies for 36 very high speed trains	n/a	Rolling stock	$ 166
Berliner Verkehrsbetriebe (BVG)	Germany	*FLEXITY* trams	39	Rolling stock	$ 168
De Lijn (VVM)	Belgium	*FLEXITY* trams	48	Rolling stock	$ 165
Israel Railways (ISR)	Israel	Double-deck coaches	72	Rolling stock	$ 158

[1] Consists of base contract and first option exercised in June 2012.
[2] Contract performed through a consortium. Only the value of our share is stated.
n/a: Not applicable

Order backlog

		As at
(in billions of dollars)	**September 30, 2012**	December 31, 2011
Rolling stock	**$ 22.7**	$ 22.6
Services	**6.0**	5.5
System and signalling	**3.8**	3.8
	$ 32.5	$ 31.9

The $0.6 billion increase is due to higher order intake than revenues recorded ($0.4 billion) and the strengthening of foreign currencies versus the U.S. dollar as at September 30, 2012 compared to December 31, 2011, mainly the British pound ($0.2 billion).

OTHER

RISKS AND UNCERTAINTIES

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

There was no significant change to these risks and uncertainties during the nine-month period ended September 30, 2012, other than those described elsewhere in this MD&A.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

Consolidation
In May 2011, the IASB released IFRS 10, *Consolidated financial statements*, which replaces SIC-12, *Consolidation – special purpose entities,* and the parts of IAS 27, *Consolidated and separate financial statements,* related to the preparation and the presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 will be effective for our fiscal years beginning on January 1, 2013. We are assessing the impact of the adoption of this standard on our consolidated financial statements.

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

Although we have not yet completed our assessment, we expect that a large part of our investments qualifying as joint ventures, currently accounted for under the proportionate consolidation method, will be accounted for using the equity method of accounting under IFRS 11. Under the equity method of accounting, our share of net assets, net income and OCI of joint ventures will be presented as one-line items on the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, respectively. In addition, the consolidated statement of cash flows under the equity method of accounting will include the cash flows between us and our joint ventures, and not our proportionate share of the joint ventures' cash flows.

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

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

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

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). Under the current IAS 19, *Employee benefits* the interest income is presented separately from interest expense and calculated based on the expected return on the plan assets. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendments to IAS 19 will be effective for our fiscal years beginning on January 1, 2013.

The following tables illustrate the expected restatements to our consolidated equity and net income resulting from our future adoption of the amended IAS 19, *Employee benefits*:

As at:	December 31, 2011	January 31, 2011
Equity as presented	$ 671	$ 1,521
Restatements to prior periods:	(35)	(34)
Restatements to current year:		
Net income	(57)	(75)
OCI	87	74
Equity as restated	$ 666	$ 1,486

For the fiscal years ended:	December 31, 2011			January 31, 2011		
	As presented	Restatements	As restated	As presented	Restatements	As restated
EBIT	$ 1,202	$ (13)	$ 1,189	$ 1,205	$ (15)	$ 1,190
Financing expense	681	(327)	354	684	(305)	379
Financing income	(519)	418	(101)	(476)	373	(103)
Income taxes	203	(47)	156	222	(8)	214
Net income	$ 837	$ (57)	$ 780	$ 775	$ (75)	$ 700

These restatements essentially relate to the above mentioned requirement to calculate the interest expense and income component on a net basis.

The cumulative impact of such restatements on our consolidated equity position should not be significant because the recording of lower interest income under the revised standard will be mostly offset by the reversal of accumulated actuarial losses on plan assets previously recognized in AOCI.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the nine-month period ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

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

	September 30, 2012	December 31, 2011	Increase (decrease)
Euro	**1.2930**	1.2939	(0%)
Canadian dollar	**1.0194**	0.9791	4%
Pound sterling	**1.6202**	1.5490	5%

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, 2012	October 31, 2011	Increase (decrease)
Euro	**1.2512**	1.3962	(10%)
Canadian dollar	**1.0043**	1.0002	0%
Pound sterling	**1.5800**	1.5991	(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, 2012	October 31, 2011	Decrease
Euro	**1.2821**	1.4108	(9%)
Canadian dollar	**0.9979**	1.0204	(2%)
Pound sterling	**1.5783**	1.6144	(2%)

SELECTED FINANCIAL INFORMATION

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

Fiscal years		**2012**				2011		F2011 [(1)]
	Third	Second	First	Fourth [(2)]	Third	Second	First	Fourth
Revenues	**$ 4,338**	$ 4,170	$ 3,505	$ 4,316	$ 4,623	$ 4,747	$ 4,661	$ 5,586
Net income	**$ 212**	$ 182	$ 190	$ 214	$ 192	$ 211	$ 220	$ 295
EPS (in dollars):								
Basic and diluted	**$ 0.12**	$ 0.10	$ 0.10	$ 0.12	$ 0.11	$ 0.12	$ 0.12	$ 0.16

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

INVESTOR INFORMATION

Authorized, issued and outstanding share data as at November 5, 2012

	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[1]	1,892,000,000	314,537,162
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,415,809,854 [3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,692,521
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,307,479
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

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

Normal course issuer bid
As authorized by the Board of Directors, the Corporation intends to repurchase for cancellation, in connection with, inter alia, the DSU plan, from June 21, 2012 to June 20, 2013, up to 6,000,000 Class B Shares (subordinate voting) ("Class B Shares") and up to 1,310,334 Class A Shares (multiple voting) ("Class A Shares") (from June 17, 2011 to June 16, 2012, up to 2,006,000 Class B Shares and 438,263 Class A Shares).

During the three- and nine-month periods ended September 30, 2012, no Class B Shares were repurchased and cancelled (2,006,000 Class B Shares were repurchased and cancelled for a total amount of $14 million during the nine-month periods ended October 31, 2011) (see note 15 – Share-based plans to the interim consolidated financial statements).

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

Share option, PSU and DSU data as at September 30, 2012

Options issued and outstanding under the share option plans	28,790,540
PSUs and DSUs issued and outstanding under the PSU and DSU plans	31,002,430
Class B Shares held in trust to satisfy PSU obligations	24,542,027

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

Financial Report, for the fiscal year ending December 31, 2012	February 21, 2013
First Quarterly Report, for the period ending March 31, 2013	May 9, 2013
Second Quarterly Report, for the period ending June 30, 2013	August 1, 2013
Third Quarterly Report, for the period ending September 30, 2013	October 31, 2013

Information

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November 6, 2012

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

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

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Un exemplaire en français est disponible sur demande adressée auprès du service des Affaires publiques ou sur notre site Internet à l'adresse ri.bombardier.com.

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

		Three-month periods ended		Nine-month periods ended	
		September 30	October 31	**September 30**	October 31
	Notes	**2012**	2011	**2012**	2011
Revenues	3	**$ 4,338**	$ 4,623	**$ 12,013**	$ 14,031
Cost of sales	3, 8	**3,710**	3,886	**10,140**	11,843
Gross margin		**628**	737	**1,873**	2,188
SG&A	3	**351**	373	**1,086**	1,100
R&D	3, 4	**69**	74	**196**	196
Other income	3, 5	**(40)**	(11)	**(92)**	(17)
EBIT		**248**	301	**683**	909
Financing expense	6	**145**	192	**452**	531
Financing income	6	**(170)**	(134)	**(488)**	(402)
EBT		**273**	243	**719**	780
Income taxes		**61**	51	**135**	157
Net income		**$ 212**	$ 192	**$ 584**	$ 623
Attributable to:					
Equity holders of Bombardier Inc.		**$ 209**	$ 194	**$ 576**	$ 624
NCI		**3**	(2)	**8**	(1)
		$ 212	$ 192	**$ 584**	$ 623
EPS (in dollars)	7				
Basic and diluted		**$ 0.12**	$ 0.11	**$ 0.32**	$ 0.35

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		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Net income	**$ 212**	$ 192	**$ 584**	$ 623
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges:				
Foreign exchange re-evaluation	**(8)**	11	**-**	(7)
Net gain (loss) on derivative financial instruments designated as cash flow hedges	**179**	(64)	**141**	153
Reclassification to income or to the related non-financial asset	**1**	18	**(7)**	(135)
Income taxes	**(62)**	80	**(55)**	13
	110	45	**79**	24
AFS financial assets:				
Net unrealized gain	**3**	2	**7**	20
Reclassification to income	**-**	-	**(29)**	-
Income taxes	**-**	(2)	**6**	(3)
	3	-	**(16)**	17
CCTD:				
Net investments in foreign operations	**74**	(40)	**54**	43
Net gain (loss) on related hedging items	**(24)**	24	**-**	(24)
	50	(16)	**54**	19
Items that are never reclassified to net income				
Retirement benefits:				
Net actuarial gains (losses)	**138**	(536)	**(28)**	(1,021)
Income taxes	**34**	62	**40**	116
	172	(474)	**12**	(905)
Total OCI	**335**	(445)	**129**	(845)
Total comprehensive income (loss)	**$ 547**	$ (253)	**$ 713**	$ (222)
Attributable to:				
Equity holders of Bombardier Inc.	**$ 543**	$ (249)	**$ 703**	$ (221)
NCI	**4**	(4)	**10**	(1)
	$ 547	$ (253)	**$ 713**	$ (222)

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

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

	Notes	**September 30 2012**	December 31 2011	February 1 2011
Assets				
Cash and cash equivalents		**$ 2,146**	$ 3,372	$ 4,195
Trade and other receivables		**1,410**	1,408	1,377
Inventories	8	**8,346**	7,398	7,307
Other financial assets	9	**461**	526	705
Other assets	10	**624**	559	648
Current assets		**12,987**	13,263	14,232
Invested collateral		**-**	-	676
PP&E		**1,930**	1,864	1,878
Aerospace program tooling		**4,301**	3,168	2,088
Goodwill		**2,297**	2,253	2,358
Deferred income taxes		**1,455**	1,506	1,294
Other financial assets	9	**1,407**	1,305	1,104
Other assets	10	**519**	505	462
Non-current assets		**11,909**	10,601	9,860
		$ 24,896	$ 23,864	$ 24,092
Liabilities				
Trade and other payables		**$ 3,488**	$ 3,210	$ 3,073
Provisions	11	**971**	1,078	1,198
Advances and progress billings in excess of long-term contract inventories		**1,609**	1,885	2,370
Advances on aerospace programs		**2,970**	2,788	2,989
Other financial liabilities	12	**520**	732	860
Other liabilities	13	**2,090**	2,262	2,214
Current liabilities		**11,648**	11,955	12,704
Provisions	11	**533**	594	614
Advances on aerospace programs		**1,385**	1,266	1,193
Non-current portion of long-term debt	14	**5,342**	4,748	4,645
Retirement benefits		**3,223**	3,226	1,975
Other financial liabilities	12	**565**	502	532
Other liabilities	13	**964**	902	908
Non-current liabilities		**12,012**	11,238	9,867
		23,660	23,193	22,571
Equity				
Attributable to equity holders of Bombardier Inc.		**1,191**	639	1,454
Attributable to NCI		**45**	32	67
		1,236	671	1,521
		$ 24,896	$ 23,864	$ 24,092

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital		Deficit			Accumulated OCI						
	Preferred shares	Common shares	Other retained earnings	Net actuarial losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity
As at June 30, 2012	$ 347	$ 1,342	$ 2,536	$ (3,393)	$ 99	$ 8	$ (347)	$ 103	$ 695	$ 41	$ 736
Total comprehensive income											
Net income	-	-	209	-	-	-	-	-	209	3	212
OCI	-	-	-	172	-	3	110	49	334	1	335
	-	-	209	172	-	3	110	49	543	4	547
Dividends	-	-	(53)	-	-	-	-	-	(53)	-	(53)
Share-based expense	-	-	-	-	6	-	-	-	6	-	6
As at September 30, 2012	**$ 347**	**$ 1,342**	**$ 2,692**	**$ (3,221)**	**$ 105**	**$ 11**	**$ (237)**	**$ 152**	**$ 1,191**	**$ 45**	**$ 1,236**
As at July 31, 2011	$ 347	$ 1,321	$ 1,965	$ (2,409)	$ 99	$ 27	$ (239)	$ 169	$ 1,280	$ 39	$ 1,319
Total comprehensive income											
Net income	-	-	194	-	-	-	-	-	194	(2)	192
OCI	-	-	-	(474)	-	-	45	(14)	(443)	(2)	(445)
	-	-	194	(474)	-	-	45	(14)	(249)	(4)	(253)
Options exercised	-	1	-	-	(1)	-	-	-	-	-	-
Dividends	-	-	(50)	-	-	-	-	-	(50)	-	(50)
Share-based expense	-	-	-	-	14	-	-	-	14	-	14
As at October 31, 2011	$ 347	$ 1,322	$ 2,109	$ (2,883)	$ 112	$ 27	$ (194)	$ 155	$ 995	$ 35	$ 1,030

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital		Deficit			Accumulated OCI					
	Preferred shares	Common shares	Other retained earnings	Net actuarial losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity
As at December 31, 2011	$ 347	$ 1,323	$ 2,273	$ (3,233)	$ 118	$ 27	$ (316)	$ 100	$ 639	$ 32	$ 671
Total comprehensive income											
Net income	-	-	576	-	-	-	-	-	576	8	584
OCI	-	-	-	12	-	(16)	79	52	127	2	129
	-	-	576	12	-	(16)	79	52	703	10	713
Options exercised	-	5	-	-	(2)	-	-	-	3	-	3
Dividends	-	-	(154)	-	-	-	-	-	(154)	-	(154)
Shares distributed - PSU plans	-	14	-	-	(14)	-	-	-	-	-	-
Share-based expense	-	-	-	-	3	-	-	-	3	-	3
Purchase of NCI	-	-	(3)	-	-	-	-	-	(3)	3	-
As at September 30, 2012	**$ 347**	**$ 1,342**	**$ 2,692**	**$ (3,221)**	**$ 105**	**$ 11**	**$ (237)**	**$ 152**	**$ 1,191**	**$ 45**	**$ 1,236**
As at February 1, 2011	$ 347	$ 1,324	$ 1,702	$ (1,978)	$ 131	$ 10	$ (218)	$ 136	$ 1,454	$ 67	$ 1,521
Total comprehensive income											
Net income	-	-	624	-	-	-	-	-	624	(1)	623
OCI	-	-	-	(905)	-	17	24	19	(845)	-	(845)
	-	-	624	(905)	-	17	24	19	(221)	(1)	(222)
Options exercised	-	8	-	-	(1)	-	-	-	7	-	7
Repurchase of share capital	-	(2)	(12)	-	-	-	-	-	(14)	-	(14)
Dividends	-	-	(155)	-	-	-	-	-	(155)	-	(155)
Shares distributed - PSU plans	-	50	-	-	(50)	-	-	-	-	-	-
Shares purchased - PSU plans	-	(58)	-	-	-	-	-	-	(58)	-	(58)
Share-based expense	-	-	-	-	32	-	-	-	32	-	32
Purchase of NCI	-	-	(50)	-	-	-	-	-	(50)	(31)	(81)
As at October 31, 2011	$ 347	$ 1,322	$ 2,109	$ (2,883)	$ 112	$ 27	$ (194)	$ 155	$ 995	$ 35	$ 1,030

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		Nine-month periods ended	
		September 30	October 31	**September 30**	October 31
	Notes	**2012**	2011	**2012**	2011
Operating activities					
Net income		**$ 212**	$ 192	**$ 584**	$ 623
Non-cash items:					
Amortization		**90**	93	**262**	258
Deferred income taxes		**33**	23	**60**	45
Gains on disposals of PP&E	5	**(3)**	(1)	**(6)**	(1)
Share-based expense	15	**6**	14	**3**	32
Net change in non-cash balances related to operations	16	**(9)**	(274)	**(1,036)**	(1,695)
Cash flows from operating activities		**329**	47	**(133)**	(738)
Investing activities					
Additions to PP&E and intangible assets		**(576)**	(393)	**(1,500)**	(1,093)
Disposals of PP&E and intangible assets		**10**	-	**42**	9
Proceeds from disposal of invested collateral		**-**	-	**-**	705
Proceeds from disposal of AFS investments in securities	6	**-**	-	**133**	-
Other		**(15)**	(24)	**10**	(71)
Cash flows from investing activities		**(581)**	(417)	**(1,315)**	(450)
Financing activities					
Proceeds from issuance of long-term debt		**-**	8	**509**	103
Repayments of long-term debt		**(5)**	(5)	**(172)**	(13)
Dividends paid[1]		**(53)**	(50)	**(197)**	(155)
Purchase of Class B shares held in trust under the PSU plan	15	**-**	-	**-**	(58)
Repurchase of Class B shares	15	**-**	-	**-**	(14)
Purchase of NCI		**-**	(8)	**-**	(61)
Other		**(43)**	(66)	**57**	(136)
Cash flows from financing activities		**(101)**	(121)	**197**	(334)
Effect of exchange rate on cash and cash equivalents		**20**	(27)	**25**	35
Net decrease in cash and cash equivalents		**(333)**	(518)	**(1,226)**	(1,487)
Cash and cash equivalents at beginning of period		**2,479**	3,226	**3,372**	4,195
Cash and cash equivalents at end of period		**$ 2,146**	$ 2,708	**$ 2,146**	$ 2,708
Supplemental information [2] [3]					
Cash paid for:					
Interest		**$ 59**	$ 40	**$ 181**	$ 164
Income taxes		**$ 31**	$ 24	**$ 64**	$ 97
Cash received for:					
Interest		**$ 30**	$ 10	**$ 83**	$ 32
Income taxes		**$ -**	$ 16	**$ 18**	$ 20

[1] $7 million and $19 million of dividends paid relate to preferred shares for the three- and nine-month periods ended September 30, 2012 ($6 million and $19 million for the three- and nine-month periods ended October 31, 2011).

[2] Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.

[3] Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities. Interest received comprises interest received related to cash and cash equivalents, invested collateral, investments in securities, loans and lease receivable after the effect of hedges, if any, a gain on the sale of AFS investments in securities and the interest portion of a gain related to the resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations.

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended September 30, 2012
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

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1. BASIS OF PREPARATION

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

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s Annual Report for the fiscal year ended December 31, 2011.

These interim consolidated financial statements for the three- and nine-month periods ended September 30, 2012 were authorized for issuance by the Board of directors on November 6, 2012.

Effective December 31, 2011, the Corporation changed its financial year-end from January 31 to December 31. Before the change of year-end, the Corporation was consolidating the operations of BT on a calendar year basis, i.e. with one-month lag with the remainder of its operations. As a result, the comparative three- and nine-month periods ended October 31, 2011 are comprised of three and nine months of results of BA for the periods from August to October and from February to October and of BT for the periods from July to September and from January to September.

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

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

The 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, 2012	December 31, 2011	February 1, 2011
Euro	**1.2930**	1.2939	1.3715
Canadian dollar	**1.0194**	0.9791	0.9978
Pound sterling	**1.6202**	1.5490	1.6040

		Average exchange rates for the three-month periods ended		**Average exchange rates for the nine-month periods ended**
	September 30, 2012	October 31, 2011	**September 30, 2012**	October 31, 2011
Euro	**1.2512**	1.3962	**1.2821**	1.4108
Canadian dollar	**1.0043**	1.0002	**0.9979**	1.0204
Pound sterling	**1.5800**	1.5991	**1.5783**	1.6144

2. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

Consolidation
In May 2011, the IASB released IFRS 10, *Consolidated financial statements*, which replaces SIC-12, *Consolidation – special purpose entities*, and the parts of IAS 27, *Consolidated and separate financial statements* related to the preparation and the presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the determining factor to assess whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 will be effective for the Corporation's fiscal years beginning on January 1, 2013. The Corporation is assessing the impact of the adoption of this standard on its consolidated financial statements.

Joint arrangements
In May 2011, the IASB released IFRS 11, *Joint arrangements*, which supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities - non-monetary contributions by venturers*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as is currently the case under IAS 31. IFRS 11 classifies joint arrangements into two types: joint operations and joint ventures. Joint ventures are arrangements whereby the parties have rights to the net assets, while joint operations are arrangements whereby the parties have rights to the assets and obligations for the liabilities. The standard eliminates choices in the reporting of joint arrangements by requiring the use of the equity method to account for interests in joint ventures, and by requiring joint operators to recognize assets and liabilities in relation to their interests in the arrangements. IFRS 11 will be effective for the Corporation's fiscal years beginning on January 1, 2013.

Although the Corporation has not yet completed its assessment, it expects that a large part of its investments qualifying as joint ventures, currently accounted for under the proportionate consolidation method, will be accounted for using the equity method of accounting under IFRS 11. Under the equity method of accounting, the Corporation's share of net assets, net income and OCI of joint ventures will be presented as one-line items on the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income, respectively. In addition, the consolidated statement of cash flows under the equity method of accounting will include the cash flows between the Corporation and its joint ventures, and not the Corporation's proportionate share of the joint ventures' cash flows.

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

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

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

Employee benefits
In June 2011, the IASB amended IAS 19, *Employee benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). Under the current IAS 19, *Employee benefits* the interest income is presented separately from interest expense and calculated based on the expected return on the plan assets. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendments to IAS 19 will be effective for the Corporation's fiscal years beginning on January 1, 2013.

The following tables illustrate the Corporation expected restatements to its consolidated equity position and net income resulting from the future adoption of the amended IAS 19, *Employee benefits* by the Corporation:

As at:	December 31, 2011	January 31, 2011
Equity as presented	$ 671	$ 1,521
Restatements to prior periods:	(35)	(34)
Restatements to current period:		
Net income	(57)	(75)
OCI	87	74
Equity as restated	$ 666	$ 1,486

For the fiscal years ended:	December 31, 2011			January 31, 2011		
	As presented	Restatements	As restated	As presented	Restatements	As restated
EBIT	$ 1,202	$ (13)	$ 1,189	$ 1,205	$ (15)	$ 1,190
Financing expense	681	(327)	354	684	(305)	379
Financing income	(519)	418	(101)	(476)	373	(103)
Income taxes	203	(47)	156	222	(8)	214
Net income	$ 837	$ (57)	$ 780	$ 775	$ (75)	$ 700

These restatements essentially relate to the above mentioned requirement to calculate the interest expense and income component on a net basis.

The cumulative impact of such restatements on the Corporation's consolidated equity position should not be significant because the recording of lower interest income under the revised standard will be mostly offset by the reversal of accumulated actuarial losses on plan assets previously recognized in AOCI.

3. SEGMENT DISCLOSURE

The Corporation has two reportable segments: BA and BT.

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

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2011.

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

	Three-month period ended September 30, 2012			Three-month period ended October 31, 2011		
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 2,267**	**$ 2,071**	**$ 4,338**	$ 2,305	$ 2,318	$ 4,623
Cost of sales	**1,972**	**1,738**	**3,710**	1,978	1,908	3,886
Gross margin	**295**	**333**	**628**	327	410	737
SG&A	**173**	**178**	**351**	172	201	373
R&D	**37**	**32**	**69**	38	36	74
Other expense (income)	**(38)**	**(2)**	**(40)**	(12)	1	(11)
EBIT	**$ 123**	**$ 125**	**248**	$ 129	$ 172	301
Financing expense			**145**			192
Financing income			**(170)**			(134)
EBT			**273**			243
Income taxes			**61**			51
Net income			**$ 212**			$ 192
Other information						
Net additions to PP&E and intangible assets	**$ 543**	**$ 23**	**$ 566**	$ 356	$ 37	$ 393
Amortization	**$ 59**	**$ 31**	**$ 90**	$ 57	$ 36	$ 93

	Nine-month period ended			Nine-month period ended		
	September 30, 2012			October 31, 2011		
	BA	**BT**	**Total**	BA	BT	Total
Results of operations						
Revenues	**$ 6,031**	**$ 5,982**	**$ 12,013**	$ 6,578	$ 7,453	$ 14,031
Cost of sales	**5,164**	**4,976**	**10,140**	5,638	6,205	11,843
Gross margin	**867**	**1,006**	**1,873**	940	1,248	2,188
SG&A	**512**	**574**	**1,086**	489	611	1,100
R&D	**103**	**93**	**196**	95	101	196
Other expense (income)	**(64)**	**(28)**	**(92)**	(19)	2	(17)
EBIT	**$ 316**	**$ 367**	**683**	$ 375	$ 534	909
Financing expense			**452**			531
Financing income			**(488)**			(402)
EBT			**719**			780
Income taxes			**135**			157
Net income			**$ 584**			$ 623
Other information						
Net additions to PP&E and intangible assets	**$ 1,396**	**$ 62**	**$ 1,458**	$ 988	$ 96	$ 1,084
Amortization	**$ 167**	**$ 95**	**$ 262**	$ 156	$ 102	$ 258

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

	September 30 2012	December 31 2011	February 1 2011
Assets			
Total assets	**$ 24,896**	$ 23,864	$ 24,092
Assets not allocated to segments:			
Cash and cash equivalents	**2,146**	3,372	4,195
Invested collateral	**-**	-	676
Deferred income taxes	**1,455**	1,506	1,294
Segmented assets	**$ 21,295**	$ 18,986	$ 17,927
Liabilities			
Total liabilities	**$ 23,660**	$ 23,193	$ 22,571
Liabilities not allocated to segments:			
Interest payable(1)	**75**	59	89
Income taxes payable(2)	**96**	104	93
Long-term debt(3)	**5,388**	4,941	4,662
Deferred income taxes(2)	**67**	67	53
Segmented liabilities	**$ 18,034**	$ 18,022	$ 17,674
Net segmented assets			
BA	**$ 2,791**	$ 1,010	$ 1,171
BT	**$ 470**	$ (46)	$ (918)

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

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

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
BA				
Manufacturing				
Business aircraft	**$ 1,243**	$ 1,103	**$ 3,142**	$ 3,064
Commercial aircraft	**257**	526	**740**	1,480
Other	**134**	136	**388**	403
Total manufacturing	**1,634**	1,765	**4,270**	4,947
Services[1]	**404**	410	**1,260**	1,240
Other[2]	**229**	130	**501**	391
	2,267	2,305	**6,031**	6,578
BT				
Rolling stock[3]	**1,382**	1,573	**3,985**	5,323
Services[4]	**332**	387	**1,043**	1,043
Systems and signalling[5]	**357**	358	**954**	1,087
	2,071	2,318	**5,982**	7,453
	$ 4,338	$ 4,623	**$ 12,013**	$ 14,031

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

4. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
R&D expenditures	**$ 499**	$ 361	**$ 1,329**	$ 994
Less: development expenditures capitalized to aerospace program tooling	**(461)**	(316)	**(1,216)**	(868)
	38	45	**113**	126
Add: amortization of aerospace program tooling	**31**	29	**83**	70
	$ 69	$ 74	**$ 196**	$ 196

5. OTHER INCOME

Other income was as follows:

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Changes in estimates and fair value[(1)]	**$ (24)**	$ (12)	**$ (38)**	$ (23)
Share of income of associates[(2)]	**(1)**	(3)	**(27)**	(3)
Gain on resolution of a litigation[(3)]	**-**	-	**(23)**	-
Severance and other involuntary termination costs (including changes in estimates)	**2**	4	**6**	5
Gains on disposals of PP&E	**(3)**	(1)	**(6)**	(1)
Other	**(14)**	1	**(4)**	5
	$ (40)	$ (11)	**$ (92)**	$ (17)

(1) Includes net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions, excluding the losses (gains) arising from a change in interest rates.
(2) Includes a $24 million gain following the finalisation of the build-phase of a system and hand-over to the customer, which was recorded through our share of income of associates during the nine-month period ended September 30, 2012.
(3) Represents a portion of a gain of $40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations. The remaining $17 million of the gain was recorded in financing income.

6. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
Financing expense				
Accretion on retirement benefit obligations	**$ 110**	$ 111	**$ 330**	$ 336
Amortization of letter of credit facility costs	**6**	8	**20**	40
Accretion on other financial liabilities	**7**	5	**19**	16
Changes in discount rates of provisions	**3**	1	**5**	7
Accretion on provisions	**-**	3	**1**	14
Net loss on certain financial instruments[1]	**-**	18	**-**	5
Other	**6**	13	**14**	13
	132	159	**389**	431
Interest on long-term debt, after effect of hedges	**13**	33	**63**	100
	$ 145	$ 192	**$ 452**	$ 531
Financing income				
Expected return on pension plan assets	**$ (106)**	$ (111)	**$ (319)**	$ (335)
Net gain on certain financial instruments[1]	**(40)**	-	**(59)**	-
Interest related to the resolution of a litigation[2]	**-**	-	**(17)**	-
Other	**(4)**	(3)	**(10)**	(6)
	(150)	(114)	**(405)**	(341)
Income from investment in securities[3]	**(3)**	(2)	**(32)**	(7)
Interest on loans and lease receivables, after effect of hedges	**(9)**	(10)	**(28)**	(27)
Interest on cash and cash equivalents	**(8)**	(8)	**(23)**	(24)
Interest on invested collateral	**-**	-	**-**	(3)
	(20)	(20)	**(83)**	(61)
	$ (170)	$ (134)	**$ (488)**	$ (402)

(1) Includes net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
(2) Represents the interest portion of a gain of $40 million upon the successful resolution of a litigation in connection with Part I.3 of the Canadian Income Tax Act, the Tax on Large Corporations. The remaining $23 million of the gain was recorded in other income.
(3) Includes a gain of $22 million on a sale of a zero coupon bond investment classified as AFS, prior to its maturity.

Borrowing costs capitalized to PP&E and intangible assets totalled $49 million and $127 million for the three- and nine-month periods ended September 30, 2012, using average capitalization rates of 5.71% ($27 million and $69 million using average capitalization rates of 5.41% and 5.52% for the three- and nine-month periods ended October 31, 2011, 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).

7. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows for:

	Three-month periods ended		Nine-month periods ended	
	September 30 2012	October 31 2011	**September 30 2012**	October 31 2011
(Number of shares, stock options, PSUs and DSUs, in thousands)				
Net income attributable to equity holders of Bombardier Inc.	**$ 209**	$ 194	**$ 576**	$ 624
Preferred share dividends, including taxes	**(9)**	(6)	**(21)**	(19)
Net income attributable to common equity holders of Bombardier Inc.	**$ 200**	$ 188	**$ 555**	$ 605
Weighted-average number of common shares outstanding	**1,731,533**	1,723,690	**1,730,632**	1,725,105
Net effect of stock options, PSUs and DSUs	**4,904**	13,301	**7,013**	20,833
Weighted-average diluted number of common shares	**1,736,437**	1,736,991	**1,737,645**	1,745,938
EPS (in dollars)				
Basic and diluted	**$ 0.12**	$ 0.11	**$ 0.32**	$ 0.35

The effect of the exercise of stock options, PSUs and DSUs was included in the calculation of diluted EPS in the above table, except for 24,713,097 and 25,545,384 stock options, PSUs and DSUs for the three- and nine-month periods ended September 30, 2012 (27,826,523 and 18,349,947 stock options, PSUs and DSUs for the three- and nine-month periods ended October 31, 2011) since the average market value of the underlying shares was lower than the exercise price or because predetermined target market price thresholds of the Corporation's Class B Shares (subordinate voting) or predetermined financial performance targets had not been met.

8. INVENTORIES

Inventories were as follows as at:

	September 30, 2012	December 31, 2011	February 1, 2011
Aerospace programs	**$ 4,441**	$ 3,845	$ 4,146
Long-term contracts			
Production contracts			
Cost incurred and recorded margins	**6,269**	6,286	5,213
Less: advances and progress billings	**(4,400)**	(4,549)	(3,736)
	1,869	1,737	1,477
Service contracts			
Cost incurred and recorded margins	**423**	380	512
Less: advances and progress billings	**(27)**	(45)	(73)
	396	335	439
Finished products[(1)]	**1,640**	1,481	1,245
	$ 8,346	$ 7,398	$ 7,307

(1) Finished products include 10 new aircraft not associated with a firm aircraft order and 87 pre-owned aircraft, totalling $728 million as at September 30, 2012 (5 new aircraft and 95 pre-owned aircraft, totalling $691 million as at December 31, 2011 and 8 new aircraft and 68 pre-owned aircraft, totalling $532 million as at February 1, 2011).

Finished products as at September 30, 2012 include $199 million of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($162 million as at December 31, 2011 and $209 million as at February 1, 2011). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $3,393 million and $9,230 million for the three- and nine-month periods ended September 30, 2012 ($3,623 million and $10,998 million for the three- and nine-month periods ended October 31, 2011). These amounts include $19 million and $54 million of write-downs for the three- and nine-month periods ended September 30, 2012 ($22 million and $55 million for the three- and nine-month periods ended October 31, 2011).

9. OTHER FINANCIAL ASSETS

Other financial assets were as follows as at:

	September 30, 2012	December 31, 2011	February 1, 2011
Derivative financial instruments	**$ 809**	$ 548	$ 557
Aircraft loans and lease receivables	**441**	472	432
Investments in securities[1]	**249**	423	415
Investments in financing structures	**240**	243	242
Servicing fees	**58**	57	49
Restricted cash	**39**	51	58
Other	**32**	37	56
	$ 1,868	$ 1,831	$ 1,809
Of which current	**$ 461**	$ 526	$ 705
Of which non-current	**1,407**	1,305	1,104
	$ 1,868	$ 1,831	$ 1,809

[1] Includes no securities ceded as collateral for guarantees issued in connection with the sale of aircraft as at September 30, 2012 ($167 million as at December 31, 2011 and $152 million as at February 1, 2011).

10. OTHER ASSETS

Other assets were as follows as at:

	September 30, 2012	December 31, 2011	February 1, 2011
Prepaid expenses	**$ 370**	$ 298	$ 327
Intangible assets other than aerospace program tooling and goodwill	**210**	227	243
Sales tax and other taxes	**203**	185	183
Flexjet fractional ownership deferred costs	**179**	186	156
Deferred financing charges	**81**	85	65
Investments in associates[1]	**52**	37	57
Retirement benefits	**13**	13	29
Other	**35**	33	50
	$ 1,143	$ 1,064	$ 1,110
Of which current	**$ 624**	$ 559	$ 648
Of which non-current	**519**	505	462
	$ 1,143	$ 1,064	$ 1,110

[1] The Corporation has pledged shares in associates, with a carrying value of $45 million as at September 30, 2012 ($30 million as at December 31, 2011 and $33 million as at February 1, 2011).

11. PROVISIONS

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

	Product warranties	Credit and residual value guarantees	Restructuring	Other [(1)]	Total
Balance as at December 31, 2011	**$ 1,073**	**$ 456**	**$ 38**	**$ 105**	**$ 1,672**
Additions	**130**	**-**	**10**	**6**	**146**
Utilization	**(181)**	**-**	**(11)**	**(5)**	**(197)**
Reversals	**(43)**	**(21)**	**(6)**	**(5)**	**(75)**
Accretion expense	**-**	**1**	**-**	**-**	**1**
Effect of changes in discount rates	**-**	**2**	**-**	**-**	**2**
Effect of foreign currency exchange rate changes	**(13)**	**-**	**-**	**(2)**	**(15)**
Balance as at June 30, 2012	**966**	**438**	**31**	**99**	**1,534**
Additions	**57**	**-**	**1**	**5**	**63**
Utilization	**(73)**	**(1)**	**(3)**	**(1)**	**(78)**
Reversals	**(5)**	**(34)**	**-**	**-**	**(39)**
Effect of changes in discount rates	**-**	**3**	**-**	**-**	**3**
Effect of foreign currency exchange rate changes	**19**	**-**	**-**	**2**	**21**
Balance as at September 30, 2012	**$ 964**	**$ 406**	**$ 29**	**$ 105**	**$ 1,504**
Of which current	**$ 817**	**$ 65**	**$ 25**	**$ 64**	**$ 971**
Of which non-current	**147**	**341**	**4**	**41**	**533**
	$ 964	**$ 406**	**$ 29**	**$ 105**	**$ 1,504**

	Product warranties	Credit and residual value guarantees	Restructuring	Other [(1)]	Total
Balance as at February 1, 2011	$ 1,120	$ 493	$ 70	$ 129	$ 1,812
Additions	197	-	1	4	202
Utilization	(180)	(58)	(26)	(11)	(275)
Reversals	(38)	(20)	(3)	(1)	(62)
Accretion expense	1	10	-	-	11
Effect of changes in discount rates	1	5	-	-	6
Effect of foreign currency exchange rate changes	25	-	2	2	29
Balance as at July 31, 2011	1,126	430	44	123	1,723
Additions	140	-	15	3	158
Utilization	(155)	-	(4)	(2)	(161)
Reversals	(36)	(10)	(1)	(4)	(51)
Accretion expense	-	3	-	-	3
Effect of changes in discount rates	-	1	-	-	1
Effect of foreign currency exchange rate changes	(10)	-	(1)	(1)	(12)
Balance as at October 31, 2011	$ 1,065	$ 424	$ 53	$ 119	$ 1,661
Of which current	$ 923	$ 38	$ 47	$ 57	$ 1,065
Of which non-current	142	386	6	62	596
	$ 1,065	$ 424	$ 53	$ 119	$ 1,661

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

12. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows as at:

	September 30, 2012	December 31, 2011	February 1, 2011
Government refundable advances	**$ 391**	$ 317	$ 284
Derivative financial instruments	**243**	344	677
Sale and leaseback obligations	**215**	163	216
Lease subsidies	**133**	140	161
Current portion of long-term debt	**46**	193	17
Vendor non-recurring costs	**6**	13	15
Other	**51**	64	22
	$ 1,085	$ 1,234	$ 1,392
Of which current	**$ 520**	$ 732	$ 860
Of which non-current	**565**	502	532
	$ 1,085	$ 1,234	$ 1,392

13. OTHER LIABILITIES

Other liabilities were as follows as at:

	September 30, 2012	December 31, 2011	February 1, 2011
Accruals for long-term contract costs	**$ 710**	$ 816	$ 796
Employee benefits[(1)]	**665**	672	714
Deferred revenues	**464**	424	450
Supplier contributions to aerospace programs	**362**	348	314
Flexjet fractional ownership deferred revenues	**207**	212	196
Income and other taxes payable	**143**	216	166
Deferred income taxes	**67**	67	53
Other	**436**	409	433
	$ 3,054	$ 3,164	$ 3,122
Of which current	**$ 2,090**	$ 2,262	$ 2,214
Of which non-current	**964**	902	908
	$ 3,054	$ 3,164	$ 3,122

(1) Comprised of all employee benefits excluding those related to retirement benefits, which are reported in the line items retirement benefits and in other assets.

14. LONG-TERM DEBT

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

On March 8, 2012, the Corporation issued $500 million of unsecured Senior Notes, at par, due in March 2022, bearing interest at 5.75%. The Corporation used $151 million of the net proceeds of $492 million to repay at maturity the 6.75% Notes due in May 2012.

15. SHARE-BASED PLANS

PSU and DSU plans
The number of PSUs and DSUs has varied as follows:

	Three-month period ended		Three-month period ended	
	September 30, 2012		October 31, 2011	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**14,238,196**	**4,402,972**	19,393,114	4,332,000
Granted	**10,179,204**	**2,463,449**	57,000	35,000
Exercised	**-**	**(43,865)**	-	-
Cancelled	**(138,526)**	**(99,000)**	(232,424)	-
Balance at end of period	**24,278,874**	**6,723,556** [(1)]	19,217,690	4,367,000

	Nine-month period ended		Nine-month period ended	
	September 30, 2012		October 31, 2011	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**19,149,004**	**4,367,000**	18,225,184	2,966,000
Granted	**10,232,204**	**2,630,461**	6,809,306	1,562,000
Performance adjustment	**47,359**	**10,960**	1,156,478	-
Exercised	**(4,783,276)**	**(43,865)**	(6,413,195)	-
Cancelled	**(366,417)**	**(241,000)**	(560,083)	(161,000)
Balance at end of period	**24,278,874**	**6,723,556** [(1)]	19,217,690	4,367,000

[(1)] Of which 1,168,093 DSUs are vested.

The compensation expense recorded during the three-month period ended September 30, 2012 with respect to the PSU and DSU plans, amounted to $5 million. The compensation revenue recorded during the nine-month period ended September 30, 2012 amounted to $2 million due to the revision in the second quarter of fiscal year 2012 of assumptions related to future performance (a compensation expense of $12 million and $27 million was recorded during the three- and nine-month periods ended October 31, 2011).

As authorized by the Board of Directors, the Corporation intends to repurchase for cancellation, in connection with, inter alia, the DSU plan, from June 21, 2012 to June 20, 2013, up to 6,000,000 Class B Shares (subordinate voting) (“Class B Shares”) and up to 1,310,334 Class A Shares (multiple voting) (“Class A Shares”) (from June 17, 2011 to June 16, 2012, up to 2,006,000 Class B Shares and 438,263 Class A Shares). During the three- and nine-month periods ended September 30, 2012, no Class B Shares were repurchased and cancelled (2,006,000 Class B Shares were repurchased and cancelled for a total amount of $14 million during the nine-month period ended October 31, 2011).

In connection with the PSU plan, the trustee purchased 8,275,000 Class B Shares for $58 million during the nine-month periods ended October 31, 2011. As at September 30, 2012, 24,542,027 Class B Shares were held in trust under the PSU plan (29,321,479 as at December 31, 2011 and 27,459,674 as at February 1, 2011).

Share option plans

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

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
	2012	2011	**2012**	2011
Balance at beginning of period	**22,883,969**	28,343,096	**27,249,846**	35,911,189
Granted	**6,422,071**	25,000	**6,512,071**	3,598,000
Exercised	**-**	(46,250)	**(1,674,750)**	(1,942,862)
Cancelled	**(368,000)**	(214,000)	**(1,099,127)**	(976,981)
Expired	**(147,500)**	(582,000)	**(2,197,500)**	(9,063,500)
Balance at end of period	**28,790,540**	27,525,846	**28,790,540**	27,525,846

A compensation expense of $1 million and $5 million was recorded during the three- and nine-month periods ended September 30, 2012 with respect to share option plans ($2 million and $5 million for the three- and nine-month periods ended October 31, 2011).

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

Net change in non-cash balances related to operations was as follows:

	Three-month periods ended		Nine-month periods ended	
	September 30	October 31	**September 30**	October 31
	2012	2011	**2012**	2011
Trade and other receivables	**$ (84)**	$ 54	**$ 9**	$ (116)
Inventories	**50**	(196)	**(835)**	(986)
Other financial assets and liabilities, net	**(129)**	(107)	**(70)**	(167)
Other assets	**37**	(26)	**(80)**	(86)
Trade and other payables	**402**	178	**290**	289
Provisions	**(52)**	(49)	**(175)**	(168)
Advances and progress billings in excess of long-term contract inventories	**(188)**	(279)	**(291)**	(437)
Advances on aerospace programs	**(38)**	260	**301**	105
Retirement benefit liability	**8**	19	**19**	32
Other liabilities	**(15)**	(128)	**(204)**	(161)
	$ (9)	$ (274)	**$ (1,036)**	$ (1,695)

17. CREDIT FACILITIES

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

In March 2012, the Corporation entered into a three-year unsecured revolving credit facility amounting to €500 million ($647 million), available to BT for cash drawings. The facility matures in March 2015 and bears interest at EURIBOR plus a margin.

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

18. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2012	December 31, 2011	February 1, 2011
Aircraft sales			
Residual value	**$ 2,048**	$ 2,108	$ 2,239
Credit	**1,307**	1,389	1,453
Mutually exclusive exposure[(1)]	**(699)**	(771)	(806)
Total credit and residual value exposure	**$ 2,656**	$ 2,726	$ 2,886
Trade-in commitments	**2,309**	1,619	1,214
Conditional repurchase obligations	**539**	605	594
Other			
Credit and residual value	**161**	156	159
Performance guarantees	**37**	36	34

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

Provisions for anticipated losses amounted to $406 million as at September 30, 2012 ($456 million as at December 31, 2011 and $493 million as at February 1, 2011). In addition, lease subsidy liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $133 million as at September 30, 2012 ($140 million as at December 31, 2011 and $161 million as at February 1, 2011).

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

While the Corporation cannot predict the final outcome of legal proceedings pending as at September 30, 2012, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

19. RECLASSIFICATION

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

20. EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the quarter, BT announced measures to improve its competitiveness and cost structure. These measures include the closure of a plant in Aachen, Germany, and the reduction of worldwide direct and indirect personnel by approximately 1,200 employees, including Aachen. BT is in the process of assessing the impact of these measures and expects to record a restructuring charge in the fourth quarter of the fiscal year ending December 31, 2012 which should not exceed $150 million.