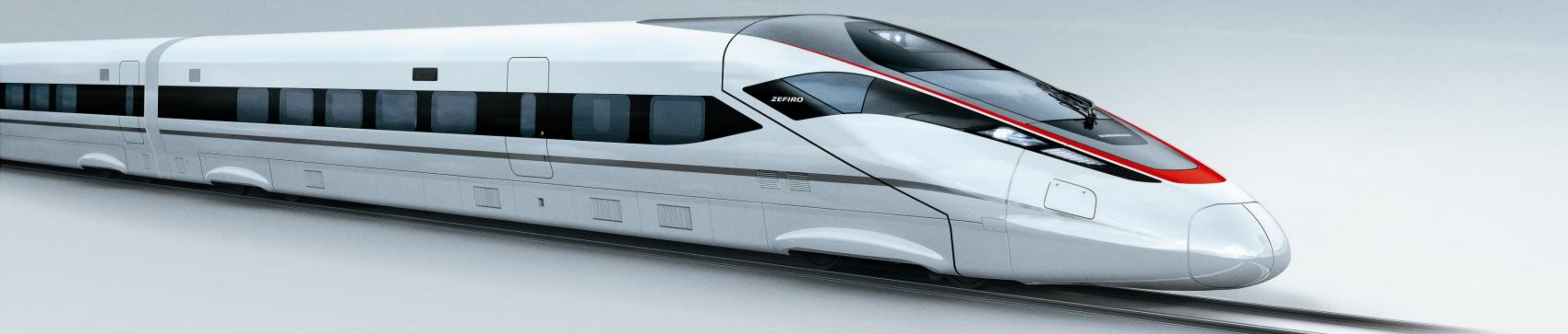

# Annual Information Form

For the year ended December 31, 2013

February 13, 2014



BOMBARDIER
the evolution of mobility

NOTES:

(1) In this Annual Information Form, all dollar figures are in U.S. dollars, unless otherwise indicated. Certain totals, subtotals and percentages may not agree due to rounding.

(2) *ALP, Bombardier, BOMBARDIER 415, MP, CHALLENGER, CHALLENGER 300, CHALLENGER 605, CHALLENGER 800, CITYFLO, CRJ, CRJ100, CRJ200, CRJ700, CRJ900, CRJ1000, CS100, CS300, CSERIES, EBI, ELECTROSTAR, FLEXITY, FLEXX, GLOBAL, GLOBAL 5000, GLOBAL 6000, GLOBAL 7000, GLOBAL 8000, INNOVIA, INTERFLO, Q-SERIES, Q400, LEARJET, LEARJET 40, LEARJET 45, LEARJET 60, LEARJET 70, LEARJET 75, LEARJET 85, MITRAC*, *MOVIA*, *NEXTGEN, OMNEO*, *ORBIFLO*, *ORBITA*, *PRIMOVE*, *REGINA*, *SPACIUM*, *SMART PARTS*, *SMARTFIX TALENT*, *TRAXX*, *TWINDEXX*, *WAKO*, *XR*, *ZEFIRO* are trademarks belonging to Bombardier Inc. or its subsidiaries.

(3) This Annual Information Form contains references to trademarks of third parties for the purpose of describing Bombardier’s competitive environment and the development of its businesses.

(4) In this Annual Information Form, the term “Bombardier” means, as required by the context, the Corporation and its subsidiaries on a consolidated basis or the Corporation or one or more of its subsidiaries. The term “Aerospace” refers to the Corporation’s aerospace reportable segment and the term “Transportation” refers to the Corporation’s transportation reportable segment.

(5) Information is as at December 31, 2013, unless otherwise noted.

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[1] As filed on SEDAR ( www.sedar.com) on February 13, 2014.

# Item 1. Corporate Structure

## 1.1 Incorporation of the Issuer

Bombardier Inc. (the "Corporation" or "Bombardier") was incorporated by letters patent under the laws of Canada on June 19, 1902 and was continued under the *Canada Business Corporations Act* (the "CBCA") by a certificate of continuance dated June 23, 1978, which was subsequently the subject of certain amendments. Over the years, the Corporation has filed articles of amendment in order to, among other things, change the structure of its authorized share capital, including to change the rights, privileges, restrictions and conditions attached thereto, reflect various two-for-one stock splits of the Class A shares (multiple voting) (the "Class A shares") and Class B shares (subordinate voting) (the "Class B subordinate shares"), and filed articles of amalgamation to reflect mergers and amalgamations with, among others, various subsidiaries and affiliates.

The head and registered office of the Corporation is located at 800 René-Lévesque Boulevard West, Montréal, Québec H3B 1Y8. Its telephone number is (514) 861-9481 and its website is www.bombardier.com.

## 1.2 Subsidiaries

The activities of the Corporation are conducted either directly or through subsidiaries. The table below lists the principal subsidiaries of each reportable segment of the Corporation as at December 31, 2013, as well as their jurisdiction of incorporation and the percentage of voting shares held directly or indirectly by the Corporation. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation's consolidated assets or whose revenues did not represent more than 10% of the Corporation's consolidated revenues as at December 31, 2013[1], have been omitted. The subsidiaries that have been omitted represent, as a group, less than 20% of the consolidated assets and revenues of the Corporation as at December 31, 2013.

| | |
|---|---|
| **Aerospace** | |
| Learjet Inc. (Kansas) | 100% |
| Bombardier Aerospace Corporation (Delaware) | 100% |
| Short Brothers PLC (Northern Ireland) | 100% |
| **Transportation** | |
| Bombardier Transportation GmbH (Germany) | 100% |
| Bombardier Transportation (Holdings) UK Ltd. (United Kindgom) | 100% |
| Bombardier Transportation Financial Services S.à r.l. (Luxembourg) | 100% |
| Bombardier Transportation Canada Inc. (Canada) | 100% |
| Bombardier Transportation (Switzerland) AG (Switzerland) | 100% |
| Bombardier Transportation Italy S.p.A. (Italy) | 100% |
| Bombardier Transportation Sweden AB (Sweden) | 100% |
| Bombardier Transport France S.A.S. (France) | 100% |
| Bombardier Transportation (Holdings) USA Inc. (Delaware) | 100% |
| **Others** | |
| Bombardier Corporation (Idaho) | 100% |

[1] Based on the Corporation's consolidated financial statements for the fiscal year ended December 31, 2013 filed on SEDAR (www.sedar.com) on February 13, 2014.

# Item 2. General Development of the Business

## 2.1 General

The Corporation is the world's only manufacturer of both planes and trains, operating under two broad segments: aerospace through Aerospace and rail transportation through Transportation. Looking far ahead while delivering today, the Corporation is evolving mobility worldwide by answering the call for more efficient, sustainable and enjoyable transportation everywhere. The Corporation's products, services, and most of all its employees, are what make it a global leader in transportation.

## 2.2 History

The main developments in the business of the Corporation and its most significant transactions during the past three years are as described below.

On February 25, 2011, Transportation announced that it has acquired the remaining 60% of the shares in the joint venture Bombardier Transportation (ZWUS) Polska Sp. z o.o, from its partner Polish railways PKP S.A. and became the sole owner of the company. The purchase price for the shares amounts to $52 million and, subject to certain conditions, may be increased by an additional amount not greater than $29 million depending on contract conditions to be fulfilled regarding the size of the signalling market in Poland.

On March 1, 2011, Aerospace announced the largest business aircraft sale in Bombardier's history with a firm order from NetJets Inc. for 50 *GLOBAL* business jets with options for an additional 70 *GLOBAL* aircraft. The transaction for the firm order is valued at approximately $2.8 billion based on list prices. If all the options are exercised, the total value of the order will surpass $6.7 billion, also based on list prices. On November 29, 2012, Aerospace announced that NetJets took delivery of the first Signature Series *GLOBAL 6000* jet.

Following the signing of a share purchase agreement in Moscow on December 13, 2010, Transportation confirmed on March 2, 2011, that BT Signaling B.V. purchased a stake in the signalling equipment manufacturer United Electrical Engineering Plants, known as Elteza. BT Signaling B.V. purchased a 25% stake in Elteza, a subsidiary of Russian Railways ("RZD"). Further to the receipt of the required approval, BT Signaling B.V. increased its stake to 50%. RZD remains the majority shareholder.

On March 24, 2011, Bombardier and the Commercial Aircraft Corporation of China Ltd. ("COMAC") signed a framework agreement to establish a long-term strategic cooperation on commercial aircraft. This long-term strategic cooperation agreement is based on both COMAC's and Bombardier's desire to build on the potential complementary nature of their products and respective expertise. This includes exploring collaboration in marketing, customer relationship and customer support strategies to help each other increase overall market share in emerging and mature markets. On March 21, 2012, COMAC and Bombardier signed a definitive agreement covering program commonalities between the C919 and *CSERIES* aircraft. The two leading aircraft manufacturers have agreed to cooperate on four distinctive projects to be executed as part of the first phase of COMAC and Bombardier's long-term collaboration on the C919 aircraft and the *CSERIES* families of commercial airliners. On November 13, 2012 Aerospace announced the successful completion of Phase I and the launch of Phase II of the framework agreement. On June 17, 2013, Aerospace announced the signature of a strategic definitive agreement covering four distinctive projects to be executed as part of Phase II.

On March 30, 2011, Aerospace reached a significant program milestone with the entry into service of its 100th *GLOBAL 5000* business jet.

On April 18, 2011, Transportation announced that it has signed a nine-year framework agreement with Deutsche Bahn Regio AG, Germany, for 200 *TRAXX* diesel locomotives, with a value estimated at $867 million. A firm order for 20 locomotives valued at $90 million was obtained under this framework agreement.

On May 9, 2011, Transportation announced that it has signed a framework agreement with Siemens AG, Germany, to become a partner to develop and supply important components for up to 300 ICx high speed trains for Deutsche Bahn AG. A firm order for 130 trains valued at $1.8 billion for Transportation was obtained under this Framework Agreement.

On May 27, 2011, Bombardier announced the closing of a €3.4 billion (then approximately $4.9 billion) Letter of Credit Facility with a syndicate of first quality international financial institutions. The facility is set up for the sole benefit of Transportation. This facility is the renewal of the previous €3.75 billion letter of credit facility entered into on December 17, 2008 which was maturing in 2013. Subsequent to the financial quarter ended on March 31, 2012, Bombardier announced that the maturity date of this facility has been extended for an additional year, from May 2016 to May 2017.

On June 13, 2011, Transportation announced that it was creating a Product Design and Development Centre for North America in Saint-Bruno, Québec. Transportation will also build a new state-of-the-art test track at its manufacturing plant in La Pocatière, Québec. At the time, these projects were to represent a total investment of $17 million over the next 18 months. On December 17, 2012, Transportation inaugurated its Prototyping Center (research and development) in Saint-Bruno-de-Montarville to consolidate its leadership position in the North American rail industry. Transportation is reinforcing its presence in Québec by consolidating the product development activities that precede manufacturing, namely design and engineering testing.

On June 21, 2011, Aerospace announced that VistaJet of Switzerland had placed a firm order for 10 *GLOBAL 8000* aircraft. The total value of the order is approximately $650 million, based on 2011 list prices for typically equipped aircraft.

On June 22, 2011, Bombardier announced that it had closed both a Letter of Credit and Revolver Facility agreement totaling $1.35 billion with a syndicate of first quality financial institutions, mainly North American-based. The $600 million letter of credit and the $750 million unsecured revolving credit facilities which mature in June 2014 are dedicated to supporting Aerospace's operations as well as the general needs of the Corporation. They replace two agreements: a $600 million letter of credit facility entered into on July 2, 2009 which was set to expire in December 2011 and a $500 million unsecured revolving credit facility entered into on September 2, 2009, which was scheduled to mature in August 2011. Subsequent to the financial quarter ended on March 31, 2012, Bombardier announced that the letter of credit and the unsecured revolving credit facilities availability periods had been extended for an additional year to June 2015.

On July 20, 2011, Transportation announced that, pursuant to the original contract announced in July 2006, the Chicago Transit Authority ("CTA") had placed orders for 300 additional rapid transit cars. These orders are valued at approximately $331 million bringing the total number of cars ordered by CTA to 706, and the total value of the contract to approximately $1 billion.

On September 8, 2011, Transportation hosted the global launch of the *FLEXITY* 2 tram in Blackpool, UK. Blackpool and Lancashire County Council purchased the world's most advanced tram technology from Transportation to revitalize Britain's most traditional tram system and will operate 16 new ultra-modern vehicles on the Blackpool and Fleetwood tramway.

On September 20, 2011, Aerospace announced that it had taken a measured decision to reduce the production output of its *CRJ* aircraft, effective January 2012, to align with the then current market demand. As a result of mitigation actions, which included employee transfers to other current and in-development aircraft programs at Aerospace, no manpower impact was anticipated.

On November 16, 2011, Aerospace announced that it had signed a memorandum of understanding with the Government of the Kingdom of Morocco for the establishment of a manufacturing facility in Morocco. Aerospace intends to invest approximately $200 million in equipment, buildings and start-up costs over the next eight years. On February 7, 2013, Aerospace announced that it had begun production at its transitional facility in Morocco. On September 30, 2013, in the presence of King Mohammed VI, Aerospace celebrated the opening of the Midparc Casablanca Free Zone, in Nouaceur, with a symbolic groundbreaking on the site of the future Bombardier manufacturing facility. Construction of Bombardier's facility began in September 2013, and is scheduled to be completed mid-2014.

On November 30, 2011, Bombardier's Board of Directors approved the change of financial year-end from January 31 to December 31, effective December 31, 2011. This change aligned the financial year ends of Aerospace and Transportation, simplifying internal processes as all business units are now using the same reporting periods.

On December 23, 2011, Transportation announced that it had received an order for 90 electric multiple units of the 430 series from Deutsche Bahn Regio AG, Germany. The order value totals around $648 million.

On January 10, 2012, Aerospace announced the details of the further expansion of its *LEARJET's* Wichita facility. This expansion will also help create approximately 450 new jobs over the course of seven to ten years. This expansion is being supported by an incentive offer worth $16 million in financial support from the State of Kansas, which will be added to the $600 million investment Bombardier is currently making to develop the *LEARJET 85* midsize jet and to expand *LEARJET's* Wichita facility.

On January 19, 2012, Aerospace announced that Geneva-based PrivatAir had placed a firm order for five *CS100* airliners and had taken options on an additional five *CS100* aircraft. Based on list prices, the airline's firm order is valued at approximately $309 million and could increase to approximately $636 million should all five options be exercised.

On February 10, 2012, Aerospace announced that the airline PT. Garuda Indonesia (Persero) Tbk had signed a firm order for six *CRJ1000 NEXTGEN* regional jets and taken options on another 18. Based on list prices, the airline's firm order is valued at approximately $297 million and could increase to approximately $1.32 billion should all 18 options be exercised.

On March 8, 2012 Bombardier announced that it had successfully closed its issuance of $500 million of 5.75% Senior Notes due on March 15, 2022 at par. Bombardier intends to use the net proceeds of this offering to finance the repayment and retirement at maturity of Bombardier's 6.75% Notes due May 1, 2012 ($151 million) and for general corporate purposes.

On March 9, 2012, Aerospace announced that Eurolot S.A. of Warsaw Poland ("Eurolot") had placed a firm order to acquire eight *Q400 NEXTGEN* airliners and had taken options on an additional 12 *Q400 NEXTGEN* aircraft. Based on list prices, the firm order contract is valued at approximately $246 million and the contract value would increase to $625 million should all 12 options be converted into firm orders. On June 19, 2012, Aerospace announced that it had signed a five-year agreement under its *Q400 SMART PARTS* Program with Eurolot. On September 4, 2012, Aerospace announced that Eurolot had converted options on six *Q400 NEXTGEN* airliners to a firm order that will increase its fleet to 14 *Q400 NEXTGEN* aircraft. On December 9, 2013, Aerospace announced that Eurolot had enrolled its three newest *Q400 NEXTGEN* aircraft in the *SMART PARTS* Program.

On March 28, 2012 and April 13, 2012, Aerospace announced that following certification from the European Aviation Safety Agency and the United States Federal Aviation Administration ("FAA"), the Bombardier Vision Flight Deck entered into service on schedule on the *GLOBAL 5000* and the *GLOBAL 6000* aircraft.

On March 30, 2012, Bombardier announced that it had closed an unsecured €500 million (then approximately $665 million) revolving facility with a syndicate of international financial institutions. The facility is set up for the sole benefit of Transportation. This new facility is dedicated to supporting the general corporate purposes of Transportation. The facility matures in March 2015.

On May 1, 2012, Aerospace inaugurated its first All-Series Operators Conference General Session by announcing that it had signed a comprehensive, five-year agreement with Luxair Airline to extend Bombardier *SMART PARTS* program coverage for European *Q400* turboprop operator Luxair, the national airline of the Grand Duchy of Luxembourg.

On May 14, 2012, Aerospace 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 feature a new interior, new cabin management system, the Bombardier Vision Flight Deck and an improved engine. The *LEARJET 75* and *LEARJET 70* were certified in November 2013 and December 2013, respectively.

On June 4, 2012, Transportation announced that it had signed a contract for 300 subway cars with the Metropolitan Transportation Authority to be delivered to New York City Transit. The order is valued at approximately $599 million.

On June 11, 2012, Aerospace announced a firm order from NetJets Inc. for 100 *CHALLENGER* business jets with options for an additional 175 aircraft. Bombardier also announced a long-term aftermarket support agreement with NetJets for a term of up to 15 years, which was valued at $800 million, assuming certain aircraft usage projections. The transaction for the firm aircraft order was valued at approximately $2.6 billion based on 2012 list prices. If all the options were exercised, the total value of the order would be approximately $7.3 billion, and the aftermarket agreement would be valued at up to $2.3 billion, for a combined sale and aftermarket agreement valued at approximately $9.6 billion.

On June 14, 2012, Transportation announced that it had signed a contract with the San Francisco Bay Area Rapid Transit District ("BART") for the supply of 260 new rail cars. The order is valued at approximately $631 million. The contract includes options which, if exercised, would bring the total number of cars ordered to 775 and the total value of the order to approximately $1.5 billion. On June 26, 2012, Transportation announced that BART confirmed the exercise of an option for 150 additional rail cars valued at approximately $266 million. With this option, Transportation now has firm orders for 410 cars with a total value of approximately $897 million. On January 7, 2014, Transportation announced that BART confirmed an order for 365 additional rail cars, valued at approximately $639 million.

On June 20, 2012, Aerospace announced that Nordic Aviation Capital had signed a firm order for 12 *CRJ1000 NEXTGEN* regional jets to be leased to PT. Garuda Indonesia (Persero) Tbk. Based on list prices, the airline's firm order is valued at approximately $595 million.

On June 29, 2012, Transportation announced that it will supply 210 double-deck commuter train cars for line A of the RER, the Greater Paris commuter network. The new order is an option under a contract signed in April 2009 for a firm order of 60 MI09 trains. The order is valued at a total of approximately €1 billion (then approximately $1.3 billion). As a consortium member responsible for one third of the order, Transportation's share will amount to approximately €336 million (then approximately $417 million). Deliveries will take place between 2014 and the end of 2016.

On July 8, 2012, Aerospace announced that a new customer had placed a conditional order for five *CS100* and 10 *CS300* jetliners. On October 18, 2013, Aerospace announced that the customer was CDB Leasing Co., Ltd., one of

China's top leasing companies. The purchase agreement also includes options on an additional five *CS100* and 10 *CS300* aircraft, for a total of up to 30 *CSERIES* aircraft. Based on list prices of the *CS100* and *CS300* aircraft, the contract was valued at approximately $1 billion. Should all 15 options be exercised, the value of the contract would increase to $2.07 billion.

On August 1, 2012, Aerospace announced that a conditional order placed by WestJet had been converted to a firm purchase agreement for up to 45 *Q400 NEXTGEN* airliners. The transaction includes a firm order for 20 *Q400 NEXTGEN* aircraft and options on an additional 25 aircraft. Based on list prices, this firm order is valued at approximately $683 million, and could increase to approximately $1.6 billion should the 25 options be converted to firm orders.

On November 7, 2012, Transportation announced measures to improve its competitiveness and cost structure. These measures included the closure of a plant in Aachen, Germany, and the reduction of direct and indirect personnel by approximately 1,200 employees worldwide, including Aachen.

On November 27, 2012, Aerospace announced that VistaJet, a world-leading luxury aviation company and exclusive operator of Bombardier business aircraft, had signed a deal for up to 142 *GLOBAL* business jets which includes firm orders for 56 *GLOBAL* jets and options for a further 86 *GLOBAL* jets. Based on 2012 list prices, the transaction could be valued at more than $7.8 billion if all options are exercised. The value of the firm order is approximately $3.1 billion based on 2012 list prices.

On December 6, 2012, Aerospace announced that Delta Air Lines, Inc. of Atlanta, Georgia had placed a firm order for 40 *CRJ900 NEXTGEN* regional jets and has taken options on an additional 30 *CRJ900 NEXTGEN* aircraft. Based on 2012 list prices, the firm order is valued at approximately $1.9 billion, and could reach approximately $3.29 billion if the 30 options are converted to firm orders.

On December 7, 2012, Transportation and Shanghai Shentong Metro Group Co., Ltd. announced the formation of a joint venture company, Shentong Bombardier (Shanghai) Rail Transit Vehicle Maintenance Company Ltd. The joint venture will focus on the repair and maintenance of urban mass transit vehicles in China, offering customers the services of daily maintenance, intermediate repairs, overhauls, refurbishment and technical consultation.

On December 20, 2012, Aerospace announced that Riga, Latvia-based Air Baltic Corp had signed a firm purchase agreement to acquire 10 *CS300* airliners and options on a further 10 *CS300* aircraft. Based on 2012 list prices, this firm order is valued at approximately $764 million, and could increase to $1.6 billion should the 10 options be converted to firm orders.

On December 21, 2012, Transportation announced that Ontario's Metrolinx/GO Transit exercised options for 10 years of fleet operations and maintenance services for its commuter rail system serving the city of Toronto and surrounding regions. The total value of these two contracts, which are extended to 2023, is $937 million.

On January 14, 2013, Bombardier announced that it had successfully closed its issuance of $2 billion of new Senior Notes. The issuance is comprised of $750 million of 4.250% Senior Notes due January 15, 2016, and $1.3 billion of 6.125% Senior Notes due January 15, 2023, sold at par in both cases.

On February 20, 2013, Aerospace and Pratt & Whitney announced that Pratt & Whitney has successfully achieved Transport Canada type certification of its first PurePower Geared Turbofan™ engine – the PW1500G engine that will power Bombardier's *CSERIES* aircraft.

On February 20, 2013 Moscow-based, national leasing company, Ilyushin Finance Co. ("IFC"), signed a purchase agreement to acquire 32 *CS300* aircraft and options for an additional 10 *CS300* aircraft. Based on the list price for the CS300 aircraft, a firm order from IFC for 32 aircraft would be valued at approximately $2.6 billion. Should IFC also exercise its 10 options, the contract would have a total value of approximately $3.4 billion.

On March 12, 2013, Bombardier announced the appointment of Lutz Bertling as President and Chief Operating Officer of Transportation, effective June 3, 2013. Mr. Bertling replaces Mr. André Navarri, who will remain as Strategic Advisor to the President and Chief Executive Officer until June 1, 2014.

On April 10, 2013, Aerospace announced that Porter Airlines signed a conditional purchase agreement for 12 *CS100* airliners, with options for an additional 18 *CS100* aircraft. The agreement also included purchase rights for six additional *Q400 NEXTGEN* aircraft. A firm-order contract would be valued at approximately $870 million and could increase to $2.1 billion should the 18 options also be converted to firm orders. Should Porter also exercise the six purchase rights for *Q400 NEXTGEN* aircraft, the contract value would increase to $2.3 billion.

On May 20, 2013, Aerospace announced the expansion of its leading *CHALLENGER* family of business jets with the addition of the new *CHALLENGER 350* aircraft.

On June 6, 2013, Transportation announced it had won an order from SL, the Stockholm Public Transport Authority, to deliver the new generation C30 metro fleet for Stockholm, Sweden, with a contract to provide 96 *MOVIA* metro vehicles. The contract includes an option for up to 80 further vehicles. The firm order is valued at approximately $771 million.

On June 18, 2013, Aerospace announced that VistaJet had placed a firm order for 20 *CHALLENGER 350* jets and options for an additional 20 *CHALLENGER* 350 jets. The transaction for the firm aircraft order is valued at approximately $518 million based on 2013 list prices. If all the options are exercised, the total value of the order would be approximately $1 billion, based on 2013 list prices.

On June 18, 2013, Aerospace announced that it had received orders for 12 *GLOBAL 8000* Business Jets at the Paris Airshow from an undisclosed customer. The transaction is valued at approximately $804 million, based on the 2013 list price for typically equipped aircraft.

On June 18, 2013, Transportation announced it had signed a frame contract with Deutsche Bahn AG (“DB”) for the delivery of electric locomotives. The total potential contract value is up to €1.5 billion (then $2 billion) and includes options for the call-off of up to 450 locomotives by the year 2020. The first call-off of 110 locomotives for DB Schenker Rail and 20 for DB Regio was exercised on June 17, 2013. Based on list price, the value of 130 locomotives would be €430 million (then approximately $573 million).

On July 3, 2013, Transportation premiered the *Frecciarossa 1000* very high speed train at its Vado Ligure site in Italy. Regular passenger service is expected for early 2015.

On July 10, 2013, Aerospace announced that it was continuing to enhance its worldwide aftermarket support network with a new Regional Support Office (RSO) and parts depot in Johannesburg, South Africa. The office and depot will anchor regional support capabilities for Bombardier business and commercial aircraft customers in Africa.

On August 28, 2013, Aerospace, Bombardier and Rostekhnologii (“Rostec”), a state corporation controlled by the Russian Federation, announced that they had signed a series of preliminary agreements that include a letter of intent for the sale of 50 *Q400 NEXTGEN* aircraft valued at approximately $1.7 billion based on current list prices and a Market Development Agreement reached with Rostec and its aircraft leasing subsidiary, Avia Capital Services, that also provides an option to purchase at least 50 additional *Q400 NEXTGEN* aircraft. The parties also concluded a memorandum of understanding to validate the opportunity to set up a *Q400 NEXTGEN* final assembly line in Russia. Should definitive agreements be reached a firm-order purchase agreement for all 100 *Q400 NEXTGEN* aircraft would be valued at approximately $3.4 billion.

On September 5, 2013, Aerospace announced that a newly created company funded by a group led by Directional Aviation Capital had placed an order for up to 245 Bombardier business jets. The firm order includes 85 business jets, featuring *CHALLENGER 350*, *CHALLENGER 605*, *LEARJET 75* and *LEARJET 85* jets. The order also included options for an additional 160 business jets. If all the options are exercised, the total value of the order would be approximately $5.2 billion. On October 21, 2013, Aerospace announced that Flexjet, LLC, a newly created company funded by a group led by Directional Aviation Capital converted options for 30 *LEARJET 85* jets into a firm order in addition to the 30 *LEARJET* already ordered on September 5, 2013 for a total of 60 *LEARJET 85* jets valued at approximately $1.2 billion, based on the 2013 list price. Additionally, Flexjet, LLC is procuring incremental options for 20 *LEARJET 85* aircraft. This latest transaction increases the total firm aircraft order to $2.4 billion for 115 aircraft and 150 options. If all options are exercised, the total value of the order will increase from $5.2 to $5.6 billion.

On September 10, 2013, at a world premiere in Braunschweig, Germany, Transportation launched the first high power inductive charging station for *PRIMOVE* electric buses together with the local transport operator Braunschweiger Verkehrs-AG.

On September 16, 2013, Aerospace celebrated the successful first flight of its *CSERIES* aircraft. The flight departed from Montréal–Mirabel International Airport at approximately 9:55 EDT and returned at approximately 12:25 EDT.

On November 19, 2013 Aerospace announced that Iraqi Airways had signed a letter of intent to acquire five *CS300* mainline jetliners including options on 11 *CS300* aircraft. Based on the list price for the *CS300* aircraft, a firm order would be valued at approximately $387 million and could increase to $1.3 billion if the 11 options are converted to firm orders. Pursuant to this letter of intent, on December 4, 2013, Aerospace announced that Iraqi Airways had signed a firm purchase agreement to acquire five *CS300* mainline jetliners including options on 11 *CS300* aircraft.

On November 22, 2013, Aerospace and the Tianjin Airport Economic Area announced that they had signed a letter of agreement to increase aircraft maintenance services in Mainland China. The agreement is a first step toward the creation of a joint venture, which is intended to result in the construction of a maintenance facility in 2016. Located in Tianjin, China, the facility will support the maintenance, repair, overhaul, and associated activities and services for all Bombardier business aircraft and, subject to certain conditions, on Bombardier commercial aircraft.

On December 5, 2013, Bombardier announced the closing of the sale of Flexjet's activities to Flexjet, LLC. The purchase price is estimated at $180 million, following purchase price adjustments, including the assumption of an estimated $71 million of customer advances by the acquirer.

On December 12, 2013, Aerospace announced that American Airlines Group Inc., of Fort Worth, Texas had signed a firm purchase agreement to acquire 30 *CRJ900 NEXTGEN* aircraft and options for an additional 40. Based on the 2013 list price for the *CRJ900 NEXTGEN* aircraft, the firm order contract is valued at approximately $1.4 billion and could increase to approximately $3.4 billion if the 40 options are converted into firm orders.

On December 31, 2013, Aerospace announced it had received a firm order for 38 Bombardier business aircraft, including 28 *GLOBAL* business jets and 10 *CHALLENGER* 605 business jets, from an undisclosed customer. The transaction is valued at approximately $2.2 billion, based on 2013 list prices for typically equipped aircraft.

On January 1, 2014, Transportation established a new organizational structure composed of four parts: Rolling Stock Regions, the BT Core consisting of value chain functions, Global Businesses and Group Headquarters, to further empower project management, reduce organizational layers and overhead costs, speed up decision making implement leaner processes and foster upfront product development and standardization.

On January 16, 2014, Aerospace announced that Dammam-based Al Qahtani Aviation Company had signed a firm purchase agreement for 16 *CS300* aircraft with options for an additional 10 *CS300* jetliners. The aircraft will be operated by SaudiGulf Airlines, a newly launched national carrier based in the Kingdom of Saudi Arabia. Based on the list price of the aircraft, the firm order for the 16 *CS300* aircraft is valued at approximately $1.2 billion. Should all 10 options be exercised, the value of the contract would increase to $2 billion.

On January 16, 2014, Aerospace confirmed that the *CS100* aircraft's entry-into-service is now scheduled for the second half of 2015 and will be followed by the *CS300* aircraft's entry-into-service approximately six months afterwards.

On January 17, 2014, Transportation announced that it, as part of a consortium with John Laing, ITOCHU Corporation and Uberior, entered into a contract valued at approximately $4.1 billion with the State of Queensland, Australia, for the New Generation Rollingstock Project. Bombardier's share of the contract, which consists of the supply of 75 electrical multiple units, a new depot and maintenance for 30 years, is valued at $2.7 billion.

On February 6, 2014, Transportation was notified by Transport for London ("TfL") and the Department for Transport of their intention to award Transportation a contract for Crossrail. The intended contract between TfL and Transportation covers the supply, delivery and maintenance of 65 new trains and a depot at Old Oak Common.

On February 11, 2014, Aerospace inaugurated its full-scale, company-owned service center and opened its regional support office in Singapore.

# Item 3. Narrative Description of the Business

## 3.1 Business Overview

Aerospace is a world leader in the design, manufacture and support of innovative aviation products for the business, commercial, specialized and amphibious aircraft markets. Aerospace also offers its customers total lifecycle solutions including technical support and components, maintenance and training services. Aerospace had a workforce of 37,700[1] employees as at December 31, 2013.

Transportation is a world leader in the design, manufacture and support of rail equipment and systems, offering a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides bogies, electric propulsion, control equipment and maintenance services, as well as complete rail transportation systems and rail control solutions. Transportation had a workforce of 38,500[1] employees as at December 31, 2013.

The activities of these two reportable segments are described in this Annual Information Form under separate headings.


# Aerospace

Aerospace has 16 production and engineering sites and an international service and support network, with a presence in 29 countries.

The global headquarters of Aerospace is located in Montréal, Québec, Canada.

For a list of the Corporation’s principal subsidiaries that fall within Aerospace, see “Item 1 – Corporate Structure, section 1.2 – Subsidiaries”.

[1] Includes active, inactive and contractual employees.

## ***Market Segments***

### *LEARJET* family of aircraft

- **Models:** *LEARJET 60 XR*, *LEARJET 70*, *LEARJET 75* and *LEARJET 85*[1]
- **Market category:** Light business jets
- **Competitive advantages**[2]**:** The *LEARJET* heritage of high performance is upheld by each *LEARJET* product. The *LEARJET* family of aircraft features exceptionally fast cruise speeds, high climb rates and operating ceilings, along with competitive operating costs. The *LEARJET 85* aircraft will be the largest and most comfortable *LEARJET* ever built.

### *CHALLENGER* family of aircraft

- **Models:** *CHALLENGER 300*, *CHALLENGER 350*[1], *CHALLENGER 605* and *CHALLENGER 800* series
- **Market category:** Medium business jets
- **Competitive advantages**[2]**:** The *CHALLENGER* family aircraft are productivity-enhancing business tools, with the widest, most spacious cabins in their category. Each aircraft offers low operating costs, high reliability, and can be customized with leading-edge cabin communication equipment.

### *GLOBAL* family of aircraft

- **Models:** *GLOBAL 5000*, *GLOBAL 6000*, *GLOBAL 7000*[1] and *GLOBAL 8000*[1]
- **Market category:** Large business jets
- **Competitive advantages**[2]**:** The *GLOBAL* family of aircraft offers a balance of performance and comfort for long-range missions. The *GLOBAL 7000* and *GLOBAL 8000* aircraft are being developed as an extension to the *GLOBAL* family of aircraft and will give Bombardier broad market coverage in the upper end of the business aircraft market.

[1] Currently under development.

[2] Under certain operating conditions, when compared to aircraft currently in service. *LEARJET 85, CHALLENGER 350* 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 specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind. The configuration and performance of the aircraft may differ from the descriptions and photos provided and, together with any related commitment, representations, guarantee or warranty, shall be determined in a final purchase agreement.

## *Q-SERIES* turboprop aircraft

- **Models:** *Q400 NEXTGEN*
- **Market category:** 60 to 90 seat turboprops
- **Competitive advantages**[1]: For short-haul operations, the optimized *Q400 NEXTGEN* airliner is a fast, fuel-efficient and low-emission and higly flexible turboprop. It is the only in-production turboprop that can be configured up to 86-passenger capacity while offering jet-like speed and an extended range, along with competitive operating costs and product commonality across the *Q-SERIES* family of turboprops.

## *CRJ* regional jet family of aircraft

- **Models**: *CRJ700 NEXTGEN, CRJ900 NEXTGEN* and *CRJ1000 NEXTGEN*
- **Market category:** 60 to 99 seat regional jets
- **Competitive advantages**[1]: Designed for hub expansion and point-to-point services, the *CRJ* aircraft family is optimized for medium to long distance regional routes. The *CRJ* family features best-in-class operating costs, fuel burn and greenhouse gas emissions, as well as commonality across the family, including the *CRJ100* and *CRJ200* aircraft.

## *CSERIES* mainline single-aisle jet family of aircraft

- **Models:** *CS100*[2] and *CS300*[2]
- **Market category**: 100 to 149 seat commercial jets
- **Competitive advantages**[3]: Designed for the growing 100 to 149 seat market, the 100% new *CSERIES* aircraft family will offer 15% cash operating cost and 20% fuel burn advantage over in-production aircraft in its class. The *CSERIES* clean sheet design ensures that the aircraft will achieve greatly reduced noise and emissions, as well as superior operational flexibility, exceptional airfield performance and a range of 2,950 NM (5,463 km).

[1] Under certain operating conditions, when compared to aircraft currently in service for short-haul flights up to 500 nautical miles.
[2] Currently under development.
[3] The *CSERIES* family of aircraft is currently in development, and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind. The configuration and performance of the aircraft may differ from the descriptions and photos provided and, together with any related commitment, representations, guarantee or warranty, shall be determined in a final purchase agreement.

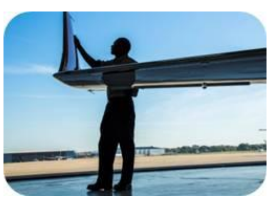
## Specialized aircraft

- **Models:** Various Bombardier business and commercial aircraft
- **Competitive advantages:** Specialized aircraft provide solutions for governments, agencies and specialized organizations worldwide by modifying commercial and business aircraft to suit the needs of customers for different mission requirements including maritime patrol, intelligence surveillance reconnaissance and communication platforms.

## Amphibious turboprops

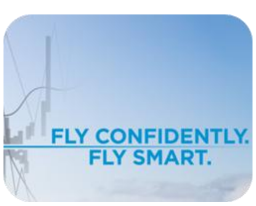
- **Models:** *BOMBARDIER 415* and *BOMBARDIER 415 MP*
- **Competitive advantages:** The *BOMBARDIER 415* amphibious aircraft is the only aircraft specifically designed for aerial firefighting, offering excellent operational capabilities and exceptional performance. The *BOMBARDIER 415 MP* is a multi-purpose aircraft that can be used in a variety of specialized missions such as search and rescue, coastal patrol, environmental protection and transportation.

## Maintenance Services



- **Services portfolio:** Extensive capabilities to accommodate aircraft maintenance, refurbishment and modification for business and commercial aircraft, as well as mobile repair teams.
- **Competitive advantages:** Offer worldwide service and support through Bombardier's wholly-owned services centers, authorized service facilities and mobile response party vehicles.

## Smart Services




- **Services portfolio:** A growing portfolio of innovative cost per-flight-hour plans available for eligible commercial and business aircraft. Options include *SMART PARTS*, *SMART PARTS* Plus, *SMART PARTS* Preferred and *SMART PARTS* Maintenance Plus.
- **Competitive Advantages:** From coverage on exchanges and repairs of airframe systems components to flight deck avionics, *SMART SERVICES* provides budget predictability and cost protection.

## Parts Services


- **Services portfolio:** Parts Services provides new and used parts, initial provisioning services as well as customer owned repairs.
- **Competitive advantages:** Supporting customers for all their parts needs with ten parts depots worldwide.

## Support Services

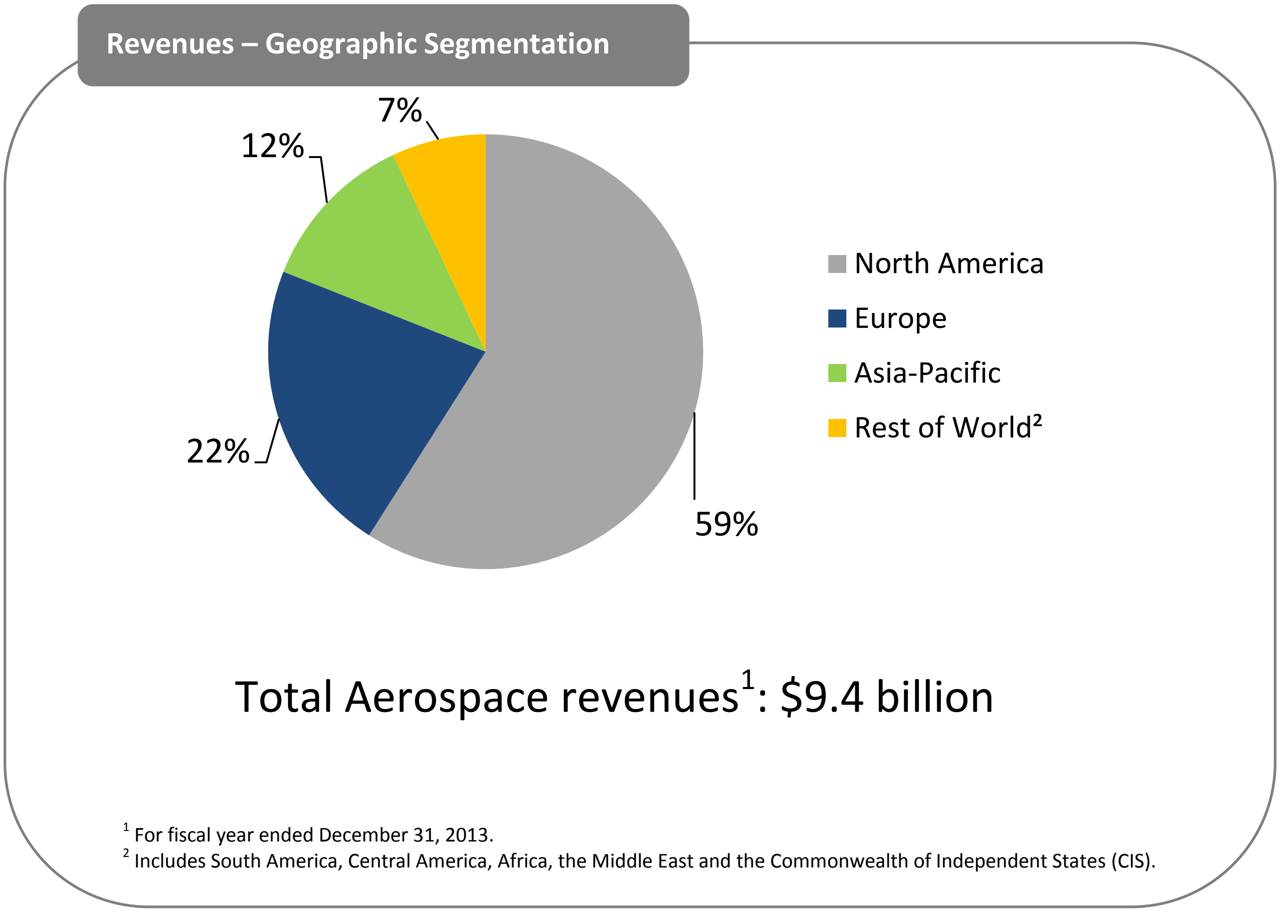
- **Services portfolio:** Comprehensive portfolio of customer support services including 24-hour customer response centres, customer services engineering, a network of field service personnel, regional support offices, technical publications and entry-into-service support
- **Competitive advantages:** Provide operators with a single point of contact, 24 hours a day, 365 days a year, for all critical and aircraft-on-the-ground requests. Support all customer requirements from entry-into-service throughout ownership of the aircraft utilizing a global support network of strategically located teams.

## Training

- **Services portfolio:** Provides complete range of flight crew and technical training services on business, commercial and amphibious aircraft at wholly-owned facilities and though a network of strategic partnerships worldwide
- **Competitive advantages:** High quality learning experience. As an original equipment manufacturer (OEM), Bombardier quickly modifies courseware and training devices to reflect ongoing aircraft enhancements.

### ***Principal Markets***

Aerospace’s customers are located in over 100 countries and are primarily civil owner-operators or aviation service providers. They consist primarily of corporations and high net worth individuals for business aircraft, and airlines and leasing companies for commercial aircraft.




## ***New Products and Product Development***

Information about Aerospace's new products and product development can be found in the section entitled "Analysis of Results" at pages 54 to 57 of the Corporation's Management's Discussion and Analysis for the year ended December 31, 2013 which may be viewed on SEDAR at www.sedar.com (the "MD&A"), which pages are incorporated by reference herein.

## ***Distribution Methods***

Aircraft ordered by customers are delivered by the Corporation or its subsidiaries. Marketing of Aerospace products is provided through marketing and sales offices of the Corporation or its subsidiaries. In the Americas, marketing and sales offices are located in Canada (in Montréal, Ottawa and Toronto), the United States (in the states of Arizona, California, Colorado, Connecticut, Florida, Illinois, Kansas, North Carolina, South Carolina, Tennessee, Texas, Washington and in Washington D.C.), Mexico and Brazil. In Europe, marketing and sales is carried out through offices in France, Germany, Switzerland, Russia and the United Kingdom. For Asia, such offices are maintained in Dubai, Hong Kong, Singapore, China, India and Australia. Parts services are available from two main distribution centres in Chicago and in Frankfurt and from spare parts depots in Hong Kong, Singapore, Sydney, Narita, Dubai, Beijing, São Paulo and Johannesburg. Maintenance services are also available through Original Equipment Manufacturer service centres located in the United States, in Europe and in Asia Pacific as well as various authorized service and line maintenance facilities throughout the world.

## ***Production Methods***

Aircraft are produced by the production facilities of the Corporation or its subsidiaries located in Canada (Montréal, Toronto and North Bay), the United States (Wichita), the United Kingdom (Belfast), Mexico (Querétaro) and Morocco (Casablanca). Operations conducted in those facilities vary from manufacturing or assembly of aircraft components and parts to final aircraft assembly, interior finishing, painting and pre-flight activities.

The raw materials and the various components and systems required to manufacture the aircraft are procured around the world and this procurement varies from product to product. Most of such materials, components and systems are provided by suppliers with which Aerospace has long-term contracts, as Aerospace seeks long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support customers with related services. Aerospace is continuously assessing and streamlining its supplier base to ensure an efficient global supply chain and sustainable procurement processes. Within its supply chain, Aerospace has built relationships with suppliers present in over 70 countries.

## ***Competition***

The following tables illustrate Aerospace's competitive environment for business aircraft and commercial aircraft, and show Aerospace's market share in terms of units delivered over the three-year period ended December 31, 2013 in the 20-99 seat aircraft category, and Aerospace's market share in terms of units delivered and revenues over the one-year period ended December 31, 2013 in the business aircraft category.

**Business Aircraft Competitive Environment**

| | **Light Jets** | | | | **Medium Jets** | | | **Large Jets** | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **BOMBARDIER** | L70<br>In service | L75<br>In service | L60XR<br>In service | L85<br>Under development | CL300 CL350<br>In service, Under development | CL605<br>In service | CL800 Series<br>In service | G5000<br>In service | G6000<br>In service | G7000 G8000<br>Under development |
| Cessna | In service | In service | Under development | In service, Under development | In service, Under development | Under development | | | | |
| Dasseault | | | | | Under development | In service, Under development | In service | In service | In service | |
| Embraer | In service | | Under development | | Under development | | In service | In service | | |
| Gulfstream | | | In service | | In service | | In service | In service | In service | In service |

Products in service Products under development

L refers to *LEARJET*, CL to *CHALLENGER* and G to *GLOBAL*

Based on Aerospace's assessment of the current market segmentation

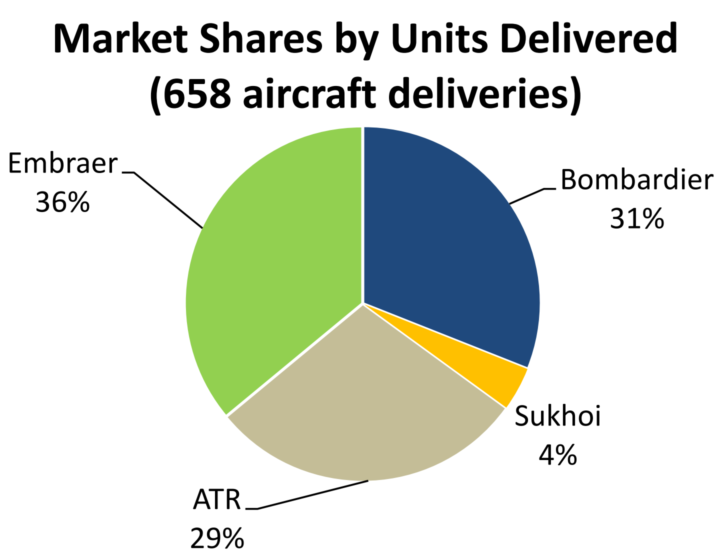
**Commercial Aircraft Competitive Environment**

| | Turboprops | Regional Jets | | | Commercial Jets | |
|---|---|---|---|---|---|---|
| | 60-90 seats | 60-79 seats | 80-100 seats | | 100-119 seats | 120-149 seats |
| **BOMBARDIER** | *Q400 NEXTGEN* In service | *CRJ700 NEXTGEN* In service | *CRJ900 NEXTGEN* In service | *CRJ1000 NEXTGEN* In service | *CS100* Under development | *CS300* Under development |
| ATR | In service | | | | | |
| AVIC | In service, Under development | | | | | |
| Embraer | | In service | In service, Under development | In service, Under development | In service, Under development | |
| COMAC | | | Under development | | | |
| Mitsubishi | | Under development | Under development | | | |
| Sukhoi | | | In service | | | |
| Airbus | | | | | In service | In service, Under development |
| Boeing | | | | | In service | In service, Under development |

Products in service   Products under development

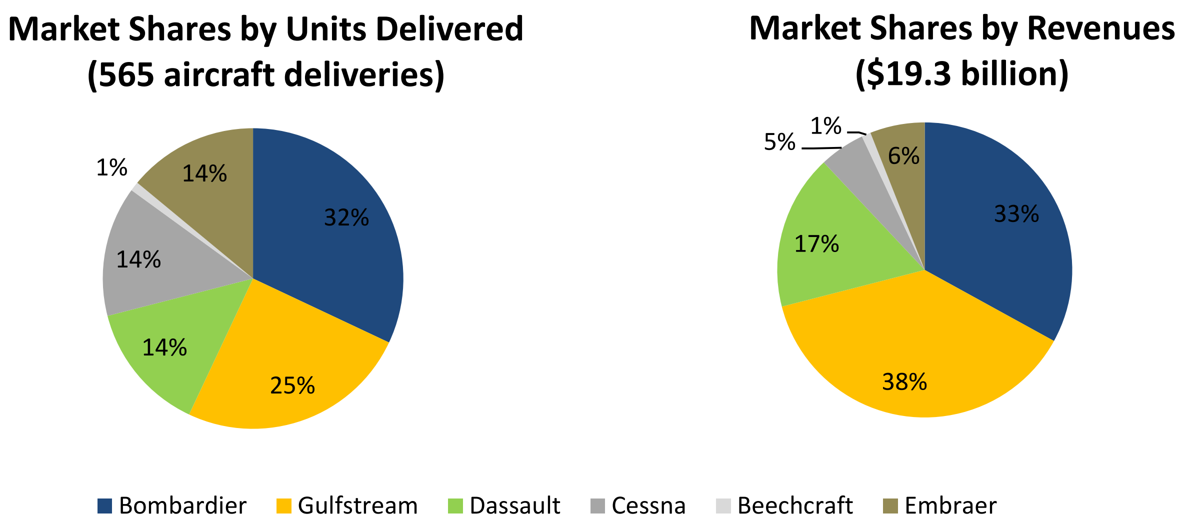
Based on Aerospace's assessment of the current market segmentation

**Commercial 20-99 Seat Aircraft Market Share by Units Delivered (Three-year period ended December 31, 2013)**




Sources: Competitors' reports, Bombardier analysis, OAG Fleet iNET.

**Business Aircraft Market Share by Units Delivered and Revenues (one-year period ended December 31, 2013)**




Sources: Aerospace’s estimates and other public sources

# Transportation

Transportation is the player in the market with the broadest global presence and product portfolio. Transportation offers a portfolio of efficient products and services in the rail industry, covering the full spectrum of rail solutions from complete trains to sub-systems, services, system integration and signalling. Based on this suite of innovative technologies, Transportation has won orders across all product segments and major geographies, underlining the competitiveness of its products and services worldwide.

Transportation has 63 production and engineering sites and 19 service centres in 27 countries.

The global headquarters of Transportation is located in Berlin, Germany.

For a list of the Corporation’s principal subsidiaries that fall within Transportation, see “Item 1 – Corporate Structure, section 1.2 – Subsidiaries”.

## ***Market Segments***

### Rolling Stock

**LIGHT RAIL VEHICLES**

- **Application:** Efficient transit in urban centers
- **Major products:** *FLEXITY* family (*FLEXITY 2*, Outlook, Freedom, Berlin, Classic, Swift)
- **Competitive advantages:** The broad portfolio of *FLEXITY* vehicles with high technical capabilities, low life-cycle costs together with the Corporation's profound and long-lasting customer relationships makes of the Corporation's light rail vehicles the first choice in the market

**METROS**

- **Application:** High-capacity mobility for urban mass transit
- **Major products:** *MOVIA* and *INNOVIA* platforms
- **Competitive advantages:** Flexible modular product platform adaptable to the requirements of customers across diverse markets, with a track record for rapid, reliable, cost and energy efficient operation, including driverless solutions

**COMMUTER AND REGIONAL TRAINS**

- **Application:** Suburban and regional rail transit for urban centres and surrounding regions
- **Major products:** *OMNEO*, *SPACIUM*, *TALENT 2*, *TWINDEXX* Vario, *ELECTROSTAR*
- **Competitive advantages:** Broad product line featuring electric, diesel and dual mode multiple unit trains/vehicles, along with locomotive-hauled coaches in both single and double-deck configurations. The Corporation's modular train platforms offer very high flexibility to transit authorities and operators, as well as highest levels of comfort and capacity

**INTERCITY, HIGH SPEED TRAINS AND VERY HIGH SPEED TRAINS**

- **Application:** Equipment for medium and long-distance operations
- **Major products:** *ZEFIRO* family, *REGINA* and *TWINDEXX* Express
- **Competitive advantages:** Solutions offering very high operating flexibility, high comfort and safety standards for the passengers in combination with low energy consumption covering the full spectrum of speed requirements: intercity (160-200 km/h), high speed (200-250 km/h) and very high speed (250-380 km/h)

## Rolling Stock (continued)

**ELECTRIC AND DIESEL LOCOMOTIVES**

- **Application:** Locomotives for intercity, regional and freight rail service
- **Major products:** *TRAXX* platform, ALP electric and dual-power locomotives
- **Competitive advantages:** Versatile product platform offering electric, diesel-electric, dual-power and multi-system propulsion, last-mile diesel or battery drive features. Innovative solutions increase power and reliability capacity in combination with high energy efficiency. Homologated in 18 countries in Europe, allowing cross-border service

**PROPULSION AND CONTROLS**

- **Application:** Complete propulsion and control product portfolio for all rail vehicles and e-mobility applications, including traction and auxiliary converters, traction motors and train control & management systems for onboard solutions
- **Major products:** *MITRAC* permanent magnet motor and *ORBIFLO* monitoring system
- **Competitive advantages:** A leader in reliability, modular design, energy efficiency and ease of maintenance technologies, applicable to the full spectrum of rolling stock

**BOGIES**

- **Application:** Complete solutions for our full portfolio and third-party businesses
- **Major products:** *FLEXX* bogies portfolio including latest technologies: *FLEXX* Eco, *FLEXX* Urban, *FLEXX* Speed, *FLEXX* Power and Innovation award-winning *WAKO* Technology
- **Competitive advantages:** Advanced product technology and complete aftermarket services covering the full spectrum of rolling stock applications. The Corporation's track-friendly bogies are designed to ensure safe and smooth operation, reduce wheel and rail wear, minimizing operational costs and noise

## Services

**FLEET MANAGEMENT**

- **Application**: Comprehensive portfolio of fleet and operations management services
- **Competitive advantages**: Robust and effective 'back office' solutions support rail operators in delivering their 'front line' service every day. Engineering expertise, whole life maintenance techniques and tools optimize availability, reliability, punctuality, safety and cost. The Corporation's innovative life cycle management approach is deisgned to secure reliable and efficient operations for the long term

**ASSET LIFE MANAGEMENT, COMPONENT RE-ENGINEERING**

- **Application:** Upgrade, life extension and overhaul of rail vehicles and components
- **Competitive advantages:** Broad portfolio of system and component upgrades executed at Bombardier specialist facilities and customer sites. Leveraging of Bombardier's engineering and supply chain strength to bring operational performance and whole life cost advantages. More than 4,000 vehicles have been refurbished and the Corporation has experience in more than 4,000 different component types

## Services (continued)

**MATERIAL SOLUTIONS**

- **Application**: Supply chain, spare parts inventory management, obsolescence management and technical support services for rail operators
- **Competitive advantages**: Advanced material supply solutions together with global engineering and purchasing power through vast network of parts and components suppliers. Logistics capability to source and deliver what is needed, when it is needed, where it is needed

## Systems

**MASS TRANSIT AND AIRPORT SYSTEMS**

- **Application:** Fully Automated People Mover (APM), metro, monorail and light rail systems
- **Major products:** *INNOVIA* APM 300 system, *INNOVIA* Monorail 300 system, *INNOVIA* Metro 300 system, *FLEXITY* 2 tram systems
- **Competitive advantages:** Broad rolling stock portfolio for urban and airport applications that can be customized to provide a complete turnkey system solution. Strong track record for reliability and availability across 60 complete systems around the world

**MAINLINE SYSTEMS**

- **Application:** System solutions for intercity and high speed applications covering medium- to long-distance operations
- **Competitive advantages:** Turnkey system approach to provide reliable rail systems for mainline applications featuring high passenger comfort and trend-setting safety standards. Highly experienced in systems integration and engineering as well as in operations and maintenance


**OPERATIONS AND MAINTENANCE OF SYSTEMS**

- **Application:** Operations and maintenance (O&M) services for fully automated transit and mass transit systems
- **Competitive advantages:** Strong O&M experience in automated, driverless technologies, including APM, metro and monorail systems as well as fleet management solutions for urban and intercity transportation systems

## Systems (continued)

***PRIMOVE* TRUE E-MOBILITY**

- **Application**: A flexible package of zero-emission e-mobility solutions for several types of electric rail and road vehicles such as trams, buses, trucks and cars. The fully integrated system of fast inductive charging, long-life batteries and efficient propulsion equipment allows cities and the transportation industry to easily incorporate electric mobility.
- **Major products**: *PRIMOVE* charging, *PRIMOVE* battery, *PRIMOVE* propulsion[1]
- **Competitive advantages**: Unique solution for true e-mobility. *PRIMOVE* provides a convenient, automatic and wireless energy supply solution that allows electric vehicles to be charged dynamically and statically at high power levels without affecting driving habits or journey times. It delivers high power battery systems that are optimized for a long lifetime. The *PRIMOVE* propulsion and controls system integrates electrical driveline solutions with clever interfaces for all major vehicle components to boost the overall efficiency and performance of electric buses.

[1] The *PRIMOVE* product family referred hereto is under development. On *PRIMOVE* e-car applications, the automated, wireless 22kW fast charging system has been publicly demonstrated on a Volvo C30 electric in Belgium in June 2013. In April 2013, a first test with Bombardier's homologated inductively charged *PRIMOVE* e-bus in passenger operation was successfully completed. Also in April 2013, *PRIMOVE* received a contract to deliver its high power battery systems for two tram lines in t Nanjing, China to enable catenary-free tram service which are due to enter passenger operation in 2014. In Braunschweig, Germany and Bruges, Belgium, passenger service of emission-free electric bus travel on city bus lines will commence in the second quarter 2014. In the autumn of 2014, Mannheim will become the first city to integrate the entire *PRIMOVE* package including the e-bus drive train.

## Signalling

**MASS TRANSIT SIGNALLING**

- **Application:** Rail control and signalling solutions for mass transit systems such as metros, light rail or APMs
- **Major products:** *CITYFLO*
- **Competitive advantages:** Complete portfolio of solutions ranging from manual applications to fully automated Communication-Based Train Control (CBTC), which helps to increase infrastructure capacity and can be installed without interruption to service.


**MAINLINE SIGNALLING**

- **Application:** Rail control and signalling solutions for mainline railways ranging from freight traffic to regional/commuter, intercity and high speed lines
- **Major products:** *INTERFLO* and *EBI* Cab Automatic Train Control (ATC) onboard equipment
- **Competitive advantages:** Complete portfolio of conventional signalling systems. A leader in European Rail Traffic Management System (ERTMS) technology[1], deployed in several countries inside and outside of Europe. Bombardier is the only supplier deploying moving block technology on non-mass transit lines

## Signalling (continued)

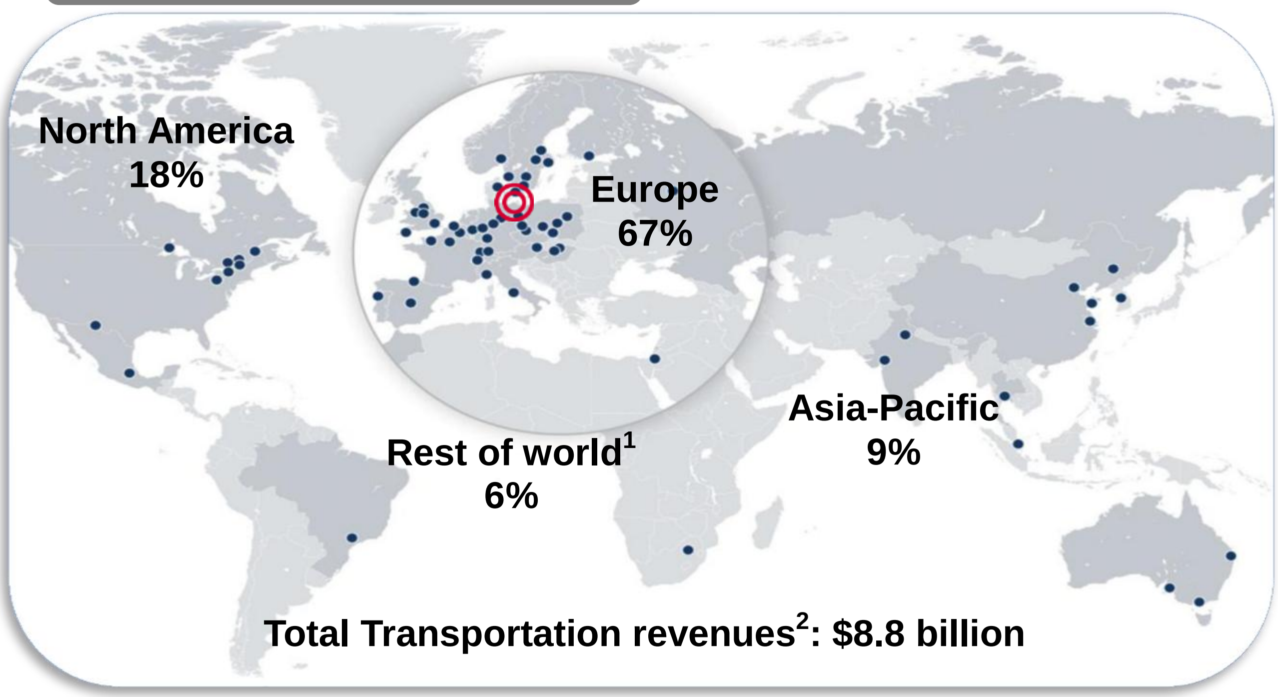
**INDUSTRIAL SIGNALLING (mining solutions)**

- **Application**: Rail control and signalling solutions for industrial sector, major application in mining industry
- **Major product**: *INTERFLO 150*
- **Competitive advantages**: Innovative signalling system technologies used to transport ore from the excavation in a secure and cost effective manner. Technology covering the whole process, enhancing not only the underground operation, but also the transfer of ore to the transporation hub (e.g. port)

[1] By kilometers of track with ERTMS and by number of global route kilometers in operation.

***Principal Markets***

## Revenues by Geographical Region




**Customers in over 60 countries** **Global Headquarters**

[1] Rest of the world includes CIS, South America, Central America, Africa and the Middle East.
[2] For fiscal year ended December 31, 2013.

Customers of Transportation compete with air and road-based transportation, making passenger comfort, travel times, efficiency, service reliability and capacity important competitive factors. Key factors in rail procurement tenders are compliance with customer specifications, product reliability, maintainability, availability, safety, price, energy efficiency, and design. Local content in products is often an important criterion to public operators as well, especially in the fast growing markets of Asia and Africa. Transportation is continuously focusing on customer satisfaction, and is following a systematic process to monitor customer satisfaction.

Approximately 90% of Transportation's rolling stock business is with large railway operators in the public sectors, such as national railways and municipal transit authorities. These organizations rely on public involvement for infrastructure funding and operations financing. Most operate on a regional or national basis, but some are now focusing operations internationally along with emerging private trans-national operators. While deregulation is a factor in some markets, public-sector entities still dominate in most regions.

### ***Distribution Methods***

Transportation principally contracts with and delivers its products directly to end-customers and via participation in consortiums. Contracts tend to be large in size and relatively complex in design, resulting in significant engineering and design lead times before delivery. Building on modular platforms allows for shorter lead times, lower cost and reduced execution risk while enhancing product flexibility to address specific customer needs.

In the Americas, marketing or sales offices are located in Canada in Saint-Bruno (Québec), Toronto (Ontario), Millhaven (Ontario), Kingston (Ontario) and Vancouver (British Columbia), in the United States (Florida, Illinois, Nevada, New York and Pennsylvania), in Mexico and in Brazil.

In Europe, marketing or sales is conducted through various offices including in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland and the United Kingdom.

In addition, Transportation also has offices in Australia, China and Hong Kong, India, Israel, South Korea, Malaysia, Philippines, Russia, Taiwan, Thailand, Turkey, South Africa, the United Arab Emirates and Singapore.

### ***Production Methods***

Transportation covers a full spectrum of railway solutions, ranging from product design, components production and complete train manufacturing to system integration, as well as services and refurbishment solutions. Transportation products are developed, manufactured, assembled and serviced through a global network of sites. The sites are specialized by market segment and type of operation.

In the Rolling Stock segment, Transportation has 42 sites specialized in manufacturing and assembly of end products such as locomotives, metros, light rail vehicles, regional trains, intercity and high-speed trains, as well as production of components such as bogies and propulsion equipment. The Rolling Stock sites are located in 21 countries and include joint-ventures with local partners in China. In the Services segment, Transportation has 19 main services sites in 11 countries, mainly in Europe, focusing on fleet maintenance, refurbishment and overhaul. In addition, Transportation has over 40 services sites on customer premises worldwide to perform fleet maintenance and spare parts supply activities. Transportation, through some of its subsidiaries, has 19 Signalling engineering and production sites in 12 countries including joint-ventures with local partners in Russia. In the Systems and Signalling segment, Transportation has three sites in three countries for engineering and production of APM and runs several O&M sites across the globe.

Transportation is continuously improving the performance of its sites to deliver products on time, free of defects and to the full satisfaction of its customers, through its operational improvement program Bombardier Operations System (BOS).

As regards procurement, Transportation works with suppliers in 72 countries. Procurement at Transportation is organized through networks of lead buyers, which are specialized by material categories and products. They closely interact with the lead engineer organization to continuously improve the performance of material and components, optimize material spending and drive standardization. Divisional procurement is supported by the global sourcing organization, which identifies and develops suppliers in low cost markets through international procurement offices located in China, Mexico, Czech Republic, Poland and Turkey.

Through its procurement optimization program CODE30+, Transportation works jointly with its suppliers to continuously improve the performance, cost and quality of it supply chain.

## *Competition*

The worldwide rail market is resilient in light of difficult global economic conditions and attracts numerous competitors. Bombardier believes it remains well positioned to capture a significant share of the market in all regions, relying on the broadest product portfolio in the industry and its existing international footprint.

The following table shows that rail market competition remains scattered, with Transportation remaining engaged in all key market segments.

| | Rolling Stock | | | | | | System Integration | Signaling | Headquarters |
|---|---|---|---|---|---|---|---|---|---|
| | Lightrail | Metros | Commuter and Regional | High speed and Intercity | Locomotives | Monorail | | | |
| BOMBARDIER | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | Germany |
| Alstom | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | France |
| Ansaldo STS | | | | | | | ✓ | ✓ | Italy |
| CAF | ✓ | ✓ | ✓ | ✓ | | | | | Spain |
| CNR | ✓ | ✓ | | ✓ | ✓ | | | | China |
| CSR | ✓ | ✓ | ✓ | ✓ | ✓ | | | | China |
| GE | | | | | ✓ | | | ✓ | U.S. |
| Hitachi | | | ✓ | ✓ | | ✓ | ✓ | ✓ | Japan |
| Kawasaki | | ✓ | ✓ | ✓ | | | | | Japan |
| Rotem | | ✓ | ✓ | ✓ | ✓ | | | ✓ | Korea |
| Siemens | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | Germany |
| Stadler | ✓ | | ✓ | ✓ | | | | | Switzerland |
| Thales | | | | | | | | ✓ | France |

Source: Publicly available competitor reports / websites

Information about Transportation's order intake during the fiscal year ended December 31, 2013 can be found at page 76 under the section entitled "Analysis of Results" of our MD&A, which page is incorporated by reference herein.

## 3.2 Segmented Disclosure

For information on the Corporation's revenues allocated by country (based on the location of the customer) and revenues by market segment, reference is made to note 6 to the Corporation's consolidated financial statements for the fiscal years ended December 31, 2013 and December 31, 2012 filed on SEDAR (www.sedar.com) on February 13, 2014, which note is incorporated by reference into this Annual Information Form.

## 3.3 Agreements Relating to the Use of Certain Technologies

Some operations of Bombardier are conducted under agreements which allow the Corporation to use certain technical data and information relating to products or technologies developed by others. The most important of such agreements is the agreement signed on December 22, 1986, with Cartierville Financial Corporation Inc. ("CFC") (a wholly-owned subsidiary of Canada Development Investment Corporation, in turn wholly-owned by the Canadian federal government), under which Canadair Limited had obtained a license granting it the exclusive and absolute right to use and exploit all the technology relating to the design of the *CHALLENGER* aircraft and to use and incorporate that technology in the manufacture, development, testing, sale, distribution, maintenance and support of *CHALLENGER* aircraft and any other related product worldwide. The initial term of the agreement is 21 years; however, the Corporation (as successor in interest to Canadair Limited) has an option to renew this agreement for three additional consecutive periods of 21 years each, the first of such options has been exercised during the 2007 fiscal year. In consideration for the rights thus granted to it, the Corporation paid CFC a lump sum of Cdn $20 million in 1988, less an amount equal to certain royalties then paid, in lieu of the royalties provided for under the agreement.

## 3.4 Environment

### ***Environmental Laws and Risks***

The Corporation's products as well as its manufacturing and service activities are subject to environmental regulations by federal, provincial and local authorities in Canada as well as local regulatory authorities having jurisdiction over the Corporation's operations outside of Canada. In addition, the Corporation has established, and it periodically updates a health, safety and environment policy (the "HSE Policy") that defines the Corporation's vision for its worldwide operations. This HSE Policy was updated in the 2009 fiscal year. It was reviewed and confirmed in January 2013. Consistent with this policy, a HSE Compliance Audit program has been put in place throughout the Corporation to ascertain material compliance of its manufacturing and service activities to all applicable HSE laws and regulations. Also, to prevent pollution and minimize environmental risks, the Corporation has deployed the ISO 14001 Standard to its production and services locations. To date, 100% of the Corporation's locations having over 150 employees have been certified by outside bodies according to the ISO 14001 Standard for Environmental Management and to the OSHAS 18001 Standard for Health and Safety Management. All German and several other European Transportation sites also are registered under the European Union Eco-Management and Audit Scheme approach. Consistent with its policy stressing environmental responsibility and its desire to maintain legal compliance, the Corporation routinely procures, installs and operates pollution control devices, such as wastewater treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators at new and existing facilities constructed or upgraded in the normal course of business. In line with the requirements set by the ISO 14001 Standard, imminent environmental laws and regulations are tracked and assessed on a regular basis. Future capital expenditures for pollution control systems resulting from these imminent regulatory requirements are not expected to have a material effect on the Corporation's consolidated financial position.

The Corporation's regulatory risks associated with climate change generally fall under the national and local requirements being implemented by each jurisdiction where the Corporation carries out its activities. Most countries where the Corporation carries out manufacturing activities are at various stages of developing binding emission allocations and trading schemes. During 2013, the Corporation's climate change regulatory risks mainly fell under its obligations to the European Union Emission Trading Scheme, the United Kingdom Climate Change Agreement and to the United Kingdom Carbon Reduction Commitment named the CRC Energy Efficiency Scheme (launched in April 2010). To date, the impact on the Corporation has been non-material. The Corporation continues to monitor risks associated with energy efficiency legislation, carbon or energy taxes, industry standards and other carbon trading mechanisms related to both its activities and products.

During 2013, the Corporation continued working on a new European regulation that was adopted in year 2007, i.e. the Registration Evaluation Authorization and Restriction of Chemicals ("REACh"). The Corporation, through its two reportable segments, has implemented mechanisms to ascertain compliance of its products and operations with the registration phase of REACh. The Corporation continues to monitor the next phases of the REACh implementation in order to ensure full compliance. This regulation is not expected to have a material effect on the Corporation's financial position.

## ***European Union Trading Scheme (EU ETS)***

During 2013, one site of the Corporation qualified for the EU Allocation Programs but these allocations did not present a material risk to the Corporation, as the site did not exceed the applicable allocations, the Corporation did not have to purchase carbon credits.

In line with the obligations imposed by the European Union emission trading system, Bombardier's flight operations departments at Aerospace, Transportation and Bombardier's corporate office submitted the required monitoring plans and emission reports to the proper national authorities (United Kingdom and Germany) covering flights to/from airports within the EU (including Croatia from 2014), Iceland, Norway and Liechtenstein. In 2011, the flight operations departments filed their first monitoring report in preparation for the formal inclusion of aviation in the system on January 31, 2012. In addition during 2013, all flight operations departments filed their applications for Union Registry with the EU ETS and the first emission certificates were acquired and transferred to the respective accounts, in compliance with the EU ETS.

## ***Environmental Liabilities***

With respect to environmental matters related to site contamination (historical contamination of soil and groundwater), the Corporation periodically conducts studies, individually at sites owned by the Corporation, and jointly as a member of industry groups at sites not owned by the Corporation, to evaluate the presence of contaminants in the soil and groundwater and to determine the need and feasibility of various remediation techniques and to define the Corporation's share of liability. The Corporation is currently proceeding with decontamination at a small number of sites both in North America and in Europe. The known historical costs for soil and/or groundwater decontamination are not expected to have a material effect on the Corporation's consolidated financial position. During 2014, the anticipated costs related to environmental liabilities are not expected to be in excess of $25 million.

## ***Potential Environmental Liabilities***

Estimating future environmental clean-up liabilities is dependent on the nature and the extent of historical and physical data about a given site, the complexity of the contamination, the uncertainty of which remedy to apply, the timing of the remedial action and the outcome of the discussions with regulatory authorities. Although it appears likely that annual costs for remediation activities might increase over time because of ever more stringent legal requirements these costs are not currently expected to be material to the Corporation.

***Environmental Policies***

The Corporation strives to continuously reduce any detrimental environmental impact generated by its operations. The environmental footprint of the service and manufacturing facilities remains an ongoing focus and the Corporation establishes objectives and targets to reduce its impact on the environment. New environmental reduction targets for energy consumption, carbon emissions, water consumption and waste generation were approved by the Corporation at the end of 2013 for the period covering 2014 to 2016. In 2010, the Bombardier Green Fund was also created to elicit and leverage the best site-related initiatives submitted by employees to improve the energy efficiency and overall environmental performance. The Green Fund process was launched in Aerospace and Transportation in 2011 and will be continued in 2014. More information about Bombardier's Environmental Management can be found on the Bombardier Corporate Social Responsibility website at: www.csr.bombardier.com

## 3.5 Corporate Social Responsibility

Corporate Social Responsibility ("CSR") is an integral part of the competitive foundation of the Corporation's enterprise strategy. In 2013, the Corporation continued to embed CSR across its Aerospace and Transportation groups. For the seventh consecutive year, the Corporation was chosen as an index component in the Dow Jones Sustainability World and the Dow Jones Sustainability North America Indices, benchmark indicators of sustainability, and was named Industry Leader within the Aerospace and Defense Industry for the second time. In May 2013, the Corporation published its sixth CSR report. For further information, visit www.csr.bombardier.com.

## 3.6 Intangible Properties

Bombardier uses various works protected by intellectual property rights which Bombardier owns itself or for which it has been granted rights to use. These works include brand names, customer lists, copyrights, patents, trademark designs, trade secrets and know-how. This intellectual property is important to Bombardier's operations and its success. Some of Bombardier's suppliers participate in the development of products such as aircraft or rolling stock platforms. They subsequently deliver major components to Bombardier and own some of the intellectual property on key components they develop.

The Corporation's registered trademarks are generally renewed at the end of their respective validity periods. The Corporation has and intends to continue to protect its intellectual property rights and maintain its trademarks and the relevant registrations, and will actively pursue the registration of trademarks worldwide.

## 3.7 Human Resources

World-class employees are crucial to preserving Bombardier's leadership and ensuring its continued growth. In recent years, Bombardier intensified its efforts to join the ranks of the world's top employers and today Bombardier continues to make significant progress. Bombardier continues to roll out its Global Talent Management Roadmap to address challenges in both established and emerging markets. These challenges include:

- Skill shortages
- Demographic changes
- Increased competition for the best people
- Maintaining effective recruiting strategies in its key markets
- Developing and retaining the best talent
- Leveraging best practices across Bombardier
- Continually improving its health and safety performance

For further information on Bombardier's Global Talent Management, visit www.csr.bombardier.com

Recruiting, developing and retaining qualified project management and engineering personnel remains fundamental to the success of Bombardier. Competition for these skill sets, particularly in engineering, has become even more intense especially in those areas where in-depth industry specific expertise is required. Bombardier is endowed with a large talent pool of well-trained and engaged employees, focused on constantly enhancing execution and customer engagement.

Aerospace employs many engineering employees having a wide breadth of expertise, including in areas related to aerospace design, aerodynamics, stress and structural, avionics, hydro-mechanical and software engineering. Aerospace is also expanding its efforts to work with educational institutions to train engineers in areas where there are shortages of qualified candidates. Aerospace funds program developments, partners in curriculum design, provides expertise in teaching and offers internships to complement academic learning with hands on experience. In addition, it continues to expand on its internal training programs to continually improve the knowledge of its employees.

Transportation employs many highly qualified engineers important to the successful design, manufacture and maintenance of rail transport solutions for the Corporation's global customers. Required skills include mechanical, electrical and software engineering. To sustain this strategy, Transportation has defined key technical domains (e.g. acoustic, crash safety and others) and products competency domains (e.g. brakes, propulsion system and others). Specialized engineering centers of competencies manage Transportation's technical knowledge and are supported by a dedicated technical expert career path.

Additional information about Bombardier's human resources can be found under the sections entitled "Analysis of Results" at pages 63 and 78, of our MD&A, which pages are incorporated by reference herein.

## 3.8 Risk Factors

The description of risks affecting the Corporation and its activities can be found in the section entitled "Risks and Uncertainties" at pages 81 to 88 of our MD&A, which pages are incorporated by reference herein.

# Item 4. Dividends

The Corporation declared the dividends indicated below on its outstanding shares during each of the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011. These dividends are denominated in Canadian dollars.

| | Fiscal Year ended December 31, 2013 | | Fiscal Year ended December 31, 2012 | | Fiscal Year ended December 31, 2011 | |
|---|---|---|---|---|---|---|
| (millions of dollars, except per share amounts) | **Total** | **Per share on an annual basis** | **Total** | **Per share on an annual basis** | **Total** | **Per share on an annual basis** |
| Series 2 Cumulative Redeemable Preferred Shares | 7.3 | 0.75 | 7.2 | 0.75 | 6.5 | 0.6875 |
| Series 3 Cumulative Redeemable Preferred Shares | 1.8 | 0.7835 | 2.9 | 1.05013 | 3.3 | 1.31676 |
| Series 4 Cumulative Redeemable Preferred Shares | 14.7 | 1.5625 | 14.7 | 1.5625 | 14.7 | 1.5625 |
| Class A shares | 31.5 | 0.10 | 31.5 | 0.10 | 31.5 | 0.10 |
| Class B subordinate shares | 146.5 | 0.1015625 | 146.2 | 0.1015625 | 146.1 | 0.1015625 |

The articles of the Corporation stipulate that no dividends may be paid on the Class A shares or the Class B subordinate shares unless all accrued and unpaid dividends on the Series 2 Cumulative Redeemable Preferred Shares (the “Series 2 Preferred Shares”), Series 3 Cumulative Redeemable Preferred Shares (the “Series 3 Preferred Shares”) and Series 4 Cumulative Redeemable Preferred Shares (the “Series 4 Preferred Shares”) have been declared and paid or set aside for payment, or all the outstanding Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares, as the case may be, have been called for redemption and the redemption price of such shares has been deposited in the manner set out in the articles of the Corporation. In addition, the Corporation’s ability to pay dividends is limited by the terms of some of its debt instruments.

The holders of Class B subordinate shares are entitled, in preference to the holders of Class A shares, to a non-cumulative dividend at the rate of Cdn $0.0015625 per share per annum, or Cdn $0.000390625 per quarter; when a dividend on the Class B subordinate shares at the rate of Cdn $0.0015625 per share per annum is declared and paid or set aside for payment in any fiscal year, the Class A shares and the Class B subordinate shares participate equally, share for share, with respect to any additional dividend which may be declared, paid or set aside for payment during said fiscal year. Since June 2008, additional quarterly dividends of Cdn $0.025 per share have been declared and paid to the holders of the Class A shares and the Class B subordinated shares.

# Item 5. General Description of Capital Structure

The authorized capital of the Corporation consists of (i) an unlimited number of preferred shares without nominal or par value issuable in series (the “Preferred Shares”), of which 12,000,000 have been designated as the Series 2 Preferred Shares, 12,000,000 have been designated as the Series 3 Preferred Shares and 9,400,000 have been designated as the Series 4 Preferred Shares, (ii) 1,892,000,000 Class A shares, and (iii) 1,892,000,000 Class B subordinate shares. As at December 31, 2013, the Corporation had outstanding 9,692,521 Series 2 Preferred

Shares, 2,307,479 Series 3 Preferred Shares, 9,400,000 Series 4 Preferred Shares, 314,530,462 Class A shares and 1,443,496,418 Class B subordinate shares.

The Class B subordinate shares are restricted securities (within the meaning of the relevant Canadian regulations respecting securities) in that they do not carry equal voting rights as the Class A shares. In the aggregate, all of the voting rights associated with the Class B subordinate shares represented, as at December 31, 2013, 31.46% of the voting rights attached to all of the Corporation's issued and outstanding voting securities.

## ***Class A shares and Class B subordinate shares***

**Subordination and Voting Rights**

The Class A shares and the Class B subordinate shares rank after the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. At each meeting of shareholders of the Corporation, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote, each Class A share entitles the holder thereof to 10 votes and each Class B subordinate share entitles the holder thereof to one vote.

**Dividends and Liquidation**

The holders of Class B subordinate shares are entitled to receive, in each fiscal year, if declared by the Board of Directors of the Corporation, in priority to the holders of Class A shares, a non-cumulative dividend at the rate of Cdn $0.0015625 per share per annum and after payment or setting aside for payment of said dividend, the holders of Class A shares and the holders of Class B subordinate shares are equally entitled, share for share, to any additional dividend which may be declared by the Board of Directors of the Corporation in such fiscal year in respect of the Class A shares and Class B subordinate shares.

In the event of the liquidation or winding-up of the Corporation or of any other distribution of its assets among its shareholders for the purpose of winding up its affairs, the holders of Class A shares and the holders of Class B subordinate shares will be entitled, share for share, to receive on a pro rata basis all of the assets of the Corporation remaining after payment of all of the liabilities, subject to the preferential rights attached to any shares ranking prior to the Class A shares and Class B subordinate shares.

**Subdivision or Consolidation**

In the event of the subdivision or consolidation of the Class A shares or the Class B subordinate shares, the Class A shares or the Class B subordinate shares, as the case may be, shall be subdivided or consolidated at the same time and in the same manner.

**Conversion Privilege**

Each Class A share is convertible at any time by the holder thereof into one fully paid and non-assessable Class B subordinate share. Each Class B subordinate share is convertible by the holder thereof into one fully paid and non-assessable Class A share at any time upon and after the occurrence of either one of the following events: (i) if an Offer (as defined in the articles of the Corporation) is made to all holders of Class A shares to acquire Class A shares and such Offer is accepted by the majority shareholder of the Corporation, namely, the Bombardier family; or (ii) if the Bombardier family ceases to hold, directly or indirectly, more than 50% of the outstanding Class A shares.

Except for the rights, privileges, restrictions and conditions attached to the Class A shares and Class B subordinate shares as described above, the Class A shares and the Class B subordinate shares have the same rights, are equal in all respects and are treated by the Corporation as if they were shares of one class only.

## ***Preferred Shares as a Class***

**Issuable in Series**

The Preferred Shares are issuable in series, each series consisting of such number of shares and having such rights, privileges, conditions and restrictions as may be determined by the Board of Directors prior to the issue thereof, subject to the provisions of the CBCA, the articles of the Corporation and to the conditions attached to any series of preferred shares outstanding.

**Priority**

The Preferred Shares of each series rank equally with the Preferred Shares of all other series and rank ahead of the Class A shares and the Class B subordinate shares with respect to the payment of dividends and the distribution of assets, to the extent described in the articles of the Corporation, in the event of the liquidation, dissolution or winding-up of the Corporation or of any other distribution of its assets among its shareholders for the purpose of winding up its affairs.

**Dividends**

The holders of Preferred Shares are entitled to receive preferential dividends in such amounts and at such intervals as may be determined by the Board of Directors of the Corporation in respect of each series prior to the issue thereof.

**Rights on Liquidation**

In the event of any liquidation, dissolution or winding-up of the Corporation or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of Preferred Shares shall be entitled to receive Cdn $25.00 per Preferred Share held (together with accrued and unpaid dividends).

**Voting Rights**

The holders of Preferred Shares do not have the right to receive notice of, attend, or vote at, any meeting of shareholders except to the extent otherwise provided in the articles of the Corporation in respect of any series of Preferred Shares or when holders of Preferred Shares are entitled to vote separately as a class or as a series as set forth in the CBCA or any successor statute, as amended from time to time. In connection with any matter requiring the approval of the Preferred Shares as a class, each holder is entitled to one vote for each dollar of the issue price of the Preferred Shares held. Each holder of Preferred Shares of a particular series shall be entitled, on a series vote, to one vote for each Preferred Share of such series held. Holders of Preferred Shares have no pre-emptive rights.

**Modifications**

The class provisions of the Preferred Shares may be amended at any time with such approval as may be required by the CBCA. The CBCA currently provides that such approval may be given by at least two-thirds of the votes cast at a meeting of the holders of Preferred Shares. The articles of the Corporation provide, in respect of meetings of holders of Preferred Shares, that a quorum is constituted by two or more persons, representing together, in their own right or as proxy holders or as representatives of such legal person or association, a number of Preferred Shares carrying at least 25% of the voting rights attached to all the outstanding Preferred Shares, in the case of a meeting of the holders of Preferred Shares as a class, or a number of Preferred Shares of any series carrying at least 25% of the voting rights attached to all the outstanding Preferred Shares of such series, in the case of a meeting of the holders of Preferred Shares of that series as a series; however, at any adjourned meeting, the quorum will be constituted by the persons present at such adjourned meeting, irrespective of the percentage of outstanding Preferred Shares held by such persons.

## ***Series 2 Preferred Shares***

The Series 2 Preferred Shares are non-voting (except if the Corporation fails to pay in full 24 monthly dividends, until all arrears of dividends on the Series 2 Preferred Shares shall have been paid), redeemable at the Corporation's option (with respect to all and not less than all outstanding Series 2 Preferred Shares) at Cdn $25.50 per share (together with accrued and unpaid dividends), convertible on a one-for-one basis on August 1, 2017 and on August 1 of every fifth year thereafter into Series 3 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 2 Preferred Shares on the conversion date, such remaining number shall be automatically converted into an equal number of Series 3 Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that at such time, there would be less than 1,000,000 outstanding Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted. Variable adjustable cumulative preferential cash dividends are payable monthly on the $15^{th}$ day of each month, if declared by the Board of Directors, with the annual variable dividend rate being set between 50% and 100% of the Canadian prime rate, as adjusted as follows. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis up to a monthly maximum of 4% of the prime rate if the trading price of the Series 2 Preferred Shares is less than Cdn $24.90 per share or more than Cdn $25.10 per share.

None of the provisions of the articles of the Corporation relating to Series 2 Preferred Shares as a series shall be amended or otherwise changed unless the series provisions relating to Series 3 Preferred Shares are amended or otherwise changed in the same proportion and in the same manner.

## ***Series 3 Preferred Shares***

The Series 3 Preferred Shares are non-voting (except if the Corporation fails to pay in full eight quarterly dividends, until all arrears of dividends on the Series 3 Preferred Shares shall have been paid), redeemable at the Corporation's option (with respect to all and not less than all outstanding Series 3 Preferred Shares) at Cdn $25.00 per share (together with accrued and unpaid dividends) on August 1, 2017 and on August 1 of every fifth year thereafter, convertible on a one-for-one basis at the option of the holder on August 1, 2017 and on August 1 of every fifth year thereafter into Series 2 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 3 Preferred Shares on the conversion date, such remaining number shall be automatically converted into an equal number of Series 2 Preferred Shares. Likewise, if the Corporation determines fourteen days before the conversion date that at such time, there would be less than 1,000,000 outstanding Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted. The Series 3 Preferred Shares carry an annual dividend rate of 3.134% for the five-year period from August 1, 2012 to and including July 31, 2017, payable quarterly on the last day of January, April, July and October, if declared by the Board of Directors. The quarterly dividend rate will be fixed by the Corporation at least 45 days and not more than 60 days before each subsequent five-year dividend period. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada bond yield as defined in the Articles of Amendment creating the Series 3 Preferred Shares.

None of the provisions of the articles of the Corporation relating to Series 3 Preferred Shares as a series shall be amended or otherwise changed unless the series provisions relating to Series 2 Preferred Shares are amended or otherwise changed in the same proportion and in the same manner.

## *Series 4 Preferred Shares*

The Series 4 Preferred Shares are entitled to fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors of the Corporation, at a rate equal to Cdn $1.5625 per share per annum. Dividends are payable quarterly on the last day of January, April, July, and October each year at a rate of Cdn $0.390625 per share per quarter. The Series 4 Preferred Shares are non-voting (except if the Corporation fails to pay in full eight quarterly dividends, until all arrears of dividends on the Series 4 Preferred Shares shall have been paid).

The Corporation may, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Preferred Shares in whole or in part, at the Corporation's option, at Cdn $25.00 (together with accrued and unpaid dividends). Alternatively, the Corporation may, on not less than 30 nor more than 60 days' notice, subject to stock exchange approvals, convert all or any part of the outstanding Series 4 Preferred Shares into fully paid and non-assessable Class B subordinate shares of the Corporation. The number of Class B subordinate shares of the Corporation into which each Series 4 Preferred Share may be so converted will be determined by dividing the applicable redemption price per Series 4 Preferred Shares together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of Cdn $2.00 and 95% of the weighted average trading price of such Class B subordinate shares on the TSX for the period of 20 consecutive trading days which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the immediately preceding trading day (the "Current Market Price"). Fractional Class B subordinate shares shall not be issued on any conversion of Series 4 Preferred Shares but in lieu thereof the Corporation shall make cash payments in an amount per fractional Class B subordinate share otherwise issuable equal to the product of the fraction of the Class B subordinate share otherwise issuable and the greater of Cdn $2.00 and 95% and such Current Market Price. The Corporation may, at its option, at any time grant the holders of Series 4 Preferred Shares the right, but not the obligation, to convert their shares upon notice into a further series of Preferred Shares on a share-for-share basis.

## *Security Ratings*

As at February 11, 2014, the Corporation had a long-term debt rating of BB- from Fitch Ratings Ltd. ("Fitch") with a stable outlook. The Corporation's debt securities have also received long-term debt ratings of Ba2 by Moody's Investors Service, Inc. ("Moody's") with a negative outlook and BB by Standard & Poor's ("S&P") with a negative outlook. Fitch has also rated the preferred shares of the Corporation as a B+.

S&P rates long-term debt by rating categories ranging from a high of AAA to a low of D, Moody's ratings range from a high of Aaa to a low of C, Fitch's ratings range from a high of AAA to a low of D.

A BB long-term debt rating by S&P is the fifth highest rating of ten categories. A company with long term debt rated BB faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the company's inadequate capacity to meet its financial commitment. Moody's Ba long-term debt rating is the fifth highest rating of nine categories. A Ba rating is used for long term debt judged to have speculative elements and which is subject to substantial credit risk. The "2" designation indicates that the Corporation has an average standing within the Ba rating category. A BB- long-term debt rating by Fitch is the fifth highest rating of eleven categories and indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

The Corporation's preferred share rating of B+ from Fitch is also used to give an indication of the risk that a borrower will not fulfill its obligations in a timely manner, with respect to both dividend and principal payments. This preferred share rating is speculative, where the degree of protection afforded to payment of dividends and principal is uncertain.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuance of securities and disregard certain factors such as market risk or price risk. These factors should be considered by investors as risk factors in their process of investment decision making.

The credit ratings accorded by S&P, Moody's and Fitch are not recommendations to purchase, hold or sell the securities. There is no assurance that the ratings will remain in effect for any given period of time or that the rating will not be revised or withdrawn entirely by S&P, Moody's or Fitch in the future if it is in their judgement that circumstances so warrant.

During the past two years, the Corporation has made normal course payments to Moody's, Fitch and S&P in connection with their rating services, which include annual surveillance fees covering Bombardier's outstanding securities, in addition to one-time rating fees when securities are initially issued.

# Item 6. Market for the Securities of the Corporation

The Corporation's Class A shares, Class B subordinate shares, Series 2 Preferred Shares, Series 3 Preferred Shares and Series 4 Preferred Shares are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbols "BBD.A", "BBD.B", "BBD.PR.B", "BBD.PR.D" and "BBD.PR.C", respectively. The following table sets forth the reported high, low and closing sale prices in Canadian dollars and the cumulative volume of trading of each of the Corporation's securities listed for trading on the TSX for the periods indicated:

| **MONTH** | | **Class A Shares "BBD.A"** | **Class B Subordinate Voting Shares "BBD.B"** | **Series 2 Preferred Shares "BBD.PR.B"** | **Series 3 Preferred Shares "BBD.PR.D"** | **Series 4 Preferred Shares "BBD.PR.C"** |
|---|---|---|---|---|---|---|
| **December 2013** | High | $4.81 | $4.80 | $14.85 | $13.75 | $23.43 |
| | Low | $4.33 | $4.32 | $13.59 | $13.11 | $21.44 |
| | Close | $4.60 | $4.61 | $13.89 | $13.50 | $22.37 |
| | Volume | 688,445 | 82,583,554 | 224,250 | 56,930 | 269,852 |
| **November 2013** | High | $4.85 | $4.82 | $15.25 | $14.25 | $23.50 |
| | Low | $4.48 | $4.45 | $14.46 | $13.65 | $23.05 |
| | Close | $4.80 | $4.78 | $14.79 | $13.70 | $23.34 |
| | Volume | 1,202,990 | 111,413,067 | 211,951 | 44,548 | 145,737 |
| **October 2013** | High | $5.42 | $5.43 | $15.64 | $14.53 | $23.50 |
| | Low | $4.71 | $4.69 | $14.27 | $13.87 | $22.96 |
| | Close | $4.77 | $4.74 | $15.25 | $14.30 | $23.34 |
| | Volume | 1,182,329 | 123,416,663 | 185,808 | 50,087 | 184,064 |

| | | | | | | |
|---|---|---|---|---|---|---|
| September 2013 | High | $5.11 | $5.11 | $15.99 | $14.88 | $23.53 |
| | Low | $4.70 | $4.68 | $15.10 | $13.35 | $23.21 |
| | Close | $4.81 | $4.79 | $15.33 | $14.02 | $23.50 |
| | Volume | 751,329 | 106,426,015 | 132,464 | 38,318 | 182,091 |
| August 2013 | High | $5.09 | $5.08 | $16.45 | $14.84 | $24.14 |
| | Low | $4.55 | $4.55 | $15.20 | $13.61 | $22.12 |
| | Close | $4.81 | $4.79 | $15.30 | $13.70 | $23.16 |
| | Volume | 1,258,755 | 92,627,598 | 168,880 | 27,428 | 217,146 |
| July 2013 | High | $5.17 | $5.18 | $16.74 | $15.25 | $24.79 |
| | Low | $4.39 | $4.64 | $16.01 | $14.41 | $23.66 |
| | Close | $4.97 | $4.96 | $16.17 | $14.56 | $23.84 |
| | Volume | 1,305,475 | 115,882,821 | 132,145 | 47,111 | 186,124 |
| June 2013 | High | $4.99 | $5.00 | $16.55 | $15.45 | $24.79 |
| | Low | $4.36 | $4.36 | $15.62 | $15.00 | $23.70 |
| | Close | $4.74 | $4.68 | $16.13 | $15.08 | $24.60 |
| | Volume | 884,448 | 159,882,942 | 192,042 | 32,920 | 211,909 |
| May 2013 | High | $4.88 | $4.88 | $15.92 | $15.38 | $24.89 |
| | Low | $3.98 | $3.96 | $15.24 | $14.76 | $24.51 |
| | Close | $4.73 | $4.70 | $15.78 | $15.10 | $24.60 |
| | Volume | 1,423,921 | 174,409,466 | 166,100 | 22,849 | 317,509 |
| April 2013 | High | $4.15 | $4.14 | $15.50 | $15.40 | $25.35 |
| | Low | $3.81 | $3.80 | $15.10 | $14.76 | $24.60 |
| | Close | $3.98 | $4.00 | $15.38 | $14.82 | $24.80 |
| | Volume | 599,327 | 80,304,043 | 107,258 | 30,808 | 257,471 |
| March 2013 | High | $4.36 | $4.35 | $15.50 | $15.23 | $25.33 |
| | Low | $3.94 | $3.89 | $14.88 | $14.67 | $24.81 |
| | Close | $4.08 | $4.03 | $15.40 | $15.05 | $25.30 |
| | Volume | 1,065,529 | 144,394,709 | 177,949 | 31,053 | 143,980 |
| February 2013 | High | $4.29 | $4.29 | $15.45 | $14.99 | $25.15 |
| | Low | $3.84 | $3.81 | $14.62 | $14.30 | $24.63 |
| | Close | $4.14 | $4.15 | $14.88 | $14.78 | $24.90 |
| | Volume | 713,533 | 127,547,141 | 223,172 | 40,913 | 113,381 |
| January 2013 | High | $4.25 | $4.20 | $14.78 | $14.48 | $25.24 |
| | Low | $3.87 | $3.81 | $13.45 | $13.40 | $24.26 |

| | | | | | |
|---|---|---|---|---|---|
| Close | $4.00 | $3.91 | $14.77 | $14.27 | $24.86 |
| Volume | 842,567 | 167,823,315 | 297,016 | 81,492 | 183,720 |

# Item 7. Directors and Executive Officers

The names of the directors and executive officers of the Corporation, their municipality of residence, the positions held by them within the Corporation, the principal occupations of the directors, the period during which each director has exercised his or her mandate, as well as the number of Class A shares or Class B subordinate shares, as the case may be, of the Corporation that the directors, as at February 11, 2014, owned beneficially or over which they exercised control or direction, are indicated below. No Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares are held by any director.

## *Directors*

| Name, Municipality of Residence, Principal Occupation(s) and Position(s) Held Within the Corporation | Period of Service as a Director | Class A shares[1] | Class B subordinate shares[1] |
|---|---|---|---|
| LAURENT BEAUDOIN, C.C., FCPA, FCA<br>Westmount, Québec, Canada<br>Chairman of the Board of Directors of the Corporation | 1975 to date | 13,052,944[2] | 812,500[2] |
| PIERRE BEAUDOIN<br>Westmount, Québec, Canada<br>President and Chief Executive Officer of the Corporation | 2004 to date | 512,859 | 765,083 |
| ANDRÉ BÉRARD[a][b][c][d]<br>Montréal, Québec, Canada<br>Corporate Director | 2004 to date | — | 5,000 |
| JOANNE BISSONNETTE [3]<br>Outremont, Québec, Canada<br>Corporate Director | 2012 to date | — | 5,824 |
| J.R. ANDRÉ BOMBARDIER<br>Montréal, Québec, Canada<br>Vice Chairman of the Corporation | 1975 to date | [4] | 265,774 |
| MARTHA FINN BROOKS [b][c]<br>Atlanta, Georgia, U.S.A.<br>Corporate Director | 2009 to date | — | 30,000 |

| Name, Municipality of Residence, Principal Occupation(s) and Position(s) Held Within the Corporation | Period of Service as a Director | Class A shares[(1)] | Class B subordinate shares[(1)] |
|---|---|---|---|
| L. DENIS DESAUTELS, O.C., FCPA, FCA[(a)(c)]<br>Ottawa, Ontario, Canada<br>Corporate Director | 2003 to date | — | 10,000 |
| THIERRY DESMAREST<br>Paris, France<br>Honorary Chairman of the Board of Directors of Total S.A. (oil and gas company) | 2009 to date | — | — |
| SHEILA FRASER, FCPA, FCA [(a)]<br>Ottawa, Ontario, Canada<br>Corporate Director | 2012 to date | — | — |
| JEAN-LOUIS FONTAINE<br>Westmount, Québec, Canada<br>Vice Chairman of the Corporation | 1975 to date | 4,097,472[(5)] | 6,465 |
| DANIEL JOHNSON[(a)(c)(e)]<br>Montréal, Québec, Canada<br>Counsel,<br>McCarthy Tétrault, LLP<br>Barristers and Solicitors | 1999 to date | — | 1,200 |
| JEAN C. MONTY [(b)(e)]<br>Montréal, Québec, Canada<br>Corporate Director | 1998 to date | 25,000 | 175,000 |
| PATRICK PICHETTE [(a)(b)]<br>Palo Alto, California, U.S.A.<br>Senior Vice President and Chief Financial Officer, Google Inc. (Internet-related services and products) | 2013 to date | — | 6,000 |
| CARLOS E. REPRESAS [(b)(c)(e)]<br>Mexico City, Mexico<br>Corporate Director | 2004 to date | — | — |
| HEINRICH WEISS[(e)]<br>Düsseldorf, Germany<br>Chairman of the Supervisory Board, SMS Holding GmbH (plant construction and mechanical engineering) | 2005 to date | — | — |

(1) The number of shares held is given as at February 11, 2014.

(2) Ms. Claire Bombardier Beaudoin, wife of Mr. Laurent Beaudoin, exercises, through holding corporations which she controls, control or direction over 61,123,490 Class A shares and 812,500 Class B subordinate shares.

(3) Ms. Janine Bombardier, mother of Ms. Joanne Bissonnette, exercises, through holding corporations which she controls, control or direction over 61,973,491 Class A shares and 40,001 Class B subordinate shares.

(4) Mr. J.R. André Bombardier exercises, through holding corporations which he controls, control or direction over 65,401,042 Class A shares.
(5) Ms. Huguette Bombardier Fontaine, wife of Mr. Jean-Louis Fontaine, exercises, through holding corporations which she controls, control or direction over 60,701,887 Class A shares.

(a) Member of the Audit Committee
(b) Member of the Human Resources and Compensation Committee
(c) Member of the Finance and Risk Management Committee
(d) Lead Director
(e) Member of the Corporate Governance and Nominating Committee

Each director remains in office until the following annual shareholders' meeting or until the election of his/her successor, unless he/she resigns or his/her office becomes vacant as a result of his/her death, removal or any other cause.

## ***Executive Officers who are not Directors***

| Name and Municipality of Residence | Position Held Within the Corporation |
|---|---|
| Pierre Alary, FCPA, FCA, C. Dir.<br>Montréal, Québec, Canada | Senior Vice President and Chief Financial Officer |
| Lutz Bertling<br>Berlin, Germany | President and Chief Operating Officer of Bombardier Transportation |
| Daniel Desjardins<br>Montréal, Québec, Canada | Senior Vice President, General Counsel and Corporate Secretary |
| Guy C. Hachey<br>Blainville, Québec, Canada | President and Chief Operating Officer of Bombardier Aerospace |
| John Paul Macdonald<br>Longueuil, Québec, Canada | Senior Vice President, Human Resources and Public Affairs |
| Steven A. Ridolfi<br>Toronto, Ontario, Canada | Senior Vice President |

As at February 11, 2014, the directors of the Corporation (other than Mr. J.R. André Bombardier) and the executive officers of the Corporation, as a group, owned beneficially, directly or indirectly, 17,688,275 Class A shares and 2,573,061 Class B subordinate shares, representing 5.62% and 0.18% respectively, of the outstanding shares of each such class.

The directors and executive officers of the Corporation who have not occupied their current principal occupations for more than five years have had the following principal occupations during the last five years:

- Lutz Bertling has been President and Chief Operating Officer of Bombardier Transportation since June 3, 2013; before that date, he held the position of President and Chief Executive Officer of Eurocopter Group since October 2006.
- Martha Finn Brooks has joined the Board of Directors of Bombardier on August 24, 2009; before that she was President and Chief Operating Officer of Novelis, Inc. from March 2007 to May 2009.
- Daniel Desjardins has been Senior Vice President, General Counsel and Corporate Secretary since May 10, 2012; before that date he was Senior Vice President, General Counsel and Assistant Secretary since October 1, 2003.
- Thierry Desmarest has joined the Board of Directors of Bombardier on January 21, 2009; since May 2010, he is Honorary Chairman and a member of the Board of Directors of Total S.A., after having served as its Chairman since February 2007.
- Sheila Fraser has joined the Board of Directors of Bombardier on May 10, 2012; she was the Auditor General of Canada from 2001 to 2011.
- Steven A. Ridolfi has been Senior Vice President since January 1, 2014; before that date he was President, Business Aircraft of Aerospace since April 18, 2008.
- Henrich Weiss has been Chairman of the Supervisory Board of SMS Holding GmbH since July 1, 2013; before that he was Chairman and Chief Executive Officer of SMS Holding GmbH from September 25, 2003 to June 30, 2013.

# Item 8. Legal Proceedings

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 December 31, 2013, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

S-Bahn claim

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

This lawsuit alleges damages of an aggregate value of €348 million ($480 million) related to allegedly defective wheels and braking systems. The claim is for payment of €241 million ($332 million) and also for a declaratory judgment obliging the Corporation to compensate SB for further damages. SB currently alleges such further damages to be €107 million ($148 million).

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

The Corporation intends to vigorously defend its position and will undertake all actions necessary to protect its reputation. While the Corporation cannot predict the final outcome of this claim pending as of December 31, 2013, based on information currently available, management believes the resolution of this claim will not have a material adverse effect on its financial position.

Investigation in Brazil

Government authorities in Brazil, including the Administrative Council for Economic Protection ("CADE"), and the São Paulo Public Prosecutor's office, are investigating allegations of cartel activity relating to the public procurement of railway equipment and the construction and maintenance of railway lines in São Paulo and other areas.

On July 4, 2013, the General Superintendents of CADE conducted inspections at the headquarters of 13 companies located in Brasilia and São Paulo, including Bombardier Transportation Brasil Ltda, a wholly owned subsidiary of the Corporation. The investigation is still at a preliminary stage. Companies found to have engaged in unlawful cartel conduct are subject to administrative fines, state actions for repayment of overcharges and potentially disbarment for a certain period. The Corporation is cooperating with these investigations and intends to defend itself vigorously.

# Item 9. Transfer Agent and Registrar

The Transfer Agent and Registrar for each class of the Corporation's publicly listed securities is Computershare Investor Services Inc. at its principal office in each of the Canadian cities of Halifax, Montréal, Toronto, Calgary and Vancouver.

# Item 10. Material Contracts

Other than those contracts entered into in the ordinary course of business or that would not be considered material to the Corporation or its businesses, there are no material contracts entered into by the Corporation during the fiscal year ended December 31, 2013 or entered into prior to the fiscal year ended December 31, 2013 and after January 1, 2002 but which are still in effect.

# Item 11. Interest of Experts

Ernst & Young LLP is the independent auditor who prepared the Auditors' Reports to the shareholders of Bombardier Inc. under Canadian generally accepted auditing standards. Ernst & Young LLP has confirmed to the Corporation that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables professionnels agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered accountants in the other provinces of Canada.

# Item 12. Audit Committee Disclosure

## ***Audit Committee Information***

Mr. L. Denis Desautels acts as Chairman of the Audit Committee, and Ms. Sheila Fraser and Messrs. André Bérard, Daniel Johnson and Patrick Pichette are its other members. Each of them is independent and financially literate within the meaning of National Instrument 52-110 – Audit Committees.

The Charter of the Audit Committee is reproduced at Schedule 1 attached to this Annual Information Form.

The education and related experience of each of the members of the Audit Committee is described below.

**L. Denis Desautels O.C., FCPA, FCA** (Chair) – Mr. Desautels has been the Chairman of the Audit Committee since 2003. He has a Bachelor of Commerce degree from McGill University. He served as Auditor General of Canada from April 1, 1991 until March 31, 2001. As Auditor General of Canada, he was responsible for conducting examinations of the operations of the Government of Canada and of its numerous Crown corporations and agencies, as well as those of Canada's three territorial governments. At the time of his appointment, he was a senior partner in the Montréal office of Ernst & Young, LLP. In his 27 years with Ernst & Young, he served the firm in various capacities and in a number of offices, namely Montréal, Ottawa and Québec. He was Chairman of the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants from 2010 to 2012. He is a member of the audit committees of Jean Coutu Group (PJC) Inc., International Development Research Centre (IDCR) and Community Foundation of Ottawa.

**André Bérard** – Mr. Bérard has been a member of the Audit Committee since 2004. He has a Fellow's Diploma of the Institute of Canadian Bankers. He attended the Special Management Program at Harvard Business School. He served as Chairman of the Board of National Bank of Canada from 2002 to 2004, after having assumed the duties of Chairman of the Board and Chief Executive Officer from 1990 to 2002, President and Chief Executive Officer in 1989 and President and Chief Operating Officer from 1986 to 1989. Between 1958 and 1986, he held various positions of increasing responsibilities at National Bank of Canada. He is a member of the audit committee of BMTC Group Inc.

**Sheila Fraser –** Ms. Fraser FCPA, FCA, has a Bachelor of Commerce degree as well as several Honorary Doctor of Laws degrees. She served as Auditor General of Canada from 2001 to 2011. Prior to joining the Office of the Auditor General as Deputy Auditor General in 1999, Ms. Fraser was a partner at Ernst & Young, LLP for 18 years, in the Québec City office. She chaired various committees of the International Organization of Supreme Audit Institutions (INTOSAI) from 2001 to 2011 as well as the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants in 2004 and 2005 and has been named as Trustee to the IFRS Foundation, the oversight body of the International Accounting Standards Board. She is the Chairman of the audit committee of Manulife Financial Corporation.

**Daniel Johnson** – Mr. Johnson has been a member of the Audit Committee since 1999. A law graduate of Université de Montréal and a member of the Québec bar since 1967, Mr. Johnson also holds LL.M. and Ph.D. degrees from the University of London (UK), as well as an M.B.A. from Harvard Business School. He was Secretary and Vice President of Power Corporation of Canada until 1981. As a member of the Québec Government from 1985 to 1994, he was Minister of Industry and Commerce, then Chairman of the Treasury Board and Minister responsible for Administration and the Public Service. He was also Minister responsible for the Montréal region and a member of the Standing Cabinet Committees on Economic Development, Planning, Regional Development and the Environment, and of the Legislation Committee. He became Leader of the Québec Liberal Party in December 1993, was Premier of the Province of Québec until September 1994, and Leader of the Official Opposition until May 1998. He is currently a member of the audit committee of exp Global Inc.

**Patrick Pichette** – Mr. Pichette has been appointed as a member of the Audit Committee at the meeting of the Board of Directors of the Corporation held on October 30, 2013. Mr. Pichette is Senior Vice President and Chief Financial Officer at Google Inc. He was at Bell Canada from 2001 to 2008, during which time he held various executive positions including Chief Financial Officer. Prior to joining Bell Canada, Mr. Pichette was a partner at McKinsey & Company. He earned a bachelor's degree in business administration from Université du Québec à Montréal. He also holds a master's degree in philosophy, politics and economics from Oxford University, where he attended as a Rhodes Scholar. He is a member of the Audit Committee of the Trudeau Foundation.

## ***Appointment of Auditors***

For each of the financial years ended December 31, 2013 and 2012, Ernst & Young, LLP, billed the Corporation the following fees for services:

| *Fees* | *Financial Year Ended December 31, 2013* | *Financial Year Ended December 31, 2012* |
|---|---|---|
| *Audit fees* | 11,952,000 | 11,740,000 |
| *Audit-related fees* | 1,053,000 | 1,025,000 |
| *Tax fees* | 7,083,000 | 4,416,000 |
| *All other fees* | 627,000 | 859,000 |
| ***Total Fees:*** | **20,715,000** | **18,040,000** |

In the table above, the terms in the column "Fees" have the following meanings: "Audit fees" refers to all fees incurred in respect of audit services, being the professional services rendered by the Corporation's independent auditors for the audit of its consolidated annual financial statements and those of its subsidiaries and the review of the Corporation's quarterly consolidated financial statements as well as services normally provided by the Corporation's independent auditors in connection with statutory and regulatory filings and engagements; "Audit-related fees" refers to the aggregate fees billed for assurance and related services by the Corporation's independent auditors that are reasonably related to the performance of the audit or review of its consolidated financial statements and are not reported under "Audit fees" including audits of the Corporation's employee benefit plans and other attest services; "Tax fees" refers to the aggregate fees billed for professional services rendered by the Corporation's independent auditors for tax compliance, expatriate and global mobility compliance services, tax advice, and tax planning, including the preparation or review of tax returns, transfer pricing documentation and assistance with tax audits, rendered to the Corporation and its many subsidiaries around the world; and "All other fees" refers to the aggregate fees billed for products and services provided by the Corporation's independent auditors, other than "Audit fees", "Audit-related fees" and "Tax fees", consisting primarily of translation of financial information and assistance with respect to a claim. The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the independence of the Corporation's independent auditors. The Audit Committee has adopted a policy that prohibits the Corporation's from engaging its independent auditors for "prohibited" categories of non-audit services and requires pre-approval by such Committee of audit services and other services within certain permissible categories of non-audit services.

# Item 13. Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's management proxy circular for its most recently completed financial year. Additional financial information is provided in the Corporation's financial statements and Management Discussion & Analysis for its most recently completed financial year.

All information incorporated by reference into this Annual Information Form is contained or included in one of the Corporation's continuous disclosure documents filed with the Canadian securities regulatory authorities which may be viewed on SEDAR at www.sedar.com.

Where a section of this Annual Information Form incorporates by reference information from one of the Corporation's other continuous disclosure documents, such section makes specific reference to the document in which such information is originally contained or included, as well as to the relevant section.

# Item 14. Forward-Looking Statements

This Annual Information Form includes forward-looking statements, which may involve, but are not limited to: statements with respect to the Corporation's 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; the Corporation's competitive position; and the expected impact of the legislative and regulatory environment and legal proceedings on the Corporation's 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", "maintain" or "align", the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation's actual results in future periods to differ materially from forecasted results. While the Corporation considers its assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this Annual Information Form, refer to the respective Guidance and forward-looking statements sections in Overview, Bombardier Aerospace and Bombardier

Transportation sections in the Management's Discussion and Analysis for the year ended December 31, 2013 which may be viewed on SEDAR at www.sedar.com.

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 the Corporation's 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; 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 value and increases in commodity prices). For more details, see the "Risks and Uncertainties" section in the Management's Discussion and Analysis for the year ended December 31, 2013 which may be viewed on SEDAR at www.sedar.com. 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 the Corporation's expectations as at the date of this Annual Information Form and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes 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 Annual Information Form are expressly qualified by this cautionary statement.

# Schedule 1

**BOMBARDIER INC.**

**CHARTER OF THE AUDIT COMMITTEE**

**Audit Committee**

**1.1 Membership and Quorum**

- A minimum of four directors who shall all be independent.

- All the members of the Audit Committee shall be financially literate or shall become financially literate within a reasonable period of time after their appointment to the Audit Committee; a member of the Audit Committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Bombardier's financial statements.

- Quorum: a majority of the members.

**1.2 Frequency and Timing of Meetings**

- Normally, in conjunction with Bombardier Board meetings.

- At least four times a year and as necessary.

**1.3 Chairman of the Audit Committee**

One of the members of the Audit Committee shall act as its Chairman. The responsibilities of the Chairman of the Audit Committee include the following:

*A. Providing leadership to enhance the Audit Committee's effectiveness*

- ensuring that the Audit Committee works as a cohesive team and providing the leadership essential to achieve this;

- ensuring that the resources available to the Audit Committee (in particular timely and relevant information) are adequate to support its work.

*B. Managing the Audit Committee*

- setting the agenda of the Audit Committee, in consultation with the Senior Vice President and Chief Financial Officer, and prior to the meeting of the Audit Committee, circulating the agenda to the members of the Audit Committee;

- adopting procedures to ensure that the Audit Committee can conduct its work effectively and efficiently, overseeing the Audit Committee structure and composition, scheduling and management of meetings;
- ensuring that the conduct of the Audit Committee meetings provides adequate time for serious discussion of relevant issues;
- ensuring that the outcome of the meeting of the Audit Committee and any material matters reviewed at such meeting are reported to the Board at its next regular meeting.

**1.4 Mandate of the Audit Committee**

*A. PURPOSE*

The Audit Committee is a Committee of the Board formed to assist it in overseeing the financial reporting process.

*B. OBJECTIVES*

The objectives of the Audit Committee are :

- to help the directors meet their responsibilities with respect to accountability;
- to assist in maintaining good communication between the directors and the independent auditor;
- to assist in maintaining the independent auditor's independence;
- with the assistance of the Senior Vice President and Chief Financial Officer, to ensure that an appropriate system of internal accounting and financial controls is maintained in view of the major business risks facing Bombardier;
- to maintain the credibility and objectivity of financial reports;
- to investigate and assess any issue that raises significant concern to the Audit Committee, with the assistance, if so required by the Audit Committee, of the Senior Director, Corporate Audit Services and Risk Assessment, and/or the independent auditor.

C. *MEETINGS*

- Any member of the Audit Committee or the independent auditor or the Senior Director, Corporate Audit Services and Risk Assessment may request a meeting of the Committee.
- The Chairman of the Board, the President and Chief Executive Officer, and the Senior Vice President and Chief Financial Officer shall attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Audit Committee.
- The President and Chief Executive Officer may, at his option, only attend that part of the meeting of the Audit Committee during which the quarterly or annual, as the case may be, consolidated financial statements of Bombardier, the related management's discussion and analysis and the press release to be issued on the consolidated financial statements are reviewed by the Audit Committee members.

- The Senior Director, Corporate Audit Services and Risk Assessment shall have direct access to the Audit Committee and shall receive notice of and attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him.

- The independent auditor shall have direct access to the Audit Committee and shall receive notice of and have the right to attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving him.

- The President and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Senior Director, Corporate Audit Services and Risk Assessment or any other representative of management whose presence is requested by the Chairman of the Audit Committee or any of the Audit Committee members, and the independent auditor shall meet separately with the Audit Committee, in a private session held during the course of a meeting, at least once annually.

- Minutes of the meetings of the Audit Committee shall be kept by the Corporate Secretary. Supporting documents reviewed by the Audit Committee shall be kept by the Corporate Secretary. A copy of the minutes of any meeting or of any supporting document shall be made available for examination by any director of Bombardier upon request to the Corporate Secretary.

*D. DUTIES AND RESPONSIBILITIES*

- As they relate to the Board and financial reporting

  a) Assist the Board in the discharge of its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others relating to Bombardier's financial statements and its financial reporting practices and the system of internal accounting and financial controls, the corporate audit and risk assessment function, the management information systems, the annual external audit of Bombardier's financial statements and the compliance by Bombardier with laws and regulations and its own Code of Ethics and Business Conduct.

  b) Maintain a free and open line of communication with the management of Bombardier, the Senior Director, Corporate Audit Services and Risk Assessment and the independent auditor.

  c) Review, before their disclosure, Bombardier's quarterly consolidated financial statements, the related management's discussion and analysis and the press release on the quarterly financial results and, if appropriate, recommend to the Board their approval and disclosure.

  d) Review, before their disclosure, Bombardier's annual audited consolidated financial statements, the related management’s discussion and analysis, and the press release on the annual consolidated financial results and, if appropriate, recommend to the Board their approval and disclosure.

  e) Review the presentation and impact of significant, unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks and changes in provisions, estimates or reserves included in any financial statements.

  f) Obtain explanations for communication to the Board for all significant variances between comparable reporting periods.

  g) Review any litigation, claim or other contingency, including tax assessments and environmental situations, that could have a material adverse effect upon the financial position or operating results of Bombardier, and the manner in which these matters are disclosed in the financial statements.

  h) Review the appropriateness of the accounting policies used in the preparation of Bombardier’s financial statements, and consider recommendations for any material change to such policies.

i) To the extent not previously reviewed by the Audit Committee, review and, if appropriate, recommend to the Board the approval of all financial statements included in the prospectus and other offering memoranda and all other financial reports required by regulatory authorities and requiring approval by the Board.

j) Review the statement of management’s responsibility for the financial statements as signed by the management of Bombardier and included in any published document.

k) Ensure that adequate procedures are in place for the review of Bombardier's public disclosure of financial information extracted or derived from Bombardier's financial statements, other than the public disclosure referred to in paragraph c) or d) above, and periodically assess the adequacy of those procedures.

l) Ensure that procedures are in place for

   (i) the receipt, retention and treatment of complaints received by Bombardier regarding accounting, internal accounting controls, or auditing matters; and

   (ii) the confidential, anonymous submission by employees of Bombardier of concerns regarding questionable accounting or auditing matters.

m) Where there is to be a change of independent auditor, review all issues related to the change, including any differences between Bombardier and the independent auditor that relate to the independent auditor’s opinion or a qualification thereof or an independent auditor’s comment.

n) Monitor the application of, and, if need be, review and make appropriate recommendations to management in order to update the Corporate Disclosure Policy of Bombardier.

- As they relate to the independent auditor

a) Explicitly affirm that the independent auditor is independent and accountable to the Board and the Audit Committee, and in that context, work constructively with the independent auditor to build an effective relationship that allow for full, frank and timely discussion of all material issues, with or without management as appropriate in the circumstances.

b) Recommend to the Board a firm of independent auditors for submission to the shareholders of Bombardier.

c) Review and make recommendations to the Board with respect to the fees payable for the external audit.

d) For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the terms of the independent auditor’s (i) annual audit services engagement letter and (ii) the quarterly review services engagement letter; each of these letters shall be signed by the Chairman of the Audit Committee.

e) For each fiscal year, in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee, review and approve the scope of the (i) annual audit and of other audit related services and (ii) the quarterly review services to be rendered by the independent auditor; in that context, ensure that the independent auditor has access to all books, records, facilities and personnel of Bombardier.

f) Review with the independent auditor the contents of its report with respect to the annual consolidated financial statements of Bombardier and the results of the external audit, any significant problems encountered in performing the external audit, any significant recommendations further to the external audit and management’s response and follow-up in that context and ensure that the independent auditor is satisfied that the accounting estimates and judgments made by management’s selection of accounting principles reflect an appropriate application of generally accepted accounting principles.

g) Review any significant recommendations by the independent auditor to strengthen the internal accounting and financial controls of Bombardier.

h) Review any unresolved significant issues between management and the independent auditor that could affect the financial reporting or internal controls of Bombardier.

i) To the extent practicable, assess the performance of the independent auditor at least once a year.

j) Ensure that the independent auditor shall not provide the following services to Bombardier:

- bookkeeping or other services related to the accounting records or financial statements of Bombardier;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions;
- human resources;
- broker or dealer, investment adviser, or investment banking services;
- legal services; and
- expert services unrelated to the audit.

k) All non-audit services shall require the prior approval of the Audit Committee in accordance with the terms and conditions of the then current Audit and Non-Audit Services Pre-Approval Policy adopted by the Audit Committee.

l) Review and approve Bombardier's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor of Bombardier.

- As they relate to the Senior Director, Corporate Audit Services and Risk Assessment

a) At least four times a year, in conjunction with Bombardier Board meetings, review the report of the Senior Director, Corporate Audit Services and Risk Assessment on the results of the work that the Corporate Audit Services and Risk Assessment function has performed and with respect to its organization, staffing, and independence.

b) Review and, if appropriate, approve the annual Corporate Audit Services and Risk Assessment plan.

c) Assess the Corporate Audit Services and Risk Assessment reporting lines and make such recommendations as are necessary to preserve the independence of the Senior Director, Corporate Audit Services and Risk Assessment.

d) Review significant Corporate Audit Services and Risk Assessment findings and recommendations and management’s responses thereto.

e) Once a year, assess the performance of the Senior Director, Corporate Audit Services and Risk Assessment, and if the circumstances so warrant, review and recommend the removal of the then current incumbent and the appointment of his successor and report the findings and conclusions of the Audit Committee to the Human Resources and Compensation Committee and the President and Chief Executive Officer of the Corporation.

f) Once a year, review the terms of the charter of the Corporate Audit Services and Risk Assessment to ensure that they continue to be relevant and, if need be, make any appropriate modifications thereto.

- As they relate to the Audit Committee’s terms of reference

Each year, review the Charter of the Audit Committee in order to ensure that it continues to be relevant and make recommendations to the Corporate Governance and Nominating Committee regarding its responsibilities therein.

**1.5 Miscellaneous**

If required, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors, and is provided with the appropriate funding for payment of the independent auditors and any advisors retained by it.

While the Audit Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Bombardier's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the Senior Director, Corporate Audit Services and Risk Assessment and the independent auditor.

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board's responsibility to ensure Bombardier's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.