BOMBARDIER

ANNUAL REPORT, YEAR ENDED JANUARY 31, 2011

LEADING

Brighter Skies Ahead

New Tech Rides the Rails

OUR PEOPLE
Leaders at every level

INTERVIEW:
A candid talk with our leadership team

HIGHLIGHTS

(IN MILLIONS OF U.S. DOLLARS, EXCEPT PER SHARE AND BACKLOG AMOUNTS)

For the fiscal years ended January 31	2011	2010
Revenues	**$17,712**	$19,366
EBIT	**$ 1,050**	$ 1,098
Income taxes	**$ 162**	$ 208
Net income	**$ 769**	$ 707
EPS (in dollars):		
Basic and diluted	**$ 0.42**	$ 0.39
Dividend per common share (in Cdn dollars)		
Class A	**$ 0.10**	$ 0.10
Class B	**$ 0.10**	$ 0.10

As at January 31	2011	2010
Total assets	**$23,430**	$21,273
Shareholders' equity	**$ 4,352**	$ 3,769
Net additions to PP&E and intangible assets	**$ 1,073**	$ 767
Total backlog (in billions of dollars)	**$ 50.1**	$ 43.8
Book value per common share (in dollars)	**$ 2.28**	$ 1.94
Number of common shares		
Class A	**316,109,537**	316,231,937
Class B	**1,409,538,220**	1,413,419,069

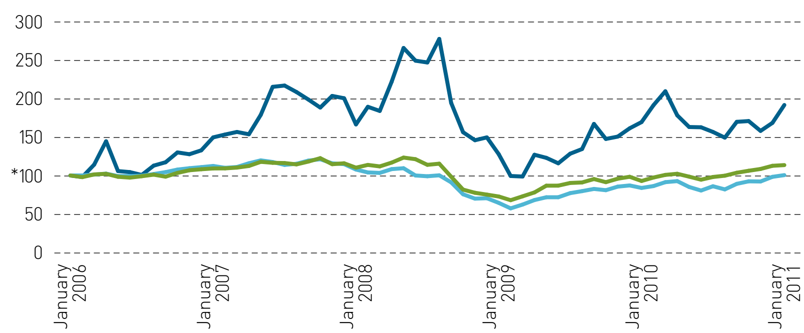
STOCK MARKET PRICE RANGES

(in Cdn dollars)

For the years ended January 31	2011	2010
Class A		
High	**$6.24**	$5.63
Low	**$4.28**	$2.29
Close	**$5.72**	$5.04
Class B		
High	**$6.24**	$5.64
Low	**$4.25**	$2.22
Close	**$5.70**	$5.04

BOMBARDIER'S STOCK PERFORMANCE

January 31, 2006 to January 31, 2011



MARKET CAPITALIZATION

$9,843 MILLION CDN

(as at January 31, 2011)

● BBD ● SPTSX ● S&P 500

*Index: Closing price as at January 31, 2006 = 100

All amounts in this annual report are in U.S. dollars unless otherwise indicated.

lead·er·ship
[lee-der-ship]
–noun
1. the position or function of a leader
2. ability to lead
3. an act or instance of leading, guidance
4. the leaders of a group

LEADERSHIP

THE KEY TO OUR WAY FORWARD

Leadership is hard earned but easily lost. That’s why, regardless of industry peaks and troughs, a global leader cannot sit idly on the sidelines. Vision and experience are musts to identify and invest in the most promising opportunities. To take calculated risks and actively manage them. To establish strategic partnerships and expand into new markets. To employ the right people and empower them to consistently connect the dots between customer needs and game-changing products. This is how, at Bombardier, we continue to lead the way forward — on the ground and in the air.

REGULAR FEATURES

BRIGHTER SKIES

LEADING IN THE AIR

Since entering the aerospace industry 25 years ago, we've never looked back. What we have done is pay strict attention to our customers' needs and challenges. In fact, they've guided every new aircraft family, technology and service we've launched. From inventing the first regional jet to redefining business jet comfort and developing a clean-sheet single-aisle commercial aircraft, we're leading our customers and industry towards brighter skies.

A rising star in a promising market

Bombardier Aerospace's 20-year forecast puts deliveries in the 100- to 149-seat mainline aircraft market at 6,700 aircraft worth $393 billion. And with more than 3,000 replacement aircraft required in this segment, operators are clearly waiting for a game-changing solution. That's why our sights are trained on this promising niche.

STARTING WITH A CLEAN SHEET

Until now, no manufacturer had designed an aircraft specifically for the 100- to 149-seat segment. Enter our *CSeries* mainline aircraft. It's not stretched, shrunk or reconfigured — it's 100% optimized for this niche. Starting with a clean sheet lets us provide airlines with what's been missing in this segment and more.

Our *CS100** and *CS300** jetliners integrate the latest technologies and materials to deliver a 20% fuel burn advantage, a 15% cash operating cost advantage, significantly reduced emissions and four times quieter flights than other aircraft in their class. The *CSeries** aircraft's range of up to 2,950 nautical miles (5,463 km) offers airlines the opportunity to operate more profitable routes with higher frequency.

The CSeries' *leading-edge design creates an airliner that is a perfect balance of proven methods, advanced materials and next-generation technologies.*

TEST ON THE GROUND, VALIDATE IN THE AIR

We're investing heavily in up-front testing on new technologies and materials at our Complete Integrated Aircraft Systems Test Area (CIASTA) for the *CSeries* aircraft. At CIASTA, we're optimizing the aircraft's design for weight, repairability, reliability, manufacturability and on-time quality for first production aircraft.

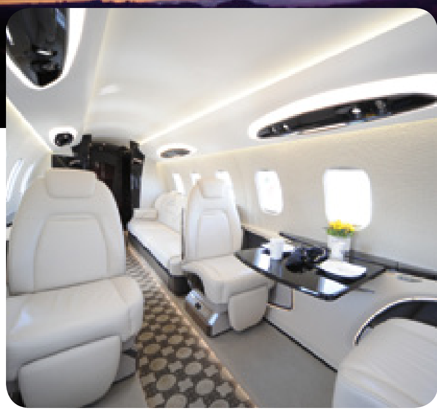
Three years before the *CSeries* aircraft's entry into service in 2013, we achieved significant milestones on our six key technology demonstrator rigs: the composite wing, wing joining, composite rear fuselage, centre fuselage barrel, fly-by-wire system and PurePower PW1000G engine.

STAYING ON TRACK

The bottom line? The *CSeries* aircraft program is on track and its team — more than 1,800 Bombardier employees and thousands of supplier employees worldwide — is executing our master plan to deliver a next-generation aircraft that performs as promised.

Giving business jet travel a whole new meaning

Learjet 85



Business jet owners are among the world's most sophisticated consumers. They recognize and want the best, which is why our new *Learjet 85* business jet redefines technology, performance and comfort in the midsize segment.

The *Learjet 85** aircraft incorporates a couple of firsts. It's our first business jet built primarily from composites, including the industry's first carbon composite fuselage and wing. Its composite structure enables complex curves, thinner walls and optimized window placement to deliver the segment's largest cabin and unequalled passenger comfort.

The jet's ultra-smooth composite surface minimizes drag, which means lower fuel burn and noise levels at higher speeds. Its composite airframe offers an exceptional strength-to-weight ratio. And with fewer yet more corrosion-resistant parts, the aircraft requires less maintenance and its life is extended.

Our new *Learjet 85* business jet also boasts the segment's most advanced flight deck, giving pilots unprecedented control, security and enjoyment. It reaches a high speed cruise of Mach 0.82 and offers a transcontinental range of up to 3,000 nautical miles (5,556 km). The fabrication of parts for the first aircraft is well under way. It's all systems go for *Learjet 85* aircraft owners to start spanning long distances faster and with greater ease as scheduled in 2013.

GREAT EXPECTATIONS

THE GLOBAL FAMILY GETS EVEN BETTER

Global 7000

***Global 7000**:** Most spacious cabin in large business jet category. 7,300 nautical mile (13,520 km) range at Mach 0.85 with 10 passengers. 14% lower fuel burn than *Global Express XRS* and NO_X emissions 50% below upcoming regulations. **Entry into service:** 2016

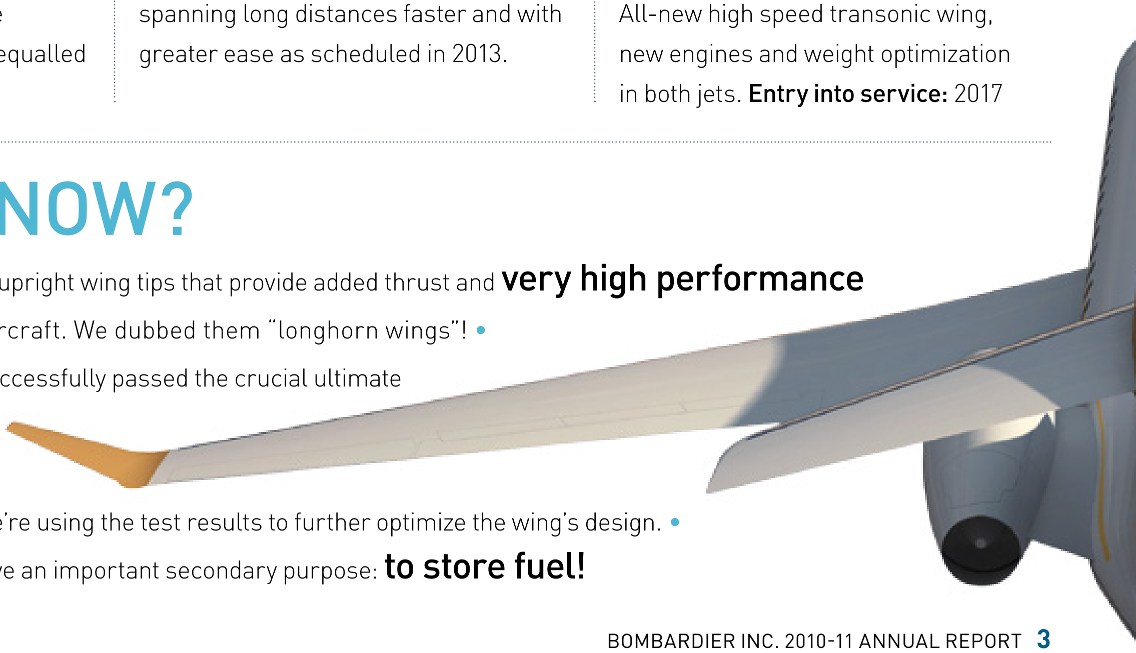
***Global 8000**:** Category's longest range at 7,900 nautical miles (14,631 km). 18% lower fuel burn and same NO_X emission performance as above. All-new high speed transonic wing, new engines and weight optimization in both jets. **Entry into service:** 2017

DID YOU KNOW?

We pioneered **winglets**, the upright wing tips that provide added thrust and **very high performance** on aircraft, on the *Learjet 28* aircraft. We dubbed them "longhorn wings"! •

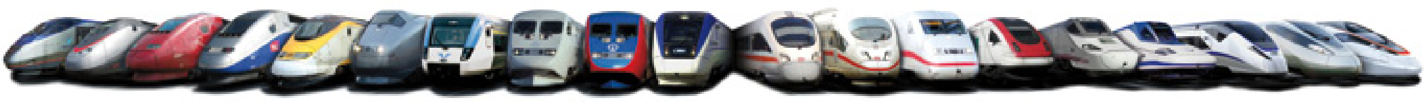
Our *CSeries* mainline aircraft successfully passed the crucial ultimate load test—we subject the wing to **150%** of the worst possible load—in June 2010. We're using the test results to further optimize the wing's design. •

The wings of larger aircraft serve an important secondary purpose: **to store fuel!**



UNEARTHING NEW TECHNOLOGIES

LEADING ON THE GROUND



The studies are both numerous and conclusive — rail travel reigns as the world's most sustainable mode of mass transit. And every year, Bombardier engineers develop customer-driven technologies that strengthen rail's leadership in sustainable mobility. This is good news for rail operators, passengers and the environment. These innovative technologies also give us an unmatched competitive advantage on the ground.

Reshaping trains to go beyond high speed

Today's rail customers increasingly want high speed (HS) and very high speed (VHS) — but not if it means higher energy consumption and costs. That's why our rail transportation and aerospace engineers put their heads together to deliver a family of HS and VHS trains with a new ultra-energy-efficient shape.

The *ZEFIRO* family features an optimized nose that vastly improves aerodynamic performance. It tackles the complexities of aerodynamic forces on high speed trains head on. These forces include cross-wind stability, head pressure pulse, tunnel aerodynamics, running resistance and slipstream.

By minimizing aerodynamic drag and maximizing stability, the *ZEFIRO* train achieves energy savings of up to 12%. Its secret? AeroEfficient Optimized Train Shaping, a proprietary *ECO4* technology that also increases acceleration speed and reduces travel time.

IT'S THE FASTEST WAY TO SAVE THE PLANET!

What's behind our new *ZEFIRO* HS and VHS trains? Two decades of expertise and experience gained from building more than 850 HS and VHS trains. The result is a radically new, even more environmentally friendly definition of HS and VHS rail travel!

***ZEFIRO* 380* —** One of the world's fastest series production trains with the lowest energy consumption per seat in this speed segment thanks to our *ECO4* technologies.

V300ZEFIRO — Unparalleled capacity and comfort along with a multi-system capability that equips it for operation across all of Europe's very high speed networks.

***ZEFIRO* 250 —** One of the world's fastest sleeper trains, transporting overnight travellers in China into new realms of comfort.

Our monorail system takes new markets by storm

With interest growing worldwide, our *INNOVIA* Monorail 300 system is gearing up to be a game changer in the rail industry. Our substantial investment in this new platform is paying off as both Saudi Arabia and Brazil recently selected our sophisticated new *INNOVIA* Monorail solution. These wins firmly establish our presence in the Middle East and South America, two dynamic emerging markets for rail.

The *INNOVIA* Monorail 300 system combines our proven *CITYFLO* 650 driverless technology with the latest in wide-bodied, lightweight, aerodynamically styled monorail trains. Passengers in Riyadh's King Abdullah Financial District will be the first to enjoy the superior comfort of this next-generation transit system.

The São Paulo Expresso Tiradentes system will show the world just how quickly our high capacity monorail can be built. To be completed within some 60 months, the 24 km system will carry nearly as many passengers as a conventional underground metro but will take less time and money to build!

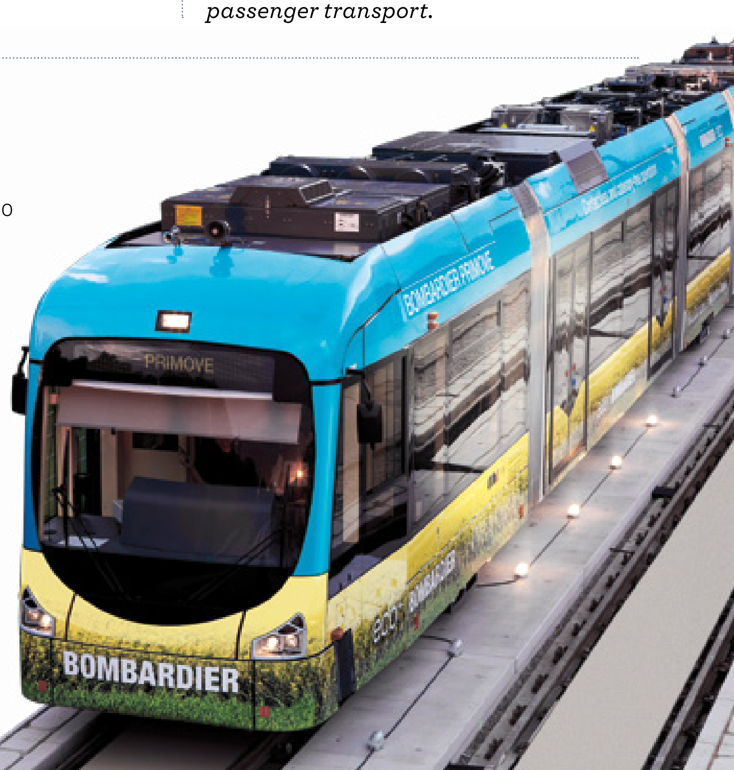
WHAT MAKES OUR NEW LOCOMOTIVES SO SPECIAL?

Lots! Thanks to the *MITRAC* Hybrid system, our latest generation ALP-45DP locomotives run on both electrified and non-electrified tracks. This reduces fossil fuel use, emissions and costs while increasing fleet flexibility. Their superior performance also stems from our high tech *FLEXX* Power bogies. With two additional diesel engines, the ALP-45DP can reach 160 km/h in diesel operation and 200 km/h in electric mode. No other competitor offers a single locomotive in both diesel and electric modes.

In the U.S. and Canada, our latest generation ALP-45DP locomotives demonstrate what speed and performance can mean for passenger transport.

DID YOU KNOW?

Our breakthrough *Primove**City*** solution enables road and rail vehicles to operate with complete flexibility and without any emissions, noise or overhead cables. • You'll find **60 km** of cabling in one rail car. • Some of our trains are **90% recyclable**. • Our longest rail car is 800 m long and runs in the **Channel Tunnel**. • The final assembly of one locomotive takes **12 days**. • Our oldest production site started up in **1810** in Kassel, Germany.



FRESH THINKING

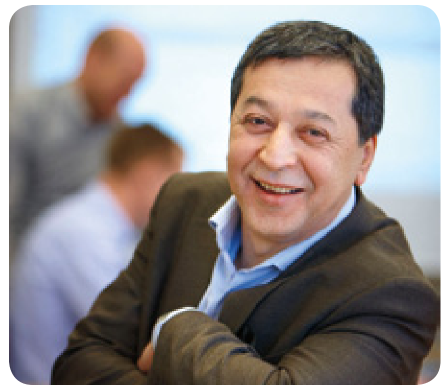
LEADING BY EXAMPLE

We're proud of our 65,400 employees. Their diversity — more than 100 nationalities and 25 languages — enriches our culture and broadens our outlook. Their ingenuity stimulates fresh thinking at each of our 69 production and engineering sites, inspiring others to do their best. The individuals and teams highlighted below rethought the big and little things, driving improvements and leading by example across Bombardier.

Morteza and his team's fresh thinking opened up a brand-new market. About a decade ago, our Rail Control Solutions (RCS) division sold its first signalling system to a large mining operator in Chile. But it was just as the global mining business started to recover that Morteza Rouholamin drove a strategy targeting this promising market.

"I knew our *INTERFLO* 150 rail control system would allow mining companies to transport greater amounts of ore more safely, quickly and cost effectively," says Morteza. "With up to 2,000 km of rail lines per mining site, the potential to grow our signalling business in this sector was huge. So, in early 2010, I asked to be responsible for the product line and then made it my mission to make operators aware of the benefits of our *INTERFLO* solutions."

The results have been rapid and impressive. By December 2010, LKAB, one of Sweden's largest and most automated underground iron ore mining operations, was on board. Morteza explains: "This win woke other operators up to our RCS technology. With senior management behind us, we've developed a business plan to tackle the global mining industry and increased the size of our sales team. There's no stopping us now!"



Morteza Rouholamin

Sales Manager Global Mining and Industrial Solutions and ERTMS Rail Control Solutions

Bombardier Transportation

Stockholm, Sweden

Pierre Lafontaine

Vice President, Taxation, Bombardier Inc.

Montréal, Canada

Thanks to Bombardier's empowering corporate culture, Pierre Lafontaine's fresh thinking adds substantial shareholder value. "If it weren't for Bombardier's willingness to give young people with new ideas a chance, I would never have been given the latitude to help reshape Taxation," affirms Pierre.

"Bombardier's Corporate Office hired me in 1994 as one of its three tax specialists. In 1998, I moved to Aerospace to learn more about our business operations. I returned to the Corporate Office in 2001, convinced that Taxation could contribute more to the company's success. Although I was only 34, management believed in this vision and gave me the opportunity to structure a centralized and integrated Tax function in line with best practices."

Pierre continues: "Today our team of 41 tax specialists is present in eight countries, developing strategies, managing tax risks, advising internal partners and interacting with tax auditors and authorities worldwide. We work hard to keep pace with the complexity of Bombardier's business and its growing international presence. This includes filing some 300 annual tax returns in over 40 countries. And we take pride in constantly showing how Taxation drives value to the bottom line. Working at Bombardier offers great challenges!"

Linda MacAskill (left), Director OOC

Dawn Plonkey (right), CAM Director

Flexjet

Texas, U.S.

Dawn and Linda's fresh thinking took customer satisfaction to a whole new level. Flexjet provides private jet solutions worldwide, from full to fractional ownership, jet cards and on-demand charters. When Flexjet owners started asking for one point of contact instead of several for all their needs, two employees fresh out of our Leadership in Action program literally transformed the customer experience.

"Dawn and I recognized this as the perfect opportunity to overhaul customer service and increase Flexjet's competitive differentiators," says Linda MacAskill, Director, Owner Operations Center (OOC), Flexjet.

Flexjet's Customer Account Management (CAM) Director Dawn Plonkey explains: "It meant huge changes. We reorganized around the customer, bringing customer indoctrination, reservations, flight follow-up, billing and sales administration into one cross-functional CAM team."

Dawn continues: "We retrained the team, implemented new software and gave all jet owners their very own CAM account rep who understands their specific needs inside out."

"And we did it on time, below budget and above customer expectations! What an amazing experience for everyone involved, customers and employees alike!" Linda beams.

The *Challenger* Aircraft Readiness Team's fresh thinking sparked a culture of quality. The economic crisis underscored the need for operational excellence in our *Challenger* aircraft program. "With competitors nipping at our heels, flawless execution became a must to keep our customers. That's why, for *Challenger* programs, we adopted a zero-tolerance approach to non-quality," explains Marc-André Paillé, Project Coordinator of the *Challenger* Aircraft Readiness Team.

Marc-André continues: "Customer satisfaction drives the success of a company. That's why we needed to listen to our customers, combine our efforts and provide that amazing experience. Everyone understood why this readiness project was so crucial."

In the end, the entire *Challenger 300* and *605* aircraft team — more than 100 people — became completely quality driven and focused on building to customer expectations. "We empowered our employees through continuous improvement (Kaizen) to develop three new processes: Quality Gates, Care of the Product and the Customer Feedback Loop. Today, we use a "handshake" process to indicate whether or not the aircraft passes a quality gate," affirms Marc-André.

The results? Reduced delivery snags and delivery time. Because the aircraft are ready and built to their standards, customers now spend half the time in the delivery process, freeing up \$3.5 million in inventory to finance other programs. Customer survey results, especially in aircraft readiness, have also improved. "We're a real team now with a shared goal of truly becoming the best, and we're determined to get there," sums up Marc-André.

Guillaume Lamothe (left)
Continuous Improvement Supervisor

Sergio Marrone (centre)
Production Director Completion

Marc-André Paillé (right)
Project Coordinator

Challenger Programs
Bombardier Aerospace

Montréal, Canada

LEADING THE WAY

MESSAGE TO SHAREHOLDERS AND EMPLOYEES

The past year has been a challenging yet positive one. At Bombardier, it's not in our nature to passively ride the wave of a slower-than-anticipated recovery. Rather, we've taken steps to ensure we're ready when the economy regains cruising speed. Much of our strategy revolves around understanding our customers' changing needs to build our presence in key niches and new markets with strong and clear growth horizons. In fiscal 2011, we continued to leverage this strategy to proactively lead our way out of the recession while improving our execution across the organization.

OUR WAY FORWARD: FIVE OVERARCHING PRIORITIES

Since 2009, we've been guided by the same five business priorities as we build a more sustainable and profitable future. These priorities enable us to enhance execution and customer satisfaction, improve governance and risk management, increase employee engagement, deliver greener operations, strengthen our presence in selected countries, foster more responsible suppliers and invest more in our communities.

The five priorities of Our Way Forward, a pivotal organization-wide initiative, are:

- Be #1 in customer satisfaction through flawless execution
- Raise our game in global talent management
- Actively manage risks
- Establish local roots in all key markets
- Enhance our corporate social responsibility

REAPING THE REWARDS OF OUR EFFORTS

Several years of rigour and discipline have enabled us to build a strong balance sheet and establish a track record of delivering on ambitious profitability targets — a record we intend to keep. The resulting financial and operating strength allowed us to remain resilient throughout a lengthy downturn. This year's liability management initiatives further increased our financial flexibility, enabling us to maintain the right investments to create growth.

In fiscal 2011, we generated revenues of $17.7 billion and earnings before financing income, financing expense and income taxes (EBIT) of $1.1 billion. For the year, our free cash flow reached $605 million and our cash position was $4.2 billion at year-end. Our $50.1-billion order backlog represents roughly three years of revenues. And despite a difficult economic environment, we maintained profitability in our Aerospace group and continued to increase it in our Transportation business.

In recent years, we focused on developing best-in-class products, investing in emerging markets and improving our execution on very complex projects. This focus is positioning us to capture growth and drive more value to the bottom line.

"We have many strong leaders at Bombardier. Although in different businesses, cultures or countries, our best leaders share common traits that are at the core of leadership — the ability to harness the imagination of those around you towards a common aspiration and the courage and focus to overcome challenges."

PIERRE BEAUDOIN
President and Chief Executive Officer
Bombardier Inc.

From left to right: Guy C. Hachey, President and Chief Operating Officer, Bombardier Aerospace; Pierre Beaudoin, President and Chief Executive Officer, Bombardier Inc.; André Navarri, President and Chief Operating Officer, Bombardier Transportation

ATTUNED TO EVOLVING CUSTOMER NEEDS

Worldwide we're building products for the future based on our customers' requirements. In rail transportation, these needs range from meeting Europe's increasingly stringent requirements to providing emerging countries with modern rail equipment. In aerospace, it's about replacing older commercial fleets in traditional markets and tapping into the growing demand for business and commercial aircraft in newer markets such as Asia and Russia.

STRENGTHENING OUR PRODUCT LEADERSHIP

We're strategically introducing new solutions to increase our leadership and sales in two industries with healthy long-term growth prospects.

Aerospace

Signs of stabilization are encouraging with airline and corporate profitability returning. This cyclical industry requires a long-term view, which is why we're positioning ourselves for even stronger leadership over the next 15 to 20 years. Today we're developing more efficient, environmentally focused aircraft in key growth segments.

In October 2010, we launched our *Global 7000* and *Global 8000* large business jets, a segment forecasted to expand faster than any other business jet segment. In 2013, our clean-sheet *Learjet 85* business jet will begin serving the midsize jet market. Also entering into service in 2013, our *CSeries* commercial jet family is set to become a significant player in the underserved 100- to 149-seat mainline market.

Rail transportation

Mega trends such as urban congestion, population growth and rising energy costs are fuelling growth in the global rail industry. For the past three years, we've captured between 18% and 22% market share in the rail technology sector. In fiscal 2011, our proven transportation technologies and turnkey systems drove record order intake.

Our advanced technologies were the decisive factor in major wins such as the *OMNEO* commuter double-deck regional train in France, *TWINDEXX* intercity train in Switzerland, *FLEXITY* low-floor tram in Canada and V300ZEFIRO very high speed train in Italy.

GROWTH IN EMERGING MARKETS

Our diverse product and service portfolio as well as our extensive geographic presence position us to capitalize on new market growth. Penetrating these markets will continue to be a priority, as will localizing our sourcing, manufacturing footprint and talent in these countries.

BOMBARDIER AEROSPACE
INVESTING IN OUR FUTURE

FOCUS ON OPERATIONAL EXCELLENCE

The recent recession triggered a greater overall decline in aircraft deliveries than the downturn of the early 2000s. In our Aerospace group, we seized the opportunity to improve our processes and "lean out" our cost structure. This enabled us to stay profitable despite lower volume in fiscal 2011. Both business and commercial aircraft markets faced challenging conditions, but leading indicators suggest the industry is recovering.

As part of our enterprise strategy, we sharpened our focus on cultural transformation and operational excellence in fiscal 2011. Our organization became even more customer centric and our systems, procedures and standards more uniform. We'll continue this journey as we work towards achieving our 10% EBIT margin target by calendar year 2013[1].

***CHALLENGER 300* BUSINESS JET**
***CRJ1000 NEXTGEN* REGIONAL AIRCRAFT**

BUSINESS JETS: BUILDING ON OUR INDUSTRY-LEADING PORTFOLIO

While we captured 107 net business jet orders in fiscal 2011, this segment clearly experienced a drop in order intake over the last two years. This decline hasn't stopped us from steadily increasing both our deliveries and revenue share, including in China, one of the world's fastest growing economies. The first China-based *Learjet 60 XR*, *Challenger 605* and *Challenger 850* business jets are now in service. And in November 2010, a Shenzhen-based operator ordered five *Challenger 300* aircraft.

In fiscal 2011, progress continued on the expansion of our Wichita Learjet site in Kansas to accommodate the *Learjet 85* aircraft program. We inaugurated our state-of-the-art *Learjet 85* aircraft component manufacturing facility in Querétaro, Mexico. We also finalized the first *Learjet 85* jet fuselage along with two-thirds of the aircraft program's critical design reviews.

We introduced our new *Global 7000* and *Global 8000* business jets, which will deliver 20% more capacity and up to 18% more fuel efficiency compared to current in-production ultra long-range category jets. Our flagship *Global* aircraft family will span the 5,200 to 7,900 nautical mile range (9,631 to 14,631 km) — an industry first! Further enhancing this family, our advanced *Global Vision* cockpit is halfway through its flight test program.

COMMERCIAL AIRCRAFT: CREATING NEW POSSIBILITIES

Our aircraft's industry-leading fuel efficiency spurred greater demand, especially in Europe with its increasingly stringent eco-taxes. The *Q400 NextGen* turboprop offers the lowest emissions, jet-like speed as well as exceptional short-haul economics and passenger comfort.

Our 100-seat *CRJ1000 NextGen* regional jet received aircraft type certificates from Transport Canada, the European Aviation Safety Agency (EASA) and the U.S. Federal Aviation Agency (FAA) and we delivered our first *CRJ1000 NextGen* aircraft in December 2010 to Air Nostrum of Spain and Brit Air of France.

Our clean-sheet *CSeries* commercial aircraft is a strong game-changer in the promising 100- to 149-seat segment. Increasing participation in our *CS100* and *CS300* airline advisory councils speaks to growing customer interest.

CSeries execution milestones in fiscal 2011 included a successful 150% limit load test on the composite wing and extensive flight validation of aircraft structures. At our Complete Integrated Aircraft Systems Test Area (CIASTA) facility outside Montréal, Canada, system ground testing proceeded on plan. We also completed the first phase of our new wing manufacturing and assembly facility in Belfast, Northern Ireland.

SUPPORTING OUR CUSTOMERS WORLDWIDE

With more than 6,000 business, commercial and amphibious aircraft currently in service globally, we expanded our international after-market support and services in fiscal 2011. Our worldwide service and maintenance support centre network grew to 60, further improving parts availability and responsiveness. A new regional support office in Dubai, United Arab Emirates, boosts service levels for our growing *Learjet, Challenger* and *Global* aircraft customers in the Middle East and Africa.

1 As computed under IFRS–See the IFRS section in Overview and the Forward-looking statements section in Aerospace. After giving effect to the approval of our proposed change of financial year-end from January 31 to December 31 by our Board of Directors in December 2011, thus resulting in an 11-month financial year.

Delivering a significantly reduced environmental impact, our *CSeries* family of commercial aircraft redefines operational flexibility, cost effectiveness and passenger comfort.

"I firmly believe a leader's primary role is to establish a shared vision, inspiring the organization to reach beyond the status quo. By providing a strong sense of direction and constancy of purpose, coupled with open communication, a leader creates an energized and engaged workforce that will in turn earn the enterprise an engaged and loyal customer base."

GUY C. HACHEY
President and Chief Operating Officer
Bombardier Aerospace

HIGHLIGHTS

> 244 aircraft deliveries
> $16.6 billion backlog
> $8.6 billion in revenues
> $448 million EBIT and 5.2% EBIT margin
> Introduced the *Global 7000* and *Global 8000* large business jets
> Inaugurated the *Learjet 85* component manufacturing facility in Querétaro, Mexico
> Built the first phase of our *CSeries* wing manufacturing assembly facility in Belfast, Northern Ireland
> Named one of the Top 100 Employers in Canada
> Opened our third service centre for commercial aircraft in the U.S. and a new regional support office in Mumbai, India

BOMBARDIER TRANSPORTATION
LEADING WITH WINNING TECHNOLOGY

A YEAR OF RECORDS

Fiscal 2011's challenging economic environment did little to slow down our Transportation group or customer demand in passenger rail. In fact, net orders for a book-to-bill ratio of 1.6 led to a record order backlog of $33.5 billion. Decisive competitive advantages in winning these orders included our leading technology and ability to execute complex projects.

Our Passengers division executed strategic orders and secured a record order intake. Double-digit growth in order intake of our system and signalling segment stemmed from our customers' need to optimize safety and rail traffic.

In fiscal 2011, we delivered a solid 6.6% EBIT margin. Our sights are now set even higher as we focus on achieving an 8% EBIT margin by calendar year 2013[1].

METRO, MONTRÉAL, CANADA
V300ZEFIRO VHS TRAIN, ITALY

SPOTLIGHT ON OUR BENCHMARK TECHNOLOGIES

In fiscal 2011, we introduced three new *ECO4* technologies. EcoSilent Optimized Train Sound makes trains even quieter. EnerGstor Wayside Energy Storage recycles wasted brake energy back into the system. And EcoEfficient Optimized Environmental Performance improves a product's environmental performance throughout its entire lifecycle.

Our industry-leading *ECO4* technologies continue to boost rail's reputation as the world's most sustainable mode of mass transit. These technologies enable rail operators to generate overall energy savings of up to 50%. *ECO4* solutions are integrated into most of our orders, including China's very high speed trains and France's latest-generation *OMNEO*. The regional double-deck EMUs (Electronic Multiple Units) feature permanent magnet motors and high integrity braking and deliver low lifecycle costs and the highest levels of reliability and sustainability.

Our *TRAXX* diesel locomotives also incorporate *ECO4* technologies, making diesel power even cleaner and quieter. And when we made inaugural deliveries of the ALP-45DP, our new dual-power (electric and diesel) locomotives, to our North American customers, New Jersey Transit and Montréal's Agence Métropolitaine de Transport (AMT), four energy-saving technologies came with them.

Reduced wear, weight, noise, energy consumption, infrastructure investment and maintenance costs were among the benefits delivered by our Locomotives and Equipment division's breakthrough component technologies. These technologies include the *MITRAC* Permanent Magnet Motor, the new lightweight *FLEXX* Eco bogie and the *FLEXX* Tronic *WAKO* system, which improves roll control and accelerates journey times.

BREAKTHROUGH ORDERS ACROSS PRODUCTS AND GEOGRAPHIES

Major new orders in all product categories expanded our geographic reach while we deepened our local roots in the high growth markets of China, India and Brazil. The Chinese Ministry of Railways (MOR) ordered an additional 40 high speed trainsets. An order for 50 very high speed V300ZEFIRO trainsets marked our first win with our *ZEFIRO* product in Europe. We also signed on to build the world's largest monorail in São Paulo, Brazil, along with an *INNOVIA* monorail in Saudi Arabia.

Major metro contracts included Société de transport de Montréal (STM) in Canada, and the Delhi Metro Rail Corporation Ltd. (DMRC) in India. Our double-deck coach success story included large orders from the national railways of France, Switzerland and Israel. Melbourne, Australia, and Toronto, Canada, selected our *FLEXITY* Swift and Outlook low-floor trams for their city streets.

1 As computed under IFRS – In the Management's Discussion and Analysis see the IFRS section in Overview and the Forward-looking statements section in Transportation.

The *TWINDEXX* double-deck train order is the largest in the Swiss Federal Railways' history. The train's *FLEXX* Tronic WAKO system compensates for the carbody's natural roll movement, maximizing passenger comfort and allowing the *TWINDEXX* to take corners particularly quickly. The *MITRAC* Permanent Magnet Motor, one of our *ECO4* technologies, helps reduce the train's energy consumption by 10%.

"Direct and open communication and leading by example are the most important attributes of a strong leader. Clearly expressing your beliefs, empowering team members to stand up for what they believe in and embracing the diversity of different management styles and cultures will give us the talent we need at Bombardier to lead in everything we do."

ANDRÉ NAVARRI
President and Chief Operating Officer
Bombardier Transportation

HIGHLIGHTS

> $14.3 billion in new orders for a 1.6 book-to-bill ratio
> $33.5 billion backlog
> $9.1 billion in revenues
> $602 million EBIT and 6.6% EBIT margin
> Introduced three new *ECO4* energy-saving technologies
> Sold our *INNOVIA* monorail system to São Paulo, Brazil, reinforcing our position in this rapidly growing market
> Signed our first modern signalling contract in Pakistan

LEADING THROUGH BETTER PROJECT EXECUTION

Across Bombardier, we continued to strive for flawless execution at all levels of our organization in fiscal 2011. Execution influences our ability to capitalize on growth opportunities and ensure more of our revenues flow through to the bottom line. In fact, execution will be the single most important factor for determining how much value we generate over the next few years.

Flawless execution entails fostering a customer-centric culture focused on lean manufacturing. In fiscal 2011, our well-established continuous improvement systems — the Achieving Excellence System (AES) in Aerospace and the Bombardier Operating System (BOS) in Transportation — further increased our productivity, lowered our costs and improved our customers' experience. They also allowed us to deliver greener and safer operations.

Actively managing risks is another element of best-in-class execution. That's why we spend considerable time stress-testing our plans aimed at growing in emerging markets and developing new product programs. We've also formalized rigorous project gate reviews to strengthen our project management and product development processes at both groups. In fiscal 2011, we continued to prudently manage our cash flow and long-term debt maturity profile to reduce our financial risk and ensure sufficient liquidity to deliver on these plans against a backdrop of economic uncertainty.

BOMBARDIER AEROSPACE
BELFAST, NORTHERN IRELAND

BOMBARDIER AEROSPACE
TORONTO, CANADA

THANKING OUR PEOPLE

Both our employees and Board members have my utmost gratitude. I am proud of our employees' extraordinary work and positive attitude during a year that had its share of challenges. Their commitment allowed us to remain proactive and strengthened our reputation as a world-class organization with industry-leading products and services.

Our Board of Directors' wise counsel also contributed to our enviable reputation. Among the Board members' many strengths, their extensive business experience and geographic diversity bring much to the table. Coming from different sectors and corners of the world both broadens and deepens the Board's capability to govern well. I thank them for their dedication to Bombardier's success.

Best-in-class talent management is a top priority across Bombardier. In fiscal 2011, we continued to focus on strengthening our employees' engagement, which is directly linked to customer satisfaction and our overall success. We also revised and relaunched our employee engagement survey, and employees worldwide were invited to participate. In total, 83% completed the survey and results reached 72%, an engagement index that places us above the industry average normative benchmark created by the independent firm conducting the survey. We expanded our leadership training in both business groups and further aligned our Human Resources processes with best practices worldwide. A growing number of our managers are now equipped to actively create a workplace where all employees feel motivated to realize their full potential and give their very best. Fostering such a workplace is essential to attract and keep top talent around the globe.

STRATEGIC INITIATIVES: 2011 AND BEYOND

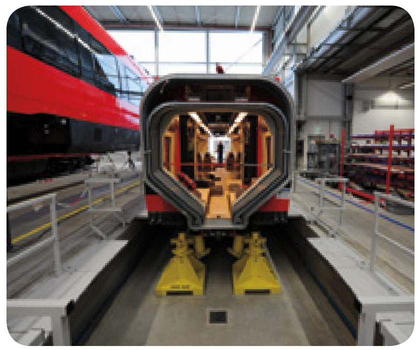
Improving execution to accelerate profitable growth and enhance our cash position is a key initiative. So is delivering on Aerospace's promising new aircraft programs and Transportation's emerging market strategy. The latter includes continuing to build a "Road to Asia" to better seize opportunities in the continent's huge markets.

TAKING OUR LEADERSHIP INTO THE FUTURE

Aerospace

We're number one in both business and regional aircraft. Based on positive long-term prospects, we intend to increase our 32% market share in business jets, based on revenues, and 40% in regional aircraft, based on deliveries. We also intend to meet our EBIT margin target of 10% by calendar year 2013[1].

Between 2009 and 2029, we expect the industry's business jet fleet to grow from 14,200 to 29,000, with deliveries accounting for 26,000 new aircraft. Drivers for this growth include the ongoing globalization of trade, emerging markets, replacement demand and increased accessibility through branded charters, card programs and fractional ownership. These drivers are behind the largest business aircraft sale in our company's history. Post year-end in March 2011, U.S.-based NetJets Inc. placed a firm order for 50 *Global* business jets, including 20 *Global 7000* and *Global 8000* aircraft, as well as options for 70 more *Global* jets. If all options are exercised, the agreement is valued at $6.7 billion.



BOMBARDIER TRANSPORTATION
SAVLI, INDIA

BOMBARDIER TRANSPORTATION
HENNIGSDORF, GERMANY

In the commercial aircraft sector's 20- to 149-seat segment, we're forecasting 12,800 deliveries between 2009 and 2029. This includes a large wave of replacement in the *CSeries* aircraft's 100- to 149-seat category.

Rail transportation

The long-term outlook at Transportation is also very good. In the short term, the market will be fuelled by growth in emerging markets as well as several large tenders worldwide for which we're well positioned. Our rail product portfolio is the industry's most complete and sophisticated. Despite Transportation's slight revenue decline in fiscal 2011, recently awarded contracts will generate revenue growth in calendar year 2011. We'll continue to work our way towards our 8%[1] EBIT margin target through improved project execution and a constant focus on costs.

Promising outlook

Over the next few years, our story will be about generating growth and creating shareholder value as we emerge from the recession. Our markets are growing, our products are groundbreaking, and our technological leadership is capturing space in both emerging and mature markets. For these reasons, it promises to be a great story—both on the ground and in the air.

Pierre Beaudoin
President and Chief Executive Officer
Bombardier Inc.

* Under certain operating conditions. See *CSeries, Learjet 85, Global 7000* and *Global 8000* aircraft program disclaimer, and *ZEFIRO* very high speed train disclaimer at the end of this document.

1 As computed under IFRS–See the IFRS section in Overview and the Forward-looking statements section in Aerospace and Transportation.

SITTING DOWN

WITH BOMBARDIER'S TOP EXECUTIVES

Q: What is your strategy for creating value at Bombardier over the next two to four years?
PB: We're adhering to the same strategy that has served us well over the past couple of years. Our overriding goal is to find our way to sustained profitable growth. To get there, two things have to happen at a macro level. The first one entails meeting our customers' needs by designing the world's most innovative and efficient planes and trains. The second one requires that we do everything we can to flawlessly execute these projects.

"We're adhering to the same strategy that has served us well over the past couple of years."

Q: There's talk of a potential slowdown in the global rail industry in the short term. Given that your rail business has been offsetting the dampening effects of the recession on your Aerospace group, wouldn't this be especially bad news for Bombardier?
AN: Firstly, not everyone agrees that mature markets like Europe are going to slow down. Even in some countries facing serious fiscal constraints, major rail bids remain on the table and we're definitely in the running for these contracts. Secondly, if demand were to weaken in these countries, it would be offset by steady growth in emerging markets like Brazil, India and China, all fast-growing rail markets where we're very well positioned. And finally, our record order backlog and our framework agreements represent several years of revenues.
PB: I would like to add that although several governments are struggling with budget deficits, they're maintaining their commitments to passenger rail projects. Given Europe's increasingly stringent CO_2 emission targets, not to mention rising fuel costs worldwide, governments have no choice but to get people off the roads. Since rail offers the most cost-effective and environmentally friendly solution to these challenges, we foresee a growing, not a diminishing demand for rail infrastructure, systems and services.

Q: You've put a lot of eggs in the *CSeries* basket. Analysts say the real risk for your new commercial jet isn't competition but rather execution. What makes you think that you can deliver on time when other larger aerospace manufacturers have failed to do so?
GH: Because we've designed our product development plan for the *CSeries* aircraft program to ensure that every step of the way, we deliver on all our timing commitments. We've given ourselves over five years to develop, test and deliver our first aircraft, which is ample time. So much of our effort is aimed at risk mitigation. For instance, key to keeping the *CSeries* aircraft program on schedule is our CIASTA, a facility that will house the functionality and reliability testing rigs for the aircraft's systems and software. We'll start proofing components and, ultimately, all aircraft systems and moveable structures, fully integrated, ahead of the first flight.

"We've designed our product development plan for the *CSeries* aircraft program to ensure that every step of the way, we deliver on all our timing commitments."

PB: And our confidence stems from the fact that our experience in clean-sheet aircraft exceeds that of most of our competitors, especially when it comes to dealing with risk-sharing partners across the supply chain. The *Global Express* business jet, which entered into service in 1999, was our first aircraft program to involve risk-sharing partners. That program alone taught us so much, and since then, we've solidified relationships with our suppliers by sharing best practices and the knowledge required to build outstanding aircraft.

Q: Are you getting concerned about the lack of *CSeries* aircraft orders?
GH: Not at all. We have 90 firm orders and 90 options and that's pretty much where we expected to be at this stage of our development. There's still a lot of time before the *CSeries* aircraft enters into service


Pierre Beaudoin
President and CEO
Bombardier Inc.


André Navarri
President and COO
Bombardier Transportation


Guy C. Hachey
President and COO
Bombardier Aerospace

in 2013. The ratio of firm orders to the number of months until entry into service is well in line with that of our competitors' new aircraft programs. Keeping in mind that we're emerging from a financial crisis and that improvements in passenger traffic and airline profitability are fairly recent, airlines have also been waiting to see what our competitors are going to do. Other than one airframer announcing plans to re-engine an aircraft that is not optimized for the 100- to 149-seat market segment, we're not seeing any direct competition. We're also seeing that customers have had their confidence in entry-into-service timelines shaken because of delays in other Original Equipment Manufacturers' aircraft programs.

There's a clear and growing interest in the *CSeries*. We're currently speaking with over 60 airlines and have moved into advanced negotiations with a few of them. The *CSeries* aircraft program offers significant fuel burn and cash operating cost advantages, and based on our calculations, it could capture 50% market share in its segment, a segment that represents 6,700 aircraft or revenues of $393 billion over the next 20 years.

Q: As a corporation, you've been good at keeping recent financial commitments. What about Bombardier Transportation's 8% EBIT margin target — how will you achieve that by calendar year 2013[1]?

AN: Our strong order backlog gives us good visibility on the 8%[1] target. What's more, we have a clear plan for increasing our profitability over time. This includes a margin improvement program for each and every project. We're also getting better at reducing costs and converting risk provisions and contingencies in the bid process into EBIT thanks, in part, to our best practice bidding processes and project management capabilities. Our very large backlog creates opportunities with suppliers and we've grown our low cost sourcing from $50 million per year six years ago to over $1 billion today. We've reduced duplication in our manufacturing footprint and we're setting up shop closer to our customers in emerging markets.

PB: Transportation's EBIT margin has steadily grown from 2.8% in 2006 to 6.6% in 2011. The 8%[1] target represents a 140 basic points increase in EBIT margin, which will come from flawlessly executing our backlog, actively managing risks and continued success in securing new orders.

> "Transportation's strong order backlog gives us good visibility on the 8%[1] target. What's more, we have a clear plan for increasing our profitability over time."

Q: With all the product development that you're funding right now, how are you feeling about Bombardier's long-term future?

PB: I'm more excited than ever. Don't get me wrong — we're not kidding ourselves. We understand better than anyone the challenges we face, but at the same time, we know that our employees are more engaged, our processes are more efficient and our customer focus is sharper than ever. Overall today, we're doing a better job of proactively leading the way forward. I have my teams worldwide to thank for that.

1 As computed under IFRS – In the Management's Discussion and Analysis see the IFRS section in Overview and the Forward-looking statements section in Transportation.

LEADING WITH INTEGRITY: OUR BOARD OF DIRECTORS

LAURENT BEAUDOIN PIERRE BEAUDOIN ANDRÉ BÉRARD J. R. ANDRÉ BOMBARDIER JANINE BOMBARDIER MARTHA FINN BROOKS L. DENIS DESAUTELS

LAURENT BEAUDOIN, C.C., FCA

Chairman of the Board of Directors • Bombardier Inc. • Westmount, Canada • Director since 1975 • Not independent

Mr. Laurent Beaudoin began his career with Bombardier in 1963. Over the years, he has received many honours including Canada's Outstanding CEO of the Year and Canada's International Executive of the Year. He is a member of the International Business Council of the World Economic Forum. He is also the Chairman of Bombardier Recreational Products Inc. (BRP).

PIERRE BEAUDOIN

President and Chief Executive Officer • Bombardier Inc. • Westmount, Canada • Director since 2004 • Not independent

Mr. Pierre Beaudoin joined Bombardier in 1985, rising through management positions of increasing responsibility before becoming President and COO of Bombardier Recreational Products, President of Bombardier Aerospace, Business Aircraft, and President and COO of Bombardier Aerospace. He is a member of the Boards of Directors of Power Corporation of Canada and BRP.

ANDRÉ BÉRARD

Corporate Director • Montréal, Canada • Director since 2004 • Lead Director since 2007 • Independent

Mr. André Bérard was Chairman of the Board of National Bank of Canada from 2002 to 2004. He previously served as the Bank's President and COO (1986 to 1989), President and CEO (1989), and Chairman of the Board and CEO (1990 to 2002). He also serves on other boards.

J.R. ANDRÉ BOMBARDIER

Vice Chairman of the Board of Directors • Bombardier Inc. • Montréal, Canada • Director since 1975 • Not independent

Mr. J.R. André Bombardier joined Bombardier in 1969 as Vice President, Industrial Division. He held several positions before assuming the Vice Chairmanship of Bombardier Inc. in 1978. He is a member of the Board of Directors of BRP.

JANINE BOMBARDIER

President and Governor • J. Armand Bombardier Foundation • Westmount, Canada • Director since 1984 • Not independent

Mrs. Janine Bombardier has been a Governor of the J. Armand Bombardier Foundation since March 27, 1965, and its President since August 21, 1978.

MARTHA FINN BROOKS

Corporate Director • Atlanta, United States • Director since 2009 • Independent

Ms. Martha Finn Brooks was until May 2009 President and COO of Novelis Inc., a global aluminum rolling company spun off by Alcan Inc. in 2005. Prior to the spinoff, she served as President and CEO of Alcan Rolled Products, Americas and Asia. She also serves on other boards.

L. DENIS DESAUTELS, O.C., FCA

Corporate Director • Ottawa, Canada • Director since 2003 • Independent

Auditor General of Canada from 1991 to 2001, Mr. L. Denis Desautels was previously a senior partner in the Montréal office of Ernst & Young, where he worked for 27 years. He is Chairman of the Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants. He also serves on other boards.

THIERRY DESMAREST JEAN-LOUIS FONTAINE DANIEL JOHNSON JEAN C. MONTY CARLOS E. REPRESAS JEAN-PIERRE ROSSO HEINRICH WEISS

THIERRY DESMAREST

Honorary Chairman and member of the Board of Directors • Total S.A. • Paris, France • Director since 2009 • Independent

Mr. Thierry Desmarest has been Honorary Chairman and member of the Board of Total since May 2010, after having been its Chairman since 2007. He has held various senior management positions within Total since joining the company in 1981, ultimately becoming its Chairman and Chief Executive Officer. He also serves on the boards of other companies.

JEAN-LOUIS FONTAINE

Vice Chairman of the Board of Directors • Bombardier Inc. • Westmount, Canada • Director since 1975 • Not independent

Mr. Jean-Louis Fontaine joined Bombardier in 1964 as Vice President, Production, Ski-Doo division. He subsequently held various senior management positions before becoming Vice Chairman of Bombardier Inc. in 1988. He also serves on the board of Héroux-Devtek Inc.

DANIEL JOHNSON

Counsel • McCarthy Tétrault LLP • Montréal, Canada • Director since 1999 • Independent

A former Premier of the Province of Québec, Mr. Daniel Johnson was a member of the National Assembly of Québec for more than 17 years and held numerous positions in the provincial government. He also serves on the boards of the Bank of Canada and other companies.

JEAN C. MONTY

Corporate Director • Montréal, Canada • Director since 1998 • Independent

Former Chairman of the Board and Chief Executive Officer of Bell Canada Enterprises (BCE Inc.), Mr. Jean C. Monty retired following a 28-year career at BCE Inc., Bell Canada and Nortel Networks. In recognition of his achievements, he was named Canada's Outstanding CEO of the Year in 1997. He also serves on other boards.

CARLOS E. REPRESAS

Corporate Director • Mexico City, Mexico • Director since 2004 • Independent

Mr. Carlos E. Represas was Chairman of Nestlé Group México from 1983 to 2010. In 2004, he retired from his executive responsibilities at Nestlé, where he had worked for 36 years in seven different countries. He serves on other boards and is a member of the Latin American Business Council (CEAL).

JEAN-PIERRE ROSSO

Chairman • World Economic Forum USA Inc. • New York City, United States • Director since 2006 • Independent

Retired Chairman and former CEO of CNH Global N.V., Mr. Jean-Pierre Rosso also served as Chairman and CEO of Case Corporation. Prior to that, he was President of Honeywell's Home & Building Control Business, and President of its European operations. He also serves on the board of Medtronic Inc.

HEINRICH WEISS

Chairman and Chief Executive Officer • SMS Holding GmbH • Düsseldorf, Germany • Director since 2005 • Independent

Dr. Heinrich Weiss is Chairman of the Foreign Trade Advisory Council to the German Secretary of Economics and Labour. He is a board member of the Asia Pacific Committee of German Business and sits on the board of the East-West Trade Committee. He also serves on other boards.

You will find detailed biographies of our Directors on our website at www.bombardier.com and in the 2011 Management Proxy Circular.

LEADING BY SHARING

THE J. ARMAND BOMBARDIER FOUNDATION

"Dream of a better world, where anything is possible. Believe in yourself, in others and in the future. Share by innovating and showing leadership for the well-being of the community." This is the vision of the J. Armand Bombardier Foundation. In fiscal 2011, the Foundation brought this vision to life by partnering with more than 130 Canadian organizations and institutions active in education, community support, healthcare, arts and culture. This includes the three initiatives described below.

Advancing knowledge in sustainable transportation

$1 million Cdn over 10 years

UBC, Vancouver, Canada

Human health, physical activity and the quality of our social interactions are all affected by our everyday modes of travel. So is the air we breathe and the planet's climate.

Communities' need for sustainable transportation solutions that allow people to get where they need to go, with minimal environmental impact, has never been greater. Since 2003, the Foundation has funded the J. Armand Bombardier Chair in Sustainable Transportation at The University of British Columbia in Vancouver, Canada.

Led by Dr. Larry Frank, the chair advances knowledge into how urban design and transportation financing decisions not only influence the way people travel, but ultimately impact public health and community well-being. These decisions determine whether a person takes the bus, walks to the corner store or drives to work.

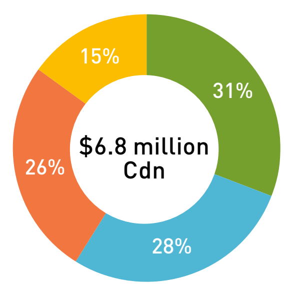
Dr. Frank and his team focus on topics such as urban sprawl, alternative transportation systems and global warming. Among other studies, the chair's research into the effects of neighbourhood walkability on travel patterns and sustainability is already influencing new directions in city planning across North America and the globe.

Dr. Frank is often called on to share his expertise on diverse matters such as transportation and childhood obesity. He helps governments develop tools to assess the health and environmental impacts of alternative transportation and land development proposals. In this way, governments are able to make better-informed decisions to benefit citizens.

Through the J. Armand Bombardier Chair, Dr. Frank continues his pioneering exploration of the environmental, economic and social dimensions of sustainable transportation systems.

J. ARMAND BOMBARDIER FOUNDATION DONATIONS BY SECTOR
(Fiscal year 2010-2011)

In fiscal 2011, the J. Armand Bombardier Foundation donated more than $6.8 million Cdn. It also pledged $5.2 million Cdn over the next five years.



Sector	Amount (Cdn$)	Number of organizations
Community support	$2,118,500	81
Healthcare	$1,901,000	21
Education	$1,808,500	19
Arts and culture	$1,015,000	12

Bombardier Inc. is also committed to social responsibility. In fiscal 2011, we donated $5.3 million to the Foundation and $5.4 million to community organizations worldwide.

Promoting a passion for learning

$450,000 Cdn over three years

The Foundation believes in fostering scientific innovation, teamwork and a passion for learning. That's why it has supported FIRST (For Inspiration and Recognition of Science and Technology) Robotics Canada since 2009. FIRST Robotics brings high school students together with leading technology companies to build robots from scratch in only six weeks. The 1.5-metre-tall (5 feet) robots then compete in high intensity robo-sports.

The Foundation's 2009 donation helped fund operating costs for FIRST Robotics Canada as well as implement the program in three schools in Sherbrooke, Québec. From day one, engineers from Bombardier Aerospace's manufacturing facility in Saint-Laurent, Québec, jumped on board as mentors. By sharing their knowledge and love of science, Bombardier engineers inspire the students to remain committed to their education, whether in science or other disciplines.

Due to the event's success, FIRST Robotics Québec was created in 2010 to reach out to schools across Québec. At the same time, the Foundation made a three-year commitment to the organization. Among the many benefits of FIRST Robotics, students discover that science and learning can be fun — a discovery that may encourage some at-risk students to stay in school.

On January 8, 2011, Bombardier Aerospace hosted the official kickoff of the 2011 FIRST Robotics Québec competition at its Saint-Laurent plant with some 300 student participants from across the province in attendance. May the best robot win!

Leading our youth by example

$264,500 Cdn since 2006

Innovation and leadership are qualities that have been associated with Bombardier since its inception in 1942. They're also part of the J. Armand Bombardier Foundation's vision. In 2006, Québec-based Fondation Ressources-Jeunesse tabled a proposal to develop a leadership workshop leveraging the successful career of Joseph-Armand Bombardier, the company's visionary, innovative, passionate and resilient founder.

The J. Armand Bombardier Foundation's relationship with Fondation Ressources-Jeunesse dates back to 1982. The charitable organization was created in 1979 to help youth ages 18 to 35 plan their career and find gainful employment. Given the organization's solid track record, the Foundation enthusiastically agreed to use Joseph-Armand Bombardier as a role model to familiarize youth, in particular new arrivals to Canada, with the notion of leadership, a much sought-after quality by employers.

Since its launch, the original workshop has also been adapted into an interactive, multimedia version that helps high school students in the Montréal area choose a career. Students in Québec's Eastern Townships will also attend the workshop through the J. Armand Bombardier Museum's educational program.

To date through the two workshops, thousands of adolescents and young adults have examined Joseph-Armand Bombardier's success to discover how they can develop their own leadership capabilities and exciting careers. This examination benefits both the participants and Québec society as a whole.

FINANCIAL SECTION

The following table shows the abbreviations used in the financial section.

TERM	DESCRIPTION	TERM	DESCRIPTION
AFS	Available for sale	GDP	Gross domestic product
AOCI	Accumulated other comprehensive income	HFT	Held for trading
BA	Bombardier Aerospace	IFRS	International Financial Reporting Standards
BT	Bombardier Transportation	L&R	Loans and receivables
CAGR	Compound annual growth rate	MD&A	Management's discussion and analysis
CIS	Commonwealth of Independent States	OCI	Other comprehensive income
CTA	Cumulative translation adjustment	OEM	Original equipment manufacturer
DSU	Deferred share unit	PP&E	Property, plant and equipment
EBIT	Earnings before financing income, financing expense and income taxes	PSU	Performance share unit
EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization	R&D	Research and development
EBT	Earnings before income taxes	SG&A	Selling, general and administrative
EPS	Earnings per share attributable to shareholders of Bombardier Inc.	U.K.	United Kingdom
GAAP	Generally accepted accounting principles	U.S.	United States of America
		VIE	Variable interest entity

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

Materiality for disclosures

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

FORWARD-LOOKING STATEMENTS

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

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the financial condition of the airline industry and major rail operators), operational risks (such as risks related to developing new products and services; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; to the environment; dependence on certain customers and suppliers; human resources; fixed-price commitments and production and project execution), financing risks (such as risks related to liquidity and access to capital markets, 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 Other. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect our expectations as at the date of this MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, we expressly disclaim any intention, and assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW

HIGHLIGHTS OF THE YEAR

We delivered good results

REVENUES	NET INCOME	EPS	FREE CASH FLOW	ORDER BACKLOG
$17.7 billion	**$769** million	**$0.42**	**$605** million	**$50.1** billion

RESULTS

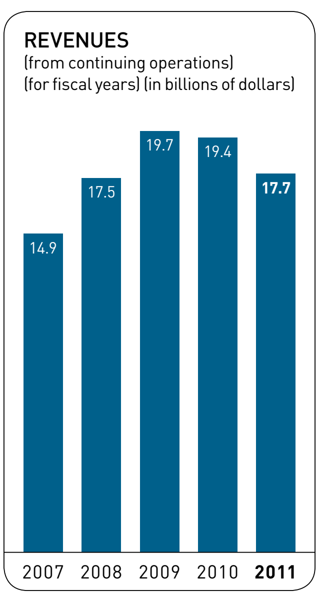
- Revenues of $17.7 billion, a decrease of $1.7 billion compared to last fiscal year.
- EBIT of $1,050 million, or 5.9% of revenues, compared to $1,098 million, or 5.7%, last fiscal year.
- Net income of $769 million (diluted EPS of $0.42), compared to $707 million (diluted EPS of $0.39) last fiscal year.
- Free cash flow of $605 million, compared to a free cash flow usage of $215 million last fiscal year.
- Strong cash position of $4.2 billion as at January 31, 2011, compared to $3.4 billion as at January 31, 2010.
- Order backlog of $50.1 billion as at January 31, 2011, compared to $43.8 billion as at January 31, 2010.

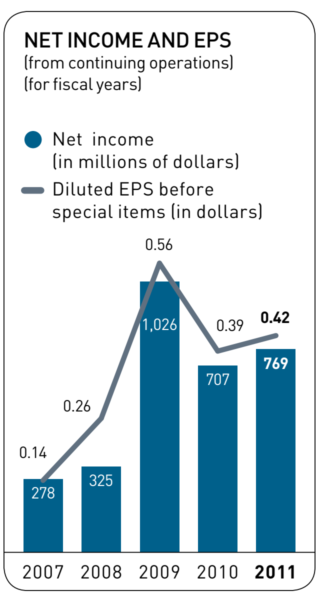
STRATEGY

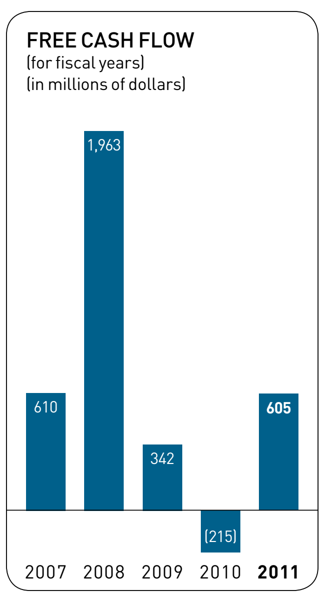
- Both BA and BT improved customer satisfaction, and continue to implement lean initiatives to improve execution.
- BA remained fully committed to its product development strategy and launched the *Global 7000* and *Global 8000* aircraft in September 2010. BT has further built up its technology leadership through its product strategy based on innovation and environmentally conscious products and services.
- BT is increasing its local presence and leveraging more local expertise to emphasize Asia as a growing region. BA further expanded its worldwide service network to be closer to its customers.
- We continue to make progress on our corporate social responsibility initiative. For the fourth year in a row, we are listed on two Dow Jones Sustainability Indexes that track the leading sustainability-driven companies worldwide.

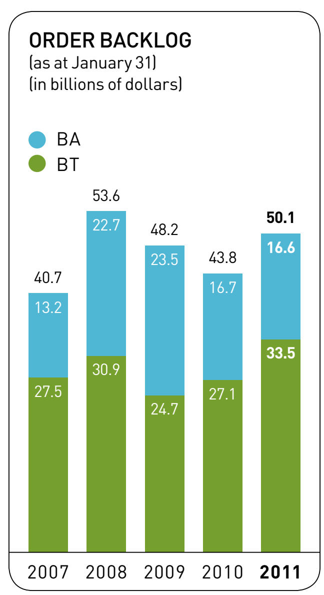
FINANCIAL DISCIPLINE

- Both groups have a defined roadmap to further improve their profitability by calendar year 2013.
- Our focus on strong liquidity and capital structure continues as we accelerate our profitable growth and product development. The absence of significant debt maturity before November 2016, following our two liability management initiatives in fiscal year 2011, reinforces our commitment toward proactively managing our liquidity.
- Given our ambitious investment programs, our near-term focus is to maintain sufficient liquidity to provide financial flexibility. Over the long term, we remain committed to our goal of improving our capital structure and regaining our investment-grade status.









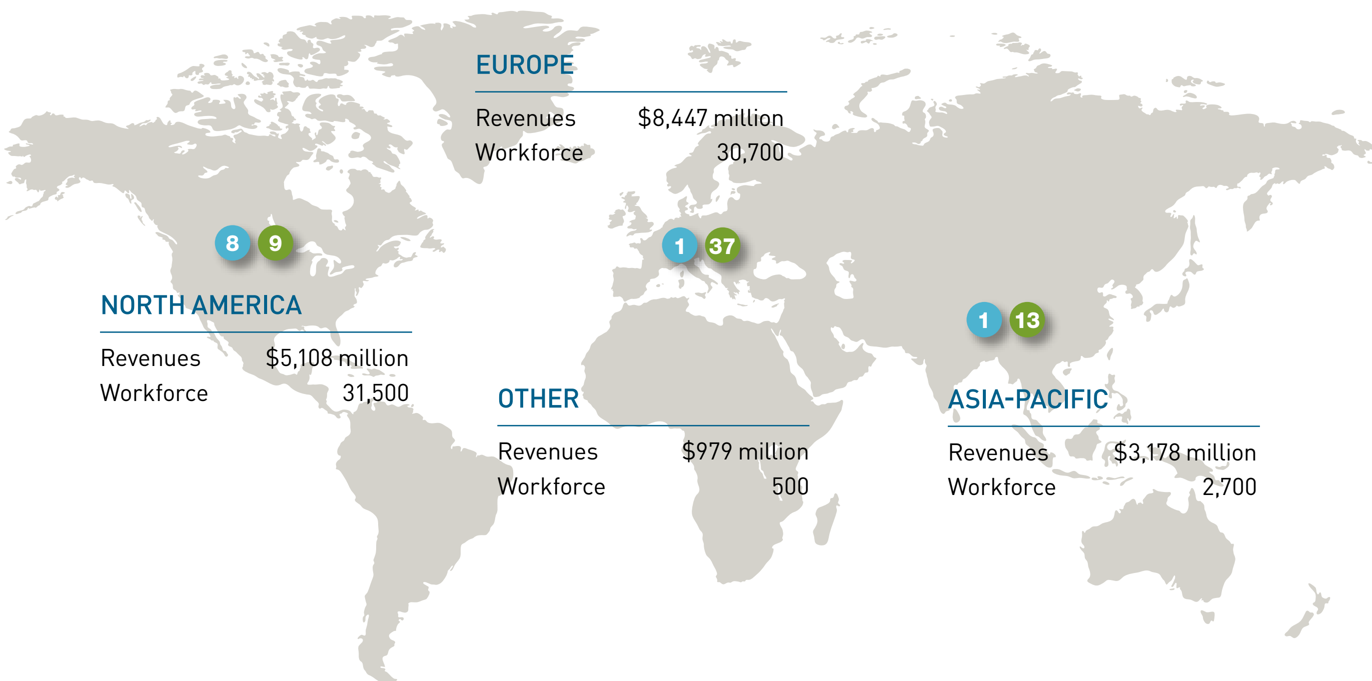
PROFILE

Planes. Trains. Worldwide.

Bombardier is a world leading manufacturer of innovative transportation solutions. We operate in the transportation industry under two broad manufacturing segments: aerospace (through BA) and rail transportation (through BT). Our markets feature fundamentally solid demand and interesting growth prospects, but present different economic realities and risk profiles. The aerospace industry is capital-intensive, requiring significant investments in product development and long recovery periods, while such investments in the rail industry are more project-specific. The aerospace industry also tends to be more cyclical, such cycles being aligned with a certain lag to the real GDP, while the rail industry is usually less impacted by such fluctuations. The profitability and liquidity of the BA and BT segments reflect this reality.

BOMBARDIER		
Bombardier is a world leading manufacturer of innovative transportation solutions.	World leader in the design, manufacture and support of innovative aviation products for the business, commercial, specialized and amphibious aircraft markets.	World leader in the design, manufacture and support of rail equipment and systems.
Market leadership	We hold the #1 position in business and regional aircraft.	We hold the #1 position in 9 out of our 11 product segments, making us the ultimate global leader in our industry.
Revenues	$8.6 billion	$9.1 billion
EBIT	$448 million	$602 million
Free cash flow	$44 million	$744 million
Order backlog	$16.6 billion	$33.5 billion
Number of employees	30,300	34,900

We manufacture state-of-the art planes and trains that help people and goods get where they need to go. Every day around the globe, our 65,400 dedicated employees work diligently to earn our worldwide leadership in aerospace and rail transportation. We do this by developing ingenious and sustainable solutions to today's mobility challenges. We have 69 production and engineering sites in 23 countries, and a worldwide network of service centres. For fiscal year 2011, 94% of our revenues were generated outside Canada, with Europe accounting for 48%. Every three seconds, a Bombardier aircraft takes off or lands somewhere around the globe, and more than 100,000 Bombardier rail cars and locomotives are in service around the world.



Number of Bombardier Aerospace production and engineering sites

Number of Bombardier Transportation production and engineering sites

Proposed change of year-end

We intend to request approval from our Board of Directors in December 2011 to change our financial year-end from January 31 to December 31. This change would align the financial year-ends of BA and BT, simplifying internal processes as all business units would use the same reporting periods. Furthermore, the change would align BA's year-end with most of its competitors, and BA's aircraft delivery reports would be aligned with industry reports. If accepted, this change of year-end reporting date would be effective in December 2011, and the fourth quarter ending December 31, 2011 would include two months of BA's results and the annual period ending December 31, 2011 would contain 11 months of BA's results. As BT currently reports using a December 31 year-end, the proposed change would have no impact on BT and the fourth quarter and annual period ending December 31, 2011 would contain three months and 12 months of BT results, respectively.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and associated metrics.

KEY PERFORMANCE MEASURES AND METRICS	
Profitability	• Diluted EPS, as a measure of global performance. • EBIT and EBIT margin, as measures of segment performance.
Liquidity	• Free cash flow and net utilized assets, as measures of liquidity generation. • Available short-term capital resources, defined as cash and cash equivalents and the amount available under the revolving credit facility, as a measure of liquidity adequacy.
Growth and competitive positioning	• Revenues, as a measure of growth. • Order backlog, as a measure of future revenues. • Book-to-bill ratio[1], as an indicator of future revenues. • Market share, as a measure of competitive positioning.
Capital structure	• Adjusted EBIT to adjusted net interest ratio[2], as a measure of interest coverage. • Adjusted debt to adjusted EBITDA ratio[2], as a measure of financial leverage. • Adjusted debt to adjusted total capitalization ratio[2], as a measure of capitalization. • Weighted-average long-term debt maturity, as a measure of the term structure.

1 Refer to BA's and BT's Key performance measures and metrics sections for definitions of this metric.
2 Refer to the Non-GAAP financial measures section hereafter for definitions of these metrics.

Employee incentive compensation is linked to the achievement of targeted results, based on EBIT, free cash flow, net utilized assets, and customer-related metrics.

FIVE-YEAR SUMMARY

	2011	2010	2009	2008	2007[1]
For fiscal years					
Revenues	**$17,712**	$19,366	$19,721	$17,506	$14,882
EBIT before special items	**$ 1,050**	$ 1,098	$ 1,429	$ 910	$ 587
EBIT margin before special items	**5.9%**	5.7%	7.2%	5.2%	3.9%
EBIT	**$ 1,050**	$ 1,098	$ 1,429	$ 748	$ 563
EBIT margin	**5.9%**	5.7%	7.2%	4.3%	3.8%
Effective income tax rate	**17.4%**	22.7%	20.5%	27.3%	26.7%
Net income	**$ 769**	$ 707	$ 1,026	$ 325	$ 278
Diluted EPS (in dollars)	**$ 0.42**	$ 0.39	$ 0.56	$ 0.16	$ 0.12
Free cash flow	**$ 605**	$ (215)	$ 342	$ 1,963	$ 610
Adjusted EBIT to adjusted net interest ratio	**5.3**	3.7	6.3	2.5	1.9
As at January 31					
Order backlog (in billions)	**$ 50.1**	$ 43.8	$ 48.2	$ 53.6	$ 40.7
Cash and cash equivalents	**$ 4,195**	$ 3,372	$ 3,470	$ 3,602	$ 2,648
Adjusted debt to adjusted EBITDA ratio	**4.2**	3.4	2.7	3.8	5.5
Adjusted debt to adjusted total capitalization ratio	**60%**	61%	66%	67%	73%
Weighted-average long-term debt maturity (in years)	**8.9**	6.5	7.5	8.5	7.9

1 From continuing operations.

STRATEGY

Paving the way to sustainable growth through Our Way Forward

Our global objective remains the creation of value for our shareholders through the development and manufacture of innovative and profitable solutions. Our innovative products and our manufacturing excellence have been the cornerstones of our strategy since the beginning, thanks to the dedicated work and passion of our employees. We aspire to be the leader in customer satisfaction in our industries by flawlessly delivering on our promises in everything we do. We lead through our high standards of innovation, product safety, green technology, efficiency and performance. Our Way Forward reinforces our evergreen strategic pillars of product and service leadership through innovation and manufacturing excellence.

Our Way Forward represents our strategic priorities for success in the years to come and we continue to make progress toward the five priorities throughout the organization (see the respective Strategy section in BA and in BT for more detail).

Be #1 in customer satisfaction through flawless execution	Achieve best-in-class execution discipline in each step of the business processes along the value chain to radically improve customer satisfaction. This entails flawlessly delivering on our promises in everything we do.
Raise our game in global talent management	Intensify our efforts to become the employer of choice invested in the development of skilled, engaged and proud talent around the globe.
Actively manage risks	Develop our insight and transparency in the management of key risks that drive value while proactively mitigating, managing or transferring risks that do not create value, by further embedding risk management in all key functions across the organization.
Establish local roots in all key markets	Develop an effective "local roots" organizational model targeting our key markets worldwide. This will allow us to readily capture new business opportunities and deliver best-in-class value for customers.
Enhance our corporate social responsibility	Enhance our commitment to corporate social responsibility by reducing the environmental footprint of our products and operations, further promoting employee health and safety in our daily actions and decisions, and actively contributing to the development of communities where we operate.

We have what it takes to deliver on our long-term strategy

Only businesses with the best customer orientation, people, products and services, quality and execution will stay at the top. We successfully navigated the economic downturn, having learned to use economic downturns as an opportunity to differentiate ourselves and strengthen our competitive advantage. This entrepreneurial reflex of taking advantage of cycles to transform the organization is part of our DNA. We have a large talent pool of well-trained and motivated employees and an experienced management team, committed to the long-term success of the organization. Our people and customers remain at the heart of our success. We have positioned ourselves as a global leader in our two industries. We have a unique capability to identify products that capture the imagination of our customers and we are investing heavily in our future to benefit from the expected long-term market growth.

BOMBARDIER	AEROSPACE	TRANSPORTATION
We are in two industries with solid long-term growth prospects	Long-term market fundamentals for both business and commercial aircraft markets remain strong, mainly driven by an improved worldwide economic environment and strong expected growth in emerging markets.	Long-term market fundamentals for the rail industry remain strong, sustained by factors such as urbanization and population growth, environmental awareness, as well as the need to replace aging rail equipment in developed economies and to supply new equipment in emerging countries.
We have a broad, leading-edge product and service offering, and we are positioned as leaders in our two industries	We have the broadest aircraft portfolio in our industry and hold the #1 position in business and regional aircraft. We are constantly developing innovative products and investing in growing market segments. Our product development strategy is aligned with the evolution of our industry.	We have the broadest portfolio of products and services in our industry. We have the right products to serve the demand for environmentally friendly transportation. We hold the #1 position in 9 out of our 11 product segments, making us the ultimate global leader in our industry.
We are committed to invest in the development of our products and services	We continue to make significant investments for the future by launching the *Global 7000* and *Global 8000* aircraft in September 2010 and by moving forward on our programs for the *Learjet 85* aircraft and *CSeries* family of aircraft. Our net PP&E and product development capital expenditures are expected to increase to approximately $1.5 billion in the 11-month period ending December 31, 2011.	We continue to be on the leading edge with our *ZEFIRO* very high speed train, to develop next-generation products in systems with our state-of-the-art *INNOVIA* family, as well as to build up technology leadership in locomotives and components with our *ECO4* portfolio of environmentally friendly products and technologies.
We have strong local roots through our production sites and customer base	We have a presence in 25 countries through our 10 production and engineering sites and our international service and support network. We have customers located in over 100 countries.	We have 59 production and engineering sites in 23 countries. Additionally, we operate over 40 service centres at our customers' premises across the world. We have a very diverse customer base with products and services in more than 60 countries.

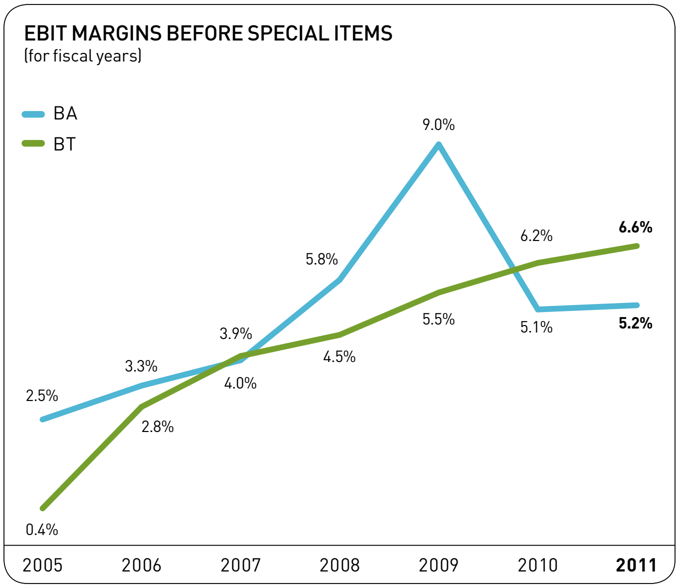
We are evolving into a world-class organization that adheres to lean principles and has a culture of continuous improvement. At BA and BT, we have quality systems in place, such as the Achieving Excellence System (AES) at BA and Bombardier Operations System (BOS) at BT, which promote continuous sharing of best practices, lean manufacturing and flawless execution, while helping to mitigate risks and to promote employee engagement. In a manufacturing industry with very complex products, execution capability is critical to convert strategy into value creation for our shareholders.

We will continue to execute our strategy with financial discipline

PROFITABILITY	LIQUIDITY	CAPITAL STRUCTURE
Increase the level and consistency of profitability.	Increase the level and consistency of cash flows from operating activities and ensure sufficient capacity to meet capital requirements.	Optimize the capital structure to reduce costs and improve our ability to seize strategic opportunities.

WE MAINTAIN OUR COURSE ON IMPROVING PROFITABILITY[1]

Improving the level and consistency of our profitability remains one of our key focuses. BT improved its EBIT margin before special items for the sixth consecutive year and is determined to continue building on this positive momentum, aiming at an EBIT margin of 8% by calendar year 2013[1]. As the sky is clearing up, BA is now aiming at an EBIT margin of 10% by calendar year 2013[1]. Reaching these targets will require both groups to further reinforce their processes to ensure flawless execution. During the downturn, BA leveraged the temporary slowdown in production to focus its employees on better execution to build efficiency, further streamline costs and improve customer satisfaction. BT is continuously working on numerous initiatives to improve and leverage its project management capabilities. Moreover, our worldwide presence in both established and emerging markets provides us with tremendous opportunities to develop local partners and suppliers.



Improving profitability is at the top of our agenda, and both groups have a defined roadmap to further improve their profitability.

PROFITABILITY	

Goal[1]	• Increase the level and consistency of profitability:
	  • BA is committed to improve its EBIT margin to 10% by calendar year 2013.
	  • BT is committed to improve its EBIT margin to 8% by calendar year 2013.

Leading initiatives	• We are leveraging our project management capabilities and focusing on efficient execution through the implementation of lean initiatives. • We continue to implement cost reduction programs and to capitalize on our worldwide presence in established and emerging markets to achieve cost savings.
Highlights	• We increased our diluted EPS to \$0.42, compared to \$0.39 in fiscal year 2010. • BA achieved an EBIT margin of 5.2%, compared to 5.1% in fiscal year 2010. • BT further increased its EBIT margin to 6.6%, compared to 6.2% in fiscal year 2010.

1 As computed under IFRS – See the IFRS section hereafter and the Forward-looking statements section in BA and in BT.

WE PROACTIVELY MONITOR OUR LIQUIDITY TO SUPPORT OUR AMBITIOUS DEVELOPMENT PROGRAMS

Maintaining sufficient liquidity and ensuring financial flexibility are critical to support our path to profitable growth and our product development initiatives. Liquidity adequacy is continually monitored, taking into consideration historic volatility and seasonal needs, the maturity profile of our long-term debt, the funding of our product development, the level of customer advances and progress billings, working capital requirements and access to capital markets.

Given our ambitious product developments at BA, our level of capital expenditures is expected to remain high until our significant aircraft programs under development reach entry into service ("EIS"). As we approach EIS, our investment in working capital will also have to be increased, but it will normalize as aircraft deliveries occur. We recognize the long-term nature of these investments and the significant human and financial resources required. As such, we have spread out our product development investment across several years, with EIS dates ranging from calendar years 2013 to 2017. In order to achieve our liquidity objective, we maintain our course on improving profitability by calendar year 2013 and we continue to manage closely our long-term debt maturity profile.

(for calendar years)

	Launch date	2011	2012	2013	2014	2015	2016	2017
Debt maturity[1]		–	$ 151	–	$ 162	–	$ 1,077	–
Learjet 85	October 2007			EIS				
CS100	July 2008			EIS				
CS300	July 2008				EIS			
Global 7000	September 2010						EIS	
Global 8000	September 2010							EIS

1 In millions of dollars.

We also invest in state-of-the-art facilities to support our product development programs and expand our market presence in emerging markets through our strategy focused on local roots. Combined with program tooling, BA's net capital expenditures increased to $956 million in fiscal year 2011, from $611 million in fiscal year 2010. BA is expected to further increase its net capital expenditures to approximately $1.5 billion in the 11-month period ending December 31, 2011.

We intend to fund our aircraft development programs primarily from our cash flows from operating activities. The absence of significant debt maturity before November 2016, following our recent liability management initiatives, reinforces our commitment toward proactively managing our term structure and liquidity. To secure additional access to liquidity, we also set up a $500-million revolving credit facility, which has remained undrawn since its inception in September 2009, as well as additional factoring and sale and leaseback facilities. Depending on the aircraft program, we may also receive government support and contributions from key suppliers.

LIQUIDITY	
Goal[1]	• Maintain sufficient available short-term capital resources to meet expected liquidity requirements and to ensure financial flexibility. • BA's free cash flow is expected to be essentially neutral in the 11-month period ending December 31, 2011, as cash flows from operating activities will be used to finance net capital expenditures expected to be at approximately $1.5 billion. • Over the long term, BT's free cash flow should generally be in line with EBIT, although it may vary significantly from quarter to quarter.
Leading initiatives	• We continue our proactive approach to cash management to ensure a sufficient level of liquidity. • We optimize cash flows from operating activities through the effective management of operations and net utilized assets. • We continue to execute profitability improvement initiatives. • We pursue risk-sharing arrangements for projects requiring substantial funding. • We use scenario analysis to stress-test our revenues and cash flow projections.
Highlights	• We have a strong cash position of $4.2 billion as at January 31, 2011 and an unused $500-million revolving credit facility. • BT achieved a strong free cash flow of $744 million, compared to an EBIT of $602 million. • BA's free cash flow was slightly positive, as cash flows from operating activities slightly exceeded net capital expenditures of $956 million.

1 As computed under IFRS – See the IFRS section hereafter and the Forward-looking statements section in BA and in BT.

WE HAVE NO SIGNIFICANT DEBT MATURING BEFORE NOVEMBER 2016

We remain committed to further improve our capital structure and to regain our investment-grade status, thus improving our ability to seize strategic opportunities. We have demonstrated discipline to restore financial health and strengthen our balance sheet. Our prudent management of debt maturities allowed us to extend debt maturities, taking advantage of favourable capital market conditions, and to continue investing in our future to emerge stronger. As such, we implemented two liability management initiatives in fiscal year 2011, consisting of a combination of new issuances and simultaneous retirements of near-term indebtedness. Managing our retirement benefit deficit and the security of benefits is also a key part of our overall management of the capital structure. Given our ambitious investment programs, our near-term focus is to maintain sufficient liquidity to provide financial flexibility.

CAPITAL STRUCTURE

Goal[1]	We remain committed to further improve our capital structure. Our objective with regard to the global metrics is to manage and monitor them so that we can achieve an investment-grade status, which we believe typically requires among other considerations to: • maintain an adjusted EBIT to adjusted net interest ratio greater than 5.0; and • achieve an adjusted debt to adjusted EBITDA ratio lower than 2.5.

Leading initiatives	• In the near term, we will closely monitor our capital structure to ensure that we have sufficient liquidity to fund our product development programs and limit our needs for external financing.
	• Over the long term, we will continue to reduce adjusted debt to improve our leverage metrics by:
	  • de-leveraging the balance sheet with strategic long-term debt repayments, in line with active management of consolidated liquidity, weighted-average cost of capital and term structure; and
	  • proactively managing opportunities to reduce our retirement benefit deficit, including an assessment for discretionary contributions to further enhance capital structure and the security of benefits.

Highlights	• As a result of our two liability management initiatives, we increased our weighted-average long-term debt maturity from 6.5 years as at January 31, 2010, to 8.9 years as at January 31, 2011 and have no significant debt maturing before November 2016. • We made contributions to pension plans totalling $437 million in calendar year 2010, compared to the $381 million estimated last year. • Our pension deficit increased from $1.5 billion as at December 31, 2009, to $1.6 billion as at December 31, 2010, mostly explained by negative variances in discount rates.

1 As computed under IFRS – See the IFRS section hereafter and the Forward-looking statements section in BA and in BT. It should be noted that under IFRS, the adjusted debt to adjusted total capitalization ratio is not considered relevant given the increased volatility of equity arising from numerous adjustments. Therefore, this ratio will no longer be monitored.

Investment-grade status remains an objective

Credit ratings are intended to provide investors with an independent measure of credit quality. We are currently rated by three rating agencies: Moody's Investors Services ("Moody's"), Standard & Poor's Rating Services ("S&P") and Fitch Ratings Ltd. ("Fitch").

CREDIT RATINGS

	Investment-grade rating	Bombardier Inc.'s rating	
		January 31 2011	January 31 2010
S&P	BBB–	BB+	BB+
Fitch	BBB–	BB+	BB+
Moody's	Baa3	Ba2	Ba2

The current ratings are one notch away from investment grade at S&P and Fitch and two notches away at Moody's. We believe that we will be in a good position to improve our credit ratings as we progress towards our profitability targets. An investment-grade rating would be beneficial to the Corporation as it would generally reduce the cost of our banking activities, improve our access to capital markets and lower the amount and cost of the guarantees we provide. It would also put us in a better position to seize strategic opportunities.

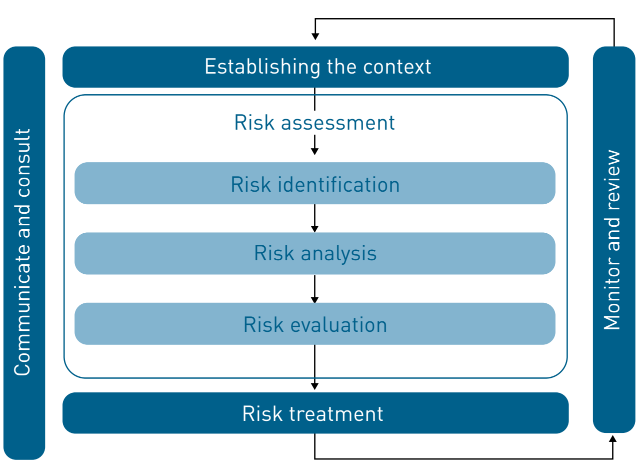
Risk management embedded in our activities

Risk management is an integral part of how we plan and monitor our business strategies and results. To achieve our risk management objectives, we have embedded risk management activities in the operational responsibilities of management and made these activities an integral part of our overall governance, organizational and accountability structure.

Our Way Forward, for which one of the priorities is active risk management, builds on what we currently do to ensure that we adopt best-in-class risk management practices. It also provides the basis to select risks that drive value while proactively mitigating, managing or transferring risks that do not create value.

The magnitude of the recent financial crisis, as well as its significant repercussions on the world economy and on many of our customers and suppliers, highlighted more than ever the need to have a broad and comprehensive risk management approach. In fiscal year 2011, we introduced a Corporate Risk Management policy and a risk management framework based on the ISO 31000 standard. For each risk or category of risks, our risk management process includes activities performed in a continuous cycle. Each group is responsible for implementing the appropriate structures, processes and tools to allow proper identification of risks (i.e. establishing the context). Risk assessment, including risk identification, analysis and evaluation, ensures that each risk is analyzed to identify the consequence, velocity and likelihood of the risk occurring and the adequacy of existing controls. Once the risks have been identified and assessed, risk treatment identifies the actions to be implemented by management. The risk profile of the Corporation is dynamic and therefore subject to changes that must be monitored and reviewed on a continuous basis. For this reason, our risk management framework involves a continuous communication and consultation process.

RISK MANAGEMENT FRAMEWORK



Source: ISO 31000 standard.

Every year, our Corporate Audit Services and Risk Assessment (CASRA) team thoroughly assesses our major risks. Senior management reviews this risk assessment and develops action plans to address the identified risks. The Board of Directors is ultimately responsible for reviewing the overall risks faced by the Corporation. The Board exercises its duty through the Finance and Risk Management Committee, consisting of four independent Directors, which reviews our material financial risks and the measures that management takes to monitor, control and manage such risks, including the adequacy of policies, procedures and controls designed by Management to assess and manage these risks.

In addition, we have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation is properly communicated and that information required to be disclosed in our public filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. Refer to the Controls and procedures section in Other for more details.

We have also developed governance and risk management practices to reduce the nature and extent of our exposure to economic, business environment, operational, financing and market risks (see the Risks and uncertainties section in Other for further details on these risks). Our risk management practices address many risks, with some of the main areas being BA's product development and BT's project execution, foreign currency fluctuations, changing interest rates and exposure to credit risk. The first two risks are covered in the Strategy section in BA and in BT.

FOREIGN CURRENCY FLUCTUATIONS

Our main exposures to foreign currencies are managed in accordance with our Foreign Exchange Risk Management Policy. This policy requires each segment and Corporate Office to identify all potential foreign currency exposures arising from their operations or financial position and to hedge these exposures according to pre-set criteria.

FOREIGN EXCHANGE MANAGEMENT

Owner	Hedged exposures	Hedging policy[1]	Risk-mitigation strategies
BA	Forecasted cash outflows denominated in a currency other than the functional currency of the entity incurring the cash flows, mainly in Canadian dollars and pounds sterling.	Hedge 85% of the identified exposures for the first three months and 75% for the next 15 months.	Use of forward foreign exchange contracts, mainly to sell U.S. dollars and buy Canadian dollars and pounds sterling.
BT	Forecasted cash inflows and outflows denominated in a currency other than the functional currency of the entity incurring the cash flows.	Hedge 100% of the identified foreign currency exposures at the time of order intake.	Use of forward foreign exchange contracts, mainly to sell or purchase euros, pounds sterling, U.S. dollars, Swiss francs, Canadian dollars and other Western European currencies.
Corporate Office	Forecasted cash outflows other than interest, denominated in a currency other than the functional currency of the entity incurring the cash flows, mainly in Canadian dollars.	Hedge 85% of the identified exposures for the first 18 months.	Use of forward foreign exchange contracts mainly to sell U.S. dollars and buy Canadian dollars.
	Balance sheet exposures, including long-term debts and net investments in self-sustaining foreign operations.	Hedge 100% of the identified exposures affecting our results.	Asset/liability management techniques. Designation of long-term debt and cross-currency swap agreements as hedges of our net investments in self-sustaining foreign operations.

1 Deviations from the policy are allowed, subject to pre-authorization and maximum predetermined risk limits.

The hedged portion of BA's foreign currency denominated costs for the 11-month period ending December 31, 2011 was as follows as at January 31, 2011:

BA'S FOREIGN CURRENCY DENOMINATED EXPECTED COSTS

	Expected costs	Hedged portion	Weighted-average hedge rates	
			USD/foreign currency	Foreign currency/USD
Expected costs denominated in:				
Canadian dollars	2,186	78%	0.9246	1.0816
Pounds sterling	268	84%	1.5997	0.6251

The U.S. dollar depreciated versus the Canadian dollar and pound sterling since January 31, 2009. Should this weakening continue, BA's costs incurred in these currencies will be higher, although on a delayed basis due to our hedging program.

Sensitivity analysis

A U.S. one-cent change in the value of the Canadian dollar compared to the U.S. dollar would impact BA's expected costs for the 11-month period ending December 31, 2011 by approximately $22 million before giving effect to forward foreign exchange contracts ($5 million impact after giving effect to such contracts).

Sensitivity analysis

A U.S. one-cent change in the value of the pound sterling compared to the U.S. dollar would impact BA's expected costs for the 11-month period ending December 31, 2011 by approximately $3 million before giving effect to forward foreign exchange contracts (immaterial impact after giving effect to such contracts).

BT's identified cash flow exposures are generally entirely hedged at the time of order intake, contract by contract, consistent with BT's policy to hedge all currency exposures arising from cash inflows and outflows. As such, BT's results of operations are not significantly exposed to gains and losses from transactions in foreign currencies, but remain exposed to translation risks.

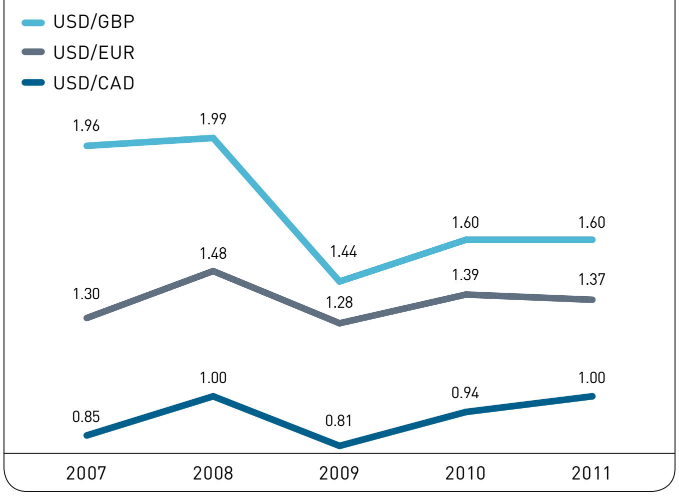
Corporate Office's identified cash flow exposures are not significant and mainly arise from expenses denominated in Canadian dollars. Corporate Office's balance sheet exposure arises mainly from investments in foreign operations and long-term debt. Despite our risk mitigation strategies, the impact of foreign currency fluctuations on equity can be significant given the size of our investments in foreign operations, mainly the euro.

Sensitivity analysis

The impact of foreign currency movements on the results of operations of BT and Corporate Office is not significant, as most of the identified foreign currency exposures are hedged.

For our investments exposed to foreign currency movements, a 1% fluctuation in the relevant currencies as at January 31, 2011 would have impacted OCI, before income taxes, by $30 million before giving effect to the related hedging items ($19 million after giving effect to the related hedging items).

EVOLUTION OF FOREIGN EXCHANGE RATES
(as at January 31)



CHANGING INTEREST RATES

Our cash flow exposures to changing interest rates arise mainly from existing assets and liabilities at variable interest rates. These exposures are managed by a central treasury function as part of our overall risk management policy using asset/liability management techniques to align asset and liability exposures, including the use of derivative financial instruments (mainly interest-rate swap agreements). This is achieved by converting a portion of our long-term debt from a fixed rate to a variable rate in order to match assets yielding variable interest.

In addition, we are economically exposed to changes in the value of some of our on- and off-balance sheet assets and liabilities as a result of changes in interest rates or marketability risk. The most significant on-balance sheet exposure arises from our credit and residual value guarantee provisions and portfolio of loans and lease receivables. Our exposure arising from credit and residual value guarantees is partially mitigated by offsetting positions from our portfolio of loans and lease receivables and other assets that are carried at fair value, such as our portfolio of investments. In addition, our exposure to changes in fair value of fixed-rate long-term debt, which is carried at amortized cost, has been significantly reduced using asset/liability management techniques.

Our most important off-balance sheet risk arises from pension plans, for which there is a duration and nominal mismatch between the plans' assets and liabilities. During fiscal years 2008 and 2009, we mitigated such risk for all our U.S. and for some Canadian defined benefit pension plans through the utilization of interest-rate swap overlay portfolios. These derivatives were designed to protect the Corporation from an increase in the pension deficit arising from a reduction in long-term bond yields. This strategy generated gains following the disruption in capital markets leading to additional reductions in interest-rate and unprecedented negative swap spreads. The hedging relationships were disrupted during the financial crisis and our hedging strategy was temporarily suspended with the termination of the swap agreements at the end of fiscal year 2009 and at the beginning of fiscal year 2010. Interest rate hedging strategies will be re-introduced for some U.S., U.K. and Canadian defined benefit pension plans when we consider that financial conditions have become favourable.

Further risk reduction initiatives are also underway with regard to our pension plans. For instance, we have decided to reduce the publicly-traded equity target allocation from 63% to 50% for our Canadian pension plans when the solvency position of a pension plan reaches a specified target rate. Most of our Canadian plans already met the target, and the equity reduction has therefore been implemented for these plans in fiscal year 2011.

Sensitivity analysis

Assuming a 100-basis point increase in the interest rate impacting the measurement of on-balance sheet assets and liabilities carried at fair value as of January 31, 2011, EBT would have been negatively impacted by $60 million for fiscal year 2011.

EXPOSURE TO CREDIT RISK

Through our normal treasury activities, we are exposed to credit risk on our derivative financial instruments, invested collateral and other investing activities. The effective monitoring and controlling of credit risk is a key component of our risk management activities. Credit risk arising from our treasury activities is managed in accordance with our Investment Management policy. The objective of this policy is to minimize our exposure to credit risk from our treasury activities by ensuring that we transact strictly with investment-grade financial institutions and highly-rated market funds, with limits per counterparty based on their long-term credit rating.

Exposure to customer credit risk is managed by the segments. Customer credit ratings and credit limits are critical inputs in determining the conditions under which credit or financing is extended to customers, including obtaining collateral to reduce our exposure to losses. Specific governance is in place to ensure that financial risks arising from large transactions are analyzed and approved by the appropriate level of management before financing or credit support is offered to the customer. Customer credit ratings and credit limits are analyzed and established by internal credit specialists, based on inputs from external rating agencies, recognized rating methods and our own experience with the customers. The credit ratings and credit limits are dynamically reviewed based on fluctuations in the customer's financial results and payment behaviour.

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

IFRS CONVERSION

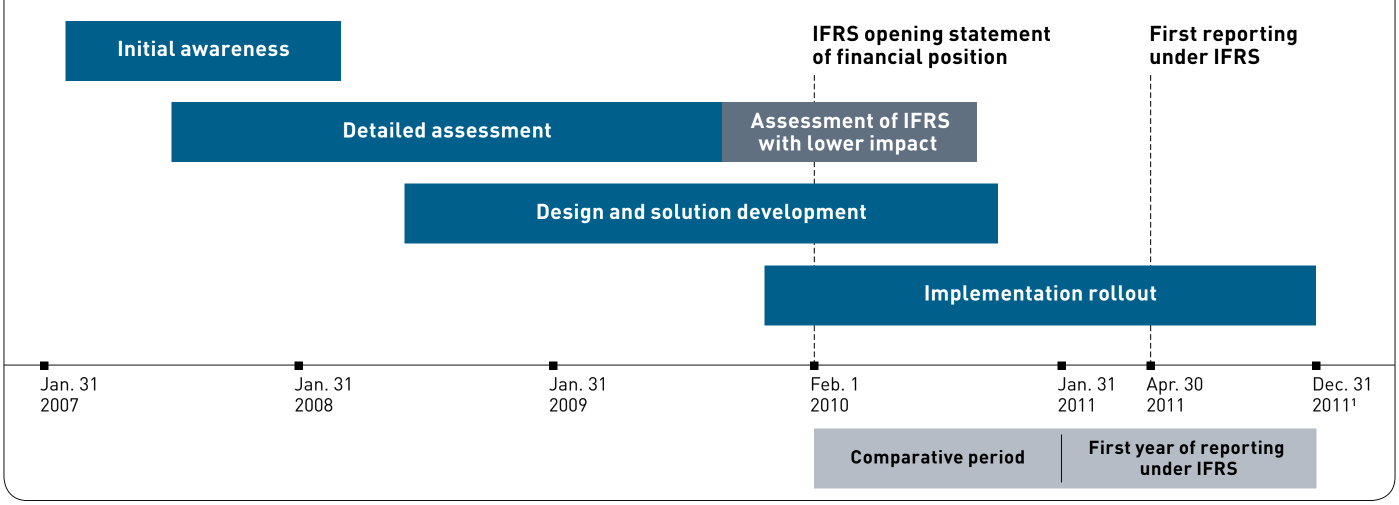
Status of our IFRS conversion project

All entities reporting publicly in Canada are required to report their financial results under IFRS, effective for fiscal years beginning in calendar year 2011, with a few exceptions. Therefore, this change is effective for our interim and annual financial statements for periods beginning on or after February 1, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

We have coordinated our IFRS conversion project around four phases.

BOMBARDIER CHANGEOVER PLAN FOR IFRS CONVERSION



The project is progressing according to plan and we are currently in the implementation rollout phase. We have now identified and assessed all impacts related to the IFRS conversion. We intend to renew our credit facilities with new covenants aligned with IFRS. All contractual agreements were assessed, and reviewed if needed, to ensure there is no impact from the conversion to IFRS.

On January 19, 2011, we held an information session to present a summary of the most significant adjustments to the opening statement of financial position and the statements of income, comprehensive income and cash flows for the first half of fiscal year 2011 arising from our conversion to IFRS. Since then, we have also quantified the IFRS conversion adjustments for the nine-month period ended October 31, 2010. These restated figures are summarized in the following pages and are available on Bombardier's website at www.bombardier.com and on SEDAR at www.sedar.com.

Our financial statements for the annual period ending December 31, 2011[1] will be our first annual financial statements complying with IFRS. IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires a first-time adopter to retrospectively apply all IFRS effective as at the end of its first annual reporting period. Accordingly, amounts in the consolidated opening statement of financial position and statements of income, comprehensive income and cash flows for the comparative period to be included in our first annual financial statements to be prepared under IFRS may differ from the restated figures presented to date if new standards are adopted prior to December 31, 2011 or if we change some of the choices we made with regards to the accounting policies we selected.

1 Subject to the approval of our proposed change of financial year-end from January 31 to December 31 by our Board of Directors in December 2011, thus resulting in an 11-month financial year.

Exemptions from full retrospective application of IFRS

IFRS 1 provides a first-time adopter with certain optional exemptions and requires certain mandatory exemptions from full retrospective application of IFRS. Most of these exemptions, if elected or mandatory, must be applied as at the beginning of the required comparative period (transition date). Our transition date to IFRS is February 1, 2010. Under IFRS 1, we elected to apply the following optional exemptions as at the transition date.

1. BUSINESS COMBINATIONS

We elected to apply IFRS prospectively for business combinations from the date of transition to IFRS. Accordingly, we have not restated the accounting for acquisitions of subsidiaries, interests in joint ventures or associates that occurred before February 1, 2010. At transition date, there is no adjustment as a result of this election.

2. CUMULATIVE CURRENCY TRANSLATION DIFFERENCE ("CCTD")

At the transition date, we transferred all cumulative foreign exchange losses of $117 million from CCTD to retained earnings. There is no impact on equity as at February 1, 2010 as a result of this election.

3. BORROWING COSTS

We elected to begin capitalization of borrowing costs to qualifying assets under IFRS effective February 19, 2007, the launch date of the *CRJ1000 NextGen* aircraft program. Borrowing costs of $32 million capitalized under Canadian GAAP prior to that date were written off to retained earnings at the transition date.

4. SHARE-BASED COMPENSATION

We did not apply IFRS 2 "Share-based payment" to equity instruments granted prior to November 7, 2002 or those that have vested before February 1, 2010. At transition date, there is no adjustment related to these instruments as a result of this election.

5. RETIREMENT BENEFITS

We elected to disclose the defined benefit obligations, plan assets, deficit and experience adjustments on retirement benefit liabilities and assets prospectively from the date of transition, progressively building the data to present the four years of comparative information required under IFRS.

In accordance with the mandatory exemptions from retrospective application of IFRS, hedge accounting has only been applied when hedge relationships satisfied the hedge accounting criteria in IAS 39 "Financial Instruments: Recognition and Measurement" as of the transition date.

Reconciliations of equity and net income from Canadian GAAP to IFRS

The following reconciliations illustrate the measurement and recognition differences in restating equity and net income reported under Canadian GAAP to IFRS for the dates and period indicated.

RECONCILIATION OF EQUITY

	Item	February 1 2010
Equity under Canadian GAAP (as reported)		**$ 3,769**
Measurement and recognition restatements:		
Retirement benefits	A	(2,198)
Revenues	B	(554)
Aerospace program tooling	C	(246)
Sale and leaseback obligations	D	(6)
Other		(12)
		(3,016)
Income tax impact of all restatements	E	207
Total restatements		(2,809)
Equity under IFRS		**$ 960**

RECONCILIATION OF NET INCOME

	Item	BA	BT	EBIT	Net interest	Net income
		Nine-month period ended October 31, 2010				
As reported under Canadian GAAP		**$267**	**$416**	**$683**	**$(118)**	**$ 444**
Reclassifications		(14)	1	(13)	13	–
Pre-tax restatements:						
Retirement benefits	A	21	40	61	(36)	25
Revenues	B	(11)	(12)	(23)	(9)	(32)
Aerospace program tooling	C	47	–	47	(3)	44
Sale and leaseback obligations	D	9	–	9	(4)	5
Other		13	1	14	(13)	1
		79	29	108	(65)	43
Income tax impact of all restatements	E					(7)
Total restatements						36
As restated under IFRS		**$332**	**$446**	**$778**	**$(170)**	**$ 480**
Basic and diluted EPS under Canadian GAAP (as reported)						**$0.24**
Impact of IFRS restatements to net income						0.02
Basic and diluted EPS under IFRS						**$0.26**

The following items explain the most significant restatements to equity and net income resulting from the change in accounting policies upon adoption of IFRS.

A. RETIREMENT BENEFITS

PRE-TAX IMPACT ON EQUITY

	February 1 2010
Net unrecognized actuarial losses	$(1,826)
Vested past service costs (credits)	(32)
Asset ceiling and additional liability test	(97)
Measurement date	(227)
Allocation of retirement benefit costs to inventories and aerospace program tooling	(16)
	$(2,198)

IMPACT ON EBT

	Nine-month period ended October 31, 2010
Increase in EBIT	$ 61
Increase in net financing expense	(36)
	$ 25

Actuarial gains and losses

Under Canadian GAAP, actuarial gains and losses are amortized through income using a corridor approach over the estimated average remaining service life ("EARSL") of employees. Under IFRS, we elected to recognize all actuarial gains and losses in OCI as incurred. As a result of this election, foreign exchange gains and losses on the translation of plan assets and liabilities are also recorded in OCI under IFRS.

Vested past service costs (credits)

Under Canadian GAAP, vested past service costs (credits) of defined benefit plans are amortized over the EARSL of plan participants from their grant date. Under IFRS, vested past service costs (credits) of defined benefit plans must be recognized in income immediately as granted.

Asset ceiling and additional liability test

Under IFRS, IFRIC 14 "The limit on a defined benefit asset, minimum funding requirements and their interaction" requires entities to consider minimum funding requirements when assessing the financial position of defined benefit plans. This interpretation may require either a reduction of the retirement benefit asset or the recognition of an additional liability. Canadian GAAP also sets limits on the recognition of the retirement benefit asset, but does not consider minimum funding requirements and as such cannot create a liability.

Further, under Canadian GAAP, an adjustment arising from the asset ceiling test is recognized in income. Since we have elected to recognize all actuarial gains and losses in OCI under IFRS, variations arising from this test under IFRS are recorded in OCI in the period in which they occur.

Measurement date

Canadian GAAP allows entities to use a measurement date for defined benefit obligations and plan assets up to three months prior to the fiscal year-end date. December 31 is used as the measurement date for all our defined benefit plans under Canadian GAAP.

Measurement of the defined benefit obligations and plan assets is performed at the reporting date under IFRS. Accordingly, defined benefit plans at BA and Corporate Office are measured using a January 31 measurement date under IFRS. Defined benefit plans at BT continue to use a December 31 measurement date as this is the financial year-end date of BT.

Allocation of retirement benefit costs to inventories and aerospace program tooling

The adjustment to inventories and aerospace program tooling arises from changes in the presentation of retirement benefit costs. We have decided to segregate retirement benefit costs into three components under IFRS:

- retirement benefit expense (including current and past service costs) recorded in EBIT;
- interest cost and expected return on retirement plan assets recorded in financing income and expense; and
- actuarial gains and losses, asset ceiling and additional liability test and gains and losses on foreign exchange recorded in OCI.

Under Canadian GAAP, these three components are all recorded in EBIT. As a result, only current service costs are considered for capitalization in aerospace program tooling and inventories under IFRS, whereas under Canadian GAAP all three components are considered for capitalization.

B. REVENUES

Bombardier Aerospace

Under Canadian GAAP, revenues from the sale of light business (*Learjet* family), commercial and amphibious aircraft are recognized at delivery of the completed aircraft. Revenues from the sale of medium and large business aircraft (*Challenger* and *Global* families) are segmented between two milestones: green aircraft delivery (i.e. before exterior painting and installation of interiors and optional avionics) and upon final acceptance of the completed aircraft by customers.

Under IFRS, revenues from the sale of all aircraft are recognized upon delivery of the completed aircraft to customers. At transition, revenues for 113 medium and large business aircraft for which final delivery had not taken place were reversed, resulting in an order backlog increase of $2.9 billion. For the nine-month period ended October 31, 2010, revenues for 76 medium and large business aircraft for which final delivery had not taken place were reversed and revenues for 80 medium and large business aircraft for which final delivery took place during the period were recognized.

AIRCRAFT DELIVERIES

	Nine-month period ended October 31, 2010			
(in units)	Aircraft deliveries Canadian GAAP	Reversal of green aircraft	Recognition of completed aircraft	Aircraft deliveries IFRS
Learjet Series	**19**	–	–	**19**
Challenger 300	**18**	(18)	20	**20**
Challenger 605	**24**	(24)	21	**21**
Challenger 800 Series	**1**	–	6	**7**
Global 5000/*Global Express XRS*	**34**	(34)	33	**33**
Commercial	**53**	–	–	**53**
Amphibious	**3**	–	–	**3**
	152	(76)	80	**156**

As part of our operations, unavoidable costs of meeting contractual obligations may exceed the economic benefits expected from a contract, resulting in an onerous contract. Under Canadian GAAP, no provision is recorded in such circumstances, unless the contract is accounted for under long-term contract accounting rules. Under IFRS, a provision must be recorded when a contract becomes onerous. This difference resulted in a decrease in equity at transition.

Under most contracts for the sale of aircraft, penalties must be paid if the aircraft is delivered after an agreed timeline. Under Canadian GAAP, such late-delivery penalties are recognized directly in income, based on the total expected penalty. Under IFRS, such penalties are recognized in inventories, when incurred, since they are seen as an integral component of the cost of the asset. This difference resulted in an increase in equity at transition.

Under Canadian GAAP, provisions for warranties related to the sale of aircraft do not take into account the time value of money. Under IFRS, aircraft warranty provisions must be discounted and a financing expense is recorded over the passage of time. This difference resulted in an increase in equity at transition.

As a result of these restatements, BA revenues for the nine-month period ended October 31, 2010 increased by $40 million, EBIT decreased by $11 million and financing expense increased by $9 million. The overall impact is a decrease in EBT of $20 million.

Bombardier Transportation

In connection with BT's operations, a base contract is often granted with options that can be exercised by the customer to order more quantities of the same product. The margin earned on these options is often higher than the margin on the base contract, mainly due to the learning curve effect decreasing production costs over time.

Canadian GAAP does not allow accounting for the base contract and an exercised option as a single unit of accounting, using a combined margin, if the margins of the base contract and option differ significantly. This criterion does not exist under IFRS, and therefore base contracts must always be combined with exercised options if they relate to a single project and the product is similar in design, technology and function; the price of the options was negotiated as part of the base contract; and production is performed on a continuous basis. Consequently, under IFRS, more base contracts are combined with options. Such combining generally increases the profit on the base contract through a cumulative adjustment recorded when the option contract is signed and reduces the profit during the execution of the option contract, as the combined margin is used instead of only the higher margin of the option contract.

This difference resulted in an increase in equity at transition. As a result of this difference, BT's revenues, EBIT and EBT under IFRS all decreased by $12 million for the nine-month period ended October 31, 2010.

C. AEROSPACE PROGRAM TOOLING

Government refundable advances

As an incentive to stimulate R&D, some governments provide advances during the development period, which are usually conditionally repaid upon delivery of the related product. Under Canadian GAAP, contingently repayable advances received are deducted from aerospace program tooling or R&D expense, and any repayments are recorded as an expense in cost of sales upon delivery of the aircraft.

Under IFRS, a liability is recorded for the expected repayment of advances received if it is probable that the conditions for repayment will be met. Repayments are recorded as a reduction of the liability. Revisions to the estimate of amounts to be repaid result in an increase or decrease in the liability and aerospace program tooling or R&D expense, and a cumulative catch-up adjustment to amortization is recognized immediately in income.

As a result, aerospace program tooling is recorded gross of government refundable advances under IFRS, resulting in a higher amortization expense in the earlier stages of an aircraft program's life. Recording of government refundable advances as a liability at transition decreased equity by $148 million, as a significant portion of the related aerospace program tooling was amortized prior to February 1, 2010 under IFRS.

R&D expenditures incurred by vendors on our behalf

When we develop a new aircraft, some vendors invest in the development of new technology (vendor non-recurring costs or "VNR costs"). These costs may be repaid to the vendor as part of the purchase price of the vendor's product, and the technology is transferred to us once an agreed amount is repaid. Under Canadian GAAP, the amounts repaid to vendors are recognized as aerospace program tooling as the vendor developed product is purchased. Under IFRS, upon evidence of successful development, which generally occurs at a program's entry into service, such vendor non-recurring costs must be recognized as a liability based on our best estimate of the amount to be repaid to the vendor, with a corresponding increase in aerospace program tooling.

As a result, VNR costs are recorded earlier under IFRS, based on the present value of our best estimate of the amounts repayable, with consequential higher amortization of aerospace program tooling early in the program life. Repayments to vendors are recorded as a reduction of the liability.

The adjustment at transition decreased equity by $70 million, as a significant portion of the related aerospace program tooling was amortized prior to February 1, 2010 under IFRS.

Borrowing costs

As noted earlier, we have elected under the IFRS 1 exemption to begin capitalization of borrowing costs to qualifying assets effective February 19, 2007, the launch date of the *CRJ1000 NextGen* aircraft program. Borrowing costs of $32 million capitalized under Canadian GAAP prior to that date were written off to retained earnings at the transition date.

As noted earlier, aerospace program tooling is recorded gross of government refundable advances under IFRS. As a result, aerospace program tooling for programs under development is higher under IFRS and therefore the amount of capitalized borrowing costs is also higher.

Under Canadian GAAP, interest charges incurred during the development period are capitalized as part of aerospace program tooling based on the general borrowing rate as there are no specific borrowings. Under IFRS, government refundable advances recorded during the development period are considered specific borrowings and are included in borrowing costs capitalized to aerospace program tooling beginning February 19, 2007.

At transition, the $32 million write-off of capitalized borrowing costs was offset by an increase of $4 million in borrowing costs capitalized to aerospace program tooling as a result of these accounting differences.

Combined impact on EBT of adjustments to aerospace program tooling

At transition, the aerospace program tooling balance under IFRS decreased by the adjustments for VNR costs and borrowing costs, partially offset by an increase for the adjustment for government refundable advances. The overall lower aerospace program tooling balance resulted in a decrease in amortization expense of $25 million for the nine-month period ended October 31, 2010.

As repayments of government refundable advances are considered repayments of the related liability and are not recorded as an expense under IFRS, EBT for the nine-month period ended October 31, 2010 increased by $30 million. This adjustment was offset by a foreign exchange loss of $8 million recognized under IFRS upon translation of the liability for government refundable advances and an interest accretion expense of $14 million.

Additional borrowing costs of $11 million were capitalized during the nine-month period ended October 31, 2010 under IFRS, due to a higher capitalization base for programs under development.

D. SALE AND LEASEBACK OBLIGATIONS

Under Canadian GAAP, contracts with sale and leaseback facilities for pre-owned business aircraft are classified as operating leases based on the quantitative tests for lease classification. IFRS requires a qualitative and quantitative assessment of lease classification and, as a result, these lease contracts are accounted for as financial obligations secured by the pre-owned business aircraft.

Under Canadian GAAP, revenue is recorded when the aircraft is transferred to a facility. Under IFRS, the pre-owned aircraft remain in inventories and no revenue is recorded until the aircraft is sold outside the facilities to a third-party customer. Interest expense is recognized on the liability under IFRS based on the effective interest rate of the sale and leaseback obligation.

Under IFRS, revenues and cost of sales for the nine-month period ended October 31, 2010 decreased by $46 million as 10 sales of pre-owned aircraft to these facilities were reversed and 10 sales to third parties of different pre-owned aircraft were recognized. As these sales are generally made at low margins, the adjustment to revenues had no impact on EBIT. However, EBIT for the nine-month period ended October 31, 2010 is higher by $9 million under IFRS, as lease payments to the facilities are recorded as capital repayments and interest expense under IFRS, rather than as a lease expense in EBIT. Interest expense for the nine-month period ended October 31, 2010 increased by $4 million, resulting in an increase in EBT of $5 million.

E. INCOME TAX IMPACT OF ALL RESTATEMENTS

The restatements to equity as at February 1, 2010 totalling $3,016 million affect the accounting values of assets and liabilities but not their tax bases. Using the Canadian statutory tax rate of 31.3% at the transition date, these restatements would trigger the recognition of a deferred tax asset of $944 million. However, IFRS allows recognition of a deferred tax asset only to the extent it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilized. The deferred tax asset has not been fully recognized under IFRS, as some of the tax benefits are expected to materialize in periods subsequent to the period meeting the probability of recovery test necessary to support such assets. In connection with IFRS restatements to equity, $207 million of additional deferred tax assets was recognized at transition.

Applying the Canadian statutory tax rate of 30.0% to the IFRS adjustments to EBT for the nine-month period ended October 31, 2010 would result in a tax expense of $13 million. However, additional tax benefits related to operating losses and temporary differences were recognized under IFRS. The additional income tax expense for the nine-month period ended October 31, 2010 was $7 million.

Reconciliation of comprehensive income from Canadian GAAP to IFRS

RECONCILIATION OF COMPREHENSIVE INCOME

	Item	Nine-month period ended October 31, 2010
Comprehensive income under Canadian GAAP (as reported)		**$ 573**
Restatements to net income		36
Restatements to OCI:		
Retirement benefits	A	(600)
Other		(52)
Income tax impact of all restatements	E	39
		(613)
Comprehensive income under IFRS		**$ (4)**

The following items explain the significant restatements to comprehensive income resulting from the change in accounting policies upon adoption of IFRS.

A. RETIREMENT BENEFITS

Net actuarial losses of $593 million were incurred in the nine-month period ended October 31, 2010, mainly due to changes in interest rates. Such actuarial losses are recognized in OCI under IFRS in accordance with our choice of accounting policy. In addition, variations arising from the asset ceiling and additional liability test (a gain of $52 million), as well as foreign exchange losses on the translation of plan assets and liabilities ($59 million), were also recorded in OCI for the nine-month period ended October 31, 2010.

E. INCOME TAX IMPACT OF ALL RESTATEMENTS

The related deferred tax asset has not been fully recognized, as some of the tax benefits are expected to materialize in periods subsequent to the period meeting the probability of recovery test necessary to support such assets.

Changes to the statement of cash flows from Canadian GAAP to IFRS

NET IMPACT ON STATEMENT OF CASH FLOWS

	Nine-month period ended October 31, 2010
Cash flows from operating activities	$ (1)
Cash flows from investing activities	(29)
Cash flows from financing activities	30
	$ –

The following items explain the most significant restatements to the statement of cash flows, resulting from the change in accounting policies upon adoption of IFRS:

- Under Canadian GAAP, payments to and from sale and leaseback facilities for pre-owned aircraft are classified as cash flows from operating activities. Under IFRS, such payments are treated as financing transactions and are classified as cash flows from financing activities. For the nine-month period ended October 31, 2010, cash flows from financing activities increased by $30 million as amounts received from these facilities exceeded repayments to the facilities.
- Under Canadian GAAP, inflows from government refundable advances are netted against additions to PP&E and intangible assets and classified as cash flows from investing activities, with any repayments classified as cash flows from operating activities. Under IFRS, all transactions related to the government refundable advances are classified as cash flows from operating activities. During the nine-month period ended October 31, 2010, $29 million of government refundable advances were received and classified as cash flows from operating activities under IFRS.

Reclassifications from Canadian GAAP reporting to IFRS

Under IFRS, we present a classified statement of financial position, based on the operating cycle for operating items and based on a 12-month period for non-operating items.

The following are mandatory reclassifications of items in the statement of financial position upon transition to IFRS:

- Financial assets and financial liabilities are presented separately from non-financial assets and non-financial liabilities.
- Provisions are presented separately from other payables.
- Other long-term employment benefits, such as long-term disability and service awards, are segregated from retirement benefits and are presented in other liabilities.

We have also made the following elective reclassification of items in the statements of financial position to place focus on key accounts under IFRS:

- Aerospace program tooling is presented separately from goodwill and other intangible assets.
- Fractional ownership deferred costs and fractional ownership deferred revenues are no longer presented separately and are included in other assets and other liabilities, respectively.
- Aircraft financing is no longer presented separately and is included in other financial assets, except for assets under operating leases that are presented as non-financial items classified according to their nature.
- Derivative financial instruments are no longer presented separately and are included in other financial assets and other financial liabilities.

We have made the following mandatory reclassification of items in the statement of income:

- Amortization expense is no longer presented separately and is classified based on the underlying functions between cost of sales, R&D and SG&A.

We have made the following elective reclassifications of items in the statement of income:

- Expected return on pension plan assets and interest cost on retirement benefit liabilities are presented in financing expense and financing income and are no longer included in EBIT.
- Other income and expenses related to operations, such as foreign exchange gains and losses, are no longer included in other income (expense) and are instead classified as cost of sales unless the item is unusual and material.
- Under Canadian GAAP, changes in valuation of credit and residual value guarantees, loans and lease receivables, lease subsidies, investments in financing structures and servicing fees are presented in cost of sales or other income (expense). Under IFRS, changes in the value of these items are presented in financing income or financing expense if the changes arise from variation in interest rates. Other changes in valuation of these items are presented in other income (expense) under IFRS.

CONSOLIDATED RESULTS OF OPERATIONS

We delivered a good performance

RESULTS OF OPERATIONS

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
Revenues	**$5,372**	$5,352	**$17,712**	$19,366
Cost of sales	**4,433**	4,489	**14,668**	16,202
Margin	**939**	863	**3,044**	3,164
SG&A	**373**	388	**1,369**	1,453
R&D	**54**	54	**193**	141
Other expense (income)	**46**	4	**22**	(26)
EBITDA	**466**	417	**1,460**	1,596
Amortization	**99**	129	**410**	498
EBIT	**367**	288	**1,050**	1,098
Financing income	**(66)**	(9)	**(137)**	(96)
Financing expense	**67**	69	**256**	279
EBT	**366**	228	**931**	915
Income taxes	**41**	49	**162**	208
Net income	**$ 325**	$ 179	**$ 769**	$ 707
Attributable to:				
Shareholders of Bombardier Inc.	**$ 318**	$ 177	**$ 755**	$ 698
Non-controlling interests	**$ 7**	$ 2	**$ 14**	$ 9
EPS (in dollars)				
Basic and diluted	**$ 0.18**	$ 0.10	**$ 0.42**	$ 0.39

REVENUES AND EBIT MARGIN

	Fourth quarters ended January 31			Fiscal years ended January 31		
	2011	2010	Increase (decrease)	**2011**	2010	Increase (decrease)
Revenues						
BA	**$2,874**	$2,675	7%	**$ 8,614**	$ 9,357	(8%)
BT	**$2,498**	$2,677	(7%)	**$ 9,098**	$10,009	(9%)
Consolidated	**$5,372**	$5,352	0%	**$17,712**	$19,366	(9%)
EBIT margin			Percentage points			Percentage points
BA	**6.3%**	4.0%	2.3	**5.2%**	5.1%	0.1
BT	**7.4%**	6.8%	0.6	**6.6%**	6.2%	0.4
Consolidated	**6.8%**	5.4%	1.4	**5.9%**	5.7%	0.2

A detailed analysis of results is provided in the Analysis of results section in BA and in BT.

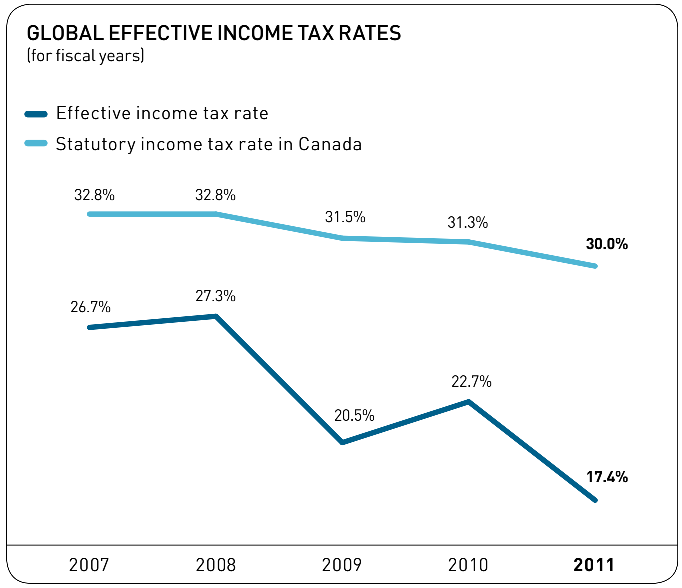
LOWER NET FINANCING EXPENSE

Net financing expense amounted to $1 million and $119 million for the fourth quarter and fiscal year ended January 31, 2011, compared to $60 million and $183 million for the same periods last fiscal year.

The $59-million decrease for the fourth quarter is mainly due to:

- a gain on long-term debt repayments in connection with our liability management initiatives ($32 million); and
- positive variations in the fair value of financial instruments ($13 million).

The $64-million decrease for the fiscal year is mainly due to a gain of $47 million on long-term debt repayments in connection with our two liability management initiatives.



LOWER GLOBAL EFFECTIVE INCOME TAX RATE

The global effective income tax rate was 11.2% and 17.4%, respectively, for the fourth quarter and fiscal year ended January 31, 2011, compared to the statutory income tax rate of 30.0% in Canada. The lower global effective tax rates are mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences, partially offset by unrecognized tax benefits and write-downs of deferred tax assets.

The global effective income tax rate was 21.5% and 22.7%, respectively, for the fourth quarter and fiscal year ended January 31, 2010, compared to the statutory income tax rate of 31.3% in Canada. The lower global effective tax rates were mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences, partially offset by unrecognized tax benefits, permanent differences and write-downs of deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

We are proactively managing our liquidity

OUR TWO LIABILITY MANAGEMENT INITIATIVES ALLOWED US TO DELAY SIGNIFICANT REPAYMENTS UNTIL 2016

As part of our capital structure management priority, we implemented two liability management initiatives in fiscal year 2011 aimed at extending our long-term debt maturity profile and increasing available short-term capital resources.

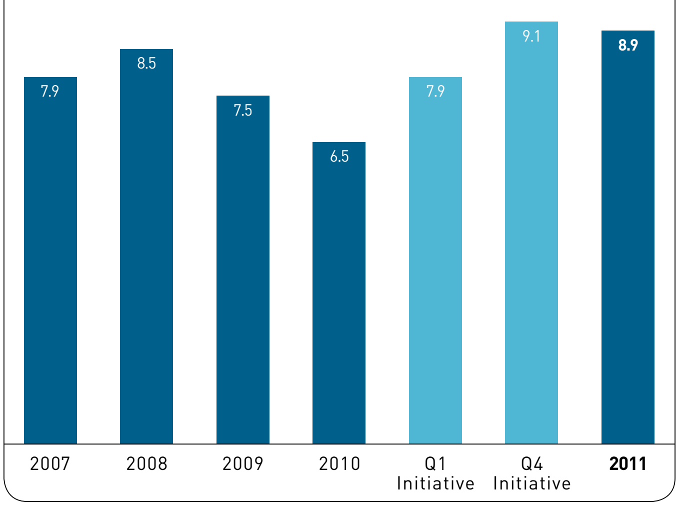
1. Q1 Initiative: During the first quarter of fiscal year 2011, we issued $650 million of 7.5% senior notes due in March 2018 and $850 million of 7.75% senior notes due in March 2020. At the same time, we repurchased debt for an aggregate cash consideration of $1,050 million. As a result, we increased our weighted-average long-term debt maturity by 1.4 year (calculated as at March 29, 2010) and our available short-term capital resources by approximately $500 million. Concurrently, we entered into interest-rate swap agreements to convert the effective interest rate on these senior notes from fixed to variable. The interest rate after the effect of these fair value hedges is 3-month Libor + 4.183 for the $650-million senior notes and 3-month Libor + 4.145 for the $850-million senior notes.
2. Q4 Initiative: During the fourth quarter of fiscal year 2011, we issued €780 million ($1.1 billion) of 6.125% senior notes due in May 2021 at 99.0422% of par, resulting in an effective interest rate of 6.25%, and repurchased debt for an aggregate cash consideration of $1.1 billion. As a result, we further increased our weighted-average long-term debt maturity profile by 1.7 year (calculated as at October 31, 2010). Subsequent to year-end, we entered into interest-rate swap agreements to convert the effective interest rate on these senior notes from fixed to variable. The interest rate after the effect of these fair value hedges is 3-month Euribor + 2.866.

LIABILITY MANAGEMENT INITIATIVES (IN NOMINAL TERMS)[1]

	Maturity	Fiscal year 2011 Issuance	Fiscal year 2011 Repayment
Q1 Initiative			
Senior notes, $650 million, 7.5%	Mar 2018	$ 650	$ –
Senior notes, $850 million, 7.75%	Mar 2020	850	–
Notes, $399 million of the $550 million, 6.75%	May 2012	–	(399)
Notes, $338 million of the $500 million, 6.30%	May 2014	–	(338)
Senior notes, €197 million of the €679 million, floating rate	Nov 2013	–	(270)
		$ 1,500	$ (1,007)
Q4 Initiative			
Senior notes, €780 million, 6.125%	May 2021	$ 1,070	$ –
Senior notes, remaining €482 million of the €679 million, floating rate	Nov 2013	–	(661)
Senior notes, $385 million, 8.0%	Nov 2014	–	(385)
		$ 1,070	$ (1,046)
		$ 2,570	$ (2,053)

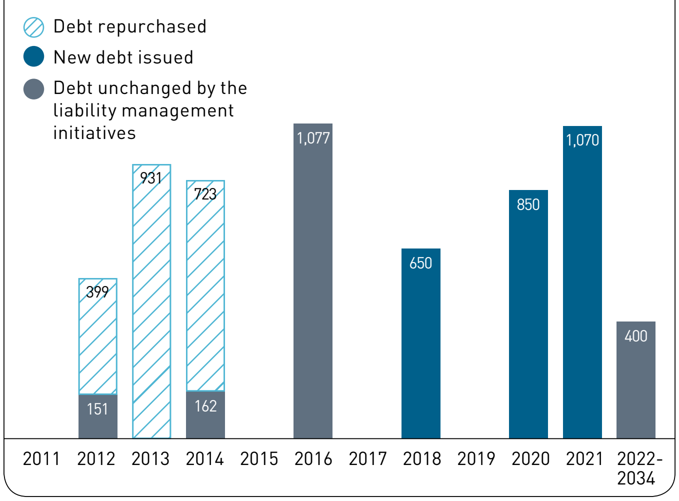
1 Nominal amounts converted using the exchange rate as at January 31, 2011.

WEIGHTED-AVERAGE LONG-TERM DEBT MATURITY
(as at January 31[1]) (in years)



1 Calculated as at March 29, 2010 for the Q1 Initiative and as at October 31, 2010 for the Q4 Initiative.

DEBT MATURITY PROFILE (NOTIONAL AMOUNT)
(for calendar years) (in millions of dollars)



OUR FREE CASH FLOW HAS IMPROVED SIGNIFICANTLY

RECONCILIATION OF FREE CASH FLOW TO CASH FLOW FROM OPERATING ACTIVITIES	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
Segmented free cash flow				
BA	**$ 770**	$ 212	**$ 44**	$ (267)
BT	**799**	372	**744**	293
Segmented free cash flow	**1,569**	584	**788**	26
Income taxes and net financing expense[1]	**(107)**	(72)	**(183)**	(241)
Free cash flow	**1,462**	512	**605**	(215)
Add back: Net additions to PP&E and intangible assets	**316**	272	**1,073**	767
Cash flow from operating activities	**$ 1,778**	$ 784	**$ 1,678**	$ 552

1 Income taxes and net financing expense are not allocated to segments.

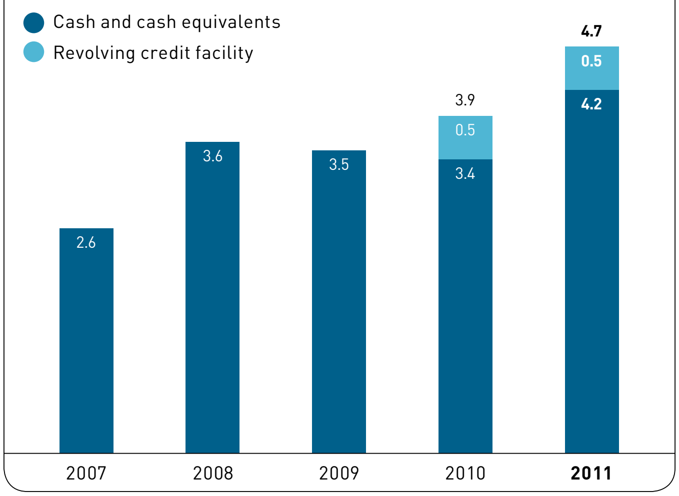
WE HAVE A STRONG CASH POSITION OF $4.2 BILLION AS AT JANUARY 31, 2011

VARIATION IN CASH AND CASH EQUIVALENTS	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
Balance as at beginning of period/fiscal year	**$ 2,725**	$3,020	**$ 3,372**	$ 3,470
Free cash flow	**1,462**	512	**605**	(215)
Proceeds from issuance of long-term debt	**1,100**	–	**2,625**	4
Repayments of long-term debt	**(1,067)**	(4)	**(2,125)**	(11)
Dividends paid	**(50)**	(47)	**(197)**	(178)
Effect of exchange rate changes on cash and cash equivalents	**34**	(173)	**102**	270
Purchase of Class B shares held in trust under the PSU plan	**–**	–	**(50)**	(21)
Invested collateral	**–**	64	**–**	145
Other	**(9)**	–	**(137)**	(92)
Balance as at end of fiscal year	**$ 4,195**	$3,372	**$ 4,195**	$ 3,372

Our available short-term capital resources include cash and cash equivalents and the amount available under our revolving credit facility (undrawn since its inception in September 2009). The revolving credit facility is unsecured and is available for cash drawing for the general working capital needs of the Corporation. Under this facility, we must maintain the same financial covenants as for our BA letter of credit facility (see Credit facilities not available for cash drawing hereafter for more details). This facility provides additional financial flexibility, if needed, and expires in September 2011.

We consider that our available short-term capital resources of $4.7 billion as at January 31, 2011 combined with our expected cash flows from operating activities will enable the development of new products to enhance our competitiveness and support our growth, will allow the payment of dividends, if and when declared by the Board of Directors, and will enable us to meet all other expected financial requirements in the near term.

AVAILABLE SHORT-TERM CAPITAL RESOURCES
(as at January 31) (in billions of dollars)



Other off-balance sheet facilities

In the normal course of its business, BT has set up factoring facilities in Europe under which it can sell, without credit recourse, qualifying trade receivables. The amount committed under such facilities was €270 million ($370 million) as at January 31, 2011. Trade receivables of €248 million ($340 million) were outstanding under such facilities as at January 31, 2011 (€140 million ($194 million) as at January 31, 2010). Trade receivables of €122 million ($158 million) and €442 million ($584 million), respectively, were sold to these facilities during the fourth quarter and fiscal year ended January 31, 2011 (€130 million ($175 million) and €386 million ($542 million) during the fourth quarter and fiscal year ended January 31, 2010).

BA has set up sale and leaseback facilities under which it can sell pre-owned business aircraft for a total committed amount of $275 million. An amount of $219 million was outstanding under such facilities as at January 31, 2011 ($180 million as at January 31, 2010). Aircraft worth $117 million and $303 million respectively were sold to these facilities and lease-back during the fourth quarter and fiscal year ended January 31, 2011 ($97 million and $217 million respectively during the fourth quarter and fiscal year ended January 31, 2010).

EXPECTED TIMING OF FUTURE LIQUIDITY REQUIREMENTS

					January 31, 2011
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**Thereafter**
Long-term debt[1]	$ 4,572	$ 17	$ 200	$ 204	$4,151
Interest payments	2,892	320	619	597	1,356
Operating lease obligations	778	156	307	88	227
Outsourcing commitments	416	51	110	98	157
Purchase obligations[2]	9,139	5,824	2,460	586	269
Account payable and accrued liabilities	4,184	3,755	110	42	277
Derivatives	194	94	(62)	100	62
	$22,175	$10,217	$3,744	$1,715	$6,499

1 Includes principal repayments only.
2 Purchase obligations represent contractual agreements to purchase goods or services in the normal course of business that are legally binding and specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum, variable or indexed price provisions, and the appropriate timing of the transaction. These agreements are generally cancellable with a substantial penalty. Purchase obligations are generally matched with revenues over the normal course of operations.

The previous table presents the expected timing of contractual liquidity requirements. Other payments contingent on future events, such as payments in connection with credit and residual value guarantees related to the sale of aircraft, contingently repayable investments and product warranties, have not been included in the previous table because of the uncertainty on the timing of payments arising from their contingent nature. In addition, our required pension cash contributions have not been reflected in this table, as such cash contributions depend on periodic actuarial valuations for funding purposes (see the Retirement benefits section hereafter for more details). The amounts presented in the table represent the undiscounted payments and do not give effect to the related hedging instruments, if applicable.

CREDIT FACILITIES NOT AVAILABLE FOR CASH DRAWINGS

Letter of credit facilities are only available for the issuance of letters of credit. As these facilities are unfunded commitment from banks, they typically provide a better pricing for the Corporation as compared to credit facilities that are available for cash drawings. Letters of credit are issued in support of our performance obligation and advance payments received from customers.

LETTER OF CREDIT FACILITIES

	Amount committed	Letters of credit issued	Amount available	Maturity (fiscal year)
January 31, 2011				
BT facility	**$ 5,212[1]**	**$ 3,633**	**$ 1,579**	**2014[2]**
BA facility	**600**	**211**	**389**	**2012**
PSG facility	**900**	**352**	**548**	**2012[3]**
	$ 6,712	**$ 4,196**	**$ 2,516**	
January 31, 2010				
BT facility	$ 5,201[1]	$ 3,921	$ 1,280	2014[2]
BA facility	600	484	116	2012
PSG facility	900	377	523	2011[3]
	$ 6,701	$ 4,782	$ 1,919	

1 €3,800 million as at January 31, 2011 (€3,750 million as at January 31, 2010).
2 In December 2011, if the facility is not renewed, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature up to December 2013.
3 The performance security guarantee facility ("PSG facility"), available for the Corporation, is renewed and extended annually if mutually agreed. In June 2010, the facility was extended until June 2011, and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $708 million were outstanding under various bilateral agreements as at January 31, 2011 ($453 million as at January 31, 2010).

We also use numerous bilateral facilities with insurance companies to support BT's operations. An amount of $2.0 billion was outstanding under such facilities as at January 31, 2011 ($1.5 billion as at January 31, 2010).

Under the BA and BT letter of credit facilities and our revolving credit facility available for cash drawings, we must maintain various financial covenants, including a requirement to maintain a minimum BT liquidity of €600 million ($823 million) at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. In addition, we must maintain €404 million ($554 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at January 31, 2011 and January 31, 2010.

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation, taking into consideration the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations in the definition of adjusted debt. The following global metrics do not represent the calculations required for bank covenants. For compliance purposes, we regularly monitor bank covenants to ensure that they are all consistently met. However, our focus to manage our capital structure is more on the global metrics, as they represent the key metrics used to analyze our capital structure.

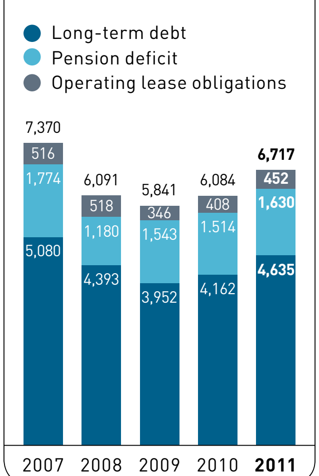
GLOBAL METRICS[1]

	January 31 2011	January 31 2010	Explanation of major variances
Interest coverage			Improved due to the $47-million gain realized in connection with our two liability management initiatives and lower interest rates, partially offset by lower profitability.
Adjusted EBIT	**$ 1,146**	$1,249	
Adjusted net interest	**$ 215**	$ 334	
Adjusted EBIT to adjusted net interest ratio	**5.3**	3.7	
Financial leverage			Deteriorated due to an increase in adjusted debt and to lower profitability.
Adjusted debt	**$ 6,717**	$6,084	
Adjusted EBITDA	**$ 1,606**	$1,792	
Adjusted debt to adjusted EBITDA ratio	**4.2**	3.4	
Capitalization			Slightly improved as the increase in equity from net income ($769 million) was not entirely offset by the increase in adjusted debt.
Adjusted debt	**$ 6,717**	$6,084	
Adjusted total capitalization	**$11,250**	$9,928	
Adjusted debt to adjusted total capitalization ratio	**60%**	61%	

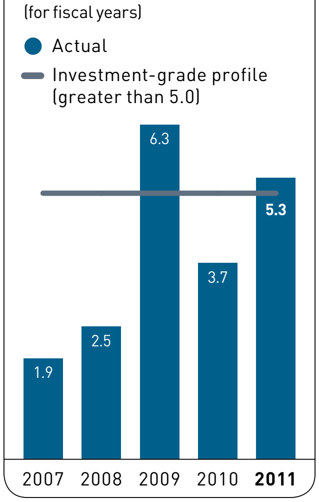
1 Refer to the Non-GAAP financial measures section hereafter for definitions and reconciliations to the most comparable Canadian GAAP measures.

Adjusted debt increased mainly as a result of our Q1 Initiative (see Liquidity and capital resources section before for details) and higher pension deficit (see Retirement benefit section hereafter for details). Adjusted EBIT and adjusted EBITDA decreased mainly as a result of lower profitability in BA (see Analysis of result section in BA for details).

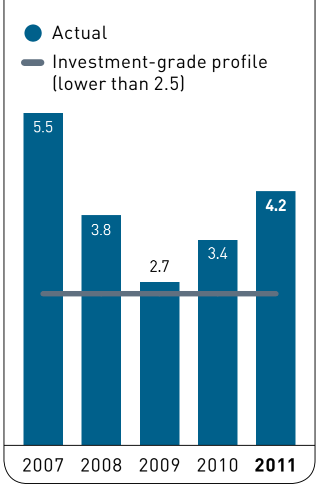
ADJUSTED DEBT
(as at January 31)



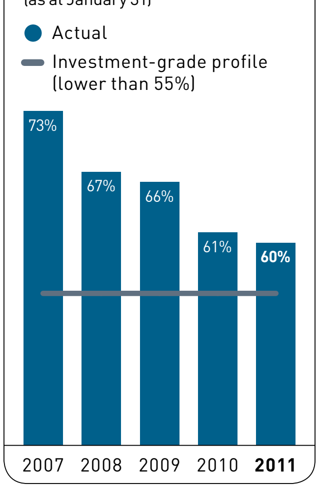
ADJUSTED EBIT TO ADJUSTED NET INTEREST RATIO
(for fiscal years)



ADJUSTED DEBT TO ADJUSTED EBITDA RATIO
(as at January 31)



ADJUSTED DEBT TO ADJUSTED TOTAL CAPITALIZATION RATIO
(as at January 31)



RETIREMENT BENEFITS

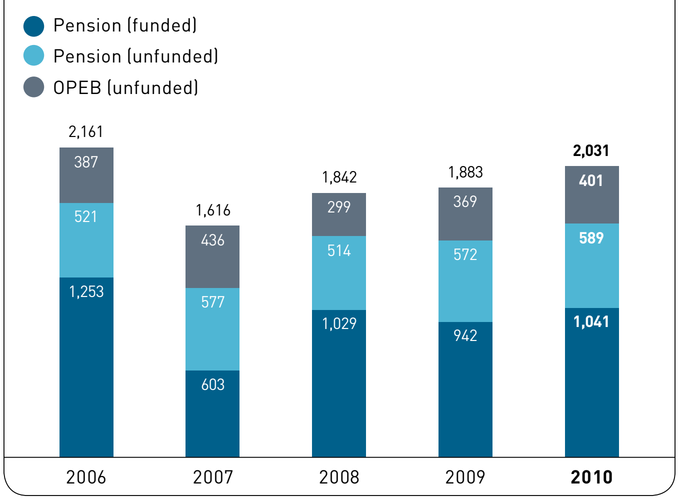
Our deficit is largely dependent on global market conditions

OVERVIEW OF OUR RETIREMENT BENEFIT PLANS

We sponsor several domestic and foreign retirement benefit plans consisting of funded and unfunded pension plans, as well as unfunded other post-employment benefit ("OPEB") plans. Funded plans are plans for which segregated plan assets are invested in trusts. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice because of adverse tax consequences. There will therefore always be a deficit for unfunded plans.

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

RETIREMENT BENEFIT DEFICIT
(as at December 31) (in millions of dollars)



RETIREMENT BENEFIT DEFICIT

The $148-million increase in the total retirement benefit deficit is explained as follows:

VARIATION IN DEFICIT

	Pension	OPEB	Total
Balance as at December 31, 2009	$ 1,514	$ 369	$ 1,883
Changes in discount rate assumptions	618	35	653
Actual return on plan assets	(621)	–	(621)
Interest cost	399	22	421
Employer contributions	(387)	(22)	(409)
Current service cost	191	23	214
Other net actuarial gains	(139)	(47)	(186)
Effect of changes in foreign exchange rates	42	23	65
Plan amendments and other	13	(2)	11
Balance as at December 31, 2010	**$1,630**	**$401**	**$2,031**

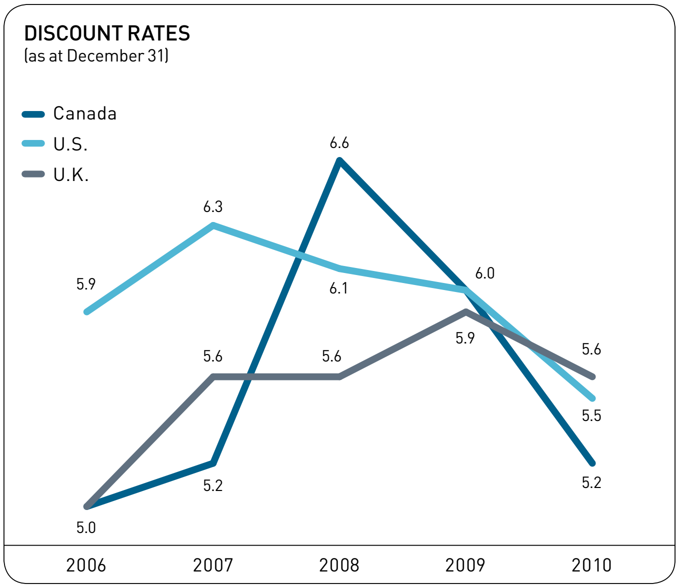
BENEFIT OBLIGATIONS

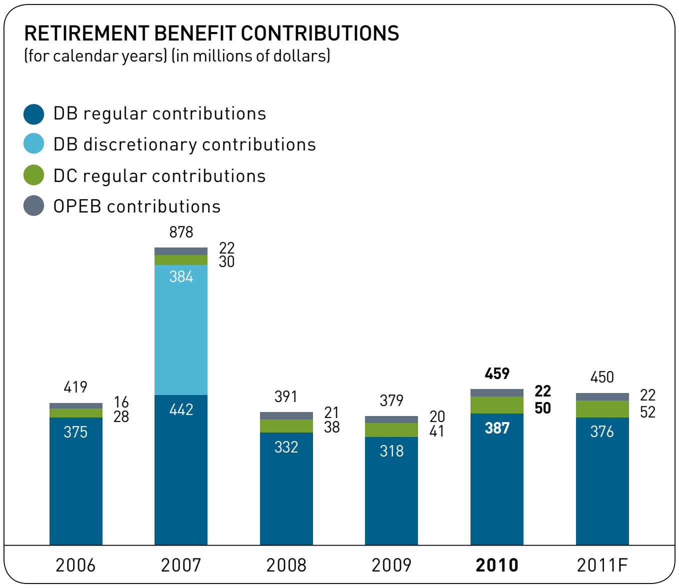
Retirement benefit obligations are dependent on assumptions, such as the discount rate and the rate of compensation increase. The discount rate, which is used to determine the present value of estimated future benefit payments at the measurement date, is the most important element of the calculation. We have little discretion in selecting the discount rate, as it must represent the market rate for high-quality corporate fixed-income investments available for the period to maturity of the benefits. As a result, discount rates change based on market conditions. A lower discount rate increases the benefit obligation. Our retirement benefit obligations as at December 31, 2010 increased year-over-year by $653 million due to negative variations in discount rates.

PLAN ASSETS AND CONTRIBUTIONS

Plan assets are highly dependent on the pension fund's asset performance and on the level of contributions. The performance of stock markets is a key driver in determining the fund's asset performance, since our weighted-average targeted allocation for plan assets invested in publicly traded equity securities is 50%. Most of the remaining plan assets are invested in publicly traded long-term fixed-income securities. The equity target allocation is being reduced for some plans, in an effort to reduce the risks involved and the volatility of our return on assets. During calendar year 2010, we achieved a good return on plan assets and we made pension contributions totalling $437 million ($459 million for total retirement benefit contributions). Pension contributions were slightly higher compared to the $381 million forecasted last year, mainly due to the timing of contributions. Pension contributions are estimated at $428 million for calendar year 2011.

While we work closely with the trustees of our various pension plans to implement risk management measures, including aligning plan assets with the terms of the plan obligations, our future cash contributions to the funded pension plans will nonetheless be dependent on changes in discount rates, actual returns on plan assets and other factors such as plan amendments.





F: Forecast.

RETIREMENT BENEFIT COST

The benefit cost under IFRS is estimated at $259 million for the fiscal year ending December 31, 2011, compared to an actual benefit cost under Canadian GAAP of $397 million for the 12-month period ended January 31, 2011. The $259-million benefit cost includes 12 months of costs for BT but 11 months for BA and Head Office[1]. The expected decrease mainly results from the election under IFRS to recognize all actuarial gains and losses in OCI as incurred, and the fact that only 11 months of expenses are included for the BA and Head Office plans. We also decided to classify the expected return on pension plan assets and interest cost on retirement benefit obligations in financing expense and financing income, rather than in EBIT, which is not expected to have a significant impact for the fiscal year ending December 31, 2011. Refer to the IFRS conversion section for details.

RETIREMENT BENEFIT COST

	Canadian GAAP	IFRS
	Fiscal year ended January 31, 2011 Actual	Fiscal year ending December 31, 2011 Estimate[1]
DB pension plans	$310	$ 185
DC pension plans	50	50
DB OPEB plans	37	24
	$397	$ 259
Broken down as follows:		
EBIT expense	$397	$ 256
Financing expense	$ –	$ 394
Financing income	$ –	$(391)

1 Subject to the approval of our proposed change of financial year-end from January 31 to December 31 by our Board of Directors in December 2011.

SENSITIVITY ANALYSIS

	Impact of a 0.25% increase on:	
Increase (decrease)	Retirement benefit cost under IFRS for the fiscal year ending December 31, 2011	Retirement benefit deficit under Canadian GAAP as at December 31, 2010
Discount rate	$ (12)	$(336)
Expected return on plan assets	$ (14)	n/a
Rate of compensation increase	$ 8	$ 73

n/a: Not applicable.

FINANCIAL POSITION

	January 31 2011	January 31 2010	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance excluding foreign exchange	Explanation of major variances other than foreign exchange impact	
Cash and cash equivalents	**$ 4,195**	$ 3,372	$102	$ 721	See the Variation in cash and cash equivalents table for details	
Invested collateral	**676**	682	(6)	–	No variance	
Receivables	**2,022**	1,897	48	77	$ 164	Higher level in BT
					(87)	Lower level in BA
Aircraft financing	**668**	473	2	193	Mainly resulting from increased commercial aircraft financing	
Gross inventories	**9,203**	9,423	175	(395)	$(383)	Lower level of BA aerospace program inventories, mainly due to the first deliveries of the *CRJ1000 NextGen* aircraft
Advances and progress billings related to long-term contracts	**(6,469)**	(6,054)	216	199	Mainly due to higher advances and milestone payments received on new orders and existing contracts in BT	
Advances on aerospace programs	**(1,937)**	(2,092)	–	(155)	Mainly resulting from higher deliveries than orders received on business and commercial aircraft	
PP&E	**1,767**	1,643	22	102	$ 283	Additions
					(165)	Amortization
Intangible assets	**2,304**	1,696	(3)	611	$ 828	Mainly investment in aerospace programs
					(231)	Amortization
Fractional ownership						
- deferred costs	**176**	271	–	(95)	Lower level of deliveries of new aircraft in fractional ownership programs	
- deferred revenues	**(218)**	(346)	–	(128)		
Deferred income tax, net	**1,119**	1,101	13	5	No significant variance	
Accrued benefit, net	**77**	(14)	2	89	Additional contributions	
Derivatives, net	**(120)**	53	7	(180)	Strengthening of the Canadian dollar compared to the U.S. dollar and of the Swiss franc and U.S. dollar compared to the euro	
Goodwill	**2,358**	2,247	111	–	No variance	
Other assets	**1,193**	1,006	12	175	$ 106	Increase in prepaid expenses, mainly at BA
Accounts payable and accrued liabilities	**(8,027)**	(7,427)	142	458	$ 359	Higher level in BA
					87	Higher level in BT
Long-term debt	**(4,635)**	(4,162)	(38)	511	Mainly resulting from the Q1 Initiative	
Equity	**(4,352)**	(3,769)	n/a	583	$ 769	Net income
					(197)	Dividends declared
					129	CTA
					(106)	Negative impact of cash flow hedges measured at fair value

n/a: Not applicable.

NON-GAAP FINANCIAL MEASURES

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

NON-GAAP FINANCIAL MEASURES	
EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization.
Free cash flow	Cash flows from operating activities less net additions to PP&E and intangible assets.
Adjusted debt	Long-term debt plus the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations.
Adjusted EBIT	EBIT plus adjustment for operating leases and pension deficit.
Adjusted EBITDA	EBITDA plus amortization adjustment for operating leases and adjustment for operating leases and pension deficit.
Adjusted net interest	Financing income and financing expense plus adjustment for operating leases and pension deficit.
Adjusted total capitalization	Adjusted debt plus shareholders' equity less amount in AOCI relating to cash flow hedges.

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

A reconciliation to the most comparable GAAP financial measures is provided in the table hereafter except for the following reconciliations:

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

RECONCILIATION OF ADJUSTED DEBT TO LONG-TERM DEBT	**January 31 2011**	January 31 2010
Long-term debt	**$4,635**	$4,162
Pension deficit	**1,630**	1,514
Operating lease obligations[1]	**452**	408
Adjusted debt	**$6,717**	$6,084

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

RECONCILIATION OF ADJUSTED EBITDA AND ADJUSTED EBIT TO EBIT

	Fiscal year 2011	Fiscal year 2010
EBIT	**$ 1,050**	$1,098
Adjustment for pension deficit and operating leases[1]	**96**	151
Adjusted EBIT	**1,146**	1,249
Amortization adjustment for operating leases[2]	**50**	45
Amortization	**410**	498
Adjusted EBITDA	**$ 1,606**	$1,792

1 Represents the interest cost of a debt equivalent to the amount included in adjusted debt for these two items, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related 12 months, given our credit rating for the corresponding periods.
2 Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

RECONCILIATION OF ADJUSTED NET INTEREST TO FINANCING INCOME AND FINANCING EXPENSE

	Fiscal year 2011	Fiscal year 2010
Financing income and financing expense	**$ 119**	$ 183
Adjustment for pension deficit and operating leases[1]	**96**	151
Adjusted net interest	**$ 215**	$ 334

1 Represents the interest cost on a debt equivalent to the amount included in adjusted debt for these two items, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related 12 months, given our credit rating for the corresponding periods.

RECONCILIATION OF ADJUSTED TOTAL CAPITALIZATION TO SHAREHOLDERS' EQUITY

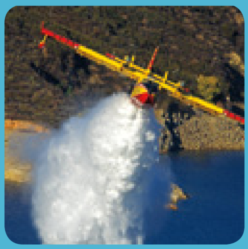
	January 31 2011	January 31 2010
Equity	**$ 4,352**	$3,769
Exclude: amount in AOCI related to cash flow hedges	**181**	75
Adjusted debt	**6,717**	6,084
Adjusted total capitalization	**$11,250**	$9,928

AEROSPACE

Global family of aircraft

CSeries commercial aircraft

Q400 NextGen turboprop



Bombardier 415 amphibious aircraft

The data presented in this section of the MD&A is structured by market segment (business aircraft, commercial aircraft, specialized and amphibious aircraft, customer services and Flexjet), which is reflective of our organizational structure.

HIGHLIGHTS OF THE YEAR

REVENUES	EBIT MARGIN	FREE CASH FLOW	NET CAPITAL EXPENDITURES	ORDER BACKLOG
$8.6 billion	**5.2%**	**$44** million	**$956** million	**$16.6** billion

RESULTS

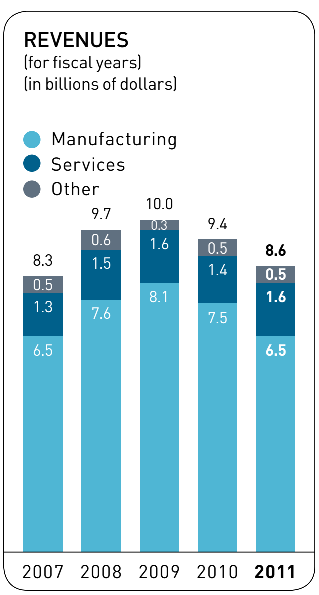
- Revenues of $8.6 billion, compared to $9.4 billion last fiscal year.
- EBIT of $448 million, or 5.2% of revenues, compared to $473 million, or 5.1%, in fiscal year 2010.
- Free cash flow of $44 million, compared to free cash flow usage of $267 million in fiscal year 2010.
- PP&E and product development net capital expenditures of $956 million.
- 244 aircraft deliveries, compared to 302 in fiscal year 2010.
- 201 net orders, compared to 11 in fiscal year 2010.
- Order backlog of $16.6 billion as at January 31, 2011, compared to $16.7 billion as at January 31, 2010.

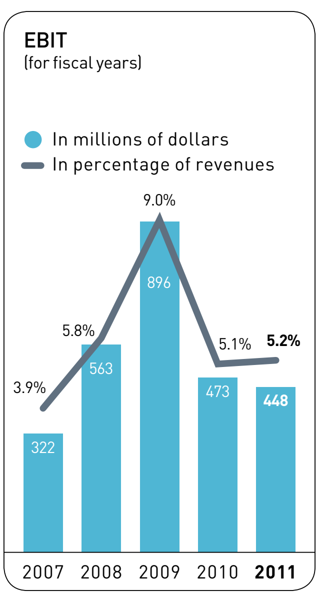
MARKET

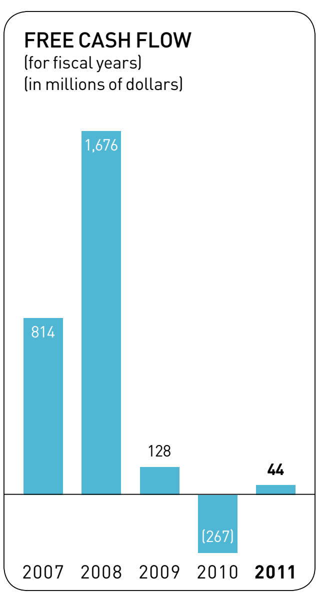
- In the business aircraft market categories in which we compete, we remained the business aircraft market leader in terms of revenues for the seventh consecutive year and in terms of deliveries for the second consecutive year, in an increasingly competitive environment.
  - In March 2011, NetJets Inc. placed a firm order for 50 aircraft of the *Global* family, with options for an additional 70 *Global* aircraft. Based on the list price, the value of the firm order is $2.8 billion, and could increase to $6.7 billion if all options are exercised.
- In the commercial aircraft market, we remained the market leader in terms of deliveries for turboprops but our absence of a product offering in the 90- to 100-seat category for most of the year affected our market share in the regional jet category.
- We significantly expanded our customer service offering and presence in order to capture a larger share of this market and to further improve customer satisfaction.

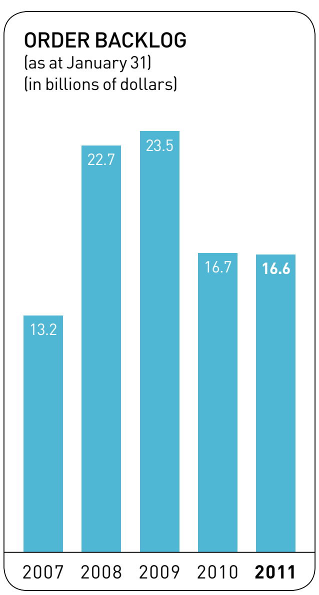
STRATEGY

- We made progress on customer satisfaction and further expanded our worldwide service network to be closer to our customers.
- The level of our employee engagement increased this year as we are intensifying our effort to become the employer of choice.
- We remained fully committed to our product development strategy by launching the *Global 7000* and *Global 8000* aircraft program in September 2010 and by moving forward on our *Learjet 85* aircraft and *CSeries* family of aircraft programs.
- We strengthened our local roots by closing strategic agreements with partners in emerging markets.
- We achieved significant performance improvements at our sites through our Achieving Excellence System (AES), and continued our deployment of a new lean approach with our suppliers for future programs.









Delivering on our promises

	WHAT WE SAID	WHAT WE DID	WHAT'S NEXT[1]
Profitability	EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010. Profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment.	EBIT margin of 5.2%, compared to 5.1% in fiscal year 2010, with higher profitability in the second half of the year.	Target EBIT margin of 10% by calendar year 2013. EBIT margin under IFRS for the 11-month period ending December 31, 2011 is expected to be approximately 5%. Profitability should be higher in the second half of the year.
Liquidity	Free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flows from operating activities will be used to finance our net PP&E and product development capital expenditures, which are expected to approximately double compared to the $611 million spent in fiscal year 2010.	Free cash flow of $44 million, as cash flows from operating activities were mostly used to finance our net PP&E and product development capital expenditures of $956 million.	Free cash flow for the 11-month period ending December 31, 2011 is expected to be essentially neutral, as cash flows from operating activities will continue to be used to finance our net PP&E and product development capital expenditures expected to be at approximately $1.5 billion.
Growth and competitive positioning	Business and commercial aircraft deliveries are expected to be respectively approximately 15% and 20% lower than in fiscal year 2010, which will negatively impact revenues.	Business and commercial aircraft deliveries were respectively 19% and 20% lower than in fiscal year 2010.	We expect to deliver approximately 150 business aircraft and 90 commercial aircraft in the 11-month period ending December 31, 2011.

1 As computed under IFRS–See the IFRS section in Overview and the Forward-looking statements section below. Subject to the approval of our proposed change of financial year-end from January 31 to December 31 by our Board of Directors in December 2011, thus resulting in an 11-month financial year.

FORWARD-LOOKING STATEMENTS

Forward-looking statements[1] in this section of the MD&A are based on:

- current firm order backlog and estimated future order intake determined by[2]:
  - significant increase in orders for business and commercial aircraft compared to fiscal year 2011, and
  - growth in after-market services in line with the in-service fleet;
- a significant increase in deliveries compared to current levels, as factored in our target EBIT margin of 10% by calendar year 2013;
- continued deployment and execution of strategic initiatives related to quality improvement and cost reductions;
- ability to meet scheduled EIS dates for new aircraft programs;
- ability to recruit and retain highly skilled resources to deploy our product development strategy;
- ability of supply base to support planned production rates;
- approval from our Board of Directors in December 2011 of our proposed change of financial year-end from January 31 to December 31; and
- adoption of IFRS as of February 1, 2011 (refer to the IFRS conversion section in Overview for more details).

1 Also see the Forward-looking statements section in Overview.
2 Demand forecast is based on the analysis of main market drivers, as detailed in the Market section.

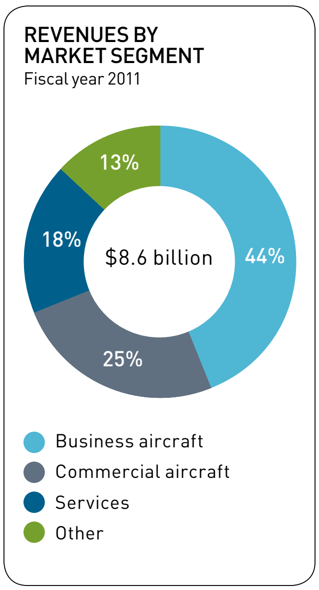
PROFILE

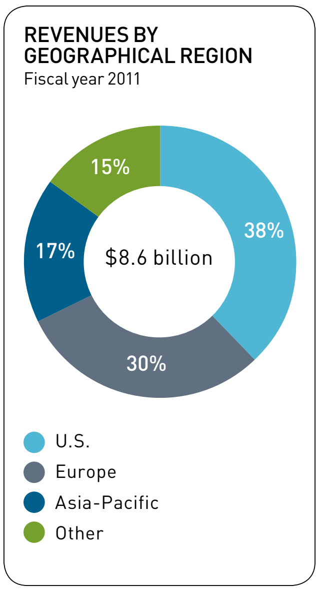
Bombardier Aerospace: A world leader

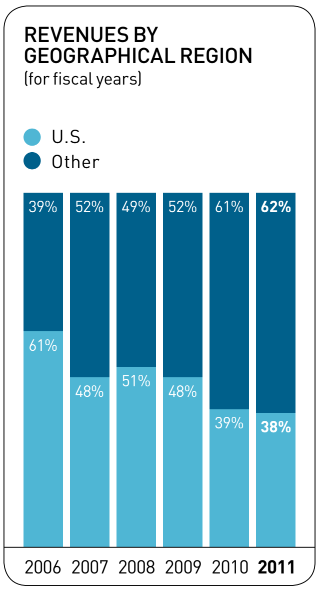
We are a world leader in the design, manufacture and support of innovative aviation products for the business, commercial, specialized and amphibious aircraft markets. We have the most comprehensive aircraft portfolio and we hold the number one position in business and regional aircraft. We also offer aircraft maintenance services, component services, customer services and support, pilot training services, as well as *Flexjet* fractional ownership programs.

Our revenues reached $8.6 billion for fiscal year 2011, with business aircraft accounting for 44% of total revenues. We are becoming less concentrated on the U.S. market, accounting for 38% of our total revenues for fiscal year 2011, compared to 51% for fiscal year 2008. We have customers located in over 100 countries, which consist mainly of corporations and high-net-worth individuals for business aircraft, and airlines and leasing companies for commercial aircraft. Flexjet also serves the private jet travel needs of corporations and high-net-worth individuals in the U.S. without the requirement for them to purchase and manage an entire aircraft.

We have production facilities in Canada (Montréal, Toronto and North Bay), the U.S. (Wichita), Northern Ireland (Belfast) and Mexico (Querétaro). Through our 10 production and engineering sites and our international service and support network, we have a presence in 25 countries. We had a workforce of 30,300 employees as at January 31, 2011, of which 50% were covered by collective agreements. We have an installed base of 6,199 aircraft as at December 31, 2009. Within our supply chain, we built relationships with suppliers present in over 45 countries.







We have a strong product and service offering

BUSINESS AIRCRAFT

Our three families of business jets, when combined, represent the most comprehensive offering of all business aircraft manufacturers and enable us to address the needs of most business aircraft users, owners and operators.

LEARJET FAMILY OF AIRCRAFT

MODELS: *Learjet 40 XR*, *Learjet 45 XR*, *Learjet 60 XR* 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 sports exceptionally fast cruise speeds, the highest climb rates and operating ceilings, along with competitive operating costs. The *Learjet 85* aircraft will be the largest, most comfortable *Learjet* ever built and will feature a structure primarily made from light-weight composite materials, a first in business aviation.

CHALLENGER FAMILY OF AIRCRAFT

MODELS: *Challenger 300, Challenger 605* and *Challenger 800* Series

MARKET CATEGORY: Medium business jets

COMPETITIVE ADVANTAGES[3]: The *Challenger* aircraft are productivity enhancing business tools, with the widest, most spacious cabins within their category. Each aircraft can be customized with leading-edge cabin communication equipment, creating a highly efficient business environment in the sky.

GLOBAL FAMILY OF AIRCRAFT

MODELS: *Global 5000, Global Express XRS*, *Global 7000*[1] and *Global 8000*[1]

MARKET CATEGORY: Large business jets

COMPETITIVE ADVANTAGES[2]: The *Global* family of aircraft offers the fastest cruise speeds and greatest interior volumes in its category and provides the perfect balance of performance and comfort for long-range missions. These superior long and ultra long-range business aircraft incorporate advanced technologies and superior design. The *Global 7000* and *Global 8000* aircraft are being developed as an extension to the *Global* family of aircraft and will give Bombardier the broadest 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. See *Learjet 85, Global 7000* and *Global 8000* aircraft program disclaimer at the end of this annual report.
3 Under certain operating conditions, when compared to aircraft currently in service.

SPECIALIZED AND AMPHIBIOUS AIRCRAFT

SPECIALIZED AIRCRAFT

MODELS: Various Bombardier business and commercial aircraft

COMPETITIVE ADVANTAGES: Specialized aircraft solutions offer a comprehensive and unique range of aircraft platforms and solutions to meet a wide variety of customer needs, ranging from surveillance and monitoring to communication platforms.

AMPHIBIOUS TURBOPROPS

MODELS: *Bombardier 415* and *Bombardier 415* MP

COMPETITIVE ADVANTAGES[1]: The *Bombardier 415* amphibious aircraft is the only aircraft specifically designed for aerial firefighting, offering unique operational capabilities and exceptional performance. The *Bombardier 415* MP aircraft 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.

1 Under certain operating conditions, when compared to aircraft currently in service.

COMMERCIAL AIRCRAFT

We have the broadest portfolio of commercial products within the 40- to 149-seat categories. Each product or product family of jets and turboprops is optimized for the market segments they serve. With increased customer emphasis on operating efficiencies, environmental footprint and passenger appeal, our products are strongly positioned to satisfy these most important customer requirements.

Q-SERIES TURBOPROPS

MODEL: *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 large turboprop. It is the only in-production turboprop that offers jet-like speed and an extended range, along with competitive operating costs and product commonality across the *Q-Series* family of turboprops.

CRJ REGIONAL JETS FAMILY OF AIRCRAFT

MODELS: *CRJ200*[2], *CRJ700 NextGen, CRJ900 NextGen* and *CRJ1000 NextGen*

MARKET CATEGORY: 40- to 100-seat regional jets

COMPETITIVE ADVANTAGES[1]: Designed for hub expansion and point-to-point services, the *CRJ* family of aircraft is optimized for medium- to long-distance routes where traffic volumes are low. The family features best-in-class operating costs, fuel burn and greenhouse gas emissions, as well as product commonality across the family.

CSERIES MAINLINE SINGLE-AISLE JETS FAMILY OF AIRCRAFT

MODELS: *CS100*[3] and *CS300*[3]

MARKET CATEGORY: 100- to 149-seat commercial jets

COMPETITIVE ADVANTAGES[4]: The *CSeries* family of aircraft is specifically intended to revolutionize the 100- to 149-seat category. Compared to any other aircraft currently in service in this category, it will offer superior field performance, a 15% cash operating cost advantage, a 20% fuel burn advantage, 20% lower CO_2 emissions, 50% lower NO_X emissions, a noise footprint four times smaller, along with a transcontinental range.

1 Under certain operating conditions, when compared to aircraft currently in service for short-haul flights of 500 nautical miles.
2 Not currently in production.
3 Currently under development.
4 Under certain operating conditions , when compared to aircraft currently in production for short-haul flights of 500 nautical miles. See *CSeries* family of aircraft program disclaimer at the end of this annual report.

CUSTOMER SERVICES

SERVICES PORTFOLIO: Component, maintenance and training services

COMPETITIVE ADVANTAGES: Customer services offers worldwide service and support through a network of field service personnel, wholly-owned and authorized service centres, 24/7 customer response centres, a mobile parts delivery service, spare parts depots and training centres.

FLEXJET

SERVICES PORTFOLIO: Fractional ownership, jet card programs, charter brokerage services and whole aircraft ownership and management.

COMPETITIVE ADVANTAGES: Flexjet has the youngest fleet amongst the major competitors in the U.S. fractional ownership industry, with the second most fractional owners, and is the recipient of 12 consecutive Federal Aviation Administration Diamond Awards for outstanding maintenance training.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and associated metrics.

KEY PERFORMANCE MEASURES AND METRICS	
Profitability	• EBIT and EBIT margin, as measures of performance.
Liquidity	• Free cash flow and average net utilized assets, as measures of liquidity generation.
Growth and competitive positioning	• Revenues and delivery units, as measures of growth. • Order backlog, as a measure of future revenues. • Book-to-bill ratio, as an indicator of future revenues. The ratio represents the net orders received over aircraft deliveries, measured in units in a given period. • Market shares (in terms of revenues and deliveries), as measures of competitive positioning.
Customer satisfaction	• On-time aircraft deliveries, as a measure of meeting our commitment to customers. • Fleet dispatch reliability, as a measure of our products' reliability.
Execution	• Achievement of product development milestones, as a measure of meeting our commitment to our customers.

Our employee incentive plan for non-unionized employees across all BA sites rewards the collective efforts of our employees in achieving our objectives using key performance indicator targets. A total of 14,000 employees worldwide now participate in the program. As part of this plan, incentive compensation is linked to the achievement of targeted results, based on EBIT, average net utilized assets, on-time aircraft deliveries, fleet dispatch reliability and, effective February 1, 2011, on executing according to plan for our new product development programs.

FIVE-YEAR SUMMARY

	2011	2010	2009	2008	2007
For fiscal years					
Aircraft deliveries (in units)					
Business aircraft	**143**	176	235	232	212
Commercial aircraft	**97**	121	110	128	112
Amphibious aircraft	**4**	5	4	1	2
	244	302	349	361	326
Revenues	**$ 8,614**	$ 9,357	$ 9,965	$ 9,713	$ 8,296
EBIT	**$ 448**	$ 473	$ 896	$ 563[1]	$ 323[2]
EBIT margin	**5.2%**	5.1%	9.0%	5.8%[1]	3.9%[2]
Free cash flow	**$ 44**	$ (267)	$ 128	$ 1,676	$ 814
Net orders (in units)	**201**	11	367	698	363
Book-to-bill ratio	**0.8**	–	1.1	1.9	1.1
As at January 31					
Order backlog (in billions)	**$ 16.6**	$ 16.7	$ 23.5	$ 22.7	$ 13.2
Total number of employees[3]	**30,300**	28,900	32,500	28,100	27,100

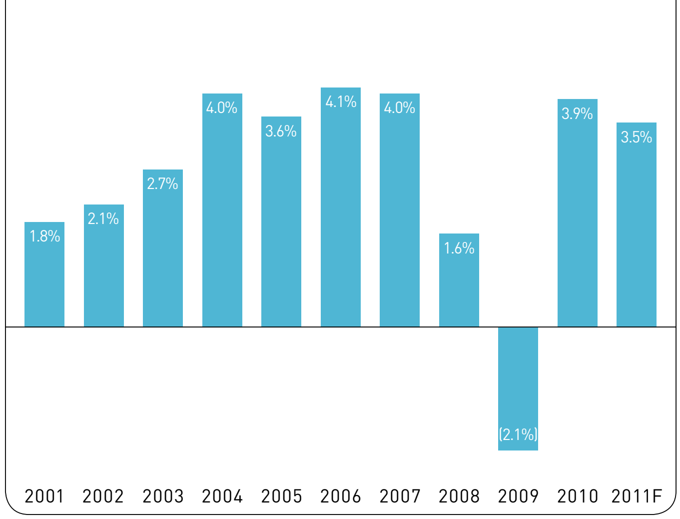
1 EBIT of $834 million, or 8.6%, before excess over average production cost ("EOAPC") charge.
2 EBIT of $599 million, or 7.2%, before EOAPC charge.
3 Including contractual and inactive employees.

MARKET

Better economic conditions in calendar year 2010

The health of the aerospace industry is a function of general economic conditions, with a lag typically between economic recovery and the time it takes to reflect on the industry deliveries and revenues. Real GDP growth is the widely accepted measure of economic activity. According to a report released in February 2011 by IHS Global Insight, a leading economic forecasting company, worldwide real GDP increased year-over-year by 3.9% in calendar year 2010, after a 2.1% contraction in calendar year 2009. This growth largely exceeded the original forecast of 3.2% released in February 2010. IHS Global Insight also predicts that the economies in the U.S. and Europe, the largest business and commercial aircraft markets and our main sales regions, are expected to grow at 2.9% and 1.7% respectively in calendar year 2011. Regions with high growth potential for business and commercial aviation like China, India and Russia and the CIS are expected to grow in calendar year 2011 by 9.5%, 8.3% and 4.6% respectively.

WORLD REAL GDP GROWTH
(for calendar years) (percent change)



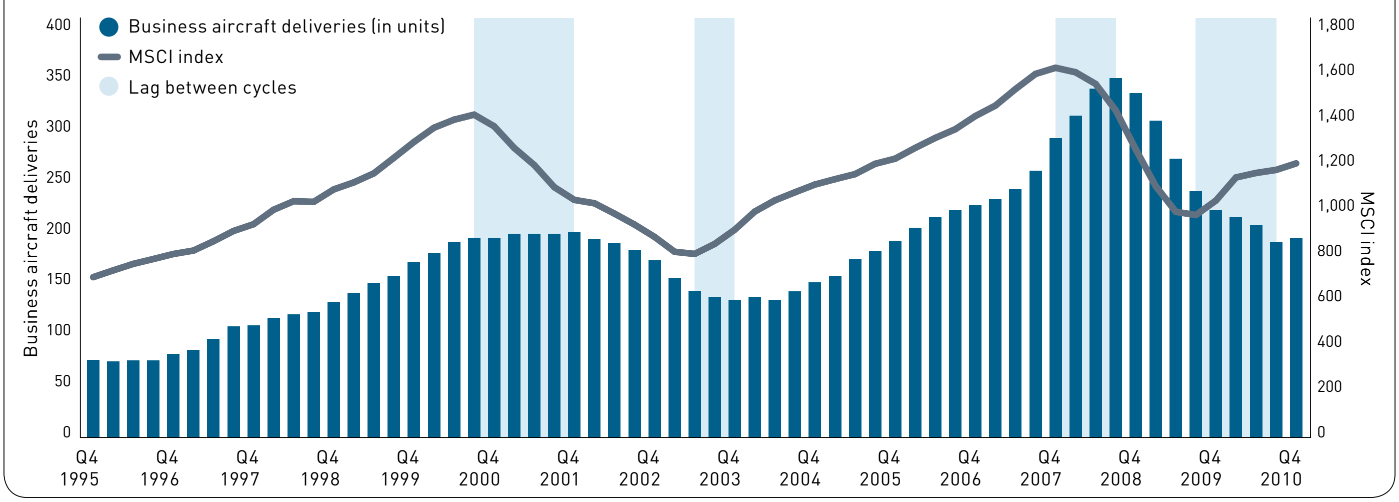
Source: IHS Global Insight, February 2011.
F: Forecast.

Business aircraft

THE CYCLICAL BUSINESS AIRCRAFT INDUSTRY IS TRENDING UPWARDS

The purchase of a valuable productivity tool like a business aircraft is a significant investment for a corporation, an individual or a government. When economic or business conditions are unfavourable, potential buyers tend to delay their aircraft purchases. The business aircraft market has therefore been historically categorized by many up- and down-cycles, lagging behind economic expansions and contractions. This lag is illustrated by the business aircraft deliveries lagging the Morgan Stanley Capital International ("MSCI") index, which is a market capitalization weighted index that is designed to measure equity market performance, as provided by MSCI Inc.

BUSINESS AIRCRAFT DELIVERIES LAGGING THE MSCI INDEX
(for calendar quarters)



Source: Moving averages of General Aviation Manufacturers Association (GAMA) industry deliveries and MSCI Inc. World Standard Core.

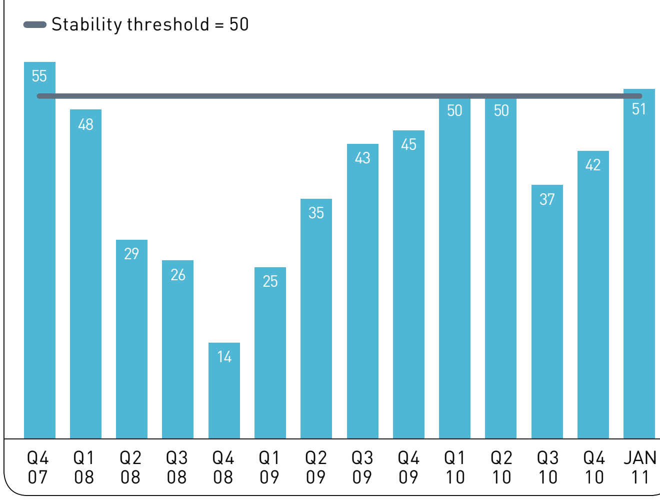
The last industry up-cycle started in calendar year 2004, following two years of contraction in aircraft deliveries. Between calendar year 2004 and the third quarter of calendar year 2008, business jet market conditions were underpinned by a period of strong global economic growth, and the emergence of new buyers in previously untapped markets such as Eastern Europe, Russia, the CIS, Asia and the Middle East. Concurrently, demand was stimulated by a continuous inflow of newly developed business aircraft models. Consequently, the industry experienced a record number of net orders and deliveries in this period.

The most recent downturn for the business aviation industry is similar to the down-cycles of the late 1960's, early 1980's and early 2000's, for which peak-to-trough deliveries fell 63%, 61%, and 40% respectively. The precipitous and rapid decline of the business jet industry conditions in calendar year 2009 resulted in cancellations exceeding gross orders, causing a significant reduction in firm order backlogs and aircraft deliveries. This is a clear reminder of the industry's cyclical nature. After each of those difficult periods, the resilient business aviation industry recovered within a few years, and we expect the industry to rebound again.

While there is evidence that a recovery in the business aircraft industry is currently underway, not all indicators are recovering at the same pace. We use four types of indicators to monitor the health of the business aviation market: wealth creation (measured by GDP growth, as discussed above), industry confidence, pre-owned business jet inventory and aircraft utilization rates. These four indicators were all significantly impacted by the crisis, leading to cancellations surpassing gross orders in calendar year 2009.

These indicators are now mostly trending upwards, but are generally not back to pre-recession levels and the positive trends are still fairly recent. A stronger economy, as evidenced by the world real GDP growth, helped widen the customer base for business aircraft, especially in emerging markets. Industry confidence reached the threshold of market stability in the first half of calendar year 2010, lost it later in the second half only to reach it again in January 2011. Pre-owned inventory levels started to decrease in the large and the medium categories, but the light category is still coping with record levels of pre-owned jet inventory, leading to overall pre-owned business jet inventory of 15% as at December 31, 2010. Business aviation started regaining its position as the preferred travelling option for a portion of its customer base, but utilization rates are still well below the level reached in calendar year 2007.

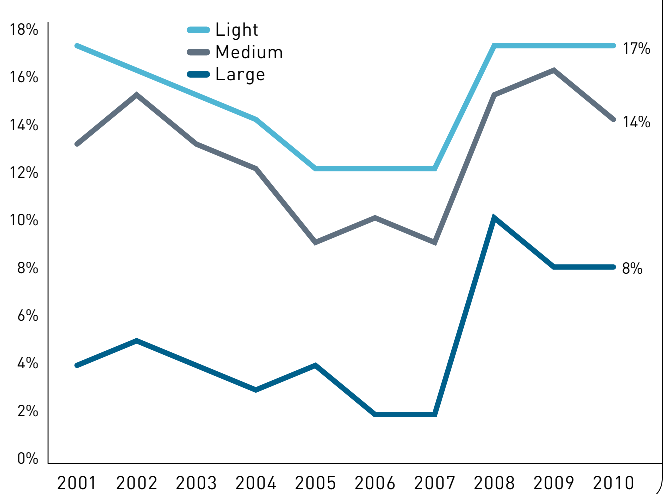
UBS BUSINESS JET MARKET INDEX[1]
(for calendar quarters) (average, on a 100-point scale)



Source: UBS.

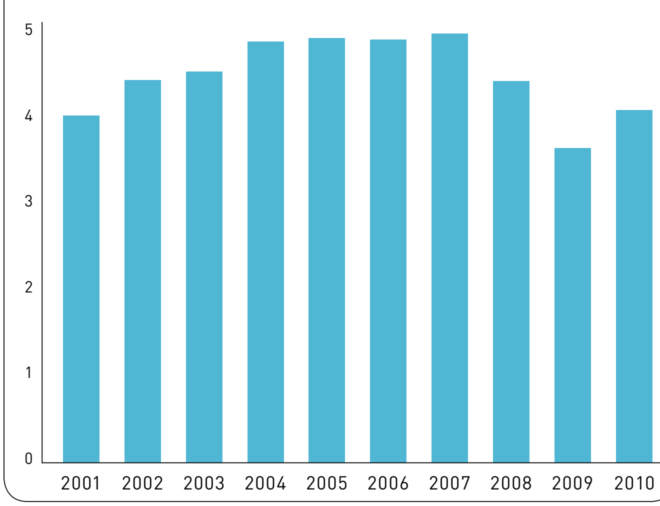
1 The UBS Business Jet Market Index is a measure of market confidence from industry professionals, gathered through bimonthly surveys of brokers, dealers, manufacturers, fractional providers, financiers and others.

PRE-OWNED BUSINESS JET INVENTORY
(for calendar years) (as a percentage of total fleet)



Source: JetNet and Ascend Online.

U.S. BUSINESS JET UTILIZATION
(for calendar years) (all business jets) (in millions of departures and arrivals)



Source: Based on FAA website.

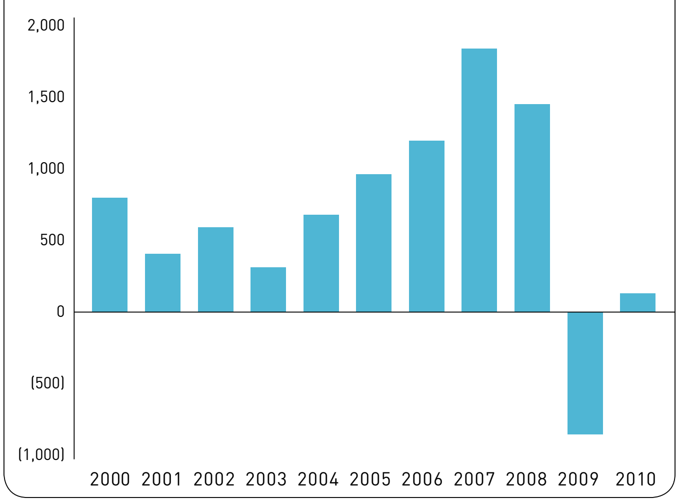
Overall, this resulted in positive net orders for the industry in calendar year 2010, especially in the latter part of the year. Looking forward, we believe that calendar year 2010 was the inflection point for the business aviation industry and that the stage is being set for a recovery.

Given the trend in the indicators and our planned production rates, we expect to deliver approximately 150 business aircraft for the 11-month period ending December 31, 2011, compared to 155 business aircraft for the 12-month period ended January 31, 2011 (143 business aircraft deliveries under Canadian GAAP for the 12-month period ended January 31, 2011).

OPPORTUNITY FOR $661 BILLION OVER 20 YEARS

We closely monitor business aircraft market drivers. We believe that the recent economic downturn has not changed the positive long-term outlook for the industry, as evidenced by these drivers of growth.

ESTIMATED INDUSTRY NET ORDERS
(for calendar years) (in units)



Source: Bombardier estimates.

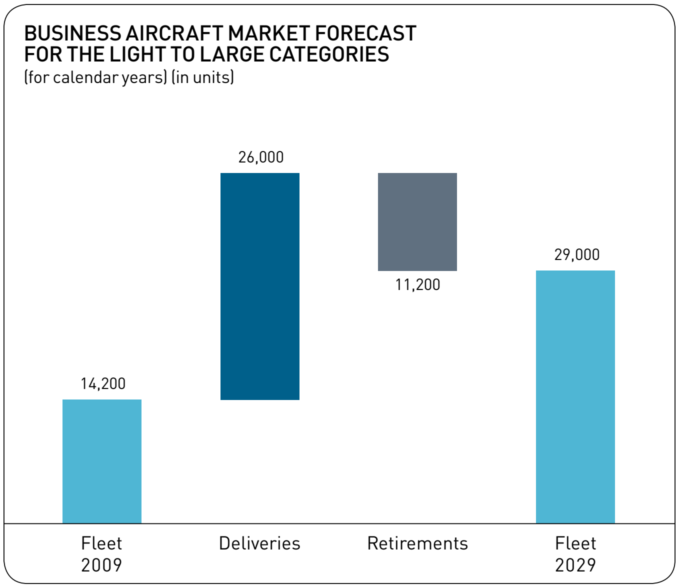
MD&A – AEROSPACE

BUSINESS AIRCRAFT MARKET DRIVERS' OUTLOOK FOR CALENDAR YEARS 2011-2029

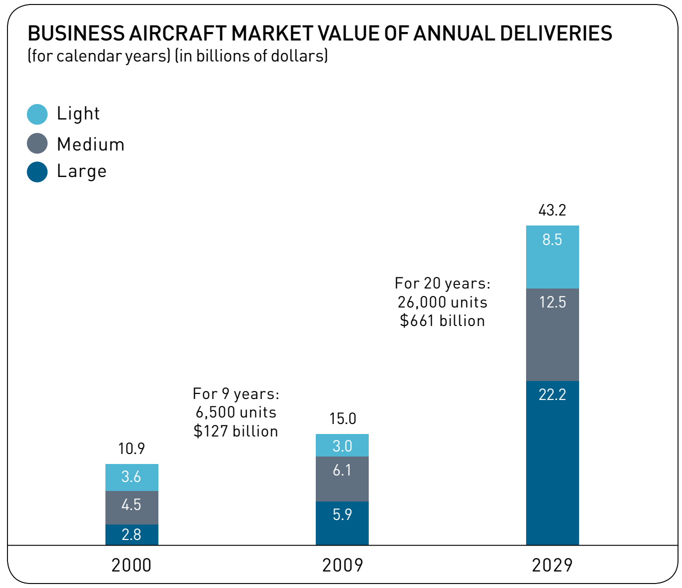
Market driver	Description	Outlook
Wealth creation	The wealth of our customer base, comprised of corporations, individuals and governments, is highly dependent on real GDP. The real GDP growth from calendar years 2003 to 2007 averaged 3.6%, which allowed the market to enjoy record order levels during this period. In February 2011, IHS Global Insight forecasted an average worldwide real GDP growth rate of 3.4% over the next 20 years, which should enable healthy market conditions.	↑
Globalization of trade	According to a February 2011 IHS Global Insight report, the value of world merchandise exports is expected to increase by a CAGR of 7.5% over the next 20 years. As international trade and global mobility increase, the business community requires flexible travel means like business aviation to efficiently link all workplaces.	↑
Replacement demand	The worldwide installed base in segments in which we compete was comprised of 14,650 aircraft as at December 31, 2010. With the majority of aircraft replacement occurring 5 to 10 years after initial delivery, the replacement demand market should continue to show vitality.	↑
New aircraft programs	New aircraft programs stimulate demand by offering customers better performing and environmentally friendlier aircraft. In the categories in which we compete, there are numerous aircraft programs in development scheduled for entry into service over the next decade and we expect this trend to continue for the following decade.	↑
Emerging markets	According to a February 2011 IHS Global Insight report, the contribution of countries outside North America and Europe to the world real GDP is expected to increase from 44% in calendar year 2010 to 54% in calendar year 2030. Wealth creation coupled with aviation infrastructure development is expected to accelerate the use of business aircraft in emerging markets.	↑
Accessibility	Other offerings (air taxi, on-demand charter, jet card programs and fractional ownership) provide air travel customers with more tailor-made options to suit their needs. Over the next 20 years, approximately 10% to 15% of the industry orders are expected to come from fractional and branded charter operators.	↑

↑ Indicates a favourable trend in the market categories in which we compete.

For the first time, our Business Aircraft Market Forecast presented a 20-year outlook. The 20-year time horizon reflects our long-term vision of the business jet market and better matches the lifecycle of aircraft programs. According to this forecast, published in June 2010 and available on Bombardier's website at www.bombardier.com, we estimate 26,000 deliveries in the light to large categories, worth $661 billion, between calendar years 2010 and 2029. Moreover, we forecast the worldwide aircraft fleet to be at 29,000 aircraft in calendar year 2029, nearly double the fleet of 14,650 aircraft at December 31, 2010. This will likely lead to new opportunities in the industry, but aircraft infrastructure and support will need to grow proportionally to the fleet to support such growth.



Source: BA 2010 Business Aircraft Market Forecast.



Source: BA 2010 Business Aircraft Market Forecast.

As at December 31, 2010, the U.S. represented 64% of the worldwide installed base. Going forward, we believe that the U.S. will continue to remain the most significant market, although to a lesser extent. This shift in demand towards non-U.S. customers has started a few years ago, mostly in emerging markets, and has increased the demand for larger aircraft, as these customers tend to prefer larger aircraft with superior range capabilities. This increased importance impacts how our products are designed and the geographical layout of our support network. However, the development of these markets is contingent on the creation of the necessary infrastructure to support business aviation growth and on business aviation becoming more widely accepted.

LEADING IN A COMPETITIVE ENVIRONMENT

In the business aircraft market categories in which we compete, the landscape of our competitors consists of five main OEMs:

- Cessna Aircraft Company ("Cessna"), a subsidiary of Textron Inc.;
- Dassault Aviation ("Dassault");
- Embraer – Empresa Brasileira de Aeronáutica S.A. ("Embraer");
- Gulfstream Aerospace Corporation ("Gulfstream"), a subsidiary of General Dynamics; and
- Hawker Beechcraft Corporation ("Hawker Beechcraft"), a private company owned by Goldman Sachs and Onex Partners.

The table below is our assessment of the current market segmentation. It is based on the latest information available for characteristics such as range, cabin volume and price. This segmentation was revised in fiscal year 2011.

	LIGHT JETS				MEDIUM JETS			LARGE JETS		
BOMBARDIER	L40 XR	L45 XR	L60 XR	L85	CL-300	CL-605	CL-800 Series	G5000	GEX XRS	G7000 G8000
	✈	✈	✈	(✈)	✈	✈	✈	✈	✈	(✈) (✈)
Cessna	✈	✈		✈	✈					
Dassault						✈	✈	✈		
Gulfstream				✈	✈ (✈)		✈	✈	✈	(✈)
Hawker Beechcraft	✈ (✈)		✈	✈	✈					
Embraer	✈			(✈)	(✈)		✈			

L refers to *Learjet*, CL to *Challenger*, G to *Global* and GEX XRS to *Global Express XRS*, including the models equipped with the *Global Vision* flight deck.

✈ Products in service (✈) Products under development

We are well positioned in the business aircraft market with our three product families, each with strong products covering the majority of the market. Furthermore, the launch of the *Global 7000* and *Global 8000* aircraft program extends our product family with aircraft that link regions too distant for any other business jet. The business jet market however remains extremely competitive, and competitors are expected to continue to upgrade their product portfolios going forward. With our product strategy and focus on the customer, we are confident that we will be successful in maintaining our market leadership position and will continue to lead the way in business aviation.

BUSINESS AIRCRAFT MARKET AND MARKET SHARE (BASED ON DELIVERIES)[1,2]

	Calendar year 2010			Calendar year 2009[3]		
		BA			BA	
By market category	Total market (in units)	Total deliveries (in units)	Market share	Total market (in units)	Total deliveries (in units)	Market share
Light	194	28	14%	238	46	19%
Medium	198	73	37%	212	76	36%
Large	136	49	36%	124	51	41%
	528	150	28%	574	173	30%

Source: GAMA report dated February 22, 2011.

1 Assessment of market share in the business aircraft industry is based on delivery data from GAMA for the calendar year and thus does not correspond with the number of aircraft deliveries recorded during the Corporation's fiscal years ended January 31.

2 Deliveries in the very light category and large corporate airliners (232 units in calendar year 2010 and 293 units in calendar year 2009) are not included in the market total shown above as we have no product offering in these two categories.

3 Our revision of the segmentation in fiscal year 2011 has led to the removal of one aircraft model (two deliveries in calendar year 2009) that is no longer considered to compete in our segments. Furthermore, two aircraft models (49 deliveries in calendar year 2009) were previously considered large aircraft and are now considered medium aircraft.

For the second consecutive year, we were the market share leader in term of deliveries in the categories in which we compete, with a market share of 28%, a two percentage-point decrease compared to calendar year 2009. The decrease in the light category market share is due to reduced *Learjet* deliveries and to a new entrant in this market. The decrease in the large category is primarily the result of the ramp-up of a recently introduced new product. Furthermore, for a seventh consecutive year, the GAMA General Aviation Shipment Report confirms our leadership position in terms of revenues in the business aircraft market categories in which we compete, with a market share of 32%, the same market share as in calendar year 2009.

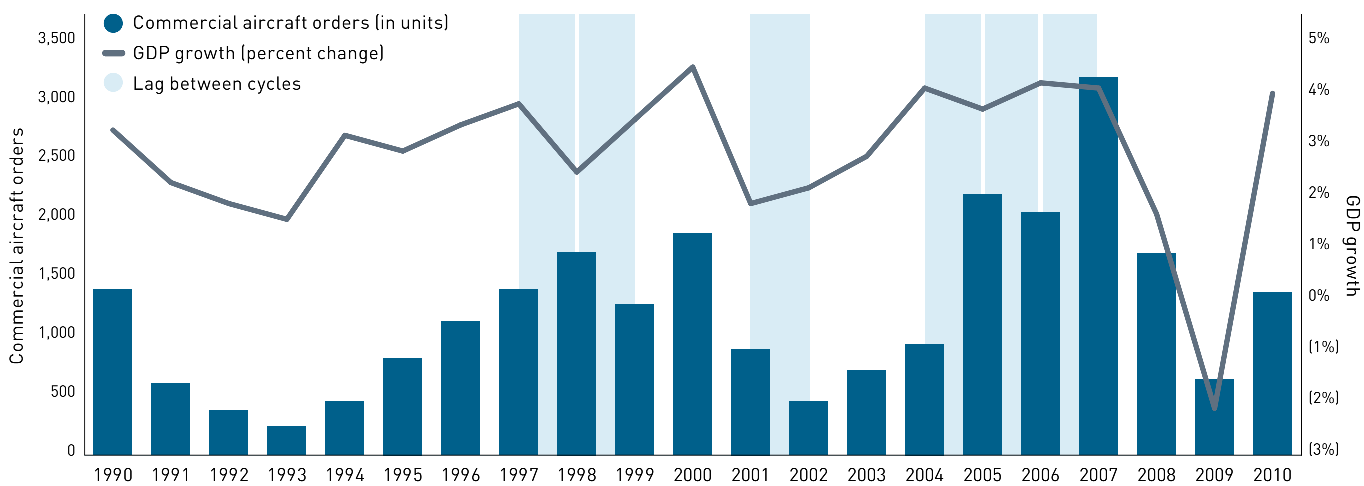
Commercial aircraft

THE BEGINNING OF A MARKET RECOVERY, BUT RISKS REMAIN

The health of commercial airlines is highly dependant on the state of the economy. In periods of weakened economic conditions, businesses tend to limit expenses and individuals to adjust their discretionary spending, negatively impacting traffic levels and thus airline profitability. As the overall economy recovers, so does the level of passenger traffic, allowing airlines to return to growth. This growth in turn drives an increased demand for commercial aircraft.

Historically, demand for commercial aircraft has recovered significantly after industry downturns, with a delay between overall economic growth and the recovery in demand (as measured by orders) for new commercial aircraft. When comparing with previous order trends, demand for commercial aircraft has grown approximately four-fold in the years following the lowest point of the order cycle. In the three years following calendar year 1993, orders grew from a low of less than 250 orders, to more than 1,100 in calendar year 1996. Similarly, the industry recovered from a low of approximately 450 orders in calendar year 2002, to more than 2,000 three years later.

COMMERCIAL AIRCRAFT ORDERS LAGGING GDP GROWTH
(for calendar years)

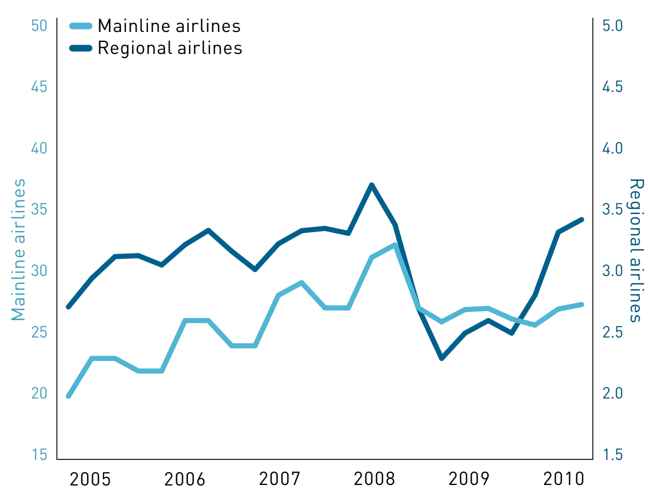


Source: IHS Global Insight and OAG Travel Solutions.

The economic crisis in calendar years 2008 and 2009 had a significant impact on the airline industry, causing a decline in air traffic and decreasing airfares, thus leading to significant losses at most airlines. This ultimately led to a dramatic decrease in orders for commercial aircraft, which impacted aircraft manufacturers. In calendar year 2010, as the global economy recovered, we noted improvements in the business environment for airlines and the commercial aircraft industry. We use several indicators to monitor the health of the commercial airline industry including economic growth (measured by real GDP, as discussed above), passenger traffic levels, airline revenues and airline profitability.

In calendar year 2010, airline passenger traffic levels recovered as the global economy gained strength. The International Air Transport Association ("IATA") reported that international passenger air traffic increased by 8.2% in calendar year 2010 compared to calendar year 2009 and is expected to increase by another 5.2% in calendar year 2011. Domestic and international passenger traffic levels in the U.S. and Europe, the world's two largest air travel markets, have however yet to recover to the high levels recorded in the first half of calendar year 2008. The Asia-Pacific region, while still well below traffic levels in Europe and the U.S. in terms of overall passenger numbers, has been comparatively less affected by the downturn, and monthly traffic growth levels have been well above 10% year-over-year for nearly all of calendar year 2010. Looking forward, IATA predicts in a report released in February 2011 that there will be 3.3 billion air travelers globally in calendar year 2014, up 38% from the 2.4 billion in calendar year 2010. A continued level of traffic growth will be a key factor supporting the recovery of the global airline industry.

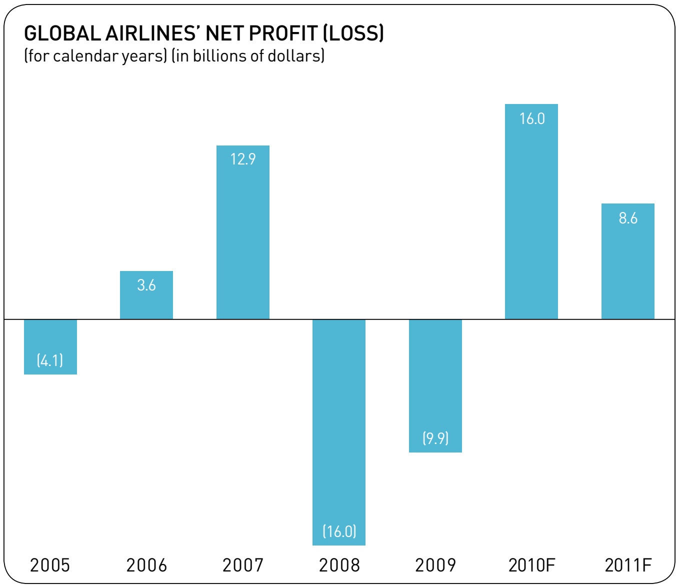
QUARTERLY REVENUE COMPARISON
(for calendar years) (U.S. based airlines) (in billions of dollars)



Source: U.S. Department of Transport.

As airline passenger traffic began to recover in calendar year 2010, revenues and profitability of airlines worldwide began to recover as well. The U.S. airline industry, the largest and our most important market, is showing signs of recovery, although the effects have not been spread evenly between regional and mainline airlines. Indeed, operating revenues at U.S. regional airlines have remained relatively flat after decreasing by 20% in the second half of calendar year 2008. In contrast, operating revenues at mainline airlines were on average 8% higher in the three-month period ended September 30, 2010 than in their pre-recession peak two years earlier.

The slower recovery of regional airlines' revenues is rooted in the arrangements between mainline airlines and their regional affiliates. Generally, regional airlines act as contractors for mainline airlines by connecting passengers from smaller cities to mainline hubs, thereby providing market access to smaller cities that would otherwise be cost-prohibitive to serve using larger mainline aircraft. However, payments for servicing these routes are not based on the number of passengers carried, but rather on a fixed fee-for-flying agreement. As a result, regional airlines operate largely at the behest of their mainline counterparts and depend on the confidence of mainline airlines in future demand at their hubs. Given this situation, orders for new regional aircraft from the U.S. airline industry have been slower to recover than orders for new mainline aircraft. Going forward, we believe our strategy to produce aircraft for both the regional (*CRJ* Series and *Q-Series*) and mainline (*CSeries*) market segments positions us well to cope with the differences in volatility and recovery pace of the two market segments.



Source: IATA, Industry Financial Forecast, December 2010.
F: Forecast.

With higher traffic levels and revenues, combined with a moderate oil price, calendar year 2010 marked a return to profitability for most airlines worldwide. According to a report released in December 2010, IATA estimated that the global airline industry would record a net profit of $16.0 billion in calendar year 2010, in contrast to a net loss of $9.9 billion in calendar year 2009. In the short term, this profitability is expected to be tempered by a rise in fuel prices and economic uncertainty in Europe. As a result, IATA has predicted that global airline industry profits will decrease to $8.6 billion in calendar year 2011. As with revenues, profits of mainline operators have been hit harder by the recent economic crisis than those of regional airlines, but were also faster to recover once the economy gained momentum. Although profits of regional airlines have increased as well, the recovery is much slower.

We continue to closely monitor the indicators that impact the commercial aircraft market. As these indicators continue to improve, we believe that the market will continue to strengthen at a moderate pace. Deliveries decreased by 30% between calendar years 2009 and 2010, as OEMs reduced production rates to adjust to the lower demand. We believe that calendar year 2010 was the trough and that deliveries will now start to increase, at a moderate pace. We also believe that orders for new aircraft will increase in calendar year 2011 as compared to calendar years 2010 and 2009.

One factor that may impede this progress is the price of crude oil. Different from most ordinary products, the price of oil is set in the oil futures market. Because of this, arbitrators and speculators are major players in determining oil prices, in addition to the normal mid- and end-users. As such, any kind of world or local events, such as natural disasters and social unrest, will tend to have a magnified impact on oil prices in the short term. The lasting impact is then determined if there is any fundamental change to the supply or demand due to these events. Since fuel cost is such a large component of airline operating expenses, any short-term volatility or long-term change in oil prices present major challenges to a sustainable profitability level.

While orders should improve in calendar year 2011, we expect to deliver approximately 90 commercial aircraft in the 11-month period ending December 31, 2011, compared to 97 commercial aircraft delivered in the 12-month period ended January 31, 2011.

LONG-TERM TRENDS REMAIN POSITIVE

We closely monitor commercial aircraft market drivers. We believe that the industry will grow at a moderate pace, as the focus on optimization, efficiency and environment continues.

COMMERCIAL AIRCRAFT 20- TO 149-SEAT CATEGORY MARKET DRIVERS' OUTLOOK FOR CALENDAR YEARS 2011-2029		
Market driver	**Description**	**Outlook**
Economic growth	Air travel demand is directly linked to economic growth. Over the next 20 years, IHS Global Insight is forecasting an average worldwide real GDP growth rate of 3.4%, based on data issued in February 2011.	↑
Fuel prices	According to a report issued by the U.S. Department of the Environment, prices for crude oil derivatives are predicted to rise at approximately 3.5% per year net of inflation over the period from calendar years 2009 to 2029. We believe that this will accelerate the retirement of old, less efficient aircraft types increasing demand for fuel-efficient new aircraft.	↑
	Oil prices have become increasingly volatile in recent years. Increasing fuel costs or unusually high volatility in fuel prices may impair airline operating economics. Overall consumer confidence may also be affected, resulting in lower air travel demand. Both could negatively impact demand for new aircraft.	↓
Replacement demand	More than half of the current commercial aircraft fleet will be replaced in the next 20 years due to technical obsolescence, with a large number of these replacements being in the 100- to 149-seat category.	↑
Emerging markets	Economic growth forecasts for emerging economies are well above the worldwide average. With a developing infrastructure, we expect a strong growth in air traffic and aircraft fleet in these regions, although starting from a much lower base.	↑
Environmental regulations	Environmental concerns are being addressed by the aviation industry with increased retirement of older aircraft, fleet modernization, as well as infrastructure and operational improvements, all having a positive influence on demand for new aircraft.	↑
	Increasingly stringent environmental regulations like the ones currently deployed in Europe, Japan and Australia will negatively impact airline operating economics through fees and surcharges, ultimately hampering the development of the industry.	↓
Scope clauses	It is predicted that scope clauses will evolve, permitting 100-seat aircraft to be flown by regional airlines. Changes to scope clauses that allow regional airlines to fly larger aircraft will have a positive impact on demand.	↑

↑ Indicates a favourable trend in the market categories in which we compete.

↓ Indicates a negative trend in the market categories in which we compete.

Over the long term, the outlook for the airline industry remains positive, and we expect that commercial aviation will continue to play a pivotal role in facilitating global commerce.

According to our BA 2010 Commercial Aircraft Market Forecast published in June 2010 and available on Bombardier's website at www.bombardier.com, we estimate that 12,800 new aircraft worth $612 billion will be delivered between calendar years 2010 and 2029 in the 20- to 149-seat category. Of the 12,800 deliveries, 2,400 will be for turboprops, 3,700 will be jets in the 20- to 99-seat category while 6,700 will be jets in the 100- to 149-seat category.

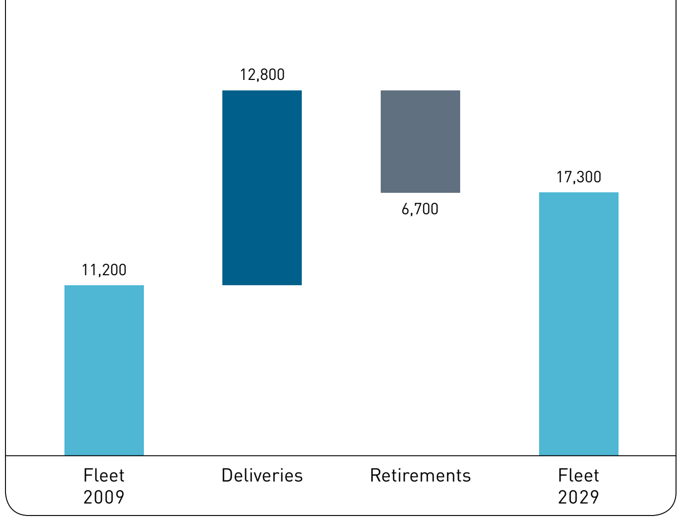
We expect turboprops to continue to play an important role in the regional aircraft market of up to 100 seats. As regional airlines worldwide are faced with rising fuel costs and more stringent environmental regulations, the low fuel burn of turboprops compared to similarly-sized regional jets will allow airlines to maintain capacity while reducing fuel costs and shrinking their environmental footprint.

Large regional jets of up to 100 seats allow airlines to accommodate traffic growth and fly longer routes with optimized seating capacities, while reducing unit costs without compromising passenger comfort. In order to satisfy market frequency requirements on these longer routes, we expect that demand for regional jets will be larger than for turboprops. We believe that 61% of deliveries of aircraft up to 100 seats will be for regional jets in the period from calendar years 2010 to 2029, with the balance being turboprops.

The 100- to 149-seat category today is dominated by an aging fleet of aircraft. Additionally, the current in-production aircraft are not optimized for this segment. Because they are derivatives of larger aircraft and not designed for the 100- to 149-seat category, they are heavier than necessary. The added weight and drag produce inefficiencies related to higher fuel burn and more CO_2 emissions. Demand for new 100- to 149-seat aircraft is driven by the retirement of older generation aircraft and the availability of new models specifically built for this segment. With a current average age of 18 years, we estimate that 57% of the 100- to 149-seat aircraft fleet as at December 31, 2009 will be retired from passenger service by calendar year 2029. New aircraft demand for 100- to 149-seat aircraft is expected to be for 6,700 deliveries between calendar years 2010 and 2029, generating revenue of $393 billion. The total fleet will grow from 5,300 to 9,000 units, and will be the largest segment in which we have a product offering.

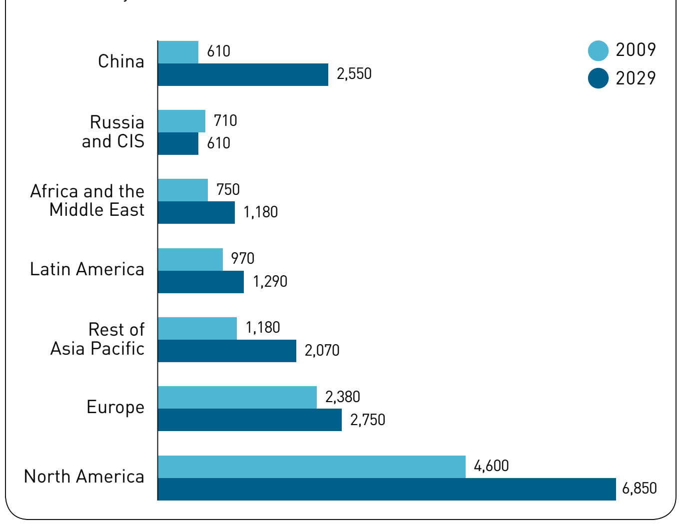
North America and Europe are the two largest markets for commercial aircraft today, representing respectively 41% and 21% of the current fleet of 20- to 149-seat aircraft. The mature aviation market in North America will remain the single largest market in terms of deliveries in the 20- to 149-seat category between calendar years 2010 and 2029. By calendar year 2029, we believe that the markets in North America and Europe will be reduced to 40% and 16% of the global fleet of 20- to 149-seat aircraft, respectively, as deliveries to emerging markets are expected to experience the highest relative levels of fleet growth over the forecast period. As at December 31, 2009, the Asia-Pacific region, including India and China, represented 16% of the global fleet of the 20- to 149-seat category. By calendar year 2029, we estimate that this level will rise to 27% of the global fleet in this category, illustrating a geographic shift in delivery demand. In particular, the fleet of 20- to 149-seat aircraft in China is expected to grow at a CAGR of more than 7%, with 2,260 deliveries between calendar years 2010 and 2029.

WORLDWIDE FLEET OF 20- TO 149-SEAT COMMERCIAL AIRCRAFT
(for calendar years) (in units)



Source: BA 2010 Commercial Aircraft Market Forecast.

GLOBAL FLEET OF 20- TO 149-SEAT AIRCRAFT
(for calendar years) (in units)



11,200 aircraft fleet for calendar year 2009.
17,300 aircraft fleet for calendar year 2029.

WE ARE FACING INCREASING COMPETITION, PARTICULARLY IN THE REGIONAL JET SEGMENTS

Our main competitors in the 20- to 149-seat category, representing the market in which we have a product offering, are:

- Avions de Transport Régional ("ATR"), a joint venture between EADS and Alenia Aeronautica S.P.A., a Finmeccanica S.P.A. company and Aviation Industry Corporation of China ("AVIC") in the turboprop market;
- Embraer in the 40- to 119-seat regional jet market;
- Commercial Aircraft Corporation of China, Ltd. ("COMAC") and Sukhoi Company (JSC) ("Sukhoi") prospectively in the 80- to 100-seat regional jet market;
- Mitsubishi Heavy Industries Ltd. ("MHI") prospectively in the 60- to 100-seat regional jet market; and
- Airbus S.A.S. and The Boeing Company in the 100- to 149-seat commercial jet market for mainline airlines.

	TURBOPROPS	REGIONAL JETS				COMMERCIAL JETS	
	60-90	40-59	60-79	80-100		100-119	120-149
BOMBARDIER	*Q400*[1] ✈	*CRJ200* ✈	*CRJ700*[1] ✈	*CRJ900*[1] ✈	*CRJ1000*[1] ✈	*CS100* (✈)	*CS300* (✈)
ATR	✈						
AVIC	✈						
Embraer		✈	✈	✈	✈	✈	
COMAC				(✈)			
MHI			(✈)	(✈)			
Sukhoi				(✈)			
Airbus						✈	✈
Boeing						✈	✈

1 *NextGen* aircraft models.

✈ Products in service (✈) Products under development

Due to the economic advantage of our products, a large installed customer base and family commonality benefits across the *CRJ* family of aircraft and across the *Q-Series* family of aircraft, we believe that we are well positioned in the regional jet and turboprop categories, even if the increased competition may impact our market share in the future. The *CSeries* family of aircraft will further strengthen the economic advantage of our aircraft portfolio by offering aircraft with distinct value propositions that respond to customers' needs in the 100- to 149-seat category. With its game-changing design, the *CSeries* family of aircraft will meet airlines' requirements for more economical, flexible (transcontinental range and short-field capability) and passenger-oriented aircraft and will provide a 20% fuel burn advantage[1] over any in-production aircraft in the 100- to 149-seat category. A 10% fuel burn advantage[1] would be maintained over any re-engined legacy aircraft. These older-generation models , primarily because of weight, provide only one third of the total economic benefits provided by the *CSeries* family of aircraft. Such re-engined products would also enter into service at least three years after the entry into service of the *CS100* aircraft.

1 Under certain operating conditions, when compared to aircraft currently in service for short-haul flights of 500 nautical miles. See *CSeries* family of aircraft program disclaimer at the end of this annual report.

COMMERCIAL AIRCRAFT MARKET AND MARKET SHARE (BASED ON DELIVERIES)[1]

	Calendar year 2010			Calendar year 2009		
		BA			BA	
By market category	Total market (in units)	Total deliveries (in units)	Market share	Total market (in units)	Total deliveries (in units)	Market share
20- to 99-seat turboprops	106	55	52%	117	63	54%
40- to 100-seat regional jets	118	35	30%	162	60	37%
100- to 149-seat commercial jets	83	–	n/a	161	–	n/a
	307	90		440	123	

1 Assessment of market share in the commercial aircraft industry is calculated on the basis of aircraft deliveries recorded during the calendar year, which does not correspond to the number of aircraft deliveries recorded during the Corporation's fiscal year ended January 31.

n/a: Not applicable.
Source: Competitor reports publicly available.

A total of 307 aircraft in the 20- to 149-seat category were delivered in calendar year 2010, down from a total of 440 in the same period last year. This 30% decline is attributable to the economic downturn, as manufacturers of regional and small mainline aircraft reduced production rates to match supply with demand. Our delivery market share was reduced from 37% to 30% in the regional jet category. This decrease was due to an absence of a product offering in the 90- to 100-seat category for the greater part of the year. In December 2010, we began delivery of the *CRJ1000 NextGen* aircraft, the largest member of the *CRJ* family of aircraft. Going forward the *CRJ1000 NextGen* aircraft will support our market share in the regional jet category by rounding out our product offering up to 100 seats.

Our delivery market share was also slightly reduced from 54% to 52% in the turboprop category. This decrease was primarily the result of a shift in demand from mature to emerging markets. Our *Q400* turboprop has traditionally been very strong in mature markets, where the versatility of the *Q400* aircraft can easily be recognized in a highly competitive environment. We are particularly encouraged by the order placed by SpiceJet Ltd. of India for 15 *Q400 NextGen* turboprops in December 2010, which demonstrated that the benefits of the *Q400 NextGen* airliner are now increasingly being recognized in emerging markets as well.

Going forward, we believe that we are well positioned in the 20- to 149-seat category due to the economic advantage of our products, a large installed customer base, and family commonality benefits across the *Q-Series, CRJ* and *CSeries* family of aircraft.

Specialized and amphibious aircraft: Providing tailored solutions

We continue to identify and provide special-mission aircraft solutions to governments and special-requirement organizations worldwide. There are currently close to 300 Bombardier business and commercial aircraft modified in various configurations in operation in specialized roles, including maritime patrol, runway calibration, communications and surveillance platforms, search and rescue, transport and government aircraft.

The Amphibious Aircraft division serves a niche market providing aerial firefighting solutions to governments. Currently, 17 different operators in 10 countries are using the *Bombardier 415* and *Bombardier 415* MP amphibious aircraft and their predecessor, the *CL-215* aircraft.

In collaboration with a team of sub-contractors, the Military Aviation Training division provides training system solutions for military organizations wanting to develop and train proficient aircrew. This division currently has two major Canadian military aviation training contracts, the NATO Flying Training in Canada ("NFTC") and the CF-18 Advanced Distributed Combat Training System ("ADCTS"). Countries currently participating in the NFTC program include Austria, Canada, Denmark, Hungary, Italy, Saudi Arabia and Singapore. The ADCTS program includes the design and construction of now completed purpose-designed facilities as well as the provision of full instructional and support services up to October 2012 (with a possibility for our counterparty to exercise options to extend the program until up to October 2022) for the Canadian Air Force's CF-18 program.

PRODUCT AND SERVICE OFFERING			
Description			**Competitive environment**
Specialized Aircraft Solutions	Comprehensive range of aircraft platforms including the *Learjet*, *Challenger, Global* and *CRJ* families of aircraft, as well as *Q400* turboprops	We provide specialized aircraft solutions for governments, agencies and specialized organizations worldwide by modifying commercial and business aircraft to suit their specific needs.	We face competition from the other aerospace OEMs.
Amphibious Aircraft	*Bombardier 415* *Bombardier 415* MP	We manufacture and market the *Bombardier 415* amphibious aircraft, a purpose-built firefighting aircraft that can also be adapted to a multi-purposed version, the *Bombardier 415* MP. The *Bombardier 415* MP can be used in a variety of specialized missions such as search and rescue, coastal patrol, environmental protection and transportation.	The *Bombardier 415* is the only aircraft currently in production specifically designed for aerial firefighting. However, a variety of other land-based solutions exist, mostly old converted aircraft and adapted helicopters.
Military Aviation Training	NATO Flying Training in Canada and CF-18 Advanced Distributed Combat Training	In cooperation with governments, we provide complete military training solutions by integrating training aircraft, simulators and other training products.	We face competition from logistics support service providers, aerospace OEMs and training equipment manufacturers.

Customer Services: Expanding our offering and our presence

The aftermarket includes every activity that is performed to support aircraft operations. Bombardier Customer Services provides a broad range of services related to our aircraft portfolio. Our focus is to provide customers with total lifecycle solutions that address the complete aftermarket experience, including technical support and components, maintenance and training services. Such services are provided through our international service and support network of authorized providers and fully-owned facilities.

We support the spare parts aftermarket requirements for BA's business and commercial aircraft customers during the entire life of an aircraft. Customers are currently served from two main distribution centres (Chicago, U.S. and Frankfurt, Germany) and from spare parts depots in Singapore; Sydney, Australia; Narita, Japan; Dubai, United Arab Emirates; Beijing, China; and São Paulo, Brazil. We provide worldwide 24-hour spare parts sales and support, through various programs such as aircraft-on-ground ("AOG") services and rotable management programs. We also offer *Smart Services* for both Bombardier business and commercial aircraft customers, which allow customers to purchase spare parts on a cost-per-flight-hour basis. The benefit of *Smart Services*' cost-per-flight-hour plans is that they provide customers with more predictable payments from period to period for the maintenance of their aircraft.

Through our integrated Customer Response Centres located in Toronto (*Q-Series*), Montréal (*Challenger* and *Global*), Mirabel (*CRJ*) and Wichita (*Learjet*), we provide a single point of contact for customers to resolve AOG situations. The Customer Response Centre team is comprised of logistics and technical experts offering round-the-clock support and expertise providing quick resolution to return the customer's aircraft back to service.

Our six OEM service centres located in Dallas, Fort Lauderdale, Hartford, Tucson and Wichita in the U.S. and in Schiphol in the Netherlands provide maintenance services to our business aircraft customers. Commercial aircraft customers can access our maintenance services at our three service centres in Bridgeport, Macon and Tucson in the U.S. In addition, there are 44 third-party AOG/line maintenance and authorized service facilities for business aircraft maintenance, two business aircraft maintenance centres in which Bombardier owns an equity interest, and five third-party facilities for commercial aircraft maintenance.

Training is also an essential part of a complete aircraft services portfolio. We offer a full suite of pilot and maintenance training solutions for our business, commercial and amphibious aircraft customers. We provide training programs through two training centres located in Montréal and Dallas (Texas), U.S. In addition, we have a third-party Authorized Training Provider partnership with CAE, a world-wide industry leader in advanced aviation training.

OUR MARKET IS EXPECTED TO GROW AT A CAGR OF 6.3% BETWEEN CALENDAR YEARS 2010 AND 2019

The level of maintenance necessary on an aircraft is directly related to the number of hours the aircraft is flown, which is in turn linked to economic growth. There is typically a lag between economic recovery and the time for fleet hours to return to normal.

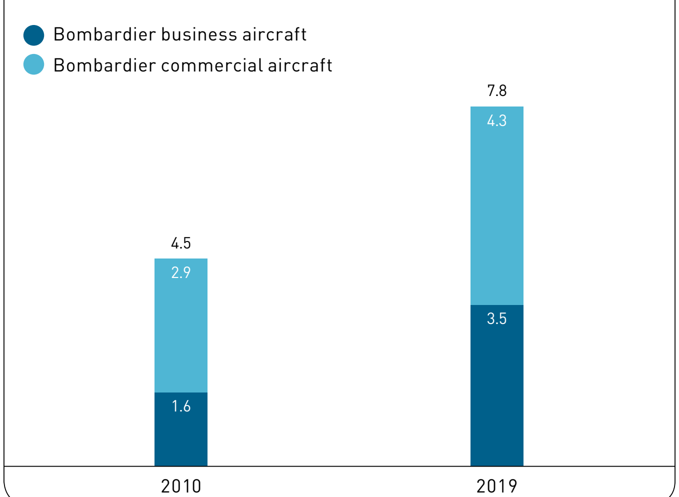
CUSTOMER SERVICES MARKET DRIVERS' OUTLOOK FOR CALENDAR YEARS 2011-2019

Market driver	Description	Outlook
Installed base	Bombardier worldwide aircraft fleet grew at a CAGR of 4.7% between calendar years 2005 and 2010. We expect our fleet to further grow at a CAGR of 5.1% between calendar years 2010 and 2019, bringing the Bombardier installed base from 6,199 aircraft as at December 31, 2009, to 9,681 aircraft by calendar year 2019.	↑
Fleet utilization	Fleet utilization was negatively impacted by the economic crisis of calendar years 2008 and 2009. However, we have seen an increase in fleet utilization of 7.7% for Bombardier business aircraft and 2.2% for Bombardier commercial aircraft in the second half of calendar year 2010 when compared to the same time period last year. Given the positive GDP growth experienced in calendar year 2010 and expected in calendar year 2011 and beyond, we expect that Bombardier fleet utilization will return to pre-crisis levels in the short term, and will, on average, remain at that level thereafter.	↑

↑ Indicates a favourable trend in the market categories in which we compete.

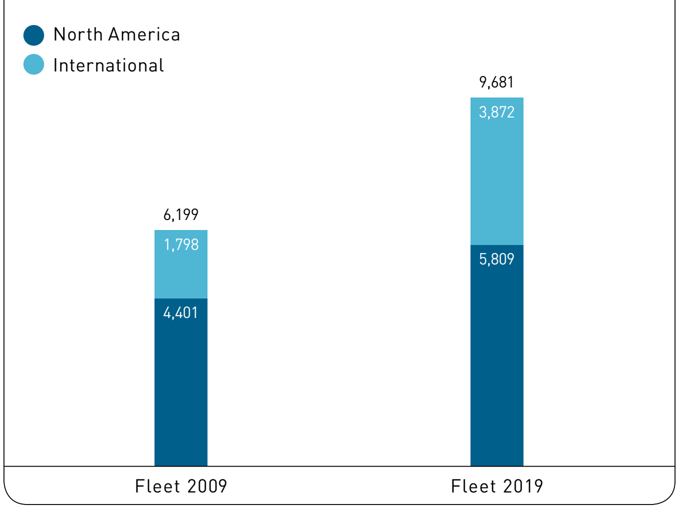
Customer services market demand will be driven by the growth of our installed fleet. The notable increase in the installed base will mean a larger potential aftermarket. Given this outlook, the aftermarket for Bombardier is anticipated to grow at a CAGR of 6.3% between calendar years 2010 and 2019.

AFTERMARKET RELATED TO BOMBARDIER AIRCRAFT
(for calendar years) (in constant billions of dollars)



Note: Includes in- and out-of-warranty aircraft and engines.
Source: Bombardier estimates.

BOMBARDIER FLEET SIZE GROWTH
(for calendar years) (in units)



Source: Bombardier estimates.

The customer services market represents a large growth opportunity for Bombardier and we remain confident in the future of this segment. In order to capture a larger share of this market and to further improve customer satisfaction, we continue to develop innovative and comprehensive service solutions and to invest in building our international service and support capabilities. In calendar year 2008, we embarked on a worldwide customer support expansion strategy. As part of this strategy, we have expanded our worldwide service network again this year:

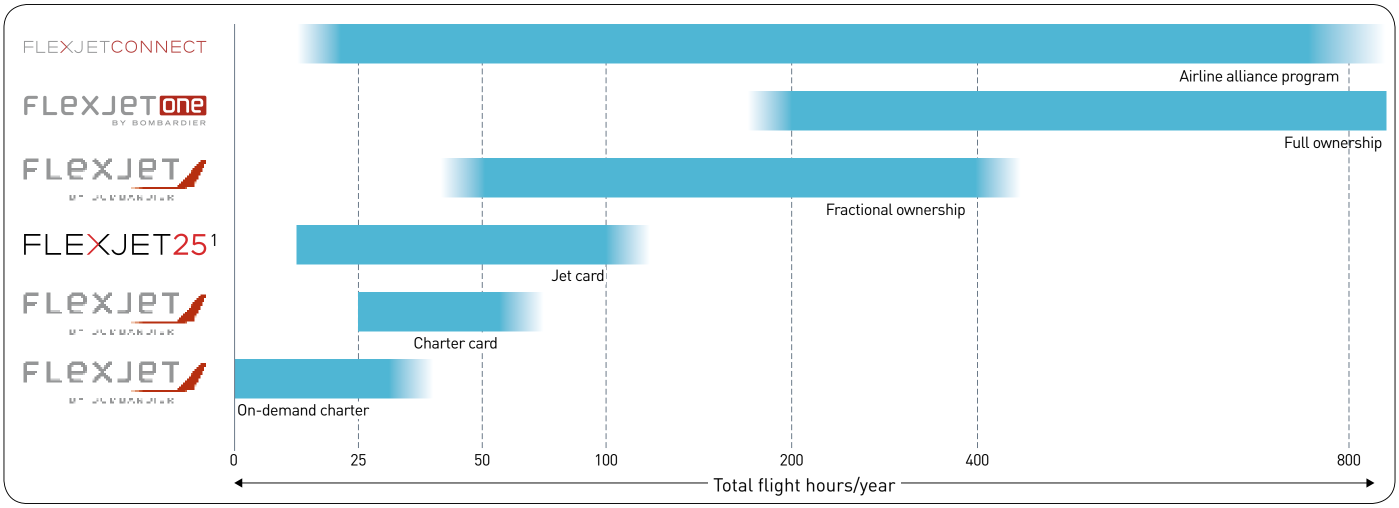
- In April, we inaugurated a regional support office in Mumbai, India, the first regional support office to serve both Bombardier business aircraft and Bombardier commercial aircraft. This addition allows us to better serve the Asia-Pacific region, enabling customers to access regionalized support services in local time zones and languages. To continue our expansion, we opened a spare parts depot in Hong Kong, China in March 2011 and plan to open new regional support offices for Bombardier business aircraft in Sydney, Australia; Singapore; São Paulo, Brazil; Moscow, Russia and Hong Kong, China later in calendar year 2011.
- In May, we inaugurated our European service centre in Amsterdam, Netherlands, our first wholly-owned service centre outside of North America, equipped to perform a variety of light to heavy maintenance tasks.
- In December, we inaugurated a regional support office in Dubai that caters to Bombardier business aircraft customers in the Middle East and Africa. We are a market leader in the region, with *Learjet*, *Challenger* and *Global* aircraft currently in service. This full-scale regional support office, located at the Dubai International Airport alongside the company's existing spare parts depot, is part of our ongoing efforts to expand technical expertise, flight operations support and customer account management functions.
- During the year, we announced the commission of five new AOG/line maintenance and authorized service facilities for business aircraft maintenance (Riga, Latvia; Kuala Lumpur, Malaysia; Monterrey, Mexico; Indianapolis (Indiana), U.S. and Provo (Utah), U.S.
- We further strengthened our customer service and support network by adding 30 field-service employees worldwide.
- We added a *Challenger 605* simulator at our training centre in Dallas, and installed three simulators at our authorized training provider (*Global Express* XRS in Dubai, *Challenger 300* in Amsterdam and *Learjet 40*/45 in Burgess Hill, U.K.).

In January 2011, we also launched a new maintenance repair and overhaul customer website for operators of Bombardier aircraft (www.mro.aero.bombardier.com). Due to the improved online functionality, customers can now order spare parts online from our Belfast facility, as well as request up-to-date technical publications and notify us of incoming repairs. Also in fiscal year 2011, we teamed up with Fokker Services to develop enhanced support services for the *Dash 8*, *Q100, Q200,* and *Q300* aircraft through Fokker's ABACUS program. The ABACUS program offers guaranteed availability of serviceable components and flight-hour based component repair and overhaul services.

We continue to actively seek out strategic locations for expansion in order to move closer to customers, improve response times and build stronger relationships around the globe.

Flexjet: Complementing our business aircraft activities

We offer convenient turnkey solutions to customers in the U.S. who may not need an entire aircraft, who seek to avoid the cost, commitment and/or complexities of whole aircraft ownership, or who simply need assistance to manage their aircraft. Different programs exist, based on the customer's time requirement. Flexjet is the only company in the U.S. that offers a full suite of products that range from full ownership to on-demand charter.



FLEXJET OFFERING		
Description		**Main Competitors**
Airline alliance program	In May 2010, we launched *Flexjet Connect*, the first marketing partnership between a commercial airline and a business aviation company. The program allows premium passengers arriving in the U.S. on Korean Air to connect to business aircraft.	• CitationAir
Full ownership	The *Flexjet* One program provides an aircraft management solution for owners interested in purchasing a whole aircraft and having it managed by Flexjet. Owners benefit from having access to all of the benefits of a fractional ownership, including access to multiple aircraft on the same day, and can generate lease revenues.	• Executive Jet Management, Inc. • XOJET, Inc. • CitationAir
Fractional ownership	Through the U.S. *Flexjet* program, we offer a turnkey program enabling owners to purchase a share in a Bombardier business jet at a fraction of the full ownership cost. Owners pay predictable monthly management and usage fees, while Flexjet manages aircraft maintenance, flight crews, hangars, fuel and insurance on their behalf.	• NetJets Inc. • Flight Options, LLC. • CitationAir • Avantair
Jet card	The *Flexjet* 25 jet card program offers flights on a closed fleet of aircraft[1].	• NetJets Inc. • CitationAir • Flight Options, LLC.
Charter card	Our charter jet card allows customers to utilize aircraft through Flexjet's network of charter operators via a debit card model.	• Sentient Flight Group, LLC. • Delta Air, Elite Business Jets, Inc.
On-demand charter	For those with an occasional need for business jet travel services, customers have access to aircraft through a carefully selected network of operators. Customers have the ability to purchase on a flight-by-flight basis and are able to choose from six aircraft classes.	• Blue Star Jets, LLC. • Sentient Flight Group, LLC. • Le Bas International Air Division, Inc. • XOJET, Inc.

1 Aircraft are operated by air carrier Jet Solutions, LLC.

At December 31, 2010, we had the second largest fractional ownership fleet in the world comprised of 81 business aircraft in the light and medium categories. We also ranked second in terms of shares sold in the U.S. fractional ownership industry for calendar year 2010.

THE FRACTIONAL INDUSTRY IS REFLECTIVE OF GENERAL ECONOMIC CHALLENGES

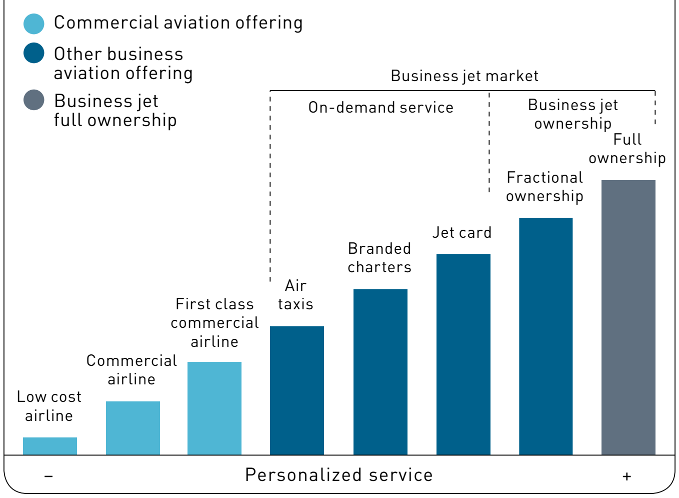
Fractional ownership provider deliveries historically represent 10% to 15% of annual new business aircraft deliveries, and this is expected to continue in the next 20 years. The recession in the U.S. drastically reduced the demand for other business aviation offerings. In response to reduced demand, all major fractional providers, including Flexjet, reduced the number of business jets in operation. The fleet of aircraft in active service in the U.S. at the four major fractional providers went from a peak of more than 765 business jets in December 2007 to just over 650 in December 2010.

The current economic expansion should benefit all facets of business aviation. Customers who migrated to commercial travel during the past few years are therefore expected to return to the fractional ownership and on-demand service market, to leverage the productivity enhancements that business aviation provides.

Jet cards continue to provide a low-risk entry point due to the limited commitment (as little as 12.5 hours of travel). As a result, the number of jet cards sold during the past few years did not decrease as significantly as fractional share sales. As the market rebounds, it is expected that consumers will migrate from on-demand charter to the jet card market, leveraging the guaranteed pricing this product provides.

The fractional ownership market is also expected to grow in the near future, as the financial position of both corporations and high-net-worth individuals improve. The number of owners who renew their contract is expected to increase over the next few years, since owners who purchased fractional shares of aircraft during the industry's peak years (calendar years 2005 to 2007) will have contracts that are expiring. It is expected that these owners will take advantage of reduced asset prices and of the lower operating costs that are available on newer business aircraft to trade in their existing fractional share for shares of a newer aircraft.

AIR TRAVEL OPTIONS



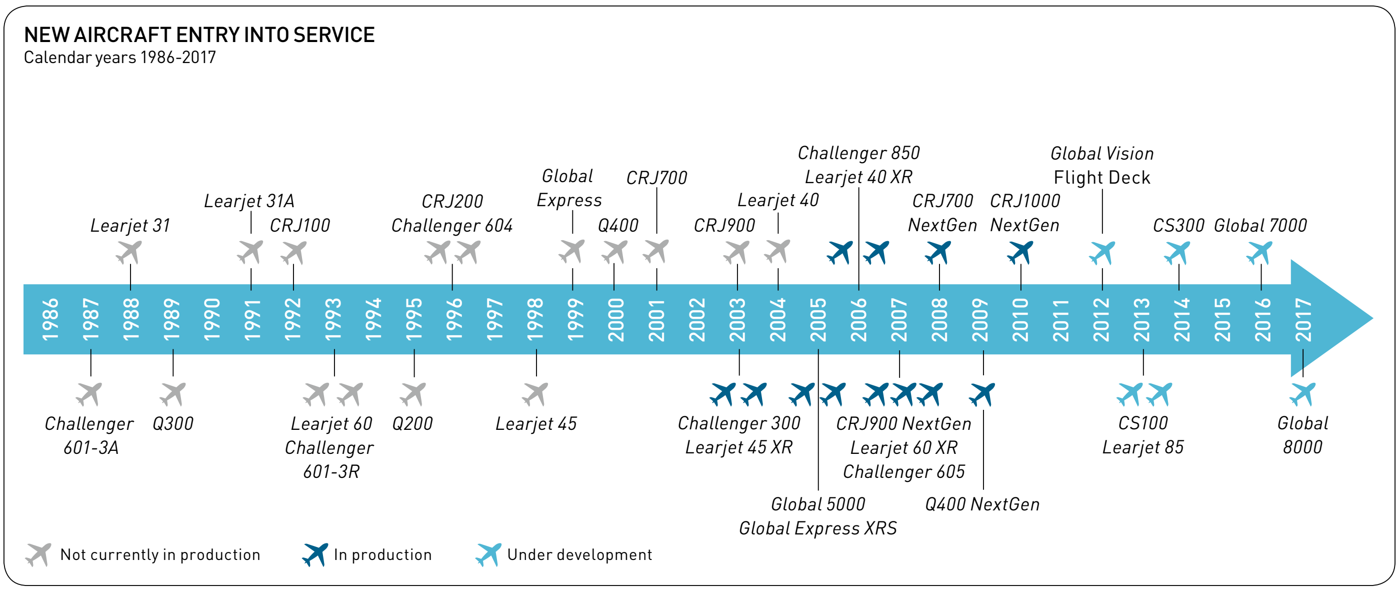
In an industry reflective of general economic challenges, we have developed an outstanding reputation for quality, leadership, stability and innovation though an unmatched commitment to safety, solid service guarantees (allowing the use of aircraft for all owners and through guaranteed upgrades and downgrades) and continuous program enhancements. All of our flight training is conducted by active pilots, and we are the only fractional ownership provider to have earned 12 consecutive Federal Aviation Administration Diamond Awards for outstanding maintenance training. We offer a broad choice of aircraft and our fleet is the youngest of our main competitors, with an average age of just over four years. We continue to introduce new services, designed to retain existing customers while also appealing to potential new customers.

STRATEGY

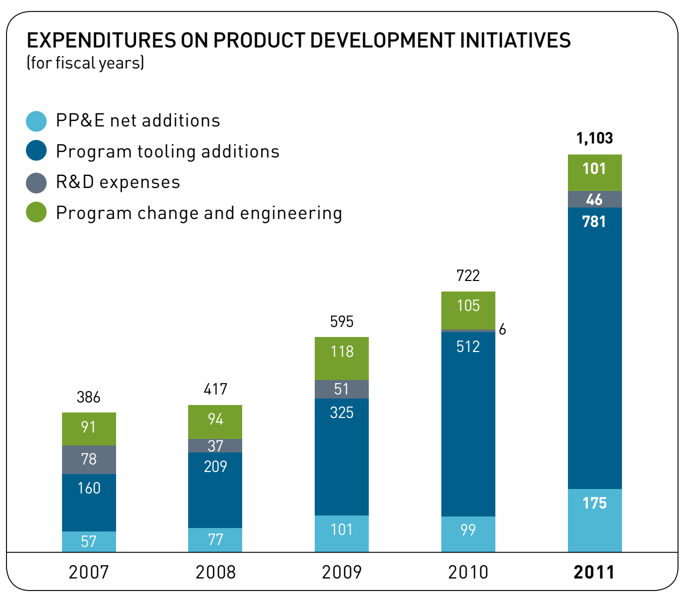
Emerging from the recession as leader

December 2011 will mark the 25th anniversary of Bombardier's acquisition of Canadair and thus our entry into the world of aerospace. In those 25 years, we have developed a leading presence in the market as we continuously invest to develop new products aligned with current and foreseen customer needs.

At the beginning, we created a new market segment by introducing the first regional jet, as we saw the need for hub expansion and point-to-point services. We entered the turboprop market, which allows us to offer a fast, fuel-efficient and low-emission product to our customers for short-haul operations. We also quickly realized how much of a valuable productivity tool a business aircraft can be, and our three families of business jets now represent the most comprehensive offering of all business aircraft manufacturers, enabling us to address the needs of most business aircraft users, owners and operators.



In accordance with this vision, we are still aiming higher and we continue to invest to further improve our portfolio. During the recent economic crisis, we launched the *Global 7000* and *Global 8000* aircraft program, as we see the greatest potential for development in the large business aircraft category. The *Global 7000*[1] aircraft will feature a spacious four-zone cabin with an impressive 74.67 cubic metres (2,637 cubic feet) of volume designed to lead its segment, and an exceptional range of 7,300 nautical miles. The *Global 8000*[1] aircraft will feature a spacious three-zone cabin with 63.32 cubic metres (2,236 cubic feet) of volume, and a dominant range of 7,900 nautical miles. Even with their increased cabin size and range, the *Global 7000*[1] and *Global 8000*[1] aircraft will offer a 14% and 18% overall lower fuel burn than the *Global Express XRS*, respectively, as well as NO_X emissions 50% below upcoming International Civil Aviation Organization (ICAO) regulations.



1 Under certain operating conditions, when compared to aircraft currently in service. See *Learjet 85*, *Global 7000* and *Global 8000* aircraft program disclaimer at the end of this annual report.

The speed, range and efficiency of the *Global 7000* and *Global 8000* jets will be achieved through the ingenuity of advanced design, all new high-speed transonic wings, new engines and weight optimization. With these two additions, Bombardier's flagship *Global* aircraft family is now the most comprehensive large aircraft portfolio in the industry, with four products offering distinctive value propositions to answer different customer needs.

We also continued to invest in the *Learjet 85* aircraft program, which will be the first business or commercial aircraft (aircraft certified under Federal Aviation Regulation FAR Part 25 in the U.S.) to be built primarily from composites. The *Learjet 85*[1] aircraft will redefine the medium business jet class with a larger, more comfortable stand-up cabin than any existing aircraft in its class, a high cruise speed of Mach 0.82 and a transcontinental range of up to 3,000 nautical miles, while the low NO_X emission combustor will help minimize the environmental footprint.

The *CSeries* family of aircraft is our entry into the 100- to 149-seat commercial aircraft market segment. As usual, we do not simply enter a new segment, but we redefine it with the first product specifically designed for this category in the last 20 years. The *CSeries*[2] family of aircraft will offer superior field performance and passenger comfort, strong environmental benefits as well as a 15% cash operating cost advantage and a 20% fuel burn advantage compared to any aircraft currently in service in this category. Half of the 20% lower fuel burn of the *CSeries* family of aircraft is achieved through the use of fourth-generation, three-dimensional aerodynamics, as well as an

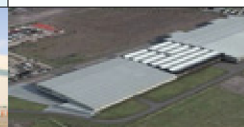
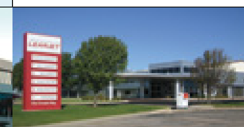
increased use of composites and advanced aluminum alloys and the latest in system technologies, while the engine accounts for the other half.

The *CSeries* family of aircraft will cater to the short-range obstacle-constrained missions within Europe, the longer transcontinental range for the U.S., the high-temperature long-range missions within the Middle East and South America and the more challenging routes with high-temperature and high-altitude airports within developing markets such as China and India. The aircraft will therefore offer maximum operational flexibility in terms of range, field performance and overall productivity, meeting the full spectrum of requirements from mainline to low cost carriers, including those of the aircraft leasing community. With the large retirement pool scheduled, our target is to capture 50% of the 6,700 aircraft deliveries forecasted for the 100- to 149-seat category between calendar years 2010 and 2029.

1 Under certain operating conditions, when compared to aircraft currently in service. See *Learjet 85*, *Global 7000* and *Global 8000* aircraft program disclaimer at the end of this annual report.

2 Under certain operating conditions, when compared to aircraft currently in service for short-haul flights of 500 nautical miles. See *CSeries* family of aircraft program disclaimer at the end of this annual report.

In order to foster the proper innovative environment in our product development and manufacturing processes, we need to have state-of-the-art facilities. We are currently significantly investing in the following facilities:

PROGRAM	*CSERIES*			*LEARJET 85*	
Sites	**Mirabel *CSeries* Final Assembly Complex**	**Belfast Composite Wing Production Unit**	**Saint-Laurent Component Plant**	**Wichita Final Assembly Site**	**Querétaro Facility**
					
Purpose	Integrated aircraft systems testing, final assembly line, administrative and customer delivery centre.	Manufacturing and assembly of the advanced composite wings.	Manufacturing of the carbon-fibre aft fuselage and the cockpit.	Final assembly.	Fabrication of the major composite structures.
Location	Mirabel (Québec), Canada	Belfast, Northern Ireland	Saint-Laurent (Québec), Canada	Wichita (Kansas), U.S.	Querétaro Aerospace Park, Mexico
Size	Expansion of 80,000 sq. m (860,000 sq. ft.)	56,000 sq. m (600,000 sq. ft.)	Upgrading of 9,000 sq. m (100,000 sq. ft.) of production area	Expansion of 20,500 sq. m (221,000 sq. ft.)	18,600 sq. m (200,000 sq. ft.)
Status	Building of the Complete Integrated Aircraft Systems Test Area (CIASTA) was completed in February 2010. Remaining expansion is progressing on schedule.	The first phase of construction was completed on schedule in October 2010. Production of the wings is scheduled to begin in the second half of calendar year 2011.	The upgrade, including new machinery, equipment and tooling, was completed in March 2011.	Construction is progressing on schedule.	The facility was inaugurated in October 2010 and we have started the production of parts for the *Learjet 85* aircraft.

FOSTERING THE PROPER CONTROL ENVIRONMENT TO ACHIEVE OUR OBJECTIVES

Recognizing the long-term nature of product development activities and the significant human and financial resources required, we follow a rigorous gated product development process, ensuring early identification and efficient mitigation of potential risks. At the heart of this process is our Bombardier Engineering System, followed for all programs throughout the product development cycle. This process is constantly refined to integrate the lessons learned from our own programs and from the industry. The stages in the process are described hereafter and specific milestones must be met before a product can move from one stage of development to another. The gates consist of exit reviews with different levels of management and leading experts to demonstrate technical feasibility, customer acceptance and financial return.

STAGE		DESCRIPTION	PROGRAM STATUS
Conceptual definition	JTAP	**Joint Technical Assessment Phase –** Preliminary review with our potential partners and suppliers to analyze technologies desired to build or modify an aircraft.	
	JCDP	**Joint Conceptual Definition Phase –** Cooperative effort with our potential partners and suppliers to perform a configuration trade-off study and define the system architecture and functionality.	
Launch preparation		Continuation of the design definition and technical activities. Creation of a project plan to define the schedule, cost, scope, statement of work and resource requirements for the program.	
Preliminary definition	JDP	Optimization of the aircraft design with respect to manufacturing, assembly and total lifecycle costs. **Joint Definition Phase –** Joint determination with our partners and suppliers of the technical design of the aircraft and sharing of the work required.	*Global 7000* *Global 8000*
Detail definition	DDP	**Detailed Designed Phase –** Preparation of detailed production drawings and confirmation of the design based on the preliminary design definition agreed in the previous phase.	*CSeries*
Product definition release		Formal issue of the engineering drawings to manufacturing, allowing for the completion of tool designs and the assembly of the first produced aircraft.	*Learjet 85*
Product certification		Completion of certification activities to demonstrate that the aircraft complies with the original design requirements and all regulatory airworthiness standards.	*Global Vision*
Program completion		Conclusion of final design activity. Preparation for entry into service.	

We also follow a thorough review process even before an aircraft is launched, by assessing all new programs through the Aircraft Portfolio Strategy Board (APSB). With representation from all key functions involved, this board ensures that we are internally aligned and capable of delivering on our commitments at all levels of the organization. Among others, this process confirms the availability of human and financial resources, the maturity and manufacturing readiness of new technologies and the overall strength of the business case, by imposing increasingly strict business guidelines as a program approaches launch. This process is performed in parallel to the pre-launch Bombardier Engineering System stages (conceptual definition and launch preparation), and ultimately culminates with the approval of Bombardier's Board of Directors.

Other key controls are also followed throughout the development process, to ensure that we execute as planned in our product development.

KEY CONTROL	DESCRIPTION	STATUS
Wind tunnel tests	Measure the aerodynamic forces being imposed on a scaled aircraft model, to confirm the aircraft's overall performance and benefits and thus ensure that we deliver on our promises.	First tests on the *CSeries* aircraft were completed in July 2010 and final tests will be conducted in calendar year 2011. All development and production tests on the *Learjet 85* aircraft were completed in calendar year 2010.
Demonstrator	Test demonstrator parts to prove the capability of sustaining various types and levels of damage, to prove out the design, manufacturing and assembly technologies being employed, and to ensure that repair systems are proven before the aircraft enters into service.	The *CSeries* demonstrator wing completed its ultimate load test in July 2010, successfully replicating 150% of the most severe forces the wing is ever likely to experience in service. In October 2010, the *CSeries* demonstrator outer wing box was successfully attached to the centre wing box. The *Learjet 85* team successfully completed a demonstrator unit in June 2010 for the one-piece pressure fuselage. A series of destructive test articles are underway at the Querétaro facility to validate the manufacturing process for each large composite article.
Test rigs	Test aircraft systems for reliability and functionality before first flight, in order to identify any issue ahead of flight testing.	Almost 70% of the total fatigue cycle tests to be performed on the *CSeries* aluminum-lithium fuselage test barrel have been completed. Formal integration testing on the static representation of the *Learjet 85* cockpit began in September 2010.

We also continuously apply what we have learned from one program to other programs, by sharing ideas and learning in our various functional committees as well as through regular peer reviews, bringing together expertise across all platforms to drive alignment and common approaches, establish best practices and leverage the knowledge and experience of our best people.

As a result of these key controls, we are on schedule in the development of all our programs, and we are confident that we will execute as planned. The *CSeries* family of aircraft program successfully transitioned from JDP to DDP in July 2010, and 25% of datasets have been released to fabrication and production for the ground test aircraft and for the flight test aircraft. The *Learjet 85* aircraft program successfully transitioned from JDP to DDP and then to product definition release in fiscal year 2011, and parts manufacturing is underway at our Querétaro and Belfast sites and with our suppliers.

We are delivering on our enterprise strategy by focusing on flawless execution

We strive to achieve world-class status not just within our industry but as a global company. We are guided by our Enterprise Strategy Statement.

BA ENTERPRISE STRATEGY STATEMENT

Strengthen our long-term leadership in our industry segments through revenue growth and sustainable best-in-class financial performance with the most loyal customer base by 2020. We will achieve this by leveraging our comprehensive portfolio of high-performance business jets, efficient commercial jets and turboprops, and quality innovative aircraft services.

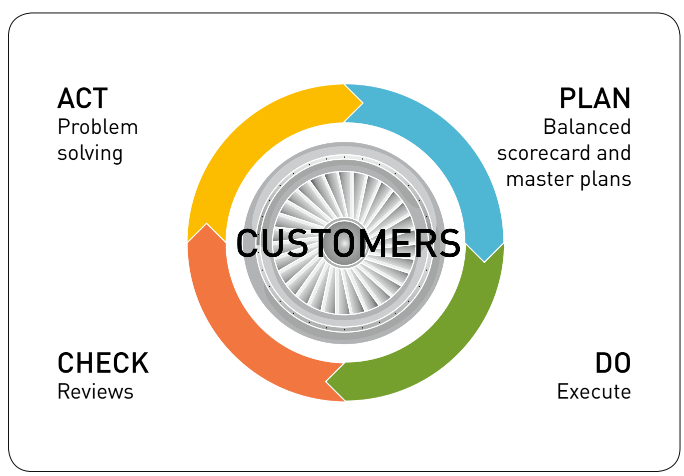
To understand how we will get there is to understand who we are. The Bombardier Way defines our uniqueness just as it unites us on our common path. Its three components, Mind, Body and Soul, work together to support our goals.

The Mind is what we think, what we want to be and what we want to do, as represented by our BA Enterprise Strategy Statement and Our Way Forward. Concretely, it is the strategic plan we have developed to achieve our vision.

The Body defines how we work and do things to become what we want to be. It is our set of tools, processes and procedures that describe how we operate as an organization and support how decisions are made. This is achieved through our Achieving Excellence System ("AES"), deployed throughout our organization so we have a common way of doing things, based on standardized processes and a common terminology across the organization.

The Soul is what defines our personality as a company. It is what we believe in, our values, our mindset and our behaviours. Our soul makes us unique and inspires our stakeholders, including our employees, customers, suppliers, communities, investors and shareholders.

Our AES is at the heart of our lean enterprise process and flawless execution, while helping to mitigate risks and promote employee engagement. This management system has been adopted by the entire BA population to achieve our business objectives, from the shop floor to top management, throughout all functions. The core elements of the system are represented through a four-step approach, centred on the customers.



In order to reap the reward brought by such a system, we must fully translate strategies into actions. To do so, the contribution of all employees is harnessed to produce sustainable results. Our objective is therefore to train all employees from all levels of the organization to reach the diamond certification, the highest level in the AES methodology. The organization is currently engaged in the gold phase of the system, having completed the bronze and silver phases.

LEVEL	BRONZE	SILVER	GOLD	PLATINUM	DIAMOND
Main theme	Build foundation	Organize	Standardize	Implement high performance and sustainability	World-class continuous improvement culture
Benefits	Early presence of lean practices	Larger implementation of lean practices	BA's targets attained and sustained, capable and stable processes	Aerospace best practices	World-class best practices
How	Baseline to create awareness on lean practices	Employees participate in transforming their environment	Accelerate the development of skills to master continuous improvement tools and methodologies	Sustainable business model adopted	Fully translate strategies into actions, to harness the full contribution of all our employees to produce sustainable results
Status	Completed for all employees	Completed for all employees	Targeted completion in calendar year 2013	To be determined	To be determined

Our Enterprise Strategy and its reflection through The Bombardier Way are the foundation of Our Way Forward, which is structured around seven priorities that provide alignment and therefore strength in achieving our goals. Our seven strategic priorities are as follows:

1	**Be #1 in customer satisfaction through flawless execution**
2	**Raise our game in global talent management**
3	**Actively manage risks**
4	**Establish local roots in all key markets**
5	**Enhance our corporate social responsibility**
6	**Develop innovative, environmentally conscious products that meet customer needs globally**
7	**Evolve into a lean enterprise with strong global supply chain partnership**

BE #1 IN CUSTOMER SATISFACTION THROUGH FLAWLESS EXECUTION

Our industry-leading comprehensive portfolio of business and commercial aircraft and services paired with our focus on delivering an Amazing Customer Experience (ACE) are fundamental to meet our objective of exceeding the high standards of our business and commercial aircraft customers. We are engaging the entire organization on delivering an amazing customer experience by embedding customer satisfaction metrics in our employee incentive plan, and by focusing on flawless execution in order to always deliver on our customer promises. Our business aircraft customers are buying aircraft that meet their requirements in terms of performance such as speed and range, cabin comfort and style, amenities and interior customization, expecting nothing less than reliable flight operations with flawless service and maintenance support and exclusive and personalized customer care. Our commercial aircraft customers are buying aircraft that meet their required range and payload, as well as competitive operating costs, selecting product features that ensure safe and reliable service adapted to their business model.

CUSTOMER SATISFACTION THROUGH FLAWLESS EXECUTION	
Goal	Be #1 in quality and customer satisfaction by exceeding our customer expectations and delivering on our brand promises through a culture of flawless execution. We aim to achieve world-class standards of customer engagement.
Leading initiatives	• We recognized the need for a cultural transformation and fundamental shift in our overall approach regarding the customer. Through the deployment of our Amazing Customer Experience (ACE) initiative and the gold phase of the Achieving Excellence System (AES), we are engaging our employees to achieve world-class best practices in all our activities, which will in turn increase customer satisfaction. • We continue to focus on improving the performance of our aircraft by standardizing our operational and internal quality processes and systems, ultimately improving our on-time aircraft deliveries and fleet dispatch reliability. • We are continuously improving the performance of our sales, contracting, delivery and in-service processes through specific initiatives identified using customer feedback. • We are continuously adapting our network of customer service and support locations, personnel and parts to provide a global network ready to serve our customers around the world.
Highlights	• We improved our on-time aircraft deliveries and fleet dispatch reliability significantly year over year. • According to our most recent customer engagement survey results, we made progress on customer satisfaction for both business and commercial aircraft. • We improved customer relationships by increasing the number of senior management review meetings and executive visits. • We launched customer delivery teams for all business aircraft customers to ensure seamless entry-into-service experience. • We implemented customer care initiatives as part of the Delivery Experience Enhancement Project (DEEP) for commercial aircraft, including the opening of a new aircraft delivery centre at our *Q400* aircraft Toronto site and the designation of customer-quality representatives. • We continued our worldwide customer support expansion strategy, with new regional support offices in India and Dubai, our first wholly owned service centre outside North America, and five new AOG/line maintenance and authorized service facilities for business aircraft maintenance. • We launched a new aftermarket customer website allowing our customers to order spare parts online from our Belfast facility, as well as to request up-to-date technical publications and notify us of upcoming repairs. • We launched the first phase of Customer Orientation Training to customer-facing employees to continue to develop a customer-centric culture.

RAISE OUR GAME IN GLOBAL TALENT MANAGEMENT

Our people are a key driver of our success. To achieve customer engagement, employees need to be fully engaged. Recently undertaken recruitment and our management of the economic downturn continue to underscore the need for effective talent planning and management. Our focus is on intensifying our efforts to become the employer of choice, and on investing in the development of a skilled, engaged and proud talent pool around the globe.

UNBEATABLE TALENT	
Goal	Provide a safe and rewarding environment that attracts and retains a talented team and where employees are engaged in delivering exceptional results to our customers and our key stakeholders.
Leading initiatives	• We continue to develop our Centre of Expertise in Leadership and Organizational Development, which sets us apart from other employers with a total of 60 professionals working in four key areas of expertise: change management, organizational development and effectiveness, technical training and leadership development, as well as talent management. • We are strengthening the motivation and engagement of our employees by developing and introducing a consistent global Employment Value Proposition (EVP) to clarify the value we bring to current and prospective employees and accelerate the hiring process. • We are promoting employee engagement through the deployment of our Achieving Excellence System (AES). We are aligning our selection, talent management, employee engagement and recognition processes to support the implementation of this system. • More than 14,000 employees worldwide participate in our employee incentive plan, aligning employees' goals with our key priorities and enhancing employee engagement. • We are developing leadership pools and are building strong succession pipelines for critical resources. In doing so, we are also consolidating global talent data to create global talent market pools by key functions to facilitate increased mobility across all of Bombardier. • We are offering a broad spectrum of learning and development programs for every level of employee to support individual needs expressed in employees' personal development plans. • To accelerate the development of future leaders, our Talent Acceleration Process (TAP) ensures that these employees are given a challenging environment to develop, such as stretch jobs, task force/project assignments and turn-around initiatives. These employees are then supported by an internal learning coach as well as mentors in the creation and on-going monitoring of a robust personal development plan. • We are enhancing the diversity of our management team through our Bombardier Diversity Forum, which promotes and increases diversity within the organization by providing a series of learning and networking activities. Our first initiative is to increase the number of women in management positions by December 2012, with an objective of 25%.
Highlights	• In the BA employee survey conducted in November 2010, we increased year over year our engagement index to 72% and our employee participation to 91%. We see this as a tremendous achievement for our organization. • For hourly employees, we installed an internationally benchmarked system to develop and maintain skilled trades, through regular evaluation of individual skills and performance combined with learning opportunities to fill identified competency gaps. • We further increased the number of employees under our Talent Acceleration Process (TAP) program to 200 employees, a 44% increase. • We launched a process called "The Listening Cafés" to facilitate conversations across the organization and accelerate our cultural transformation by further characterizing the collective personality of Bombardier. More than 10,000 employees, as well as selected customers, suppliers and union representatives, participated in a series of collaborative dialogues. • BA was selected among Canada's Top 100 Employers for calendar year 2010, according to a Globe and Mail special editorial feature. The criteria in which we excelled included training and skills development, employee engagement, physical workplace and financial benefits and compensation. • BA was recognized among Canada's Best Diversity Employers by Mediacorp Canada Inc. for its practices aimed at fostering diversity in the workplace.

ACTIVELY MANAGE RISKS

The magnitude of the recent financial crisis as well as its significant repercussions on the world economy, our customers, suppliers and even competitors have highlighted more than ever the need to have a broad and comprehensive risk management approach. The main objective of our risk management activities is to create value. Our risk management approach provides the basis to select the risks that drive value while proactively mitigating, managing or transferring risks that do not create value or that we decide not to take. This allows us to earn the proper sustainable return for the opportunities we choose to pursue and achieve a balance between risks and rewards.

A primary area of focus is product development, where resides our biggest opportunities to create value and also our most significant risks. Key controls related to the product development process are embedded in our Bombardier Engineering System, as described earlier.

CALCULATED RISKS	
Goal	Actively manage risks by developing our insight and transparency in the management of key risks that drive value while mitigating or transferring risks that do not create value.

Leading initiatives	• We are introducing a risk management framework based on the ISO 31000 standard of risk management to formalize and standardize the risk management processes and governance across the Bombardier organization for all types of risks.
	• We are doing extensive and detailed resource planning for key positions to ensure that our human resources are optimized. Such planning includes an assessment of the adequacy of the engineering resources needed for the development of our significant aircraft programs.
	• We are harmonizing and standardizing program management and product development activities through a rigorous governance process at each stage of the value chain. Furthermore, we are implementing a technical audit process for new development programs consisting of audits and analyses of our key technical risks by internal and/or external experts, after which our dedicated technical oversight team follows up mitigation actions for these technical risks.
	• We are proactively monitoring our key markets to manage the exposure on our order backlog, future profitability and free cash flow that could result from deferrals of deliveries, order cancellations, lower order intake, lower availability of customer financing, deterioration in the financial health of our key suppliers and an increase in pre-owned aircraft jet inventory.
	  • We use scenario analysis to stress-test our revenues and cash flow projections to ensure the right-sizing of the organization, maintain minimum inventories and maximize earnings' potential.
	  • We are optimizing cash flows through the effective management of operations and net utilized assets, mainly inventories, receivables, advances from customers and capital expenditures.
	• We are constantly monitoring the financial health of our suppliers to protect our supply chain on both existing and new aircraft programs.
	• We continuously apply what we learn from one program to the other programs, by sharing ideas and learning in our various functional committees, which include our Engineering Committee, our Operations Committee, our Program Management Committee as well as other supporting councils in quality, methods and logistics.

Highlights	• We introduced a Corporate Risk Management policy as the basis for our risk management framework. • We embedded product development milestones in our employee incentive plan, effective February 1, 2011. • We proactively adjusted our production rates throughout the economic crisis in order to be ready when the market returns, while at the same time effectively managing inventories. • Over the last two years, we developed a cross-functional process to proactively monitor our suppliers' financial health and implement mitigation plans when needed. We also implemented optimization activities, bringing the focus on our suppliers' core capabilities and performance and thereby reallocating 2,500 parts to our strategic suppliers. As a result, no supplier default had a negative impact on our production line during the recent economic crisis.

ESTABLISH LOCAL ROOTS IN ALL KEY MARKETS

Our key markets are evolving, with a larger portion of our orders and deliveries originating from outside our traditional markets of North America and Europe. This trend was accelerated with the economic crisis, as our traditional markets were in general more significantly impacted than emerging economies. As a result, while the U.S. represented 51% of our revenues in fiscal year 2008, it only represented 38% in fiscal year 2011. In the future, emerging economies are also expected to grow at a higher pace than our traditional markets. These strong growth rates combined with an amplified propensity to travel among the developing middle-class population will lead to increased new aircraft deliveries to meet demand in emerging markets.

The rise of these emerging economies offers numerous opportunities, including new markets for our products and services and access to well-trained talent pools. At the same time, increasingly capable and well-funded competitors in these emerging markets pose challenges, requiring us to be ever more innovative and cost-effective. Expanding our local roots in these markets will strengthen our global scale and leadership. At the same time, it is also important to further strengthen our local roots in developed economies, as these markets will continue to represent the bulk of our activities in the foreseeable future.

<table>
<tr><th colspan="2">DEEP LOCAL ROOTS</th></tr>
<tr><td>Goal</td><td>To build centres of gravity in key markets by adapting our organizational structure to grow deeper local roots, by leveraging synergies within these markets across Bombardier and by enhancing our local brand and reputation.</td></tr>
<tr><td>Leading initiatives</td><td>• We are establishing clear priorities for international expansion based on customer needs, revenue opportunities and the need to increase our competitiveness.
• We are working closely with local partners (government, educational establishments, suppliers, customers and our employees) to further develop the local aerospace industry wherever we locate, in order to build expertise, develop technology and attract investment, as the development of aerospace clusters is a well-proven model for accelerating growth in local aerospace markets.
• We are establishing an organizational model, which outlines roles and responsibilities for our personnel in local markets. This will allow us to establish a local presence more rapidly and to facilitate communication and alignment across the organization.</td></tr>
<tr><td>Highlights</td><td>• We appointed a leader of international business development to focus on expansion in key markets.
• We participated in more than 40 airshows and tradeshows in calendar year 2010, bringing our products closer to our customers and supporting the aerospace industry.
• We continued to expand our international presence to support our customers in their local regions, including the continuation of our worldwide customer support expansion strategy.
• We leveraged and continue to enhance our network of Chief Country Representatives, which maintain local offices and relationships in key markets and regions.
• In March 2011, we signed a framework agreement with Commercial Aircraft Corporation of China, Ltd. ("COMAC") to establish a long-term strategic cooperation on commercial aircraft. This agreement is based on both COMAC's and Bombardier's desire to build on the potential complementary nature of our 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. Both parties will also evaluate possibilities for cooperation with regards to the C919 and CSeries aircraft program commonalities, joint procurement as well as collaboration on future Bombardier and COMAC product lines.
• In March 2011, we signed a memorandum of understanding with a leading leasing company in China to provide Bombardier's customers with advance payment financing, delivery financing and leasing solutions for Q-Series, CRJ Series and CSeries commercial aircraft, as well as Learjet, Challenger and Global business aircraft. This complements the memorandum of understanding signed with another leading leasing company in China in March 2010. The total capital available under these two memoranda of understanding is approximately $12 billion, for transactions in China and elsewhere.</td></tr>
</table>

ENHANCE OUR CORPORATE SOCIAL RESPONSIBILITY

Our comprehensive approach to corporate social responsibility reflects two important and intertwined concerns: meeting our stakeholders' increasing expectations and advancing our business priorities. Our stakeholders count on us to reduce our impact on the environment, be a positive force in the community in addition to delivering best-in-class products and services. In today's business environment, we view all these objectives as levers to strengthen our business. Enhancing the energy-efficiency of our operations directly impacts our results. Improving our products' environmental performance becomes a competitive advantage and an opportunity to reinforce our customer relations. Providing our employees with a safe workplace and development opportunities translates into deeper engagement, increased creativity and better productivity. This is why we are diligently embedding sustainability in day-to-day operations to ensure that corporate social responsibility permeates all levels and activities of our organization. The table below presents an overview of our goals, leading initiatives and significant highlights. For more information, our 2010 CSR report can be consulted online on the Bombardier website at www.csr.bombardier.com.

GREATER CORPORATE SOCIAL RESPONSIBILITY	
Goals	• Enhance BA corporate social responsibility strategies and ensure strong alignment with those of the Corporate Office and BT. • Continue to promote a zero-accident culture. • Build socially responsible products and play a leadership role in the aviation industry's environmental efforts. • Minimize our operations' environmental footprint by eliminating restricted substances and adopting high sustainability standards for our buildings and operations to promote the adoption of a carbon-neutrality mindset and deliver a "zero waste" performance. • Ensure the efficiency and viability of our suppliers by enhancing the sustainability of our procurement processes, and promoting ethics, human rights and internationally recognized labour standards across our global supply chain. • Reinforce our relations with key stakeholders and optimize the impact of our contributions by increasing the focus of our community involvement.
Leading initiatives	• We are continuing the deployment of our Design for Environment (DfE) capabilities on the *CSeries* family of aircraft, *Learjet 85* aircraft and the recently launched the *Global 7000* and *Global 8000* aircraft programs and will produce Environmental Product Declarations (EPDs) for these new aircraft. • We developed a strategy and set objectives to reduce our carbon footprint and we are continuously assessing our environmental liabilities. We are committed to reduce our energy consumption by an additional 10% per 200,000 worked hours by calendar year 2013 compared to our calendar year 2008 baseline, and to promote the adoption of a carbon-neutrality mindset throughout our activities, with annual targets meeting at least the levels defined in relevant national and international agreements. • We are proactively engaging with key non-governmental organizations in the field of aviation and the environment, based on the input from our three stakeholder perception surveys.
Highlights	• We achieved an accident frequency ratio of 0.60 accident per 200,000 hours worked, compared to 0.98 in fiscal year 2010, and reduced our accident severity ratio to 22 workdays lost per 200,000 hours worked, compared to 32 in fiscal year 2010. Both ratios include cases generating light duties. • We reached our target set for fiscal year 2011 of 100% of our production and service sites with more than 150 employees certified for Occupational Health and Safety Assessment Series (OHSAS) 18001 and ISO 14001 standard for Environmental Management System. • We launched a Green Fund to implement our employees' best ideas to improve energy efficiency and environmental performance. In calendar year 2011, the first 19 initiatives will be implemented. • As at January 31, 2011, 223 of our suppliers have committed to adhere to our Supplier Code of Conduct. Of these, 90 are aircraft equipment vendors representing 89% of our total bill of material cost and 133 are suppliers of indirect goods and services, representing 68% of our costs in this category. • We consolidated our network of more than 20 local designated representatives to better align our community involvement, enhance monitoring and reporting of donations and sponsorships and foster value creation in the communities where we operate.

CONTINUE TO INVEST IN OUR FUTURE

The development of innovative, environmentally conscious products that meet customer needs globally is a cornerstone of our product strategy. We are aiming at setting industry standards in delivering value to our customers by delivering fuel-efficient aircraft with lower noise and emissions through the use of new technologies such as composite materials for wings, fuselages and tails, fly-by-wire controls and electrical systems, new aircraft configurations and state-of-the-art aerodynamics.

PRODUCT INNOVATION	
Goals	• Develop innovative, environmentally conscious products that exceed customer needs globally. • Invest in world-class facilities to support our innovation.

Leading initiatives	• We continuously reassess our aircraft portfolio to evaluate customer needs and new technologies, ensuring that we provide the right value proposition to our customers and take the best decisions as to how we allocate our resources.
	  • Our Aircraft Portfolio Strategy Board continues to provide oversight and alignment between our product portfolio and our product technology roadmaps, to ensure that the right products are developed, meeting customer needs at a reasonable price.
	• We are fostering a culture based on innovation by expanding our BA Innovation Network to create sustainable solutions to support game-changing product development.
	  • We continue to invest, develop, protect and consolidate core competencies at existing sites to increase our competitiveness and protect our intellectual property.
	  • We continue to promote BA as an innovative company and attract research and technology partners through our technology centres in Belfast, Northern Ireland, and Toronto, Canada.
	  • We continue to develop and share valuable knowledge and streamlined processes across the different business units and all BA technical core competencies to ensure continuous alignment.
	  • We are expanding our commitments with research consortiums such as the Consortium for Research and Innovation in Aerospace in Québec (CRIAQ), while continuing to engage universities and research institutions.
	• We continue to focus on green initiatives as part of our innovation process.
	  • We spearheaded the creation of a business aviation position statement focused on greenhouse gas emission reductions and we support and promote the industry commitment to reduce commercial aviation emissions. We are now preparing to meet the committed environmental goals of GAMA and IATA of a carbon-neutral growth by calendar year 2020, an improvement in fuel efficiency of 2% per year in business aviation and 1.5% in commercial aviation between calendar years 2009 and 2020 and a reduction in total CO_2 emissions of 50% between calendar years 2005 and 2050.
	  • We are expanding our commitments with research consortiums such as the Green Aviation R&D Network (GARDN).
	  • We have established green building principles in all our new facilities. Submission to obtain third-party environmental certification is planned in calendar year 2011.

Highlights	• We launched the *Global 7000* and *Global 8000* aircraft program and continued to invest in the *Learjet 85* aircraft and the *CSeries* family of aircraft programs. These programs are setting numerous industry standards in performance and environment through the use of new technologies. • We signed an agreement with Queen's University of Belfast, Ulster University and different research centres to jointly open a technology centre in Belfast. Inauguration is planned in calendar year 2011. • We formalized our collaboration with the Canadian National Research Council (CNRC) on R&D activities, and became a founding partner of the Research and Innovation for the Aerospace Industry in Querétaro (RIIAQ) of Mexico. Additionally, we led the creation of the Smart, Affordable, Green, Efficient (SAGE) consortium, which carries out Québec-funded technology demonstration projects.

EVOLVE INTO A LEAN ENTERPRISE WITH STRONG GLOBAL SUPPLY CHAIN PARTNERSHIP

We are evolving into a world-class organization that adheres to lean principles and has a culture of continuous improvement. Our focus on flawless execution and the continuous improvement of our processes has a significant impact on our business performance. We continue to optimize our manufacturing network and leverage our emerging market presence. We also continue to build on our effective global supply chain and strong and mutual relationships with our suppliers in more than 45 countries.

LEAN ENTERPRISE	
Goals	• Develop a world-class manufacturing organization that adheres to lean principles and has a culture of continuous improvement. • Improve our asset utilization, putting emphasis on inventory and lead time reduction. • Improve supplier performance on quality, delivery and reliability to reach world-class standards.
Leading initiatives	• We are further enhancing our operational and functional excellence. Our Achieving Excellence System (AES) has been a cornerstone of our improvement and the momentum that it has created is allowing us to strengthen our focus on the introduction of lean principles in both manufacturing and office environments and driving our performance. We remain strongly committed to the program, and plan to achieve the gold status in calendar year 2013. • We are focusing on further increasing our inventory turnover, in order to minimize working capital currently immobilized in our manufacturing footprint. • We continue to develop our manufacturing base and supply chain network in emerging countries, specifically through new programs under development. • We are working closely with our strategic suppliers on lean transformation of their manufacturing sites through our Sourcing Operations Finance and Engineering (SOFE), 5 Stars certification and Supplier Quality Improvement programs. • We will continue to strengthen our supplier relationships through Bombardier Achieving Supplier Excellence (BASE), a supplier recognition award, as well as through senior executive reviews and other strategic supplier forums. • We will continue to deploy our new lean contract approach to optimize efficiency and productivity of new programs sourcing, develop alternative sources of supplies and secure competitive total lifecycle value propositions from our supply base on new and existing programs, including long-term cost and availability of supply protections and joint lean improvement initiatives.
Highlights	• We improved our on-time delivery performance across our sites through investment in automation and introduction of lean principles, tools and culture. • We introduced the gold phase of our Achieving Excellence System (AES). • We continued to grow our Querétaro operations, with the completion of the *Learjet 85* production facility and its preparation for production. This represents a significant milestone, since this is one of the first new programs where major part production will be performed in Mexico. • We continued to deploy our new lean contract approach for future programs. This approach has been applied to the suppliers' selection for the *Global 7000* and *Global 8000* aircraft program, and more than 20 major suppliers have already signed a general terms agreement. • We expanded the scope of our supplier scorecard Bombardier Aerospace and Supplier Indicator System (BASIS), allowing us to more efficiently measure supplier performance. We have been able to increase performance through fact-based dialogue using a collaborative and transparent approach. • We have deployed a new strategic sourcing process on several commodities, allowing us a more structured and fact based approach with our suppliers.

We have what it takes to deliver on our long-term strategy

We continue to reinforce our foundations and to grow sustainably. We are leveraging our diversified portfolio of jet- and turbo-propelled aircraft to address the various needs of geographically diversified commercial and business aviation customers both today and into the future. We are building on a strong commitment to innovation, based on more than 300 years of combined aerospace experience and heritage, brought about by a combination of Canadair, Short Brothers, de Havilland and Learjet and the numerous new aircraft programs we developed and brought to market.

Our capability to deliver results is based on the attributes described in The Bombardier Way.

- We have a common vision and seven clear strategic priorities which create alignment and drive behaviours in the organization.
- We are focused on customer engagement and as such have strengthened our customer relationships.
- We are in markets with solid long-term demand growth.
- We have a broad, leading-edge product offering.
- We are committed to invest in our product development programs.
- We have a large talent pool of well-trained and engaged employees.
- We are focused on enhancing execution through the continuous improvement of key business processes and on implementing lean principles through our Achieving Excellence System (AES).
- We have strong relationships with our key stakeholders, which enable us to improve our operations and products and foster mutually beneficial continuous improvement in our relationships.
- We have an experienced management team, committed to the long-term success of the organization.

ANALYSIS OF RESULTS

RESULTS OF OPERATIONS

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
Revenues				
Manufacturing				
Business aircraft	**$ 1,150**	$ 1,223	**$ 3,769**	$ 4,282
Commercial aircraft	**980**	778	**2,157**	2,565
Other	**162**	154	**577**	628
Total manufacturing revenues	**2,292**	2,155	**6,503**	7,475
Services[1]	**422**	344	**1,564**	1,359
Other[2]	**160**	176	**547**	523
Total revenues	**2,874**	2,675	**8,614**	9,357
Cost of sales	**2,416**	2,312	**7,269**	7,959
Margin	**458**	363	**1,345**	1,398
SG&A	**180**	156	**603**	601
R&D	**7**	10	**46**	6
Other expense (income)[3]	**24**	1	**(36)**	(53)
EBITDA	**247**	196	**732**	844
Amortization	**66**	90	**284**	371
EBIT	**$ 181**	$ 106	**$ 448**	$ 473
(as a percentage of total revenues)				
Margin	**15.9%**	13.6%	**15.6%**	14.9%
EBITDA	**8.6%**	7.3%	**8.5%**	9.0%
EBIT	**6.3%**	4.0%	**5.2%**	5.1%

1 Includes revenues from parts logistics, aircraft fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training) and Specialized Aircraft Solutions and Military Aviation Training.
2 Includes mainly sales of pre-owned aircraft.
3 Includes net loss (gain) on financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates) and losses (gains) on disposal of PP&E.

TOTAL AIRCRAFT DELIVERIES

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2011**	2010	**2011**	2010
Business aircraft				
Excluding those of the fractional ownership programs	**46**	49	**141**	175
Fractional ownership programs[1]	**1**	–	**2**	1
	47	49	**143**	176
Commercial aircraft	**44**	35	**97**	121
Amphibious aircraft	**1**	2	**4**	5
	92	86	**244**	302

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

MANUFACTURING REVENUES

The $137-million increase for the fourth quarter is mainly due to:

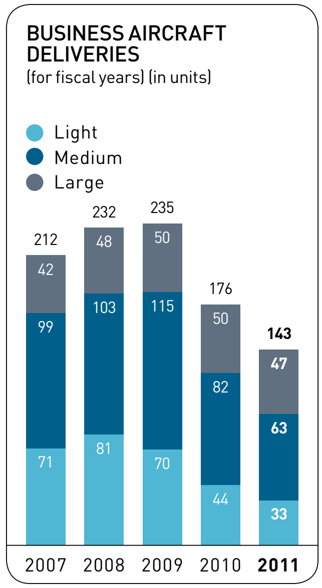
- higher deliveries and net selling prices of commercial aircraft ($202 million).

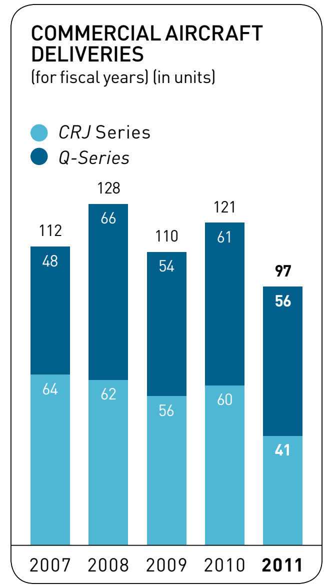
Partially offset by:

- lower deliveries and an unfavourable mix of business aircraft, partially offset by higher net selling prices for large business aircraft ($73 million).

The $972-million decrease for the fiscal year is mainly due to:

- lower deliveries of business aircraft, partially offset by higher net selling prices for large business aircraft ($513 million); and
- lower deliveries of commercial aircraft partially offset by higher net selling prices ($408 million).





SERVICES REVENUES

The $78-million and $205-million increases for the fourth quarter and fiscal year are mainly due to:

- higher aircraft maintenance revenues due to a higher level of activity for business and commercial aircraft ($20 million for the fourth quarter and $70 million for the fiscal year);
- higher sales of spare parts, mainly due to higher volume ($21 million for the fourth quarter and $46 million for the fiscal year);
- higher revenues from Specialized Aircraft Solutions ($12 million for the fourth quarter and $15 million for the fiscal year); and
- higher fractional share and hourly flight entitlement programs' service activities, mainly resulting from higher flight hours flown by customers ($22 million for the fiscal year).

OTHER REVENUES

The $16-million decrease for the fourth quarter is mainly due to lower deliveries of pre-owned business aircraft ($57 million), partially offset by higher deliveries of pre-owned commercial aircraft ($48 million).

The $24-million increase for the fiscal year is mainly due to higher deliveries of pre-owned commercial aircraft ($126 million), partially offset by lower deliveries of pre-owned business aircraft ($85 million).

EBIT MARGIN

The 2.3 percentage-point increase for the fourth quarter is mainly due to:

- higher net selling prices for large business aircraft and for commercial aircraft;
- higher margins relating to spare parts; and
- lower amortization expense, mainly due to tooling on some aircraft programs being fully amortized.

Partially offset by:

- lower liquidated damages from customers as a result of fewer business aircraft order cancellations;
- higher SG&A expenses, mainly due to higher selling expenses; and
- a net negative variance on financial instruments carried at fair value, recorded mainly in other expense (income).

The 0.1 percentage-point increase for the fiscal year is mainly due to:

- higher net selling prices for large business aircraft and for commercial aircraft;
- lower amortization expense, mainly due to the program tooling on some aircraft models being fully amortized;
- higher margins relating to spare parts; and
- lower write-downs of pre-owned business aircraft inventories.

Partially offset by:

- higher cost of sales per unit, mainly due to price escalation of materials;
- lower liquidated damages from customers as a result of fewer business aircraft order cancellations;
- a net negative variance on financial instruments carried at fair value, recorded mainly in other expense (income); and
- lower absorption of SG&A expenses.

The EBIT margin for fiscal year 2010 was also impacted by the following non-recurring items:

- severance and other involuntary termination costs of $38 million recorded in other expense (income) resulting from the decisions to reduce production rates and our workforce; and
- $28 million recorded as a reduction in R&D expenses, following the receipt of contingently repayable investments from the governments of Canada, Québec and the U.K. in connection with previously expensed R&D costs for the *CSeries* family of aircraft.

We generated the liquidity to pay for our significant development programs

FREE CASH FLOW

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
EBIT	**$ 181**	$ 106	**$ 448**	$ 473
Amortization	**66**	90	**284**	371
EBITDA	**247**	196	**732**	844
Other non-cash items:				
Gain on disposals of PP&E	**–**	–	**(8)**	(10)
Stock-based compensation	**6**	6	**23**	23
Net change in non-cash balances related to operations	**777**	243	**253**	(513)
Net additions to PP&E and intangible assets	**(260)**	(233)	**(956)**	(611)
Free cash flow	**$ 770**	$ 212	**$ 44**	$(267)

The $558-million increase for the fourth quarter is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($534 million) (see explanation below); and
- a higher EBITDA ($51 million).

Partially offset by:

- higher net additions to PP&E and intangible assets ($27 million).

The $311-million increase for the fiscal year is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($766 million) (see explanation below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($345 million), due to our significant investments in product development; and
- a lower EBITDA ($112 million).

Net change in non-cash balances related to operations

For the fourth quarter of fiscal year 2011, the $777-million cash inflow is mainly due to:

- a decrease in aerospace program work-in-process inventories, mainly due to the first deliveries of the *CRJ1000 NextGen* aircraft in the fourth quarter of fiscal year 2011;
- a decrease in finished product inventories, mainly due to the increase in commercial aircraft deliveries in the fourth quarter of fiscal year 2011; and
- an increase in advances on aerospace programs, resulting mainly from higher order intake than deliveries for business aircraft in the fourth quarter of fiscal year 2011.

For the fourth quarter of fiscal year 2010, the $243-million cash inflow was mainly due to:

- a decrease in aerospace program work-in-process inventories as a result of production rate decreases;
- a decrease in finished product inventories mainly due to lower levels of commercial aircraft, pre-owned aircraft as well as business aircraft on hand without an associated firm order; and
- a decrease in accounts receivable.

Partially offset by:

- a decrease in advances on aerospace programs, resulting from a lower net order intake for business and commercial aircraft; and
- a decrease in accounts payable and accrued liabilities.

For fiscal year 2011, the $253-million cash inflow is mainly due to:

- a decrease in aerospace program work-in-process inventories; and
- an increase in accounts payable and accrued liabilities.

Partially offset by:

- an increase in commercial aircraft financing; and
- a decrease in advances on aerospace programs, resulting mainly from higher deliveries than orders received for business and commercial aircraft.

For fiscal year 2010, the $513-million cash outflow was mainly due to:

- a decrease in advances on aerospace programs, resulting from a lower net order intake for business and commercial aircraft; and
- a decrease in accounts payable and accrued liabilities.

Partially offset by:

- a decrease in aerospace program work-in-process inventories as a result of production rate decreases; and
- a decrease in finished product inventories due to a lower level of business aircraft on hand without an associated firm order.

We increased investments in product development in a difficult economic environment

PRODUCT DEVELOPMENT COSTS

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
Program tooling additions[1]	**$ 207**	$ 177	**$ 781**	$ 512
Program change and engineering[2]	**26**	26	**101**	105
R&D expenses	**7**	10	**46**	6
	$ 240	$ 213	**$ 928**	$ 623
As a percentage of manufacturing revenues	**10.5%**	9.9%	**14.3%**	8.3%

1 Capitalized in intangible assets.
2 Included in cost of sales.

Our program tooling investments are essentially due to the development of the *CSeries* family of aircraft, the *Learjet 85* aircraft, the *Global Vision* program, the *CRJ1000 NextGen* aircraft, as well as the *Global 7000* and *Global 8000* aircraft program. We have continued to make significant investments in our future.

The increase in the R&D expenses for the fiscal year is mainly due to:

- the receipt in fiscal year 2010 of contingently repayable investments from the governments of Canada, Québec and the U.K. in connection with previously expensed R&D costs for the *CSeries* aircraft program, resulting in a $28-million reduction in R&D expenses for fiscal year 2010; and
- higher R&D expenses incurred prior to the launch of the *Global 7000* and *Global 8000* aircraft program, which are now capitalized in program tooling additions effective as of the launch date in September 2010.

CARRYING AMOUNT OF PROGRAM TOOLING

	January 31 **2011**	January 31 2010
Business aircraft		
Learjet Series	**$ 481**	$ 234
Challenger Series	**187**	249
Global Series	**192**	135
Commercial aircraft		
CRJ Series	**515**	498
Q-Series	**18**	35
CSeries	**667**	289
	$ 2,060	$1,440

Deliveries in line with our guidance

BUSINESS AIRCRAFT DELIVERIES

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2011**	2010	**2011**	2010
Light				
Learjet 40/40 XR/Learjet 45/45 XR	**11**	4	**24**	30
Learjet 60 XR	**3**	6	**9**	14
Medium				
Challenger 300	**11**	8	**29**	36
Challenger 605	**9**	14	**33**	36
Challenger 800 Series	**–**	5	**1**	10
Large				
Global 5000/Global Express XRS	**13**	12	**47**	50
	47	49	**143**	176

The 19% decrease in the number of business aircraft deliveries is essentially in line with the previously announced guidance to deliver approximately 15% fewer business aircraft in fiscal year 2011 compared to deliveries in fiscal year 2010.

We expect to deliver approximately 150 business aircraft during the 11-month period ending December 31, 2011.

COMMERCIAL AIRCRAFT DELIVERIES

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2011**	2010	**2011**	2010
Regional jets				
CRJ700/CRJ700 NextGen	**6**	10	**18**	27
CRJ900 NextGen	**7**	8	**14**	33
CRJ1000 NextGen	**9**	–	**9**	–
Turboprops				
Q300	**–**	–	**–**	6
Q400/Q400 NextGen	**22**	17	**56**	55
	44	35	**97**	121

The 20% decrease in commercial aircraft deliveries for fiscal year 2011 is consistent with our previously announced delivery guidance. The decrease in commercial aircraft deliveries for fiscal year 2011 is mainly due to lower deliveries of regional jets. The lower deliveries of commercial aircraft reflect the continued difficult environment of the regional airline industry.

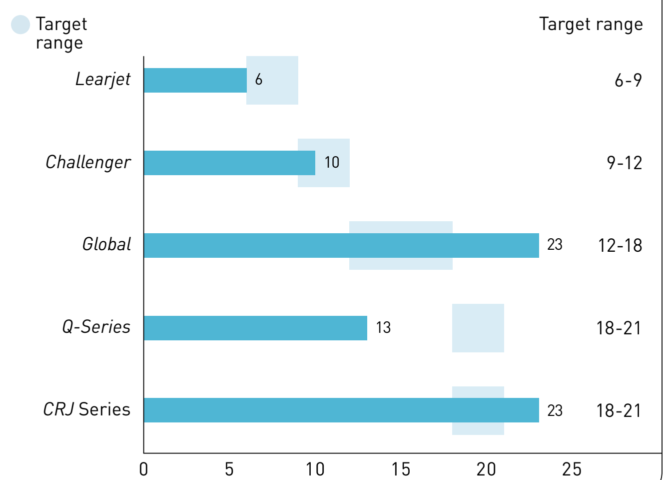
We expect to deliver approximately 90 commercial aircraft during the 11-month period ending December 31, 2011.

Order backlog remains consistent with prior year

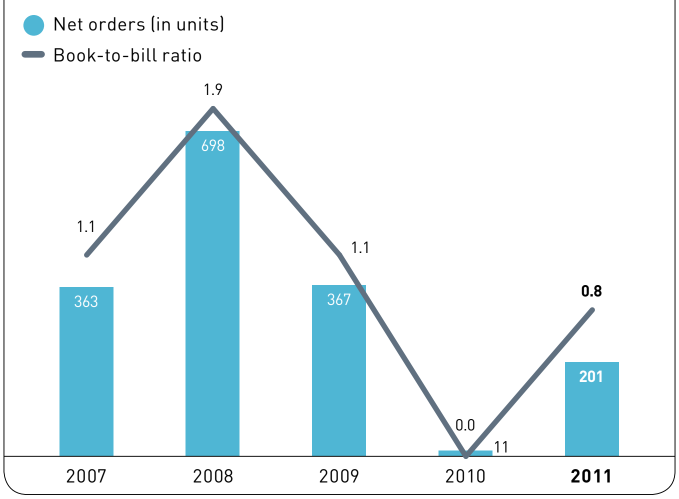
TOTAL ORDER BACKLOG		
(in billions of dollars)	**January 31 2011**	January 31 2010
Aircraft programs	**$15.8**	$15.9
Military Aviation Training	**0.8**	0.8
	$16.6	$16.7

The order backlog at January 31, 2011 remained at approximately the same level as last year. This is mainly due to an order received for the *CSeries* family of aircraft, offset by a lower order backlog for regional jets, turboprops and business aircraft.

ORDER BACKLOG IN MONTHS OF PRODUCTION[1]
(as at January 31, 2011)



NET ORDERS AND BOOK-TO-BILL RATIO
(for fiscal years)



1 The number of months in production is calculated by dividing the order backlog in units as at January 31, 2011 for each family of aircraft (excluding orders for the *Learjet 85, Global 7000* and *Global 8000* aircraft as well as orders received by Flexjet) by the number of aircraft delivered in the previous 12 months, converted into an equivalent number of months.

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

BOOK-TO-BILL RATIO[1]	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
Business aircraft	**1.6**	0.1	**0.7**	(0.5)
Commercial aircraft	**0.3**	0.6	**1.0**	0.7
Total	**1.0**	0.4	**0.8**	–

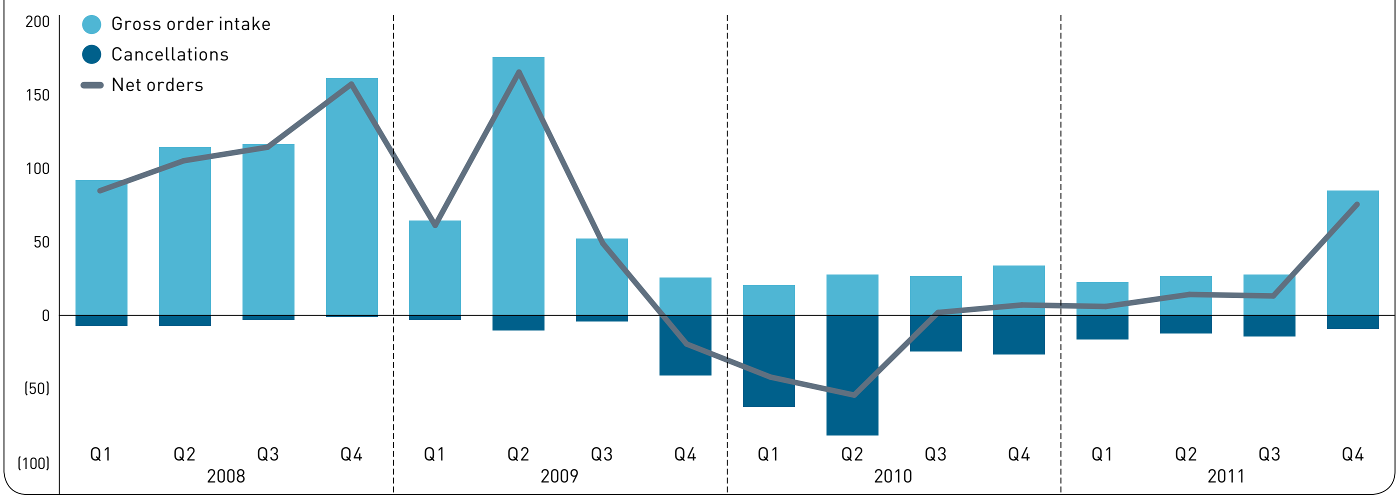
1 Defined as net orders received over aircraft deliveries, in units.

Excluding the orders received for the *CSeries* aircraft program, the book-to-bill ratios for commercial aircraft for fiscal year 2011 was 0.5 (0.3 for fiscal year 2010). The book-to-bill ratios for business aircraft also reflect the positive impact of the orders received for our new programs under development.

TOTAL AIRCRAFT NET ORDERS

(in units)	January 31, 2011 Gross orders	Cancellations/ Terminations	Net orders	January 31, 2010 Gross orders	Cancellations/ Terminations	Net orders
Fourth quarters ended						
Business aircraft (including those of the fractional ownership program)	**83**	**(9)**	**74**	33	(26)	7
Commercial aircraft	**23**	**(10)**	**13**	22	–	22
Amphibious aircraft	**1**	**–**	**1**	4	–	4
	107	**(19)**	**88**	59	(26)	33
Fiscal years ended						
Business aircraft (including those of the fractional ownership program)	**158**	**(51)**	**107**	101	(186)	(85)
Commercial aircraft	**108**	**(15)**	**93**	104	(16)	88
Amphibious aircraft	**1**	**–**	**1**	8	–	8
	267	**(66)**	**201**	213	(202)	11

BUSINESS AIRCRAFT



In the fourth quarter of fiscal year 2011, we began to experience a higher level of business aircraft orders, with 74 net orders, compared to 33 for the nine-month period ended October 31, 2010. The number of order cancellations decreased in fiscal year 2011 compared to fiscal year 2010, which led to a positive net order intake for business aircraft compared to a net negative order intake last fiscal year. The book-to-bill ratio of 1.6 for business aircraft in the fourth quarter of fiscal year 2011 was the highest level since the second quarter of fiscal year 2009.

In January 2011, we announced a firm order for two *Challenger* and six *Global* jets from an undisclosed customer. Based on list price, the value of the firm order is $383 million.

In March 2011, NetJets Inc. placed a firm order for 30 *Global 5000 Vision* and *Global Express XRS Vision* aircraft (equipped with the *Global Vision* flight deck) and 20 *Global 7000* and *Global 8000* aircraft, with options for an additional 70 aircraft of the *Global* family. Based on list price, the value of the firm order is $2.8 billion, which could increase to $6.7 billion if all options are exercised. This is the largest business aircraft order in our history. This order is not included in our order backlog as at January 31, 2011.

COMMERCIAL AIRCRAFT

COMMERCIAL AIRCRAFT NET ORDERS

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2011**	2010	**2011**	2010
Regional jets				
CRJ700 NextGen	**(4)**	22	**(4)**	22
CRJ900 NextGen	**–**	–	**14**	(4)
CRJ1000 NextGen	**–**	–	**–**	4
Commercial jets				
CS100	**–**	–	**–**	33
CS300	**–**	–	**40**	17
Turboprops				
Q400/Q400 NextGen	**17**	–	**43**	16
	13	22	**93**	88

The net order intake for commercial aircraft was 6% higher in fiscal year 2011 than in fiscal year 2010, mainly due to higher orders for turboprops. The following significant orders were received during fiscal year 2011, including one from Republic Airways Holdings Inc., the first North American airline to place a firm order for the *CSeries* aircraft.

SIGNIFICANT ORDERS

Date	Customer	Firm order	Options	Value of firm order based on list price
February 2010	Republic Airways Holdings Inc.	40 *CS300*	40 *CS300*	$3.1 billion
April 2010	Jazz Air LP (Jazz)	15 *Q400 NextGen*	15 *Q400 NextGen*	$454 million
July 2010	Deutsche Lufthansa AG	8 *CRJ900 NextGen*	–	$317 million
July 2010	Qantas Airways Ltd.	7 *Q400 NextGen*	–	$218 million
December 2010	SpiceJet Ltd. of India	15 *Q400 NextGen*	15 *Q400 NextGen*	$446 million

On January 5, 2010, Mesa Air Group, Inc. ("Mesa") announced that it had started financial restructuring through the voluntary filing of petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Bombardier Inc. was a member of the Unsecured Creditors' Committee. In January 2011, Mesa announced that the U.S. Bankruptcy Court approved its Plan of Reorganization. Mesa and its subsidiaries emerged from Chapter 11 on March 1, 2011. In the fourth quarter of fiscal year 2011, as part of Mesa's reorganization plan, Mesa elected not to affirm its firm order of 10 *CRJ700 NextGen* aircraft. As a result, these orders were removed from the order backlog as at January 31, 2011. Furthermore, Mesa has rejected certain aircraft in its fleet for which we have provided financing support such as credit guarantees. Our assessment of Mesa's reorganization and emergence from Chapter 11 has been taken into account in the determination of our provisions.

COMMERCIAL AIRCRAFT ORDER BACKLOG AND OPTIONS AND CONDITIONAL ORDERS

	January 31, 2011		January 31, 2010	
	Aircraft on firm order	Options and conditional orders	Aircraft on firm order	Options and conditional orders
Regional jets				
CRJ700 NextGen	**19**	**2**	41	5
CRJ900 NextGen	**18**	**93**	18	104
CRJ1000 NextGen	**40**	**4**	49	4
Commercial jets				
CS100	**33**[1]	**33**	33[2]	33
CS300	**57**[1]	**57**	17[2]	17
Turboprops				
Q400/Q400 NextGen	**62**	**124**	75	115
	229	**313**	233	278

1 The total of 90 orders includes 60 firm orders with conversion rights to the other *CSeries* aircraft model.
2 The total of 50 orders includes 20 firm orders with conversion rights to the other *CSeries* aircraft model.

Workforce

TOTAL NUMBER OF EMPLOYEES	January 31 2011	January 31 2010
Permanent	28,700[1]	27,650[1]
Contractual	1,600	1,250
	30,300	28,900
Percentage of permanent employees covered by collective agreements	50%	51%

1 Including 870 inactive employees as at January 31, 2011 and 2010.

The increase in the number of employees is mainly due to new hires related to the *CSeries* family of aircraft and *Learjet 85* aircraft programs. Our long-term human resources strategy is to continue to maintain a mix of permanent and contractual workers to provide increased flexibility in periods of fluctuation and ensure the stability of our permanent workforce.

MAJOR COLLECTIVE AGREEMENTS

Location	Union	Approximate number of permanent employees covered as at January 31, 2011	Expiration of current collective agreement
Belfast	Unite the Union and the General Machinists & Boilermakers	4,300	January 24, 2013
Montréal	International Association of Machinists and Aerospace Workers (IAMAW) 712	4,200	November 28, 2014
Toronto	Canadian Auto Workers (CAW)	2,400	June 22, 2012
Montréal *Global* aircraft completion centre	National Automobile, Aerospace, Transport and Other Workers of Canada (CAW)	1,400	December 5, 2013
Wichita	International Association of Machinists and Aerospace Workers (IAMAW) 639	800	October 8, 2012
Querétaro	Confederación de Trabajadores de México	950	April 30, 2011

TRANSPORTATION

Light rail vehicle,
Toronto, Canada

INNOVIA monorail,
São Paulo, Brazil

TWINDEXX intercity train

ZEFIRO 380 very
high speed train

The data presented in this section of the MD&A is structured by market segment (rolling stock, services, system and signalling) and by geographic region (Europe, North America, Asia-Pacific and Other), which is reflective of our organizational structure.

HIGHLIGHTS OF THE YEAR

We delivered a strong performance

REVENUES	EBIT MARGIN	FREE CASH FLOW	ORDER INTAKE	ORDER BACKLOG
$9.1 billion	**6.6%**	**$744** million	**$14.3** billion	**$33.5** billion

RESULTS

- Revenues of $9.1 billion, compared to $10.0 billion last fiscal year.
- EBIT of $602 million, or 6.6% of revenues, compared to $625 million, or 6.2%, last fiscal year.
- Strong free cash flow of $744 million, compared to $293 million last fiscal year.
- $14.3 billion in new orders (book-to-bill ratio of 1.6), compared to $9.6 billion (book-to-bill ratio of 1.0) last fiscal year, including numerous landmark orders.
- Record level of order backlog of $33.5 billion as at January 31, 2011, compared to $27.1 billion as at January 31, 2010.

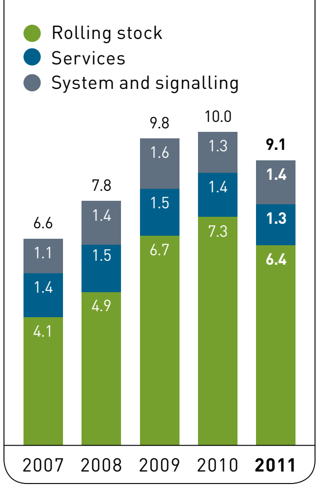
MARKET

- We remain the world leader in a growing market and competitive environment.
- Our innovative, efficient and environmentally friendly products were instrumental in obtaining breakthrough orders such as the *TWINDEXX* double-deck intercity trains in Switzerland and the first order for our *ZEFIRO* very high speed train in Europe.
- Coupled with our outstanding product offering, our local roots strategy has allowed us to remain the overall market leader in 9 out of 11 product segments.

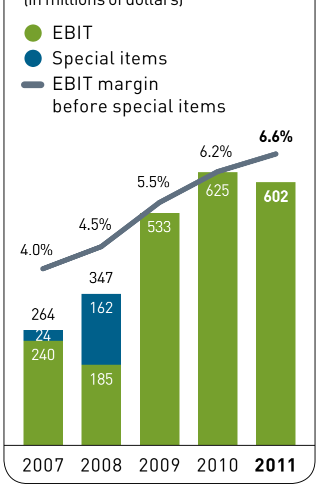
STRATEGY

- Our product innovation strategy based on innovative and environmentally conscious products and services is yielding benefits, as demonstrated by our record order intake.
- Our strategy based on local roots enabled us to become a key player in mature and emerging markets, both in terms of supplying transportation solutions to our clients and developing efficient sourcing strategies.
  - Among others, this allowed us to enter the promising mass transit market in Brazil through a contract for what will become the largest monorail in the world, using our *INNOVIA* Monorail 300 system.
- Our continuous focus on flawless execution and reducing costs, our project management capabilities, along with our risk management practices, allow us to deliver on our objectives and continuously satisfy our customers.

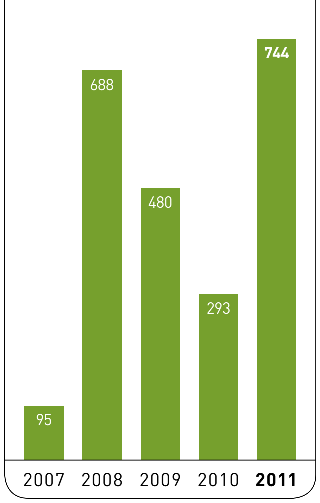
REVENUES
(for fiscal years)
(in billions of dollars)



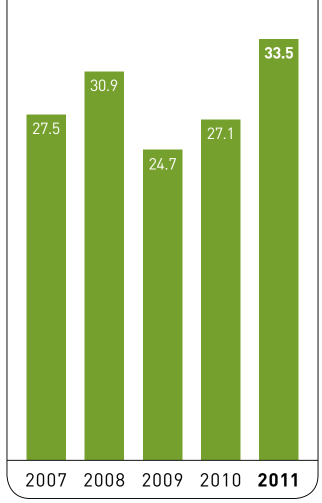
EBIT BEFORE SPECIAL ITEMS
(for fiscal years)
(in millions of dollars)



FREE CASH FLOW
(for fiscal years)
(in millions of dollars)



ORDER BACKLOG
(as at January 31)
(in billions of dollars)



Delivering on our promises

	WHAT WE SAID	WHAT WE DID	WHAT'S NEXT[1]
Profitability	Grow our EBIT margin to 8% by fiscal years 2013-14.	EBIT margin of 6.6%, compared to 6.2% in fiscal year 2010.	Continue to improve EBIT margin towards our target of 8% by calendar year 2013.
Liquidity	Maintain free cash flow generally in line with EBIT, although it may vary significantly from quarter to quarter.	Free cash flow of $744 million, exceeding EBIT of $602 million.	Maintain free cash flow generally in line with EBIT, although it may vary significantly from quarter to quarter.
Growth and order intake	BT is consolidating the important growth of the past years and expects to maintain a book-to-bill ratio around one in the near future, in line with market evolution.	Order intake of $14.3 billion (book-to-bill ratio of 1.6) and order backlog of $33.5 billion, both record levels.	Maintain a book-to-bill ratio around one in the future, in line with market evolution.

1 As computed under IFRS—See the IFRS section in Overview and the Forward-looking statements section below.

FORWARD-LOOKING STATEMENTS

Forward-looking statements[1] in this section of the MD&A are based on:

- current order backlog;
- the realization of upcoming tenders and our ability to capture them;
- market leadership in rolling stock, system and services;
- normal contract execution and continued deployment and execution of leading initiatives, especially those linked to cost reductions, including procurement and operational improvement initiatives;
- recent industry trends based on main market drivers analysis, as detailed in the Market section;
- a sustained level of public sector spending;
- ability of supply base to support the execution of our projects; and
- our adoption of IFRS as of February 1, 2011, (refer to the IFRS conversion section in Overview for more details).

1 Also see the Forward-looking statements section in Overview.

KEY PERFORMANCE MEASURES AND METRICS

The table below summarizes our most relevant key performance measures and associated metrics.

KEY PERFORMANCE MEASURES AND METRICS	
Profitability	• EBIT and EBIT margin, as measures of performance.
Liquidity	• Free cash flow, as a measure of liquidity generation.
Growth and competitive positioning	• Revenues, as a measure of growth. • Order backlog, as a measure of future revenues. • Book-to-bill ratio, as an indicator of future revenues. The ratio represents new orders over revenues, measured in dollars in a given period. • Market share, as a measure of competitive positioning.
Customer satisfaction	• Various customer satisfaction metrics, focusing on the four main dimensions: sales and prices, customer orientation, project execution, and product offering.

Employee incentive compensation is linked to the achievement of targeted results, based on EBIT and free cash flow.

FIVE-YEAR SUMMARY

	2011	2010	2009	2008	2007
For fiscal years					
Revenues					
Rolling stock	**$ 6,400**	$ 7,264	$ 6,663	$ 4,894	$ 4,066
Services	**1,308**	1,408	1,529	1,474	1,404
System and signalling	**1,390**	1,337	1,564	1,425	1,116
	$ 9,098	$10,009	$ 9,756	$ 7,793	$ 6,586
EBIT before special items	**$ 602**	$ 625	$ 533	$ 347	$ 264
EBIT margin before special items	**6.6%**	6.2%	5.5%	4.5%	4.0%
Free cash flow	**$ 744**	$ 293	$ 480	$ 688	$ 95
Order intake (in billions)	**$ 14.3**	$ 9.6	$ 9.8	$ 11.3	$ 11.8
Book-to-bill ratio	**1.6**	1.0	1.0	1.5	1.8
As at January 31					
Order backlog (in billions)	**$ 33.5**	$ 27.1	$ 24.7	$ 30.9	$ 27.5
Number of employees[1]	**34,900**	34,950	35,450	32,600	30,400

1 Including contractual and inactive employees. There were 1,200, 1,150, 1,250, 1,100 and 1,300 inactive employees in fiscal year 2011, 2010, 2009, 2008 and 2007, respectively.

PROFILE

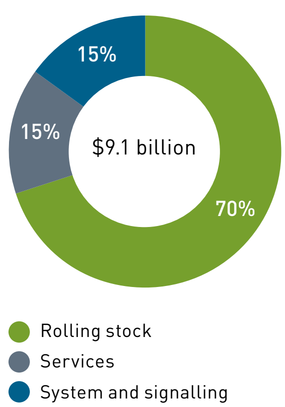
Bombardier Transportation: The leading player in the global rail industry

Rail is one of the most environmentally friendly means of transportation. With its low energy consumption and emissions, as well as its contribution to reduce congestion and travel times, rail is helping cities to breathe better and to connect people. We are the global leader in the rail industry. We cover the full spectrum of rail solutions, ranging from complete trains to sub-systems, maintenance services, system integration and signalling. We are the leader in 9 out of 11 product segments. Our installed rolling stock product base exceeds 100,000 rail cars and locomotives worldwide.

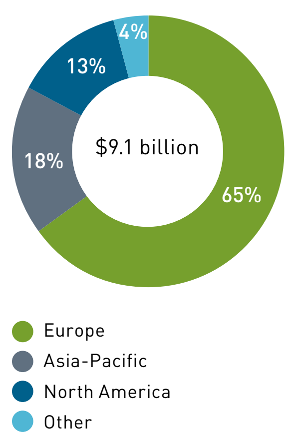
Our revenues reached $9.1 billion in fiscal year 2011, with Europe being our largest market. Around 90% of our rolling stock business is conducted with large railway operators in the public sector, such as national railways and municipal transit authorities. These organizations rely on public involvement 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. We have a very diverse customer base with products or services in more than 60 countries.

Our broad international capability is based on our strong local roots. We have 59 production and engineering sites in 23 countries. Additionally, we operate more than 40 service centres at our customers' premises across the world. Our 34,900 employees, consisting of 102 nationalities and speaking 23 different languages, are located in 36 countries.

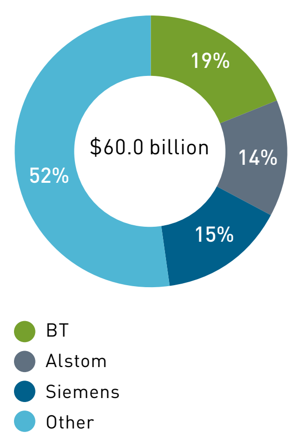
REVENUES BY MARKET SEGMENT
Fiscal year 2011



REVENUES BY GEOGRAPHICAL REGION
Fiscal year 2011



MARKET SHARE
(based on Bombardier relevant market)
For calendar years 2008-10



Organized to deliver on our customer needs

We offer the broadest portfolio of products and services in the rail industry, with an organizational structure designed to meet requirements of customers around the world. Our business is structured around six divisions and focuses on four key market segments: rolling stock, services, system and signalling.

PASSENGERS DIVISION (MARKET SEGMENT: ROLLING STOCK)

Provides the complete range of rail vehicles for multiple applications across global markets (except North America)

LIGHT RAIL VEHICLES

APPLICATION: Efficient transit in urban centres.

MAJOR PRODUCT: *FLEXITY* family

MAIN MARKET: Europe

KEY COMPETITIVE ADVANTAGES: The world's most complete modular portfolio of light rail solutions, ranging from 100% low-floor trams to high capacity light rail vehicles, covering the diverse needs of cities around the world.

METRO CARS

APPLICATION: High-capacity mobility for inner-city transit.

MAJOR PRODUCT: *MOVIA*

MAIN MARKETS: Europe and Asia

KEY COMPETITIVE ADVANTAGES: Flexible modular product platform adaptable to current and future requirements of customers across diverse markets, with a track record for rapid, efficient, reliable and cost-effective operation.

COMMUTER AND REGIONAL TRAINS

APPLICATION: Suburban and regional rail transit for urban centres and outlying regions.

MAJOR PRODUCTS: *OMNEO, SPACIUM, TALENT* 2, *ELECTROSTAR* and *TURBOSTAR*

MAIN MARKET: Europe

KEY COMPETITIVE ADVANTAGES: Broad product line featuring electrical, diesel and dual mode self-propelled vehicles, along with a wide range of locomotive-hauled coaches in both single and double-deck configurations. Modular platforms offer maximum flexibility to transit authorities and operators. These products have won many awards, especially for high reliability.

INTERCITY, HIGH SPEED TRAINS AND VERY HIGH SPEED TRAINS

APPLICATION: Equipment for medium- and long-distance operations.

MAJOR PRODUCTS: *ZEFIRO* family, *REGINA* and *TWINDEXX*

MAIN MARKETS: Europe, Asia and North America

KEY COMPETITIVE ADVANTAGES: Solutions covering the full spectrum of speed requirements: intercity (160-200 km/h), high speed (200-250 km/h) and very high speed (above 250 km/h). Our *ZEFIRO* very high speed train family features excellent environmental performance and low energy consumption[1].

1 Under certain operating conditions. See *ZEFIRO* very high speed train disclaimer at the end of this annual report.

LOCOMOTIVES AND EQUIPMENT DIVISION (MARKET SEGMENT: ROLLING STOCK)

Provides an extensive line of locomotives and vehicle sub-systems for global markets

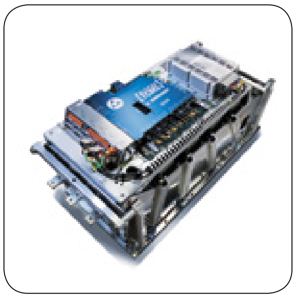
LOCOMOTIVES

APPLICATION: Locomotives for intercity, regional and freight rail service.

MAJOR PRODUCTS: *TRAXX,* ALP and dual-mode

MARKET: Worldwide

KEY COMPETITIVE ADVANTAGES: Industry leading product family offering electric, diesel-electric, dual-mode and multi-system capabilities. Homologated in 16 countries in Europe, thus allowing cross-border service.



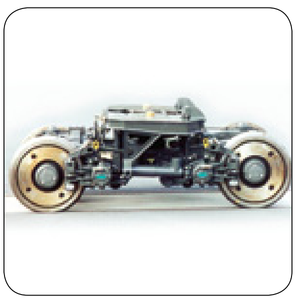
PROPULSION AND CONTROLS

APPLICATION: Complete propulsion, train control and management systems for our rail vehicles and third-party customers. Intelligent wayside solutions to increase operational efficiency and productivity.

MAJOR PRODUCT: *MITRAC*

MARKET: Worldwide

KEY COMPETITIVE ADVANTAGES: Leading-edge reliability, efficiency and energy-saving technologies covering the full spectrum of rolling stock applications. Integrated wayside applications enhance train and fleet capabilities.



BOGIES

APPLICATION: Complete bogies solutions for our rail vehicles and those of our third-party customers.

MAJOR PRODUCTS: *FLEXX* Eco, *FLEXX* Compact and *FLEXX* Tronic

MARKET: Worldwide

KEY COMPETITIVE ADVANTAGES: Advanced product technology and complete aftermarket services covering the full spectrum of rolling stock applications. Our track-friendly bogies reduce wear of wheel and rail, as well as minimize operational costs and noise emission.

NORTH AMERICA DIVISION (MARKET SEGMENTS: ROLLING STOCK, SERVICES)

Provides a range of rail vehicles and services tailored specifically to the specialized requirements of North American markets

MASS TRANSIT

APPLICATION: High-capacity solutions for urban, suburban, regional and intercity transit.

MAJOR PRODUCTS: Light rail vehicles, metros and commuters, including *BiLevel* and Multilevel commuter cars

MARKET: North America

KEY COMPETITIVE ADVANTAGES: Complete portfolio of products designed to North American specifications. Strong track record for high reliability and efficiency in operation.

SERVICES

APPLICATION: Third-party fleet maintenance, equipment overhaul as well as material and technology solutions supporting North American transit agencies.

MARKET: North America

KEY COMPETITIVE ADVANTAGES: Largest provider of third-party services with a full line of lifecycle-based solutions.

SERVICES DIVISION (MARKET SEGMENT: SERVICES)

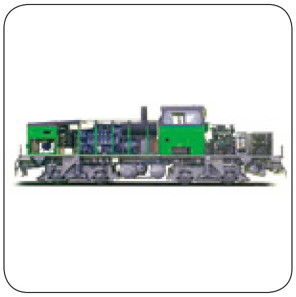
Provides full portfolio of services supporting railway operators' efficiency and cost effectiveness (except North America)

FLEET MAINTENANCE

APPLICATION: Fleet maintenance services for rail operators.

MAIN MARKET: Europe

KEY COMPETITIVE ADVANTAGES: Best-in-class engineering expertise, maintenance techniques and tools, such as the *ORBITA* predictive maintenance management solutions.



REFURBISHMENT AND OVERHAUL

APPLICATION: Modernization, reengineering and overhaul of rail vehicles and components.

MAIN MARKET: Europe

KEY COMPETITIVE ADVANTAGES: Strong experience with more than 3,000 vehicles refurbished and more than 4,000 different types of components overhauled worldwide.

MATERIAL SOLUTIONS

APPLICATION: Supply chain management, spare parts inventory management and technical support services for rail operators.

MAIN MARKET: Europe

KEY COMPETITIVE ADVANTAGES: Global engineering and purchasing power through vast network of parts and components suppliers.

SYSTEMS DIVISION (MARKET SEGMENT: SYSTEM)

Develops, designs, builds, operates and maintains turnkey transportation systems

AUTOMATED PEOPLE MOVER ("APM") SYSTEMS

APPLICATION: Development and delivery of urban and airport transit systems.

MAJOR PRODUCT: *INNOVIA* APM 300

MARKET: Worldwide

KEY COMPETITIVE ADVANTAGES: Strong track record for reliability and dependability across 22 complete systems around the world.

MASS TRANSIT SYSTEMS

APPLICATION: Fully automated rapid transit, light rail, metro and intercity systems, as well as related products such as transit security, energy management and catenary-free solutions.

MAJOR PRODUCTS: *INNOVIA* Monorail 300, *INNOVIA* ART 300 and *PRIMOVE* catenary-free operation

MARKET: Worldwide

KEY COMPETITIVE ADVANTAGES: Broad rolling stock portfolio that can be customized to provide a complete system solution. Proven experience in on-time project management, systems engineering and integration, as well as driverless or unattended operations.

OPERATIONS AND MAINTENANCE

APPLICATION: Operations and maintenance ("O&M") services for fully automated transit and mass transit systems.

MARKET: Worldwide

KEY COMPETITIVE ADVANTAGES: Strong O&M experience in automated, driverless technologies, including rapid transit, light rail, monorail and mass transit systems.

RAIL CONTROL SOLUTIONS DIVISION (MARKET SEGMENT: SIGNALLING)

Provides a comprehensive portfolio of onboard and wayside signalling solutions that increase speed, safety and track capacity on rail networks

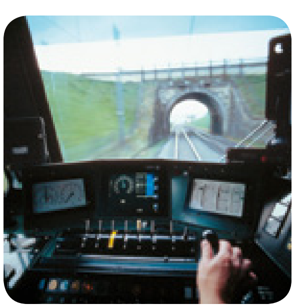
MASS TRANSIT

APPLICATION: Rail control and signalling solutions for mass transit systems such as metros, light rail or automated people movers.

MAJOR PRODUCT: *CITYFLO*

MARKET: Worldwide

KEY COMPETITIVE ADVANTAGES: Complete portfolio of solutions ranging from manual applications to fully automated Communication-Based Train Control ("CBTC").



MAINLINE

APPLICATION: Rail control and signalling solutions for mainline transit ranging from freight traffic to regional/commuter, intercity and high speed lines.

MAJOR PRODUCTS: *INTERFLO* and *EBI* Cab Automatic Train Control ("ATC") onboard equipment.

MARKET: Worldwide

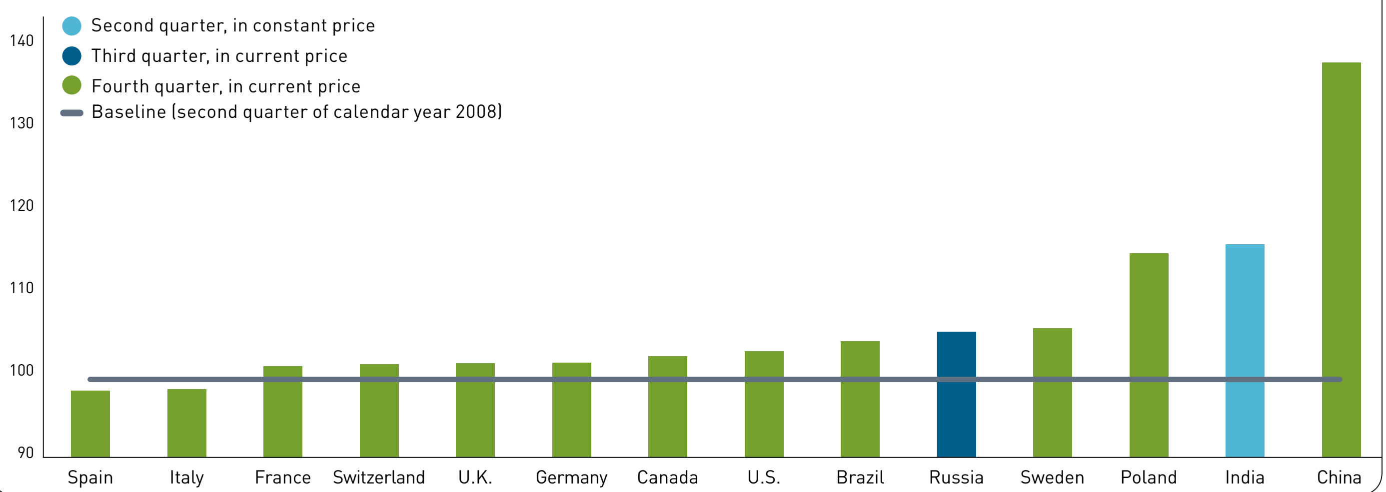
KEY COMPETITIVE ADVANTAGES: Complete portfolio of conventional signalling systems. Market leader in European Rail Traffic Management System ("ERTMS") technology.

MARKET

We remain the world leader in a growing market and competitive environment

Led by the increased level of activity in emerging markets, the global economy is improving. Many economies have returned to or surpassed their pre-crisis GDP levels, which carry positive developments for the rest of the world, especially for export-oriented economies. The picture in Europe is still mixed, with some economies such as the Scandinavian countries and Germany performing well, whereas others such as Spain and Italy recovering more slowly and continuing to experience difficulties.

VARIANCE IN GDP LEVEL BETWEEN THE SECOND QUARTER OF CALENDAR YEAR 2008 AND THE SECOND, THIRD OR FOURTH QUARTER OF CALENDAR YEAR 2010
(on a 100-point scale)



Source: ECB Monthly Bulletin, IMF, OECD.

PROMISING OUTLOOK FOR THE RAIL TRANSPORT INDUSTRY

Like most sectors of the economy, the rail transportation industry experienced difficulties as a result of the challenging economic conditions in calendar years 2008 and 2009 and the slow recovery that followed. Overall freight transport volumes decreased significantly, as a result of the lower overall demand for goods. Passenger transport volumes also decreased in some key markets. Driven by improving economic conditions, our customers' businesses are now gaining momentum.

Although the passenger and freight rail transportation operators were impacted by the economic environment, many governments decided to invest in rail transportation in calendar years 2009 and 2010, which led to a very significant market during the economic crisis. Indeed, policy makers and planners recognize the sustainable benefits of efficient infrastructure for their economy. More importantly, such investments reduce commuting time, limit greenhouse gas emissions and facilitate mobility, bringing significant sustainable long-term benefits to the local economy. As such, many stimulus plans included investment in transportation infrastructure.

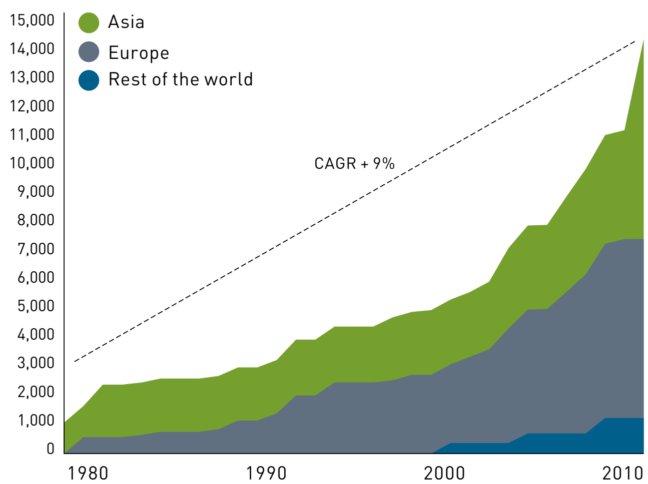
GOVERNMENTS REMAIN COMMITTED TO FOSTER GREEN MOBILITY

Governments and societies will continue to face challenges such as congestion, climate change, urbanization, high energy costs and energy shortages, and rail transportation is well suited to help alleviate these challenges. As economies reach pre-crisis GDP levels, governments will have to find an appropriate answer to these challenges. They will however have to do it under budget constraints that are today more present, as the level of indebtedness in many countries rose significantly in the past two years. The response to this high level of indebtedness may impact the availability of funding for our customers in the future.

Nevertheless, rail transportation is and will remain one of the best investments public authorities can make to address their challenges. As such, rail expansion and fleet renewal should remain priorities for them.

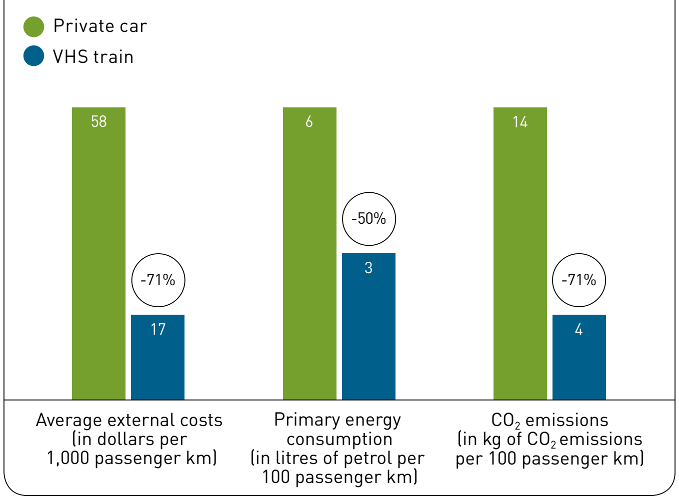
The recent investments in very high speed ("VHS") and high speed ("HS") transportation are good examples of this development. VHS and HS transportation continue to attract investment because governments see the advantages, despite increasing budget pressure, as it is energy-flexible, land-use efficient, eco-friendly, reliable and fast. These trains are 3 to 10 times less CO_2 intensive than other transportation modes while meeting the need for high capacity transportation, reduced highway congestion and lowered energy consumption.

HS RAIL NETWORK GROWTH
(for calendar years) (in km)



Source: International Union of Railways (UIC) High Speed Department data dated May 2010.

ENVIRONMENTAL AND ECONOMICAL FACTORS OF HS AND VHS RAIL



Source: International Union of Railways (UIC) high speed rail brochure.

We place environmental sustainability firmly at the top of our agenda and strongly promote sustainable mobility as a step toward fighting global warming. By offering a suite of solutions, services, products and technologies with best-in-class environmental performance, we support the benefits of rail as a preferred mode of transportation and we help to reduce congestion and pollution.

We recognize the challenges facing our society and believe that investing in technology for sustainable mobility will increase the long-term competitiveness of cities, countries and regions. We are ready to continue to leverage these challenges and to capture opportunities across the world, supported by ongoing government commitment to green mobility.

Our *ZEFIRO* family of VHS trains is a good example that illustrates our response to the mobility challenges of today's societies. It features the world's most economical and eco-friendly VHS trains, notably by incorporating our *ECO4* energy-efficient technologies. Our *ZEFIRO* trains combine the highest capacity in the market with leading-edge technologies and advanced aerodynamics reducing energy consumption. It sets the benchmark by having the lowest energy consumption per seat of all VHS trains, making it "the fastest way to save the planet" while providing unmatched passenger comfort and the best value for money to our customers.

DESPITE THE ECONOMIC DOWNTURN, THE RAIL TECHNOLOGY MARKET EXPERIENCED A STRONG GROWTH

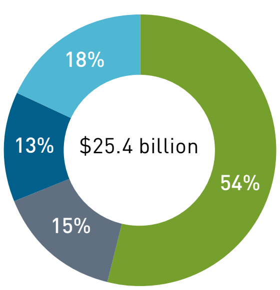
Our relevant market represents the worldwide rail market accessible to external suppliers, therefore excluding the share of markets in which contracts are awarded to local contractors without open-bid competition. We also exclude maintenance performed in-house by operators and the entire Japanese market. Our relevant market also does not include markets in which we do not have a product offering, such as freight locomotives in North America, worldwide freight cars, rail infrastructure and electrification. In line with common industry practice, our relevant market is stated as the average of a three-year period, based on published orders for rolling stock and system, and on estimated market volumes for services and signalling. The calculation of the relevant market is based on both published orders and UNIFE data from the third edition of the *World rail market study—status quo and outlook 2020* published by the Association of the European Rail Industry (UNIFE) in September 2010 ("UNIFE 2010 study"). UNIFE data are updated every two years based on a survey conducted in the 50 largest rail markets worldwide and provides an update on the performance of the rail industry.

RELEVANT MARKET

(in billions of dollars)	**Calendar years 2008-10**		Calendar years 2007-09[1]	
By market category				
Rolling stock	**$ 25.4**	**42%**	$23.1	41%
Services	**17.2**	**29%**	16.7	30%
Signalling	**13.9**	**23%**	13.3	24%
System	**4.5**	**8%**	3.9	7%
Reallocation[2]	**(1.0)**	**(2%)**	(0.9)	(2%)
	$ 60.0	**100%**	$56.1	100%
By geographical region				
Europe	**$ 34.8**	**58%**	$34.1	61%
Asia-Pacific	**8.3**	**14%**	8.8	16%
North America	**6.8**	**11%**	5.1	9%
Other	**10.1**	**17%**	8.1	14%
	$ 60.0	**100%**	$56.1	100%

1 The 2010 UNIFE Study included an update of the market size for calendar years 2007-09. The differences between the figure shown in last year's MD&A ($51.9 billion) and the figure presented this year ($56.1 billion) are explained by an increase in Services ($2.3 billion) and Signalling ($1.9 billion), based on a better view on those markets.
2 Relates to the rolling stock, services and signalling portion of the system market.

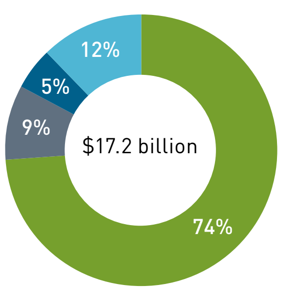
ROLLING STOCK MARKET
Calendar years 2008-10



- Europe
- Asia-Pacific
- North America
- Other

Source: BT market intelligence (based on published orders).

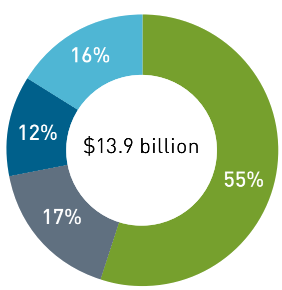
SERVICES MARKET
Calendar years 2008-10



- Europe
- Asia-Pacific
- North America
- Other

Source: BT market intelligence (based on UNIFE 2010 study).

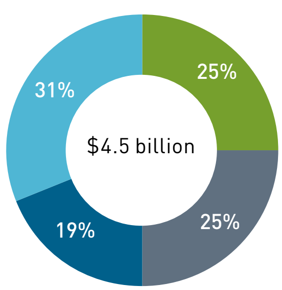
SIGNALLING MARKET
Calendar years 2008-10



- Europe
- Asia-Pacific
- North America
- Other

Source: BT market intelligence (based on UNIFE 2010 study).

SYSTEM MARKET
Calendar years 2008-10



- Europe
- Asia-Pacific
- North America
- Other

Source: BT market intelligence (based on published orders).

The rail market overcame the economic downturn as demonstrated by the 7% growth in calendar years 2008 to 2010 compared to calendar years 2007 to 2009.

The rolling stock market had a strong order intake in calendar year 2010 driven by several large orders, many of which had been planned and funded before the crisis. Europe remains by far the most significant market, with large orders in regional and intercity trains in France, Germany and Switzerland. Strong commitment to public transportation from public authorities in North America led to large urban rail contracts. The share of Asia-Pacific in our relevant market declined as several tenders in China were only accessible to local competitors.

The services market is growing and remains mainly concentrated in Europe, due to both the renewed investment in modern rolling stock and the liberalization of the market. In emerging markets, even though major investments in rolling stock have been realized, lower accessibility limits the reflected size of those markets.

The signalling market saw an increase in the Asia-Pacific and Other markets, sustained by the development of infrastructure in those markets and the resulting need for rail equipment solutions.

The system market segment is still spread worldwide, sustained by the need to match economic development in mega-cities with adequate urban mobility solutions, as well as the incremental success of driverless and automated systems in European cities.

MAJOR OPPORTUNITIES ARE STILL IN THE PIPELINE

Over time we expect a sustained inflow of tenders and orders. The market should remain at a high level, including the fact that a portion of the investment in the European rolling stock market will be awarded through existing framework agreements. We received a major part of these framework agreements already from our main customers such as French National Railways (SNCF), German Railways (DB), Israel Railways (IR) and Swiss Federal Railways (SBB). We also believe that the investment in railway transportation will remain a priority for public authorities throughout the world.

KEY PROJECTS TO BE AWARDED

Project name	Country	Market segment	Scope
Brisbane Gold Coast Rapid Transit	Australia	System	System
High speed and very high speed trains	China	Rolling stock	More than 240 cars
Danish rail network re-signalling	Denmark	Signalling	Signalling
Intercity trains	Germany	Rolling stock	1,000 cars
Dankuni locomotives	India	Rolling stock and Services	Up to 1,000 units
Madhepura locomotives	India	Rolling stock and Services	Up to 800 twin units
Riyadh Metro	Saudi Arabia	System	System
Stockholm Metro	Sweden	Rolling stock	300 cars
London SSL ATC Equipment	U.K.	Signalling	Signalling
Thameslink (London)	U.K.	Rolling stock and Services	Up to 1,200 cars
BART Rapid Transit	U.S.	Rolling stock	More than 700 cars

STEADY GROWTH AROUND THE GLOBE IN THE LONG RUN

Most segments of the rail industry have prospered during the economic crisis. Stimulus plans have helped to compensate the impacts of the economic downturn, and the momentum for rail investment kept up. The outlook for the rail industry remains positive, sustained by strong fundamentals in the long run.

MARKET DRIVERS OUTLOOK FOR CALENDAR YEARS 2011-16

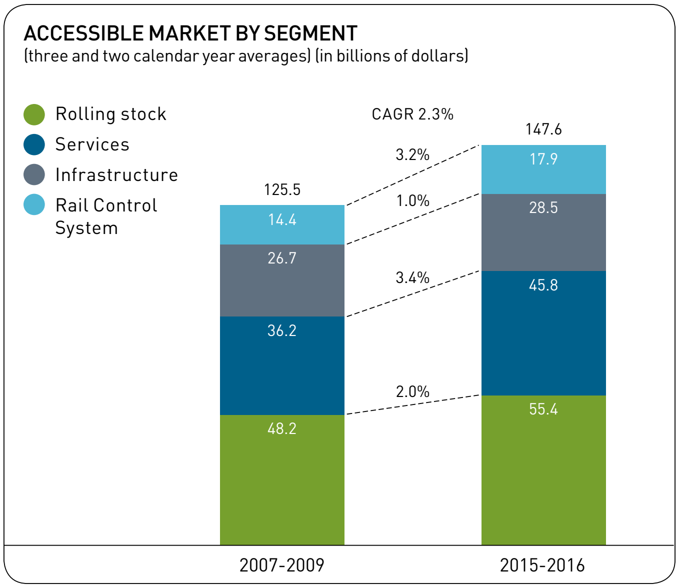
Market driver	Market segments	Geographical regions	Description	Outlook
Urbanization and population growth	All	Asia-Pacific and Other	According to the World Bank, 50% of the world population is currently living in urban areas, a number that is expected to reach 70% by calendar year 2050. This will create major challenges in urban planning and traffic management to foster economic development. Rail transport can be a key part of the solution.	↑
Oil scarcity and energy price	Rolling stock, services and system	Worldwide	An International Union of Railways (UIC) study shows that rail transportation is on average two to five times more energy efficient than road, water and air transportation. As oil scarcity and rising fuel prices lead to a change in behaviour in the long run toward more efficient transportation modes, this is expected to increase demand for green technologies such as rail transportation.	↑
Public funding	All	Worldwide	Governments' response to the financial crisis through stimulus packages and rescue plans was in part directed towards transportation and had a positive impact on our business. Nevertheless, it added pressure on governments' budgets. More than 90% of our rolling stock business is conducted with public sector rail operators, where funding for new projects might be more difficult in the future.	→
Environmental awareness	All	Worldwide	According to a study conducted by International Union of Railways (UIC), rail transportation is three to ten times less CO_2-emission intensive compared to other means of transportation. As environmental awareness is increasing worldwide, this should lead to a change in behaviour in the long run to increase the use of rail transportation.	↑
Replacement of aging rail equipment	Rolling stock, services and signalling	Europe and North America	Despite high debt levels, operators will need to replace or modernize their rolling stock. Increasing ridership and growing competition among operators as well as higher expected passenger comfort are all generating demand to replace aging fleets. To cope with the higher usage of the existing infrastructure, signalling equipment modernization is also important to improving both network safety and capacity.	↑
Liberalization of rail transport markets	Rolling stock and services	Europe	The creation of open market conditions for new rail operators has a positive effect on rolling stock and services demand for both passengers and freight transportation. The liberalization of transportation that has started in Europe should grow over time and open up new business opportunities. Tendering of franchises usually stimulates purchase of additional rolling stock. In addition, most public operators still perform the main part of their maintenance services in-house, but some have started to outsource key maintenance processes, similar to private operators. As a result, the liberalization can also have a positive impact on the service market.	↑

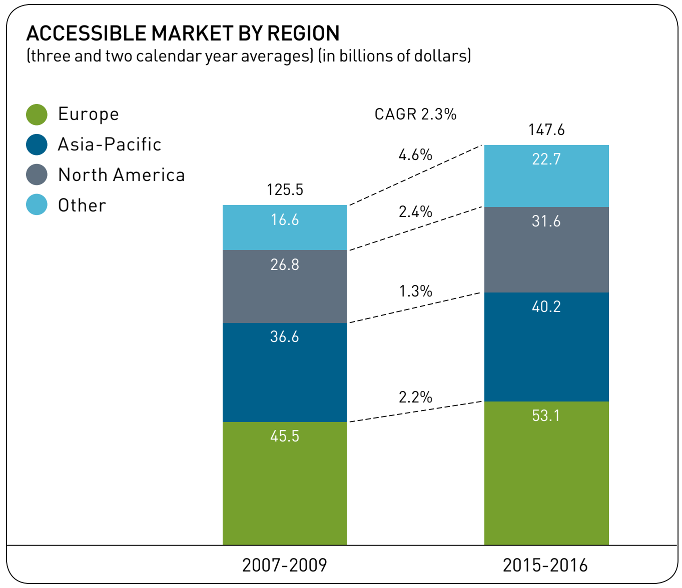
↑ Indicates a favourable trend in the market categories in which we compete.

→ Indicates a neutral trend in the market categories in which we compete.

Our long-term future market outlooks are based on UNIFE, which prepares its forecast based on the notion of accessible market, defined as the share of the worldwide rail market open to external suppliers. According to the 2010 market study performed by UNIFE, the accessible market will reach an average annual volume of €111.8 billion ($147.6 billion) for calendar years 2015-16, representing an average CAGR of 2.3%.

The accessible market is expected to steadily grow in every segment, with services being the most important area of growth. Geographically, Europe is expected to remain the largest accessible market, while the most significant growth will come from the Other market as the development of these economies necessitate investment in their infrastructure.



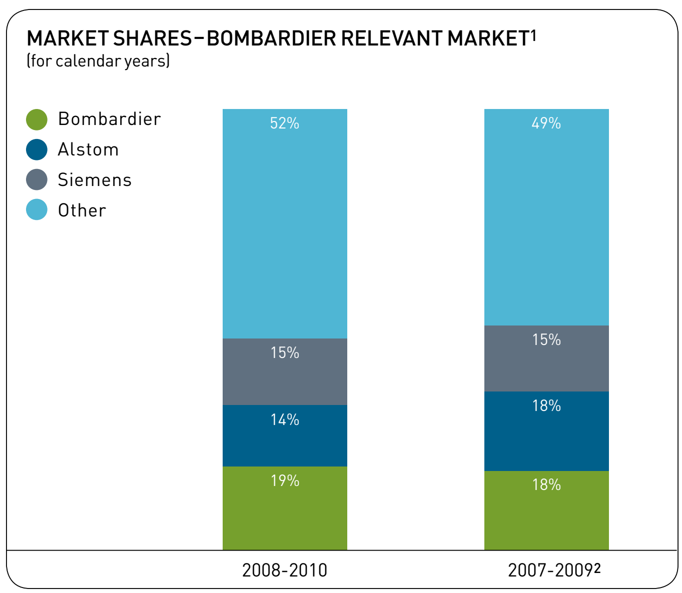


Source: UNIFE 2010 study.
Values converted based on exchange rate EUR/USD of 1.3202.
Starting point of calendar years 2007-09 is aligned with the methodology used in the UNIFE 2010 study.

WE REMAIN THE WORLD LEADER IN AN INCREASINGLY COMPETITIVE ENVIRONMENT

In the BT relevant market, our major competitors are Siemens Mobility ("Siemens"), a business unit of Siemens AG and Alstom Transport ("Alstom"), a business unit of Alstom SA. The three largest OEMs account for 48% of the relevant market for calendar years 2008 to 2010, which is a decrease from the 51% for calendar years 2007 to 2009. This situation is explained by some segment-specific competitors that have grown their share of the market, mainly in Europe. Stadler, a Swiss-based company, has increased its presence through smaller Northern European tenders in regional trains and light rail vehicles product segments. CAF, a Spanish-based company, has won significant orders in the metro cars product segment in Europe and Latin America.

The rapid increase of the Chinese rail market has fostered the growth of two Chinese players, CSR Corporation Limited ("CSR") and China CNR Corporation Limited ("CNR"). Both CSR and CNR have developed capabilities in almost all market segments to serve the needs of the Chinese market, often in partnership with international players like Bombardier. In recent years, both players have also stepped up export activity in emerging markets



1 Based on published orders for rolling stock and system markets, and market volumes for services and signalling markets.
2 The market for calendar years 2007-09 was restated from $51.9 billion in last year's MD&A to $56.1 billion. As a result, market shares for calendar years 2007-09 were also restated using the 2010 UNIFE study.

Both Siemens and Alstom are active in the same markets as we are, but Siemens is also present in infrastructure logistics (such as postal automation) and road solutions (such as tolling systems), which inflates Siemens' market shares when compared to BT and Alstom.

and expressed interest to target Europe and North America to sell metro cars and high speed rail technology.

WE ARE WELL POSITIONED WITH OUR STATE-OF-THE-ART TECHNOLOGY PORTFOLIO

Growing competitive pressure from both Asian players and smaller, segment-specific European competitors is challenging incumbents to contain costs, while developing new products to meet local needs. We are maintaining a competitive edge by being local in our key markets, by investing in new technologies that can be used across our product portfolio, as well as by leveraging expertise and cost advantages across the broadest international footprint. For instance, in signalling, we have developed expertise in ERTMS technology, positioning us well as governments invest to modernize their systems.

As a result, we maintained a 19% share of our relevant market based on a three-year average for calendar years 2008-10, despite the increased pressure from competitors. In calendar year 2010, we achieved a level of order intake 1.7 and 2.1 times higher than the level of Siemens and Alstom, respectively. We remain the overall market leader and the leader in most rolling stock product segments. We are also leading in the services and components (bogies, propulsion and control) segments. In total, we rank first in 9 out of our 11 product segments. We achieved this market leadership position in intercity, HS and VHS trains with significant competitive tenders won, most notably in Switzerland and in Italy.

BT MARKET POSITION BY SEGMENT

Product segment	Calendar years 2008-10	Calendar years 2007-09
Rolling stock		
Light rail vehicles	#1	#1
Metro cars	#3	#4
Commuter trains	#1	#1
Regional trains	#1	#1
VHS, HS and intercity trains	#1	#3
Electric locomotives	#1	#1
Bogies	#1	#1
Propulsion and controls	#1	#1
Services	#1	#1
Systems	#1	#2
Signalling	#6	#6

STRATEGY

We are leading the industry based on customer-driven innovation, strong local roots and flawless execution

The ultimate objective of our long-term strategy is to grow and sustain our profitability, and to remain the industry leader. We have delivered on this strategy, as we have grown our EBIT margin for the sixth consecutive year to reach 6.6% in fiscal year 2011. Our strategy, aligned with Our Way Forward, has proven to be successful, because we have the right innovative products to meet our customers' needs, strong local roots to be close to our customers around the globe and the ability to execute complex projects.

DEVELOP INNOVATIVE, ENVIRONMENTALLY CONSCIOUS PRODUCTS THAT MEET CUSTOMER NEEDS GLOBALLY

Our long-term strategy hinges on new products, which we develop predominantly through projects for our customers, featuring innovative technologies tailored to specifically address our customers' operational and technological challenges. In addition, our products improve the economic performance and environmental footprint of rail transportation, and are thus helping our customers to be more competitive towards other rail operators or towards other modes of transport. As a result, we are winning strategic orders, which allow us to bring our innovative technologies to fruition and showcase them to the world. Such strategic orders have the potential to shape the rail landscape for a long time and support us in winning future contracts.

An example of such a strategic order, illustrating our innovation leadership is the order for 59 *TWINDEXX* double-deck intercity trains, which we obtained from Swiss Federal Railways (SBB). The *TWINDEXX* double-deck intercity product combines intercity comfort with mass transit performance. Under our strategy of delivering innovation specifically addressing our customers' challenges, this product for SBB features leading-edge technology enabling smooth and cost-efficient train operation. The active radial steering system, for instance, reduces infrastructure track wear and allows for track maintenance cost savings of up to €200 million per year, as confirmed by an independent scientific study from École Polytechnique Fédérale de Lausanne, Switzerland.

TWINDEXX DOUBLE-DECK INTERCITY TRAIN FOR SBB, SWITZERLAND

Product features

- Scalable traction chain for trains from 100 m to 400 m without performance loss.
- Efficient and highly comfortable interior layout.
- Environmentally friendly with *ECO4* technologies — substantial energy savings through permanent magnet motors, driver assistance system and aerodynamic train shape.
- Innovative *FLEXX* Tronic bogie with *WAKO* system allowing for higher curve speed, increased passenger comfort and optional active radial steering for reduced infrastructure wear.

Contract details

Contract award	Market segment	Contract volume
May 2010	Rolling stock	$1.6 billion, 59 trains (171 trains including options)

ESTABLISH LOCAL ROOTS IN ALL KEY MARKETS

Another landmark order illustrates not only our product innovation leadership but also the importance of the local roots aspect of our strategy. In Brazil, we were awarded a contract for our *INNOVIA* Monorail 300 system for the city of São Paulo, which will be the largest monorail in the world and marks our entry into the promising Brazilian mass transit market. On the product front, we push further the potential of a monorail, demonstrating monorails as an alternative to a new metro line, with lower cost and faster implementation. We also capitalized on 10 years of experience and local presence in the Brazilian market, with four sites and knowledge acquired through several refurbishment and signalling contracts.

INNOVIA MONORAIL 300 FOR COMPANHIA DO METROPOLITANO DE SÃO PAULO, BRAZIL

Product features

- *INNOVIA* Monorail 300 with *CITYFLO* 650 automatic train control for driverless operation.
- 24 km track with 17 stations.
- Largest monorail in the world with a capacity of 40,000 passengers per hour per direction.
- Real case demonstration of monorail as an alternative to a new metro line, offering lower cost and faster implementation.
- Environmentally friendly with low energy consumption, optimized noise performance and a high degree of recyclability.

Contract details

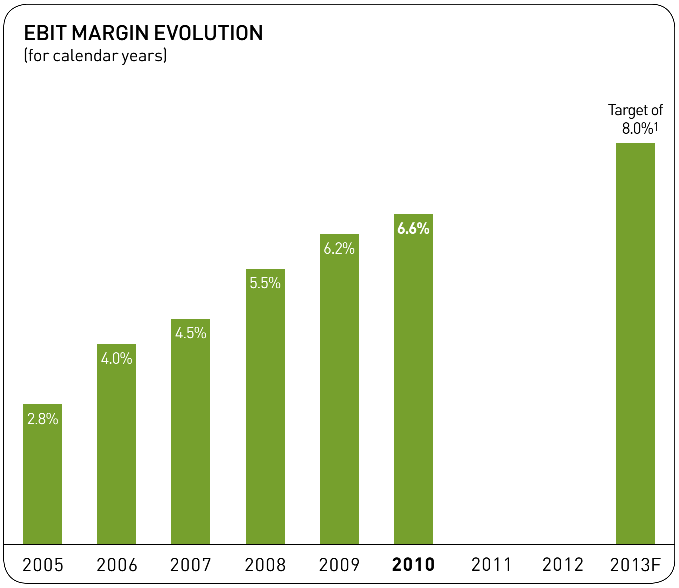
Contract award	Market segments	Contract volume
September 2010	System and signalling	$747 million, 54 seven-car trains

WE ARE AIMING HIGHER — OUR ROAD TO 8%

Our record order intake across segments and geographies is an expression of confidence from our customers, and a sign of their appreciation of our innovative products. Above all, this demonstrates their confidence in our ability to execute the most complex projects, as we deliver innovative products on time and on quality. With such customer support, we are confident that we can reach our target, announced last year, to improve our EBIT margin to 8% by calendar year 2013[1].

Our road to meet this objective includes a continuous focus on flawless execution, leveraging an entire toolkit that helps us govern our execution. In this context, the Bombardier Operations System (BOS) and our continuous best practices sharing support us in building lean manufacturing processes. Our project management capabilities will be another key component of our road to 8% EBIT margin. Some of our project management processes are recognized as best in class, as shown by an external benchmarking study, such as our risk and opportunity management process. We also continue to focus on reducing costs, for example in procurement or general administration, where our large order backlog provides a platform to optimize the interfaces with our suppliers.

1 As computed under IFRS–See the IFRS section in Overview and the Forward-looking statements section in BT.



F: Forecast.

LEVERS

- Focus on flawless execution.
- Leverage our project management capabilities.
- Continue to reduce costs (procurement, SG&A).
- Capitalize on our worldwide presence (established and emerging markets).

Our formula for success is based on seven strategic priorities

Deeply rooted in Our Way Forward, our strategy is structured around seven priorities that should enable us to achieve our goals by ensuring continued success and sustainable growth. Our strategy leads us to develop innovative products specifically tailored to our customers' needs, capitalize on new market opportunities and become real partners to our customers due to deep local roots, thus accelerating profitable growth.

1	**Be #1 in customer satisfaction through flawless execution**
2	**Raise our game in global talent management**
3	**Actively manage risks**
4	**Establish local roots in all key markets**
5	**Enhance our corporate social responsibility**
6	**Develop innovative, environmentally conscious products that meet customer needs globally**
7	**Optimize our footprint and supply chain and ensure efficient structures**

BE #1 IN CUSTOMER SATISFACTION THROUGH FLAWLESS EXECUTION

Our customers mainly compete with road- and air-based transportation, making passenger comfort, travel times, accessibility, efficiency, service reliability, price and capacity important competitive factors. Key decision criteria 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.

Customer satisfaction is our top priority, and we are continuously finding better ways to address their needs. We are investing in our broad portfolio of products and services. We are building a systematic process to monitor customer satisfaction. We are continuously seeking improvement in our execution through targeted and specific action plans to maintain our high standards. Continuous improvement in our operational performance has become part of our DNA, and we believe that we can achieve our new profitability goal by ensuring a continued focus on flawless execution.

CUSTOMER SATISFACTION THROUGH FLAWLESS EXECUTION	
Goal	Be #1 in customer satisfaction through flawless execution, by leveraging existing activities and by enhancing the link to the customer.
Leading initiatives	• We are continuously perfecting our customer satisfaction and execution measurement (CSM) methodologies, to ensure we can identify and resolve customers' key issues more quickly and continue to improve our performance. Our metrics regularly monitor execution excellence and customer satisfaction across the dimensions of sales and prices, customer orientation, project execution and product offering. • We are deploying key measures across the entire organization. This covers the continuation of project gate reviews, as well as team effectiveness development programs. • We are continuously optimizing our engineering organization, footprint, processes and tools towards standardization, efficiency, flexibility and time-to-market.

Highlights	• We rolled out project gate reviews on key projects across our organization. This assured better consolidation and synchronization of project deliverables through cross-functional and inter-divisional alignment.
	• We identified seven levers to improve engineering efficiency, and named about 50 champions from all divisions to roll out these measures across all divisions. As part of these measures, we implemented design-to-cost.
	• We have demonstrated our ability to execute the most complex projects.
	  • We delivered South Africa's Rapid Rail Link Gautrain, connecting Johannesburg Sandton and the OR Tambo International Airport, by significantly accelerating our program of works in order to open the first phase of the 80 km dual-track route in time for the FIFA World Cup 2010. Passenger traffic on Gautrain exceeded expectations substantially, with more than 400,000 passengers riding the train in the first month of operations.
	  • We delivered our first ERTMS level 2 signalling system for the Wuhan-Guangzhou line in South Eastern China together with a Chinese partner. This technology enables speeds of up to 350 km/h and short headways between high speed trains to allow more trains to operate on the same line.

PEOPLE ARE THE KEY INGREDIENT TO ALL PARTS OF OUR BUSINESS

As a response to the continued evolution of our company in these challenging times, our human resources business partners have reviewed the People Strategy with our business leaders and together they have identified a list of priorities to refocus our people initiatives. Our new People Strategy focuses on increasing excellence in talent management and leadership. Business leaders will be responsible to own talent management in order to closely attract, retain, enable and allocate resources. As finite resources force selective investments, leaders will need to focus even more on key people to drive results, but also prioritize the development of organizational capabilities.

UNBEATABLE TALENT	
Goal	Maximize talent outcomes and transform leaders into talent champions.
Leading initiatives	• We are investing in our leadership and key talent to help engage and enable people. • We are developing one leadership pool and are building strong succession pipelines for critical business resources. In doing so, we are also consolidating global talent data to create global talent market pools by key functions to facilitate increased mobility across the entire Bombardier organization. • We are strengthening our global talent review process to achieve our long-term employee development planning. • We are strengthening the motivation and engagement of our employees by developing a consistent global Employment Value Proposition to clarify the value we bring to current and prospective employees and accelerate the hiring process. • As a mean to even better position BT in the talent market and to enhance our game on global talent management, we will implement the Professional Graduate Program in calendar year 2011, which will develop candidates with more specialized competency profiles. • In the Asian region, we are strengthening our organizational capability locally to support our local roots initiatives. • To support individual needs expressed in employees' personal development plans, we offer a broad spectrum of learning and development programs for every level of employee. • We are building a world-class human resources organization, supporting business leaders on effective decision making and implementation.

Highlights	• In connection with our Employment Value Proposition, we agreed on the elements to be deployed as part of a global recruiting campaign.
	• We approved an annual talent cycle that will strengthen our effectiveness by providing standardized, relevant and user-friendly tools to:
	  • identify and develop high potential employees;
	  • determine succession plans for all executives; and
	  • identify the talent pipeline strengths and talent gaps.
	• We supported leaders in becoming talent champions by offering standardized, relevant and user-friendly tools and processes.
	• We further increased the number of employees under our "Making Great Leaders" training program by 40% compared to last fiscal year.
	• We fully established our Global Graduate Program as a trainee program for our future leaders. As a result, internal requests for the third Global Graduate intake have increased by 25% compared to fiscal year 2010. The retention rate of the first intake that started in fiscal year 2008 is 100%.
	• We optimized our human resources processes to be even more reliable, transparent and user-friendly.

ACTIVELY MANAGE RISKS

Our primary area of focus is our contract execution, where reside our biggest opportunities to create value and also our most significant risks. Indeed, we realize that the execution of our record order backlog exposes us to substantial risks. Our ability to execute on time, on quality and at competitive cost is critical to deliver on our financial objectives, while at the same time enhancing customers' satisfaction.

Recognizing the risks involved with project execution, we have developed a strong control environment based on project management processes and our continuous sharing of best practices. Our project management expertise is complemented by a comprehensive, proven governance toolkit. We are actively managing our exposure to key business risks within each function of our organization. We use defined business processes and a common, integrated Business Management System.

CALCULATED RISKS	
Goal	Actively manage risks by developing our insight and transparency in the management of key risks that drive value while mitigating or transferring risks that do not create value.
Leading initiatives	• We are introducing a risk management framework based on the ISO 31000 standard of risk management to formalize and standardize the risk management processes and governance across the Bombardier organization for all types of risks. • We are planning to upgrade the tracking of our business risks on an enterprise level (as opposed to a project level) over a three- to five-year horizon. We are developing standardized heat maps for all risk types to enable better comparison and to gauge the impact on our strategy and budget. This effort complements the work of our Corporate Audit Services and Risk Assessment (CASRA) team, where our major risks are identified and monitored through a dedicated process and their mitigation plans are reviewed periodically. • We are developing key measures across the organization, in which all employees understand their individual responsibility to deliver high quality work. Our Quality Policy establishes a strong foundation for our strategy and makes quality an important measure of business excellence and of our success. • We are using a document called the "Blue Book" in the bid phase, which summarizes the contributions of different functions in a structured and uniform way. The Blue Book is reviewed at different levels throughout our organization, and ensures that the bid is complete and highlights the risks and rewards of the project. • We are continuously monitoring the development of the general economic environment, trying to gauge the outlook for recovery after the crisis and assessing the implications for the rail industry.
Highlights	• We introduced a Corporate Risk Management policy as a basis for the BT risk management framework. • We continued to implement lean principles in the organization by leveraging our internal network of knowledgeable Bombardier Operations System (BOS) experts and extending it by 40%. We are also using Kaizen methodologies to reap benefits from continuous improvement projects in our sites. • We conducted a strategic assessment of our view of the world in 10 years, the situation of the railway industry and potential implications for us. The assessment yielded a number of uncertainties that are relevant to the future of our industry. We are now analyzing these uncertainties in more detail to better understand how they may affect our strategy.

ESTABLISH LOCAL ROOTS IN ALL KEY MARKETS

We aspire to be the preferred and most reliable partner for our customers around the globe, and we are building local roots to be closer to them. Local presence gives us the opportunity to build an in-depth understanding of the respective markets, a better network of suppliers and local partners, as well as a higher customer intimacy. As competition intensifies, these factors are important competitive advantages for our activities in both mature and emerging markets.

Our local roots strategy ensures our success around the world. In China for example, where localization is a prerequisite for winning orders in many segments, we are well positioned with our three joint ventures and seven wholly owned foreign enterprises. Our Bombardier Sifang (Qingdao) Transportation Ltd. (BST) joint venture in Qingdao is the only Sino-foreign joint venture in China for complete mainline rail passenger cars and electrical multiple units. As a result, we ensure ongoing access to the single largest rail market worldwide

In Europe, which is a group of more mature markets, we continue to leverage our strong presence to win significant new orders. In Italy for example, we have been successful in selling our V300ZEFIRO VHS train to Trenitalia together with a partner because, among others, we chose the right partnership model for the local industry (partner and suppliers).

DEEP LOCAL ROOTS	
Goal	Enhance our participation in both mature and emerging markets and implement optimal organizations in key countries to ensure our future success.
Leading initiatives	• We are increasing our local presence and are leveraging more local expertise to emphasize Asia as a growing region both in terms of local market potential and as a potential base for export. We are expanding and strengthening our strategies for India and China, and are ensuring sufficient resources to address these markets. • We are building targeted strategies to address the countries in the Middle East and North Africa (MENA), allocating the right resources and adapting our product portfolio to meet local needs. • We are assisting the authorities and our customers in the U.S. to progress and promote the high speed rail investment program. • Predominantly in the Asian region, we are strengthening our organizational capability locally to support our local roots initiatives.

Highlights	• We have become a key player in mature and emerging markets, with private and public customers covering all segments, thanks to the success of our local roots strategy:
	  ◦ In India for example, we are able to differentiate ourselves from other international competitors as the only foreign player with an owned site producing mass transit vehicles including bogies. We also developed a comprehensive understanding of the local market by leveraging our experience of more than 35 years supplying propulsion equipment for locomotives in India.
	  ◦ In the U.S., we have optimized our presence and governance in response to the American government's high speed rail investment program.
	• In Russia, the purchase of a stake in the signalling equipment manufacturer United Electrical Engineering Plants, known as Elteza, a subsidiary of Russian Railways (RZD), will increase our already strong presence in the rail control sector. This transaction also provides us with an opportunity to further develop our presence in the CIS and Baltic States.
	• We leveraged and continue to enhance our network of Chief Country Representatives, which maintain local offices and relationships in key markets and regions.

ENHANCE OUR CORPORATE SOCIAL RESPONSIBILITY

Everywhere we operate, our stakeholders expect more from us than just the timely and efficient delivery of great products. We need to provide a safe, healthy and rewarding workplace to our employees and give back to the communities where we operate. At the same time, we need to minimize the environmental footprint of our operations. All aspects of our business, first and foremost our products, need to contribute to a greener planet and enable our customers to operate as efficiently and as environmentally consciously as possible. For many years, our health, safety and environment (HSE) priorities have been aligned with these expectations, and this will continue. Our products are also recognized as leaders in energy efficiency, low carbon emissions and recyclability.

This is why we are diligently embedding sustainable development principles in day-to-day activities to ensure that CSR permeates all levels of our organization. The table below presents an overview of our goals, leading initiatives and significant highlights. For more information, our 2010 CSR Report can be consulted online at www.csr.bombardier.com.

GREATER CORPORATE SOCIAL RESPONSIBILITY	
Goals	• Enhance BT's corporate social responsibility strategies and ensure strong alignment with those of the Corporate Office and BA. • Continue to promote a zero-accident culture. • Maintain our leadership role in the industry with regard to products' sustainability and issue additional Environmental Product Declarations. • Minimize our operations' environmental footprint by eliminating restricted substances and adopting high sustainability standards for our buildings and operations to achieve carbon neutrality and deliver a zero-waste performance. • Ensure the efficiency and viability of our suppliers by enhancing the sustainability of our procurement processes, and promoting ethics, human rights and internationally recognized labour standards across our global supply chain. • Reinforce our relations with key stakeholders and optimize the impact of our contributions by increasing the focus of our community involvement.
Leading initiatives	• In fiscal year 2011, we focused on improving safety outside our established production and service sites. We also began integrating health and safety aspects into product design. • We started implementing a strategy and developing objectives to manage our carbon footprint and assessed our overall environmental footprint. We want to progressively achieve carbon neutrality throughout our activities. Our annual targets meet or exceed the levels defined in relevant national and international agreements. • We are continuing to develop an audit program to ensure adherence to our Supplier Code of Conduct, which will begin with a self-assessment and evolve into external audits. We are also exploring options to harmonize our Supplier Code of Conduct and an associated verification approach with other members of the European rail industry (through UNIFE) to reduce monitoring efforts and to make reference to respective international standards.
Highlights	• For a second consecutive year, we achieved world-class levels in our accident frequency rates (i.e., 0.3 accidents per 200,000 hours worked). Some divisions even achieved a frequency of below 0.2. • Our employees have demonstrated an increasing commitment to safety notably by showing increased awareness to avoid dangerous situations and behaviours. This indicator plays a crucial role in prevention measures, and the fact that we received on average more than one incident report per employee last year explains our excellent results. • We achieved more than 95% recyclability rate for our rail vehicles. • Our APM 100 automated people mover system, in operation at the Madrid Barajas International Airport since calendar year 2006, won the first prize for Environmental Behavior awarded by AENA, the operator of the airport. • We decreased energy consumption by 5% and CO_2 emissions by 7% in fiscal year 2011 compared to fiscal year 2010. • We achieved adoption of our Supplier Code of Conduct by all master vendors (accounting for approximately 80% of our procurement spend), which ensures that our health, safety and environment values are understood and adopted throughout our supply chain. In line with our supplier compliance roadmap, we started developing a standard CSR assessment methodology and toolkit.

DEVELOP INNOVATIVE, ECO-CONSCIOUS PRODUCTS THAT MEET CUSTOMER NEEDS GLOBALLY

We are extending our competitive advantage through state-of-the-art products that address the needs of customers worldwide. Our products and services are helping our customers operate in the most eco-friendly and energy-saving ways, while at the same time ensuring the highest standards of safety, passenger comfort and highest efficiency.

PRODUCT INNOVATION	
Goal	Sustain our industry leadership through innovative and environmentally conscious products and services. The three focus areas are efficient performance, simplification, and customer and user satisfaction.

Leading initiatives	• We are maintaining a structured approach of continuously improving our product portfolio through product roadmaps and innovation management.
	• We are continuously increasing the focus and efficiency of our R&D, while systematically managing our innovation risk and shortening the time to market. We are also increasing the visibility of innovation across BT, through a collaborative idea sharing and development platform on our intranet.
	• We are developing next-generation products, for example, for systems and signalling:
	  • We are accelerating the development of product platforms in the system market to enhance the competitiveness of our automated rapid transit solutions and automated people movers worldwide. Our state-of-the-art *INNOVIA* family has already achieved first successes in the market. For example, the order for our *INNOVIA* Monorail 300 from Companhia do Metropolitano de São Paulo (CMSP) in Brazil is a real-case demonstration of monorail as an alternative to a new metro line, offering lower cost and faster implementation.
	  • We are taking action to further strengthen our competitiveness in the latest signalling technologies, including onboard platforms and wayside solutions for both mass transit and mainline applications.

Highlights	• We introduced our new contactless, catenary-free power transmission technology based on inductive principles, named *PRIMOVE.* BT and the Transport Authority of Augsburg, Germany, are jointly piloting the technology on a 0.8 km section of Augsburg's urban tram network.
	• We have further built up our technology leadership in locomotives and components, with locomotive products that define tomorrow's technology standards:
	  • We continued to evolve our *ECO4* portfolio of environmentally friendly products and technologies. For example, our high efficiency *MITRAC* permanent magnet motor increases train energy efficiency while reducing vehicle volume and weight.
	  • The ALP-45DP dual power locomotives we are building for North American applications, such as those for the Agence Métropolitaine de Transport (AMT), Montréal and for the New Jersey Transit Corporation (NJT), are a new type of locomotives that can run electrically with power from the catenary as well as on diesel engines on non-electrified networks. The railroads need only one train to operate on both diesel and electric networks, thus increasing operational efficiency ("one seat ride").
	• We launched the "YouRail—Visions of Modern Transportation" design competition, showing that design and passenger comfort are high on our agenda. We are the first company in the rail industry to involve Internet users in the future design of trains.

OPTIMIZE OUR FOOTPRINT AND SUPPLY CHAIN AND ENSURE EFFICIENT STRUCTURES

We provide highly complex rail solutions that incorporate a wide range of high-technology sub-systems, parts and components. An effective global supply chain and an optimized footprint are therefore critical to our success. We are constantly assessing and streamlining our supplier base to ensure an efficient global supply chain and sustainable procurement processes. Today, our business utilizes highly qualified suppliers in more than 65 countries. We are also optimizing our footprint to ensure that the right structures are in place to enable flawless execution.

EFFICIENT STRUCTURES	
Goal	Optimize our footprint and our supply chain to ensure efficient structures across the entire organization.
Leading initiatives	• We are proactively analyzing and adapting our global industrial footprint. For example, we are expanding our presence in emerging markets with high projected demand, such as India and China. • We are increasing focus on supplier innovation and development. In order to drive supplier innovation, we are naming 25 strategic suppliers with whom we will work with very closely. • We are strengthening our BOS and lean production culture through building-change leadership competencies, focusing on people involvement, built-in quality and best-practice sharing. • We are negotiating flexible scheduling agreements with our suppliers to optimize material flows and reduce inventories.

Highlights	• We adjusted our manufacturing capacity to fit market demand:
	  • In China, we are expanding the capacity of our joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), by adding a new plant covering an area of 90,000 sq. m (970,000 sq. ft.) and substantially increasing our workforce from its current level of 2,300 employees. Among other products, the BST site will manufacture the *ZEFIRO* 380 very high speed train for the Chinese Ministry of Railways (MOR).
	  • In India, we are steadily ramping up our presence. Our production site in Savli, Gujarat, follows the most modern industrial standards worldwide. We are one of the first companies to use robotic welding technology in carbodies manufacturing in India and have further enhanced the site's efficiency to reach a manufacturing rate of one car per day.
	  • In Europe and North America, we have taken measures to eliminate duplicate workflows and to reduce excess capacity. We also adapted our headcount to workload requirements at some sites.
	• We nominated more than 400 master vendors for product-related material, which gives us the opportunity to concentrate our major activities on the most important suppliers.
	• We continued to implement lean principles in the organization through leveraging our internal network of knowledgeable BOS experts and extending it by 40%. We are also utilizing Kaizen methodologies to reap benefits from continuous improvement projects in our sites.
	• We held regular symposiums and forums with key suppliers. This enables us to share the challenges and strategies associated with suppliers' products, and discuss emerging technologies.
	• We transferred standard procedures such as invoice processing and selected human resources processes to internal shared services centres to increase efficiency by applying best practices.

We have the right capabilities to capture opportunities and deliver results

Our capability to deliver results is based on the following attributes:

- We have a broad, leading-edge product portfolio that can be customized to specific customer requirements.
- We continuously improve our key business processes.
- We are in markets with solid long-term demand growth.
- We have a global presence and a diversified customer base.
- We have a strong relationship with our key stakeholders, including customers, unions and suppliers.
- We have a large talent pool of well-trained and motivated employees who are proud of the products we produce.
- We have an experienced management team, committed to the long-term success of the organization.

Our attributes, combined with our risk management practices, will enable us to successfully deliver on our long-term strategy. In calendar year 2011, we will continue to make significant progress on our seven strategic priorities, including Our Way Forward, which should result in a better competitive position and sustainable growth. Employees across all our divisions, countries and sites understand and apply these strategies. We are confident we will reach the strategic goals set for the coming years.

ANALYSIS OF RESULTS

Increase in EBIT margin for the sixth consecutive year

We have improved our EBIT margin for the sixth consecutive year, reaching 6.6% in fiscal year 2011. Our order intake of $14.3 billion (book-to-bill ratio of 1.6) has resulted in an order backlog of $33.5 billion, both record levels. This represents an average of 3.7 years of revenues, an increase of one year compared to last fiscal year. At the same time, the time lag between the completion of existing contracts and the start of production of new orders as well as the challenging economic environment we experienced in locomotives in fiscal years 2010 and 2011 have led to a decrease in revenues of 9% (7% decrease excluding the currency impact).

RESULTS OF OPERATIONS[1]

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
Revenues				
Rolling stock	**$ 1,719**	$ 1,939	**$ 6,400**	$ 7,264
Services	**363**	357	**1,308**	1,408
System and signalling[2,3]	**416**	381	**1,390**	1,337
Total revenues	**2,498**	2,677	**9,098**	10,009
Cost of sales	**2,017**	2,177	**7,399**	8,243
Margin	**481**	500	**1,699**	1,766
SG&A	**193**	232	**766**	852
R&D	**47**	44	**147**	135
Other expense[4]	**22**	3	**58**	27
EBITDA	**219**	221	**728**	752
Amortization	**33**	39	**126**	127
EBIT	**$ 186**	$ 182	**$ 602**	$ 625
(as a percentage of total revenues)				
Margin	**19.3%**	18.7%	**18.7%**	17.6%
EBITDA	**8.8%**	8.3%	**8.0%**	7.5%
EBIT	**7.4%**	6.8%	**6.6%**	6.2%

1 The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of the euro and other European currencies compared to the U.S. dollar negatively affects revenues and positively affects expenses, while higher exchange rates would have the opposite impact (defined as "negative currency impact" and "positive currency impact"). See the Foreign exchange rates section in Other for the average exchange rates used to translate revenues and expenses.
2 The system and signalling revenues are presented in the caption other revenues in the consolidated statements of income.
3 Excluding the rolling stock portion of system orders manufactured by our other divisions.
4 Includes net loss (gain) on financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates and capacity adjustments), income from equity accounted investees, losses (gains) on disposals of PP&E, gain related to disposal of businesses and impairment of PP&E.

REVENUES BY GEOGRAPHIC REGION

	Fourth quarters ended January 31				Fiscal years ended January 31			
	2011		2010		**2011**		2010	
Europe	**$1,577[1]**	**63%**	$1,666	62%	**$5,875[1]**	**65%**	$ 6,883	69%
Asia-Pacific	**486**	**19%**	578	22%	**1,635**	**18%**	1,678	17%
North America	**314**	**13%**	342	13%	**1,227**	**13%**	1,091	11%
Other	**121**	**5%**	91	3%	**361**	**4%**	357	3%
	$2,498	**100%**	$2,677	100%	**$9,098**	**100%**	$10,009	100%

1 Amounts include a negative currency impact of $114 million for the fourth quarter and $275 million for the fiscal year.

ROLLING STOCK REVENUES

The $220-million decrease for the fourth quarter and $864-million decrease for the fiscal year are mainly due to lower activities:

- in locomotives in Europe, as a result of the low level of order intake in fiscal year 2010 due to the challenging economic environment in the freight business ($33 million for the fourth quarter and $405 million for the fiscal year);
- in intercity, high speed and very high speed trains, mainly in Asia for the fourth quarter ($69 million) and mainly due to the phasing out of major projects in several countries ahead of ramping up of production of new contracts in Europe and Asia for the fiscal year ($316 million);
- in commuter and regional trains, light rail vehicles and metro cars in Western Europe due to the phasing out of major projects in several countries ahead of ramping up of production of new contracts ($82 million for the fourth quarter and $256 million for the fiscal year);
- in mass transit in North America following completion of existing contracts and due to the timing of new orders ($36 million for the fourth quarter and $80 million for the fiscal year); and
- in commuter and regional trains in South Africa due to the start of operations of our *ELECTROSTAR* trains in Johannesburg at the beginning of June 2010 ($24 million for the fourth quarter and $74 million for the fiscal year).

Partially offset by higher activities:

- in commuter and regional trains, light rail vehicles and metro cars in Asia ($14 million for the fourth quarter and $155 million for the fiscal year);
- in locomotives in North America ($150 million for the fiscal year); and
- in propulsion and controls in China ($27 million for the fourth quarter and $98 million for the fiscal year).

The decreases also reflect a negative currency impact ($66 million for the fourth quarter and $145 million for the fiscal year).

SERVICES REVENUES

The $100-million decrease for the fiscal year is mainly due to:

- lower activities, mostly in Europe, as a result of the low level of order intake in fiscal year 2010 ($86 million); and
- a negative currency impact ($26 million).

SYSTEM AND SIGNALLING REVENUES

The $35-million increase for the fourth quarter is mainly due to higher activities:

- in systems projects in Saudi Arabia and South Africa ($32 million);
- in signalling, mainly in Europe and Asia ($21 million); and
- in systems in Asia and North America ($9 million).

Partially offset by:

- lower activities in systems in Europe ($16 million); and
- a negative currency impact ($13 million).

The $53-million increase for the fiscal year is mainly due to higher activities:

- in systems in North America and Europe, due to the ramping up of projects ($43 million);
- in systems projects in Saudi Arabia and South Africa ($36 million); and
- in signalling, mainly in Asia ($15 million).

Partially offset by:

- lower activities in systems in Asia, due to the phasing out of projects ($26 million); and
- a negative currency impact ($15 million).

EBIT MARGIN

The 0.6 percentage-point increase for the fourth quarter is mainly due to:

- better overall contract execution;
- lower SG&A expenses, mainly as a result of slightly lower bid activities, as well as lower administrative expenses mainly due to cost reduction initiatives;
- a higher net gain recorded in other expense related to foreign exchange fluctuations and certain financial instruments carried at fair value; and
- lower amortization expenses.

Partially offset by:

- lower absorption of R&D expenses.

The 0.4 percentage-point increase for the fiscal year is mainly due to:

- better overall contract execution.

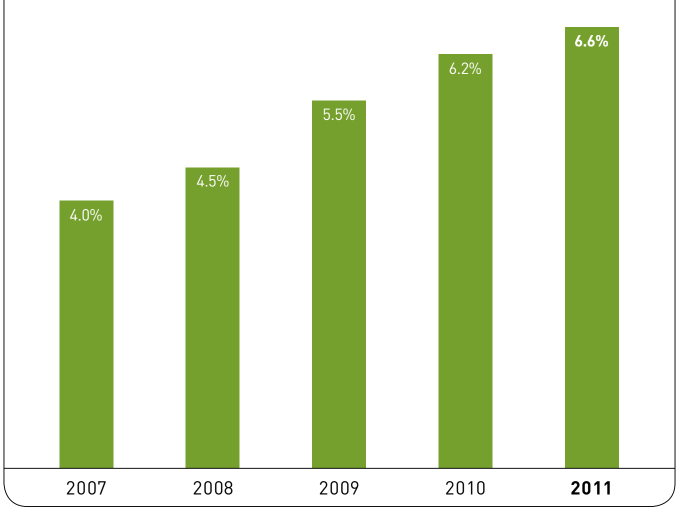
Partially offset by:

- higher R&D expenses related to our continuous upgrades in product offering in combination with lower absorption; and
- lower absorption of amortization expenses.

The EBIT margins for the fourth quarter and fiscal year ended January 31, 2011 were also impacted by the following items recorded in other expense:

- provisions related to capacity adjustments mainly for the optimization of our footprint in Europe ($35 million for the fourth quarter and $28 million for the fiscal year), negatively impacting EBIT margin by 1.4% and 0.3% respectively;
- a loss in connection with the flooding of our site in Bautzen, Germany ($20 million for the fiscal year), negatively impacting EBIT margin by 0.2%; and
- a write-down of PP&E as a result of the continued effort to optimize our footprint especially in Europe ($8 million for the fiscal year), negatively impacting EBIT margin by 0.1%.

EBIT MARGIN BEFORE SPECIAL ITEMS
(for fiscal years)



The EBIT margins for the fourth quarter and fiscal year ended January 31, 2010 were also impacted by the following items recorded in other expense:

- provisions related to capacity adjustments ($35 million for the fourth quarter and $62 million for the fiscal year), negatively impacting EBIT margin by 1.3% and 0.6% respectively;
- a gain on the sale of a non-core business in Germany ($20 million for the fourth quarter and for the fiscal year), positively impacting EBIT margin by 0.7% and 0.2% respectively; and
- a gain on the sale of PP&E ($8 million for the fourth quarter and $9 million for the fiscal year), positively impacting EBIT margin by 0.3% and 0.1% respectively.

Free cash flow exceeding EBIT

FREE CASH FLOW	Fourth quarters ended January 31		Fiscal years ended January 31	
	2011	2010	**2011**	2010
EBIT	**$186**	$182	**$ 602**	$ 625
Amortization	**33**	39	**126**	127
EBITDA	**219**	221	**728**	752
Other non-cash items:				
Gain on disposals of PP&E	**(1)**	(8)	**(3)**	(9)
Stock-based compensation	**7**	6	**24**	23
Impairment charges	**–**	–	**8**	–
Net change in non-cash balances related to operations	**630**	192	**104**	(317)
Net additions to PP&E and intangible assets	**(56)**	(39)	**(117)**	(156)
Free cash flow	**$799**	$372	**$ 744**	$ 293

The $427-million increase for the fourth quarter is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($438 million) (see explanations below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($17 million).

The $451-million increase for the fiscal year is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($421 million) (see explanations below); and
- lower net additions to PP&E and intangible assets ($39 million).

Partially offset by:

- a lower EBITDA ($24 million).

Net change in non-cash balances related to operations

For the fourth quarter of fiscal year 2011, the $630-million cash inflow is mainly due to:

- advances and milestone payments received on new orders and existing contracts; and
- higher accounts payable and accrued liabilities.

Partially offset by:

- an increase in inventories also resulting from the higher level of activities; and
- an increase in receivables following increased deliveries in several contracts.

For the fourth quarter of fiscal year 2010, the $192-million cash inflow was mainly due to:

- a decrease in inventories partially offset by an increase in receivables, resulting from deliveries in several contracts following the build-up of inventories in rolling stock in previous quarters; and
- an increase in advances and progress billings, due to order intake in previous quarters and the timing of related advance payments.

For the fiscal year 2011, the $104-million cash inflow is mainly due to:

- advances and milestone payments received on new orders and existing contracts; and
- higher accounts payable and accrued liabilities.

Partially offset by:

- an increase in receivables following the increased deliveries in several contracts.

For the fiscal year 2010, the $317-million cash outflow was mainly due to:

- an increase in inventories resulting from higher activities in rolling stock.

Partially offset by:

- an increase in accounts payable and accrued liabilities resulting from higher activities in rolling stock; and
- an increase in advances and progress billings resulting from a higher level of advance payments received.

Record level of order backlog and order intake

ORDER BACKLOG (in billions of dollars)	January 31 2011	January 31 2010
Rolling stock[1]	**$23.9**	$18.5
Services	**6.2**	5.9
System and signalling	**3.4**	2.7
	$33.5	$27.1

1 Of which $16.4 billion, or 69% of rolling stock order backlog, had a percentage of completion from 0% to 25% as at January 31, 2011 ($12.4 billion, or 67%, as at January 31, 2010).

The 24% increase is due to:

- order intake being significantly higher than revenues recorded ($5.2 billion); and
- the strengthening of most foreign currencies versus the U.S. dollar as at January 31, 2011 compared to January 31, 2010 ($1.2 billion).

ORDER INTAKE AND BOOK-TO-BILL RATIO	Fourth quarters ended January 31		Fiscal years ended January 31	
(in billions of dollars)	**2011**	2010	**2011**	2010
Rolling stock	**$2.6**	$1.0	**$10.9**	$ 7.3
Services	**0.4**	0.6	**1.4**	1.2
System and signalling	**0.4**	0.2	**2.0**	1.1
	$3.4	$1.8	**$14.3**	$ 9.6
Book-to-bill ratio	**1.4**	0.7	**1.6**	1.0

For the fourth quarter ended January 31, 2011, we achieved a book-to-bill ratio of 1.4. The increase in order intake for the fourth quarter is mainly due to higher order intake:

- in rolling stock in North America and Europe; and
- in system and signalling in North America.

Partially offset by:

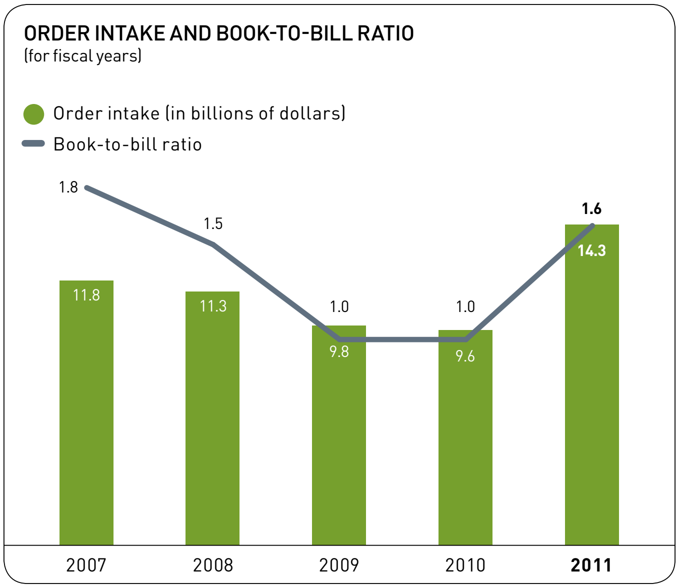
- lower order intake in services in Europe; and
- a negative currency impact ($170 million).

For fiscal year 2011, we achieved a book-to-bill ratio of 1.6. The 49% increase in order intake for the fiscal year is mainly due to higher order intake:

- in rolling stock and services in Europe and North America; and
- in system and signalling, mainly due to an order received in Brazil.

Partially offset by:

- lower order intake in rolling stock in Asia, where last year was exceptionally high due to a landmark order for very high speed trains in China; and
- a negative currency impact ($204 million).



We received the following major orders during fiscal year 2011:

MAJOR ORDERS

Customer	Country	Product or service	Number of cars	Market segment	Value
Swiss Federal Railways (SBB)	Switzerland	*TWINDEXX* double-deck trains	436	Rolling stock	$1,600
Société Nationale des Chemins de fer Français (SNCF)	France	Double-deck electrical multiple units	872[1]	Rolling stock	1,574[1]
Deutsche Bahn AG	Germany	*TALENT* 2 trains	613[1]	Rolling stock	908[1]
Trenitalia	Italy	V300ZEFIRO high speed trains	400	Rolling stock	889[2]
Companhia do Metropolitano de São Paulo (CMSP)	Brazil	*INNOVIA* Monorail 300 system	378	System and signalling	747[2]
Metrolinx	Canada	*FLEXITY* trams	182	Rolling stock	745
Société de transport de Montréal (STM)	Canada	Metro cars	468	Rolling stock	715[2]
Deutsche Bahn AG	Germany	137 *TWINDEXX* double-deck coaches and 27 *TRAXX* locomotives	164	Rolling stock	485
Undisclosed		Fleet maintenance services	n/a	Services	475
Toronto Transit Commission (TTC)	Canada	Metro cars	186	Rolling stock	378
Chinese Ministry of Railways (MOR)	China	CRH1 high speed trains	320	Rolling stock	373[3]
Israel Railways (ISR)	Israel	Double-deck coaches	150[1]	Rolling stock	339[1]
Department of Transport in Victoria	Australia	*FLEXITY* trams and maintenance	50	Rolling stock	293
New Jersey Transit Corporation (NJT)	U.S.	MultiLevel commuter cars	100	Rolling stock	267
Saudi Oger Limited	Kingdom of Saudi Arabia	*INNOVIA* Monorail 300 system, and operations and maintenance	12	System and signalling	241
Société des Transports Intercommunaux de Bruxelles (STIB)	Belgium	*FLEXITY* trams	65	Rolling stock	235
Railpool GmbH	Germany	*TRAXX* locomotives	36	Rolling stock	157
Hungarian State Railways (MÁV)	Hungary	*TRAXX* locomotives	25	Rolling stock	112
Delhi Metro Rail Corporation Ltd (DMRC)	India	*MOVIA* metro cars	74	Rolling stock	101
City and County of Denver, Department of Aviation (CCD)	U.S.	7-year operations and maintenance of *INNOVIA* APM 100 system	n/a	System and signalling	101

1 Combination of orders for the same product and customer.
2 Contract performed through a consortium. Only the value of our share is stated.
3 Contract performed through a joint venture. Only the value of our proportionate share is stated.
n/a: Not applicable.

Stable overall workforce level adjusted for regional shifts

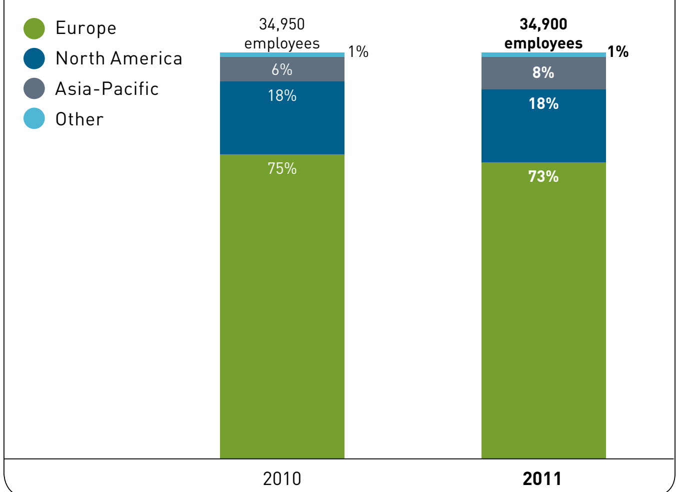
TOTAL NUMBER OF EMPLOYEES

	January 31 2011	January 31 2010
Permanent	**30,400[1]**	30,600[1]
Contractual	**4,500**	4,350
	34,900	34,950
Percentage of permanent employees covered by collective agreements	**57%**	56%

1 Including 1,200 and 1,150 inactive employees as at January 31, 2011 and January 31, 2010 respectively.

We continue to optimize our footprint and align capacity where needed to sustain our competitiveness. While our overall number of employees has remained relatively stable compared to last year, we see a shift in our regional presence in line with the evolution in our regional breakdown of revenues. We have therefore reduced our headcount in Europe and have increased it in our growing markets of Asia.

MANPOWER BY GEOGRAPHICAL REGION
(as at January 31)



MD&A – TRANSPORTATION

OTHER

OFF-BALANCE SHEET ARRANGEMENTS

Commitments and contingencies

Our commitments and contingencies are described in Note 25 – Commitments and contingencies, to the Consolidated Financial Statements.

CREDIT AND RESIDUAL VALUE GUARANTEES

In connection with the sale of certain of our products, mainly commercial aircraft, we have provided financing support in the form of credit and residual value guarantees to enhance the ability of certain customers to arrange third-party financing for their acquisitions.

Credit guarantees provide support through contractually limited payments to the guaranteed party to mitigate default-related losses. Credit guarantees are triggered if customers do not perform during the term of the financing (ranging from 1 to 16 years) under the relevant financing arrangements. In the event of default, we usually act as an agent for the guaranteed parties for the repossession, refurbishment and re-marketing of the underlying assets. We typically receive a fee for these services.

Residual value guarantees provide protection to the guaranteed parties in cases where the market value of the underlying asset falls below the guaranteed value. In most cases, these guarantees are provided as part of a financing arrangement, (ranging from 1 to 15 years). The value of the underlying asset may be adversely affected by a number of factors. To mitigate our exposure, the financing arrangements generally require the collateral to meet certain contractual return conditions in order to exercise the guarantee. If a residual value guarantee is exercised, it provides for a contractually limited payment to the guaranteed parties, which is typically a specified maximum amount of the first losses incurred by the guaranteed party. A claim under the guarantee may typically be made only upon the sale of the underlying asset to a third party.

When credit and residual value guarantees are provided in connection with a financing arrangement for the same underlying asset, residual value guarantees can only be exercised if the credit guarantee expires without having been exercised and, as such, the guarantees are mutually exclusive.

For more details, refer to Note 25 – Commitments and contingencies, to the Consolidated Financial Statements.

FINANCING COMMITMENTS

We sometimes provide financing support to facilitate our customers' access to capital. This support may take a variety of forms, including providing assistance to customers in accessing and structuring debt and equity for aircraft acquisitions or providing assurance that debt and equity are available to finance such acquisitions.

As at January 31, 2011, we were committed to arrange financing for two customers in relation to the future sale of aircraft scheduled for delivery through the 11-month period ended December 31, 2011, amounting to $79 million. In connection with these commitments, we have provided credit spread guarantees. The recorded fair value of these guarantees amounted to $2 million as at January 31, 2011. We mitigate such exposure from our financing rate commitments by including terms and conditions in the financing agreements that guaranteed parties must satisfy prior to benefiting from our commitment.

We anticipate that we will be able to satisfy our financing commitments to our customers through third-party financing. However, our ability to satisfy our financing commitments may be affected by several factors, including financial difficulties in the commercial airline industry in general or certain customers in particular, credit scarcity in the market and our current or future credit condition.

GOVERNMENT FINANCIAL SUPPORT

As at January 31, 2011, BA has invested $5.0 billion cumulatively in aerospace program tooling as well as other significant amounts in product development and capital assets. We receive government financial support related to the development of certain aircraft from various levels of government. Certain financial support programs require us to repay amounts to governments at the time of the delivery of products, contingent on a minimum agreed-upon level of related product sales being achieved. If this minimum agreed-upon level is not reached, no amount is repayable. We record the amount payable to governments at the time the product giving rise to such payment is delivered.

In connection with our aerospace programs, we have received from Federal and Provincial Canadian governments cumulative contingently repayable government advances amounting to $712 million Cdn as at January 31, 2011 ($710 million translated at the closing balance sheet rate). The total repayments in connection with such government support amounted to $595 million Cdn as at January 31, 2011 ($594 million translated at the closing balance sheet rate). The remaining undiscounted maximum amount repayable under these programs, mostly based on future deliveries of aircraft, amounted to $414 million Cdn ($413 million) as at January 31, 2011.

Also in connection with our aerospace programs, we have received from the U.K. government cumulative contingently repayable government advances amounting to £45 million as at January 31, 2011 ($72 million translated at the closing balance sheet rate). The remaining undiscounted maximum amount repayable under this program, mostly based on future deliveries of aircraft, amounted to £45 million ($72 million) as at January 31, 2011. In addition, we have received from the U.K. government contingently repayable investments in the amount of £41 million as at January 31, 2011 ($66 million translated at the closing balance sheet rate), which are repayable if certain conditions, such as minimum employment levels, are not maintained over certain periods.

LITIGATION

In the normal course of operations, we are 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. We intend to vigorously defend our position in these matters.

While we cannot predict the final outcome of legal proceedings pending as at January 31, 2011, based on information currently available, we believe that the resolution of these legal proceedings will not have a material adverse effect on our financial position.

Variable interest entities

VIES IN WHICH WE HAVE A SIGNIFICANT VARIABLE INTEREST[1]				
	January 31, 2011		January 31, 2010	
	Assets	**Liabilities**	Assets	Liabilities
BA				
Financing structures related to the sale of regional aircraft[2]	**$5,875**	**$3,176**	$6,537	$3,994
BT				
Partnership arrangements[3]	**1,554**	**1,454**	1,403	1,319
Sale support guarantee	**319**	**307**	372	366
	7,748	**4,937**	8,312	5,679
Less assets and liabilities of consolidated VIEs:				
Financing structures related to the sale of regional aircraft	**11**	**–**	10	–
Assets and liabilities of non-consolidated VIEs	**$7,737**	**$4,937**	$8,302	$5,679

1 See also in Note 26–Variable Interest Entities, to the Consolidated Financial Statements.
2 We have provided credit and/or residual value guarantees to certain special purpose entities created solely i) to purchase regional aircraft from us and to lease these aircraft to airline companies and ii) to purchase financial assets related to the sale of regional aircraft.
3 We are a party to partnership arrangements to provide manufactured rail equipment and civil engineering work as well as related longterm services, such as the operation and maintenance of rail equipment. Our involvement with these entities results mainly from investments in their equity and/or in subordinated loans and through manufacturing and longterm service contracts.

Financial arrangements

As disclosed in the Liquidity and capital resources section in Overview, we enter into sale and leaseback facilities with third parties, under which we can sell certain pre-owned business aircraft and lease them back for a period not greater than 24 months. We have the right to buy the aircraft back during the term of the lease for predetermined amounts. In fiscal year 2011 we entered into a new $70-million three-year committed sale and leaseback facility with a third party. Aircraft amounting to $61 million were sold to this facility and leased back during fiscal year 2011, of which $61 million were outstanding as at January 31, 2011. In addition, we have another $205-million committed sale and leaseback facility with a third party under which an amount of $158 million was outstanding as at January 31, 2011 ($147 million as at January 31, 2010). Aircraft worth $242 million were sold to this facility and leased back during fiscal year 2011 ($197 million during fiscal year 2010). We also terminated a sale and leaseback facility with a third party in fiscal year 2011. The amount outstanding under this facility as at January 31, 2010 was $33 million and no aircraft were sold to and leased back from this facility during fiscal year 2011 ($20 million during fiscal year 2010).

In the normal course of its business, BT has set up factoring facilities in Europe to which it can sell, without credit recourse, qualifying trade receivables. The amount committed under such facilities was €270 million ($370 million) as at January 31, 2011. Trade receivables of €442 million ($584 million) were sold to these facilities during fiscal year ended January 31, 2011 (€386 million ($542 million) during fiscal year 2010), of which an amount of €248 million ($340 million) was outstanding as at January 31, 2011 (€140 million ($194 million) as at January 31, 2010).

RISKS AND UNCERTAINTIES

We operate in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties described below are risks that could materially affect our business, financial condition and results of operations, but are not necessarily the only risks we face. Additional risks and uncertainties, presently unknown to us or that we currently believe to be immaterial, may also adversely affect our business. To the extent possible, we apply risk assessment and mitigation practices to reduce the nature and extent of our exposure to these risks to an acceptable level.

General economic risk	Potential loss due to unfavourable economic conditions, such as a macroeconomic downturn in key markets, could result in lower order intake, order cancellation or deferral, downward pressure on selling prices, increased inventory levels, reduction in production activities, termination of employees and adverse impacts on our suppliers. The impacts of general economic risk on our business are discussed in the Overview, Aerospace and Transportation sections.
Business environment risk	Business environment risk is the risk of potential loss due to external risk factors. More specifically, external risk factors may include the financial condition of the airline industry, business aircraft customers and major rail operators; government policies related to import and export restrictions; changing priorities and possible spending cuts by government agencies; government support to export sales; world trade policies; increased competition from other businesses, including new entrants in market segments in which we compete; as well as scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates. In addition, acts of terrorism, natural disasters, global health risks, political instability or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of our products.
Operational risk	Operational risk is the risk of potential loss due to risks related to developing new products and services; actions of business partners; product performance warranty and casualty claim losses; regulatory and legal risks; environmental, health and safety risks; as well as dependence on customers, suppliers and human resources. In addition, large and complex projects are common in our businesses, most often structured as fixed-price contracts. We are also subject to risks related to problems with production and project execution, supply chain management, reliance on information systems, as well as the successful integration of new business acquisitions.
Financing risk	Financing risk is the risk of potential loss related to liquidity, access to capital markets, restrictive debt covenants, government support and financing support provided for the benefit of certain customers.
Market risk	Market risk is the risk of potential loss due to adverse movements in market rates, including foreign currency fluctuations, changing interest rates, decreases in residual values of assets and increases in commodity prices.

Business environment risk

FINANCIAL CONDITION OF THE AIRLINE INDUSTRY AND BUSINESS AIRCRAFT CUSTOMERS

The airline industry's financial condition and viability, including airlines' ability to secure financing, influence the demand for BA's commercial aircraft. The nature of the airline industry makes it difficult to predict when economic downturns or recoveries will impact the industry and economic cycles may be longer than expected. Continued cost and yield pressures in the airline industry constrain the selling price of BA's products.

The purchase of our products and services is a significant investment for a corporation, an individual or a government. When economic or business conditions are unfavourable, potential buyers may delay the purchase of our products and services. The availability of financing is also an important factor and credit scarcity can cause customers to either defer deliveries or cancel orders.

An increased supply of used aircraft as companies downsize or discontinue operations also adds downward pressure on the selling price of new and used business and commercial aircraft. We are faced with the challenge of finding ways to reduce costs and improve productivity to sustain a favourable market position at acceptable profit margins. The loss of any major commercial airline as a customer or the termination of a contract could significantly reduce our revenues and profitability.

FINANCIAL CONDITION OF THE RAIL INDUSTRY

The challenging worldwide economic and financial environment may have a negative impact on some rail operators. As governments respond to economic crises, high debt loads may arise from finance stimulus plans and funding may be more difficult to obtain by publicly-owned rail operators. Funding shortages may result in selected projects being reduced in size, postponed or even cancelled. Such actions by rail operators or governments would negatively impact BT's order intake and revenues and put pressure on our cost structure.

POLITICAL INSTABILITY

Political unrest in regions of the world in which we operate may be prolonged and unpredictable. A prolongation of political instability could lead to delays or cancellation of orders or projects in which we have invested significant resources.

FORCE MAJEURE EVENT OR NATURAL DISASTER

The risk of force majeure or natural disaster (including seismic and severe weather related events such as ice storms, flooding, tornadoes or other calamity) is unpredictable and may have significant adverse results, such as personal injury or fatality; damage to or destruction of on-going projects, facilities or equipment; environmental damage; delays or cancellations of orders and deliveries; delays in the receipt of materials from our suppliers; delays in projects; and possible legal liability.

Operational risk

DEVELOPING NEW PRODUCTS AND SERVICES

The main markets in which we operate experience changes as a result of global trends such as climate change, oil scarcity and the rising cost of energy, urbanization, population growth and demographic changes. To meet our customers' needs, we must continuously design new products, improve existing products and services and invest in and develop new technologies, all of which require significant capital investments. Introducing new products or technologies requires a significant commitment to R&D, which may or may not be successful.

Our results may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if new products are not approved by regulatory authorities or are not brought to market in a timely manner or if products become obsolete. We are subject to stringent certification and approval requirements, which vary by country and can delay the certification of our products. Non-compliance with current or future regulatory requirements imposed by Transport Canada (TC), the Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), the Transport Safety Institute, national rail regulatory bodies or other regulatory authorities could result in the service interruption of our products, fewer sales, reduction in inventory values or impairment of capitalized development costs.

In the market categories in which BA competes, our competitors are currently developing numerous aircraft programs, with expected entry into service over the next decade. There is the risk that our market share may be eroded if potential customers opt for the competition's aircraft models.

Customer acceptance of BT's highly customized products may be delayed for various reasons, including customer requirements not being met or a divergence in interpretation of customer requirements, which may result in delayed deliveries, a build-up of inventories and a consequential financial impact.

FIXED-PRICE COMMITMENTS AND PROJECT EXECUTION

We have historically offered, and will continue to offer, virtually all of our products on fixed-price contracts, rather than contracts under which payment is determined solely on a time-and-material basis. Generally, we may not terminate contracts unilaterally.

We are exposed to risks associated with fixed-price contracts, including unexpected technological problems, difficulties with our partners and subcontractors and logistical difficulties that could lead to cost overruns and late delivery penalties. In addition, due to the nature of the bidding process, long-term contract revenues are based, in part, on cost estimates which in turn are subject to a number of assumptions, such as forecasted costs of materials, inflation rates, foreign exchange rates, labour productivity, employment levels and salaries, and are influenced by the nature and complexity of the work to be performed. Long-term contract revenues and costs may vary from initial forecasts due to the impact of change orders and delayed deliveries.

BUSINESS PARTNERS

In some of the projects carried out through consortia or other partnership vehicles in which BT participates, all partners are jointly and severally liable to the customer. The success of these partnerships is dependent on satisfactory performance from us and our business partners. Failure of the business partners to fulfill their contractual obligations could subject us to additional financial and performance obligations that could result in increased costs, unforeseen delays or write-down of assets. In addition, a partner withdrawing from a consortium during the bid phase, in particular in the BT Systems business, may result in the loss of potential order intake.

PRODUCT PERFORMANCE WARRANTY AND CASUALTY CLAIM LOSSES

The products that we manufacture are highly complex and sophisticated and may contain defects that are difficult to detect and correct. Our products are subject to stringent certification or approval requirements, as well as detailed specifications listed in the individual contracts with customers. Defects may be found in our products before and after they are delivered to the customer. If discovered, we may incur expensive change and retrofit costs, and we may not be able to correct defects in a timely manner, or at all. The occurrence of defects and failures of our products could result in non-conformity costs, including warranty and damage claims, negatively affect our reputation and profitability and result in the loss of customers. Correcting such defects could require significant capital investment.

In addition, due to the nature of our business, we may be subject to liability claims arising from accidents, incidents or disasters involving our products or products for which we have provided services, including claims for serious personal injuries or death. These accidents may include misfortunes caused by climatic factors or human error. We cannot be certain that our insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that we will be able to obtain insurance coverage at acceptable levels and costs in the future.

REGULATORY AND LEGAL RISKS

We are subject to numerous risks relating to new regulations or legal proceedings to which we are currently a party or that could arise in the future. We become party to lawsuits in the ordinary course of our business, including those involving allegations of late deliveries of goods or services, product liability, product defects, quality problems and intellectual property infringement. We may incur losses relating to litigation beyond the limits or outside the coverage of our insurance and our provisions for litigation-related losses may not be sufficient to cover the ultimate loss or expenditure.

ENVIRONMENTAL, HEALTH AND SAFETY RISKS

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate, governing among other things: product performance or content; air and water pollution; the use, storage, transportation, labelling and disposal or release of hazardous substances; human health risks arising from the exposure to hazardous or toxic materials; and the remediation of soil and groundwater contamination on or under our properties (whether or not caused by us), or on or under other properties and caused by our current or past operations.

Environmental regulatory requirements, or enforcements thereof, may become more stringent in the future, and we may incur additional costs to be compliant with such future requirements or enforcements. In addition, we may have contractual or other liabilities for environmental matters relating to businesses, products or properties that we have in the past closed, sold or otherwise disposed of, or that we close, sell or dispose of in the future.

CUSTOMERS

For some of our products, we depend on a limited number of customers and we believe that we will continue to depend on a limited number of customers. Consequently, the loss of such a customer could result in fewer sales or a lower market share. Since the majority of BT's customers are public companies or operate under public contracts, BT's order intake is also dependent on public budgets and spending policies.

SUPPLIERS

Our manufacturing operations are dependent on a limited number of suppliers for the delivery of raw materials (mainly aluminum, advanced aluminum alloy and titanium) and major systems (such as engines, wings, nacelles, landing gear, avionics, flight controls and fuselages) at BA, and raw materials (mainly steel and aluminum), services (mainly engineering, civil and electrical subcontractors) and major systems (such as brakes, doors, heating, ventilation and air conditioning) at BT. A failure to meet performance specifications, quality standards or delivery schedules by one or more suppliers could adversely affect our ability to meet our commitments to customers.

Some of our suppliers participate in the development of products such as aircraft or rolling stock platforms. They subsequently deliver major components to us and own some of the intellectual property on the key components they develop. Our contracts with these suppliers are therefore on a long-term basis. The replacement of suppliers could be costly and take a significant amount of time.

HUMAN RESOURCE (INCLUDING COLLECTIVE AGREEMENTS)

Human resource risk includes the risk that we may incur delays to recruit or be unable to retain and motivate highly skilled employees, including those involved in the R&D and manufacturing activities that are essential to our success. In addition, we are party to several collective agreements that are due to expire at various times in the future. If we are unable to renew these collective agreements on similar terms as they become subject to renegotiation from time to time, this could result in work stoppages or other labour disturbances, such as strikes, walk-outs or lock-outs, and/or increased costs of labour.

Financing risk

LIQUIDITY AND ACCESS TO CAPITAL MARKETS

We require continued access to capital markets to support our activities. To satisfy our financing needs, we rely on cash resources, cash flow generated from operations and debt. A decline in credit ratings, a significant reduction in the surety or financing market global capacity, significant changes in market interest rates or general economic conditions or an adverse perception in capital markets of our financial condition or prospects could all significantly impede our ability to access capital markets. Credit ratings may be impacted by many external factors beyond our control and, accordingly, no assurance can be given that our credit ratings may not be reduced in the future.

RESTRICTIVE DEBT COVENANTS

The indentures governing certain of our indebtedness and letter of credit facilities contain covenants that, among other things, restrict our ability to:

- incur additional debt and provide guarantees;
- repay subordinated debt;
- create or permit certain liens;
- use the proceeds from the sale of assets and subsidiary stock;
- pay dividends and make certain other disbursements;
- allow our subsidiaries to pay dividends or make other payments;
- engage in certain transactions with affiliates; and
- enter into certain consolidations, mergers or transfers of all or certain assets.

These restrictions could impair our ability to finance our future operations or capital needs, or engage in other business activities that may be in our interest.

We are subject to various financial covenants under our BA and BT letter of credit facilities and our revolving credit facility, which must be met on a quarterly basis. The BA letter of credit facilities and our revolving facility include financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum net debt to EBITDA ratio and a minimum liquidity level, all calculated based on an adjusted consolidated basis (i.e. excluding BT). The BT financial covenants require minimum equity and liquidity levels as well as a maximum debt to EBITDA ratio, all calculated based on BT standalone data. These terms and ratios are defined in the respective agreements and do not correspond to our global metrics or to the specific terms used in the MD&A. We intend to renew our credit facilities with new covenants aligned with IFRS.

Our ability to comply with these covenants may be affected by events beyond our control. A breach of any of these agreements or our inability to comply with these covenants could result in a default under these facilities, which would permit our banks to request the immediate cash collateralization of all outstanding letters of credit, and our bond holders and other lenders to declare amounts owed to them to be immediately payable. If repayment of our indebtedness is accelerated, we may not be able to repay our indebtedness or borrow sufficient funds to refinance it.

FINANCING SUPPORT PROVIDED FOR THE BENEFIT OF CERTAIN CUSTOMERS

From time to time, we provide aircraft financing support to customers. We provide, directly or indirectly, credit and residual value guarantees and credit spread guarantees to support financing for airlines or to support financings by certain special purpose entities created solely i) to purchase our commercial aircraft and to lease those aircraft to airlines or ii) to purchase financial assets related to commercial aircraft manufactured by BA. Under these arrangements, we are obligated to make payments to a guaranteed party in the event that the original debtor or lessee does not make the lease or loan payments, or if the market or resale value of the aircraft is below the guaranteed residual value amount at an agreed-upon date. A substantial portion of these guarantees has been extended to support original debtors or lessees with less than investment grade credit ratings.

GOVERNMENT SUPPORT

From time to time, we receive various types of financial government support. Some of these financial support programs require that we repay amounts to the government at the time of delivery of products. The level of government support reflects government policy and depends on fiscal spending levels and other political and economic factors. We cannot predict if future government-sponsored support will be available. The loss of or any substantial reduction in the availability of government support could negatively impact our liquidity assumptions related to the development of aircraft or rail products and services. In addition, any future government support received by our competitors could have a negative impact on our competitiveness, sales and market share.

Market risk

FOREIGN CURRENCY FLUCTUATIONS

Our financial results are reported in U.S. dollars and a significant portion of our sales and operating costs are realized in currencies other than U.S. dollars, most often euros, Canadian dollars and pounds sterling. Our results of operations are therefore affected by movements of these currencies against the U.S. dollar. Significant fluctuations in relative currency values against the U.S. dollar could therefore have a significant impact on our future profitability.

INTEREST RATE RISK

Changes in interest rates may result in fluctuations in our future cash flows related to variable-rate financial assets and liabilities, including long-term debt synthetically converted to variable interest rates, and related to certain financing commitments and off-balance sheet pension obligations. For these items, cash flows could be impacted by changes in benchmark rates such as Libor, Euribor or Bankers' Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, including marketability risk, through our financial instruments carried at fair value, such as certain commercial aircraft loans and lease receivables, investments in securities, invested collateral and certain derivatives.

RESIDUAL VALUE RISK

We are exposed to residual value risks through residual value guarantees ("RVGs") provided in support of commercial aircraft sales. We may provide RVGs either directly to the airline or to the financing party that participates in the long-term financing associated with the sale of commercial aircraft. RVGs are offered as a strip of the value of the aircraft with a ceiling and a floor. If the underlying aircraft is sold at the end of the financing period (or during this period in limited circumstances), the resale value is compared to the RVG strip. We are required to make payments under these RVGs when the resale value of the aircraft falls below the ceiling of the strip covered by the guarantee, but our payment is capped if the resale value of the aircraft is below the floor of the strip.

COMMODITY PRICE RISK

We are exposed to commodity price risk relating principally to fluctuations in the cost of materials used in the supply chain, such as aluminum, titanium, advanced aluminum alloy and steel, which could adversely affect our business, financial condition and results of operations.

FINANCIAL INSTRUMENTS

An important portion of our consolidated balance sheets is composed of financial instruments. Our financial assets include cash and cash equivalents, invested collateral, trade receivables, commercial aircraft loans and leases receivables, investment in securities, investments in VIEs, restricted cash and derivative financial instruments with a positive fair value. Our financial liabilities include trade account payables, certain accrued liabilities, related liabilities in connection with the sale of commercial aircraft, interest, certain payroll-related liabilities, long-term debt and derivative financial instruments with a negative fair value. Derivative financial instruments are mainly used to manage our exposure to foreign exchange and interest rate risks. They consist mostly of forward foreign exchange contracts, interest rate swap agreements, cross-currency interest rate swap agreements and interest rate cap agreements. The classification of our financial instruments as well as the revenues, expenses, gains and losses associated with these instruments is provided in Note 2 – Summary of significant accounting policies and in Note 3 – Financial instruments, to the Consolidated Financial Statements.

The use of financial instruments exposes the Corporation primarily to credit, liquidity and market risks, including foreign exchange and interest rate risks. A description on how we manage these risks is included in Overview and in Note 23 – Financial risk management to the Consolidated Financial Statements.

FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments are required to be recognized at their fair value on initial recognition. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments. Financial instruments classified as HFT or AFS are carried at fair value, while all others are carried at amortized cost.

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

A detailed description of the methods and assumptions used to measure the fair value of our financial instruments and their fair value hierarchy are discussed in Note 22 – Fair value of financial instruments to the Consolidated Financial Statements.

Sensitivity analysis

Our main exposures to changes in fair value of financial instruments are related to changes in foreign exchange and interest rates. Note 23 – Financial risk management to the Consolidated Financial Statements presents sensitivity analyses assuming variations in foreign exchange and interest rates.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in the Notes to the Consolidated Financial Statements. The preparation of financial statements, in conformity with Canadian GAAP, requires the use of estimates, judgment and assumptions. Critical accounting estimates, which are evaluated on a regular ongoing basis and can change from period to period, are described in this section. An accounting estimate is considered critical if the estimate requires us to make assumptions about matters that were highly uncertain at the time the estimate was made and if different estimates could reasonably have been used or likely changes in the estimate from period to period would have a material impact on our financial condition or results of operations.

The sensitivity analysis included in this section should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

LONG-TERM CONTRACTS

BT conducts most of its business under long-term contracts with customers. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of products, including vehicle and component overhaul and maintenance service contracts entered into before December 17, 2003, are mostly recognized using the percentage-of-completion method. The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. For maintenance contracts entered into on or after December 17, 2003, revenues and margins are recognized in proportion to the total costs originally anticipated to be incurred at the beginning of the contract. The long-term nature of contracts involves considerable use of assumptions to estimate total contract costs and revenues at completion.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material and labour costs, inflation rates, foreign exchange rates and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and the potential delays in delivery. Cost estimates are based mainly on historical performance trends, economic trends, collective agreements and information provided by suppliers.

Revenues at completion are estimated using the negotiated contract price, adjusted for change orders, claims, penalties and contract terms that provide for the adjustment of prices in the event of variations from projected inflationary trends. Management judgment is applied to determine if realization of additional revenues from contract change orders and claims is probable and such amounts, if probable, are included in estimated revenues at completion.

Recognized revenues and margins are subject to revisions as the contract progresses to completion. We conduct quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis. In addition, a detailed annual review is performed for each contract as part of our annual budget process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

Sensitivity analysis

A 1% increase in the estimated future costs to complete all ongoing contracts accounted for under the percentage-of-completion method would have decreased BT's margin by approximately $58 million for fiscal year 2011.

AEROSPACE PROGRAM TOOLING

BA amortizes aerospace program tooling over an estimated useful life of generally 10 years from the delivery date of the first aircraft of the program. An impairment test is performed when events or changes in circumstances indicate that the carrying amount of the tooling may not be recoverable. An impairment charge is recorded when the undiscounted value of the expected future cash flows directly associated with the asset's use is less than the carrying value of program tooling. Expected future cash flows are subject to uncertainties with respect to the estimated number of aircraft to be delivered under the program and the expected selling prices. The amount of impairment, if any, is measured as the difference between the carrying value and the fair value of the program tooling.

GOODWILL

Our goodwill results mainly from BT's purchase of Adtranz. Goodwill is reviewed for impairment using a two-step test, annually or more frequently if events or circumstances, such as significant declines in expected sales, earnings or cash flows, indicate that it is more likely than not that the asset might be impaired. Under the first step, the fair value of a reporting unit, based upon discounted future cash flows, is compared to its net carrying amount. If the fair value of the reporting unit is greater than its carrying amount, no impairment is deemed to exist and the second step is not required. If the fair value of the reporting unit is less than its carrying amount, the second step of the test is used to estimate the fair value of the reporting unit's goodwill. The estimated fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. The carrying value of goodwill in excess of its estimated fair value is charged to income. We selected the fourth quarter as our annual testing period for goodwill.

Future cash flows are forecast by projecting revenues, production costs, manufacturing overhead and other costs. These estimates are based on existing and future contracts and orders, current cost structure, anticipated cost variations, collective agreements and general market conditions.

VALUATION OF DEFERRED INCOME TAX ASSETS

A valuation allowance is recorded to reduce the carrying amount of deferred income tax assets when it is more likely than not that these assets will not be realized. To measure the valuation allowance, we estimate the amount of future taxable profits that we expect to be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is more likely than not, considering factors such as the number of years to include in the forecast period and the history of taxable profits.

CREDIT AND RESIDUAL VALUE GUARANTEES

BA has issued credit and residual value guarantees in connection with the sale of commercial aircraft. Guarantees are recognized initially at fair value at the date the guarantees are unconditionally given and subsequently remeasured using the settlement-value method. The settlement value requires an estimate of what we expect to pay under these guarantees and does not take into consideration our own credit risk.

We use an internal valuation model based on stochastic simulations to estimate the value of these credit and residual value guarantees. The value is calculated using estimates of fair values of aircraft, current market assumptions for interest rates, published credit ratings when available and default probabilities from rating agencies. We also perform internal credit assessments to determine the credit risk of customers without a published credit rating.

Sensitivity analysis

Our main exposures to changes in value of credit and residual value guarantees are related to the residual value curves of the underlying aircraft and interest rates. The following are presented in isolation from one another.

Assuming a change of 1% in the residual value curves as at January 31, 2011, EBT would have been impacted by $14 million for fiscal year 2011.

Assuming a 100-basis point decrease in interest rates as of January 31, 2011, EBT would have been negatively impacted by $9 million for fiscal year 2011.

EMPLOYEE FUTURE BENEFITS

The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates; expected long-term rate of return on plan assets, of compensation increases and of inflation rates; health-care cost trends; and demographic factors such as retirement, mortality and turnover rates. All assumptions are reviewed at least on an annual basis.

Discount rates are used to determine the present value of the estimated future benefit payments on the measurement date and must represent the market rates for high quality fixed income investments available for the period to maturity of the benefits. A lower discount rate would increase the benefit obligation and generally increase benefit cost.

Expected long-term rates of return on plan assets are determined considering historical returns, future estimates of long-term investment returns and asset allocations. A lower expected rate of return would increase the benefit cost.

Expected rates of compensation increases are determined considering the current salary structure as well as historical and anticipated wage increases.

A sensitivity analysis is presented in the Pension section in Overview.

ACCOUNTING AND REPORTING DEVELOPMENTS

Future changes in accounting policies

IFRS

Canadian GAAP for all publicly accountable entities will be changed to IFRS, with a few exceptions, effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. This change is effective for our interim and annual financial statements beginning on February 1, 2011. We are currently in the final phase of our IFRS conversion project. For more details on our IFRS conversion, refer to the IFRS conversion section in Overview.

CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators' National Instrument 52-109, we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control–Integrated Framework.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made to our internal controls over financial reporting that occurred during the quarter and fiscal year ended January 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

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

The period-end exchange rates used to translate assets and liabilities were as follows as at:

	January 31, 2011	January 31, 2010	Increase (decrease)
Euro	**1.3715**	1.3870	(1%)
Canadian dollar	**0.9978**	0.9390	6%
Pound sterling	**1.6040**	1.6008	0%

The average exchange rates used to translate revenues and expenses were as follows for the fourth quarters ended January 31:

	2011	2010	Increase (decrease)
Euro	**1.3428**	1.4595	(8%)
Canadian dollar	**0.9953**	0.9504	5%
Pound sterling	**1.5799**	1.6336	(3%)

The average exchange rates used to translate revenues and expenses were as follows for the fiscal years ended January 31:

	2011	2010	Increase (decrease)
Euro	**1.3202**	1.4018	(6%)
Canadian dollar	**0.9750**	0.8918	9%
Pound sterling	**1.5438**	1.5791	(2%)

INVESTOR INFORMATION

AUTHORIZED, ISSUED AND OUTSTANDING SHARE DATA AS AT MARCH 29, 2011	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)[1]	1,892,000,000	315,084,537
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,410,626,970[3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,464,920
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,535,080
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

1 Ten votes each, convertible at the option of the holder into one Class B Share (Subordinate Voting).
2 Convertible at the option of the holder into one Class A Share (Multiple Voting) under certain conditions.
3 Net of 27,459,674 Class B Shares (Subordinate Voting) purchased and held in trust in connection with the PSU plan.

Normal course issuer bid

Our Board of Directors authorized the repurchase for cancellation, in the normal course of our activities from April 9, 2010 to April 8, 2011, of up to 3,000,000 Class B Shares (Subordinate Voting) and up to 660,000 Class A Shares (Multiple Voting) in connection with the new DSU plan (see Note 15–Share-based plans).

During the first quarter of fiscal year 2011, 3,000,000 Class B Shares (Subordinate Voting) were repurchased and cancelled, for a total amount of $16 million.

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

SHARE OPTION, PSU AND DSU DATA AS AT JANUARY 31, 2011	
Options issued and outstanding under the share option plans	35,911,189
PSUs and DSUs issued and outstanding under the PSU and DSU plans	21,191,184
Class B Shares held in trust to satisfy PSU obligations	(27,459,674)

EXPECTED ISSUANCE DATE OF OUR FINANCIAL REPORTS FOR THE NEXT 12 MONTHS	
First Quarterly Report, for the period ending April 30, 2011	June 1, 2011
Second Quarterly Report, for the period ending July 31, 2011	August 31, 2011
Third Quarterly Report, for the period ending October 31, 2011	December 1, 2011
Annual Report, for the fiscal year ending December 31, 2011[1]	March 1, 2012

1 Subject to the approval of our proposed change of financial year-end from January 31 to December 31 by our Board of Directors in December 2011.

Information

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Telephone: +1 514-861-9481, extension 13273
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E-mail: investors@bombardier.com

SELECTED FINANCIAL INFORMATION

The following selected financial information has been derived from, and should be read in conjunction with the Consolidated Financial Statements for fiscal years 2009 to 2011.

The table below provides selected financial information for the last three fiscal years.

(in millions of U.S. dollars, except per share amounts)	**2011**	2010	2009
For fiscal years			
Revenues	**$17,712**	$19,366	$19,721
EBIT	**$ 1,050**	$ 1,098	$ 1,429
EBT	**$ 931**	$ 915	$ 1,291
Net income	**$ 769**	$ 707	$ 1,026
EPS (in dollars):			
Basic	**$ 0.42**	$ 0.39	$ 0.57
Diluted	**$ 0.42**	$ 0.39	$ 0.56
Cash dividends declared per share (in Cdn dollars):			
Class A Shares (Multiple Voting)	**$ 0.10**	$ 0.10	$ 0.08
Class B Shares (Subordinate Voting)	**$ 0.10**	$ 0.10	$ 0.08
Series 2 Preferred Shares	**$ 0.66**	$ 0.59	$ 1.15
Series 3 Preferred Shares	**$ 1.32**	$ 1.32	$ 1.32
Series 4 Preferred Shares	**$ 1.56**	$ 1.56	$ 1.56
As at January 31			
Total assets	**$23,430**	$21,273	$21,306
Long-term debt	**$ 4,635**	$ 4,162	$ 3,952
Shareholders' equity	**$ 4,352**	$ 3,769	$ 2,610

The quarterly data table is shown hereafter.

March 30, 2011

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

QUARTERLY DATA (UNAUDITED)

(in millions of U.S. dollars, except per share amounts)

For the fiscal years ended January 31	2011		
	Total	Fourth quarter	Third quarter
Revenues			
BA	$ 8,614	$ 2,874	$ 1,843
BT	9,098	2,498	2,172
	$17,712	$ 5,372	$ 4,015
EBIT			
BA	$ 448	$ 181	$ 87
BT	602	186	141
	1,050	367	228
Financing income	(137)	(66)	(18)
Financing expense	256	67	64
EBT	931	366	182
Income taxes	162	41	39
Net income	$ 769	$ 325	$ 143
Attributable to:			
Shareholders of Bombardier Inc.	$ 755	$ 318	$ 141
Non-controlling interests	$ 14	$ 7	$ 2
EPS (in dollars):			
Basic and diluted	$ 0.42	$ 0.18	$ 0.08
Market price range of Class B Shares (in Cdn dollars)			
High	$ 6.24	$ 6.02	$ 5.33
Low	$ 4.25	$ 4.54	$ 4.25

		2010				
Second quarter	**First quarter**	Total	Fourth quarter	Third quarter	Second quarter	First quarter
$1,962	**$1,935**	$ 9,357	$2,675	$2,064	$2,399	$2,219
2,117	**2,311**	10,009	2,677	2,533	2,547	2,252
$4,079	**$4,246**	$19,366	$5,352	$4,597	$4,946	$4,471
$ 91	**$ 89**	$ 473	$ 106	$ 103	$ 154	$ 110
140	**135**	625	182	159	159	125
231	**224**	1,098	288	262	313	235
(13)	**(40)**	(96)	(9)	(29)	(23)	(35)
57	**68**	279	69	70	72	68
187	**196**	915	228	221	264	202
39	**43**	208	49	53	62	44
$ 148	**$ 153**	$ 707	$ 179	$ 168	$ 202	$ 158
$ 144	**$ 152**	$ 698	$ 177	$ 167	$ 198	$ 156
$ 4	**$ 1**	$ 9	$ 2	$ 1	$ 4	$ 2
$ 0.08	**$ 0.08**	$ 0.39	$ 0.10	$ 0.09	$ 0.11	$ 0.09
$ 5.50	**$ 6.24**	$ 5.64	$ 5.64	$ 5.35	$ 4.45	$ 3.91
$ 4.31	**$ 5.05**	$ 2.22	$ 4.30	$ 3.78	$ 3.16	$ 2.22

HISTORICAL FINANCIAL SUMMARY
CONSOLIDATED BALANCE SHEETS

(in millions of U.S. dollars)

As at January 31	**2011**	2010	2009	2008	2007
Assets					
Cash and cash equivalents	**$ 4,195**	$ 3,372	$ 3,470	$ 3,602	$ 2,648
Invested collateral	**676**	682	777	1,295	1,129
Receivables	**2,022**	1,897	1,981	1,998	1,789
Aircraft financing	**668**	473	418	626	1,042
Inventories	**5,155**	5,268	5,522	5,092	5,275
PP&E	**1,767**	1,643	1,568	1,732	1,602
Intangible assets	**2,304**	1,696	1,399	1,451	1,492
Fractional ownership deferred costs	**176**	271	444	500	390
Deferred income taxes	**1,172**	1,166	1,216	935	813
Accrued benefit assets	**1,209**	1,070	926	924	461
Derivative financial instruments	**535**	482	626	458	39
Goodwill	**2,358**	2,247	2,010	2,533	2,286
Other assets	**1,193**	1,006	949	974	925
	$23,430	$21,273	$21,306	$22,120	$19,891
Liabilities					
Accounts payable and accrued liabilities	**$ 8,027**	$ 7,427	$ 6,922	$ 6,853	$ 6,779
Advances and progress billings in excess of related long-term contract costs	**2,421**	1,899	2,072	2,791	1,882
Advances on aerospace programs	**1,937**	2,092	2,991	2,926	1,875
Fractional ownership deferred revenues	**218**	346	573	631	487
Deferred income taxes	**53**	65	–	–	–
Long-term debt	**4,635**	4,162	3,952	4,393	5,080
Accrued benefit liabilities	**1,132**	1,084	992	1,066	995
Derivative financial instruments	**655**	429	1,194	276	13
	19,078	17,504	18,696	18,936	17,111
Equity					
Preferred shares	**347**	347	347	347	347
Common shareholders' equity	**3,927**	3,354	2,197	2,771	2,386
Equity attributable to shareholders of Bombardier Inc.	**4,274**	3,701	2,544	3,118	2,733
Equity attributable to non-controlling interests	**78**	68	66	66	47
	4,352	3,769	2,610	3,184	2,780
	$23,430	$21,273	$21,306	$22,120	$19,891

HISTORICAL FINANCIAL SUMMARY

(in millions of U.S. dollars, except per share amounts, number of common shares and shareholders of record)

For the fiscal years ended January 31	**2011**	2010	2009	2008	2007
Revenues					
BA	**$ 8,614**	$ 9,357	$ 9,965	$ 9,713	$ 8,296
BT	**9,098**	10,009	9,756	7,793	6,586
	$17,712	$19,366	$19,721	$17,506	$14,882
EBIT from continuing operations before special items					
BA	**$ 448**	$ 473	$ 896	$ 563	$ 323
BT	**602**	625	533	347	264
	1,050	1,098	1,429	910	587
Special items					
BT	**–**	–	–	162	24
EBIT from continuing operations					
BA	**448**	473	896	563	323
BT	**602**	625	533	185	240
	1,050	1,098	1,429	748	563
Financing income	**(137)**	(96)	(270)	(225)	(157)
Financing expense	**256**	279	408	526	375
EBT from continuing operations	**931**	915	1,291	447	345
Income taxes	**162**	208	265	122	92
Income from continuing operations	**769**	707	1,026	325	253
Income from discontinued operations, net of tax	**–**	–	–	–	25
Net income	**$ 769**	$ 707	$ 1,026	$ 325	$ 278
Attributable to:					
Shareholders of Bombardier Inc.	**$ 755**	$ 698	$ 1,008	$ 317	$ 268
Non-controlling interests	**$ 14**	$ 9	$ 18	$ 8	$ 10
EPS (in dollars):					
Basic					
From continuing operations	**$ 0.42**	$ 0.39	$ 0.57	$ 0.17	$ 0.12
Net income	**$ 0.42**	$ 0.39	$ 0.57	$ 0.17	$ 0.14
Diluted					
From continuing operations	**$ 0.42**	$ 0.39	$ 0.56	$ 0.16	$ 0.12
Net income	**$ 0.42**	$ 0.39	$ 0.56	$ 0.16	$ 0.14
General information for continuing operations					
Export revenues from Canada	**$ 5,876**	$ 6,435	$ 7,002	$ 6,670	$ 5,715
Additions to PP&E and intangible assets	**$ 1,094**	$ 805	$ 621	$ 472	$ 344
Amortization	**$ 410**	$ 498	$ 555	$ 512	$ 518
Dividend per common share (in Cdn dollars)					
Class A	**$ 0.10**	$ 0.10	$ 0.08	$ –	$ –
Class B	**$ 0.10**	$ 0.10	$ 0.08	$ –	$ –
Dividend per preferred share (in Cdn dollars)					
Series 2	**$ 0.66**	$ 0.59	$ 1.15	$ 1.52	$ 1.46
Series 3	**$ 1.32**	$ 1.32	$ 1.32	$ 1.34	$ 1.37
Series 4	**$ 1.56**	$ 1.56	$ 1.56	$ 1.56	$ 1.56
Number of common shares (in millions)	**1,726**	1,730	1,730	1,731	1,739
Book value per common share (in dollars)	**$ 2.28**	$ 1.94	$ 1.27	$ 1.60	$ 1.37
Shareholders of record	**13,591**	13,666	13,540	13,843	13,539
Market price ranges (in Cdn dollars)					
Class A					
High	**$ 6.24**	$ 5.63	$ 9.00	$ 7.00	$ 4.61
Low	**$ 4.28**	$ 2.29	$ 3.25	$ 4.10	$ 2.69
Close	**$ 5.72**	$ 5.04	$ 3.85	$ 4.96	$ 4.48
Class B					
High	**$ 6.24**	$ 5.64	$ 8.97	$ 6.97	$ 4.62
Low	**$ 4.25**	$ 2.22	$ 3.17	$ 4.06	$ 2.68
Close	**$ 5.70**	$ 5.04	$ 3.80	$ 4.95	$ 4.45

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated Financial Statements and MD&A of Bombardier Inc. and all other information in this annual report are the responsibility of Management and have been reviewed and approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with Canadian GAAP. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects. Financial information presented elsewhere in the annual report is consistent with that in the Consolidated Financial Statements.

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

Bombardier's CEO and CFO have also evaluated the effectiveness of Bombardier Inc.'s disclosure controls and procedures as of the end of fiscal year 2011. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective as of that date, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework. In addition, based on this assessment, they determined that there were no material weaknesses in internal control over financial reporting as of fiscal year 2011. In compliance with the Canadian Securities Administrators' National Instrument 52-109, Bombardier's CEO and CFO have provided a certification related to Bombardier's annual disclosure to the Canadian Securities Administrators, including the Consolidated Financial Statements and MD&A.

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

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

The Consolidated Financial Statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related matters.

Pierre Beaudoin, President and Chief Executive Officer	Pierre Alary, FCA Senior Vice President and Chief Financial Officer

March 30, 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BOMBARDIER INC.

We have audited the accompanying consolidated financial statements of Bombardier Inc. which comprise the consolidated balance sheets as at January 31, 2011 and 2010, and the consolidated statements of changes in equity, of income, comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bombardier Inc. as at January 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP[1]

Ernst & Young LLP
Chartered Accountants
Montréal, Canada

March 30, 2011

1 CA auditor permit no. 9859

CONSOLIDATED BALANCE SHEETS

(in millions of U.S. dollars)

As at January 31	Notes	**2011**	2010
Assets			
Cash and cash equivalents	11	**$ 4,195**	$ 3,372
Invested collateral	11	**676**	682
Receivables	4	**2,022**	1,897
Aircraft financing	5	**668**	473
Inventories	6	**5,155**	5,268
PP&E	7	**1,767**	1,643
Intangible assets	8	**2,304**	1,696
Fractional ownership deferred costs		**176**	271
Deferred income taxes	19	**1,172**	1,166
Accrued benefit assets	24	**1,209**	1,070
Derivative financial instruments	3	**535**	482
Goodwill	9	**2,358**	2,247
Other assets	10	**1,193**	1,006
		$23,430	$21,273
Liabilities			
Accounts payable and accrued liabilities	12	**$ 8,027**	$ 7,427
Advances and progress billings in excess of related long-term contract costs		**2,421**	1,899
Advances on aerospace programs		**1,937**	2,092
Fractional ownership deferred revenues		**218**	346
Deferred income taxes	19	**53**	65
Long-term debt	13	**4,635**	4,162
Accrued benefit liabilities	24	**1,132**	1,084
Derivative financial instruments	3	**655**	429
		19,078	17,504
Equity			
Equity attributable to shareholders of Bombardier Inc.		**4,274**	3,701
Equity attributable to non-controlling interests		**78**	68
		4,352	3,769
		$23,430	$21,273
Commitments and contingencies	25		

The accompanying notes are an integral part of these Consolidated Financial Statements.

On behalf of the Board of Directors,

Laurent Beaudoin, C.C., FCA
Director

L. Denis Desautels, O.C., FCA
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of U.S. dollars, except number of shares)

For the fiscal years ended January 31	Notes	2011		2010	
		Number (in thousands)	Amount	Number (in thousands)	Amount
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF BOMBARDIER INC.	14				
Preferred shares					
Series 2		9,465	$ 159	9,465	$ 159
Series 3		2,535	40	2,535	40
Series 4		9,400	148	9,400	148
		21,400	347	21,400	347
Common shares					
Class A Shares (Multiple Voting)					
Balance at beginning of year		316,232	29	316,583	29
Converted to Class B		(122)	–	(351)	–
Balance at end of year		316,110	29	316,232	29
Class B Shares (Subordinate Voting)					
Balance at beginning of year		1,438,518	1,430	1,437,520	1,428
Issuance of shares		1,358	6	647	2
Repurchase of shares	14	(3,000)	(3)	–	–
Converted from Class A		122	–	351	–
		1,436,998	1,433	1,438,518	1,430
Held in trust under the PSU plan	14				
Balance at beginning of year		(25,099)	(135)	(23,654)	(130)
Purchased	14	(10,539)	(50)	(7,068)	(21)
Distributed		8,178	47	5,623	16
Balance at end of year		(27,460)	(138)	(25,099)	(135)
Balance at end of year		1,409,538	1,295	1,413,419	1,295
Balance at end of year–common shares		1,725,648	1,324	1,729,651	1,324
Total–share capital			$1,671		$1,671
Contributed surplus					
Balance at beginning of year			$ 132		$ 104
Stock-based compensation	15		47		46
Options exercised and shares distributed under the PSU plan			(48)		(18)
Balance at end of year			131		132
Retained earnings					
Balance at beginning of year			2,087		1,567
Net income attributable to shareholders of Bombardier Inc.			755		698
Excess of price paid over carrying value of repurchased Class B Shares	14		(13)		–
Dividends:					
Common shares			(173)		(157)
Preferred shares, net of tax			(24)		(21)
Balance at end of year			2,632		2,087
AOCI	16				
Balance at beginning of year			(189)		(801)
OCI attributable to shareholders of Bombardier Inc.			29		612
Balance at end of year			(160)		(189)
			4,274		3,701
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS					
Balance at beginning of year			68		66
Foreign exchange re-evaluation			–		5
Net income attributable to non-controlling interests			14		9
OCI attributable to non-controlling interests			1		–
Capital distribution			(8)		(12)
Capital injection			3		–
Balance at end of year			78		68
EQUITY			$4,352		$3,769

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of U.S. dollars, except per share amounts)

For the fiscal years ended January 31	Notes	2011	2010
Revenues			
Manufacturing		**$12,903**	$14,739
Services		**2,872**	2,767
Other		**1,937**	1,860
		17,712	19,366
Cost of sales	6	**14,668**	16,202
SG&A		**1,369**	1,453
R&D		**193**	141
Other expense (income)	17	**22**	(26)
Amortization		**410**	498
		16,662	18,268
EBIT		**1,050**	1,098
Financing income	18	**(137)**	(96)
Financing expense	18	**256**	279
EBT		**931**	915
Income taxes	19	**162**	208
Net income		**$ 769**	$ 707
Attributable to:			
Shareholders of Bombardier Inc.		**$ 755**	$ 698
Non-controlling interests		**$ 14**	$ 9
EPS (in dollars)			
Basic and diluted	20	**$ 0.42**	$ 0.39

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of U.S. dollars)

For the fiscal years ended January 31	Notes	2011	2010
Net income		**$ 769**	$ 707
OCI	16		
Net unrealized gain on financial assets AFS, net of tax		**7**	20
Net change in cash flow hedges:			
Foreign exchange re-evaluation		**(6)**	8
Net gain (loss) on derivative financial instruments designated as cash flow hedges		**(27)**	451
Reclassification to income or to the related non-financial asset		**(78)**	125
Income tax recovery (expense)		**5**	(204)
		(106)	380
CTA			
Net investments in self-sustaining foreign operations[1]		**128**	356
Net gain (loss) on related hedging items		**1**	(144)
		129	212
Total OCI		**30**	612
Total Comprehensive income		**$ 799**	$ 1,319
Attributable to:			
Shareholders of Bombardier Inc.		**$ 784**	$ 1,310
Non-controlling interests		**$ 15**	$ 9

1 Includes a gain of $1 million attributable to non-controlling interests in fiscal year 2011 (nil in fiscal year 2010).

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of U.S. dollars)

For the fiscal years ended January 31	Notes	2011	2010
Operating activities			
Net income		**$ 769**	$ 707
Non-cash items:			
Amortization		**410**	498
Deferred income taxes	19	**7**	(9)
Stock-based compensation	15	**47**	46
Gain on repurchase of long-term debt	18	**(47)**	–
Gain on disposals of PP&E	17	**(11)**	(19)
Impairment of PP&E	17	**8**	–
Net change in non-cash balances related to operations	21	**495**	(671)
Cash flows from operating activities		**1,678**	552
Investing activities			
Additions to PP&E and intangible assets		**(1,094)**	(805)
Disposals of PP&E and intangible assets		**21**	38
Invested collateral		**–**	145
Other		**(100)**	(82)
Cash flows from investing activities		**(1,173)**	(704)
Financing activities			
Proceeds from issuance of long-term debt	13	**2,625**	4
Repayments of long-term debt	13	**(2,125)**	(11)
Dividends paid		**(197)**	(178)
Purchase of Class B shares–held in trust under the PSU plan	14	**(50)**	(21)
Repurchase of Class B Shares	14	**(16)**	–
Other		**(21)**	(10)
Cash flows from financing activities		**216**	(216)
Effect of exchange rate changes on cash and cash equivalents		**102**	270
Net increase (decrease) in cash and cash equivalents		**823**	(98)
Cash and cash equivalents at beginning of year		**3,372**	3,470
Cash and cash equivalents at end of year		**$ 4,195**	$ 3,372
Supplemental information			
Cash paid for:			
Interest		**$ 343**	$ 254
Income taxes		**$ 132**	$ 115

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 31, 2011 and January 31, 2010
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Bombardier Inc. ("the Corporation") is incorporated under the laws of Canada and is a manufacturer of transportation equipment, including business and commercial aircraft and rail transportation equipment and systems, and is a provider of related services.

1 BASIS OF PRESENTATION

The Consolidated Financial Statements are expressed in U.S. dollars and have been prepared in accordance with Canadian GAAP. The Corporation and its subsidiaries carry out their operations in two distinct segments, the aerospace segment (BA) and the transportation segment (BT), each one characterized by a specific operating cycle; therefore, the consolidated balance sheets are unclassified.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS – Canadian GAAP for most publicly accountable entities will be changed to IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. First reporting under IFRS is required for the Corporation's interim and annual financial statements beginning on February 1, 2011. IFRS 1, "First-time Adoption of International Financial Reporting Standards", requires a first-time adopter to retrospectively apply all IFRS effective as at the end of its first annual reporting period (December 31, 2011 for the Corporation, subject to the approval of the proposed change of financial year-end from January 31 to December 31 by the Corporation's Board of Directors in December 2011). For more details on the Corporation IFRS conversion, refer to the IFRS conversion section of the MD&A for the fiscal year ended January 31, 2011 and 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The Consolidated Financial Statements include:

- the accounts of Bombardier Inc. and its subsidiaries, substantially all of which are wholly owned;
- the accounts of VIEs when the Corporation is the primary beneficiary; and
- the Corporation's proportionate share of the assets, liabilities and results of operations and cash flows of its joint ventures.

Subsidiaries – The principal subsidiaries of the Corporation, whose revenues represent more than 10% of total revenues of each respective segment, are as follows:

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

Most legal entities of BT use a December 31 fiscal year-end. As a result, the Corporation consolidates the operations of BT with a one-month lag with the remainder of its operations. To the extent that significant unusual transactions or events occur during the one-month lag period, the Corporation's Consolidated Financial Statements are adjusted accordingly.

VIEs – AcG-15 "Consolidation of Variable Interest Entities" ("AcG-15") requires the consolidation of VIEs if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is exposed to a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party is exposed to a majority of the VIE's losses), or both (the primary beneficiary). Upon consolidation, the primary beneficiary must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value at the date the variable interest holder becomes the primary beneficiary. See Note 26 – Variable interest entities, for additional information on VIEs. The Corporation revises its determination of the accounting for VIEs when certain events occur, such as changes in governing documents or contractual arrangements.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions, particularly as they relate to long-term contracts, fair value measurement of financial instruments, provision for credit and residual value guarantees related to the sales of aircraft, revenue recognition for medium and large business aircraft, valuation of pre-owned aircraft, actuarial and economic assumptions used in determining employee future benefits, useful lives of long-lived assets, recovery of goodwill, VIEs, accrual of product warranties and income taxes. Management's best estimates are based on the facts and circumstances available at the time estimates are made, historical experience, general economic conditions and trends, and management assessment of probable future outcomes of these matters. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates, and such differences could be material.

Management conducts quarterly reviews, as well as a detailed annual review of its cost estimates as part of its annual budget process. The effect of revision on long-term contracts is accounted for by way of a cumulative catch-up adjustment to cost of sales in the period in which the revision takes place.

TRANSLATION OF FOREIGN CURRENCIES

The Corporation's functional currencies are mainly the U.S. dollar in BA, and the euro, various other Western European currencies and the U.S. dollar in BT. All significant foreign operations are classified as self-sustaining foreign operations.

Self-sustaining foreign operations – All assets and liabilities are translated using the exchange rates in effect at year-end. Revenues and expenses are translated using the average exchange rates for the period. Translation gains or losses are included in OCI.

Accounts denominated in foreign currencies – Accounts denominated in foreign currencies are translated using the temporal method. Under this method, monetary balance sheet items are translated using the exchange rates in effect at year-end and non-monetary items are translated using the historical exchange rates. Revenues and expenses (other than amortization, which is translated using the same exchange rates as the related assets) are translated using the average exchange rates for the period.

Hedging items designated as hedges of net investments in self sustaining foreign operations – Translation gains or losses, net of tax, related to the hedging items designated as hedges of the Corporation's net investments in self-sustaining foreign operations are included in OCI.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Corporation include cash and cash equivalents, invested collateral, trade receivables, commercial aircraft loans and lease receivables, investment in securities, investment in VIEs, servicing fees, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of the Corporation include trade account payables, certain accrued liabilities, related liabilities in connection with the sale of commercial aircraft, accrued interest, certain payroll-related liabilities, long-term debt and derivative financial instruments with a negative fair value.

Financial instruments are recognized on the balance sheet when the Corporation becomes a party to the contractual obligations of the instrument. Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in determining the carrying value of financial assets and financial liabilities not classified as HFT. Subsequently, financial assets and financial liabilities are measured according to the category to which they are assigned, which are AFS financial assets, L&R, other than HFT financial liabilities or financial assets and liabilities classified as HFT. See Note 3 – Financial instruments, for their classifications. Financial assets and financial liabilities are subsequently measured at amortized cost, unless they are classified as AFS or HFT, in which case they are subsequently measured at fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly liquid investments held with investment-grade financial institutions, with maturities of three months or less from the date of acquisition. Cash and cash equivalents are classified as HFT and measured at fair value.

INVESTED COLLATERAL

Invested collateral consist mainly of bonds (government and agency notes and bonds, corporate bonds and covered bonds), commercial paper and certificates of deposit, held with a custodian. The weighted-average maturity of the securities in the portfolios is not to exceed one year and should have a minimum weighted-average rating of A. These investments serve as collateral for the €3.8-billion ($5.2-billion) BT letter of credit facility ("BT facility") and for the $600-million BA letter of credit facility ("BA facility") (see Note 11 – Credit facilities). The weighted-average credit rating of both portfolios is rated AA as at January 31, 2011. The invested collateral is designated as HFT using the fair value option and measured at fair value. Subsequent changes in fair value are recorded in financing income.

SALES OF RECEIVABLES

Transfers of loans and receivables are recognized as sales when control over these assets has been surrendered and consideration other than beneficial interests in the transferred assets has been received. Retained interests are accounted for as loans or lease receivables in accordance with their substance.

When the transfer is considered a sale, all assets sold are derecognized. Assets received and liabilities incurred, such as those arising from credit enhancement support, are recognized at fair value. The gain or loss is recognized upon the sale of assets. Fair values are generally estimated based on the present value of future expected cash flows using management's best estimates for credit losses, forward yield curves and discount rates commensurate with the risks involved.

LOANS AND LEASE RECEIVABLES

Aircraft leased under terms that transfer substantially all of the benefits and risks of ownership to customers are accounted for as sale-type leases and are presented in aircraft financing.

Loans and lease receivables presented in aircraft financing are classified as L&R unless they have been designated as HFT using the fair value option. Loans and lease receivables classified as L&R are carried at amortized cost.

Loans and lease receivables designated as HFT are measured at fair value. Subsequent changes in fair value are recorded in other expense (income), except for the interest portion of the gains and losses, which is recorded in financing income.

ASSETS UNDER OPERATING LEASES (LESSOR)

Assets under operating leases are recorded at cost. Amortization is computed under the straight-line method over periods representing their estimated useful lives. Assets under operating leases related to aircraft, most of which are pre-owned, are presented in aircraft financing.

LONG-TERM INVESTMENTS

Investments in entities over which the Corporation exercises significant influence are accounted for under the equity method and are presented in other assets. Investments in financing structures are classified as L&R, carried at amortized cost and presented in aircraft financing. Investment in securities are classified as AFS, carried at fair value and presented in other assets. Investments in VIEs are designated as HFT using the fair value option (measured at fair value) and presented in other assets.

IMPAIRMENT OF FINANCIAL ASSETS

Allowance for doubtful accounts – Trade receivables carried at amortized cost are subject to periodic impairment review and are classified as impaired when, in the opinion of management, there is a reasonable doubt that credit-related losses are expected to be incurred taking into consideration all circumstances known at the date of review.

Allowance for credit losses – Loans and lease receivables carried at amortized cost are subject to periodic impairment review and are classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of a portion of principal and interest, generally when contractually due payments are 90 days in arrears or customers have filed for bankruptcy.

The Corporation maintains an allowance for credit losses in an amount sufficient to absorb expected losses. The level of allowance is based on management's assessment of the risks associated with each of the Corporation's portfolios, including delinquencies, loss and recovery experience, collateral-specific factors, including age and type of aircraft, risk of individual customer credit, published historical default rates for different credit rating categories, commercial airline industry performance, and the impact of current and projected economic conditions.

Other-than-temporary impairment for investment in securities – When there is objective evidence that a decline in fair value of an AFS financial asset is other than temporary, the cumulative loss equal to the difference between the acquisition cost of the investment and its current fair value, less any impairment loss on that financial asset previously recognized in net income, is removed from AOCI and recognized in net income. Impairment losses recognized in net income for equity instruments classified as AFS cannot be reversed. Impairment losses recognized in net income for debt instruments classified as AFS can be reversed if the increase can be objectively related to an event occurring after the impairment losses were recognized.

INVENTORY VALUATION

Aerospace programs – Inventories determined under the unit cost method are recorded at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Cost of inventories includes materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition.

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

Long-term contracts – Long-term contract inventories accounted for under the percentage-of-completion method includes materials, direct labour and manufacturing overhead as well as estimated contract margins. Inventories related to long-term service contracts accounted for as the services are rendered include materials, direct labour and manufacturing overhead.

Finished products – Finished product inventories, which include spare parts and new and pre-owned aircraft, are mainly determined under the unit cost and moving average method, and are valued at the lower of cost or net realizable value. The cost of finished products includes the cost of materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (the reversal is limited to the amount of the original write-down).

The Corporation estimates net realizable value by using both external and internal aircraft valuations, including information developed from the sale of similar aircraft in the secondary market.

Payments, advances and progress billings – Payments received on account of work performed for long-term contracts are deducted from related costs in inventories. Advances received and progress billings in excess of related costs are shown as liabilities.

PP&E

PP&E are recorded at cost and include certain leased equipment.

Amortization is computed under the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Equipment	2 to 15 years
Other	3 to 20 years

Amortization of assets under construction begins when they are ready for their intended use.

Improvements to existing PP&E that significantly extend the useful life or utility of the assets are capitalized, whereas maintenance and repair costs are charged to income when incurred.

INTANGIBLE ASSETS

Intangible assets are recorded at cost and are comprised of aerospace program tooling as well as costs related to licences, patents and trademarks and other intangible assets. The Corporation does not have indefinite-lived intangible assets, other than goodwill.

Aerospace program tooling – Development costs, including prototype design, testing costs and interest charges during the development, are capitalized when certain criteria for deferral are met, such as proven technical feasibility and official program launch. Amortization begins at the date of delivery of the first aircraft of the program.

Licences, patents and trademarks – Represents mainly intangible assets acquired from third parties. Amortization begins when the asset is ready for its intended use.

Other intangible assets – These costs are mainly related to application software. Internally modified application software are capitalized when certain criteria for deferral are met, such as proven technical feasibility. Application software are treated as intangible assets as they are not integral to the operation of a related hardware. Amortization begins when the asset is ready for its intended use.

Amortization is computed under the following methods and estimated useful lives:

Aerospace program tooling	Straight–line	10 years
Licences, patents and trademarks	Straight–line	3 to 20 years
Other intangible assets	Straight–line	3 to 5 years

IMPAIRMENT OF LONG-LIVED ASSETS

Impairment – Long-lived assets include aircraft under operating leases, PP&E and finite-life intangible assets. Long-lived assets are tested for impairment when certain events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The first step in the recoverability test is performed using undiscounted future net cash flows that are directly associated with the asset's use and eventual disposition. If the carrying value exceeds the undiscounted cash flows, the amount of the impairment is measured as the difference between the carrying value and the fair value of the impaired assets and is recorded in amortization.

Long-lived assets held for sale are recorded at the lower of cost or fair value, less cost to sell.

GOODWILL

Goodwill represents the excess of the purchase price, including acquisition costs, over the fair value of the identifiable net assets acquired.

Goodwill is reviewed for impairment annually, or more frequently if events or circumstances, such as significant declines in expected sales, earnings or cash flows, indicate that it is more likely than not that the asset might be impaired.

The Corporation evaluates the recoverability of goodwill using a two-step test approach at the segment level ("reporting unit"). Under the first step, the fair value of the reporting unit, based upon discounted future cash flows, is compared to its net carrying amount. If the fair value is greater than the carrying amount, no impairment is deemed to exist and the second step is not required to be performed. If the fair value is less than the carrying amount, a second test must be performed whereby the implied fair value of the reporting unit's goodwill must be estimated. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. The carrying value of goodwill in excess of its implied fair value is charged to income.

GUARANTEES

The Corporation has issued credit guarantees, residual value guarantees, trade-in commitment and performance guarantees. Guarantees are initially recognized at fair value on the date the guarantees are unconditionally given.

Credit and residual value guarantees related to the sale of aircraft are subsequently remeasured using the settlement value method. Subsequent changes in the value of these guarantees are recorded in cost of sales, except for the interest portion, which is recorded in financing expense.

Subsequent to initial recognition, adverse changes in the fair value of the trade-in commitment are recorded in cost of sales as they occur.

Other guarantees are subsequently remeasured when a loss becomes probable.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are mainly used to manage the Corporation's exposure to foreign exchange and interest-rate market risks. They consist of forward foreign exchange contracts, interest-rate swap agreements, cross-currency interest-rate swap agreements and interest-rate cap agreements. Derivative financial instruments are measured at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts.

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

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

HEDGE ACCOUNTING

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

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

- ***Fair value hedges –*** The Corporation designates certain interest-rate derivatives and forward foreign exchange contracts as fair value hedges. In a fair value hedge relationship, gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net income, while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in net income.
- ***Cash flow hedges –*** The Corporation designates forward foreign exchange contracts and interest-rate swap agreements as cash flow hedges. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when the hedged item affects net income. However, when an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in OCI are reclassified in the initial carrying amount of the related asset.

- *Hedge of net investments in self-sustaining foreign operations* – The Corporation designates certain cross-currency interest-rate swap agreements and long-term debt as hedges of its net investments in self-sustaining foreign operations. The portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in OCI, while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified to net income when corresponding exchange gains or losses arising from the translation of the self-sustaining foreign operations are recorded in net income.

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

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

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Share option plans – All awards granted or modified after January 31, 2003, are accounted for under the fair value method. Under this method, the value of the compensation is measured at the grant date using a modified Black-Scholes option pricing model. The value of the compensation expense is recognized over the vesting period of the stock options with a corresponding increase in contributed surplus.

All awards granted or modified prior to February 1, 2003 are accounted for as capital transactions. No compensation expense is recorded in income for these awards.

Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

PSU and DSU plans – The value of the compensation for PSUs and DSUs that are expected to vest is measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange on the date of grant. The value of the compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in contributed surplus. The effect of any change in the number of PSUs and DSUs that are expected to vest is accounted for in the period in which the estimate is revised.

Employee share purchase plan – The Corporation's contributions to the employee share purchase plan are accounted for in the same manner as the related employee payroll costs.

REVENUE RECOGNITION

Aerospace programs – Revenues from the sale of commercial aircraft and light business aircraft (*Learjet* Series) are recognized upon final delivery of products and presented in manufacturing revenues.

Medium and large business aircraft (*Challenger* and *Global* Series) contracts are segmented between green aircraft (i.e. before exterior painting and installation of customer-selected interiors and optional avionics) and completion. Revenues are recognized based on green aircraft deliveries (when certain conditions are met), and upon final acceptance of interiors and optional avionics by customers. Revenues for green aircraft delivery and completion are presented in manufacturing revenues.

Fractional ownership program – Revenues from the sale of aircraft fractional shares are recognized over the period during which the related services are rendered to the customer, generally five years, and are included in manufacturing revenues. At the time of sale, the proceeds from the sale are recorded in fractional ownership deferred revenues. The carrying value of the related aircraft is transferred to fractional ownership deferred costs and is charged to cost of sales over the same period. Other revenues from the fractional share ownership program, including flight crew and maintenance support, are recognized at the time the service is rendered to the customer and are presented in services revenues.

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing of products, including vehicle and component overhaul, are recognized using the percentage-of-completion method of accounting. The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. Vehicle and component overhaul revenues are presented in services revenues. System and signalling revenues are presented in other revenues. All other long-term manufacturing contract revenues are presented in manufacturing revenues.

Revenues from maintenance service contracts entered into on or after December 17, 2003 are recognized in proportion to the total costs originally anticipated to be incurred at the beginning of the contract and are presented in services revenues. Maintenance service contracts entered into before this date are recognized using the percentage-of-completion method of accounting.

Revenues from other long-term service contracts are generally recognized as services rendered and are presented in services revenues.

Estimated revenues from long-term contracts include revenues from change orders and claims when it is probable that they will result in additional revenues in an amount that can be reliably estimated.

If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in cost of sales in the period in which the negative gross margin is identified.

Other – Revenues from the sale of pre-owned aircraft and spare parts are recognized upon delivery. Pre-owned aircraft revenues are presented in other revenues and spare parts revenues are included in services revenues. Operating lease income, mainly from pre-owned aircraft, is recognized on a straight-line basis over the term of the lease and is included in other revenues. Interest income related to aircraft financing is recognized over the term of the applicable loans or leases using the effective interest method and is included in financing income.

SALES INCENTIVES

In connection with the sale of new aircraft, the Corporation may provide sales incentives in the form of credit and residual value guarantees, financing rate commitment, trade-in commitments, conditional repurchase obligations and free related product and services.

Credit and residual value guarantees related to the sale of aircraft and trade-in commitments are discussed in the accounting policy on guarantees before while financing rate commitments are discussed in the accounting policy on derivative financial instruments before.

Conditional repurchase obligations are accounted for as trade-in commitments from the time the Corporation enters into an agreement for the sale of a new aircraft and the customer exercises its right to partially pay for the new aircraft by trading in its pre-owned aircraft. No provision is recorded for conditional repurchase obligations until they become trade-in commitments.

Other sales incentives, such as free training and spare parts, are recorded at their estimated cost as a reduction of manufacturing revenues or included in cost of sales at the time of the sale.

GOVERNMENT ASSISTANCE

Government assistance, including investment tax credits, relating to the acquisition of inventories, PP&E and intangible assets, is recorded as a reduction of the cost of the related asset. Government assistance, including investment tax credits, related to current expenses is recorded as a reduction of the related expenses.

PRODUCT WARRANTIES

A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of products sold and in service and counter-warranty coverage available from the Corporation's suppliers.

The Corporation reviews its recorded product warranty provisions quarterly and any adjustment is recorded in cost of sales.

INCOME TAXES

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

A valuation allowance is recorded to reduce the carrying amount of deferred income tax assets when it is more likely than not that these assets will not be realized.

EPS

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

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

EMPLOYEE FUTURE BENEFITS

The defined benefit plans are accounted for as follows:

- Plan assets are measured at fair value.
- With regard to equity securities, the Corporation uses an evaluation based on asset market values, which, for benefit cost measurement purposes, takes into account the impact of gains or losses over a three-year period starting from the fiscal year during which these gains or losses occur. With regard to investments other than equity securities, the Corporation uses an evaluation based on current market values.
- The net actuarial gains and losses over 10% of the greater of the projected benefit obligation and the market-related value of plan assets, as well as past service costs, are amortized over the estimated weighted-average remaining service life of plan participants, which is on average approximately 14 years but varies from plan to plan.
- Plan obligations are determined based on expected future benefit payments discounted using market interest rates on high-quality debt instruments that match the timing and amount of expected benefit payments.
- When an event, such as the sale of a segment, gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement. A curtailment is the loss by employees of the right to earn future benefits under the plan. A settlement is the discharge of a plan's obligation by the Corporation.
- The cost of pension and other benefits earned by employees is actuarially determined using the projected benefit method prorated on services, and management's best estimate of expected plan investment performance, salary escalation, retirement ages, mortality and health care costs.
- Benefit cost is capitalized as part of labour costs and included in inventories and aerospace program tooling, or is recognized directly through income.
- The Corporation uses a December 31 measurement date.

ENVIRONMENTAL OBLIGATIONS

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

3 FINANCIAL INSTRUMENTS

The classification of financial instruments as HFT, AFS, L&R and other than HFT, as well as their carrying amounts and fair values, were as follows as at:

	HFT					Total	
	Required	Designated	AFS	Amortized cost[1]	DDHR[2]	carrying value	Fair value
January 31, 2011							
Financial assets							
Cash and cash equivalents	**$4,195**	**$ –**	**$ –**	**$ –**	**$ –**	**$4,195**	**$4,195**
Invested collateral	**–**	**676**	**–**	**–**	**–**	**676**	**676**
Receivables	**–**	**–**	**–**	**1,880[3]**	**–**	**1,880**	**1,880**
Aircraft financing	**–**	**407[4]**	**–**	**91[5]**	**–**	**498**	**498**
Derivative financial instruments	**65[6]**	**–**	**–**	**–**	**470**	**535**	**535**
Other assets	**–**	**236[7]**	**388[8]**	**146[9]**	**–**	**770**	**770**
	$4,260	**$1,319**	**$388**	**$2,117**	**$470**	**$8,554**	**$8,554**
Financial liabilities							
Accounts payable and accrued liabilities	**$ –**	**$ 161[10]**	**n/a**	**$3,950[11]**	**$ –**	**$4,111**	**$4,111**
Long-term debt	**–**	**–**	**n/a**	**4,635**	**–**	**4,635**	**4,747**
Derivative financial instruments	**64[6]**	**–**	**n/a**	**–**	**591**	**655**	**655**
	$ 64	**$ 161**	**n/a**	**$8,585**	**$591**	**$9,401**	**$9,513**
January 31, 2010							
Financial assets							
Cash and cash equivalents	$3,372	$ –	$ –	$ –	$ –	$ 3,372	$ 3,372
Invested collateral	–	682	–	–	–	682	682
Receivables	–	–	–	1,766[3]	–	1,766	1,766
Aircraft financing	–	280[4]	–	95[5]	–	375	375
Derivative financial instruments	98[6]	–	–	–	384	482	482
Other assets	–	228[7]	328[8]	115[9]	–	671	671
	$3,470	$ 1,190	$ 328	$ 1,976	$ 384	$ 7,348	$ 7,348
Financial liabilities							
Accounts payable and accrued liabilities	$ –	$ 196[10]	n/a	$ 3,726[11]	$ –	$ 3,922	$ 3,922
Long-term debt	–	–	n/a	4,162	–	4,162	4,035
Derivative financial instruments	77[6]	–	n/a	–	352	429	429
	$ 77	$ 196	n/a	$ 7,888	$ 352	$ 8,513	$ 8,386

1 Financial assets classified as L&R and financial liabilities as other than HFT.
2 DDHR: Derivatives designated in a hedge relationship.
3 Represents trade receivables and certain other receivables.
4 Represents certain commercial aircraft loans and lease receivables.
5 Represents certain commercial aircraft loans and lease receivables, investment in financing structures and business aircraft loans.
6 Represents derivative financial instruments not designated in a hedging relationship but that are economic hedges, and embedded derivatives accounted for separately.
7 Represents investment in VIEs and servicing asset.
8 Represents certain investment in securities.
9 Includes restricted cash and certain investment in securities.
10 Represents related liabilities in connection with the sale of commercial aircraft.
11 Includes trade accounts payable, accrued interest, as well as certain accrued liabilities and payroll-related liabilities.
n/a: Not applicable.

3. FINANCIAL INSTRUMENTS (CONT.)

The methods and assumptions used to measure the fair value of financial instruments are described in Note 22 – Fair value of financial instruments.

The net gain (loss) on financial instruments recognized in income was as follows for fiscal years:

	2011	2010
Financial instruments measured at amortized cost		
L&R – change in valuation allowance	**$ (6)**	$ (4)
Other than HFT – gain from derecognition of long-term debt	**$ 47**	$ –
Financial instruments measured at fair value		
AFS – impairment losses	**$ (2)**	$ (2)
HFT – changes in fair value		
Designated as HFT[1]	**$ (2)**	$ 29
Required to be classified as HFT[2,3]	**$ 25**	$ 37

1 Excludes the interest income portion related to the invested collateral of $9 million for fiscal year 2011 ($14 million for fiscal year 2010).
2 Excludes the interest income portion related to cash and cash equivalents of $19 million for fiscal year 2011 ($26 million for fiscal year 2010).
3 Includes a net loss of $10 million in connection with economic hedges not designated in hedging relationships for fiscal year 2011 (net gain of $53 million for fiscal year 2010).

For the amounts of unrealized gains (losses) on AFS financial assets recognized directly in OCI during fiscal years 2011 and 2010, see the consolidated statements of comprehensive income.

3. FINANCIAL INSTRUMENTS (CONT.)

DERIVATIVE AND HEDGING ACTIVITIES

The carrying amounts of all derivative financial instruments and certain non-derivative financial instruments in a hedge relationship were as follows as at January 31:

		2011		2010
	Assets	**Liabilities**	Assets	Liabilities
Derivative financial instruments designated as fair value hedges				
Cross-currency interest-rate swaps	**$ –**	**$ 46**	$ –	$ 35
Interest-rate swaps	**80**	**–**	140	–
	80	**46**	140	35
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts[1,2]	**390**	**509**	244	279
Derivative financial instruments designated as hedges of net investment				
Cross-currency interest-rate swaps	**–**	**36**	–	38
Derivative financial instruments classified as HFT[3]				
Forward foreign exchange contracts	**9**	**48**	31	53
Cross-currency interest-rate swaps	**–**	**–**	21	–
Interest-rate swaps	**–**	**6**	–	7
Embedded derivative financial instruments:				
Foreign exchange	**16**	**8**	26	8
Call options on long-term debt	**40**	**–**	20	–
Financing rate commitments	**–**	**2**	–	9
	65	**64**	98	77
Total derivative financial instruments	**$535**	**$655**	$482	$429
Non-derivative financial instruments designated as hedges of net investment				
Long-term debt	**$ –**	**$715**	$ –	$399

1 The component of the hedging item's gain or loss excluded from the assessment of effectiveness amounted to a net loss of $18 million for fiscal year 2011 ($3 million for fiscal year 2010).
2 The maximum length of time of the derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 28 months as at January 31, 2011.
3 Held as economic hedges, except for embedded derivative financial instruments.

4 RECEIVABLES

Receivables were as follows as at January 31:

	2011	2010
Trade receivables[1]	**$1,777**	$1,721
Sales tax	**98**	74
Other	**199**	154
	2,074	1,949
Allowance for doubtful accounts	**(52)**	(52)
	$2,022	$1,897

1 Of which $474 million and $393 million are denominated in euro and other foreign currencies, respectively, as at January 31, 2011 ($313 million and $442 million, respectively as at January 31, 2010).

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows as at January 31:

	2011	2010
Balance at beginning of year	**$ (52)**	$ (70)
Provision for doubtful accounts	**(4)**	(11)
Amounts written off	**4**	34
Effect of foreign currency exchange rate changes	**–**	(5)
Balance at end of year	**$ (52)**	$ (52)

Receivables that are past due but not impaired – The trade receivables that are past due but not impaired for BA amounted to $63 million, of which $14 million were more than 90 days past due as at January 31, 2011 ($53 million, of which $14 million were more than 90 days past due as at January 31, 2010).

In addition, $331 million of trade receivables related to BT long-term contracts are past due but not impaired as at January 31, 2011, of which $197 million were more than 90 days past due ($350 million as at January 31, 2010, of which $160 million were more than 90 days past due). BT assesses whether these receivables are collectible as part of its risk management practices applicable to long-term contracts as a whole.

Receivables that are impaired – The Corporation has determined that a gross amount of $46 million of trade receivables are individually determined to be impaired as at January 31, 2011 ($38 million as at January 31, 2010). The factors the Corporation considers are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears for over 90 days.

5 AIRCRAFT FINANCING

Aircraft financing was as follows as at January 31:

	2011			2010		
		Weighted-average			Weighted-average	
	Total	Maturity (in months)	Rate[1] (in %)	Total	Maturity (in months)	Rate[1] (in %)
Commercial aircraft						
Loans	**$305**	**128**	**8.8**	$248	108	9.0
Lease receivables[2]	**137**	**114**	**5.7**	69	159	4.1
	442			317		
Business aircraft loans[3]	**3**	**11**	**1.9**	8	18	7.5
Total loans and lease receivables	**445**			325		
Allowance for credit losses	**(2)**			(3)		
	443			322		
Assets under operating leases	**170**			98		
Investment in financing structures	**55**			53		
	$668			$473		

1 Effective interest rates are before giving effect to the related hedging derivative financial instruments and for variable-rate loans and lease receivables, the interest rate represents the average rate for the fiscal year.
2 Includes $11 million of lease receivables related to consolidated VIEs as at January 31, 2011 and as at January 31, 2010.
3 This portfolio is being wound down.

Loans and lease receivables – Financing with three airlines represents 42% of the total loans and lease receivables as at January 31, 2011 (three airlines represented 43% as at January 31, 2010). Loans and lease receivables are generally collateralized by the related assets. The value of the collateral is closely related to commercial airline industry performance and aircraft-specific factors (age, type-variant and seating capacity), as well as other factors. The value of the collateral also fluctuates with economic cycles.

Lease receivables consist of the following, before allowance for credit losses, as at January 31:

	2011	2010
Total minimum lease payments	**$123**	$ 47
Unearned income	**(28)**	(17)
Unguaranteed residual value	**42**	39
	$137	$ 69

Assets under operating leases – Assets under operating leases were as follows as at January 31:

	2011		2010	
	Cost	Net book value	Cost	Net book value
Pre-owned commercial aircraft	**$144**	**$122**	$ 60	$ 45
Pre-owned business aircraft	**55**	**48**	56	53
	$199	**$170**	$116	$ 98

Rental income from operating leases and amortization of assets under operating leases amounted to $15 million and $14 million, respectively, for fiscal year 2011 ($10 million and $12 million, respectively, for fiscal year 2010).

6 INVENTORIES

Inventories were as follows as at January 31:

	2011	2010
Long-term contracts		
Costs incurred and recorded margins	**$ 5,962**	$ 5,793
Less: advances and progress billings	**(4,048)**	(4,155)
	1,914	1,638
Aerospace programs	**2,193**	2,576
Finished products[1]	**1,048**	1,054
	$ 5,155	$ 5,268

1 Finished products include spare parts and 11 new aircraft not associated with a firm order and 21 pre-owned aircraft, totalling $294 million as at January 31, 2011 (7 new aircraft and 19 pre-owned aircraft, totalling $274 million as at January 31, 2010).

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

Inventories recognized as cost of sales – The amount of inventories recognized as cost of sales totalled $13,643 million for fiscal year 2011 ($15,227 million for fiscal year 2010). These amounts include $46 million of write-down for fiscal year 2011 ($78 million for fiscal year 2010).

7 PROPERTY, PLANT AND EQUIPMENT

PP&E were as follows as at January 31:

	2011		2010	
	Cost	**Net book value**	Cost	Net book value
Land	**$ 102**	**$ 102**	$ 99	$ 99
Buildings	**2,056**	**948**	1,943	899
Equipment	**1,277**	**479**	1,149	433
Other	**276**	**238**	240	212
	$3,711	**$1,767**	$ 3,431	$ 1,643

Included in the above table are assets under capital lease, where the Corporation is the lessee, with a cost and net book value amounting to $185 million and $110 million, respectively, as at January 31, 2011 ($147 million and $79 million, respectively, as at January 31, 2010).

Also included in the above table are assets under construction amounting to $185 million as at January 31, 2011 ($88 million as at January 31, 2010).

Amortization of PP&E amounted to $165 million for fiscal year 2011 ($168 million for fiscal year 2010).

8 INTANGIBLE ASSETS

Intangible assets were as follows as at January 31:

	2011		2010	
	Cost	**Net book value**	Cost	Net book value
Aerospace program tooling				
Business aircraft	**$2,570**	**$ 860**	$2,237	$ 618
Commercial aircraft	**2,475**	**1,200**	2,028	822
Licences, patents and trademarks	**290**	**91**	297	113
Other	**574**	**153**	522	143
	$5,909	**$2,304**	$5,084	$1,696

Intangible assets capitalized amounted to $828 million for fiscal year 2011 ($583 million for fiscal year 2010), of which $780 million ($512 million for fiscal year 2010) were capitalized in aerospace program tooling. Of the amount of intangible assets capitalized during fiscal year 2011, $176 million were acquired from third parties and $652 million were internally generated ($162 million and $421 million, respectively, during fiscal year 2010).

Interest capitalized totalled $48 million for fiscal year 2011 ($36 million for fiscal year 2010).

Amortization of intangible assets was as follows for fiscal years:

	2011	2010
Aerospace program tooling	**$ 160**	$ 243
Other	**71**	75
	$ 231	$ 318

9 GOODWILL

Goodwill is mainly related to the DaimlerChrysler Rail Systems GmbH ("Adtranz") acquisition in May 2001. Changes in the goodwill balance were as follows for fiscal years:

	2011	2010
Balance at beginning of year	**$2,247**	$2,010
Effect of foreign currency exchange rate changes	**111**	237
Balance at end of year	**$2,358**	$2,247

The Corporation completed the required annual impairment review during the fourth quarter of fiscal year 2011 and did not identify any impairment.

10 OTHER ASSETS

Other assets were as follows as at January 31:

	2011	2010
Investment in securities[1]	$ 415	$ 328
Prepaid expenses	285	179
Investment in VIEs	187	180
Deferred financing charges	65	99
Restricted cash	58	40
Investment in companies subject to significant influence[2]	57	33
Servicing asset	49	48
Other	77	99
	$1,193	$1,006

1 Includes an amount of $152 million held in an aircraft financing structure to support certain of the Corporation's financial obligations as at January 31, 2011 ($148 million as at January 31, 2010).
2 The Corporation has pledged shares in investees subject to significant influence, with a carrying value of $33 million as at January 31, 2011 ($26 million as at January 31, 2010). Investment in companies subject to significant influence includes $10 million of loans as at January 31, 2011 ($9 million as at January 31, 2010), mostly related to BT.

11 CREDIT FACILITIES

LETTER OF CREDIT FACILITIES

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

	Amount committed	Letters of credit issued	Amount available	Maturity (fiscal year)
January 31, 2011				
BT facility	**$5,212[1]**	**$3,633**	**$1,579**	**2014[2]**
BA facility	**600**	**211**	**389**	**2012**
PSG facility	**900**	**352**	**548**	**2012[3]**
	$6,712	**$4,196**	**$2,516**	
January 31, 2010				
BT facility	$ 5,201[1]	$ 3,921	$ 1,280	2014[2]
BA facility	600	484	116	2012
PSG facility	900	377	523	2011[3]
	$ 6,701	$ 4,782	$ 1,919	

1 €3,800 million as at January 31, 2011 (€3,750 million as at January 31, 2010).
2 In December 2011, if the facility is not renewed, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature up to December 2013.
3 The performance security guarantee facility ("PSG facilities") is renewed and extended annually if mutually agreed. In June 2010, the facility was extended until June 2011, and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

In addition to the outstanding letters of credit shown in the previous table, letters of credit of $708 million were outstanding under various bilateral agreements as at January 31, 2011 ($453 million as at January 31, 2010).

The Corporation also uses numerous bilateral facilities with insurance companies to support BT's operations. An amount of $2.0 billion was outstanding under such facilities as at January 31, 2011 ($1.5 billion as at January 31, 2010).

REVOLVING CREDIT FACILITY

On September 1, 2009, the Corporation entered into a $500-million two-year unsecured revolving credit facility bearing interest at the applicable LIBOR rate plus a margin based on Bombardier's credit rating, with a syndicate of commercial banks and other institutions. This facility is available for cash drawings for the general working capital needs of the Corporation, and was unused since its inception in September 2009.

FINANCIAL COVENANTS

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

In addition, the Corporation must maintain a minimum BT liquidity of €600 million ($823 million) at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. The Corporation must also maintain €404 million ($554 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at January 31, 2011 and January 31, 2010.

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

OTHER OFF-BALANCE SHEET FACILITIES

In the normal course of its business, BT has set up factoring facilities in Europe to which it can sell, without credit recourse, qualifying trade receivables. The amount committed under such facilities was €270 million ($370 million) as at January 31, 2011. Trade receivables of €248 million ($340 million) were outstanding under such facilities as at January 31, 2011 (€140 million ($194 million) as at January 31, 2010). Trade receivables of €442 million ($584 million) were sold to these facilities during fiscal year 2011 (€386 million ($542 million) during fiscal year 2010).

In addition, BA has set up sale and leaseback facilities under which it can sell pre-owned business aircraft for a total committed amount of $275 million. An amount of $219 million was outstanding under such facilities as at January 31, 2011 ($180 million as at January 31, 2010). Aircraft worth $303 million were sold and leased-back to these facilities during fiscal year 2011 ($217 million during fiscal year 2010).

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at January 31:

	2011	2010
Trade accounts payable	**$2,234**	$2,311
Accrued liabilities	**1,420**	1,239
Product warranties	**1,137**	1,040
Sales incentives[1]	**885**	968
Payroll-related liabilities	**648**	486
Supplier contributions to aerospace programs	**314**	150
Income and other taxes	**166**	206
Interest payable	**89**	56
Severance and other involuntary termination costs	**70**	82
Other	**1,064**	889
	$8,027	$7,427

1 Comprised of provision for credit and residual value guarantees and trade-in commitments, as well as other related provisions and related liabilities in connection with the sale of aircraft (see Note 25 – Commitments and contingencies). The carrying value of related liabilities in connection with the sale of aircraft is $161 million as at January 31, 2011 ($196 million as at January 31, 2010). The amount contractually required to be paid for these liabilities is $215 million as at January 31, 2011 ($228 million as at January 31, 2010).

Product warranties – Product warranties typically range from one to five years, except for aircraft structural warranties that extend up to 20 years.

Changes in the product warranty provision were as follows for fiscal years 2011 and 2010:

	BA	BT	Total
Balance as at January 31, 2009	$280	$ 651	$ 931
Current expense	66	378	444
Changes in estimates	–	(94)	(94)
Cash paid	(67)	(239)	(306)
Effect of foreign currency exchange rate changes	–	65	65
Balance as at January 31, 2010	279	761	1,040
Current expense	82	346	428
Changes in estimates	–	(53)	(53)
Cash paid	(90)	(214)	(304)
Effect of foreign currency exchange rate changes	–	26	26
Balance as at January 31, 2011	**$271**	**$ 866**	**$1,137**

13

LONG-TERM DEBT

Long-term debt was as follows as at January 31:

						2011	2010
		Interest rate					
Amount in currency of origin 2011/2010	Currency	Fixed/ Variable[1]	Contractual 2011/2010[1]	After effect of hedges 2011/2010	Maturity	Amount	Amount
Senior notes							
nil/679	EUR	Variable	3.90%/4.53%	n/a	Nov. 2013	**$ –**	$ 933
nil/385	USD	Fixed	8.00%	nil/3–month Libor + 2.91	Nov. 2014	**–**	419
785	EUR	Fixed	7.25%	3–month Libor + 4.83	Nov. 2016	**1,129**	1,139
650/nil	USD	Fixed	7.50%/nil	3–month Libor + 4.19/nil	Mar. 2018	**658**	–
850/nil	USD	Fixed	7.75%/nil	3–month Libor + 4.14/nil	Mar. 2020	**855**	–
780/nil	EUR	Fixed	6.125%/nil	n/a	May 2021	**1,042**	–
Notes							
151/550	USD	Fixed	6.75%	3–month Libor + 2.26/ 3–month Libor + 2.28	May 2012	**159**	597
162/500	USD	Fixed	6.30%	3–month Libor + 1.59/ 3–month Libor + 1.60	May 2014	**184**	550
250	USD	Fixed	7.45%	n/a	May 2034	**247**	247
Debentures							
150	CAD	Fixed	7.35%	n/a	Dec. 2026	**149**	139
Other[2]							
212/138[3]	Various	Fix./var.	5.54%/7.42%	n/a	2011–2027	**212**	138
						$4,635	$4,162

1 For variable-rate debt, the interest rate represents the average rate for the fiscal year. Interest on long-term debt as at January 31, 2011 is payable semi-annually, except for the other debts for which the timing of interest payments is variable.
2 Includes $112 million relating to obligations under capital leases as at January 31, 2011 ($76 million as at January 31, 2010).
3 Amounts are expressed in U.S. dollars.
n/a: Not applicable.

All long-term debt ranks pari-passu and is unsecured.

Subsequent to year-end, the Corporation entered into interest-rate swap agreements to convert the effective rate on the €780 million senior notes from fixed to variable. The interest rate after the effect of these fair value hedges is 3-month Euribor + 2.866.

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

	Debt	Capital leases	Total
2012	$ 3	$ 14	$ 17
2013	162	14	176
2014	11	13	24
2015	173	9	182
2016	13	9	22
Thereafter	4,098	53	4,151
	$4,460	$112	$4,572

14 SHARE CAPITAL

PREFERRED SHARES

An unlimited number of non-voting preferred shares, without nominal or par value, issuable in series are authorized. The following series have been issued as at January 31, 2011 and 2010:

12,000,000 SERIES 2 CUMULATIVE REDEEMABLE PREFERRED SHARES	
Redemption	Redeemable, at the Corporation's option, at $25.50 Cdn per share.
Conversion	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2012 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines that on any conversion date, there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, then no Series 2 Cumulative Redeemable Preferred Shares may be converted.
Dividend	Since August 1, 2002, the variable cumulative preferential cash dividends are payable monthly on the 15th day of each month, if declared, with the annual variable dividend rate being equal to 80% of the Canadian prime rate. The dividend rate will vary in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of Series 2 Cumulative Redeemable Preferred Shares is less than $24.90 Cdn per share or more than $25.10 Cdn per share.

12,000,000 SERIES 3 CUMULATIVE REDEEMABLE PREFERRED SHARES	
Redemption	Redeemable, at the Corporation's option, at $25.00 Cdn per share on August 1, 2012 and on August 1 of every fifth year thereafter.
Conversion	Convertible on a one-for-one basis, at the option of the holder, on August 1, 2012 and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. Fourteen days before the conversion date, if the Corporation determines, after having taken into account all shares tendered for conversion by holders, that there would be less than 1,000,000 outstanding Series 3 Cumulative Redeemable Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Cumulative Redeemable Preferred Shares. Likewise, if the Corporation determines that on any conversion date there would be less than 1,000,000 outstanding Series 2 Cumulative Redeemable Preferred Shares, then no Series 3 Cumulative Redeemable Preferred Shares may be converted.
Dividend	For the five-year period from August 1, 2007 and including July 31, 2012, the Series 3 Cumulative Redeemable Preferred Shares carry fixed cumulative preferential cash dividends at a rate of 5.267% or $1.31675 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.32919 Cdn, if declared. For each succeeding five-year period, the applicable fixed annual rate of the cumulative preferential cash dividends calculated by the Corporation shall not be less than 80% of the Government of Canada bond yield, as defined in the Articles of Incorporation. These dividends shall be payable quarterly on the last day of January, April, July and October, if declared.

9,400,000 SERIES 4 CUMULATIVE REDEEMABLE PREFERRED SHARES	
Redemption	The Corporation may, subject to certain provisions, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Cumulative Redeemable Preferred Shares at $25.00 Cdn if redeemed on or after March 31, 2011.
Conversion	The Corporation may, subject to the approval of the Toronto Stock Exchange and such other stock exchanges on which the Series 4 Cumulative Redeemable Preferred Shares are then listed, at any time convert all or any of the outstanding Series 4 Cumulative Redeemable Preferred Shares into fully paid and non-assessable Class B Shares (Subordinate Voting) of the Corporation. The number of Class B Shares (Subordinate Voting) into which each Series 4 Cumulative Redeemable Preferred Shares may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to, but excluding the date of conversion, by the greater of $2.00 Cdn and 95% of the weighted-average trading price of such Class B Shares (Subordinate Voting) on the Toronto Stock Exchange for the period of 20 consecutive trading days, which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the trading day immediately preceding such fourth day. The Corporation may, at its option, at any time, create one or more further series of Preferred Shares of the Corporation, into which the holders of Series 4 Cumulative Redeemable Preferred Shares could have the right, but not the obligation, to convert their shares on a share for share basis.
Dividend	The holders of Series 4 Cumulative Redeemable Preferred Shares are entitled to fixed cumulative preferential cash dividends, if declared, at a rate of 6.25% or $1.5625 Cdn per share per annum, payable quarterly on the last day of January, April, July and October of each year at a rate of $0.390625 Cdn per share.

COMMON SHARES

The following classes of common shares, without nominal or par value, were authorized as at January 31, 2011 and 2010:

1,892,000,000 CLASS A SHARES (MULTIPLE VOTING)	
Voting rights	Ten votes each.
Conversion	Convertible at any time, at the option of the holder, into one Class B Share (Subordinate Voting).

1,892,000,000 CLASS B SHARES (SUBORDINATE VOTING)	
Voting rights	One vote each.
Conversion	Convertible at the option of the holder, into one Class A share (Multiple Voting): (i) if an offer made to Class A (Multiple Voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); or (ii) if such controlling shareholder ceases to hold more than 50% of all outstanding Class A shares (Multiple Voting) of the Corporation.
Dividend	Annual non cumulative preferential dividend of $0.0015625 Cdn per share, in priority to the Class A shares (Multiple Voting), payable quarterly on the last day of January, May, July and October of each year at a rate of $0.000390625 Cdn per share, if declared.

The Board of Directors of the Corporation authorized the payment of a quarterly dividend on each Class A shares (Multiple Voting) and each Class B shares (Subordinate Voting) of the Corporation. As a result, if and when declared payable by the Board of Directors, holders of these shares are entitled to a quarterly dividend of $0.025 Cdn per share.

In connection with the PSU plan, the trustee has purchased 10,539,000 Class B shares (Subordinate Voting) of the Corporation in the open market for $50 million during fiscal year 2011 (7,068,000 Class B shares for $21 million during fiscal year 2010) (see Note 15 – Share-based plans).

In connection with the new DSU plan, the Board of Directors of the Corporation authorized the repurchase for cancellation, in the normal course of the Corporation's activities from April 9, 2010 to April 8, 2011, of up to 3,000,000 Class B Shares (Subordinate Voting) and up to 660,000 Class A Shares (Multiple Voting). During fiscal year 2011, 3,000,000 Class B Shares (Subordinate Voting) were repurchased and cancelled, for a total amount of $16 million.

15 SHARE-BASED PLANS

PSU AND DSU PLANS

The Board of Directors of the Corporation approved a PSU plan under which PSUs may be granted to executives and other designated employees. The PSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (Subordinate Voting). The Board of Directors of the Corporation has also approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment. During fiscal year 2011, a combined total of 10,576,000 PSUs and DSUs were authorized for issuance (6,712,000 PSUs and DSUs during fiscal year 2010).

15. SHARE-BASED PLANS (CONT.)

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

	2011		2010	
	PSU	**DSU**	PSU	DSU
Balance at beginning of year	**15,888,267**	**1,124,000**	15,006,293	–
Granted	**8,181,500**	**1,842,000**	5,059,700	1,164,000
Performance adjustment	**2,725,988**	**–**	1,874,374	–
Exercised	**(8,177,963)**	**–**	(5,623,122)	–
Cancelled	**(392,608)**	**–**	(428,978)	(40,000)
Balance at end of year	**18,225,184**	**2,966,000**	15,888,267	1,124,000

PSUs and DSUs granted will vest if the pre-determined return on equity targets are attained during the vesting period. The conversion ratio for vested PSUs and DSUs ranges from 70% to 150%. PSUs and DSUs generally vest three years following the grant date if the financial performance thresholds are met. For grants issued between fiscal years 2009 and 2011, vesting dates vary between June 10, 2011 and December 13, 2013.

The weighted-average grant date fair value of PSUs and DSUs granted during fiscal year 2011 was $4.30 ($2.90 during fiscal year 2010). The fair value of each PSUs and DSUs granted was measured based on the closing price of a Class B Share (Subordinate Voting) of the Corporation on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs and DSUs that are expected to vest.

The Corporation provided instructions to a trustee under the terms of a Trust Agreement to purchase Class B Shares (Subordinate Voting) of the Corporation in the open market (see Note 14 – Share capital) in connection with the PSU plan. These shares are held in trust for the benefit of the beneficiaries until the PSUs become vested or are cancelled. The cost of these purchases has been deducted from share capital.

A compensation expense of $39 million was recorded with respect to the PSU and DSU plans during fiscal year 2011 ($36 million during fiscal year 2010).

SHARE OPTION PLANS

Under share option plans, options are granted to key employees to purchase Class B Shares (Subordinate Voting). Options were also granted to directors up to October 1, 2003. Of the 135,782,688 Class B Shares (Subordinate Voting) reserved for issuance, 63,586,694 were available for issuance under these share option plans as at January 31, 2011.

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

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

The summarized information on the current share option plan is as follows as at January 31, 2011:

		Issued and outstanding	
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**
2 to 4	2,512,414	5.36	3.45
4 to 6	3,876,000	6.36	4.72
	6,388,414		

15. SHARE-BASED PLANS (CONT.)

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

	2011		2010	
	Number of options	Weighted-average exercise price (Cdn$)	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**2,580,000**	**3.45**	–	–
Granted	**3,870,000**	**4.72**	2,620,000	3.45
Cancelled	**(61,586)**	**3.45**	(40,000)	3.45
Balance at end of year	**6,388,414**	**4.22**	2,580,000	3.45
Options exercisable at end of year	**–**	**–**	–	–

Performance share option plan – For options issued to key employees after May 27, 2003 and before June 1, 2009, the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the options were granted. These options vest at 25% per year during a period beginning one year following the grant date. However, predetermined target market price thresholds must be achieved in order for the options to be exercised. Such options may be exercised if within the 12-month period preceding the date on which such options vest, the weighted-average trading price on the stock exchange (during a period of 21 consecutive trading days) is greater than or equal to the target price threshold established at the time the options were granted. If the weighted-average trading price has not been reached within such 12-month period, the target price threshold applicable is the last vesting tranche. The options terminate no later than seven years after the grant date. As at January 31, 2011, target prices ranged between $4 Cdn and $11 Cdn.

The summarized information on the performance share option plan is as follows as at January 31, 2011:

	Issued and outstanding				Exercisable	
Exercise price range (Cdn$)	**Number of options**	**Weighted-average target price (Cdn$)**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**	**Number of options**	**Weighted-average exercise price (Cdn$)**
2 to 4	7,855,375	4.52	1.95	2.96	7,602,875	2.97
4 to 6	12,704,400	8.99	1.56	4.79	3,758,213	5.50
6 to 8	449,000	9.60	0.94	7.05	134,750	7.19
8 to 10	5,489,000	8.00	4.36	8.53	2,744,500	8.53
	26,497,775				14,240,338	

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

	2011		2010	
	Number of options	Weighted-average exercise price (Cdn$)	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**31,254,075**	**4.90**	33,817,321	4.85
Granted	**–**	**–**	10,000	3.48
Exercised	**(1,357,788)**	**3.32**	(646,746)	2.83
Cancelled	**(860,000)**	**5.04**	(1,647,250)	4.84
Expired	**(2,538,512)**	**3.99**	(279,250)	3.91
Balance at end of year	**26,497,775**	**5.06**	31,254,075	4.90
Options exercisable at end of year	**14,240,338**	**4.75**	11,562,513	4.25

15. SHARE-BASED PLANS (CONT.)

Prior share option plans – For options issued to key employees prior to May 27, 2003, and options issued to directors, the exercise price is equal to the weighted-average trading prices on the stock exchange during the five trading days preceding the date on which the option was granted. These options are all vested, and terminate no later than 10 years after the grant date.

The exercise prices of these options range from $12 Cdn to $15 Cdn and $15 Cdn to $25 Cdn with a weighted-average remaining life of 1.15 years and 0.33 years, respectively, and a weighted-average exercise price of $14.58 Cdn and $21.63 Cdn, respectively, as at January 31, 2011. For options ranging from $12 Cdn to $15 Cdn, the numbers of options issued, outstanding and exercisable amounted to 1,828,000, with a weighted-average exercise price of $14.58 Cdn as at January 31, 2011 (2,143,000 options and $14.58 Cdn as at January 31, 2010). For options ranging from $15 Cdn to $25 Cdn, the numbers of options issued, outstanding and exercisable amounted to 1,197,000, with a weighted-average exercise price of $21.63 Cdn as at January 31, 2011 (3,024,000 options and $20.45 Cdn as at January 31, 2010).

The number of options cancelled and expired amounted to 260,500 and 1,881,500 with a weighted-average exercise price of $14.26 Cdn and $19.57 Cdn, respectively, for fiscal year 2011 (419,500 and 4,902,000 options and $17.21 Cdn and $11.10 Cdn for fiscal year 2010).

STOCK-BASED COMPENSATION EXPENSE FOR OPTIONS

The weighted-average grant date fair value of stock options granted during fiscal year 2011 was $1.63 per option ($1.15 per option during fiscal year 2010). The fair value of each option granted was determined using a Black-Scholes option pricing model, modified to incorporate target prices related to the performance share option plan in the fair value calculation for options issued before June 1, 2009 when appropriate. The share price at the grant date and the weighted-average assumptions were as follows for fiscal years:

	2011	2010
Risk-free interest rate	**2.65%**	2.82%
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**48.04%**	50.79%
Expected dividend yield	**2.09%**	2.10%

A compensation expense of $8 million was recorded during fiscal year 2011 with respect to share option plans ($10 million during fiscal year 2010).

EMPLOYEE SHARE PURCHASE PLAN

Under the employee share purchase plan, employees of the Corporation are eligible to purchase the Corporation's Class B Shares (Subordinate Voting) up to a maximum of 20% of their base salary to a yearly maximum of $30,000 Cdn per employee. The Corporation contributes to the plan an amount equal to 20% of the employees' contributions. The contributions are used to purchase the Corporation's Class B Shares (Subordinate Voting) in the open market on monthly investment dates or as otherwise determined by the Corporation, but not less frequently than monthly. The Corporation's contribution to the plan amounted to $6 million for fiscal year 2011 ($5 million for fiscal year 2010). Shares purchased by the Corporation are subject to a mandatory 12-month holding period that must be completed at the anniversary date of January 1.

16 ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the AOCI were as follows for fiscal years 2011 and 2010:

	AFS financial assets	**Cash flow hedges**	**CTA**	**Total**
Balance as at January 31, 2009	$(17)	$(455)	$(329)	$(801)
Change during the year	20	380	212	612
Balance as at January 31, 2010	3	(75)	(117)	(189)
Change during the year	7	(106)	128[1]	29
Balance as at January 31, 2011	**$ 10**	**$(181)**	**$ 11**	**$(160)**

1 Excludes a gain of $1 million attributable to non-controlling interests for fiscal year 2011 (nil for fiscal year 2010).

NOTES

17 OTHER EXPENSE (INCOME)

Other expense (income) was as follows for fiscal years:

	2011	2010
Foreign exchange gains	$ (31)	$ (6)
Severance and other involuntary termination costs (including changes in estimates and capacity adjustments)	27	100
Gain on disposals of PP&E	(11)	(19)
Impairment of PP&E	8	–
Net loss (gain) on financial instruments[1]	6	(56)
Income from equity accounted investees	(2)	(4)
Gain related to disposal of businesses	–	(20)
Other	25	(21)
	$ 22	$ (26)

1 Net loss (gain) on certain financial instruments classified as HFT, including foreign exchange embedded derivatives and financing rate commitments.

18 FINANCING INCOME AND FINANCING EXPENSE

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

	2011	2010
Financing income		
Gain on repurchase of long-term debt	$ (47)	$ –
Loans and lease receivables – after effect of hedges	(33)	(31)
Net gain on financial instruments[1]	(21)	(17)
Cash and cash equivalents	(19)	(26)
Invested collateral	(9)	(14)
Other	(8)	(8)
	$(137)[2]	$ (96)[2]
Financing expense		
Interest on long-term debt – after effect of hedges	$ 227	$223
Accretion expense on certain sales incentives	28	36
Other	1	20
	$ 256[3]	$279[3]

1 Certain financial instruments required to be classified as HFT, including certain call options on long-term debt.
2 Of which $21 million represent the interest income calculated using the effective interest method for financial assets classified as L&R for fiscal year 2011 ($11 million for fiscal year 2010).
3 Of which $228 million represent the interest expense calculated using the effective interest method for financial liabilities classified as other than HFT for fiscal year 2011 ($236 million for fiscal year 2010).

19 INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's deferred income tax assets and liabilities were as follows as at January 31:

	2011	2010
Operating losses carried forward	$ 1,261	$ 1,226
Inventories	241	321
Advances and progress billings in excess of related long-term contract costs and advances on aerospace programs	421	409
Warranty and other provisions	500	330
PP&E	(77)	(131)
Intangible assets	(6)	39
Derivative financial instruments, net	52	27
Accrued benefit liabilities	(23)	4
Other	(57)	2
	2,312	2,227
Valuation allowance	(1,193)	(1,126)
Net amount	$ 1,119	$ 1,101

The net amount of deferred income taxes is composed as follows as at January 31:

	2011	2010
Deferred income tax assets	$ 1,172	$ 1,166
Deferred income tax liabilities	(53)	(65)
	$ 1,119	$ 1,101

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

	2011	2010
Current income taxes	$ 155	$ 217
Deferred income taxes		
Recognition of previously unrecognized tax benefits	(180)	(181)
Write-down of deferred income tax assets	9	15
Non-recognition of tax benefits related to losses and temporary differences	52	83
Changes in temporary differences	120	63
Effect of substantively enacted income tax rate changes	6	11
	7	(9)
Income tax expense	$ 162	$ 208

19. INCOME TAXES (CONT.)

The reconciliation of income taxes, computed at the Canadian statutory rates of 29.98% in fiscal year 2011 and 31.29% in fiscal year 2010, to income tax expense was as follows for fiscal years:

	2011	2010
Income tax expense at statutory rate	**$ 279**	$ 286
Increase (decrease) resulting from:		
Recognition of previously unrecognized tax benefits	**(180)**	(181)
Write-down of deferred income tax assets	**9**	15
Non-recognition of tax benefits related to losses and temporary differences	**52**	83
Effect of substantively enacted income tax rate changes	**6**	11
Permanent differences	**1**	18
Income tax rates differential of foreign investees	**(2)**	(21)
Other	**(3)**	(3)
Income tax expense	**$ 162**	$ 208

The net operating losses carried forward and temporary differences (which are available to reduce future taxable income of certain subsidiaries) for which a valuation allowance has been recognized amounted to $4,220 million as at January 31, 2011 ($4,039 million as at January 31, 2010). Of these amounts, approximately $1,085 million relate to the Corporation's operations in Germany as at January 31, 2011, where a minimum income tax is payable on 40% of taxable income ($1,767 million as at January 31, 2010). These amounts have essentially no expiration dates.

In addition, as at January 31, 2011, the Corporation has $92 million of unused investment tax credits, most of which can be carried forward for 20 years, and $18 million of available net capital losses, most of which can be carried forward indefinitely (nil and $261 million as at January 31, 2010). Net capital losses can only be used against future taxable capital gains, and therefore no deferred tax benefit has been recognized.

Undistributed earnings of the Corporation's foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no income taxes have been provided thereon. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to withholding taxes.

20 EARNINGS PER SHARE

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

(Number of shares, stock options, PSUs and DSUs, in thousands)	2011	2010
Net income attributable to shareholders of Bombardier Inc.	**$ 755**	$ 698
Preferred share dividends, net of tax	**(24)**	(21)
Net income attributable to common shareholders of Bombardier Inc.	**$ 731**	$ 677
Weighted-average basic number of common shares outstanding	**1,727,200**	1,729,810
Net effect of stock options, PSUs and DSUs	**18,870**	25,223
Weighted-average diluted number of common shares outstanding	**1,746,070**	1,755,033
EPS (in dollars):		
Basic and diluted	**$ 0.42**	$ 0.39

The effect of the exercise of stock options was included in the calculation of diluted EPS in the above table, except for 22,284,588 stock options for fiscal year 2011 (30,761,517 for fiscal year 2010) since the average market value of the underlying shares was lower than the exercise price or because the predetermined target market price thresholds for the Corporation's Class B Shares (Subordinate Voting) had not been met.

21 NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS

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

	2011	2010
Receivables	**$ (77)**	$ 167
Aircraft financing	**(207)**	(61)
Inventories	**179**	466
Fractional ownership deferred costs and revenues, net	**(43)**	(67)
Derivative financial instruments, net	**103**	(7)
Accounts payable and accrued liabilities	**446**	143
Advances and progress billings in excess of related long-term contract costs	**392**	(401)
Advances on aerospace programs	**(155)**	(899)
Accrued benefit liabilities, net	**(93)**	(71)
Other	**(50)**	59
	$ 495	$(671)

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

METHODS AND ASSUMPTIONS

The methods and assumptions used to measure the fair value are as follows:

- ***Financial instruments whose carrying value approximates fair value*** – The fair values of receivables, commercial aircraft loans and lease receivables, business aircraft loans, restricted cash, trade account payables and accrued liabilities, interest and certain payroll-related liabilities, measured at amortized cost, approximate their carrying value due to the short-term maturities of these instruments or because the terms and conditions of loans or lease receivables are comparable to current market terms and conditions for similar items.
- ***Invested collateral*** – The fair value is determined using external quotations when available. When not available, discounted cash flow analyses are used based on both market data and internal assumptions. The market data used for the discounted cash flow analysis relate to yield curves and credit spreads.
- ***Commercial aircraft loans and lease receivables designated as HFT*** – The Corporation uses an internal valuation model based on stochastic simulations and discounted cash flow analysis to estimate the fair value. The fair value is calculated using

market data for interest rates, published credit ratings when available, yield curves and default probabilities. The Corporation uses market data to determine the marketability adjustments and also uses internal assumption to take into account factors that market participants would consider when pricing these financial assets, when relevant. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In addition, the Corporation uses aircraft residual value curves reflecting the specific factors of the current aircraft market.

- *Related liabilities in connection with the sale of aircraft* – The Corporation uses an internal valuation model based on stochastic simulations to estimate the fair value of related liabilities incurred in connection with the sale of commercial aircraft. The fair value is calculated using market data for interest rates, published credit ratings when available, default probabilities from rating agencies and the Corporation's credit spread. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating.
- *Derivative financial instruments* – The fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive to sell favourable contracts, i.e. taking into consideration the counterparty credit risk, or pays to transfer unfavourable contracts, i.e. taking into consideration the Corporation's credit risk, at the reporting dates. The Corporation uses discounted cash flows analyses and public quotations to estimate the fair value of forward agreements and interest-rate derivatives. The fair value is calculated using market data such as interest rates, credit spreads and foreign exchange spot rates.

The Corporation uses an option-pricing model adjusted for aircraft financing specific factors to estimate the fair value of financing rate commitments. The fair value is calculated using market data such as interest rates, credit spreads, published credit ratings, when available, and default probabilities. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In addition, the Corporation uses aircraft residual value curves reflecting the specific factors of the current aircraft market.

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

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

FAIR VALUE HIERARCHY

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

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

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment. The fair value of financial assets and liabilities by level of hierarchy was as follows as at January 31, 2011:

	Total	Level 1	Level 2	Level 3
Financial assets				
Invested collateral	$ 676	$ 35	$ 641	$ –
Commercial aircraft loans and lease receivables	407	–	–	407
Derivative financial instruments[1]	535	–	535	–
Servicing fees	49	–	–	49
Investment in securities[2]	386	255	130	1
Investment in VIEs	187	–	150	37
	$2,240	$290	$1,456	$494
Financial liabilities				
Related liabilities	$ 161	$ –	$ –	$161
Derivative financial instruments[1]	655	–	653	2
	$ 816	$ –	$ 653	$163

1 Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements, cross-currency interest-rate swap agreements and embedded derivatives.
2 Excludes $2 million of investments held at cost.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

Changes in Level 3 financial instruments were as follows for fiscal year 2011:

	Commercial aircraft loans and lease receivables	Servicing fees	Investment in VIEs	Investment in securities	Related liabilities	Embedded derivatives
Balance as at January 31, 2010	$ 280	$48	$30	$ 1	$(196)	$ (9)
Gains (losses) included in net income	18	2	4	–	(11)	7
Issuances	131	–	3	–	(5)	–
Settlement	(22)	(1)	–	–	51	–
Balance as at January 31, 2011	**$407**	**$49**	**$37**	**$ 1**	**$(161)**	**$ (2)**

Sensitivity to selected changes of assumptions for Level 3 hierarchy – When measuring Level 3 financial instruments at fair value, some assumptions may not be derived from an observable market. Changing one or more of these assumptions to other reasonably possible alternative assumptions, for which the impact on their fair value would be significant, would change their fair value as follows as at:

Impact on EBIT (gain (loss))			January 31, 2011
	Change in carrying value	Change of assumption	Change of assumption
	Change in fair value recognized in net income during fiscal year 2011	Downgrade the credit rating of unrated customers by 1 notch	Increase the liquidity risk by 100 bps
Commercial aircraft loans and lease receivables	$(5)	$(11)	$(28)

23 FINANCIAL RISK MANAGEMENT

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

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

CREDIT RISK

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

The effective monitoring and controlling of credit risks is a key component of the Corporation's risk management activities. Credit risks arising from treasury activities are managed by a central treasury function in accordance with the Corporate Investment

Management Policy (the "Policy"). The objective of the Policy is to minimize the Corporation's exposure to credit risk from its treasury activities by ensuring that the Corporation transacts strictly with investment-grade financial institutions and highly rated market funds based on pre-established limits per financial institution.

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

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

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

Maximum exposure to credit risk – The maximum exposures to credit risk for financial instruments is usually equivalent to their carrying value, as presented in Note 3 – Financial Instruments, except for the financial instruments in the table below, for which the maximum exposures were as follows:

	January 31, 2011		January 31, 2010	
	HFT	**AFS**	HFT	AFS
Aircraft financing	**$372**	**n/a**	$248	n/a
Derivative financial instruments[1]	**$ 9**	**n/a**	$ 52	n/a
Other assets	**$200**	**$298**	$198	$279

1 Comprised of derivative financial instruments HFT, excluding embedded derivatives.
n/a: Not applicable.

Credit quality – The credit quality, using external and internal credit rating system, of financial assets that are neither past due nor impaired is usually investment grade, except for BA receivables, aircraft financing and servicing fees. BA receivables are usually not externally or internally quoted, however the credit quality of customers are dynamically reviewed and are based on the Corporation's experience with the customers and payment behaviour. The Corporation usually holds underlying assets or security deposits as collateral or letters of credit for the receivables. The Corporation's customers for aircraft financing are mainly regional airlines with a credit rating below investment grade. The credit quality of the Corporation's aircraft financing portfolio is strongly correlated to the credit quality of the regional airline industry. The financed aircraft is used as collateral to reduce the Corporation's exposure to credit risk.

Refer to Note 25 – Commitment and Contingencies for the Corporation's off-balance sheet credit risk, including credit risk related to support provided for sale of aircraft.

LIQUIDITY RISK

The Corporation manages liquidity risk by maintaining detailed cash forecasts, as well as long-term operating and strategic plans. The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of the Corporation's liquidity position, to ensure adequacy and efficient use of cash resources. Liquidity adequacy is continually monitored, taking into consideration historical volatility and seasonal needs, the maturity profile of indebtedness (including off-balance sheet indebtedness), access to capital markets, the level of customer advances and progress billings in excess of related long-term contract costs, working capital requirements and the funding of product developments. The Corporation also constantly monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility.

Maturity analysis – The maturity analysis of financial assets and financial liabilities, excluding derivative financial instruments, was as follows as at January 31, 2011:

	Carrying amount	Undiscounted cash flows (before giving effect to the related hedging instruments)						
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	Total
Cash and cash equivalents	$4,195	$4,195	$ –	$ –	$ –	$ –	$ –	$ 4,195
Invested collateral	676	122	554	–	–	–	–	676
Trade receivables and other	1,880	1,812	37	31	–	–	–	1,880
Aircraft financing	498	46	70	71	215	272	–	674
Other financial assets	770	147	92	69	78	433	74	893
Assets	$8,019	$6,322	$ 753	$ 171	$ 293	$ 705	$ 74	$ 8,318
Trade and other payables	$4,111	$3,755	$ 110	$ 42	$ 71	$ 28	$ 178	$ 4,184
Long-term debt								
Principal	4,635	17	200	204	2,666	1,485	–	4,572
Interest	–	320	619	597	999	357	–	2,892
Liabilities	$8,746	$4,092	$ 929	$ 843	$ 3,736	$ 1,870	$ 178	$11,648
Net amount		$2,230	$(176)	$(672)	$(3,443)	$(1,165)	$(104)	$ (3,330)

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows as at January 31, 2011:

	Nominal value (USD equivalent)	Undiscounted net cash flows[1]					
		Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial assets							
Forward foreign exchange contracts	$ 8,373	$ 361	$ 67	$ –	$ –	$ –	$ 428
Interest-rate derivatives	1,763	59	48	39	(21)	(62)	63
	$10,136	$ 420	$115	$ 39	$(21)	$(62)	$ 491
Derivative financial liabilities							
Forward foreign exchange contracts	$10,004	$(524)	$ (58)	$ –	$ –	$ –	$(582)
Interest-rate derivatives	1,517	10	4	(38)	(79)	–	(103)
	$11,521	$(514)	$ (54)	$(38)	$(79)	$ –	$(685)

1 Amounts denominated in foreign currency are translated using the exchange rate as at January 31, 2011.

MARKET RISK

Foreign exchange risk

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

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

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

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

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

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

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

Sensitivity analysis – Foreign exchange risk arises on financial instruments that are denominated in foreign currencies. The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments recorded on its balance sheet. The following impact on EBT is before giving effect to hedge relationships.

Gain (loss)							Effect on EBT
	Variation in the foreign currency	CAD/USD	GBP/USD	USD/EUR	EUR/SEK	EUR/CHF	Other
As at January 31, 2011	+10%	$ (6)	$ (4)	$(11)	$ –	$ 3	$(18)

The following impact on OCI is for derivatives designated in a cash flow hedge relationship. For derivatives that qualify for hedge accounting, any change in fair value is mostly offset by changes in the opposite direction of the underlying exposure.

Gain (loss)							Effect on OCI before income taxes
	Variation in the foreign currency	CAD/USD	GBP/USD	USD/EUR	EUR/SEK	EUR/CHF	Other
As at January 31, 2011	+10%	$48	$58	$(85)	$(55)	$101	$ 40

Interest rate risk

The Corporation is exposed to fluctuations in its future cash flows arising from changes in interest rates through its variable rate financial assets and liabilities including long-term debt synthetically converted to a variable interest rate (see Note 13 – Long-term debt). The Corporation is also exposed to changes in interest rates for certain financing commitments when a financing rate has been guaranteed to a customer in the future. For these items, cash flows could be impacted by a change in benchmark rates such as Libor, Euribor or Banker's Acceptance. These exposures are predominantly managed by a central treasury function as part of an overall risk management policy by matching asset and liability positions, including the use of financial instruments such as interest-rate swap agreements. Derivative financial instruments used to synthetically convert interest-rate exposures consist mainly of interest-rate swap agreements, cross-currency interest-rate swap agreements and interest-rate cap agreements.

In addition, the Corporation is exposed to gains and losses arising from changes in interest rates, which includes marketability risk, through its financial instruments carried at fair value. These financial instruments include certain commercial aircraft loans and lease receivables, investments in securities, invested collateral, related liabilities in connection with the sale of aircraft and certain derivative financial instruments.

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

Sensitivity analysis – Interest rate risk is primarily related to financial instruments carried at fair value. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, excluding derivative financial instruments in a hedge relationship, as of January 31, 2011 and 2010, the impact on income before income taxes would have been a negative adjustment of $69 million as at January 31, 2011 ($48 million as at January 31, 2010).

24 EMPLOYEE FUTURE BENEFITS

DEFINED BENEFIT PLANS

Defined benefit pension plans – The Corporation sponsors several funded and unfunded defined benefit pension plans in Canada and abroad, covering a majority of its employees. Salaried employees' defined benefit pension plans are generally based on salary and years of service. Some of the hourly employees' defined benefit pension plans provide benefits based on stated amounts for each year of service.

The most recent actuarial valuations for funding purposes of the Corporation's funded pension plans, excluding the U.K. plans, were prepared with effective dates of December 31, 2009. In the U.K., the most recent actuarial valuations for funding purposes were prepared with effective dates ranging between December 31, 2006, and December 31, 2008. The next effective valuation date for funding purposes for most of the Corporation's funded pension plans is December 31, 2010.

Benefits other than pension – The Corporation provides post-employment and other post-retirement benefit plans. These benefit plans consist essentially of self-insured long-term disability plans in Canada and post-retirement health care coverage and life insurance benefits, mainly in Canada and in the U.S.

The following table provides the accrued benefit assets and liabilities recognized in the consolidated balance sheets as at January 31:

AMOUNTS RECOGNIZED

			2011			2010
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Accrued benefit assets						
Pension plans	**$ 602**	**$ 607**	**$ 1,209**	$ 535	$ 535	$ 1,070
Accrued benefit liabilities						
Pension plans	**$ (62)**	**$(700)**	**$ (762)**	$ (64)	$(668)	$ (732)
Benefits other than pension	**(319)**	**(51)**	**(370)**	(303)	(49)	(352)
	$(381)	**$(751)**	**$(1,132)**	$(367)	$(717)	$(1,084)

24. EMPLOYEE FUTURE BENEFITS (CONT.)

The significant actuarial assumptions adopted to determine the projected benefit obligation and benefit cost were as follows (weighted-average assumptions as at the December 31 measurement date preceding the fiscal year-ends):

ACTUARIAL ASSUMPTIONS

				2011				2010
			Pension benefits	Other benefits			Pension benefits	Other benefits
(in percentage)	Canada	Foreign	Total		Canada	Foreign	Total	
Projected benefit obligation								
Discount rate	5.20	5.34	5.28	5.25	6.00	5.64	5.79	5.99
Rate of compensation increase	3.50	3.89	3.72	3.52	3.50	3.89	3.74	3.53
Inflation rate	2.50	2.72	2.62	n/a	2.50	2.88	2.72	n/a
Benefit cost								
Discount rate	6.00	5.64	5.79	5.99	6.60	5.62	6.01	6.50
Expected long-term rate of return on plan assets	7.01	6.99	7.00	n/a	6.99	6.98	6.98	n/a
Rate of compensation increase	3.50	3.89	3.74	3.53	3.72	3.92	3.85	3.69
Inflation rate	2.50	2.88	2.72	n/a	2.50	2.66	2.60	n/a

n/a: Not applicable.

As at December 31, 2010, the health care cost trend rate for benefits other than pension, which is an annual rate of increase in the per capita cost of covered health and dental care benefits, is generally assumed to be 8% and to decrease progressively to 5% by fiscal year 2018 and then remain at that level for all participants. A one percentage point change in assumed health care cost trend rates would have the following effects as at January 31, 2011 and for fiscal year 2011:

	Increase	Decrease
Effect on projected benefit obligation	$32	$(28)
Effect on the total service and interest cost	$ 3	$ (2)

24. EMPLOYEE FUTURE BENEFITS (CONT.)

The following table presents the changes in the projected benefit obligation for the 12-month period ended December 31, and its allocation by major countries as at the December 31 measurement date preceding the fiscal year-ends:

PROJECTED BENEFIT OBLIGATION

				2011				2010
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Obligation at beginning of the year	**$2,915**	**$3,835**	**$6,750**	**$369**	$2,141	$3,235	$5,376	$299
Interest cost	**186**	**213**	**399**	**22**	159	204	363	20
Actuarial net loss (gain)	**419**	**60**	**479**	**(12)**	244	62	306	26
Current service cost	**90**	**101**	**191**	**23**	67	105	172	8
Plan amendments	**8**	**–**	**8**	**(2)**	35	7	42	(3)
Plan participants' contributions	**20**	**15**	**35**	**–**	20	16	36	–
Benefits paid	**(122)**	**(138)**	**(260)**	**(22)**	(108)	(140)	(248)	(20)
Curtailment	**–**	**3**	**3**	**–**	(19)	1	(18)	(7)
Settlement	**–**	**(8)**	**(8)**	**–**	–	(8)	(8)	–
Other	**2**	**–**	**2**	**–**	–	–	–	–
Effect of exchange rate changes	**214**	**86**	**300**	**23**	376	353	729	46
Obligation at end of the year	**$3,732**	**$4,167**	**$7,899**	**$401**	$2,915	$3,835	$6,750	$369
Canada			**$3,732**	**$353**			$2,915	$323
U.K.			**2,637**	**12**			2,438	10
U.S.			**659**	**31**			576	30
Germany			**423**	**–**			401	–
Switzerland			**277**	**–**			237	–
Other			**171**	**5**			183	6
			$7,899	**$401**			$6,750	$369

NOTES

24. EMPLOYEE FUTURE BENEFITS (CONT.)

The following table presents the changes in fair value of plan assets for defined benefit pension plans for the 12-month period ended December 31, and its allocation by major countries as at the December 31 measurement date preceding the fiscal year-ends:

PENSION PLAN ASSETS

			2011			2010
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Fair value at beginning of the year	**$ 2,498**	**$ 2,738**	**$ 5,236**	$ 1,806	$ 2,027	$ 3,833
Actual return on plan assets	**283**	**338**	**621**	324	429	753
Employer contributions	**165**	**222**	**387**	134	184	318
Plan participants' contributions	**20**	**15**	**35**	20	16	36
Benefits paid	**(122)**	**(138)**	**(260)**	(108)	(140)	(248)
Settlement	**–**	**(8)**	**(8)**	–	(8)	(8)
Effect of exchange rate changes	**182**	**76**	**258**	322	230	552
Fair value at end of the year	**$ 3,026**	**$ 3,243**	**$ 6,269**	$ 2,498	$ 2,738	$ 5,236
Canada			**$ 3,026**			$ 2,498
U.K.			**2,483**			2,093
U.S.			**498**			427
Switzerland			**228**			186
Other			**34**			32
			$ 6,269			$ 5,236

The reconciliation of the funded status of the pension plans and of benefit plans other than pensions to the amounts recorded on the consolidated balance sheets was as follows as at January 31:

FUNDED STATUS

				2011				2010
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Fair value of plan assets	**$ 3,026**	**$ 3,243**	**$ 6,269**	**$ –**	$ 2,498	$ 2,738	$ 5,236	$ –
Projected benefit obligation	**(3,732)**	**(4,167)**	**(7,899)**	**(401)**	(2,915)	(3,835)	(6,750)	(369)
Funded status – deficit	**(706)**	**(924)**	**(1,630)**	**(401)**	(417)	(1,097)	(1,514)	(369)
Unamortized net actuarial loss	**1,029**	**931**	**1,960**	**74**	695	1,069	1,764	62
Unamortized past service costs	**175**	**(103)**	**72**	**(43)**	184	(109)	75	(46)
Contributions paid in January	**42**	**4**	**46**	**1**	9	5	14	1
Other	**–**	**(1)**	**(1)**	**(1)**	–	(1)	(1)	–
Accrued benefit assets (liabilities)	**$ 540**	**$ (93)**	**$ 447**	**$ (370)**	$ 471	$ (133)	$ 338	$ (352)

24. EMPLOYEE FUTURE BENEFITS (CONT.)

Included in the previous table are pension plans with projected benefit obligation in excess of plan assets as follows:

PROJECTED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS

			2011			2010
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Fair value of plan assets	**$ 1,982**	**$ 3,051**	**$ 5,033**	$ 1,484	$ 2,602	$ 4,086
Projected benefit obligation	**(2,808)**	**(3,994)**	**(6,802)**	(2,041)	(3,706)	(5,747)
	$ (826)	**$ (943)**	**$(1,769)**	$ (557)	$(1,104)	$(1,661)

Plan assets are held in trust and their weighted-average allocations were as follows as at the December 31 measurement date:

PLAN ASSETS

	Target allocation	**Actual allocation**	Actual allocation
Asset category	2011	**2010**	2009
Cash and cash equivalents	2%	**3%**	5%
Publicly traded equity securities	50%	**54%**	55%
Publicly traded fixed income securities	41%	**37%**	35%
Global infrastructure and real estate assets	7%	**6%**	5%

As at December 31, 2010 and 2009, the publicly traded equity securities did not include any of the Corporation's shares.

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

BENEFIT COST

				2011				2010
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Current service cost	**$ 90**	**$ 101**	**$ 191**	**$ 23**	$ 67	$ 105	$ 172	$ 8
Interest cost	**186**	**213**	**399**	**22**	159	204	363	20
Actual return on plan assets	**(283)**	**(338)**	**(621)**	**–**	(324)	(429)	(753)	–
Actuarial (gain) loss	**419**	**60**	**479**	**(12)**	244	62	306	26
Plan amendments	**8**	**–**	**8**	**(2)**	35	7	42	(3)
Curtailment	**–**	**4**	**4**	**–**	12	(5)	7	(4)
Other	**2**	**–**	**2**	**–**	–	–	–	–
Benefit cost (revenue)[1]	**422**	**40**	**462**	**31**	193	(56)	137	47
Difference between actual and expected return on plan assets	**94**	**143**	**237**	**–**	152	237	389	–
Difference between actual actuarial loss and the amount recognized	**(391)**	**2**	**(389)**	**9**	(240)	(17)	(257)	(15)
Difference between plan amendments and amounts recognized	**9**	**(8)**	**1**	**(3)**	(20)	(16)	(36)	(1)
Other	**–**	**(1)**	**(1)**	**–**	–	1	1	–
Benefit cost recognized	**$ 134**	**$ 176**	**$ 310**	**$ 37**	$ 85	$ 149	$ 234	$ 31

1 Before adjustments to recognize the long-term nature of the plans.

NOTES

DEFINED CONTRIBUTION PENSION PLANS

The Corporation also offers Canadian and foreign defined contribution pension plans covering a portion of its employees. Defined contribution plan formulas are based on a percentage of salary.

Cash contributions to the defined contribution pension plans, which correspond to the benefit cost recognized, amounted to $50 million for fiscal year 2011 ($41 million for fiscal year 2010).

25 COMMITMENTS AND CONTINGENCIES

In relation to the sale of commercial aircraft and related financing commitments, the Corporation enters into various sale support arrangements including credit and residual value guarantees and financing rate commitments. The Corporation is also subject to other off-balance sheet risks described in the following table, in addition to the commitments and contingencies described elsewhere in these Consolidated Financial Statements. Some of these off-balance sheet risks are also included in Note 26 – Variable interest entities. The maximum potential exposure does not reflect payments expected to be made by the Corporation.

The table below presents the maximum potential exposure for each major group of exposure, as at January 31:

	2011	2010
Aircraft sales		
Credit (a)	**$1,453**	$1,524
Residual value (a)	**2,239**	2,425
Mutually exclusive exposure[1]	**(806)**	(894)
Total credit and residual value exposure	**$2,886**	$3,055
Trade-in commitments (b)	**1,214**	761
Conditional repurchase obligations (c)	**594**	599
Other[2]		
Credit and residual value (f)	**159**	157
Performance guarantees (g)	**34**	44

1 Some of the residual value guarantees can only be exercised once the credit guarantees have expired without exercise and, therefore, the guarantees must not be added together to calculate the combined maximum exposure for the Corporation.
2 The Corporation has also provided other guarantees (see section h below).

The Corporation's maximum exposure in connection with credit and residual value guarantees related to the sale of aircraft represents the face value of the guarantees before giving effect to the net benefit expected from the estimated value of the aircraft and other assets available to mitigate the Corporation's exposure under these guarantees. Provisions for anticipated losses amounting to $493 million as at January 31, 2011 ($536 million as at January 31, 2010) have been established to cover the risks from these guarantees after considering the effect of the estimated resale value of the aircraft and the anticipated proceeds from other assets covering such exposures. In addition, related liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $161 million as at January 31, 2011 ($196 million as at January 31, 2010). The provisions for anticipated losses are expected to cover the Corporation's total credit and residual value exposure, after taking into account the anticipated proceeds from the underlying aircraft and related liabilities.

AIRCRAFT SALES

a) Credit and residual value guarantees – The Corporation has provided credit guarantees in the form of lease and loan payment guarantees, as well as services related to the remarketing of aircraft. These guarantees, which are mainly issued for the benefit of providers of financing to customers, mature in different periods up to 2027. Substantially all financial support involving potential credit risk lies with regional airline customers. The credit risk relating to three regional airline customers accounted for 64% of the total maximum credit risk as at January 31, 2011.

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

25. COMMITMENTS AND CONTINGENCIES (CONT.)

The following table summarizes the outstanding residual value guarantees, at the earliest exercisable date, as at January 31, 2011, and the period in which they can be exercised:

Less than 1 year	$ 58
From 1 to 5 years	758
From 5 to 10 years	1,257
From 10 to 15 years	166
	$2,239

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

The Corporation's trade-in commitments were as follows as at January 31, 2011:

Less than 1 year	$ 468
From 1 to 3 years	417
Thereafter	329
	$1,214

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

The Corporation's conditional repurchase obligations, as at the earliest exercise date, were as follows as at January 31, 2011:

Less than 1 year	$ 345
From 1 to 3 years	140
Thereafter	109
	$ 594

d) Fractional ownership put options – Under the U.S. *Flexjet* fractional ownership program, the Corporation provides customers with an option to sell back their fractional shares of the aircraft at estimated fair value within a predetermined period from the date of purchase. The Corporation's commitment to repurchase fractional shares of aircraft based on estimated current fair values totalled $498 million as at January 31, 2011 ($598 million as at January 31, 2010). Since the purchase price is established at the estimated fair value of the fractional shares at the time the option is exercised, the Corporation is not exposed to off-balance sheet risk in connection with these options.

e) Financing commitments – The Corporation is committed to arrange financing, in relation to the future sale of aircraft scheduled for delivery through fiscal year 2012. The Corporation's total financing commitment amounted to $79 million as at January 31, 2011 ($142 million as at January 31, 2010). In connection with these commitments, the Corporation has provided credit spread guarantees. The recorded fair value of these guarantees amounted to $2 million as at January 31, 2011 ($9 million as at January 31, 2010). Such exposures from our financing rate commitments are mitigated by including terms and conditions in the financing agreements that guaranteed parties must satisfy prior to benefiting from our commitment.

OTHER GUARANTEES

f) Credit and residual value guarantees – In connection with the sale of certain transportation rail equipment, the Corporation has provided a credit guarantee of lease payments amounting to $47 million as at January 31, 2011 and 2010. This guarantee matures in 2025. In addition, the Corporation has provided residual value guarantees at the expiry date of certain financing and other agreements, amounting to $112 million as at January 31, 2011 ($110 million as at January 31, 2010), in BT. These guarantees are mainly exercisable in 2013.

g) Performance guarantees – In certain projects carried out through consortia or other partnership vehicles in BT, all partners are jointly and severally liable to the customer. In the normal course of business under such joint and several obligations, or under performance guarantees that may be issued in relation thereto, each partner is generally liable to the customer for a default by the other partners. These projects normally provide counter indemnities among the partners. These obligations and guarantees typically extend until final product acceptance by the customer. The Corporation's maximum net exposure to projects for which the exposure of the Corporation is capped, amounted to $34 million as at January 31, 2011 ($42 million as at January 31, 2010), assuming all counter indemnities are fully honoured. For projects where the Corporation's exposure is not capped, such exposure has been determined in relation to the Corporation's partners' share of the total contract value. Under this methodology, the Corporation's net exposure would amount to nil as at January 31, 2011 ($2 million as at January 31, 2010), assuming all counter indemnities are fully honoured. Such joint and several obligations and guarantees have been rarely called upon in the past.

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

OPERATING LEASES

The Corporation leases buildings and equipment and assumes aircraft operating lease obligations in connection with the sale of new aircraft. In addition, the Corporation concluded third-party sale and leaseback transactions relating to pre-owned aircraft and other equipment. The related minimum lease payments for the next five fiscal years and thereafter are as follows:

	Buildings and equipment	Aircraft	Residual value guarantees	Total
2012	$102	$30	$ 24	$156
2013	83	23	129	235
2014	68	4	–	72
2015	52	2	–	54
2016	33	1	–	34
Thereafter	196	–	31	227
	$534	$60	$184	$778

Total minimum lease payments include $213 million and $13 million for the sale and leaseback of pre-owned aircraft and equipment, respectively. Rent expense was $131 million for fiscal year 2011 ($134 million for fiscal year 2010).

OTHER COMMITMENTS

The Corporation has commitments under agreements to outsource a portion of its information technology function, as well as the logistics for the centrally located spare parts warehouses in BA. Agreements that are cancellable without substantial penalties are excluded from the table below. The related minimum payments for the next five fiscal years and thereafter are as follows:

2012	$ 51
2013	55
2014	55
2015	51
2016	47
Thereafter	157
	$416

The Corporation receives financial support from various levels of government related to the development of aircraft. Certain of these financial support programs require the Corporation to reimburse governments at the time of the delivery of products, contingent on a minimum agreed-upon level of related product sales being achieved. If the minimum agreed-upon level is not reached, no reimbursement is payable to governments. The Corporation records the amount payable to governments at the time the product giving rise to such payment is delivered.

In connection mainly with the *CSeries* family of aircraft program, $138 million of contingently repayable investments were received for fiscal year 2011 ($121 million for fiscal year 2010). Of these amounts, $112 million were recorded against intangible assets, $19 million against PP&E, $3 million as a reduction of inventories and $4 million as a reduction of R&D expense for fiscal year 2011 ($84 million were recorded against intangible assets and $37 million as a reduction of R&D expense for fiscal year 2010).

The estimated remaining undiscounted maximum amount repayable under these programs, mostly based on future deliveries of aircraft, amounted to $476 million as at January 31, 2011 ($404 million as at January 31, 2010).

LITIGATION

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

While the Corporation cannot predict the final outcome of legal proceedings pending as at January 31, 2011, 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.

26 VARIABLE INTEREST ENTITIES

The following table summarizes by segment the VIEs in which the Corporation had a significant variable interest as at January 31:

	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
BA				
Financing structures related to the sale of regional aircraft	**$5,875**	**$3,176**	$6,537	$3,994
BT				
Partnership arrangements	**1,554**	**1,454**	1,403	1,319
Sale support guarantee	**319**	**307**	372	366
	7,748	**4,937**	8,312	5,679
Less assets and liabilities of consolidated VIEs:				
Financing structures related to the sale of regional aircraft	**11**	**–**	10	–
Assets and liabilities of non-consolidated VIEs	**$7,737**	**$4,937**	$8,302	$5,679

BA

Financing structures related to the sale of regional aircraft – The Corporation has provided credit and/or residual value guarantees to certain special purpose entities ("SPEs") created solely i) to purchase regional aircraft from the Corporation and to lease these aircraft to airline companies and ii) to purchase financial assets related to the sale of regional aircraft.

Typically, these SPEs are financed by third-party long-term debt and by third-party equity investors who benefit from tax incentives. The aircraft serve as collateral for the SPEs' long-term debt. The Corporation's variable interests in these SPEs are in the form of credit and residual value guarantees, subordinated debt and residual interests. The Corporation also provides administrative services to certain of these SPEs in return for a market fee.

The Corporation concluded that most SPEs are VIEs, and the Corporation is the primary beneficiary for only one of them. For all other SPEs, consolidation is not appropriate under AcG-15. The Corporation's maximum potential exposure relating to the non-consolidated SPEs was $2.0 billion, of which $436 million of provisions and related liabilities were available to cover the Corporation's exposure as at January 31, 2011 ($2.0 billion and $572 million respectively as at January 31, 2010). The Corporation's maximum exposure under these guarantees is presented in Note 25 – Commitments and contingencies.

BT

Partnership arrangements – The Corporation is a party to partnership arrangements to provide manufactured rail equipment and civil engineering work as well as related long-term services, such as the operation and maintenance of rail equipment.

The Corporation's involvement with these entities results mainly from investments in their equity and/or in subordinated loans and through manufacturing and long-term service contracts. The Corporation concluded that some of these entities are VIEs, but the Corporation is not the primary beneficiary. Accordingly, these entities have not been consolidated. The Corporation continues to account for these investments under the equity method, recording its share of the net income or loss based upon the terms of the partnership arrangement.

Sale support guarantee – In August 1998, the Corporation provided residual value guarantees on diesel electric multiple unit trains sold to Lombard Leasing Contracts Limited ("Lombard"). Under an operating lease structure, Lombard leases the trains to a third-party operator. The Corporation concluded that Lombard is a VIE, but the Corporation is not the primary beneficiary; accordingly, this entity has not been consolidated. The Corporation's maximum exposure as a result of its involvement with Lombard is limited to its residual value guarantees for an amount of $112 million as at January 31, 2011 ($110 million as at January 31, 2010). The Corporation's maximum exposure under these guarantees is presented in Note 25 – Commitments and contingencies.

27 CAPITAL MANAGEMENT

The Corporation's capital management strategy is designed to maintain strong liquidity and to optimize its capital structure in order to reduce costs and improve its ability to seize strategic opportunities.

The capital structure provides the Corporation with the ability to meet its liquidity needs as well as support its longer-term strategic investments. The Corporation analyzes its capital structure using global metrics, which are based on a broad economic view of the Corporation. The Corporation's adjusted total capitalization consists of adjusted debt and adjusted shareholders' equity (see definitions in table hereafter).

The Corporation's objective with regard to the global metrics is to manage and monitor them such that it can achieve an investment-grade profile, which among other considerations typically requires the respect of the following ratios:

- adjusted EBIT to adjusted net interest ratio greater than 5.0;
- adjusted debt to adjusted EBITDA ratio lower than 2.5; and
- adjusted debt to adjusted total capitalization ratio lower than 55%.

GLOBAL METRICS

The following global metrics do not represent the calculations required for bank covenants. Details of the methods for calculating global metrics are provided in the Non-GAAP financial measures section of the MD&A. There is no change in the method for calculating the global metrics compared to last fiscal year.

GLOBAL METRICS

	January 31, 2011	January 31, 2010
Interest coverage		
Adjusted EBIT[1]	**$ 1,146**	$1,249
Adjusted net interest[2]	**$ 215**	$ 334
Adjusted EBIT to adjusted net interest ratio	**5.3**	3.7
Financial leverage		
Adjusted debt[3]	**$ 6,717**	$6,084
Adjusted EBITDA[4]	**$ 1,606**	$1,792
Adjusted debt to adjusted EBITDA ratio	**4.2**	3.4
Capitalization		
Adjusted debt[3]	**$ 6,717**	$6,084
Adjusted total capitalization[5]	**$11,250**	$9,928
Adjusted debt to adjusted total capitalization ratio	**60%**	61%

1 Represents earnings before financing income, financing expense and income taxes, plus adjustment for pension deficit and operating leases.
2 Represents financing income and financing expense, plus adjustment for pension deficit and operating leases.
3 Represents long-term debt (including the value of the related derivative hedging financial instruments), the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations.
4 Represents earnings before financing income, financing expense, income taxes, depreciation and amortization, plus amortization adjustment for operating leases and adjustment for pension deficit and operating leases.
5 Consists of adjusted shareholders' equity (represents all components of shareholders' equity less the amount in AOCI relating to cash flow hedges) and adjusted debt.

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

Bank covenants are described in Note 11 – Credit facilities.

28 SEGMENT DISCLOSURE

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

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

The accounting policies of the segments are the same as those described in Note 2 – Summary of significant accounting policies. Management assesses segment performance based on EBIT. Corporate charges are allocated to segments mostly based on each segment's revenues.

Net segmented assets exclude cash and cash equivalents, invested collateral and deferred income taxes, and are net of accounts payable and accrued liabilities (excluding interest and income taxes payable), advances and progress billings in excess of related long-term contract costs, advances on aerospace program, fractional ownership deferred revenues, accrued benefit liabilities and derivative financial instruments.

The tables containing the detailed segmented data are shown hereafter.

29 RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

SEGMENTED INFORMATION

Industry segments	Bombardier Inc. consolidated		BA		BT	
For the fiscal years ended January 31	**2011**	2010	**2011**	2010	**2011**	2010
Revenues						
Manufacturing	**$12,903**	$14,739	**$6,503**	$7,475	**$6,400**	$ 7,264
Services	**2,872**	2,767	**1,564**	1,359	**1,308**	1,408
Other	**1,937**	1,860	**547**	523	**1,390**	1,337
	17,712	19,366	**8,614**	9,357	**9,098**	10,009
Cost of sales	**14,668**	16,202	**7,269**	7,959	**7,399**	8,243
SG&A	**1,369**	1,453	**603**	601	**766**	852
R&D	**193**	141	**46**	6	**147**	135
Other expense (income)	**22**	(26)	**(36)**	(53)	**58**	27
Amortization	**410**	498	**284**	371	**126**	127
	16,662	18,268	**8,166**	8,884	**8,496**	9,384
EBIT	**$ 1,050**	$ 1,098	**$ 448**	$ 473	**$ 602**	$ 625
Additions to PP&E and intangible assets	**$ 1,094**	$ 805	**$ 969**	$ 634	**$ 125**	$ 171

As at January 31	**2011**	2010	**2011**	2010	**2011**	2010
Net segmented assets (liabilities)	**$ 3,179**	$ 2,929	**$3,353**	$2,758	**$ (174)**	$ 171
Liabilities allocated to segments:						
Accounts payable and accrued liabilities[1]	**7,845**	7,274				
Advances and progress billings in excess of related long-term contract costs	**2,421**	1,899				
Advances on aerospace programs	**1,937**	2,092				
Fractional ownership deferred revenues	**218**	346				
Accrued benefit liabilities	**1,132**	1,084				
Derivative financial instruments	**655**	429				
Assets not allocated to segments:						
Cash and cash equivalents	**4,195**	3,372				
Invested collateral	**676**	682				
Deferred income taxes	**1,172**	1,166				
Total consolidated assets	**$23,430**	$21,273				

1 Excluding interest and income taxes payable amounting to $89 million and $93 million respectively as at January 31, 2011 ($56 million and $97 million as at January 31, 2010), which were not allocated to segments.

SEGMENTED INFORMATION

Geographic information	Revenues[1]		PP&E, intangible assets and goodwill[2]	
	2011	2010	**2011**	2010
United States	**$ 4,051**	$ 4,370	**$ 645**	$ 523
United Kingdom	**1,518**	1,552	**526**	812
Germany	**1,464**	1,977	**1,298**	1,421
France	**1,334**	1,607	**55**	54
China	**1,043**	1,343	**72**	42
Canada	**1,025**	1,036	**2,099**	1,562
Sweden	**554**	651	**520**	444
India	**502**	353	**54**	12
Italy	**479**	541	**142**	144
Spain	**458**	541	**15**	9
Russia	**438**	537	**–**	–
Switzerland	**376**	491	**392**	335
Other – Europe	**1,826**	1,989	**531**	125
Other – Asia	**1,183**	945	**2**	52
Other – Africa	**616**	402	**21**	10
Other – Oceania	**450**	628	**12**	9
Other – Americas	**395**	403	**45**	32
	$17,712	$19,366	**$6,429**	$5,586

1 Revenues are attributed to countries based on the location of the customer.
2 PP&E and intangible assets are attributed to countries based on the location of the assets. Goodwill is attributed to countries based on the Corporation's allocation of the related purchase price.

NOTES

MAIN BUSINESS LOCATIONS

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Rail Control Solutions
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126 16 Stockholm
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BOARD OF DIRECTORS, COMMITTEES OF THE BOARD AND CORPORATE MANAGEMENT

BOARD OF DIRECTORS

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Chairman of the
Board of Directors
Bombardier Inc.

Pierre Beaudoin
President and
Chief Executive Officer
Bombardier Inc.

André Bérard
Corporate Director
Lead Director
Bombardier Inc.

J.R. André Bombardier
Vice Chairman of the
Board of Directors
Bombardier Inc.

Janine Bombardier
President and Governor
J. Armand Bombardier
Foundation

Martha Finn Brooks
Corporate Director

L. Denis Desautels, O.C., FCA
Corporate Director

Thierry Desmarest
Honorary Chairman
and member of the
Board of Directors
Total S.A.

Jean-Louis Fontaine
Vice Chairman of the
Board of Directors
Bombardier Inc.

Daniel Johnson
Counsel
McCarthy Tétrault LLP

Jean C. Monty
Corporate Director

Carlos E. Represas
Corporate Director

Jean-Pierre Rosso
Chairman
World Economic
Forum USA Inc.

Heinrich Weiss
Chairman and
Chief Executive Officer
SMS Holding GmbH

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Members: André Bérard,
Martha Finn Brooks,
Daniel Johnson,
Jean-Pierre Rosso

Human Resources and Compensation Committee
Chair: Jean C. Monty
Members: André Bérard,
Martha Finn Brooks,
Thierry Desmarest,
Carlos E. Represas

Corporate Governance and Nominating Committee
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Members: Thierry Desmarest,
Jean C. Monty,
Carlos E. Represas,
Heinrich Weiss

Finance and Risk Management Committee
Chair: André Bérard
Members: L. Denis Desautels,
Daniel Johnson,
Carlos E. Represas

CORPORATE MANAGEMENT

Pierre Beaudoin
President and
Chief Executive Officer
Bombardier Inc.

Guy C. Hachey
President and
Chief Operating Officer
Bombardier Aerospace

André Navarri
President and
Chief Operating Officer
Bombardier Transportation

Pierre Alary, FCA
Senior Vice President and
Chief Financial Officer

Richard C. Bradeen
Senior Vice President Strategy,
Corporate Audit Services
and Risk Assessment and
Pension Asset Management

Daniel Desjardins
Senior Vice President
General Counsel

John Paul Macdonald
Senior Vice President
Human Resources
and Public Affairs

Roger Carle
Corporate Secretary

INVESTOR INFORMATION

STOCK EXCHANGE LISTINGS

Class A and Class B shares	Toronto (Canada)
Preferred shares, Series 2, Series 3 and Series 4	Toronto (Canada)
Stock listing ticker	BBD (Toronto)

FISCAL YEAR 2011 FINANCIAL RESULTS

First quarterly report	June 1, 2011
Second quarterly report	August 31, 2011
Third quarterly report	December 1, 2011
Annual Report, Q4 and 2011 year-end	March 1, 2012[1]

1 After giving effect to the approval of our proposed change of financial year-end from January 31 to December 31 by our Board of Directors in December 2011, thus resulting in an 11-month financial year.

Shareholders

If you wish to obtain a copy of this annual report, or other corporate documents, we encourage you to download them from our website at www.bombardier.com, which provides practical, timely and environmentally friendly access. You can, however, order paper copies from our website or by contacting:

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Investors

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Incorporation

The Corporation was incorporated on June 19, 1902, by letters patent and prorogated June 23, 1978, under the Canadian Business Corporations Act.

Transfer Agent and Registrar

Shareholders with inquiries concerning their shares should contact:

Computershare
Investor Services Inc.
100 University Avenue, 9th Floor
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or

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(toll-free, North America only)
Email:
service@computershare.com

Auditors

Ernst & Young LLP
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1X9

Annual Meeting

The annual meeting of shareholders will be held on Wednesday, June 1, 2011, at 9:30 a.m. at the following address:

Centre Mont-Royal
Auditorium–Level 1
2200 Mansfield Street
Montréal, Québec
Canada H3A 3R8

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SHARE CAPITAL

Authorized, issued and outstanding as at January 31, 2011

	Authorized	Issued and outstanding
Class A shares	1,892,000,000	316,109,537
Class B shares	1,892,000,000	1,436,997,894[2]
Preferred shares, Series 2	12,000,000	9,464,920
Preferred shares, Series 3	12,000,000	2,535,080
Preferred shares, Series 4	9,400,000	9,400,000

2 Including 27,459,674 shares purchased and held in trust for the performance stock unit plan.

COMMON DIVIDENDS PAYMENT DATES

Payment subject to approval by the Board of Directors

Class A		Class B	
Record date	Payment date	Record date	Payment date
2011-05-13	2011-05-31	2011-05-13	2011-05-31
2011-07-15	2011-07-31	2011-07-15	2011-07-31
2011-10-14	2011-10-31	2011-10-14	2011-10-31
2012-01-13	2012-01-31	2012-01-13	2012-01-31

PREFERRED DIVIDENDS PAYMENT DATES

Payment subject to approval by the Board of Directors

Series 2[3]			
Record date	Payment date	Record date	Payment date
2011-01-31	2011-02-15	2011-07-29	2011-08-15
2011-02-28	2011-03-15	2011-08-31	2011-09-15
2011-03-31	2011-04-15	2011-09-30	2011-10-15
2011-04-29	2011-05-15	2011-10-31	2011-11-15
2011-05-31	2011-06-15	2011-11-30	2011-12-15
2011-06-30	2011-07-15	2011-12-30	2012-01-15

3 Convertible on August 1, 2012, into Series 3 Cumulative Redeemable Preferred Shares (See note on Share Capital in the Consolidated Financial Statements).

PREFERRED DIVIDENDS PAYMENT DATES

Payment subject to approval by the Board of Directors

Series 3[4]		Series 4	
Record date	Payment date	Record date	Payment date
2011-04-15	2011-04-30	2011-04-15	2011-04-30
2011-07-15	2011-07-31	2011-07-15	2011-07-31
2011-10-14	2011-10-31	2011-10-14	2011-10-31
2012-01-13	2012-01-31	2012-01-13	2012-01-31

4 Convertible on August 1, 2012, into Series 2 Cumulative Redeemable Preferred Shares (See note on Share Capital in the Consolidated Financial Statements).

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CAPTURING OUR CUSTOMERS' IMAGINATION

We are proud to have built a global leadership in two industries. Our Aerospace group, celebrating in 2011 the 25th anniversary of Bombardier's entry into aerospace, is the world's third largest civil aircraft manufacturer, focused on business and regional aircraft and now the 100- to 149-seat mainline market. Our Transportation group is the leading manufacturer of breakthrough rail technologies, services and passenger vehicles worldwide, from automatic train control and signalling systems to very high speed trains.

Our unique capabilities translate into solutions that capture our customers' imagination and keep pace with their evolving requirements. This means high performance business and commercial aircraft with an ever-shrinking environmental footprint. It also includes innovative, industry-leading rail solutions that reduce operating costs and enhance passenger comfort.

With 65,400 employees in over 60 countries, we are leading the way in both mature and emerging markets worldwide.

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