



Bombardier's Transition to IFRS

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BOMBARDIER

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Forward-Looking Statements

This presentation includes forward-looking statements. 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 Bombardier Inc. (the “Corporation”) to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation’s actual results in future periods to differ materially from forecasted results. While the Corporation considers its assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this presentation, please refer to the respective sections of the Corporation’s aerospace segment (“BA”) and the Corporation’s transportation segment (“BT”) in the fiscal year 2010 MD&A.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, include risks associated with general economic conditions, risks associated with the Corporation’s business environment (such as risks associated with the financial condition of the airline industry), 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 fluctuation, changing interest rates, decreases in residual value and increases in commodity prices.) For more details, see the Risks and Uncertainties section in the fiscal year 2010 MD&A. 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 states set forth herein reflect the Corporation’s expectations as at the date of this presentation and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All monetary amounts are expressed in US\$ unless otherwise indicated

Potential Changes to the Figures Presented

- We have finalized our choices of accounting principles.
- However, changes are possible as:
 - IFRS requires an entity to use the same accounting policies in its IFRS Opening Statement of Financial Position (Opening Balance Sheet or Opening B/S) and throughout all periods presented in its first IFRS annual financial statements (F/S) as those effective at the end of its first reporting period.
 - Therefore, any changes in IFRS standards or in our choices of accounting principle, prior to the issuance of our first annual F/S under IFRS, would have an impact on the figures presented therein.
 - The figures presented are subject to the completion of an external audit.

Overview of the Documents Provided

Reference	Content	Link with presentation
-	PowerPoint Presentation	Integral presentation
Appendix I	IFRS Opening B/S as at Feb 1, 2010	Sections II and III
Appendix II	H1'F11 Results	Sections II and III
Appendix III	Q1'F11 Results	Not discussed
Appendix IV	Q2'F11 Results	Not discussed

- All these documents are also available in electronic format at www.bombardier.com and on SEDAR at www.sedar.com.
- Today's presentation is also broadcast on the Internet and will be available for future reference at www.bombardier.com.

Content of Appendix I – IFRS Opening B/S

Reference	Content
App IA	Cdn GAAP/IFRS Detailed Reconciliation of Opening Statement of Financial Position
App IB	Cdn GAAP/IFRS Reconciliation of Equity
App IC	Extract of Notes to F/S
App ID	Journal Entries
App IE	Reclassifications

- This appendix provides reconciliations, adjusting entries and breakdowns of accounts for all significant adjustments (segregating restatements and reclassifications) recorded at transition.

Content of Appendix II – H1'F11 Results

Reference	Content
App IIA	Cdn GAAP/IFRS Detailed P&L Reconciliation
App IIB	Cdn GAAP/IFRS Reconciliation of EBIT and Net Income
App IIC	Cdn GAAP/IFRS Detailed OCI Reconciliation
App IID	Cdn GAAP/IFRS Detailed Cash Flow Reconciliation
App IIE	Reconciliation of Equity
App IIF	Extract of Notes to F/S

- Appendices III and IV provide the same information for Q1'F11 and Q2'F11, respectively.



Introduction



Detailed Review of the Significant Adjustments



Impact of the Adjustments



Change in Year-end

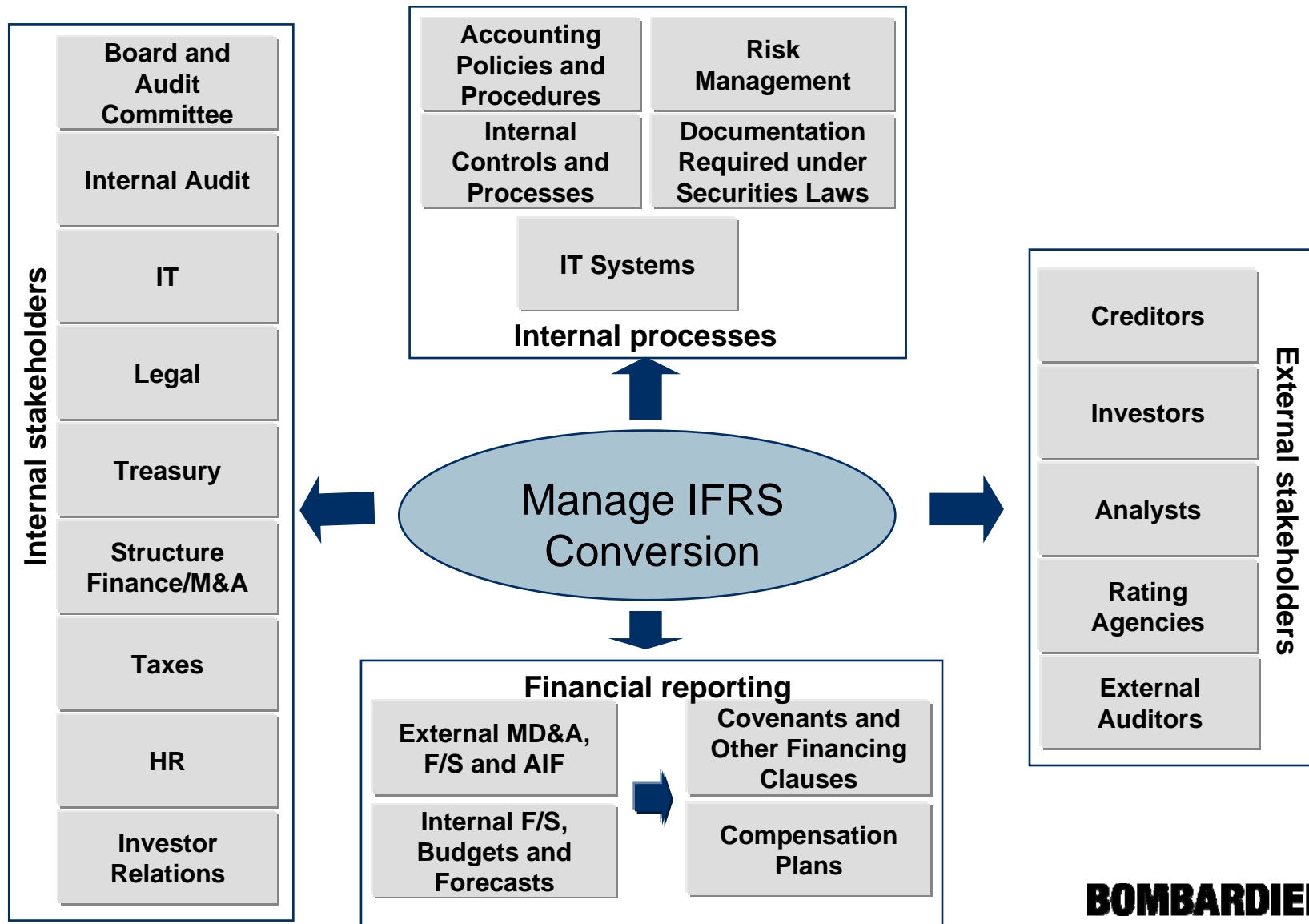


Conclusion

IFRS Conversion Project

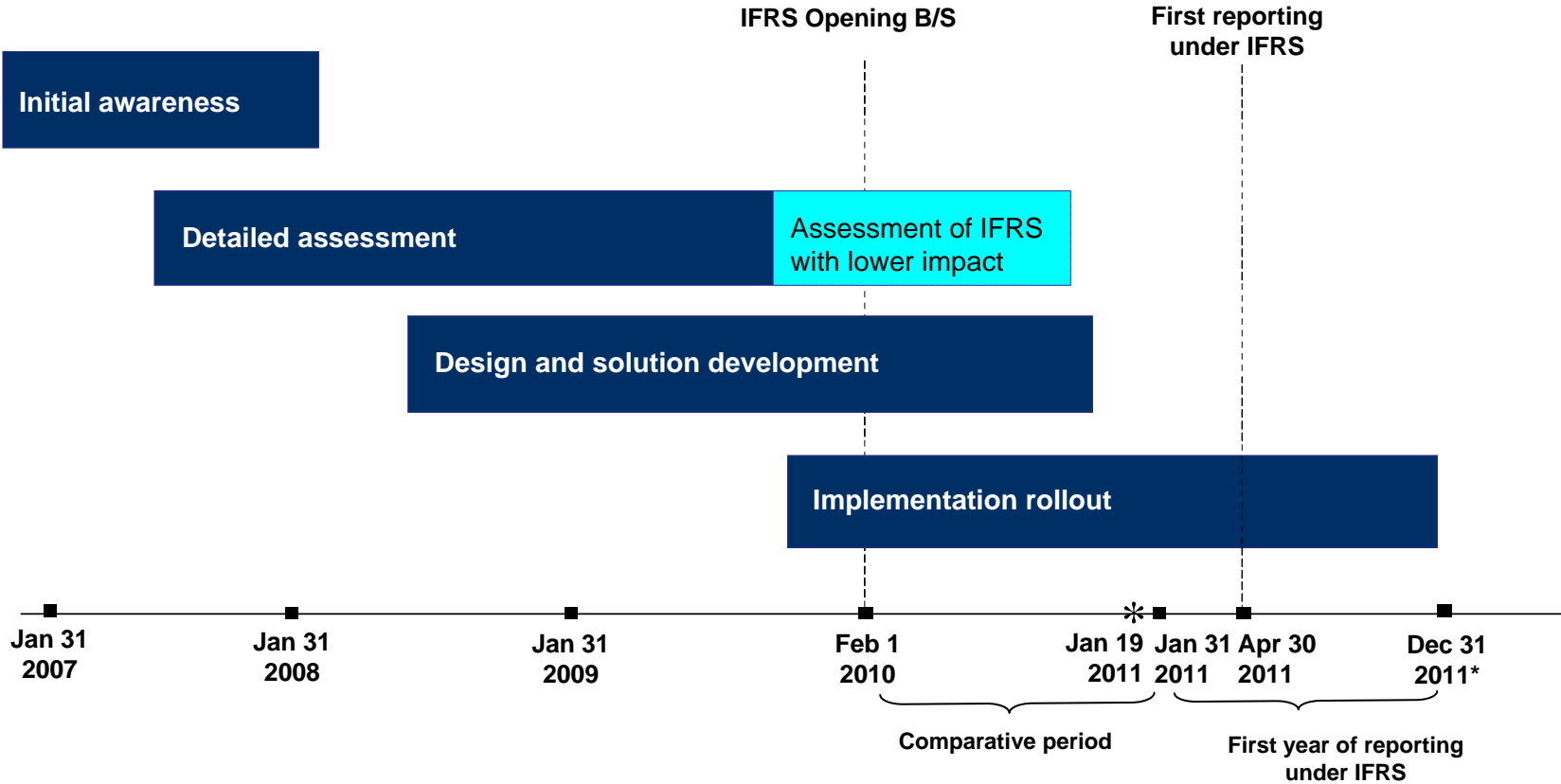
- We have used this project as an opportunity to review our accounting treatments to ensure that they reflect best practices and the way we operate our businesses, while simplifying accounting processes.
- We are now at a stage of the project where we have identified, assessed and quantified all impacts related to our conversion.
 - Accounting differences have been identified and, when available, accounting choices have been made.
 - Teams, processes and controls have been put in place and reporting under IFRS next fiscal year should follow the timeline of our reporting under Cdn GAAP.

IFRS Conversion Involves Numerous Stakeholders



Project Going According to Schedule

***As disclosed in our Jan 31, 2010 Annual Report ***



* Subject to approval of our proposed change in year-end, see section IV.

Timeline of External Disclosures

Period	Item Disclosed	Timing of Disclosure	
		Cdn GAAP	IFRS
Q4'F10	Jan 31, 2010 B/S	Apr 1, 2010	Jan 19, 2011
Q1'F11	Apr 30, 2010 results	Jun 2, 2010	
Q2'F11	Jul 31, 2010 results	Sept 1, 2010	
Q3'F11	Oct 31, 2010 results	Dec 2, 2010	Feb 16, 2011
Q4'F11	Jan 31, 2011 results	Mar 31, 2011	Apr 29, 2011
Q1'C11	Apr 30, 2011 F/S	Not applicable	Jun 1, 2011
Q2'C11	Jul 31, 2011 F/S		Aug 31, 2011
Q3'C11	Oct 31, 2011 F/S		Nov 30, 2011
Q4'C11	Dec 31, 2011 annual report		Mar 1, 2012*

* Subject to approval of the proposed change in year-end, see section IV.

Overview of the Adjustments

- The five most significant restatements are covered in this document, along with the reclassifications:
 - A. Employee Benefits
 - B. Revenue
 - C. Aerospace Program Tooling
 - D. Sales and Leaseback
 - E. Taxes
 - F. Reclassifications
- These same references will be used throughout for consistency.

Overview of the Adjustments (cont'd)

- Of these adjustments, the first three are by far the most important.
 - Adjustment A (Employee Benefits) results mostly from an election we made. It has the most significant impact on our opening equity and is already mostly considered in our global metrics under Cdn GAAP.
- All adjustments are presented before income taxes.
 - The combined income tax impact of all adjustments is presented in adjustment E (Taxes).
- These adjustments have an impact on equity and results; however, the fundamental economics of our businesses are not affected by our adoption of IFRS.
 - The IFRS adjustments simply bring more visibility on assets and liabilities, for the most part already existing and disclosed in the notes to F/S under Cdn GAAP and in our global metrics.
 - We remain the same company, with the same cash flows and future operational outlook.



Introduction



Detailed Review of the Significant Adjustments



Impact of the Adjustments



Change in Year-end



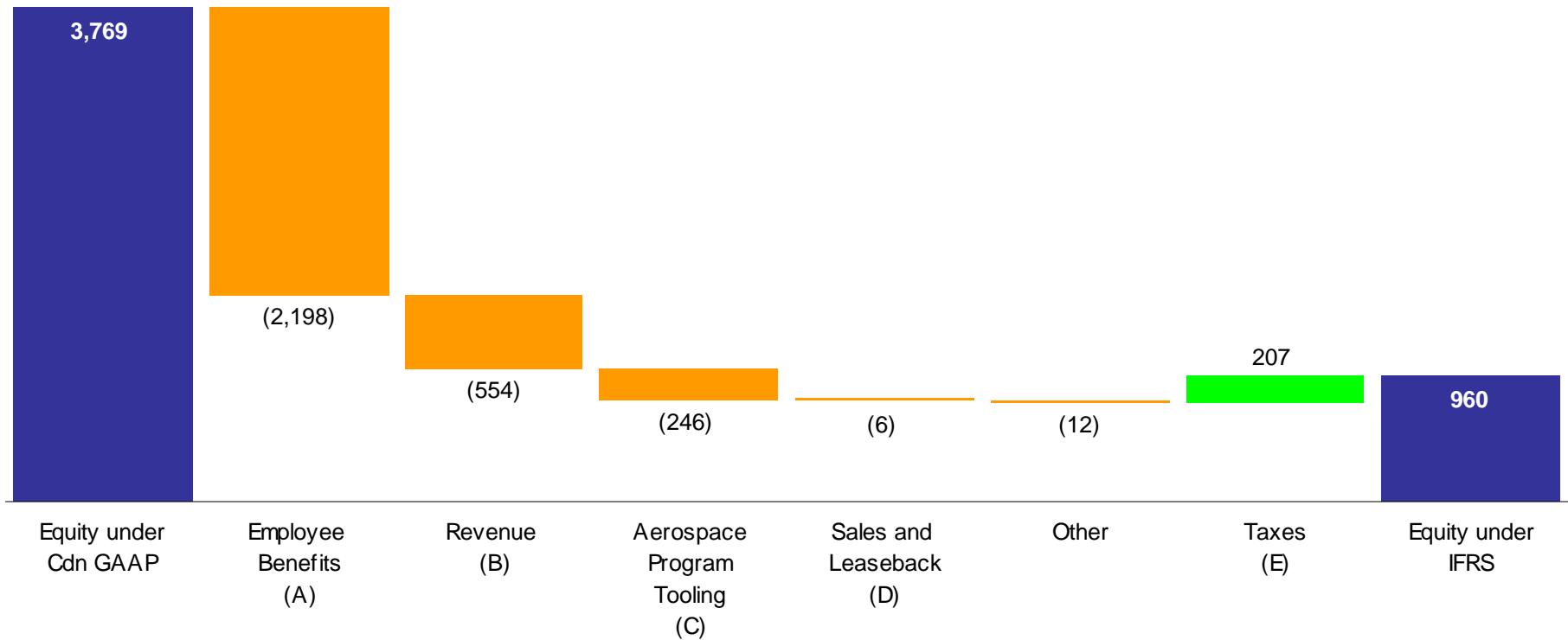
Conclusion

Approach to Quantification

- Each key adjustment (Cdn GAAP vs. IFRS restatements and reclassifications) on our F/S is covered in this document as follows:
 - As at Feb 1, 2010 for the IFRS Opening B/S.
 - For the first six-months of fiscal year 2011 (H1'F11) for adjustments to income (P&L).
 - Adjustments to other comprehensive income (OCI), cash flows and equity for H1'F11, as well as adjusting entries, graphs and examples, are provided when relevant.
- In this document, figures are provided for H1'F11 rather than the Q1 and Q2 sub-components.
 - The Q1 and Q2 figures are available in appendices III and IV.

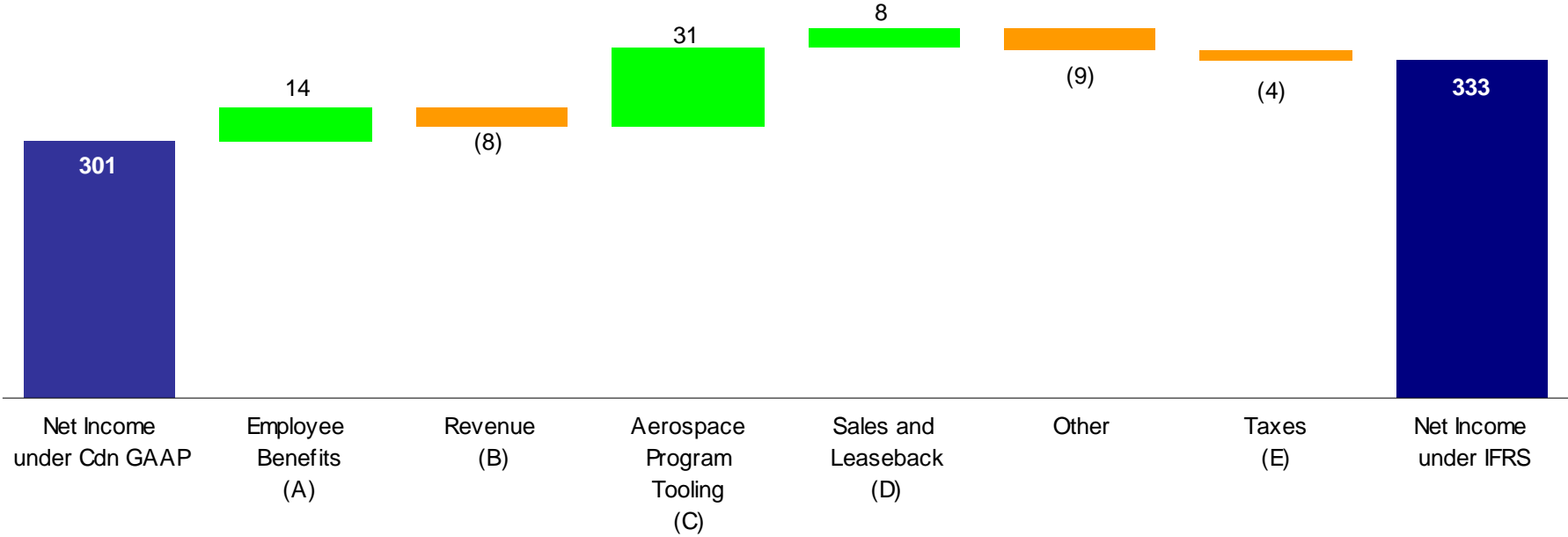
Reconciliation of Opening Equity

As at February 1, 2010
In millions of U.S. dollars



Reconciliation of H1'F11 Net Income

For the six-month period ended July 31, 2010
 In millions of U.S. dollars





Employee Benefits



Revenue



Aerospace Program Tooling



Sales and Leaseback



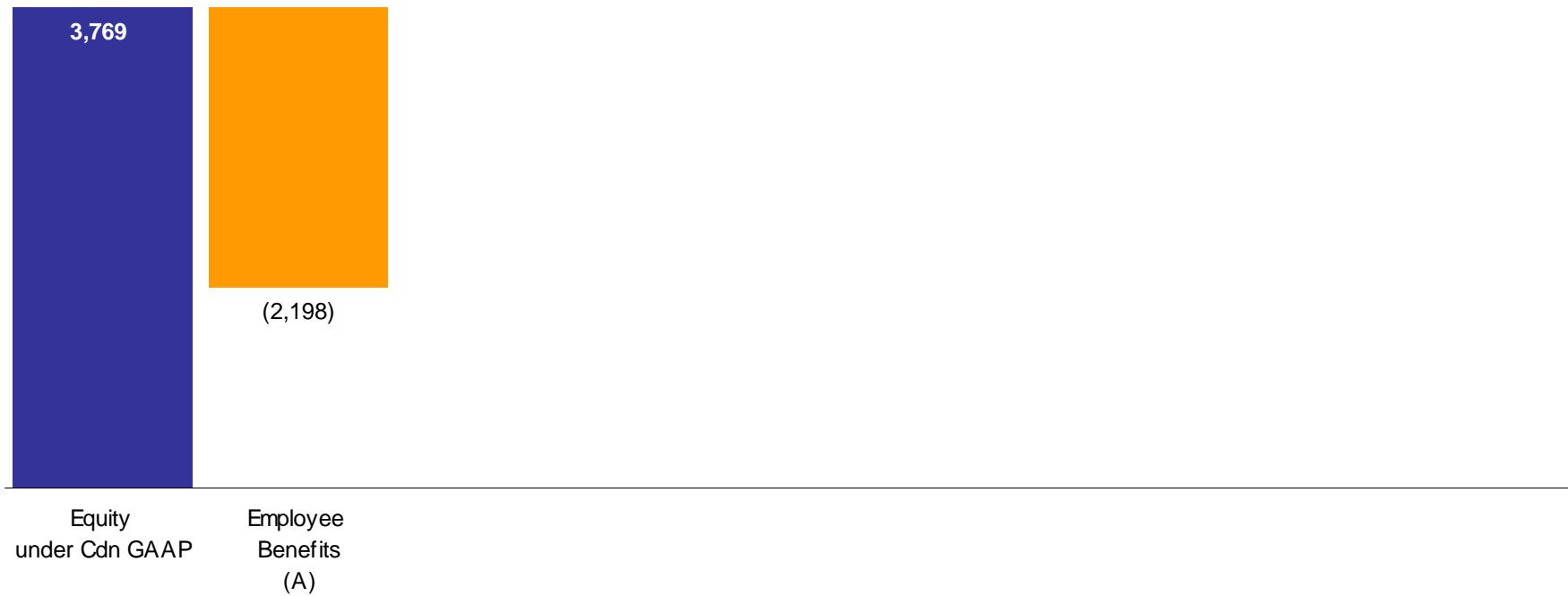
Taxes



Reclassifications

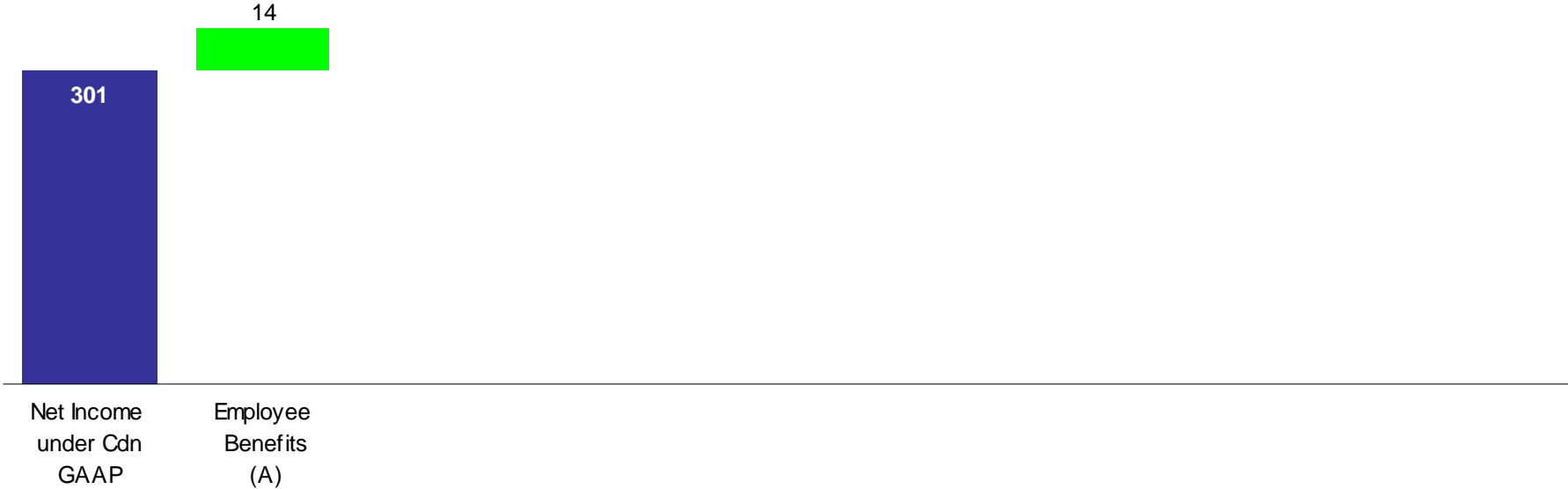
Reconciliation of Opening Equity

As at February 1, 2010
In millions of U.S. dollars



Reconciliation of H1'F11 Net Income

For the six-month period ended July 31, 2010
In millions of U.S. dollars



Selection of the OCI Method

- IFRS currently allows different methods to account for actuarial gains and losses.
 - A majority of comparable companies reporting under IFRS have selected the OCI method.
 - A similar method is expected to be required under a proposal to amend the current IFRS standard.
 - U.S. GAAP requires the recognition of pension and other post-employment benefits (OPEB) plans on the B/S.
- As such, we opted to recognize all actuarial gains and losses on all retirement benefit plans (pension and OPEB) in OCI as incurred.
 - These actuarial gains and losses will never impact earnings and are not deferred off-B/S.
- An amount of \$1,826M was recorded against opening equity, and is the main component of the positive P&L adjustment of \$14M recorded in H1'F11.

Other Changes Recognized in OCI

- Foreign exchange gains/losses on the translation of plan assets and liabilities are also recorded in OCI as a result of this choice.
- Under IFRS, entities must consider legal minimum funding requirements (MFR) when assessing the financial position of defined benefit plans, which may require a reduction of the retirement benefit asset or the recognition of an additional liability.
 - Cdn GAAP also sets limits on the recognition of the retirement benefit asset, but does not consider MFR and, as such, cannot create an additional liability.
 - This difference decreased opening equity by \$97M at transition.
 - Since we opted for the OCI method to recognize actuarial gains and losses, variations arising from this test are also recorded directly in OCI.

Other Key Changes

- Under IFRS, vested past service costs (credits) must be recognized in P&L in the period when they are granted.
 - This difference decreased opening equity by \$32M at transition.
 - Unvested past service costs (credits) are still deferred and amortized.
- Under IFRS, all retirement benefit assets and liabilities must be measured at the period-end date.
 - Non-BT plans are measured at Jan 31 instead of Dec 31.
 - BT plans remain measured at Dec 31.
 - This difference decreased opening equity by \$227M at transition.

Capitalization in Tooling and Inventories

- We decided to record interest cost accretion and expected return on pension plan assets in financing income (expense) instead of EBIT, as they are financial components.
- As such, retirement benefit costs are now segregated into three components:
 - Retirement benefit expense (current and past service costs), in EBIT.
 - Interest cost accretion and expected return on pension plan assets, in financing income (expense).
 - Actuarial gains/losses, asset ceiling / additional liability test and foreign exchange gains/losses, in OCI.
- Only current service costs are considered for capitalization in tooling and inventories under IFRS, as opposed to the three components under Cdn GAAP.
 - This difference decreased opening equity by \$16M at transition.

Total Opening Equity Impact

Cdn GAAP	IFRS	RE impact at transition
Actuarial gains and losses on retirement benefit plans are amortized in earnings through a corridor approach over the estimated average remaining service life (EARSL) of the employees.	Actuarial gains and losses on retirement benefit plans are recognized in OCI as incurred.	(\$1,826M)
Vested past service costs (credits) are amortized in earnings over the EARSL.	Vested past service costs (credits) are recognized in P&L as incurred.	(\$32M)
Recognition of off-B/S Cdn GAAP amounts		(\$1,858M)
No additional liability test and no concept of MFR.	Additional liability test, which must account for MFR.	(\$97M)
All retirement benefit assets and liabilities are measured at Dec 31, using assumptions at that date.	Non-BT plan assets and liabilities are measured at Jan 31. No change for BT plan assets and liabilities.	(\$227M)
New measurement under IFRS		(\$324M)
All components of the retirement benefit costs are considered for capitalization in inventories and tooling.	Only current service costs are considered for capitalization in inventories and tooling.	(\$16M)
TOTAL		(\$2,198M)

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Journal Entry at Transition

- This resulted in the following entry at transition:

Retained Earnings (RE)	\$2,198M
Retirement benefits (asset)	\$1,026M
Retirement benefits (liability)	\$1,156M
Inventories	\$ 16M

Total B/S Impact

- This resulted in a net liability under IFRS of \$2,196M as at Feb 1, 2010, arising from the following items:
 - Assets-liabilities recorded under Cdn GAAP (\$1,070M-\$1,084M) \$ 14M
 - Recognition of off-B/S Cdn GAAP amounts (\$1,826M+\$32M) \$1,858M
 - New measurement under IFRS (\$97M+\$227M) \$ 324M

\$2,196M

- Plans in a surplus position must be presented in assets, while those in a deficit position must be presented in liabilities. In addition, other long-term employee benefits, such as long-term disability and service awards, must be segregated from retirement benefits. As a result, the \$2,196M net liability is recorded as follows in the Opening B/S:
 - Retirement benefits (liability) \$2,181M
 - Other liabilities – Employee benefits \$ 59M
 - Other assets – Retirement benefits \$ 44M

Total H1'F11 P&L Impact

- The selection of the OCI method and the recognition of vested past service costs resulted in a positive EBIT impact of \$14M in H1'F11.
- Net interest of \$24M in H1'F11 was recorded in financing income (expense) instead of EBIT.
- The impact of these two items resulted in a positive EBIT adjustment of \$38M in H1'F11:
 - \$12M at BA
 - \$26M at BT

H1'F11 (in millions of U.S. dollars)	Financing income		EBT
	EBIT	(expense)	
Selection of the OCI method and recognition of vested past service costs	14		14
Interest costs accretion and expected return on pension plan assets no longer recorded in EBIT	24	(24)	
Total impact	38	(24)	14

Evolution of the Net Liability in H1'F11

- In H1'F11, the net retirement benefit liability increased by \$514M, resulting mostly from additional actuarial losses of \$557M.
 - Mostly due to lower discount rates in countries where we have a significant retirement benefit liability.
- The details of the adjustment is as follows:

Net liability recorded under IFRS as at Feb 1, 2010		(\$2,196M)
Employer contributions	B/S	\$167M
Service costs	P&L	(\$125M)
Net financing charges	P&L	(\$24M)
Losses due to changes in discount rates	OCI	(\$464M)
Losses on pension plan assets	OCI	(\$93M)
Additional liability test	OCI	\$59M
Foreign exchange	OCI	(\$34M)
Net liability recorded under IFRS as at Jul 31, 2010		(\$2,710M)



Employee Benefits



Revenue



Aerospace Program Tooling



Sales and Leaseback



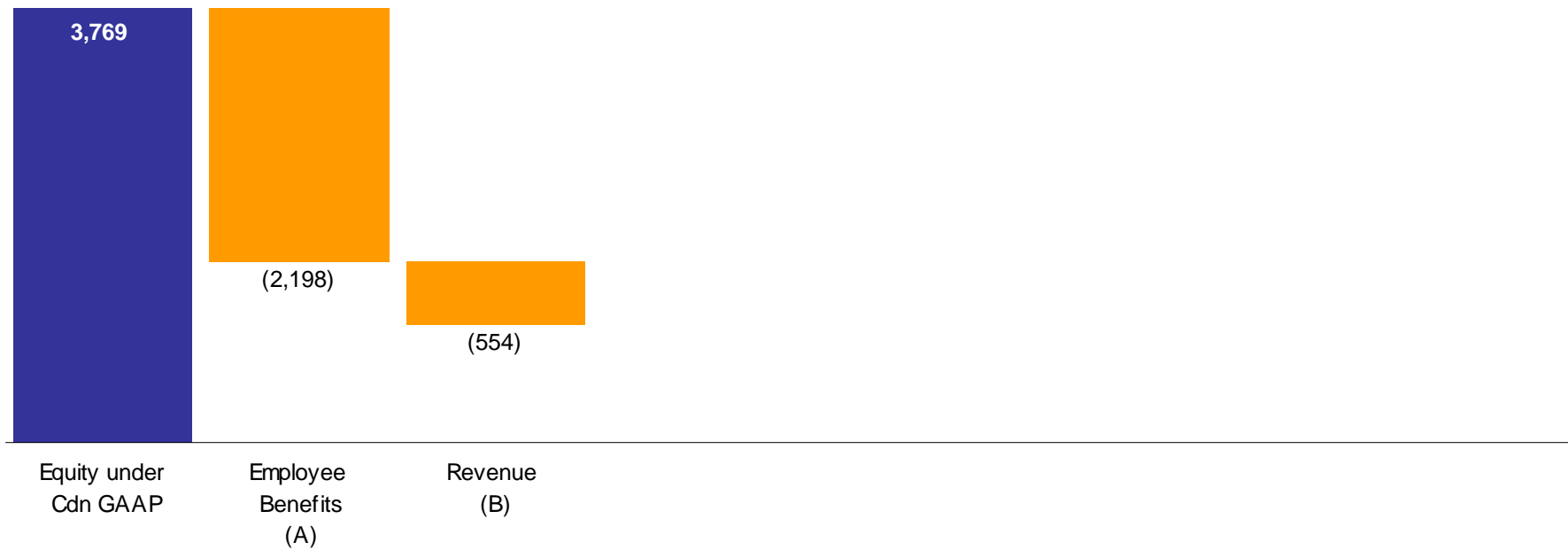
Taxes



Reclassifications

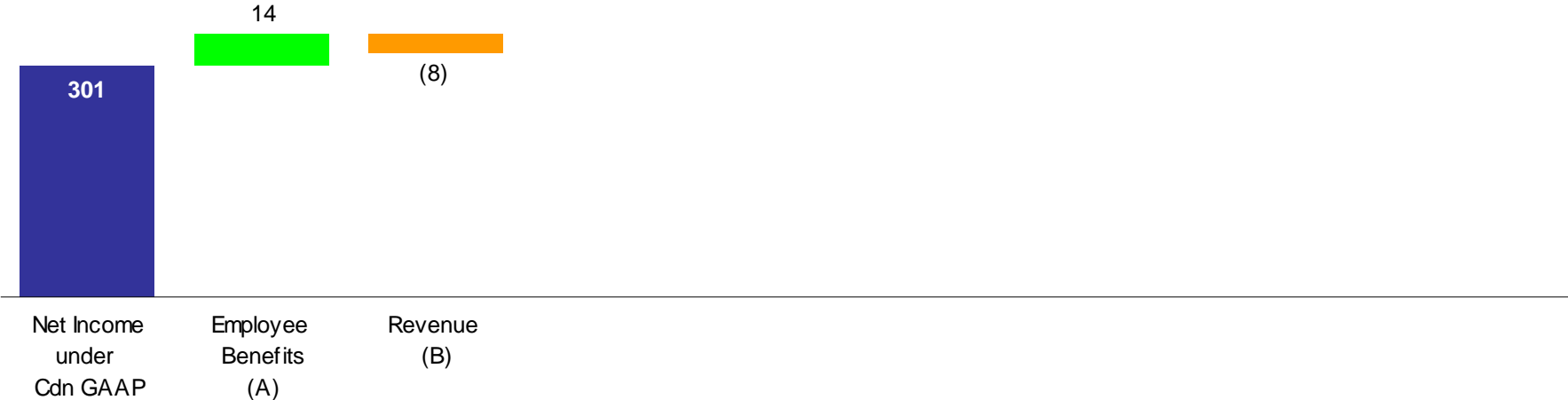
Reconciliation of Opening Equity

As at February 1, 2010
In millions of U.S. dollars



Reconciliation of H1'F11 Net Income

For the six-month period ended July 31, 2010
In millions of U.S. dollars



Revenue Recognition of Business Aircraft

- Under Cdn GAAP, revenue from the sale of:
 - Light business (Learjet family), commercial and amphibious aircraft is recognized at delivery of the completed aircraft.
 - Medium and large business aircraft (Challenger and Global families) is segmented between green aircraft (i.e. before exterior painting and installation of customer-selected interiors and optional avionics) and completion.
- Under IFRS, revenue from the sale of all aircraft is recognized at delivery of the completed aircraft.
- At transition, revenue from the sale of green aircraft for which delivery of the completed aircraft had not yet occurred had to be reversed.
- The adjustment at transition resulted in a decrease in opening equity.
 - The impact subsequent to transition varies from period to period.

Aircraft Deliveries Reversed at Transition

Program	Quantity reversed (in units)
Challenger 300	18
Challenger 605	34
Challenger 800 Series	6
Global Express XRS/ Global 5000	55
Total	113

Aircraft Deliveries in H1'F11

For the six-month period ended July 31, 2010 In units	Aircraft deliveries Cdn GAAP	Reversal of green aircraft	Recognition of completed aircraft	Aircraft deliveries IFRS
Learjet	11	-	-	11
Challenger 300	11	(11)	13	13
Challenger 605	16	(16)	18	18
Challenger 800 Series	-	-	5	5
Global Express XRS/ Global 5000	25	(25)	22	22
Commercial	34	-	-	34
Amphibious	2	-	-	2
	99	(52)	58	105

Overall Impact of this Change Going Forward

- Delays the recognition of revenues for medium and large business aircraft by the completion time of the aircraft, which currently stands at:
 - Approximately 6-8 months for the Challenger 300.
 - Approximately 10-15 months for the Challenger 605 and 800 Series and the Global family.
 - Going forward, variations in pricing and production levels will have a delayed P&L impact, as revenues will only be recorded when the aircraft is completed.
 - For example, in the context of increasing prices and/or production rates, this change will delay the recognition of the related benefits.
- *This change will therefore delay the impact on our results of changes in economic cycles.*

Example of Impact

- The following example demonstrates the impact of this accounting change on aircraft deliveries, revenues and backlog. The example assumes:
 - The delivery of one completed aircraft (both green and interior) and one green aircraft in the first year, with the green aircraft completed the following year.
 - A selling price of \$30 per aircraft, with \$20 for green and \$10 for the interior.
 - To keep it as simple as possible, the impact of the pricing environment has not been reflected in the example.

Example of Impact (cont'd)

	Cdn GAAP		Adjustment		IFRS	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Deliveries (in units)						
Aircraft A	1	0	0	0	1	0
Aircraft B	1	0	(1)	1	0	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2	0	(1)	1	1	1
Revenues (in \$)						
Aircraft A	30	0	0	0	30	0
Aircraft B	20	10	(20)	20	0	30
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	50	10	(20)	20	30	30
Order Backlog (in \$)	10	0	20	0	30	0

Assumptions

Aircraft A: Green and interior completed in year 1.

Aircraft B: Green completed in year 1, interior completed in year 2.

Selling price: \$20 for green, \$10 for interior.

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Combining of Long-term Contracts

- In long-term contracts, a base contract is often granted with options that can be exercised by the customers to order more quantities of the same product.
 - The margin on these options is often higher than the margin on the base contract, mainly because of the learning curve effect.
- Under Cdn GAAP, it is not possible to account for the base contract and an exercised option as a single unit of accounting (i.e. using a combined margin) if the margins differ significantly.
 - This criteria does not exist under IFRS, and base contracts must always be combined with exercised options if they relate to the same product, the price of the options was negotiated as part of the base contract and production is performed on a continuous basis.
- Compared to Cdn GAAP, such combining:
 - Increases the overall profit through a cumulative adjustment recorded when the option contract is signed.
 - Reduces profit during the execution of the option contract, as the combined margin is used instead of only the higher margin on the option contract.
- The adjustment to BT contracts resulted in an increase in opening equity and a decrease in H1'F11 results.

Onerous Contracts

- As part of our operations, it may occur that the unavoidable costs of meeting our obligations under a contract exceed the economic benefits expected to be received from it (onerous contract).
- Under Cdn GAAP, no provision has to be recorded in such circumstances, unless the contract is accounted for under long-term contract accounting rules.
 - An inventory write-down may however need to be recorded on an individual-unit basis once the manufacturing process starts.
- Under IFRS, a provision must be recorded when the contract becomes onerous.
- The adjustment at transition resulted in a decrease in opening equity.
 - The impact subsequent to transition varies from period to period.

Late-delivery Penalties

- Under most contracts for the sale of aircraft, penalties must be paid when the aircraft is delivered after an agreed timeline.
- Under Cdn GAAP, such penalties are recognized directly in P&L, based on the total expected late-delivery penalty.
- Under IFRS, such penalties are recognized in inventories, when incurred, since they are an integral component of the cost of the asset.
- The adjustment at transition resulted in an increase in opening equity.
 - The impact subsequent to transition varies from period to period.

Warranties on Aircraft

- Under Cdn GAAP, the amount recognized for warranties related to the sale of aircraft does not account for the time value of money.
 - Under IFRS, the aircraft warranty provision* must be discounted and a financing expense is recorded thereafter to increase the provision to the expected amount to be paid.
- The adjustment at transition resulted in an increase in opening equity.
 - The impact subsequent to transition increases EBIT and financing expense.

* Warranty provision related to long-term contracts is recorded at the undiscounted amount under both Cdn GAAP and IFRS, as long-term contract accounting does not consider the time value of money.

Total Opening Equity Impact

Cdn GAAP	IFRS	Impact at transition
Revenue from the sale of medium and large business aircraft is recognized based on two milestones: green aircraft delivery and upon final acceptance of interiors and optional avionics by customers.	Revenue from the sale of all aircraft is recognized at final delivery.	Sales of 113 medium and large green business aircraft were reversed as final delivery had not yet occurred, decreasing opening equity.
Exercised options on long-term contracts cannot be combined with the base contract if the margins differ significantly.	This criteria does not exist under IFRS.	Additional base contracts were combined with exercised options, increasing opening equity.
No provision recorded for onerous contracts, other than for long-term contracts.	A provision is recorded when a contract becomes onerous.	Provisions were recognized for onerous contracts, decreasing opening equity.
Late-delivery penalties are recognized in the P&L based on the total expected late-delivery penalty.	Late-delivery penalties are recorded in inventories, when incurred.	Late delivery penalties previously recognized in P&L for aircraft still in inventories were reversed, increasing opening equity.
Aircraft warranties are recorded at the undiscounted amount of the expected payments.	Aircraft warranties are recorded at the discounted amount.	Warranty provision was decreased to account for the impact of the passage of time, increasing opening equity.

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Journal Entry at Transition

- The combined impact of the new aircraft revenue recognition policy, the combining of long-term contracts and the new accounting for onerous contracts, late-delivery penalties and warranties on aircraft resulted in the following entry at transition:

Inventories	\$2,149M	
Other assets	\$ 46M	
Trade and other payables	\$ 147M	
Provisions	\$ 40M	
RE	\$ 554M	
	Trade and other receivables	\$ 599M
	Advances on aerospace programs	\$2,337M

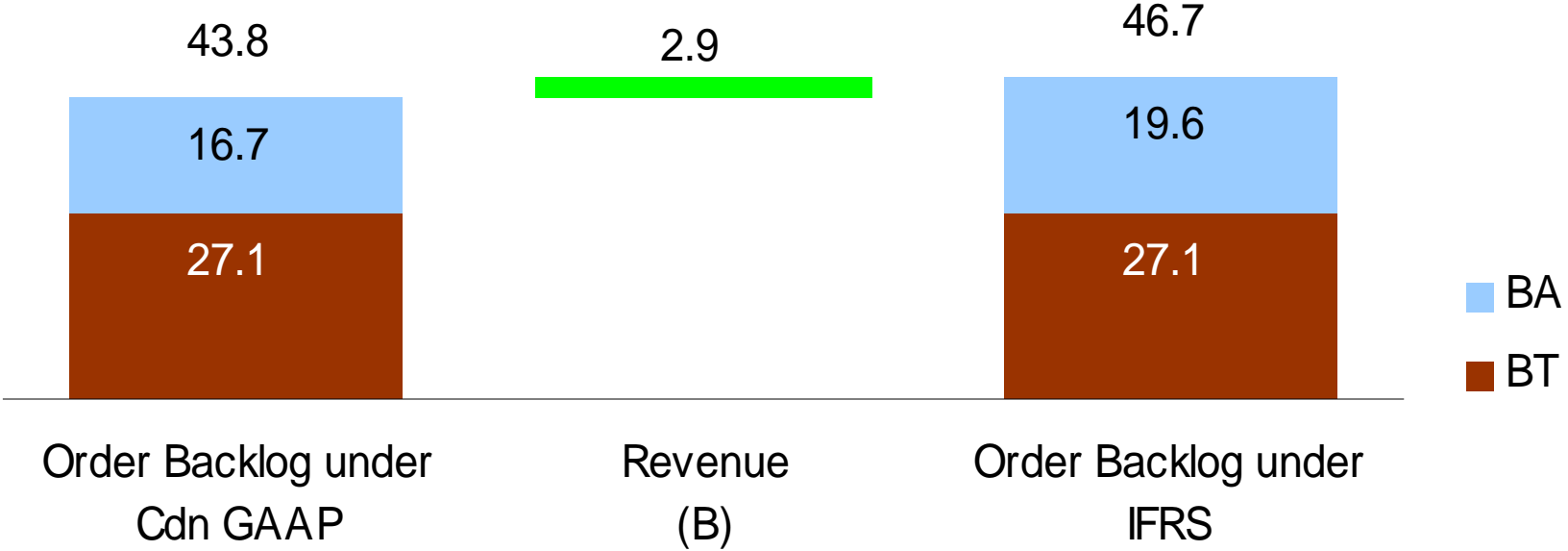
Total H1'F11 P&L Impact

- BA revenues were increased by \$67M, BA EBIT by \$2M and financing expense by \$3M, since:
 - Deliveries of medium and large business aircraft recognized in H1'F11 under IFRS are different from those recognized under Cdn GAAP.
 - The accounting of late-delivery penalties and onerous contracts is different.
 - An interest accretion is recorded for aircraft warranties.
- The combination of options with base contracts at transition led to a decrease in BT revenues and EBIT of \$7M, as these contracts have a lower margin going forward.

H1'F11 (in millions of U.S. dollars)	Revenues	EBIT	Financing income (expense)	EBT
BA Impact	67	2	(3)	(1)
BT Impact	(7)	(7)		(7)
Total impact	60	(5)	(3)	(8)

Impact on Order Backlog

As at February 1, 2010
In billions of U.S. dollars





Employee Benefits



Revenue



Aerospace Program Tooling



Sales and Leaseback



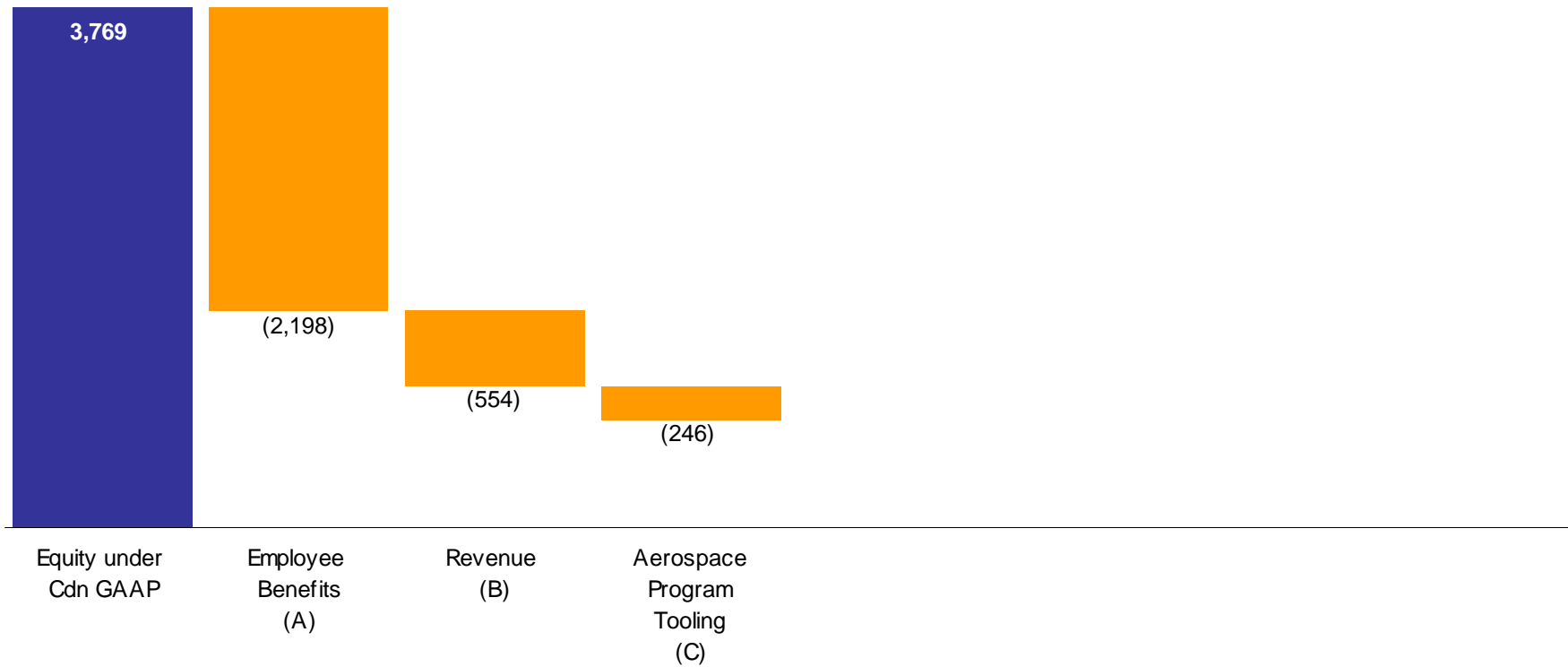
Taxes



Reclassifications

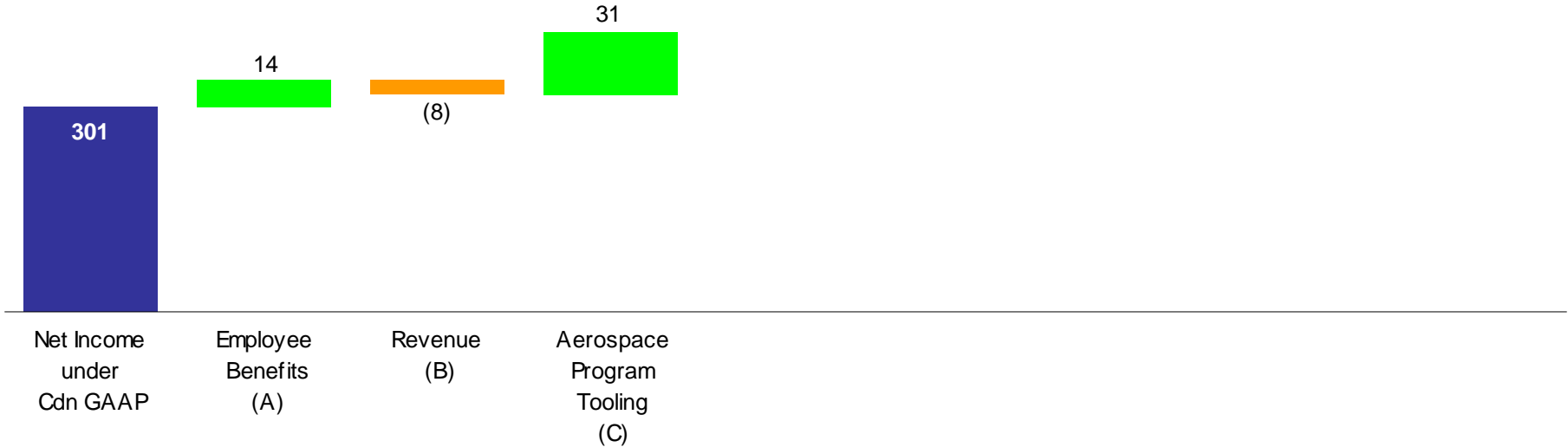
Reconciliation of Opening Equity

As at February 1, 2010
In millions of U.S. dollars



Reconciliation of H1'F11 Net Income

For the six-month period ended July 31, 2010
In millions of U.S. dollars



Impact of IFRS on Aerospace Program Tooling

- As an incentive to stimulate research and development (R&D), some governments provide advances during the development period, which are usually repaid upon delivery of the related product.
 - Under Cdn GAAP, the money received is deducted from tooling or R&D expense, and any repayment is recorded as an expense upon delivery of the aircraft.
 - Under IFRS, a liability is recorded for the expected repayment of advances received, based on our best estimate of the amount to be repaid.
- When we develop a new aircraft, some vendors must invest in the development of new technology (vendor non-recurring costs or VNR costs). The costs they incur are sometimes repaid to them as part of the purchase price of the related vendor product, and the technology is transferred to us once an agreed amount is repaid.
 - Under Cdn GAAP, the ratable value of this work is recorded as tooling upon purchase of the vendor product.
 - Under IFRS, an asset (aerospace tooling) and a liability are recorded when a new aircraft program reaches the entry-into-service (EIS) stage, based on our best estimate of the amount to be repaid to the vendor.

Impact of IFRS on Aerospace Program Tooling (cont'd)

- As the amount of tooling recorded for programs under development is increased under IFRS (government refundable advances are no longer deducted from tooling), the amount of capitalized borrowing costs also increases.
 - Under the exemption allowed by IFRS 1, capitalized borrowing costs incurred prior to Feb 19, 2007 were however reversed at transition.

Accounting of Government Refundable Advances

	Cdn GAAP	IFRS
Contingently repayable funds received	Recorded as a reduction of tooling or R&D expense.	Recorded as interest bearing refundable advances if it is probable that the conditions for repayment will be met. Amounts received in excess of the recorded liability are recorded as a reduction of tooling or R&D expense.
Tooling asset R&D expense Amortization of tooling Interest capitalization	Net of funds received.	Gross of the amount recorded as government refundable advances.
Repayments to governments when aircraft are sold	Recorded in cost of sales.	Recorded as a reduction of the refundable advances.
Impact of the revision of repayment estimates	No impact, as repayments are only recognized as they occur.	Increase/decrease the liability and recognize the adjustment in tooling and R&D expense, with cumulative catch-up of amortization recognized immediately in P&L.

Accounting for VNR Costs

	Cdn GAAP	IFRS
Recognition of tooling asset and related liability	Recognized when the amounts become payable.	Recognized upon evidence of successful development, which generally occurs at EIS.
Measurement of liability	No liability is recognized, as the VNR asset is only recognized when paid.	Net present value of the expected payments.
Impact of the revision of repayment estimates	No impact.	Increase/decrease the liability and recognize the adjustment in P&L, as other income (expense).

Accounting for Borrowing Costs

	Cdn GAAP	IFRS
IFRS effective date	Not applicable.	Capitalization of borrowing costs to qualifying assets started on Feb 19, 2007, the launch date of the CRJ1000 aircraft program. All borrowing costs capitalized under Cdn GAAP prior to that date were written off at transition (\$32M).
Qualifying tooling	Net of government refundable advances received.	Gross of the amount recorded as government refundable advances.
Specific borrowings*	We have no specific borrowings.	Government refundable advances recorded during the development period are considered specific borrowings.
Rate for general borrowings	Interest costs based on our incremental borrowing rate.	Actual borrowing cost of all our borrowings, other than our specific borrowings.

* Costs incurred on borrowings taken specifically to finance the qualifying asset are capitalized. For any portion not financed by a specific borrowing, a rate for general borrowing is used.

Overall Impact Depends on Facts and Circumstances

- The overall P&L impact of these three changes will vary based on facts and circumstances of each program.
 - Tooling amortization is higher under IFRS, since the tooling is not reduced by government refundable advances.
 - VNR costs are capitalized earlier, usually at EIS, leading to earlier amortization charges.
 - Repayments of government refundable advances are no longer recorded in P&L, since they are considered a repayment of the liability.
 - An interest expense is accrued on the liabilities for government refundable advances and VNR costs.
- The net impact at transition was a reduction of tooling and opening equity, and an increase in H1'F11 results, as tooling has now been fully amortized for some key programs (mainly for Q400) while repayment of the advances are still occurring.

Change in Amortization Method

- We currently use a straight-line amortization method by program family, over a useful life of ten years.
 - This method is used in F11 under Cdn GAAP and for the restated IFRS figures.
- We have reviewed the pattern in which our tooling's future economic benefits are expected to be consumed.
- The current economic crisis illustrates that a method such as the unit-of-production method may better reflect the pattern of consumption of future economic benefits.
- This change will be performed prospectively, effective Feb 1, 2011, and is independent from the conversion to IFRS.

Total Opening Equity Impact

Cdn GAAP	IFRS	RE impact at transition
Government advances are recorded as a reduction of tooling or R&D expense when received, and as an expense in cost of sales when amounts become repayable.	Government advances contingently repayable based on aircraft deliveries are recorded as a liability when it is probable that the conditions for repayment will be met. This liability is reduced when amounts are repaid to governments. Amounts received in excess of the recognized liability are recorded as a reduction of tooling or R&D expense.	(\$148M)
VNR costs are recognized as tooling when the amounts become payable.	VNR costs are recognized as aerospace program tooling upon evidence of successful development, which generally occurs at EIS, and a corresponding liability is recognized.	(\$70M)
Interest charges during the development period are capitalized based on interest costs and the amount of qualifying assets.	Interest charges during the development period are capitalized based on borrowing costs and the amount of qualifying assets. Under the exemption allowed by IFRS 1, we decided to begin capitalization of borrowing costs to qualifying assets effective Feb 19, 2007, the launch date of the CRJ1000 aircraft.	(\$28M)
TOTAL		(\$246M)

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Journal Entries at Transition

<i>Debit (Credit) in millions of U.S. dollars</i>	Government Advances¹	VNR costs²	Borrowing costs³	Total
Aerospace program tooling	35	(61)	(28)	(54)
RE	148	70	28	246
Government refundable advances	(191)			(191)
VNR costs payable		(9)		(9)
Income tax credit receivable	8			8

1. The adjustment for government refundable advances affected mostly RE because a significant portion of the related tooling had been amortized prior to transition (mainly for the Q400).
2. The adjustment for VNR costs affected mostly RE because a significant portion of the tooling had been amortized prior to transition (mainly for the Q400 and CRJ700/900). It should be noted that VNR related to the significant programs currently in development have not been recorded, as there is not yet evidence of successful development (generally occurs at EIS).
3. The adjustment for borrowing costs relates to the \$32M of interest capitalized under Cdn GAAP before Feb 19, 2007 and reversed at transition, partially offset by an additional \$4M of interest capitalized in excess of the amount capitalized under Cdn GAAP after Feb 19, 2007, as the amount of qualifying tooling is higher under IFRS.

Total H1'F11 P&L Impact

- The impact on H1'F11 results was positive since:
 - Repayments of advances are no longer recorded in the P&L, while amortization charges are not increased correspondingly since certain program costs have been fully amortized (mainly for Q400).
 - Amortization of VNR was already completed (mainly the Q400 and the CRJ700/900).
 - More borrowing costs are capitalized (C-Series, Learjet 85, CRJ1000).
- Since the liability for government refundable advances is mostly in Cdn\$, the appreciation of the Cdn\$ vs. the US\$ increased the value of the liability by \$5M in H1'F11.
 - A hedging strategy will be put in place to remove most of this exposure, effective Feb 1, 2011.

H1'F11 (in millions of U.S. dollars)	EBIT	Financing income (expense)	EBT
Advance repayments no longer recorded in the P&L	21		21
Lower amortization resulting from lower tooling balance	17		17
Foreign exchange loss arising from the translation of the liability	(5)		(5)
Higher capitalization of interest expense given change in capitalization base		7	7
Accretion expense on the new liability recognized		(9)	(9)
Total impact	33	(2)	31

Impact on Cash Flows from Operating Activities

	Cdn GAAP	IFRS	Impact on Free Cash Flow (FCF)
Upon receipt of the contingently repayable funds	Investing activities, through a reduction in additions to intangible assets	Operating activities	None, as additions to PP&E and intangible assets are included in the definition of FCF under both Cdn GAAP and IFRS
Payments of royalties	Operating activities	Operating activities	None

- Cash flows from operating activities in H1'F11 increased by \$15M.
 - Offset by a \$15M decrease in cash flows from investing activities.
- This does not affect FCF and Segmented FCF.



Employee Benefits



Revenue



Aerospace Program Tooling



Sales and Leaseback



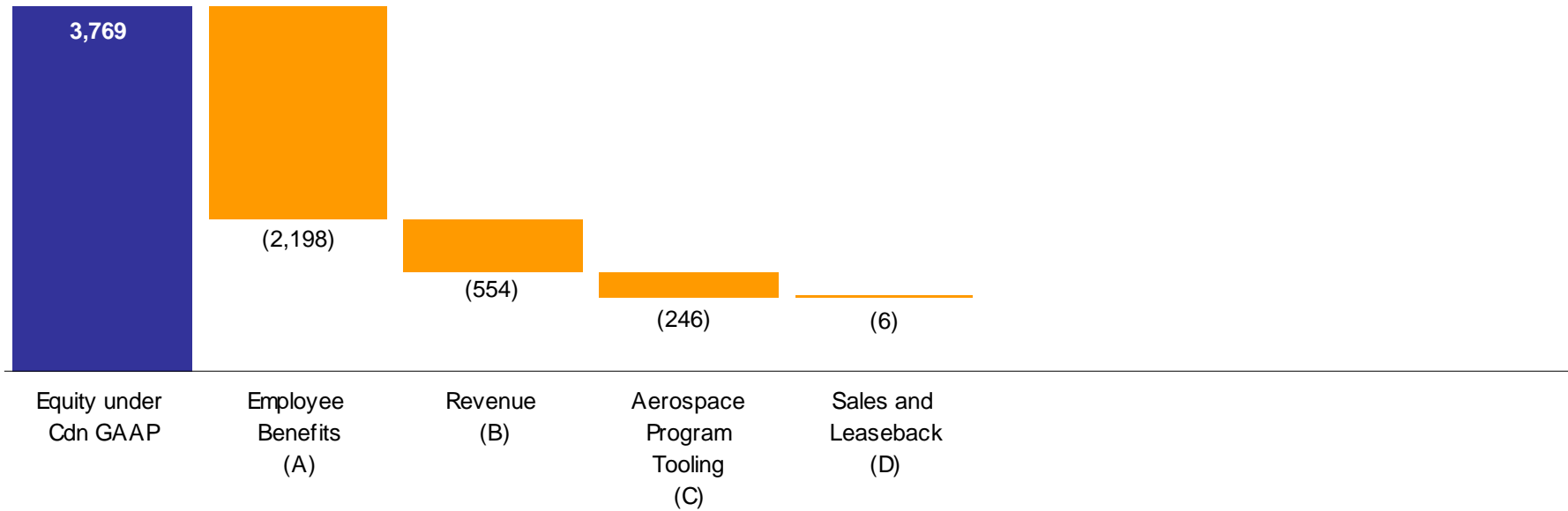
Taxes



Reclassifications

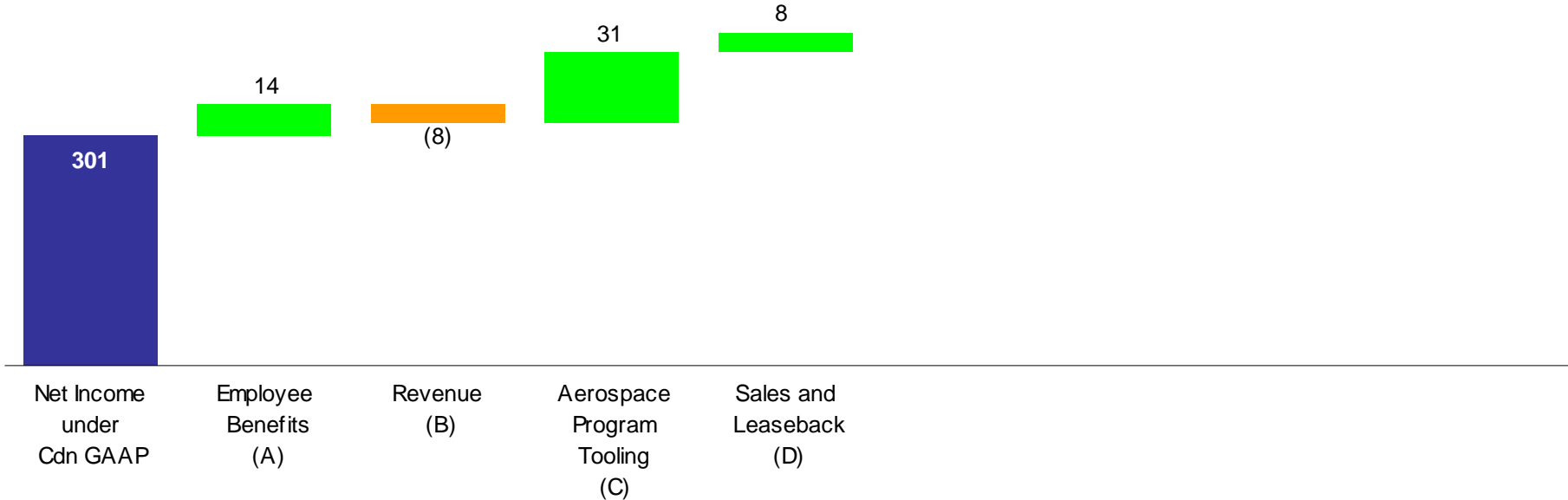
Reconciliation of Opening Equity

As at February 1, 2010
In millions of U.S. dollars



Reconciliation of H1'F11 Net Income

For the six-month period ended July 31, 2010
In millions of U.S. dollars



Sales and Leaseback of Pre-owned Business Aircraft

	Cdn GAAP	IFRS
Assessment of lease classification	Quantitative tests, accounted for as operating leases.	Qualitative and quantitative assessment, accounted for as on-B/S financing transactions.
Revenue recognition	When the aircraft is sold to the facilities.	When the aircraft is sold outside the facilities to a third-party customer.
Pre-owned aircraft inventories	None.	Underlying aircraft remains in inventories while the aircraft is in a facility.
Funds received from the facilities	Recorded as a reduction of inventories and accounted for as cash flows from operating activities.	Recorded as a liability and accounted for as cash flows from financing activities.
Interest expense	None.	Accretion expense based on effective interest rate of the sales and leaseback obligation.

- The different assessment of the lease classification had no impact on our other leases.

Journal Entry at Transition

- Bringing back on-B/S the pre-owned business aircraft sold to the facilities and not yet sold to a third-party customer resulted in the following entry at transition:

Inventories	\$167M	
Accrued liabilities	\$ 5M	
RE	\$ 6M	
		\$178M
Sales and leaseback obligation		

Total H1'F11 P&L Impact

- Revenues and cost of sales decreased by \$61M, as four net pre-owned aircraft sales to these facilities were reversed.
- EBIT increased by \$9M, as lease payments are recognized as capital repayments under IFRS.
- Interest expense increased by \$1M, as the interest portion of the lease payment is recorded in financing expense under IFRS following the treatment as an on-B/S liability.

H1'F11 (in millions of U.S. dollars)	Revenues	EBIT	Financing income (expense)	EBT
Reversal of four net aircraft sales to these facilities	(61)			
Capital repayments not affecting P&L		9		9
Interest portion of the obligation recognized in financing expense			(1)	(1)
Total impact	(61)	9	(1)	8

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Total H1'F11 FCF Impact

	Cdn GAAP	IFRS	Impact on FCF
Upon receipt of money from a facility	Operating	Financing	Negative impact on FCF
Upon repayment of money to a facility, if applicable	Transaction recorded on a net basis in operating.	Financing	Positive impact on FCF
Upon sale to the external customer, if applicable		Operating	

- H1'F11 FCF was decreased by \$54M, since the value of aircraft in sales and leaseback facilities was increased during this period.
 - Offset by a \$54M increase in cash flows from financing activities, so total cash flows remain the same.
- This situation will reverse when the aircraft are sold to external customers.



Employee Benefits



Revenue



Aerospace Program Tooling



Sales and Leaseback



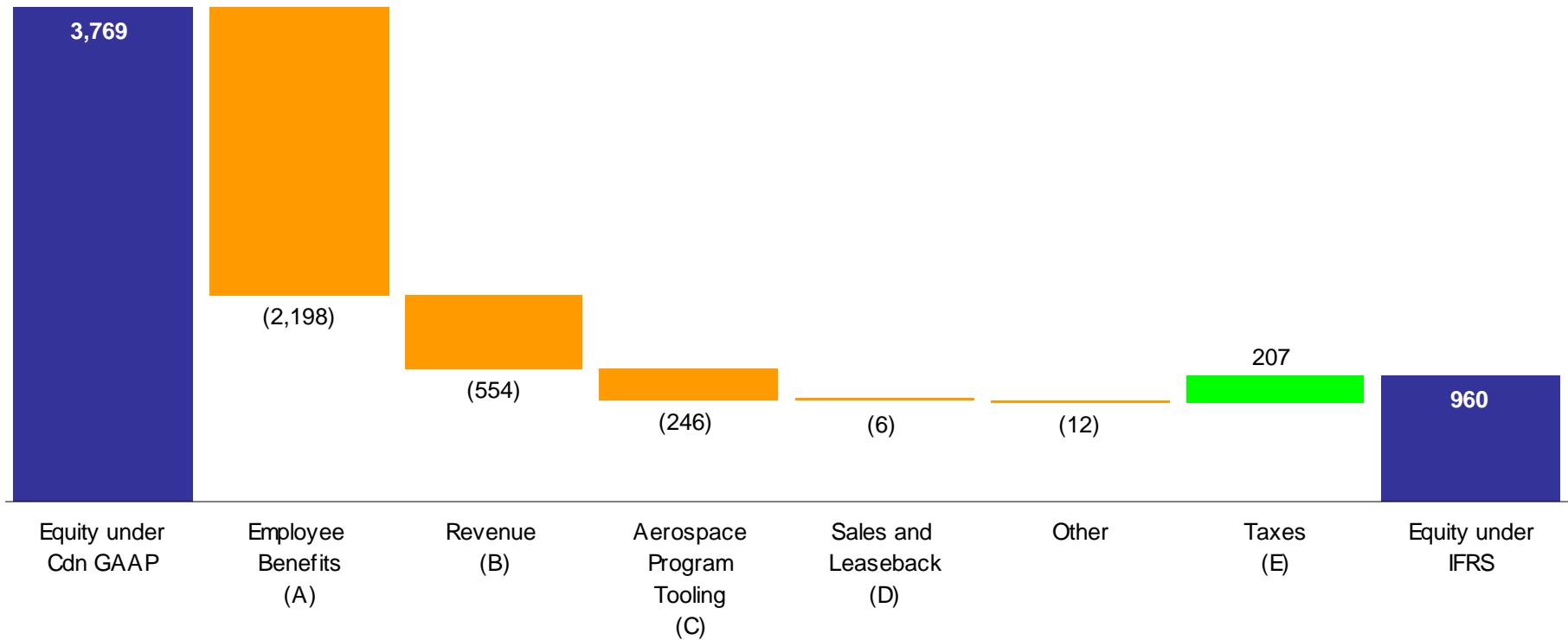
Taxes



Reclassifications

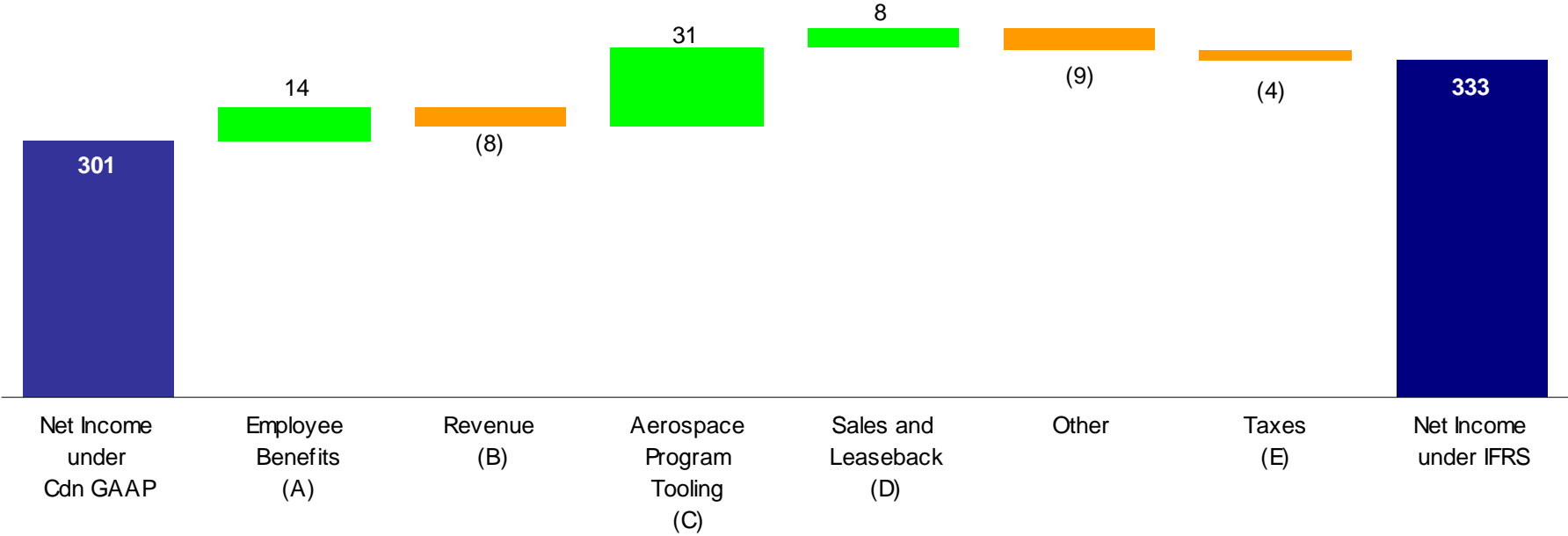
Reconciliation of Opening Equity

As at February 1, 2010
In millions of U.S. dollars



Reconciliation of H1'F11 Net Income

For the six-month period ended July 31, 2010
In millions of U.S. dollars



Impact at Transition

	Employee Benefits	Other	Total
Negative equity impact of all restatements	\$2,198M	\$818M	\$3,016M
Cdn statutory rate	31.3%	31.3%	31.3%
Tax impact at statutory rate	\$688M	\$256M	\$944M
Unrecognized tax benefits	\$511M	\$226M	\$737M
Tax impact recognized at transition	\$177M	\$30M	\$207M

- The \$3,016M adjustment affects the accounting value but not the tax base. This should trigger the recognition of a \$944M deferred income tax asset (DTA).
- This DTA has not been fully recognized, mainly due to unrecognized tax benefits as some of the benefits are expected to materialize in periods subsequent to the period meeting the probability of recovery test necessary to support such asset.

Total H1'F11 P&L Impact

Positive P&L impact of all restatements	\$32M
Cdn statutory rate	30%
Tax expense adjustment at statutory rate	\$10M
Recognition of tax benefits	\$6M
Tax expense adjustment in H1'F11	\$4M

- A tax impact of \$10M would normally arise from the \$32M positive restatement in H1'F11.
- The lower tax impact is mainly due to the recognition of tax benefits related to operating losses and temporary differences.



Employee Benefits



Revenue



Aerospace Program Tooling



Sales and Leaseback



Taxes



Reclassifications

Overview of Changes to IFRS B/S Classification

- New presentation required under IFRS.
 - Financial assets/liabilities segregated from non-financial assets/liabilities.
 - Provisions segregated from other payables.
 - Other long-term employment benefits, such as long-term disability and service awards, segregated from retirement benefits and presented in other liabilities.
- Review of individual line items to ensure B/S focuses on key accounts.
 - More visibility on aerospace program tooling, now a separate line item.
 - Less significant items, such as fractional ownership, aircraft financing and derivatives, presented in the notes only in other assets/liabilities.
- Split of all B/S accounts between current and non-current.
 - Based on nature of each item and the operating cycle.

Classification of B/S Between Current and Non-current

As at February 1, 2010
In millions of U.S. dollars

B/S items	Classification	ASSETS		LIABILITIES	
		Current	Non-current	Current	Non-current
Cash, A/R, inventories, A/P and warranties and advances on long-term contracts	All current, as part of the operating cycle, unless there is a clear financing component.	12,143		6,535	
PP&E, tooling, deferred tax, retirement benefit and goodwill	All non-current given long-term nature.		6,979		2,246
Invested collateral and restricted cash	All non-current, unless restriction is legally lifted in the next 12 months.		722		
Advances on aerospace programs	Current if delivery expected in next 12 months.			3,055	1,373
Derivatives	Based on contract maturity, or on underlying hedged item for derivatives in a hedge relationship.	315	181	250	191
Fractional ownership, deposits and prepaid	Current if recognition of related income/expense is expected in next 12 months.	370	230	131	175
Provisions, debt, investments and warranties on aircraft	Current if cash flows expected in next 12 months.	371	809	1,692	5,512
		13,199	8,921	11,663	9,497

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Overview of Changes in IFRS P&L Classification

	Cdn GAAP	IFRS
Expected return on pension plan assets and interest cost accretion on retirement benefit liabilities	Part of benefit cost and classified based on the underlying function of the employee.	Presented in financing income (expense).
Depreciation and amortization expense	Presented as a separate line item.	Classified based on the underlying functions: <ul style="list-style-type: none"> - Cost of sales for manufacturing assets. - R&D for aerospace program tooling. - SG&A for SG&A assets.
Classification in other income (expense)	Based on the nature of the item.	Items related to operations, such as foreign exchange losses (gains), are now classified in cost of sales unless they are unusual and material.

Overview of Changes in IFRS P&L Classifications (cont'd)

	Cdn GAAP	IFRS
Fair value changes arising from a change in interest rates of financial instruments recorded at fair value* and provisions	Presented in cost of sales or other income (expense).	All presented in financing income (expense), as related to interest rates.
Other fair value changes on financial instruments recorded at fair value* and provisions	Presented in cost of sales or other income (expense).	Presented in other income (expense), as not closely related to operations and to present all changes in fair value other than those arising from changes in interest rates at the same place.

- * Including loans and lease receivables, lease subsidies, investments in financing structures and servicing fees recorded at fair value.



Introduction



Detailed Review of the Significant Adjustments



Impact of the Adjustments



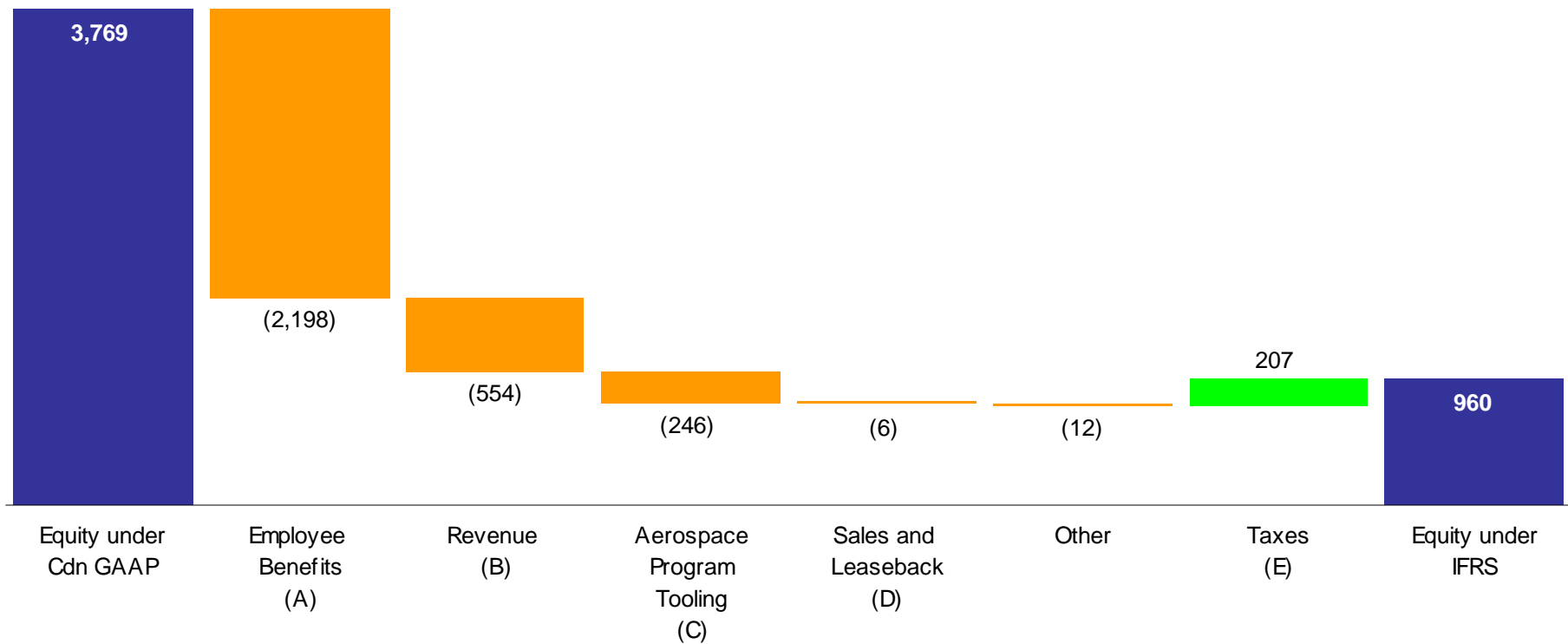
Change in Year-end



Conclusion

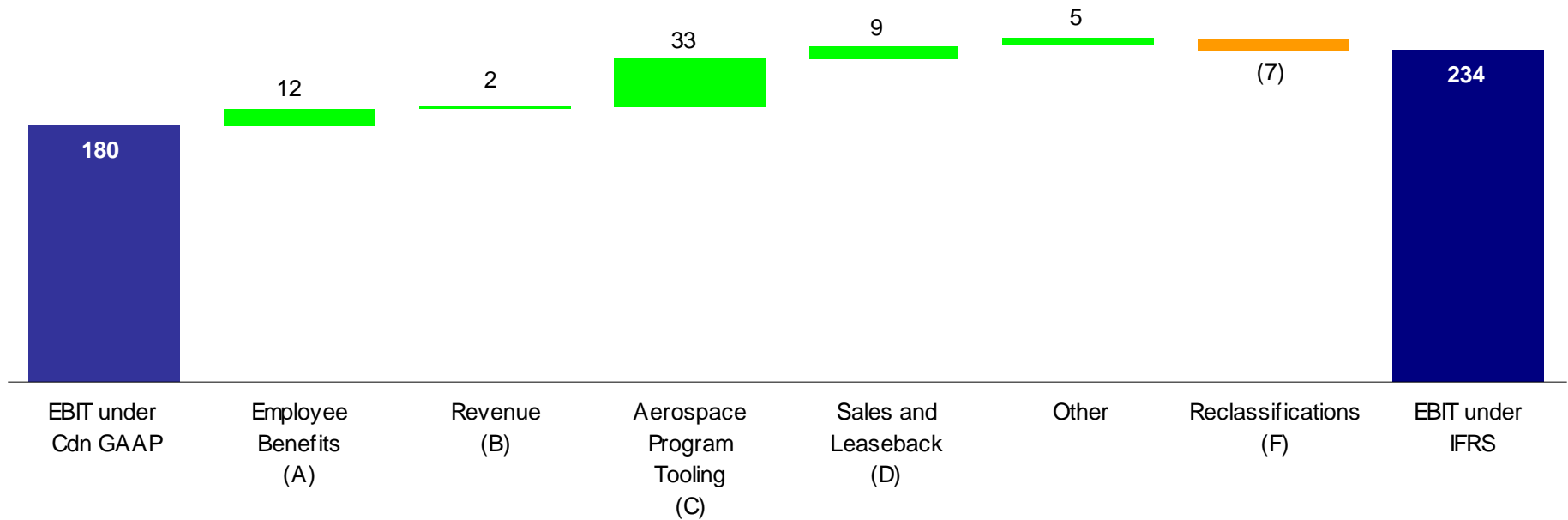
Reconciliation of Opening Equity

As at February 1, 2010
In millions of U.S. dollars



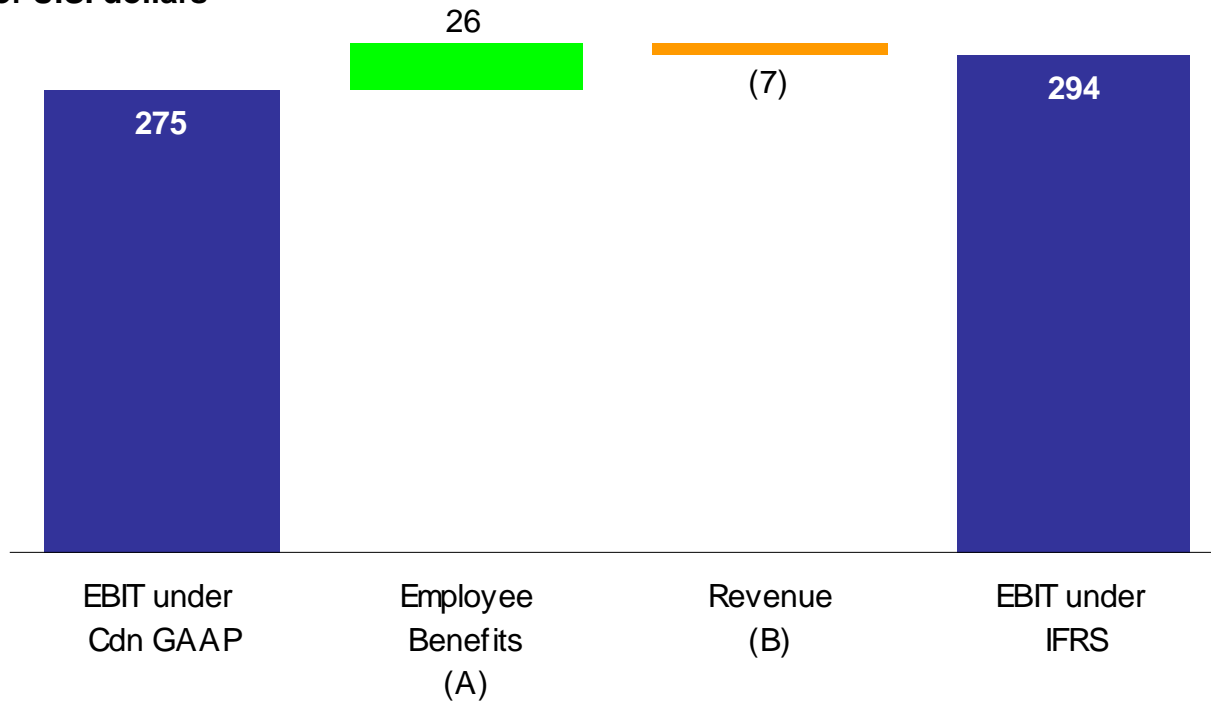
Reconciliation of H1'F11 BA EBIT

For the six-month period ended July 31, 2010
 In millions of U.S. dollars



Reconciliation of H1'F11 BT EBIT

For the six-month period ended July 31, 2010
In millions of U.S. dollars



Overall Impact on H1'F11 EBIT

- Reduction of expense related to retirement benefits should be recurring in the near future, although the impact on each quarter will vary.
- Adjustment related to revenue recognition will fluctuate from quarter to quarter.
- Adjustment related to aerospace program tooling will vary based on the stage in the lifecycle of the program.

Overall Reconciliation of H1'F11 EBIT and Net Income

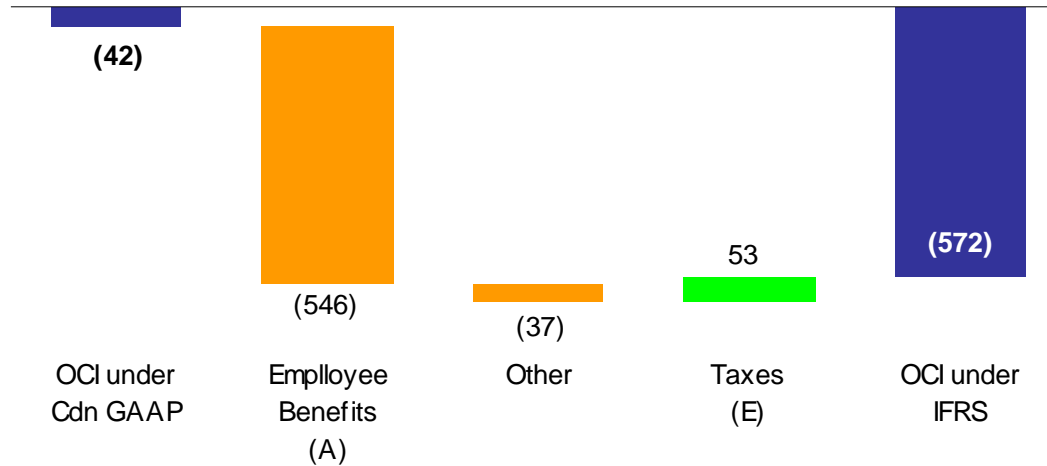
For the six-month period ended July 31, 2010
In millions of U.S. dollars

	Adj	BA	BT	EBIT	Financing income (expense)	Net income	EPS
Results under Cdn GAAP (as reported)		180	275	455	(72)	301	0.16
Restatements							
Employee Benefits	A	12	26	38	(24)	14	
Revenue	B	2	(7)	(5)	(3)	(8)	
Aerospace Program Tooling	C	33		33	(2)	31	
Sales and Leaseback	D	9		9	(1)	8	
Other		5		5	(14)	(9)	
		61	19	80	(44)	36	
Taxes	E					(4)	
Reclassifications	F	(7)		(7)	7		
Results under IFRS		234	294	528	(109)	333	0.18

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Impact on H1'F11 OCI

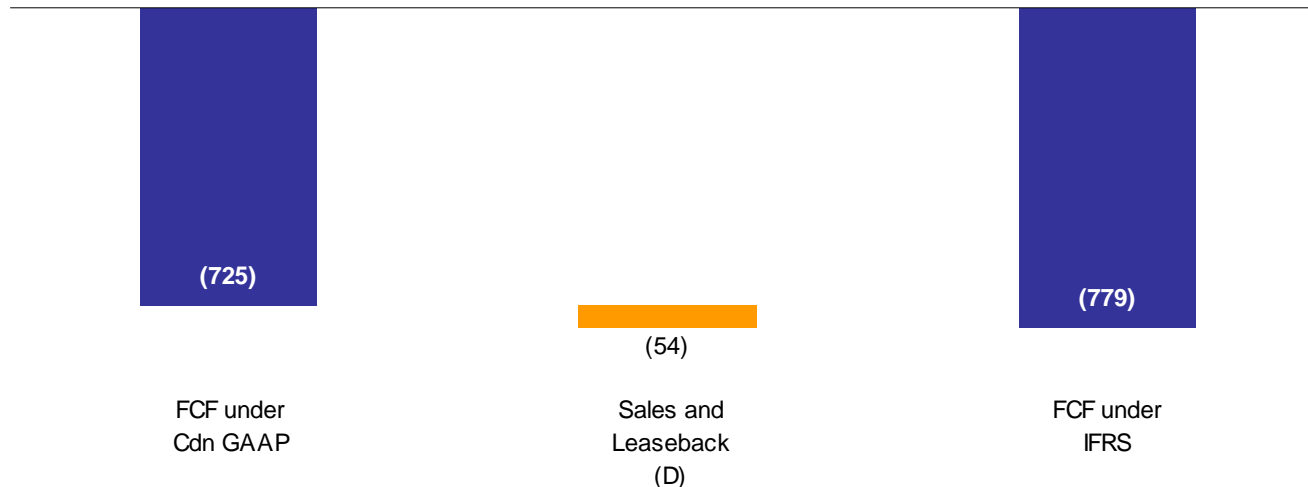
For the six-month period ended July 31, 2010
In millions of U.S. dollars



- Employee benefits is the only key difference on OCI between Cdn GAAP and IFRS, arising from the method we selected to account for actuarial gains and losses.

Impact on H1'F11 FCF

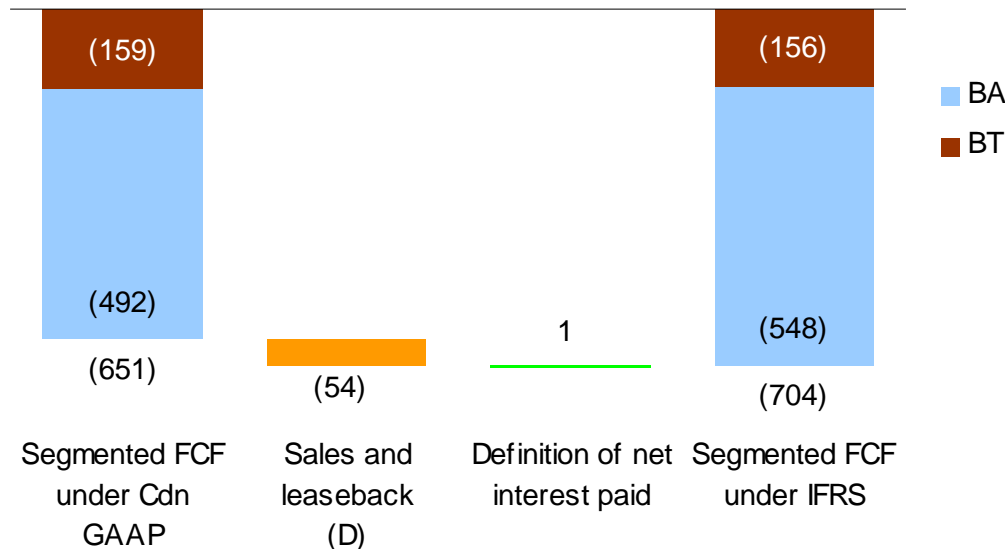
For the six-month period ended July 31, 2010
In millions of U.S. dollars



- The treatment of sale and leaseback as an on-B/S liability creates the only difference in FCF between Cdn GAAP and IFRS.
- Some other changes affect the individual line items on the cash flow statement, but have no impact on the overall FCF.
- Total cash flows also remain the same under Cdn GAAP and IFRS.

Impact on H1'F11 Segmented FCF

For the six-month period ended July 31, 2010
In millions of U.S. dollars

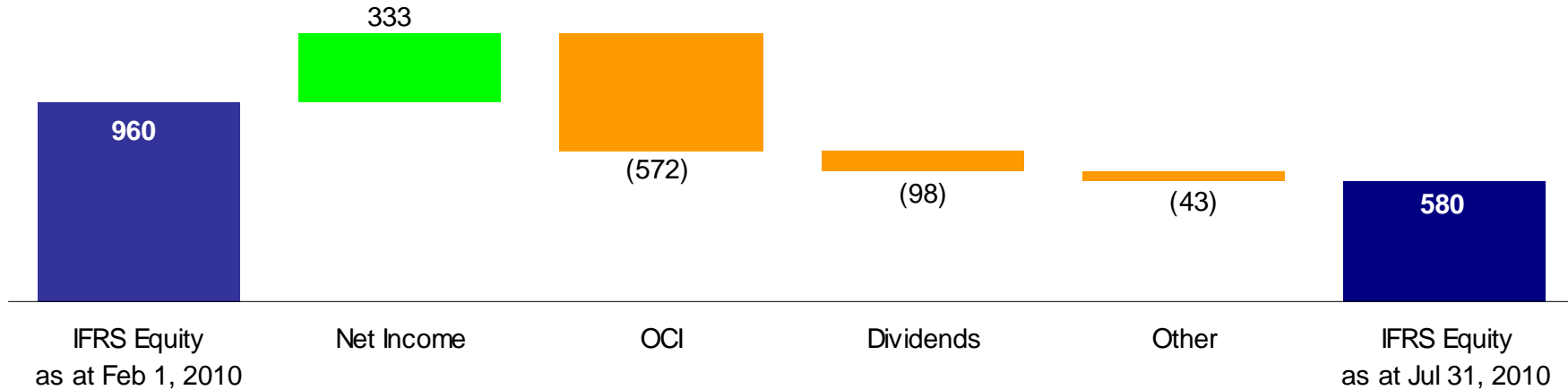


- Segmented FCF correspond to FCF before interests and taxes, as these items are not allocated to the two segments (BA and BT).
- The adjustment for sales and leaseback is the same as for FCF.
- With the numerous accretion expenses recorded under IFRS, we defined net interest paid as the interest on long-term debt and sales and leaseback aircraft facilities less the return on cash and cash equivalents, invested collateral and loans and lease receivables, all after effect of hedges.

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Roll of H1'F11 Equity Under IFRS

For the six-month period ended July 31, 2010
In millions of U.S. dollars



- Net income recorded in H1'F11 was more than offset by the increase in the retirement benefit liability, mainly due to the decrease in discount rates.



Introduction



Detailed Review of the Significant Adjustments



Impact of the Adjustments



Change in Year-end



Conclusion

Proposed Change of Year-end

- Our year-end is currently Jan 31.
 - BT financial data as at Dec 31 are consolidated with a one-month lag.
- IFRS does not require that we change our year-end.
 - Our first quarter under IFRS will be prepared as at Apr 30, 2011, the same as we would have done under Cdn GAAP.
- We believe that changing our year-end to Dec 31 will be beneficial for the Corporation, and we intend to request such a change at our Dec 2011 Board meeting.
 - If this request is approved, the change would be effective in Dec 2011.
- For BA, Q4 would then have only two months and the full year 11 months.
 - BT would still be based on 12-month and 3-month periods, as BT is already consolidated on a calendar year basis.
- Until the change is approved, no change will be made to our current reporting timeline.

Rationale for the Change of Year-end

- This would align the year-end of BA and BT.
- Dec 31 is the year-end of many competitors and the industry in general, so comparability would be improved.
- Our aircraft delivery reports would be aligned with industry reports, which are based on a calendar year.
- Internal processes would be simplified, as all business units would have the same year-end.

Preparation for the Anticipated Change in Year-end

- Systems and processes are currently being reviewed to ensure that such transition can be performed smoothly.
- Necessary filings and legal requirements are currently being assessed.
- As we plan to implement this change during Q4 of next fiscal year, any BA forward looking information, if provided, will be disclosed on an 11-month basis for the period ending as at Dec 31, 2011.
 - BT would still be based on a 12-month period.



Introduction



Detailed Review of the Significant Adjustments



Impact of the Adjustments



Change in Year-end



Conclusion

Conclusion

- We are now in the final phase of our IFRS conversion project, and we feel comfortable that we have properly identified, assessed and quantified all impacts related to the conversion.
 - The information included in this document should therefore represent the overall impact of the transition to IFRS on our operations.
- We believe that we have achieved our objective to ensure our accounting policies reflect best practices and the way we operate our businesses, while simplifying accounting processes.

Overall Review of the Impact

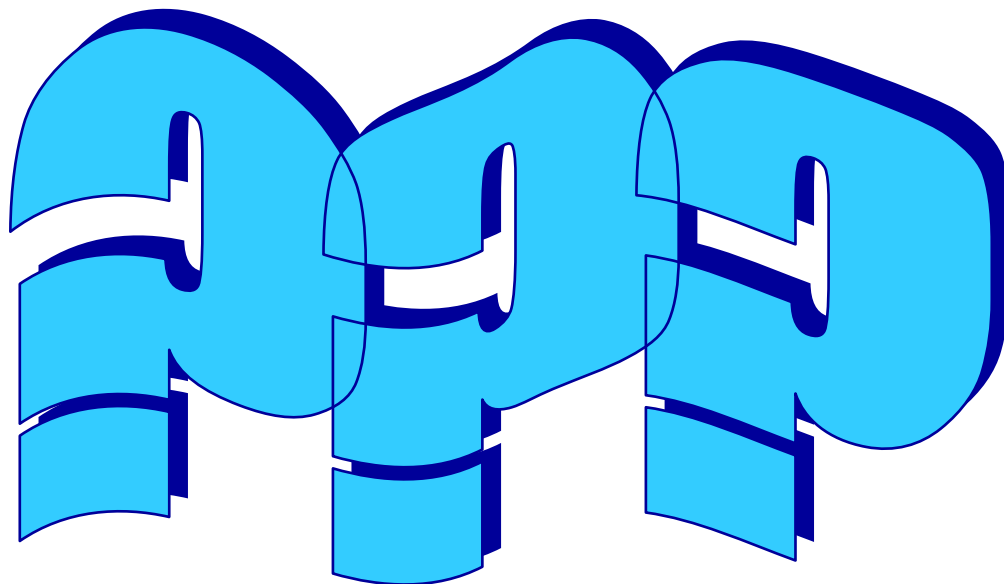
- Overall, the business fundamentals remain the same, with the same expected cash flows and future operational outlook.
 - The lower equity is a direct result of policy choices and accounting requirements, and is not seen as affecting the underlying value of our business.
- However, results of operations will differ from what they would have been under Cdn GAAP.

Other Impacts from the Conversion

- Systems and internal controls have been updated to be ready for the IFRS conversion.
- Our intent is to renew our credit facilities in the upcoming months, and new covenants will be aligned with IFRS.
- Global metrics are being redefined in accordance with IFRS.
- PSU and DSU compensation plans are being adjusted to restate the financial performance thresholds under IFRS.

Other Impacts from the Conversion (cont'd)

- Note disclosure in our F/S has been completely reviewed to ensure compliance with all IFRS requirements.
- All contractual agreements were assessed, and reviewed if needed, to ensure there is no impact from the conversion to IFRS.
- When possible, statutory F/S will no longer be produced under local GAAP and will instead be produced under IFRS, to minimize costs.
 - Some legal or tax requirements may nonetheless prohibit such change of GAAP, so this will be performed only to the extent possible.
- Selected training has been provided to all relevant employees across the organization.
 - Ongoing training is provided to ensure knowledge remains at a proper level.



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Bombardier's Transition to IFRS

January 19, 2011

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Pierre Alary
Senior VP and CFO

Jean Paré
VP, Financial Reporting

Eric Bouchard
Director, Financial Reporting

