LISTING MEMORANDUM

CIRCULATION IN THE UNITED STATES IS RESTRICTED

BOMBARDIER

€780,000,000 6⅛% Senior Notes due 2021

Bombardier Inc. ("*Bombardier*") is offering €780,000,000 aggregate principal amount of its 6⅛% Senior Notes due 2021 (the "*notes*"). The notes will mature on May 15, 2021. The notes will bear interest at the rate of 6⅛% per year. Bombardier will pay interest on the notes on May 15 and November 15 of each year, beginning on May 15, 2011. Bombardier may redeem some or all of the notes at any time or from time to time by paying a "make-whole" premium, plus accrued and unpaid interest, if any. See "Description of the Notes—Optional Redemption." Bombardier may also redeem the notes at 100% of their principal amount plus accrued and unpaid interest, if any, if at any time Bombardier becomes obligated to pay withholding tax on the notes as a result of a change in law. See "Description of the Notes—Redemption for Changes in Withholding Taxes." If Bombardier experiences one of certain change of control events, Bombardier will be required to make an offer to purchase the notes at a purchase price of 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. See "Description of the Notes—Purchase of Notes upon a Change of Control."

The notes will be direct, senior unsecured obligations of Bombardier and will rank equally in right of payment ("*pari passu*") with all of Bombardier's other unsecured and unsubordinated indebtedness and other obligations of Bombardier. The notes will be effectively subordinated to all of Bombardier's present and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes are not obligations of any of Bombardier's subsidiaries and will be structurally subordinated to the indebtedness of Bombardier's subsidiaries.

Bombardier has applied to have the notes approved for listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange (the "*Euro MTF Market*"). The Euro MTF Market is not a regulated market for purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). This listing memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

Investing in the notes involves risks. See "Risk Factors" beginning on page 22 of this listing memorandum.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "*Securities Act*"), or any state securities laws and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any state securities law. Accordingly, the notes are being offered and sold only (a) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A and (b) outside the United States to non-U.S. persons in offshore transactions in compliance with Regulation S ("*Regulation S*") under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Each purchaser of the notes offered hereby in making its purchase will be deemed to have made certain acknowledgements, representations, warranties and agreements with respect to its purchase of the notes as described herein. The notes have not been and will not be qualified for sale to the public under applicable securities laws in Canada and, accordingly, any offer and sale of the notes in Canada will be made on a basis which is exempt from the prospectus requirements of such securities laws. The notes are subject to transfer and selling restrictions in certain countries, including the United States and Canada. You should read the restrictions described under "Notice to Investors."

Offering Price: 99.0422% plus accrued interest, if any, from the issue date.

Bombardier expects that the delivery of the notes will be made on November 2, 2010

Joint Lead and Joint Book-Running Managers

Deutsche Bank

BNP PARIBAS

Crédit Agricole CIB

J.P. Morgan

UBS Investment Bank

Co-Managers

BayernLB **Citi** **COMMERZBANK** **Natixis**

National Bank of Canada Financial Markets **RBC Capital Markets**

The Royal Bank of Scotland **Société Générale Corporate & Investment Banking**

Banca IMI **Banco Bilbao Vizcaya Argentaria, S.A.** **CIBC** **Handelsbanken Capital Markets**

The date of this listing memorandum is November 2, 2010.

IMPORTANT INFORMATION ABOUT THIS LISTING MEMORANDUM

Bombardier has prepared this listing memorandum solely for the listing of the notes on the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. This listing memorandum may only be used for the purpose for which it has been published.

In this listing memorandum, unless otherwise specified or the context otherwise requires, the terms "we," "our," "us" and the "Bombardier Group" refer to Bombardier Inc., a company incorporated under the laws of Canada, and its consolidated subsidiaries, collectively, and the term "Bombardier" refers only to Bombardier Inc. The term "BA" refers to Bombardier's aerospace segment and the term "BT" refers to Bombardier's transportation segment.

Bombardier, Bombardier 415, Bombardier 415 MP, Challenger, Challenger 300, Challenger 600, 601-1A, 601-3A, 601-3R and 604, Challenger 605, Challenger 800, Challenger 850, 870 and 890, CITYFLO, CL-215, CL-215T, CRJ, CRJ200, CRJ700, CRJ705, CRJ900, CRJ1000, CS100, CS300, CSeries, EBI, ECO4, EnerGplan, FLEXITY, Flexjet, FLEXX, Global, Global 5000, Global 7000, Global 8000, Global Express, Global Vision, INTERFLO, Learjet, Learjet 40, Learjet 45, Learjet 60, Learjet 85, MITRAC, MOVIA, NextGen, ORBITA, PRIMOVE, Q200, Q300, Q400, Q-Series, REGINA, SEKURFLO, Skyjet, SPACIUM, TALENT, TRAXX, TURBOSTAR, XR, XRS and ZEFIRO are trademarks and/or tradenames belonging to Bombardier or its subsidiaries. This listing memorandum contains references to trademarks of third parties for the purpose of describing Bombardier's competitive environment and the development of its businesses.

This listing memorandum has been prepared solely in connection with an offering in compliance with an exemption under the Securities Act for the benefit of prospective investors interested in the notes and qualified to purchase the notes in transactions exempt from registration under, or not otherwise subject to, the Securities Act. This listing memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the notes. Distribution of this listing memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents without our prior written consent is prohibited. Each offeree, by accepting delivery of this listing memorandum, agrees to the foregoing and to make no copies of (and not to transmit electronically) this listing memorandum or any documents referred to herein. This listing memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful or where the person making the offer or request is not qualified to do so, or to any person who cannot legally be offered or sold the notes.

In making your investment decision, you should rely only on the information contained in this listing memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with different information. If you receive any other information, you should not rely on it. The information in this listing memorandum is current only as of the date on the cover page, and may change after that date. For any time after the cover date of this listing memorandum, we do not represent that our affairs are the same as described or that the information in this listing memorandum is correct, nor do we imply those things by delivering this listing memorandum or selling securities to you.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this listing memorandum. Nothing contained in this listing memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. We have furnished the information contained in this listing memorandum. The initial purchasers assume no responsibility for the accuracy or completeness of any such information.

Neither the United States Securities and Exchange Commission (the "*SEC*"), nor any state securities commission nor any other United States or other regulatory authority has approved or disapproved the notes, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering described herein or the accuracy or adequacy of this listing memorandum. Any representation to the contrary is unlawful and may be a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of Bombardier and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this listing memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations. You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this listing memorandum.

The notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States. The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the indenture covering the notes, and except as permitted under the Securities Act and applicable state securities laws pursuant to registration or an available exemption from registration. As a prospective investor, you should be aware that you may be required to bear the financial risks of an investment in the notes for an indefinite period of time. By purchasing any notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements provided in the section of this listing memorandum titled "Notice to Investors." For a description of certain further restrictions on resale or transfer of the notes, see "Notice to Investors." Please also refer to the section in this listing memorandum entitled "Plan of Distribution."

Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.

The offering is being made on a private placement or exempt distribution basis in one or more provinces of Canada through the initial purchasers or their affiliates who are permitted under applicable Canadian securities laws or available exemptions therefrom to offer and sell the notes in such provinces. The notes have not been and will not be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the notes in Canada will be made on a basis which is exempt from the prospectus and dealer registration requirements of such securities laws. Any resale of such notes must be made in accordance with an exemption from the registration and prospectus requirements of applicable securities laws, which vary depending on the province. Purchasers of the notes are advised to seek legal advice prior to any resale of the notes. Please also refer to the section in this listing memorandum entitled "Notice to Investors—Canada."

This listing memorandum constitutes an offering of the notes only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell the notes. This listing memorandum is not, and should not under any circumstances be construed as, an advertisement or a public offering of the notes in Canada. No securities commission or similar securities regulatory authority in Canada has reviewed or in any way passed upon this listing memorandum or the merits of the notes and any representation to the contrary is an offence under applicable Canadian securities laws.

The offering of the notes is being made exclusively through this listing memorandum and not through any advertisement of the notes in any printed media of general and regular paid circulation, radio or television, electronic media or any other form of advertising. No person has been authorized to give any information or to make any representation other than those contained in this listing memorandum and any decision to purchase notes should be made solely based on the information contained in this listing memorandum.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative, or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this listing memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in U.S. Treasury Regulation section 1.6011-4). This authorization of tax disclosure is effective as of the commencement of discussions with prospective investors regarding the transactions contemplated herein.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) notes are legal investments for it, (ii) notes can be used as collateral for various types of borrowings and (iii) other restrictions apply to its purchase or pledge of any notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of notes under any applicable risk-based capital or similar rules.

We reserve the right to withdraw this offering of the notes at any time before closing and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective purchaser less than the full amount of notes sought by such purchaser. The initial purchasers and certain related entities may acquire for their own account a portion of the notes. See also the section in this listing memorandum entitled "Plan of Distribution."

You must comply with all applicable laws and regulations in force in any applicable jurisdiction, and you must obtain any consent, approval or permission required for the purchase, offer or sale by you of the notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

We expect that delivery of the notes will be made against payment therefor on or about November 2, 2010, which will be the seventh business day in the United Kingdom (eighth business day in the United States) following the date of pricing of the notes (such settlement cycle being herein referred to as "*T+7*"). Under Rule 15c6-1 under the United States Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), trades in the secondary market generally are required to settle in three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next three succeeding business days should, by virtue of the fact that the notes initially will settle T+7, specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to trade notes on the date of pricing or the next three succeeding business days should consult their own advisor.

This listing memorandum contains summaries believed to be accurate with respect to the indenture covering the notes and other documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by this reference. Copies of documents referred to in this listing memorandum will be made available to prospective investors upon request to us or the initial purchasers.

In connection with the offering, Deutsche Bank AG, London Branch, (the "*Stabilising Manager*") (or persons acting on behalf of the Stabilising Manager) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising

Manager (or persons acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes.

NOTICE TO UNITED STATES INVESTORS

The notes have not been and will not be registered under the Securities Act and the notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the Securities Act. Each initial purchaser has agreed that it will offer and sell notes only (i) to qualified institutional buyers in reliance on Rule 144A under the Securities Act or (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the notes are registered under the Securities Act or an exemption from the registration requirements thereof is available. Terms used above have the meanings given to them by Regulation S or Rule 144A, as applicable.

The notes shall not be offered, sold or delivered (i) as part of the initial purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and each dealer to which notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. See "Notice to Investors."

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This listing memorandum has been prepared on the basis that all offers of notes will be made pursuant to an exemption under the Prospectus Directive (Directive 2003/71/EC), as implemented in Member States of the European Economic Area ("*EEA*"), from the requirement to produce a prospectus for offers of securities. Accordingly any person making or intending to make any offer within the EEA of notes which are the subject of the placement contemplated in this listing memorandum should only do so in circumstances in which no obligation arises for Bombardier or any of the initial purchasers to produce a prospectus for such offer. Neither Bombardier nor the initial purchasers have authorised, nor do they authorise, the making of any offer of notes through any financial intermediary, other than offers made by initial purchasers which constitute the final placement of notes contemplated in this listing memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "*Relevant Member State*"), each initial purchaser has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of notes to the public in that Relevant Member State, except that it may make an offer of notes in the Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall result in a requirement for the publication by us or any manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe to the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This listing memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "*Financial Promotion Order*"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This listing memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this listing memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO INVESTORS IN FRANCE

In France, neither this listing memorandum nor any other offering material relating to the notes has been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and has therefore not been submitted to the clearance procedures of the French *Autorité des marchés financiers* or of the competent authority of another Relevant Member State and notified to the *Autorité des marchés financiers*. Neither this listing memorandum nor any other offering material may be distributed to the public in France.

The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this listing memorandum nor any other offering material relating to the notes has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France or used in connection with any offer to the public in France. Such offers, sales and distributions in France will be made only to (i) investment services providers authorized to engage in portfolio management on behalf of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with Articles L.411-1, L.411-2, D.411-1 to D.411-3, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*. No direct or indirect offer, sale or distribution of any notes so acquired shall be made to the public in France other than in compliance with applicable laws and regulations pertaining to a public offering (and in particular Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier*).

NOTICE TO INVESTORS IN GERMANY

The notes may not be offered and sold to the public, except in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or any other laws applicable in Germany governing the issue, offering and sale of securities. This listing memorandum has not been and will not be submitted to, nor has it been and will not be approved by, the *Bundesanstalt für Finanzdienstleistungsaufsicht*, the German Financial Services Supervisory Authority. The notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this listing memorandum and any other document relating to the notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of notes to the public in Germany. Consequently, in Germany, the notes will only be available to, and this listing memorandum and any other offering material in relation to the notes are directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act. This listing memorandum and other offering materials relating to the offer of notes are strictly confidential and may not be distributed to any person or entity other than the recipients hereof.

NOTICE TO INVESTORS IN THE GRAND DUCHY OF LUXEMBOURG

The terms and conditions relating to this listing memorandum have not been approved by and will not be submitted for approval to the Luxembourg financial supervisory authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg ("*Luxembourg*"). Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this listing memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg, except for the sole purpose of the admission to trading of the notes on the Luxembourg Stock Exchange's Euro MTF Market and listing on the official list of the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg law of July 10, 2005 on prospectuses for securities.

NOTICE TO INVESTORS IN ITALY

This offering of the notes has not been registered pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor may copies of this listing memorandum or of any other document relating to the notes be distributed in Italy, except:

(i) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "*Financial Services Act*") and as defined in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* ("*CONSOB*") Regulation No. 11971 of May 14, 1999, as amended from time to time ("*Regulation No. 11971*"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of this listing memorandum or any other document relating to the notes in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 385 (the "*Banking Act*"), the Financial Services Act of September 1, 1933, as amended, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and any other applicable law and regulations;

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

NOTICE TO INVESTORS IN SPAIN

This offering has not been registered with the *Comisión Nacional del Mercado de Valores* and therefore the notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act ("*Ley 24/1988, de 28 de Julio del Mercado de Valores*") as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*").

NOTICE TO INVESTORS IN SWITZERLAND

This document, as well as any other material relating to the notes which are the subject of the offering contemplated by this listing memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The notes will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the notes, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The notes are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document, as well as any other material relating to the notes, is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

NOTICE TO INVESTORS IN THE KINGDOM OF BELGIUM

The notes may not be sold or offered, directly or indirectly, to the public in the Kingdom of Belgium ("*Belgium*"). Neither this listing memorandum nor any other materials or communications relating to this listing memorandum or to the notes may be advertised, distributed or otherwise made available in Belgium to persons other than (i) qualified investors as defined in Article 10 of the Belgian Law of June 16, 2006 on the public offering of investment instruments and (ii) qualified investors registered in accordance with the Belgian Royal Decree of September 26, 2006. This listing memorandum has not been, and will not be, notified or submitted for approval or recognition to the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire, Financiere et des Assurances / Commissie voor het Bank-, Financie- en Assurantiewezen*).

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in Canada, or Canadian GAAP, which differ in certain respects from generally accepted accounting principles in certain other countries, and our auditors are subject to Canadian auditing and auditor independence standards. We prepare our financial statements in U.S. dollars. In this listing memorandum, references to United States dollars, US$ or $ are to the currency of the United States unless otherwise indicated.

The financial information included or incorporated by reference in this listing memorandum is not intended to, and does not, comply with all of the reporting requirements of the SEC. Compliance with such requirements would require the presentation of financial information under U.S. GAAP, the modification or exclusion of certain financial measures, and the presentation of certain other information not included or incorporated by reference herein or the exclusion of certain information included or incorporated by reference herein. In addition, the financial information included or incorporated by reference in this listing memorandum is not intended to comply with all of the reporting and disclosure requirements that would be applicable to a Canadian reporting issuer.

Effective February 1, 2011, we will begin preparing our consolidated financial statements in accordance with International Financial Reporting Standards *("IFRS")*. For a summary of the key expected changes resulting therefrom, see the "IFRS Conversion" section in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Overview," elsewhere in this listing memorandum.

USE OF NON-GAAP FINANCIAL MEASURES

Our "Management's Discussion and Analysis" (or "*MD&A*") for the fiscal year ended January 31, 2010 and our MD&A for the three- and six- month periods ended July 31, 2010, which we filed with the Canadian securities regulatory authorities on April 1, 2010 and September 1, 2010, respectively, and which are included in, and constitute an integral part of, this listing memorandum, are based on our reported earnings in accordance with Canadian GAAP and on the following supplemental financial measures that are not required by or recognized under Canadian GAAP (in certain cases, such measures are provided on both a consolidated basis and a segmented basis): EBITDA (which we define, as reconciled to EBIT (earnings before financing income, financing expense and income taxes) under Canadian GAAP, as earnings before financing income, financing expense, income taxes and depreciation and amortization); Free cash flow (which we define, as reconciled to cash flows from operating activities under Canadian GAAP, as cash flows from operating activities less net additions to property, plant and equipment and intangible assets); Adjusted debt (which we define, as reconciled to long term debt under Canadian GAAP, as long term debt plus total pension deficit (including the off-balance sheet portion) and net present value of operating lease obligations); Adjusted EBIT (which we define, as reconciled to EBIT under Canadian GAAP, as EBIT plus adjustment for operating leases and pension deficit); Adjusted EBITDA (which we define, as reconciled to EBIT under Canadian GAAP, as earnings before financing income, financing expense, income taxes and depreciation and amortization plus amortization adjustment for operating leases and adjustment for operating leases and pension deficit); Adjusted net interest (which we define, as reconciled to net financing income and financing expense under Canadian GAAP, as financing income and financing expense plus adjustment for operating leases and pension deficit); and Adjusted total capitalization (which we define, as reconciled to shareholders' equity under Canadian GAAP, as long term debt plus total pension deficit (including the off-balance sheet portion) and net present value of operating lease obligations plus shareholders' equity less amounts in accumulated Other Comprehensive Income ("*AOCI*") relating to cash flow hedges). This listing memorandum also contains the supplemental financial measures EBITDA before special items, which we define, as reconciled to EBIT under Canadian GAAP, as earnings before financing income, financing expense, income taxes and depreciation and amortization plus special items and EBIT before special items, which we define, as reconciled to EBIT under Canadian GAAP, as earnings before financing income, financing expense and income taxes plus special items.

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 them differently. These measures are not intended to be measures that should be regarded as an alternative to other financial reporting measures, and none should be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. In respect of each such measure, we provide a reconciliation to the most comparable financial measure under Canadian GAAP in our "Management's Discussion and Analysis" for the three- and six- month periods ended July 31, 2010 and for the fiscal year ended January 31, 2010, each of which is included in, and constitutes an integral part of, this listing memorandum. In addition, we have calculated the different items of the statements of income for the twelve-month period ended July 31, 2010 by taking the respective items of the statements of income for the six-month period ended July 31, 2010 and adding the corresponding items of the statements of income for the six-month period ended January 31, 2010.

INDUSTRY AND MARKET DATA

Market data and certain industry statistics used throughout this listing memorandum were obtained from internal surveys, market research, publicly available information and industry publications. External industry sources and publications generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys and industry and market data, while believed to be reliable, have not been independently verified, and neither we nor any of the initial purchasers make any representation as to the accuracy or completeness of such information. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the "Risk Factors" section elsewhere in this listing memorandum.

EXCHANGE RATE DATA

We prepare our financial statements in U.S. dollars. The following table sets forth, for the periods and dates indicated, the average, high, low and end of period noon exchange rates published by the Bank of Canada. Such rates are set forth as U.S. dollars per €1.00. On October 29, 2010 this exchange rate was €1.00=$1.3894. The exchange rates provided below are provided solely for convenience. Our inclusion of these exchange rates is not meant to suggest that the U.S. amounts actually represent such Euro amounts or that such amounts could have been converted into Euros at the rates shown or at any other rate. You should note that the rates set forth below may differ from the actual rates used in our accounting processes and in the preparation of our consolidated financial statements.

	Average(1)	High	Low	Period End
	(U.S. dollars per €1.00)			
Fiscal Year Ended				
January 31, 2011 (through October 29, 2010)	1.3118	1.4065	1.1957	1.3894
January 31, 2010	1.4017	1.5099	1.2547	1.3870
January 31, 2009	1.4590	1.6010	1.2446	1.2803
January 31, 2008	1.3852	1.4876	1.2932	1.4840
Month				
October 2010 (through October 29, 2010)	—	1.4065	1.3687	1.3894
September 2010	—	1.3636	1.2708	1.3601
August 2010	—	1.3281	1.2653	1.2703
July 2010	—	1.3068	1.2531	1.3068
June 2010	—	1.2385	1.1957	1.2290
May 2010	—	1.3182	1.2224	1.2276

(1) The average of the exchange rates of each business day of each month during the applicable period.

TAX CONSIDERATIONS

Prospective purchasers of the notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the notes, including, without limitation, the application of Canadian federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction and the consequences of purchasing the notes at a price other than the initial issue price in the offering. See "Tax Considerations."

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of Canada. Substantially all of our directors, controlling persons and officers, as well as certain of the experts named in this listing memorandum, are residents of Canada, and all or a substantial portion of their assets and substantially all of our assets are located outside the United States. We will agree, in accordance with the terms of the indenture under which the notes will be issued, to accept service of process in any suit, action or proceeding with respect to the indenture or the notes brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may be difficult for holders of the notes to effect service within the United States upon directors, officers and experts who are not residents of the United States or to realize in the United States upon judgments of courts of the United States predicated upon civil liability under U.S. federal or state securities laws or other laws of the United States. We have been advised by Ogilvy Renault LLP, our legal counsel, that there is doubt as to the enforceability in Canada against us or against our directors, officers and experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of courts of the United States, of liabilities predicated solely upon U.S. federal or state securities laws.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This listing memorandum contains 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 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 contained in this listing memorandum, refer to the respective forward-looking statements sections in Bombardier Aerospace and Bombardier Transportation in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010," included elsewhere in this listing memorandum.

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 airline industry's financial condition), operational risks (such as risks involved in developing new products and services, risks in doing business with partners, risks relating to product performance warranty and casualty claim losses, to regulatory and legal proceedings, to environmental and health and safety, to our dependence on certain customers and suppliers, to human resources, to fixed-price commitments and to production and project execution), financing risks (such as risks relating to liquidity and access to capital markets, to the terms of certain restrictive debt covenants, to financing support provided on behalf of certain customers and to reliance on government support) and market risks (such as risks relating to foreign currency fluctuations, to changing interest rates and commodity prices risks). See "Risk Factors."

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. These and other factors could cause actual results to differ materially from our expectations expressed in the forward-looking statements included or incorporated by reference in this listing memorandum, and further details and descriptions of these and other factors are disclosed in this listing memorandum, including under the section "Risk Factors." The forward-looking statements set forth herein reflect our expectations as at the date of this listing memorandum and are subject to change after such date. Unless otherwise required by applicable securities laws, Bombardier 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.

ABOUT THIS LISTING MEMORANDUM

We are a reporting issuer in Canada, and, as such we are subject to continuous disclosure and other obligations applicable to Canadian reporting issuers under applicable Canadian provincial securities laws. We file annual reports, management's discussion and analyses, management information circulars and other information with the various securities commissions or other securities regulatory authorities in the provinces of Canada (the "*CSA*"), including the *Autorité des marchés financiers* in Quebec. The filings that we make with the CSA may be retrieved, accessed and printed, free of charge, through the *System for Electronic Document Analysis and Retrieval* ("*SEDAR*"), the internet website maintained on behalf of the CSA. The URL of that website is http://www.sedar.com. We also make this and other information available on our corporate website at http://www.bombardier.com. The information found on our corporate website and the information that we file on SEDAR does not, except as specifically set forth below, form part of this listing memorandum and is not incorporated by reference herein.

The following documents, filed by us with the CSA, are included elsewhere in this listing memorandum and constitute an integral part of this listing memorandum:

(1) the Annual Information Form of Bombardier dated April 1, 2010 filed by Bombardier on April 1, 2010, which is included in this listing memorandum as Appendix A;

(2) the audited comparative consolidated financial statements of Bombardier, including the notes thereto and the "Management's Discussion and Analysis" for the corresponding periods, as at and for the fiscal year ended January 31, 2010 and the report of the auditors thereon, filed by Bombardier on April 1, 2010; and

(3) the unaudited interim consolidated financial statements of Bombardier, including the notes thereto and the "Management's Discussion and Analysis" for the corresponding period as at and for the six-month period ended July 31, 2010, filed by Bombardier on September 1, 2010.

In addition, the following documents filed by us with the CSA are incorporated by reference in this listing memorandum and constitute an integral part of this listing memorandum:

(1) the audited comparative consolidated financial statements of Bombardier, including the notes thereto, as at and for the fiscal year ended January 31, 2009 and the report of the auditors thereon, filed by Bombardier on April 2, 2009; and

(2) the Management Information Circular of Bombardier dated April 16, 2010 with respect to the annual meeting of shareholders of Bombardier held on June 2, 2010.

The Indenture (as defined in "Description of the Notes") is also incorporated by reference.

All documents of the type referred to above, as well as material change reports (other than confidential material change reports), filed by Bombardier with the securities commissions or other securities regulatory authorities in the provinces of Canada after the date of this listing memorandum and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference into this listing memorandum. Any statement contained in a document included or incorporated by reference herein shall be deemed to be modified or superseded for purposes of this listing memorandum to the extent that a statement contained herein (otherwise than in such document) modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modified or superseded. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this listing memorandum.

Bombardier and the initial purchasers do not endorse or accept any responsibility for the content on, or the use of, SEDAR. Reference is made to SEDAR for informational purposes only, and is not intended for trading or investment purposes. Bombardier and the initial purchasers do not guarantee the sequence, accuracy or completeness of any information or data displayed through SEDAR, nor shall they be liable in any way to any offeree or to any other person, firm or corporation whatsoever for any delays, inaccuracies, errors in, or omission of any such information or data or the transmission thereof, or for any action taken in reliance thereon, or for any damages arising therefrom or occasioned thereby or by reason of nonperformance or interruption, or termination, of the information or data for any cause whatsoever.

We are exempt from the reporting obligations of Sections 13 and 15(d) of the Exchange Act, pursuant to Rule 12g3-2(b) thereunder.

SUMMARY

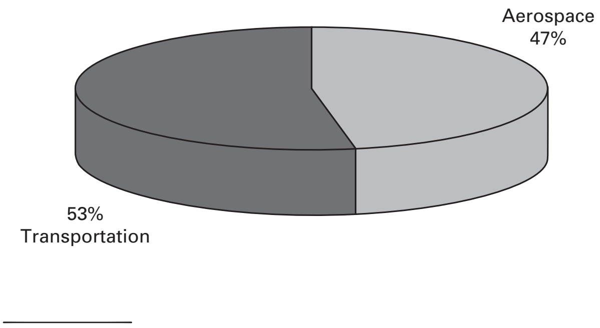
The following summary highlights selected information included or incorporated by reference elsewhere in this listing memorandum to help you understand us and the notes. This summary does not contain all of the information that you should consider before investing in these notes. Before investing in the notes, you should read this entire listing memorandum carefully, including the documents included in or otherwise incorporated by reference and forming part of this listing memorandum including our "Management's Discussion and Analysis of Financial Condition and Results of Operations—Six-month period ended July 31, 2010" beginning at page 38; our "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010" beginning at page 69; and our Annual Information Form describing our businesses included as Appendix A. See "About This Listing Memorandum."

Our Company

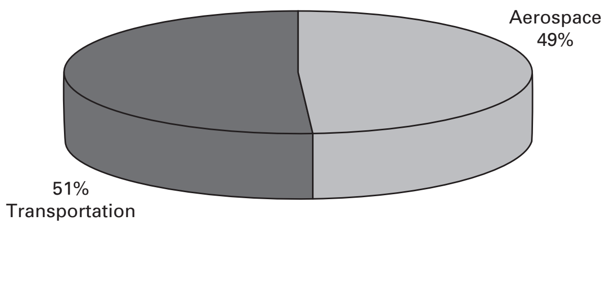
We are a world-leading manufacturer of innovative transportation solutions, from commercial aircraft and business jets to rail transportation equipment, systems and services. Our three families of business jets, combined, represent the most comprehensive offering of all business aircraft manufacturers. We also offer the broadest portfolio of products and services in the rail industry. Our product portfolio positions us as number one in most of our markets. As of January 31, 2010, we had a total of 64,050[1] employees, 68 production and engineering sites in 23 countries, and a worldwide network of service centres. We have customers in over 100 countries. For the twelve-month period ended July 31, 2010, we generated revenues of $18.3 billion and EBITDA of $1,467 million. Our revenues for the twelve-month period ended July 31, 2010 have grown by 23% compared to fiscal year 2007. As of July 31, 2010, we had a backlog of $47.4 billion.

Bombardier operates in two reportable segments: Aerospace ("*BA*") and Transportation ("*BT*"). BA is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, commercial, amphibious and specialized aircraft markets. BA has a legacy of innovation in the aviation industry. We entered the aerospace segment in 1986 and have launched 25 aircraft programs since 1989, making us a leader in civil aircraft development. As of January 31, 2010, BA had 10 manufacturing and engineering sites and an international service and support network, with a presence in 22 countries. BA had a workforce of 28,900 employees as of January 31, 2010. BT is a global leader in the design and manufacture of rail equipment and systems and a provider of related services. As of January 31, 2010, BT had 58 production and engineering sites in 23 countries, and operated over 40 service centres at customers' premises across the world. As of January 31, 2010, BT had customers in more than 60 countries, and its 34,950[1] employees were employed in 36 countries.

Breakdown by Revenues
(for the 12-month period ended July 31, 2010)
$18.3 billion



Breakdown by EBITDA
(for the 12-month period ended July 31, 2010)
$1,467 million



[1] Restated to include inactive employees.

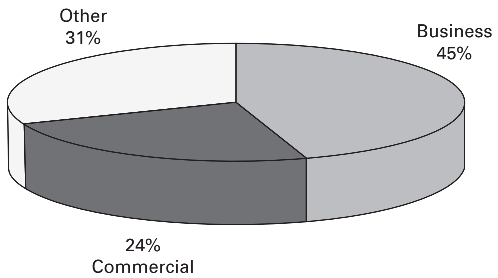
Our Businesses

Aerospace

BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets and amphibious and specialized aircraft. BA also offers after-market services, including parts requirements, maintenance services and pilot training, as well as fractional ownership and flight entitlement programs.

During the twelve-month period ended July 31, 2010, BA generated revenues of $8.6 billion and EBITDA of $718 million. BA had a backlog of $17.1 billion as of July 31, 2010.

Breakdown of Total BA Revenues
(for the 12-month period ended July 31, 2010)
$8.6 billion



BA's customers are located in over 100 countries and are primarily civil owner operators or aviation service providers. They consist primarily of corporations and high net worth individuals for business aircraft, and airlines and leasing companies for commercial aircraft. *Flexjet* also serves the private jet travel needs of corporations and high net worth individuals in the United States without the requirement for them to purchase and manage an entire aircraft. The United States and European markets represented 39% and 32% of BA's total revenues, respectively, for fiscal year 2010.

Aircraft are produced by manufacturing facilities located in Canada (Québec and Ontario), the United States (Kansas), the United Kingdom (Northern Ireland) and Mexico (Querétaro). Operations conducted in those facilities vary from manufacture or assembly of aircraft components and parts, to final aircraft assembly, interior finishing, painting and pre-flight activities.

The raw materials and the various components and systems required to manufacture the aircraft are procured around the world and this procurement varies from product to product. Most such materials, components and systems are provided by suppliers with which BA generally has long-term contracts, as BA seeks long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support customers with related services. BA is continuously assessing and streamlining its supplier base to ensure an efficient global supply chain and sustainable procurement processes. Within its supply chain, BA has built relationships with suppliers present in over 40 countries.

BA Products and Services Offering

Business Aircraft

Light business jets

- Learjet 40 XR
- Learjet 45 XR
- Learjet 60 XR
- Learjet 85[1]

Medium business jets

- Challenger 300
- Challenger 605
- Challenger 800 Series

Large business jets

- Global 5000
- Global Express XRS
- Global 7000[1]
- Global 8000[1]

Commercial Aircraft

40- to 100- seat regional jets

- CRJ200[2]
- CRJ700/CRJ705 NextGen
- CRJ900 NextGen
- CRJ1000 NextGen[1]

60- to 90-seat turboprops

- Q400 NextGen

100- to 149-seat commercial jets

- CS100[1]
- CS300[1]

Other

Amphibious and Specialized Aircraft

- Bombardier 415
- Bombardier 415 MP

Aircraft Services

Customer Services

- Parts logistics
- Aircraft maintenance
- Training solutions
- Tailored per hour parts and services solutions
- Customer support

Flexjet Program in the United States

- Fractional ownership
- Jet card programs
- Whole aircraft ownership and management
- Charter brokerage services

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(1) Currently in development.
(2) Not currently in production.

Business Aircraft. BA markets, sells and provides customer support for its three families of business jets. The *Global* family (Large business jets category) includes the *Global 5000* aircraft, the *Global Express XRS* aircraft and the *Global 7000* and *Global 8000* aircraft, which are currently in development. The *Challenger* family (Medium business jets category) includes the *Challenger 300, Challenger 605* and the *Challenger 800* Series. The *Learjet* family (Light business jets category) includes the *Learjet 40 XR* aircraft, the *Learjet 45 XR* aircraft, the *Learjet 60 XR* aircraft, as well as the *Learjet 85* aircraft, which is currently in development. Business aircraft manufacturing revenues contributed to 45% of BA's revenue in the twelve-month period ended July 31, 2010.

The General Aviation Manufacturers Association ("*GAMA*"), in its report dated February 16, 2010, confirmed that BA was the leader in terms of revenues in the business aircraft market categories in which it competes for a sixth consecutive year, with a market share of 32%. Moreover, according to the same report, during the calendar year 2009, BA became the leader in unit deliveries with a market share of 30%[2]. According to the latest GAMA report dated August 4, 2010, BA continued to be the business aircraft industry leader in terms of revenues and units delivered in the business aircraft categories in which it competes for the first six months of calendar year 2010.

Commercial Aircraft. BA markets and sells the *CRJ* family of regional jets, the *Q400* turboprop and the *CSeries* aircraft family and also provides maintenance and modification services to its customers. According to publicly available competitor reports, for calendar year 2009, based on deliveries in the commercial aircraft market, BA had a 37%[2] market share for regional jets of 40 to 100 seats and 54%[2] for turboprops of 20 to 99 seats.

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[2] Assessment of market share in the aircraft industry is based on delivery data for the calendar year and thus does not correspond with the number of aircraft deliveries recorded during our fiscal year ended January 31.

Commercial aircraft manufacturing revenues contributed to 24% of BA's revenues in the twelve-month period ended July 31, 2010.

The *CRJ* family consists of the *CRJ200* aircraft (currently not in production), the *CRJ700 NextGen* aircraft, the *CRJ900 NextGen* aircraft and the *CRJ1000 NextGen* aircraft (currently in development) launched in February 2007, designed specifically to meet the growing passenger needs of regional airlines for jets up to 100 seats. The first production aircraft of the *CRJ1000 NextGen* has completed its first flight. As of July 31, 2010, the *CRJ1000 NextGen* has completed approximately 95% of the total flight test program, and is expected to enter into service in the second half of calendar year 2010.

The *Q400 NextGen* turboprop airliner is the next step in the continuing evolution of the *Q400* aircraft. It entered into service in May 2009. BA has discontinued the production of the *Q200* and the *Q300*. BA will continue to support all 105 *Q200* and 267 *Q300* aircraft delivered as of January 31, 2010.

The *CSeries* family of commercial aircraft consists of the *CS100* aircraft and the *CS300* aircraft, and is set to redefine the 100- to 149-seat category with operational flexibility, cost effectiveness and passenger comfort. The *CSeries* aircraft design incorporates the latest technologies: new, largely composite and advanced aluminium alloys structure; latest systems include fly-by-wire combined with fourth-generation aerodynamics; and PurePower™ PW1000G[3] engines, which allow reduced fuel burn, noise and emissions. The *CSeries* family of aircraft is designed to provide transcontinental range and superior field performance, and up to 15% lower cash operating costs, up to 20% lower fuel burn and CO_2 emissions and 50% lower NOx emissions, all subject to certain operating conditions[4].

During fiscal year 2010, the *CSeries* program has continued to undergo various development activities. Major demonstrator parts were manufactured during fiscal year 2010: a composite wing by Shorts in Belfast and an advanced aluminum alloy fuselage barrel by Shenyang Aircraft Corporation. Both demonstrators have now been fully instrumented and will undergo extensive structural testing through fiscal year 2011. Construction has started on production and testing facilities in Mirabel for the Complete Integrated Aircraft Test Area (CIASTA) and in Belfast for the new 600,000 sq. ft. wing manufacturing facility.

The CIASTA is one of several buildings to house test cells that together will constitute a *CSeries* test aircraft, allowing for systems and software reliability and functionality tests to be conducted before the first prototype aircraft flies, thus mitigating the risks associated with program development. The CIASTA will test aircraft systems for reliability and functionality one year before first flight and will continue to support systems integration during the flight test program. The CIASTA is progressing on schedule. The building in Mirabel, Québec, which houses the CIASTA, was completed on schedule at the end of February 2010 and the testing and rig infrastructure installation is in progress.

We intend to invest significantly in the *CSeries* aircraft program. The *CSeries* aircraft constitutes a new type and a new size of aircraft for our business. See "Risk Factors—Risks Relating to Our Business—Operational Risk—Developing New Products and Services" elsewhere in this listing memorandum. The *CS100* is scheduled to enter into service in calendar year 2013, while the *CS300* is scheduled to enter into service in calendar year 2014.

Amphibious and Specialized Aircraft. BA manufactures and markets the *Bombardier 415* amphibious aircraft, a purpose-built firefighting aircraft. This aircraft can also be adapted to a

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[3] PurePower™ is a registered trademark of United Technologies Corp.—Pratt & Whitney.

[4] The *CSeries* aircraft program is currently in development phase and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change and are subject to certain operating rules, assumptions and other conditions.

multi-purpose version, the *Bombardier 415 MP* aircraft, which can be used in a variety of specialized missions such as search and rescue, environmental protection, coastal patrol and transportation. BA continues to provide special-mission aircraft solutions using its commercial and business aircraft as platforms.

Customer Services. BA provides a broad range of services related to its aircraft portfolio. BA's focus is to provide customers with total life cycle solutions that address the complete after-market experience, including parts requirements, maintenance services, and pilot training. The after-market includes every activity that needs to be performed to support aircraft operations, which can be offered as tailored and customized service solutions to meet our customers' needs. Such services are provided through our international service and support network of authorized providers and fully owned facilities.

Flexjet Program in the United States. Through the U.S. *Flexjet* program, owners purchase shares of business aircraft with operations and support, including flight crew, maintenance, fuel, hangars and insurance. *Flexjet* also markets the *Flexjet* 25 jet card (which provides 25-, 30- and 35-hour blocks of flight time entitlement), which is a program operated by Jet Solutions LLC under U.S. FAR Part 135. In addition, *Flexjet* offers the *Flexjet* One program, providing an aircraft management solution for owners interested in purchasing a whole aircraft and having it managed by *Flexjet*.

Aerospace—Financial Results Overview[1]

	For the Fiscal Year Ended January 31, 2008	2009	2010	For the Twelve-Month Period Ended July 31, 2010
Deliveries				
Business[2]	232[3]	235[4]	176[5]	145[6]
Commercial	128	110	121	96
Amphibious	1	4	5	5
Total Deliveries	361	349	302	246
Revenues	**(US$ in millions, except as noted below)**			
Manufacturing:				
Business	$4,673	$5,203	$4,282	$3,854
Commercial	2,503	2,271	2,565	2,084
Other	438	642	628	598
Total manufacturing revenues	7,614	8,116	7,475	6,536
Services[7]	1,542	1,588	1,359	1,453
Other[8]	557	261	523	647
Total Revenues	$9,713	$9,965	$9,357	$8,636
EBIT	$ 563	$ 896	$ 473	$ 389
EBITDA[9]	$ 966	$1,327	$ 844	$ 718
Backlog (US$ in billions)	$ 22.7	$ 23.5	$ 16.7	$ 17.1

(1) Effective February 1, 2008, we changed our accounting policy for aerospace programs from the average cost method to the unit cost method to comply with new accounting standards. As a result, the EOAPC charges are nil for the fiscal year ended January 31, 2009 and thereafter, compared to net charges of $271 million for the fiscal year ended January 31, 2008.

(2) 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. The revenue on aircraft sold through Flexjet is deferred and recognized over the term of the management agreement, which is typically 60 months.

(3) Including 19 deliveries for the fractional ownership program.

(4) Including 12 deliveries for the fractional ownership program.

(5) Including 1 delivery for the fractional ownership program.

(6) Including nil deliveries for the fractional ownership program.

(7) 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 special-mission aircraft solutions (including Military Aviation Training).

(8) Includes mainly sales of pre-owned aircraft.

(9) A reconciliation of EBITDA to the most comparable Canadian GAAP measure is provided under the heading "Non-GAAP Financial Measures" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Overview," included in this listing memorandum, for the fiscal years ended January 31, 2010 and 2009. EBITDA for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $563 million (EBIT) plus $403 million (depreciation and amortization) equals $966 million (EBITDA). EBITDA for the twelve-month period ended July 31, 2010 is reconciled to EBIT under Canadian GAAP as follows: $389 million (EBIT) plus $329 million (depreciation and amortization) equals $718 million (EBITDA).

Transportation

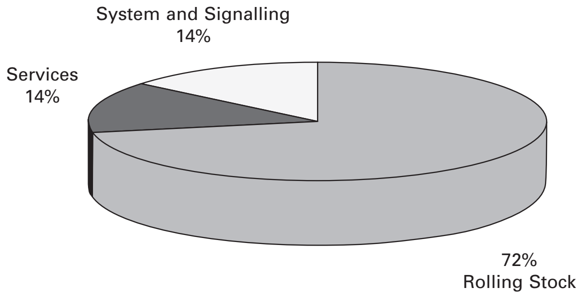
BT covers a full range of products, services and solutions divided in four segments: Rolling Stock, Services, System and Signalling.

The rolling stock products of BT include locomotives, intercity, very high-speed and high-speed trains, commuter and regional trains, metro cars, light rail vehicles, propulsion, controls and bogies. BT also provides a complete service portfolio including fleet maintenance, refurbishment and overhaul and material solutions. In addition, BT has unique expertise in developing, designing, building, operating and maintaining turnkey transportation systems. BT offers complete solutions from fully automated rapid transit, light rail, metro and intercity systems to people movers and monorail systems, as well as transit security, energy management and catenary-free solutions. BT also provides a comprehensive portfolio of onboard and wayside signalling solutions that increase speed, safety and track capacity on rail networks. Our installed rolling stock product base exceeds 100,000 rail cars and locomotives worldwide.

During the twelve-month period ended July 31, 2010, BT generated revenues of $9.6 billion and EBITDA of $749 million. As of July 31, 2010, BT had a backlog of $30.3 billion.

Breakdown of Total BT Revenues
(for the 12-month period ended July 31, 2010)

$9.6 billion



BT is dedicated to design, manufacture and service advanced transportation solutions for today's and tomorrow's railways. As a global leader in the rail industry, BT places environmental sustainability firmly at the top of its agenda. BT's products and services combine energy-conserving technology with optimal safety, reliability and cost efficiency. Its products and services are designed for sustainable mobility.

BT has 58 production and engineering sites in 23 countries. Additionally, BT operates over 40 service centres at customers' premises across the world. BT has customers in more than 60 countries, and as of January 31, 2010, its 34,950 employees were employed in 36 countries, of which 56% were covered by collective agreements. The European, Asia Pacific and North American markets represented 69%, 17% and 11% of BT's total revenues, respectively, for fiscal year 2010.

BT Products and Services Offering

Rolling Stock			**Services**	**System**	**Signalling**
Passengers	*Locomotives and equipment*	*North America*	*Services*	*System*	*Rail control solutions*
■ Very High-speed trains	■ Locomotives	■ Mass transit	■ Fleet maintenance	■ Automated people mover systems	■ Mass transit
■ High-speed trains	■ Propulsions and controls	■ Services	■ Material solutions	■ Mass transit systems	■ Mainline
■ Intercity trains	■ Bogies		■ Refurbishment and overhaul	■ Operations and Maintenance	
■ Regional trains					
■ Commuter trains					
■ Metro cars					
■ Light rail vehicles					

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

In the rolling stock segment, BT has 59 production and engineering sites for end products such as locomotives, metros, light rail vehicles, regional and commuter trains, intercity and high-speed trains, as well as for production of components such as bogies and propulsion equipment. The production and engineering sites are located in 23 countries and include joint-ventures with local partners in China. In the services segment, BT has 20 main services sites in 12 countries, mainly in Europe, providing fleet maintenance, refurbishment and overhaul. In addition, BT operates over 40 services sites on customer premises worldwide.

Transportation—Financial Results Overview(1)

	For the Year Ended January 31,			For the twelve Month Period Ended
	2008	2009	2010	July 31, 2010
	(US$ in millions, except as noted below)			
Revenues				
Rolling Stock	$4,894	$6,663	$ 7,264	$6,908
Services	1,474	1,529	1,408	1,337
System & Signalling(2)	1,425	1,564	1,337	1,393
Total Revenues	$7,793	$9,756	$10,009	$9,638
EBIT before special items(3)(4)	347	533	625	616
EBITDA before special items(3)(5)	456	657	752	749
Special items	162	—	—	—
EBIT(3)	185	533	625	616
EBITDA(3)(5)	294	657	752	749
New orders (US$ in billions)	11.3	9.8	9.6	12.6
Backlog (US$ in billions)	30.9	24.7	27.1	30.3
Book to Bill Ratio(6)	1.5	1.0	1.0	1.3

(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. See "Foreign exchange rates" section in "Other," under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010," which is included elsewhere in this listing memorandum for the average exchange rates used to translate revenues and expenses.

(2) Excludes the rolling stock portion of system orders manufactured by other divisions within BT. The revenues of system and signalling are presented in the caption other revenues in the consolidated statements of income.

(3) Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests". See information provided under the heading "Accounting and Reporting Developments" section in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Other," included elsewhere in this listing memorandum. Comparative figures include a reclassification of non-controlling interests of $8 million for fiscal year 2008 and of $18 million for fiscal year 2009 from other expense (income) to net income attributable to non-controlling interests.

(4) EBIT before special items for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $185 million (EBIT) plus $162 million (special items) equals $347 millions (EBIT before special items).

(5) A reconciliation of EBITDA to the most comparable Canadian GAAP is provided under the heading "Non-GAAP Financial Measures" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Overview," included in this listing memorandum, for the fiscal years ended January 31, 2010 and 2009. EBITDA before special items for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $185 million (EBIT) plus $162 million (special items) plus $109 million (depreciation and amortization) equals $456 million (EBITDA before special items). EBITDA for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $185 million (EBIT) plus $109 million (depreciation and amortization) equals $294 million (EBITDA). EBITDA for the twelve-month period ended July 31, 2010 is reconciled to EBIT under Canadian GAAP as follows: $616 million (EBIT) plus $133 million (depreciation and amortization) equals $749 million (EBITDA).

(6) Ratio of new orders over revenues.

Our Industries

Our principal operations are in the business and commercial aircraft and rail transportation markets.

Aerospace

Business Aircraft

The business aircraft market consists primarily of customers in the corporate sector and high net worth individuals. International markets are steadily rising in relative importance and share of our sales. The global economy continued its contraction in calendar year 2009, as illustrated by a decrease in GDP, corporate profits and personal wealth. Together, these factors led to a slump in business jet utilization rates, an increase in pre-owned business jet inventory, a high level of order cancellations and a low level of order intake. Furthermore, the difficulty in securing financing also adversely affected a number of business aircraft customers, leading to order cancellations and deferrals. These market conditions translated into pricing pressures on new and pre-owned aircraft. Our order backlog provided some protection against this high level of business aircraft order cancellations and deferrals.

As of July 31, 2010, the industry began to see stabilisation in key indicators. According to Federal Aviation Administration (FAA) data, fleet activity (measured in terms of arrivals and departures) increased by 15% in the first six months of calendar year 2010 compared to the same period last year. According to BA's analysis using JETNET database (a leading provider of business aviation information), the number of pre-owned aircraft available for sale as a percentage of the total in-service fleet has continued to decrease, reaching 15.2% as at June 30, 2010, compared to 15.7% as at March 31, 2010 and to 17.8% as at June 30, 2009. However, the UBS Business Jet Market Conditions index, which is a measure of broker and dealer confidence, fell from 50 (the threshold for market stability) during the first quarter of calendar year 2010 to 41 during the second quarter of calendar year 2010, indicating a decline in business aircraft buyer confidence.

The business aircraft market is highly competitive. BA has five main competitors in the business aircraft market categories in which it competes:

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

Commercial Aircraft

The airline industry is cyclical and the recent low level of order intake for commercial aircraft reflects the significantly reduced demand for commercial aircraft, consistent with the current worldwide economic environment. The International Air Transport Association ("*IATA*") announced on July 28, 2010 that the global passenger load factor was at 79.8% in June 2010, which is an increase compared to 77.6% in December 2009 and to 75.3% in June 2009. In June 2010, IATA upgraded its 2010 forecast for the commercial airline industry to a net profit of $2.5 billion from the net loss of $2.8 billion projected in its March 2010 forecast, and confirmed that airlines face another difficult year in calendar year 2010, focused on carefully matching capacity to demand and controlling costs. Continuous development and improvement of aircraft allow airlines to develop new markets and/or improve their profitability. We believe our product development strategy is aligned with the evolution of the airline industry, and our commercial aircraft portfolio is well-positioned to meet airlines' growing needs for more fuel-efficient, larger capacity aircraft that are more respectful of the environment.

BA's main competitors in the up to 149-seat categories, representing the market in which we have a product offering, are:

- Avions de Transport Regional, a joint venture between European Aeronautic Defence and Space Company ("*EADS*") and Alenia Aeronautica S.P.A., a Finmeccanica S.P.A. company, in the turboprop market;
- Embraer in the 40- to 100-seat regional jet market; and
- Airbus SAS (a subsidiary of EADS), The Boeing Company and Embraer in the 100- to 149-seat commercial jet market.

Additional companies currently developing competitive products in the 40- to 100-seat regional aircraft market categories include Commercial Aircraft Corporation of China Ltd. (COMAC), a state-owned company in which China Aviation Industry Corporation (formerly known as AVIC I) holds an interest, Mitsubishi Heavy Industries Ltd. and Sukhoi Company (JSC).

Competition in the commercial aircraft market is intense and is affected by governmental programs (including launch support initiatives and various forms of financial contributions) in various jurisdictions intended to support regional developmental initiatives. Participants in this market can anticipate increased scrutiny and challenges of these programs which may lead to trade disputes which may have a further impact on the competitive landscape. See "Risk Factors—Risks Relating to Our Business—Business Environment Risk" and "Risk Factors—Risks Relating to Our Business—Financing Risk—Government Support."

Transportation

BT's relevant market represents the worldwide rail market accessible to external suppliers, therefore excluding the share of local contractors in emerging markets, maintenance performed in-house by operators and the Japanese market. This market also excludes markets in which BT does not have a product offering, therefore excluding freight locomotives in North America, worldwide freight cars and rail infrastructure and electrification. The European market represents 69% of BT's total revenues for fiscal year 2010, but BT continues to expand its geographic presence by developing local roots in high-potential emerging transit markets.

Almost 85% of BT's rolling stock business is with large, well-financed railway operators in the public sectors, such as national railways and municipal transit authorities. These organizations rely on public involvement for infrastructure funding and operations financing. Most operate on a regional or national basis, but some are now focusing operations internationally along with emerging private transnational operators. While deregulation is a factor in some markets, public-sector entities still dominate in most regions.

The three largest industry players, including BT, account for 56% of BT's relevant market. BT's major competitors are Alstom Transport, a business unit of Alstom SA and Siemens Mobility, a business unit of Siemens AG. Both are active in the same markets as BT. Increasing competition is coming from Asia, especially from Chinese, Korean and Japanese competitors. These players are positioning themselves in the rolling stock segment, mainly in North America and other regions (*i.e.*, regions other than North America, Europe and Asia-Pacific), and are increasingly present in deregulated markets like the U.K.

Our Competitive Strengths

Leading Market Shares. Our broad, leading-edge product offering, global presence, diversified customer base and continued focus on improvement of key business processes have allowed us to become a world-leading manufacturer of innovative transportation solutions, including regional aircraft, business jets and rail transportation equipment. We are the third largest manufacturer of aircraft in the world and are a leading manufacturer in the regional jet aircraft, turboprop aircraft and business aircraft markets. We hold the number one position in most of the sectors of the rail equipment and servicing industry in which we operate.

Industry-Leading Product Offering. BA has a diversified portfolio of jet- and turbo-propelled aircraft that evolves to address the various needs of geographically diversified commercial and business aviation customers. BA possesses an industry-leading comprehensive portfolio of business jets and is focused on delivering a superior customer experience and meeting the high standards of business aircraft customers. BA's broad portfolio of commercial aircraft, including the *CSeries* family of aircraft, is designed to meet the diverse operational requirements of airlines around the world, including regional airlines offering higher-frequency service to complement mainline airlines, commercial airlines needing the right capacity in order to meet flight frequency at profitable cost levels, low-fare carriers needing aircraft that consistently deliver low seat-mile costs while subjected to very high utilization levels and leasing companies needing flexibility in terms of performance and interior configuration for their leasing customers' varying needs. BT has a broad, leading-edge portfolio of flexible product platforms that can be customized to specific customer requirements. BT covers the full spectrum of railway solutions, ranging from complete trains to subsystems, maintenance services, system integration and signalling. BT's installed rolling stock product base exceeds 100,000 rail cars and locomotives worldwide. BT's product offering focuses on product reliability, maintainability, availability, safety, price, energy efficiency and design while maintaining a valuable level of local content, which is often an important criterion to public operators.

Strong and Diversified Supply Chain. BA fosters long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support its customers with related services. BA's global supply chain, with suppliers present in over 40 countries, ensures an efficient and sustainable procurement process. BT utilizes highly qualified suppliers in more than 70 countries, with more than 85% of its total product-related procurement spend focused on approximately 400 preferred suppliers.

Diversified Revenues. Our revenues are diversified by segments, by products, by global region and by customers. For the twelve-month period ended July 31, 2010, revenues by segment for BA and BT were $8.6 billion and $9.6 billion, respectively. Within each segment, we generate revenues across numerous products and services. Further, our revenues are also geographically diversified with BA and BT customers located in more than 100 and 60 countries, respectively. For the fiscal year ended January 31, 2010, the United States and European markets represented 39% and 32% of BA's revenues, respectively, while the European, Asia Pacific and North American markets represented 69%, 17% and 11% of BT's revenues, respectively. We also exhibit a broad customer base ranging from civil-owner operators and aviation service providers to governments around the world. In spite of difficult economic conditions, the diversity of our revenues provided us with relative stability in light of our exposure to multiple end markets that typically exhibit different trends.

Design and New Product Development. We are committed to innovation and product development. BA has launched 25 new aircraft programs since 1989, including, most recently, the *CSeries* family of aircraft, the *CRJ 1000 NextGen* and the *Learjet 85* aircraft programs. With regard to product development, BT emphasizes innovative product families featuring common platforms and proven technologies. Product innovation at BT is demonstrated by the next generation *ZEFIRO* high-speed rail technology and the *TALENT* 2 product platform.

Strong Entrepreneurial Management Team. We have a strong market-focused management team that has extensive experience and expertise in the sectors in which we operate. Under the leadership of our senior management team, we have, despite intense competition and a challenging commercial and economic environment, developed new products and expanded our geographic footprint while prudently managing our risks and exposure.

Capability to Deliver Results. We have a strong commitment to innovation. We are focused on the continuous improvement of key business processes and on implementing lean manufacturing principles, notably through our Achieving Excellence System at BA and the TOPSIX program at BT. We have strong relationships with our key stakeholders, including customers, unions, suppliers, local governments and regulatory agencies, which enable us to improve our operations and products and foster a mutually beneficial continuous improvement in our relationships. We have a large talent pool of well-trained and motivated employees.

Liquidity and Capital Resources

Maintaining sufficient liquidity continues to be one of our key focuses. In March 2010, we implemented a refinancing plan of our long-term debt. As a result of this plan, we increased our average long-term debt maturity profile by 1.4 years, and we increased our available short-term capital resources by approximately $500 million to be used for general corporate purposes.

Our available short-term capital resources include cash and cash equivalents and the amount available under the revolving credit facility (undrawn since its inception). We believe that our available short-term capital resources of $3.3 billion as at July 31, 2010 combined with our expected free cash flow 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 our Board of Directors, and will enable us to meet all other expected financial requirements in the near term.

Recent Developments

Growth of Flagship Global Family with Two New Jets: the Global 7000 and Global 8000 Aircraft

On October 16, 2010, BA announced the introduction of two new jets, the *Global 7000* and *Global 8000* aircraft, allowing Bombardier's flagship *Global* aircraft family to uniquely cover the large, ultra long-range category with four aircraft models, the *Global 5000*, *Global Express XRS*, *Global 7000* and *Global 8000* jets. The *Global 7000* and *Global 8000* aircraft program is currently in the development phase and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. Entry into service of the *Global 7000* is scheduled for 2016. Entry into service of the *Global 8000* is scheduled for 2017.

BT site in Bautzen (Germany)

On October 8, 2010, BT announced that production work at its site in Bautzen (Germany), where trams and light rail vehicles are manufactured, had resumed in September 2010 and was increasing two months after being hit by a flood in the Saxony area. Full production readiness is expected to be achieved by the end of the year. Damage assessment in close cooperation with the insurer has been continuing since the day of the flood. The financial impact on BT amounts to approximately $20 million, representing the self-insured amount under the insurance policies, which will be recorded in the third quarter of fiscal year 2011.

Contract with Trenitalia (Italian Railways)

On September 30, 2010, BT announced it had signed a contract with Trenitalia (Italian Railways) for the delivery of V300ZEFIRO trains, a model of the *BOMBARDIER ZEFIRO* high speed trains family. The V300ZEFIRO (known as ETR 1000 in Italy) was developed in partnership with AnsaldoBreda, a subsidiary of the Finmeccanica group of Italy. The total contract is valued at €1.54 billion ($2.10 billion). Bombardier's share of the contract is valued at €652 million ($889 million).

Contract with São Paulo Metro

On September 27, 2010, BT, together with two consortium partners, announced that it has won an order to design, supply and install a 24 kilometer *BOMBARDIER INNOVIA* Monorail 300 system in São Paulo for Companhia do Metropolitano de São Paulo (CMSP / São Paulo Metro). The total value of the contract is 2.46 billion reals (approximately €1.07 billion or $1.44 billion) and Bombardier's share of the design-build contract is 1.40 billion reals (approximately €606 million or $816 million).

Our Refinancing Plan

This offering of notes forms part of a refinancing plan pursuant to which we intend to refinance certain of our outstanding debt securities having medium term maturities. Our refinancing plan is comprised of (i) this offering of notes, (ii) the repurchase and retirement of all of our outstanding Floating Rate Senior Notes due 2013 and all of our outstanding 8.00% Senior Notes due 2014 pursuant to two separate debt tender offers that we announced on October 21, 2010 (the "*Tender Offers*"), (iii) the termination and settlement of an interest rate swap related to our 8.00% Senior Notes due 2014 and (vi) the payment of fees and expenses related to the refinancing. It is estimated that the termination and settlement of the interest rate swap, after giving effect to the other elements of our Refinancing Plan as described under "Use of Proceeds," will result in $45 million to be used for general corporate purposes. We intend to redeem any Floating Rate Senior Notes due 2013 and any 8.00% Senior Notes due 2014 not tendered and purchased by us in the Tender Offers on or around December 2, 2010 at a price of par in respect of the Floating Rate Senior Notes due 2013 and a price of $1,040.00 per $1,000.00 principal amount in respect of the 8.00% Senior Notes due 2014, in each case pursuant to the terms of the respective indenture governing such series of notes. In this listing memorandum, we refer to these transactions collectively as our "Refinancing Plan." See also "Use of Proceeds," "Capitalization" and "Description of Other Indebtedness and Letter of Credit Facilities." For more information regarding the terms of our Floating Rate Senior Notes due 2013 and our 8.00% Senior Notes due 2014, see "Description of Other Indebtedness and Letter of Credit Facilities." This listing memorandum does not constitute an offer to purchase or the solicitation of an offer to sell any outstanding notes which are the subject of the Tender Offers (as defined below under "—Concurrent Debt Tender

Offers”). The following table sets out the estimated sources and uses of funds in connection with our Refinancing Plan.

Sources		Uses	
(U.S. dollars in millions)(1)			
Notes offered hereby	$1,069	Repurchase of Floating Rate Senior Notes due 2013(3)	$ 668
Termination and settlement of an interest rate swap(2)	$ 65	Repurchase of 8.00% Senior Notes due 2014(4)	$ 401
		Payment of fees and expenses(5)	$ 20
		General corporate purposes	$ 45
Total Sources	$1,134	**Total Uses**	$1,134

(1) For the purposes hereof, Euro amounts are converted to U.S. dollars using the noon rate published by the Bank of Canada on October 19, 2010 (which was €1.00=$1.3825). Table assumes aggregate principal amount of notes offered hereby and gross proceeds of $1,069 million (or €773.2 million).

(2) Estimated proceeds of the termination and settlement of the interest rate swap related to our 8.00% Senior Notes due 2014, calculated as of October 19, 2010.

(3) Assumes the repurchase pursuant to the Tender Offers of all our outstanding Floating Rate Senior Notes due 2013 at a price of €1,001.25 per €1,000.00 principal amount (including an early participation premium). Pursuant to the Tender Offers, we are offering to purchase for cash any and all of our outstanding Floating Rate Senior Notes due 2013. The aggregate principal amount outstanding of our Floating Rate Senior Notes due 2013 is €482.5 million.

(4) Assumes the repurchase pursuant to the Tender Offers of all our outstanding 8.00% Senior Notes due 2014 at a price of $1,042.50 per $1,000.00 principal amount (including an early participation premium). Pursuant to the Tender Offers, we are offering to purchase for cash any and all of our outstanding 8.00% Senior Notes due 2014. The aggregate principal amount outstanding of our 8.00% Senior Notes due 2014 is $385.0 million.

(5) Includes the fees and expenses of our Refinancing Plan (other than the tender premium in respect of the repurchase and retirement of the notes that we repurchase pursuant to the Tender Offers), including the initial purchasers’ commissions in respect of this offering of notes, the dealer-managers’ fees and expenses in respect of the Tender Offers, and legal, accounting, agency and other fees.

Concurrent Debt Tender Offers

On October 21, 2010, we announced two separate cash Tender Offers pursuant to which we have offered to repurchase and retire any and all of our outstanding Floating Rate Senior Notes due 2013 and 8.00% Senior Notes due 2014. The Tender Offers are not conditioned upon any minimum amount of notes being tendered. However, the Tender Offers are subject to a number of conditions, including our successful completion of a financing transaction pursuant to which we receive not less than $1.0 billion in aggregate gross proceeds (or the equivalent in other currencies), exclusive of fees, expenses and discounts, but the completion of the Tender Offers is not a condition to the sale of the notes being offered pursuant to this listing memorandum. The early settlement date for the Tender Offers is currently expected to be concurrent with the closing of this offering of notes. We intend to redeem any Floating Rate Senior Notes due 2013 and 8.00% Senior Notes due 2014 not tendered and repurchased by us in the Tender Offers on or around December 2, 2010 at a price equal to par of such Floating Rate Senior Notes due 2013 and 104.0% of the principal amount of such 8.00% Senior Notes due 2014, pursuant to the terms of the respective indentures governing each such series of notes. For more information relating to the terms of the Tender Offers, see the sources and uses table included in “—Our Refinancing Plan” and “Use of Proceeds.”

This listing memorandum is not an offer to purchase any of our Floating Rate Senior Notes due 2013 or 8.00% Senior Notes due 2014. The Tender Offers are being made solely by means of an Offer to Purchase dated October 21, 2010, and, as applicable, the related Letter of Transmittal.

THE OFFERING

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this listing memorandum contains a more detailed description of the terms and conditions of the notes. You should carefully read the entire listing memorandum, including the section entitled "Risk Factors" and our consolidated financial statements and the notes relating to those statements included elsewhere or incorporated by reference in this listing memorandum.

Issuer	Bombardier Inc.
Notes Offered	€780,000,000 aggregate principal amount of 6⅛% Senior Notes due 2021.
Offering Price	99.0422% plus accrued interest, if any, from the issue date.
Issue Date	November 2, 2010
Maturity Date	May 15, 2021
Interest	Annual rate: 6⅛%
Interest Payment Dates	Interest on the notes will be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2011, to holders of record on the May 1 or November 1 immediately preceding the related payment date. The first payment of interest will be on May 15, 2011, including accrued interest from the issue date.
Ranking	The notes will be: • direct, unsecured senior obligations of Bombardier; • effectively junior in right of payment to all of Bombardier's existing and future secured indebtedness (including indebtedness under its existing letter of credit facilities), to the extent of the assets securing that indebtedness; • effectively junior in right of payment to all of the indebtedness and other obligations (including trade payables) of Bombardier's subsidiaries; • equal in right of payment ("*pari passu*") with all of Bombardier's other existing and future unsecured, unsubordinated indebtedness and other obligations that do not expressly provide that they are subordinated to the notes; and

- senior in right of payment to all of Bombardier's other existing and future indebtedness and other obligations that expressly provide that they are subordinated to the notes.

The notes will not be obligations of any of Bombardier's subsidiaries. As at July 31, 2010, as adjusted after giving effect to the completion of this offering and the application of the proceeds therefrom as described under "Use of Proceeds," we would have had $4.55 billion of consolidated total debt (calculated using the currency exchange rate as at July 30, 2010; see "Capitalization," including footnote 1 in such section).

Use of Proceeds .... We will use the net proceeds of this offering to finance the repurchase and retirement of our Floating Rate Senior Notes due 2013 and our 8.00% Senior Notes due 2014. We intend to redeem any Floating Rate Senior Notes due 2013 and any 8.00% Senior Notes due 2014 not tendered and repurchased by us in the Tender Offers on or around December 2, 2010 at a price equal to par of such Floating Rate Senior Notes due 2013 and 104.0% of the 8.00% Senior Notes due 2014, pursuant to the terms of the respective indenture governing such series of notes. See "Use of Proceeds."

Optional Redemption .... Bombardier may, at its option, redeem some or all of the notes at any time or from time to time by paying a "make-whole" premium, plus accrued and unpaid interest, if any, as described in this listing memorandum under "Description of the Notes—Optional Redemption."

Tax Redemption .... If Bombardier is, or there is a more than insubstantial risk that Bombardier will be, required to pay additional amounts as a result of changes in laws applicable to tax-related withholdings or deductions in respect of payments on the notes, Bombardier will have the option to redeem the notes, in whole but not in part, at a redemption price equal to 100% of the aggregate principal amount of the notes, plus any accrued and unpaid

	interest, if any, to the date of redemption and any additional amounts that may then be payable. See "Description of the Notes—Redemption for Changes in Withholding Taxes."
Additional Amounts	Any payments made by Bombardier with respect to the notes will be made without withholding or deduction, unless required by law. If Bombardier is required by law to withhold or deduct for taxes with respect to a payment to the holders of notes, Bombardier will, subject to certain exceptions, pay the additional amount necessary so that the net amount received by the holders of notes (other than certain excluded holders) after the withholding and deduction is not less than the amount they would have received in the absence of the withholding and deduction. See "Description of the Notes—Payment of Additional Amounts" and "Tax Considerations."
Change of Control	If Bombardier experiences one of certain change of control events, it will be required to offer to purchase all of the notes at a purchase price of 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. See "Description of the Notes—Purchase of Notes upon a Change of Control."
Limitation on Liens and Subsidiary Guarantees	The indenture governing the notes will provide that, for as long as any note issued thereunder remains outstanding, and unless the benefit of the relevant Charge or Guarantee (each as defined under "Description of the Notes—Certain Definitions") is at the same time extended equally and ratably to the holders of the notes regarding the obligations of Bombardier, Bombardier (a) will not, and will ensure that none of its subsidiaries will, create or have outstanding any Charge on or over its respective assets (present or future) in respect of any Indebtedness for Borrowed Money (as defined under "Description of the Notes—Certain Definitions") of any person, subject to

	certain exceptions, and (b) will ensure that none of its subsidiaries gives any Guarantee with respect to any Indebtedness for Borrowed Money of Bombardier. See "Description of the Notes—Certain Covenants—Limitation on Liens and Subsidiary Guarantees."
Sinking Fund	None
Transfer Restrictions	The notes have not been and will not be registered under the Securities Act, under any state securities laws or under the laws of any other jurisdiction, and have not been qualified for sale under the securities laws of any province or territory of Canada. The notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S under the Securities Act. See "Notice to Investors." The notes may not be sold or transferred directly or indirectly in Canada except in accordance with applicable securities laws of any province or territory of Canada.
No Established Market for the Notes	The notes are a new issue of securities, and currently there is no market for them. We cannot assure you that a liquid market for the notes will develop or be maintained.
Luxembourg Listing	Application has been made to have the notes approved for listing on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.
Risk Factors	You should carefully consider the information set forth in the section entitled "Risk Factors" and the other information included or otherwise incorporated by reference in this listing memorandum in deciding whether to purchase the notes.
London Paying Agent and London Transfer Agent	Deutsche Bank AG, London Branch
Joint Trustee	Deutsche Bank Trust Company Americas

European Registrar and Luxembourg Paying Agent, Transfer Agent and Listing Agent . . .	Deutsche Bank Luxembourg S.A.
Joint Trustee, Canadian Registrar and Canadian Transfer Agent	Computershare Trust Company of Canada
Governing Law of the Indenture and the Notes	New York

Other Information

Bombardier was incorporated by letters patent under the laws of Canada on June 19, 1902 and was continued under the *Canada Business Corporation Act* by a certificate of continuance dated June 23, 1978, which was subsequently the subject of certain amendments.

Bombardier's registered office is located at 800 René-Lévesque Boulevard West, Montréal, Quebec H3B 1Y8. Bombardier's telephone number is (514) 861-9481, and its website is www.bombardier.com. The information found on the corporate website is not incorporated by reference herein and does not constitute part of this listing memorandum and you should rely only on the information contained in or incorporated by reference in this listing memorandum when making a decision as to whether to purchase the notes. With respect to the notes offered hereby, our agent for service of process in the United States will be CT Corporation System, 111 Eighth Avenue, New York, New York 10011.

SUMMARY SELECTED CONSOLIDATED FINANCIAL INFORMATION

You should read the following summary selected consolidated financial information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010" and our audited comparative consolidated financial statements for the fiscal year ended January 31, 2010 and our unaudited interim consolidated financial statements for the three- and six-month periods ended July 31, 2010 and the accompanying notes, which are included elsewhere in this listing memorandum. Our financial statements have been prepared in accordance with Canadian GAAP.

We derived the summary selected consolidated financial information for the fiscal years ended January 31, 2010, 2009 and 2008 and as of January 31, 2010, 2009 and 2008 from our audited comparative consolidated financial statements for the fiscal years ended January 31, 2010 and January 31, 2009, which are included elsewhere or incorporated by reference in this listing memorandum. We derived the summary selected information for the six-month periods ended July 31, 2010 and 2009 and as of July 31, 2010 and 2009 from our unaudited interim consolidated financial statements for the six-month period ended July 31, 2010, which are included elsewhere or incorporated by reference in this listing memorandum. We derived the summary selected information for the twelve-month period ended July 31, 2010 and as of July 31, 2010 from our historical consolidated financial statements. The historical results do not necessarily indicate results expected for any future period.

Consolidated Statement of Income Information[1][2]:

(millions of U.S. dollars)	For the Fiscal Year Ended January 31,			For the Six-Month Period Ended July 31,		For the Twelve-Month Period Ended July 31, 2010
	2008	2009	2010	2009	2010	
Revenues	$17,506	$19,721	$19,366	$9,417	$8,325	$18,274
EBIT before special items[3]	910	1,429	1,098	548	455	1,005
Special items	162	—	—	—	—	—
EBIT	748	1,429	1,098	548	455	1,005
Income before income taxes	447	1,291	915	466	383	832
Income tax expense	122	265	208	106	82	184
Net income	325	1,026	707	360	301	648
Attributable to:						
Shareholders of Bombardier Inc.	317	1,008	698	354	296	640
Non-controlling interest	8	18	9	6	5	8

Consolidated Balance Sheet Information[1][2]:

(millions of U.S. dollars)	At January 31, 2008	At January 31, 2009	At January 31, 2010	At July 31, 2009	At July 31, 2010
Cash and cash equivalents	$ 3,602	$ 3,470	$ 3,372	$ 2,804	$ 2,776
Total assets	22,120	21,306	21,273	21,624	21,549
Common shareholders' equity	2,771	2,197	3,354	3,070	3,472
Equity attributable to non-controlling interests	66	66	68	76	65
Preferred Shares	347	347	347	347	347
Liabilities					
Accounts payable and accrued liabilities	6,853	6,922	7,427	7,430	7,290
Advances and progress billings in excess of related long-term contract costs	2,791	2,072	1,899	1,913	1,867
Advances on aerospace programs	2,926	2,991	2,092	2,588	1,855
Fractional ownership deferred revenues	631	573	346	446	257
Deferred income taxes	—	—	65	—	65
Long-term debt	4,393	3,952	4,162	4,210	4,633
Accrued benefit liabilities	1,066	992	1,084	1,088	1,102
Derivative financial instruments	276	1,194	429	456	596
Total liabilities and shareholders' equity	22,120	21,306	21,273	21,624	21,549

Other Financial Information

(millions of U.S. dollars)	For the Fiscal Year Ended January 31,[1][2] 2008	2009	2010	Six-Month Period Ended July 31, 2009	2010	Twelve-Month Period Ended July 31, 2010
EBITDA before special items[3]	$ 1,422	$1,984	$1,596	$ 791	$ 662	$1,467
Special items	162	—	—	—	—	—
EBITDA[3]	1,260	1,984	1,596	791	662	1,467
Cash flows from operating activities	2,380	909	552	(490)	(208)	834
Cash flows from investing activities	(534)	(181)	(704)	(315)	(579)	(968)
Cash flows from financing activities	(1,156)	(366)	(216)	(106)	246	136

(1) Effective February 1, 2008, we changed our accounting policy for aerospace programs from the average cost method to the unit cost method to comply with new accounting standards. As a result, the charges for excess over average production costs are nil for the fiscal year ended January 31, 2009 and thereafter, compared to net charges of $271 million for the fiscal year ended January 31, 2008.

(2) Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests". See information provided under the heading "Accounting and Reporting Developments" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Other," included in this listing memorandum. As a result, comparative figures include a reclassification of non-controlling interests provision from accounts payable and accrued liabilities to equity attributable to non-controlling interests of $66 million as at January 31, 2008 and January 31, 2009. Also, comparative figures include a reclassification of non-controlling interests of $8 million for fiscal year 2008 and $18 million for fiscal year 2009 from other expense (income) to net income attributable to non-controlling interests.

(3) A reconciliation of EBITDA to the most comparable Canadian GAAP measure is provided under the heading "Non-GAAP Financial Measures" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Overview," included in this listing memorandum, for the fiscal years ended January 31, 2010 and 2009 and in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Six-month period ended July 31, 2010—Overview," included in this listing memorandum, for the periods ended July 31, 2010 and 2009. EBIT before special items for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $748 million (EBIT), plus $162 million (special items) equals $910 million (EBIT before special items). EBITDA before special items for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $748 million (EBIT) plus $162 million (special items) plus $512 million (depreciation and amortization) equals $1,422 million (EBITDA before special items). EBITDA for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $748 million (EBIT) plus $512 million (depreciation and amortization) equals $1,260 million (EBITDA). EBITDA for the twelve-month period ended July 31, 2010 is reconciled to EBIT under Canadian GAAP as follows: $1,005 million (EBIT), plus $462 million (depreciation and amortization) equals $1,467 million (EBITDA).

RISK FACTORS

An investment in the notes involves risks. You should consider carefully the risks described below and elsewhere in this listing memorandum (including the Appendix and documents incorporated by reference) before you decide to purchase the notes. These risks are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks and other risks could materially and adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.

Risks Relating to the Notes

We have, and will continue to have, substantial debt and significant interest payment requirements which could adversely affect our financial condition and therefore make it more difficult for Bombardier to fulfill its obligations under the notes.

We currently have, and will continue to have, a substantial amount of debt and significant interest payment requirements. As at July 31, 2010, as adjusted after giving effect to the completion of this offering and the application of the proceeds therefrom as described under "Use of Proceeds," we would have had $4.55 billion of consolidated total debt (calculated using the currency exchange rate as at July 30, 2010; see "Capitalization," including footnote 1 in such section). Our level of indebtedness could have significant consequences, including the following:

- make it more difficult for Bombardier to satisfy its obligations with respect to the notes and its other indebtedness;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to making interest and principal payments on our indebtedness, reducing the availability of our cash flows to fund capital expenditures, working capital, acquisitions, new business initiatives and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- place us at a disadvantage compared to our competitors that have less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds on commercially reasonable terms, if at all.

Our letter of credit issuance facilities (which we refer to as "*L/C Facilities*") described under the heading "Description of Other Indebtedness and Letter of Credit Facilities—L/C Facilities" in this listing memorandum, Bombardier's senior unsecured revolving credit facility and the respective indentures governing its existing outstanding notes permit us to incur substantial additional indebtedness in the future. If we incur additional debt, the risks we now face as a result of our leverage could intensify. For more information regarding our long-term debt, see "Description of Other Indebtedness and Letter of Credit Facilities" elsewhere in this listing memorandum, as well as notes 11 and 13 to our audited consolidated financial statements for the fiscal year ended January 31, 2010 included elsewhere in this listing memorandum.

The covenants in the L/C Facilities, Bombardier's senior unsecured revolving credit facility and its outstanding debt instruments impose operating and financial restrictions on it. If we default under these covenants or governing documents, we may not be able to make payments on the notes.

The L/C Facilities, Bombardier's senior unsecured revolving credit facility and the respective indentures governing its existing outstanding notes, and the indenture governing the notes, contain covenants that, among other things, restrict Bombardier's ability, and in some cases the ability of its subsidiaries, to:

- incur additional debt and provide guarantees;
- create or permit certain liens;
- use the proceeds from the sale of assets and subsidiary stock;
- pay dividends and make certain other restricted payments;
- create or permit restrictions on the ability of 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 substantially all of our assets.

These restrictions could impair our ability to finance our future operational or capital needs, or to engage in other business activities that may be in our interest. 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, if not cured or waived, result in an acceleration of our debt or a cross-default under certain of our debt, and could permit certain of our lenders or issuing banks under the L/C Facilities to request immediate cash collateralization. If our indebtedness is accelerated, or we are subject to significant collateralization calls, we may not be able to service our indebtedness, including making interest and principal payments on the notes offered hereby, or borrow sufficient funds to refinance our indebtedness. In addition, if we incur additional debt in the future, we may be subject to additional covenants, which may be more restrictive than those that we are subject to now. Bombardier has a $500.0 million two-year unsecured revolving credit facility which is available for cash drawings for its general working capital needs which is undrawn since its inception.

The notes are unsecured and will be subordinated to Bombardier's secured indebtedness.

The notes are unsecured and therefore are effectively subordinated to any secured indebtedness that Bombardier has incurred, or may in the future incur, to the extent of the value of the assets securing such indebtedness. The notes are therefore effectively subordinated to certain obligations under the L/C Facilities, to the extent of the value of the assets securing such obligations, including approximately €404.0 million of invested collateral under the L/C Facility for our BT group (the "*BT L/C Facility*") and approximately $121.2 million of invested collateral under the L/C Facility for Bombardier and our BA group (the "*BI L/C Facility*"). In the event of a bankruptcy or similar proceeding, the assets that serve as collateral for our secured indebtedness will be available to satisfy the obligations under the secured indebtedness before any payments are made on the notes. Holders of the notes will participate ratably in Bombardier's remaining assets with all holders of Bombardier's unsecured indebtedness that is deemed to rank equally with the notes, and potentially with all other general creditors (including trade creditors), based upon the respective amounts owed to each holder. In any of the foregoing events, there may be insufficient assets to pay amounts due on the notes. As a result, holders of the notes may receive less from Bombardier's assets, ratably, than holders of Bombardier's secured indebtedness. In addition, the L/C Facilities, our senior unsecured revolving credit facility and the respective indentures governing our existing outstanding notes and the notes offered hereby permit us to incur substantial additional secured indebtedness in the future. See "Description of Other Indebtedness and Letter of Credit Facilities" and "Description of the Notes" elsewhere in this listing memorandum.

Your right to receive payments on the notes is structurally subordinated to all existing and future liabilities of Bombardier's subsidiaries, including in respect of the BT L/C Facility.

We currently conduct a significant portion of our operations through our subsidiaries and our subsidiaries have significant liabilities. In addition, we may conduct additional operations through our subsidiaries in the future and, accordingly, our subsidiaries' liabilities may increase. Our cash flow and our ability to service our debt, including the notes, therefore, partially depends upon the earnings of our subsidiaries, and we depend on the distribution of earnings, loans or other payments by those subsidiaries to us.

Our subsidiaries are separate and distinct legal entities, and the notes are not guaranteed by our subsidiaries. In the absence of a subsidiary guarantee, our subsidiaries have no obligation to pay any amounts due on the notes or, subject to existing or future contractual obligations between us and our subsidiaries, to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us may be subject to statutory restrictions, taxes on distributions and contractual restrictions, such as the financial covenants applicable to BT's subsidiaries under the BT L/C Facility, which include a covenant to maintain minimum liquidity of €600.0 million in BT as at each quarter-end, as well as a minimum equity and a maximum leverage ratio. See also note 11 to our audited consolidated financial statements for the fiscal year ended January 31, 2010 included elsewhere in this listing memorandum. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. See also the risk factors titled, "—Bombardier depends to a certain extent on its subsidiaries to generate sufficient cash flow to meet its debt service obligations, including payments on the notes" and "Risks Relating to our Business—Financing Risk—Restrictive debt covenants" below.

As a result, the notes are effectively structurally subordinated to all of the debt and other liabilities of Bombardier's subsidiaries, including trade creditors and including in respect of the BT L/C Facility and letter of credit facilities of BT's subsidiaries. Our right to receive any assets of any of our subsidiaries upon liquidation or reorganization, and, as a result, the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of the respective subsidiary's creditors, including trade creditors. The indenture governing the notes does not restrict us or our subsidiaries from incurring additional liabilities, except in the limited circumstances described under "Description of the Notes." In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinated in right of payment to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries, including approximately €404.0 million of invested collateral under the BT L/C Facility, senior to indebtedness held by us.

Bombardier depends to a certain extent on its subsidiaries to generate sufficient cash flow to meet its debt service obligations, including payments on the notes.

A certain portion of Bombardier's assets are the capital stock of its subsidiaries and Bombardier conducts an important portion of its business through its subsidiaries. Consequently, Bombardier's cash flow and ability to service its debt obligations, including in respect of the notes offered hereby, are dependent to a certain extent upon the earnings of its subsidiaries and the distribution of those earnings to Bombardier, or upon loans, advances or other payments made by these entities to Bombardier. The ability of these entities to pay dividends or make other loans, advances or payments to Bombardier will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt including, for example, the financial covenants applicable to BT's subsidiaries under the BT L/C Facility, which include a covenant to maintain minimum liquidity of €600.0 million in BT as at each calendar quarter-end, as well as a minimum equity and a maximum leverage ratio.

The ability of Bombardier's subsidiaries to generate sufficient cash flow from operations to allow Bombardier to make scheduled payments on Bombardier's debt obligations, including the notes offered hereby, will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, including those discussed above, many of which are outside of the control of Bombardier or its subsidiaries. The cash flow and earnings of Bombardier's operating subsidiaries and the amount that they are able to distribute to Bombardier as dividends or otherwise may not generate sufficient cash flow from operations to satisfy Bombardier's debt obligations, including payments on the notes. Accordingly, Bombardier may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any such alternatives would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, that additional financing could be obtained on acceptable terms, if at all, or that additional financing would be permitted under the terms of the indenture governing the notes or of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations on the notes offered hereby.

We may need to refinance certain of our indebtedness or renew our L/C Facilities. Our inability to do so on favourable terms, or at all, could have a material adverse effect on us.

We may need to refinance certain of our existing debt instruments at their term or renew our L/C Facilities. A portion of such debt instruments and L/C Facilities have a maturity date or terminate prior to the maturity date of the notes. Our ability to obtain additional financing to repay our existing debt at maturity or renew our L/C Facilities will depend upon a number of factors, including prevailing market conditions and our operating performance. The tightening of credit availability and the well-publicized challenges affecting global capital markets could also limit our ability to refinance our existing maturities or renew our L/C Facilities. There can be no assurance that any such financing will be available to us on favourable terms or at all.

A decline in our credit ratings or changes in the financial and credit markets may adversely affect the market prices of the notes.

The future market prices of the notes will be affected by a number of factors, including the following, among others:

- our ratings with major credit rating agencies;
- the prevailing interest rates being paid by companies similar to us; and
- the overall condition of the financial and credit markets.

The financial and credit markets have recently experienced significant turmoil. Additionally, the condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Further disruptions in the financial and credit markets and future fluctuations in these markets and prevailing interest rates may have an adverse effect on the prices of the notes.

Additionally, the credit ratings assigned to us and the notes are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. Credit rating agencies continually revise their ratings for companies that they follow, including us. There can be no assurance that the credit ratings on us or the notes will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the applicable rating agencies, if, in such rating agency's judgment, circumstances so warrant. Agency credit ratings are not a recommendation to buy, sell or hold any security. Each agency's rating should be evaluated independently of any other agency's rating. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may affect the market value of the notes and increase our borrowing costs.

Bombardier may not be able to finance an offer to purchase the notes required by the indenture following a change of control because it may not have sufficient funds at the time of the change of control, or our L/C Facilities or our senior unsecured revolving credit facility (or other future agreements) may not permit the repurchases.

If Bombardier experiences a change of control, as that term is defined under "Description of the Notes—Certain Definitions" (as well as under the respective indentures governing certain of our existing outstanding notes), Bombardier may be required to make an offer to repurchase all of your notes or its outstanding notes prior to maturity. Bombardier cannot assure you that it will have sufficient funds or be able to arrange for additional financing to repurchase any of its debt securities, including the notes, following such a change of control. There is no sinking fund with respect to the notes.

Certain changes of control would also constitute an event of termination under our L/C Facilities and under our senior unsecured revolving credit facility, which could result in the acceleration and cancellation of our senior unsecured revolving credit facility and the cancellation of the L/C Facilities and the requirement to post cash collateralization in respect of the face amount of all outstanding letters of credit issued thereunder. Any future credit agreement or other agreements relating to our senior indebtedness to which we become a party may contain similar provisions. Bombardier's failure to purchase the notes tendered pursuant to a repurchase offer made in the event of a change of control would, pursuant to the indenture governing the notes offered hereby (and pursuant to the indentures governing certain of Bombardier's existing outstanding notes), constitute an event of default. Any such event of default could, in turn, constitute an event of default under future senior indebtedness, any of which may cause the related debt to be accelerated after the expiry of any applicable notice or grace periods. If debt were to be accelerated, Bombardier may not have sufficient funds to repurchase the notes and repay the debt.

Canadian bankruptcy and insolvency laws may impair the trustee's ability to enforce remedies under the notes.

Bombardier is organized under the laws of Canada and a portion of its assets are located in Canada. The rights of the trustee who represents the holders of the notes to enforce remedies could be delayed by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation if the benefit of such legislation is sought with respect to Bombardier. For example, both the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada) contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and to file a proposal or plan of compromise or arrangement to be voted on by the various classes of its affected creditors. A restructuring proposal, compromise or arrangement if accepted by the requisite majorities of each affected class of creditors, and if approved by the relevant Canadian court, would be binding on all creditors within each affected class, including those creditors that did not vote to accept the proposal, compromise or arrangement. Moreover, this legislation, in certain instances, permits the insolvent debtor to retain possession and administration of its property, subject to court oversight, even though it may be in default under the applicable debt instrument, during the period that the stay against proceedings remains in place.

The powers of the court under the *Bankruptcy and Insolvency Act* (Canada) and particularly under the *Companies' Creditors Arrangement Act* (Canada) have been interpreted and exercised broadly so as to protect a restructuring entity from actions taken by creditors and other parties. Accordingly, we cannot predict whether payments under the notes would be made during any proceedings in bankruptcy, insolvency or other restructuring, whether or when the trustee could exercise its rights under the indenture governing the notes or whether and to what extent holders of the notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursements of the trustee.

Investors in the notes located outside of Canada may have difficulties enforcing civil liabilities.

Bombardier is incorporated under the laws of Canada. Moreover, the majority of our directors, controlling persons and officers, as well as certain of the experts named in this listing memorandum, are residents of Canada or other jurisdictions outside the United States, and all or a substantial portion of their assets and a substantial portion of our assets are located outside the United States. We will agree, in accordance with the terms of the indenture under which the notes will be issued, to accept service of process in any suit, action or proceeding with respect to the indenture or the notes brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. Nevertheless, it may be difficult for holders of the notes to effect service of process within the United States upon directors, officers and experts who are not residents of the United States or to enforce against Bombardier or them in the United States upon judgments of courts of the United States predicated upon civil liability under U.S. federal or state securities laws or other laws of the United States. In addition, there is doubt as to the enforceability in Canada of liabilities predicated solely upon U.S. federal or state securities law against Bombardier and its directors, controlling persons and officers who are not residents of the United States, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon U.S. federal or state securities laws. See "Description of the Notes—Enforceability of Judgments."

There is no public market for the notes and an active trading market may not develop for the notes which may reduce their market price.

There is currently no established trading market for the notes. Application has been made for the notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market market of the Luxembourg Stock Exchange, but no assurance can be given that the notes will remain admitted to trading on the Euro MTF Market and listed on the Official List of the Luxembourg Stock Exchange.

We have been advised by the initial purchasers that they presently intend to make a market in the notes, but they are under no obligation to do so, and any such market-making may be discontinued at any time without notice, at the sole discretion of the initial purchasers. Accordingly, no assurance can be given as to the prices or liquidity of, or trading markets for, the notes. The liquidity of any market for the notes will depend upon the number of holders of the notes, the interest of securities dealers in making a market in the notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, our business, financial condition and results of operations. The absence of an active market for the notes could adversely affect the market price and liquidity of the notes. In addition, the market for non-investment grade debt has historically been subject to disruptions that caused volatility in prices. It is possible that the market for the notes will be subject to disruptions. Any such disruptions may have a negative effect on your ability to sell the notes regardless of our prospects and financial performance.

Resale of the notes is restricted, which may impact your ability to sell the notes.

We are relying upon an exemption from the registration requirement of the Securities Act and other applicable securities laws to offer and sell the notes. The notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S under the Securities Act. The notes are subject to restrictions on transfer as described under "Notice to Investors." We have no obligation, and we do not intend, to register the notes (in an exchange offer or otherwise) under the Securities Act. Further, the notes may not be sold or transferred directly or indirectly in Canada except in accordance with applicable securities laws of any province or territory of Canada. It is your obligation to ensure that your offers and sales of the notes within the United States, Canada or other jurisdictions comply with the transfer restrictions contained in this listing memorandum, in the indenture governing the notes and in the applicable laws of those jurisdictions.

The notes will be held in book-entry form and therefore you must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

The notes will be issued in fully registered form. The notes will be deposited, on the closing date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the global notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Owners of beneficial interests in the global notes will not be entitled to receive definitive notes in registered form, except under the limited circumstances described in "Description of the Notes—Book-Entry, Delivery and Form." So long as the notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of global notes. The common depositary for Euroclear and/or Clearstream, or their respective nominees, as applicable, will be considered the sole holders of global notes.

Payments of any amounts owing in respect of the global notes (including principal, premium, interest and additional amounts, if any) will be made by Bombardier to the paying agent. The paying agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and/or Clearstream. The common depositary or its nominee will in turn distribute such payments to participants in accordance with its procedures. After payment to the common depositary or its nominee for Euroclear and/or Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests. Accordingly, if you hold a Book-Entry Interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you hold your interest, to exercise any rights and obligations of a holder of notes under the indenture governing the notes.

Unlike the holders of the notes themselves, holders of Book-Entry Interests will not have the direct right to act upon Bombardier's solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you hold a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an event of default under the indenture governing the notes, unless and until definitive registered notes are issued in respect of all Book-Entry Interests, if you hold a Book-Entry Interest, you will be restricted to acting through Euroclear or Clearstream. The procedures to be implemented through Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the notes.

Risks Relating to Our Business

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 not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business. To the extent possible, we apply risk assessment. Where practicable, we apply risk management and mitigation practices to reduce the nature and extent of our exposure to these risks to an acceptable level.

General economic risk

General economic risk refers to potential loss due to unfavourable economic conditions, such as a continued macroeconomic downturn in key markets, could result in a lower order intake, order cancellation or deferral, downward pressure on selling prices, increased inventory levels, curtailment of production activities, termination of employees, and adverse impacts on our customers and suppliers. The impacts of general economic risk on our business is discussed in the respective business environment sections of Overview, BA and BT of our "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010," included elsewhere in this listing memorandum.

Business environment risk

Business environment risk is the potential loss due to external risk factors, more specifically the financial condition of the airline industry 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, competition from other businesses, 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, global health risks and 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.

Airline industry financial condition

The airline industry's financial condition and viability, as well as the ability of airlines to secure financing, influence the demand for BA's commercial aircraft. The nature of the airline industry makes it difficult to predict the timing of the impact of economic downturns or recoveries on the industry and cycles may be longer than expected. Continued cost and yield pressure in the airline industry puts pressure on the selling price of BA's products. An increased supply of used aircraft as companies downsize or discontinue operations also adds downward pressure on 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.

Rail industry financial condition

World economic and financial conditions may have a negative impact on some rail operators, particularly in the freight segment. Unfavourable economic conditions may result in 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 its cost structure.

Operational risk

Operational risk is the 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 management, reliance on information systems, as well as the successful integration of new acquisitions.

Developing new products and services

The principal markets in which we operate experience change due to the introduction of new technologies. To meet our customers' needs, we must continuously design new products, update existing products and services, and invest and develop new technologies, which may require significant capital investments. Introducing new products requires a significant commitment to research and development, which may or may not be successful.

Our sales may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if the products are not approved by regulatory authorities or if the products are not brought to market in a timely manner or 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, the Federal Aviation Administration, the European Aviation Safety Agency, the Transport Safety Institute and national rail regulatory bodies or other regulatory authorities, could result in the service interruption of our products.

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 these contracts unilaterally.

We are exposed to risks associated with these 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, long-term contract revenues and costs are based, in part, on estimates that 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, the impact of change orders and the impact of delayed delivery.

Business partners

In some of the projects carried out through consortia or other partnership vehicles in BT, all partners are jointly and severally liable to the customer. The success of these partnerships is dependent on satisfactory performance by our business partners and us. 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, losses 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 after they are delivered to the customer. If discovered, we may not be able to correct defects in a timely manner, or at all. The occurrence of defects and failures in our products could result in warranty 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 or disasters involving our products, or products for which we have provided services, including claims for serious personal injuries or death, and these accidents may include accidents caused by climatic factors, or by pilot or driver 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 cost 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 develop 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 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 emissions; the use, disposal, storage, transportation, labelling and 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 certain 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 customers 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 (aluminum, advanced aluminum alloy, titanium) and services and major systems(engines, wings, nacelles and fuselages) in BA, and raw materials (steel, aluminum) and major systems (brakes, doors, heating, ventilation and air conditioning) in BT. A failure to meet performance specifications, quality standards, and delivery schedules by one or more suppliers could adversely affect our ability to meet our commitments to customers. Some of these suppliers participate in the development of products such as aircraft or rolling stock platforms. They also participate in the subsequent delivery of materials and major components 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 resources (including collective agreements)

Human resources risk would arise if we were unable to recruit, retain, and motivate highly skilled employees, including those involved in the research and development 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 and/or increased costs of labour.

Financing risk

Financing risk is the risk of potential loss related to liquidity and access to capital markets, restrictive debt covenants, financing support provided for the benefit of certain customers, as well as government support.

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, debt and cash flow generated from operations. 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

Our L/C Facilities, our senior unsecured revolving credit facility and the indentures governing certain of our notes 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 L/C Facilities and our revolving credit facility, which must be met on a quarterly basis. See "Description of Other Indebtedness and Letter of Credit Facilities."

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 also 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 bondholders 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 may also provide interim financing while a permanent financing solution is being arranged, which includes loans made to customers and, on a limited basis, the leasing of aircraft to customers. We face the risk that certain customers may not be able to obtain permanent financing.

We may also provide, directly or indirectly, credit and residual value guarantees to airlines to support financing for airlines or to support financings by certain SPEs created solely i) to purchase our commercial aircraft and to lease those aircraft to airlines, and 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.

Government support

From time to time, we receive various types of financial government support. Some of these financial support programs require that we pay amounts to the government at the time of delivery of products, contingent on achievement of an agreed-upon minimum level of related product sales. 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 or any substantial reduction in the availability of government support could negatively impact our liquidity assumptions regarding the development of aircraft or new 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

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.

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, in particular Euros, Canadian dollars and pounds sterling. Our results of operations are therefore affected by movements in these currencies against the U.S. dollar. Significant long-term fluctuations in relative currency values could therefore have a significant impact on our future profitability.

Interest rate risk

We are exposed to fluctuation in our future cash flows arising from changes in interest rates through our variable-rate financial assets and liabilities, including long-term debt synthetically converted to variable interest rates, and through 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 Banker's Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, which include marketability risk, through our financial instruments carried at fair value, including 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 ("*RVG*") provided in support of regional aircraft sales. We may provide RVGs either directly to the customer or to the financing party that participates in the long-term financing associated with the sale of regional aircraft. RVGs are offered as a strip of the value of the aircraft and are always capped. 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. We are required to make payments under these RVGs when the resale value of the aircraft falls within the strip covered by the guarantee.

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.

USE OF PROCEEDS

We estimate that the net proceeds from this offering of notes, after deducting the commissions payable to the initial purchasers and fees and expenses relating to our Refinancing Plan, will be approximately $1,049 million (using the noon rate published by the Bank of Canada on October 19, 2010, which was €1.00=$1.3825). We intend to use the proceeds of this offering of notes, together with the proceeds of the termination and settlement of an interest rate swap related to our 8.00% Senior Notes due 2014, as part of our Refinancing Plan (i) to finance the repurchase and retirement of all of our outstanding Floating Rate Senior Notes due 2013 and all of our outstanding 8.00% Senior Notes due 2014 pursuant to the Tender Offers, (ii) to pay the fees and expenses related to the refinancing, and (iii) for general corporate purposes. See also "Summary—Our Refinancing Plan—Concurrent Debt Tender Offers." It is estimated that the termination and settlement of the interest rate swap, after giving effect to the other elements of our Refinancing Plan, will result in $45 million to be used for general corporate purposes. We intend to redeem any Floating Rate Senior Notes due 2013 and any 8.00% Senior Notes due 2014 not tendered and purchased by us in the Tender Offers on or around December 2, 2010 at a price of par in respect of the Floating Rate Senior Notes due 2013 and a price of $1,040.00 per $1,000.00 principal amount in respect of the 8.00% Senior Notes due 2014, in each case pursuant to the terms of the respective indenture governing such series of notes. For more information regarding the terms of our Floating Rate Senior Notes due 2013 and our 8.00% Senior Notes due 2014 see "Description of Other Indebtedness and Letter of Credit Facilities." The following table sets out the estimated sources and uses of funds in connection with our Refinancing Plan.

Sources	(U.S. dollars in millions)[1]	Uses	
Notes offered hereby	$1,069	Repurchase of Floating Rate Senior Notes due 2013[3]	$ 668
Termination and settlement of an interest rate swap[2]	$ 65	Repurchase of 8.00% Senior Notes due 2014[4]	$ 401
		Payment of fees and expenses[5]	$ 20
		General corporate purposes	$ 45
Total Sources	$1,134	**Total Uses**	$1,134

(1) For the purposes hereof, Euro amounts are converted to U.S. dollars using the noon rate published by the Bank of Canada on October 19, 2010 (which was €1.00=$1.3825). Table assumes an aggregate principal amount of notes offered hereby and gross proceeds of $1,069 million (or €773.2 million).

(2) Estimated proceeds of the termination and settlement of the interest rate swap related to our 8.00% Senior Notes due 2014, calculated as of October 19, 2010.

(3) Assumes the repurchase pursuant to the Tender Offers of all our outstanding Floating Rate Senior Notes due 2013 at a price of €1,001.25 per €1,000.00 principal amount (including an early participation premium). Pursuant to the Tender Offers we are offering to purchase for cash any and all of our outstanding Floating Rate Senior Notes due 2013. The aggregate principal amount outstanding of our Floating Rate Senior Notes due 2013 is €482.5 million.

(4) Assumes the repurchase pursuant to the Tender Offers of all our outstanding 8.00% Senior Notes due 2014 at a price of $1,042.50 per $1,000.00 principal amount (including an early participation premium). Pursuant to the Tender Offers, we are offering to purchase for cash any and all of our outstanding 8.00% Senior Notes due 2014. The aggregate principal amount outstanding of our 8.00% Senior Notes due 2014 is $385.0 million.

(5) Includes the fees and expenses of our Refinancing Plan (other than the tender premium in respect of the repurchase and retirement of the notes that we repurchase pursuant to the Tender Offers), including the initial purchasers' commissions in respect of this offering of notes, the dealer-managers' fees and expenses in respect of the Tender Offers, and legal, accounting, agency and other fees.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our total capitalization as of July 31, 2010: (i) on an actual basis, and (ii) as adjusted to reflect this offering of notes and the application of the net proceeds as described under "Use of Proceeds."

This table should be read together with the sections entitled "Summary Selected Consolidated Financial Information," "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Six-month period ended July 31, 2010," and with our interim consolidated financial statements as of and for the three- and six-month periods ended July 31, 2010, including the related notes thereto, included elsewhere in this listing memorandum.

There have been no material changes[1] to our share capital or long-term debt since July 31, 2010.

	At July 31, 2010	
(millions of U.S. dollars)	**Actual**	**As Adjusted[2]**
Cash and cash equivalents	$2,776	$2,792
Restricted cash	$ 54	$ 54
Long-term debt:[3]		
Notes offered hereby[4]	—	992
6.75% Senior Notes due 2012	161	161
Floating Rate Senior Notes due 2013	625	—
6.30% Senior Notes due 2014	186	186
8.00% Senior Notes due 2014	454	—
7.25% Senior Notes due 2016	1,111	1,111
7.50% Senior Notes due 2018	676	676
7.75% Senior Notes due 2020	890	890
7.35% C$ Debentures due 2026	145	145
7.45% Notes due 2034	247	247
Other Long Term Debt	138	138
Total long-term debt	$4,633	$4,546
Shareholders' equity:		
Equity Shares[5]	1,325	1,325
Preferred Shares[6]	347	347
	1,672	1,672
Contributed surplus	106	106
Retained earnings	2,272	2,298
Accumulated other comprehensive income	(231)	(231)
Equity attributable to shareholders of Bombardier Inc.	3,819	3,845
Equity attributable to non-controlling interests	65	65
Total shareholders' equity	3,884	3,910
Total capitalization	$8,517	$8,456

(1) Except for changes resulting from currency and interest rate fluctuations.

(2) For the purposes hereof, Euro amounts are converted to U.S. dollars using the noon rate published by the Bank of Canada on July 30, 2010 (which was €1.00=$1.3068). Table assumes an aggregate principal amount of notes offered hereby and gross proceeds of $1,011 million (or €773.6 million) less $19 million of fees and expenses of

the offering and an increase in Cash and cash equivalents of $16 million. The amounts disclosed under "Sources" and "Uses" under "Use of Proceeds" are converted into U.S. dollars using the noon rate published by the Bank of Canada on October 19, 2010 (which was €1.00=$1.3825), resulting in an assumed aggregate principal amount of notes offered hereby and gross proceeds of $1,069 million (or €773.2 million) before reduction of fees and expenses of $20 million, and an increase in Cash and cash equivalents of $45 million. See "Use of Proceeds."

(3) Assumes the repurchase pursuant to the Tender Offers of all our outstanding Floating Rate Senior Notes due 2013 at a price of €1,001.25 per €1,000.00 principal amount and all of our 8.00% Senior Notes due 2014 at a price of $1,042.50 per $1,000.00 principal amount (in each case including an early participation premium). Pursuant to the Tender Offers, we are offering to purchase for cash any and all of our outstanding Floating Rate Senior Notes due 2013 and 8.00% Senior Notes due 2014. The aggregate principal amount outstanding of our Floating Rate Senior Notes due 2013 is €482.5 million and the aggregate principal amount outstanding of our 8.00% Senior Notes due 2014 is $385.0 million.

(4) This amount reflects $1,011 million aggregate principal amount of notes offered hereby less $19 million of fees and expenses of the offering which are capitalized.

(5) Includes 316,109,537 issued and outstanding Class A Shares (multiple voting) and 1,436,529,144 issued and outstanding Class B Shares (subordinate voting) less 26,672,674 Class B Shares (subordinate voting) held in trust under the performance share unit plan. All the equity shares are fully paid-up as required by the Canada Business Corporations Act.

(6) Includes 9,464,920 issued and outstanding Series 2 Preferred Shares, 2,535,080 issued and outstanding Series 3 Preferred Shares and 9,400,000 issued and outstanding Series 4 Preferred Shares. All the preferred shares are fully paid-up as required by the Canada Business Corporations Act.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Six-month period ended July 31, 2010

Set forth below is a reproduction of our "Management's Discussion and Analysis" for the six-month period ended July 31, 2010, which we filed with the Canadian securities regulatory authorities on September 1, 2010. The information set forth below is as of August 31, 2010 and has not been updated for purposes of this listing memorandum.

SECOND
QUARTERLY REPORT

Three-month period ended July 31, 2010

GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
AcSB	Accounting Standards Board	GAAP	Generally accepted accounting principles
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
CTA	Cumulative translation adjustment	MD&A	Management's discussion and analysis
DSU	Deferred share unit	OCI	Other comprehensive income
EBIT	Earnings before financing income, financing expense and income taxes	PP&E	Property, plant and equipment
		PSU	Performance share unit
EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization	R&D	Research and development
		RVG	Residual value guarantee
EBT	Earnings before income taxes	SG&A	Selling, general and administrative
EMUs	Electrical Multiple Units	VIE	Variable interest entity
EPS	Earnings per share attributable to the shareholders of Bombardier Inc.		

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 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. 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 sections in BA and BT in the MD&A of the Corporation's annual report for fiscal year 2010.

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 airline industry's financial condition), operational risks (such as risks involved in developing new products and services, risks in doing business with partners, risks relating to product performance warranty and casualty claim losses, to regulatory and legal proceedings, to environmental and health and safety, to our dependence on certain customers and suppliers, to human resources, to fixed-price commitments and to production and project execution), financing risks (such as risks relating to liquidity and access to capital markets, to the terms of certain restrictive debt covenants, to financing support provided on behalf of certain customers and to reliance on government support) and market risks (such as risks relating to foreign currency fluctuations, to changing interest rates and commodity prices risks). For more details, see the Risks and uncertainties section in Other in the MD&A of the Corporation's annual report for fiscal year 2010. 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, 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.

OVERVIEW

HIGHLIGHTS

- Revenues of $4.1 billion, compared to $4.9 billion for the same period last fiscal year.
- EBIT of $231 million, or 5.7% of revenues, compared to $313 million, or 6.3%, for the same period last fiscal year.
- Net income of $148 million (diluted EPS of $0.08), compared to $202 million (diluted EPS of $0.11) for the same period last fiscal year.
- Free cash flow usage of $508 million, compared to a free cash flow of $18 million for the same period last fiscal year.
- Cash position of $2.8 billion as at July 31, 2010, compared to $3.4 billion as at January 31, 2010.
- Order backlog of $47.4 billion as at July 31, 2010, compared to $43.8 billion as at January 31, 2010.

CONSOLIDATED ANALYSIS OF RESULTS

Analysis of results

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Revenues	**$ 4,079**	$ 4,946	**$ 8,325**	$ 9,417
Cost of sales	**3,410**	4,155	**6,933**	7,888
Margin	**669**	791	**1,392**	1,529
SG&A	**327**	362	**680**	708
R&D	**45**	29	**90**	49
Other income	**(34)**	(36)	**(40)**	(19)
EBITDA	**331**	436	**662**	791
Amortization	**100**	123	**207**	243
EBIT	**231**	313	**455**	548
Financing income	**(16)**	(23)	**(53)**	(58)
Financing expense	**60**	72	**125**	140
EBT	**187**	264	**383**	466
Income taxes	**39**	62	**82**	106
Net income	**$ 148**	$ 202	**$ 301**	$ 360
Attributable to:				
Shareholders of Bombardier Inc.	**$ 144**	$ 198	**$ 296**	$ 354
Non-controlling interests	**$ 4**	$ 4	**$ 5**	$ 6
Basic and diluted EPS (in dollars)	**$ 0.08**	$ 0.11	**$ 0.16**	$ 0.20
Free cash flow	**$ (508)**	$ 18	**$ (725)**	$ (799)

Revenues and EBIT margin

	Three-month periods ended July 31			Six-month periods ended July 31		
	2010	2009	Increase (decrease)	**2010**	2009	Increase (decrease)
Revenues						
BA	**$ 1,962**	$ 2,399	(18%)	**$ 3,897**	$ 4,618	(16%)
BT	**$ 2,117**	$ 2,547	(17%)	**$ 4,428**	$ 4,799	(8%)
Consolidated	**$ 4,079**	$ 4,946	(18%)	**$ 8,325**	$ 9,417	(12%)
EBIT margin			Percentage points			Percentage points
BA	**4.6%**	6.4%	(1.8)	**4.6%**	5.7%	(1.1)
BT	**6.6%**	6.2%	0.4	**6.2%**	5.9%	0.3
Consolidated	**5.7%**	6.3%	(0.6)	**5.5%**	5.8%	(0.3)

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

Net financing expense

Net financing expense amounted to $44 million and $72 million for the three- and six-month periods ended July 31, 2010, compared to $49 million and $82 million for the same periods last fiscal year.

The $5-million decrease for the three-month period is mainly due to lower interest expense on long-term debt, consistent with lower variable interest rates ($7 million).

The $10-million decrease for the six-month period is mainly due to:

- a gain of $15 million on long-term debt repayments in connection with our refinancing plan.

Partially offset by:

- lower interest income on cash and cash equivalents, consistent with lower variable interest rates ($9 million).

Income taxes

The effective income tax rate was 20.9% and 21.4%, respectively, for the three- and six-month periods ended July 31, 2010, compared to the statutory income tax rate of 30.0%. The lower 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 permanent differences.

The effective income tax rate was 23.5% and 22.7%, respectively, for the three- and six-month periods ended July 31, 2009, compared to the statutory income tax rate of 31.5%. The lower effective tax rates were mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences.

LIQUIDITY AND CAPITAL RESOURCES

Refinancing plan

Maintaining sufficient liquidity continues to be one of our key focuses. In March 2010, we implemented a refinancing plan of our long-term debt (see Note 8 – Long-term debt). As a result of this plan, we increased our average long-term debt maturity profile by 1.4 years, and we increased our available short-term capital resources by approximately $500 million to be used for general corporate purposes. The increase in available short-term capital resources includes the money collected on the cancellation of the interest-rate swaps related to the repurchased debt, which was partially offset by the premium paid on the repurchased debt and the issuance fees related to the new debt.

Available short-term capital resources

		Cash and cash equivalents		Available credit facility		Available short-term capital resources
July 31, 2010	**$**	**2,776**	**$**	**500**	**$**	**3,276**
January 31, 2010	$	3,372	$	500	$	3,872

Our available short-term capital resources include cash and cash equivalents and the amount available under the revolving credit facility (unused as at July 31, 2010 and January 31, 2010). We consider that our available short-term capital resources of $3.3 billion as at July 31, 2010 combined with our expected free cash flow 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.

Reconciliation of free cash flow to cash flow from operating activities

		Three-month periods ended July 31				Six-month periods ended July 31		
		2010		2009		**2010**		2009
Segmented free cash flow								
BA	**$**	**(287)**	$	(10)	**$**	**(492)**	$	(540)
BT		**(132)**		149		**(159)**		(111)
Segmented free cash flow		**(419)**		139		**(651)**		(651)
Income taxes and net financing expense[(1)]		**(89)**		(121)		**(74)**		(148)
Free cash flow		**(508)**		18		**(725)**		(799)
Add back: Net additions to PP&E and intangible assets		**280**		155		**517**		309
Cash flow from operating activities	**$**	**(228)**	$	173	**$**	**(208)**	$	(490)

[(1)] Income taxes and net financing expense are not allocated to segments.

Variation in cash and cash equivalents

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Balance as at beginning of period	**$ 3,531**	$ 2,687	**$ 3,372**	$ 3,470
Free cash flow	**(508)**	18	**(725)**	(799)
Proceeds from issuance of long-term debt	**7**	4	**1,483**	4
Repayments of long-term debt	**(3)**	(2)	**(1,056)**	(4)
Dividends paid	**(93)**	(80)	**(98)**	(85)
Effect of exchange rate changes on cash and cash equivalents	**(37)**	202	**(55)**	245
Purchase of class B shares held in trust under the PSU plan	**(46)**	(21)	**(46)**	(21)
Repurchase of Class B Shares	**-**	-	**(16)**	-
Invested collateral	**-**	81	**-**	81
Other	**(75)**	(85)	**(83)**	(87)
Balance as at end of period	**$ 2,776**	$ 2,804	**$ 2,776**	$ 2,804

Other 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. Trade receivables of €186 million ($243 million) were outstanding under such facilities as at July 31, 2010 (€140 million ($194 million) as at January 31, 2010). Trade receivables of €132 million ($166 million) and €252 million ($329 million), respectively, were sold to these facilities during the three- and six-month periods ended July 31, 2010 (€136 million ($195 million) and €148 million ($210 million) during the three- and six-month periods ended July 31, 2009).

In addition, BA has set up off-balance sheet sale and leaseback facilities under which it can sell pre-owned business aircraft. An amount of $234 million was outstanding under such facilities as at July 31, 2010 ($180 million as at January 31, 2010). Aircraft worth $115 million and $166 million respectively were sold and leased-back to these facilities during the three- and six-month periods ended July 31, 2010 ($53 million for the three- and six-month periods ended July 31, 2009).

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 an unfunded commitment from banks, they typically provide a better pricing for the Corporation as compared to credit facilities available for cash drawings.

Letter of credit facilities

	Amount committed	Letters of credit issued	Amount available	Maturity (fiscal year)
July 31, 2010				
BT facility	**$ 4,966** [1]	**$ 3,865**	**$ 1,101**	**2014** [2]
BA facility	**600**	**321**	**279**	**2012**
PSG facility	**900**	**234**	**666**	**2012** [3]
	$ 6,466	**$ 4,420**	**$ 2,046**	
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 July 31, 2010 (€3,750 million as at January 31, 2010).
(2) In December 2011, if the facility is not extended, 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") 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 $669 million were outstanding under various bilateral agreements as at July 31, 2010 ($453 million as at January 31, 2010).

We also use numerous bilateral bonding facilities with insurance companies to support BT's operations. An insured amount of $1.7 billion was outstanding under such unfunded facilities as at July 31, 2010 ($1.5 billion as at January 31, 2010).

Under the BA and BT letter of credit facilities and our revolving credit facility, we must maintain various financial covenants, including a requirement to maintain a minimum BT liquidity of €600 million ($784 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 ($528 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at July 31, 2010 and January 31, 2010.

CAPITAL STRUCTURE

We analyze our capital structure using global leverage 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 leverage 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 is more on the global leverage metrics, as they represent the key metrics used to analyze our capital structure.

Global leverage metrics (1)

		July 31, 2010		January 31, 2010
Interest coverage				
Adjusted EBIT(2)	**$**	**1,153**	$	1,249
Adjusted net interest(2)	**$**	**321**	$	334
Adjusted EBIT to adjusted net interest ratio		**3.6**		3.7
Financial leverage				
Adjusted debt	**$**	**7,428**	$	6,084
Adjusted EBITDA(2)	**$**	**1,668**	$	1,792
Adjusted debt to adjusted EBITDA ratio		**4.5**		3.4
Capitalization				
Adjusted debt	**$**	**7,428**	$	6,084
Adjusted total capitalization	**$**	**11,443**	$	9,928
Adjusted debt to adjusted total capitalization ratio		**65%**		61%

(1) Refer to the Non-GAAP financial measures section hereafter for definitions and reconciliations to the most comparable Canadian GAAP measures.
(2) Calculated on a four-quarter trailing basis.

The trend of our three global leverage metrics reflects a combination of unfavourable factors, principally the increase in adjusted debt and the decrease in profitability.

Our adjusted debt is higher as a result of an increase in the pension deficit and long-term debt.

Our pension deficit totalled $2.3 billion as at June 30, 2010 (second-quarter measurement date), compared to $1.5 billion as at December 31, 2009 (year-end measurement date).

Variation in pension deficit

Deficit as at December 31, 2009	$	1,514
Changes in discount rate assumptions		593
Interest cost		198
Actual return on plan assets		123
Excess of employer contributions over service costs		(94)
Other		(20)
Deficit as at June 30, 2010	**$**	**2,314**

Long-term debt increased by $471 million as a result of the refinancing plan and the fair value variation of hedges recorded in long-term debt, partially offset by the foreign exchange impact.

Adjusted EBIT and adjusted EBITDA decreased mainly due to lower BA profitability as a result of the challenging economic conditions experienced in the aerospace industry.

Given the current economic environment, our near-term focus is to preserve liquidity. Upon return to normal economic conditions, we remain committed to improve our capital structure.

Our objective with regard to the global metrics is to manage and monitor them such that we can achieve an investment-grade profile, which we believe among other considerations typically requires meeting the following ratios:

- interest coverage greater than 5.0;
- financial leverage lower than 2.5; and
- capitalization lower than 55%.

FINANCIAL POSITION

	July 31 2010	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	**$ 2,776**	$ 3,372	$ (55)	$ (541)	See the previous Variation in cash and cash equivalents table for details
Invested collateral	**650**	682	(32)	-	No variance
Receivables	**1,861**	1,897	18	(54)	$ (59) Lower level in BA
Aircraft financing	**570**	473	1	96	Mainly resulting from increased commercial aircraft financing
Gross inventories	**9,151**	9,423	(22)	(250)	$ (369) Mainly resulting from the reduced level of activities in Europe and BT's inventory optimization program 103 Mainly resulting from commercial aircraft delivery profile in the current fiscal year
Advances and progress billings related to long-term contract costs	**(5,474)**	(6,054)	(27)	(553)	Mainly resulting from lower level of activities and lower level of advances and milestone payments received on new orders
Advances on aerospace programs	**(1,855)**	(2,092)	-	(237)	Mainly resulting from higher deliveries than orders received in business aircraft
PP&E	**1,682**	1,643	(13)	52	$ 139 Additions (81) Amortization (16) Proceeds from disposal 10 Gain on disposal
Intangible assets	**1,988**	1,696	(9)	301	$ 412 Investment in aerospace programs (111) Amortization
Fractional ownership					
- deferred costs	**196**	271	-	(75)	Low level of deliveries of new aircraft in
- deferred revenues	**(257)**	(346)	-	(89)	fractional ownership programs
Deferred income tax, net	**1,088**	1,101	(15)	2	No significant variance
Accrued benefit, net	**10**	(14)	37	(13)	No significant variance
Derivatives, net	**63**	53	5	5	No significant variance
Goodwill	**2,230**	2,247	(17)	-	No variance
Other assets	**1,128**	1,006	3	119	$ 65 Increase in investment in securities 50 Increase in prepaid expenses
Accounts payable and accrued liabilities	**(7,290)**	(7,427)	(41)	(96)	$ (270) Lower level of trade payables in BT as a result of reduced level of activities in Europe 174 Higher level of accounts payable and accrued liabilities in BA
Long-term debt	**(4,633)**	(4,162)	(102)	573	Refinancing plan and fair value variation of hedges recorded in long-term debt
Equity	**(3,884)**	(3,769)	n/a	115	$ 301 Net income (98) Dividends declared (56) Negative impact of cash flow hedges measured at fair value (46) Purchase of Class B Shares held in trust under the PSU plan

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 property, plant and equipment and intangible assets.
Adjusted debt	Long-term debt plus total pension deficit (including the off-balance sheet portion) and 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 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 interim consolidated financial statements, but do not have a standardized meaning prescribed by Canadian GAAP; therefore, others using these terms may calculate them differently.

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

- EBITDA to EBIT – see the respective Results of operations table in BA and 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 before.

Reconciliation of adjusted debt to long-term debt

	July 31, 2010	January 31, 2010
Long-term debt	**$ 4,633**	$ 4,162
Pension deficit[(1)]	**2,314**	1,514
Operating lease obligations[(2)]	**481**	408
Adjusted debt	**$ 7,428**	$ 6,084

(1) Represents the estimated pension deficit as at June 30, 2010 and the pension deficit as at December 31, 2009 (second and fourth quarter measurement dates respectively).
(2) Discounted using the average 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

	Four-quarter trailing periods ended	
	July 31, 2010	January 31, 2010
EBIT	**$ 1,005**	$ 1,098
Adjustment for pension deficit and operating leases[(1)]	**148**	151
Adjusted EBIT	**1,153**	1,249
Amortization adjustment for operating leases[(2)]	**53**	45
Amortization	**462**	498
Adjusted EBITDA	**$ 1,668**	$ 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 twelve 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

	Four-quarter trailing periods ended	
	July 31, 2010	January 31, 2010
Financing income and financing expense	**$ 173**	$ 183
Adjustment for pension deficit and operating leases[(1)]	**148**	151
Adjusted net interest	**$ 321**	$ 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 twelve months, given our credit rating for the corresponding periods.

Reconciliation of adjusted total capitalization to equity

	July 31, 2010	January 31, 2010
Equity	**$ 3,884**	$ 3,769
Exclude: amount in AOCI related to cash flow hedges	**131**	75
Adjusted debt	**7,428**	6,084
Adjusted total capitalization	**$ 11,443**	$ 9,928

AEROSPACE

HIGHLIGHTS

- Revenues of $2.0 billion, compared to $2.4 billion for the same period last fiscal year.
- EBIT of $91 million, or 4.6% of revenues, compared to $154 million, or 6.4%, for the same period last fiscal year.
- Free cash flow usage of $287 million, compared to a usage of $10 million for the same period last fiscal year.
- 46 aircraft deliveries, compared to 80 for the same period last fiscal year.
- 29 net orders, compared to negative 38 for the same period last fiscal year.
- Order backlog of $17.1 billion as at July 31, 2010, compared to $16.7 billion as at January 31, 2010.

BUSINESS ENVIRONMENT

While economic conditions in general are improving, uncertainties remain. The aerospace industry continues to experience challenging conditions as there is a lag between economic recovery and the time it positively impacts revenues. As such, our results for the second quarter and the first six months of fiscal year 2011 have continued to be impacted. To mitigate the impact, BA remains focused on flawless execution, cost reductions and operational and working capital improvements.

For the business aircraft market, the industry continues to see stabilization in key indicators. According to Federal Aviation Administration (FAA) data, fleet activity (measured in terms of arrivals and departures) increased by 15% in the first six months of calendar year 2010 compared to the same period last year. According to BA's analysis using JETNET database (a leading provider of business aviation information), the number of pre-owned aircraft available for sale as a percentage of the total in-service fleet has continued to decrease, reaching 15.2% as at June 30, 2010, compared to 15.7% as at March 31, 2010 and to 17.8% as at June 30, 2009. However, the UBS Business Jet Market Conditions index, which is a measure of broker and dealer confidence, fell from 50 (the threshold for market stability) during the first quarter of calendar year 2010 to 41 during the second quarter of calendar year 2010, indicating a decline in business aircraft buyer confidence.

For the commercial aircraft market, the International Air Transport Association ("IATA") announced on July 28, 2010 that the global passenger load factor was at 79.8% in June 2010, which is an increase compared to 77.6% in December 2009 and to 75.3% in June 2009. In June 2010, IATA upgraded their 2010 forecast for the commercial airline industry to a net profit of $2.5 billion from the net loss of $2.8 billion projected in their March 2010 forecast, and confirmed that airlines face another difficult year in calendar year 2010, focused on carefully matching capacity to demand and controlling costs.

While both markets were affected by the recession, we believe that the market fundamentals are strong in the long-term for new business and commercial aircraft. We reaffirm our guidance to deliver approximately 15% and 20% fewer business and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010. Our overall BA EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Revenues				
Manufacturing				
Business aircraft	**$ 829**	$ 1,166	**$ 1,797**	$ 2,225
Commercial aircraft	**408**	588	**746**	1,227
Other	**130**	137	**272**	302
Total manufacturing revenues	**1,367**	1,891	**2,815**	3,754
Services[1]	**399**	344	**767**	673
Other[2]	**196**	164	**315**	191
Total revenues	**1,962**	2,399	**3,897**	4,618
Cost of sales	**1,679**	2,045	**3,292**	3,908
Margin	**283**	354	**605**	710
SG&A	**138**	147	**293**	301
R&D	**13**	(4)	**25**	(14)
Other income[3]	**(29)**	(36)	**(38)**	(28)
EBITDA	**161**	247	**325**	451
Amortization	**70**	93	**145**	187
EBIT	**$ 91**	$ 154	**$ 180**	$ 264
(as a percentage of total revenues)				
Margin	**14.4%**	14.8%	**15.5%**	15.4%
EBITDA	**8.2%**	10.3%	**8.3%**	9.8%
EBIT	**4.6%**	6.4%	**4.6%**	5.7%

(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 special-mission aircraft solutions (including Military Aviation Training).
(2) Includes mainly sales of pre-owned aircraft.
(3) Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates), settlement of claims and losses (gains) related to disposals of businesses, PP&E and intangible assets.

Total aircraft deliveries

	Three-month periods ended July 31		Six-month periods ended July 31	
(in units)	**2010**	2009	**2010**	2009
Business aircraft				
Excluding those of the fractional ownership program	**27**	51	**63**	93
Fractional ownership program[1]	**-**	-	**-**	1
	27	51	**63**	94
Commercial aircraft	**18**	28	**34**	59
Amphibious aircraft	**1**	1	**2**	2
	46	80	**99**	155

(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 $524-million and $939-million decreases for the three- and six-month periods are mainly due to:
- lower deliveries of business aircraft, partially offset by a favourable mix and higher net selling prices for medium and large business aircraft ($337 million for the three-month period, $428 million for the six-month period); and
- lower deliveries of commercial aircraft partially offset by higher net selling prices ($180 million for the three-month period, $481 million for the six-month period).

Services revenues
The $55-million increase for the three-month period is mainly due to:
- higher revenues from special-mission aircraft solutions ($30 million); and
- higher aircraft maintenance revenues due to higher activities for business and commercial aircraft ($12 million).

The $94-million increase for the six-month period is mainly due to:
- higher aircraft maintenance revenues due to higher activities for business and commercial aircraft ($31 million);
- higher revenues from special-mission aircraft solutions ($19 million); and
- higher fractional and hourly programs' service activities mainly resulting from higher flight activity ($14 million).

Other revenues
The $32-million increase for the three-month period is mainly due to higher deliveries of pre-owned commercial aircraft ($39 million).

The $124-million increase for the six-month period is mainly due to higher deliveries of pre-owned business and commercial aircraft ($119 million).

EBIT margin
The 1.8 and 1.1 percentage-point decreases for the three- and six-month periods are mainly due to:
- higher cost of sales per unit, mainly due to price escalations 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 and recorded in other income; and
- lower absorption of SG&A expenses.

Partially offset by:
- higher net selling prices for medium and large business aircraft and for commercial aircraft;
- lower amortization expense, mainly due to the program tooling on some aircraft models being fully amortized;
- lower write-downs of pre-owned business aircraft inventories; and
- the mix between business and commercial aircraft deliveries for the six-month period.

The EBIT margins for the three- and six-month periods ended July 31, 2009 were also impacted by a non-recurring reduction in R&D expenses of $10 million and $28 million, respectively, following the receipt of contingently repayable investments from the Government of Canada, Québec and the U.K. in connection with previously expensed R&D costs for the *CSeries* family of aircraft.

The EBIT margin for the six-month period ended July 31, 2009 was also impacted by severance and other involuntary termination costs of $32 million recorded in other income resulting from the decisions in February and April 2009 to reduce our workforce and production rates.

FREE CASH FLOW

Free cash flow

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
EBIT	**$ 91**	$ 154	**$ 180**	$ 264
Amortization	**70**	93	**145**	187
EBITDA	**161**	247	**325**	451
Other non-cash items:				
Gain on disposals of PP&E	**(1)**	(1)	**(8)**	(11)
Stock-based compensation	**4**	5	**10**	11
Net change in non-cash balances related to operations	**(191)**	(148)	**(336)**	(754)
Net additions to PP&E and intangible assets	**(260)**	(113)	**(483)**	(237)
Free cash flow	**$ (287)**	$ (10)	**$ (492)**	$ (540)

The $277-million decrease for the three-month period ended July 31, 2010 compared to the three-month period ended July 31, 2009 is mainly due to:

- higher net additions to PP&E and intangible assets ($147 million);
- a lower EBITDA ($86 million); and
- a negative period-over-period variation in net change in non-cash balances related to operations ($43 million) (see explanation below).

The $48-million improvement for the six-month period ended July 31, 2010 compared to the six-month period ended July 31, 2009 is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($418 million) (see explanation below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($246 million); and
- a lower EBITDA ($126 million).

Net change in non-cash balances related to operations

For the three-month period ended July 31, 2010, the $191-million cash outflow is mainly due to:

- a decrease in accounts payable and accrued liabilities;
- an increase in commercial aircraft financing; and
- an increase in inventories, mainly for commercial aircraft due to the delivery profile of these aircraft in fiscal year 2011.

Partially offset by:

- a decrease in business aircraft receivables.

For the three-month period ended July 31, 2009, the $148-million cash outflow was mainly due to:

- a decrease in accounts payable and accrued liabilities resulting mainly from the reduction in business aircraft production rates; and
- a decrease in advances on aerospace programs resulting mainly from a negative net order intake for business aircraft.

Partially offset by:

- a decrease in business aircraft receivables;
- a decrease in finished good inventories, resulting mainly from the delivery of business aircraft not previously associated with firm orders; and
- a decrease in work-in-progress inventories, resulting mainly from the reduction in business aircraft production rates.

For the six-month period ended July 31, 2010, the $336-million cash outflow is mainly due to:

- a decrease in advances on aerospace programs, resulting mainly from higher deliveries than orders received for business aircraft;

- an increase in inventories, mainly for commercial aircraft due to the delivery profile of these aircraft in fiscal year 2011; and
- an increase in commercial aircraft financing.

Partially offset by:
- an increase in accounts payable and accrued liabilities.

For the six-month period ended July 31, 2009, the $754-million cash outflow was mainly due to:
- a decrease in advances on aerospace programs, resulting mainly from a negative order intake for business aircraft; and
- a decrease in accounts payable and accrued liabilities, resulting mainly from the reduction in business aircraft production rates.

PRODUCT DEVELOPMENT

Product development costs

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Program tooling additions[1]	**$ 191**	$ 101	**$ 391**	$ 224
Program change and engineering[2]	**24**	26	**50**	53
R&D expenses	**13**	(4)	**25**	(14)
	$ 228	$ 123	**$ 466**	$ 263
As a percentage of manufacturing revenues	**16.7%**	6.5%	**16.6%**	7.0%

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

Our program tooling investments are mainly due to the development of the *CSeries* family of aircraft, the *Learjet 85* aircraft, the *Global Vision* program, as well as the *CRJ1000 NextGen* aircraft. Despite the current economic context, we continue to make significant investments in our future.

The negative R&D expenses for the three- and six-month periods ended July 31, 2009 were mainly due to a $10-million and $28-million reduction in R&D expenses, respectively, following the receipt of contingently repayable investments from the governments of Canada, Québec and the U.K. in connection with R&D expenses of previous periods for the *CSeries* family of aircraft.

Commercial aircraft

CRJ1000 NextGen aircraft – Flight testing resumed in mid-February 2010 following the resolution of the software issue with the rudder command-by-wire system. Two aircraft are currently in flight testing and 95% of the planned test program has been completed. The full range of speed, altitude, weight and balance has been completed with final certification activities in progress. Entry into service preparations with customers are progressing and deliveries are scheduled to take place in the second half of calendar year 2010.

CSeries family of aircraft – The *CSeries* aircraft program has predominantly completed the Joint Definition Phase (JDP) and has transitioned to the Detailed Design Phase (DDP). We have started to release drawings to fabrication and production for the first ground and flight test aircraft. The program is on schedule for entry into service in calendar year 2013.

The Belfast operation, which is responsible for the design, development, manufacture and integration of the advanced composite wings for the *CSeries* aircraft, including all flight control surfaces and high lift systems, has successfully assembled a full-scale, three-quarter span pre-production demonstrator wing using its innovative Resin Transfer Infusion process. In March 2010, we announced that testing of the aircraft composite demonstrator wing was under way at the Belfast facility, representing another significant milestone in the development of this all-new aircraft. In July 2010, the ultimate load test on this wing was completed, successfully replicating 150% of the most severe forces the wing is ever likely to experience in service. Production of the

CSeries aircraft wings is due to get under way early in calendar year 2011 in a new 56,000 sq.m. (600,000 sq.ft.) purpose-built facility in Belfast. The construction of this *CSeries* aircraft facility is progressing as planned.

The Complete Integrated Aircraft Systems Test Area (“CIASTA”) is progressing on schedule. The CIASTA is a systems-testing integration facility that will house a virtual *CSeries* test aircraft. The CIASTA will test aircraft systems for reliability and functionality one year before first flight and will continue to support systems integration during the flight test program. The building in Mirabel, Québec, which houses the CIASTA, was completed on schedule at the end of February 2010 and the testing and rig infrastructure installation is in progress.

Development wind tunnel tests are now complete and have confirmed the *CSeries* aircraft’s overall performance benefits. Detailed wind tunnel tests will continue throughout calendar year 2010 and final production wind tunnel tests will be conducted in calendar year 2011.

In March 2010, Shenyang Aircraft Corporation (“SAC”), a subsidiary of the state-owned aviation industrial entity China Aviation Industry Corporation (AVIC) and a key supplier in the *CSeries* aircraft program, began construction of the facility in which the fuselage for the *CSeries* mainline commercial jetliners will be built. The 21,000 sq.m. (226,000 sq.ft.) facility will be operated by SAC.

The aluminum-lithium fuselage test barrel, which arrived in Saint-Laurent, Québec from China in August 2009, has successfully completed 60,000 fatigue cycles. Findings from the advanced test fuselage will be used by the design team to optimize the final production design.

Q400 aircraft – At the July 2010 Farnborough International Airshow, we announced that we will form part of a six-partner consortium, led by Saskatchewan-based Targeted Growth Canada (TGC). The consortium expects to demonstrate the suitability of the emerging biofuel produced from an oilseed crop (camelina) in a Porter Airlines *Q400* turboprop by early calendar year 2012. Renewable fuel from camelina offers a real opportunity to reduce the environmental impact of commercial aviation by significantly reducing aircraft lifecycle carbon emissions.

Business aircraft

Global Vision – The *Global Vision* flight deck program continues to progress through the certification flight test program. The program is on schedule for entry into service in calendar year 2012.

Learjet 85 aircraft – Having exited the Joint Definition Phase (JDP) in February 2010, we are now working with key suppliers worldwide in the Detail Design Phase (DDP). The composite readiness testing is progressing as planned and the program is on schedule for entry into service in calendar year 2013.

Another significant *Learjet 85* aircraft program milestone was achieved by successfully building our first composite manufacturing validation unit (MVU) for the aircraft’s pressure fuselage section. The unit is being used to validate design concepts, manufacturing processes and quality. Construction of the *Learjet 85* aircraft manufacturing facility in Querétaro is progressing to plan and the first development parts started to be fabricated. The first tooling is being installed in the new 19,000 sq.m. (200,000 sq.ft). manufacturing facility, and it is anticipated that the production of the first test aircraft will begin in the near future.

In July 2010, we signed a purchase agreement for a *Learjet 85* full-flight simulator (“FFS”), which is an important step in the *Learjet 85* aircraft program and in the expansion of our worldwide pilot training and maintenance network. The FFS will be housed at our aircraft training centre in Montréal and will be used to support aircraft testing and certification in advance of the entry-into-service of the *Learjet 85* aircraft program.

Carrying amount of program tooling

	July 31, 2010	January 31, 2010
Business aircraft		
Learjet Series	**$ 354**	$ 234
Challenger Series	**219**	249
Global Series	**162**	135
Commercial aircraft		
CRJ Series	**503**	498
Q-Series	**26**	35
CSeries	**486**	289
	$ 1,750	$ 1,440

AIRCRAFT DELIVERIES

Business aircraft deliveries

	Three-month periods ended July 31		Six-month periods ended July 31	
(in units)	**2010**	2009	**2010**	2009
Light				
Learjet 40/40 XR/Learjet 45/45 XR	**2**	9	**8**	22
Learjet 60 XR	**1**	4	**3**	4
Medium				
Challenger 300	**5**	11	**11**	21
Challenger 605	**7**	6	**16**	13
Challenger 800 Series	**-**	6	**-**	4
Large				
Global 5000/Global Express XRS	**12**	15	**25**	30
	27	51	**63**	94

The sharp economic downturn that started in the third quarter of calendar year 2008 and continued in calendar year 2009, as well as the credit scarcity, created a significant challenge for our business aircraft customers, which led several customers to either defer or cancel their aircraft deliveries. Recovery in orders and revenues usually lags the economic recovery. Business aircraft market indicators, such as pre-owned inventory levels and aircraft utilization rates, are showing signs of recovery.

According to the latest General Aviation Manufacturers Association ("GAMA") report dated August 4, 2010, we continue to be the business aircraft industry leader in terms of revenues and units delivered in the business aircraft market categories in which we compete for the first six months of calendar year 2010. Based on delivery data submitted to GAMA for these market categories, our business aircraft market share in units delivered amounts to 34% for the six-month period ended June 30, 2010, compared to 36% (restated from 35% to exclude commercial aircraft with a maximum takeoff weight in excess of 120,000 lbs converted to business aircraft) for the same period last year.

The aviation industry continues to experience difficulties, with business jet deliveries declining in most segments in the first half of calendar year 2010 compared to the same period last year. The light business aircraft category was the most impacted by the economic downturn, as evidenced by the significant decrease in our deliveries during the three- and six-month periods ended July 31, 2010 compared to the same periods last fiscal year.

Commercial aircraft deliveries

(in units)	Three-month periods ended July 31 **2010**	2009	Six-month periods ended July 31 **2010**	2009
Regional jets				
CRJ700 NextGen	**6**	8	**6**	10
CRJ900 NextGen	**-**	7	**4**	20
Turboprops				
Q300	**-**	1	**-**	5
Q400/Q400 NextGen	**12**	12	**24**	24
	18	28	**34**	59

The decrease in commercial aircraft deliveries is mainly due to lower deliveries of regional jets. The lower delivery of regional aircraft during the six-month period ended July 31, 2010 is consistent with the continued difficult environment of the airline industry. In addition, the reduced deliveries reflect our anticipated delivery profile of regional aircraft for fiscal year 2011, including the entry into service of the *CRJ1000* aircraft in the second part of fiscal year 2011.

BACKLOG AND ORDERS

Total order backlog

(in billions of dollars)	**July 31, 2010**	January 31, 2010
Aircraft programs	**$ 16.2**	$ 15.9
MAT	**0.9**	0.8
	$ 17.1	$ 16.7

The increase in the order backlog is mainly attributable to an order received for the *CSeries* family of aircraft, partially offset by a lower order backlog in business aircraft.

Book-to-bill ratio[(1)]

	Three-month periods ended July 31 **2010**	2009	Six-month periods ended July 31 **2010**	2009
Business aircraft	**0.5**	(1.0)	**0.3**	(1.0)
Commercial aircraft	**0.8**	0.5	**2.1**	1.1
Total	**0.6**	(0.5)	**0.9**	(0.2)

(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 would be 0.8 and 0.9 respectively for the three- and six-month periods ended July 31, 2010 (0.5 and 0.3 respectively for the three- and six-month periods ended July 31, 2009).

Total aircraft net orders

	July 31, 2010			July 31, 2009		
	Gross orders	**Cancellations/ Terminations**	**Net orders**	Gross orders	Cancellations/ Terminations	Net orders
Three-month periods						
Business aircraft (including those of the fractional ownership program)	**26**	**(12)**	**14** [1]	27	(80)	(53) [2]
Commercial aircraft	**15**	**-**	**15**	30	(15)	15 [3]
	41	**(12)**	**29**	57	(95)	(38)
Six-month periods						
Business aircraft (including those of the fractional ownership program)	**48**	**(28)**	**20** [4]	42	(136)	(94) [5]
Commercial aircraft	**73**	**(3)**	**70**	80	(15)	65
	121	**(31)**	**90**	122	(151)	(29)

(1) There were six firm order conversions to other business aircraft models.
(2) There were 17 firm order conversions to other business aircraft models.
(3) A firm order for five *CRJ900 NextGen* aircraft from Air Nostrum was converted to a firm order for five *CRJ1000 NextGen* aircraft.
(4) There were 13 firm order conversions to other business aircraft models.
(5) There were 22 firm order conversions to other business aircraft models.

Business aircraft net orders
The gross orders for the three- and six-month periods of fiscal year 2011 are essentially at the same level as at the same periods last fiscal year. The decrease in the level of cancellations reflects the continued stabilization of the worldwide business aircraft market.

Commercial aircraft net orders

	Three-month periods ended July 31		**Six-month periods ended July 31**	
(in units)	**2010**	2009	**2010**	2009
Regional jets				
CRJ900 NextGen	**8**	(5)	**8** [1]	(4)
CRJ1000 NextGen	**-**	5	**-**	4
Commercial jets				
CS100	**-**	-	**-**	33
CS300	**-**	-	**40**	17
Turboprops				
Q400/Q400 NextGen	**7**	15	**22**	15
	15	15	**70**	65

(1) As at April 30, 2010, an order for three *CRJ900 NextGen* aircraft was terminated and removed from the order backlog.

In February 2010, Republic Airways Holdings Inc. signed a purchase agreement for 40 *CS300* aircraft. The agreement also includes options for an additional 40 *CS300* aircraft. Republic Airways Holdings Inc. is the first North American airline to place a firm order for the *CSeries* aircraft. Based on the list price, the value of the firm order is $3.1 billion.

In April 2010, Jazz Air LP (Jazz) of Halifax, Nova Scotia signed a purchase agreement for 15 *Q400 NextGen* turboprops and took options on an additional 15 *Q400 NextGen* turboprops. Based on the list price, the value of the firm order is $454 million.

In April 2010, Pluna Lineas Aéreas Uruguayas S.A. signed a firm order for three *CRJ900 NextGen* regional jets and took options on an additional six *CRJ900 NextGen* aircraft. Based on the list price, the value of the firm order is $120 million.

In July 2010, Deutsche Lufthansa AG of Germany placed a firm order for eight *CRJ900 NextGen* regional jets. The transaction involved the exercise of eight previously announced purchase rights. Based on the list price, the contract is valued at $317 million.

In July 2010, Qantas Airways Ltd. placed a firm order for seven *Q400 NextGen* turboprop airliners. The aircraft will be operated by Qantas' wholly owned regional airline, QantasLink. Based on the list price, the contract is valued at $218 million.

In August 2010, Porter Airlines placed a firm order for four *Q400 NextGen* turboprop airliners and has taken options on an additional six *Q400 NextGen* aircraft. Based on the list price, the firm order is valued at $120 million. This order is not included in the order backlog as at July 31, 2010.

Commercial aircraft order backlog and options and conditional orders

	July 31, 2010		January 31, 2010	
	Aircraft on firm order	**Options and conditional orders**	Aircraft on firm order	Options and conditional orders
Regional jets				
CRJ700 NextGen	**35**	**5**	41	5
CRJ900 NextGen	**22**	**89**	18	104
CRJ1000 NextGen	**49**	**4**	49	4
Commercial jets				
CS100	**33** [1]	**33**	33 [2]	33
CS300	**57** [1]	**57**	17 [2]	17
Turboprops				
Q400/Q400 NextGen	**73**	**100**	75	115
	269	**288**	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.

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. is a member of the Unsecured Creditors' Committee. As at July 31, 2010, there were 10 *CRJ700 NextGen* aircraft in our order backlog yet to be delivered to Mesa. We are continuously monitoring the situation with Mesa and the potential impact this may have on us. As part of the restructuring plan, Mesa may choose not to take delivery of these aircraft. Furthermore, Mesa has rejected certain aircraft in its current fleet for which we have provided financing support such as credit guarantees. Our assessment of how Mesa will reorganize and emerge from Chapter 11 has been taken into consideration in the determination of our provisions.

WORKFORCE

Total number of employees

	July 31, 2010	January 31, 2010
Permanent	**27,800**	27,650
Contractual	**1,400**	1,250
	29,200	28,900

The increase in the number of employees is due to new hires related to the *CSeries* 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 thus ensure stability of our permanent workforce.

Collective agreements

The agreements with Unite the Union and the General Machinists & Boilermakers, covering approximately 4,300 employees in Belfast, expired on January 24, 2010. A new three-year agreement was reached in July 2010, which became effective January 25, 2010 and will expire on January 24, 2013.

The collective agreement with Confederación de Trabajadores de México, covering approximately 700 employees in Mexico, expired on April 27, 2010. A new one-year agreement was reached on May 1, 2010 and will expire on April 30, 2011.

TRANSPORTATION

HIGHLIGHTS

- Revenues of $2.1 billion, compared to $2.5 billion for the same period last fiscal year.
- EBIT of $140 million, or 6.6% of revenues, compared to $159 million, or 6.2%, for the same period last fiscal year.
- Free cash flow usage of $132 million, compared to a free cash flow of $149 million for the same period last fiscal year.
- $4.3 billion in new orders (book-to-bill[1] ratio of 2.0), compared to $3.0 billion (book-to-bill ratio of 1.2) for the same period last fiscal year, the highest order intake in a single quarter since the fourth quarter of fiscal year 2007.
- Order backlog of $30.3 billion as at July 31, 2010, compared to $27.1 billion as at January 31, 2010.
- Signing of an order for 59 double-deck trains for long-distance services with the Swiss Federal Railways (SBB), valued at $1.6 billion, and an order for 182 *FLEXITY* trams with Metrolinx, Canada, valued at $745 million.
- Launch order for the supply, installation, operation and maintenance of our next generation *INNOVIA* Monorail 300 fully automated transit system.

(1) Ratio of new orders over revenues.

BUSINESS ENVIRONMENT

The global economy continues to show signs of recovery. Emerging markets such as China, Brazil, India and Russia are regaining their pre-crisis growth rates and thereby gradually drive global recovery. Some mature economies also show first signs of improvement, but uncertainties remain.

For the overall rail market, we continue to see a high level of activity across regions. This contributed to the significant orders in Europe, North America, Asia, and in the Middle East in different segments that we received in the past few months. However, not all passenger operators are experiencing the same level of activity, with some seeing increases in passenger volumes while others are seeing decreases.

Freight operators continue to see stabilizing volumes, with some even posting strong growth compared to the same period last year. This development marks a recovery from the low levels of freight volume seen in fiscal year 2010, when customers cancelled or delayed orders for freight locomotives. The services market, following the general economic trend, is now stabilizing but uncertainties remain.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Revenues				
Rolling stock[2]	**$ 1,471**	$ 1,851	**$ 3,142**	$ 3,498
Services[3]	**300**	364	**628**	699
System and signalling[4] [5]	**346**	332	**658**	602
Total revenues	**2,117**	2,547	**4,428**	4,799
Cost of sales	**1,731**	2,110	**3,641**	3,980
Margin	**386**	437	**787**	819
SG&A	**189**	215	**387**	407
R&D	**32**	33	**65**	63
Other expense (income)[6]	**(5)**	-	**(2)**	9
EBITDA	**170**	189	**337**	340
Amortization	**30**	30	**62**	56
EBIT	**$ 140**	$ 159	**$ 275**	$ 284
(as a percentage of total revenues)				
Margin	**18.2%**	17.2%	**17.8%**	17.1%
EBITDA	**8.0%**	7.4%	**7.6%**	7.1%
EBIT	**6.6%**	6.2%	**6.2%**	5.9%

(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) Comprised of light rail vehicles, metro cars, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, as well as bogies revenues, presented in the caption manufacturing revenues in the interim consolidated statements of income.
(3) Comprised of fleet maintenance, refurbishment and overhaul, as well as material solutions revenues.
(4) The revenues of system and signalling are presented in the caption other revenues in the interim consolidated statements of income.
(5) Excluding the rolling stock portion of system orders manufactured by our other divisions.
(6) Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates and capacity adjustments), losses (gains) from equity accounted investees, losses (gains) on disposals of PP&E, and intangible assets, losses (gains) on the sale of business, and risk provisions.

Revenues by geographical region

	Three-month periods ended July 31				Six-month periods ended July 31			
	2010		2009		**2010**		2009	
Europe	**$ 1,365** (1)	**64%**	$ 1,846	73%	**$ 2,941** (1)	**66%**	$ 3,505	73%
Asia-Pacific	**388**	**18%**	376	15%	**729**	**17%**	654	14%
North America	**288**	**14%**	241	9%	**612**	**14%**	482	10%
Other	**76**	**4%**	84	3%	**146**	**3%**	158	3%
	$ 2,117		$ 2,547		**$ 4,428**		$ 4,799	

(1) Amounts include a negative currency impact of $143 million for the three-month period and $46 million for the six-month period.

Rolling stock revenues
The $380-million decrease for the three-month period is 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 ($194 million);
- in intercity, high speed and very high speed trains, mainly in Europe ($108 million);
- in mass transit in North America, following the completion of existing contracts and due to the timing of new orders ($38 million); and
- in commuter and regional trains in South Africa ($31 million), due to the start of operations of our *ELECTROSTAR* trains in Johannesburg, known as Gautrain, at the beginning of June 2010.

Partially offset by higher activities:

- in locomotives in North America ($55 million); and
- in commuter and regional trains, light rail vehicles and metro cars, mainly in Asia ($49 million).

The decrease also reflects a negative currency impact ($98 million).

The $356-million decrease for the six-month period is 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 ($336 million); and
- in intercity, high speed and very high speed trains, mainly in Europe ($196 million).

Partially offset by higher activities:

- in commuter and regional trains, light rail vehicles and metro cars, mainly in Asia and Western Europe ($95 million); and
- in locomotives in North America ($90 million).

Services revenues
The $64-million decrease for the three-month period is mainly due to:

- lower activities, mostly in Europe, as a result of the low level of order intake in fiscal year 2010 due to the challenging economic environment ($43 million); and
- a negative currency impact ($18 million).

The $71-million decrease for the six-month period is mainly due to lower activities, mostly in Europe, as a result of the low level of order intake in fiscal year 2010 due to the challenging economic environment ($73 million).

System and signalling revenues
The $14-million increase for the three-month period is mainly due to:

- higher activities in systems in Europe, South Africa and North America ($37 million).

Partially offset by:

- a negative currency impact ($12 million).

The $56-million increase for the six-month period is mainly due to:

- higher activities in systems in Europe and North America ($49 million); and
- a positive currency impact ($17 million).

Partially offset by:

- lower activities in systems in Asia ($14 million).

EBIT margin
The 0.4 and 0.3 percentage-point increases for the three-and six-month periods are mainly due to:

- better overall contract execution.

Partially offset by:

- lower absorption of R&D, SG&A and amortization expenses as a result of lower revenues.

FREE CASH FLOW

Free cash flow

		Three-month periods ended July 31		Six-month periods ended July 31	
		2010	2009	**2010**	2009
EBIT		**$ 140**	$ 159	**$ 275**	$ 284
Amortization		**30**	30	**62**	56
EBITDA		**170**	189	**337**	340
Other non-cash items:					
Gain on disposals of PP&E		**-**	-	**(2)**	-
Stock-based compensation		**5**	6	**11**	11
Net change in non-cash balances related to operations		**(287)**	(4)	**(471)**	(390)
Net additions to PP&E and intangible assets		**(20)**	(42)	**(34)**	(72)
Free cash flow		**$ (132)**	$ 149	**$ (159)**	$ (111)

The $281-million decrease for the three-month period ended July 31, 2010 compared to the three-month period ended July 31, 2009 is mainly due to a negative period-over-period variation in net change in non-cash balances related to operations ($283 million) (see explanations below).

The $48-million decrease for the six-month period ended July 31, 2010 compared to the six-month period ended July 31, 2009 is mainly due to:
- a negative period-over-period variation in net change in non-cash balances related to operations ($81 million) (see explanations below).

Partially offset by:
- lower net additions to PP&E and intangible assets ($38 million).

Net change in non-cash balances related to operations
For the three- and six-month periods ended July 31, 2010, the $287-million and $471-million cash outflows are mainly due to lower advances and milestone payments received on new orders and existing contracts and lower trades payable as a result of reduced level of activities in Europe, partially offset by a decrease in inventories also resulting from the reduced level of activities in Europe as well as the inventory optimization program.

For the three-month period ended July 31, 2009, the $4-million cash outflow was mainly due to:
- the ramp-up in production of projects, leading to an increase in inventories and a decrease in advances and progress billings in excess of related long-term contract costs, partially offset by an increase in accounts payable and accrued liabilities.

Partially offset by:
- a decrease in accounts receivable.

For the six-month period ended July 31, 2009, the $390-million cash outflow was mainly due to:
- a lower order intake and related receipt of advance payments leading to a decrease in advances and progress billings in excess of related long-term contract costs; and
- the ramp-up in production of projects, leading to an increase in inventories and a decrease in advances and progress billings in excess of related long-term contract costs, partially offset by an increase in accounts payable and accrued liabilities.

Partially offset by:
- a decrease in accounts receivable.

BACKLOG AND ORDERS

Order backlog

(in billions of dollars)	July 31, 2010	January 31, 2010
Rolling stock	**$ 21.3**	$ 18.5
Services	**6.1**	5.9
System and signalling	**2.9**	2.7
	$ 30.3	$ 27.1

The 12% increase in order backlog is mostly due to order intake being significantly higher than revenues recorded ($2.8 billion).

Order intake and book-to-bill ratio

	Three-month periods ended July 31		Six-month periods ended July 31	
(in billions of dollars)	**2010**	2009	**2010**	2009
Rolling stock	**$ 3.3**	$ 2.5	**$ 5.7**	$ 3.2
Services	**0.6**	0.3	**0.8**	0.5
System and signalling	**0.4**	0.2	**0.7**	0.5
	$ 4.3	$ 3.0	**$ 7.2**	$ 4.2
Book-to-bill ratio	**2.0**	1.2	**1.6**	0.9

For the three-month period ended July 31, 2010, we achieved a book-to-bill ratio of 2.0. The increase in order intake for the three-month period is mainly due to higher order intake in North America and Europe in rolling stock and services.

For the six-month period ended July 31, 2010, we achieved a book-to-bill ratio of 1.6. The increase in order intake for the six-month period is mainly due to:

- higher order intake in Europe and North America in rolling stock and services.

Partially offset by:

- a negative currency impact ($142 million).

We received the following major orders during the first half of fiscal year 2011:

Customer	Product or service	Number of cars	Rolling stock	Services	System and signalling
Swiss Federal Railways (SBB), Switzerland	*TWINDEXX* double-deck trains	436	$ 1,600		
Société Nationale des Chemins de fer Français (SNCF), France	Double-deck EMUs	872	1,574		
Metrolinx, Canada	*FLEXITY* trams	182	745		
Undisclosed	Fleet maintenance services			$ 475	
Toronto Transit Commission (TTC), Canada	Subway cars	186	378		
Deutsche Bahn AG, Germany	*TALENT* 2 trains	188	272		
Saudi Oger Limited, Kingdom of Saudi Arabia	*INNOVIA* Monorail 300 system, and operations and maintenance	12			$ 241
Hungarian State Railways (MÁV), Hungary	*TRAXX* locomotives	25	112		
Delhi Metro Rail Corporation Ltd (DMRC), India	*MOVIA* metro cars	74	101		

In February 2010, we signed a framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs for an estimated amount of up to $11 billion, based on the expected exercise of technical options. In the first quarter of fiscal year 2011, two firm orders for a total of 129 trains (872 cars) valued at $1.6 billion were obtained under this framework agreement.

Subsequent to the end of the second quarter of fiscal year 2011, our Chinese joint venture Sifang (Qingdao) Transportation Ltd. (BST) was awarded an order for 40 CRH1 high speed trainsets from the Chinese Ministry of Railways (MOR). The total value of the contract is $761 million (including China's value added tax), of which our share is $373 million (excluding taxes). This order is not included in our order backlog as at July 31, 2010.

WORKFORCE

Total number of employees

	July 31, 2010	January 31, 2010 [1]
Permanent	**30,350**	30,600
Contractual	**4,450**	4,350
	34,800	34,950

[1] Restated to include inactive employees.

We have reduced our headcount in Europe and North America, while the headcount in our growing markets of Asia has increased.

OTHER

RISKS AND UNCERTAINTIES

We operate in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties that could materially affect our business, financial condition and results of operations are described in our Annual Report for fiscal year 2010 in Other, but are not necessarily the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business. Where practicable, we apply risk management and mitigation practices to reduce the nature and extent of our exposure to these risks to an acceptable level.

There was no significant change to these risks and uncertainties during the six-month period ended July 31, 2010, other than those described elsewhere in this MD&A.

ACCOUNTING AND REPORTING DEVELOPMENTS

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS
In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS. 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 February 1, 2011.

There has been no significant change to our IFRS changeover plan and our project is progressing according to plan. There has been no significant modification in key differences in accounting treatment and potential key impacts as assessed in our Annual Report for fiscal year 2010. We will provide updates as further progress is achieved and conclusions are reached.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the three-month period ended July 31, 2010 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:

	July 31, 2010	January 31, 2010	Increase (decrease)
Euro	**1.3068**	1.3870	(6%)
Canadian dollar	**0.9718**	0.9390	3%
Pound sterling	**1.5713**	1.6008	(2%)

The average exchange rates used to translate revenues and expenses were as follows for the three-month periods ended July 31:

	2010	2009	Increase (decrease)
Euro	**1.2536**	1.3923	(10%)
Canadian dollar	**0.9615**	0.8831	9%
Pound sterling	**1.4911**	1.6061	(7%)

The average exchange rates used to translate revenues and expenses were as follows for the six-month periods ended July 31:

	2010	2009	Increase (decrease)
Euro	**1.3044**	1.3466	(3%)
Canadian dollar	**0.9673**	0.8431	15%
Pound sterling	**1.5124**	1.5238	(1%)

SELECTED FINANCIAL INFORMATION

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

	Fiscal year 2011		Fiscal year 2010				Fiscal year 2009	
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter
Revenues	**$ 4,079**	$ 4,246	$ 5,352	$ 4,597	$ 4,946	$ 4,471	$ 5,429	$ 4,571
Net income	**$ 148**	$ 153	$ 179	$ 168	$ 202	$ 158	$ 312	$ 226
EPS (in dollars):								
Basic and diluted	**$ 0.08**	$ 0.08	$ 0.10	$ 0.09	$ 0.11	$ 0.09	$ 0.17	$ 0.12

INVESTOR INFORMATION

Authorized, issued and outstanding share data as at August 30, 2010

	Authorized	**Issued and outstanding**
Class A Shares (Multiple Voting)(1)	1,892,000,000	316,109,537
Class B Shares (Subordinate Voting)(2)	1,892,000,000	1,409,856,470 (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) 10 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 26,672,674 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 9 – Share-based plans).

During the three-month period ended April 30, 2010, 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 July 31, 2010

Options issued and outstanding under the share option plans	37,130,939
PSUs and DSUs issued and outstanding under the PSU and DSU plans	21,236,386
Class B Shares held in trust to satisfy PSU obligations	(26,672,674)

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

Third Quarterly Report, for the period ended October 31, 2010	December 2, 2010
Annual Report, for the fiscal year ended January 31, 2011	March 31, 2011
First Quarterly Report, for the period ended April 30, 2011	June 1, 2011
Second Quarterly Report for the period ended July 31, 2011	August 31, 2011

Information

Bombardier Inc.
Investor Relations
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Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514-861-9481, extension 13273
Fax: +1 514-861-2420
E-mail: investors@bombardier.com

August 31, 2010

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

Printed on Rolland Enviro100, a paper containing 100% post-consumer fibres, certified EcoLogo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 20 mature trees, 576 kg of solid waste, 1,264 kg of atmospheric emissions (equivalent to 0.3 car per year) and 54,464 litres of water (equivalent to a shower of 2.5 days).

Bombardier Inc., 800 René-Lévesque Blvd. West, Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514-861-9481; fax: +1 514-861-2420; website: www.bombardier.com

Un exemplaire en français est disponible sur demande adressée auprès du Service des Affaires publiques ou sur notre site Internet à l'adresse www.bombardier.com sous Relations avec les investisseurs.

Fiscal year ended January 31, 2010

Set forth below is a reproduction of our "Management's Discussion and Analysis" for the fiscal year ended January 31, 2010, which we filed with the Canadian securities regulatory authorities on April 1, 2010. The information set forth below is as of March 31, 2010 and has not been updated for purposes of this listing memorandum.

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 sections in BA and 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

Our results were affected by the difficult environment

REVENUES	DILUTED EPS	FREE CASH FLOW	ORDER BACKLOG
$19.4 billion	**$0.39**	**($215)** million	**$43.8** billion
FISCAL YEAR 2010	FISCAL YEAR 2010	FISCAL YEAR 2010	JANUARY 31, 2010

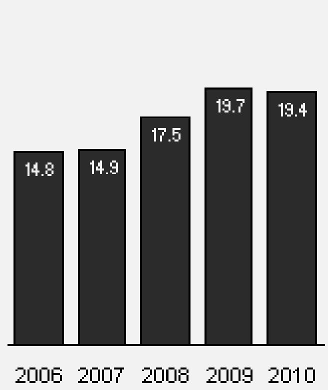
Fourth quarter

- Revenues of $5.4 billion, in line with the same period last fiscal year.
- EBIT of $288 million, or 5.4% of revenues, compared to $438 million, or 8.1%, for the same period last fiscal year.
- Net income of $179 million (diluted EPS of $0.10), compared to $312 million (diluted EPS of $0.17) for the same period last fiscal year.
- Free cash flow of $512 million, compared to a usage of $91 million for the same period last fiscal year.
- In November 2009, AMR Eagle Holding Corporation signed a purchase agreement for 22 *CRJ700 NextGen* regional jets, which is valued at $779 million based on list price.

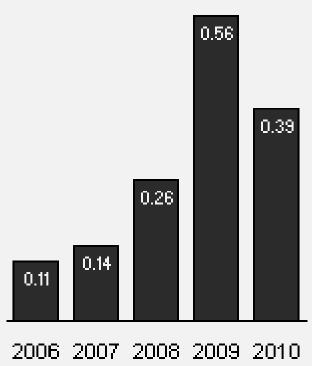
Fiscal year

- Revenues of $19.4 billion, a decrease of $355 million compared to last fiscal year.
- EBIT of $1,098 million, or 5.7% of revenues, compared to $1,429 million, or 7.2%, last fiscal year.
- Net income of $707 million (diluted EPS of $0.39), compared to $1,026 million (diluted EPS of $0.56) last fiscal year.
- Free cash flow usage of $215 million, compared to a free cash flow of $342 million last fiscal year.
- Cash position of $3.4 billion as at January 31, 2010, a level similar to January 31, 2009.
- Order backlog of $43.8 billion, compared to $48.2 billion as at January 31, 2009.
- Signing of a $4.0 billion landmark order to supply 80 very high speed trains to the Ministry of Railways of China, of which our share is $2.0 billion.

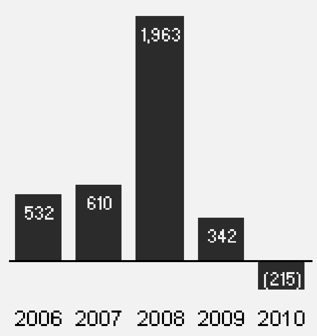
REVENUES
(from continuing operations)
(for fiscal years)
(in billions of dollars)



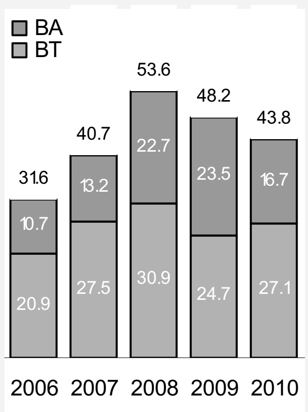
DILUTED EPS BEFORE SPECIAL ITEMS
(from continuing operations)
(for fiscal years)
(in dollars)



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



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



Building on a strong base

Guidance and subsequent events

- BT's goal is to improve its EBIT margin to 8% within the next three to four years[(1)].
- BA expects to deliver approximately 15% and 20% fewer business and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010. Overall, we expect improvements to lag economic recovery, therefore BA's EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. BA's free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flows from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010.
- In February 2010, BT signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement.
- In February 2010, Republic Airways Holdings Inc. signed a purchase agreement for 40 *CS300* aircraft, with options for an additional 40 *CS300* aircraft. Based on the list price, the value of this contract is $3.1 billion, which could increase to $6.3 billion if all options are exercised.
- In March 2010, we issued $650 million of 7.5% senior notes due in calendar year 2018 and $850 million of 7.75% senior notes due in calendar year 2020. Concurrently, we launched a tender offer to repurchase up to $1.0 billion of outstanding long-term debt maturing from calendar year 2012 to 2014. These transactions will result in net cash proceeds of approximately $500 million and in an extension of our debt maturity profile, bringing the weighted-average long-term debt maturity from 6.5 years to 7.9 years.

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

PROFILE

Planes. Trains. Worldwide.

We operate under two broad manufacturing segments: aerospace (through BA) and rail transportation (through BT).

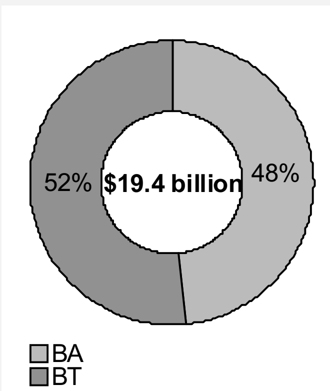
	BA is a world leader in the design and manufacture of innovative aviation products and a provider of related services.	BT is a world leader in the design and manufacture of rail equipment and system and a provider of related services.	**Bombardier is a world leading manufacturer of innovative transportation solutions.**
Revenues	$9.4 billion	$10.0 billion	$19.4 billion
EBIT	$473 million	$625 million	$1.1 billion
Free cash flow	($267) million	$293 million	($215) million[(1)]
Order backlog	$16.7 billion	$27.1 billion	$43.8 billion
Number of employees	28,900	33,800	62,900[(2)]

(1) Including income taxes and net financing expense, which are not allocated to segments.
(2) Including head office employees, which are not allocated to segments.

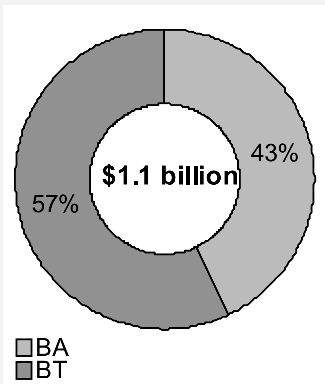
95% of our revenues for fiscal year 2010 were generated outside Canada, with Europe accounting for 48%. We have 68 production and engineering sites in 23 countries, and a worldwide network of service centres. We have customers in over 100 countries. Every three seconds, a Bombardier aircraft takes off or lands somewhere around the globe, and more than 100,000 Bombardier rail cars and locomotives are in service around the world.

Our two manufacturing segments operate in the transportation industry. 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 world real GDP, while the rail industry is usually less impacted by such fluctuations. Accordingly, the long-term profitability of the BA and BT segments reflects this reality.

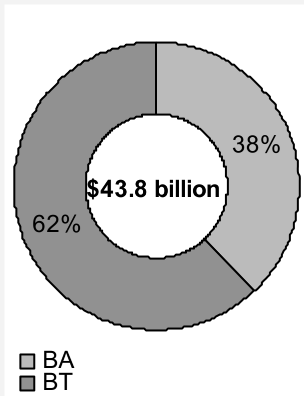
Segmented revenues
Fiscal year 2010



Segmented EBIT
Fiscal year 2010



Segmented order backlog
As at January 31, 2010



KEY PERFORMANCE MEASURES

Incentive compensation is linked to the achievement of targeted results, generally based on EBIT, net utilized assets and free cash flow. The table below summarizes our most relevant key performance measures.

Key performance measures	
Profitability	• Diluted EPS, as a measure of global performance. • EBIT margin, as a measure of segment performance.
Liquidity	• Free cash flow and net utilized assets, as measures of liquidity generation. • 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 an indicator of future revenues. • Book-to-bill ratio[(1)], as an indicator of future revenues. • Market share and scale, as measures 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 section hereafter for definitions of these metrics.

Five-year summary

(from continuing operations)	**2010**	2009 (1)	2008 (1)	2007 (1)	2006 (1)
For fiscal years					
Revenues	**$ 19,366**	$ 19,721	$ 17,506	$ 14,882	$ 14,781
EBIT before special items	**$ 1,098**	$ 1,429	$ 910	$ 587	$ 450
EBIT margin before special items	**5.7%**	7.2%	5.2%	3.9%	3.0%
EBIT	**$ 1,098**	$ 1,429	$ 748	$ 563	$ 362
EBIT margin	**5.7%**	7.2%	4.3%	3.8%	2.4%
Effective income tax rate	**22.7%**	20.5%	27.3%	26.7%	9.7%
Net income	**$ 707**	$ 1,026	$ 325	$ 278	$ 254
Diluted EPS (in dollars)	**$ 0.39**	$ 0.56	$ 0.16	$ 0.12	$ 0.06
Free cash flow	**$ (215)**	$ 342	$ 1,963	$ 610	$ 532
Adjusted EBIT to adjusted net interest ratio	**3.7**	6.3	2.5	1.9	1.5
As at January 31					
Order backlog (in billions)	**$ 43.8**	$ 48.2	$ 53.6	$ 40.7	$ 31.6
Cash and cash equivalents	**$ 3,372**	$ 3,470	$ 3,602	$ 2,648	$ 2,917
Adjusted debt to adjusted EBITDA ratio	**3.4**	2.7	3.8	5.5	5.8
Adjusted debt to adjusted total capitalization ratio	**61%**	66%	67%	73%	76%
Weighted-average long-term debt maturity	**6.5**	7.5	8.5	7.9	4.9

(1) Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures have been restated accordingly.

BUSINESS ENVIRONMENT

Slowly recovering from the deepest downturn in recent history

According to the World Economic Outlook Update report published in January 2010 by the International Monetary Fund (IMF), following the deepest global economic downturn in recent history, economic growth solidified and broadened to developed economies in the second half of calendar year 2009. Driving the global rebound was the extraordinary amount of policy stimulus.

Aerospace environment remains difficult

The global economic crisis continued to significantly impact the civil aerospace industry as a whole during calendar year 2009. The International Air Transport Association (IATA) affirmed on January 27, 2010 that calendar year 2009 statistics showed the largest post-war decline in terms of demand for international scheduled air traffic.

Indicators of market stabilization have started to emerge, and the world real GDP is expected to grow by 3.2% in calendar year 2010 and by 3.4% in calendar year 2011 according to a report from IHS Global Insight dated February 15, 2010. Calendar year 2010 is still expected to be another challenging year, as there has historically been a lag between the time the economy recovers and the time it positively impacts revenues.

Rail industry continues to perform well, with a mixed impact from the recession

The climate continues to be right for trains, as urbanization and sustainability continue to drive the trend for rolling stock orders throughout the world. Rolling stock products such as light rail vehicles and high speed and intercity trains have grown. The recession, however, had an impact on some segments of the rail industry. For example, we have observed a decline in trade volumes in the overall freight locomotive market resulting from the lower level of economic activity. Overall, we expect the current recession to have a mixed impact on the rail market.

Adapting to the new economic reality

BA's results were impacted by this recession but we persevere in our actions

The aerospace industry is cyclical and BA has been impacted by this recession:

- significant reduction in new orders and 202 aircraft order cancellations received in fiscal year 2010, added to the 41 cancellations in the fourth quarter of fiscal year 2009;
- lower customers' advances for both business and commercial aircraft, consistent with low net order intake;
- lower selling prices for business aircraft;
- disruption costs in connection with changes in production rates; and
- write-down of pre-owned aircraft inventories.

Most of the OEMs were forced to reduce capacity and right size workforce, and BA was no different as it reduced its production rates for all business and commercial jets in fiscal year 2010. These adjustments to workforce and production levels helped us limit the impact of the current environment on our profitability and working capital. Capacity reductions and adjustments to our supply chain are beginning to reflect in our level of inventories.

Our strong financial condition allows us to turn obstacles into opportunity. Despite the difficult and evolving economic environment, BA:

- continues to invest in its current and future products and services;
- improved its market share in both business aircraft and commercial aircraft markets;
- improved customer satisfaction, as evidenced by third-party surveys; and
- met its aircraft delivery guidance for fiscal year 2010, delivering 25% fewer business aircraft and 10% more commercial aircraft in fiscal year 2010 compared to fiscal year 2009.

Determined to steer through the crisis and emerge stronger, BA perseveres in its actions, including:

- managing its skyline by collaborating with customers to advance or delay aircraft deliveries;
- working in concert with commercial and business aircraft customers to facilitate access to financing;
- actively managing its new and pre-owned aircraft inventories; and
- accelerating implementation of lean initiatives and cost reduction programs across BA, including a tighter screening of all expenditure items.

Given the environment and its planned production rates, BA expects to deliver approximately 15% and 20% fewer business aircraft and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010.

BT's results were less impacted and we continue to be proactive

Despite the global economic downturn, BT improved its EBIT margin in fiscal year 2010 to a record level of 6.2%, surpassing its target of 6%, and maintained its order backlog, through a book-to-bill ratio of 1.0. BT received a number of significant orders illustrating its strong position in the marketplace, including a $4.0 billion landmark order through a joint venture for 80 *ZEFIRO* 380 trains from the Ministry of Railways of China, of which BT's share is $2.0 billion. In February 2010, BT signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement.

BT continues to proactively monitor the impact of the economic crisis on its operations by:

- further improving profitability through its strategy based on Our Way Forward, which along with an anticipated growth in line with the overall market, result in our new EBIT margin target of 8% within the next three to four years[1];
- taking measures to adjust its capacity where necessary to sustain its competitiveness, while preparing to capture opportunities in the most prominent areas; and
- capitalizing on new market opportunities.

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

A more conservative approach to liquidity

Our strong improvements in terms of profitability and financial condition in recent years, as well as our large diversified order backlog both geographically and by products, helped us navigate the economic crisis without jeopardizing our future. However, in light of the current economic environment, a more conservative approach to liquidity management has been implemented. For example, we implemented subsequent to year end a refinancing plan consisting of a combination of issuance and repurchase of long-term debts, which will result in net cash proceeds of approximately $500 million, available for general corporate purposes, and an extension of our debt maturity profile, bringing the weighted-average long-term debt maturity from 6.5 years to 7.9 years. In addition, we set up in fiscal year 2010 additional factoring and sale and leaseback facilities, as well as a new $500-million revolving credit facility, to secure additional access to liquidity. Both groups are continuously looking for ways to reduce overall costs in their operations and improve their working capital to maximize liquidity.

While the economic uncertainty remains, we are seeing positive trends. BA's cash flows from operating activities should continue to gradually recover as we realign our production and supply chain material inflow with demand, we sell aircraft in our finished product inventories and new orders continue their recovery. BA's free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flow from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010. However, BA's free cash flow for the first part of fiscal year 2011 should be negative due to the anticipated delivery profile of our regional aircraft, including the entry into service of the *CRJ1000* aircraft in the second part of the year, and the anticipated gradual improvement in order intake taking place mostly in the second half of the fiscal year.

We continue to manage for the long term

Both groups are actively seizing the opportunity created by the turbulent economy to focus on efficiency and customer satisfaction. We strongly believe that through flawless execution and by creating a loyal customer base for our products and services, we will emerge from this crisis a stronger and more efficient company. We continue to invest in key product developments such as the *CSeries* family of aircraft, the *Learjet 85* aircraft and the

ZEFIRO trains. We remain committed to invest in our current and future products and services to maintain or build our leadership position. We are thus well positioned to take advantage of the upturn.

Performance remains strong in the current context

	Highlights	Outlook
Profitability	• Diluted EPS of $0.39, down from $0.56 last fiscal year. • Lower profitability at BA, mainly due to the impact from the current economic crisis resulting in disruption costs in connection with changes in production rates, lower selling prices for business aircraft and write-down of pre-owned aircraft inventories. • Higher profitability at BT, mainly driven by better contract execution. BT improved its EBIT margin before special items for the fifth consecutive year and exceeded its 6% goal by posting an EBIT margin of 6.2%, a record level for BT.	• We expect improvements to lag economic recovery, therefore BA's EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. • BT's goal is to further grow its EBIT margin to 8% (1) within the next three to four years.
Liquidity	• Strong cash position of $3.4 billion as at January 31, 2010. • Decreased level of free cash flow at BA, mainly due to lower profitability and order cancellations and lack of significant orders compared to last fiscal year, as well as significant investments in product development. • BT's free cash flow of $293 million was lower than EBIT, due to an increase in net segmented assets resulting from the ramp-up in production. • New $500-million revolving credit facility, which is undrawn as at January 31, 2010. • Subsequent to year end, we implemented a refinancing plan of our long-term debt that will result in net cash proceeds of approximately $500 million and the extension of the weighted average maturity of our long-term debt from 6.5 years to 7.9 years.	• BA's free cash flow in fiscal year 2011 is expected to be negative in the first part of the year and essentially neutral for the total year, as cash flows from operating activities will be used to finance capital expenditures, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010. • BT is expected to maintain its free cash flow generally in line with EBIT, although it may vary significantly from quarter to quarter.
Growth and competitive positioning	• As planned, lower overall aircraft deliveries, with 25% fewer business aircraft deliveries and 10% more commercial aircraft compared to fiscal year 2009. • BA's order backlog remains healthy despite the greater-than-usual level of order cancellations. BT maintained its order backlog with a book-to-bill ratio of 1.0. • BA is the leader in terms of revenues and units delivered in the business aircraft market categories in which it completes. In the commercial aircraft market, BA also improved its market share. • BT achieved a record level of revenues of $10.0 billion, and remains a market leader in the rail industry.	• Business and commercial aircraft deliveries are expected to be respectively approximately 15% and 20% lower than in fiscal year 2010, which will negatively impact BA's revenues. • BT is consolidating the important growth of the past four years and expects to maintain a book-to-bill ratio around one in the near future, in line with market evolution.
Capital structure	• The recession had a negative impact on BA's profitability and free cash flow, hence on our global metrics. • Our pension deficit stood at $1.5 billion as at December 31, 2009, a level similar to last year. Our pension contributions totalled $359 million for calendar year 2009.	• Balance sheet deleveraging is being suspended until the economy recovers. • Expected pension contributions of $381 million for calendar year 2010.

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

The future remains bright

The long-term outlook of the aerospace industry is positive despite current economic challenges

Long-term market fundamentals remain strong in both business and commercial markets, mainly driven by an improved worldwide economic environment and strong expected growth in emerging markets. The highest demand growth rate is expected to be in China, while North America and Europe will continue to represent the largest markets.

BA's product development strategy is aligned with the evolution of its industry. BA has a strong product offering and is constantly developing innovative products and continuously exploring opportunities to enhance each of its aircraft families to benefit from the expected substantial demand growth.

The upcoming years suggest continued order momentum in rail transportation

Driven by momentum to improve mobility and increase sustainability, BT's customers throughout the world continue to invest in their transportation systems and plan rolling stock replacement orders. BT is constantly monitoring these opportunities. The overall rail market is forecasted to grow moderately in every segment, with the main growth areas being in the Asia-Pacific and Other regions, mostly represented by emerging and developing countries. Europe is expected to remain the single most important accessible market, while Asia-Pacific is expected to become the second largest accessible market by calendar year 2016, replacing North America.

BT continues to develop new products that meet its customer's needs. BT is a global player with the right products to serve the demand for environmentally-friendly transportation and the right capability to deliver on its order backlog and future orders.

STRATEGY

Paving the way to sustainable growth through Our Way Forward

Our innovative products and our manufacturing excellence are the cornerstones of our strategy and our passion since the beginning. We strive to achieve world-class status not just within our industry but as an international entity. We lead through our high standards of innovation, product safety, efficiency and performance. With Our Way Forward, we want to take our organization to new heights by leveraging our strengths and focusing on the areas where we could improve, to deliver on our mission to be the world's leading manufacturer of planes and trains. We also strive to deliver best-in-class value for customers and increasing returns for shareholders.

As introduced last year, Our Way Forward rests on five business priorities. Delivering on these business priorities enables us to take advantage of the global trends, while allowing us to better navigate through difficult economic cycles. Our Way Forward has been rolled out across the entire organization and both BA and BT made progress toward the five business priorities (see the respective BA's and BT's Strategy sections for more details).

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 as a world-class employer 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 and overall profitability.
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 H&S in our daily decisions and actions, and actively contributing to the development of communities where we operate.

Our Way Forward represents our strategic priorities for success in the years to come. It reinforces our evergreen strategic pillars of products and service leadership through innovation and manufacturing excellence. Our Way Forward enables us to adjust to the new reality resulting from the economic crisis. No company likes economic downturns, but we have learned to use them 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 clear plan and priorities to ensure we emerge stronger. Only businesses with the best products and services, execution, quality, people and customer orientation will stay at the top.

We have what it takes to deliver results

We have a clear strategy and defined plans. Our capacity to deliver results is based on the following attributes:

- we have a broad, leading-edge product and service offering;
- we are in markets with solid long-term demand growth;
- we have a global presence and a diversified customer base;
- we are focused on continuous improvement of key business processes through our Achieving Excellence System ("AES") at BA and transversal initiatives at BT;
- we are committed to invest in our product development programs;
- we have a strong relationship with our key stakeholders;
- we have a large talent pool of well-trained and motivated employees; and
- we have an experienced management team, committed to the long-term success of the organization.

Financial priorities

We will execute our strategy with financial discipline. We would not be where we are today without the discipline shown to restore financial health and strengthen our balance sheet. This is what enables us to implement our strategy, including the significant investment in our product development to reinforce our position as a global leader in aerospace and transportation.

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

Since fiscal year 2005, we significantly improved our three financial priorities of profitability, liquidity and capital structure:

- Our diluted EPS from continuous operations before special items went from nil in fiscal year 2005 to \$0.39 in fiscal year 2010, mainly driven by increased profitability across both manufacturing segments. Both groups remain committed to continue to improve their long-term financial performance through the effective management of operations.

- We increased cash and cash equivalents from \$2.3 billion as at January 31, 2005 to \$3.4 billion as at January 31, 2010. With the current market conditions, maintaining sufficient liquidity has become even more important. Liquidity adequacy is continually monitored, taking into consideration historical volatility and seasonal needs, the maturity profile of indebtedness, access to capital markets, working capital requirements and the funding of our product developments. To further strengthen our liquidity, we implemented subsequent to year end a refinancing plan of our long-term debt, which will result in net cash proceeds of approximately \$500 million and the extension of our debt maturity profile from 6.5 years to 7.9 years. We also set up a \$500-million two-year revolving credit facility during fiscal year 2010, which is undrawn as at January 31, 2010. This facility was obtained essentially to provide additional financial flexibility, if needed. We also set up factoring facilities in Europe to which BT can sell, without recourse, qualifying trade receivables, as well as off-balance sheet sale and leaseback facilities to which BA can sell pre-owned aircraft.

- We also significantly improved our capital structure, mainly due to improved profitability and our focus on reducing long-term debt and pension deficit. Our adjusted debt went from \$8.4 billion as at January 31, 2005 to \$6.1 billion as at January 31, 2010 (\$6.6 billion after giving effect to the refinancing plan). This helped us navigate the current economic crisis, and provide additional flexibility to obtain financing, if needed. Our conservative management of debt maturities resulting in having no significant debt maturing before May 2012, allows us to avoid important repayments in these difficult economic conditions. Over the long run, our goal remains to further improve our capital structure, reduce financing costs and improve our ability 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 them 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 continue to select risks that drive value while proactively mitigating, managing or transferring risks that do not create value. While we have proven our ability to successfully take on challenges, we must become even more proactive in recognizing and managing risks through a more structured framework. 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. As a result, we are adopting a broad and strategic approach to risk management, taking into account both internal and external risks, and we are strengthening our governance process to react quickly as needed.

Every year, our Corporate Audit Services and Risk Assessment (CASRA) team thoroughly assesses our major risks. Senior management reviews such risk assessment and develops action plans to address them. 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, 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, our CEO and 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 the Corporation has been made known to them, and information required to be disclosed in our public filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. We have also evaluated the design and effectiveness of our disclosure controls and procedures, under the supervision of the CEO and the CFO, as of the end of each fiscal year. Refer to the Controls and procedure 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, 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 respective Strategy section in BA and BT.

Foreign currency fluctuations

Our main exposures to foreign currencies are managed in accordance with our foreign exchange risk management policy and procedures. Our 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. During fiscal year 2010, we modified our coverage of forecasted cash outflows for both BA and Corporate Office.

Foreign exchange management

Owner	Hedged exposures	Hedging policy[1]	Risk-mitigation strategies
BA	Forecasted cash outflows, mainly denominated in Canadian dollar and pound sterling.	Hedge a minimum of 85% of the identified exposures for the first three months and a minimum of 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 denominated in Canadian dollar.	Hedge a minimum of 85% of the identified exposures for the first 18 months.	• Use of forward foreign exchange contracts to sell U.S. dollars and Canadian dollars.
	Balance sheet exposures, including long-term debts and net investments in self-sustaining foreign operations.		• Matching of asset and liability positions. • Use of forward foreign exchange contracts. • Designation of long-term debt and cross-currency interest-rate 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.

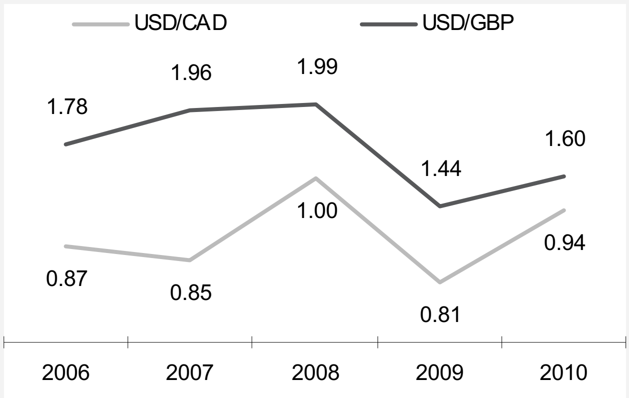
The hedged portion of BA's foreign currency denominated costs for fiscal year 2011 was as follows as at January 31, 2010:

BA's foreign currency denominated costs

	Expected costs	Hedged portion	Weighted-average hedge rates	
			USD/foreign currency	Foreign currency/USD
Expected costs denominated in:				
Canadian dollar	2,091	81%	0.9275	1.0782
Pound sterling	217	94%	1.8306	0.5463

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

EVOLUTION OF FOREIGN EXCHANGE RATES
(as at January 31)



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 fiscal year 2011 by approximately $21 million before giving effect to forward foreign exchange contracts ($4 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 fiscal year 2011 by approximately $2 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 arising mainly from investments in foreign operations and long-term debt is reduced using risk-mitigation strategies. However, the impact of foreign currency fluctuations on equity can be significant given the size of our investments in foreign operations.

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 by matching asset and liability positions, using forward foreign exchange contracts or through designation of long-term debt and cross-currency interest rate swap agreements.

For our net investments exposed to foreign currency movements, a 10% fluctuation of the relevant currencies as at January 31, 2010 would have impacted OCI, before income taxes, by $225 million, before giving effect to the related hedging items, and by $143 million, after giving effect to the related hedging items.

Changing interest rates

Our cash flow exposures to changing interest rates arise mainly from existing assets and liabilities that bear variable interest rates. These exposures are managed by a central treasury function as part of an overall risk management policy, using asset/liability management techniques, including the use of financial instruments, such as interest-rate swap agreements, to align asset/liability exposures. This is achieved by synthetically converting our long-term debt from a fixed rate to a variable rate in order to match assets yielding variable interest. Derivative financial instruments used to synthetically convert interest rate exposures consist mainly of interest rate swap agreements and cross-currency interest rate swaps.

In addition, we are economically exposed to changes in the fair value 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 financial guarantees is partially mitigated by offsetting positions from our portfolio of loans and lease receivables and other assets or liabilities that are carried at fair value, such as our portfolio of investments. In addition, our exposure to fixed-rate long-term debt, which is carried at amortized cost, has been significantly reduced using the above-mentioned 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. Since fiscal year 2008, we have been mitigating 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 are 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. Since the hedging relationship was disrupted as a result of the financial crisis, the 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 the financial conditions become favourable.

Sensitivity analysis
Assuming a 100-basis point increase in interest rate impacting the measurement of on-balance sheet assets and liabilities carried at fair value as of January 31, 2010, EBT would have been negatively impacted by $34 million for fiscal year 2010.

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 the 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 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.

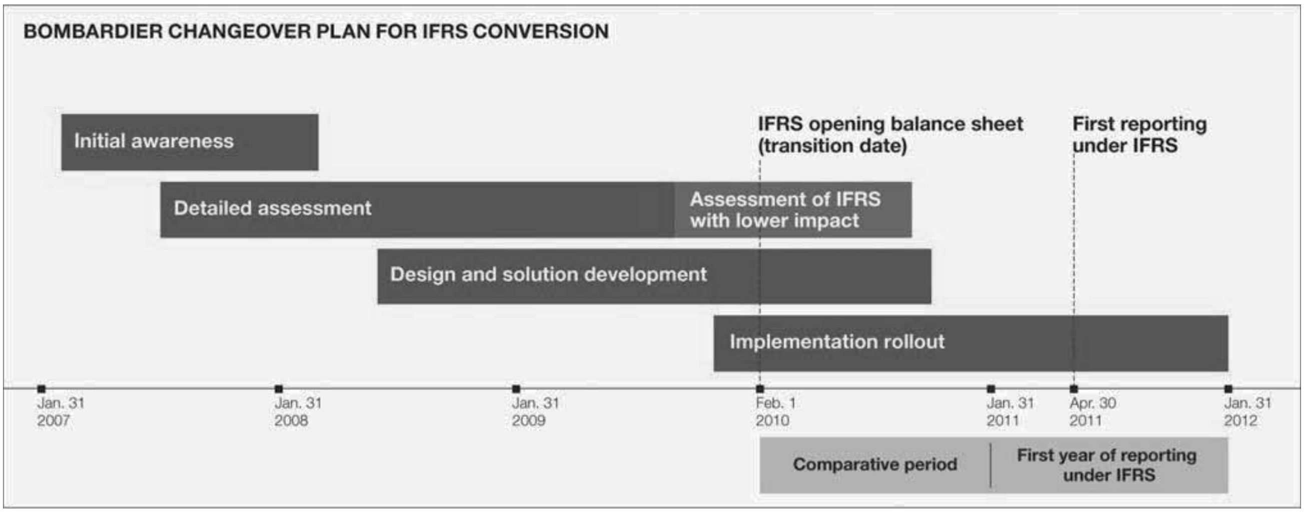
Customer credit ratings and credit limits are critical inputs in determining the conditions under which credit or financing will be offered to customers, including obtaining collateral to reduce our exposure to losses. Specific governance is in place to ensure that financial risks arising from large transactions are analyzed and approved by the appropriate level of management before financing or credit support is offered to the customer.

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

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. This change is effective for the Corporation for interim and annual financial statements beginning February 1, 2011. We developed a changeover plan anchored around four phases.



Phase and key activities	Status
Initial awareness	
Develop an initial project plan.	Completed.
Obtain management buy-in and tone-at-the-top.	
Establish project structure, including Steering Committee and core and extended teams.	
Raise awareness across the organization.	
Train core project team.	
Detailed assessment	
Perform a detailed analysis of IFRS, compared to our accounting policies and document the results.	Detailed assessment has been completed for all key standards and significant policy choices have been made (see Summary of key expected changes hereafter). Standards with lower impact and requiring limited data collection will be assessed in fiscal year 2011.
Identify required changes and make accounting policy choices, including those under IFRS 1, “First time adoption of IFRS”. Conduct a high-level preliminary assessment of their impact.	
Identify additional resource requirements and establish an appropriate level of IFRS financial reporting expertise.	In addition to the core project team at corporate head office, project teams have been designated at BA and BT to oversee the IFRS conversion. Appropriate training has been provided to all project teams. Additional resources with IFRS expertise have been added to the project teams.
Train extended project teams on specific topics.	Business Process Owners, responsible to carry out the IFRS conversion at the divisional level, have been trained for all key standards for each division.
Determine processes for approval of key decisions and project oversight.	A Steering Committee has been appointed to approve all significant policy decisions. The Audit Committee receives regular progress updates.
Identify required changes in internal controls over financial reporting, disclosure controls and procedures and information systems.	Assessments of impacts on these processes and systems were made and action plans are in place.

Phase and key activities	Status
Design and solution development	
Design tools to prepare IFRS opening balance sheet and comparative information.	We have created a duplicate IFRS environment in our information systems to track all adjusting IFRS entries for our opening balance sheet and throughout our dual reporting period.
Design and develop any required changes to information systems.	We do not expect a significant impact on our information systems.
Design and develop internal controls over financial reporting.	We have concluded that internal controls applicable to our reporting processes under Canadian GAAP are fundamentally the same as those required in our IFRS reporting environment.
Design and develop disclosure controls and procedures.	Disclosure controls and procedures are being updated. We are updating our reporting package tools to include all data required for financial statement disclosures under IFRS.
Identify business impacts of conversion, including the effect on financial covenants, contracts, hedging activities, budgeting processes and compensation arrangements.	Our bank arrangements have been negotiated to allow the transition from Canadian GAAP to IFRS. Our other contracts are being reviewed and we do not expect any significant impacts as a result of conversion to IFRS. We have implemented a process to test hedge effectiveness quantitatively under IFRS using regression analyses. Processes are being put in place to prepare budgets and strategic plans under IFRS for fiscal year 2012. Our variable incentive compensation will be amended in reference to IFRS financial targets for relevant periods.
Prepare a model of our IFRS financial statements.	A complete IFRS financial statement model was built and reviewed by top finance management.
Provide selected training to employees across the organization.	The majority of the selected training has been performed.
Design a communication plan to convey impacts of conversion to IFRS to external stakeholders.	A detailed communication plan will be developed in the first half of fiscal year 2011.
Implementation rollout	
Test rollout processes and systems.	In progress.
Perform data gathering and prepare IFRS opening balance sheet and comparative financial information, including additional disclosures.	Data collection for opening balance sheet is in progress. Data collection for each quarter in fiscal year 2011 is intended to be performed shortly following the closing of each quarter under Canadian GAAP. A complete assessment of the impact of adopting IFRS will be performed later in fiscal year 2011, once the data collection is completed. Processes to track additional disclosure under IFRS are being implemented.
Communicate impact of conversion to IFRS to external stakeholders.	Communication will continue to be made through annual and quarterly reports. Additional information will be provided to external stakeholders in accordance with our communication plan which is currently under development.
Prepare IFRS financial statements.	To be prepared during fiscal year 2012.

Summary of key expected changes

The IASB has a number of on-going projects on its agenda. We continue to monitor standards to be issued by the IASB, but we do not expect these new standards to be mandatory for our fiscal 2012 financial statements. Our summary of key expected changes was completed with the expectation that we will apply IFRS as currently written at our transition date. However we will only make final decisions regarding early adoption of any new standards as they are issued by the IASB.

IFRS 1 generally requires that a first-time adopter apply IFRS accounting policies retrospectively to all periods presented in its first IFRS financial statements. IFRS 1 also provides certain mandatory and optional exemptions to the full retrospective application. The significant optional exemptions that we expect to apply are described within the relevant accounting policy below, along with the expected opening balance sheet impact of each choice.

The following are some of our key changes in accounting policies, which we expect will have significant impacts with respect to the recognition and measurement of certain balance sheet and income statement items. Unless otherwise indicated, all changes in accounting policy will be applied retrospectively.

Accounting policy	Key differences in accounting treatment	Potential key impacts
Employee benefits	We elected to immediately recognize all actuarial gains and losses directly in equity, rather than amortize these through earnings as done under Canadian GAAP.	**Opening balance sheet:** A decrease in accrued benefit assets, an increase in accrued benefit liabilities and a decrease in equity. **Subsequent to transition:** Pension cost will no longer include the amortization component of the net actuarial losses at transition and future actuarial gains and losses will be recorded directly in equity. Given our current deficit, this change will result in a reduction of pension cost in the near term. This policy choice will also give rise to higher volatility of equity.
	Vested past service costs of defined benefit plans must be expensed immediately, while they are currently amortized over the estimated weighted-average remaining service life of plan participants.	**Opening balance sheet:** A decrease in accrued benefit assets, an increase in accrued benefit liabilities and a decrease in equity. **Subsequent to transition:** Plan amendments for vested past service costs will be recorded as pension cost when granted.
	We elected, under IFRS, to record interest costs and expected return on plan assets in financing income and financing expense, rather than as part of pension cost.	**Opening balance sheet:** No significant impact is expected. **Subsequent to transition:** Apart from the fact that these amounts will be recorded as financing income and financing expense, no significant impact is expected.
	Under certain circumstances, an additional minimum liability will be recognized under the rules of IFRIC 14, "The limit on a defined benefit asset, minimum funding requirements and their interaction". Changes to this amount will be recorded directly to equity.	**Opening balance sheet:** Accrued benefit assets will decrease, accrued benefit liabilities will increase and equity will decrease. **Subsequent to transition:** Volatility in accrued benefit assets and liabilities and equity will arise as a result of this change.

Accounting policy	Key differences in accounting treatment	Potential key impacts
Revenue recognition of medium and large business aircraft	Revenues from the sale of medium and large business aircraft will be recognized only when the completed aircraft is delivered to the customer (no longer recognized upon green aircraft deliveries, i.e. before exterior painting and installation of interiors and optional avionics).	**Opening balance sheet:** The reversal of sales of green aircraft will increase inventories and advances on aerospace programs and decrease receivables and accounts payable and accrued liabilities, with a decrease in equity for the net amount. **Subsequent to transition:** In an environment where production rates and/or pricing are increasing or decreasing, there may be a significant impact on EBIT due to the change in the timing of revenue recognition for medium and large business aircraft.
Government Assistance	Government assistance contingently repayable based on aircraft deliveries must be recognized as a liability when it is probable that the conditions for repayment will be met. Under Canadian GAAP, such government assistance is recorded as a reduction of the cost of the aerospace program tooling or R&D costs when received and repayments are recorded in cost of sales at the time of delivery of the aircraft.	**Opening balance sheet:** An increase in liabilities, with most of the adjustment recorded to equity. The balance of the adjustment will increase aerospace program tooling. **Subsequent to transition:** The cost of sales will no longer include repayments of government assistance and future program tooling amortization will be higher. Additional interest expense will arise from the recorded liability.
Intangible assets	We decided to use the units-of-production method of amortization for our aerospace program tooling under IFRS, while under Canadian GAAP we use the straight-line method of amortization. Vendor R&D expenditures incurred on our behalf by suppliers and repayable upon delivery of aircraft must be recognized as aerospace program tooling upon evidence of successful development. Under Canadian GAAP, such costs are only recognized when the amounts become payable.	**Opening balance sheet:** A decrease in aerospace program tooling and an increase in liabilities, with a net adjustment to equity. **Subsequent to transition:** The depreciation expense for aerospace program tooling will be based on production of aircraft rather than the passage of time. Vendor R&D expenditures will be recorded earlier as aerospace program tooling, which will result in earlier depreciation of these amounts. A counter credit to liabilities will be recorded as vendor R&D expenditures are incurred and interest expense will arise from the related liability.
Provisions and contingent liabilities	IFRS requires a provision to be recognized when it is probable (more likely than not) that an outflow of resource will be required to settle the obligation, while a higher threshold is used under Canadian GAAP. IFRS also requires a provision to be recognized when a contract becomes onerous, which Canadian GAAP only requires recognition of such a liability in certain situations.	**Opening balance sheet and subsequent to transition:** We have not completed our assessment of the impact. It is possible that additional provisions will be recognized under IFRS.
Long-term contracts	Accounting for long-term contracts requires base contracts and options to be combined into a single contract unless certain criteria are met. Less restrictive criteria under IFRS, namely the absence of a combining restriction when the base contract and the option have significantly different margins, will result in additional contracts being combined.	**Opening balance sheet:** Certain contract losses previously recorded will be reversed, resulting in an increase in long-term contract inventories and an increase in equity. **Subsequent to transition:** Additional combining of base contract with options should generally result in the recognition of positive cumulative catch-up adjustments when option contracts are signed.

Accounting policy	Key differences in accounting treatment	Potential key impacts
Income taxes	Various changes in accounting policy under IFRS will also impact the corresponding deferred tax asset or liability, unless a valuation allowance is required.	**Opening balance sheet:** An overall net increase in deferred tax assets is expected. **Subsequent to transition:** The impact will depend on the net amount of all differences in accounting policy.
	Tax consequences of a transaction recorded in other comprehensive income or directly in equity in previous periods must be recorded in other comprehensive income or directly in equity (i.e. backward tracing). Under Canadian GAAP, all subsequent changes in deferred income taxes are recorded through earnings.	**Opening balance sheet:** No significant impact is expected. **Subsequent to transition:** The impact on earnings will depend on the extent of changes to deferred income taxes that will be recorded in other comprehensive income or directly to equity.
Lease accounting	IFRS requires a qualitative and quantitative assessment of lease classification while the Canadian GAAP requirement is based on quantitative tests.	**Opening balance sheet:** Our pre-owned aircraft off-balance sheet sale and leaseback facilities will be accounted for on balance sheet, leading to an increase in assets and liabilities. **Subsequent to transition:** No significant impact on earnings is expected. More lease arrangements entered into following transition may also require on-balance sheet treatment under IFRS.
Presentation and disclosure	We must present a classified balance sheet under IFRS to highlight the current and non-current portion of our assets and liabilities. The classification will be based on the operating cycles of the groups for operating components, and on a one year basis or as otherwise required by IFRS for the other components.	**Opening balance sheet and subsequent to transition:** The format of the balance sheet will change to reflect the new classification.
Cumulative translation adjustment	Under the exemption allowed by IFRS 1, we decided to eliminate all cumulative foreign exchange gains and losses recorded in CTA at transition.	**Opening balance sheet:** An elimination of the $117 million debit balance in the CTA in equity, with an offsetting decrease in retained earnings. No impact on total equity. **Subsequent to transition:** No significant change.
Impairment of long-lived assets	IFRS requires a one-step impairment test for identifying and measuring impairment, comparing an asset's carrying value to the higher of its value in use and fair value less cost to sell. Under Canadian GAAP, impairment is based on discounted cash flows only if an asset's undiscounted cash flows are below its carrying value. Previously recognized impairment losses must be reversed when a change in circumstances indicates that the impairment has been reduced, other than for goodwill and indefinite-lived intangible assets.	**Opening balance sheet:** We have not yet completed our assessment of the impact. **Subsequent to transition:** The one-step impairment test under IFRS may result in more frequent write-downs of assets. Reversals of previous write-downs may be required in future periods.

The IASB is contemplating issuing a new standard to replace the current IAS 31, "Interests in joint ventures", which is expected in the second quarter of calendar year 2010. It is expected that the new standard will require the use of the equity method to account for all joint ventures. Under the current standard, the use of the equity method or proportionate consolidation is allowed. Joint ventures must be proportionally consolidated under Canadian GAAP. We have not yet determined whether we will adopt the new standard on transition or what would be our accounting policy under the current standard if we do not adopt the new standard on transition. When our accounting policy for recognition of joint ventures will change from proportionate consolidation to the equity method, this will result in a reduction of various balance sheet items as our net investment in joint ventures will then be recorded as a one-line item, with no significant impact on equity. For the income statement, the main impact of using the equity method will be a reduction in revenues and costs, as well as a reduction in EBIT as our share of the net results of joint ventures will be reported in EBIT net of related tax.

Below are selected additional changes in accounting policies, which we do not expect to have a significant impact on our consolidated financial statements.

Accounting policy	Differences in accounting treatment
Property, plant and equipment	IFRS requires separate amortization of major components of an asset. This requirement being less explicit under Canadian GAAP, we identified a greater number of major components that will be amortized separately under IFRS. Depreciation expense will therefore be different under IFRS.
Borrowing costs	The computation of amounts to be capitalized may be different with regard to capitalization period, scope of qualifying assets and/or rates used. Under the exemption allowed by IFRS 1, we decided to begin capitalization of borrowing costs to qualifying assets effective February 19, 2007, the launch date of the *CRJ1000* aircraft program. Aerospace program tooling and equity will decrease in our opening balance sheet as a result.
Financial instruments	Under IFRS, we will assess the effectiveness of hedge relationships quantitatively and hedge ineffectiveness will be recognized in net income. Credit and liquidity risks will be excluded from the assessment of effectiveness and will be recognized in net income. Under Canadian GAAP, a quantitative assessment of hedge effectiveness is not required if certain specific criteria are met (known as the shortcut method or the critical-terms match method). There will be greater volatility in earnings under IFRS as a result.
Service concession arrangements	IFRS provides specific guidance on service concession arrangements, where Canadian GAAP does not explicitly address such arrangements. We do not currently participate directly in service concession arrangements. However, certain of our investments accounted for under the equity method will be subject to the service concession arrangement rules. As a result, the amounts recorded under the equity method for such investments may be different under IFRS.
Business combinations	We will elect to apply IFRS prospectively for business combinations from the date of transition to IFRS. There will be no impact to our consolidated financial statements as a result of this election.
Basis of consolidation	Under IFRS, the requirement to consolidate an entity is determined based on control, with additional consideration for special purpose entities. Under Canadian GAAP a similar control model applies, except in the case of special purpose entities, which are accounted for under the VIE model. No significant impact is expected to our consolidated financial statements as a result of this difference.

The differences identified in this document should not be regarded as an exhaustive list and other changes may result from our conversion to IFRS. Furthermore, the disclosed impacts of our conversion to IFRS reflect our most recent assumptions, estimates and expectations, including our assessment of the IFRS expected to be applicable at time of conversion. As a result of changes in circumstances, such as economic conditions or operations, and the inherent uncertainty from the use of assumptions, the actual impacts of our conversion to IFRS may be different from those presented above.

CONSOLIDATED RESULTS OF OPERATIONS

Good results in a difficult environment

Results of operations

	Fourth quarters ended January 31 [(1)]		Fiscal years ended January 31 [(1)]	
	2010	2009	**2010**	2009
Revenues	**$ 5,352**	$ 5,429	**$ 19,366**	$ 19,721
Cost of sales	**4,489**	4,413	**16,202**	16,049
Margin	**863**	1,016	**3,164**	3,672
Selling, general and administrative	**388**	387	**1,453**	1,558
Research and development	**54**	50	**141**	171
Other expense (income)	**4**	2	**(26)**	(41)
EBITDA	**417**	577	**1,596**	1,984
Amortization	**129**	139	**498**	555
EBIT	**288**	438	**1,098**	1,429
Financing income	**(9)**	(47)	**(96)**	(270)
Financing expense	**69**	103	**279**	408
EBT	**228**	382	**915**	1,291
Income taxes	**49**	70	**208**	265
Net income	**$ 179**	$ 312	**$ 707**	$ 1,026
Attributable to:				
Shareholders of Bombardier Inc.	**$ 177**	$ 309	**$ 698**	$ 1,008
Non-controlling interests	**$ 2**	$ 3	**$ 9**	$ 18
EPS (in dollars)				
Basic	**$ 0.10**	$ 0.17	**$ 0.39**	$ 0.57
Diluted	**$ 0.10**	$ 0.17	**$ 0.39**	$ 0.56

(1) Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures include a reclassification of non-controlling interests of $3 million for the quarter and $18 million for the fiscal year from other expense (income) to net income attributable to non-controlling interests.

Revenues and EBIT margin

	Fourth quarters ended January 31			Fiscal years ended January 31		
	2010	2009	Increase (decrease)	**2010**	2009	Increase (decrease)
Revenues						
BA	**$ 2,675**	$ 2,777	(4%)	**$ 9,357**	$ 9,965	(6%)
BT	**$ 2,677**	$ 2,652	1%	**$ 10,009**	$ 9,756	3%
Consolidated	**$ 5,352**	$ 5,429	(1%)	**$ 19,366**	$ 19,721	(2%)
EBIT margin			Percentage points			Percentage points
BA	**4.0%**	9.8%	(5.8)	**5.1%**	9.0%	(3.9)
BT	**6.8%**	6.3%	0.5	**6.2%**	5.5%	0.7
Consolidated	**5.4%**	8.1%	(2.7)	**5.7%**	7.2%	(1.5)

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

Higher net financing expense

Net financing expense amounted to $60 million and $183 million for the fourth quarter and fiscal year ended January 31, 2010, compared to $56 million and $138 million for the same periods last fiscal year. The $4-million and $45-million increases are mainly due to:

- lower interest income on cash and cash equivalents ($15 million for the fourth quarter, $117 million for the fiscal year), consistent with lower variable interest rates and a lower average level of cash on hand;
- lower interest income on invested collateral ($8 million for the fourth quarter, $37 million for the fiscal year), consistent with the lower level of invested collateral required under the new BT and BA letter of credit facilities and lower variable interest rates; and
- a net financing gain realized in fiscal year 2009 for long-term debt repurchases on the open market ($10 million for the fourth quarter, $22 million for the fiscal year).

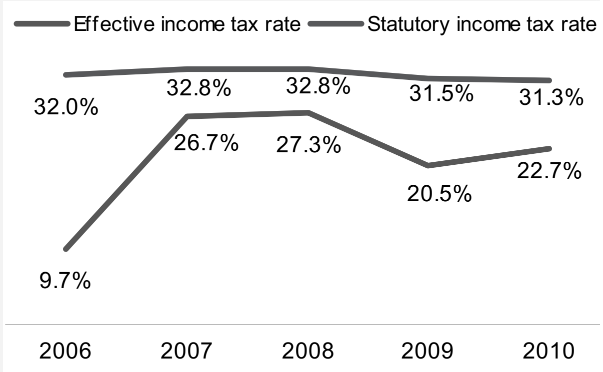
Partially offset by:

- lower interest expense on long-term debt, after the effect of hedges ($13 million for the fourth quarter, $84 million for the fiscal year), consistent with lower variable interest rates;
- positive variations in fair value of financial instruments ($44 million for the fiscal year); and
- a loss of $20 million related to the write-off of deferred costs in connection with the BT portion of the previous letter of credit facility recorded in the fourth quarter of fiscal year 2009.

Lower global effective income tax rate

The 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%. The lower 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, permanent differences and a write-down of deferred tax assets.

GLOBAL EFFECTIVE INCOME TAX RATES
(for fiscal years)



The effective income tax rate was 18.3% and 20.5% respectively for the fourth quarter and fiscal year ended January 31, 2009, compared to the statutory income tax rate of 31.5%. The lower 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 permanent differences and a write-down of deferred tax assets. The lower effective tax rate for the fiscal year was also due to the lower effective income tax rates of foreign investees.

LIQUIDITY AND CAPITAL RESOURCES

Our improved capital structure and solid cash position help us mitigate the impact of the recession.

Our free cash flow is improving gradually

Reconciliation of free cash flow to cash flow from operating activities

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Segmented free cash flow				
BA	**$ 212**	$ (271)	**$ (267)**	$ 128
BT	**372**	360	**293**	480
Segmented free cash flow	**584**	89	**26**	608
Income taxes and net financing expense(1)	**(72)**	(180)	**(241)**	(266)
Free cash flow	**512**	(91)	**(215)**	342
Add back: Net additions to property, plant and equipment and intangible assets	**272**	223	**767**	567
Cash flow from operating activities	**$ 784**	$ 132	**$ 552**	$ 909

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

Variation in cash and cash equivalents

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Balance as at beginning of period/fiscal year	**$ 3,020**	$ 3,251	**$ 3,470**	$ 3,602
Free cash flow	**512**	(91)	**(215)**	342
Effect of exchange rate changes on cash and cash equivalents	**(173)**	1	**270**	(494)
Dividends paid	**(47)**	(41)	**(178)**	(147)
Invested collateral	**64**	390	**145**	390
Repayments of long-term debt	**(4)**	(54)	**(11)**	(166)
Purchase of Class B shares held in trust under the PSU plan	**-**	-	**(21)**	(54)
Other	**-**	14	**(88)**	(3)
Balance as at end of fiscal year	**$ 3,372**	$ 3,470	**$ 3,372**	$ 3,470

We continue our proactive approach to cash deployment to ensure a sufficient level of liquidity to fund our on-going operations and growth initiatives such as product development

Maintaining sufficient liquidity continues to be one of our key focuses. In March 2010, we implemented a refinancing plan of our long-term debt (“the Refinancing Plan”) aimed at providing additional short-term capital resources and extending our long-term debt maturity profile. As such, we issued $650 million of unsecured Senior Notes, due in calendar year 2018 and bearing interest at 7.5% per year, and $850 million of unsecured Senior Notes, due in calendar year 2020 and bearing interest at 7.75% per year. Concurrently, we launched a tender offer to repurchase up to $1.0 billion of outstanding long-term debt maturing from calendar year 2012 to calendar year 2014. As a result of this Refinancing Plan, we will increase our net cash position by approximately $500 million, to be used for general corporate purposes, and the weighted-average long-term maturity will be extended from 6.5 years to 7.9 years, on a pro forma basis as at January 31, 2010. The approximately $500 million cash increase is net of the premium paid on the tender offer, the money collected on the settlement of the interest-rate swaps related to the repurchased debt, and the issuance fees related to the new debt.

In addition, we set up in September 2009 a $500-million two-year unsecured revolving credit facility 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 undrawn as at January 31, 2010. Under this facility, we must maintain the same financial covenants as for our BA letter of credit facility. This facility provides additional financial flexibility, if needed.

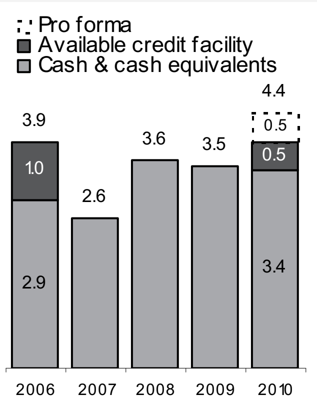
Our short-term capital resources totalling \$3.9 billion as at January 31, 2010 includes cash and cash equivalents and the amount available under the above-mentioned revolving credit facility (\$4.4 billion on a pro forma basis, giving effect to the Refinancing Plan). Our liquidity position as at January 31, 2010 and the absence of significant debt maturing before May 2012 will help us mitigate the impact of the recession.

Available short-term capital resources

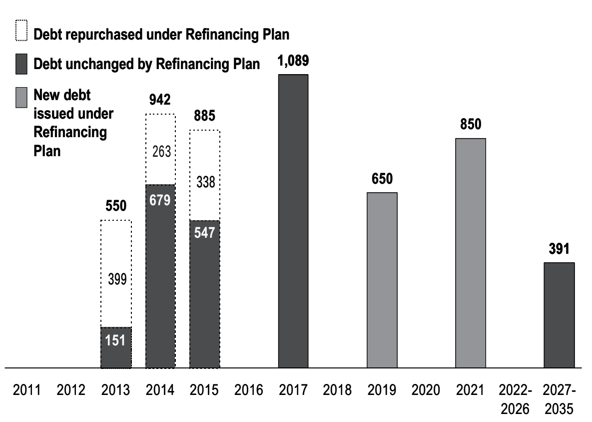
	Cash and cash equivalents	Available credit facility	Available short-term capital resources	Pro forma net cash proceeds	Pro forma short-term capital resources
January 31, 2010	**\$ 3,372**	**\$ 500**	**\$ 3,872**	**\$ 500**	**\$ 4,372**
January 31, 2009	\$ 3,470	\$ -	\$ 3,470	\$ -	\$ 3,470

The following graphs give effect to the impact of the Refinancing Plan:

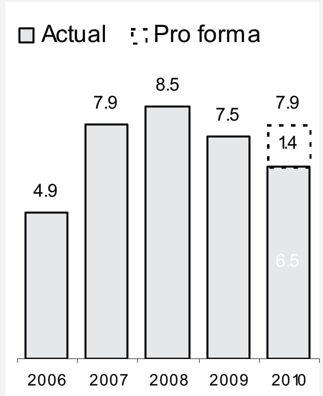
SHORT-TERM CAPITAL RESOURCES
(as at January 31)
(in billions of dollars)



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



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



We consider that our available short-term capital resources of \$3.9 billion as at January 31, 2010 (\$4.4 billion on a pro forma basis) combined with our expected free cash flow will enable the development of new products to enhance our competitiveness and support our growth when demand returns, will allow the payment of dividends, if and when declared by the Board of Directors, and will enable us to meet all other expected financial requirements in the near term.

Other facilities

In the normal course of our business, we set up factoring facilities in Europe to which BT can sell, without recourse, qualifying trade receivables. Trade receivables of \$194 million were outstanding under such facilities as at January 31, 2010 (\$18 million as at January 31, 2009). Trade receivables of \$188 million and \$542 million were sold to these facilities during the fourth quarter and fiscal year ended January 31, 2010.

In addition, we set up off-balance sheet sale and leaseback facilities to which BA can sell pre-owned business aircraft. An amount of \$180 million was outstanding under such facilities as at January 31, 2010 (\$54 million as at January 31, 2009). Aircraft worth \$217 million were sold to these facilities and leased back during fiscal year 2010.

Expected timing of future liquidity requirements

					January 31, 2010
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Pro forma long-term debt[(1)(2)]	$ 4,495	$ 11	$ 178	$ 1,237	$ 3,069
Pro forma interest payments[(2)]	2,690	299	628	589	1,174
Operating lease obligations	729	125	260	114	230
Outsourcing commitments	315	40	56	53	166
Purchase obligations[(3)]	7,659	4,948	2,288	421	2
Account payable and accrued liabilities	3,949	3,498	148	83	220
	$ 19,837	$ 8,921	$ 3,558	$ 2,497	$ 4,861

(1) Includes principal repayments only.
(2) Giving effect to the Refinancing Plan.
(3) 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 above table presents the expected timing of contractual liquidity requirements, excluding derivatives and other payments contingent on future events such as payments in connection with credit and residual value guarantees related to the sale of aircraft and product warranties. These payments have not been included in this table because of the uncertainty on the timing of payments arising from their contingent nature. In addition, our required pension fund cash contributions have not been reflected in this table, as such cash contributions depend on periodic funding actuarial valuations (see the Capital structure 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 (see Note 3 to the Consolidated Financial Statements for the expected timing of payments on derivative financial instruments).

CREDIT FACILITIES NOT AVAILABLE FOR CASH DRAWINGS

On June 30, 2009, a $600-million facility agreement was signed with a syndicate of first-quality financial institutions, mainly North America-based, available for the issuance of letters of credit to support BA's operations as well as the general needs of the Corporation, excluding BT, in replacement of the previous BA facility. Also, the amount committed under the performance security guarantee facility (“PSG facility”) was increased by $650 million in fiscal year 2010. The PSG facility is available for the issuance of letters of credit to support BT’s operations, and letters of credit are issued by commercial banks and are guaranteed by Export Development Canada (EDC).

Letter of credit facilities

	Amount committed	Letters of credit issued	Amount available	Maturity (fiscal year)
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**	
January 31, 2009				
BT facility	$ 4,801 [(1)]	$ 4,446	$ 355	2014 [(2)]
Previous BA facility	840	655	185	2012
PSG facility	250	30	220	2010 [(3)]
	$ 5,891	$ 5,131	$ 760	

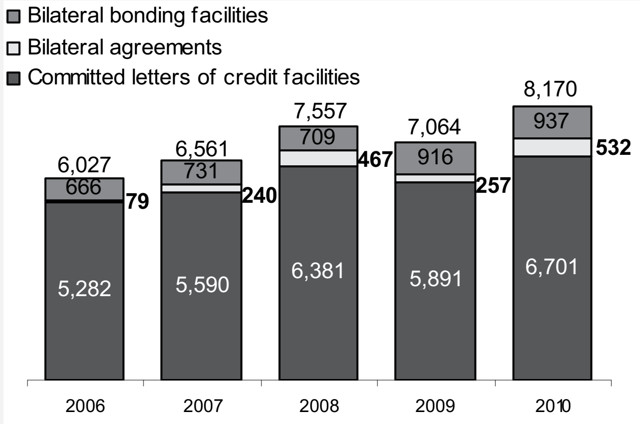
(1) €3.75 billion.
(2) In December 2011, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature up to December 2013.
(3) The PSG facility is renewed and extended annually if mutually agreed. In December 2009, the facility was extended to April 2010 to coincide with the release of our annual financial statements, and is expected 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.

Letter of credit facilities are only available for the issuance of letters of credit. As these facilities only require an unfunded commitment from the banks, they provide a better pricing for the Corporation as compared to credit facilities available for cash drawings.

Under the BA and BT facilities, we must maintain certain financial covenants, including a requirement to maintain a minimum BT liquidity of €600 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 ($560 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at January 31, 2010.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $532 million were outstanding under various bilateral agreements as at January 31, 2010 ($257 million as at January 31, 2009).

CREDIT FACILITIES NOT AVAILABLE FOR CASH DRAWINGS
(as at January 31)
(in millions of dollars)



We also use numerous bilateral bonding facilities with insurance companies to support BT's operations. An amount of $937 million was outstanding under such facilities as at January 31, 2010 ($916 million as at January 31, 2009).

CAPITAL STRUCTURE

We analyze our capital structure using global metrics, which are based on a broad economic view of the Corporation, taking into consideration in the definition of adjusted debt the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations.

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 is more on the global metrics, as they represent the key metrics used to analyze our capital structure.

Global metrics[(1)]

	January 31, 2010		January 31, 2009
Interest coverage			
Adjusted EBIT	**$ 1,249**		$ 1,535
Adjusted net interest	**$ 334**		$ 244
Adjusted EBIT to adjusted net interest ratio	**3.7**		6.3
Financial leverage			
Adjusted debt	**$ 6,084**		$ 5,841
Adjusted EBITDA	**$ 1,792**		$ 2,129
Adjusted debt to adjusted EBITDA ratio	**3.4**	(2)	2.7
Capitalization			
Adjusted debt	**$ 6,084**		$ 5,841
Adjusted total capitalization	**$ 9,928**		$ 8,906
Adjusted debt to adjusted total capitalization ratio	**61%**	(3)	66%

(1) Refer to the Non-GAAP financial measures section hereafter for definitions and reconciliations to the most comparable Canadian GAAP measures.
(2) A pro forma ratio of 3.7, after increasing the adjusted debt by $500 million to give effect to the Refinancing Plan executed subsequent to January 31, 2010.
(3) A pro forma ratio of 63%, after increasing the adjusted debt and the total capitalization by $500 million to give effect to the Refinancing Plan executed subsequent to January 31, 2010.

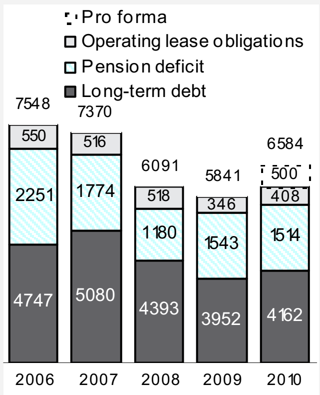
The economic environment had a negative impact on our interest coverage and financial leverage metrics, while our capitalization metric improved. These variations are a combination of numerous factors:

- Adjusted EBIT and adjusted EBITDA decreased by $286 million and $337 million respectively due to lower BA profitability following the impact of the recession on the aerospace industry, partially offset by higher BT profitability.
- Adjusted net interest increased by $90 million, due a higher average credit spread for our credit rating, a lower level of cash on hand and lower variable interest rates.
- Adjusted debt increased by $243 million, mainly due to the foreign exchange impact ($206 million).
- Adjusted total capitalization increased by $1.0 billion, mainly as a result of the net income for the period ($707 million), increase in adjusted debt described above ($243 million) and a positive CTA impact ($212 million), partially offset by dividends declared ($178 million).

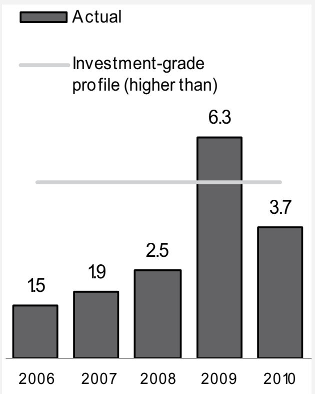
Our capital structure improved since fiscal year 2006, mainly due to improved profitability and our continued focus on reducing long-term debt and pension deficit. However, our global metrics for fiscal year 2010 suffered as the current economic situation creates volatility that affects our performance. This volatility is expected to continue until economic conditions stabilize.

Given the current economic environment, our near-term focus is to preserve liquidity. Upon return to normal economic conditions, we remain committed to improve our capital structure.

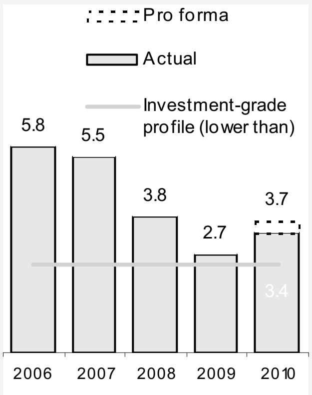
ADJUSTED DEBT
(for fiscal years)



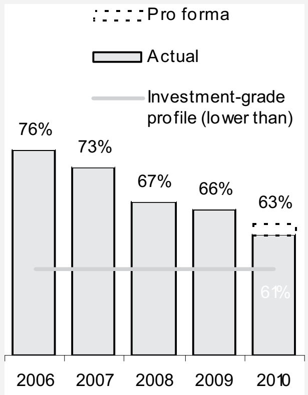
ADJUSTED EBIT TO ADJUSTED NET INTEREST RATIO
(for fiscal years)



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



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



Our objective with regard to the global metrics is to manage and monitor them such that we 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%.

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, 2010	January 31, 2009
S&P	BBB-	**BB+**	BB+
Fitch	BBB-	**BB+**	BB+
Moody's	Baa3	**Ba2**	Ba2

The current ratings are one level away from investment grade at S&P and Fitch and two levels away at Moody's. Upon return to normalized market and economic conditions, we should be in a good position to improve our credit rating, subject to the achievement of our planned profitability. 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.

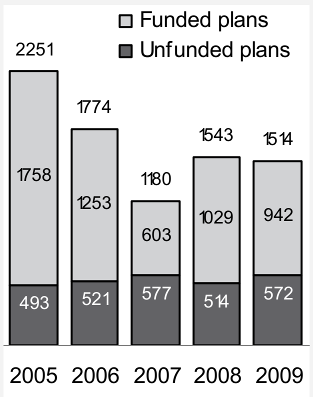
PENSION

Pension deficit remains at a manageable level

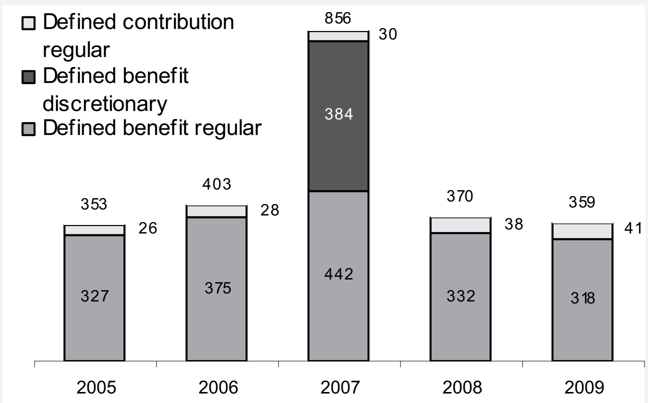
We sponsor several domestic and foreign funded and unfunded defined benefit pension plans. Funded plans are plans for which segregated plan assets are invested in trusts. Unfunded plans are plans for which there are no segregated plan assets, as the establishment of segregated plan assets is generally not permitted or not in line with local practice because of adverse tax consequences. There will therefore always be a deficit for unfunded plans. We also manage several defined contribution plans which specify how contributions are determined rather than the amount of benefits an employee is to receive at retirement. There is no deficit or surplus for defined contribution plans.

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.

PENSION DEFICIT
(for calendar years)
(in millions of dollars)



PENSION CONTRIBUTIONS
(for calendar years)
(in millions of dollars)



The defined benefit pension contributions of $318 million for calendar year 2009 are lower than the $400-million anticipated last year. The decrease is mainly due to positive variations in foreign exchange rates and lower funding requirements in some countries, arising from the finalization of our funding calculations or from funding reliefs provided by some governments to alleviate the impact of the financial crisis.

Pension contributions

	Calendar year 2009 Actual	Calendar year 2010 Estimate
Defined benefit pension plans	$ 318	$ 336
Defined contribution pension plans	41	45
	$ 359	$ 381

Our pension deficit totalled $1.5 billion as at December 31, 2009, essentially unchanged compared to December 31, 2008.

Variation in pension deficit

Balance as at December 31, 2008[(1)]	$	1,543
Actual return on plan assets[(2)]		(753)
Interest cost[(3)]		363
Employer contributions		(318)
Changes in discount rate assumptions[(4)]		238
Effect of changes in foreign exchange rates		177
Current service cost[(5)]		172
Change in inflation assumptions		67
Change in compensation increase assumptions		(33)
Plan amendments and other		58
Balance as at December 31, 2009[(1)]	**$**	**1,514**

(1) Of which $572 million is related to unfunded plans as at December 31, 2009 ($514 million as at December 31, 2008).
(2) The performance of stock markets is a key driver in determining the pension fund's asset performance, since our targeted allocation for pension plan assets invested in publicly traded equity securities is 57%. Most of the remaining plan assets are invested in publicly traded long-term fixed-income securities.
(3) Represents the expected increase in pension obligation due to the passage of time.
(4) The discount rate is used to determine the present value of the estimated future benefit payments at the measurement date. A higher discount rate decreases the benefit obligation and pension deficit. The discount rate must represent the market rate for high-quality corporate fixed-income investments available for the period to maturity of the benefits, and thus management has little discretion in its selection.
(5) Current service cost represents the present value of retirement benefits earned by participants during the current year.

The pension cost of defined benefit pension plans is estimated at $302 million for fiscal year 2011, compared to an actual pension cost of $234 million for fiscal year 2010. The expected increase is mainly due to:

- the negative impact in fiscal year 2011 of the three-year smoothing of net losses realized on equity investments over the preceding three-year period; and
- the negative variation in discount rates, reflecting the recent decrease in high-quality corporate fixed-income rates in Canada.

Sensitivity analysis

	Impact of a 0.25% increase on:			
Increase (decrease)	**Pension cost for fiscal year 2011**		**Pension deficit as at December 31, 2009**	
Discount rate	$	(32)	$	(283)
Expected return on plan assets	$	(13)		n/a
Rate of compensation increase	$	17	$	85

n/a: Not applicable.

FINANCIAL POSITION

We are feeling the recession, mainly through higher working capital at BA

			Increase (decrease)		
	January 31 2010	January 31 2009	**Foreign exchange impact**	**Variance excluding foreign exchange**	**Explanation of variances other than foreign exchange impact**
Cash and cash equivalents	**$ 3,372**	$ 3,470	$ 270	$ (368)	See the previous Variation in cash and cash equivalents table for details.
Invested collateral	**682**	777	50	(145)	Release of a portion of existing BA and BT collateral
Receivables	**1,897**	1,981	86	(170)	$ (95) Lower level of receivables in BT. (72) Lower level of receivables in BA.
Aircraft financing	**473**	418	6	49	No significant variance.
Gross inventories	**9,423**	8,830	477	116	$ 813 Higher activities in rolling stock at BT. (423) Lower level of new and pre-owned aircraft at BA. (275) Lower level of aerospace programs work-in-process inventories at BA as a result of production rate decreases.
Advances and progress billings related to long-term contract costs	**(6,054)**	(5,380)	523	151	Increased activities at BT.
Advances on aerospace programs	**(2,092)**	(2,991)	-	899	Lower net order intake for business and commercial aircraft.
Property, plant and equipment	**1,643**	1,568	80	(5)	$ (166) Amortization (17) Disposals 222 Additions
Intangible assets	**1,696**	1,399	13	284	$ 583 Additions (303) Amortization
Fractional ownership					Decline in aircraft share sales and increase in early redemption, as a result of the current economic environment.
- deferred costs	**271**	444	-	(173)	
- deferred revenues	**346**	573	-	(227)	
Deferred income tax					The components have varied as follows:
- asset	**1,166**	1,216			$ (317) Decrease in inventories.
- liabilities	**(65)**	-			(138) Decrease on derivative financial instruments.
	1,101	1,216	34	(149)	(77) Decrease on property, plant and equipment. 339 Increase in product warranty and other provisions. 177 Increase in operating losses carried forward.
Accrued benefit					
- assets	**1,070**	926	-		
- liabilities	**(1,084)**	(992)	19		
	(14)	(66)	19	(71)	No significant variance.
Derivatives					
- assets	**482**	626	-		Strengthening of the Canadian dollar, Euro
- liabilities	**(429)**	(1,194)	(9)		and pound sterling and expiration of out-of-the
	53	(568)	9	612	money derivatives.
Goodwill	**2,247**	2,010	237	-	No variance.
Other assets	**1,006**	949	36	21	$ 153 Increase in investment in VIEs, following the elimination of the $150-million prepayment under an exchange agreement, that was subsequently invested in a VIE. 125 Increase in investment in securities. (150) Elimination of the prepayment under an exchange agreement. (78) Lower level of prepaid expense at BA.

	January 31 2010	January 31 2009	Increase (decrease) Foreign exchange impact	Variance excluding foreign exchange	Explanation of variances other than foreign exchange impact
Accounts payable and accrued liabilities	**(7,427)**	(6,922)	345	160	$ (300) Ramp up in production at BT. 157 Lower level of payables in BA.
Long-term debt	**(4,162)**	(3,952)	192	18	No significant variance.
Shareholders' equity	**(3,769)**	(2,610)	n/a	1,159	$ 380 Positive impact of cash flow hedges measured at fair value. 707 Net income 212 Positive CTA impact. (178) Dividends declared.

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, including their pro forma equivalent:

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 property, plant and equipment and intangible assets.
Capital structure	
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 them 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 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 before.

Reconciliation of adjusted debt to long-term debt

	January 31, 2010	January 31, 2009
Long-term debt	**$ 4,162**	$ 3,952
Pension deficit	**1,514**	1,543
Operating lease obligations[1]	**408**	346
Adjusted debt	**$ 6,084**	$ 5,841

[1] Discounted using the average 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 2010	Fiscal year 2009 [1]
EBIT	**$ 1,098**	$ 1,429
Adjustment for pension deficit and operating leases[2]	**151**	106
Adjusted EBIT	**1,249**	1,535
Amortization adjustment for operating leases[3]	**45**	39
Amortization	**498**	555
Adjusted EBITDA	**$ 1,792**	$ 2,129

(1) Following the adoption of Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details), EBIT, adjusted EBIT and adjusted EBITDA now include the income attributable to non-controlling interests. The January 31, 2009 figures have been restated accordingly.
(2) 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 twelve months, given our credit rating for the corresponding periods.
(3) Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

Reconciliation of adjusted net interest to financing income and financing expense

	Fiscal year 2010	Fiscal year 2009
Financing income and financing expense	**$ 183**	$ 138
Adjustment for pension deficit and operating leases[1]	**151**	106
Adjusted net interest	**$ 334**	$ 244

(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 twelve months, given our credit rating for the corresponding periods.

Reconciliation of adjusted total capitalization to shareholders' equity

	January 31, 2010	January 31, 2009
Shareholders' equity[1]	**$ 3,769**	$ 2,610
Exclude: amount in AOCI related to cash flow hedges	**75**	455
Adjusted debt	**6,084**	5,841
Adjusted total capitalization	**$ 9,928**	$ 8,906

(1) Following the adoption of Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details), shareholders' equity now includes non-controlling interests. The January 31, 2009 figure has been restated accordingly.

AEROSPACE

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

HIGHLIGHTS

Our results were affected by the difficult economic environment

REVENUES	EBIT	FREE CASH FLOW	ORDER BACKLOG
$9.4 billion	**$473** million	**($267)** million	**$16.7** billion
FISCAL YEAR 2010	FISCAL YEAR 2010	FISCAL YEAR 2010	JANUARY 31, 2010

Fourth quarter

- Revenues of $2.7 billion, compared to $2.8 billion for the same period last fiscal year.
- EBIT of $106 million, or 4.0% of revenues, compared to $271 million, or 9.8%, for the same period last fiscal year.
- Free cash flow of $212 million, compared to free cash flow usage of $271 million for the same period last fiscal year.
- 86 aircraft deliveries, compared to 93 for the same period last fiscal year.
- 33 net orders (59 gross orders and 26 business aircraft cancellations), compared to 6 net orders (47 gross orders and 41 business aircraft cancellations) for the same period last fiscal year.
- In November 2009, AMR Eagle Holding Corporation signed a purchase agreement for 22 *CRJ700 NextGen* regional jets, which is valued at $779 million based on list price.

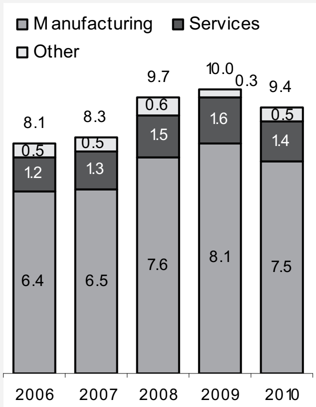
Fiscal year

- Revenues of $9.4 billion, compared to $10.0 billion last fiscal year.
- EBIT of $473 million, or 5.1% of revenues, compared to $896 million, or 9.0%, last fiscal year.
- Free cash flow usage of $267 million, compared to free cash flow of $128 million last fiscal year.
- 302 aircraft deliveries, compared to 349 last fiscal year.
- 11 net orders (213 gross orders, 186 business aircraft cancellations and 16 commercial aircraft cancellations), compared to 367 net orders (423 gross orders and 56 business aircraft cancellations) last fiscal year.
- Order backlog of $16.7 billion, compared to $23.5 billion as at January 31, 2009.
- Reduction in production rates for all our business and regional jets, leading to a reduction of our workforce by approximately 4,700 permanent and contractual employees.

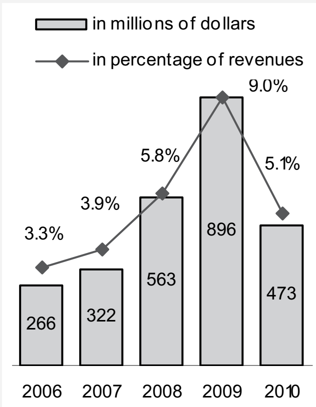
Guidance and subsequent events

- BA expects to deliver approximately 15% and 20% fewer business and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010. Overall, we expect improvements to lag economic recovery, therefore BA's EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. BA's free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flows from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010.
- In February 2010, Republic Airways Holdings Inc. signed a purchase agreement for 40 *CS300* aircraft, with options for an additional 40. Based on the list price, the value of this contract is $3.1 billion, which could increase to $6.3 billion if all options are exercised.

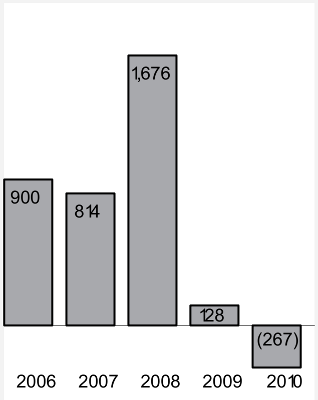
REVENUES
(for fiscal years)
(in billions of dollars)



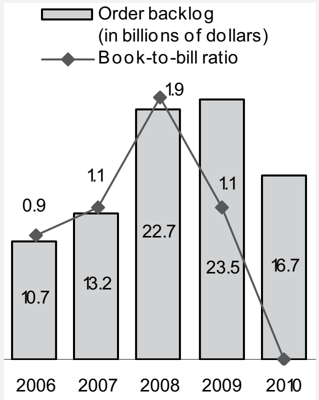
EBIT
(for fiscal years)



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



ORDER BACKLOG
BOOK-TO-BILL RATIO
(as at January 31)

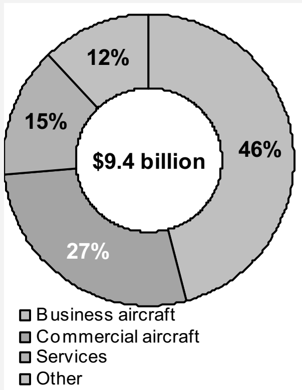


PROFILE

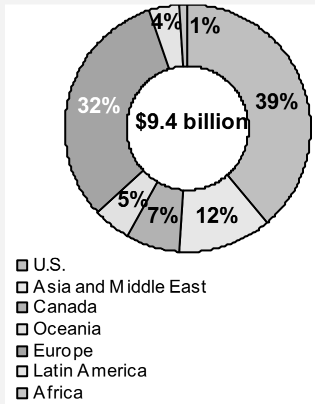
Bombardier Aerospace: A world leader

We are a world leader in the design and manufacture of innovative aviation products and a provider of related services for the business, commercial, amphibious and specialized aircraft markets. Through our 10 manufacturing and engineering sites and our international service and support network, we have a presence in 22 countries. We had a workforce of 28,900 employees as at January 31, 2010, of which 51% were covered by collective agreements.

REVENUES BY MARKET SEGMENT
Fiscal year 2010

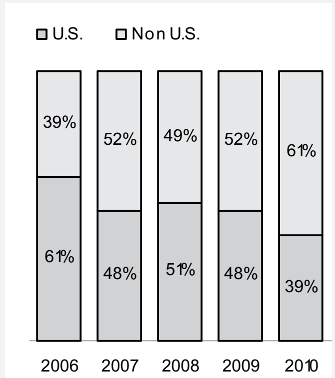


REVENUES BY GEOGRAPHICAL REGION
For fiscal year 2010



Our revenues reached $9.4 billion for fiscal year 2010. We are becoming less concentrated on the U.S. market, accounting for 39% of our total revenues for fiscal year 2010, compared to 61% for fiscal year 2006. We have customers located in over 100 countries, which are primarily civil owner operators or aviation service providers. They 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.

REVENUES BY GEOGRAPHICAL REGION
(for fiscal years)



Meeting the needs of our customers

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. Our business jet customers expect nothing less than reliable flight operations with flawless service and maintenance support and exclusive and personalized customer care. Our industry-leading comprehensive portfolio of business jets and our focus on delivering an amazing customer experience are key to meeting our objective of exceeding the high standards of our business aircraft customers.

Our commercial aircraft customers are buying aircraft that meet their required range and payload, as well as competitive operating costs. They are selecting product features that ensure safe and reliable service adapted to their business model. Among these customers, we have a product offering for:

- regional airlines (40- to 100-seat category) offering higher-frequency service to complement mainline airlines;
- commercial airlines (100- to 149-seat category) needing the right capacity in order to meet flight frequency expected by passengers at cost levels that allow for profitable operations;
- low-fare carriers needing aircraft that consistently deliver low seat-mile costs, while subjected to very high utilization levels; and
- leasing companies needing flexibility in terms of performance and interior configuration for their leasing customers' varying needs.

Our broad portfolio of commercial aircraft is designed to meet those diverse operational requirements from airlines around the world.

We have a strong global supply chain

An effective global supply chain is critical to our business. We seek long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support our customers with related services. We are continuously assessing and streamlining our supplier base to ensure an efficient global supply chain and sustainable procurement processes. Within our supply chain, we built relationships with suppliers present in over 40 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. The market categories in which we have a product offering cover 94% of the total business aircraft market revenues for calendar year 2009.

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 the highest operating ceilings, exceptionally fast cruise speeds, quick climb rates and competitive operating costs.

CHALLENGER family of aircraft

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

Market category: Medium business jets

Competitive advantages[2]: The *Challenger* aircraft are productivity enhancing business tools, with the widest, most spacious cabins within their segments, which can be customized with leading-edge cabin communication equipment, creating highly efficient business environments in the sky.

GLOBAL family of aircraft

Models: *Global 5000 and Global Express XRS*

Market category: Large business jets

Competitive advantages[2]: The *Global* family of aircraft offers the fastest cruise speeds and greatest interior volumes within the large business jet category, providing 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.

(1) Currently under development.
(2) Under certain operating conditions, when compared to currently in-service aircraft.

COMMERCIAL AIRCRAFT

Bombardier has the widest portfolio of commercial products within the 40- to 149-seat categories. All our products and product families of jets and turboprops are 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 TURBOPROP aircraft

Models: *Q400 NextGen*

Market category: 60- to 90-seat turboprops

Competitive advantages[(1)]: For short-haul operations, the optimized *Q400 NextGen* airliner is a fast, fuel-efficient and low-emission large turboprop. It is the only in-production turboprop that offers jet-like speed and an extended range. It also offers competitive operating costs and product commonality across the family.

CRJ NextGen REGIONAL JETS family of aircraft

Models: *CRJ200*[(2)]*, CRJ700/CRJ705 NextGen, CRJ900 NextGen and CRJ1000 NextGen*[(3)]

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, greenhouse gas (GHG) emissions and 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. It is designed to provide transcontinental range and superior field performance, 15% lower cash operating costs, 20% lower fuel burn and CO_2 emissions, a noise footprint four times smaller and 50% lower NOx emissions.

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

AMPHIBIOUS and SPECIALIZED aircraft

AMPHIBIOUS TURBOPROPS

Models: *Bombardier 415 and Bombardier 415* MP
Competitive advantages[(1)]: The *Bombardier 415* amphibious aircraft, a purpose-built fire fighting aircraft, offers unique operational capabilities and exceptional performance, allowing it to operate in the most rugged and demanding of circumstances. It can also be adapted to a multi-purpose version, the *Bombardier 415* MP aircraft, which can be used in a variety of specialized missions such as search and rescue, coastal patrol, environmental protection, and transportation.

SPECIALIZED AIRCRAFT SOLUTIONS

Models: All 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, monitoring to communication platforms.

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

CUSTOMER SERVICES

- Parts logistics
- Aircraft maintenance
- Training solutions
- Tailored per hour parts and services solutions
- Customer support

Competitive advantages: Worldwide service and support through a network of field service personnel, 24/7 customer response centres, a flexible airborne parts delivery service, spare parts depots, training centres, service centres and authorized service facilities.

FLEXJET

- Whole aircraft ownership and management
- Fractional ownership
- Jet card programs
- Charter brokerage services

Competitive advantages: Amongst the youngest fleet in the U.S. fractional ownership industry. In calendar year 2009, *Flexjet* was selected as the "Best of the Best" in three categories by the Robb Report publication and was the recipient, for the 11th consecutive year, of the Federal Aviation Administration (FAA) Diamond award.

KEY PERFORMANCE MEASURES

Incentive compensation, which extends to most salaried employees in Canada and in the U.S., is generally linked to the achievement of targeted results, based on EBIT, average net utilized assets (a measure of liquidity, similar to free cash flow), on-time aircraft deliveries and fleet dispatch reliability. The table below summarizes our most relevant key performance measures.

Key performance measures	
Profitability	• EBIT margin, as a measure 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 an indicator 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 share (in terms of revenues and/or deliveries) and scale, 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.

Five-year summary

	2010	2009	2008	2007	2006
For fiscal years					
Aircraft deliveries (in units)					
Business aircraft	**176**	235	232	212	197
Commercial aircraft	**121**	110	128	112	138
Amphibious aircraft	**5**	4	1	2	2
	302	349	361	326	337
Revenues	**$ 9,357**	$ 9,965	$ 9,713	$ 8,296	$ 8,142
EBIT	**$ 473**	$ 896	$ 563 (1)	$ 323 (2)	$ 266 (3)
EBIT margin	**5.1%**	9.0%	5.8% (1)	3.9% (2)	3.3% (3)
Free cash flow	**$ (267)**	$ 128	$ 1,676	$ 814	$ 900
Net orders (in units)	**11**	367	698	363	302
Book-to-bill ratio	**-**	1.1	1.9	1.1	0.9
As at January 31					
Order backlog (in billions)	**$ 16.7**	$ 23.5	$ 22.7	$ 13.2	$ 10.7
Total number of employees(4)	**28,900**	32,500	28,100	27,100	26,800

(1) EBIT of $834 million, or 8.6%, before EOAPC charge.
(2) EBIT of $599 million, or 7.2%, before EOAPC charge.
(3) EBIT for fiscal year 2006 was not restated to reflect the impact from the change in accounting policy from the average cost to the unit cost method.
(4) Including contractual employees.

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 aircraft over the next fiscal year compared to fiscal year 2010;
  - significant increase in orders for commercial aircraft (excluding orders for the *CSeries* family of aircraft, see below) over the next fiscal year compared to fiscal year 2010;
  - orders for the *CSeries* aircraft as planned. The deliveries of the *CSeries* aircraft do not impact the short-term outlook of this MD&A as the entry into service of this family of aircraft is scheduled for the second half of calendar year 2013; and
  - growth in after-market services in line with the in-service fleet.
- continued deployment and execution of strategic initiatives related to cost reductions;
- ability to meet scheduled entry-into-service dates for new aircraft programs;
- ability to recruit and retain highly skilled resources to deploy our product development strategy; and
- ability of supply base to support planned production rates.

(1) See also 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.

Previous EBIT guidance

We previously provided guidance for a 12% EBIT in fiscal year 2013 computed under Canadian GAAP. Since IFRS will be the accounting standards applicable to the period covered by the guidance, we now have to provide guidance under IFRS, as required by the securities legislation. We are currently in the process of assessing the impact of the adoption of IFRS, but substantial work remains to be performed (see the IFRS section in Overview). Although the underlying profitability of our businesses will not be affected by the adoption of IFRS, the change in accounting standards could have a material impact on the timing of the recognition of revenues and expenses and therefore on the profitability for a given period. In addition, certain income statement items could be recognized in different line items under IFRS. Although such reclassifications have no impact on the overall profitability, they will impact certain key performance measures such as EBIT.

We expect to be able to provide a new BA EBIT guidance under IFRS in the annual report of fiscal year 2011, when both the impact of adopting IFRS will be known and our budget process prepared under the new accounting standards will have provided visibility on our expected IFRS results for the periods covered by the new guidance. At the same time, this will provide us with the opportunity to better assess the impact of the current economic conditions on each of our significant businesses covered by the EBIT guidance.

Accordingly, our previous EBIT guidance provided under Canadian GAAP is no longer applicable.

CURRENT BUSINESS ENVIRONMENT

The current business environment continues to be challenging for the industry but we are determined to steer through the crisis and emerge stronger

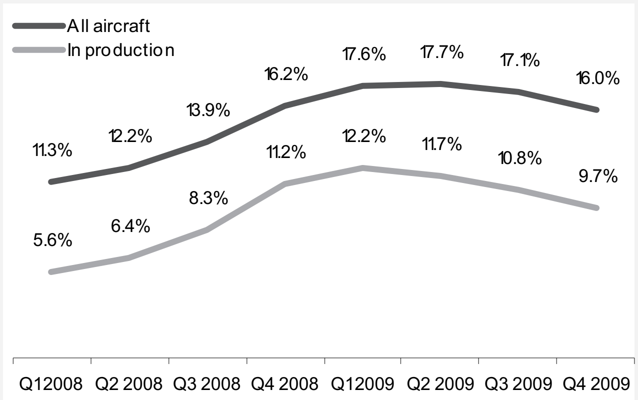
The global economic crisis continued to significantly impact the civil aerospace industry as a whole during calendar year 2009. Worsening economic conditions and restricted credit availability translated into a high level of order cancellations and deferrals of aircraft deliveries. This caused most of the OEMs to reduce their production rates and has impacted their profitability.

We were impacted in both business aircraft and commercial aircraft

Business Aircraft

The global economy continued its contraction in calendar year 2009, as illustrated by the decrease in GDP, corporate profits and personal wealth. Together, these factors led to a slump in business jet utilization rates, an increase in pre-owned business jet inventory, a high level of order cancellations and a low level of order intake. Furthermore, the difficulty in securing financing also adversely affected a number of business aircraft customers, leading to additional order cancellations and deferrals. These market conditions translated into pricing pressures on new and pre-owned aircraft. Our order backlog provided some protection against this high level of business aircraft order cancellations and deferrals.

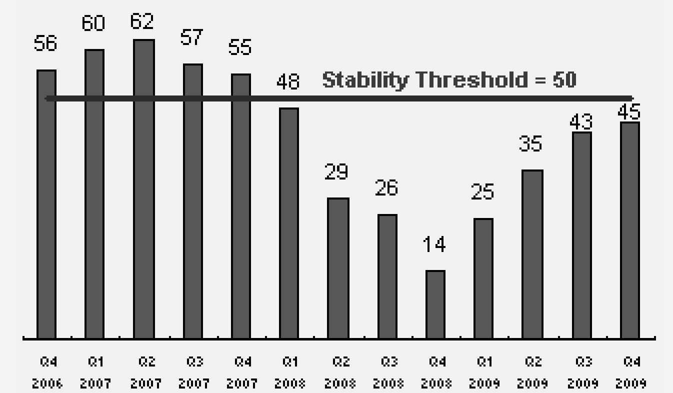
INDUSTRY'S PRE-OWNED BUSINESS JET INVENTORY
(for calendar years) (in percentage of business jet fleet, excluding very light jets)



Source: Based on Jetnet and Case database

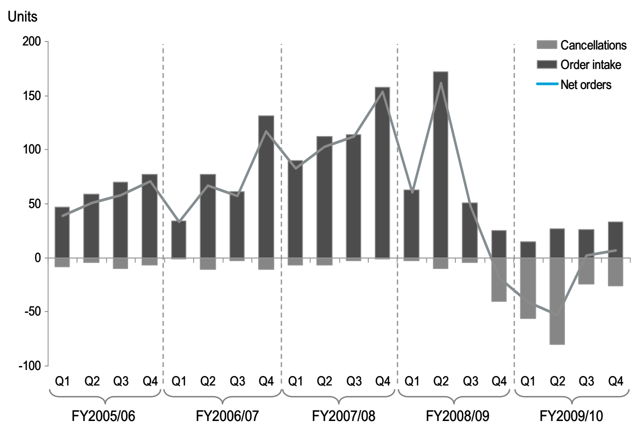
Toward the second half of calendar year 2009, the business jet market began to stabilize. The industry's pre-owned business jet inventory (as a percentage of business jet fleet) started to decrease and business jet utilization rates improved. The UBS Business Jet Market Conditions Index, which is a measure of broker and jet dealer confidence, also improved throughout calendar year 2009 and, for the first time in two years, achieved the threshold of market stability in January 2010. These improvements allowed us to secure positive net orders in the third and fourth quarters of fiscal year 2010, albeit at a low level.

UBS BUSINESS JET MARKET CONDITIONS INDEX
Business jet dealers and brokers confidence
(for calendar years) (Average, on a 100-point scale)



Source: UBS

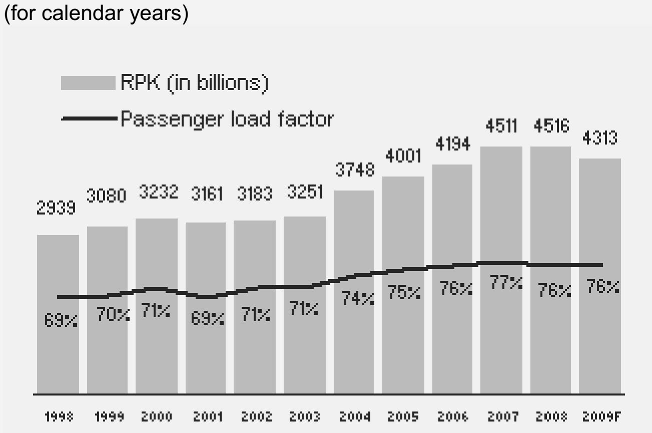
BA BUSINESS AIRCRAFT GROSS/NET ORDERS
(Gross includes *Flexjet* and excludes swaps)
(for fiscal years)



Commercial aircraft

The current economic crisis had a significant impact on the airline industry, which led to declining air traffic (with revenue passenger kilometers ("RPK") decreasing by an estimated 4.5% compared to calendar year 2008) and decreasing airfares. At the same time, several banks offering financing for aircraft purchases exited the market and those remaining proceeded more cautiously than before. These multiple factors impacted OEMs through deferrals of deliveries and/or order cancellations. A drop in order intake was also observed throughout the industry, indicating that airlines were postponing the purchase of new aircraft.

WORLD AIRLINES' RPK AND PASSENGER LOAD FACTOR
(for calendar years)



Source: Airline Monitor, January-February 2010.

As a result, replenishing our order backlog remained challenging in fiscal year 2010, as the number of new orders declined compared to pre-recession levels. In the last months of fiscal year 2010, a number of indicators began to indicate signs of recovery, as economic growth, airline's available seat capacity, passenger traffic and yields (defined as revenues per RPK), achieved positive gains. Despite these improvements, IATA affirmed on January 27, 2010 that the global airline industry had permanently lost 2.5 years of growth in passenger markets in calendar year 2009, and that calendar year 2010 would be another challenging year.

We are managing through the turbulence

Determined to steer through the crisis and emerge stronger, we persevere in our actions. In order to counter our falling order backlog, we decided to reduce our production rates for all business jets and all regional jets during fiscal year 2010. To further address customer-requested delays as well as to limit production rate fluctuations, we have been actively working on the following initiatives:

- managing our skyline by collaborating with our customers to advance or delay a number of aircraft deliveries;
- working in concert with our commercial and business aircraft customers to facilitate access to financing;
- aggressively managing our new and pre-owned aircraft inventories;
- keeping a strict control over cash and over discretionary expenditures; and
- establishing risk identification, monitoring, and mitigation practices within our supply base, as our suppliers are an integral part of our extended enterprise.

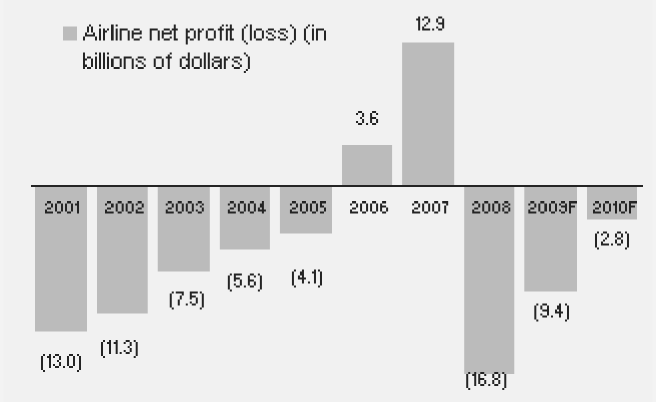
Challenges remain for calendar year 2010

Unfortunately, economic uncertainty remains for calendar year 2010. For business jets, while we project that the stabilization of indicators that began in the second half of calendar year 2009 will continue, the timing and sustainability of the economic recovery remains fragile. According to a report dated February 15, 2010 from IHS Global Insight, a leading economic forecasting company, world real GDP is expected to grow by 3.2% in calendar year 2010 and by 3.4% in calendar year 2011. Historically, there has been a lag between the time the economy recovers and the time it positively impacts revenues.

In calendar year 2010, we expect to be confronted again with pricing pressures and difficult aircraft financing conditions in the business jet market. However, we believe that our production rate adjustments made in April 2009 were adequate to deal with this uncertainty. Given the environment and our planned production rates, we expect to deliver approximately 15% fewer business aircraft in fiscal year 2011 than in fiscal year 2010.

Regarding the commercial aircraft market, a global increase in passenger traffic is predicted by IATA in calendar year 2010. However, yield pressures will continue to exist and fuel prices will likely continue to rise. As a result, IATA forecasts a world airlines' net loss of $2.8 billion in calendar year 2010, compared to a forecasted net loss of $9.4 billion in calendar year 2009. The limited availability of aircraft financing seen during calendar year 2009 will also contribute in restraining airlines' ability to buy new aircraft in calendar year 2010. Given this climate and our planned production rates, we expect to deliver approximately 20% fewer commercial aircraft in fiscal year 2011 than in fiscal year 2010.

WORLD AIRLINES' NET PROFIT (LOSS)
(for calendar years)



Source: IATA, Industry Financial Forecast, March 2010.

Despite these challenges, we remain focused on strengthening our customer relationships and operations, and on investing in our current and future products. We will continue to monitor our book-to-bill ratio and to take appropriate action should we see deteriorating trends in order cancellations, deferrals of deliveries or new orders. Working capital management will remain a key focus, including the levels of pre-owned and new aircraft in inventories, and if required we may further adjust production rates. We will also continue to work with our partners and suppliers to mitigate the risk of disruption to our business because of challenges they are facing, and to assist our customers in securing financing for their aircraft purchases.

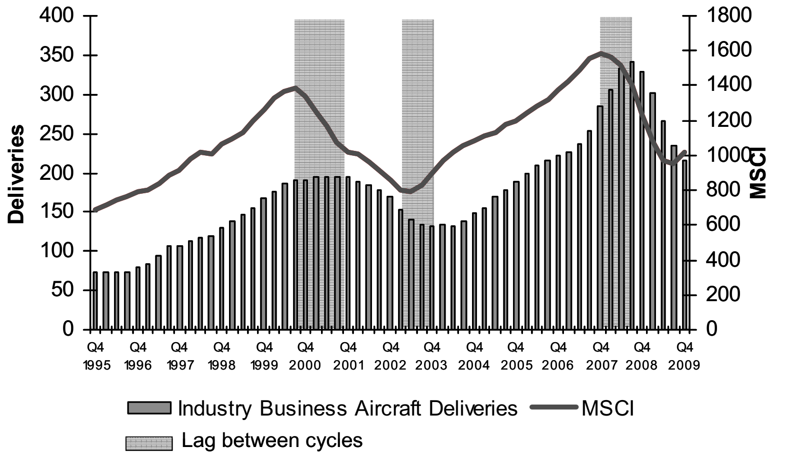
MARKET

Business aircraft

Weathering the storm in a cyclical industry

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 expansion and recessions. This lag is evidenced 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 Barra.

BUSINESS AIRCRAFT DELIVERIES LAGGING MORGAN STANLEY CAPITAL INDICES (MSCI)



Source: Moving averages of GAMA industry deliveries and MSCI Barra World Standard Core.

The last industry up-cycle started in calendar year 2004, following two years of contraction in 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 and the Commonwealth of Independent States, Asia and the Middle East. In parallel, 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.

The most recent downturn for the business aviation industry was initiated by the global collapse of the financial markets starting in the second half of 2008. According to the General Aviation Airplane Shipment Report from the General Aviation Manufacturers Association ("GAMA") dated February 16, 2010, calendar year 2009 showed a 37% reduction in industry deliveries compared to calendar year 2008. This situation recalls 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. After each of those difficult periods, the resilient business aviation industry recovered within a few years, and we expect the industry to rebound again.

Assessing the future

In the second half of calendar year 2009, most economies showed a positive real GDP growth. The majority of economists interpret these results as a sign that the world is no longer in a recession. In its February 2010 forecast, IHS Global Insight predicts that the real GDP growth in calendar year 2010 should be well above the world average of 3.2% in China (10.1%), India (8.0%) and the Middle East (4.1%). This bodes well for us, as these high-growth regions accounted for over 20% of our gross business aircraft orders in fiscal year 2010.

Business aircraft market driver long-term outlook

Calendar years 2010-19 Outlook		
Market driver	**Outlook**	**Description**
Wealth creation		Our customer base, comprised of corporations, individuals and governments, is highly dependent on real GDP growth to sustain its wealth creation. The Real GDP growth from 2003 to 2007 averaged 3.6%, which allowed the market to enjoy record order levels during this period. Over the next 10 years, IHS Global Insight is forecasting an average Real GDP growth of 3.6%, which should enable healthy market conditions.
Emerging markets		According to the February 2010 IHS Global Insight report, the contribution of countries outside of North America and Europe to the world real GDP is expected to increase from 39% in calendar year 2010, to 43% by the end of calendar year 2019. Accelerated wealth creation coupled with aviation infrastructure development is expected to help business aircraft OEMs penetrate emerging countries.
Globalization of trade		As international trade and global mobility increase, the business community requires flexible travel means like business aviation to efficiently link all workplaces. According to the February 2010 IHS Global Insight report, the value of world merchandise exports should increase by a compound annual growth rate of 7.6% over the next 10 years.
Replacement demand		The worldwide installed base is comprised of over 17,000 aircraft. With the majority of aircraft replacement occurring 5 to 10 years after initial delivery, the market should continue to show vitality.
New aircraft programs		New aircraft programs stimulate demand. In the categories in which we compete, there are numerous aircraft programs in development scheduled for potential entry into service over the next decade.
Demand from non-traditional offerings		Non-traditional offerings (air taxi, branded charter, jet card programs and fractional ownership) provide air travel customers with more tailor-made options to suit their needs. The world recession drastically reduced the demand for non traditional offerings. As economic conditions improve, the contribution of non-traditional demand to business aircraft sales is expected to return to pre-recession levels.

Indicates a favourable trend.

Indicates a neutral trend.

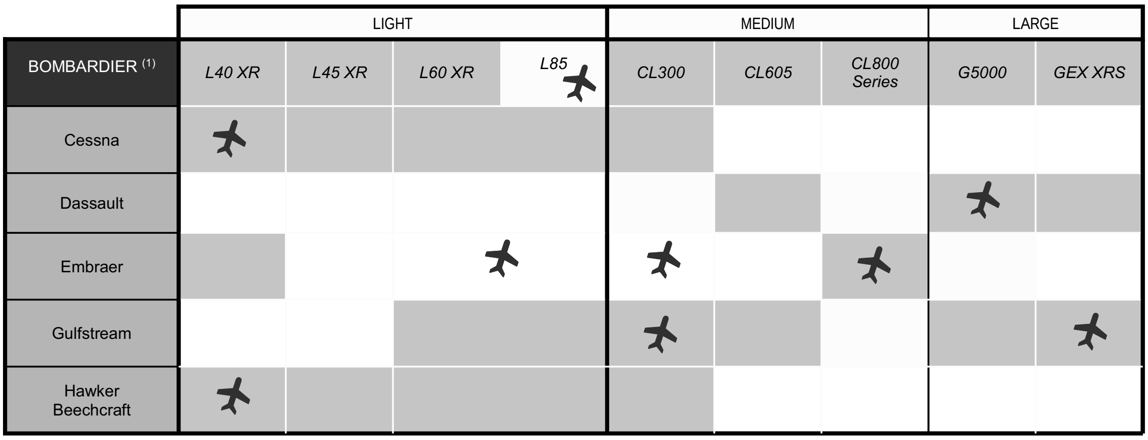
We closely monitor business aircraft market drivers. The combined effect of these drivers leads us to believe that the current recession should not impact market fundamentals in the long term.

The 2009 edition of our Business Aircraft Market 10-Year Outlook forecasts 11,500 deliveries for calendar years 2009 to 2018, a number within the consensual range of other industry experts at the beginning of fiscal year 2009. We assumed a total of 6,000 aircraft deliveries in the Light category and 5,500 aircraft deliveries in the Medium and Large categories. However, the rapid deterioration of market conditions in calendar year 2009, especially for the Light category, impacted our view. The June 2010 edition of our Business Aircraft Market 10-year Outlook will likely reflect a reduction in the 10-year delivery forecast, relative to the 2009 edition. This adjustment will mostly affect the Light aircraft category.

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.



(1) L refers to *Learjet*, CL to *Challenger*, G to *Global* and *GEX XRS* to *Global Express XRS*

Product(s) in service

Product(s) under development

For a sixth 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%. This is a one percentage-point improvement versus calendar year 2008. In terms of units delivered, we also lead the way in the business aircraft market categories in which we compete, with a market share of 30%, a four percentage point improvement.

Business aircraft market and shares (based on deliveries)[(1)(2)(3)]

	Calendar year 2009			Calendar year 2008		
		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	**240**	**46**	**19%**	501	74	15%
Medium	**163**	**76**	**47%**	243	120	49%
Large	**173**	**51**	**29%**	183	51	28%
	576	**173**	**30%**	927	245	26%

Source: GAMA report dated February 16, 2010.

(1) Deliveries in the Very Light category (273 units in calendar year 2009 and 371 units in calendar year 2008) are not included in the market total shown above as we have no product offering in this category.

(2) We no longer consider the Airbus ACJ and ACJ Elite, the Boeing BBJ-1/2/3 and the Embraer Lineage 1000 as direct competitors in the principal business jet market. These aircraft are all primarily designed as commercial transports and all have a maximum takeoff weight ("MTOW") in excess of 120,000 lbs. By comparison, our largest purpose-built business jet, the *Global Express XRS*, has a MTOW of less than 100,000 lbs. Airbus, Boeing and Embraer had respectively 11, 4, and 5 deliveries of these aircraft in calendar year 2009 (9,6, and nil deliveries in calendar year 2008).

(3) 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.

- The Light category has been the most impacted by the rapid deterioration of market conditions. Nevertheless, we managed to improve our market share by four percentage points to 19% in calendar year 2009.
- The Medium category was less impacted by the economic crisis and we are still the leader with a market share of 47%.
- The Large category has proven to be resilient to the downturn as industry deliveries decreased only slightly while *Global* aircraft deliveries remained steady thus increasing our market share.

These successes were driven for the most part by our comprehensive product line, as well as the active management of our skyline through collaboration with our customers.

Even though market conditions will take slightly longer to recover in the Light category than previously forecasted, we remain confident that our *Learjet* family of aircraft will improve our market position within this category. The *Learjet 85* aircraft, the newest member of our product family, will thrive in the Light category by demonstrating bold innovation, the essence of the legendary *Learjet* brand.

At the forefront of innovation to surpass customer needs

Companies featuring products best adapted to their respective market places generally perform better during good and bad times. A significant part of our market share gains obtained throughout calendar year 2009 demonstrates the strength of our portfolio. We have the most comprehensive portfolio, with eight business aircraft models in production covering 94% of the total business aircraft market revenues for calendar year 2009. In order to address the substantial demand growth we expect for business jets over the next 10 years, we are continuously developing innovative products and exploring opportunities to enhance each of our aircraft families.

Below is a summary of the progress we made on our major product development initiatives:

Product development	Features	Key milestones[1]
Learjet 85 **aircraft**	• The first all-composite structure business jet designed for type certification under U.S. Federal Aviation Regulation (FAR) Part 25. • Larger, more comfortable stand-up cabin than any existing aircraft in its class. • High cruise speed of Mach 0.82 and a transcontinental range of up to 3,000 nautical miles (5,556 km) under certain operating conditions. • Pratt & Whitney Canada Corp.'s PW307B turbofan engines, each boasting 6,100 pounds of take-off thrust, while the low NOx emission combustor will offer reduced environmental impact. • Rockwell Collins' new Pro Line Fusion avionics suite, which incorporates a number of advanced technologies. • A state-of-the-art cockpit.	• All suppliers are now onboard, materials selection and manufacturing processes have been finalized. • We began construction of a new manufacturing facility for key components of the *Learjet 85* aircraft at Querétaro, Mexico. • The Joint Definition Phase ("JDP") was completed for all key suppliers.
Global Vision **flight deck**	• Improved avionics system based on Rockwell Collins' new Pro Line Fusion avionics suite. • Increased situational awareness and comfort. • Superior design aesthetics in the cockpit.	• The *Global Vision* flight deck program achieved a flawless first flight on August 3, 2009 and is progressing through the certification flight test program. • A second test aircraft joined the certification flight test program after completing its first flight on February 21, 2010.
Learjet 40 XR **extended range**	• Increased range from 1,723 nautical miles (3,190 km) to 1,991 nautical miles (3,687 km) at a cruising speed of Mach 0.75, now opening routes such as Teterboro, New Jersey, U.S. to Aspen, Colorado, U.S.	• The range increase is now available as an option for all new *Learjet 40 XR* aircraft scheduled for delivery after August 1, 2009.
Learjet 60 XR **Signature Series**	• New cabin options, such as Swift Broadband capability offering high-speed data connectivity for passengers' electronic devices, as well as floor plans with new larger galley layouts, soft color schemes and dark wood veneers.	• The Signature Series was launched at the National Business Aviation Association's (NBAA) convention in October 2009.

[1] See the Strategy section for more details on our aircraft development process.

Looking at future customer needs, environmental considerations should have an increasing impact, as customers require more efficient aircraft due to more stringent world aviation regulatory frameworks and impending levies. We continue to influence the future of business aviation not only through product innovation, but also by being an active force in reducing the business aviation environmental footprint. In calendar year 2009, we took the initiative to work with GAMA and the International Business Aviation Council (IBAC) on aligning manufacturers and operators to set ambitious targets for business aviation CO_2 emission reductions. The stated targets committed by business aviation are as follows:

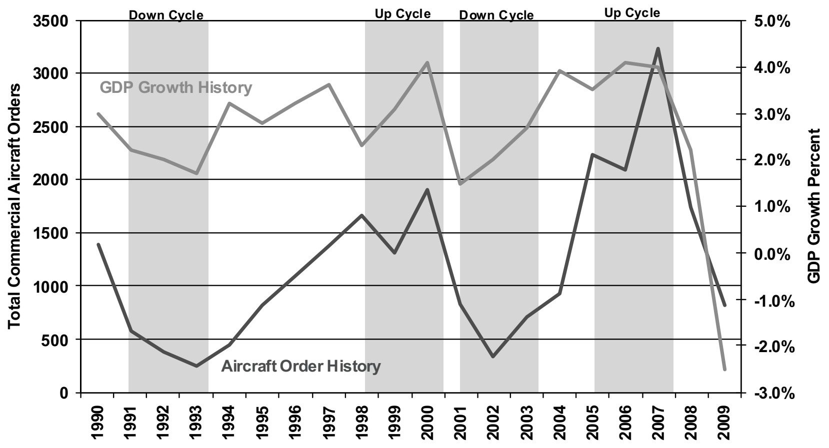
- achieve carbon neutral growth by calendar year 2020;
- improve fuel efficiency by 2% per year from calendar year 2009 to 2020; and
- reduce total CO_2 emissions by 50% by calendar year 2050, relative to calendar year 2005.

Commercial aircraft: Prepared for market growth

Long-term trends remain positive despite short-term cyclicality

On a long-term basis, the airline passenger traffic growth outpaced the real GDP growth rate. However, the aviation industry is a cyclical industry and short-term setbacks closely mirror, with a lag, those of the general economic environment. This is evidenced by the historical trend of aircraft orders lagging the GDP growth. With the most recent economic downturn spanning from the second half of calendar year 2008 and through calendar year 2009, we expect that the aviation industry recovery pace will be slow for the next two years and should accelerate thereafter. Airlines' available seat capacity returned to growth, as reported by OAG Travel Solutions in January 2010. Airlines in developing markets are leading the way, with Chinese, African and Middle Eastern carriers expected to have double-digit available seat capacity growth in the first quarter of calendar year 2010. These developing markets are also exhibiting more positive passenger yield trends than the mature markets of North America and Europe. The industry's growth in available seat capacity is led by large regional aircraft of 60- to 100-seats, with jets and turboprops each contributing in similar proportions.

GDP and Aircraft Orders History



Source: IHS Global Insight and OAG Travel Solutions

As in past downturns, regional airlines benefited from mainline carriers reducing their network capacity. This helped decrease the impact of the economic downturn, but regional airlines' available seat capacity growth remained below the 4% average of the past 10 years, with a 2.3% increase for calendar year 2009 compared to calendar year 2008. Over the long term, we forecast that the regional market will continue to grow in both total capacity and aircraft size, as detailed in our Commercial Aircraft Market Forecast available on our Web site. As emerging markets develop, further demand segmentation will drive the need for rightsizing of capacity, increasing the need for 20- to 100-seat aircraft. Scope clauses will be a short-term constraint, but we predict that they will evolve to allow regional airlines to fly aircraft of up to 100 seats.

The lower end of the 100- to 149-seat aircraft single-aisle category was severely impacted by the downturn, recording an 8% decline in available seat capacity in calendar year 2009. The negative trends were distributed relatively evenly on a geographic scale. On the positive side, OAG Travel Solutions, a leader in airline information and analytical services, stated in January 2010 that the declines in available seat capacity lessened throughout calendar year 2009, with growth showing a return in the early part of calendar year 2010. Capacity reductions centered on out-of-production aircraft, which recorded a 16% decline in calendar year 2009. In Europe, out-of-production aircraft capacity declined by 25%, while it increased in India and the Middle East, highlighting the migration of aircraft between developed and emerging markets. Over the long term, we predict that the demand for new 100- to 149-seat aircraft will be driven by retirements of old generation types and the benefits from new technology applied to aircraft specifically built for this segment.

Commercial aircraft 20- to 149-seat category market driver long-term outlook

Calendar years 2010-2029 Outlook		
Market driver	**Outlook**	**Description**
Economic growth	⬆	Air travel demand is directly related to economic growth. Based on Global Insight data issued in February 2010, the worldwide real GDP growth rate should average 3.2% over the next 20 years. On a geographic basis, real GDP growth should average 2.7% in North America, 1.9% in Europe and 7.4% in China, as forecasted by Global Insight. We take a positive view of the economic growth forecast as it indicates a recovery following the market downturn experienced in calendar years 2008-09.
Fuel prices	➡	The price of fuel has an impact on airline fleet mix. As per the Energy Information Agency (EIA), fuel/oil prices will remain high in the long term. While high prices negatively impact airline profitability, they will also accelerate the retirements of old, less efficient aircraft types, increasing demand for fuel-efficient new aircraft. We have a neutral view of this driver.
Developing markets	⬆	Growth potential from developing countries is strong as economic growth forecasts are well above the average for these markets. With infrastructure in place, countries such as India and China will represent a proportionately larger share of order growth. As economies develop, so does their demand for aircraft needed to satisfy a growing traveler base, thus giving us a positive outlook for these markets.
Environmental regulations	➡	Environmental concerns are being addressed by the aviation industry with increased retirements of older aircraft, fleet modernization, technology, infrastructure and operational improvements. New technology aircraft with lowered emissions and noise profiles will be required to meet increasingly stringent environmental regulations, like the Emissions Trading Scheme planned in Europe. The progression of environmental awareness and regulations will have a positive effect on the demand for new efficient aircraft while negatively impacting airline profitability. We have a neutral view of this driver.
Replacement demand	⬆	More than half of the current commercial aircraft fleet will be replaced in the next 20 years due to technical obsolescence. Most of those replaced will be 100-to 149-seat aircraft. The retirement of older aircraft types will have a positive impact on demand for new aircraft.
Labour trends	⬆	As fuel prices have increased, labour costs for airlines have been driven downward and scope clauses eased. It is predicted that scope clauses will evolve, permitting 100-seat aircraft to be flown by regional carriers. 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 neutral trend in the market categories in which we compete.

We closely monitor commercial aircraft market drivers. The combined effect of these drivers on airline profits and on demand for new aircraft leads us to believe that the market will grow at a moderate pace.

According to our Commercial Aircraft Market Forecast covering calendar years 2009-28 published in June 2009, we estimate 12,400 new aircraft deliveries in the 20-year period up to calendar year 2028.

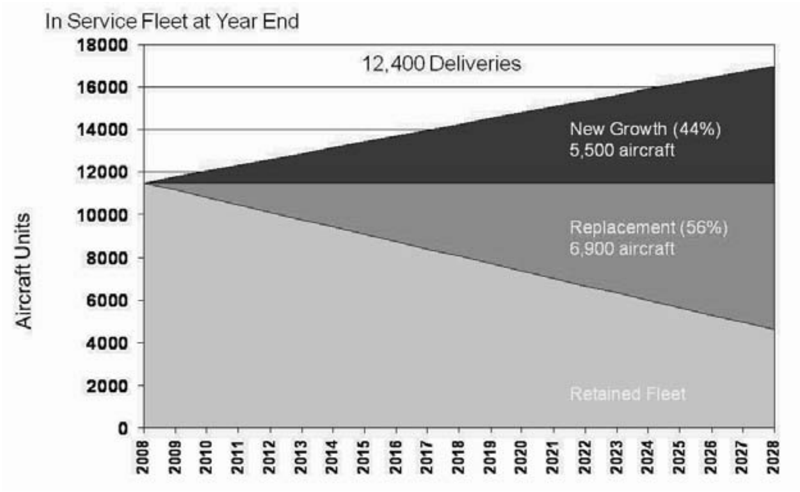
20-year commercial aircraft 20- to 149-seat category market outlook

	Calendar years 2009-28 outlook	Calendar years 1989-2008 actual
Aircraft deliveries worldwide (in units)	12,400	10,700
Industry revenues (in billions of dollars)	$ 588	$ 420

Source: BA Commercial Aircraft Market Forecast covering calendar years 2009 to 2028 published in June 2009.

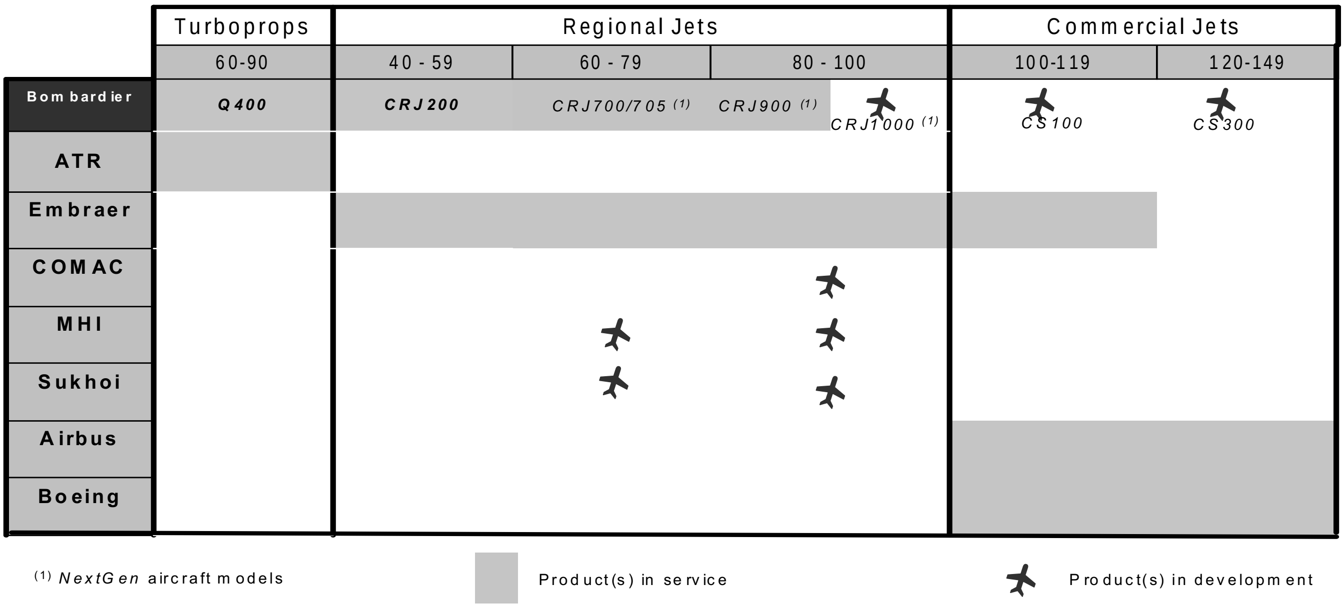
The June 2010 edition of our Commercial Aircraft Market Forecast will likely remain at a similar level relative to the June 2009 edition.

Despite the short-term setback attributed to the economic downturn, the 20- to 149-seat category is forecasted to grow from a fleet of 11,500 aircraft to 17,000 aircraft during the next 20 years. Given the 6,900 aircraft that are expected to retire over that period, this results in 12,400 expected new aircraft deliveries. Of these 12,400 new aircraft deliveries, 6,100 aircraft are expected to be in the 20- to 100-seat category and 6,300 in the 100- to 149-seat category. We forecast that the value of these deliveries will be approximately $588 billion.



Source: BA Commercial Aircraft Market Forecast published in June 2009.

We are facing increasing competition, particularly in the regional jet segments



Our main competitors in the up 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, in the turboprop market;
- Embraer in the 40- to 100-seat regional jet market; and
- Airbus, Boeing and Embraer in the 100- to 149-seat commercial jet market.

Other companies currently developing competitive products in the 40- to 100-seat category include Commercial Aircraft Corporation of China, Ltd. (“COMAC”), a stated-owned company in which China Aviation Industry Corporation (formerly known as AVIC I) holds an interest, Mitsubishi Heavy Industries Ltd. (“MHI”) and Sukhoi Company (JSC) (“Sukhoi”).

Commercial aircraft market and market share (based on deliveries)

	Calendar year 2009			Calendar year 2008		
		BA			BA	
By market category	Total Market (in units)	Total Deliveries (in units)	Market Share [1]	Total Market (in units)	Total Deliveries (in units)	Market share [1]
20- to 99-seat turboprops	**117**	**63**	**54%**	114	59	52%
40- to 100-seat regional jets	**162**	**60**	**37%**	209	60	29%
100- to 149-seat commercial jets	**161**	**-**	**n/a**	181	-	n/a
	440	**123**		504	119	

[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 years ended January 31.

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

A total of 440 commercial aircraft (up to 149 seats) were delivered worldwide in calendar year 2009, compared to 504 in calendar year 2008. This 13% decline is directly attributable to the economic downturn. Despite the market challenges, we delivered more aircraft in calendar year 2009 compared to calendar year 2008. Furthermore, our market share for the combined turboprop and regional jet categories improved to 44% in calendar year 2009, from 37% compared to calendar year 2008. Both the *CRJ* family and *Q400* aircraft continue to benefit from the *NextGen* product improvements which led, in part, to our market share improvements. In calendar year 2009, the total number of regional jets delivered decreased by 22%. This delivery reduction was absorbed by our competition, while we increased our market share by eight percentage points.

We believe that we are well positioned in the regional jet and turboprop categories, due to the economic advantage of our products, a large installed customer base and family commonality benefits across the *CRJ* Series family of aircraft and the *Q-Series* family of aircraft. Although we will be facing increased competition in the regional jet category that may impact our market share in the future, we believe that the entry into service of the *CRJ1000 NextGen* aircraft will further enhance the *CRJ* family of aircraft, keeping it very competitive for years to come.

According to an Air Transport World publication dated January 2010, our turboprops and regional jets are in service in 7 of the world's 10 largest airlines, their subsidiaries or affiliated companies. Upcoming regional and commercial aircraft product developments, including the *CSeries* family of aircraft and the *CRJ1000 NextGen* aircraft, are aimed at strengthening the economic advantage of our aircraft portfolio and offering aircraft with distinct value propositions that respond to customers' needs in the 40- to 149-seat category.

We continue to invest in our products and services to emerge stronger

Continuous improvements in aircraft design allow airlines to develop new markets and/or improve their profitability. We believe the design characteristics of our *Q400 NextGen* aircraft, *CRJ NextGen* family of aircraft and the *CSeries* family of aircraft position us well to allow airlines to optimize their networks to maximize capability, passenger appeal and minimize cost. Our product development strategy is aligned with the evolution of the airline industry. With a specific focus on low operating costs, our products meet airlines' requirements on regional routes (short/medium-haul feeder routes) and longer-haul mainline routes. We are committed to continue investing in our aircraft portfolio.

Operating in the commercial aircraft market, we continue to strengthen our leadership through the extension of our *CRJ NextGen* family of aircraft to the 100-seat *CRJ1000 NextGen* aircraft. In response to the continued market requirements for reduced operating costs, higher profitability and environmentally sustainable products, we launched the *CSeries* family of aircraft for the 100- to 149-seat category. This segment had been without a product specifically designed for this category in the last 20 years. With a large retirement pool scheduled over the next 20 years, this product is set to capture a substantial share of the 6,300 aircraft deliveries forecasted for this market. Our target is to achieve 50% market share of the 100- to 149-seat category. The *CSeries* family of aircraft is a game-changing family of aircraft offering superior passenger comfort, unrivalled low operating costs and the smallest environmental footprint (measured in CO_2, NO_X and noise emissions) within the 100- to 149-seat category. This product has been designed to offer maximum operational flexibility in terms of range, field performance and overall productivity. It will meet the full spectrum of requirements from mainline to low cost carriers, including those of the aircraft leasing community, because of this flexibility. From a geographical perspective, this platform caters to the short-range obstacle-constrained missions within Europe, the longer transcontinental range for the U.S., the high-temperatures long-range missions within 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 following product developments are aimed at strengthening our market leadership:

Product development	Features	Key milestones[1]
CSeries	• The *CSeries* family of aircraft is specifically designed for transcontinental range in the 100- to 149-seat category. It will offer superior field performance and passenger comfort, as well as 15% lower cash operating costs, 20% lower fuel burn and CO_2 emissions, a noise footprint four times smaller and 50% lower NOx emissions[2]. • Our use of fourth-generation aerodynamics, as well as an increased use of composites and advanced aluminum alloys and of the latest in system technologies, will be accountable for half of the improvements, with the engine accounting for the other half.	• All major suppliers have now successfully completed the Joint Conceptual Definition Phase ("JCDP"). • The *CSeries* family of aircraft program is now at the Joint Definition Phase ("JDP"), expected to be completed by the second quarter of fiscal year 2011. • Design freeze will follow JDP exit, after which suppliers will return to their home base to complete their respective component design in the Detail Design Phase ("DDP"). • Major demonstrator parts were manufactured during fiscal year 2010: a composite wing by Shorts in Belfast, and an advanced aluminum alloy fuselage barrel by Shenyang Aircraft Corporation. Both demonstrators have now been fully instrumented and will undergo extensive structural testing through fiscal year 2011. • Construction started on testing facilities in Mirabel for the Complete Integrated Aircraft Test Area ("CIASTA"). The CIASTA is one of several buildings to house test cells that together will constitute a *CSeries* test aircraft, allowing for systems and software reliability and functionality tests to be conducted before the first prototype aircraft flies, and thus mitigate risks associated with program development. • Construction started in Belfast for the new 580,000 sq. ft. wing-manufacturing facility. • A series of wind tunnel tests have been completed. Tests confirmed the *CSeries* family of aircraft overall performance benefits.
CRJ1000 NextGen	• The *CRJ1000 NextGen* aircraft will further enhance the *CRJ NextGen* family of aircraft, allowing regional airlines to optimize capacity from 40 to 100 seats with common crew qualifications. • The *CRJ1000 NextGen* aircraft will provide the lightest and most cost-efficient 100-seat regional jet on the market on typical regional jet flight times[3].	• The first production aircraft completed its first flight in July 2009. The prototype aircraft met predicted performance levels and the aircraft weight is consistent with expectations. • The *CRJ1000 NextGen* simulator was certified by Transport Canada, the FAA and the European Aviation Safety Agency (EASA) in calendar year 2009. • Flight testing was suspended in late fiscal year 2010 pending a software issue in the rudder control-by-wire system. 70 % of the flight test program had been completed. • Flight testing resumed in mid-February 2010, with 27 missions and over 80 flight hours have since been completed. Two aircraft are currently active in flight testing. • Type certification and the first aircraft deliveries will now occur in the second half of calendar year 2010.

(1) See the Strategy section for more details on our aircraft development process.
(2) The *CSeries* aircraft program is currently in development phase and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind. The configuration and performance of the aircraft may differ from the image shown and, together with any related commitment, representations, guarantee or warranty, shall be determined in a final purchase agreement.
(3) Under certain operating conditions, when compared to currently in-service aircraft in its category for short haul flights of 500 nautical miles.

Specialized and amphibious aircraft: Providing tailored solutions

The aerial firefighting market is a niche market providing protection for countries facing severe fire threats. During fiscal year 2010, the *Bombardier 415* aircraft and its predecessor, the *CL-215* aircraft, operated in 10 countries with 16 different operators.

We continue to identify and provide special-mission aircraft solutions to governments and special-requirement organizations worldwide. There are currently over 340 Bombardier business and commercial aircraft in operation in specialized roles and in various configurations, including maritime patrol, runway calibration, communications and surveillance platforms, search and rescue, transport and government aircraft.

We also offer Military Aviation Training that provides training system solutions for any military organization seeking to develop and train quality aircrew, with maximum efficiency and minimal risk.

Product and service offering		Description	Main competitors
Amphibious turboprops	*Bombardier 415* *Bombardier 415* MP	We manufacture and market the *Bombardier 415* amphibious aircraft, a purpose-built firefighting aircraft. It can also be adapted to a multi-purpose version, the *Bombardier 415* MP aircraft, which can be used in a variety of specialized missions such as search and rescue, coastal patrol, environmental protection, and transportation. We also offer an application for maritime patrol and surveillance operations.	Although a variety of other land-based fixed-wing aircraft exist, mostly old converted aircraft and adapted helicopters, the *Bombardier 415* aircraft is the only large amphibious aircraft currently in production purposely designed for aerial firefighting.
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 the needs of customers for different mission requirements.	We face competition from the other aerospace OEMs.
Military Aviation Training	NATO Flying Training in Canada (NFTC) and CF-18 Advanced Distributed Combat Training System (ADCTS)	In cooperation with governments, we provide complete military training solutions by integrating training aircraft, simulators and other training products.	We face competition from logistic support service providers, aerospace OEMs and training equipment manufacturers.

Customer services: Providing innovative and comprehensive lifecycle service and support

Aftermarket poised to grow in the long term despite a short-term slowdown in aircraft utilization

The aftermarket includes every activity that needs to be performed to support aircraft operations, which can be offered as customized service solutions to meet our customer needs. Such services are provided through our international network of authorized providers and fully-owned facilities, as well as through our four 24/7 Customer Response Centres.

In the short term, recent economic events have negatively impacted aircraft utilization. Capacity and flight hours decreased over the past months, delaying spare part and service sales. However, according to the AeroStrategy Management Consulting reports published in September 2009, the worldwide demand for aircraft services will continue to grow steadily in the long term. Therefore, we remain confident of the future potential of this segment.

To capture a greater share of the aftermarket business generated from our growing installed base of approximately 6,000 business, commercial, specialized and amphibious aircraft, we are offering customers our Smart services program, an integrated hourly based service including spare parts and rotables management. Within our business aircraft customer base, over 1,000 aircraft have already been enrolled to use our Smart services offering. Moreover, we are constantly investing in strengthening our worldwide service network.

Activities	International service and support network
Parts logistics	• Two spare parts distribution centres[1] and six spare parts depots[1].
Aircraft maintenance	• A total of 41 third-party Aircraft on Ground (AOG)/line maintenance[2] and authorized service[3] facilities (ASF) for business aircraft maintenance. • One business aircraft maintenance centre in which we own an equity interest. • Five third-party recognized service[3] facilities for commercial aircraft maintenance. • Eight service centres[1], including the two opened early in fiscal year 2011.
Training solutions	• Two training centres[1]. • One training centre through a joint venture.
Customer support	• Four customer response centres[1]. • Four regional support offices[1] for commercial aircraft customers. • Over 170 field-service employees.

(1) Wholly-owned by the Corporation
(2) An authorized Aircraft on Ground (AOG)/line maintenance facility is capable of performing first-level inspections, has line maintenance capabilities and provides warranty support.
(3) Authorized and recognized service facilities are capable of performing routine, minor and major inspections, modifications and repairs, as well as providing warranty support.

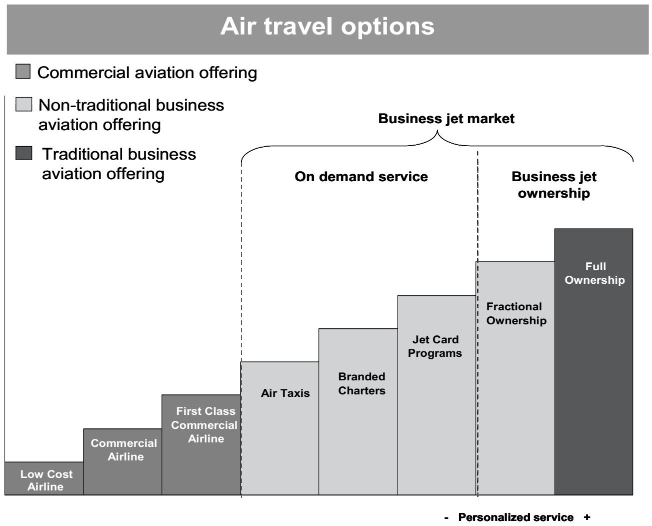
In November 2009, we announced that we will offer our commercial aircraft customers in the Middle East ready access to spare parts through our existing parts depot at Dubai International Airport. The facility, which currently services *Learjet*, *Challenger* and *Global* aircraft customers, will be soon equipped to meet the parts requirements of the *CRJ* Series, *Q-Series* and eventually the *CSeries* family of aircraft customers in the region.

In February 2010, we opened our first wholly-owned European aircraft service center, Bombardier Aerospace Netherlands B.V., at Schiphol Airport in Amsterdam, Netherlands. This new addition to our company-owned aircraft service center network enables us to better support our growing fleet of *Learjet, Challenger and Global* aircraft in the region.

In February 2010, we also added a third commercial aircraft service centre to our growing worldwide customer support network. The facility, located in Macon, Georgia, U.S., complements the two Bombardier-owned commercial aircraft service centres in Bridgeport, West Virginia, U.S., and Tucson, Arizona, U.S. The facility, which began operations on January 18, 2010, will perform heavy maintenance, including C Check events, on all Bombardier *CRJ* aircraft.

Flexjet: Complementing our business aircraft activities

Fractional ownership and charter operations offer convenient turnkey solutions to customers who may not need an entire aircraft, or who seek to avoid the cost, commitment and complexities of whole aircraft ownership. Through *Flexjet*, we offer full and fractional ownership, jet card programs and branded charter services. *Flexjet* features the world's largest fleet of Bombardier business jets, including the *Learjet 40 XR*, *Learjet 45 XR*, *Learjet 60 XR*, *Challenger 300* and *Challenger 604/605* business jets.



Flexjet product offering		Main Competitors
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 • XOJET, Inc.
Jet card programs	*Flexjet* provides access to two jet card programs: • The *Flexjet* 25 Jet Card program, which offers flights on a closed fleet of aircraft operated by air carrier Jet Solutions, LLC. • An open-fleet jet card that allows customers to utilize aircraft through *Flexjet*'s network of charter operators via a debit card model.	• Marquis Jet Partners, Inc. • Flight Options, LLC. • CitationAir • Sentient Flight Group, LLC. • Delta AirElite Business Jets, Inc.
Whole aircraft ownership and management	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 fractional ownership (including access to multiple aircraft on the same day) and can generate lease revenues.	• Executive Jet Management, Inc. • XOJET, Inc. • CitationAir
Charter brokerage services	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.	• JetDirect Aviation, Inc. • Blue Star Jets, Inc.

Fractional providers typically represent between 10 to 20% of annual deliveries of new business jets from the various aircraft manufacturers. In the U.S. alone, 676 business jets were in service at the four major fractional providers by the end of calendar year 2009. *Flexjet*'s fleet comprises 80 aircraft in service as of January 31, 2010, and is amongst the youngest fleet in the U.S. fractional ownership industry. *Flexjet* ranks second in terms of shares sold in the U.S. fractional ownership industry.

Flexjet introduced a variety of new products, designed to retain existing customers and appealing to potential new customers. In an industry reflective of general economic challenges, *Flexjet* developed an outstanding reputation for quality, leadership, stability and innovation.

STRATEGY

We will emerge from this crisis stronger and more efficient

A glance at our performance since fiscal year 2001 provides much insight into our capability to overcome challenging times. In the last market downturn following the September 11, 2001 events, we executed a turnaround that involved some difficult decisions, including downsizing our operations, reducing our workforce and reorganizing into market segments (business aircraft, commercial aircraft and customer services) to improve accountability.

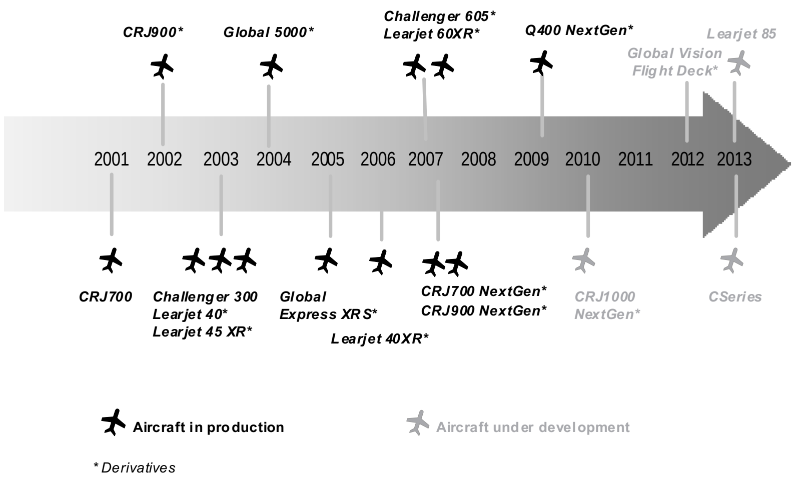
By fiscal year 2004, we had started on our path to profitable growth through our cultural transformation and introduction of our Achieving Excellence System ("AES"). Our cultural transformation, operational improvements and supporting strategies contributed to improve our results and exceed our goal of an EBIT margin of 8% in fiscal year 2009.

However, as anticipated last fiscal year, our revenues, EBIT margin and free cash flow have been negatively impacted in fiscal year 2010. The recession affected our customers' financial situations and their ability to secure financing, resulting in a lower number of commercial and business aircraft orders, as well as in a higher than normal level of order cancellations and deferrals of deliveries. The recession also impacted commercial and business aircraft utilization rates, as well as the purchase of related support and services, in particular spare parts. For business aircraft, high levels of order cancellations and deferrals of deliveries were experienced in fiscal year 2010, along with pricing pressures due in part to increased pre-owned business jet inventories. For commercial aircraft, we experienced one customer order cancellation and decided to terminate a 15 aircraft firm order purchase agreement due to another customer's uncertain situation. In addition, in fiscal year 2010, a number of commercial customers deferred their aircraft deliveries.

In fiscal year 2011, we expect to deliver approximately 15% and 20% fewer business and commercial aircraft respectively compared to fiscal year 2010. Overall, we expect improvements to lag economic recovery, therefore our EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010, but profitability should be higher in the second part of the year, reflecting the anticipated improvement in the pricing environment. Our free cash flow in fiscal year 2011 is expected to be essentially neutral, as cash flows from operating activities will be used to finance capital expenditures, including the significant investments in product development, which are expected to approximately double compared to the $611 million incurred in fiscal year 2010. However, our free cash flow for the first part of fiscal year 2011 should be negative due to the anticipated delivery profile of our regional aircraft, including the entry into service of the *CRJ1000* aircraft in the second part of the year, and the anticipated gradual improvement in order intake taking place mostly in the second half of the year.

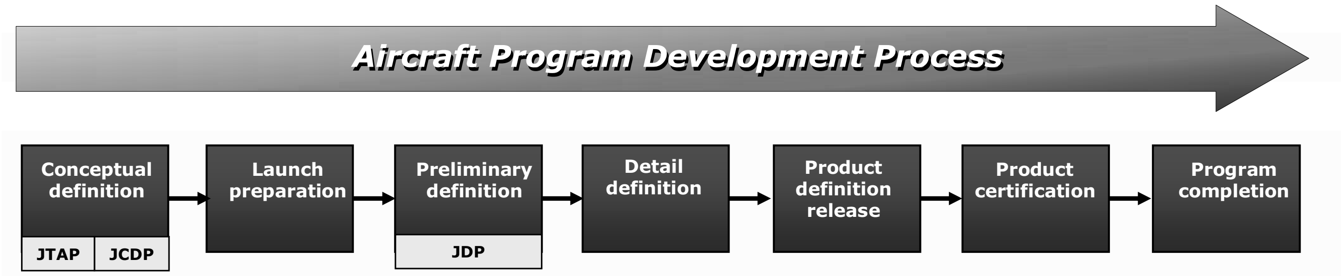
Our strategy is to turn obstacles into opportunity, as we have successfully done following the downturn of calendar year 2001. Therefore, we want to use this temporary market slowdown to capture a greater market share, continue our transformation into a customer-centric organization. We recognize that in the short-term, our focus has to be operational, so we adjusted production rates and made the difficult decision of reducing workforce. These temporary issues did not change our long-term course, and we remain committed to our launched aircraft development programs. Since calendar year 2007, we solidified our position in the growing business jet market through a targeted product strategy

NEW AIRCRAFT PROGRAM & DERIVATIVES ENTRY-INTO-SERVICE
Calendar Year 2001-2013



that brought eight business jets and derivatives to market, while in the commercial aircraft market, we evolved to meet changing customer needs by bringing one new regional jet and three derivatives to market.

Recognizing the long-term nature of these investments and the significant investments required, we follow a rigorous gated process throughout the product development cycle to mitigate the risk of developing new products. 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. These gates consist of exit reviews with varying levels of management and leading experts to demonstrate technical feasibility, customer acceptance and financial return.



JTAP: Joint Technical Assessment Phase
JCDP: Joint Conceptual Definition Phase
JDP: Joint Definition Phase

BA program development stages and definitions

Conceptual definition

JTAP: Joint technical assessment phase
Preliminary review with our potential partners/suppliers to analyze technologies desired to build or modify an aircraft.

JCDP: Joint conceptual definition phase
Cooperative effort with our potential partners/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

Optimization of the aircraft design with respect to manufacturing, assembly and total-life-cycle cost

JDP: Joint definition phase
Joint determination with our partners/suppliers of the technical design of the aircraft and the sharing of work required.

Detail definition

Preparation of detailed production drawings and confirmation of the design based on the preliminary design definition agreed in the previous phase.

Product definition release

Formal issue of the engineering drawings to manufacturing, allowing for the completion of tool designs and the assembly of the first article (first produced aircraft).

Product certification

Completion of certification activities to demonstrate that the aircraft complies with the original design requirements and all regulatory Airworthiness Standards.

Program completion

Conclusion of final design activity

Preparation for entry into service.

We have also been paving the way to sustainable growth by improving our operational efficiency, focusing on key performance metrics (such as on-time aircraft deliveries and fleet dispatch reliability), on inventory management and on productivity improvements at all our sites across the world. We continued our efforts to deliver the highest level of quality and made strides in our AES deployment. Finally, we signed two major labour agreements and remain committed to promoting employee engagement as we recognize that our people are a key component of our success.

Seven strategic priorities to strengthen our long-term industry leadership

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's 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.

Our Enterprise Strategy is the foundation of Our Way Forward and it 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 partnerships**

Be #1 in customer satisfaction through flawless execution

We are fully committed to support our customers by providing a consistently reliable customer experience, the foundation of which is our internal quality processes and systems. We are focusing the entire organisation on customer engagement by embedding customer satisfaction metrics in our Management and Employee Incentive Plan, and by concentrating on enhanced execution in order to always deliver on our promises to our customers.

CUSTOMER SATISFACTION TROUGHT 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 are creating a customer-centric culture through the deployment of the AES Gold phase of the program, integrating common lean tools, techniques and processes, as well as other transformation initiatives, which will engage our employees to achieve world-class best practices in all our activities.
	• We are focusing on improving the performance of our aircraft by standardizing our operational and internal quality processes and systems, to improve our on-time aircraft deliveries and fleet dispatch reliability.
	• We are continuously improving the performance of our sales, contracting, delivery and in-service support processes through specific targeted initiatives, to improve key performance metrics on customer satisfaction.
	• In fiscal year 2011, we will expand our international service and support network to enhance our service offering and be closer to our customers:
	  ◦ we are planning to add a regional support office in Mumbai, India;
	  ◦ we will further increase our customer support presence (customer support account managers and field service representatives) in strategic regions; and
	  ◦ we are planning to install a *Global Express* aircraft simulator in Dubai, U.A.E.

Fiscal year 2010 highlights	• To date, 98% of our work teams qualified for silver certification in our AES.
	• For the third consecutive year, third party surveys reported greater customer satisfaction with our service and support in both business and commercial aircraft.
	• We invested in international services infrastructure:
	  ◦ we added a commercial aircraft service center in Macon, U.S. offering heavy maintenance on all Bombardier *CRJ* aircraft;
	  ◦ we inaugurated a new service centre at Schiphol airport in Amsterdam, Netherlands, enabling our customers to benefit from Bombardier’s technical and maintenance expertise for *Learjet*, *Challenger* and *Global* aircraft in Europe;
	  ◦ we deployed a Mobile Response Party (MRP) in Europe, increased parts availability for the European parts depot and launched *PartsExpress* Europe to strengthen Aircraft on Ground (AOG) support for our business aircraft customers in Europe;
	  ◦ we opened two new authorized service facilities in Luton, England and in Indianapolis, Indiana, U.S., and opened a new Recognized Service Facility (RSF) in Beek, Netherlands;
	  ◦ we implemented a customer survey and quality audit process in all authorized service facilities;
	  ◦ we added a *Global Express* aircraft simulator in Dallas, U.S.; and
	  ◦ we improved parts availability for commercial aircraft customers in the Middle East through an existing parts depot at Dubai International Airport.
	• We expanded our Customer Care organization initiatives to include the launch of a customer listening program involving senior executives, to enhance our customer relationships.
	• We harmonised delivery processes across all platforms and developed an enhanced customer delivery survey.
	• We launched the *iflybombardier.com*, a new online commercial aircraft customer portal, to strengthen customer communication.

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. Recent recruitment undertaken 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 a world-class employer, 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 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 year over year through the deployment of our AES. • We are launching our Employee Incentive Plan for all non-unionized employees across all BA sites outside Canada. This program rewards the collective efforts of our employees in achieving company objectives. • We are enhancing the diversity of our management team by focusing on increasing the number of women in management positions to reach 25% by fiscal year 2012. • We are accelerating the development of our leaders through our Talent Acceleration Pool ("TAP") program and the implementation of our new Emerging Leader program. • We are deploying our leadership development curriculum program at all levels of the organization. • We are aligning our selection, talent management, employee engagement and recognition processes to support the implementation of our AES.
Fiscal year 2010 highlights	• We conducted employee focus groups to provide input into our EVP. • We further increased the number of employees under our TAP program by 29% to 139 employees. We also increased our focus on monitoring and managing talent movement across the organization to accelerate the development of our leaders. • We created an executive level steering committee as part of our governance system to support the implementation of our diversity initiative. In fiscal year 2010, we determined that our primary focus would be to increase the number of women in management positions. • Our leadership development curriculum program was enhanced to provide learning opportunities at all levels of the organization; however, not all programs were launched in fiscal year 2010. • As part of our AES, we introduced the new Employee Incentive Plan for all salaried employees in Canada.

Actively manage risks

The magnitude of the recent financial crisis as well as its significant repercussions on the world economy and on many of our key customers and suppliers have highlighted more than ever the need to have a broad and comprehensive risk management approach. While risk management has always been at the forefront of the corporation's focus, we have embarked on a more systematic and far reaching risk management approach in order to both mitigate unwanted risks and identify potentially untapped opportunities.

CALCULATED RISKS	
Goal	Proactively manage strategic and operational risks, seeking an appropriate reward for the risk level taken and ensuring that effective mitigation strategies are put in place.
Leading initiatives	• We are constantly monitoring our key markets and using scenario analysis to stress-test our revenues and cash flows projections to ensure the right sizing of the organization, maintain minimum inventories and maximize earnings' potential. • We are proactively monitoring the exposure on our order backlog, future profitability and free cash flow that could result from higher deferrals of deliveries and order cancellation rates, lower order intake, lower availability of customer financing, deterioration in the financial health of our key suppliers and a sustained increase in pre-owned aircraft jet inventories. • 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 harmonizing and standardizing program management and product development activities through a rigorous governance process at each stage of the value chain. Further, 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 on our mitigation actions for these technical risks. • With Corporate Audit Services and Risk Assessment (CASRA), we are strengthening our identification and monitoring of our major risks through a dedicated process whereby our top 10 risks and their mitigation plans are reviewed periodically in a governance body.
Fiscal year 2010 highlights	• We adjusted our production schedules and re-sized the organization to better reflect the current economic reality. • We formalized the use of scenario analysis as part of the strategic planning process. • We established comprehensive governance at the senior management level to monitor progress on the development of our strategic aircraft programs. • We developed risk-sharing approaches with key partners on strategic programs. • We reduced the volatility of future costs through long-term price protection agreements with major production suppliers. • We launched the Achieving Excellence System (AES), which aims at standardizing key business processes and provide effective planning, analytical and problem solving tools to all employees. • We deployed extensive performance and risk management activities to improve availability and quality of supply, namely by performing more than 100 supplier financial assessments.

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. The rise of emerging economies such as China, India and Latin America offer numerous opportunities, including new markets for our products and services and access to well-trained talents 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 local roots in these markets will strengthen our global scale and leadership.

DEEP LOCAL ROOTS	
Goal	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.
Leading initiatives	• 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 (governments, educational establishments, suppliers, customers and our employees) to further develop the local aerospace industry, build expertise, develop technology and attract investment. • We are establishing an organizational model, which can be used to quickly establish a local presence and will facilitate communication and alignment across all the organization.
Fiscal year 2010 highlights	• We invested in our international services infrastructure, in particular in Europe, where we expanded both owned and authorized service centre capacity, as well as increasing parts availability, strengthening Aircraft on Ground (AOG) support and increasing training capacity. This was supplemented with increased service centre capacity in the U.S., improved commercial aircraft parts availability in the Middle East and an additional regional support office in India. • In Mexico, we started construction of production facilities for the *Learjet 85* aircraft. In connection with this program, we trained 68 Mexican employees throughout calendar 2009 on the new composite technology required. In 2010/2011, we will create a new engineering organization, based at our facility in Querétaro, which will support existing products, but also participate in product development initiatives and, particularly, build and develop local engineering talent. • In China, working with our partners Shenyang Aircraft Corporation (SAC) and Shenyang Aircraft Corporation China (SACC), we transferred knowledge on lean manufacturing concepts, thus integrating our supplier in our journey to world-class manufacturing. • In India, through our Bombardier India Centre, over 270 engineers are contributing daily to our existing and new development programs. Beyond our centre, we also started to do research in collaboration with Indian universities. This collaboration is in line with our strategy to tap into the global talent pool and to raise the bar on creating innovative products. • We have become a Tier 1 member of aerospace research program in Singapore's Science and Engineering Research Council that profits from public funding to drive innovation in the aerospace industry. • Participation in over 20 airshows and tradeshows in calendar 2009, bringing our products closer to our customer and supporting the aerospace Industry. • Benchmarked organizational models of other global companies to identify best practices, to use as a basis for recommendations on future developments in our own organisation. • Established specific country councils with a cross section of senior management, with the objective of improving communication on specific business unit country initiatives, as well as aligning with our priorities.

Enhance our corporate social responsibility

In today's business environment, we see the continuous improvement of our products' environmental performance as a competitive advantage and as an opportunity to strengthen our customers' engagement. Ensuring that our own manufacturing and service operations are sustainable is just as crucial. Through our AES, we are engaging our employees in continuous improvement initiatives and diligently embedding sustainable development principles in day-to-day activities. We also remain committed to play a constructive role within the communities where we operate.

GREATER CORPORATE SOCIAL RESPONSIBILITY	
Goals	• Build socially responsible products and play a leadership role in the aviation industry's environmental efforts. • Minimize our operations' environmental footprint, eliminate restricted substances and adopt high sustainability standards for our buildings and operations to achieve carbon neutrality and deliver a "zero waste" performance. • Continuously improve employee engagement and promote an injury-free culture. • Ensure the efficiency and viability of our suppliers, enhance the sustainability of our procurement processes, and promote ethics, human rights and internationally sanctioned labour standards across our global supply chain. • Act as a responsible citizen through focused initiatives regarding donations, sponsorships and community involvement.
Leading initiatives	• We are continuing the deployment of our Design for Environment capabilities on the *CSeries* family of aircraft and *Learjet 85* aircraft programs and will produce Environmental Product Declarations (EPDs) for our new aircraft. • We are sharing best practices between BA and BT by developing standard procedures for HSE and are incorporating these into existing operating systems (HSE excellence system). • We are supporting our customers in establishing their compliance plan for new environmental regulations such as the European Union Emission Trading Scheme. • We are developing a strategy and objectives to manage our carbon footprint and we continuously assess our environmental liabilities. We are committed to reduce our energy consumption by an additional 10% between fiscal year 2010 and fiscal year 2015, 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 developing a Green Building Policy with third parties such as Leadership in Energy and Environmental Design (LEED) for all new facilities.
Fiscal year 2010 highlights	• We supported and promoted the industry commitment to reduce commercial aviation emissions through our involvement in the Air Transport Action Group (ATAG), the IATA and the International Coordinating Council of Aerospace Industries Associations (ICCAIA). • We spearheaded the creation of a business aviation position statement focused on greenhouse gas emission reductions under the umbrella of GAMA, the International Business Aviation Council (IBAC) and its member associations. • Based on the latest figures available, for fiscal year 2009 compared to fiscal year 2004, we reduced our water consumption by 36.3%, achieved a 13.6% reduction in energy consumption, a 1.1% reduction in CO_2 emissions and generated 13.1% less waste. • We achieved an accident frequency ratio of 0.98 accident per 200,000 hours worked, compared to 1.32 in fiscal year 2009, and reduced our accident severity ratio to 32 workdays lost per 200,000 hours worked, compared to 39 in fiscal year 2009, both ratios including hours worked for restricted duty. • We continued our Occupational Health and Safety Assessment Series (OHSAS) 18001 certification activities and reached 83% of our manufacturing and service sites with over 150 employees certified as at January 31, 2010, compared to 53% as at January 31, 2009. We put in place a plan to reach our target of 100% certification in the first half of fiscal year 2011. • Since fiscal year 2009, 83 of our suppliers have committed to adhere to our Supplier Code of Conduct. Of these, 50 are aircraft equipment vendors representing 80% of our total bill of material cost. • We became a long-term supporter of the Sierra Gorda World Biosphere Reserve in Querétaro, Mexico, with three environmental and economic development projects that will directly benefit the reserve's 23,000 residents. • We received the 20/20 Vision Award from Business in the Community, Northern Ireland, in recognition of our significant social impact in Northern Ireland during the past 20 years.

Develop innovative, environmentally conscious products that meet customer needs globally

Development of innovative, environmentally conscious products that meet customer needs globally is a cornerstone of our product strategy. Through fuel-efficient aircraft, lower noise and emissions and through new technologies such as composite materials wings and fuselages, fly-by-wire and electrical systems, new aircraft configurations and an innovative aftermarket service offering, we are aiming at setting industry standards in delivering value to our customers.

PRODUCT INNOVATION	
Goals	• Develop products that deliver on customer needs and expectations and that encompass latest technologies. • Design fuel-efficient aircraft that respect the highest environmental standards, as put forth in our Corporate Social Responsibility (CSR) strategic priority. • Provide innovative service solutions that respond to customer aftermarket and fleet management needs.
Leading initiatives	• We continue to review and increase our product technology roadmap through our Aircraft Portfolio Strategy Board. • We continue to develop our core expertise to sustain, improve and create new innovative products in areas such as advanced composites, new metallic materials, aircraft systems, emerging technologies and future aircraft configurations. • We will continue to expand our collaboration with universities and research institutions across the world. As such, we want to continue initiatives just started with regard to our R&D Network participation in Singapore and leading several research consortiums such as the Consortium for Research and Innovation in Aerospace in Québec (CRIAQ). • We are strengthening our product development system to leverage lean principles and ensure continuous improvement of the critical aspects of the system that drive efficient, customer focused product development. The system’s emphasis is on knowledge creation and to re-use this knowledge across products to ensure higher levels of quality and optimization. • For our new aircraft programs in development, we are extending our lifecycle solutions to address the complete aftermarket experience, including parts, maintenance services, and pilot training.
Fiscal year 2010 highlights	• We successfully built the first demonstrator for a composite wing using Resin Transfer Infusion through our involvement in a U.K. national research program aimed at developing new composite wing technologies. • We built the first demonstrator of a forward fuselage in composite materials using Automated Fibre Placement through a collaborative project with several partner organizations and consortia. Initial structural tests of the composite fuselage section have shown the potential for further weight reductions as well as the improvement of passenger comfort due to better adjustment of cabin pressure. • We developed several key performance indicators to track our progress in significantly reducing our aircraft emissions and replacing certain materials by more environmentally friendly alternatives. • We co-chaired the Canadian Aviation Environmental Technology Roadmap (CAETRM). This initiative identified technologies that must be developed to improve the environmental footprint of aerospace in Canada. As a consequence, we became a founding member of the Green Aviation Research and Development Network, a business-led centre of excellence funded by the federal government and dedicated to research in aviation environment such as noise and emission reductions. • We improved our industry-leading carbon offset program by offering a per-flight-hour payment scheme, which leverages our Smart services administrative platform.

Evolve into a lean enterprise with strong global supply chain partnerships

We are evolving into a world-class organization that adheres to lean principles and has a culture of continuous improvement. We strive to optimize our manufacturing network, leverage our emerging country presence and build strong mutual relationships with our suppliers to drive quality, reliability and overall world-class performance.

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. • Improve supplier performance on quality, delivery and reliability to reach world-class standards.
Leading initiatives	• We will continue to focus on efficiency improvement and deployment of lean principles across the organization, through the deployment of AES and building on momentum created within the organization since the introduction of this continuous improvement program. • We will continue to further develop our manufacturing base in emerging countries, specifically through new programs under development. • We will develop functional excellence across the organisation by establishing functional forums to drive standard policies and practices. • We will continue to secure competitive total-life-cycle value propositions from our supply base on new and existing programs, including long-term cost protection and joint lean improvement initiatives. • We will further deploy our simplified contractual framework and code of conduct with key suppliers. • We will further enhance our supplier management activities, such as a structured cross-functional and collaborative problem solving approach, and expand our vendor inspection program with suppliers to improve quality and reliability.
Fiscal year 2010 highlights	• Due to overall economic situation, we put on hold new transfers of work packages from Saint-Laurent, Toronto and Belfast to Querétaro. We however completed transfers already underway. • Through AES, we established a common set of key performance metrics that is consolidated into a balanced scorecard to ensure the organization is consistently aligned and linked to the overall strategy and goals. • We created logistics and quality councils to complement the already existing operations and engineering committees. To drive results, we are leveraging this network to standardize and reinforce our efforts to improve current operations and cultivate enhanced execution. As a result, we significantly improved several key operational drivers, such as the number of purchased and manufactured parts late to master schedule, non conformity reports raised and traveled work between sites. • We established a new contract framework covering all future business with top suppliers, which together accounts for 33% of the annual aircraft related procurement spend in fiscal year 2010. • We introduced a supplier scorecard allowing us to more effectively measure supplier performance and provide improved guidance for supplier management activities. • We deployed an improved vendor inspection program with 140 suppliers and drove standard material management measurements and processes across our sites. • We continued our ISO 14001 certification activities and reached our goal of 100% at our manufacturing and service sites with over 150 employees certified as at January 31, 2010, compared to 80% as at January 31, 2009.

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

We are confident in our proven ability to overcome turbulent economic times by turning obstacles into opportunity. 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, 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 25 new aircraft programs brought to market since 1989.

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 behaviour in the organization;
- we are focused on enhancing execution through the continuous improvement of key business processes and on implementing lean principles through our AES;
- we have strong relationships with our key stakeholders, including customers, unions, suppliers, local governments and regulatory agencies, which enable us to improve our operations and products and foster mutually beneficial continuous improvement in our relationships;
- 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; and
- we have an experienced management team, committed to the long-term success of the organization.

ANALYSIS OF RESULTS

Our results were impacted by the current economic crisis

Results of operations

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Revenues				
Manufacturing				
Business aircraft	**$ 1,223**	$ 1,363	**$ 4,282**	$ 5,203
Commercial aircraft	**778**	790	**2,565**	2,271
Other	**154**	192	**628**	642
Total manufacturing revenues	**2,155**	2,345	**7,475**	8,116
Services[1]	**344**	354	**1,359**	1,588
Other[2]	**176**	78	**523**	261
Total revenues	**2,675**	2,777	**9,357**	9,965
Cost of sales	**2,312**	2,220	**7,959**	7,876
Margin	**363**	557	**1,398**	2,089
Selling, general and administrative	**156**	180	**601**	715
Research and development	**10**	13	**6**	51
Other expense (income)[3]	**1**	(16)	**(53)**	(4)
EBITDA	**196**	380	**844**	1,327
Amortization	**90**	109	**371**	431
EBIT	**$ 106**	$ 271	**$ 473**	$ 896
(as a percentage of total revenues)				
Margin	**13.6%**	20.1%	**14.9%**	21.0%
EBITDA	**7.3%**	13.7%	**9.0%**	13.3%
EBIT	**4.0%**	9.8%	**5.1%**	9.0%

(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 Military Aviation Training.
(2) Includes mainly sales of pre-owned aircraft.
(3) Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates), settlement of claims and losses (gains) related to disposals of businesses, property, plant and equipment and intangible assets.

Total aircraft deliveries

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Business aircraft				
Excluding those of the fractional ownership programs	**49**	53	**175**	223
Fractional ownership programs[1]	**-**	1	**1**	12
	49	54	**176**	235
Commercial aircraft	**35**	37	**121**	110
Amphibious aircraft	**2**	2	**5**	4
	86	93	**302**	349

(1) An aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model have 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 $190-million decrease for the fourth quarter is mainly due to lower deliveries and selling prices for business aircraft ($140 million).

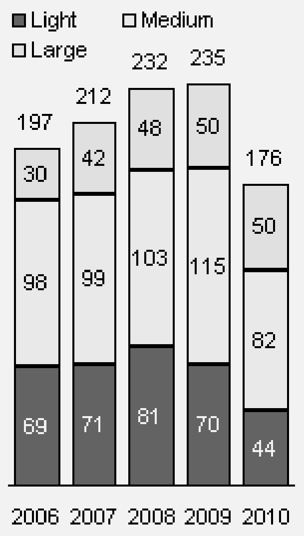
The $641-million decrease for the fiscal year is mainly due to:

- lower deliveries and selling prices for business aircraft, partially offset by a higher percentage of medium and large business aircraft deliveries ($921 million).

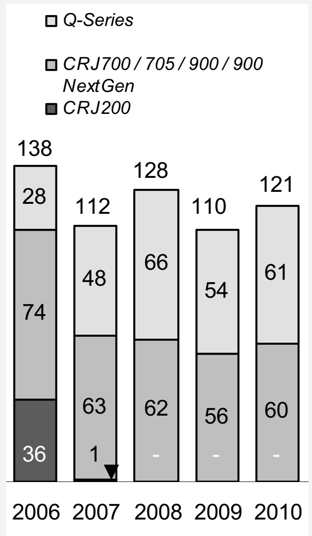
Partially offset by:

- higher revenues for commercial aircraft, mainly due to higher deliveries ($294 million).

BUSINESS AIRCRAFT DELIVERIES
(for fiscal years) (in units)



COMMERCIAL AIRCRAFT DELIVERIES
(for fiscal years) (in units)



Services revenues

The $229-million decrease for the fiscal year is mainly due to:

- lower fractional share and hourly flight entitlement programs' service activities, mainly resulting from fewer hours flown by customers due to the current economic environment ($141 million);
- lower business aircraft maintenance revenues and volume for spare parts, resulting from lower flight activity due to the current economic environment ($88 million); and
- lower product support activities, mainly related to amphibious aircraft ($33 million).

Other revenues

The $98-million and $262-million increases for the fourth quarter and fiscal year are mainly due to:

- higher deliveries of pre-owned business aircraft, mainly as a result of a higher level of pre-owned aircraft inventory ($92 million for the three-month period, $300 million for the fiscal year).

Partially offset by:

- different mix of pre-owned commercial aircraft deliveries ($41 million for the fiscal year).

EBIT margin

The 5.8 percentage-point decrease for the fourth quarter is mainly due to:

- higher cost of sales per unit, mainly due to price escalations of materials;
- lower selling prices for business aircraft;
- the mix between business and commercial aircraft deliveries; and
- the net negative impact in other expense (income) from the revaluation of certain balance sheet accounts in foreign currencies at the balance sheet date.

Partially offset by:

- higher write-down of inventories for the fourth quarter of fiscal year 2009 compared to the fourth quarter of fiscal year 2010, based on the respective market values for pre-owned business aircraft for these periods;
- lower SG&A expenses, mainly due to lower business aircraft deliveries;
- lower amortization expense, due to the aerospace program tooling on some aircraft models being fully amortized; and
- liquidated damages from customers, mainly as a result of business aircraft order cancellations.

The 3.9 percentage-point decrease for the fiscal year is mainly due to:

- higher cost of sales per unit, mainly due to price escalations of materials and disruption costs in connection with changes in production rates;
- lower selling prices for business aircraft;
- the mix between business and commercial aircraft deliveries;
- lower margins for services activities;
- the net negative impact in other expense (income) from the revaluation of certain balance sheet accounts in foreign currencies at the balance sheet date; and

- higher write-down of inventories, mainly due to lower market values for pre-owned aircraft.

Partially offset by:

- liquidated damages from customers, mainly as a result of business aircraft order cancellations;
- lower SG&A expenses, mainly due to lower business aircraft deliveries; and
- a net positive variance on financial instruments carried at fair value and recorded in other expense (income);
- lower amortization expense, due to the aerospace program tooling on some aircraft models being fully amortized.

The EBIT margin for the fiscal year ended January 31, 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 during fiscal year 2010 to reduce our workforce and production rates;
- $28 million recorded as a reduction in R&D expenses, following the receipt of contingently repayable government investment in connection with previously expensed R&D costs for the *CSeries* family of aircraft; and
- a gain of $10 million recorded in other expense (income), resulting from the disposal of property, plant and equipment.

The EBIT margin for the fiscal year ended January 31, 2009 was also impacted by the following non-recurring items recorded in other expense (income):

- a gain of $28 million, arising from the settlement with a supplier with respect to the transfer of the production of certain components for the *CRJ* family of aircraft to another third-party supplier; and
- a loss of $23 million, related to accumulated foreign exchange losses in connection with the sale of *Skyjet International*.

Free cash flow

Free cash flow

	Fourth quarters ended January 31		**Fiscal years ended January 31**	
	2010	2009	**2010**	2009
EBIT	**$ 106**	$ 271	**$ 473**	$ 896
Amortization	**90**	109	**371**	431
EBITDA	**196**	380	**844**	1,327
Other non-cash items:				
Loss (gain) on disposals of property, plant and equipment	**-**	-	**(10)**	4
Stock-based compensation	**6**	7	**23**	25
Net change in non-cash balances related to operations	**243**	(505)	**(513)**	(802)
Net additions to property, plant and equipment and intangible assets	**(233)**	(153)	**(611)**	(426)
Free cash flow	**$ 212**	$ (271)	**$ (267)**	$ 128

The $483-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 ($748 million) (see explanation below).

Partially offset by:

- a lower EBITDA ($184 million); and
- higher net additions to property, plant and equipment and intangible assets ($80 million), due to our significant investments in product development.

The $395-million decrease for the fiscal year is mainly due to:

- a lower EBITDA ($483 million); and
- higher net additions to property, plant and equipment and intangible assets ($185 million), due to our significant investments in product development.

Partially offset by:

- a positive period-over-period variation in net change in non-cash balances related to operations ($289 million) (see explanation below).

Net change in non-cash balances related to operations
For the fourth quarter of fiscal year 2010, the $243-million cash inflow is 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 and business aircraft on hand without an associated firm order and lower levels of pre-owned aircraft; 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 2010, the $513-million cash outflow is 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.

For the fourth quarter of fiscal year 2009, the $505-million cash outflow was mainly due to a decrease in advances on aerospace programs resulting from a lower net order intake.

For fiscal year 2009, the $802-million cash outflow was mainly due to:

- an increase in finished product inventories resulting from increased deferrals and cancellations of deliveries for both business and commercial aircraft;
- an increase in pre-owned business aircraft inventories, resulting from a softer market for pre-owned aircraft;
- an increase in aerospace program work-in-progress inventories in the first three quarters as a result of production rate increases; and
- an increase in receivables resulting from a higher level of medium and large business aircraft deliveries and delays in business aircraft customers obtaining financing.

Partially offset by:

- an increase in accounts payable and accrued liabilities, following the increase in inventories on aerospace programs.

Continuing to invest in our future

Product development costs

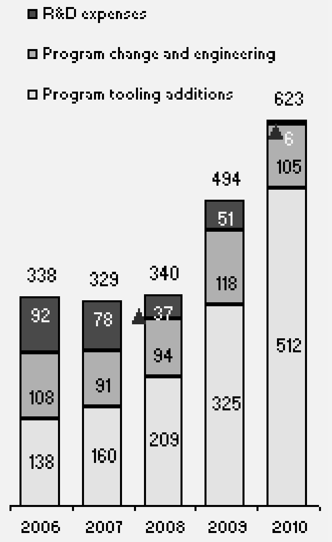
	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Program tooling additions[1]	**$ 177**	$ 110	**$ 512**	$ 325
Program change and engineering[2]	**26**	28	**105**	118
R&D expenses	**10**	13	**6**	51
	$ 213	$ 151	**$ 623**	$ 494
As a percentage of manufacturing revenues	**9.9%**	6.4%	**8.3%**	6.1%

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

Our program tooling investments are mainly due to the development of the *CSeries* family of aircraft, the *CRJ1000 NextGen* aircraft, as well as the *Learjet 85* aircraft programs.

The decrease in R&D expenses for fiscal year 2010 is mainly due to 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* aircraft program ($37 million less a reversal of investment tax credits of $9 million, for a net of $28 million). In addition, development costs related to the *CSeries* aircraft program were capitalized in program tooling subsequent to the July 2008 launch date of the program.

PRODUCT DEVELOPMENT COSTS
(for fiscal years)
(in millions of dollars)



Carrying amount of program tooling

		January 31, 2010		January 31, 2009
Business aircraft				
Learjet Series	**$**	**234**	$	116
Challenger Series		**249**		313
Global Series		**135**		143
Commercial aircraft				
CRJ Series		**498**		471
Q-Series		**35**		60
CSeries		**289**		72
	$	**1,440**	$	1,175

Deliveries in line with our delivery guidance

Business aircraft deliveries

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Light business jets				
Learjet 40/40 XR/Learjet 45/45 XR	**4**	6	**30**	43
Learjet 60 XR	**6**	5	**14**	27
Medium business jets				
Challenger 300	**8**	13	**36**	54
Challenger 605	**14**	15	**36**	45
Challenger 800 Series	**5**	3	**10**	16
Large business jets				
Global 5000/Global Express XRS	**12**	12	**50**	50
	49	54	**176**	235

The 25% decrease in business aircraft deliveries for fiscal year 2010 is consistent with the delivery guidance provided in our annual report for fiscal year 2009. The economic downturn, which started in the third quarter of calendar year 2008 and continued in calendar year 2009, as well as the credit scarcity, created a significant challenge for our business aircraft customers. This led several customers to either defer or cancel their aircraft deliveries and also resulted in a decline in the fractional aircraft shares sold to external customers by *Flexjet*.

Although credit conditions have generally improved, credit availability continued to be an issue in the three-month period ended January 31, 2010, which resulted in delays in the recognition of aircraft deliveries. We expect to deliver 15% fewer business aircraft during fiscal year 2011, compared to fiscal year 2010.

Commercial aircraft deliveries

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Regional jets				
CRJ700/CRJ700 NextGen	**10**	2	**27**	4
CRJ900 NextGen	**8**	17	**33**	52
Turboprops				
Q200	**-**	3	**-**	5
Q300	**-**	1	**6**	6
Q400/Q400 NextGen	**17**	14	**55**	43
	35	37	**121**	110

The 10% increase in commercial aircraft deliveries for fiscal year 2010 is consistent with the delivery guidance provided in our annual report for fiscal year 2009. The current economic and airline industry environment continues to make it difficult to gain new aircraft orders, particularly the *CRJ* aircraft family. In response to this decrease in demand, we reduced the production rates for all regional jets. We expect to deliver 20% fewer commercial aircraft during fiscal year 2011, compared to fiscal year 2010.

Order backlog impacted by lower new orders and high level of cancellations

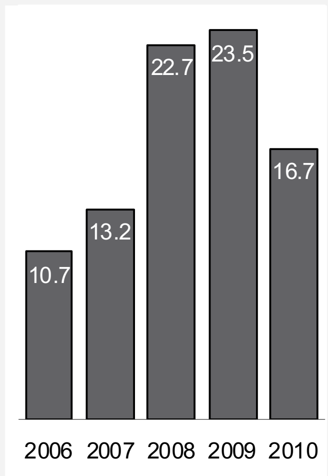
Total order backlog

(in billions of dollars)	**January 31, 2010**	January 31, 2009
Aircraft programs	**$ 15.9**	$ 22.7
Military Aviation Training	**0.8**	0.8
	$ 16.7	$ 23.5

The decrease in the order backlog reflects the significantly higher business aircraft order cancellations, as well as an overall level of new orders lower than revenues in business aircraft and in regional jets, partially offset by orders received for the *CSeries* family of aircraft in the first quarter of fiscal year 2010.

We establish production rates based on our regular reviews of our skyline, supply base capacity, existing order backlog and expected order intake.

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



Total aircraft net orders and book-to-bill ratio

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009	**2010**	2009
Aircraft net orders (in units)				
Business aircraft (including those of the fractional ownership program)	**7** [(1)]	(19) [(2)]	**(85)** [(3)]	251 [(5)]
Commercial aircraft	**22**	25	**88** [(4)]	114
Amphibious aircraft	**4**	-	**8**	2
	33	6	**11**	367
Book-to-bill ratio[(6)]				
Business aircraft	**0.1**	(0.4)	**(0.5)**	1.1
Commercial aircraft	**0.6**	0.7	**0.7**	1.0
Total	**0.4**	0.1	**-**	1.1

(1) 33 gross orders and 26 cancellations. In addition, there were 4 firm order conversions within other business aircraft models.
(2) 22 gross orders and 41 cancellations. In addition, there were 3 firm order conversions within other business aircraft models.
(3) 101 gross orders and 186 cancellations. In addition, there were 35 firm order conversions within other business aircraft models.
(4) 104 gross orders and 16 cancellations. In addition, there were 6 firm order conversions within other commercial aircraft models.
(5) 307 gross orders and 56 cancellations. In addition, there were 5 firm order conversions within other business aircraft models.
(6) Defined as net orders received over aircraft deliveries, in units.

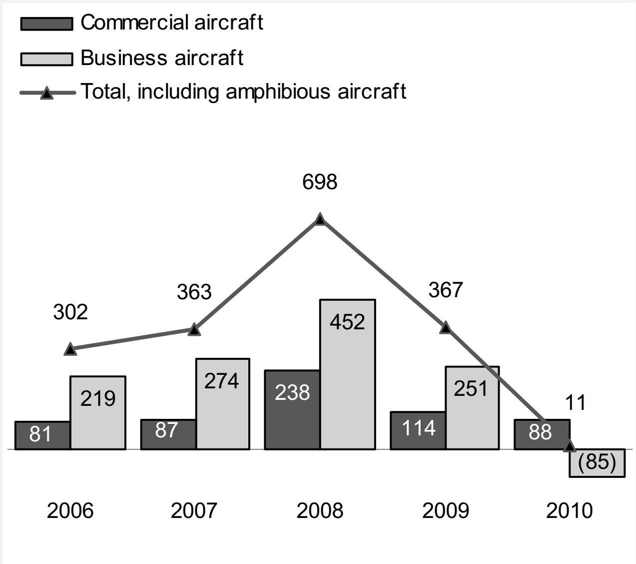
Business aircraft

Although the business aircraft market is still experiencing difficulties, it is starting to show signs of stability with positive business aircraft net orders for the last two quarters of the fiscal year 2010.

The negative order intake during fiscal year 2010 reflects the difficult current economic environment, which led to significant order cancellations as well as a reduction in demand for business aircraft. In response to the current demand, we have reduced production rates for all business aircraft, as announced in February and April 2009.

In the second quarter of fiscal year 2010, we terminated a purchase agreement with Jet Republic, consisting of 25 firm orders for the *Learjet 60 XR* aircraft, which was originally announced in June 2008. These orders were removed from the order backlog as at July 31, 2009.

NET ORDERS
(for fiscal years)
(in units)



Commercial aircraft

Commercial aircraft net orders

	Fourth quarters ended January 31		Fiscal years ended January 31	
(in units)	**2010**	2009	**2010**	2009
Regional jets				
CRJ700 NextGen	**22**	-	**22**	18
CRJ900 NextGen	**-**	-	**(4)**	23
CRJ1000 NextGen	**-**	-	**4**	6
Commercial jets				
CS100	**-**	-	**33**	-
CS300	**-**	-	**17**	-
Turboprops				
Q400/Q400 NextGen	**-**	25	**16**	67
	22	25	**88**	114

According to recent reports from the IATA, conserving cash, controlling costs and carefully matching capacity to demand remain essential to an airline's survival. Airlines are refraining from making significant capital expenditures for new aircraft. Commercial airlines are also having difficulties gaining access to credit and securing financing to purchase new aircraft.

In the second quarter of fiscal year 2010, we announced the termination of a firm order with MyAir.com of Italy regarding the remaining 15 undelivered *CRJ1000 NextGen* aircraft. As a result of this termination, these orders were removed from the order backlog as at July 31, 2009. In the second quarter of fiscal year 2010, an agreement was reached with Horizon Air Industries, Inc. to defer eight *Q400 NextGen* aircraft to calendar years 2012 and 2013. This deferral has not impacted our production rate for this program. During fiscal year 2010, we have also received a cancellation for one *Q400* aircraft order.

On January 5, 2010, Mesa Air Group, Inc. ("Mesa") announced that it has started financial restructuring through the voluntary filing of petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Bombardier is a member of the Unsecured Creditors' Committee. As at January 31, 2010, there were ten *CRJ700 NextGen* aircraft in our order backlog yet to be delivered to Mesa. We are continuously monitoring the situation with Mesa and the potential impact this may have on us. As part of the restructuring plan, Mesa may choose not to take delivery of these aircraft and to reject certain aircraft in its current fleet for which Bombardier has provided financing support such as credit guarantees. Our assessment of how Mesa will reorganize and emerge from Chapter 11 has been taken into consideration in the determination of our provisions.

In spite of the difficult global economic environment, we secured positive firm orders for commercial aircraft during fiscal year 2010.

In the first quarter of fiscal year 2010, Deutsche Lufthansa AG ("Lufthansa") signed a firm order for 30 *CS100* aircraft. Based on the list price, the value of this contract is $1.5 billion, and includes options for an additional 30 *CSeries* aircraft. These aircraft will be operated by Lufthansa's subsidiary, Swiss International Air Lines Ltd.

In the first quarter of fiscal year 2010, Lease Corporation International Aviation (New Buildings) Limited ("Lease Corporation") signed a firm order for 3 *CS100* and 17 *CS300*. Based on the list price, the value of this contract is $1.4 billion, and includes an option for an additional 20 *CSeries* aircraft.

Also, in the second quarter of fiscal year 2010, we received a firm order for 15 *CRJ1000 NextGen* aircraft from Air Nostrum of Spain, valued at $793 million based on the list price. Air Nostrum has now placed firm orders for a total of 35 *CRJ1000 NextGen* aircraft worth $1.75 billion. In the same period, Air Nostrum also converted a firm order for five *CRJ900 NextGen* aircraft to a firm order for five *CRJ1000 NextGen* aircraft.

In the third quarter of fiscal year 2010, we signed a firm order for 22 *CRJ700 NextGen* regional jets with AMR Eagle Holding Corporation, parent company of American Eagle Airlines Inc. The transaction represents the conversion of 22 options held by the airline. Based on list price, the contract is valued at $779 million.

Commercial aircraft significant orders

(in units)	Fiscal year 2010
CRJ700 NextGen	
AMR Eagle Holding Corporation	22
CRJ1000 NextGen	
Air Nostrum	15
CS100	
Lufthansa	30 (1)
Lease Corporation	3
CS300	
Lease Corporation	17
Q400/Q400 NextGen	
MIG Aviation 3 Limited(2)	8
Undisclosed customer	5

(1) These aircraft will be operated by Lufthansa's subsidiary, Swiss International Air Lines Ltd.
(2) A subsidiary of Marfin Investment Group Holdings S.A. of Greece.

Commercial aircraft order backlog and options and conditional orders

	January 31, 2010		January 31, 2009	
	Aircraft on firm order	**Options and conditional orders**	Aircraft on firm order	Options and conditional orders
Regional jets				
CRJ700 NextGen	**41**	**5**	46	38
CRJ900 NextGen	**18**	**104**	55 (2)	184
CRJ1000 NextGen	**49**	**4**	45	20
Commercial jets				
CS100	**33** (1)	**33**	-	-
CS300	**17** (1)	**17**	-	-
Turboprops				
Q300	**-**	**-**	6	-
Q400/Q400 NextGen	**75**	**115**	114	129
	233	**278**	266	371

(1) Includes 20 firm orders with conversion rights to the other *CSeries* aircraft model.
(2) Includes seven firm orders with conversion rights from the *CRJ900 NextGen* aircraft to the *CRJ1000 NextGen* aircraft.

In February 2010, Republic Airways Holdings Inc. signed a firm order to acquire 40 *CS300* aircraft. The agreement also includes options for an additional 40 *CS300* aircraft. Republic Airways Holdings is the first North American airline to place a firm order for the *CSeries* aircraft. Based on the list price, the value of this contract is $3.1 billion, which could increase to $6.3 billion if all options are exercised.

Specialized and amphibious aircraft
In the third quarter of fiscal year 2010, the Government of Newfoundland and Labrador purchased four *Bombardier 415* amphibious aircraft to replace a portion of its aging fleet. Based on list price, the contract is worth $120 million and includes aircraft modifications, spare parts provisioning, training, and technical support. Aircraft deliveries will begin in the second quarter of fiscal year 2011 and continue through fiscal year 2012.

During the fourth quarter of fiscal year 2010, an undisclosed customer purchased *Bombardier 415* amphibious aircraft. Based on current list price, the contract is valued at approximately $126 million and includes training and technical support. Deliveries of the aircraft will begin during the fourth quarter of fiscal year 2011 and will continue until fiscal year 2013.

Workforce aligned with production rates

Total number of employees

	January 31, 2010	January 31, 2009
Permanent	**27,650**	30,000
Contractual	**1,250**	2,500
	28,900	32,500
Percentage of permanent employees covered by collective agreements	**51%**	55%

In February, April and November 2009, we announced reductions in the production rates for all business aircraft and regional jets to reflect current market conditions, which led to a reduction in workforce. These reductions resulted in a total decrease in workforce of approximately 4,700 employees. Severance and other involuntary termination costs associated with the February and April 2009 announcements amounted to $32 million and were recorded during the first quarter of fiscal year 2010. Severance and other involuntary termination costs associated with the November 2009 announcement amounted to $6 million and were recorded during the fourth quarter of fiscal year 2010. The reduction of permanent employees, beginning in February 2009, included unionized, salaried and management personnel and took place at all of our manufacturing sites. As at January 31, 2010, predominately all of these layoffs had taken place. We were able to mitigate some of the layoffs announced in November 2009 through the use of time sharing and redeployment programs.

These layoffs were partially offset by new hires related to the *CSeries* and *Learjet 85* aircraft programs and to the *Global* aircraft completion centre. Our long-term human resources strategy is to continue to hire contractual workers to provide increased flexibility in periods of fluctuation and thus ensure stability of our permanent workforce.

Major collective agreements

Location	Union	Approximate number of permanent employees covered as at January 31, 2010	Expiration of current collective agreement
Belfast	Unite the Union and the General Machinists & Boilermakers	4,300	January 24, 2010
Montréal	International Association of Machinists and Aerospace Workers (IAMAW) 712	4,200	November 28, 2014
Toronto	Canadian Auto Workers (CAW)	2,600	June 22, 2012
Montréal *Global* aircraft completion centre	National Automobile, Aerospace, Transport and Other Workers of Canada (CAW)	1,300	December 5, 2010
Wichita	International Association of Machinists and Aerospace Workers (IAMAW) 639	900	October 8, 2012
Querétaro	Confederación de Trabajadores de México	700	April 27, 2010

The agreements with Unite the Union and the General Machinists & Boilermakers, covering approximately 4,300 employees in Belfast, expired on January 24, 2010. We are currently in discussions with the union.

TRANSPORTATION

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

BT exceeded its 6.0% EBIT margin target for fiscal year 2010

REVENUES	EBIT	FREE CASH FLOW	ORDER BACKLOG
$10.0 billion ↑	**$625** million ↑	**$293** million ↓	**$27.1** billion ↑
FISCAL YEAR 2010	FISCAL YEAR 2010	FISCAL YEAR 2010	JANUARY 31, 2010

Fourth quarter

- Revenues of $2.7 billion, a similar level compared to the same period last fiscal year.
- EBIT of $182 million, or 6.8% of revenues, compared to $167 million, or 6.3%, for the same period last fiscal year.
- Free cash flow of $372 million, a similar level compared to the same period last fiscal year.
- $1.8 billion in new orders (book-to-bill ratio of 0.7), compared to $2.6 billion (book-to-bill ratio of 1.0) for the same period last fiscal year.
- Signing of a $383 million order to supply 100 E464 electrical locomotives to Trenitalia, Italy, despite the difficult environment in the locomotive segment.

Fiscal year

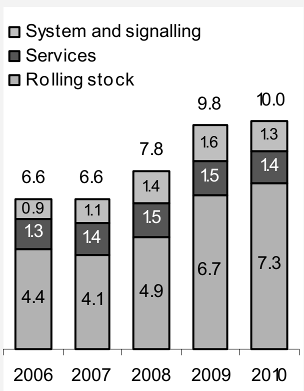
- Revenues of $10.0 billion, compared to $9.8 billion last fiscal year.
- EBIT of $625 million, or 6.2% of revenues, compared to $533 million, or 5.5%, last fiscal year.
- Free cash flow of $293 million, compared to $480 million last fiscal year.
- $9.6 billion in new orders, compared to $9.8 billion last fiscal year. Book-to-bill ratio of 1.0 for both fiscal years.
- Order backlog of $27.1 billion, compared to $24.7 billion as at January 31, 2009.
- Signing of a $4.0 billion landmark order to supply 80 very high speed trains to the Ministry of Railways of China, of which our share is $2.0 billion.

Guidance and subsequent events

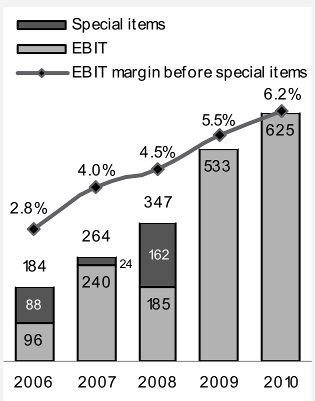
- Our goal is to improve our EBIT margin to 8% within the next three to four years[(1)].
- In February 2010, BT signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement.

[(1)] As computed under IFRS – see the IFRS section in Overview and the Forward-looking statements section in BT.

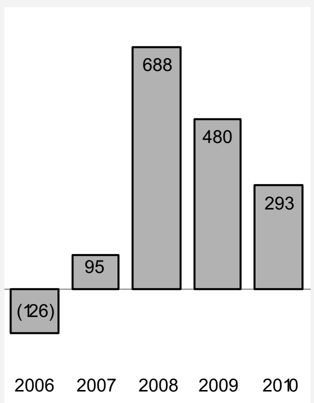
REVENUES
(for fiscal years)
(in billions of dollars)



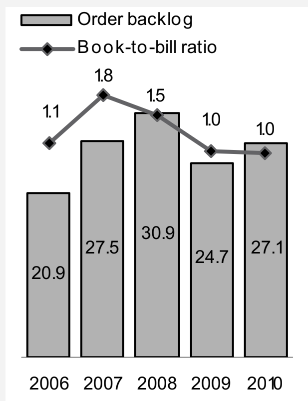
EBIT BEFORE SPECIAL ITEMS
(for fiscal years)
(in millions of dollars)



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



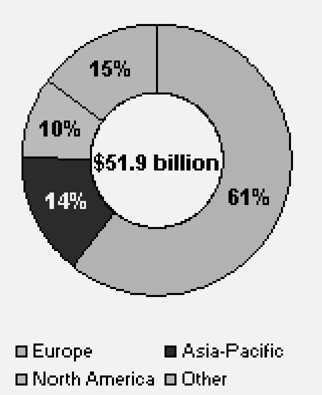
ORDER BACKLOG AND BOOK-TO-BILL RATIO
(as at January 31)



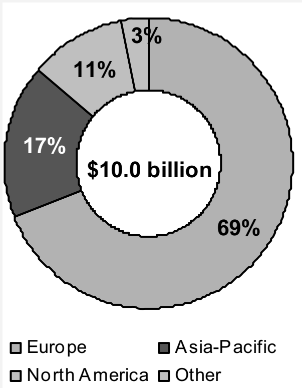
PROFILE

Bombardier Transportation: A leading player in the global rail industry

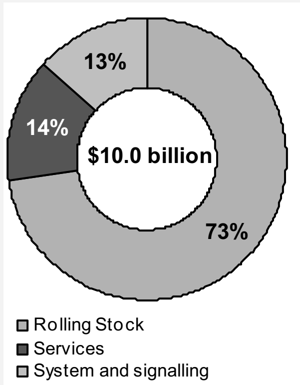
BOMBARDIER RELEVANT MARKET BY GEOGRAPHICAL REGION
Calendar years 2007-09



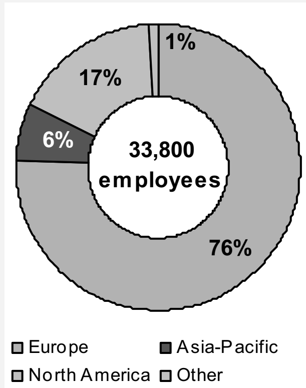
REVENUES BY GEOGRAPHICAL REGION
Fiscal year 2010



REVENUES BY MARKET SEGMENT
Fiscal year 2010



MANPOWER BY GEOGRAPHICAL REGION
Fiscal year 2010



Global presence. Local roots

We are a global leader in the rail industry. Our revenues reached $10.0 billion in fiscal year 2010, with Europe being our largest market. Our broad international capability is based on strong local roots. We have 58 production and engineering sites in 23 countries. Additionally, we operate over 40 service centres at our customers' premises across the world. Our 33,800 employees, consisting of 95 nationalities and speaking 23 different languages, are located in 36 countries.

Almost 85% of our rolling stock business is conducted with large, well-financed 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.

Meeting our customers' needs across the globe

Our customers compete with air- and road-based transportation, making passenger comfort, travel times, accessibility, efficiency, service reliability and capacity important competitive factors. Key factors in rail procurement tenders are compliant with customer specifications, product reliability, maintainability, availability, safety, price, energy efficiency and design. Local content in products is often an important criterion to public operators as well, especially in the fast-growing Asian markets. We are continuously investing in our broad portfolio of products and services, and are building a systematic process to monitor customer satisfaction.

Delivering complete solutions for modern mobility

Rail is one of the most climate-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 cover the full spectrum of railway solutions, ranging from complete trains to sub-systems, maintenance services, system integration and signalling. Our installed rolling stock product base exceeds 100,000 rail cars and locomotives worldwide.

Ensuring excellence in our worldwide supplier network

We provide highly complex rail solutions that incorporate a wide range of high-technology sub-systems, parts and components. An effective global supply chain is therefore critical to our business. We are constantly assessing and streamlining our supplier base to ensure an efficient global supply chain and sustainable procurement processes. Our procurement system helps us to ensure that our supplier relationships add value to our supply chain. Today, our business utilizes highly qualified suppliers in more than 70 countries, with more than 85% of our total product-related procurement spend focused on approximately 400 preferred suppliers. We are continuously and systematically monitoring our supplier network, which has proven resilient to the downturn.

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 dense 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: AGC, *SPACIUM, TALENT, 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*, *REGINA* and AVE power heads

Main markets: Europe, China and North America

Key competitive advantages: Solutions covering the full spectrum of speed requirements: intercity (160-200 kph), high speed (200-250 kph) and very high speed (above 250 kph). Our *ZEFIRO* very high speed trains sold to the Ministry of Railways of China target a maximum operational speed of 380 kph, placing them among the world's fastest series-production trains. We have been involved in almost all major European very high speed trains as well as other international high speed projects.

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* and dual-mode

Main market: Worldwide

Key competitive advantages: Industry leading product family offering electric, diesel-electric, dual-mode and multi-system capabilities.

Propulsion and controls

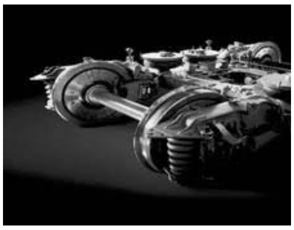
Application: Complete propulsion, train control and management systems for our rail vehicles and third-party customers. Intelligent wayside solutions to increase operational efficiency and productivity.

Major product: *MITRAC*

Main 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 third-party customer vehicles.

Major products: *FLEXX* Eco, *FLEXX* Compact and *FLEXX* Tronic

Main 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 emissions.

North America Division (*Market segment: 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

Main 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.

Main 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: Third-party fleet maintenance services for railway 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 railway 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, rolling stock)*

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 products: *INNOVIA*

Main market: Worldwide

Key competitive advantages: Successful, on-time delivery with strong track record for reliability and dependability across 20 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: *PRIMOVE and* ART systems

Main 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.

Main 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*

Main 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 ATC onboard equipment

Main market: Worldwide

Key competitive advantages: Complete portfolio of conventional signalling systems. Market leader in European Rail Traffic Management System (ERTMS) technology.

KEY PERFORMANCE MEASURES

Incentive compensation is generally linked to the achievement of targeted results, based on EBIT and free cash flow. The table below summarizes the most relevant key performance measures.

Key performance measures	
Profitability	• EBIT margin, as a measure 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 an indicator 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 and scale, as measures of competitive positioning.

Five-year summary

	2010	2009 [(1)]	2008 [(1)]	2007 [(1)]	2006 [(1)]
For fiscal years					
Revenues					
Rolling stock	**$ 7,264**	$ 6,663	$ 4,894	$ 4,066	$ 4,356
Services	**1,408**	1,529	1,474	1,404	1,329
System and signalling	**1,337**	1,564	1,425	1,116	954
	$ 10,009	$ 9,756	$ 7,793	$ 6,586	$ 6,639
EBIT before special items	**$ 625**	$ 533	$ 347	$ 264	$ 184
EBIT margin before special items	**6.2%**	5.5%	4.5%	4.0%	2.8%
Free cash flow	**$ 293**	$ 480	$ 688	$ 95	$ (126)
Order intake (in billions)	**$ 9.6**	$ 9.8	$ 11.3	$ 11.8	$ 7.3
Book-to-bill ratio	**1.0**	1.0	1.5	1.8	1.1
As at January 31					
Order backlog (in billions)	**$ 27.1**	$ 24.7	$ 30.9	$ 27.5	$ 20.9
Number of employees	**33,800**	34,200	31,500	29,100	28,600

(1) Effective February 1, 2009, we elected to early adopt section 1602 “Non-controlling interest” (see the Accounting and reporting developments section in Other for further details). Comparative figures have been restated accordingly.

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, based on market forecasts using market demand models consistent with latest available market information;
- 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
- the expected impact of our changeover to IFRS in fiscal year 2012.

(1) See also the Forward-looking statements section in Overview.

CURRENT BUSINESS ENVIRONMENT

Current economic environment is having a mixed impact on the rail industry

Though economic activity is recovering, uncertainty continues to affect some segments of the rail industry. We have observed a decline in trade volumes, affecting the overall freight locomotive market. However, rolling stock products segments such as light rail vehicles and high speed and intercity trains have grown. In line with these market conditions, we are taking measures to adjust our capacity where needed, to sustain our competitiveness, while we are preparing to capture opportunities in the most promising areas.

We continued to grow profitability and order intake in real terms throughout the global economic downturn. Our order backlog remains strong at $27.1 billion as at January 31, 2010, demonstrating the resilience of our business through the crisis. We have continued to focus on profitable growth, surpassing our target of 6.0% EBIT margin for fiscal year 2010, through a persistent focus on execution excellence. We see strong potential in our business and we will continue to convert market opportunity into business success in the years ahead.

The climate is right for trains

The economic and political environment, even with the short-term challenges, is right for investing in sustainable transportation that will foster more efficient economic growth in the future. Rail transportation is an economic and environmentally-conscious transportation mode enabling sustainable mobility within and between cities.

Urbanization has contributed significantly to economic growth. As per the latest available data obtained in calendar year 2008, the 30 largest cities in the world contributed $12.5 trillion or 20% of the world GDP. Currently, over 50% of the world's population live in urban areas and the 30 largest cities have a combined population of 370 million inhabitants. Based on the United Nations World Urbanization Prospects study, by calendar year 2025, over 60% of the world's population will live in urban areas and the number of mega-cities (defined as cities with a population of ten million inhabitants or more) will double.

The top 30 cities by population and GDP
2008

Note: Chart excludes Tokyo due to its population of 35 million inhabitants.
Source: PWC City Competitiveness 2008; United Nations Urbanization Prospects; 2008 World Bank GDP Facts & Figures.

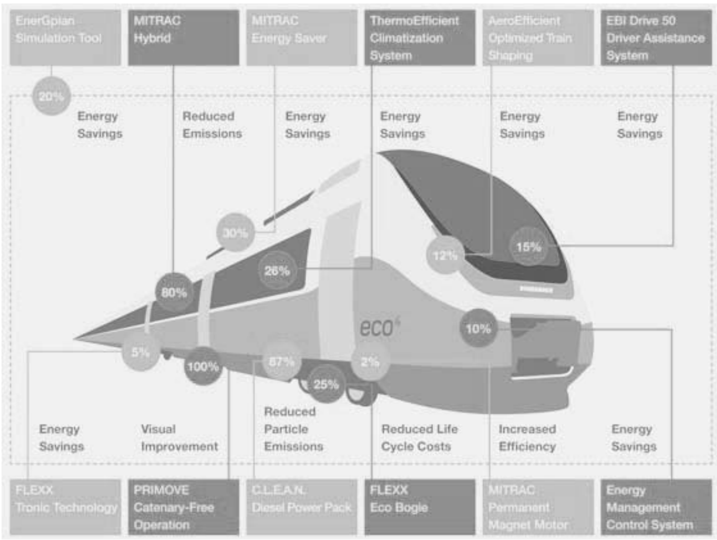
As barriers to trade, finance and immigration continue to fall, cities are increasingly competing to attract talent and capital globally. However, this increasingly urban environment faces significant challenges, including road congestion, climate change, and rising and volatile energy costs. These challenges are some of the factors threatening the competitiveness of cities across the globe and their inhabitants' quality of life. One factor contributing to the competitiveness of cities is the transportation choice these cities make.

For instance, the high oil prices since calendar year 2000 have led individuals, businesses and governments to spend a growing share of their income on oil for transportation. Efficiency gains have enabled both advanced and emerging economies to reduce oil consumption per unit of GDP. However, global oil consumption has continued to grow on an absolute basis, reaching 85 million barrels per day in calendar year 2008. The International Energy Agency forecasts demand will grow to 105 million barrels per day by calendar year 2030, challenging cities that remain heavily dependent on oil for freight and passenger transportation networks. To foster sustainable growth, policy makers and planners must pursue long-term investments in inter- and intra-urban transportation, which will improve transportation efficiency.

Rail transportation is energy efficient and flexible, emission-friendly, land-use efficient, reliable and fast, making it increasingly competitive for passenger and freight transportation. Citizens and policy-makers have acknowledged the benefits of rail transportation, as reflected by the steady increase in order activity.

We are well positioned, as our products and services are the engine of sustainable mobility

We are a global leader in the rail industry. We offer a broad range of efficient and competitive rail products and services. Our product portfolio is well aligned with current trends in the industry, including increasing demand for high speed trains and energy efficient and flexible solutions. We recognize the challenges facing our society and believe that investing in sustainable mobility will increase the long-term competitiveness of cities and the overall quality of life of their inhabitants.



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.

Our *ECO4* portfolio offers state-of-the-art environmental performance and addresses the most critical concern rail transit operators face today: reducing Energy consumption, improving Efficiency and protecting the Ecology, thereby improving the Economics for our customers. The portfolio encompasses breakthroughs in aerodynamic optimization, hybrid driver for electric-diesel interoperability, low-emission C.L.E.A.N. diesel engines, intelligent air conditioning technology and advanced energy-saving systems.

MARKET

Our relevant market represents the worldwide rail market accessible to external suppliers, therefore excluding the share of local contractors in emerging markets, maintenance performed in-house by operators and the Japanese market. This market also excludes markets in which we do not have a product offering, therefore excluding freight locomotives in North America, worldwide freight cars, rail infrastructure and electrification. Due to the cyclical nature of the market and 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.

Rail market remains resilient despite the economic downturn

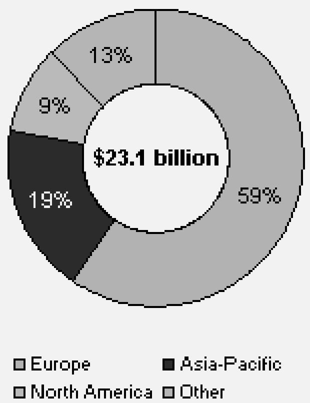
Bombardier relevant market

(in billions of dollars)		**Calendar years 2007-09**			Calendar years 2006-08 [(1)]	
By market segment						
Rolling stock	**$**	**23.1**	**44%**	$	23.1	45%
Services		**14.4**	**28%**		13.5	27%
Signalling		**11.4**	**22%**		10.7	21%
System		**3.9**	**8%**		4.5	9%
Reallocation[(2)]		**(0.9)**	**(2%)**		(1.1)	(2%)
	$	**51.9**	**100%**	$	50.7	100%
By geographical region						
Europe	**$**	**31.6**	**61%**	$	30.9	61%
Asia-Pacific		**7.5**	**14%**		6.7	13%
North America		**5.0**	**10%**		5.1	10%
Other		**7.8**	**15%**		8.0	16%
	$	**51.9**	**100%**	$	50.7	100%

(1) Restated from $50.3 billion to $50.7 billion, reflecting updated market sizes for calendar years 2006-08.
(2) Relates to the rolling stock, services and signalling portion of the system market.

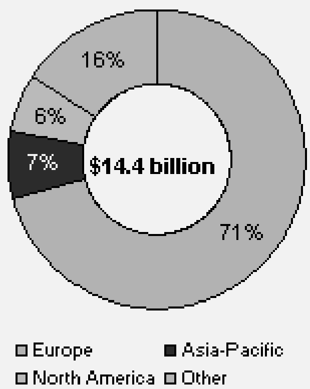
The overall rail market was not significantly impacted by the economic downturn, as demonstrated by a 2% growth compared to calendar years 2006 to 2008. The overall market growth is mainly driven by Europe and Asia-Pacific, which is in line with long-term market trends.

ROLLING STOCK MARKET
Calendar years 2007-09



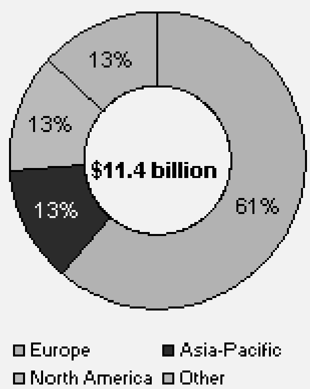
BT market intelligence
(based on published orders)

SERVICES MARKET
Calendar years 2007-09



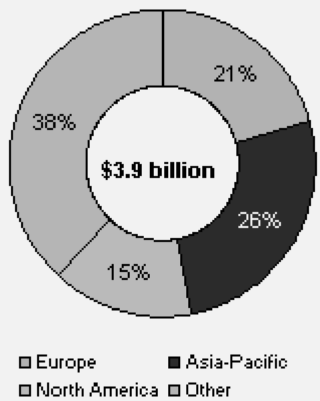
BT market intelligence
(based on UNIFE 2008 study)

SIGNALLING MARKET
Calendar years 2007-09



BT market intelligence
(based on UNIFE 2008 study)

SYSTEM MARKET
Calendar years 2007-09



BT market intelligence
(based on published orders)

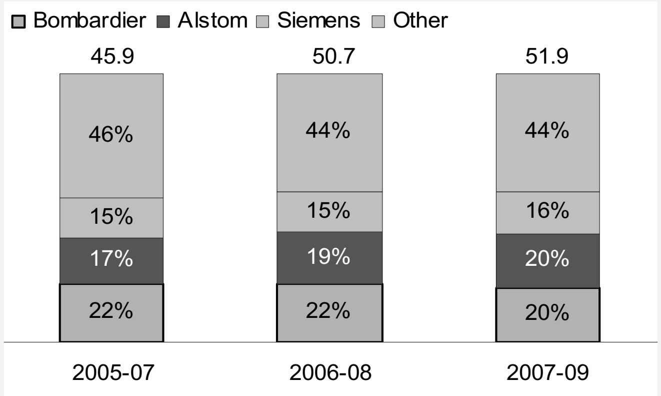
We remain a world leader despite increasing competition

Our major competitors are Alstom Transport ("Alstom"), a business unit of Alstom SA and Siemens Mobility ("Siemens"), a business unit of Siemens AG.

Based on a three-year average for calendar years 2007-09, we are a market leader in the rail industry, with a market share of 20% of our relevant market. For the same period, we remain the market leader in most rolling stock segments and in the services business, as we rank first in seven out of our eleven product segments. In terms of revenues and order intake, we are the rail market leader in calendar year 2009.

Depending on the product segment, country and region, we also face competition from specialized and regional competitors. In the service segment, for example, competition mainly comes from railway operators, sub-system and component suppliers, as well as from third-party service providers.

MARKET SHARES – BOMBARDIER RELEVANT MARKET (1)
(for calendar years)
(in billions of dollars)



(1) Based on published orders for rolling stock and system markets, revenues for services and signalling markets

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

Moreover, we noted increasing competition from Asian players, especially from Chinese, Korean and Japanese competitors. These players are positioning themselves in the rolling stock segment, mainly in the Other and North America regions, and are increasingly present in deregulated markets like the U.K. The Chinese players China South Locomotive & Rolling Stock Corporation Limited (CSR) and China CNR Corporation Limited (CNR) are entering new markets and competing internationally in specific product segments such as metros cars. Hyundai Rotem, a Korean rolling stock manufacturer, is also active in Asia, the U.S. and Europe. In calendar year 2009, Hitachi of Japan was selected as preferred bidder for the Intercity Express Program in the U.K. for the supply of rolling stock and services.

Competitors with at least 10% market share in one product segment

Main competitors(1)	Rolling Stock								Services	System	Signalling
	Light Rail	Metros	Commuter	Regional	High Speed & Intercity	Electric Loco-motives(2)	Bogies	Propulsion & Controls			
Bombardier	#1	#4	#1	#1	#3	#1	#1	#1	#1	#2	#6(3)
Alstom											
Siemens											
Stadler											
CAF(4)											
Hyundai Rotem											
Ansaldo STS											
Thales											

(1) Shaded areas represent competitors with at least a 10% market share in one product segment.
(2) Including dual-mode locomotives.
(3) BT holds a market share of 6%.
(4) Construcciones y Auxiliar de Ferrocarriles.
Source: BT market intelligence

In the rolling stock market, we are number one in six out of eight product segments, thanks to our superior product portfolio, which we are continuously improving by investing in innovation and focusing on our customers' needs. For example, our continuous research on modular and flexible light rail platforms has led us to win a launch order in the U.K. with our new *FLEXITY* 2 tram*,* which allows us to streamline our product offering in the light rail vehicle market while offering an innovative product. In February 2010, we signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion were obtained under this framework agreement. This prestigious project allows us to launch our new *OMNEO* regional double-deck train and introduce significant innovations, such as permanent magnet motors and high-integrity brakes. In the metro segment, the market has recently been defined through a handful of significant orders, and the loss of some of these key orders has impacted our market share.

In the services segment, we maintain our leadership position. We secured large orders in Brazil, Germany and Austria among others. Many positive developments in our parts business have been reached where we built a good partnership with customers, for example in Sweden and Spain.

In the system segment, we remain one of the market leaders despite the recent lack of large orders due to the economic slowdown. Nevertheless, in calendar year 2009, we were selected to provide the first driverless transit system (Automated People Mover system) in Arizona, U.S., at the Phoenix Sky Harbor International Airport.

In the signalling segment, we continue to grow both in mainline and mass transit applications. For example, we have recently announced the implementation of our first ERTMS delivery in China, where our *BOMBARDIER INTERFLO* 450 solution has been implemented, together with our partner system integrator China Railway Signalling and Communications Corp (CSRC), for the Dedicated Passenger Line ("DPL") between the cities of Wuhan and Guangzhou (covering approximately 1,000 km, with operating speeds of 350 kph). This is the first ERTMS Level 2 communications-based DPL system to be implemented in China.

In general, we see the current economic downturn as an opportunity to differentiate ourselves and strengthen our competitive advantage. We are a global player with the right products to serve the demand for environmentally-friendly transportation and the right capability to deliver on our order backlog and future orders.

The upcoming years suggest continued order momentum as illustrated by announced tenders

Driven by momentum to improve mobility offerings and increase sustainability, our worldwide customers continue to invest in their transportation systems and to plan rolling stock replacement orders. We are constantly monitoring these opportunities. As a result, we expect continued order momentum for calendar years 2010 to 2012.

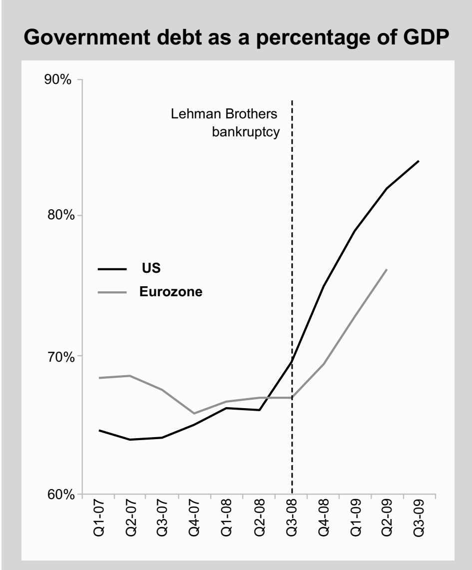
Project	Country	Segment	Potential number of cars[(1)]
London – Piccadilly Lines, Thameslink and Crossrail	U.K.	Commuter and Metro	3200
Indian Railways	India	Metro and Locomotives	2500
Single Deck EMUs	Central Europe countries	Regional and Commuter	1600
TGV Next Generation	France	Very high speed	1200
ICEx	Germany	Very high speed	1000
Metro Montréal	Canada	Metro	765
South East Asia – metros	Thailand, Malaysia, Singapore, Philippines	Metro	750
Metros for New York, Miami, Boston and Washington	U.S.	Metro	600
Intercity Replacement	Switzerland	Intercity	500
Queensland Rail and Melbourne	Australia	Commuter	500
Paris – commuter	France	Commuter	500
Trenitalia Alta Velocità	Italy	Very high speed	400
San Francisco BART	U.S.	Metro	200

(1) Base contracts only, options not included.

Not included in the above table are upcoming tenders on very high speed trains in China and the U.S., since the potential number of cars is not yet available.

Stimulus plans may have a positive impact on our industry

The vast majority of the previously mentioned tenders are planned by large, well-financed public operators, thus their realization depends on a sustained level of public-sector spending. Since the beginning of the crisis, many governments have offered stimulus packages as a means to stabilize their economy. We can directly benefit from the stimulus packages, potentially accelerating some projects and leading to additional investments in new rolling stock or replacement of aging fleets.



The stimulus packages have however increased the governments' public debt. As this debt is repaid, some government programs will be reduced and rail transportation could suffer. In the near future, governments remain committed to their stimulus plans, and are aware that a premature exit would have significant negative implications on the economy.

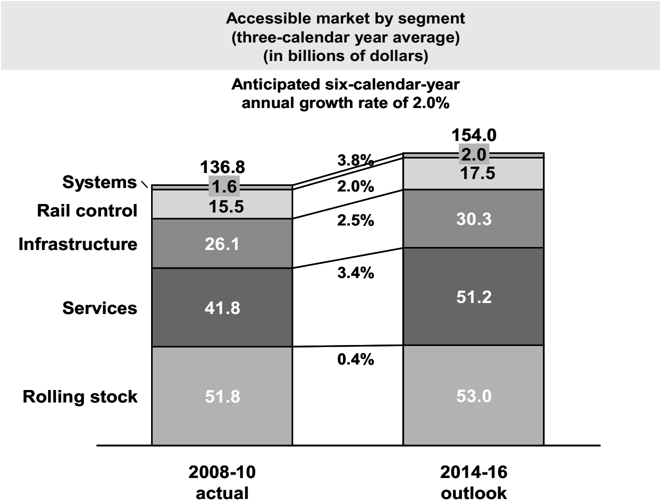
The impact of the various stimulus programs on rail transportation is already visible in some economies. The Chinese Ministry of Railways aims at expanding its network from 80,000 km in calendar year 2008 to 120,000 km by calendar year 2020. In addition, of the 48 cities in China with a population of over 1.0 million inhabitants, 10 already have a mass transit networks and 25 have plans to build one. There is on going growth in metros, but local players are capturing a substantial share of the Chinese domestic market. We are leveraging our position in China through our three joint ventures.

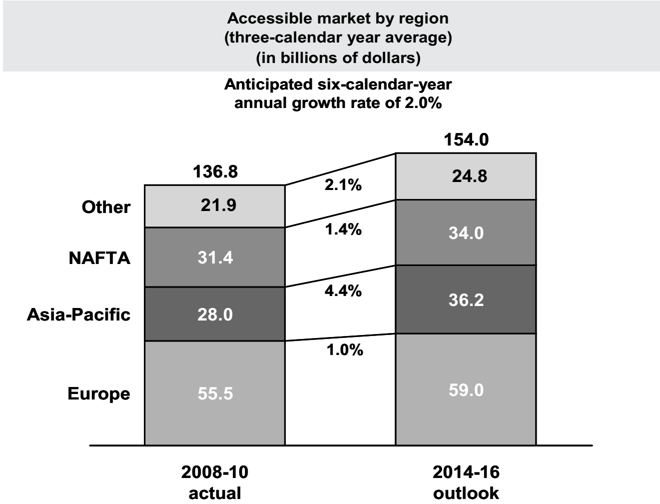
In North America, stimulus packages for the rail sector have recently been detailed. The largest share of the stimulus is directed toward investments in railway infrastructure, which should have a positive impact on the rolling stock, signalling and service segments in the medium to long term. U.S. economic stimulus funding for rail will be allocated to 13 rail corridors, mostly for new high speed passenger services. This would result in the biggest single U.S. investment in high speed rail infrastructure to date. As with many new opportunities, we believe that the U.S. government stimulus package announcement can generate more aggressive competition in that market. Nevertheless, we are well positioned to capture opportunities in the North American market through our strong products and by leveraging our long-standing customer partnerships.

In Europe, an economic recovery plan was released in calendar year 2008, which included funding allocation to accelerate the implementation of infrastructure projects. Countries such as Germany, France and the Netherlands also have specific investment plans for rolling stock replacement, infrastructure expansion and rail signalling. As the largest market, Europe will continue to offer important opportunities. We expect the realization of orders, mainly in the very high speed trains, intercity trains and signalling product segments. We are well positioned to capture these opportunities, through our leading-edge technology and ability to provide the right product fit for the European market.

Steady growth around the globe in the long run

According to the 2008 UNIFE study, the latest available report, the accessible market, defined as the share of the worldwide rail market open to external suppliers, will reach an annual volume of €111 billion ($154 billion) for calendar years 2014 to 2016, representing an average annual growth rate of 2.0%. The accessible market is forecasted to grow in every segment worldwide, with the main growth areas being in the Asia-Pacific and Other regions, mostly represented by emerging and developing countries. Europe is expected to remain the single most important accessible market, while Asia-Pacific is expected to become the second largest accessible market by calendar year 2016, replacing North America.





Source: "Worldwide rail market study - status quo and outlook 2016", published by the Association of the European Rail Industry in September 2008 (2008 UNIFE Study),
Values converted based on exchange rate euro/dollar: 1.3870

Market driver outlook for calendar years 2010-16

Market driver	Market segments	Geographical regions	Outlook	Description
Urbanization and population growth	All	Asia-Pacific and Other	↑	According to the United Nations Department of Economics and Social Affairs, urban areas will account for 60% of the total world population by calendar year 2025, compared to the current level of 50%. This will create major challenges in urban planning and traffic management to keep congestion and pollution under control, and 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.
Environmental awareness	All	Worldwide	↑	According to a study conducted by UIC, rail transportation is three to ten times less CO_2 emission intensive compared to road or air transportation. As environmental awareness is increasing worldwide, this should lead to a change in behaviour in the long run to increase use of rail transportation.
Replacement of aging rail equipment	Rolling stock, services and signalling	Europe and North America	↑	Increasing ridership and growing competition among operators, as well as higher expected passenger comfort are all pushing operators to replace or modernize their rolling stock. To cope with the higher usage of the existing infrastructure, signalling equipment modernization is also key 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 railway 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, particularly in the services field. 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.
Public funding	All	Worldwide	→	Governments' response to the financial crisis through stimulus plans is in part directed towards transportation infrastructure, which could have a positive impact on our business. This response will, however, add pressure on governments' budgets. Almost 85% of our rolling stock business is conducted with public sector railway operators, whose access to funding might become more difficult in the future.

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

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

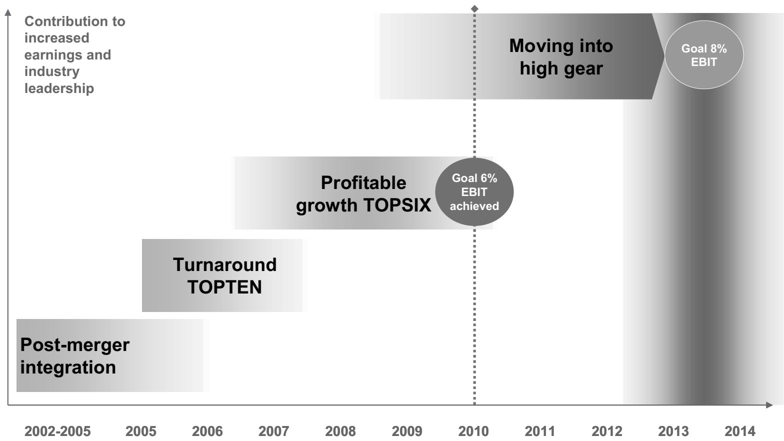
Overall trends are positive for the rail industry in the long term, and are likely to induce changes in investment policies toward a more sustainable transport infrastructure while driving operators to replace and/or modernize their fleets to cope with the increased transport demand.

STRATEGY

Remain an industry leader through execution excellence, customer-driven innovation and overall flexibility to adjust to new markets

We are moving into high gear

STRATEGIC FOCUS
Fiscal years 2002-2014



Following its acquisition in fiscal year 2002, we have successfully integrated Adtranz into Bombardier and created the number one company in the rail industry. To turn around our business and improve our competitive position, we launched in fiscal year 2005 a BT-wide improvement program called TOPTEN, focusing on ten transversal initiatives across all our divisions, countries and projects.

As of fiscal year 2007, we concluded four of our TOPTEN initiatives and started our path to profitable growth by focusing on the six remaining initiatives called TOPSIX: market leadership (LEAD), product portfolio (SUPRO), operational excellence (BOS), project management (PRO), procurement (CODE30+) and human resources (PEOPLE). These initiatives have been successfully implemented and have enabled us to deliver on our profitability goal of 6% EBIT margin.

We have now launched the next stage of our corporate development, “Moving into high gear”, to better leverage our capabilities, to continue capitalizing on new market opportunities and to further increase our profitability, even in the current turbulent economy. We have clear priorities through Our Way Forward and we are taking action to deliver excellent project performance through improved execution. We are continuously increasing our product competitiveness through innovation and customer-driven development, as illustrated by the award of the launch order of our own very high speed train *ZEFIRO* 380 into the Chinese market. We aspire to be the preferred and most reliable partner for our customers, and we are building local roots to be closer to them, most notably in China and India where we have substantial investments. In China, we have expanded our three joint ventures and five wholly-owned foreign enterprises. In India, we have built a new plant enabling us to deliver the first metro cars to Delhi only 24 months after signing the contract.

We have set our goal and delivered

Since the launch of our turnaround program in fiscal year 2005, we have improved our profitability year after year through effective management of operations and a focus on efficient execution. We have been successful even in the current challenging economic environment, exceeding our goal by posting an EBIT margin of 6.2% for fiscal year 2010.

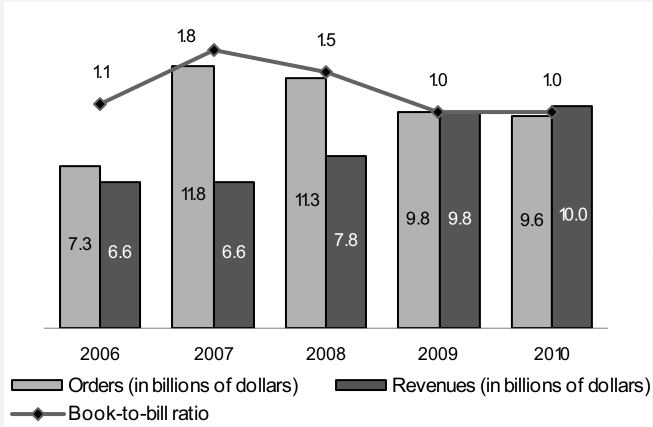
Our goal is now to improve our EBIT margin to 8% within the next three to four years [(1)] through our strategy based on Our Way Forward, leading us to improve execution, adjust our capacity where necessary and thus accelerate profitability growth. We are also capitalizing on new market opportunities by focusing our efforts in the fast-growing rail markets of emerging economies, especially in Asia. Although the difficult economic environment has and will continue to create obstacles, we are confident that we will continue to turn them into opportunities and remain a leading player in the global rail industry.

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

Along with this goal, we also expect free cash flow to be generally in line with EBIT. However, the level of free cash flow may vary significantly from quarter to quarter, in line with the specific cash profile of our numerous manufacturing contracts, including the timing of receipt of significant customer advance payments on large contracts.

Over the last five fiscal years, we have achieved a consistent book-to-bill ratio of, or above one. Our consistently high level of order intake has resulted in a strong order backlog of $27.1 billion as at January 31, 2010, and in a continuous revenue growth, with revenues totalling $10.0 billion for fiscal year 2010. We are now consolidating the important growth of the past four years and expect to maintain a book-to-bill ratio around one in the near future, in line with market evolution.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL RATIO
(for fiscal years)



We are also actively managing our exposure to key business risks within each function of our organization (see the Risks and uncertainties section in Other for further details on these risks). Our most significant risk remains whether we can efficiently execute our order backlog on time, on quality and at a competitive cost. We have put in place risk-mitigation strategies with defined processes.

- Bid approval process is managed by senior executives, with bids reviewed for compliance with internal policies and guidelines in various areas.
- Bid approval, project start-up and design phases include a technical risk assessment, a legal review of contracts, development of long-term relationships with some suppliers, together with supplier evaluation and costs.
- A risk analysis and assessment of our exposure are performed at the beginning of each project and on a continuing basis thereafter. Projects carried out through consortia or other partnership vehicles also normally provide counter-indemnities among the partners in order to limit exposure.
- Products are subject to a thorough peer review to leverage the knowledge acquired on other similar projects and increase the standardization level of components. The quality of components and the end product are rigorously tested throughout the design and production process.
- Internal resources, independent of the project management team, perform periodic project management audits, assessing contracts both from a project management and a financial perspective. Those audits cover all key projects in terms of size and risk levels, but also include selected smaller projects.
- Regular reviews are performed on all our projects, focusing on project improvement management, proactive risk and opportunity management and forecasts.
- All products are subject to product safety policies and processes on product safety, supported by our centres of competency.

Seven strategic priorities are our formula to success

We plan to further grow our EBIT margin to 8% within the next three to four years[1] while keeping a leading position in the market. Deeply rooted in Our Way Forward, our strategy is structured around seven priorities that should enable us to achieve this goal by ensuring our continued success and sustainable 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/supply chain and ensure efficient structures**

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

Be #1 in customer satisfaction through flawless execution

Customer satisfaction is one of our top priorities. We are continuously seeking improvement in our execution through targeted and specific action plans to maintain our high standards. We are also building a comprehensive monitoring system to stay ahead of our customers' key concerns. We are working closely with them around the world to develop solutions that meet their specific challenges like cost efficiency, environmental performance, reliable transportation capacity, speed and safety. 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	• In response to our analysis of customer satisfaction drivers, we are implementing a system to consistently monitor execution excellence and customer satisfaction across four dimensions: cost, quality, responsiveness and people. • We are developing division-specific action plans to further improve delivery, quality and customer satisfaction. • We are working closely with our suppliers to continuously streamline and improve our supply base. • We are continuing our path towards world-class operations through implementation of lean manufacturing principles at all our sites, best practice sharing and active collaboration across the value chain.
Fiscal year 2010 highlights	• We enhanced project governance through project gate reviews performed for all new projects. • We have identified seven levers to improve engineering efficiency. • We achieved high customer satisfaction, such as winning eight out of ten prestigious reliability awards for the most reliable train fleets in the U.K.

Raise our game in global talent management

Winning the competition for the best talent worldwide is a critical factor to defend our leadership position and reach our profitability targets. To stay ahead of the competition, we need skilled, engaged people who continuously drive the development of state-of-the-art products and strive for flawless execution. Moreover, we need the right people to establish our local roots and to build a sustainable presence in various countries around the world. We are committed to offering each and every employee attractive career opportunities and continuous professional development.

UNBEATABLE TALENT	
Goal	Raise the standards in talent management to attract, retain, and develop the best people.
Leading initiatives	• We are developing a consistent global employment value proposition ("EVP") to improve retention and engagement of current employees and clearly show the value we can offer to prospective employees. The next step will be to develop a BT customized EVP by key talent group and geography. • We are increasing diligence on our talent review process to achieve our long-term employee development planning and increase focus on succession management. • We are consolidating global talent data to create global talent market pools by key functions to facilitate increased mobility across all of Bombardier.
Fiscal year 2010 highlights	• We involved employees in the development of our EVP through a series of interviews and focus groups. • We launched our BT talent management system, which includes talent KPIs as part of a global people dashboard. • We improved our employee engagement by investing in training and development programs that create opportunities for professional growth. As a result, employee engagement at BT increased to 76% in the latest survey, compared to 71% in the survey performed in fiscal year 2008. • We successfully introduced a global graduate program as a means to position Bombardier better in the talent market. The number of applications received during the second year of the program increased by more than 30% compared to the first year.

Actively managing risks

The high number of large projects in our portfolio exposes us to substantial risks. Today, these risks are amplified by the worldwide economic environment, requiring even greater attention and more careful monitoring of our environment. While we are addressing risks arising from the economic crisis and our project portfolio, we must also actively manage longer-term strategic risks, which may affect us directly or indirectly through customers and suppliers to whom we are closely linked. As a result, we need to adopt a broad and strategic approach to risk management, taking into account both internal and external risks, and to strengthen our governance process to react as quickly as needed.

CALCULATED RISKS	
Goal	Raise our risk management capabilities to a new level by using a common framework to identify sources of risk, by establishing company-wide effective monitoring and by mitigating risks as they arise.

Leading initiatives	• We are continuously increasing our expertise to identify and mitigate business risks over a three- to five-year horizon.
	  • We are proactively monitoring the exposure on our order backlog, future profitability and free cash flow that could result from lower order intake, order cancellations and deterioration in the financial health of our key suppliers.
	  • We are managing internal risks in execution and project management.
	• We are monitoring and managing long-term risks beyond five years. For example, among others the impact of global megatrends (e.g., demographics, urbanization), technological innovations (e.g., electric cars) or industry dynamics (e.g., changes in business models of competitors and customers).
	• With Corporate Audit Services and Risk Assessment (CASRA), we are strengthening our identification and monitoring of our major risks through a dedicated process whereby our top ten risks and their mitigation plans are reviewed periodically through a governance body.

Fiscal year 2010 highlights	• We implemented a common risk framework and identified BT's emerging business and long-term risks:
	  • We set up a monitoring mechanism to detect key developments at our customers affecting specific tenders.
	  • We implemented a tool to analyze the financial health of our suppliers.
	  • We established a process to provide a bi-monthly update on the general economic environment and its impact on the rail industry.
	  • We prepared a mitigation plan to react quickly and to change our risk profile. When necessary, mitigation actions have been taken, for example through capacity adjustments.
	• For long-term risks specifically, we conducted an in-depth study of megatrends affecting the rail industry until calendar year 2025 and developed possible industry scenarios. We set up a continuous monitoring of the competitive environment, which will be further elaborated in the next years.

Establish local roots in all key markets

More so than in the past, true local presence and "roots" in both mature and emerging markets will be a key factor to sustainable growth. Our mature markets will remain our key markets in the future. Substantial future growth will also originate from emerging economies such as China and India. The Chinese government had ambitious plans to expand its railway network even before the start of the economic crisis, and has now accelerated its infrastructure spending through its stimulus plan. We are well positioned in China with our three joint ventures and five wholly owned foreign enterprises. The Indian government is investing heavily in urban mass transit and electric locomotives, where we can offer some of our core technologies. Since strong local presence is an important selection criterion for rail equipment suppliers in these countries, BT is clearly in a superior competitive position.

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 emphasizing Asia as a growing region both in terms of local market potential and as a base for export. • We are improving organizational structures, governance processes and market strategies for our pilot countries: China, India and Mexico. • We are optimizing our strategy, presence and governance in the U.S. in response to the American government's high speed rail investment program.

Fiscal year 2010 highlights	• We continue to achieve successes in key emerging markets, including:
	  • winning the order for 380 kph *ZEFIRO* very high speed trains in China;
	  • delivering our first export contract for Singapore from our joint venture site in China; and
	  • opening a rolling stock manufacturing facility in India in record time.
	• We selected two emerging markets, Mexico and China, as well as the mature U.S. market as a starting point to pursue a common, Bombardier-wide local roots approach.

Establish 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. Our occupational HSE priorities are aligned with these expectations. Our products are also recognized as leaders in energy efficiency, low carbon emissions, and recyclability.

GREATER CORPORATE SOCIAL RESPONSIBILITY	
Goals	• Continue on our road to world-class safety performance by promoting a zero-accident culture and by improving employee engagement. • Play a leadership role in the industry with regard to products' sustainability. • Minimize our operations' environmental footprint, and achieve carbon neutrality by calendar year 2020. • Enhance the sustainability of our procurement processes and promote ethics, human rights and internationally sanctioned labour standards across our global supply chain. • Act as a responsible citizen through focused initiatives regarding donations, sponsorships and community involvement initiatives.

GREATER CORPORATE SOCIAL RESPONSIBILITY	
Leading initiatives	• We are striving to maintain our position as sector leader with respect to Design for Environment and Environmental Product Declarations. • We are sharing best practices between BA and BT by developing standard procedures for HSE and are incorporating these into existing operating systems (HSE excellence system). • We are developing a strategy and objectives to manage our carbon footprint and are continuously assessing our environmental liabilities. We want to reduce our energy consumption by an additional 10% between fiscal year 2011 and fiscal year 2015, and progressively achieving carbon neutrality throughout our activities, with annual targets at least meeting the levels defined in relevant national and international agreements. • We are aiming at reducing the overall environmental footprint of our operations in terms of water consumption and waste generation by 1% (water) and 3% (waste) annually, and to phase out certain hazardous substances. • We are developing an audit program with regard to adherence to the Suppliers Code of Conduct, and include on-site contractors/suppliers in our HSE systems.
Fiscal year 2010 highlights	• We created a common HSE and CSR vision statement for fiscal years 2010 to 2016: ▪ H&S: In fiscal year 2010, we achieved an accident frequency ratio of less than 0.4 accidents per 200,000 hours worked (0.6 in fiscal year 2009) and a severity ratio of less than six workdays lost per 200,000 hours worked (11 in fiscal year 2009), which is considered world-class. ▪ Environmental footprint of operations: Between fiscal year 2004 and fiscal year 2009, we achieved a reduction of energy use of 14%, greenhouse gas (GHG) emissions of 18%, water consumption of 32% and waste generation of 9%. ▪ Carbon neutrality: We completed a detailed inventory of energy sources and greenhouse (GHG) gas emissions at all our manufacturing facilities, services centres and main offices. Based on this, we developed a global Energy and Carbon Management Strategy based on three pillars: improved energy efficiency, increased use of renewable energy sources and carbon offsetting. • Product sustainability: We led a standardization initiative with UNIFE, resulting in common Environmental Product Declarations guidelines approval for rail vehicles by all major European manufacturers, and initiated standardization work on determining recyclability. • Supply chain: In order to ensure that our HSE and CSR values are understood and adopted throughout our supply chain, we promoted adoption of the Bombardier Supplier Code of Conduct by approximately 400 preferred suppliers. • Community involvement: We continued to give back to the communities where we operate through STARS, which supports knowledge development and the educational needs of students in South Africa. In fiscal year 2010, activities focused on the Ithemba Institute of Technology in Soweto and the University of Cape Town. In total, 300 students participated in the STARS Boost Program, and all four Bombardier scholars awardees were admitted to Cape Town University to start an academic career. • Essential enablers: We implemented a state-of-the-art HSE information system to be applied starting in fiscal year 2011.

Develop innovative, environmentally 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 to operate in the most environmentally friendly and energy-saving ways, while at the same time ensuring the highest standards of safety and passenger comfort or highest efficiency for freight operations. At InnoTrans 2008, the world's largest rail industry fair, we launched our innovative *ECO4* portfolio of solutions, services, products and technologies, which maximizes total train performance for rail operators. Fulfilling our motto "*The climate is right for trains*", the *ECO4* portfolio offers state-of-the-art environmental performance and addresses the most critical concerns rail transit operators face today: reducing Energy consumption, improving Efficiency and protecting the Ecology, thereby improving the Economics for our customers through energy savings of up to 50% compared to other products not using these technologies. Customers recognize our leading position in this field and we have received substantial orders as a result. By continuously delivering even on challenging projects, we demonstrate that we deserve our customers' trust.

<table>
<tr><th colspan="2">PRODUCT INNOVATION</th></tr>
<tr><td>Goal</td><td>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.</td></tr>
<tr><td>Leading initiatives</td><td>• We are maintaining a structured approach of continuously improving our product portfolio through product roadmaps and innovation management.
• We are developing next-generation products, especially for locomotives and equipment, systems and signalling:
    • We are maintaining our product leadership in the locomotive product segment through the launch of an innovative program covering our TRAXX locomotive family, as well as selected propulsion and bogie features to further develop efficient and environmentally friendly solutions.
    • We are accelerating the development of product platforms in the system market to enhance the competitiveness of our automated rapid transit solutions and our automated people movers worldwide.
    • We are taking action to ensure timely delivery of our signalling projects and further strengthen our competitiveness in state-of-the-art technologies, including mass transit solutions and ERTMS portfolio of solutions.
    • We are further enhancing our ECO4 portfolio, in particular with regard to reducing CO_2 emissions and with regard to a new solution for inductive transfer of electrical energy to vehicles (the PRIMOVE technology).</td></tr>
<tr><td>Fiscal year 2010 highlights</td><td>• We won an order for our new ZEFIRO 380 very high speed platform for the Chinese Ministry of Railways, incorporating our advanced ECO4 energy-saving technologies to create best-in-class energy and operating efficiencies.
• We won the launch order for our versatile FLEXITY 2 tram for the city of Blackpool, U.K. This new product platform offers features such as a 100% low-floor technology, lower energy consumption and multiple design options with competitive price and delivery time.
• We won landmark orders given our competitive advantage in terms of low energy consumption and passenger comfort. For example:
    • The order from Toronto Transit Commission (TTC), the largest single order for light rail vehicles in the world, where the new vehicles are based on the FLEXITY 100% low-floor, light rail technology, providing improved reliability and operating performance.
    • The order for more than 80 EMUs for regional transport in the city of Stuttgart, Germany, with our EMUs being approximately 40% more energy-efficient than the vehicles currently running on the customer's network.</td></tr>
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Optimize our footprint/supply chain and ensure efficient structures

We see two trends in the market that require us more than ever to operate as lean and as efficiently as possible. First, the financial crisis has negatively impacted some of our customers, especially in the locomotives and services markets, causing delays and order cancellations. Second, some of our customers are looking for ways to improve their liquidity. In order to remain competitive, we must continuously optimize our structures and supply chain, while at the same time living up to our promise of delivering flawlessly to our customers.

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, in our locomotives and equipment division, we are reducing duplicate structures in some sites and are preparing for opportunities in new markets with localization requirements. • We continue to build lean manufacturing culture and processes, supported by the Bombardier Operations System (BOS) and best practices sharing. • We are further developing our supplier management capabilities to ensure high supplier quality and on-time delivery along our entire supply chain.
Fiscal year 2010 highlights	• We reshaped our service business model in the U.K. to align the core capability with the fleet maintenance market. • We have adjusted our footprint in Europe and North America to ensure efficient structures by reducing our head count by 1% in Europe, mostly in Hungary and the U.K. and by 13% in North America, mainly in Mexico. • We reinforced deployment of BOS principles in operations across our sites through rigid governance by senior management and best practice sharing, and 360 best practices were implemented in fiscal year 2010. Assessment shows a 50% improvement over fiscal year 2008 in terms of maturity (progress towards world-class processes) along five BOS criteria such as quality and continuous improvement. • We are setting up new sites in markets where we recently won significant orders, anticipating the need for localized equipment.

We have the right capabilities to capture our opportunities and deliver results

Our capability to deliver results is based on the following attributes:

- we have a broad, leading-edge products portfolio that can be customized to specific customer requirements;
- we continuously improve our key business processes through our transversal initiatives;
- 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; and
- 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 fiscal 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

Record revenues and EBIT despite the difficult economic environment

We have improved our EBIT margin for the fifth consecutive year, reaching 6.2% in fiscal year 2010. Despite a challenging environment in the services and locomotive markets, we maintained a book-to-bill ratio of 1.0. We have a strong order backlog of $27.1 billion, representing an average of 2.7 years of revenues. We continue to be proactive by monitoring the impact of the recession on our business and by further improving our cost structure and competitive positioning.

Results of operations[1]

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009 [2]	**2010**	2009 [2]
Revenues				
Rolling stock	**$ 1,939**	$ 1,922	**$ 7,264**	$ 6,663
Services	**357**	365	**1,408**	1,529
System and signalling[3] [4]	**381**	365	**1,337**	1,564
Total revenues	**2,677**	2,652	**10,009**	9,756
Cost of sales	**2,177**	2,193	**8,243**	8,173
Margin	**500**	459	**1,766**	1,583
Selling, general and administrative	**232**	207	**852**	843
Research and development	**44**	37	**135**	120
Other expense (income)[5]	**3**	18	**27**	(37)
EBITDA	**221**	197	**752**	657
Amortization	**39**	30	**127**	124
EBIT	**$ 182**	$ 167	**$ 625**	$ 533
(as a percentage of total revenues)				
Margin	**18.7%**	17.3%	**17.6%**	16.2%
EBITDA	**8.3%**	7.4%	**7.5%**	6.7%
EBIT	**6.8%**	6.3%	**6.2%**	5.5%

(1) The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of 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) Effective February 1, 2009, the Corporation elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures include a reclassification of non-controlling interests of $3 million for the quarter and $18 million for the fiscal year from other expense (income) to net income attributable to non-controlling interests.
(3) The system and signalling revenues are presented in the caption other revenues in the consolidated statements of income.
(4) Excluding the rolling stock portion of system orders manufactured by our other divisions.
(5) Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates and capacity adjustments), losses (gains) from equity accounted investees, losses (gains) on disposals of property, plant and equipment, and intangible assets, and losses (gains) on the sale of business.

Revenues by geographic region

	Fourth quarters ended January 31				Fiscal years ended January 31			
	2010		2009		**2010**		2009	
Europe	**$ 1,666**	**62%**	$ 1,930	73%	**$ 6,883** [1]	**69%**	$ 7,383	76%
Asia-Pacific	**578**	**22%**	379	14%	**1,678**	**17%**	1,091	11%
North America	**342**	**13%**	272	10%	**1,091**	**11%**	1,003	10%
Other	**91**	**3%**	71	3%	**357**	**3%**	279	3%
	$ 2,677	**100%**	$ 2,652	100%	**$ 10,009**	**100%**	$ 9,756	100%

(1) Decrease in revenues compared to fiscal year 2009 is attributable to the currency impact.

Rolling stock revenues

The $17-million increase for the fourth quarter is mainly due to:

- a positive currency impact ($144 million);
- increased activities in intercity, high speed and very high speed trains, mainly in China ($132 million); and
- increased activities in propulsion and controls in China ($27 million).

Partially offset by:

- lower activities in locomotives, mainly in the U.K. and Italy ($188 million); and
- lower activities in commuter and regional trains, mainly in the U.K. and France ($97 million).

The $601-million increase for the fiscal year is mainly due to increased activities:

- in commuter and regional trains and in metro, mainly in Germany, India, Denmark, France, Sweden and the U.K. ($502 million);
- in intercity, high speed and very high speed trains, mainly in China ($429 million);
- in locomotives, mainly in Germany and Spain ($240 million); and
- in propulsion and controls in China ($96 million).

Partially offset by:

- a negative currency impact ($347 million); and
- lower activities in locomotives, mainly in the U.K. and Italy ($216 million).

Services revenues

The $8-million decrease for the fourth quarter is mainly due to:

- a decrease in activities in Europe, mainly in the U.K. and Hungary, and in North America ($39 million).

Partially offset by:

- a positive currency impact ($33 million).

The $121-million decrease for the fiscal year is mainly due to a negative currency impact ($115 million).

System and signalling revenues

The $16-million increase for the fourth quarter is mainly due to a positive currency impact ($23 million).

The $227-million decrease for the fiscal year is mainly due to:

- last year’s payment of £95 million ($189 million) to Westinghouse Rail Systems Limited (“WRSL”) regarding the de-scoping of the Metronet Sub-Surface Lines signalling sub-contract, which under contract accounting led to an increase in costs and revenues by the same amount (no margin);
- a negative currency impact ($62 million);
- lower activities in systems in Europe and Asia ($62 million); and
- the reduced scope of the Metronet Sub-Surface Lines signalling contract ($46 million).

Partially offset by:

- an increase in activities in signalling in Europe and Asia ($115 million); and
- the ramp-up of a system project in South Africa ($46 million).

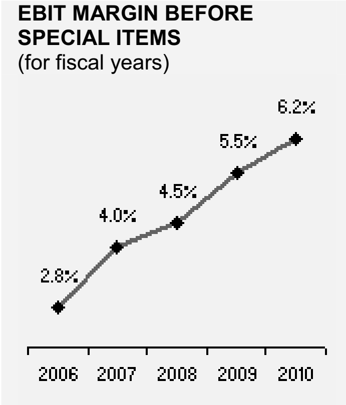
EBIT margin

The 0.5 percentage-point increase for the fourth quarter is mainly due to:

- better contract execution.

Partially offset by:

- higher SG&A expenses, mainly due to a high level of bid activities to capture significant new market opportunities; and
- higher R&D expenses related to our continuous upgrades in product offering.



The 0.7 percentage-point increase for the fiscal year is mainly due to:

- better contract execution, mainly in North America.

Partially offset by:

- a lower net gain recorded in other expense (income) compared to the same period last fiscal year related to foreign exchange fluctuations and certain financial instruments carried at fair value.

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 (income):

- provisions related to capacity adjustments to reflect the impact of timing of new orders in some market segments and sustain our competitiveness ($35 million for the fourth quarter, $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 property, plant and equipment ($8 million for the fourth quarter, $9 million for the fiscal year), positively impacting EBIT margin by 0.3% and 0.1% respectively.

The EBIT margins for the fourth quarter and fiscal year ended January 31, 2009 were also impacted by the following items recorded in other expense (income):

- a capacity adjustment in the U.K. ($33 million for the fourth quarter, $44 million for the fiscal year), negatively impacting EBIT margin by 1.2% and 0.4% respectively; and
- a gain on the sale of property, plant and equipment ($11 million for the fourth quarter, $32 million for the fiscal year), positively impacting EBIT margin by 0.4% and 0.3% respectively.

Free cash flow

Free cash flow

	Fourth quarters ended January 31		Fiscal years ended January 31	
	2010	2009 [(1)]	**2010**	2009 [(1)]
EBIT	**$ 182**	$ 167	**$ 625**	$ 533
Amortization	**39**	30	**127**	124
EBITDA	**221**	197	**752**	657
Other non-cash items:				
Gain on disposals of property, plant and equipment	**(8)**	(11)	**(9)**	(32)
Stock-based compensation	**6**	7	**23**	26
Net change in non-cash balances related to operations	**192**	237	**(317)**	(30)
Net additions to property, plant and equipment and intangible assets	**(39)**	(70)	**(156)**	(141)
Free cash flow	**$ 372**	$ 360	**$ 293**	$ 480

(1) Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests" (see the Accounting and reporting developments section in Other for further details). Comparative figures have been restated accordingly.

The $12-million increase for the fourth quarter is mainly due to lower net additions to property, plant and equipment and intangible assets ($31 million) and a higher EBITDA ($24 million), partially offset by a negative period-over-period variation in net change in non-cash balances related to operations ($45 million) (see explanations below).

The $187-million decrease for the fiscal year is mainly due to a negative period-over-period variation in net change in non-cash balances related to operations ($287 million) (see explanations below), partially offset by a higher EBITDA ($95 million).

Net change in non-cash balances related to operations

For the fourth quarter of fiscal year 2010, the $192-million cash inflow is mainly due to:

- deliveries in several contracts following the build-up of inventories in rolling stock in previous quarters, resulting in a decrease in inventories, partially offset by an increase in receivables; and
- order intake in previous quarters and the timing of related advance payments, leading to an increase in advances and progress billings.

For the fourth quarter of fiscal year 2009, the $237-million cash inflow was mainly due to:

- the ramp-up in production of projects received in fiscal years 2007 and 2008, leading to an increase in accounts payable and accrued liabilities, partially offset by a decrease in advances and progress billings in excess of related long-term contract costs and an increase in inventories; and
- the settlement of an outstanding customer claim in North America, resulting in a decrease in receivables.

For the fiscal year 2010, the $317-million cash outflow is mainly due to:

- higher activities in rolling stock, leading to an increase in inventories, partially offset by an increase in accounts payable and accrued liabilities.

Partially offset by:

- a higher level of advances received, leading to an increase in advances and progress billings.

For the fiscal year 2009, the $30-million cash outflow was mainly due to:

- the settlement of £95 million ($189 million) to WRSL.

Partially offset by:

- the ramp-up in production of projects received in fiscal years 2007 and 2008, leading to an increase in accounts payable and accrued liabilities, partially offset by a decrease in advances and progress billings in excess of related long-term contract costs and an increase in inventories; and
- the settlement of an outstanding customer claim in North America, resulting in a decrease in receivables.

Book-to-bill of 1.0 achieved in the context of a difficult environment

Order backlog

(in billions of dollars)	**January 31, 2010**	January 31, 2009
Rolling stock[1]	**$ 18.5**	$ 16.8
Services	**5.9**	5.4
System and signalling	**2.7**	2.5
	$ 27.1	$ 24.7

[1] Of which $12.4 billion, or 67% of rolling stock order backlog, had a percentage of completion from 0% to 25% as at January 31, 2010 ($10.8 billion, or 64%, as at January 31, 2009).

The increase is due to:

- the strengthening of foreign currencies as at January 31, 2010 compared to January 31, 2009, mainly the Euro and pound sterling compared to the U.S. dollar ($2.8 billion).

Partially offset by:

- revenues recorded being higher than order intake ($0.4 billion).

Order intake and book-to-bill ratio

		Fourth quarters ended January 31				Fiscal years ended January 31		
(in billions of dollars)		**2010**		2009		**2010**		2009
Rolling stock	**$**	**1.0**	$	2.1	**$**	**7.3**	$	6.3
Services		**0.6**		0.2		**1.2**		2.2
System and signalling		**0.2**		0.3		**1.1**		1.3
	$	**1.8**	$	2.6	**$**	**9.6**	$	9.8
Book-to-bill ratio		**0.7**		1.0		**1.0**		1.0

The decrease in order intake for the fourth quarter is mainly due to:

- lower order intake in rolling stock in Europe and Asia.

Partially offset by:

- higher order intake in services in Europe; and
- a positive currency impact ($172 million).

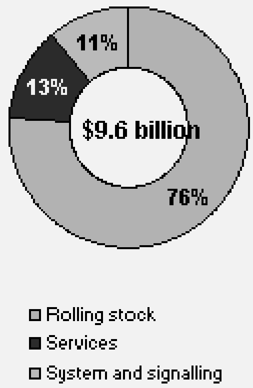
The slight decrease in order intake for the fiscal year is mainly due to:

- fewer orders received in services in Europe, as some customers are postponing orders given the current economic situation;
- lower order intake in rolling stock in Europe;
- a negative currency impact ($312 million); and
- lower order intake in system and signalling in Europe.

Partially offset by:

- higher order intake in rolling stock in Asia.

ORDER INTAKE
Fiscal year 2010



In fiscal year 2010, we maintained a book-to-bill ratio of 1.0. This highlights BT's ability to capture market opportunities in a more challenging environment.

We received the following major orders during fiscal year 2010:

Customer	Product or service	Number of cars	Rolling stock	Services	System and signalling
Chinese Ministry of Railways (MOR), China	*ZEFIRO* 380 very high speed trains	1,120	$ 2,000[(1)]	$ -	$ -
Toronto Transit Commission (TTC), Canada	*FLEXITY* trams	204	735	-	-
Deutsche Bahn AG (“DB”), Germany	ET 430 series EMUs	332	605	-	-
Berliner Verkehrsbetriebe (BVG), Germany	*FLEXITY* trams	99	431	-	-
RENFE, Spain	14-year contract for the maintenance of 30 AVE S/112 very high speed trains	-	-	405[(2)]	-
Régie Autonome des Transports Parisiens (RATP), France	Double-deck commuter trains	180[(3)]	386[(2)]	-	-
Trenitalia, Italy	E464 electric locomotives	100	383	-	-
Phoenix Sky Harbor International Airport, U.S.	*INNOVIA* APM system, and operations and maintenance	-	-	-	255
London Eastern Railways (National Express), U.K.	*ELECTROSTAR* EMUs and three-year maintenance contract	120	220	29	-
Verkehrsbetriebe Karlsruhe GmbH (VBK), Germany	*FLEXITY* Swift trams	30	190	-	-
DB, Germany, for use in Bavaria and Thuringia	*TALENT* 2 trains	91	140	-	-
Shanghai Shentong Metro Group Co., China	*MOVIA* metro cars	246	138[(1)]	-	-
Transitio AB, Sweden	*CONTESSA* trains	33	137	-	-
DB, Germany, for use in Central Hesse	*TALENT* 2 trains	82	131	-	-
Companhia do Metropolitano de São Paulo (CMSP), Brazil	Modernization services on the 30-year-old EMUs	-	-	120[(2)]	-
Undisclosed	EMUs	64[(3)]	108[(2)]	-	-

(1) Contract performed through a joint venture. Only the value of our proportionate share is stated.
(2) Contract includes consortium partner. Only the value of our share is stated.
(3) Contract includes consortium partner. Only the number of cars in our share is stated.

Subsequent to the end of the fourth quarter of fiscal year 2010, we signed a framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for a total of 129 trains valued at $1.6 billion, which are not included in the order backlog as at January 31, 2010, were obtained under this framework agreement. The total framework is for an estimated amount of $11 billion, based on the expected exercise of technical options.

Furthermore, we also received an order for 48 *TALENT* 2 trains from DB, Germany, amounting to $272 million, which is also not included in the order backlog as at January 31, 2010.

Stable workforce level

Total number of employees

	January 31, 2010	January 31, 2009
Permanent	**29,450**	29,400
Contractual	**4,350**	4,800
	33,800	34,200
Percentage of permanent employees covered by collective agreements	**56%**	64%

We are optimizing our footprint and aligning capacity where needed to sustain our competitiveness. This has resulted in an overall decrease in the number of employees by 1%. We have reduced our headcount in North America (mostly in Mexico) as well as in Europe (mostly in Hungary and the U.K.), while we have increased head count in our growing markets of Asia (mainly India). These shifts in the workforce have also decreased the percentage of permanent employees covered by collective agreements.

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 acquisition.

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 within 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 is below the guaranteed value. In most cases, these are guarantees provided at the end of a financing arrangement, ranging within 1 to 16 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 the first loss from a guaranteed level. A claim under the guarantee may typically be made only on 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, are mutually exclusive.

For more details, refer to Note 25 – Commitments and contingencies of 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. We may also provide interim financing to customers while permanent financing is being arranged.

As at January 31, 2010, we were committed to arrange financing for two customers in relation to the future sale of aircraft scheduled for delivery through fiscal year 2012, amounting to $142 million. In connection with these commitments, we have provided credit spread guarantees. The recorded fair value of these guarantees amounted to $9 million as at January 31, 2010. 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 financial difficulties in the commercial airline industry in general and of certain customers in particular, credit scarcity in the market, and by our current and future credit condition.

Other commitments and contingencies

In connection with our contracts with LUL Nominee BCV Ltd. and LUL Nominee SSL Ltd. for the modernization of the London Underground, we are committed to provide collateral (surety bonds and letters of credit) in support of our obligations. These commitments extend to calendar year 2018. As at fiscal year 2010, £150 million ($240 million) of surety bonds maturing in 2014 were outstanding. The period covered by the surety bonds must be extended by one year, every year. In the event that the bonds are not extended, we could have to provide, within one year, alternate collateral, which could reduce availability under the BT's letter of credit facility.

Government financial support

As at January 31, 2010, BA has invested $4.3 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 of these 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 such 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 aircraft programs, we have received from Federal and Provincial Canadian governments cumulative contingently repayable government investments amounting to $629 million Cdn as at January 31, 2010 ($590 million translated at the closing balance sheet rate). In connection with such government support, the total repayments amounted to $542 million Cdn as at January 31, 2010 ($509 million translated at the closing balance sheet rate). The estimated remaining undiscounted maximum amount repayable under these programs, mostly based on future deliveries of aircraft, amounted to $383 million Cdn ($360 million) as at January 31, 2010. In addition, we have received from the U.K. government a contingently repayable government investment amounting to £25 million as at January 31, 2010 ($40 million translated at the closing balance sheet rate). The estimated remaining undiscounted maximum amount repayable under this program, mostly based on future deliveries of aircraft, amounted to £27 million ($44 million) as at January 31, 2010.

In addition, we have received from the U.K. government cumulative contingently repayable investments in the amount of £24 million as at January 31, 2010 ($39 million translated at the closing balance sheet rate), which is mainly 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, 2010, 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, 2010		January 31, 2009	
	Assets	**Liabilities**	Assets	Liabilities
BA				
Financing structures related to the sale of regional aircraft[2]	**$ 6,537**	**$ 3,994**	$ 6,369	$ 3,555
BT				
Partnership arrangements[3]	**1,403**	**1,319**	1,094	1,015
Sale support guarantee	**372**	**366**	352	337
Cash collateral accounts	**-**	**-**	59	59
	8,312	**5,679**	7,874	4,966
Less assets and liabilities of consolidated VIEs:				
Financing structures related to the sale of regional aircraft	**10**	**-**	9	-
Cash collateral accounts	**-**	**-**	59	59
	10	**-**	68	59
Assets and liabilities of non-consolidated VIEs	**$ 8,302**	**$ 5,679**	$ 7,806	$ 4,907

(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 long-term services, such as the operation and maintenance of rail equipment. Our involvement with these entities results mainly from investments in their equity and through manufacturing and long-term service contracts.

The liabilities recognized as a result of consolidating certain VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating certain VIEs do not represent additional assets that could be used to satisfy claims against our general assets. The consolidation of debt resulting from the application of AcG-15 is generally excluded from the computation of our financial covenant ratios.

Financial arrangements

In addition to the off-balance sheet lease obligations disclosed in the Liquidity and capital resources section in Overview, we entered into a $150-million three-year sale and leaseback facility with a third party in fiscal year 2010. Under this facility, we can sell certain pre-owned business aircraft and lease them back for a 24-month period. We have the right to buy the aircraft back during the term of the lease for predetermined amounts. Aircraft amounting to $197 million were sold to this facility and leased back during fiscal year 2010, of which $147 million were outstanding as at January 31, 2010. In addition, we have another sale and leaseback facility with a third party under which an amount of $33 million was outstanding as at January 31, 2010 ($54 million as at January 31, 2009). Aircraft worth $20 million were sold to this facility and leased back 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 recourse, qualifying trade receivables. Trade receivables of $542 million were sold to these facilities during fiscal year ended January 31, 2010 ($18 million as at January 31, 2009), of which an amount of $194 million was outstanding as at January 31, 2010 ($18 million as at January 31, 2009).

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 not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business. To the extent possible, we apply risk assessment. Where practicable, we apply risk management 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 continued macroeconomic downturn in key markets, could result in a lower order intake, order cancellation or deferral, downward pressure on selling prices, increased inventory levels, curtailment of production activities, termination of employees and adverse impacts on our suppliers. The impacts of general economic risk on our business is discussed in Overview, BA and BT.
Business environment risk	Business environment risk is the risk of potential loss due to external risk factors, more specifically the financial condition of the airline industry 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, competition from other businesses, 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, global health risks and 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 management, reliance on information systems, as well as the successful integration of new acquisitions.
Financing risk	Financing risk is the risk of potential loss related to liquidity and access to capital markets, restrictive debt covenants, financing support provided for the benefit of certain customers, as well as government support.
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

Airline industry financial condition

The airline industry's financial condition and viability, as well as the ability of airlines to secure financing, influence the demand for BA's commercial aircraft. The nature of the airline industry makes it difficult to predict the timing of the impact of economic downturns or recoveries on the industry and cycles may be longer than expected. Continued cost and yield pressure in the airline industry puts pressure on the selling price of BA's products. An increased supply of used aircraft as companies downsize or discontinue operations also adds downward pressure on 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.

Rail industry financial condition

World economic and financial conditions may have a negative impact on some rail operators, particularly in the freight segment. Unfavourable economic conditions may result in 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 its cost structure.

Operational risk

Developing new products and services

The principal markets in which we operate experience change due to the introduction of new technologies. To meet our customers' needs, we must continuously design new products, update existing products and services, and invest and develop new technologies, which may require significant capital investments. Introducing new products requires a significant commitment to R&D, which may or may not be successful.

Our sales may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if the products are not approved by regulatory authorities, or if the products are not brought to market in a timely manner or 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, the Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), the Transport Safety Institute and national rail regulatory bodies or other regulatory authorities, could result in the service interruption of our products.

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 these contracts unilaterally.

We are exposed to risks associated with these 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, long-term contract revenues and costs are based, in part, on estimates that 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, the impact of change orders and the impact of delayed delivery.

Business partners

In some of the projects carried out through consortia or other partnership vehicles in BT, all partners are jointly and severally liable to the customer. The success of these partnerships is dependent on satisfactory performance by our business partners and us. 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, losses 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 after they are delivered to the customer. If discovered, we may not be able to correct defects in a timely manner, or at all. The occurrence of defects and failures in our products could result in warranty claims, negatively affect our reputation, 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 or disasters involving our products, or products for which we have provided services, including claims for serious personal injuries or death, and these accidents may include accidents caused by climatic factors, or by pilot or driver 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 cost 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 develop 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 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, disposal, storage, transportation, labelling and 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 certain 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 customers 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 (aluminum, advanced aluminum alloy, titanium) and services and major systems (engines, wings, nacelles and fuselages) in BA, and raw materials (steel, aluminum) and major systems (brakes, doors, heating, ventilation and air conditioning) in BT. A failure to meet performance specifications, quality standards, and delivery schedules by one or more suppliers could adversely affect our ability to meet our commitments to customers. Some of these suppliers participate in the development of products such as aircraft or rolling stock platforms. They also participate in the subsequent delivery of materials and major components 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 resources (including collective agreements)

Human resource risk would arise if we were unable to recruit, retain, and motivate highly skilled employees, including those involved in the R&D 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 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, debt and cash flow generated from operations. 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 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 and revolving facilities includes financial covenants requiring a minimum EBITDA to fixed charges ratio, a maximum 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.

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 also 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 may also provide interim financing while a permanent financing solution is being arranged, which includes loans made to customers and, on a limited basis, the leasing of aircraft to customers. We face the risk that certain customers may not be able to obtain permanent financing.

We may also provide, directly or indirectly, credit and residual value guarantees to airlines to support financing for airlines or to support financings by certain SPEs created solely i) to purchase our commercial aircraft and to lease those aircraft to airlines and 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.

Government support

From time to time, we receive various types of financial government support. Some of these financial support programs require that we pay amounts to the government at the time of delivery of products, contingent on achievement of an agreed-upon minimum level of related product sales. 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 or any substantial reduction in the availability of government support could negatively impact our liquidity assumptions regarding the development of aircraft or new 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, in particular Euros, Canadian dollars and pounds sterling. Our results of operations are therefore affected by movements in these currencies against the U.S. dollar. Significant long-term fluctuations in relative currency values could therefore have a significant impact on our future profitability.

Interest rate risk

We are exposed to fluctuation in our future cash flows arising from changes in interest rates through our variable-rate financial assets and liabilities, including long-term debt synthetically converted to variable interest rates, and through 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 Banker’s Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, which include marketability risk, through our financial instruments carried at fair value, including 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 (“RVG”) provided in support of regional aircraft sales. We may provide RVGs either directly to the customer or to the financing party that participates in the long-term financing associated with the sale of regional aircraft. RVGs are offered as a strip of the value of the aircraft and are always capped. 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. We are required to make payments under these RVGs when the resale value of the aircraft falls within the strip covered by the guarantee.

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.

ACCOUNTING AND REPORTING DEVELOPMENTS

Changes in accounting policies

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the AcSB released Section 1582 “Business combinations”, Section 1601 “Consolidated financial statements” and Section 1602 “Non-controlling interests”, which replace Section 1581 “Business combinations” and Section 1600 “Consolidated financial statements”.

Section 1582 provides the Canadian equivalent to IFRS 3 "Business Combinations". The new recommendations require measuring business acquisitions at the fair value of the acquired business, including the measurement at fair value of items such as non-controlling interests and contingent payment considerations. Also, the previously unrecognized deferred tax assets related to the acquiree subsequent to the business combination are recognized in the consolidated statements of income rather than as a reduction in goodwill. In addition, business acquisition-related costs are expensed as incurred.

The adoption of Section 1582 should have a material effect on the accounting for business combinations that occur subsequent to February 1, 2009. Past acquisitions are not restated.

Section 1601, together with Section 1602, replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements and is aligned with the corresponding provisions of Section 1600.

Section 1602 is aligned with the corresponding provisions of IAS 27, “Consolidated and Separate Financial Statements”, and establishes standards for accounting for non-controlling interests in a subsidiary subsequent to a business combination. Section 1602 introduces a number of changes, for example:

- in the consolidated balance sheets and consolidated statements of shareholders’ equity, non-controlling interests are now presented as a separate component of shareholders’ equity rather than as a liability;
- non-controlling interests are no longer recorded as a deduction of net income and total comprehensive income as a result of their presentation in equity;
- for the purpose of computing EPS, net income is attributed between the shareholders of Bombardier Inc. and the non-controlling interests based on their respective economic interests. The components of OCI are attributed following the same logic; and
- changes in non-controlling ownership interests not resulting in a loss of control are accounted for as equity transactions, with no gains and losses recorded in the consolidated statements of income.

We have elected to early adopt these sections, effective February 1, 2009, in order to more closely align ourselves with IFRS and mitigate the impact of adopting IFRS at the changeover date. In accordance with the transitional provisions, these sections have been applied prospectively, except for the presentation requirements for non-controlling interests, which must be applied retrospectively. The adoption of these sections did not have a significant impact on our consolidated financial statements but gave rise to the above-mentioned reclassifications of non-controlling interests.

Future changes in accounting policies

IFRS

In February 2008, the AcSB confirmed that Canadian GAAP for 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. Our first reporting under IFRS is required for interim and annual financial statements beginning on February 1, 2011. We have developed a plan anchored around four phases to convert our Consolidated Financial Statements to IFRS. For more details on our IFRS conversion plan, refer to the IFRS conversion section of Overview.

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, accrued 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 rates. A description on how we manage these risks is included in Note 23 – Financial risk management to the Consolidated Financial Statements and in the Strategy section in Overview.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in the Notes to 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, if different estimates could reasonably have been used, or if changes in the estimate that could have a material impact on our financial condition or results of operations are likely to occur from period to period.

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.

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.

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 most 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 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 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 is discussed in Note 22 – Fair value of financial instruments to the Consolidated Financial Statements.

Sensitivity analysis
Our main exposures to changes in the fair value of financial instruments are related to foreign exchange and interest rate derivative financial instruments and commercial aircraft loans and lease receivables. These financial instruments are all measured at fair value in our Consolidated Financial Statements.

Derivative financial instruments
Derivative financial instruments are mostly exposed to changes in foreign exchange rates and interest rates. For derivative financial instruments exposed to foreign currency movements, an appreciation of 10% in the following currencies would have had the following impact on EBT, before giving effect to the related hedged items, and on OCI for derivatives designated in a cash flow hedge relationship, before income taxes, as at January 31, 2010:

Gain (loss)	CAD/USD	GBP/USD	USD/Euro	Euro/USD	Other
Impact on EBT	$ 11	$ -	(53)	$ 141	$ 15
Impact on OCI before income taxes	$ 183	$ 74	(49)	$ 10	$ (23)

Refer to Note 23 – Financial risk management of the Consolidated Financial Statements which presents a foreign exchange rate sensitivity of the Corporation's financial instruments recorded on its balance sheets, which give effect to economic hedges.

Since the majority of our interest rate derivative financial instruments are designated in a fair value hedge relationship, a shift of 100 basis points in the yield curves as at January 31, 2010 would have had no significant impact on EBT.

Commercial aircraft loans and lease receivables
Changes in the fair value of these financial instruments are mostly affected by changes in interest rates. Assuming a 100-basis point increase in interest rates as of January 31, 2010, EBT would have been negatively impacted by $24 million for fiscal year 2010.

Credit and residual value guarantees

We have issued credit and residual value guarantees in connection with the sale of commercial aircraft. Guarantees are initially recognized at fair value on the date the guarantees are unconditionally given. These guarantees are subsequently remeasured using the settlement-value method. The settlement value represents an estimate of what we expect to pay under these guarantees, so it does not take into consideration our own credit risk in establishing the value.

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 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. In addition, we use aircraft residual value curves obtained from independent appraisers adjusted to reflect the specific factors of the current aircraft market.

Sensitivity analysis
Our main exposures to changes in the value of credit and residual value guarantees are related to the residual value curves of the underlying aircraft and interest rate. The following are presented in isolation from one another.

Assuming an adverse change of 1% in the residual value curves as at January 31, 2010, EBT would have been negatively impacted by $18 million for fiscal year 2010. Assuming a positive change of 1% in the residual value curves as at January 31, 2010, EBT would have been positively impacted by $11 million for fiscal year 2010.

Assuming a 100-basis point decrease in interest rates as of January 31, 2010, EBT would have been negatively impacted by $14 million for fiscal year 2010.

Aerospace program tooling

Aerospace program tooling is amortized over ten years and is reviewed for impairment when certain events or changes in circumstances indicate that the carrying amount of the tooling may not be recoverable. The recoverability test is performed using undiscounted expected future net cash flows that are directly associated with the asset's use. An impairment charge is recorded when the undiscounted value of the expected future cash flow is less than the carrying value of program tooling. The amount of impairment, if any, is measured as the difference between the carrying value and the fair value of the program tooling. Estimates of net future cash flows over the remaining useful life of program tooling are subject to uncertainties with respect to expected selling prices.

Long-term contracts

BT conducts most of its business under long-term contracts with customers. Revenues and margins from long-term contracts relating to designing, engineering or manufacturing of products, including vehicle and component overhaul, are mostly recognized using the percentage-of-completion method. 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 estimates in determining total contract costs, revenues and percentage of completion.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Total contract costs are estimated based on forecasted costs of materials, inflation rates, foreign exchange rates, labour productivity, and employment levels and salaries, and are driven by the nature and complexity of the work to be performed, the impact of change orders and the impact of delayed delivery. Cost estimates are based mainly on economic trends and projections, collective agreements, information provided by suppliers and historical performance trends.

Revenue estimates are based on 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. Contract change orders and claims are included in revenue when they can be reliably estimated and realization is probable.

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.

Recognized revenues and margins are subject to revisions as the contract progresses to completion. We conduct quarterly reviews, and a detailed annual review as part of our annual budget process, of our estimated costs to complete, percentage-of-completion estimates and revenues and margins recognized, on a contract-by-contract basis. The effect of any revision is accounted for by way of a cumulative catch-up adjustment in the period in which the revision takes place.

If a contract review indicates a negative gross margin, the entire expected loss on the contract is recognized in the period in which the negative gross margin is identified.

Sensitivity analysis
A 1% increase in the estimated future costs to complete all ongoing contracts accounted for under the percentage-of-completion method in BT would have decreased margin by approximately $66 million for fiscal year 2010.

Goodwill

Goodwill recorded is mainly the result of the 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 on 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, the 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. We selected the fourth quarter as our annual testing period for goodwill.

Future cash flows are forecasted based on our best estimate of revenues, production costs, manufacturing overhead and other costs. These estimates are made by reviewing existing contracts, expected future orders, current cost structure, anticipated cost variations, collective agreements and general market conditions.

Variable interest entities

We consolidate VIEs for which we assume a majority of the risk of losses, or for which we are entitled to receive a majority of the 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 generally must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value at the date the variable interest holder became the primary beneficiary. See Note 26 – Variable interest entities to the Consolidated Financial Statements, for additional information on VIEs. We revise our initial determination of the accounting for VIEs when certain events occur, such as changes in related governing documents or contractual arrangements.

We use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether an entity is a VIE, and to analyze and calculate our expected losses and our expected residual returns. These processes involve estimating the future cash flows and performance of the VIE, analyzing the variability in those cash flows from expected cash flows, and allocating the expected losses and expected returns among the identified parties holding variable interests to then determine who is the primary beneficiary. In addition, there is a significant amount of judgment exercised in applying these consolidation rules to our transactions.

Variable interest includes credit and residual value guarantees to certain SPEs created solely to purchase commercial aircraft, subordinated debt, and equity investments related to partnership arrangements entered into to provide manufactured rail equipment, civil engineering work and related long-term services.

Product warranties

We issue warranties for products sold related to systems, accessories, equipment, parts and software that we develop. A provision for warranty cost is recorded when revenue for the underlying product is recognized. The cost is estimated based on a number of factors, including historical warranty claims and cost experience, the type and duration of warranty coverage, the nature of the products sold and the counter-warranty coverage available from our suppliers.

We review our product warranty provisions quarterly, and any adjustment is recognized to income. Warranty expense is recorded as a component of cost of sales.

Employee future benefits

Pension and other employee benefit costs and obligations are dependent on assumptions used in calculating such amounts. The discount rate, the expected long-term rate of return on plan assets and the rate of compensation increase are important elements of cost and obligation measurement. Other assumptions include the inflation rate and the health-care cost trend rate, as well as demographic factors such as retirement, mortality and turnover rates. All assumptions are reviewed on an annual basis.

The discount rate is used to determine the present value of the estimated future benefit payments on the measurement date. We have little discretion in selecting the discount rate, as it must represent the market rates for high-quality fixed-income investments available for the period to maturity of the benefits. A lower discount rate increases the benefit obligation and generally increases benefit cost.

The expected long-term rate of return on plan assets is determined considering historical returns, future estimates of long-term investment returns and asset allocations. A lower expected return assumption increases benefit cost.

The rate of compensation increase is determined considering current salary structure, historical wage increases and anticipated wage increases.

Sensitivity analyses are presented in the Pension 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, 2010 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, 2010	January 31, 2009	Increase
Euro	**1.3870**	1.2803	8%
Canadian dollar	**0.9390**	0.8088	16%
Pound sterling	**1.6008**	1.4411	11%

The average exchange rates used to translate revenues and expenses were as follows for the fourth quarters ended January 31:

	2010	2009	Increase
Euro	**1.4388**	1.3160	9%
Canadian dollar	**0.9452**	0.8156	16%
Pound sterling	**1.6222**	1.4904	9%

The average exchange rates used to translate revenues and expenses were as follows for the fiscal years ended January 31:

	2010	2009	Decrease
Euro	**1.4018**	1.4583	(4%)
Canadian dollar	**0.8918**	0.9294	(4%)
Pound sterling	**1.5791**	1.8097	(13%)

INVESTOR INFORMATION

Authorized, issued and outstanding share data as at February 28, 2010

	Authorized	Issued and outstanding
Class A Shares (Multiple Voting)(1)	1,892,000,000	316,145,137
Class B Shares (Subordinate Voting)(2)	1,892,000,000	1,413,505,869 (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 25,098,637 Class B Shares (Subordinate Voting) purchased and held in trust in connection with the PSU plan.

Share option, PSU and DSU data as at January 31, 2010

Options issued and outstanding under the share option plans	39,001,075
PSUs and DSUs issued and outstanding under the PSU and DSU plans	17,012,267
Class B Shares held in trust to satisfy PSU obligations	(25,098,637)

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

First Quarterly Report, for the period ended April 30, 2010	June 2, 2010
Second Quarterly Report, for the period ended July 31, 2010	September 1, 2010
Third Quarterly Report, for the period ended October 31, 2010	December 2, 2010
Annual Report, for the fiscal year ended January 31, 2011	March 31, 2011

Information

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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 2008 to 2010.

The following table provides selected financial information for the last three fiscal years.

(in millions of U.S. dollars, except per share amounts)	**2010**	2009	2008
For fiscal years			
Revenues	**$ 19,366**	$ 19,721	$ 17,506
EBIT before special items[(1)]	**$ 1,098**	$ 1,429	$ 910
EBIT[(1)]	**$ 1,098**	$ 1,429	$ 748
EBT before special items[(1)]	**$ 915**	$ 1,291	$ 609
EBT[(1)]	**$ 915**	$ 1,291	$ 447
Net income[(1)]	**$ 707**	$ 1,026	$ 325
EPS (in dollars):			
Basic	**$ 0.39**	$ 0.57	$ 0.17
Diluted	**$ 0.39**	$ 0.56	$ 0.16
Cash dividends declared per share (in Cdn dollars):			
Class A Shares (Multiple Voting)	**$ 0.10**	$ 0.08	$ -
Class B Shares (Subordinate Voting)	**$ 0.10**	$ 0.08	$ -
Series 2 Preferred Shares	**$ 0.59**	$ 1.15	$ 1.52
Series 3 Preferred Shares	**$ 1.32**	$ 1.32	$ 1.34
Series 4 Preferred Shares	**$ 1.56**	$ 1.56	$ 1.56
As at January 31			
Total assets	**$ 21,273**	$ 21,306	$ 22,120
Long-term debt	**$ 4,162**	$ 3,952	$ 4,393
Shareholders' equity[(1)]	**$ 3,769**	$ 2,610	$ 3,184

(1) Effective February 1, 2009, we elected to early adopt Section 1602 “Non-controlling interests” (see the Accounting and reporting developments section in Other for further details). Comparative figures include a reclassification of non-controlling interests from other income to net income attributable to non-controlling interests.

The quarterly data table is shown hereafter.

March 31, 2010

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

The printed version of this annual report uses Rolland Opaque 50 paper, containing 50% post-consumer fibres, certified Eco-Logo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 221 mature trees,13,239 lbs of solid waste, 32,421 lbs of atmospheric emissions (equivalent to 2.9 car per year) and 473,006 litres of water (equivalent to a shower of 26.3 days).

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Un exemplaire en français est disponible sur demande adressée auprès du Service des Affaires publiques ou sur notre site Internet à l'adresse www.bombardier.com sous Relations avec les investisseurs.

BOMBARDIER INC.
QUARTERLY DATA
(UNAUDITED)
(In millions of U.S. dollars, except per share amounts)

For the fiscal years ended January 31	**2010**	**2010**	**2010**	**2010**	**2010**	2009 [1]	2009 [1]	2009 [1]	2009 [1]	2009 [1]
	Total	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**	Total	Fourth quarter	Third quarter	Second quarter	First quarter
Revenues										
BA	**$ 9,357**	**$ 2,675**	**$ 2,064**	**$ 2,399**	**$ 2,219**	$ 9,965	$ 2,777	$ 2,292	$ 2,516	$ 2,380
BT	**10,009**	**2,677**	**2,533**	**2,547**	**2,252**	9,756	2,652	2,279	2,416	2,409
	19,366	**5,352**	**4,597**	**4,946**	**4,471**	19,721	5,429	4,571	4,932	4,789
EBIT										
BA	**473**	**106**	**103**	**154**	**110**	896	271	176	243	206
BT	**625**	**182**	**159**	**159**	**125**	533	167	120	128	118
Income before the following:	**1,098**	**288**	**262**	**313**	**235**	1,429	438	296	371	324
Financing income	**(96)**	**(9)**	**(29)**	**(23)**	**(35)**	(270)	(47)	(80)	(82)	(61)
Financing expense	**279**	**69**	**70**	**72**	**68**	408	103	105	118	82
EBT	**915**	**228**	**221**	**264**	**202**	1,291	382	271	335	303
Income taxes	**208**	**49**	**53**	**62**	**44**	265	70	45	76	74
Net income	**$ 707**	**$ 179**	**$ 168**	**$ 202**	**$ 158**	$ 1,026	$ 312	$ 226	$ 259	$ 229
Attributable to:										
Shareholders of Bombardier Inc.	**$ 698**	**$ 177**	**$ 167**	**$ 198**	**$ 156**	$ 1,008	$ 309	$ 222	$ 251	$ 226
Non-controlling interests	**$ 9**	**$ 2**	**$ 1**	**$ 4**	**$ 2**	$ 18	$ 3	$ 4	$ 8	$ 3
EPS (in dollars):										
Basic	**$ 0.39**	**0.10**	**$ 0.09**	**$ 0.11**	**$ 0.09**	$ 0.57	$ 0.17	$ 0.12	$ 0.14	$ 0.13
Diluted	**$ 0.39**	**0.10**	**$ 0.09**	**$ 0.11**	**$ 0.09**	$ 0.56	$ 0.17	$ 0.12	$ 0.14	$ 0.12
Market price range of Class B Shares (in Cdn dollars)										
High	**$ 5.64**	**$ 5.64**	**$ 5.35**	**$ 4.45**	**$ 3.91**	$ 8.97	$ 5.48	$ 8.50	$ 8.97	$ 6.88
Low	**$ 2.22**	**$ 4.30**	**$ 3.78**	**$ 3.16**	**$ 2.22**	$ 3.17	$ 3.50	$ 3.17	$ 6.38	$ 4.64

[1] Refer to Note 1 for impact of new accounting policies.

BOMBARDIER INC.
HISTORICAL FINANCIAL SUMMARY
CONSOLIDATED BALANCE SHEETS
(In millions of U.S. dollars)

As at January 31	**2010**	2009 [1]	2008 [1]	2007 [1]	2006 [1]
Assets					
Cash and cash equivalents	**$ 3,372**	$ 3,470	$ 3,602	$ 2,648	$ 2,917
Invested collateral	**682**	777	1,295	1,129	-
Receivables	**1,897**	1,981	1,998	1,789	1,684
Aircraft financing	**473**	418	626	1,042	1,457
Inventories	**5,268**	5,522	5,092	5,275	4,715
Property, plant and equipment	**1,643**	1,568	1,732	1,602	1,616
Intangible assets	**1,696**	1,399	1,451	1,492	1,646
Fractional ownership deferred costs	**271**	444	500	390	270
Deferred income taxes	**1,166**	1,216	935	813	653
Accrued benefit assets	**1,070**	926	924	461	384
Derivative financial instruments	**482**	626	458	39	42
Goodwill	**2,247**	2,010	2,533	2,286	2,142
Assets held for sale	**-**	-	-	-	237
Other assets	**1,006**	949	974	925	635
	$ 21,273	$ 21,306	$ 22,120	$ 19,891	$ 18,398
Liabilities					
Accounts payable and accrued liabilities	**$ 7,427**	$ 6,922	$ 6,853	$ 6,779	$ 6,821
Advances and progress billings in excess of related long-term contract costs	**1,899**	2,072	2,791	1,882	1,640
Advances on aerospace programs	**2,092**	2,991	2,926	1,875	1,467
Fractional ownership deferred revenues	**346**	573	631	487	325
Deferred income taxes	**65**	-	-	-	9
Long-term debt	**4,162**	3,952	4,393	5,080	4,747
Accrued benefit liabilities	**1,084**	992	1,066	995	877
Derivative financial instruments	**429**	1,194	276	13	17
Liabilities related to assets held for sale	**-**	-	-	-	42
	17,504	18,696	18,936	17,111	15,945
Shareholders' equity					
Preferred shares	**347**	347	347	347	347
Common shareholders' equity	**3,354**	2,197	2,771	2,386	2,078
Equity attributable to shareholders of Bombardier Inc.	**3,701**	2,544	3,118	2,733	2,425
Equity attributable to non-controlling interests	**68**	66	66	47	28
	3,769	2,610	3,184	2,780	2,453
	$ 21,273	$ 21,306	$ 22,120	$ 19,891	$ 18,398

[1] Refer to Note 1 for impact of new accounting policies.

BOMBARDIER INC.
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	2010	2009 [1]	2008 [1]	2007 [1]	2006 [1]
Revenues					
BA	**$ 9,357**	$ 9,965	$ 9,713	$ 8,296	$ 8,142
BT	**10,009**	9,756	7,793	6,586	6,639
	$ 19,366	$ 19,721	$ 17,506	$ 14,882	$ 14,781
Income from continuing operations before special items, financing income and expense and income taxes					
BA	**$ 473**	$ 896	$ 563	$ 323	$ 266
BT	**625**	533	347	264	184
	1,098	1,429	910	587	450
Special items					
BT	**-**	-	162	24	88
Income from continuing operations before financing income and expense and income taxes					
BA	**473**	896	563	323	266
BT	**625**	533	185	240	96
	1,098	1,429	748	563	362
Financing income	**(96)**	(270)	(225)	(157)	(156)
Financing expense	**279**	408	526	375	363
Income from continuing operations before income taxes	**915**	1,291	447	345	155
Income taxes	**208**	265	122	92	15
Income from continuing operations	**707**	1,026	325	253	140
Income from discontinued operations, net of tax	**-**	-	-	25	114
Net income	**$ 707**	$ 1,026	$ 325	$ 278	$ 254
Attributable to:					
Shareholders of Bombardier Inc.	**$ 698**	$ 1,008	$ 317	$ 268	$ 249
Non-controlling interests	**$ 9**	$ 18	$ 8	$ 10	$ 5
EPS (in dollars):					
Basic					
From continuing operations	**$ 0.39**	$ 0.57	$ 0.17	$ 0.12	$ 0.06
Net income	**$ 0.39**	$ 0.57	$ 0.17	$ 0.14	$ 0.13
Diluted					
From continuing operations	**$ 0.39**	$ 0.56	$ 0.16	$ 0.12	$ 0.06
Net income	**$ 0.39**	$ 0.56	$ 0.16	$ 0.14	$ 0.13
General information for continuing operations					
Export revenues from Canada	**$ 6,435**	$ 7,002	$ 6,670	$ 5,715	$ 5,271
Additions to property, plant and equipment and intangible assets	**$ 805**	$ 621	$ 472	$ 344	$ 331
Amortization	**$ 498**	$ 555	$ 512	$ 518	$ 545
Dividend per common share (in Cdn dollars)					
Class A	**$ 0.10**	$ 0.08	$ -	$ -	$ -
Class B	**$ 0.10**	$ 0.08	$ -	$ -	$ -
Dividend per preferred share (in Cdn dollars)					
Series 2	**$ 0.59**	$ 1.15	$ 1.52	$ 1.46	$ 1.12
Series 3	**$ 1.32**	$ 1.32	$ 1.34	$ 1.37	$ 1.37
Series 4	**$ 1.56**	$ 1.56	$ 1.56	$ 1.56	$ 1.56
Number of common shares (in millions)	**1,730**	1,730	1,731	1,739	1,745
Book value per common share (in dollars)	**$ 1.94**	$ 1.27	$ 1.60	$ 1.37	$ 1.19
Shareholders of record	**13,666**	13,540	13,843	13,539	13,600
Market price ranges					
(in Cdn dollars)					
Class A					
High	**$ 5.63**	$ 9.00	$ 7.00	$ 4.61	$ 3.69
Low	**$ 2.29**	$ 3.25	$ 4.10	$ 2.69	$ 2.34
Close	**$ 5.04**	$ 3.85	$ 4.96	$ 4.48	$ 3.02
Class B					
High	**$ 5.64**	$ 8.97	$ 6.97	$ 4.62	$ 3.66
Low	**$ 2.22**	$ 3.17	$ 4.06	$ 2.68	$ 2.28
Close	**$ 5.04**	$ 3.80	$ 4.95	$ 4.45	$ 2.98

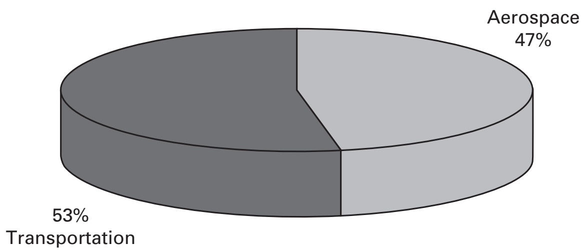
[1] Refer to Note 1 for impact of new accounting policies.

OUR COMPANY

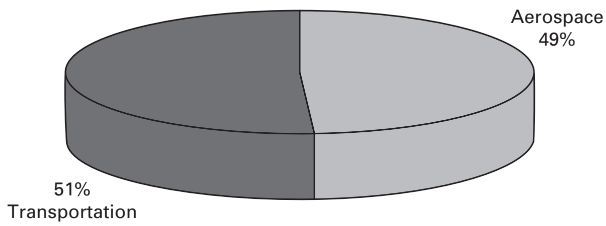
We are a world-leading manufacturer of innovative transportation solutions, from commercial aircraft and business jets to rail transportation equipment, systems and services. Our three families of business jets, combined, represent the most comprehensive offering of all business aircraft manufacturers. We also offer the broadest portfolio of products and services in the rail industry. Our product portfolio positions us as number one in most of our markets. As of January 31, 2010, we had a total of 64,050[5] employees, 68 production and engineering sites in 23 countries, and a worldwide network of service centres. We have customers in over 100 countries. For the twelve-month period ended July 31, 2010, we generated revenues of $18.3 billion and EBITDA of $1,467 million. Our revenues for the twelve-month period ended July 31, 2010 have grown by 23% compared to fiscal year 2007. As of July 31, 2010, we had a backlog of $47.4 billion.

Bombardier operates in two reportable segments: Aerospace ("*BA*") and Transportation ("*BT*"). BA is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, commercial, amphibious and specialized aircraft markets. BA has a legacy of innovation in the aviation industry. We entered the aerospace segment in 1986 and have launched 25 aircraft programs since 1989, making us a leader in civil aircraft development. As of January 31, 2010, BA had 10 manufacturing and engineering sites and an international service and support network, with a presence in 22 countries. BA had a workforce of 28,900 employees as of January 31, 2010. BT is a global leader in the design and manufacture of rail equipment and systems and a provider of related services. As of January 31, 2010, BT had 58 production and engineering sites in 23 countries, and operated over 40 service centres at customers' premises across the world. As of January 31, 2010, BT had customers in more than 60 countries, and its 34,950[1] employees were employed in 36 countries.

Breakdown by Revenues
(for the 12-month period ended July 31, 2010)
$18.3 billion



Breakdown by EBITDA
(for the 12-month period ended July 31, 2010)
$1,467 million



[5] Restated to include inactive employees.

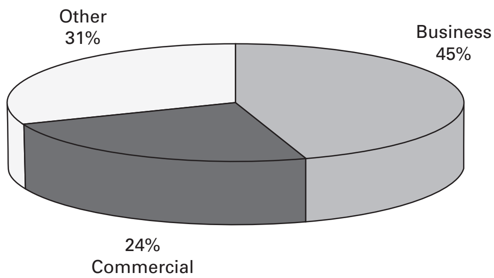
OUR BUSINESS

Aerospace

BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets and amphibious and specialized aircraft. BA also offers after-market services, including parts requirements, maintenance services and pilot training, as well as fractional ownership and flight entitlement programs.

During the twelve-month period ended July 31, 2010, BA generated revenues of $8.6 billion and EBITDA of $718 million. BA had a backlog of $17.1 billion as of July 31, 2010.

Breakdown of Total BA Revenues
(for the 12-month period ended July 31, 2010)
$8.6 billion



BA's customers are located in over 100 countries and are primarily civil owner operators or aviation service providers. They consist primarily of corporations and high net worth individuals for business aircraft, and airlines and leasing companies for commercial aircraft. *Flexjet* also serves the private jet travel needs of corporations and high net worth individuals in the United States without the requirement for them to purchase and manage an entire aircraft. The United States and European markets represented 39% and 32% of BA's total revenues, respectively, for fiscal year 2010.

Aircraft are produced by manufacturing facilities located in Canada (Québec and Ontario), the United States (Kansas), the United Kingdom (Northern Ireland) and Mexico (Querétaro). Operations conducted in those facilities vary from manufacture or assembly of aircraft components and parts, to final aircraft assembly, interior finishing, painting and pre-flight activities.

The raw materials and the various components and systems required to manufacture the aircraft are procured around the world and this procurement varies from product to product. Most such materials, components and systems are provided by suppliers with which BA generally has long-term contracts, as BA seeks long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support customers with related services. BA is continuously assessing and streamlining its supplier base to ensure an efficient global supply chain and sustainable procurement processes. Within its supply chain, BA has built relationships with suppliers present in over 40 countries.

BA Products and Services Offering

Business Aircraft	Commercial Aircraft	Other
Light business jets	*40- to 100- seat regional jets*	***Amphibious and Specialized Aircraft***
■ Learjet 40 XR	■ CRJ200(2)	■ Bombardier 415
■ Learjet 45 XR	■ CRJ700/CRJ705 NextGen	■ Bombardier 415 MP
■ Learjet 60 XR	■ CRJ900 NextGen	
■ Learjet 85(1)	■ CRJ1000 NextGen(1)	
Medium business jets	*60- to 90-seat turboprops*	***Aircraft Services***
■ Challenger 300	■ Q400 NextGen	
■ Challenger 605		*Customer Services*
■ Challenger 800 Series	*100- to 149-seat commercial jets*	■ Parts logistics
	■ CS100(1)	■ Aircraft maintenance
	■ CS300(1)	
Large business jets		■ Training solutions
■ Global 5000		■ Tailored per hour parts and services solutions
■ Global Express XRS		■ Customer support
■ Global 8000(1)		
■ Global 7000(1)		
		Flexjet Program in the United States
		■ Fractional ownership
		■ Jet card programs
		■ Whole aircraft ownership and management
		■ Charter brokerage services

(1) Currently in development.
(2) Not currently in production.

Business Aircraft. BA markets, sells and provides customer support for its three families of business jets. The *Global* family (Large business jets category) includes the *Global 5000* aircraft, the *Global Express XRS* aircraft and the *Global 7000* and *Global 8000* aircraft, which are currently in development. The *Challenger* family (Medium business jets category) includes the *Challenger 300, Challenger 605* and the *Challenger 800* Series. The *Learjet* family (Light business jets category) includes the *Learjet 40 XR* aircraft, the *Learjet 45 XR* aircraft, the *Learjet 60 XR* aircraft, as well as the *Learjet 85* aircraft, which is currently in development. Business aircraft manufacturing revenues contributed to 45% of BA's revenue in the twelve-month period ended July 31, 2010.

The General Aviation Manufacturers Association ("*GAMA*"), in its report dated February 16, 2010, confirmed that BA was the leader in terms of revenues in the business aircraft market categories in which it competes for a sixth consecutive year, with a market share of 32%. Moreover, according to the same report, during the calendar year 2009, BA became the leader in unit deliveries with a market share of 30%[6]. According to the latest GAMA report dated August 4, 2010, BA continued to be the business aircraft industry leader in terms of revenues and units delivered in the business aircraft categories in which it competes for the first six months of calendar year 2010.

Commercial Aircraft. BA markets and sells the *CRJ* family of regional jets, the *Q400* turboprop and the *CSeries* aircraft family and also provides maintenance and modification services to its customers. According to publicly available competitor reports, for calendar year 2009, based on deliveries in the commercial aircraft market, BA had a 37%[2] market share for regional jets of 40 to 100 seats and 54%[2] for turboprops of 20 to 99 seats.

[6] Assessment of market share in the aircraft industry is based on delivery data for the calendar year and thus does not correspond with the number of aircraft deliveries recorded during our fiscal year ended January 31.

Commercial aircraft manufacturing revenues contributed to 24% of BA's revenues in the twelve-month period ended July 31, 2010.

The *CRJ* family consists of the *CRJ200* aircraft (currently not in production), the *CRJ700 NextGen* aircraft, the *CRJ900 NextGen* aircraft and the *CRJ1000 NextGen* aircraft (currently in development) launched in February 2007, designed specifically to meet the growing passenger needs of regional airlines for jets up to 100 seats. The first production aircraft of the *CRJ1000 NextGen* aircraft has completed its first flight. As of July 31, 2010, the *CRJ1000 NextGen* has completed approximately 95% of the total flight test program, and is expected to enter into service in the second half of calendar year 2010.

The *Q400 NextGen* turboprop airliner is the next step in the continuing evolution of the *Q400* aircraft. It entered into service in May 2009. BA has discontinued the production of the *Q200* and the *Q300*. BA will continue to support all 105 *Q200* and 267 *Q300* aircraft delivered as of January 31, 2010.

The *CSeries* family of commercial aircraft consists of the *CS100* aircraft and the *CS300* aircraft, and is set to redefine the 100- to 149-seat category with operational flexibility, cost effectiveness and passenger comfort. The *CSeries* aircraft design incorporates the latest technologies: new, largely composite and advanced aluminium alloys structure; latest systems include fly-by-wire combined with fourth-generation aerodynamics; and PurePower™ PW1000G[7] engines, which allow reduced fuel burn, noise and emissions. The *CSeries* family of aircraft is designed to provide transcontinental range and superior field performance, and up to 15% lower cash operating costs, up to 20% lower fuel burn and CO_2 emissions and 50% lower NOx emissions, all subject to certain operating conditions[8].

During fiscal year 2010, the *CSeries* program has continued to undergo various development activities. Major demonstrator parts were manufactured during fiscal year 2010: a composite wing by Shorts in Belfast and an advanced aluminum alloy fuselage barrel by Shenyang Aircraft Corporation. Both demonstrators have now been fully instrumented and will undergo extensive structural testing through fiscal year 2011. Construction has started on production and testing facilities in Mirabel for the Complete Integrated Aircraft Test Area (CIASTA) and in Belfast for the new 600,000 sq. ft. wing manufacturing facility.

The CIASTA is one of several buildings to house test cells that together will constitute a *CSeries* test aircraft, allowing for systems and software reliability and functionality tests to be conducted before the first prototype aircraft flies, thus mitigating the risks associated with program development. The CIASTA will test aircraft systems for reliability and functionality one year before first flight and will continue to support systems integration during the flight test program. The CIASTA is progressing on schedule. The building in Mirabel, Québec, which houses the CIASTA, was completed on schedule at the end of February 2010 and the testing and rig infrastructure installation is in progress.

We intend to invest significantly in the *CSeries* aircraft program. The *CSeries* aircraft constitutes a new type and a new size of aircraft for our business. See "Risk Factors—Risks Relating to Our Business—Operational Risk—Developing New Products and Services" elsewhere in this listing memorandum. The *CS100* is scheduled to enter into service in calendar year 2013, while the *CS300* is scheduled to enter into service in calendar year 2014.

Amphibious and Specialized Aircraft. BA manufactures and markets the *Bombardier 415* amphibious aircraft, a purpose-built firefighting aircraft. This aircraft can also be adapted to a

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[7] PurePower™ is a registered trademark of United Technologies Corp.—Pratt & Whitney.

[8] The *CSeries* aircraft program is currently in development phase and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. All specifications and data are approximate, may change and are subject to certain operating rules, assumptions and other conditions.

multi-purpose version, the *Bombardier 415 MP* aircraft, which can be used in a variety of specialized missions such as search and rescue, environmental protection, coastal patrol and transportation. BA continues to provide special-mission aircraft solutions using its commercial and business aircraft as platforms.

Customer Services. BA provides a broad range of services related to its aircraft portfolio. BA's focus is to provide customers with total life cycle solutions that address the complete after-market experience, including parts requirements, maintenance services, and pilot training. The after-market includes every activity that needs to be performed to support aircraft operations, which can be offered as tailored and customized service solutions to meet our customers' needs. Such services are provided through our international service and support network of authorized providers and fully owned facilities.

Flexjet Program in the United States. Through the U.S. *Flexjet* program, owners purchase shares of business aircraft with operations and support, including flight crew, maintenance, fuel, hangars and insurance. *Flexjet* also markets the *Flexjet* 25 jet card (which provides 25-, 30- and 35-hour blocks of flight time entitlement), which is a program operated by Jet Solutions LLC under U.S. FAR Part 135. In addition, *Flexjet* offers the *Flexjet* One program, providing an aircraft management solution for owners interested in purchasing a whole aircraft and having it managed by *Flexjet*.

Aerospace—Financial Results Overview (1)

	For the Fiscal Year Ended January 31,			For the Twelve-Month Period Ended
	2008	2009	2010	July 31, 2010
Deliveries				
Business(2)	232(3)	235(4)	176(5)	145(6)
Commercial	128	110	121	96
Amphibious	1	4	5	5
Total Deliveries	361	349	302	246
Revenues	**(US$ in millions, except as noted below)**			
Manufacturing:				
Business	$4,673	$5,203	$4,282	$3,854
Commercial	2,503	2,271	2,565	2,084
Other	438	642	628	598
Total manufacturing revenues	7,614	8,116	7,475	6,536
Services(7)	1,542	1,588	1,359	1,453
Other(8)	557	261	523	647
Total Revenues	$9,713	$9,965	$9,357	$8,636
EBIT	$ 563	$ 896	$ 473	$ 389
EBITDA(9)	$ 966	$1,327	$ 844	$ 718
Backlog (US$ in billions)	$ 22.7	$ 23.5	$ 16.7	$ 17.1

(1) Effective February 1, 2008, we changed our accounting policy for aerospace programs from the average cost method to the unit cost method to comply with new accounting standards. As a result, the EOAPC charges are nil for the fiscal year ended January 31, 2009 and thereafter, compared to net charges of $271 million for the fiscal year ended January 31, 2008.

(2) 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. The revenue on aircraft sold through Flexjet is deferred and recognized over the term of the management agreement, which is typically 60 months.

(3) Including 19 deliveries for the fractional ownership program.

(4) Including 12 deliveries for the fractional ownership program.

(5) Including 1 delivery for the fractional ownership program.

(6) Including nil deliveries for the fractional ownership program.

(7) 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 special-mission aircraft solutions (including Military Aviation Training).

(8) Includes mainly sales of pre-owned aircraft.

(9) A reconciliation of EBITDA to the most comparable Canadian GAAP measure is provided is provided under the heading "Non-GAAP Financial Measures" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Overview," included in this listing memorandum, for the fiscal years ended January 31, 2010 and 2009. EBITDA for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $563 million (EBIT) plus $403 million (depreciation and amortization) equals $966 million (EBITDA). EBITDA for the twelve-month period ended July 31, 2010 is reconciled to EBIT under Canadian GAAP as follows: $389 million (EBIT) plus $329 million (depreciation and amortization) equals $718 million (EBITDA).

Transportation

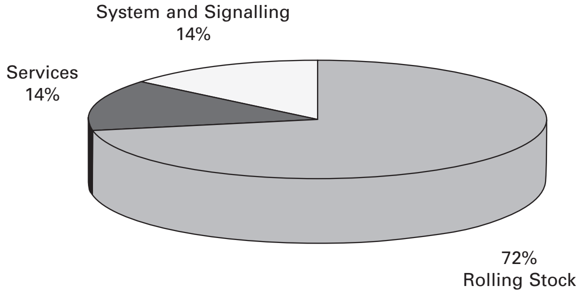
BT covers a full range of products, services and solutions divided in four segments: Rolling Stock, Services, System and Signalling.

The rolling stock products of BT include locomotives, intercity, very high-speed and high-speed trains, commuter and regional trains, metro cars, light rail vehicles, propulsion, controls and bogies. BT also provides a complete service portfolio including fleet maintenance, refurbishment and overhaul and material solutions. In addition, BT has unique expertise in developing, designing, building, operating and maintaining turnkey transportation systems. BT offers complete solutions from fully automated rapid transit, light rail, metro and intercity systems to people movers and monorail systems, as well as transit security, energy management and catenary-free solutions. BT also provides a comprehensive portfolio of onboard and wayside signalling solutions that increase speed, safety and track capacity on rail networks. Our installed rolling stock product base exceeds 100,000 rail cars and locomotives worldwide.

During the twelve-month period ended July 31, 2010, BT generated revenues of $9.6 billion and EBITDA of $749 million. As of July 31, 2010, BT had a backlog of $30.3 billion.

Breakdown of Total BT Revenues
(for the 12-month period ended July 31, 2010)

$9.6 billion



BT is dedicated to design, manufacture and service advanced transportation solutions for today's and tomorrow's railways. As a global leader in the rail industry, BT places environmental sustainability firmly at the top of its agenda. BT's products and services combine energy-conserving technology with optimal safety, reliability and cost efficiency. Its products and services are designed for sustainable mobility.

BT has 58 production and engineering sites in 23 countries. Additionally, BT operates over 40 service centres at customers' premises across the world. BT has customers in more than 60 countries, and as of January 31, 2010, its 34,950 employees were employed in 36 countries, of which 56% were covered by collective agreements. The European, Asia Pacific and North American markets represented 69%, 17% and 11% of BT's total revenues, respectively, for fiscal year 2010.

BT Products and Services Offering

Rolling Stock			**Services**	**System**	**Signalling**
Passengers	*Locomotives and equipment*	*North America*	*Services*	*System*	*Rail control solutions*
■ Very High-speed trains	■ Locomotives	■ Mass transit	■ Fleet maintenance	■ Automated people mover systems	■ Mass transit
■ High-speed trains	■ Propulsions and controls	■ Services	■ Material solutions	■ Mass transit systems	■ Mainline
■ Intercity trains	■ Bogies		■ Refurbishment and overhaul	■ Operations and Maintenance	
■ Regional trains					
■ Commuter trains					
■ Metro cars					
■ Light rail vehicles					

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

In the rolling stock segment, BT has 59 production and engineering sites for end products such as locomotives, metros, light rail vehicles, regional and commuter trains, intercity and high-speed trains, as well as for production of components such as bogies and propulsion equipment. The production and engineering sites are located in 23 countries and include joint-ventures with local partners in China. In the services segment, BT has 20 main services sites in 12 countries, mainly in Europe, providing fleet maintenance, refurbishment and overhaul. In addition, BT operates over 40 services sites on customer premises worldwide.

Transportation—Financial Results Overview(1)

	For the Year Ended January 31,			For the twelve Month Period Ended
	2008	2009	2010	July 31, 2010
	(US$ in millions, except as noted below)			
Revenues				
Rolling Stock	$4,894	$6,663	$ 7,264	$6,908
Services	1,474	1,529	1,408	1,337
Systems & Signalling(2)	1,425	1,564	1,337	1,393
Total Revenues	$7,793	$9,756	$10,009	$9,638
EBIT before special items(3)(4)	347	533	625	616
EBITDA before special items(3)(5)	456	657	752	749
Special items	162	—	—	—
EBIT(3)	185	533	625	616
EBITDA(3)(5)	294	657	752	749
New orders (US$ in billions)	11.3	9.8	9.6	12.6
Backlog (US$ in billions)	30.9	24.7	27.1	30.3
Book to Bill Ratio(6)	1.5	1.0	1.0	1.3

(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. See "Foreign exchange rates" section in "Other," under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010," which is included elsewhere in this listing memorandum for the average exchange rates used to translate revenues and expenses.

(2) Excludes the rolling stock portion of system orders manufactured by other divisions within BT. The revenues of system and signalling are presented in the caption other revenues in the consolidated statements of income.

(3) Effective February 1, 2009, we elected to early adopt Section 1602 "Non-controlling interests". See information provided under the heading "Accounting and Reporting Developments" section in "Other", at page 179 of the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Other," included in this listing memorandum. Comparative figures include a reclassification of non-controlling interests of $8 million for fiscal year 2008 and of $18 million for fiscal year 2009 from other expense (income) to net income attributable to non-controlling interests.

(4) EBIT before special items for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $185 million (EBIT) plus $162 million (special items) equals $347 millions (EBIT before special items).

(5) A reconciliation of EBITDA to the most comparable Canadian GAAP measure is provided under the heading "Non-GAAP Financial Measures" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Fiscal year ended January 31, 2010—Overview," included in this listing memorandum, for the fiscal years ended January 31, 2010 and 2009. EBITDA before special items for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $185 million (EBIT) plus $162 million (special items) plus $109 million (depreciation and amortization) equals $456 million (EBITDA before special items). EBITDA for the fiscal year ended January 31, 2008 is reconciled to EBIT under Canadian GAAP as follows: $185 million (EBIT) plus $109 million (depreciation and amortization) equals $294 million (EBITDA). EBITDA for the twelve-month period ended July 31, 2010 is reconciled to EBIT under Canadian GAAP as follows: $616 million (EBIT) plus $133 million (depreciation and amortization) equals $749 million (EBITDA).

(6) Ratio of new orders over revenues.

OUR INDUSTRIES

Our principal operations are in the business and commercial aircraft and rail transportation markets.

Aerospace

Business Aircraft

The business aircraft market consists primarily of customers in the corporate sector and high net worth individuals. International markets are steadily rising in relative importance and share of our sales. The global economy continued its contraction in calendar year 2009, as illustrated by a decrease in GDP, corporate profits and personal wealth. Together, these factors led to a slump in business jet utilization rates, an increase in pre-owned business jet inventory, a high level of order cancellations and a low level of order intake. Furthermore, the difficulty in securing financing also adversely affected a number of business aircraft customers, leading to order cancellations and deferrals. These market conditions translated into pricing pressures on new and pre-owned aircraft. Our order backlog provided some protection against this high level of business aircraft order cancellations and deferrals.

As of July 31, 2010, the industry began to see stabilisation in key indicators. According to Federal Aviation Administration (FAA) data, fleet activity (measured in terms of arrivals and departures) increased by 15% in the first six months of calendar year 2010 compared to the same period last year. According to BA's analysis using JETNET database (a leading provider of business aviation information), the number of pre-owned aircraft available for sale as a percentage of the total in-service fleet has continued to decrease, reaching 15.2% as at June 30, 2010, compared to 15.7% as at March 31, 2010 and to 17.8% as at June 30, 2009. However, the UBS Business Jet Market Conditions index, which is a measure of broker and dealer confidence, fell from 50 (the threshold for market stability) during the first quarter of calendar year 2010 to 41 during the second quarter of calendar year 2010, indicating a decline in business aircraft buyer confidence.

The business aircraft market is highly competitive. BA has five main competitors in the business aircraft market categories in which it competes:

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

Commercial Aircraft

The airline industry is cyclical and the recent low level of order intake for commercial aircraft reflects the significantly reduced demand for commercial aircraft, consistent with the current worldwide economic environment. The International Air Transport Association ("*IATA*") announced on July 28, 2010 that the global passenger load factor was at 79.8% in June 2010, which is an increase compared to 77.6% in December 2009 and to 75.3% in June 2009. In June 2010, IATA upgraded its 2010 forecast for the commercial airline industry to a net profit of $2.5 billion from the net loss of $2.8 billion projected in its March 2010 forecast, and confirmed that airlines face another difficult year in calendar year 2010, focused on carefully matching capacity to demand and controlling costs. Continuous development and improvement of aircraft allow airlines to develop new markets and/or improve their profitability. We believe our product development strategy is aligned with the evolution of the airline industry, and our commercial aircraft portfolio is well-positioned to meet airlines' growing needs for more fuel-efficient, larger capacity aircraft that are more respectful of the environment.

BA's main competitors in the up to 149-seat categories, representing the market in which we have a product offering, are:

- Avions de Transport Regional, a joint venture between European Aeronautic Defence and Space Company ("*EADS*") and Alenia Aeronautica S.P.A., a Finmeccanica S.P.A. company, in the turboprop market;

- Embraer in the 40- to 100-seat regional jet market; and

- Airbus SAS (a subsidiary of EADS), The Boeing Company and Embraer in the 100- to 149-seat commercial jet market.

Additional companies currently developing competitive products in the 40- to 100-seat regional aircraft market categories include Commercial Aircraft Corporation of China Ltd. (COMAC), a state-owned company in which China Aviation Industry Corporation (formerly known as AVIC I) holds an interest, Mitsubishi Heavy Industries Ltd. and Sukhoi Company (JSC).

Competition in the commercial aircraft market is intense and is affected by governmental programs (including launch support initiatives and various forms of financial contributions) in various jurisdictions intended to support regional developmental initiatives. Participants in this market can anticipate increased scrutiny and challenges of these programs which may lead to trade disputes which may have a further impact on the competitive landscape. See "Risk Factors—Risks Relating to Our Business—Business Environment Risk" and "Risk Factors—Risks Relating to Our Business—Financing Risk—Government Support."

Transportation

BT's relevant market represents the worldwide rail market accessible to external suppliers, therefore excluding the share of local contractors in emerging markets, maintenance performed in-house by operators and the Japanese market. This market also excludes markets in which BT does not have a product offering, therefore excluding freight locomotives in North America, worldwide freight cars and rail infrastructure and electrification. The European market represents 69% of BT's total revenues for fiscal year 2010, but BT continues to expand its geographic presence by developing local roots in high-potential emerging transit markets.

Almost 85% of BT's rolling stock business is with large, well-financed railway operators in the public sectors, such as national railways and municipal transit authorities. These organizations rely on public involvement for infrastructure funding and operations financing. Most operate on a regional or national basis, but some are now focusing operations internationally along with emerging private transnational operators. While deregulation is a factor in some markets, public-sector entities still dominate in most regions.

The three largest industry players, including BT, account for 56% of BT's relevant market. BT's major competitors are Alstom Transport, a business unit of Alstom SA and Siemens Mobility, a business unit of Siemens AG. Both are active in the same markets as BT. Increasing competition is coming from Asia, especially from Chinese, Korean and Japanese competitors. These players are positioning themselves in the rolling stock segment, mainly in North America and other regions (i.e., regions other than North America, Europe and Asia-Pacific), and are increasingly present in deregulated markets like the U.K.

OUR COMPETITIVE STRENGTHS

Leading Market Shares. Our broad, leading-edge product offering, global presence, diversified customer base and continued focus on improvement of key business processes have allowed us to become a world-leading manufacturer of innovative transportation solutions, including regional aircraft, business jets and rail transportation equipment. We are the third largest manufacturer of aircraft in the world and are a leading manufacturer in the regional jet aircraft, turboprop aircraft and business aircraft markets. We hold the number one position in most of the sectors of the rail equipment and servicing industry in which we operate.

Industry-Leading Product Offering. BA has a diversified portfolio of jet- and turbo-propelled aircraft that evolves to address the various needs of geographically diversified commercial and business aviation customers. BA possesses an industry-leading comprehensive portfolio of business jets and is focused on delivering a superior customer experience and meeting the high standards of business aircraft customers. BA's broad portfolio of commercial aircraft, including the *CSeries* family of aircraft, is designed to meet the diverse operational requirements of airlines around the world, including regional airlines offering higher-frequency service to complement mainline airlines, commercial airlines needing the right capacity in order to meet flight frequency at profitable cost levels, low-fare carriers needing aircraft that consistently deliver low seat-mile costs while subjected to very high utilization levels and leasing companies needing flexibility in terms of performance and interior configuration for their leasing customers' varying needs. BT has a broad, leading-edge portfolio of flexible product platforms that can be customized to specific customer requirements. BT covers the full spectrum of railway solutions, ranging from complete trains to subsystems, maintenance services, system integration and signalling. BT's installed rolling stock product base exceeds 100,000 rail cars and locomotives worldwide. BT's product offering focuses on product reliability, maintainability, availability, safety, price, energy efficiency and design while maintaining a valuable level of local content, which is often an important criterion to public operators.

Strong and Diversified Supply Chain. BA fosters long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support its customers with related services. BA's global supply chain, with suppliers present in over 40 countries, ensures an efficient and sustainable procurement process. BT utilizes highly qualified suppliers in more than 70 countries, with more than 85% of its total product-related procurement spend focused on approximately 400 preferred suppliers.

Diversified Revenues. Our revenues are diversified by segments, by products, by global region and by customers. For the twelve-month period ended July 31, 2010, revenues by segment for BA and BT were $8.6 billion and $9.6 billion, respectively. Within each segment, we generate revenues across numerous products and services. Further, our revenues are also geographically diversified with BA and BT customers located in more than 100 and 60 countries, respectively. For the fiscal year ended January 31, 2010, the United States and European markets represented 39% and 32% of BA's revenues, respectively, while the European, Asia Pacific and North American markets represented 69%, 17% and 11% of BT's revenues, respectively. We also exhibit a broad customer base ranging from civil-owner operators and aviation service providers to governments around the world. In spite of difficult economic conditions, the diversity of our revenues provided us with relative stability in light of our exposure to multiple end markets that typically exhibit different trends.

Design and New Product Development. We are committed to innovation and product development. BA has launched 25 new aircraft programs since 1989, including, most recently, the *CSeries* family of aircraft, the *CRJ 1000 NextGen* and the *Learjet 85* aircraft programs. With regard to product development, BT emphasizes innovative product families featuring common platforms and proven technologies. Product innovation at BT is demonstrated by the next generation *ZEFIRO* high-speed rail technology and the *TALENT* 2 product platform.

Strong Entrepreneurial Management Team. We have a strong market-focused management team that has extensive experience and expertise in the sectors in which we operate. Under the leadership of our senior management team, we have, despite intense competition and a challenging commercial and economic environment, developed new products and expanded our geographic footprint while prudently managing our risks and exposure.

Capability to Deliver Results. We have a strong commitment to innovation. We are focused on the continuous improvement of key business processes and on implementing lean manufacturing principles, notably through our Achieving Excellence System at BA and the TOPSIX program at BT. We have strong relationships with our key stakeholders, including customers, unions, suppliers, local governments and regulatory agencies, which enable us to improve our operations and products and foster a mutually beneficial continuous improvement in our relationships. We have a large talent pool of well-trained and motivated employees.

LIQUIDITY AND CAPITAL RESOURCES

Maintaining sufficient liquidity continues to be one of our key focuses. In March 2010, we implemented a refinancing plan of our long-term debt. As a result of this plan, we increased our average long-term debt maturity profile by 1.4 years, and we increased our available short-term capital resources by approximately $500 million, to be used for general corporate purposes.

Our available short-term capital resources include cash and cash equivalents and the amount available under the revolving credit facility (undrawn since its inception). We believe that our available short-term capital resources of $3.3 billion as at July 31, 2010 combined with our expected free cash flow 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 our Board of Directors, and will enable us to meet all other expected financial requirements in the near term.

RECENT DEVELOPMENTS

Growth of Flagship Global Family with Two New Jets: the Global 7000 and Global 8000 Aircraft

On October 16, 2010, BA announced the introduction of two new jets, the *Global 7000* and *Global 8000* aircraft, allowing Bombardier's flagship *Global* aircraft family to uniquely cover the large, ultra long-range category with four aircraft models, the *Global 5000*, *Global Express XRS*, *Global 7000* and *Global 8000* jets. The *Global 7000* and *Global 8000* aircraft program is currently in the development phase and as such is subject to changes in family strategy, branding, capacity, performance, design and/or systems. Entry into service of the *Global 7000* is scheduled for 2016. Entry into service of the *Global 8000* is scheduled for 2017.

BT site in Bautzen (Germany)

On October 8, 2010, BT announced that production work at its site in Bautzen (Germany), where trams and light rail vehicles are manufactured, had resumed in September 2010 and was increasing two months after being hit by a flood in the Saxony area. Full production readiness is expected to be achieved by the end of the year. Damage assessment in close cooperation with the insurer has been continuing since the day of the flood. The financial impact on BT amounts to approximately $20 million, representing the self-insured amount under the insurance policies, which will be recorded in the third quarter of fiscal year 2011.

Contract with Trenitalia (Italian Railways)

On September 30, 2010, BT announced it had signed a contract with Trenitalia (Italian Railways) for the delivery of V300ZEFIRO trains, a model of the *BOMBARDIER ZEFIRO* high speed trains family. The V300ZEFIRO (known as ETR 1000 in Italy) was developed in partnership with AnsaldoBreda, a subsidiary of the Finmeccanica group of Italy. The total contract is valued at €1.54 billion (US$2.10 billion). Bombardier's share of the contract is valued at €652 million (US $889 million).

Contract with São Paulo Metro

On September 27, 2010, BT, together with two consortium partners, announced that it has won an order to design, supply and install a 24 kilometer *BOMBARDIER INNOVIA* Monorail 300 system in São Paulo for Companhia do Metropolitano de São Paulo (CMSP / São Paulo Metro). The total value of the contract is 2.46 billion reals (approximately €1.07 billion or US$1.44 billion) and Bombardier's share of the design-build contract is 1.40 billion reals (approximately €606 million or US$816 million).

DESCRIPTION OF OTHER INDEBTEDNESS AND LETTER OF CREDIT FACILITIES

L/C Facilities

BT L/C Facility

General

Bombardier Corporate Financial Services Islandi sf., Reykjavik, Zurich Branch ("*BCFS*"), as well as certain subsidiaries in our BT group are party to a €3.8 billion Letter of Credit Facility Agreement (the "*BT L/C Facility Agreement*" and the facility thereunder, the "*BT L/C Facility*"), dated as of December 17, 2008, as amended November 3, 2009 and as further amended as of December 15, 2009 by and among, *inter alia*, BCFS, as obligor and borrowers' agent, Bombardier Transportation Global Holding SE, Bombardier Transportation Canada Holding Inc., Bombardier European Investments, S.L.U. and Bombardier Transportation Investments USA LLC, as guarantors (each a "*BT Guarantor*" and collectively, the "*BT Guarantors*," and, together with BCFS, the "*BT Obligors*"), Commerzbank International S.A., as Facility Agent, and Dresdner Bank AG, Niederlassung Luxemburg, as Security Agent. The BT L/C Facility consists of a €3.8 billion facility which is available for issuances of letters of credit, letters of guarantee, bid bonds, performance bonds, performance guarantees or similar instruments (collectively, "*Letters of Credit*") for the general corporate purposes of the BT group (and not for Bombardier, nor the BA group). Pursuant to the terms of the BT L/C Facility Agreement, Letters of Credit may be issued under the BT L/C Facility only to secure performance obligations of BCFS, any BT Guarantor or their respective subsidiaries to their customers and other third parties in the normal course of business and not to secure indebtedness for borrowed money of any person. The following is a summary of the general terms and conditions of this facility.

The practice of issuing Letters of Credit as guarantees to customers is common practice for manufacturers of major capital equipment. BT issues Letters of Credit primarily in the following contexts:

- Bid processes where it provides bid bonds to the inviting party to the tender;
- Advance payments received from its customers;
- The delivery of goods or performance under contracts; and
- Warranty bonds underpinning performance of warranty obligations.

Availability Period and Maturity

The BT L/C Facility is available for new issuances of Letters of Credit for a three-year period from December 17, 2008, and will mature on December 17, 2013. On the maturity date, the BT Obligors will be required to mitigate the Letters of Credit obligations then outstanding under the BT L/C Facility, whether by collateralizing (through cash cover or letter of credit support) any uncollateralized amount outstanding under such Letters of Credit and/or cancelling any such uncollateralized amount.

Security and Guarantee

Certain obligations of the BT Obligors to the banks issuing Letters of Credit from time to time under the BT L/C Facility are secured by (i) a fixed security interest in favour of the banks issuing Letters of Credit granted by Bombardier over €404.0 million of invested collateral and (ii) for any excess claims, the unsecured counter-guarantee from a syndicate of banks. Neither Bombardier Inc. nor any BA subsidiary is a guarantor of, or otherwise obligated with respect to, any of the obligations under the BT L/C Facility.

Covenants

The BT L/C Facility Agreement contains the following financial covenants: a maximum leverage ratio, minimum shareholders' equity and a covenant to maintain minimum liquidity of at least €600.0 million as at the end of each calendar quarter. In addition, the BT L/C Facility Agreement contains covenants in respect of, among other things, encumbering assets (negative pledge), guarantees of indebtedness or obligations of Bombardier or other BA entities, affiliate transactions, restricted payments and mergers and disposals.

Events of Default

The BT L/C Facility Agreement contains customary events of default (including customary thresholds and grace periods) including, among other things, the non-payment of any amount payable under the BT L/C Facility, the breach of other covenants or obligations under the BT L/C Facility, the making of any materially incorrect or misleading representation or warranty, the occurrence of a cross-default in respect of BT group loans, letter of credit facilities or other debt, the occurrence of bankruptcy or insolvency events with respect to the BT group or Bombardier Inc., the commencement of certain seizure or realization processes, the ineffectiveness of the security or the BT Guarantors' guarantees granted in respect of the BT L/C Facility, and the occurrence of a material adverse effect.

Events of Termination

The BT L/C Facility Agreement provides for certain events of termination which do not constitute events of default, including, among other things, a document relating to the BT L/C Facility becoming unenforceable or of no force or effect (if not remedied within twenty days of the occurrence of such event), the occurrence of a change of control with respect to Bombardier Inc. (subject to the expiry of thirty days from the date of a written notice given in that regard by banks with aggregate commitments of more than 66⅔% of the total commitments under the BT L/C Facility), Bombardier Inc. ceasing to own 70% or more of the voting stock of BCFS and each of the BT Guarantors (or if Bombardier Inc., directly or indirectly, grants security interests over more than 30% of the voting stock in BCFS or any BT Guarantors) or a withdrawal from the collateral covered by the security interest granted in favour in connection with the BT L/C Facility (subject to the expiry of six months from the date of a written notice given in that regard by banks with aggregate commitments of more than 66⅔% of the total commitments under the BT L/C Facility).

Acceleration Prior to Maturity Date

The BT L/C Facility Agreement provides that, at any time after the occurrence of an event of default or an event of termination which is continuing, the facility agent will have the right, or the obligation if so directed by banks with aggregate commitments of more than 66⅔% of the total commitments under the BT L/C Facility, to cancel the BT L/C Facility in full and/or declare that amounts outstanding under the BT L/C Facility are immediately due and payable in whole or in part and/or demand cash cover with respect to the then-outstanding Letters of Credit. In addition, automatic acceleration applies in the case of the occurrence of certain events of default relating to insolvency or bankruptcy.

BI L/C Facility

General

Bombardier Inc. is party to a US$600.0 million Letter of Credit Facility Agreement (the "*BI L/C Facility Agreement*" and the facility thereunder the "*BI L/C Facility*"), dated as of December 18, 2006, as amended and restated pursuant to a Supplemental Agreement, dated as of December 17, 2008, and as further amended and restated pursuant to a Supplemental

Agreement, dated as of June 30, 2009, by and among, *inter alia*, Bombardier, as obligor, National Bank Financial Inc., RBC Capital Markets and UBS Securities LLC, as Joint Bookrunners and Mandated Arrangers, and Commerzbank AG, Filiale Luxemburg, as Security Agent. The BI L/C Facility consists of a US$600.0 million facility which is available for issuances of letters of credit, letters of guarantee, bid bonds, performance bonds, performance guarantees or similar instruments (collectively, "*Letters of Credit*") for the general corporate purposes of Bombardier Inc. and the BA group (and not the BT group). Pursuant to the terms of the BI L/C Facility Agreement, Letters of Credit may be issued under the BI L/C Facility only to secure performance obligations of Bombardier and its BA subsidiaries to their customers and other third parties in the normal course of business and not to secure indebtedness for borrowed money of any person. The following is a summary of the general terms and conditions of this facility.

The practice of issuing Letters of Credit as guarantees to customers is common practice for manufacturers of major capital equipment. BA issues Letters of Credit in the context of performance guarantees, similar to BT, but primarily issues Letters of Credit to guarantee obligations relating to advance payments and other obligations.

Availability Period and Maturity

The BI L/C Facility is available for new issuances of Letters of Credit for a term that extends until the maturity of the facility on December 16, 2011. On the maturity date, Bombardier will be required to mitigate the Letters of Credit obligations then outstanding under the BI L/C Facility, whether by collateralizing (through cash cover or letter of credit support) any uncollateralized amount outstanding under such Letters of Credit and/or cancelling any such uncollateralized amount.

Security

Certain of our obligations to the banks issuing Letters of Credit from time to time under the BI L/C Facility are secured by (i) a fixed security interest in favour of the banks issuing Letters of Credit over US$121.2 million of cash and cash equivalent accounts and (ii) for any excess claims, the unsecured counter-guarantee from a syndicate of banks. There are no guarantors of Bombardier Inc.'s obligations under the BI L/C Facility.

Covenants

The BI L/C Facility Agreement contains the following financial covenants: a maximum leverage ratio, a minimum coverage ratio, and a covenant to maintain minimum liquidity of at least $500.0 million as at the end of each quarter. In addition, the BI L/C Facility Agreement contains covenants in respect of, among other things, encumbering assets (negative pledge), subsidiary indebtedness, upstream guarantees from subsidiaries, pay dividends or make other distributions, voluntarily prepay any debt ranking *pari passu* or junior with the obligations under the BI L/C Facility, and mergers and disposals.

Events of Default

The BI L/C Facility Agreement contains customary events of default (including customary thresholds and grace periods) including, among other things, the non-payment of any amount payable under the BI L/C Facility, the breach of other covenants or obligations under the BI L/C Facility, the making of any materially incorrect or misleading representation or warranty, the occurrence of a cross-default in respect of loans, letter of credit facilities or other debt, the occurrence of bankruptcy or insolvency events, the commencement of certain seizure or realization processes, the ineffectiveness of the security granted in respect of the BI L/C Facility and the occurrence of a material adverse effect.

Events of Termination

The BI L/C Facility Agreement provides for certain events of termination which do not constitute events of default, including, among other things, a document relating to the BI L/C Facility becoming unenforceable or of no force or effect (if not remedied within twenty days of the occurrence of such event), the occurrence of a change of control with respect to Bombardier Inc. (subject to the expiry of thirty days from the date of a written notice given in that regard by banks with aggregate commitments of more than 66⅔% of the total commitments under the BI L/C Facility), or a withdrawal from the collateral covered by the security interest granted in connection with the BI L/C Facility (subject to the expiry of six months from the date of a written notice given in that regard by banks with aggregate commitments of more than 66⅔% of the total commitments under the BI L/C Facility).

Acceleration Prior to Maturity Date

The BI L/C Facility Agreement provides that, at any time after the occurrence of an event of default or an event of termination which is continuing, the facility agent will have the right, or the obligation if so directed by banks with aggregate commitments of more than 66⅔% of the total commitments under the BI L/C Facility, to cancel the BI L/C Facility in full and/or declare that amounts outstanding under the BI L/C Facility are immediately due and payable in whole or in part and/or demand cash cover with respect to the then-outstanding Letters of Credit. In addition, automatic acceleration applies in the case of the occurrence of certain events of default relating to insolvency or bankruptcy.

Senior Unsecured Revolving Credit Facility

General

Bombardier Inc. is party to a two-year unsecured $500.0 million Revolving Credit Agreement (the "*Senior Unsecured Revolving Credit Facility Agreement*" and the facility thereunder, the "*Senior Unsecured Revolving Credit Facility*"), dated August 28, 2009, by and among, *inter alia*, Bombardier Inc., as borrower, National Bank of Canada, as Administrative Agent, Royal Bank of Canada and UBS Securities LLC, as Co-Syndication Agents, and the financial institutions party thereto, as lenders. The proceeds of the cash drawings under our Senior Unsecured Revolving Credit Facility may be used for the general corporate purposes of Bombardier. The following is a summary of the general terms and conditions of this facility.

Availability Period; Maturity; Interest Rate; Security

Our Senior Unsecured Revolving Credit Facility will be repayable in full in August 2011. Advances under our revolving credit facility bear interest at the bankers' acceptance rate or the London Interbank Offered Rate (LIBOR) plus, in each instance, an applicable margin. The obligations under our Senior Unsecured Revolving Credit Facility are unsecured and do not benefit from any guarantee.

Covenants

The Senior Unsecured Revolving Credit Facility Agreement contains covenants that are substantially identical to those contained in the BI L/C Facility Agreement, including a maximum leverage ratio a minimum coverage ratio, and a covenant to maintain minimum liquidity of at least $500.0 million as at the end of each quarter. In addition, the Senior Unsecured Revolving Credit Facility Agreement contains covenants in respect of, among other things, encumbering assets (negative pledge), subsidiary indebtedness, upstream guarantees from subsidiaries, the payment of dividends or other distributions and certain mergers and disposals.

Events of Default

The Senior Unsecured Revolving Credit Facility Agreement contains customary events of default (including customary thresholds and grace periods) that are substantially identical to those contained in the BI L/C Facility Agreement (other than in respect of security), including, among other things, the non-payment of any amount payable under the facility, the breach of other covenants or obligations under the facility, the making of any materially incorrect or misleading representation or warranty, the occurrence of a cross-default in respect of loans, letter of credit facilities or other debt, the occurrence of bankruptcy or insolvency events, the commencement of certain seizure or realization processes, and the occurrence of a material adverse effect.

Events of Termination

The Senior Unsecured Revolving Credit Facility Agreement provides for the following events of termination which do not constitute events of default: a document relating to the Senior Unsecured Revolving Credit Facility becoming unenforceable or of no force or effect (if not remedied within twenty days of the occurrence of such event), and the occurrence of a change of control with respect to Bombardier Inc. (subject to the expiry of thirty days from the date of a written notice given in that regard by banks with aggregate commitments of more than 60% of the total commitments under the facility).

Acceleration Prior to Maturity Date

The Senior Unsecured Revolving Credit Facility Agreement provides that, at any time after the occurrence of an event of default or an event of termination which is continuing, the facility agent will have the right, or the obligation if so directed by banks with aggregate commitments of more than 60% of the total commitments under the Senior Unsecured Revolving Credit Facility, to cancel the facility in full and declare that amounts outstanding under the Senior Unsecured Revolving Credit Facility are immediately due and payable.

Notes and Debentures

As at July 31, 2010, Bombardier had, in addition to the notes offered hereby, the following notes and debentures issued and outstanding:

(i) US$151.1 million aggregate principal amount of 6.75% Notes due May 2012;

(ii) €482.5 million aggregate principal amount of Floating Rate Senior Notes due November 2013;

(iii) US$162.0 million aggregate principal amount of 6.30% Notes due May 2014;

(iv) US$385.0 million aggregate principal amount of 8.00% Senior Notes due November 2014;

(v) €785.0 million aggregate principal amount of 7.25% Senior Notes due November 2016;

(vi) US$650.0 Million aggregate principal amount of 7.50% Notes due March 2018;

(vii) US$850.0 million aggregate principal amount of 7.75% Notes due March 2020;

(viii) Cdn$150.0 million aggregate principal amount of 7.35% Debentures due December 2026; and

(ix) US$250.0 million aggregate principal amount of 7.45% Notes due May 2034.

On October 21, 2010, we announced the Tender Offers pursuant to which we have offered to repurchase and retire any and all of our outstanding Floating Rate Senior Notes due 2013 and 8.00% Senior Notes due 2014. Completion of the Tender Offers is conditional upon the completion of our Refinancing Plan. A portion of the proceeds of this offering of Notes is intended to be applied to finance the repurchase and retirement of our Floating Rate Senior Notes due 2013 and 8.00% Senior Notes due 2014 pursuant to the Tender Offers (and, if applicable, the redemption on or around December 2, 2010 of any such notes not tendered and repurchased in the Tender Offers). See "Summary—Our Refinancing Plan" and "Use of Proceeds." We intend to redeem any Floating Rate Senior Notes due 2013 and 8.00% Senior Notes due 2014 not tendered and repurchased by us in these Tender Offers on or around December 2, 2010 at a price equal to par of such Floating Rate Senior Notes due 2013 and 104.0% of the principal amount of such 8.00% Senior Notes due 2014, pursuant to the terms of the respective indentures governing each such series of notes.

Each of the foregoing series of notes and debentures is unsecured and is not guaranteed by any subsidiary of Bombardier. The respective indentures under which the notes and debentures were issued contain restrictive covenants and event of default customary for investment grade debt instruments, including limitations on liens, mergers and consolidations and sales of assets, except that the Floating Rate Senior Notes due 2013, the 8.00% Senior Notes due November 2014 and the 7.25% Senior Notes due November 2016 also contain customary high-yield covenants and events of default.

Each of these instruments is redeemable at the option of Bombardier at any time at the applicable redemption price set forth in the respective indentures or subject to the payment of a customary "make-whole" premium. Beginning on November 15, 2010, the Floating Rate Senior Notes due 2013 are redeemable at the option of Bombardier at par, and the 8.00% Senior Notes due November 2014 are redeemable at the option of Bombardier at 104.0% of par, in each case pursuant to the respective indentures governing such series of notes.

If an event of default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the then-outstanding notes under the respective indentures governing the foregoing issuances of notes may declare all of such notes to be due and payable immediately (such acceleration being automatic in the event of our bankruptcy or insolvency).

Other Facilities

In addition to the L/C Facilities described above, Bombardier and its subsidiaries enter into various letters of credit, factoring facilities and sale-and-leaseback facilities in the normal course of business. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Six-month period ended July 31, 2010—Liquidity and Capital Resources" elsewhere in this listing memorandum.

DESCRIPTION OF THE NOTES

General

This description describes the Euro-denominated 6⅛% senior notes due 2021 (the *"Notes"*) that will be issued by Bombardier Inc. (*"Bombardier"*). In this Description of the Notes, the word *"Bombardier"* refers only to Bombardier Inc. and any successor to Bombardier Inc. as obligor under the Notes, and not to any of its Subsidiaries, except for the purposes of financial data determined on a consolidated basis. The definitions of terms used in this Description of the Notes are set forth throughout this text or under "—Certain Definitions."

The Notes will be issued under an indenture to be dated as of November 2, 2010 (the *"Indenture"*), by and among Bombardier, as issuer, Deutsche Bank AG, London Branch, as London paying agent and London transfer agent, Deutsche Bank Trust Company Americas, as joint trustee (the *"Global Trustee"*), Deutsche Bank Luxembourg SA, as European registrar, Luxembourg paying agent, Luxembourg transfer agent and Luxembourg listing agent, and Computershare Trust Company of Canada, as joint trustee, Canadian registrar and Canadian transfer agent (the *"Canadian Trustee"* and, together with the Global Trustee, the *"Trustee"*). The registered Holder of a Note will be treated as its owner for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The word "Notes," unless the context requires otherwise, also refers to book-entry interests in the Notes, as described herein.

The following is a description of the material terms of the Notes and the Indenture. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. You should read the Indenture governing the Notes because it contains additional information and because the Indenture, and not this description, defines your rights as a Holder of the Notes. The Indenture is incorporated by reference in this listing memorandum. A copy of the form of the Indenture will be made available to prospective purchasers of the Notes upon request to Bombardier, or, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, upon request to Bombardier's Paying Agent in Luxembourg.

The Notes have not been, and will not be, registered under the Securities Act or under the securities laws of any other jurisdiction, have not been and will not be qualified for sale to the public under applicable Canadian securities laws, and are subject to certain transfer restrictions. See "Notice to Investors" elsewhere in this listing memorandum. The Indenture is not required to be and will not be qualified under the United States Trust Indenture Act of 1939, as amended.

Listing

Bombardier has applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market. Bombardier will use its commercially reasonable efforts to maintain the listing of the Notes on the Luxembourg Stock Exchange and their admission to trading on the Euro MTF Market.

If maintenance of the listing of the Notes on the Luxembourg Stock Exchange becomes unduly onerous, Bombardier will, prior to the delisting of the Notes from the Luxembourg Stock Exchange, use commercially reasonable efforts to obtain and maintain a listing of the Notes on another internationally recognized securities exchange. So long as the Notes are listed on the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and if the rules of the Luxembourg Stock Exchange so require, a Paying Agent and transfer agent will be maintained in Luxembourg at all times that payments are required to be made in respect of the Notes.

Ranking

The Notes will be direct, unsecured senior obligations of Bombardier and will rank equal in right of payment (*"pari passu"*) with all other unsecured and unsubordinated indebtedness and other obligations of Bombardier. The Notes will rank among themselves equally without preference or priority. The Notes are not obligations of any of Bombardier's Subsidiaries.

The Indenture will not contain any limitations on the amount of additional indebtedness that Bombardier and its Subsidiaries may incur and the amounts of such additional indebtedness could be substantial and may be incurred either by Bombardier or its Subsidiaries. The Notes are unsecured obligations of Bombardier. Secured indebtedness of Bombardier will effectively be senior to the Notes to the extent of the value of the assets securing such indebtedness.

As at July 31, 2010, as adjusted after giving effect to the completion of this offering and the application of the proceeds therefrom as described under "Use of Proceeds,"

- Bombardier and its Subsidiaries would have had approximately US$4.55 billion of consolidated total debt outstanding (calculated using the currency exchange rate as at July 30, 2010; see "Capitalization," including footnote 1 in such section), and
- Bombardier would have had no subordinated debt.

Principal, Maturity and Interest

Bombardier is offering €780,000,000 aggregate principal amount of its Notes in this offering.

Unless earlier redeemed, the Notes will be repayable at 100% of their principal amount on May 15, 2021.

Interest on the Notes will accrue at a rate of 6⅛% per annum. Interest on the Notes will be payable, in cash, semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2011. Bombardier will pay interest to those persons who were Holders of record on the May 1 or November 1 immediately preceding the related interest payment date. Interest on the Notes will accrue from November 2, 2010 or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If the due date for any payment in respect of any Note is not a Business Day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place and will not be entitled to any further interest or other payment as a result of any such delay. Interest on overdue principal and, to the extent permitted by law, on overdue installments of interest will accrue at the rate of interest borne by the Notes.

Global Notes and Definitive Registered Notes; Payment

The Notes will be represented by global notes (as described under "—Book-Entry, Delivery and Form" below) and will be issued only in fully registered form without coupons. The Notes will be issued only in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The global notes will be deposited with a common depositary for Euroclear and Clearstream (or its nominee). Ownership of interests in the global notes, referred to as "book-entry interests," will be limited to Persons that have accounts with Euroclear or Clearstream, or Persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. See '"—Book-Entry, Delivery and Form" below.

Principal, interest, premium, if any, and Additional Amounts, if any, on the global notes will be payable, and the global notes will be exchangeable and transferable, at the specified office or agency of one or more Paying Agents and, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg; *provided* that all such payments with respect to Notes represented by one or more global notes registered in the name of or held by a nominee of Euroclear and/or Clearstream will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof. See "—Book-Entry, Delivery and Form" below.

Principal, interest, premium, if any, and Additional Amounts, if any, on any certificated securities (*"Definitive Registered Notes"*) will be payable at the specified office or agency of one or more Paying Agents in the City of London and (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require) Luxembourg, in each case maintained for such purposes, subject to Bombardier's right to pay interest on Definitive Registered Notes, if any, by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes as of the close of business on the record date immediately preceding the interest payment date for such interest. Holders of Definitive Registered Notes, if any, must surrender such Notes at a Paying Agent in order to collect principal payments. See "—Paying Agent and Registrar for the Notes."

Settlement for the Notes will be made in same day funds. All payments of principal, interest, premium, if any, and Additional Amounts, if any, in respect of the Notes will be made by Bombardier in same day funds.

When issued, the Notes will be a new issue of securities with no established trading market. No assurance can be given as to the liquidity of the trading market for the Notes.

Paying Agent and Registrar for the Notes

Bombardier will maintain a Paying Agent for the Notes in (i) the City of London and (ii) Luxembourg (for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require). Bombardier will also undertake to ensure, to the extent practicable, to maintain a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income (the *"Directive"*) or any law implementing or complying with, or introduced in order to conform to, such Directive. The principal Paying Agent for the Notes will be Deutsche Bank AG, London Branch. The Paying Agent in Luxembourg will be Deutsche Bank Luxembourg S.A.

Bombardier will maintain one or more registrars and transfer agents (each, a *"Registrar"*) with offices in Luxembourg and Canada. Bombardier will maintain a transfer agent in each of (i) the City of London and (ii) Luxembourg (for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require). The principal Registrar in respect of the Notes will be Deutsche Bank Luxembourg S.A. In addition, so long as required by applicable Canadian law, Bombardier will maintain a Registrar in Canada. The initial Canadian Registrar will be Computershare Trust Company of Canada.

Optional Redemption

Except as set forth in this section and below under "—Redemption for Changes in Withholding Taxes," the Notes will not be redeemable at the option of Bombardier.

Bombardier may at any time or from time to time redeem all or any portion of the Notes after giving the required notice under the Indenture at a redemption price equal to the greater of:

(a) 100% of the principal amount of the Notes to be redeemed, and

(b) the sum of the present values of the remaining scheduled payments of principal of, and interest (exclusive of interest accrued to the Redemption Date) on the Notes to be redeemed, discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), at the Benchmark Rate plus 50 basis points (a *"Make-Whole Premium"*),

plus accrued and unpaid interest, if any, to but excluding the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any redemption and notice thereof may, in Bombardier's discretion, be subject to the satisfaction of one or more conditions precedent. The Indenture governing the Notes will provide that with respect to any such redemption, Bombardier will notify the Trustee and the Paying Agent of the redemption price (including Make-Whole Premium) with respect to the Notes promptly after the calculation and neither the Trustee nor the Paying Agent will be responsible for verifying such calculation.

On and after the Redemption Date, interest ceases to accrue on Notes or portions thereof called for redemption, unless Bombardier defaults in the payment of the applicable redemption price.

Selection and Notice

If fewer than all of the Notes are to be redeemed at any time, the principal Registrar shall select the Notes, or portions thereof, to be redeemed, in compliance with the requirements of the principal securities exchange, if any, on which such Notes to be redeemed are listed, and/or in compliance with the requirements of Euroclear and Clearstream, or if such Notes are not so listed or such exchange prescribes no method of selection and such Notes are not held through Euroclear and Clearstream, or Euroclear and Clearstream prescribe no method of selection, on a *pro rata* basis, by lot or by any other method the applicable Registrar shall deem fair and reasonable; *provided, however*, that no Note shall be redeemed in part if the resulting Note would have a denomination that is less than €100,000. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at its registered address except that redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture, in each case in accordance with the provisions of the Indenture. Bombardier shall, prior to or contemporaneously with the publication or mailing of any notice of redemption of any Notes as described under this heading, furnish to the Trustee and each Registrar a copy of such notice of redemption.

A notice of redemption shall state the Redemption Date, the redemption price (except as provided above) and the amount of accrued interest, if any, to be paid; the section of the

Indenture pursuant to which the Notes are being redeemed; the name and address of the Paying Agent; that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price; that unless Bombardier defaults in making the redemption payment, interest, if any, on Notes called for redemption shall cease to accrue on and after the Redemption Date; that, if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed, and the only remaining right of the Holders of such Notes is to receive payment of the redemption price upon surrender to the Paying Agent of such Notes; that, if less than all the Notes are to be redeemed, the identification of the Notes and the principal amount (or portion thereof) of such Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption, and that the Notes called for redemption shall become due on the date fixed for redemption.

Bombardier shall cause the notice described above to be published through the newswire service of Bloomberg L.P. (or if Bloomberg L.P. does not then operate, any similar agency) or in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and, with respect to and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or another daily leading newspaper with general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange. For Notes which are represented by global certificates held on behalf of Euroclear and Clearstream, notices may be given by delivery of the relevant notices to Euroclear and Clearstream for communication to entitled account holders.

In connection with any redemption, if the Notes are listed on the Luxembourg Stock Exchange, Bombardier will notify the Luxembourg Stock Exchange of any change in the principal amount of the Notes outstanding. If the Notes are to be redeemed in part only, a new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note.

Redemption for Changes in Withholding Taxes

The Notes will be redeemable, at Bombardier's option, at any time as a whole but not in part, upon not less than 30 nor more than 60 days' prior written notice, at a redemption price equal to 100% of its aggregate principal amount, plus any Additional Amounts and accrued and unpaid interest to the Redemption Date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in the event there is more than an insubstantial risk that Bombardier has become or would become obligated to pay, on the next date on which any amount would be payable with respect to the Notes, any Additional Amounts as a result of:

(a) an amendment of or change in the laws (including any regulations promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(b) any change in or amendment to any official position or the introduction of an official position regarding the application or interpretation of such laws or regulations (each of (a) and (b) a *"Change in Tax Law"*),

which change or amendment is announced or becomes effective on or after the date of this listing memorandum.

No such notice of redemption may be given earlier than 90 days prior to the earliest date on which Bombardier would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due and payable. Any such redemption shall be consummated upon not less than 30 days' nor more than 60 days' prior written notice.

Before Bombardier publishes or mails notice of redemption of any Notes as described under this heading, it will deliver to the Trustee, an Officer's Certificate to the effect that Bombardier is entitled to redeem such Notes pursuant to the terms of the Indenture, and, upon request from the Trustee, an opinion of counsel to the effect that there is a more than insubstantial risk that Additional Amounts will be payable on the next payment date in respect of the Notes as a result of a Change in Tax Law. Bombardier shall, prior to or contemporaneously with the publication or mailing of any notice of redemption of any Notes as described under this heading, furnish to each Registrar and each Paying Agent a copy of such notice of redemption.

Payment of Additional Amounts

The Indenture will provide that Bombardier is required to make all payments under or with respect to the Notes free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (hereinafter *"Taxes"*) imposed or levied by or on behalf of the government of the country in which Bombardier and any successor thereof is organized or incorporated or any political subdivision or any authority or agency therein or thereof having power to tax, or any other jurisdiction in which Bombardier is otherwise resident for tax purposes or any jurisdiction from or through which any payment under or with respect to the Notes is made (each, a *"Relevant Taxing Jurisdiction"*), unless Bombardier is required to withhold or deduct Taxes by law or by the interpretation or administration thereof.

If Bombardier is so required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes, Bombardier will be required to pay such additional amounts (*"Additional Amounts"*) on such Notes as may be necessary so that the net amount received by any Holder or beneficial owner (including Additional Amounts) after such withholding or deduction will not be less than the amount such Holder or beneficial owner would have received if such Taxes had not been withheld or deducted; *provided, however*, that the foregoing obligation to pay Additional Amounts does not apply to (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership or corporation) and the Relevant Taxing Jurisdiction, including such Holder or beneficial owner (or such fiduciary, settlor, beneficiary, partner, member, shareholder, or possessor) of the Notes being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein; (2) any estate, inheritance, gift, sales, transfer, personal property tax or similar Taxes; (3) any withholding or deduction in respect of the Notes (a) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, or (b) presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant Note to any other Paying Agent in a European Union Member State, or (c) where the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Notes for payment within 30 days after the date on which such payment on such Notes became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder or beneficial owner would have been entitled to Additional Amounts had the Notes been presented on the last day of such 30-day period); (4) any Taxes imposed with respect to any payment of principal of (or premium, if any, on) or interest on the Notes by Bombardier to any Holder or beneficial owner who is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder or beneficial owner of such Notes; (5) any Taxes that are payable other than by deduction or withholding from payments made under or with respect to the Notes; (6) any Taxes that would not have been imposed but for the failure of the Holder and/or beneficial owner (a) to comply with Bombardier's or the Paying Agent's request in writing at least 30 days before any withholding for such Taxes to the Holder to provide certification, documentation, information or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder and/or beneficial owner of such Notes or (b) to make any valid or timely declaration or similar claim or satisfy any other reporting requirement relating to such matters, whether required or imposed by statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction; (7) any Holder or beneficial owner of Notes with which Bombardier does not deal at arm's length (within the meaning of the *Income Tax Act* (Canada)) at the time of making such payment, or (8) any combination of (1) to (7) above.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if Bombardier will be obligated to pay Additional Amounts with respect to such payment, Bombardier will deliver to the Trustee and Paying Agent for the affected Notes an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee or Paying Agent, as the case may be, to pay such Additional Amounts to Holders and beneficial owners of such Notes on the payment date. Each such Officer's Certificate shall be relied upon until receipt of a further Officer's Certificate addressing such matters.

Bombardier will also (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. Bombardier will provide the Trustee with official receipts or, if notwithstanding the efforts of Bombardier official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee, evidencing the payment of any Tax so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes. Bombardier will attach to each official receipt or other documentation a certificate stating (x) that the amount of such Tax evidenced by the official receipt or other documentation was paid in connection with payments in respect of the principal amount of such Notes then outstanding and (y) the amount of such Tax paid per €1,000 of principal amount of such Notes.

Whenever reference is made in the Indenture, in any context, to:

(1) the payment of principal;

(2) redemption prices or purchase prices in connection with a redemption or purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to the Notes,

such reference will be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Bombardier will pay any present or future stamp, court, documentary or other similar taxes, charges or levies that arise in any jurisdiction from the execution, delivery or registration of, or enforcement of rights under, the Indenture or any related document.

The obligations described under this heading will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor Person to Bombardier is organized or any political subdivision or taxing authority or agency thereof or therein.

Open Market Purchases

Bombardier reserves the right to purchase Notes in the open market or by tender or by any other means at any price. All Notes that are purchased by Bombardier will be cancelled and will not be reissued.

Further Issuances

Pursuant to the terms of the Indenture, Bombardier may from time to time, without notice to or the consent of the Holders, "reopen" this series of Notes by increasing the aggregate principal amount of this series and issue additional Notes (*"Additional Notes"*) ranking *pari passu* with the Notes. The Notes originally constituting this series and such Additional Notes shall constitute a single series of Notes and have the same terms as to status, redemption and otherwise, other than the date of original issuance and the date that interest begins to accrue. Unless the context requires otherwise, references to the "Notes" (or any series thereof) for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that may be issued.

It is currently expected that Additional Notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes (*"OID"*).

Currency Indemnity

The Euro is the sole currency of account and payment for all sums payable by Bombardier under the Notes (the *"Contractual Currency"*). Any amount received or recovered in currency other than the Contractual Currency in respect of the Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up, liquidation or dissolution of Bombardier, any Subsidiary or otherwise) by the Holder in respect of any sum expressed to be due to it from Bombardier shall constitute a discharge of Bombardier only to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that purchased amount is less than the Contractual Currency amount expressed to be due to the recipient under any Note, Bombardier shall indemnify the recipient against any loss sustained by it as a result. For the purposes of this indemnity, it will be sufficient for the Holder to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of Contractual Currency been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of Contractual Currency on such date had not been possible, on the first date on which it would have been possible).

Each of the above indemnities will, to the extent permitted by law:

- constitute a separate and independent obligation from the other obligations of Bombardier;
- give rise to a separate and independent cause of action;

- apply irrespective of any waiver granted by any Holder; and
- continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Sinking Fund

The Notes will not be entitled to the benefit of any sinking fund.

Purchase of Notes upon a Change of Control

If a Change of Control shall occur at any time, then Bombardier will be required to make an offer to each Holder of the Notes to purchase all of such Holder's Notes at a purchase price (the *"Change of Control Purchase Price"*) in cash in an amount equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the *"Change of Control Purchase Date"*) (subject to the right of Holders of record on relevant record dates to receive interest due on the relevant interest payment date), pursuant to the offer mechanics described below (the *"Change of Control Offer"*) and in accordance with the other procedures set forth in the Indenture; *provided, however*, that Bombardier shall not be obliged to repurchase any Notes as described under this heading in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes pursuant to the provisions described under "—Optional Redemption." No such purchase in part shall reduce the principal amount of any Notes held by any Holder to below €100,000.

Within 30 days of any Change of Control, Bombardier shall notify the Trustee and give written notice of such Change of Control to each Holder of the Notes by first-class mail at the Holder's address appearing in the Security Register, stating, among other things:

- that a Change of Control has occurred and the date of such event;
- that such Holder has the right to require Bombardier to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the Change of Control Purchase Date (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date);
- the circumstances and relevant facts regarding such Change of Control;
- the Change of Control Purchase Date, which shall be fixed by Bombardier on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with any applicable requirements under the Exchange Act and any other applicable securities laws and regulations;
- that any Note not tendered will continue to accrue interest and, unless Bombardier defaults in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and
- certain other procedures that a Holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

Bombardier shall cause the notice described above to be published through the newswire service of Bloomberg L.P. (or if Bloomberg L.P. does not then operate, any similar agency) or in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and, with respect to and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, and the rules of the Luxembourg Stock Exchange so require, in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange.

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

Bombardier will not be required to make a Change of Control Offer with respect to the Notes following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by Bombardier and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Trustee or the Registrar will promptly authenticate and deliver a new Note or Notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the Holder of Notes in global form or to each Holder of Definitive Registered Notes; *provided* that each such new Note will be in a principal amount of at least €100,000 or an integral multiple of €1,000 in excess thereof. Bombardier will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

Subject to compliance with the other covenants described in this listing memorandum, Bombardier could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of debt outstanding at such time or otherwise affect Bombardier's liquidity, capital structure or credit ratings.

In addition to the obligations of Bombardier under the Indenture in the event of a Change of Control, the indentures governing certain other series of Bombardier's outstanding debentures and notes contain substantially identical obligations, and certain credit facilities of Bombardier or its Subsidiaries, including the L/C Facility, the BT L/C Facility and the Revolving Credit Facility each provide that certain change of control events with respect to Bombardier would constitute an event of termination under such facilities, respectively. Other future debt of Bombardier may prohibit certain events that would constitute a Change of Control or require such debt to be repurchased or repaid upon a Change of Control. Moreover, if Holders of Notes exercise their right to require Bombardier to repurchase such Notes, Bombardier could be in breach of obligations under existing and future debt of Bombardier. Finally, Bombardier's ability to pay cash to Holders of Notes upon a repurchase may be limited by Bombardier's then existing financial resources. Bombardier cannot assure you that sufficient funds will be available when necessary to make any required repurchases. Bombardier's failure to repurchase Notes, if required following a Change of Control Offer, would result in a default under the Indenture (and pursuant to the indentures governing certain of Bombardier's existing outstanding notes). Such a default could, in turn, constitute a default under any of the foregoing facilities and other existing debt of Bombardier and may constitute a default under future debt as well. Bombardier's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of the Holders of at least a majority in aggregate principal amount outstanding of the Notes. See "—Modification and Waiver; Meetings of Noteholders."

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that Bombardier repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require Bombardier to make an offer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire Bombardier or its Subsidiaries in a transaction that would constitute a Change of Control.

Bombardier will comply with applicable tender offer rules and any other applicable securities laws or regulations (including United Kingdom, European Community, Canadian and United States laws and regulations, including Rule 14e-1 under the Exchange Act, in each case, to the extent applicable) in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), Bombardier will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

The definition of Change of Control includes a phrase relating to the sale, lease or transfer, of "all or substantially all" the assets of Bombardier and its Subsidiaries, taken as a whole. Although there is a body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, if Bombardier and its Subsidiaries, considered as a whole, dispose of less than all of their assets by any of the means described above, the ability of a Holder of Notes to require Bombardier to repurchase its Notes may be uncertain.

Certain Covenants

Limitation on Liens and Subsidiary Guarantees. The Indenture will provide that so long as any Note remains outstanding thereunder, and unless the benefit of the relevant Charge or Guarantee is at the same time extended equally and ratably to the Holders in respect of the obligations of Bombardier in respect of the Notes:

(a) Bombardier will not, and will ensure that none of its Subsidiaries will, create or have outstanding any Charge on or over its respective assets (present or future) in respect of any Indebtedness for Borrowed Money of any Person, except for:

(i) any Charge existing at the time of acquisition on any asset acquired by it and not created in contemplation of that acquisition and any substitute Charge created on that asset in connection with the refinancing of the Indebtedness for Borrowed Money secured on that asset (but in any case the principal amount secured by any such Charge may not be increased);

(ii) any Charge created on any asset acquired, developed or constructed by it (and/or on any real or immovable property, and fixtures and fittings in respect thereof, which is substantially unimproved and on which such development or construction takes place or is located), being a Charge created for the sole purpose of financing or refinancing that acquisition or development or construction and provided that the principal moneys so secured shall not exceed the cost of that acquisition, development or construction provided also that such Charge is created contemporaneously with, or within a six-month period from the date of such acquisition or completion of such development or construction or from the date of such refinancing thereof (provided the principal amount secured by any such security may not be increased);

(iii) any Charge subsisting over any asset of any Subsidiary prior to the date of such Subsidiary becoming a Subsidiary and not created in contemplation of such Subsidiary becoming a Subsidiary and any substitute Charge created on that asset in connection with the refinancing of the Indebtedness for Borrowed Money secured on that asset (but in any case the principal amount secured by any such Charge may not be increased);

(iv) any Charge existing on January 31, 2006 and any substitute Charge created in connection with the refinancing of the Indebtedness for Borrowed Money secured by such Charge (but in any such case the aggregate principal amount so secured shall not exceed US$25,000,000 (or the equivalent in other currencies));

(v) any Charge created in the ordinary course of business over stock-in-trade, inventory, accounts receivable or deposit accounts;

(vi) any Charge (other than a floating charge over assets except as permitted in (v) above) arising by reason solely of the consolidation, amalgamation or merger of Bombardier with any other corporation permitted as hereinafter mentioned or of one or more of its Subsidiaries with any other corporation, and in any such case arising automatically by operation of mandatory statutory provisions of law or (in the case of the consolidation, amalgamation or merger of Bombardier with any of its Subsidiaries, present or future) arising by virtue of the provisions of any Charge outstanding immediately prior to such consolidation, amalgamation or merger, not being, in any such case, a Charge created, or provisions in relation thereto entered into, in contemplation of such consolidation, amalgamation or merger (but the principal amount secured by such Charge may not be increased); or

(vii) any Charge by a Subsidiary of Bombardier granted to Bombardier or to any other Subsidiary of Bombardier.

(b) Bombardier will ensure that none of its Subsidiaries gives any Guarantees with respect to any Indebtedness for Borrowed Money of Bombardier.

Reporting. Bombardier will provide to the Trustee, and make available (including by way of posting on Bombardier's corporate internet website) to the Holders of the Notes, within 15 days after it files with, or furnishes to, the securities commissions or other similar securities regulatory authorities in each of the Canadian provinces (*"Canadian Securities Regulatory Authorities"*), copies of such documents, financial statements and other information that Bombardier is required to file with such Canadian Securities Regulatory Authorities under National Instrument 51-102 adopted by the Canadian Securities Regulatory Authorities (as such National Instrument may be amended from time to time). Regardless of whether Bombardier is subject to continuous reporting requirements pursuant to Canadian securities regulation, the Indenture will require Bombardier to continue to provide to the Trustee and make available to Holders of the Notes:

(a) within 90 days after the end of each financial year (or such shorter period as the Canadian Securities Regulatory Authorities may in the future prescribe), (i) an annual information form, (ii) audited annual financial statements, and (iii) management's discussion and analysis, in each case containing substantially the same information required pursuant to National Instrument 51-102 and the forms thereunder that would be required if Bombardier were subject to continuous disclosure requirements under Canadian securities regulation; and

(b) within 45 days after the end of each of the first three quarters of each financial year (or such shorter period as the Canadian Securities Regulatory Authorities may in the future prescribe), unaudited interim financial statements containing substantially the same information required pursuant to National Instrument 51-102 and the forms thereunder that would be required if Bombardier were subject to continuous disclosure requirements under Canadian securities regulation.

The Indenture will also provide that Bombardier will provide to the Trustee, and make available, upon request, to any Holder of a Note issued thereunder, any owner of a beneficial interest in such Note or any prospective purchaser of such Note designated by such Holder or owner, the information required to be delivered by Rule 144A(d)(4) under the Securities Act if

(i) any Notes are outstanding and are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act and (ii) Bombardier is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. Bombardier will also make the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require.

Additional Covenants. The Indenture will also contain covenants with respect to:

(a) payment of principal, interest, premium and Additional Amounts, if any; and

(b) arrangements regarding the handling of money held in trust.

Notices

Bombardier shall cause all notices to be published through the newswire service of Bloomberg L.P. (or if Bloomberg L.P. does not then operate, any similar agency) or in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*), and, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market market of that exchange, and the rules of the Luxembourg Stock Exchange so require, in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or another daily leading newspaper with general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange.

Additionally, in the event that the Notes are in the form of Definitive Registered Notes, notices will be sent, by first-class mail, with a copy to the Trustee and each Paying Agent, to each Holder at such Holder's address as it appears on the registration books of the registrar. If and so long as any Notes are presented by one or more global notes and ownership of book-entry interests therein are shown on the records of Euroclear and Clearstream, or any successor thereto, notices will be delivered to such clearing agency for communication to the owners of such book-entry interests. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing.

Consolidation, Merger and Sale of Assets

The Indenture will provide that, except as provided below, Bombardier and its Subsidiaries, taken as a whole, will not (whether by a single transaction or a number of related or unrelated transactions and whether at the same time or over a period of time) sell, transfer, lease out, lend or otherwise dispose of the whole or substantially the whole of their undertaking or assets.

Bombardier will not consolidate with, amalgamate with or merge into any other corporation or convey or transfer its assets substantially as an entirety to any person, unless:

(a) the entity formed by such consolidation or amalgamation or into which Bombardier is merged or the person which acquires by operation of law or by conveyance or transfer the properties and assets of Bombardier substantially as an entirety shall be a corporation (each a "successor corporation") and shall (except in any case where such assumption is deemed to have occurred by the sole operation of law or except where Bombardier is the surviving legal entity), expressly assume, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest (and Additional Amounts, if any) on all the Notes issued thereunder and the performance of every covenant under the Indenture on the part of Bombardier to be performed or observed;

(b) after giving effect to such transaction, no Event of Default under the Indenture, and no event which, after notice or lapse of time, or both, would become an Event of Default under the Indenture, shall have occurred and be continuing under the Indenture; and

(c) within thirty (30) days after the consummation of any such consolidation, merger or amalgamation in which Bombardier shall not be the successor corporation or legal entity, Bombardier shall have delivered to the Trustee (with copies to the Paying Agent) an Officers' Certificate and an opinion of counsel each stating that such consolidation, merger, amalgamation, conveyance or transfer and such supplemental indenture, if any, comply with this provision and that all conditions precedent under the Indenture provided for relating to such transaction have been complied with.

Upon any consolidation or merger or amalgamation or any conveyance or transfer of the properties and assets of Bombardier substantially as an entirety in accordance with the applicable conditions of the preceding paragraph, the successor corporation formed by such consolidation or amalgamation or into which Bombardier is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, Bombardier under the Indenture; *provided, however*, that no such conveyance or transfer shall have the effect of releasing Bombardier (or any successor corporation which shall theretofore have become such in the manner prescribed under this heading and which is the conveyor or transferor) from its liability as obligor and maker on any of the Notes unless such conveyance or transfer is followed by the complete liquidation of Bombardier.

Events of Default

The Indenture will provide that if an Event of Default, as defined in this section, shall occur and be continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes issued thereunder then outstanding may, and the Trustee at the request of such Holders shall, declare all unpaid principal of, premium, if any, any Additional Amounts and accrued and unpaid interest, if any, on all Notes to be due and payable immediately, by a notice in writing to Bombardier (and to the Trustee if given by the Holders of the Notes) and upon any such declaration, such principal, premium, if any, any Additional Amounts and interest shall become due and payable immediately.

An "Event of Default," wherever used with respect the Notes, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) default in the payment of any installment of interest upon any Note at its Stated Maturity, and continuance of such default for a period of 30 days; or

(ii) default in the payment of the principal of any Note at its Maturity Date; or

(iii) default in the performance, or breach, of any covenant of Bombardier in the Indenture or in the Notes issued thereunder (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in clause (i) or (ii) above), and continuance of such default or breach for a period of 60 days after written notice (specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture) has been given to (A) Bombardier by the Trustee or (B) Bombardier and the Trustee by the Holders of at least 25% in aggregate principal amount of the outstanding Notes affected thereby; or

(iv) default under any other Indebtedness for Borrowed Money of Bombardier or any of its Subsidiaries which:

(a) is not paid when due or within any applicable grace period in any agreement relating to the Indebtedness for Borrowed Money; or

(b) becomes due and payable before its normal maturity by reason of a default or event of default, howsoever described; or

(c) when such other Indebtedness for Borrowed Money is in the form of a Guarantee or indemnity in respect of any Indebtedness for Borrowed Money of others given by Bombardier or any of its Subsidiaries, shall not be honored when due within 60 days of demand,

where the aggregate amount of all such Indebtedness for Borrowed Money exceeds US$25,000,000 (or the equivalent in other currencies); *provided* that no Event of Default shall be deemed to have occurred with respect to the Notes under this subsection (iv) if the failure to pay or other default under the relevant agreement is waived, rescinded or annulled in writing by the relevant creditor(s) prior to declaration of acceleration of maturity of the Notes; or

(v) the making by Bombardier or any Principal Subsidiary of an assignment for the benefit of its creditors, the filing by it of a petition for the declaration of its own bankruptcy, the consenting by it to the institution of, or the granting by a court of, bankruptcy or other insolvency proceedings against it, the admission by Bombardier or any Principal Subsidiary to some or all of its creditors at a meeting or by other means of communication that it is insolvent or the commencement by Bombardier or any Principal Subsidiary of any proceeding relative to overdue indebtedness of Bombardier or any Principal Subsidiary under any reorganisation, arrangement, compromise, adjustment or postponement of debt, dissolution, winding-up, composition or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or

(vi) the making of an order or judgment by a court having jurisdiction adjudging Bombardier or any Principal Subsidiary bankrupt or insolvent or ordering the winding-up or liquidation or rearrangement of its affairs, or the seizure or attachment of all or a substantial part of Bombardier's or any Principal Subsidiary's property at the instance of a creditor, or the appointment of a Person to take possession or control under an agreement subjecting property of Bombardier or any Principal Subsidiary to a security interest or pursuant to an order of any court having jurisdiction of all or a substantial part of the property or all or a substantial part of the inventory of Bombardier or any Principal Subsidiary, such person to include a receiver, a receiver-manager, an agent, a sequestrator, a trustee under a trust indenture, a creditor in possession or any person or corporation authorised to act on their behalf; *provided* that such order, judgment, seizure or attachment remains in force or such taking of possession or control continues in effect for a period of 60 days.

If an Event of Default with respect to the Notes shall have occurred and be continuing, the Trustee shall, within 30 Business Days after a Responsible Officer of the Trustee becomes aware of such Event of Default, give notice of such Event of Default to the Holders of the Notes then outstanding affected thereby, *provided* that, notwithstanding the foregoing, except in the case of any Event of Default described in paragraphs (i) and (ii) above, the Trustee shall not be required to give such notice if the Trustee in good faith determines that withholding the notice is in the best interests of the Holders of the outstanding Notes affected thereby and shall so have advised Bombardier in writing. Where a notice of the occurrence of an Event of Default has been given to the Holders of Notes pursuant to the Indenture and the Event of Default is thereafter cured, the Trustee shall give notice that the Event of Default is no longer continuing to the Holders of such Notes within 30 days after a Responsible Officer of the Trustee becomes aware that the Event of Default has been cured.

No Holder of any Note shall have any right to institute any action, suit or proceeding, judicial or otherwise, with respect to the Indenture or such Note, for the payment of any principal, premium, if any, or interest owing on such Note, or for the execution of any trust or power under the Indenture or for the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official, or to have Bombardier wound up, or for any other remedy under the Indenture, unless (i) an Event of Default shall have occurred and be continuing, (ii) such Holder shall have previously given written notice to the Trustee of such continuing Event of Default with respect to such Notes, (iii) the Holders of not less than 25% in aggregate principal amount of the Notes outstanding have made written request to the Trustee to institute such proceeding as Trustee under the Indenture, (iv) such Holder or Holders shall have offered to the Trustee, when so requested by the Trustee, satisfactory indemnity and/or security to it against costs, expenses and liabilities to be incurred therein or thereby in compliance with such request, (v) the Trustee shall have failed to institute such proceeding within 60 days after receipt of such notice and request, and (vi) no direction inconsistent with such request shall have been given to the Trustee during such 60-day period by the Holders of not less than a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a Holder of a Note for the enforcement of the payment of the principal of, premium, if any, and interest on such Note on or after the Stated Maturity expressed in such Note or, in the case of redemption, on the Redemption Date; the right to institute such suit is unconditional and shall not be impaired without the consent of such Holder.

In case an Event of Default with respect to the Notes has occurred and is continuing of which a Responsible Officer of the Trustee has actual knowledge, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture unless such Holders shall have offered and furnished to the Trustee funds for the purpose and indemnity and/or security against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

After a declaration of acceleration of maturity with respect to the Notes, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding may, by written notice to Bombardier and the Trustee, direct the Trustee to rescind and annul the default or cancel the declaration, or both, and cancel the consequences thereof if:

(a) Bombardier has paid or deposited with the Trustee (to an account specified by the Trustee) a sum sufficient to pay:

(1) all overdue interest and Additional Amounts on all Notes then outstanding,

(2) the principal of and premium, if any, on any Notes then outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by such Notes, and

(3) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Notes; and

(b) all Events of Default with respect to the Notes, other than the non-payment of principal of, premium, if any, and any Additional Amounts and interest on the Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Modification and Waiver; Meetings of Noteholders

The Indenture will permit Bombardier, when authorized by a Board Resolution, and the Trustee, upon the Trustee's receipt of satisfactory officer's certificates and opinions, to enter into supplemental indentures, in form satisfactory to the Trustee, without the consent of the Holders of the Notes to, among other things:

(a) evidence the succession of another Person, or successive successions of other Persons, to Bombardier and the assumption by any such successor of the covenants and obligations of Bombardier under the Indenture and in the Notes;

(b) add to the covenants of Bombardier for the benefit of the Holders or to surrender any right or power conferred upon Bombardier under the Indenture;

(c) add any additional Events of Default with respect to the Notes for the benefit of the Holders of such Notes;

(d) secure the Notes pursuant to the provisions described under "— Certain Covenants — Limitation on Liens and Subsidiary Guarantees" or otherwise;

(e) evidence and provide for the acceptance of appointment by a successor Trustee under the Indenture and to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts under the Indenture by more than one Trustee;

(f) cure any ambiguity, to correct or supplement any provision under the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision under the Indenture or in any supplemental indenture, or to make any other provisions as may be necessary or desirable, including the making of any modifications in the form of Notes, provided that such action shall not adversely affect the interests of the Holders of the Notes in any material respect;

(g) to provide for the issuance of Additional Notes in accordance with the Indenture; or

(h) to conform the text of the Indenture or the Notes to any passage in this "Description of the Notes" to the extent that such passage was intended to be a recitation of a provision of the Indenture or the Notes.

The Indenture also will permit Bombardier (when authorized by a Board Resolution) and the Trustee, upon the Trustee's receipt of satisfactory officer's certificates and opinions, with the consent of the Holders of a majority in aggregate principal amount of the Notes outstanding and affected by such supplemental indenture, by act of such Holders delivered to Bombardier and the Trustee, at any time or from time to time, to enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes; *provided, however*, that no such supplemental indenture will, without the consent of the Holder of each outstanding Note adversely affected thereby:

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, such Note;

(b) reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption of such Note;

(c) change any place of payment where, or the coin or currency in which, such Note or any premium or interest on such Note is payable;

(d) impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date);

(e) reduce the percentage in principal amount of the outstanding Notes the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions or certain Events of Default and their consequences) provided for in the Indenture; or

(f) modify any of the other provisions in the Indenture relating to rights of waiver, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each outstanding Note affected thereby.

It shall not be necessary for any act of Holders of Notes to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

In the event that a default or breach or an Event of Default shall have occurred and be continuing under the Indenture, the Holders of a majority in aggregate principal amount of the Notes then outstanding may, prior to the acceleration of the Maturity, on behalf of the Holders of all affected Notes, waive any past default or breach or Event of Default and its consequences, except a default in the payment of the principal of or premium or interest on any Notes or an Event of Default in respect of a covenant or provision of the Indenture or of any Note which cannot be modified or amended without the consent of the Holder of each outstanding Note that is affected.

The Indenture will contain provisions for convening meetings of the Holders of the Notes to consider matters affecting their interests, including (i) to give any notice to Bombardier or the Trustee, (ii) to consent to the waiving of any Event of Default under the Indenture and its consequences or to take any other action required or permitted to be taken by the Holders, (iii) to remove the Trustee and appoint a successor Trustee, and (iv) to consent to the execution of an indenture or indentures supplemental to the Indenture. The Indenture will also contain a provision permitting any action to be taken by the Holders of the Notes pursuant to a meeting to be validly taken by an instrument in writing (in one or more counterparts) signed by or on behalf of the Holders of the specified percentage of the aggregate principal amount of the Notes.

Defeasance or Covenant Defeasance of the Indenture

The Indenture will provide that, at the option of Bombardier and at any time, Bombardier may elect to be discharged from any and all obligations with respect to the Notes (*"Legal Defeasance"*) and cure all then-existing Events of Default with respect to the Indenture, except for, among other things, certain obligations, including those respecting the defeasance trust, obligations to register the transfer or exchange of Notes, to replace mutilated, destroyed, lost or stolen Notes, to maintain paying agencies and to compensate and indemnify the Trustee.

The Indenture will also provide that, at the option of Bombardier and at any time, Bombardier may elect to have its obligations released with respect to certain covenants that are described in the Indenture (*"Covenant Defeasance"*) and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the

Notes. In the event Covenant Defeasance occurs under the Indenture, certain events (not including non-payment and bankruptcy, insolvency and reorganization events) described under "—Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance under the Indenture, Bombardier must irrevocably deposit in trust with the Trustee (to an account specified by the Trustee), for the benefit of the Holders of Notes, cash in Euros or European Government Obligations, or a combination thereof, in such aggregate amounts as will be sufficient to pay the principal of, interest and premium, if any, on, the Notes to maturity or redemption, as the case may be, and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax and other matters.

In the event that Bombardier exercises its option to effect a covenant defeasance with respect to the Notes and the Notes are thereafter declared due and payable because of the occurrence of another Event of Default, the amount of money and securities on deposit with the Trustee would be sufficient to pay the amounts due on the Notes at their Stated Maturity but may not be sufficient to pay the amounts due on the Notes at the times of the acceleration resulting from that Event of Default. Bombardier would remain liable for this deficiency.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) as to all outstanding Notes when:

(a) either:

(1) all such Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid or Notes whose payment has been deposited in trust or segregated and held in trust by Bombardier and thereafter repaid to Bombardier or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation or

(2) all such Notes not theretofore delivered to the Trustee for cancellation

(A) have become due and payable,

(B) will become due and payable at their Stated Maturity within one year, or

(C) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of Bombardier;

and Bombardier has irrevocably deposited or caused to be deposited with the Trustee (to an account specified by the Trustee) as trust funds in trust an amount in cash in Euros or European Government Obligations, or a combination thereof, sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, including the principal of, premium, if any, any Additional Amounts and accrued interest on, such Notes at such maturity, Stated Maturity or Redemption Date, as the case may be;

(b) Bombardier has paid or caused to be paid all other sums payable under the Indenture by Bombardier; and

(c) Bombardier has delivered to the Trustee (with copies to the Paying Agent) an Officer's Certificate and an opinion of independent counsel each stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

Prescription

There is no express term in the Indenture as to any time limit on the validity of claims of the Holders to interest and repayment of principal, but any such claims will be subject to any statutory limitation period prescribed under the laws of the State of New York.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service

The Indenture will provide that Bombardier will appoint CT Corporation System, 111 Eighth Avenue, New York, NY 10011 (or a permitted alternative), as its agent for service of process in any suit, action or proceeding with respect to the Indenture or the Notes and for actions brought under the federal or state securities laws brought in any federal or state court located in the Borough of Manhattan in the City of New York, and Bombardier will submit to such jurisdiction.

Enforceability of Judgments

Since a significant portion of the assets of Bombardier are outside the United States, any judgment obtained in the United States against Bombardier, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

A court of competent jurisdiction in the Province of Quebec will, upon motion, recognize and, where applicable, declare enforceable, a final and conclusive judgment *in personam* of a federal or state court located in the Borough of Manhattan in the City of New York (the *"New York Court"*) for a sum certain that is not subject to ordinary remedy under New York law and is not impeachable as void or voidable under the laws of the State of New York (*"New York Laws"*), with respect to a claim arising out of the Indenture or the Notes without reconsideration of the merits of the judgment subject to the following: (i) the New York Court rendering such judgment had jurisdiction over the subject matter and the parties, as determined under the laws of the Province of Quebec, over the judgment debtor and the subject matter of the action (although submission by Bombardier in the Indenture to the non-exclusive jurisdiction of the New York Court will be sufficient for that purpose); (ii) such judgment is final and enforceable in the jurisdiction in which it was rendered and is not subject to appeal; (iii) the judgment was not rendered in contravention of the fundamental principles of procedure and the outcome of such judgment is not manifestly inconsistent with public order as understood in international relations, as that term is applied by the courts of the Province of Quebec; (iv) a Quebec court may stay its ruling if there is another action pending in any jurisdiction between the same parties, based on the same facts and having the same object or if there is another subsisting judgment in any jurisdiction meeting the necessary conditions for recognition in the Province of Quebec relating to an action between the same parties, based on the same facts and having the same object; (v) the enforcement of such judgment does not constitute, directly or indirectly, the enforcement of foreign revenue, taxation, expropriatory, penal or other laws of a public nature; (vi) under the *Currency Act* (Canada), a court of competent jurisdiction in the Province of Quebec may only give judgment in Canadian dollars, and, in enforcing a foreign judgment for a sum of money in foreign currency, a court of competent jurisdiction in the Province of Quebec converts the sum into Canadian currency at the rate of exchange prevailing on the date the judgment became enforceable at the place where it was rendered; (vii) the action or motion based upon or to recognize and enforce the judgment is commenced in the Province of Quebec within the applicable prescription period; (viii) the judgment is not contrary to any order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada) or by the Competition Tribunal under the *Competition Act* (Canada) in respect of certain judgments defined therein; (ix) the action or motion in the courts of the Province of Quebec on such judgment of the New York Court may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium or other similar laws of general application affecting the enforceability of creditor's rights; and (x) if the judgment of the New York Court is rendered by default, the plaintiff must prove that the act of procedure initiating the proceedings was duly served on the defendant (in accordance with the laws of the place where such judgment was rendered, *i.e.*, New York Laws), and a court of competent jurisdiction in the Province of Quebec may refuse recognition or enforcement of the judgment if the defendant proves that, owing to the circumstances, it was unable to learn of the act of procedure or it was not given sufficient time to offer its defense.

Bombardier has been advised by its counsel, Ogilvy Renault LLP, that they know of no reason under the present laws of the Province of Quebec for avoiding recognition of judgments of a New York Court under the Indenture, or the Notes, based upon public order as understood in international relations, as the term is applied by a court of competent jurisdiction in the Province of Quebec.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator, member or shareholder of Bombardier, or any parent companies or any Subsidiary or affiliate as such, shall have any liability for any obligations of Bombardier under the Indenture or the Notes or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of Bombardier, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise.

The Indenture provides that the Holders of a majority in principal amount of the then-outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs thereunder (which has not been cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture, unless the Holders of the Notes shall have offered and furnished to the Trustee funds for the purpose and indemnity and/or security against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Certain Definitions

"Additional Amounts" is defined under "—Payment of Additional Amounts."

"Affiliate" means, with respect to Bombardier, the Permitted Holders and any Person directly or indirectly controlled by the Permitted Holders, other than Bombardier and its Subsidiaries. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person,

directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Benchmark Rate" means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated yield (on a day count basis) of the Comparable Benchmark Issue, assuming a price for the Comparable Benchmark Issue (expressed as a percentage of its principal amount) equal to the Comparable Benchmark Price for that Redemption Date.

"BT L/C Facility" means that certain €3,800,000,000 Letter of Credit Facility Agreement, dated as of December 17, 2008, as amended, by and among, *inter alia*, Bombardier Corporate Financial Services Islandi sf., Reykjavik, Zurich Branch, as obligor and borrowers' agent, the guarantors party thereto, as guarantors, Commerzbank International S.A., as Facility Agent, Dresdner Bank AG, Niederlassung Luxemburg, as Security Agent.

"Board of Directors" means the Board of Directors of Bombardier Inc. or the Executive Committee thereof.

"Board Resolution" of a Person means a copy of a resolution certified by the secretary or an assistant secretary (or individual performing comparable duties) of the applicable Person to have been duly adopted by the board of directors of such Person and to be in full force and effect on the date of such certification.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Montreal, London or the City of New York are authorized or required by law to close; *provided, however*, that in respect of any Notes denominated in Euros, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (*"TARGET"*) payment system is open for the settlement of payments.

"Capital Stock" of any Person means any and all common shares, preferred shares or other equivalent equity interests, howsoever designated, in the capital stock of a body corporate, equity preferred or common interests in a limited liability company, limited or general partnership interests in a partnership or any other equivalent ownership interest, or the interest of a beneficiary under a trust), in each case, whether now outstanding or issued after the Issue Date, and any rights, warrants or options exchangeable for or convertible into such Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Change of Control" means the occurrence of any of the following events:

(a) the consummation of any transaction as a result of which any person or group acting jointly or in concert (as such expression is defined in Section 91 of the Securities Act (Ontario)) is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total outstanding Voting Capital Stock of Bombardier, measured by voting power rather than number of shares; *provided, however*, that it shall not constitute a Change of Control if such person or group consists of Permitted Holders or persons acting in concert with Permitted Holders unless, in the case of any such transaction involving persons acting in concert with the Permitted Holders, such transaction results in a Ratings Decline; or

(b) Bombardier effects an arrangement or consolidates, amalgamates or merges with or into any Person or sells, leases, transfers or otherwise disposes of all or substantially all of the assets of Bombardier and its Subsidiaries, taken as a whole to any Person, or any Person consolidates with, amalgamates with or merges with or into Bombardier, in any such event pursuant to a transaction in which the outstanding Voting Capital Stock of Bombardier is converted into or exchanged for cash, securities or other property, other than any such transaction where (1) the outstanding Voting Capital Stock of Bombardier is changed into or exchanged for Voting Capital Stock of the surviving corporation or transferee which is not Redeemable Capital Stock and (2) immediately after such transaction, no person or group acting jointly or in concert (as such expression is defined in Section 91 of the Securities Act (Ontario)) is the beneficial owner, directly or indirectly, of more than 50% of the total outstanding Voting Capital Stock of the surviving corporation or transferee, measured by voting power rather than number of shares; *provided, however*, that it shall not constitute a Change of Control if such person or group consists of Permitted Holders or persons acting in concert with Permitted Holders unless, in the case of any such transaction involving persons acting in concert with the Permitted Holders, such transaction results in a Ratings Decline; or

(c) Bombardier is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under "—Consolidation, Merger, and Sale of Assets."

For purposes of this definition, any transfer of an equity interest of an entity that was formed for the purpose of acquiring Voting Capital Stock of Bombardier will be deemed to be a transfer of such portion of such Voting Capital Stock as corresponds to the portion of the equity of such entity that has been so transferred.

"Charge" or *"security"* means and includes any mortgage, pledge, lien, hypothecation, prior claim, security interest or other charge or encumbrance securing Indebtedness for Borrowed Money and any deferred purchase, sale-and-repurchase or sale-and-leaseback arrangement and any other arrangement of a like or similar effect with respect to Indebtedness for Borrowed Money; for clarification, it is understood that "Charge" or "security" does not include any arrangement whatsoever (whether a deferred purchase, sale-and-purchase, sale-and-leaseback, leasing or other arrangement) the direct or indirect purpose and effect of which is to allow the purchaser or user of a product marketed by Bombardier or any of its Subsidiaries to finance the acquisition or rental thereof, in whole or in part, with a third party.

"Clearstream" means Clearstream Banking, *société anonyme*.

"Comparable Benchmark Issue" means the *Bundesanleihen* security or securities (*Bund*) (government bond) of the Federal Republic of Germany selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities of a comparable maturity to the remaining term of such Notes.

"Comparable Benchmark Price" means (A) the average of the Reference Benchmark Dealer Quotations with respect to any Redemption Date, after excluding the highest and lowest of such Reference Benchmark Dealer Quotations, or (B) if Bombardier obtains fewer than four such Reference Benchmark Dealer Quotations, the average of all such Reference Benchmark Dealer Quotations, or (C) if Bombardier obtains only one such Reference Benchmark Dealer Quotation, such quotation.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"DTC" means The Depository Trust Company.

"Equity Offering" means an offering and sale of Capital Stock of Bombardier to persons that are not Subsidiaries of Bombardier; *provided, however*, that Equity Offering does not include any offering and sale to any Affiliate of Bombardier solely in such Affiliate's capacity as director, officer or employee of Bombardier or any of its Subsidiaries (including pursuant to stock option or other equity compensation plans).

"Euroclear" means Euroclear Bank S.A./N.V.

"European Government Obligations" means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) denominated in Euro of any member nation of the European Union rated at least "A-1" by S&P or "P-1" by Moody's for the timely payment of which its full faith and credit is pledged or (b) obligations denominated in Euro of a Person controlled or supervised by and acting as an agency or instrumentality of any member nation of the European Union rated at least "A-1" by S&P or "P-1" by Moody's, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by such member nation and which are not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations thereunder.

"GAAP" means, with respect to Bombardier, the Accounting Recommendations in the Handbook of the Canadian Institute of Chartered Accountants (*"Recommendations"*) and, when a matter is not covered by a Recommendation, other accounting principles that either

(i) are generally accepted by virtue of their use in similar circumstances by a significant number of profit-oriented entities in Canada; or

(ii) are consistent with the Recommendations and are developed through the exercise of professional judgment and the application of the concepts described in the financial statement concepts section of the Handbook referred to above,

provided that, in the case of either the foregoing clause (i) or (ii), Bombardier's auditors will have concurred in the use of such other accounting principles.

Where the character or amount of any asset or liability or item of income or expense, or any consolidation or other accounting computation is required to be made for any purpose under the Indenture, it shall be done in accordance with GAAP as in effect on the date of, or at the end of the period covered by, the financial statements from which such asset, liability, item of income, or item of expense, is derived, or, in the case of any such computation, as in effect on the date as of which such computation is required to be determined, provided, that if any concepts that would not be included in or excluded from such term as used herein will be deemed to include or exclude such amounts, items or concepts as set forth herein, provided further that references to "consolidation" or "consolidated" shall in all events mean as defined with reference solely to GAAP.

"Guarantee" means and includes any obligation (whatever called) of any Person to pay, purchase, provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, the indemnification in respect of letters of credit and letters of guarantee issued in respect of Indebtedness for Borrowed Money or otherwise) for the payment of, indemnify against the consequences of default in the payment of, or otherwise be responsible for, any Indebtedness for Borrowed Money of any other Person (and "Guaranteed" shall be construed accordingly).

"Holder" means a Person in whose name a Note is registered in the Security Register.

"Indebtedness for Borrowed Money" means and includes any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money borrowed or raised (whether or not for a cash consideration), by whatever means including obligations under or in respect of (a) deposits and financial leasing, (b) any letter of credit securing financial accommodation, (c) promissory notes, certificates of deposit or like instruments (whether negotiable or otherwise), (d) acceptance credit, note purchase or bill acceptance or discounting facilities; or (e) like arrangements entered into by any Person in order to enable it to finance its operations or

capital requirements; but excluding reimbursement obligations in respect of advance payments made by or on behalf of third party customers in relation to purchase orders to Bombardier or to one of its Subsidiaries.

"Independent Investment Banker" means one of the Reference Benchmark Dealers selected by Bombardier or, if such firm is unwilling or unable to select the Comparable Benchmark Issue, an independent investment banking institution of national standing in the Federal Republic of Germany appointed by Bombardier.

"Issue Date" means the original issue date of the Notes under the Indenture. The Issue Date is expected to be on or around November 2, 2010.

"L/C Facility" means that certain US$600,000,000 Letter of Credit Facility Agreement, dated as of December 18, 2006, as amended and restated pursuant to a Supplemental Agreement, dated as of December 17, 2008, and as further amended and restated pursuant to a Supplemental Agreement, dated as of June 30, 2009, by and among, *inter alia*, Bombardier, as obligor, National Bank Financial Inc., RBC Capital Markets and UBS Securities LLC, as Joint Bookrunners and Mandated Arrangers, and Commerzbank AG, Filiale Luxemburg, as Security Agent.

"Maturity Date" means, when used with respect to the Notes, the date on which the principal of the Notes becomes due and payable as therein provided or as provided in the Indenture, whether at Stated Maturity, a Change of Control Purchase Date or a Redemption Date, and whether by declaration of acceleration, Change of Control Offer in respect of a Change of Control, call for redemption or otherwise.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"Notes" means the Notes, as well as any Additional Notes that may be issued pursuant to the Indenture.

"Officer's Certificate" means a certificate signed by the Chairman, the President or a Vice-President, and by the Secretary, an Assistant Secretary, the Treasurer, an Assistant Treasurer, the Controller or an Assistant Controller of Bombardier (or by any two officers or any two directors of Bombardier or any director acting with any officer of Bombardier duly authorized for the purpose by a Board Resolution).

"Paying Agent" means any Person authorized by Bombardier to pay the principal of (and premium, if any), or interest on any Notes on behalf of Bombardier.

"Permitted Holders" means any one or more of the following individuals, namely, Janine Bombardier, Claire Bombardier, Huguette Bombardier and André Bombardier and their respective issue, born and to be born, as holders of Voting Capital Stock of Bombardier (or any successor entity) for the time being outstanding whether such shares are owned directly or indirectly in any manner whatsoever, including, without limiting the generality of the foregoing, whether through interposed corporations or trusts or otherwise, by any of such individuals and, for greater certainty, any Voting Capital Stock of Bombardier (or any successor entity) held in a trust is deemed to be owned by its beneficiary under such trust.

"Person" means any individual, corporation, company (including any limited liability company), partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Principal Subsidiary" means any Subsidiary of Bombardier (x) whose revenues for the 12 months ending January 31, 2010 constitute 10% or more of the consolidated revenues of Bombardier for the 12 months ending January 31, 2010 or (y) whose total assets as at January 31, 2010 constitute 10% or more of the consolidated assets of Bombardier as at

January 31, 2010, calculated in each case in accordance with the generally accepted accounting principles used to prepare Bombardier's consolidated annual financial statements.

"Ratings Decline" means that at any time after the first date of public notice of a Change of Control, or of Bombardier's intention, or that of any Person to effect a Change of Control and prior to the 30th day after consummation of such transaction, the rating of Bombardier's senior unsecured debt is decreased by both Moody's and S&P by one or more categories.

"Redeemable Capital Stock" means any Capital Stock that, either by its terms or by the terms of any security into which it is convertible or exchangeable or otherwise, matures or is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the principal of the Notes or is redeemable at the option of the Holder thereof at any time prior to such final Stated Maturity, or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity at the option of the Holder thereof.

"Redemption Date" means, when used with respect to any Note to be redeemed, the date fixed for such redemption by or pursuant to the Indenture.

"Reference Benchmark Dealer" means (A) any of Deutsche Bank AG, London Branch, BNP Paribas, Crédit Agricole Corporate and Investment Bank, J.P. Morgan Securities Ltd. or UBS Limited, or their respective affiliates which are dealers in *Bunds* of the Federal Republic of Germany and their respective successors; *provided, however*, that if any of the foregoing or their affiliates ceases to be a dealer in *Bunds* of the Federal Republic of Germany (a *"Primary Benchmark Dealer"*), Bombardier shall substitute therefor another leading Primary Benchmark Dealer, and (B) any other Primary Benchmark Dealer(s) selected by Bombardier.

"Reference Benchmark Dealer Quotations" means, with respect to each Reference Benchmark Dealer and any Redemption Date, the average, as determined by Bombardier, of the bid and ask prices for the Comparable Benchmark Issue (expressed in each case as a percentage of its principal amount) quoted in writing to Bombardier by such Reference Benchmark Dealer at 3:30 p.m. Frankfurt, Germany time on the third business day preceding such Redemption Date.

"Responsible Officer" means, with respect to the Trustee, any officer within the Trust and Securities Services group of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, in each case with responsibilities for the administration of the Indenture and the Notes, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Revolving Credit Facility" mean that certain US$500,000,000 Revolving Credit Agreement, dated August 28, 2009, by and among, *inter alia*, Bombardier, as borrower, National Bank of Canada, as Administrative Agent, Royal Bank of Canada and UBS Securities LLC, as Co-Syndication Agents, and the financial institutions party thereto, as lenders.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

"Securities Act" means the United States Securities Act of 1933, as amended, or any successor statute, and the rules and regulations thereunder.

"Security Register" means, in respect of the Notes, a register in which, subject to such reasonable regulations as it may prescribe, Bombardier will provide for the registration of the Notes and the registration of transfers of Notes.

"Stated Maturity" means, when used with respect to any Note or other indebtedness or any installment of interest thereon, the dates specified in such Note or other indebtedness as the fixed date on which the principal of such Note or other indebtedness or such installment of interest, as the case may be, is due and payable.

"Subsidiary" of any specified Person means any corporation or other Person of which more than 50% of the Subsidiary Voting Stock is owned, directly or indirectly, by or for such specified Person or by or for any corporation or other Person in like relation to such specified Person and includes any corporation or other Person in like relation to a Subsidiary.

"Subsidiary Voting Stock" means shares of capital stock of any class of a corporation and other interests of any other Persons having under all circumstances the right to elect at least a majority of the board of directors of such corporation or in the case of any Person which is not a corporation, Persons having similar powers, *provided* that, for the purposes hereof, shares which only carry the right to vote conditionally on the happening of an event shall not be considered Subsidiary Voting Stock, and shares shall not be deemed to cease to be Subsidiary Voting Stock solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of such event.

"Trustee" means the Global Trustee and the Canadian Trustee. If the Canadian Trustee resigns or is removed and, pursuant to the Indenture, Bombardier is not required to appoint a successor Trustee to the Canadian Trustee, then *"Trustee"* means the Global Trustee. Except to the extent otherwise indicated, "Trustees" shall refer to the Canadian Trustee (if still serving) and the Global Trustee, and "a Trustee" shall refer to either the Canadian Trustee (if still serving) or the Global Trustee.

"Voting Capital Stock" of a Person means the Capital Stock of that person which carries voting rights, *provided, however*, that Capital Stock which carries the right to vote conditionally upon the happening of an event shall not be considered Voting Capital Stock until the occurrence of such event and then only during the continuance of such event.

Book-Entry, Delivery and Form

General

The Notes will initially be issued in the form of one or more registered notes in global form without interest coupons. Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the *"144A Global Notes"*). Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the *"Regulation S Global Notes"* and, collectively with the 144A Global Notes, the *"Global Notes"*). Each of the Global Notes will, upon issuance, be deposited with and registered in the name of the common depositary (*"Common Depositary"*) or its nominee for the accounts of Euroclear Bank S.A./N.V., as operator of the Euroclear System (*"Euroclear"*), and Clearstream Banking, *société anonyme* (*"Clearstream"*).

Ownership of interests in the Global Notes (*"Book-Entry Interests"*) will be limited to persons that have accounts with Euroclear and Clearstream, or persons that may hold interests through such participants. Investors may hold their interests in the Global Notes through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. All interests in a Global Note may be subject to the procedures and requirements of Euroclear and Clearstream, as the case may be.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to Investors" elsewhere in this listing memorandum. In addition, transfers of Book-Entry Interests between participants in Euroclear and participants in Clearstream, as the case may be, will be effected by Euroclear or Clearstream, as the case may be, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear and Clearstream and their respective participants.

Each Rule 144A Global Note and Regulation S Global Note (and any Note issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear the legend regarding such restrictions substantially as set forth under "Notice to Investors—United States" elsewhere in this listing memorandum.

Prior to the end of the period ending on the fortieth (40^{th}) day after the later of (x) the commencement of the offering of the Notes and (y) the date of closing of such offering (the *"Restricted Period"*), any resale or other transfer of a Book-Entry Interest in a Regulation S Global Note to a U.S. Person (as defined in Regulation S under the Securities Act) will not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S and in accordance with the certification requirements described in the following sentence. Prior to the end of the Restricted Period, a Book-Entry Interest in a Regulation S Global Note may be transferred in the United States only to a person who takes delivery in the form of a Book-Entry Interest in a Rule 144A Global Note and only upon receipt by Bombardier, the Trustee and the principal Registrar of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person that the transferor reasonably believes is a "qualified institutional buyer" as such term is defined in Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the expiration of the relevant Restricted Period, such certification requirement will no longer apply to such transfers.

A Book-Entry Interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a Book-Entry Interest in a Regulation S Global Note only upon receipt by Bombardier, the Trustee and the principal Registrar of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 904 of Regulation S or Rule 144 under the Securities Act and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

Transfers involving an exchange of a beneficial interest in a Regulation S Global Note for a beneficial interest in a 144A Global Note or vice versa will be effected through Euroclear and Clearstream. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of such Regulation S Global Note and a corresponding increase in the principal amount of such 144A Global Note or vice versa, as applicable.

Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of definitive certificated Notes. Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, upon receipt by the applicable registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear and Clearstream, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by Bombardier to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Notice to Investors —United States" elsewhere in this listing memorandum.

Subject to the restrictions on transfer referred to above, the Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof at the office of any Registrar for such Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder of the Note to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear and Clearstream, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, Bombardier is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer.

Except as discussed herein, Bombardier and the Trustee will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Redemption of Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and Clearstream (or their respective nominees), as the case may be, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream in connection with the redemption of such Global Note (or any portion thereof). Bombardier understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as Euroclear and Clearstream deem fair and appropriate; *provided, however*, that no Book-Entry Interest of €100,000 principal amount or less, may be redeemed in part.

Payments on Global Notes

Bombardier will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest, and Additional Amounts, if any) to the Common Depositary (or its nominee), which will distribute such payments to respective participants in accordance with its procedures. Bombardier expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants. Under the terms of the Indenture, Bombardier and the Trustee will treat the registered holders of the Global Notes (*e.g.*, Euroclear and Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of Bombardier, the Trustee or any or their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear or Clearstream or any participant or indirect participant relating to payments made on account of a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear or Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any Holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes (the *"Euroclear/Clearstream Holders"*) through Euroclear and/or Clearstream in Euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of Bombardier, the Trustee, the initial purchasers or any of their respective agents will be liable to any Holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream, respectively, have advised Bombardier that they will take any action permitted to be taken by a Holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear and Clearstream reserve the right to exchange the Global Notes for Definitive Registered Notes, and to distribute Definitive Registered Notes to their respective participants.

Because Euroclear and Clearstream can act only on behalf of participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in Euroclear and Clearstream, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest. The laws of some countries and some U.S. states require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited.

Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of Euroclear and Clearstream, and the relevant settlement systems, respectively, and are subject to changes by them. Bombardier takes no responsibility for these operations and procedures and urge investors to contact these systems or their participants directly to discuss these matters. Bombardier understands as follows with respect to Euroclear and Clearstream, respectively:

Euroclear and Clearstream each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream each provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream are worldwide financial institutions including underwriters, securities brokers and dealers, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system. An account holder's overall contractual relations with either Euroclear or Clearstream are governed by the respective rules and operating procedures of Euroclear or Clearstream and any applicable laws. Both Euroclear and Clearstream act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

Although Euroclear and Clearstream currently follow the foregoing procedures to facilitate transfers of interests in global notes among participants of Euroclear and Clearstream, they are under no obligation to do so, and such procedures may be discontinued or modified at any time. Neither Bombardier nor the Trustee will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Global Clearance and Settlement under the Book-Entry System

The Book-Entry Interests in Global Notes will trade in the secondary market through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase transaction determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers of Book-Entry Interests in the Global Notes between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through Euroclear and Clearstream in accordance with Euroclear and Clearstream's rules on behalf of DTC, by its depositary; however, such cross market transactions will require delivery of instructions to DTC, Euroclear and Clearstream by the counterparty in such system in accordance with the rules and procedures and within the established deadlines of such systems. DTC will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes in Euroclear and Clearstream, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC, Euroclear and Clearstream. DTC participants may not deliver instructions directly to depositaries for Euroclear or Clearstream or for DTC.

Because of time zone differences, the securities account of a DTC participant purchasing an interest in a Global Note from a participant in Euroclear or Clearstream will be credited, and any such crediting will be reported to the relevant DTC participant, during the securities settlement processing day (which must be a business day for DTC) immediately following the settlement date of Euroclear or Clearstream. Cash received in DTC as a result of a sale of an interest in a Global Note by or through a DTC participant to a participant in Euroclear or Clearstream will be received with value on the settlement date of Euroclear and Clearstream but will be available in the relevant DTC cash account only as at the business day for DTC following Euroclear or Clearstream's settlement date.

Although Euroclear, Clearstream and DTC are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear and Clearstream and DTC, as applicable, they are under no obligation to perform or continue to perform such procedures, and such procedures may be changed or discontinued at any time. None of Bombardier, the Trustee, the initial purchasers, the registrar, any Registrar or any Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or DTC, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

TAX CONSIDERATIONS

European Union Directive on Taxation of Savings Income

Under European Union Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual (or certain other kinds of person) resident in that other Member State. However, for a transitional period, Luxembourg and Austria will instead impose (unless during that period they elect otherwise) a withholding tax on such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries) unless the beneficiary of the interest payment elects for the exchange of information. The withholding tax rate is currently 20% and will increase to 35% beginning July 1, 2011. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories. If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, none of the issuer, any paying agent and any other person would be obliged to pay additional amounts to the noteholders or otherwise to compensate noteholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the issuer will undertake to maintain, to the extent practicable, a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income (the "*Directive*") or any law implementing or complying with, or introduced in order to conform to, such Directive.

On September 15, 2008, the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Tax Directive, which included the European Commission's advice on the need for changes to the EU Savings Tax Directive. On November 13, 2008, the European Commission published a more detailed proposal for amendments to the EU Savings Tax Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on April 24, 2009. If any of those proposed changes is made in relation to the EU Savings Tax Directive, it may amend or broaden the scope of the requirements described above.

Prospective investors are recommended to consult their own tax advisers as to the individual tax consequences arising from the investment in the notes.

Certain United States Federal Income Tax Considerations

Circular 230

THE DISCUSSIONS OF U.S. FEDERAL TAX MATTERS SET FORTH IN THIS LISTING MEMORANDUM WERE WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING BY BOMBARDIER AND THE INITIAL PURCHASERS OF THE NOTES. SUCH DISCUSSIONS WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND THEY CANNOT BE USED, BY ANY

PERSON FOR THE PURPOSE OF AVOIDING ANY U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

General

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of notes offered hereby ("*Notes*") by a beneficial owner of Notes. This summary does not address the U.S. federal income tax consequences to a beneficial owner of a Note that both participates in the Tender Offers and acquires a Note. This summary applies only to Notes held as capital assets and does not address U.S. federal income tax rules applicable to holders that are subject to special treatment under the U.S. federal income tax laws, including, without limitation: insurance companies, tax-exempt organizations, banks, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities, persons holding Notes through such entities, U.S. expatriates, Non-U.S. Holders (as defined below), dealers or traders in securities or currencies, persons subject to the alternative minimum tax, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, U.S. Holders who hold Notes through a foreign entity or foreign account, or persons that mark their securities to market, that purchase or dispose of Notes as part of a wash sale, or that will hold a Note as part of a synthetic security or other integrated financial transaction or as part of a position in a straddle or as part of a constructive sale or integrated transaction for U.S. federal income tax purposes. Moreover, this summary does not address the U.S. federal income tax treatment of beneficial owners of Notes that do not acquire Notes as part of the initial offering at the initial issue price or of U.S. Holders having a "tax home" (as determined for U.S. federal income tax purposes) outside of the United States. Prospective purchasers should consult their own tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding, selling and retirement of Notes.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended, administrative pronouncements, judicial decisions and existing, proposed and temporary U.S. Treasury Regulations currently in effect. These authorities are subject to change, perhaps with retroactive effect, so as to result in U.S. federal income tax consequences different from those set forth below. It is expected (and this summary assumes) that the Notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. If the Notes were issued with more than a *de minimis* amount of original issue discount, a U.S. Holder would be required to include the original issue discount in income for U.S. federal income tax purposes as it accrued, before the receipt of cash payments attributable to that income. U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of owning the Notes if they are issued with more than a *de minimis* amount of original issue discount.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes that, for U.S. federal income tax purposes, is:

- a citizen or resident alien individual of the United States;
- a corporation, including an entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) if a United States court is able to exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all

substantial decisions of the trust or (ii) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a domestic trust.

For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of Notes (other than an entity treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner in the partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) will generally depend upon the status of the partner and the activities of the partnership. A partner in a partnership holding the Notes is urged to consult its own tax adviser regarding the U.S. federal income tax consequences of investing in the Notes.

Interest

Interest paid or payable on a Note will be includible in a U.S. Holder's gross income as ordinary interest income at the time it accrues or is received, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. In addition, interest on the Notes will be treated as foreign-source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes will (with certain exceptions) generally constitute "passive category income" or, in certain cases, "general category income."

A U.S. Holder that uses the cash method of accounting and that receives an interest payment in Euros (or that receives proceeds from a sale, exchange or other disposition attributable to accrued interest) with respect to a Note will be required to include in income the U.S. dollar value of the Euro payment (determined based on the spot rate on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and this U.S. dollar value will be the U.S. Holder's tax basis in the Euros so received.

A U.S. Holder that is an accrual-method taxpayer will be required to include in income the U.S. dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The U.S. dollar value of the accrued interest income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognize exchange gain or loss, which will constitute ordinary income or loss, with respect to accrued interest income on the date the interest payment (or proceeds from the sale, exchange, redemption, retirement or other disposition attributable to accrued interest) is actually received. The amount of such income or loss recognized will equal the difference between the U.S. dollar value of the Euro payment received (determined based on the spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). An accrual-method U.S. Holder may elect to translate interest income into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, on the last day of the portion of the accrual period that is within the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "*IRS*"). The exchange gain or loss of a U.S. Holder will generally be treated as U.S.-source income or loss for U.S. federal income tax purposes.

Sale, Exchange, Redemption or Retirement of a Note

Upon the sale, exchange, redemption or retirement of a Note, a U.S. Holder will generally recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, redemption or retirement (except to the extent any amount realized is attributable to accrued but unpaid interest, which, if not previously taxed, will be taxable as such) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be the U.S. dollar value of the Euro amount paid for such Note determined on the date of the purchase. Except with respect to gains or losses attributable to changes in currency exchange rates (as described in the following paragraph), any gain or loss recognized upon a sale, exchange, redemption or retirement of a Note by a U.S. Holder generally will be capital gain or loss, and will be long-term capital gain or loss if, at the time of such disposition, the U.S. Holder's holding period for the Note is more than one year. Long-term capital gains of individuals and other noncorporate taxpayers are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Except as discussed below, any gain or loss recognized upon a sale, exchange, redemption or retirement of a Note by a U.S. Holder generally will be treated as U.S.-source income or loss for U.S. federal income tax purposes.

Gain or loss realized by a U.S. Holder upon the sale, exchange, redemption or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss and will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the Euro principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the Euro principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on the Notes described above. The exchange gain or loss will be recognized only to the extent of the total gain or loss realized by a U.S. Holder on the sale, exchange, redemption or retirement of the Note. The source of the exchange gain or loss will be determined by reference to the residence of the U.S. Holder or the "qualified business unit" of the U.S. Holder on whose books the Note is properly reflected.

Exchange of Euros

A U.S. Holder will also realize gain or loss on the exchange, sale or other disposition of Euros that are received as interest or on the sale, exchange, redemption or retirement of a Note in an amount equal to the difference between the U.S. Holder's tax basis in the Euros and the U.S. dollar value of the Euros, determined on the date of exchange, sale or other disposition of the Euros. A U.S. Holder will have a tax basis in any Euros received as interest or on the sale, exchange, redemption or retirement of a Note equal to the U.S. dollar value of the Euros, determined using the spot rate at the time the interest is received or at the time of the sale, exchange, redemption or retirement of a Note. Any gain or loss realized by a U.S. Holder on a sale or other disposition of Euros (including the exchange of Euros for U.S. dollars or the use of Euros to purchase Notes) will be ordinary income or loss and generally will be treated as U.S. source income or loss for U.S. federal income tax purposes.

Medicare Tax

For taxable years beginning after December 31, 2012, a U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% Medicare tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's "net investment income" will generally include its interest income and its net gains from the disposition of the Notes, unless such interest payments or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders are urged to consult their own tax advisers regarding the applicability of the Medicare tax to their income and gains in respect of an investment in the Notes.

If a U.S. Holder recognizes a currency loss upon a sale or other disposition of a Note that is above a certain threshold, the holder may be required to file a disclosure statement with the IRS. U.S. Holders should consult their tax advisers regarding this reporting obligation.

U.S. Backup Withholding and Information Reporting

Payments of interest, principal or proceeds from the sale, exchange, redemption or retirement of a Note may be subject to information reporting. Backup withholding of U.S. federal income tax at a rate of 28% (which rate is scheduled to increase to 31% for taxable years beginning on or after January 1, 2011) may also apply to these payments if a recipient that is a U.S. Holder fails to furnish to the paying agent with respect to the Notes (or other withholding agent) an IRS Form W-9 containing such U.S. Holder's taxpayer identification number or to otherwise establish an exemption from backup withholding. Penalties also may be imposed on a recipient that fails to supply a valid IRS Form W-9 or other evidence of exemption from backup withholding. Backup withholding is not an additional tax. Any amounts deducted and withheld under the backup withholding rules may be allowed as a credit against the recipient's U.S. federal income tax liability, if any. If backup withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the IRS.

Certain Canadian Federal Income Tax Considerations for Non-Residents of Canada

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder who acquires, as beneficial owner, Notes pursuant to this offering and who, at all relevant times, for purposes of the Income Tax Act (Canada) (the "*Tax Act*"), the regulations thereunder and any applicable tax treaty or convention, (i) is not and is not deemed to be a resident of Canada, (ii) holds the Notes as capital property, (iii) deals at arm's length with Bombardier, (iv) does not use or hold, and is not deemed to use or hold the Notes in the course of carrying on a business in Canada, (v) is not an "authorized foreign bank", (vi) is not a "registered non-resident insurer", and (vii) is not an insurer carrying on an insurance business in Canada and elsewhere, whom we refer to as a "Non-Resident Holder".

This summary is based on the current provisions of the Tax Act and the regulations thereunder and the current administrative and assessing practices and policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "*Proposed Amendments*") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or any administrative or assessing practice, whether by judicial, governmental, regulatory or legislative decision or action, nor does it take into account provincial, territorial or foreign income tax considerations which may differ from the Canadian federal income tax considerations described herein.

This summary is not exhaustive of all Canadian federal income tax considerations that may be relevant to a particular Non-Resident Holder. This summary is of a general nature only and is not intended to be, and should not be interpreted as, legal or tax advice to any particular Non-Resident Holder, and no representation with respect to the income tax consequences to any particular Non-Resident Holder is made. Accordingly, prospective holders of the Notes should consult their own tax advisors with respect to their individual circumstances.

Payments under the Notes

A Non-Resident Holder will not be subject to tax (including withholding tax) under the Tax Act on payments of interest, principal or premium, if any, in respect of the Notes.

Dispositions

Gains realized on the disposition or deemed disposition of a Note by a Non-Resident Holder (including a redemption, payment on maturity or repurchase of the Notes) will not be subject to tax under the Tax Act.

NOTICE TO INVESTORS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes offered hereby. See "Description of the Notes."

United States

We have not registered, and do not expect to register, the notes under the Securities Act or the securities laws of any other state or jurisdiction. We are not offering or selling the notes within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption, or in a transaction exempt, from the registration requirements of the Securities Act. Each purchaser of notes will be deemed to have acknowledged and represented to, and agreed with, Bombardier and the initial purchasers as follows:

(1) It understands and acknowledges that the notes have not been registered under the Securities Act or any other applicable securities law, the notes are being offered for sale and resale in transactions not requiring registration under the Securities Act or any other securities laws, and none of the notes may be reoffered, resold, pledged or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities law, pursuant to an exemption therefrom or in a transaction not subject thereto and in the case of a purchaser of an interest in a Rule 144A Global Note in compliance with the conditions for transfer set out in the legend set forth in paragraph (4) below and in the case of a purchaser of an interest in a Regulation S Global Note in compliance with the conditions for transfer set out in the legend set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of Bombardier, or acting on behalf of Bombardier, and it either (A) is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act ("*QIB*"), is aware that any sale of notes to it will be made in reliance on Rule 144A and is acquiring such notes for its own account or for the account of another QIB or (B) is not a U.S. Person as defined in Rule 902 of Regulation S under the Securities Act (and is not purchasing for the account or benefit of a U.S. Person) and is acquiring such notes in on offshore transaction in accordance with Regulation S under the Securities Act.

(3) It understands and acknowledges that none of Bombardier or the initial purchasers or any person acting on behalf of Bombardier or the initial purchasers has made any representation with respect to Bombardier or the offering or sale of any note, other than the information contained in or incorporated by reference in this listing memorandum, which listing memorandum has been delivered to it. Accordingly, it acknowledges that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. It has had access to such financial and other information as it has deemed necessary in connection with its decision to purchase the notes, including an opportunity to ask questions of and request information from Bombardier and the initial purchasers, and it has received and reviewed all information which it requested.

(4) It represents that it is purchasing notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of that investor account or accounts be at all times within its or their control and subject to its or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. It understands and acknowledges that each certificate representing a Rule 144A Global Note will, unless

otherwise agreed to by Bombardier and the holder thereof, contain a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER HEREOF, BY ACQUIRING THIS SECURITY, AGREES FOR THE BENEFIT OF BOMBARDIER INC. (THE "CORPORATION") THAT NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, RESOLD, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) TO THE CORPORATION, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), IN COMPLIANCE WITH RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE OFFER, SALE, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION, AS THE CASE MAY BE, IS BEING MADE IN RELIANCE ON RULE 144A, (C) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE CORPORATION'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM IN ACCORDANCE WITH THE INDENTURE, A COPY OF WHICH MAY BE OBTAINED FROM THE CORPORATION OR THE TRUSTEE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE CORPORATION THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

(5) If it is a person acquiring a beneficial interest in a Regulation S Global Note, it also acknowledges and agrees that, until the expiration of the 40-day "distribution compliance period" within the meaning of Regulation S, any offer, sale, transfer, pledge, encumbrance or other disposition shall not be made by it in the United States or to, or for the account or benefit of, a U.S. Person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, and that each Regulation S Global Note will contain a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY ACQUIRING THIS SECURITY, AGREES FOR THE BENEFIT OF BOMBARDIER INC. THAT NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, RESOLD, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS.

ANY OFFER, SALE, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN WITHIN FORTY DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THIS SECURITY OR THE DATE OF CLOSING OF SUCH OFFERING MAY

BE MADE ONLY IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR PURSUANT TO RULE 144A UNDER THE SECURITIES ACT."

(6) It agrees that in the event at some future time it wishes to dispose of any of the notes, it will not do so unless such disposition is made in accordance with any applicable securities laws of any state of the United States or any other jurisdiction and the legends set forth in paragraphs (4) and (5) above, as applicable.

(7) It acknowledges that the notes will be issued and may be transferred only in blocks having an aggregate principal amount of €100,000 and integral multiples of €1,000 in excess thereof.

(8) It acknowledges that Bombardier, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made with respect to its purchase of the notes are no longer accurate, it shall promptly notify the initial purchasers, without releasing it from its obligations under this section "Notice to Investors." If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account.

(9) It acknowledges that (a) (i) it is not itself, and is not acquiring notes with "plan assets" of, an employee benefit or other plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or any other federal, state or local law ("*Similar Law*") substantially similar to Title I of ERISA or Section 4975 of the Code (each, a "*Plan*"), (ii) it is not any entity whose underlying assets include "plan assets" by reason of any Plan's investment in that entity and (iii) it is not purchasing notes on behalf of any Plan or any entity whose assets include assets of such a Plan pursuant to Section 3(42) of ERISA, 29 C.F.R. Section 2510.3-101 or otherwise or (b) its purchase and holding of the notes does not give rise to a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any Similar Law.

Canada

This offering of notes is being made on a private placement or exempt distribution basis in one or more provinces of Canada through the initial purchasers or their affiliates who are permitted under applicable Canadian securities laws or available exemptions therefrom to offer and sell the notes in such provinces. The notes have not been and will not be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the notes in Canada will be made on a basis which is exempt from the prospectus requirements of such securities laws. Purchasers of the notes are advised to seek legal advice prior to any resale of the notes.

This listing memorandum constitutes an offering of the notes only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell the notes. This listing memorandum is not, and should not under any circumstances be construed as, an advertisement or a public offering of the notes in Canada. No securities commission or similar securities regulatory authority in Canada has reviewed or in any way passed upon this listing memorandum or the merits of the notes and any representation to the contrary is an offence under applicable Canadian securities laws.

The offering is being made exclusively through this listing memorandum and not through any advertisement of the notes in any printed media of general and regular paid circulation, radio or television, electronic media or any other form of advertising. No person has been authorized to give any information or to make any representation other than those contained in this listing memorandum and any decision to purchase notes should be made solely based on the information contained in this listing memorandum.

The decision to offer the notes was made solely by Bombardier and the terms upon which the notes are being offered were determined by negotiation between Bombardier and the initial purchasers.

Purchasers' Representations, Covenants and Resale Restrictions

Confirmations of the acceptance of offers to purchase any notes will be sent to purchasers who have not withdrawn their offers to purchase prior to the issuance of such confirmations. Each purchaser of notes in Canada who receives a purchase confirmation, by the purchaser's receipt thereof, will be deemed to have represented, acknowledged, confirmed and/or agreed, as the case may be, to the issuer, the initial purchasers and any dealer who sells notes to such purchaser that such purchaser:

(i) is resident in one of the provinces of Canada and is entitled under applicable Canadian provincial securities laws to purchase the notes without the benefit of a prospectus qualified under such securities laws;

(ii) is basing its investment decision solely on the final version of this listing memorandum and not on any other information concerning us, the initial purchasers or the offering;

(iii) any ultimate purchaser for which such purchaser is acting as agent (where permitted by law) is entitled under applicable Canadian securities laws to purchase the notes without the benefit of a prospectus qualified under such securities laws;

(iv) is purchasing for investment only and not with a view to resale or distribution;

(v) without limiting the generality of the foregoing, qualifies for and is purchasing the notes under the "accredited investor" prospectus exemptions (the "*Accredited Investor Exemption*") set forth in section 2.3 of *National Instrument 45-106—Prospectus and Registration Exemptions* (such instrument being titled in Québec Regulation 45-106 *respecting prospectus and registration exemptions*, together "*NI 45-106*"), and is, or is deemed pursuant to NI 45-106 to be, purchasing the notes as principal;

(vi) acknowledges that the distribution of the notes in Canada is being made on an exempt distribution basis and that any resale of the notes in Canada must be made through an appropriately registered dealer or in accordance with an available exemption from the dealer registration requirements of applicable securities laws, and in accordance with, or pursuant to an exemption from, the prospectus requirements of such laws, which vary depending on the province. These resale restrictions may in some circumstances apply to resales made outside of Canada. Canadian purchasers are advised to seek legal advice prior to any resale of the notes;

(vii) was not created and used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition in NI 45-106;

(viii) has not purchased the notes as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and

(ix) confirms that it is such purchaser's express wish that all documents evidencing or relating in any way to the sale of notes be drafted in the English language only. *Chaque acheteur des billets au Canada recevant un avis de confirmation à l'égard de son acquisition reconnaît que c'est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des billets soient rédigés uniquement en anglais.*

In addition, each purchaser of notes in Canada (or in a transaction outside the United States to persons other than U.S. persons in reliance on Regulation S under the Securities Act) who receives a purchase confirmation, by the purchaser's receipt thereof, will be deemed to have represented, acknowledged or confirmed, as the case may be, to the issuer, the initial purchasers and any dealer who sells notes to such purchaser as follows:

(i) Such purchaser is not a U.S. Person (within the meaning of Regulation S under the Securities Act). The definition of U.S. Person in Regulation S means (subject to certain exceptions): (a) any natural person resident in the United States; (b) any partnership or corporation organized or incorporated under the laws of the United States; (c) any estate of which any executor or administrator is a U.S. person; (d) any trust of which any trustee is a U.S. person; (e) any agency or branch of a foreign entity located in the United States; (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (h) any partnership or corporation if (1) organized or incorporated under the laws of any foreign jurisdiction; and (2) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts; and

(ii) Such purchaser is not one of our "affiliates" (as defined in Rule 144A under the Securities Act), nor is it acting on our behalf, and it is an institution that, at the time the buy order for the notes was originated, was outside the United States and was not a U.S. person, and was not purchasing for the account or benefit of a U.S. person, within the meaning of Regulation S under the Securities Act.

By purchasing these notes, each Ontario purchaser of the notes who receives a purchase confirmation, by the purchaser's receipt thereof, will be deemed to have represented to the issuer, the Initial purchasers and any dealer who sells notes to such purchaser, that such purchaser:

(i) has been notified by the issuer:

(a) that it is required to provide information, or personal information, pertaining to the purchaser required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of notes purchased), which Form 45-106F1 is required to be filed by us under NI 45-106;

(b) that the personal information may be delivered to the Ontario Securities Commission, or the OSC, in accordance with NI 45-106;

(c) that such personal information is being collected indirectly by the OSC under the authority granted to it in securities legislation;

(d) that such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and

(e) that the public official in Ontario who can answer questions about the OSC's indirect collection of the personal information is the Administrative Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086, and

(ii) has authorized the indirect collection of the personal information by the OSC. Further, by purchasing these notes, the purchaser acknowledges that its name and other specified information, including the number and value of notes it has purchased, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. The purchaser consents to the disclosure of that information.

In addition, each purchaser of notes resident in Canada who receives a purchase confirmation, by the purchaser's receipt thereof, will be deemed to have represented, acknowledged or confirmed, as the case may be, to Bombardier, the initial purchasers and any dealer who sells notes to such purchaser that such purchaser understands that the notes are subject to transfer and resale restrictions and that the certificates representing the notes (or the relevant ownership statement under a direct registration system or other book-entry system) will bear restriction of transfer and other legends substantially as follows:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY ACQUIRING THIS SECURITY, AGREES FOR THE BENEFIT OF BOMBARDIER INC. (THE "CORPORATION") THAT NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, RESOLD, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) TO THE CORPORATION, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), IN COMPLIANCE WITH RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE SELLER HAS INFORMED, IN EACH CASE, THAT THE OFFER, SALE, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION, AS THE CASE MAY BE, IS BEING MADE IN RELIANCE ON RULE 144A, (C) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE CORPORATION'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM IN ACCORDANCE WITH THE INDENTURE, A COPY OF WHICH MAY BE OBTAINED FROM THE CORPORATION OR THE TRUSTEE, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE CORPORATION THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY ACQUIRING THIS SECURITY, AGREES FOR THE BENEFIT OF BOMBARDIER INC. THAT NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, RESOLD, TRANSFERRED, PLEDGED,

ENCUMBERED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS.

ANY OFFER, SALE, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN WITHIN FORTY DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THIS SECURITY OR THE DATE OF CLOSING OF SUCH OFFERING MAY BE MADE ONLY IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR PURSUANT TO RULE 144A UNDER THE SECURITIES ACT."

Canadian Resale Legend

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION IN CANADA, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY BEFORE MARCH 3, 2011."

Rights of Action for Damages or Rescission

Securities legislation in certain of the provinces of Canada provides certain purchasers with, or requires certain purchasers to be provided with, in addition to any other rights they may have at law, a right of action for rescission or damages or both, against the issuer, and in certain cases, other persons, where this listing memorandum and any amendment to it and, in certain cases, advertising and sales literature used in connection therewith, contains a misrepresentation. Where used herein, the term "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in light of the circumstances in which it was made, and the expression "material fact" means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the notes. These remedies or notice with respect thereto must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation. The following is a summary of the rights of rescission or damages, or both, available to purchasers under the securities legislation of certain of the provinces of Canada. Each purchaser should refer to the provisions of applicable securities legislation for the particulars of these rights or consult with a legal advisor.

Rights for Purchasers in Ontario

The rights of action for rescission or damages described herein is conferred by section 130.1 of the *Securities Act* (Ontario). In the event that this listing memorandum, together with any amendments hereto, delivered to an Ontario purchaser contains a misrepresentation, a purchaser will, as provided below, have a right of action against the issuer for damages, or for rescission, if still the owner of the notes, without regard to whether the purchaser relied on the misrepresentation, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the issuer provided that, among other limitations:

(i) in the case of an action for rescission, no action shall be commenced more than 180 days after the date of the transaction that gave rise to the cause of action;

(ii) in the case of any action, other than an action for rescission, no action shall be commenced more than the earlier of (a) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (b) three years after the date of the transaction that gave rise to the cause of action;

(iii) the issuer will not be liable if it proves that the purchaser purchased the notes with knowledge of the misrepresentation;

(iv) in the case of an action for damages, the issuer will not be liable for all or any portion of the damages that the issuer proves do not represent the depreciation in value of the notes as a result of the misrepresentation relied upon; and

(v) in no case will the amount recoverable in any action exceed the price at which the notes were offered.

Ontario Securities Commission Rule 45-501 provides that when an listing memorandum is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106, the right of action referred to in Section 130.1 of the Securities Act (Ontario) ("*Section 130.1*") is applicable, unless the prospective purchaser is:

(i) a Canadian financial institution, meaning either:

(a) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

(b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;

(ii) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the Bank Act (Canada);

(iii) The Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or

(iv) a subsidiary of any person referred to in paragraphs (i), (ii) or (iii), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Rights for Purchasers in New Brunswick

Pursuant to section 150 of the Securities Act (New Brunswick), if this listing memorandum, together with any amendments hereto, or any information relating to the offering, delivered to a New Brunswick purchaser contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the misrepresentation and will, as provided below, have a right of action against the issuer for damages, or while still owner of the notes, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the issuer provided that, among other limitations:

(i) in the case of an action for rescission, no action shall be commenced more than 180 days after the date of the transaction that gave rise to the cause of action;

(ii) in the case of any action, other than an action for rescission, no action shall be commenced more than the earlier of (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, and (b) six years after the date of the transaction that gave rise to the cause of action;

(iii) the issuer shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the issuer unless the misrepresentation (a) was based on information that was previously publicly disclosed by the issuer, (b) was a misrepresentation at the time of its previous public disclosure, and (c) was not subsequently publicly corrected or superseded by the issuer before the completion of the distribution of the securities being distributed;

(iv) in an action for damages, the issuer will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the notes as a result of the misrepresentation relied upon;

(v) in an action for damages, the issuer will not be liable if it proves that the purchaser purchased the notes with knowledge of the misrepresentation; and

(vi) in no case will the amount recoverable in any action exceed the price at which the notes were offered.

Rights for Purchasers in Nova Scotia

The right of action for rescission or damages described herein is conferred by section 138 of the Securities Act (Nova Scotia). In the event that this listing memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the Securities Act (Nova Scotia)) contains a misrepresentation, the purchaser will be deemed to have relied upon such misrepresentation (if it was a misrepresentation at the time of purchase) and has a right of action against the issuer, every person who was a director of the issuer at the date of the listing memorandum and every person who signed the listing memorandum, for damages or, alternatively, while still the owner of any of the notes purchased by the purchaser, for rescission, in which case the purchaser shall have no right of action for damages against the issuer, every person who was a director of the issuer at the date of the listing memorandum and every person who signed the listing memorandum, provided that, among other limitations:

(i) no action shall be commenced to enforce the right of action for rescission or damages later than 120 days after the date on which payment was made for the notes or after the date on which the initial payment for the notes was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment;

(ii) no person or company will be liable if it proves that the purchaser purchased the notes with knowledge of the misrepresentation;

(iii) in the case of an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the notes as a result of the misrepresentation relied upon; and

(iv) in no case will the amount recoverable exceed the price at which the notes were offered.

In addition, a person or company (other than the issuer) will not be liable if such person or company proves that:

(i) the listing memorandum or the amendment to the listing memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(ii) after delivery of the listing memorandum or the amendment to the listing memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the listing memorandum, or amendment to the listing memorandum, the person or company withdrew the person's or company's consent to the listing memorandum, or amendment to the listing memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of the listing memorandum or amendment to the listing memorandum purporting (a) to be made on the authority of an expert, or (b) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (1) there had been a misrepresentation, or (2) the relevant part of the listing memorandum or amendment to the listing memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company (other than the issuer) will be liable under section 138 of the *Securities Act* (Nova Scotia) with respect to any part of the listing memorandum or amendment to the listing memorandum not purporting (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation. If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the listing memorandum or amendment to the listing memorandum, the misrepresentation is deemed to be contained in the listing memorandum or amendment to the listing memorandum.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

Rights for Purchasers in Manitoba

Manitoba's securities legislation provides that in the event that an listing memorandum contains a misrepresentation, a purchaser to whom the listing memorandum has been delivered and who purchases the securities offered by such listing memorandum shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has a right of action for damages against the issuer and, subject to certain additional defences, against directors of the issuer and persons who have signed the listing memorandum, but may elect to exercise a right of rescission against the issuer, in which case such purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the listing memorandum, provided that, among other limitations:

(a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;

(b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and

(c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the securities was offered.

In addition, no person or company other than the issuer is liable if the person or company proves that:

(i) the listing memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(ii) after delivery of the listing memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the listing memorandum, the person or company withdrew the person's or company's consent to the listing memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(iii) with respect to any part of the listing memorandum purporting (a) to be made on the authority of an expert, or (b) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (1) there had been a misrepresentation, or (2) the relevant part of the listing memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore no person or company other than the issuer is liable with respect to any part of the listing memorandum not purporting (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the listing memorandum, the misrepresentation is deemed to be contained in the listing memorandum.

In addition, no action shall be commenced to enforce these rights more than:

(i) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(ii) in the case of any action, other than an action for rescission, the earlier of: (a) 180 days after the date on which the purchaser first had knowledge of the facts giving rise to the cause of action or (b) 2 years after the date of the transaction that gave rise to the cause of action.

The rights of action for rescission or damages described herein are in addition to and without derogation from any right the purchaser may have at law.

Rights for Purchasers in Saskatchewan

The rights of action for rescission or damages described herein is conferred by section 138 of *The Securities Act, 1988* (Saskatchewan). Saskatchewan securities legislation provides that in the event this listing memorandum is sent or delivered to a Saskatchewan purchaser and contains a misrepresentation, a purchaser who purchases notes has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the issuer or has a right of action for damages against: (a) the issuer; (b) every promoter and director of the issuer, at the time the listing memorandum or any amendment thereto was sent or delivered; (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them; (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the listing memorandum or the amendment to the listing memorandum; and (e) every person who or company that sells notes on behalf of the issuer under the listing memorandum or amendment thereto.

Such rights of rescission and damages are subject to certain limitations including the following: (a) if the purchaser elects to exercise its right of rescission against the issuer, it shall have no right of action for damages; (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the notes resulting from the misrepresentation relied on; (c) no person or company, other than the issuer, will be liable for any part of the listing memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation; (d) in no case shall the amount recoverable exceed the price at which the notes were offered; and (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the notes with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer, will be liable if the person or company proves, among other things, that: (a) the listing memorandum or the amendment to the listing memorandum was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or (b) after the filing of the listing memorandum or the amendment to the listing memorandum and before the purchase of the notes by the purchaser, on becoming aware of any misrepresentation in the listing memorandum or the amendment to the listing memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it; or (c) with respect to any part of the listing memorandum purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the listing memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Saskatchewan securities legislation also provides: (a) similar rights of action for damages and rescission in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities; (b) where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement; (c) a purchaser with the right to void any purchase agreement and to recover all money and other consideration paid by the purchaser to a vendor for the securities if the securities are sold by a vendor in contravention of Saskatchewan securities legislation; and (d) a right of action for rescission or damages to a purchaser of securities to whom an listing memorandum was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by the Saskatchewan securities legislation.

Saskatchewan securities legislation provides that no action shall be commenced to enforce any of the foregoing rights more than: (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of an action for damages, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) six years after the date of the transaction that gave rise to the cause of action.

Saskatchewan securities legislation also provides that a purchaser who has received an amended listing memorandum delivered in accordance with such legislation has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended listing memorandum.

Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) ("*Section 112*"). Section 112 provides that in the event that an listing memorandum, such as this Canadian listing memorandum, contains a "misrepresentation," a purchaser who purchased securities offered by the listing memorandum during the period of distribution has, without regard to whether the purchaser relied upon such misrepresentation, a statutory right of action for damages against the issuer, every director of the issuer at the date of the Canadian listing memorandum and every person who signed the Canadian listing memorandum. Alternatively, a purchaser who purchased securities offered by the listing memorandum during the period of distribution may elect to exercise a statutory right of action for rescission against the issuer. The term "misrepresentation" is defined to mean an untrue statement of material fact, an omission to state a material fact that is required to be stated by the *Securities Act* (Prince Edward Island) or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

(i) no action shall be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, more than 180 days after the date of the transaction that gave rise to the cause of action;

(ii) in the case of any action other than an action for rescission:

(a) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or

(b) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first;

(iii) no person shall be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;

(iv) no person, other than the issuer, shall be liable if the person proves that:

(a) the Canadian listing memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;

(b) the person, on becoming aware of the misrepresentation in the Canadian listing memorandum, had withdrawn the person's consent to the Canadian listing memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or

(c) with respect to any part of the Canadian listing memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that

(1) there had been a misrepresentation, or

(2) the relevant part of the Canadian listing memorandum

(A) did not fairly represent the report, statement or opinion of the expert, or

(B) was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages. In no case will the amount recoverable in any action exceed the price at which the notes were offered to and purchased by the purchaser. In an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the notes as a result of the misrepresentation. The foregoing statutory right of action for rescission or damages conferred by Section 112 is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express conditions of the *Securities Act* (Prince Edward Island) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Rights for Purchasers in Newfoundland and Labrador

The *Securities Act* (Newfoundland and Labrador) provides that where an listing memorandum contains a misrepresentation, a purchaser to whom the listing memorandum has been delivered and who purchases a security referred to therein shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has a right of action for damages against the issuer and, subject to certain additional defenses, against directors of the issuer and persons who have signed the listing memorandum, but may elect to exercise a right of rescission against the issuer. Where a right of rescission is exercised, a purchaser shall have no right of action for damages against any other person.

For the purposes of the *Securities Act* (Newfoundland and Labrador) "misrepresentation" means:

(i) an untrue statement of material fact, or

(ii) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

A defendant in an action for damages:

(i) is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and

(ii) the amount recoverable under the right of action shall not exceed the price at which the security was offered.

In addition, no person or company, other than the issuer, is liable if the person proves that:

(i) the purchaser had knowledge of the misrepresentation;

(ii) the listing memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable notice to the issuer that it was sent without the person's or company's knowledge or consent;

(iii) on becoming aware of any misrepresentation in the listing memorandum, the person or company proves they withdrew the person's or company's consent to the listing memorandum, and gave reasonable notice to the issuer of the withdrawal and the reason for it;

(iv) with respect to any part of the listing memorandum purporting to be made on the authority of an expert, the person or company proves they had no reasonable grounds to believe and did not believe that there had been a misrepresentation or the relevant part of the listing memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(v) with respect to any part of the listing memorandum not purporting to be made on the authority of an expert unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the listing memorandum, the misrepresentation is deemed to be contained in the listing memorandum.

The right of action for rescission or damages described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador) and is in addition to and without derogation from any other right the purchaser may have at law.

Pursuant to section 138 of the *Securities Act* (Newfoundland and Labrador), no action shall be commenced to enforce the rights conferred by section 130.1 thereof unless commenced:

(i) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(ii) in the case of an action, other than an action for rescission, the earlier of:

(a) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or

(b) 3 years after the date of the transaction that gave rise to the cause of action.

Rights for Purchasers in Certain Other Provinces

By purchasing notes hereunder, purchasers in the Province of British Columbia, Alberta and Québec who are not entitled to the statutory rights described above, in consideration for their purchase of notes, are hereby granted a contractual right of action for damages or rescission that is the same as the statutory rights of action, if any, provided to the purchasers under this listing memorandum who are resident in Ontario.

General

The rights discussed above are in addition to and without derogation from any other rights or remedies available at law to the purchaser and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein. The foregoing summaries are subject to the express provisions of the applicable securities legislation in each of the foregoing provinces and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

PLAN OF DISTRIBUTION

Bombardier, as issuer, and Deutsche Bank AG, London Branch, for itself and as representative of the other initial purchasers, have entered into a purchase agreement, dated October 21, 2010 with respect to the notes (the "*Purchase Agreement*"). The initial purchasers have agreed, severally and not jointly, to purchase, and Bombardier has agreed to sell, all of the notes pursuant to the terms of the Purchase Agreement.

The Purchase Agreement provides that the obligations of the initial purchasers to purchase and accept delivery of the notes offered hereby are subject to certain conditions precedent. The initial purchasers are obligated to purchase and accept delivery of all the notes if any are purchased.

The purchase price for the notes will be the initial offering price set forth on the cover page of this listing memorandum less an initial purchasers' discount. The initial purchasers propose to offer the notes at the initial offering price. After the notes are released for sale, the initial purchasers may change the offering price and other selling terms. The initial purchasers may offer and sell notes through their affiliates. Each initial purchaser has agreed that it will offer and sell the notes only in blocks having a minimum aggregate principal amount of €100,000 and integral multiples of €1,000 in excess thereof.

Bombardier has agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act. Bombardier will pay the initial purchasers a commission and pay certain fees and expenses relating to the offering of the notes.

The notes have not been and will not be registered under the Securities Act or any other applicable securities law. Each initial purchaser has agreed that it will offer and sell notes only (i) to qualified institutional buyers ("*QIBs*") in reliance on Rule 144A under the Securities Act or (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the notes are registered under the Securities Act or an exemption from the registration requirements thereof is available. Terms used above have the meanings given to them by Regulation S or Rule 144A, as applicable. See "Notice to Investors."

In connection with sales outside the United States, the initial purchasers have agreed that they will not offer, sell or deliver the notes to, or for the account or benefit of, U.S. persons (1) as part of the initial distribution at any time or (2) otherwise until 40 days after the later of the commencement of this offering or the date the notes were originally issued. Each initial purchaser will send to each dealer to whom it sells such notes during such 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States by a dealer or to, or for the account or benefit of, U.S. persons.

In addition, with respect to notes initially sold pursuant to Regulation S, until 40 days after the commencement of the offering of the notes, an offer or sale of such notes within the United States by any dealer, whether or not participating in the offering of the notes, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Persons who purchase notes from the initial purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

No action has been taken in any jurisdiction, including the United States, by us or the initial purchasers that would permit a public offering of the notes or the possession, circulation or distribution of this listing memorandum or any other material relating to Bombardier or the notes in any jurisdiction where action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this listing memorandum nor any other offering material or advertisements in connection with the notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This listing memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this listing memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes, the distribution of this listing memorandum and resales of the notes.

Each initial purchaser has also agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which section 21(1) of the FSMA does not apply to Bombardier; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "*Relevant Member State*"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "*Relevant Implementation Date*") it has not made and will not make an offer of notes to the public which are the subject of the offering contemplated by this listing memorandum to the public in that Relevant Member State other than at any time:

(i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall result in a requirement for the publication by us or any manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State. Accordingly, this listing memorandum is for distribution only to persons falling within the categories described in (i) and (ii) above.

The offering is being made on a private placement or exempt distribution basis in one or more provinces of Canada through the initial purchasers or their affiliates who are permitted under applicable Canadian securities laws or available exemptions therefrom to offer and sell the notes in such provinces. The notes have not been and will not be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the notes in Canada will be made on a basis which is exempt from the prospectus requirements of such securities laws. Please see the section entitled "Notice to Investors—Canada."

Bombardier has applied, through its listing agent, to have the notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market. Neither the initial purchasers nor Bombardier can provide assurance that the notes will remain admitted to trading on the Euro MTF Market and listed on the Official List of the Luxembourg Stock Exchange.

The notes are a new issue of securities, and there is currently no established trading market for the notes. In addition, the notes are subject to certain restrictions on resale and transfer as described under the "Notice to Investors." The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the offering, Deutsche Bank AG, London Branch (the "*Stabilising Manager*") (or persons acting on behalf of the Stabilising Manager) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on its behalf) will undertake stabilisation action. The Stabilising Manager (or persons acting on its behalf) may conduct these transactions in the over-the-counter market or otherwise. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering which creates a short position for the initial purchasers. Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions.

The initial purchasers and their respective affiliates have from time to time performed certain investment banking and/or other financial services to Bombardier, its affiliates or its former affiliates for which they received customary fees and reimbursement of expenses. The initial purchasers and their respective affiliates may in the future provide investment banking or other financial services to us or our affiliates for which they will receive customary fees.

In addition, Deutsche Bank AG, London Branch and its affiliate are acting as dealer managers under the Tender Offers. Affiliates of Deutsche Bank AG, London Branch, BNP Paribas, Commerz Markets LLC, Crédit Agricole Corporate and Investment Bank, J.P. Morgan Securities Ltd., NBF Securities UK (Branch of National Bank Financial Inc), Royal Bank of Canada Europe Limited and UBS Limited are acting as mandated lead arrangers, and affiliates of Bayerische Landesbank, Natixis and Svenska Handelsbanken AB (publ) are acting as senior lead arrangers under one or more of our letter of credit facilities and each has received and will continue to receive customary fees for their services in such capacities. Furthermore, affiliates of Deutsche Bank AG, London Branch, Banca IMI S.p.A. (with its parent company, Intesa Sanpaolo S.p.A.), Banco Bilbao Vizcaya Argentaria, S.A., Bayerische Landesbank, BNP Paribas, Canadian Imperial Bank of Commerce, London Branch, Commerz Markets LLC, Crédit Agricole Corporate and Investment Bank, Natixis, NBF Securities UK (Branch of National Bank Financial Inc), Royal Bank of Canada Europe Limited, Société Générale, Svenska

Handelsbanken AB (publ), The Royal Bank of Scotland plc and UBS Limited are acting as issuing banks and/or participating banks under one or more of our letter of credit facilities and each has received and will continue to receive customary fees for their services in such capacities. An affiliate of Commerz Markets LLC is acting as facility agent under our BT L/C Facility, for which it receives customary fees, and an affiliate of Commerz Markets LLC is acting as security agent under our BT L/C Facility, for which it receives customary fees. An affiliate of NBF Securities UK (Branch of National Bank Financial Inc) is acting as facility agent under our BA L/C Facility, for which it receives customary fees. An affiliate of NBF Securities UK (Branch of National Bank Financial Inc) is acting as lead arranger, administrative agent and a lender under our Senior Unsecured Revolving Credit Facility, for which it receives customary fees, and affiliates of Royal Bank of Canada Europe Limited and UBS Limited are acting as co-syndication agent and lender under our Senior Unsecured Revolving Credit Facility, for which each receives customary fees. Affiliates of Deutsche Bank AG, London Branch are acting as joint trustee, European registrar, Luxembourg paying agent, London paying agent, Luxembourg transfer agent, London transfer agent and Luxembourg listing agent in connection with the issuance of the notes, for which they will receive customary fees. See "Description of Other Indebtedness and Letter of Credit Facilities."

We expect that delivery of the notes will be made against payment therefor on or about November 2, 2010, which will be the seventh business day in the United Kingdom (eighth business day in the United States) following the date of pricing of the notes (such settlement cycle being herein referred to as "*T+7*"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next three succeeding business days should, by virtue of the fact that the notes initially will settle T+7, specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to trade notes on the date of pricing or the next three succeeding business days should consult their own advisor.

LISTING AND GENERAL MATTERS

Listing

We have applied to have the notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market. For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, notice of any optional redemption, change of control or any change in the rate of interest payable on the notes will be published on the website of the Luxembourg Stock Exchange (currently http://www.bourse.lu), or if the rules so require, in a newspaper having general distribution in Luxembourg (which is expected to be the *Luxemburger Wort*).

For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- our organisational documents;
- the most recent audited consolidated financial statements and any quarterly consolidated financial statements published by Bombardier;
- our annual reports for the two most recent years; and
- the indenture relating to the notes (which includes the form of the notes).

We will maintain a paying and transfer agent in Luxembourg for so long as any of the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market. We have appointed Deutsche Bank Luxembourg S.A. as the paying and transfer agent for the notes in Luxembourg. We reserve the right to vary such appointment and, in the event of any such change of appointment, will publish notice of such change of appointment in a newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange website (currently http://www.bourse.lu).

We accept responsibility for the information contained in this listing memorandum. To the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this listing memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The issue of the notes was authorized by resolutions of our board of directors passed on September 29, 2010.

Clearing Information

The notes sold pursuant to Regulation S and Rule 144A under the Securities Act have been accepted for clearance through the facilities of Euroclear and Clearstream Banking. The Common Code and ISIN numbers for the notes are as follows:

Series	Regulation S ISIN	Regulation S Common Code	144A ISIN	144A Common Code
6⅛% Notes due 2021 . . .	XS0552915943	055291594	XS0553201525	055320152

No Significant Change or Litigation

Except as disclosed in this listing memorandum, there has been no material adverse change in our consolidated financial position since July 31, 2010, the date of the latest financial statements included in this listing memorandum. Except as disclosed in this listing memorandum, we are not, and our subsidiaries are not, involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the offering of the notes, nor so far as we are aware is any such litigation or arbitration pending or threatened.

General Information

1. The address of Bombardier Inc.'s registered office is 800 René-Lévesque Boulevard West, Montreal, Québec, H3B 1Y8, Canada.

2. Bombardier Inc. was incorporated by letters patent under the laws of Canada on June 19, 1902 and was continued under the *Canada Business Corporations Act* by a certificate of continuance dated June 23, 1978, which was subsequently the subject of certain amendments.

AUDITORS

Our consolidated financial statements for the fiscal year ended January 31, 2010 are included in this listing memorandum and have been audited by Ernst & Young LLP, Chartered Accountants, as indicated in their report, which is also included in this listing memorandum.

LEGAL MATTERS

The validity of the notes and certain legal matters in connection with the issuance and sale of the notes offered by this listing memorandum will be passed upon for us by Ogilvy Renault LLP, Montreal, Canada, and Jones Day, New York, New York. In connection with the offering, the initial purchasers have been represented by Davis Polk & Wardwell LLP, New York, New York, and Stikeman Elliott LLP, Montreal, Canada. Ogilvy Renault LLP and Jones Day regularly perform legal services for the Bombardier group.

APPENDIX A—ANNUAL INFORMATION FORM OF BOMBARDIER DATED APRIL 1, 2010

BOMBARDIER

Annual Information Form

2010

April 1,2010

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NOTES:

(1) In this Annual Information Form, all dollar figures are in U.S. dollars, unless otherwise indicated.

(2) *Bombardier, Bombardier 415, Bombardier 415 MP, Challenger, Challenger 300, Challenger 600, 601-1A, 601-3A, 601-3R and 604, Challenger 605, Challenger 800, Challenger 850, 870 and 890, CITYFLO, CL-215, CL-215T, CRJ, CRJ200, CRJ700, CRJ705, CRJ900, CRJ1000, CS100, CS300, CSeries, EBI, ECO4, EnerGplan, FLEXITY, Flexjet, FLEXX, Global, Global 5000, Global Express, Global Vision, INTERFLO, Learjet, Learjet 40, Learjet 45, Learjet 60, Learjet 85, MITRAC, MOVIA, NextGen, OMNEO, ORBITA, PRIMOVE, Q200, Q300, Q400, Q-Series, REGINA, SPACIUM, TALENT, TRAXX, XR, XRS, ZEFIRO* are trademarks belonging to Bombardier Inc. or its subsidiaries.

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

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

Item 1 Corporate Structure

1.1 Incorporation of the Issuer

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

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

1.2 Subsidiaries

The activities of the Corporation are conducted either directly or through subsidiaries. The table below lists the principal subsidiaries of each reportable segment of the Corporation as at the date shown for each segment, as well as their jurisdiction of incorporation and the percentage of voting shares held directly or indirectly by the Corporation. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation's consolidated assets or whose sales and operating revenues did not represent more than 10% of the Corporation's consolidated sales and operating revenues as at January 31, 2010[1], have been omitted. The subsidiaries that have been omitted represent, as a group, less than 20% of the consolidated assets, sales and operating revenues of the Corporation at such date.

Aerospace (as at January 31, 2010)	
Bombardier Aerospace Corporation (Delaware)	100%
Learjet Inc. (Delaware)	100%
Short Brothers PLC (Northern Ireland)	100%
Transportation (as at December 31, 2009)	
Bombardier Transportation GmbH (Germany)	100%
Bombardier Corporate Financial Services Islandi, sf., Reykjavik, Zurich Branch (Iceland)	100%
Bombardier Transportation (Holdings) UK Ltd. (United Kindgom)	100%
Bombardier Transport France S.A.S. (France)	100%
Bombardier Transportation Italy S.p.A. (Italy)	100%
Bombardier Transportation (Switzerland) AG (Switzerland)	100%
Bombardier Transportation Sweden AB (Sweden)	100%
Bombardier Transportation Canada Inc. (Canada)	100%
Bombardier Transportation (Holdings) USA Inc. (Delaware)	100%
Others (as at January 31, 2010)	
Bombardier Corporation (Idaho)	100%

[1] As per the Corporation's consolidated financial statements for the fiscal years ended January 31, 2010 and January 31, 2009 filed with the Canadian securities regulatory authorities on April 1, 2010.

Item 2 General Development of the Business

2.1 General

The Corporation is a world-leading manufacturer of innovative transportation solutions, from commercial aircraft and business jets to rail transportation equipment, systems and services.

2.2 History

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

On February 19, 2007, Aerospace announced the launch of its *CRJ1000* regional jet. The first flight of the production aircraft of the *CRJ1000 NextGen* regional jet was completed July 2009 from the Mirabel, Québec site. The *CRJ1000 NextGen* has completed approximately 70% of the total flight test program, and is expected to enter into service in the second half of calendar year 2010.

On May 31, 2007, Aerospace introduced next generation versions of its *CRJ700, CRJ900* and *CRJ1000* regional jets, the new *CRJ NextGen* aircraft.

On July 16, 2007, the Corporation announced its decision to write-off its investment in Metronet following the release of the Public-Private Partnership ("PPP") Arbiter's draft directions on interim infrastructure service charge for Metronet Rail BCV Limited issued on Monday, July 16, 2007. The Corporation wrote off the carrying value of $162 million of its investment in Metronet in the second quarter of fiscal year 2008.

On July 30, 2007, Aerospace's *Learjet 60 XR* entered into service with Cloud Nine Aviation, of Los Angeles, CA.

In September 2007, Aerospace unveiled its new *Global Vision* flight deck for *Global 5000* and *Global Express XRS* aircraft.

On October 30, 2007, Aerospace launched its new *Learjet 85* aircraft. On January 22, 2008, Aerospace announced that it would develop an all-composite structure for the *Learjet 85* aircraft, which will be the first Bombardier jet to feature an all-composite structure and will be the first all-composite structure business jet designed for type certification under U.S. Federal Aviation Regulations ("FAR") Part 25. Entry into service is planned for calendar year 2013.

On November 28, 2007, the Corporation's Board of Directors announced the appointment of Mr. Pierre Beaudoin as President and Chief Executive Officer of Bombardier, effective June 4, 2008. Mr. Laurent Beaudoin remains as Chairman of the Board.

On January 17, 2008, the Corporation redeemed all of the outstanding £300 million Bombardier Capital notes due in May 2009 and the remaining €282 million outstanding of the €500 million notes due in February 2008.

On February 22, 2008, Aerospace announced that the Corporation's Board of Directors had granted to Aerospace authority to offer formal sales proposals of the optimized *CSeries* aircraft family to airline customers.

On February 28, 2008, Aerospace announced the official opening of its world-class manufacturing facility located at the Querétaro Aerospace Park in Mexico. This new facility complements Aerospace's existing manufacturing sites. Since the start of operations in May 2006, this manufacturing facility has created over

1036 jobs and is still ramping-up production. At present, this facility manufactures electrical harnesses for the *Challenger*, *Global*, *CRJ* and *Q-Series* aircraft families, structural components such as the centre fuselage for the *Challenger 850* aircraft program and rudders, elevators and horizontal stabilizers for the *Q400* aircraft program. Aerospace has also transferred the assembly of the *Global Express* rear fuselage to this facility. In addition, this new facility has started to manufacture the composite structure and electrical harness and will perform sub-assembly systems installation for Aerospace's *Learjet 85* business jet.

In March 2008, Aerospace announced the introduction of the new *Q400 NextGen* turboprop airliner as the next step in the continuing evolution of the *Q400* aircraft. Revised in the same spirit as the *CRJ NextGen* aircraft family, the *Q400 NextGen* aircraft remains one of the most technologically advanced turboprop aircraft. Entry into service was scheduled for the first half of fiscal year 2010.

On April 1, 2008, Transportation provided an update with respect to Metronet following the announcement from Metronet which was providing updates on the negotiations on the transfer of Metronet contracts by the PPP Administrator and bringing clarity to the proposed next steps in the planned modernisation program for the London Underground. The result of these negotiations is that the Bakerloo, Central and Victoria Lines ("BCV") program will continue and complete its implementation as originally planned. The Sub Surface Lines ("SSL") upgrade program will be re-scoped with regard to the signalling portion. The signalling portion of Transportation's SSL contract, currently sub-contracted to Westinghouse Rail Systems Limited ("WRSL"), has been transferred to Metronet and re-negotiated directly between WRSL and Metronet. Transportation will continue to supply new rolling stock to the SSL program, with a small increase in scope as requested by the customer. Transportation's original train maintenance contracts for BCV and SSL will be amended so that the maintenance work remains with Metronet. Transportation will retain a Technical Support and Spares Supply Agreement.

On April 1, 2008, Transportation and AnsaldoBreda, Finmeccanica's subsidiary for the railway sector, announced their signature of an agreement to jointly develop, bid and manufacture a new high speed train capable of travelling at more than 300 km/h and which eliminates the shortcomings of existing concepts.

On June 17, 2008, Bombardier announced that it has joined the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) as an Official Supporter of the 2010 Winter Games and the first Signature Supporter of the 2010 Olympic and Paralympic Torch Relays. As part of this sponsorship, Bombardier designed and manufactured the torches for the Vancouver 2010 Olympic and Paralympic Torch Relays. A multidisciplinary team from both Aerospace and Transportation has been collaborating with VANOC to develop an original and innovative concept for the torch which was approved by the International Olympic Committee (IOC) on June 4, 2008. Twelve thousand Canadians carried the torch over 35,000 kilometres – the longest single-country relay – bringing it through more than 1,000 communities in over 100 days. Also as part of the agreement, Bombardier received exclusive rights in the aircraft manufacturer and total passenger transit systems vehicle manufacturer product category for the 2010 Winter Games, and sponsorship rights for the Canadian Olympic team for Beijing 2008, Vancouver 2010 and London 2012.

On July 13, 2008, Bombardier announced that its Board of Directors has granted approval for the launch of the *CSeries* family of aircraft, with entry into service being scheduled for the second half of calendar year 2013. Bombardier also announced that it has selected Mirabel as the final assembly location for the *CSeries* aircraft program. Additionally, the manufacture of the aircraft's aft fuselage and cockpit is taking place at Bombardier's Saint-Laurent facility, near its new product development centre, home to the growing *CSeries* team. Bombardier's Belfast facility, a centre of excellence for composite manufacturing, is home to the design and manufacture of the *CSeries* aircraft composite wings. Bombardier has received and accepted offers of repayable investments for the research and development of the *CSeries* family of aircraft from the government of Canada and Quebec as well as Northern Ireland and British Government departments.

On September 22, 2008, Transportation launched the *BOMBARDIER ECO4* portfolio, an innovative portfolio of technologies, products and solutions that maximize energy efficient operation and total train performance for rail operators. The new *ECO4* portfolio, which offers ten product concepts which are ready for use, can help train operators enhance the reliability and performance of their fleets, while at the same time reducing both their carbon footprint and energy costs. All *ECO4* products are fully operable and can easily be customized to any fleet, creating energy savings of up to 50%. Balancing the four cornerstones of energy, efficiency, economy and ecology into one engineering portfolio, the *ECO4* technologies include five industry firsts unique to Transportation: the *BOMBARDIER EBI* Drive 50 Driver Assistance System, the *BOMBARDIER EnerGplan* Simulation Tool, the C.L.E.A.N. Diesel Power Pack, the *BOMBARDIER MITRAC* Energy Saver, and the *BOMBARDIER PRIMOVE* Catenary-Free Operation. Two of the *ECO4* products, the *MITRAC* Permanent Magnet Motor and the *EBI* Drive 50 Driver Assistance System, have also been in successful operation on Sweden's "Green Train" between Stockholm and Västerås. This high speed research project is jointly run by the Swedish railway administration Banverket, Transportation and other partners.

Having won a key contract for 340 *MOVIA* metro cars for the Delhi metro in July 2007, Transportation announced the official inauguration of its manufacturing site in Savli, India, to produce metro cars and bogies, which took place on November 13, 2008.

On December 18, 2008, Bombardier announced that Transportation negotiated a €3.75 billion Letter of Credit Facility agreement on December 17, 2008 with a syndicate of first quality international financial institutions. The facility was set up in Europe for the sole benefit of Transportation and matures in 2013. With this new facility, Bombardier attained its objectives of securing availability of letters of credit for an extended term in Europe, preserving its letters of credit issuance capacity and releasing a portion of the existing cash collateral for its general corporate purposes (approximately €275 million), while at the same time optimizing the alignment of its banking facilities with the activities of its two industrial groups. Simultaneously, Bombardier amended its Existing letters of credit facility, which matures in December 2011, by reducing the facility amount to $840 million (from €4.3 billion). This amended facility is now subscribed by a core group of preferred North American banks and will be dedicated to supporting Aerospace's operations and the general needs of the Corporation.

On January 21, 2009, Bombardier announced the appointment of Mr. Thierry Desmarest to its Board of Directors, bringing the total number of directors on Bombardier's Board of Directors to 13.

On February 5, 2009, Aerospace announced a reduction in the production rates for the *Learjet* and *Challenger* families of business aircraft to reflect market conditions, and an increase in the production rate for the 78-seat *Q400* aircraft as a result of the rising demand for this turboprop. The decision to adjust the *Learjet* and *Challenger* business aircraft production rates was expected to result in a total workforce reduction of 1,010 contractual employees and 350 permanent employees.

On March 11, 2009, Aerospace announced that Deutsche Lufthansa AG, the launch customer for the *CSeries* aircraft program, signed a purchase agreement for 30 *CSeries* model *CS100* (formerly *C110*) single-aisle aircraft. The agreement also includes options for an additional 30 *CSeries* aircraft.

On March 30, 2009, Aerospace announced that Lease Corporation International Aviation (New Buildings) Limited signed a purchase agreement for three *CS100* and 17 *CS300* aircraft, including options for an additional 20 *CSeries* aircraft.

On April 2, 2009, Aerospace announced that it was revising downward all of its business and regional jets production rates and implementing measures to meet the continuing challenges facing the aviation industry. This adjustment would result in a further reduction of approximately 10% of Aerospace's total workforce, or approximately 3,000 employees, at its facilities in Canada, the United States, Mexico and Northern Ireland by the end of calendar year 2009.

On April 22, 2009, Aerospace has delivered the first *Q400 NextGen* high-speed turboprop airliner. Norwegian regional carrier Widerøe's Flyveselskap A/S accepted the aircraft – the first of six on firm order – at the *Q400* aircraft delivery centre at Toronto Pearson International Airport.

On June 30, 2009, Transportation announced that it has signed a contract with the Toronto Transit Commission (TTC) for the supply of 204 100% low-floor streetcars to replace the City of Toronto's aging fleet of vehicles. Deliveries for the 204-vehicle order are scheduled to take place between 2012 and 2018, with the first prototype vehicles arriving in 2011.

On July 2, 2009, Bombardier announced that it has closed a $600 million Letter of Credit Facility Agreement with a syndicate of first quality financial institutions, mainly North American-based. This constitutes a supplemental agreement relating to a Letter of Credit Facility Agreement dated December 18, 2006, as amended and restated pursuant to a Supplemental Agreement dated December 17, 2008, which reduces the facility amount to $600 million (from $840 million).

On August 24, 2009, Bombardier announced the appointment of Ms Martha Finn Brooks to its Board of Directors, bringing the total number of directors on Bombardier's Board of Directors to 14.

On September 2 2009, Bombardier reported that the Board of Directors of Bombardier had approved a $500-million two-year unsecured revolving credit facility 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.

On September 15, 2009, Aerospace celebrated the groundbreaking of the first *CSeries* aircraft building in Mirabel, Québec, Canada. The Complete Integrated Aircraft Systems Test Area (CIASTA) is a testing and systems-proving facility that will house a virtual *CSeries* test aircraft which will test aircraft systems for reliability and functionality one year before the first prototype aircraft flies. Entry into service is scheduled for the second half of calendar year 2013.

On September 28, 2009, Transportation announced that its Chinese joint venture, Bombardier Sifang (Qingdao) Transportation Ltd., has been selected by the Chinese Ministry of Railways (MOR) to supply 80 *ZEFIRO* 380 very high speed trains (1,120 cars) for the country's rapidly growing high speed rail network.

On November 26 2009, Aerospace announced it was reducing its *CRJ* aircraft production rate which would result in the layoff of approximately 715 employees in Aerospace's facilities in the Montreal area starting January 2010 through the first two quarters of the next fiscal year. The adjustment to the workforce level also included a small number of layoffs related to the decrease in the *Bombardier 415* amphibious aircraft production rate.

On December 3, 2009, Aerospace announced that AMR Eagle Holding Corporation, the parent company of American Eagle Airlines, Inc. of Fort Worth, Texas will acquire 22 *CRJ700* regional jetliners.

On December 3, 2009, Aerospace also announced that since the second quarter of fiscal year 2010 the flight testing was suspended for the *CRJ1000 NextGen* aircraft pending a software issue in the rudder control-by-wire-system. The flight testing will be completed later than anticipated and the type certification and first aircraft deliveries will be delayed to the second half of calendar year 2010.

On February 24, 2010, Transportation signed an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck electrical multiple units (EMUs). Two firm orders for 129 trains valued at $1.6 billion were obtained under this framework agreement.

On February 25, 2010, Aerospace announced a major order for its all-new *CSeries* aircraft to Republic Airways Holdings Inc. The Indianapolis, Indiana-based airline has signed a firm purchase agreement to acquire 40 *CS300* jetliners. The agreement also includes options for an additional 40 *CS300* aircraft.

On March 15, 2010, Bombardier announced that it had priced an offering of $1.5 billion aggregate principal amount of new unsecured Senior Notes. The issuance is comprised of $650.0 million aggregate principal amount of Bombardier's 7 ½% unsecured Senior Notes due 2018 and $850.0 million aggregate principal amount of Bombardier's 7 ¾% unsecured Senior Notes due 2020. Bombardier intends to use the net proceeds of this offering to fund the repurchase of up to $1.0 billion aggregate principal amount of its 6.75% Notes due 2012, 6.30% Notes due 2014 and Floating Rate Senior Notes due 2013 pursuant to a debt tender offer announced on the same date and for general corporate purposes. Bombardier has since announced closing of its new issuance of Senior Notes due in 2018 and 2020 and early acceptance of its 6.75% Notes due 2012.

Item 3 Narrative Description of the Business

3.1 Business Overview

The Corporation operates in two reportable manufacturing segments: Aerospace and Transportation.

Aerospace is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, commercial, amphibious and specialized aircraft markets. Aerospace has 10 manufacturing and engineering sites and an international service and support network, with a presence in 22 countries. Aerospace had a workforce of 28,900 employees as at January 31, 2010, of which 51% were covered by collective agreements.

Transportation is a global leader in the rail industry. Transportation has 58 production and engineering sites in 23 countries. Additionally, Transportation operates over 40 service centers at customers' premises across the world. Transportation had a workforce of 33,800 employees as at January 31, 2010 located in 36 countries, of which 56% were covered by collective agreements.

3.2 Description of Segments

The two reportable manufacturing segments are constituted as follows:

Aerospace	• Business Aircraft • Commercial Aircraft • Amphibious and Specialized Aircraft • Customer Services • *Flexjet*
Transportation	• Rolling Stock • Services • Systems • Signalling

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

Aerospace

Aerospace is a world leader in the design and manufacture of innovative aviation products and is a provider of related services for the business, commercial, amphibious and specialized aircraft markets. Aerospace has 10 manufacturing and engineering sites and an international service and support network, with a presence in 22 countries. Aerospace had a workforce of 28,900 employees as at January 31, 2010, of which 51% were covered by collective agreements.

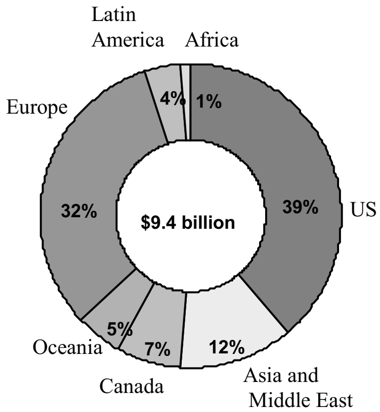
The administrative centre of Aerospace is located in Montréal, Québec, Canada.

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

Principal Markets

Aerospace's customers are located in over 100 countries and are primarily civil owner operators or aviation service providers. They consist primarily of corporations and high net worth individuals for business aircraft, and airlines and leasing companies for commercial aircraft. *Flexjet* also serves the private jet travel needs of corporations and high net worth individuals in the United States without the requirement for them to purchase and manage an entire aircraft. As shown in the table below, Aerospace is becoming less concentrated in the United States market with revenues from the United States accounting for 39% of its total revenues in fiscal year ended January 31, 2010.

REVENUES BY GEOGRAPHICAL REGION– Fiscal year 2010



Distribution Methods

Aircraft ordered by customers are delivered by the Corporation or its subsidiaries. Marketing of Aerospace products is provided through marketing and sales offices of the Corporation or its subsidiaries. In America, marketing and sales offices are located in Canada (in Montréal, Ottawa and Toronto), the United States (in the states of Arizona, California, Colorado, Connecticut, Florida, Georgia, Illinois, Kansas, Maryland, Minnesota, Missouri, Ohio, South Carolina, Texas, Washington and in Washington D.C.), Mexico and Brazil. In Europe, marketing is carried out through offices in France, Germany, Russia and the United Kingdom. In Asia, such offices are maintained in Dubai, in the United Arab Emirates, Hong Kong, the People's Republic of China and in Singapore. Customers are served from two main spare parts distribution centres, one in Chicago and the other in Frankfurt, and from spare parts depots in Singapore, Sydney, Narita, Dubai, Beijing and São Paulo. Maintenance services are also available through Original Equipment Manufacturer (OEM) service centres located in the United States and in Europe as well as various authorized service and line maintenance facilities throughout the world.

Production Methods

Aircraft are produced by the manufacturing facilities of the Corporation or its subsidiaries located in Canada (Québec and Ontario), United States (Kansas), United Kingdom (Northern Ireland) and Mexico (Querétaro). Operations conducted in those facilities vary from manufacture or assembly of aircraft components and parts, final aircraft assembly, interior finishing, painting and pre-flight activities.

The raw materials and the various components and systems required to manufacture the aircraft are procured around the world and this procurement varies from product to product. Most such materials, components and systems are provided by suppliers with which Aerospace generally has long-term contracts, as Aerospace seeks long-term relationships with major direct and indirect suppliers for the development of new aircraft programs and for the delivery of materials, major systems and components to build and deliver aircraft and support customers with related services. Aerospace is continuously assessing and streamlining its supplier base to ensure an efficient global supply chain and sustainable procurement processes. Within its supply chain, Aerospace has built relationships with suppliers present in over 40 countries.

Market Segments

Business Aircraft

Aerospace markets, sells and provides customer support for its three families of business jets. The *Global* family (Large business jets category) includes the *Global 5000* aircraft and the *Global Express XRS* aircraft. The *Challenger* family (Medium business jets category) includes the *Challenger 300, Challenger 605* and the *Challenger 800* Series. The *Learjet* family (Light business jets category) includes the *Learjet 40 XR* aircraft, the *Learjet 45 XR* aircraft, the *Learjet 60 XR* aircraft and the *Learjet 85* aircraft which is currently in development.

The General Aviation Manufacturers Association (“GAMA”), in its report dated February 16, 2010 confirms that Aerospace was the leader in terms of revenues in the business aircraft market categories in which it competes for a sixth consecutive year, with a revenue market share of 32%. Moreover, according to the same report, during the calendar year 2009, Aerospace became the leader in unit deliveries with a market share of approximately 30%[2].

- ***Global Family***

The *Global* family of business jets is comprised of two wide-body aircraft: the *Global 5000* and the *Global Express XRS*. The *Global* family of aircraft shares a high degree of systems commonality, offering mixed fleet operators the cost benefits of common type rating, training, spare parts and maintenance.

[2] 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. Deliveries in the Very Light Category are not included in the assessment of market share.

The *Global 5000* aircraft is a business jet capable of flying up to 5,200 nautical miles at Mach 0.85 with eight passengers and three crew members under certain operating conditions. Main competitors of the *Global 5000* include the Gulfstream G450, the Dassault Falcon 900EX, 900DX and 900LX (in development) and Embraer Lineage 1000.

The *Global Express XRS* aircraft is a business jet covering distances of up to 6,150 nautical miles at Mach 0.85 with eight passengers and four crew members under certain operating conditions. The *Global Express XRS* aircraft competes against the Gulfstream G500, the Gulfstream G550, the Gulfstream G650 (in development) and the Dassault Falcon 7X.

- ***Challenger Family***

The *Challenger* family of business jets currently includes the *Challenger 300*, *Challenger 605* and the *Challenger 800* Series.

The *Challenger 300* business jet is a wide-body jet that has a transcontinental range of up to 3,100 nautical miles with eight passengers and two crew members under certain operating conditions. It competes with the following aircraft models: the Gulfstream G200, the Gulfstream G250 (in development), the Cessna Citation X, the Hawker 4000 and the Embraer Legacy 500 (in development).

The *Challenger 605* aircraft is a wide-body jet capable of flights of over 4,000 nautical miles with five passengers and two crew members under certain operating conditions. The *Challenger 605* aircraft is the latest in the original *Challenger* Series which included the *Challenger 600*, *601-1A*, *601-3A*, *601-3R* and *604*. Main competitors of the *Challenger 605* aircraft include the Dassault Falcon 2000EX, 2000DX and 2000LX (in development), Gulfstream G350 aircraft.

The *Challenger 800* Series includes the *Challenger 850* along with the *870* and *890* with the "Corporate Shuttle" configuration in the corporate airliner category. The *Challenger 850* is capable of flights of over 2,700 nautical miles with eight passengers and two crew members under certain operating conditions. All *Challenger 800* Series aircraft are derivatives of the *CRJ* aircraft. Embraer-Empresa Brasileira de Aeronáutica S.A. ("Embraer") competes with Aerospace in this market.

- ***Learjet Family***

The *Learjet* family's current production models are the *Learjet 40 XR*, the *Learjet 45 XR* and the *Learjet 60 XR*.

The *Learjet 40 XR* aircraft is capable, under certain operating conditions, of flying at cruising speeds of up to Mach 0.81 and has a maximum range of up to 1,766 nautical miles with four passengers and two crew members. The main competitors of the *Learjet 40 XR* business jet are the Cessna Citation Encore+, the Cessna CJ3 and CJ4 (in development), the Hawker 400XP and 450XP (in development) and the Embraer Phenom 300.

The *Learjet 45 XR* aircraft has a maximum range of 1,997 nautical miles with four passengers and two crew members and can reach cruising speeds of up to Mach 0.81 under certain operating conditions. The *Learjet 45 XR* business jet competes with the Cessna Citation XLS+, the Hawker 750 and the Embraer Legacy 450 (in development).

The *Learjet 60 XR* business jet has a maximum range of 2,419 nautical miles, with four passengers and two crew members and can reach cruising speeds of up to Mach 0.81 under certain operating conditions. Competitors of the *Learjet 60 XR* business jet include the Gulfstream G150, the Hawker 850XP, the Hawker 900XP, the Cessna Sovereign and the Embraer Legacy 450 (in development).

On October 30, 2007, Aerospace launched a new addition to the *Learjet* family, the *Learjet 85* aircraft. The *Learjet 85* aircraft will feature a larger cabin and increased range compared to existing *Learjet* models. The

Learjet 85 aircraft is targeting a high-speed cruise of Mach 0.82 and will, under certain operating conditions, offer its passengers a transcontinental range of up to 3,000 nautical miles. The *Learjet 85* aircraft is scheduled to enter into service in calendar year 2013.

Commercial Aircraft

Aerospace markets and sells the *CRJ* family of regional jets, the *Q-Series* family of turboprops and the *CSeries* aircraft family to airline companies and also provides maintenance and modification services to its customers.

According to publicly available competitor reports, for calendar year 2009, based on deliveries in the commercial aircraft market, Aerospace had a 37% market share[3] in terms of regional jets of 40 to 100 seats, and 54% in terms of turboprops of 20 to 99 seats.

- ***CRJ Aircraft***

The *CRJ* family consists of the 40-, 44- and 50-seat *CRJ200* aircraft[4], the 70-seat *CRJ700 NextGen* aircraft, the 75-seat *CRJ705 NextGen* aircraft, the 88-seat *CRJ900 NextGen* aircraft and the 100-seat *CRJ1000 NextGen* regional jet (currently in development), launched in February 2007, designed specifically to meet the growing passenger needs of regional airlines for jets up to 100 seats. The first flight of the production aicraft of the *CRJ1000 NextGen* regional jet was completed from the Mirabel, Québec site in July 2009. The *CRJ1000 NextGen* has completed approximately 70% of the total flight test program, and is expected to enter into service in the second half of calendar year 2010.

Aerospace has one major competitor for the *CRJ* aircraft family, Embraer, which produces a 37-passenger jet, the ERJ 135, a 44-passenger jet, the ERJ 140 and a 50-passenger jet, the ERJ 145. Embraer also offers the 70-passenger jet Embraer 170, the 86-passenger jet Embraer 175 and the 100-passenger jet Embraer 190. Additional companies currently developing competitive products in the regional jet category include Commercial Aircraft Corporation of China, Ltd., a stated-owned company in which China Aviation Industry Corporation (formerly known as AVIC I Commercial Aircraft Co.) holds an interest, Mitsubishi Heavy Industries Ltd. and Sukhoi Company (JSC).

- ***Q-Series Aircraft***

The *Q-Series* family of turboprops consists of the *Q400 NextGen* turboprop airliner which is the next step in the continuing evolution of the *Q400* aircraft. It entered into service during the second quarter of the fiscal year ending January 31, 2010.

Aerospace has discontinued the production of the 37-seat *Q200* and the 50-seat *Q300*. Aerospace will continue to support all 105 *Q200* and 267 *Q300* aircraft delivered as of January 31, 2010.

The main product in competition with the *Q400 NextGen* aircraft is the 66 passenger ATR 72 from Aviation de Transport Regional.

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[3] 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 years ended January 31.

[4] Currently not in production.

- ***CSeries Aircraft***

The *CSeries* family of commercial aircraft consists of the 100- to 125-seat *CS100* aircraft and the 120- to 145-seat *CS300* aircraft, and is set to redefine the 100- to 149-seat category with operational flexibility, cost effectiveness and passenger comfort.

The *CSeries* aircraft design incorporates the latest technologies: new, largely composite and advanced aluminium alloys structure, latest systems include fly-by-wire combined with fourth-generation aerodynamics and Pratt & Whitney's PurePower™ PW1000G[5] engine, which allows reduced fuel burn, noise and emissions.

The *CSeries* family of aircraft is designed to provide transcontinental range and superior field performance, 15% lower cash operating cost, 20% lower fuel burn and CO_2 emissions, a noise footprint four times smaller and 50% lower NOx emissions[6]**.**

During fiscal year 2010, the *CSeries* program continued to undergo various development activities. Aerospace plans to complete the detailed design work, develop a prototype and start ground testing in fiscal year 2011. Major demonstrator parts were manufactured during fiscal year 2010: a composite wing by Shorts in Belfast and an advanced aluminium alloy fuselage barrel by Shenyang Aircraft Corporation. Both demonstrators have now been fully instrumented and will undergo extensive structural testing through fiscal year 2011. Construction has started on production and testing facilities in Mirabel for the Complete Integrated Aircraft Test Area (CIASTA) and in Belfast for the new 580,000 sq. ft. wing manufacturing facility. The *CSeries* family of aircraft is scheduled to enter into service in the second half of calendar year 2013.

Amphibious and Specialized Aircraft

Amphibious Turboprops and Specialized Aircraft Solutions regroups those divisions of Aerospace having governments as principal customers; this includes the manufacturing and marketing of amphibious aircraft, the provision of special-mission aircraft solutions, as well as the delivery of military aviation training.

Aerospace manufactures and markets the *Bombardier 415* amphibious aircraft, a purpose-built firefighting aircraft. This aircraft can also be adapted to a multi-purpose version, the *Bombardier 415* MP aircraft, which can be used in a variety of specialized missions such as search and rescue, environmental protection, coastal patrol and transportation. Aerospace also offers an application for maritime patrol and surveillance operations. Aerospace also offers the *CL-215*T program in response to customer demand, mainly in Canada, for a conversion of *CL-215* piston aircraft to turboprop engine aircraft. The converted *CL-215*T aircraft has a performance comparable to that of the *Bombardier 415* aircraft.

Although a variety of other land-based fixed-wing aircraft, mostly old converted aircraft, and adapted helicopters exist, the *Bombardier 415* aircraft is the only large amphibious aircraft currently in production, purposely designed for aerial firefighting.

Aerospace continues to identify and provide special-mission aircraft solutions to governments and special-requirement organizations worldwide using its commercial and business aircraft as platforms for medevac,

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5 PurePower™ is a registered trademark of United Technologies Corp. – Pratt & Whitney.

6 The *CSeries* aircraft program is currently in development phase and as such is subject to changes in family strategy, branding, capacity, performance, design and / or systems. All specifications and data are approximate, may change without notice and are subject to certain operating rules, assumptions and other conditions. This document does not constitute an offer, commitment, representation, guarantee or warranty of any kind. The configuration and performance of the aircraft may differ from any image shown and, together with any related commitment, representations, guarantee or warranty, shall be determined in a final purchase agreement.

surveillance, coast guard and other activities. Aerospace recognizes the potential market for special mission versions of both commercial and business aircraft.

In collaboration with a team of sub-contractors, Aerospace's Military Aviation Training ("MAT") delivers integrated military aviation training solutions. MAT currently has two major Canadian military aviation training contracts: the NATO Flying Training in Canada ("NFTC") program and the CF-18 Advanced Distributed Combat Training System ("ADCTS") program. Countries currently participating in the NFTC program include Austria, Canada, Denmark, Hungary, Italy, Singapore and Saudi Arabia. The ADCTS program includes the design and construction of purpose-designed facilities, as well as the provision of full instructional and support services for 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 ADCTS program.

Customer Services

Aerospace provides a broad range of services related to its aircraft portfolio. Aerospace's focus is to provide customers with total life cycle solutions that address the complete aftermarket experience, including parts requirements, maintenance services and pilot training. The aftermarket includes every activity that needs to be performed to support aircraft operations, which can be offered as tailored and customized service solutions to meet our customers' needs. Such services are provided through our international service and support network of authorized providers and fully owned facilities.

- ***Parts Logistics***

Aerospace provides worldwide 24-hour spare parts sales and support, through various programs such as aircraft-on-ground ("AOG") services, lease, hourly, "Smart Services" and rotable management programs.

Customers are currently served from two main distribution centres, one in Chicago and the other in Frankfurt, and from spare parts depots in Singapore, Sydney, Narita, Dubai, Beijing and São Paulo.

The parts logistics organization has a single point of contact for customers to resolve AOG situations through integrated Customer Response Centers ("CRC") located in Toronto (*Q-Series*), Montreal (*Challenger* and *Global*), Mirabel (*CRJ*) and Wichita (*Learjet*). The CRC team is comprised of logistics and technical experts offering round-the-clock support and expertise for all AOG and parts related issues, providing quick resolution to return the customer's aircraft back to service.

The parts logistics organization supports the spare parts aftermarket requirements for Aerospace's business and commercial customers during the life of an aircraft. Spare parts demand is driven by the size of the fleet of Aerospace aircraft, by the number of hours flown and by the number of aircraft exiting the warranty period. The continued growth of the installed fleet will contribute to the growth in spare parts demand.

Aerospace competes with large and small suppliers of aircraft parts. Aerospace's competitive strengths include the availability of most spare parts for its aircraft, which are managed with the use of an integrated system to meet customer requests. Aerospace is at an advantage by offering Original Equipment Manufacturer ("OEM") certification along with OEM technical advice. Aerospace also offers "Smart Services" for both Aerospace business and commercial aircraft customers, which allow customers to purchase spare parts on a cost-per-flight-hour basis.

- ***Aircraft Maintenance***

Aerospace offers maintenance services for its business aircraft customers at its six main OEM service centres located at Dallas, Fort Lauderdale, Hartford, Tucson and Wichita in the United States, as well as Schiphol in the Netherlands. Aerospace also offers maintenance services to its commercial aircraft customers at its service centres in Bridgeport, Macon and Tucson[7] in the United States.

In addition, Aerospace has 41 authorized service and line maintenance facilities and one business aircraft maintenance centre in which it owns an equity interest. These service facilities are located in North America, Europe, Asia, Australia, Africa and South America.

Aerospace has five recognized service facilities for commercial aircraft located in Europe, China and Australia.

- ***Training Solutions***

Training is an essential part of a complete aircraft services portfolio and Aerospace provides a full suite of flight and maintenance training solutions to its business, commercial and amphibious aircraft customers. Aerospace provides customized business aircraft pilot and maintenance training and a complete range of pilot and maintenance training programs for *CRJ* Series aircraft through its three training centres located in Montréal, Berlin and at Dallas/Fort Worth International Airport.[8] A third-party supplier provides training for Aerospace's turboprop customers.

Flexjet

Through the United States *Flexjet* program, owners purchase shares of business aircraft with operations and support, including flight crew, maintenance, fuel, hangar fees and insurance. *Flexjet* also markets the *Flexjet* 25 jet card (which provides 12.5-, 25-, 30- and 35-hour blocks of flight time entitlement), which is a program operated by Jet Solutions LLC under U.S. FAR Part 135. In addition, *Flexjet* offers the *Flexjet* One program, providing an aircraft management solution for owners interested in purchasing a whole aircraft and having it managed by *Flexjet*.

In North America only, *Flexjet* also serves as a charter broker for both on-demand and flight time entitlement charter services. The *Flexjet* program arranges for its customer's business jet charters, using selected air charter operators.

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[7] Aerospace's Tucson service centre performs both commercial and business aircraft maintenance services.

[8] The Corporation wholly owns two of these training centres (Montréal and Dallas) while the other training centre (Berlin) is held in joint venture.

Transportation

Transportation is dedicated to design, manufacture and service advanced transportation solutions for today's and tomorrow's railways. As a global leader in the rail industry, Transportation places environmental sustainability firmly at the top of its agenda. Transportation's products and services combine energy-conserving technology with optimal safety, reliability and cost efficiency. Its products and services are designed for sustainable mobility.

Transportation has 58 production and engineering sites in 23 countries. Additionally, Transportation operates over 40 service centers at customers' premises across the world. As at January 31, 2010, Transportation has 33,800 employees located in 36 countries, of which 56% were covered by collective agreements.

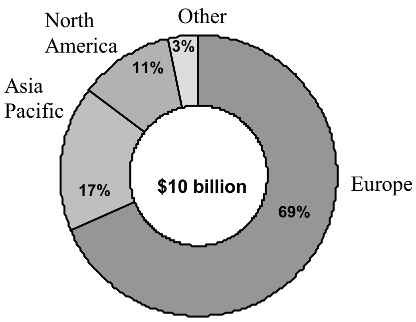
The administrative centre of Transportation is located in Berlin, Germany.

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

Principal Markets

The worldwide rail market is comprised of rolling stock, services, systems and signalling, including rail-related telecommunication equipment and infrastructure. As shown in the table below, the European market represents 69% of Transportation's total revenues for fiscal year 2010.

REVENUES BY GEOGRAPHICAL REGION – Fiscal Year 2010



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

Almost 85% of Transportation's rolling stock business is with large, well-financed railway operators in the public sectors, such as national railways and municipal transit authorities. These organizations rely on public involvement for infrastructure funding and operations financing. Most operate on a regional or national basis, but some are now focusing operations internationally along with emerging private trans-national operators. While deregulation is a factor in some markets, public-sector entities still dominate in most regions.

Distribution Methods

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

Marketing of the products manufactured by Transportation is carried out through marketing or sales offices. In the Americas, these marketing or sales offices are located in Canada (in Saint-Bruno (Québec), in Toronto and Millhaven (Kingston) (Ontario), and in Vancouver (British Columbia)), in the United States (in the states of California, Florida, Pennsylvania, New Jersey and in Washington, D.C.), in Mexico and in Brazil.

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

Finally, Transportation also has offices in Australia, China, India, Israel, Korea, Malaysia, Philippines, Taiwan, Thailand, South Africa and Singapore.

Production Methods

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

In the Rolling Stock segment, Transportation has 40 sites specialized in manufacturing and assembly of end products such as locomotives, metros, light rail vehicles, regional trains, intercity and high-speed trains, as well as on production of components such as bogies and propulsion equipment. The Rolling Stock sites are located in 18 countries and include joint-ventures with local partners in China. In the Services segment, Transportation has 20 main services sites in 12 countries, mainly in Europe, focusing on fleet maintenance, refurbishment and overhaul. In addition, Transportation has over 40 services sites on customer premises worldwide to perform fleet maintenance and spare parts supply activities. Transportation has 19 Signalling engineering and production sites, in 14 countries, including joint-ventures with local partners in Russia and Poland. In the Systems segment, Transportation has three sites in three countries for engineering and production of automated people movers (APM) and runs several operations and maintenance (O&M) sites across the globe.

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

As regards procurement, Transportation works with suppliers in more than 70 countries. Transportation's more than approximately 400 preferred suppliers cover more than 85% of its total product related procurement spend. Procurement at Transportation is organized through networks of lead buyers, which are specialized by material categories and products. They closely interact with the lead engineer organization to continuously improve the performance of material and components, optimize material spending and drive standardization. Division procurement is supported by the global sourcing organization, which identifies and develops suppliers in low cost markets through international procurement offices located in China, Czech Republic, Poland and Romania, Turkey, Bulgaria and Bosnia.

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

Market Segments

Transportation covers a full range of products, services and solutions divided in four segments: Rolling Stock, Services, Systems and Signalling.

Rolling Stock

The rolling stock products of Transportation include locomotives, intercity, very high-speed and high-speed trains, commuter and regional trains, metro cars, light rail vehicles, propulsion and controls for the vehicles and bogies.

- ***Locomotives***

Transportation offers locomotives for intercity, regional and freight rail service, in both electric and diesel-electric versions. Its major products are dual mode locomotives and the *TRAXX* family, which have become the standard in the industry with innovative, standardized and modular locomotives, offering interoperability, outstanding reliability, long-term availability, as well as excellent maintenance and operational economy. Transportation is the world leader in the electric locomotives segment in terms of market share**.**

- ***Intercity, high-speed and very high-speed trains***

Transportation's product line includes equipment for medium and long-distance operations, such as multiple units and coaches for intercity and high-speed passenger transportation. Its major products are *ZEFIRO* high-speed trains, *REGINA* intercity trains and powerheads for AVE (Alta Velocidad Española). The *ZEFIRO* modular high-speed platform covers the full spectrum of speed requirements: intercity (160-200kph), high-speed (200-250 kph) and very high-speed (above 250 kph). The latest product sold is the *ZEFIRO* for China with a maximum operational speed of 380 kph. Transportation ranks number three worldwide in high-speed and intercity trains in terms of market share.

- ***Commuter and Regional trains***

Transportation offers a wide range of suburban and regional rail transit for urban centres and outlying regions. Transportation has a 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. Transportation's *TALENT*2, *SPACIUM*, *OMNEO* or AGC (Autorail Grande Capacité) modular and flexible product platforms offer maximum flexibility to transit authorities and operators. Transportation is the worldwide leader in the commuter and regional trains segment in terms of market share.

- ***Metro cars***

Transportation offers high-capacity mobility for inner-city transit. Its flexible *MOVIA* product platform is adaptable to current and future requirements of customers across diverse markets, with a track record for rapid, efficient and cost-effective operation. Transportation ranks number four worldwide in the metro cars segment in terms of market share.

- ***Light rail vehicles***

Transportation offers the world's most complete 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. Its proven *FLEXITY* family (with the newly launched *FLEXITY* 2 platform) provides efficient transit in dense urban centres. Transportation is the worldwide leader in the light rail vehicles segment in terms of market share.

- ***Propulsion and controls***

Transportation's product line includes complete propulsion, train control and management systems for Bombardier rail vehicles and third-party customers worldwide. The *MITRAC* 2 propulsion system has leading edge reliability, efficiency and energy-saving technologies covering the full spectrum of rolling stock applications. Transportation is the worldwide leader in the propulsion equipment segment in terms of market share.

- ***Bogies***

Transportation offers complete bogie solutions, such as the *FLEXX* product family, for Transportation rail vehicles and third-party customers worldwide. Transportation's key competitive advantages are its advanced product technology and the complete aftermarket services it offers throughout the life-cycle of the bogies. Transportation is the worldwide leader in the bogies segment in terms of market share.

Services

Transportation provides a complete service portfolio including full train and fleet maintenance, material and logistics programs, modernization, reengineering and overhaul of vehicles and components. Transportation's key competitive advantages in the Services segment are its engineering expertise, its maintenance techniques and tools, such as the *ORBITA* predictive maintenance management solution, as well as its experience with more than 3,000 vehicles refurbished and more than 4,000 different types of components overhauled worldwide. Transportation is the worldwide leader in train service solutions in terms of revenues.

Systems

Transportation has unique expertise in developing, designing, building, operating and maintaining turnkey transportation systems. Transportation offers complete solutions from fully automated rapid transit, light rail, metro and intercity systems to people movers and monorail systems, as well as transit security, energy management and catenary-free solutions. Transportation ranks number two worldwide in the System segment in terms of market share.

Signalling

Transportation provides a comprehensive portfolio of onboard and wayside signalling solutions that increase speed, safety and track capacity on rail networks. Its main products are *CITYFLO*, for mass transit systems, such as metros, light rail or automated people movers, and *INTERFLO* and *EBI* Cab ATC onboard equipment, for mainline transit ranging from freight traffic to regional/commuter, intercity and high-speed lines. Transportation is the market leader in the European Rail Traffic Management System (ERTMS) technology. Transportation ranks number six worldwide for rail control solutions in terms of revenues.

Competition

The accessible market represents the worldwide rail market excluding the share of local contractors in emerging markets, maintenance performed in-house by operators, as well as the Japanese market, which are not accessible to open-bid competition. Unless otherwise stated, the market referred to under the Transportation heading in this Annual Information Form represents the market in which Transportation has a product offering ("relevant market"), defined as the accessible market excluding freight locomotives in North America, worldwide freight cars, rail infrastructure and electrification. Due to the cyclical nature of the market and in line with common industry practice, Transportation's relevant market is stated as the average of a three-year period, based on published orders for Rolling Stock and Systems, and on estimated market volumes for Services and Signalling[9].

The three largest industry players, including Transportation, account for 56% of the relevant market. Transportation's major competitors are Alstom Transport ("Alstom"), a business unit of Alstom SA and Siemens Mobility ("Siemens"), a business unit of Siemens AG. Both Alstom and Siemens are active in the same markets as Transportation but Siemens is also present in infrastructure logistics (e.g. postal automation) and road solutions (e.g. tolling systems), which inflates Siemens' market share when compared to Transportation's. All other competitors in the relevant market hold less than 10% of total market share.

In terms of revenues and order intake in the year 2009, Transportation is the leader of the rail market. Moreover, based on a three-year average for calendar years 2007-09, Transportation is a market leader in the rail industry, with a market share of 20% of the relevant market. For the same period, Transportation remains the market leader in most rolling stock segments and in the services business. Transportation is well positioned in all segments and ranks number one in seven out of eleven product segments[10].

Depending on the product segments, countries and regions, Transportation is facing competition from specialized competitors. In the Services segment, competition mainly comes from railway operators, sub-system and component suppliers, as well as from third-party service providers.

Increasing competition is also coming from Asia, especially from Chinese, Korean and Japanese competitors. These players are positioning themselves in the Rolling Stock segment, mainly in North America and other regions which are not traditional markets where Transportation has a product offering (i.e. regions other than North America, Europe and Asia-Pacific), and are increasingly present in deregulated markets like the United Kingdom.

3.3 Segmented Disclosure

For information respecting Bombardier's sales by industry and geographic segments, reference is made to note 28 to the Corporation's consolidated financial statements for the fiscal years ended January 31, 2010 and January 31, 2009 filed with the Canadian securities regulatory authorities on April 1, 2010, which note is incorporated by reference into this Annual Information Form.

3.4 Agreements Relating to the Use of Certain Technologies

Some operations of Bombardier are conducted under agreements which allow it to use certain technical data and information relating to products or technologies developed by others. The most important of such agreements is the agreement signed on December 22, 1986, with Cartierville Financial Corporation Inc. ("CFC") (a wholly-owned subsidiary of Canada Development Investment Corporation, in turn wholly-owned by the Canadian federal government), under which Canadair Limited had obtained a licence granting it the exclusive and absolute right to use and exploit all the technology relating to the design of the *Challenger* aircraft and to use and incorporate that technology in the manufacture, development, testing, sale, distribution, maintenance and support of *Challenger* aircraft and any other related product worldwide. The initial term of the agreement is 21 years; however, the Corporation (as successor in interest to Canadair

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[9] Assessment of market share under the subsections "Market Segments" and "Competition" is based on Transportation market intelligence. For Rolling Stock and System, it is based on published orders. For Services and Signalling, it is based on the Worldwide Rail Market Study 2009, i.e. a study commissionned by the UNIFE, the Association of the European Rail Industry.

[10] Commuter and Regional being considered as two product segments.

Limited) has an option to renew this agreement for three additional consecutive periods of 21 years each, the first of such options has been exercised during fiscal 2007. In consideration for the rights thus granted to it, the Corporation paid CFC a lump sum of CAN$20 million in 1988, less an amount equal to certain royalties then paid, in lieu of the royalties provided for under the agreement.

3.5 Product Development

3.5.1 Aerospace

Aerospace launched in September 2007 its new *Global Vision* flight deck for *Global 5000* and *Global Express XRS* aircraft. Flight deck enhancements include improved avionics system features and functionalities, increased situational awareness and comfort as well as superior design aesthetics. On August 3, 2009, a *Global Express XRS* aicraft equipped with a *Global Vision* flight deck had a successful first test flight and is progressing through the certification flight test program. A second test aircraft joined the certification flight test program after completing its first flight on February 21, 2010.

Aerospace launched in October 2007 its all-new *Learjet 85* aircraft, which is set to redefine the midsize jet category with an all-new composite structure. Aerospace is currently in the Joint Definition Phase for this *Learjet 85* aircraft and has agreements with all major suppliers on the program, including propulsion, air systems, avionics, electrical, hydro-mechanics, structures and interiors. Aerospace is also progressing through its Composite Technology Readiness Phase. As part of this activity, Aerospace has built two proof-of-concept composite fuselages. As well, wind tunnel testing has been completed. Aerospace has started composite manufacturing on additional prototype parts in Querétaro, Mexico. The *Learjet 85* aircraft is scheduled to enter into service in calendar year 2013.

Aerospace launched the *CRJ1000 NextGen* and introduced the next generation versions of its *CRJ700* and *CRJ900* regional jets, all of which are designed to meet customer demand in terms of improved aircraft economics, cabin comfort and environmental footprint. The *CRJ1000 NextGen* regional jet is designed specifically to meet the growing needs of regional airlines for jets up to 100 seats. The first flight of the production aircraft of the *CRJ1000 NextGen* regional jet was completed in July 2009 from the Mirabel, Québec site. The *CRJ1000 NextGen* has completed approximately 70% of the total flight test program, and is expected to enter into service in the second half of calendar year 2010.

See also "*CSeries* Aircraft" at item 3.2 above for details on the stage of development of this family of aircraft.

3.5.2 Transportation

Transportation's goal is to sustain its leading position in the industry through innovative and environmentally conscious products and services. Transportation's leading initiative is to maintain a structured approach to continuously improve its product portfolio through product roadmaps and innovation management.

In pursuing this, Transportation is developing next-generation products. In the Locomotives, Propulsion and Bogies product segments, Transportation is maintaining its product leadership through the launch of an innovation program covering its *TRAXX* locomotive family, as well as selected propulsion and bogie features to further develop efficient and environmentally friendly solutions.

In addition, Transportation is accelerating the development of product platforms in the System product segment to enhance the competitiveness of its automated rapid transit solutions, automated people movers and monorails for projects around the world.

Transportation is also taking action to stabilize its Signalling product portfolio including mass transit solutions and the complete ERTMS portfolio to ensure timely delivery of its projects and to further strengthen its competitiveness in state-of-the-art technologies.

In 2009 Transportation successfully introduced the new *ZEFIRO* 380 very high speed platform for the Chinese Ministry of Railways, incorporating its advanced *ECO4* energy saving technologies to create best-in-class energy and operating efficiencies.

Transportation also broke new ground by being awarded the order for the versatile *FLEXITY* 2 tram for the city of Blackpool, United Kingdom.

Additionally, Transportation accomplished to win the momentous orders where its products have been chosen because of their low energy consumption and high level of passenger comfort, notably the largest single order for light rail vehicles in the world from Toronto Transit Commission as well as an order for more than 80 EMUs for regional transport in the city of Stuttgart, Germany.

Transportation carries this positive trend forward into fiscal year 2010, signing an $11-billion framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs. Two firm orders for 129 trains valued at $1.6 billion were obtained under this framework agreement.

3.6 Environment

Environmental Laws and Risks

The Corporation's products as well as its manufacturing and service activities are subject to environmental regulations by federal, provincial and local authorities in Canada as well as local regulatory authorities having jurisdiction over the Corporation's foreign operations. In addition, the Corporation has established, and it periodically updates a health, safety and environment policy (the "HSE Policy") that defines the Corporation's vision for its worldwide operations. This HSE Policy was updated in the 2009 fiscal year. Consistent with this policy, a HSE Compliance Audit program has been put in place throughout the Corporation to ascertain material compliance of its manufacturing and service activities to all applicable HSE laws and regulations. Also, to prevent pollution and minimize environmental risks, the Corporation has deployed the ISO 14001 Standard to its manufacturing and services locations. To date, approximately 97% of the Corporation's locations over 150 employees have been certified according to the ISO 14001 Standard for Environmental Management by outside bodies and nearly 95% according to the OSHAS 18001 standard. Consistent with its policy stressing environmental responsibility and its desire to maintain legal compliance, the Corporation routinely procures, installs and operates pollution control devices, such as wastewater treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators at new and existing facilities constructed or upgraded in the normal course of business. According to the ISO 14001 Standard, imminent environmental laws and regulations are tracked and assessed on a regular basis. Future capital expenditures for pollution control systems resulting from these imminent regulatory requirements are not expected to have a material effect on the Corporation's consolidated financial position.

The Corporation's regulatory risks associated with climate change generally fall under the national and local requirements (including the Kyoto Protocol) being implemented by each jurisdiction where the Corporation carries out its activities. Most of the Corporation's manufacturing activities are carried out within Annex B countries that have ratified the Kyoto Protocol. These countries are at various stages of developing binding emission allocations and trading schemes. During the fiscal year 2010, the Corporation's climate change regulatory risks mainly fell under its obligations to the European Union Emission Trading Scheme. To date, the impact on the Corporation has been non-material. The Corporation continues to monitor risks associated with energy efficiency legislation, carbon taxes, industry standards and other carbon trading mechanisms related to both its activities and products.

During the fiscal year 2010, the Corporation has worked on a new European regulation that was adopted in year 2007, i.e. the Registration Evaluation Authorisation and Restriction of Chemicals ("REACh"). The Corporation, through its two reportable segments, has implemented mechanisms to ascertain compliance of its products and operations with the pre-registration phase of REACh. The Corporation continues to monitor the next phases of the REACh implementation in order to ensure full compliance. This regulation is not expected to have a material effect on the Corporation's financial position.

European Union Emissions Trading Scheme

During the 2010 fiscal year, two sites of the Corporation qualified for the EU Allocation Programs but these allocations did not present a material risk to the Corporation, since the sites were below their respective applicable limits and therefore the Corporation did not have to buy carbon credits.

The United Kingdom will launch a new mandatory carbon emissions trading scheme in April 2010, i.e. the Carbon Reduction Commitment also named the CRC Energy Efficiency System. This regulation is not expected to have a material effect on the Corporation's financial position.

Environmental Liabilities

With respect to environmental matters related to site contamination (historical contamination of soil and groundwater), the Corporation periodically conducts studies, individually at sites owned by the Corporation, and jointly as a member of industry groups at sites not owned by the Corporation, to evaluate the presence of contaminants in the soil and groundwater and to determine the need and feasibility of various remediation techniques and to define the Corporation's share of liability. The Corporation is currently proceeding with decontamination at a small number of sites both in North America and in Europe. The known historical costs for soil and/or groundwater decontamination are not expected to have a material effect on the Corporation's consolidated financial position. During the 2011 fiscal year, the anticipated costs related to environmental liabilities are not expected to be in excess of $25 million.

Potential Environmental Liabilities

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

3.7 Human Resources

The following table shows the total number of employees of the Corporation:

	Number of employees as at January 31st	
	2010	**2009**
Aerospace(1)	28,900	32,500
Transportation(2)	33,800	34,200
Corporate Office(3)	180	170
TOTAL	**62,880**	**66,870**

(1) Including 1,250 contractual employees for fiscal 2010 and 2,500 contractual employees for fiscal year 2009.
(2) Including 4,350 contractual employees for fiscal 2010 and 4,800 contractual employees for fiscal years 2009.
(3) Including 20 contractual employees for fiscal 2010 and 10 contractual employees for fiscal year 2009.

As at January 31, 2010, 12,000 of the Corporation's employees in the Americas were represented by certified unions under 21 separate collective agreements. These agreements expire at different dates, the latest of which is November 2014.

In Europe and other countries, as at January 31, 2010, 23,700 of the Corporation's employees were represented by certified unions under 152 separate collective agreements. National unions represent employees in subsidiaries or divisions and national and sectorial bargaining generally takes place every one or two years depending on the country. These agreements expire at different dates, the latest of which is December 2016.

The Corporation considers that its relations with its employees are satisfactory.

Recruiting and retaining qualified project management and engineering personnel remains fundamental to the Corporation's success. Competition for these skill sets, particularly in engineering, has become even more intense especially in those areas where in-depth industry specific expertise is required.

The almost 3,000 degreed engineering employees of Aerospace have a wide breadth of expertise, including in areas related to metal and composite design and analysis, chemical processing and finishing, tooling design and development and aircraft systems integration. Aerospace is also expanding its efforts to work with educational institutions to train engineers in areas where there are shortages of qualified candidates (e.g. on board systems engineers). Aerospace funds program development, partners in curriculum design, provides expertise in teaching and offers internships to complement academic learning with hands on experience. In addition, it continues to expand on its internal slate of engineering and method training programs to continually improve the knowledge of these essential employees.

Transportation employs 3,400 highly qualified engineers essential to the successful design, manufacture and maintenance of rail transport solutions for the Corporation's global customers. Required skills include mechanical and software engineering as well as specialty disciplines in acoustic, thermodynamics, electrical systems, design for environment, structural integrity and crash safety, vehicle dynamics, reliability and maintenance. Transportation's graduate development programs are designed to strengthen its junior talent pipeline, and they currently provide an annual intake of 30 engineering graduates.

3.8 Foreign Currency and Interest Rate

A description of the Corporation's main exposures to foreign currencies and their management appears under the headings "Foreign Currency Fluctuations", "Foreign Exchange Management", "BA's Foreign Currency Denominated Costs", "Changing Interest Rates" and "Exposure to Credit Risk" in the Management's Discussion and Analysis on pages 38 to 40, of the 2010 Annual Report, which pages are incorporated by reference into this Annual Information Form.

3.9 Risk Factors

A description of risks affecting the Corporation and its activities appears under the heading "Risks and Uncertainties" in the Management's Discussion and Analysis on pages 138 to 142 of our 2010 Annual Report, which pages are incorporated by reference into this Annual Information Form.

Item 4 Dividends

The Corporation declared the dividends indicated below on its outstanding shares during each of the fiscal years ended January 31, 2010, January 31, 2009 and January 31, 2008. These dividends are denominated in Canadian dollars.

(millions of dollars, except per share amounts)	Fiscal years ended January 31, 2010 Total	Per share	2009 Total	Per share	2008 Total	Per share
Series 2 Cumulative Redeemable Preferred Shares	5.1	0.587965	10.9	1.14917	9.2	1.52317
Series 3 Cumulative Redeemable Preferred Shares	3.3	1.31676	3.3	1.31676	8.1	1.34288
Series 4 Cumulative Redeemable Preferred Shares	14.7	1.5625	14.7	1.5625	14.7	1.5625
Class A Shares (Multiple Voting)	31.6	0.10	23.8	0.075	—	—
Class B Subordinate Voting Shares	146.1	0.1015625	109.5	0.076172	—	—

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

The holders of Class B Subordinate Voting Shares are entitled, in preference to the holders of Class A Shares, to a non-cumulative dividend at the rate of CAN$0.0015625 per share per annum, or CAN$0.000390625 per quarter; when a dividend on the Class B Subordinate Voting Shares at the rate of CAN$0.0015625 per share per annum is declared and paid or set aside for payment in any fiscal year, the Class A Shares and the Class B Subordinate Voting Shares participate equally, share for share, with respect to any additional dividend which may be declared, paid or set aside for payment during said fiscal year.

In accordance with the decision made by the Board of Directors of Bombardier on June 3, 2008, authorizing the reinstatement of the payment of a quarterly dividend on each Class A Shares and each Class B Subordinate Voting Shares, holders of these shares are entitled to a quarterly dividend of CAN$0.025 per share, if and when declared by the Board of Directors.

Item 5 General Description of Capital Structure

The authorized capital of the Corporation consists of (i) an unlimited number of preferred shares without nominal or par value issuable in series (the "Preferred Shares"), of which 12,000,000 have been designated as the Series 2 Preferred Shares, 12,000,000 have been designated as the Series 3 Preferred Shares and 9,400,000 have been designated as the Series 4 Preferred Shares, (ii) 1,892,000,000 Class A Shares, and (iii) 1,892,000,000 Class B Subordinate Voting Shares. As at January 31, 2010, the Corporation had outstanding 9,464,920 Series 2 Preferred Shares, 2,535,080 Series 3 Preferred Shares, 9,400,000 Series 4 Preferred Shares, 316,231,937 Class A Shares and 1,438,517,706 Class B Subordinate Voting Shares.

The Class B Subordinate Voting Shares are restricted securities (within the meaning of the relevant Canadian regulations respecting securities) in that they do not carry equal voting rights. In the aggregate, all of the voting rights associated with the Class B Subordinate Voting Shares represented, as at January 31, 2010, 31.27% of the voting rights attached to all of the Corporation's issued and outstanding voting securities.

Class A Shares and Class B Subordinate Voting Shares

Subordination and Voting Rights

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

Dividends and Liquidation

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

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

Subdivision or Consolidation

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

Conversion Privilege

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

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

Preferred Shares as a Class

Issuable in Series

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

Priority

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

Dividends

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

Rights on Liquidation

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

Voting Rights

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

Modifications

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

Series 2 Preferred Shares

The Series 2 Preferred Shares are non-voting (except if the Corporation fails to pay in full eight (8) quarterly dividends or 24 monthly dividends, as the case may be, until all arrears of dividends on the Series 2 Preferred Shares shall have been paid), redeemable at the Corporation's option (with respect to all and not less than all outstanding Series 2 Preferred Shares) at CAN$25.50 per share (together with accrued and unpaid dividends), convertible on a one-for-one basis on August 1, 2012 and on August 1 of every fifth year thereafter into Series 3 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 2 Preferred Shares on the conversion date, such remaining number shall be automatically converted into an equal number of Series 3 Preferred Shares. Likewise, if the Corporation determines that at such time, there would be less than 1,000,000 outstanding Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted. Since August 1, 2002, floating adjustable cumulative preferential cash dividends are payable monthly, if declared by the Board of Directors, with the annual floating dividend rate equal to 80% of the Canadian prime rate. The dividend rate will float in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis up to a monthly maximum of 4% of the prime rate if the trading price of the Series 2 Preferred Shares is less than CAN$24.90 per share or more than CAN$25.10 per share.

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

Series 3 Preferred Shares

The Series 3 Preferred Shares are non-voting (except if the Corporation fails to pay in full eight (8) quarterly dividends, until all arrears of dividends on the Series 3 Preferred Shares shall have been paid), redeemable at the Corporation's option (with respect to all and not less than all outstanding Series 3 Preferred Shares) at CAN$25.00 per share (together with accrued and unpaid dividends) on August 1, 2012 and on August 1 of every fifth year thereafter, convertible on a one-for-one basis at the option of the holder on August 1, 2012 and on August 1 of every fifth year thereafter into Series 2 Preferred Shares. Fourteen days preceding a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 3 Preferred Shares on the conversion date, such remaining number shall be automatically converted into an equal number of Series 2 Preferred Shares. Likewise, if the Corporation determines that at such time there would be less than 1,000,000 outstanding Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted. The Series 3 Preferred Shares carry an annual dividend rate of 5.267% for the five-year period from August 1, 2007 to and including July 31, 2012, payable quarterly, if declared. The quarterly dividend rate will be fixed by the Corporation at least 45 days and not more than 60 days before each subsequent five-year dividend period. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada bond yield as defined in the Articles of Amendment creating the Series 3 Preferred Shares.

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

Series 4 Preferred Shares

The Series 4 Preferred Shares are entitled to fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, at a rate equal to CAN$1.5625 per share per annum. Dividends are payable quarterly on the last day of January, April, July, and October each year at a rate of CAN$0.390625 per share per quarter. The Series 4 Preferred Shares are non-voting (except if the Corporation fails to pay in full eight (8) quarterly dividends, until all arrears of dividends on the Series 4 Preferred Shares shall have been paid). The Corporation may, on not less than 30 nor more than 60 days' notice, redeem for cash the

Series 4 Preferred Shares in whole or in part, at the Corporation's option, at CAN$25.25 if redeemed after March 31, 2010 and prior to March 31, 2011 and CAN$25.00 if redeemed on or after March 31, 2011 (in each case together with accrued and unpaid dividends). Alternatively, the Corporation may, on not less than 30 nor more than 60 days' notice, subject to stock exchange approvals, convert all or any part of the outstanding Series 4 Preferred Shares into fully paid and non-assessable Class B Subordinate Voting Shares of the Corporation. The number of Class B Subordinate Voting Shares of the Corporation into which each Series 4 Preferred Share may be so converted will be determined by dividing the applicable redemption price per Series 4 Preferred Shares together with all accrued and unpaid dividends to but excluding the date of conversion by the greater of CAN$2.00 and 95% of the weighted average trading price of such Class B Subordinate Voting Shares on the TSX for the period of 20 consecutive trading days which ends on the fourth day prior to the date specified for conversion or, if that fourth day is not a trading day, on the immediately preceding trading day (the "Current Market Price"). Fractional Class B Subordinate Voting Shares shall not be issued on any conversion of Series 4 Preferred Shares but in lieu thereof the Corporation shall make cash payments in an amount per fractional Class B Subordinate Voting Share otherwise issuable equal to the product of the fraction of the Class B Subordinate Voting Share otherwise issuable and the greater of CAN$2.00 and 95% and such Current Market Price. The Corporation may, at its option, at any time grant the holders of Series 4 Preferred Shares the right, but not the obligation, to convert their shares upon notice into a further series of Preferred Shares on a share-for-share basis.

Security Ratings

As at January 31, 2010, the Corporation had a long-term debt rating of BB+ from Fitch Ratings ("Fitch") with a negative outlook. The Corporation's debt securities have also received long-term debt ratings of Ba2 by Moody's Investors Service ("Moody's") and BB+ by Standard & Poor's ("S&P") with both firms maintaining a stable outlook. Fitch and S&P have also rated the preferred shares of the Corporation respectively as a BB- and P-4. Dominion Bond Rating Service Limited ("DBRS") also issued BB and Pfd-4 ratings to the Corporation for its long-term debt and preferred shares, respectively with a stable outlook but these ratings were unsolicited and based solely on public information.

S&P rates (i) long-term debt by rating categories ranging from a high of AAA to a low of D, and (ii) preferred shares by rating categories ranging from P-1 (high) to a low of D, Moody's ratings range from a high of Aaa to a low of C, Fitch's ratings range from a high of AAA to a low of D and DBRS ratings range from a high of AAA to a low of D for long term debt and from a high Pfd-1 to a low D for preferred shares.

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

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

Item 6 Market for the Securities of the Corporation

The Corporation's Class A Shares, Class B Subordinate Voting Shares, Series 2 Preferred Shares, Series 3 Preferred Shares and Series 4 Preferred Shares are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbols "BBD.A", "BBD.B", "BBD.PR.B", "BBD.PR.D" and "BBD.PR.C", respectively.

The following table sets forth the reported high, low and closing sale prices in Canadian dollars and the cumulative volume of trading of each of the Corporation's securities listed for trading on the TSX for the periods indicated:

MONTH		Class A Shares "BBD.A"	Class B Subordinate Voting Shares "BBD.B"	Series 2 Preferred Shares "BBD.PR.B"	Series 3 Preferred Shares "BBD.PR.D"	Series 4 Preferred Shares "BBD.PR.C"
January 2010	High	$5.63	$5.64	$13.75	$19.00	$22.98
	Low	$4.79	$4.79	$12.00	$18.00	$22.00
	Close	$5.04	$5.04	$13.60	$18.60	$22.50
	Volume	2,167,387	131,707,314	527,887	125,727	90,385
December 2009	High	$4.89	$4.88	$12.33	$18.10	$22.79
	Low	$4.50	$4.50	$11.62	$17.51	$21.28
	Close	$4.78	$4.80	$12.09	$18.08	$22.79
	Volume	1,102,110	62,085,156	353,274	53,592	82,221
November 2009	High	$5.07	$5.09	$12.90	$18.25	$21.45
	Low	$4.33	$4.30	$12.06	$17.40	$20.74
	Close	$4.48	$4.48	$12.20	$17.98	$21.30
	Volume	1,233,725	87,845,212	216,635	28,692	68,080
October 2009	High	$5.31	$5.35	$13.15	$18.26	$21.85
	Low	$4.17	$4.16	$12.03	$16.76	$20.38
	Close	$4.40	$4.39	$12.10	$17.40	$20.76
	Volume	1,638,669	135,465,906	194,743	30,221	89,970
September 2009	High	$5.05	$5.05	$13.56	$18.43	$21.50
	Low	$3.77	$3.78	$11.40	$16.33	$19.70
	Close	$4.96	$4.97	$12.89	$18.10	$21.50
	Volume	1,933,749	210,993,804	419,106	79,060	195,387
August 2009	High	$4.40	$4.40	$12.22	$17.00	$20.40
	Low	$3.83	$3.83	$11.33	$15.93	$19.18
	Close	$3.97	$4.00	$11.56	$16.70	$19.75
	Volume	1,354,964	156,438,078	547,646	63,553	246,764
July 2009	High	$3.80	$3.82	$11.45	$16.25	$19.48
	Low	$3.28	$3.27	$10.50	$15.69	$18.24
	Close	$3.80	$3.82	$11.40	$15.90	$19.26
	Volume	920,660	115,932,267	203,584	164,400	120,033
June 2009	High	$4.01	$3.99	$12.46	$16.25	$19.79
	Low	$3.20	$3.16	$10.41	$15.16	$18.65
	Close	$3.43	$3.45	$11.17	$15.69	$19.20
	Volume	1,677,533	230,337,660	209,754	42,644	145,503
May 2009	High	$4.38	$4.45	$10.80	$16.24	$19.45
	Low	$3.54	$3.51	$9.12	$15.45	$17.81
	Close	$3.69	$3.66	$10.45	$15.90	$19.32
	Volume	1,430,123	150,999,939	249,572	40,740	104,964
April 2009	High	$3.87	$3.82	$9.25	$15.45	$18.57
	Low	$3.01	$2.90	$8.23	$12.95	$16.81
	Close	$3.85	$3.78	$9.25	$15.45	$18.02
	Volume	1,323,996	198,002,754	564,336	50,053	302,570
March 2009	High	$3.22	$3.10	$8.90	$13.00	$17.45
	Low	$2.29	$2.22	$6.26	$10.50	$16.24
	Close	$3.05	$2.94	$8.25	$12.76	$17.12
	Volume	1,552,106	274,148,380	192,934	95,363	130,388
February 2009	High	$3.96	$3.91	$10.15	$15.10	$18.26
	Low	$2.60	$2.59	$8.32	$11.96	$16.10
	Close	$3.01	$2.96	$8.72	$12.00	$16.88
	Volume	1,630,210	282,178,618	100,649	36,763	110,391

Item 7 Directors and Executive Officers

The names of the directors and executive officers of the Corporation, their municipality of residence, the positions held by them within the Corporation, the principal occupations of the directors, the period during which each director has exercised his or her mandate, as well as the number of Class A Shares, Class B Subordinate Voting Shares or Deferred Stock Units, as the case may be, of the Corporation that the directors, as at March 31, 2010 or as at January 31, 2010 for Director Deferred Stock Units ("DDSUs"), owned beneficially or over which they exercised control or direction, are indicated below. No Series 2 Preferred Shares, Series 3 Preferred Shares or Series 4 Preferred Shares are held by any director.

Directors

Name, Municipality of Residence, Principal Occupation(s) and Position(s) Held Within the Corporation	Period of Service as a Director	Class A Shares[(1)]	Class B Subordinate Voting Shares[(1)]	Director Deferred Stock Units or Other Deferred Stock Unit Programs
LAURENT BEAUDOIN, C.C., FCA Westmount, Québec, Canada Chairman of the Board of the Corporation	1975 to date	13,052,944[(2)]	812,500[(2)]	1,501,844 [(3)]
PIERRE BEAUDOIN Westmount, Québec, Canada President and Chief Executive Officer of the Corporation	2004 to date	512,859	1,312	—
ANDRÉ BÉRARD[(a)(b)(c)(d)] Montréal, Québec, Canada Corporate Director	2004 to date	—	5,000	218,774[(4)]
J.R. ANDRÉ BOMBARDIER Montréal, Québec, Canada Vice Chairman of the Corporation	1975 to date	[(5)]	265,774	—
JANINE BOMBARDIER Westmount, Québec, Canada President and Governor, J. Armand Bombardier Foundation, charitable organization	1984 to date	[(6)]	40,001	173,455 [(4)]
MARTHA FINN BROOKS [(a) (b)] Atlanta, Georgia, U.S.A. Corporate Director	2009 to date	—	—	18,227[(4)]
L. DENIS DESAUTELS, O.C., FCA[(a)(c)] Ottawa, Ontario, Canada Corporate Director	2003 to date	—	10,000	107,957 [(4)]
THIERRY DESMAREST Paris, France Chairman of the Board of Directors of Total S.A. (oil and gas company)	2009 to date	—	—	— 22,021 [(4)]
JEAN-LOUIS FONTAINE Westmount, Québec, Canada Vice Chairman of the Corporation	1975 to date	4,097,472[(7)]	6,465	—

Name, Municipality of Residence, Principal Occupation(s) and Position(s) Held Within the Corporation	Period of Service as a Director	Class A Shares[1]	Class B Subordinate Voting Shares[1]	Director Deferred Stock Units or Other Deferred Stock Unit Programs
DANIEL JOHNSON[8] (a)(c) Montréal, Québec, Canada Counsel, McCarthy Tétrault, LLP Barristers and Solicitors	1999 to date	—	1,200	104,252 [4]
JEAN C. MONTY [9](b)(e) Montréal, Québec, Canada Corporate Director	1998 to date	25,000	175,000	244,084 [4]
CARLOS E. REPRESAS(b)(c) (e) Mexico City, Mexico Chairman of the Board, Nestlé Group Mexico (food, nutrition company)	2004 to date	—	—	117,214 [4]
JEAN-PIERRE ROSSO(a)(e) New York, New York, U.S.A. Chairman, World Economic Forum USA Inc. (non-profit organization)	2006 to date	—	—	130,930[4]
HEINRICH WEISS(e) Düsseldorf, Germany Chairman and Chief Executive Officer SMS GmbH (plant construction and mechanical engineering)	2005 to date	—	—	176,140 [4]

(1) The number of shares held is given as at March 31, 2010.
(2) Mrs. Claire Bombardier Beaudoin, wife of Mr. Laurent Beaudoin, exercises, through holding corporations which she controls (either directly or in concert with Mr. J.R. André Bombardier, Mrs. Janine Bombardier and Mrs. Huguette Bombardier Fontaine), control or direction over 61,123,490 Class A Shares and 812,500 Class B shares.
(3) As part of his compensation for the years ended January 31, 2006, 2007 and 2008, Mr. Laurent Beaudoin, as then Chief Executive Officer of the Corporation, received an annual incentive of CAN$1,400,000, CAN$2,285,000 and CAN$3,675,000, respectively, which he elected be paid to him in the form of Deferred Stock Units (CAN$3.50, CAN$4.69 and CAN$6.61 per unit, respectively) pursuant to the Deferred Stock Unit Plan for Senior Officers. In addition, Mr. Beaudoin is credited with additional deferred stock units when dividends are declared by the Board of Directors.
(4) Number of DDSUs is given as at January 31, 2010 as the number of DDSUs under the Director Deferred Stock Unit Plan is calculated and reported as at the end of the Corporation's fiscal year(s) and quarterly period(s).
(5) Mr. J.R. André Bombardier exercises, through holding corporations which he controls (either directly or in concert with Mrs. Claire Bombardier Beaudoin, Mrs. Janine Bombardier and Mrs. Huguette Bombardier Fontaine), control or direction over 65,401,042 Class A Shares.
(6) Mrs. Janine Bombardier exercises, through holding corporations which she controls (either directly or in concert with Mrs. Claire Bombardier Beaudoin, Mr. J.R. André Bombardier and Mrs. Huguette Bombardier Fontaine), control or direction over 61,973,490 Class A Shares.
(7) Mrs. Huguette Bombardier Fontaine, wife of Mr. Jean-Louis Fontaine, exercises, through holding corporations which she controls (either directly or in concert with Mrs. Claire Bombardier Beaudoin, Mr. J.R. André Bombardier and Mrs. Janine Bombardier), control or direction over 60,701,887 Class A Shares.
(8) Mr. Johnson was a director and Chairman of the Board of Geneka Biotechnologie Inc. until March 7, 2003, approximately two months prior to the date on which this corporation was deemed to have made an assignment in bankruptcy.
(9) Mr. Monty was a director or executive officer of Teleglobe Inc. and certain of its affiliates during the year preceding May 15, 2002, the date on which Teleglobe Inc. and certain of its affiliates filed for court protection under insolvency statutes in various countries, including Canada and the United States.
(a) Member of the Audit Committee.
(b) Member of the Human Resources and Compensation Committee.
(c) Member of the Finance and Risk Management Committee.
(d) Lead Director.

(e) Member of the Corporate Governance and Nominating Committee.

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

Executive Officers who are not Directors

Name and Municipality of Residence	Position Held Within the Corporation
Pierre Alary Montréal, Québec, Canada	Senior Vice President and Chief Financial Officer
Richard C. Bradeen Montréal, Québec, Canada	Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and Pension Asset Management
Roger Carle Town of Mount-Royal, Québec, Canada	Corporate Secretary
Daniel Desjardins Montréal, Québec, Canada	Senior Vice President and General Counsel
Guy C. Hachey Montréal, Québec, Canada	President and Chief Operating Officer of Bombardier Aerospace
John Paul Macdonald Longueuil, Québec, Canada	Senior Vice President Human Resources and Public Affairs
André Navarri Paris, France	President and Chief Operating Officer of Bombardier Transportation
Frederick W. Reid Sebastopol, California, United States	President of Flexjet

As at March 31, 2010, the directors of the Corporation (other than Mrs. Janine Bombardier and Mr. J.R. André Bombardier) and the executive officers of the Corporation, as a group, owned beneficially, directly or indirectly, 17,688,275 Class A Shares and 1,503,760 Class B Subordinate Voting Shares, representing 5.60% and 0.09% respectively, of the outstanding shares of each such class.

The directors and executive officers of the Corporation who have not occupied their current principal occupations for more than five years have had the following principal occupations during the last five years, except that where a director or executive officer has held more than one position in the same company or an affiliate of such company, only the date of his/her appointment to his current position is indicated:

– Laurent Beaudoin has been Chairman of the Board of Directors since June 4, 2008; before that date he was Chairman of the Board of Directors and Chief Executive Officer since December 13, 2004; prior to that, he was Executive Chairman of the Board since June 10, 2003.

– Pierre Beaudoin has been President and Chief Executive Officer of Bombardier since June 4, 2008; before that date, he was Executive Vice President of Bombardier and President and Chief Operating Officer of Bombardier Aerospace since October 16, 2001.

– Martha Finn Brooks has joined the Board of Directors of Bombardier on August 24, 2009; she was President and Chief Operating Officer of Novelis, Inc. from March 2007 to May 2009, after having been its Chief Operating Officer from January 2005 to March 2007.

- Thierry Desmarest has joined the Board of Directors of Bombardier on January 21, 2009; he has been Chairman of the Board of Directors of Total S.A. after having served as its Chairman and Chief Executive Officer since May 2003.

- Guy Hachey has been President and Chief Operating Officer of Bombardier Aerospace since April 2008; before that date, he held the combined positions of Vice-President, Delphi Corporation, President, Delphi Powertrain Systems, President, Delphi Europe, Middle East and Africa as well as Executive Champion for Delphi Corporation's global manufacturing operations since 1999.

- John Paul Macdonald has been Senior Vice President Human Resources and Public Affairs since February 1, 2008; prior to that date, he was Senior Vice President, Public Affairs of Bombardier since January 20, 2005; he was also Vice President, Communications of Aerospace from February 2002 to October 2, 2006.

- André Navarri has been President and Chief Operating Officer of Bombardier Transportation since September 3, 2008; on that date, he resigned as a member of the Board of Directors of Bombardier; before that date, he was Executive Vice President of Bombardier and President of Bombardier Transportation since February 22, 2004.

- Frederick W. Reid has been President of Flexjet since August 2008; prior to that date he was Chief Executive Officer of Virgin American since 2004.

- Jean-Pierre Rosso has been Chairman of World Economic Forum USA Inc., based in New York City, United States, since February 2006; he was Chairman of CNH Global N.V. from November 1999 until his retirement in May 2004.

Item 8 Legal Proceedings

In normal course of its 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 proceedings.

While the Corporation cannot predict the final outcome of legal proceedings pending as at January 31, 2010, based on information currently available, it believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Item 9 Transfer Agent and Registrar

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

Item 10 Material Contracts

Since February 1, 2009, the Corporation has not entered into any contractual arrangements outside the ordinary course of business that would be considered material to it or its businesses.

Item 11 Interest of Experts

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

Item 12 Audit Committee Disclosure

Audit Committee Information

Mr. L. Denis Desautels acts as Chairman of the Audit Committee, and Mrs. Martha Finn Brooks and Messrs. André Bérard, Daniel Johnson and Jean-Pierre Rosso are its other members. Each of them is independent and financially literate within the meaning of *National Instrument 52-110 – Audit Committees.*

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

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

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

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

Martha Finn Brooks – Mrs. Brooks holds a B.A. in economics and political science and an M.B.A. in international business from Yale University. She was, until May 2009, President and Chief Operating Officer of Novelis, Inc., a global aluminum rolling company owned by Mumbai-based Hindalco Industries Ltd., which had earlier been spun off by Alcan Inc. in 2005. From 2002 to 2005, she served as Corporate Senior Vice President and President and Chief Executive Officer of Alcan Rolled Products, Americas and Asia. Prior to joining Alcan Inc., she worked over 15 years at engine manufacturer Cummins, Inc. where she held various positions of increasing responsibility, ultimately becoming Vice President and General Manager, Engine Business Sales and Marketing. She was a member of the audit committee of International Paper Company from 2004 to 2007. She is also a member of the Board of directors of Harley-Davidson Inc.

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

Jean-Pierre Rosso – Mr. Rosso has been a member of the Audit Committee since 2006. He has a B.S., Civil Engineering, from « École Polytechnique Fédérale de Lausanne (EPF) » and an M.B.A. from Wharton School of the University of Pennsylvania. He has chaired World Economic Forum USA Inc. since April 2006. He served as Chairman of CNH Global N.V., an agricultural and construction equipment manufacturer, from November 1999 until his retirement in May 2004. He was Chief Executive Officer of CNH Global N.V. from November 1999 to November 2000. He acted as Chairman and Chief Executive Officer of Case Corporation, an agricultural and construction equipment manufacturer, from March 1996 to November 1999, after having been President and Chief Executive Officer of Case Corporation from April 1994 to March 1996. Mr. Rosso was Chairman of the Audit Committee of Medtronic Inc. between 1998 and 2006 and he continued to be one of its members until 2009.

Appointment of Auditors

For each of the financial years ended January 31, 2010 and 2009, Ernst & Young, LLP, billed the Corporation the following fees for services:

Fees	**Financial Year Ended January 31, 2010**	**Financial Year Ended January 31, 2009**
Audit fees	13,628,000	14,057,000
Audit-related fees	1,279,000	4, 215,000
Tax fees	4,458,000	4, 454,000
All other fees	189,000	394,000
Total Fees:	**19,554,000**	**23,120,000**

In the table above, the terms in the column "Fees" have the following meanings: "Audit fees" refers to all fees incurred in respect of audit services, being the professional services rendered by the Corporation's external auditors for the audit of its annual financial statements and those of its subsidiaries and the review of the Corporation's quarterly financial statements as well as services normally provided by the Corporation's external auditors in connection with statutory and regulatory filings and engagements; "Audit-related fees" refers to the aggregate fees billed for assurance and related services and also includes mergers and acquisitions due diligence services by the Corporation's external auditors that are reasonably related to the performance of the audit or review of its financial statements and are not reported under "Audit fees" including audits of the Corporation's employee benefit plans, audits required under the Corporation's banking arrangements and mergers and acquisitions due diligence services, which explains the higher level of "Audit-related fees" fees in 2009; " Tax fees" refers to the aggregate fees billed for professional services rendered by the Corporation's external auditors for tax compliance, tax advice, and tax planning, including the preparation or review of tax returns, transfer pricing documentation and assistance with tax audits, rendered to the Corporation and its many subsidiaries around the world; and "All other fees" refers to the aggregate fees billed for products and services provided by the Corporation's external auditors, other than "Audit fees", "Audit-related fees" and "Tax fees", primarily translation of financial information. The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the independence of the Corporation's external auditors. The Audit Committee has adopted a policy that prohibits the Corporation's from engaging its external auditors for “prohibited” categories of non-audit services and requires pre-approval by such Committee of audit services and other services within certain permissible categories of non-audit services.

Item 13 Additional Information

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

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

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

Item 14 Forward-Looking Statements

This Annual Information Form includes forward-looking statements, which may involve, but are not limited to, statements with respect to the Corporation’s objectives, 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; competitive position; and the expected impact of the legislative and regulatory environment and legal proceedings on the Corporation’s business and operations. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “anticipate”, “plan”, “foresee”, “believe” or “continue”, the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause the Corporation’s actual results in future periods to differ materially from forecasted results. While the Corporation considers its assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this Annual Information Form, refer to the respective Forward-looking statements sections of the Corporation’s aerospace segment and the Corporation’s transportation segment in the Management’s Discussion and Analysis on the Corporation’s Web site at www.bombardier.com.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with the Corporation’s business environment (such as risks associated with the financial condition of the airline industry and major rail operators), operational risks (such as risks related to developing new products and services; doing business with partners; product performance warranty and casualty claim losses; regulatory and legal proceedings; 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 the Management’s Discussion and Analysis on the Corporation’s Web site at www.bombardier.com. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect the Corporation’s expectations as at the date of this Annual Information Form and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

SCHEDULE A

BOMBARDIER INC.

CHARTER OF THE AUDIT COMMITTEE

1.1 Membership and Quorum

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

1.2 Frequency and Timing of Meetings

- Normally, in conjunction with Bombardier Board meetings.
- At least four times a year and as necessary.

1.3 Chairman of the Audit Committee

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

A. PROVIDING LEADERSHIP TO ENHANCE THE AUDIT COMMITTEE'S EFFECTIVENESS

- ensuring that the Audit Committee works as a cohesive team and providing the leadership essential to achieve this;
- ensuring that the resources available to the Audit Committee (in particular timely and relevant information) are adequate to support its work.

B. MANAGING THE AUDIT COMMITTEE

- setting the agenda of the Audit Committee, in consultation with the Senior Vice President and Chief Financial Officer, and prior to the meeting of the Audit Committee, circulating the agenda to the members of the Audit Committee;
- adopting procedures to ensure that the Audit Committee can conduct its work effectively and efficiently, overseeing the Audit Committee structure and composition, scheduling and management of meetings;

- ensuring that the conduct of the Audit Committee meetings provides adequate time for serious discussion of relevant issues;

- ensuring that the outcome of the meeting of the Audit Committee and any material matters reviewed at such meeting are reported to the Board at its next regular meeting.

1.4 Mandate of the Audit Committee

A. PURPOSE

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

B. OBJECTIVES

The objectives of the Audit Committee are:

- to help the directors meet their responsibilities with respect to accountability;

- to assist in maintaining good communication between the directors and the external auditor;

- to assist in maintaining the external auditor's independence;

- with the assistance of the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and Pension Asset Management to ensure that an appropriate system of internal accounting and financial controls is maintained in view of the major business risks facing Bombardier;

- to maintain the credibility and objectivity of financial reports;

- to investigate and assess any issue that raises significant concern to the Audit Committee, with the assistance, if so required by the Audit Committee, of the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and Pension Asset Management, and/or the external auditor.

C. *MEETINGS*

- Any member of the Audit Committee or the external auditor or the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and Pension Asset Management may request a meeting of the Committee.

- The Chairman of the Board, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer shall attend all meetings of the Audit Committee, except such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Audit Committee.

- The President and Chief Executive Officer may, at his option, only attend that part of the meeting of the Audit Committee during which the quarterly or annual, as the case may be, consolidated financial statements of Bombardier, the related management's discussion and analysis and the press release to be issued on the consolidated financial statements are reviewed by the Audit Committee members.

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

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

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

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

D. DUTIES AND RESPONSIBILITIES

- As they relate to the Board and financial reporting

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

  b) Maintain a free and open line of communication with the management of Bombardier, the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and Pension Asset Management and the external auditor.

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

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

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

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

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

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

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

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

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

l) Ensure that procedures are in place for

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

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

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

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

- As they relate to the external auditor

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

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

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

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

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

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

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

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

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

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

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

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

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

- As they relate to the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and Pension Asset Management

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

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

c) Assess the Corporate Audit Services and Risk Assessment reporting lines and make such recommendations as are necessary to preserve the Senior Vice President, Strategy and Corporate Audit Services and Risk Assessment, and Pension Asset Management independence.

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

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

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

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

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

1.5 Miscellaneous

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

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

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

INDEX TO FINANCIAL STATEMENTS

AUDITORS' CONSENT

We have read the listing memorandum of Bombardier Inc. (the "*Corporation*") dated October 21, 2010 relating to the offering of 6⅛% Senior Notes due 2021 of the Corporation (the "*Listing Memorandum*"). We have complied with Canadian generally accepted standards for auditors' involvement with offering documents.

We consent to the use in the above-mentioned Listing Memorandum of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at January 31, 2010 and 2009, and the consolidated statements of income, shareholders' equity, comprehensive income and cash flows for each of the fiscal years then ended. Our report is dated March 31, 2010.

Ernst & Young LLP[9]

Ernst & Young LLP
Chartered Accountants
Montreal, Canada
October 21, 2010

[9] CA auditor permit no. 9859

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 2010. 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 2010. 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.

(Signed by)

Pierre Beaudoin,
President and CEO

(Signed by)

Pierre Alary, CA
Senior Vice President and CFO

March 31, 2010

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BOMBARDIER INC.

We have audited the consolidated balance sheets of Bombardier Inc. as at January 31, 2010 and 2009 and the consolidated statements of shareholders' equity, income, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at January 31, 2010 and 2009 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 31, 2010

[1] CA auditor permit no. 9859

BOMBARDIER INC.
CONSOLIDATED BALANCE SHEETS
(In millions of U.S. dollars)

As at January 31	Notes		2010		2009 [1]
Assets					
Cash and cash equivalents	11	**$**	**3,372**	$	3,470
Invested collateral	11		**682**		777
Receivables	4		**1,897**		1,981
Aircraft financing	5		**473**		418
Inventories	6		**5,268**		5,522
Property, plant and equipment	7		**1,643**		1,568
Intangible assets	8		**1,696**		1,399
Fractional ownership deferred costs			**271**		444
Deferred income taxes	19		**1,166**		1,216
Accrued benefit assets	24		**1,070**		926
Derivative financial instruments	3		**482**		626
Goodwill	9		**2,247**		2,010
Other assets	10		**1,006**		949
		$	**21,273**	$	21,306
Liabilities					
Accounts payable and accrued liabilities	12	**$**	**7,427**	$	6,922
Advances and progress billings in excess of related long-term contract costs			**1,899**		2,072
Advances on aerospace programs			**2,092**		2,991
Fractional ownership deferred revenues			**346**		573
Deferred income taxes	19		**65**		-
Long-term debt	13		**4,162**		3,952
Accrued benefit liabilities	24		**1,084**		992
Derivative financial instruments	3		**429**		1,194
			17,504		18,696
Shareholders' equity					
Equity attributable to shareholders of Bombardier Inc.			**3,701**		2,544
Equity attributable to non-controlling interests			**68**		66
			3,769		2,610
		$	**21,273**	$	21,306
Commitments and contingencies	25				

[1] Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions of U.S. dollars, except number of shares)

For the fiscal years ended January 31	Notes	2010 Number (in thousands)		2010 Amount	2009 [(1)] Number (in thousands)		2009 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		**316,583**		**29**	316,962		29
Converted to Class B		**(351)**		**-**	(379)		-
Balance at end of year		**316,232**		**29**	316,583		29
Class B Shares (Subordinate Voting)							
Balance at beginning of year		**1,437,520**		**1,428**	1,434,974		1,419
Issuance of shares		**647**		**2**	2,167		9
Converted from Class A		**351**		**-**	379		-
		1,438,518		**1,430**	1,437,520		1,428
Held in trust under the PSU	14						
Balance at beginning of year		**(23,654)**		**(130)**	(21,273)		(89)
Purchased		**(7,068)**		**(21)**	(6,942)		(54)
Distributed		**5,623**		**16**	4,561		13
Balance at end of year		**(25,099)**		**(135)**	(23,654)		(130)
Balance at end of year		**1,413,419**		**1,295**	1,413,866		1,298
Balance at end of year - common shares		**1,729,651**		**1,324**	1,730,449		1,327
Total - share capital			**$**	**1,671**		$	1,674
Contributed surplus							
Balance at beginning of year			**$**	**104**		$	68
Stock-based compensation	15			**46**			51
Options exercised and shares distributed under the PSU plan				**(18)**			(15)
Balance at end of year				**132**			104
Retained earnings							
Balance at beginning of year				**1,567**			706
Net income attributable to shareholders of Bombardier Inc.				**698**			1,008
Dividends:							
Common shares				**(157)**			(120)
Preferred shares, net of tax				**(21)**			(27)
Balance at end of year				**2,087**			1,567
Accumulated OCI	16						
Balance at beginning of year				**(801)**			311
OCI attributable to shareholders of Bombardier Inc.				**612**			(1,112)
Balance at end of year				**(189)**			(801)
				3,701			2,544
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS							
Balance at beginning of year				**66**			66
Foreign exchange re-evaluation				**5**			(10)
Net income attributable to non-controlling interests				**9**			18
Capital distribution				**(12)**			(8)
Balance at end of year				**68**			66
SHAREHOLDERS' EQUITY			**$**	**3,769**		$	2,610

(1) Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

For the fiscal years ended January 31	Notes		**2010**		2009 [(1)]
Revenues					
Manufacturing		**$**	**14,739**	$	14,779
Services			**2,767**		3,117
Other			**1,860**		1,825
			19,366		19,721
Cost of sales	6		**16,202**		16,049
Selling, general and administrative			**1,453**		1,558
Research and development			**141**		171
Other income	17		**(26)**		(41)
Amortization			**498**		555
			18,268		18,292
Income before the following:			**1,098**		1,429
Financing income	18		**(96)**		(270)
Financing expense	18		**279**		408
Income before income taxes			**915**		1,291
Income taxes	19		**208**		265
Net income		**$**	**707**	$	1,026
Attributable to:					
Shareholders of Bombardier Inc.		**$**	**698**	$	1,008
Non-controlling interests		**$**	**9**	$	18
EPS (in dollars):	20				
Basic		**$**	**0.39**	$	0.57
Diluted		**$**	**0.39**	$	0.56

(1) Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions of U.S. dollars)

For the fiscal years ended January 31	Notes		2010		2009 [1]
Net income		**$**	**707**	$	1,026
OCI	16				
Net unrealized gain (loss) on financial assets available for sale, net of tax[2]			**20**		(20)
Net change in cash flow hedges:					
Foreign exchange re-evaluation			**8**		(9)
Net gain (loss) on derivative financial instruments designated as cash flow hedges			**451**		(865)
Reclassification to income or to the related non financial asset			**125**		33
Income tax recovery (expense)			**(204)**		275
			380		(566)
CTA					
Net investments in self-sustaining foreign operations			**356**		(812)
Net gain (loss) on related hedging items[3]			**(144)**		286
			212		(526)
Total OCI			**612**		(1,112)
Total Comprehensive income		**$**	**1,319**	$	(86)
Attributable to:					
Shareholders of Bombardier Inc.		**$**	**1,310**	$	(104)
Non-controlling interests		**$**	**9**	$	18

(1) Refer to Note 1 for impact of new accounting policies.
(2) Includes a loss of $2 million reclassified to income in fiscal year 2010 (nil in fiscal year 2009).
(3) Net of income taxes of $3 million as at January 31, 2010 ($2 million as at January 31, 2009).

The accompanying notes are an integral part of these Consolidated Financial Statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions of U.S. dollars)

For the fiscal years ended January 31	Notes		2010		2009 [1]
Operating activities					
Net income		**$**	**707**	$	1,026
Non-cash items:					
Amortization			**498**		555
Deferred income taxes	19		**(9)**		69
Gain on disposals of property, plant and equipment			**(19)**		(28)
Stock-based compensation	15		**46**		51
Net change in non-cash balances related to operations	21		**(671)**		(764)
Cash flows from operating activities			**552**		909
Investing activities					
Additions to property, plant and equipment and intangible assets			**(805)**		(621)
Disposals of property, plant and equipment and intangible assets			**38**		54
Invested collateral			**145**		390
Other			**(82)**		(4)
Cash flows from investing activities			**(704)**		(181)
Financing activities					
Proceeds from issuance of long-term debt			**4**		-
Repayments of long-term debt			**(11)**		(166)
Purchase of Class B shares - held in trust under the PSU plan	14		**(21)**		(54)
Issuance of shares, net of related costs			**2**		7
Dividends paid			**(178)**		(147)
Capital distribution to non-controlling interests			**(12)**		(8)
Other			**-**		2
Cash flows from financing activities			**(216)**		(366)
Effect of exchange rate changes on cash and cash equivalents			**270**		(494)
Net decrease in cash and cash equivalents			**(98)**		(132)
Cash and cash equivalents at beginning of year			**3,470**		3,602
Cash and cash equivalents at end of year		**$**	**3,372**	$	3,470
Supplemental information					
Cash paid for:					
Interest		**$**	**254**	$	413
Income taxes		**$**	**115**	$	98

[1] Refer to Note 1 for impact of new accounting policies.

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended January 31, 2010 and January 31, 2009
(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.

Changes in accounting policies

Business combinations, consolidated financial statements and non-controlling interests
In January 2009, the AcSB released Section 1582 “Business combinations”, Section 1601 “Consolidated financial statements” and Section 1602 “Non-controlling interests”, which replace Section 1581 “Business combinations” and Section 1600 “Consolidated financial statements”.

Section 1582 provides the Canadian equivalent to IFRS 3 "Business Combinations". The new recommendations require measuring business acquisitions at the fair value of the acquired business, including the measurement at fair value of items such as non-controlling interests and contingent payment considerations. Also, the previously unrecognized deferred tax assets related to the acquiree subsequent to the business combination are recognized in the consolidated statements of income rather than as a reduction in goodwill. In addition, business acquisition related costs are expensed as incurred.

The adoption of Section 1582 should have a material effect on the accounting for business combinations that occur subsequent to February 1, 2009. Past acquisitions are not restated.

Section 1601, together with Section 1602, replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements and is aligned with the corresponding provisions of Section 1600.

Section 1602 is aligned with the corresponding provisions of IAS 27, “Consolidated and Separate Financial Statements” and establishes standards for accounting for non-controlling interests in a subsidiary subsequent to a business combination. Section 1602 introduces a number of changes, for example:

- in the consolidated balance sheets and consolidated statements of shareholders’ equity, non-controlling interests are now presented as a separate component of shareholders’ equity rather than as a liability;
- non-controlling interests are no longer recorded as a deduction of net income and total comprehensive income as a result of their presentation in equity;
- for the purpose of computing EPS, net income is attributed between the shareholders of Bombardier Inc. and the non-controlling interests based on their respective economic interests. The components of OCI are attributed following the same logic; and
- changes in non-controlling ownership interests not resulting in a loss of control are accounted for as equity transactions, with no gains and losses recorded in the consolidated statements of income.

The Corporation has elected to early adopt these sections, effective February 1, 2009, in order to more closely align itself with IFRS and mitigate the impact of adopting IFRS at the changeover date. In accordance with the transitional provisions, these sections have been applied prospectively, except for the presentation requirements for non-controlling interests, which must be applied retrospectively. The adoption of these sections did not have a significant impact on the Corporation’s consolidated financial statements but gave rise to the above-mentioned reclassifications of non-controlling interests.

Future changes in accounting policies

IFRS

In February 2008, the AcSB confirmed that Canadian GAAP for 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.

The Corporation's IFRS project is progressing according to plan. The Corporation has completed its detailed assessment of all key standards and is now in the process of data gathering. 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, 2010 and 2009.

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 Transport France S.A.S.	France
Bombardier Transportation (Holdings) UK Ltd.	U.K.
Bombardier Aerospace Corporation	U.S.
Learjet Inc.	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 €3.75-billion ($5.2-billion) BT letter of credit facility and for the $600-million BA letter of credit facility (see Note 11 – Credit facilities). The weighted average credit rating of both portfolios is rated AA+ as at January 31, 2010. These investments include a portion that is invested in asset-backed and mortgage-backed securities of the highest credit quality (AAA). The invested collateral is designated as HFT using the fair value option and measured at fair value. Gains and losses arising on the re-evaluation of the invested collateral 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 was 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. Gains and losses arising on the re-evaluation of loans and lease receivables classified as HFT 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.

Property, plant and equipment

Property, plant and equipment are recorded at cost and include certain leased equipments.

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 property, plant and equipment 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, property, plant and equipment 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 aircraft 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). Gains and losses arising on the re-evaluation of embedded derivatives 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 shares – 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 are 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 guarantees section and financing rate commitment are discussed in the derivative financial instruments section.

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, property, plant and equipment 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.

Earnings per share

Basic earnings per share are computed based on net income less dividends on preferred shares, net of tax, divided by the weighted-average number of Class A Shares (Multiple Voting) and Class B Shares (Subordinate Voting) outstanding during the fiscal year.

Diluted earnings per share 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 property, plant and equipment 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						January 31, 2010
	Required	Designated	AFS	Amortized cost [1]	DDHR [2]	Total carrying value	Fair value
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

	HFT						January 31, 2009
	Required	Designated	AFS	Amortized cost [1]	DDHR [2]	Total carrying value	Fair Value
Financial assets							
Cash and cash equivalents	$ 3,470	$ -	$ -	$ -	$ -	$ 3,470	$ 3,470
Invested collateral	-	777	-	-	-	777	777
Receivables	-	-	-	1,905 [3]	-	1,905	1,905
Aircraft financing	-	240 [4]	-	104 [5]	-	344	335
Derivative financial instruments	179 [6]	-	-	-	447	626	626
Other assets	-	231 [7]	203 [8]	160 [9]	-	594	594
	$ 3,649	$ 1,248	$ 203	$ 2,169	$ 447	$ 7,716	$ 7,707
Financial liabilities							
Accounts payable and accrued liabilities	$ -	$ 192 [10]	n/a	$ 3,675 [11]	$ -	$ 3,867	$ 3,867
Long-term debt	-	-	n/a	3,952	-	3,952	2,965
Derivative financial instruments	163 [6]	-	n/a	-	1,031	1,194	1,194
	$ 163	$ 192	n/a	$ 7,627	$ 1,031	$ 9,013	$ 8,026

(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) Includes investment in VIEs, prepayment under an exchange agreement and servicing fees.
(8) Represents investment in securities.
(9) Includes restricted cash.
(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

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:

		2010		2009
Financial instruments measured at amortized cost				
L&R	**$**	**(4)**	$	(13)
Other than HFT	**$**	**-**	$	22
Financial instruments measured at fair value				
AFS	**$**	**(2)**	$	-
Designated as HFT[(1)]	**$**	**29**	$	(13)
Required to be classified as HFT[(2) (3)]	**$**	**37**	$	(38)

(1) Excludes the interest income portion related to the invested collateral and prepayment under an exchange agreement of $14 million for fiscal year 2010 ($56 million for fiscal year 2009).
(2) Excludes the interest income portion related to cash and cash equivalents of $26 million for fiscal year 2010 ($143 million for fiscal year 2009).
(3) Includes a net gain of $53 million in connection with economic hedges not designated in hedging relationships for fiscal year 2010 (net loss of $62 million for fiscal year 2009).

Net gains (losses) on L&R represent changes in valuation allowance. Net gains (losses) on financial liabilities measured at amortized cost represent gains or losses from derecognition. Net losses on AFS financial assets consist of impairment losses. Net gains (losses) on financial assets and financial liabilities HFT consist of changes in fair value, excluding interest income and interest expense for those classified as HFT. For the amounts of unrealized gains (losses) on AFS financial assets recognized directly in OCI during fiscal years 2010 and 2009, see the consolidated statements of comprehensive income.

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, 2010		January 31, 2009	
	Assets	**Liabilities**	Assets	Liabilities
Derivative financial instruments designated as fair value hedges				
Cross-currency interest-rate swap	**$ -**	**$ 35**	$ -	$ -
Interest-rate swaps	**140**	**-**	169	3
	140	**35**	169	3
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts[(1)] [(2)]	**244**	**279**	278	1,018
Derivative financial instruments designated as hedges of net investment				
Cross-currency interest-rate swap	**-**	**38**	-	10
Derivative financial instruments classified as HFT [(3)]				
Forward foreign exchange contracts	**31**	**53**	96	133
Cross-currency interest-rate swap	**21**	**-**	9	-
Interest-rate swaps	**-**	**7**	-	4
Others	**-**	**-**	1	1
Embedded derivative financial instruments:				
Foreign exchange	**26**	**8**	73	25
Call options on long-term debt	**20**	**-**	-	-
Financing rate commitments	**-**	**9**	-	-
	98	**77**	179	163
Total derivative financial instruments	**$ 482**	**$ 429**	$ 626	$ 1,194
Non-derivative financial instruments designated as hedges of net investment				
Long-term debt	**$ -**	**$ 399**	$ -	$ 908
Inter-company loans	**-**	**-**	-	29
Total non-derivative financial instruments designated in a hedge relationship	**$ -**	**$ 399**	$ -	$ 937

(1) For fiscal year 2010, the component of the hedging item's gain or loss excluded from the assessment of effectiveness amounted to a net loss of $3 million ($20 million for fiscal year 2009).

(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 36 months.

(3) Held as economic hedges, except for embedded derivative financial instruments.

Maturity analysis – The following table presents the maturity analysis of derivative financial instruments. The amounts presented in the table below are the undiscounted cash flows (amounts denominated in foreign currency are translated at the closing balance sheet rate).

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows as at January 31, 2010:

	Nominal value (USD equivalent)	Undiscounted net cash flows					
		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	**$ 6,694**	**$ 175**	**$ 73**	**$ -**	**$ -**	**$ -**	**$ 248**
Interest-rate derivatives	**1,501**	**61**	**72**	**38**	**4**	**-**	**175**
	$ 8,195	**$ 236**	**$ 145**	**$ 38**	**$ 4**	**$ -**	**$ 423**
Derivative financial liabilities							
Forward foreign exchange contracts	**$ 6,515**	**$ (216)**	**$ (99)**	**$ -**	**$ -**	**$ -**	**$ (315)**
Interest-rate derivatives	**1,514**	**8**	**3**	**(24)**	**(85)**	**(8)**	**(106)**
	$ 8,029	**$ (208)**	**$ (96)**	**$ (24)**	**$ (85)**	**$ (8)**	**$ (421)**

4. RECEIVABLES

Receivables were as follows as at January 31:

	2010	2009
Trade receivables[(1)]		
BA	**$ 858**	$ 937
BT	**863**	885
	1,721	1,822
Sales tax	**74**	61
Other	**154**	168
	1,949	2,051
Allowance for doubtful accounts	**(52)**	(70)
	$ 1,897	$ 1,981

(1) Of which $966 million and $313 million are denominated in US dollars and Euro invoicing currency, respectively, as at January 31, 2010 ($1,098 million and $458 million, respectively as at January 31, 2009).

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows as at January 31:

	2010	2009
Balance at beginning of year	**$ (70)**	$ (75)
Provision for doubtful accounts	**(11)**	(17)
Amounts charged off, net of recoveries	**34**	12
Effect of foreign currency exchange rate changes	**(5)**	10
Balance at end of year	**$ (52)**	$ (70)

Receivables that are past due but not impaired – The trade receivables that are past due but not impaired for BA amounted to $53 million, of which $14 million were more than 90 days past due as at January 31, 2010 ($106 million, of which $25 million were more than 90 days past due as at January 31, 2009).

In addition, $350 million of trade receivables related to BT long-term contracts are past due but not impaired as at January 31, 2010, of which $160 million were more than 90 days past due ($358 million as at January 31, 2009, of which $169 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 $38 million of trade receivables are individually determined to be impaired as at January 31, 2010 ($62 million as at January 31, 2009). 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:

	2010				2009			
		Weighted-average				Weighted-average		
	Total	**Maturity (in months)**	**Rate (in %)** [(1)]	**Fixed/ variable rate** [(1)]	Total	Maturity (in months)	Rate (in %) [(1)]	Fixed/ variable rate [(1)]
Commercial aircraft								
Loans	**$ 248**	**108**	**9.0**	**Fix./Var.**	$ 194	117	13.1	Fix./var.
Lease receivables[(2)]	**69**	**159**	**4.1**	**Fix./Var.**	82	80	8.3	Fix./var.
	317				276			
Business aircraft loans[(3)]	**8**	**18**	**7.5**	**Fix./Var.**	23	18	6.7	Fix./var.
Total loans and lease receivables	**325**				299			
Allowance for credit losses	**(3)**				(10)			
	322				289			
Assets under operating leases	**98**				74			
Investment in financing structures	**53**				55			
	$ 473				$ 418			

(1) Effective interest rates are before giving effect to the related hedging derivative financial instruments.
(2) Includes $11 million of lease receivables related to consolidated VIEs as at January 31, 2010 ($9 million as at January 31, 2009).
(3) This portfolio is being wound down.

Loans and lease receivables – Financing with three airlines represents approximately 43% of the total loans and lease receivables as at January 31, 2010 (three airlines represented 35% as at January 31, 2009). 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:

		2010		2009
Total minimum lease payments	**$**	**47**	$	79
Unearned income		**(17)**		(22)
Unguaranteed residual value		**39**		25
	$	**69**	$	82

Assets under operating leases – Assets under operating leases were as follows as at January 31:

				2010				2009
		Cost		**Net book value**		Cost		Net book value
Pre-owned commercial aircraft	**$**	**60**	**$**	**45**	$	49	$	28
Pre-owned business aircraft		**56**		**53**		50		46
	$	**116**	**$**	**98**	$	99	$	74

Rental income from operating leases and amortization of assets under operating leases amounted to $5 million and $12 million, respectively, for fiscal year 2010 ($9 million and $15 million, respectively, for fiscal year 2009).

6. INVENTORIES

Inventories were as follows as at January 31:

		2010		2009
Long-term contracts				
Costs incurred and recorded margins	**$**	**5,793**	$	4,503
Less: advances and progress billings		**(4,155)**		(3,308)
		1,638		1,195
Aerospace programs		**2,576**		2,850
Finished products [(1)]		**1,054**		1,477
	$	**5,268**	$	5,522

[(1)] Finished products include 7 new aircraft not associated with a firm order and 19 pre-owned aircraft, totalling $274 million as at January 31, 2010 (19 new aircraft and 29 pre-owned aircraft, totalling $448 million as at January 31, 2009).

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 contractor'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 $15,227 million for fiscal year ended 2010 ($15,007 million for fiscal year 2009). These amounts include $78 million of write-down for fiscal year 2010 ($59 million for fiscal year 2009).

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were as follows as at January 31:

	2010		2009	
	Cost	**Net book value**	Cost	Net book value
Land	**$ 99**	**$ 99**	$ 93	$ 93
Buildings	**1,943**	**899**	1,772	837
Equipment	**1,149**	**433**	1,085	462
Other	**240**	**212**	212	176
	$ 3,431	**$ 1,643**	$ 3,162	$ 1,568

Included in the above table are assets under capital lease with a cost and net book value amounting to $147 million and $79 million, respectively, as at January 31, 2010 ($143 million and $81 million, respectively, as at January 31, 2009).

Also included in the above table are assets under construction amounting to $88 million as at January 31, 2010 ($100 million as at January 31, 2009).

Amortization of property, plant and equipment amounted to $168 million for fiscal year 2010 ($180 million for fiscal year 2009).

8. INTANGIBLE ASSETS

Intangible assets were as follows as at January 31:

	2010		2009	
	Cost	**Net book value**	Cost	Net book value
Aerospace program tooling				
Business aircraft	**$ 2,237**	**$ 618**	$ 2,074	$ 572
Commercial aircraft	**2,028**	**822**	1,682	603
Licences, patents and trademarks	**297**	**113**	281	121
Other	**522**	**143**	428	103
	$ 5,084	**$ 1,696**	$ 4,465	$ 1,399

Intangible assets capitalized during fiscal year 2010 amounted to $583 million ($376 million for fiscal year 2009) of which $512 million ($325 million for fiscal year 2009) were capitalized in aerospace program tooling. Of the amount of intangible assets capitalized during fiscal year 2010, $162 million were acquired and $421 million were internally generated.

Amortization of intangible assets was as follows for fiscal years:

	2010	2009
Aerospace program tooling	**$ 243**	$ 310
Other	**75**	50
	$ 318	$ 360

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:

		2010		2009
Balance at beginning of year	**$**	**2,010**	$	2,533
Resolution of a tax uncertainty[1]		**-**		(41)
Effect of foreign currency exchange rate changes		**237**		(482)
Balance at end of year	**$**	**2,247**	$	2,010

(1) Effective February 1, 2009, the Corporation has adopted Section 1582. As a result, resolution of tax uncertainty related to the acquiree subsequent to the business combination is recognized in the consolidated statement of income rather than as a reduction in goodwill.

The Corporation completed the required annual impairment review during the fourth quarter of fiscal year 2010 and did not identify any impairment.

10. OTHER ASSETS

Other assets were as follows as at January 31:

		2010		2009
Investment in securities[1]	**$**	**328**	$	203
Investment in VIEs[2]		**180**		27
Prepaid expenses		**179**		257
Deferred financing charges		**99**		65
Servicing fees		**48**		54
Restricted cash[3]		**40**		85
Investment in companies subject to significant influence[4]		**33**		30
Prepayment under an exchange agreement		**-**		150
Other		**99**		78
	$	**1,006**	$	949

(1) Includes an amount of $148 million held in an aircraft financing structure to support certain of the Corporation’s financial obligations as at January 31, 2010 ($64 million as at January 31, 2009).
(2) Includes an investment of $150 million in replacement of the prepayment under an exchange agreement.
(3) Includes $59 million related to consolidated VIEs as at January 31, 2009 (nil as at January 31, 2010).
(4) The Corporation has pledged shares in investees subject to significant influence, with a carrying value of $26 million as at January 31, 2010 ($20 million as at January 31, 2009). Investment in companies subject to significant influence includes $9 million of loans as at January 31, 2010 ($8 million as at January 31, 2009), 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, 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**		
January 31, 2009									
BT facility	$	4,801	(1)	$	4,446	$	355	2014	(2)
Previous BA facility		840			655		185	2012	
PSG facility		250			30		220	2010	(3)
	$	5,891		$	5,131	$	760		

(1) €3,750 million.
(2) In December 2011, 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 December 2009, the facility was extended to April 2010 to coincide with the release of the Corporation's annual consolidated financial statements, 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.

On June 30, 2009, a $600-million facility agreement was signed with a syndicate of first-quality financial institutions, mainly North American-based, available for the issuance of letters of credit to support BA's operations as well as the general needs of the Corporation, excluding BT, in replacement of the previous BA facility.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $532 million were outstanding under various bilateral agreements as at January 31, 2010 ($257 million as at January 31, 2009).

We also use numerous bilateral facilities with insurance companies to support BT's operations. An amount of $937 million was outstanding under such facilities as at January 31, 2010 ($916 million as at January 31, 2009).

Revolving credit facility

On September 1, 2009, the Corporation entered into a $500-million two-year unsecured revolving credit facility 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 undrawn as at January 31, 2010.

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 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 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 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 ($560 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at 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 facilities
In the normal course of its business, BT has set up factoring facilities in Europe to which it can sell, without recourse, qualifying trade receivables. Trade receivables of $194 million were outstanding under such facilities as at January 31, 2010 ($18 million as at January 31, 2009). Trade receivables of $542 million were sold to these facilities during fiscal year 2010.

In addition, BA has set up sale and leaseback facilities to which it can sell pre-owned business aircraft. An amount of $180 million was outstanding under such facilities as at January 31, 2010 ($54 million as at January 31, 2009). Aircraft worth $217 million were sold and leased-back to these facilities during fiscal year 2010.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at January 31:

	2010	2009
Trade accounts payable	**$ 2,311**	$ 2,243
Accrued liabilities	**1,239**	1,048
Product warranties	**1,040**	931
Sales incentives[(1)]	**968**	1,001
Payroll-related liabilities	**486**	438
Income and other taxes	**206**	113
Severance and other involuntary termination costs	**82**	43
Interest payable	**56**	61
Provision for repurchase obligations	**-**	59
Other	**1,039**	985
	$ 7,427	$ 6,922

(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 $196 million as at January 31, 2010 ($190 million as at January 31, 2009). The amount contractually required to be paid for these liabilities is $228 million as at January 31, 2010 ($232 million as at January 31, 2009).

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 2010 and 2009:

	BA	**BT**	**Total**
Balance as at January 31, 2008	$ 285	$ 756	$ 1,041
Current expense	95	279	374
Changes in estimates	-	(63)	(63)
Cash paid	(100)	(202)	(302)
Effect of foreign currency exchange rate changes	-	(119)	(119)
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**

13. LONG-TERM DEBT

Long-term debt was as follows as at January 31:

	Amount in currency of origin 2010/2009	Currency	Fixed/ Variable [1]	Contractual [1] 2010/2009	Interest rate After effect of fair value hedges 2010/2009	Maturity	2010 Amount	2009 Amount
Senior notes	679	EUR	Variable	4.53%/ 7.74%	n/a	Nov. 2013	**$ 933**	$ 858
	385	USD	Fixed	8.00%	3-month Libor + 2.91	Nov. 2014	**419**	430
	785	EUR	Fixed	7.25%	3-month Libor + 4.83/ 6-month Euribor +3.36	Nov. 2016	**1,139**	1,028
Notes	550	USD	Fixed	6.75%	3-month Libor + 2.28	May 2012	**597**	587
	500	USD	Fixed	6.30%	3-month Libor + 1.60	May 2014	**550**	551
	250	USD	Fixed	7.45%	n/a	May 2034	**247**	247
Debentures	150	CAD	Fixed	7.35%	n/a	Dec. 2026	**139**	120
Other[2]	138/131 [3]	Various	Fix./var.	7.42%/ 7.21%	n/a	2011-2027	**138**	131
							$ 4,162	$ 3,952

(1) For variable-rate debt, the interest rate represents the average rate for the fiscal year. All interests on long-term debt are payable semi-annually, except for the Senior note due in November 2013, for which they are payable quarterly, and for the other debts for which the timing of interest payments is variable.
(2) Includes $76 million relating to obligations under capital leases as at January 31, 2010 ($66 million as at January 31, 2009).
(3) Amounts are expressed in U.S. dollars.
n/a: Not applicable

All long-term debt items rank pari-passu and are unsecured.

The carrying value of long-term debt includes principal repayments, transaction costs and the basis adjustments related to derivatives designated in a fair value hedge relationships. The following table presents the principal repayment of the long-term debt:

	Debt	Capital leases	Total
2011	$ 3	$ 8	$ 11
2012	3	10	13
2013	554	10	564
2014	943	3	946
2015	888	3	891
Thereafter	1,528	42	1,570
	$ 3,919	$ 76	$ 3,995

In addition, refer to Note 30 – Subsequent event for the issuance and repurchase of Notes subsequent to year-end.

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, 2010 and 2009:

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 $25.50 Cdn if redeemed on or after March 31, 2009, but prior to March 31, 2010; $25.25 Cdn if redeemed on or after March 31, 2010, but prior to March 31, 2011; and $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, 2010 and 2009:

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.

On June 3, 2008, the Board of Directors of the Corporation authorized the reinstatement of 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 addition, to the quarterly preferential dividend of $0.000390625 Cdn for class B Shares mentioned above.

In connection with the performance share unit plan, the Corporation provided instructions to a trustee under the terms of a Trust Agreement to purchase 7,068,000 Class B Shares (Subordinate Voting) of the Corporation in the open market for $21 million during fiscal year 2010 (6,942,000 Class B Shares for $54 million during fiscal year 2009) (see Note 15 – Share-based plans).

15. SHARE-BASED PLANS

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, 61,854,596 were available for issuance under these share option plans as at January 31, 2010.

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 number of options issued and outstanding under the amended share option plan has varied as follows for fiscal year 2010:

	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**-**	**-**
Granted	**2,620,000**	**3.45**
Cancelled	**(40,000)**	**3.45**
Balance at end of year	**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 within such 12-month period, the weighted-average trading price has not been reached, the target price threshold applicable to the next vesting tranche becomes effective. The options terminate no later than seven years after the grant date. As at January 31, 2010, 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, 2010:

	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$)	Number of options	Weighted-average exercice price (Cdn$)
2 to 4	11,711,425	5.85	2.29	3.18	7,421,363	2.95
4 to 6	13,466,650	9.01	2.54	4.80	2,622,150	5.50
6 to 8	449,000	9.60	1.94	7.05	112,250	7.05
8 to 10	5,627,000	8.00	5.36	8.53	1,406,750	8.53
	31,254,075				11,562,513	

The number of options has varied as follows for fiscal years:

		2010		2009
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**33,817,321**	**4.85**	31,698,625	3.99
Granted	**10,000**	**3.48**	6,090,000	8.48
Exercised	**(646,746)**	**2.83**	(2,167,304)	3.03
Cancelled	**(1,647,250)**	**4.84**	(1,604,000)	4.26
Expired	**(279,250)**	**3.91**	(200,000)	4.16
Balance at end of year	**31,254,075**	**4.90**	33,817,321	4.85
Options exercisable at end of year	**11,562,513**	**4.25**	6,650,634	3.54

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 summarized information on these options is as follows as at January 31, 2010:

	Issued, outstanding and exercisable		
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**
12 to 15	2,143,000	2.15	14.58
15 to 25	3,024,000	0.70	20.45
	5,167,000		

The number of options has varied as follows for fiscal years:

		2010		2009
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**10,488,500**	**14.75**	11,696,500	14.59
Cancelled	**(419,500)**	**17.21**	(506,000)	15.01
Expired	**(4,902,000)**	**11.10**	(702,000)	11.93
Balance at end of year	**5,167,000**	**18.01**	10,488,500	14.75
Options exercisable at end of year	**5,167,000**	**18.01**	10,488,500	14.75

Stock-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2010 was $1.15 per option ($3.11 per option during fiscal year 2009). 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 following weighted-average assumptions for fiscal years:

	2010	2009
Risk-free interest rate	**2.82%**	3.57%
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**50.79%**	48.03%
Expected dividend yield	**2.10%**	1.66%

A compensation expense of $10 million was recorded during fiscal year 2010 with respect to share option plans ($14 million during fiscal year 2009).

PSU and DSU plans

During fiscal year 2006, 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). On June 3, 2009, the Board of Directors of the Corporation 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 2010, a combined total of 6,712,000 PSUs and DSUs were authorized for issuance (6,265,000 PSUs during fiscal year 2009).

The number of PSUs and DSUs has varied as follows for fiscal years:

		2010		2009
	PSU	**DSU**	PSU	DSU
Balance at beginning of year	**15,006,293**	**-**	13,696,996	-
Granted	**5,059,700**	**1,164,000**	5,695,000	-
Performance adjustment	**1,874,374**	**-**	969,715	-
Exercised	**(5,623,122)**	**-**	(4,561,241)	-
Cancelled	**(428,978)**	**(40,000)**	(794,177)	-
Balance at end of year	**15,888,267**	**1,124,000**	15,006,293	-

DSUs and PSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested DSUs and PSUs ranges from 70% to 150%. If the financial performance threshold of PSUs and DSUs are met, they will vest at the following date;

- for grants during fiscal year 2010, June 9, 2012;
- for grants during fiscal year 2009, June 10, 2011; and
- for grants during fiscal year 2008, June 4, 2010.

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 $36 million was recorded during fiscal year 2010 with respect to the PSU and DSU plans ($37 million during fiscal year 2009).

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 $5 million for fiscal years 2010 and 2009. 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 2010 and 2009:

	AFS financial assets	Cash flow hedges	CTA	Total
Balance as at January 31, 2008	$ 3	$ 111	$ 197	$ 311
Change during the year	(20)	(566)	(526)	(1,112)
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)**

17. OTHER INCOME

Other income was as follows for fiscal years:

	2010	2009
Severance and other involuntary termination costs (including changes in estimates and capacity adjustments)	**$ 100**	$ 46
Net loss (gain) on financial instruments(1)	**(56)**	6
Loss (gain) related to disposal of businesses	**(20)**	23
Gain on disposal of property, plant and equipment	**(19)**	(26)
Foreign exchange gains	**(6)**	(75)
Loss (gain) from equity accounted investees	**(4)**	2
Settlement of claims	**-**	(28)
Other	**(21)**	11
	$ (26)	$ (41)

(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:

		2010		2009	
Financing income					
Loans and lease receivables – after effect of hedges	**$**	**(31)**	$	(43)	
Cash and cash equivalents		**(26)**		(143)	
Net gain on financial instruments[1]		**(17)**		-	
Invested collateral		**(14)**		(51)	
Gain on long-term debt repayment		**-**		(22)	
Other		**(8)**		(11)	
	$	**(96)** [2]	$	(270) [2]	
Financing expense					
Interest on long-term debt – after effect of hedges	**$**	**223**	$	307	
Accretion expense on certain sales incentives		**36**		45	
Net loss on financial instruments[1]		**-**		27	
Write-off of deferred costs[3]		**-**		20	
Other		**20**		9	
	$	**279** [4]	$	408 [4]	

[1] Net gain/loss on certain financial instruments required to be classified as HFT, including certain call options on long-term debt.
[2] Of which $11 million represent the interest income calculated using the effective interest method for financial assets classified as L&R for fiscal year 2010 ($22 million for fiscal year 2009).
[3] Related to the previous BT letter of credit facility.
[4] Of which $236 million represent the interest expense calculated using the effective interest method for financial liabilities classified as other than HFT for fiscal year 2010 ($339 million for fiscal year 2009).

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:

		2010		2009
Operating losses carried forward	**$**	**1,226**	$	1,049
Inventories		**534**		851
Advances and progress billings in excess of related long-term contract costs and advances on aerospace programs		**409**		513
Warranty and other provisions		**330**		(9)
Property, plant and equipment		**(344)**		(267)
Intangible assets		**39**		41
Derivative financial instruments, net		**27**		165
Accrued benefit liabilities		**4**		18
Other		**2**		1
		2,227		2,362
Valuation allowance		**(1,126)**		(1,146)
Net amount	**$**	**1,101**	$	1,216

The net amount of deferred income taxes is composed as follows as at January 31:

	2010	2009
Deferred income taxes assets	$ 1,166	$ 1,216
Deferred income taxes liabilities	(65)	-
	$ 1,101	$ 1,216

Details of income tax expense were as follows for fiscal years:

	2010	2009
Current income taxes		
Canada	$ 127	$ 88
Foreign	90	108
	217	196
Deferred income taxes		
Recognition of previously unrecognized tax benefits	(181)	(264)
Write-down of deferred income tax assets	15	19
Non-recognition of tax benefits and temporary differences	146	306
Effect of substantively enacted income tax rate changes	11	8
	(9)	69
Income tax expense	$ 208	$ 265

The reconciliation of income taxes, computed at the Canadian statutory rates of 31.29% in fiscal year 2010 and 31.54% in fiscal year 2009, to income tax expense was as follows for fiscal years:

	2010	2009
Income tax expense at statutory rate	$ 286	$ 407
Increase (decrease) resulting from:		
Recognition of previously unrecognized tax benefits	(181)	(264)
Write-down of deferred income tax assets	15	19
Non-recognition of tax benefits related to losses and temporary differences	83	110
Effect of substantively enacted income tax rate changes	11	8
Permanent differences	18	41
Income tax rates differential of foreign investees	(21)	(53)
Other	(3)	(3)
Income tax expense	$ 208	$ 265

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 $4,039 million as at January 31, 2010. Of these amounts, $1,767 million relate to the Corporation's operations in Germany, where a minimum income tax is payable on 40% of taxable income. These amounts have essentially no expiration dates.

In addition, the Corporation has $261 million of available net capital losses, most of which can be carried forward indefinitely. 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)		2010		2009
Net income attributable to shareholders of Bombardier Inc.	$	698	$	1,008
Preferred share dividends, net of tax		(21)		(27)
Net income attributable to common shareholders of Bombardier Inc.	$	677	$	981
Weighted-average basic number of common shares outstanding		1,729,810		1,730,545
Net effect of stock options, PSUs and DSUs		25,223		23,897
Weighted-average diluted number of common shares outstanding		1,755,033		1,754,442
EPS (in dollars):				
Basic	$	0.39	$	0.57
Diluted	$	0.39	$	0.56

The effect of the exercise of stock options was included in the calculation of diluted EPS in the above table, except for 30,761,517 stock options for fiscal year 2010 (25,427,192 for fiscal year 2009) 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:

		2010		2009
Receivables	$	167	$	(249)
Aircraft financing		(61)		125
Inventories		466		(1,211)
Fractional ownership deferred costs and revenues, net		(67)		(7)
Derivative financial instruments, net		(7)		71
Accounts payable and accrued liabilities		143		778
Advances and progress billings in excess of related long-term contract costs		(401)		(263)
Advances on aerospace programs		(899)		88
Accrued benefit liabilities, net		(71)		(85)
Other		59		(11)
	$	(671)	$	(764)

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 obtained from independent appraisers adjusted to reflect 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 Corporations' 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 obtained from independent appraisers adjusted to reflect 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, 2010:

		Total		Level 1		Level 2		Level 3
Financial assets								
Invested collateral	$	682	$	44	$	638	$	-
Commercial aircraft loans and lease receivables		280		-		-		280
Derivative financial instruments[(1)]		482		-		482		-
Servicing fees		48		-		-		48
Investment in securities[(2)]		324		241		82		1
Investment in VIEs		180		-		150		30
Total	$	1,996	$	285	$	1,352	$	359
Financial liabilities								
Related liabilities	$	196	$	-	$	-	$	196
Derivatives financial instruments[(1)]		429		-		420		9
Total	$	625	$	-	$	420	$	205

(1) Derivatives financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements, cross-currency interest-rate swap agreements and embedded derivatives.
(2) Excludes $4 million of investments held at cost.

Changes in Level 3 financial instruments were as follows for fiscal years 2010:

	Commercial Aircraft loans and lease receivables	Servicing fees	Investment in VIEs	Investment in securities	Related liabilities	Embedded derivatives
Balance as at January 31, 2009	$ 240	$ 54	$ 27	$ 2	$ (190)	$ -
Gains (losses) included in net income	94	(5)	3	(1)	(48)	2
Issuances	-	-	-	-	(26)	(11)
Settlement	(54)	(1)	-	-	68	-
Balance as at January 31, 2010	**$ 280**	**$ 48**	**$ 30**	**$ 1**	**$ (196)**	**$ (9)**

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 EBT (gain (loss))

			January 31, 2010
	Change in carrying value		**Change of assumption**
	Change in fair value recognized in net income during fiscal year 2010	**Downgrade the credit rating of unrated customers by 1 notch**	**Increase the liquidity risk by 100 bps**
Commercial aircraft loans and lease receivables	**$ 67**	**$ (8)**	**$ (23)**

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 receivable 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 the treasury activities are managed by a central treasury function in accordance with the Corporate Investment Management Policy ("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. 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, 2010		January 31, 2009	
	HFT	**AFS**	HFT	AFS
Aircraft financing	**$ 248**	**n/a**	$ 216	n/a
Derivative financial instruments[(1)]	**$ 52**	**n/a**	$ 106	n/a
Other assets	**$ 198**	**$ 279**	$ 204	$ 166

(1) Comprised of derivative financial instruments HFT, excluding embedded derivatives.

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 and aircraft financing. BA receivables are 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 the 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 liabilities (undiscounted cash flows before giving effect to the related hedging instruments), excluding derivatives, was as follows as at January 31, 2010:

	Carrying amount						Undiscounted cash flows	
		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	$ 3,372	$ 3,372	$ -	$ -	$ -	$ -	$ -	$ 3,372
Invested collateral	682	-	121	561	-	-	-	682
Trade receivables and other receivables	1,766	1,722	32	12	-	-	-	1,766
Aircraft financing	375	25	40	27	102	310	-	504
Other financial assets	671	156	92	6	90	372	45	761
Assets	$ 6,866	$ 5,275	$ 285	$ 606	$ 192	$ 682	$ 45	$ 7,085
Trade and other payables	$ 3,922	$ 3,498	$ 148	$ 83	$ 95	$ 25	$ 100	$ 3,949
Long-term debt								
Principal	4,162	11	577	1,837	1,112	458	-	3,995
Interest	-	254	507	394	297	388	-	1,840
Liabilities	$ 8,084	$ 3,763	$ 1,232	$ 2,314	$ 1,504	$ 871	$ 100	$ 9,784
Net amount		$ 1,512	$ (947)	$ (1,708)	$ (1,312)	$ (189)	$ (55)	$ (2,699)

The maturity analysis of derivative financial instruments is presented in Note 3 – Financial instruments.

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 whose end result is to create 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, who 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 income is before giving effect to hedge relationships.

Gain (loss)						**Effect on pre-tax income**
	Variation in the foreign currency	**CAD/USD**	**GBP/USD**	**USD/EUR**	**EUR/SEK**	**Other**
As at January 31, 2010	+10%	$ (5)	$ (6)	$ -	$ 2	$ (13)

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 the re-measurement 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**	**Other**
As at January 31, 2010	+10%	$ 183	$ 74	$ (49)	$ (41)	$ 29

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 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, to align asset/liability exposures. 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 rate movements.

Sensitivity analysis
The interest rate risk primarily related to financial instruments carried at fair value such as certain aircraft loans and lease receivables, investment in securities, invested collateral, related liabilities in connection with the sale of aircraft and certain embedded derivatives. Assuming a 100-basis point increase in interest rates impacting the measurement of these financial instruments, the impact on income before income taxes would have been a negative adjustment of $48 million as at January 31, 2010 ($40 million as at January 31, 2009).

For interest-rate derivative financial instruments not designated in a hedge relationship, an increase of 100-basis points in interest rates, as of January 31, 2010 and as of January 31, 2009, would have had no significant impact on net income.

24. EMPLOYEE FUTURE BENEFITS

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 United Kingdom ("U.K.") plans, were prepared with effective dates ranging between December 31, 2007, and December 31, 2008. 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, 2009.

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

				2010			2009
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Accrued benefit assets						
Pension plans	**$ 535**	**$ 535**	**$ 1,070**	$ 476	$ 450	$ 926
Accrued benefit liabilities						
Pension plans	**$ (64)**	**$ (668)**	**$ (732)**	$ (60)	$ (595)	$ (655)
Benefits other than pension	**(303)**	**(49)**	**(352)**	(290)	(47)	(337)
	$ (367)	**$ (717)**	**$ (1,084)**	$ (350)	$ (642)	$ (992)

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

				2010				2009
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
(in percentage)	**Canada**	**Foreign**	**Total**		Canada	Foreign	Total	
Projected benefit obligation								
Discount rate	**6.00**	**5.64**	**5.79**	**5.99**	6.60	5.62	6.01	6.50
Rate of compensation increase	**3.50**	**3.89**	**3.74**	**3.53**	3.72	3.92	3.85	3.69
Benefit cost								
Discount rate	**6.60**	**5.62**	**6.01**	**6.50**	5.20	5.57	5.39	5.30
Expected long-term rate of return on plan assets	**6.99**	**6.98**	**6.98**	**n/a**	7.22	7.41	7.33	n/a
Rate of compensation increase	**3.72**	**3.92**	**3.85**	**3.69**	3.73	3.92	3.84	3.75

n/a: Not applicable

As at December 31, 2009, the health care cost trend rate for benefits other than pension, which is a weighted-average annual rate of increase in the per capita cost of covered health and dental care benefits, is assumed to be 8.5% and to decrease 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:

	One percentage-point increase	**One percentage-point decrease**
Effect on projected benefit obligation	$ 33	$ (29)
Effect on the total service and interest cost	$ 3	$ (2)

The following table presents the changes in the projected benefit obligation for the 12-month period ended December 31, measurement date preceding the fiscal year-ends, and its allocation by major countries:

Projected benefit obligation

			2010					2009
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Obligation at beginning of the year	**$ 2,141**	**$ 3,235**	**$ 5,376**	**$ 299**	$ 3,103	$ 4,078	$ 7,181	$ 436
Interest cost	**159**	**204**	**363**	**20**	154	219	373	20
Actuarial loss (gain)	**244**	**62**	**306**	**26**	(594)	(52)	(646)	(76)
Current service cost	**67**	**105**	**172**	**8**	100	118	218	12
Plan amendments	**35**	**7**	**42**	**(3)**	34	-	34	1
Plan participants' contributions	**20**	**16**	**36**	**-**	23	17	40	-
Benefits paid	**(108)**	**(140)**	**(248)**	**(20)**	(124)	(155)	(279)	(21)
Curtailment	**(19)**	**1**	**(18)**	**(7)**	-	-	-	-
Settlement	**-**	**(8)**	**(8)**	**-**	(5)	-	(5)	-
Effect of exchange rate changes	**376**	**353**	**729**	**46**	(550)	(990)	(1,540)	(73)
Obligation at end of the year	**$ 2,915**	**$ 3,835**	**$ 6,750**	**$ 369**	$ 2,141	$ 3,235	$ 5,376	$ 299

Canada	**$ 2,915**	**$ 323**	$ 2,141	$ 256
U.K.	**2,438**	**10**	1,975	8
U.S.	**576**	**30**	515	30
Germany	**401**	**-**	358	-
Switzerland	**237**	**-**	214	-
Other	**183**	**6**	173	5
	$ 6,750	**$ 369**	$ 5,376	$ 299

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, measurement date preceding the fiscal year-ends, and its allocation by major countries:

Pension plan assets

			2010			2009
	Canada	**Foreign**	**Total**	Canada	Foreign	Total
Fair value at beginning of the year	**$ 1,806**	**$ 2,027**	**$ 3,833**	$ 2,644	$ 3,357	$ 6,001
Actual return on plan assets	**324**	**429**	**753**	(416)	(647)	(1,063)
Employer contributions	**134**	**184**	**318**	154	178	332
Plan participants' contributions	**20**	**16**	**36**	23	17	40
Benefits paid	**(108)**	**(140)**	**(248)**	(124)	(155)	(279)
Settlement	**-**	**(8)**	**(8)**	(5)	-	(5)
Effect of exchange rate changes	**322**	**230**	**552**	(470)	(723)	(1,193)
Fair value at end of the year	**$ 2,498**	**$ 2,738**	**$ 5,236**	$ 1,806	$ 2,027	$ 3,833
Canada			**2,498**			1,806
U.K.			**2,093**			1,497
U.S.			**427**			358
Switzerland			**186**			146
Other			**32**			26
			$ 5,236			$ 3,833

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

				2010				2009
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Fair value of plan assets	**$ 2,498**	**$ 2,738**	**$ 5,236**	**$ -**	$ 1,806	$ 2,027	$ 3,833	$ -
Projected benefit obligation	**(2,915)**	**(3,835)**	**(6,750)**	**(369)**	(2,141)	(3,235)	(5,376)	(299)
Funded status - deficit	**(417)**	**(1,097)**	**(1,514)**	**(369)**	(335)	(1,208)	(1,543)	(299)
Unamortized net actuarial loss	**695**	**1,069**	**1,764**	**62**	570	1,187	1,757	12
Unamortized past service costs	**184**	**(109)**	**75**	**(46)**	175	(134)	41	(50)
Contributions paid in January	**9**	**5**	**14**	**1**	6	10	16	-
Other	**-**	**(1)**	**(1)**	**-**	-	-	-	-
Accrued benefit assets (liabilities)	**$ 471**	**$ (133)**	**$ 338**	**$ (352)**	$ 416	$ (145)	$ 271	$ (337)

Included in the previous table are plans with projected benefit obligation in excess of plan assets as follows:

Projected benefit obligation in excess of plan assets

						2010						2009
		Canada		**Foreign**		**Total**		Canada		Foreign		Total
Fair value of plan assets	**$**	**1,484**	**$**	**2,602**	**$**	**4,086**	$	1,047	$	2,023	$	3,070
Projected benefit obligation		**(2,041)**		**(3,706)**		**(5,747)**		(1,505)		(3,233)		(4,738)
	$	**(557)**	**$**	**(1,104)**	**$**	**(1,661)**	$	(458)	$	(1,210)	$	(1,668)

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
Asset category	2010	**2009**	2008
Cash and cash equivalents	2%	**5%**	4%
Publicly traded equity securities	57%	**55%**	56%
Publicly traded fixed income securities	36%	**35%**	36%
Global infrastructure and real estate assets	5%	**5%**	4%

As at December 31, 2009 and 2008, 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

				2010				2009
			Pension benefits	**Other benefits**			Pension benefits	Other benefits
	Canada	**Foreign**	**Total**		Canada	Foreign	Total	
Current service cost	**$ 67**	**$ 105**	**$ 172**	**$ 8**	$ 100	$ 118	$ 218	$ 12
Interest cost	**159**	**204**	**363**	**20**	154	219	373	20
Actual return on plan assets	**(324)**	**(429)**	**(753)**	**-**	416	647	1,063	-
Actuarial (gain) loss	**244**	**62**	**306**	**26**	(594)	(52)	(646)	(76)
Plan amendments	**35**	**7**	**42**	**(3)**	34	-	34	1
Curtailment	**12**	**(5)**	**7**	**(4)**	-	-	-	-
Other	**-**	**-**	**-**	**-**	1	-	1	-
Benefit cost (revenue) before adjustments to recognize the long-term nature of the plans	**193**	**(56)**	**137**	**47**	111	932	1,043	(43)
Difference between actual and expected return on plan assets	**152**	**237**	**389**	**-**	(596)	(879)	(1,475)	-
Difference between actual actuarial loss and the amount recognized	**(240)**	**(17)**	**(257)**	**(15)**	621	89	710	76
Difference between plan amendments and amounts recognized	**(20)**	**(16)**	**(36)**	**(1)**	(20)	(10)	(30)	(6)
Other	**-**	**1**	**1**	**-**	-	-	-	-
Benefit cost recognized	**$ 85**	**$ 149**	**$ 234**	**$ 31**	$ 116	$ 132	$ 248	$ 27

Defined contribution pension plans

The Corporation also offers Canadian and foreign defined contribution pension plans covering a portion of its employees, mainly in BA. 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 $41 million for fiscal year 2010 ($38 million for fiscal year 2009).

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:

	2010	2009
Aircraft sales		
Credit[(a)]	$ 1,524	$ 1,572
Residual value[(a)]	2,425	2,606
Mutually exclusive exposure[(1)]	(894)	(954)
Total credit and residual value exposure	$ 3,055	$ 3,224
Trade-in commitments[(b)]	761	1,095
Conditional repurchase obligations[(c)]	599	698
Other[(2)]		
Credit and residual value[(f)]	157	150
Performance guarantees[(g)]	44	60

(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 $536 million as at January 31, 2010 ($538 million as at January 31, 2009) have been established to cover the risks from these guarantees after considering the effect of the estimated resale value of the aircraft, which is based on independent third-party evaluations adjusted to reflect specific factors of the current aircraft market, 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 $196 million as at January 31, 2010 ($190 million as at January 31, 2009). 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 2026. Substantially all financial support involving potential credit risk lies with regional airline customers. The credit risk relating to three regional airline customers accounted for 62% of the total maximum credit risk as at January 31, 2010.

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.

The following table summarizes the outstanding residual value guarantees, at the earliest exercisable date, as at January 31, 2010, and the period in which they can be exercised:

Less than 1 year	$	35
From 1 to 5 years		634
From 5 to 10 years		1,415
From 10 to 15 years		341
	$	2,425

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, 2010:

Less than 1 year	$	377
From 1 to 3 years		384
	$	761

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, 2010:

Less than 1 year	$	524
From 1 to 3 years		40
Thereafter		35
	$	599

d) Fractional ownership put options – Under the North American *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 $598 million as at January 31, 2010 ($813 million as at January 31, 2009). 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 $142 million as at January 31, 2010 ($770 million as at January 31, 2009). In connection with these commitments, the Corporation has provided credit spread guarantees. The recorded fair value of these guarantees amounted to $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, 2010 ($47 million as at January 31, 2009). 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 $110 million as at January 31, 2010 ($103 million as at January 31, 2009), 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 $42 million as at January 31, 2010 ($39 million as at January 31, 2009), 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 $2 million as at January 31, 2010 ($21 million as at January 31, 2009), 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
2011	$ 93	$ 25	$ 7	$ 125
2012	78	20	101	199
2013	57	4	-	61
2014	50	2	-	52
2015	62	-	-	62
Thereafter	193	-	37	230
	$ 533	$ 51	$ 145	$ 729

Total minimum lease payments include $157 million and $17 million for the sale and leaseback of pre-owned aircraft and equipment, respectively. Rent expense was $134 million for fiscal year 2010 ($116 million for fiscal year 2009).

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:

2011	$	40
2012		27
2013		29
2014		27
2015		26
Thereafter		166
	$	315

The Corporation also has purchase obligations under various agreements, made in the normal course of business.

The Corporation receives government financial support from various levels of government related to the development of aircraft. Certain of these financial support programs require the Corporation to pay 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 the minimum agreed-upon level is not reached, no amount is payable to governments. The Corporation records the amount payable to governments at the time the product giving rise to such payment is delivered. The estimated remaining undiscounted maximum amount repayable under these programs, mostly based on future deliveries of aircraft, amounted to $404 million as at January 31, 2010 ($395 million as at January 31, 2009).

In connection with the *CSeries* family of aircraft program, $121 million of contingently repayable investments were received for fiscal year 2010. Of these amounts, $37 million was recorded as a reduction of R&D expense for fiscal year 2010, with the remaining $84 million recorded against intangible assets.

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, 2010, 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:

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
BA				
Financing structures related to the sale of regional aircraft	**$ 6,537**	**$ 3,994**	$ 6,369	$ 3,555
BT				
Partnership arrangements	**1,403**	**1,319**	1,094	1,015
Sale support guarantee	**372**	**366**	352	337
Cash collateral accounts	**-**	**-**	59	59
	8,312	**5,679**	7,874	4,966
Less assets and liabilities of consolidated VIEs:				
Financing structures related to the sale of regional aircraft	**10**	**-**	9	-
Cash collateral accounts	**-**	**-**	59	59
	10	**-**	68	59
Assets and liabilities of non-consolidated VIEs	**$ 8,302**	**$ 5,679**	$ 7,806	$ 4,907

The liabilities recognized as a result of consolidating certain VIEs do not represent additional claims on the Corporation's general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating certain VIEs do not represent additional assets that could be used to satisfy claims against the Corporation's general assets. The consolidation of debt resulting from the application of AcG-15 is generally excluded from the computation of the Corporation's financial covenant ratios.

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 $572 million of provisions and related liabilities were available to cover the Corporation's exposure as at January 31, 2010 ($2.2 billion and $584 million respectively as at January 31, 2009). 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 $110 million as at January 31, 2010 ($103 million as at January 31, 2009). 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%.

Given the current economic environment, the Corporation's near-term focus is to preserve liquidity. Upon return to normal economic conditions, the Corporation remains committed to improve its capital structure.

Global metrics – The following global metrics do not represent the calculations required for bank covenants. Details of the methods for calculating global leverage metrics are provided in the Non-GAAP financial measures section of the MD&A for fiscal years 2010. The only change in the method for calculating the global metrics from fiscal year 2009 is that following the adoption of Section 1602 "Non-controlling interests" (see Note 1 – Basis of presentation for further details), EBIT, adjusted EBIT and adjusted EBITDA now include income attributable to non-controlling interests and adjusted shareholders' equity now includes non-controlling interests. The January 31, 2009 figures have been restated accordingly.

Global metrics

	January 31, 2010	January 31, 2009
Interest coverage		
Adjusted EBIT[(1)]	**$ 1,249**	$ 1,535
Adjusted net interest[(2)]	**$ 334**	$ 244
Adjusted EBIT to adjusted net interest ratio	**3.7**	6.3
Financial leverage		
Adjusted debt[(3)]	**$ 6,084**	$ 5,841
Adjusted EBITDA[(4)]	**$ 1,792**	$ 2,129
Adjusted debt to adjusted EBITDA ratio	**3.4**	2.7
Capitalization		
Adjusted debt[(3)]	**$ 6,084**	$ 5,841
Adjusted total capitalization[(5)]	**$ 9,928**	$ 8,906
Adjusted debt to adjusted total capitalization ratio	**61%**	66%

(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. Subsequent to year-end, the Corporation implemented a refinancing plan; see Note 30 – Subsequent event.

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.

BA	BT
BA is a world leader in the design and manufacture of innovative aviation products and is a provider of related services. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets 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 and manufacture of rail equipment and system manufacturing and a provider of related services, 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 income before financing income, financing expense and income taxes. 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.

30. SUBSEQUENT EVENT

As part of its capital management strategy, the Corporation implemented a series of transactions to increase its liquidity and to extend the weighted-average long-term debt maturity profile.

On March 15, 2010, the Corporation launched a tender offer to repurchase up to $1.0 billion of the following Notes, which are presented on the order of repurchase priority:

- $550 million, bearing interest at 6.75%, due in May 2012;
- $500 million, bearing interest at 6.30%, due in May 2014; and
- €679 million ($942 million), bearing floating interest rate, due in November 2013.

The tender offer will expire on April 12, 2010, unless extended or earlier terminated. The final allocation of the purchase price between each series of outstanding Notes will be determined only upon expiry of the tender offer.

On March 29, 2010, the Corporation issued the following unsecured Senior notes:

- $650 million, bearing interest at 7.5% per year, due in calendar year 2018; and
- $850 million, bearing interest at 7.75% per year due in calendar year 2020.

The net cash proceeds arising from these capital transactions, estimated at approximately $500 million after payment of fees and expenses, will be used for general corporate purposes.

SEGMENTED INFORMATION

INDUSTRY SEGMENTS	Bombardier Inc. consolidated		BA		BT	
For the fiscal years ended January 31	**2010**	2009 [1]	**2010**	2009 [1]	**2010**	2009 [1]
Revenues						
Manufacturing	**$ 14,739**	$ 14,779	**$ 7,475**	$ 8,116	**$ 7,264**	$ 6,663
Services	**2,767**	3,117	**1,359**	1,588	**1,408**	1,529
Other	**1,860**	1,825	**523**	261	**1,337**	1,564
	19,366	19,721	**9,357**	9,965	**10,009**	9,756
Cost of sales	**16,202**	16,049	**7,959**	7,876	**8,243**	8,173
Selling, general and administrative	**1,453**	1,558	**601**	715	**852**	843
Research and development	**141**	171	**6**	51	**135**	120
Other expense (income)	**(26)**	(41)	**(53)**	(4)	**27**	(37)
Amortization	**498**	555	**371**	431	**127**	124
	18,268	18,292	**8,884**	9,069	**9,384**	9,223
EBIT	**$ 1,098**	$ 1,429	**$ 473**	$ 896	**$ 625**	$ 533
Additions to property, plant and equipment and intangible assets	**$ 805**	$ 621	**$ 634**	$ 430	**$ 171**	$ 191

As at	**January 31 2010**	January 31 2009	**January 31 2010**	January 31 2009	**January 31 2010**	January 31 2009
Net segmented assets	**$ 2,929**	$ 1,230	**$ 2,758**	$ 1,296	**$ 171**	$ (66)
Liabilities allocated to segments:						
Accounts payable and accrued liabilities[2]	**7,274**	6,791				
Advances and progress billings in excess of related long-term contract costs	**1,899**	2,072				
Advances on aerospace programs	**2,092**	2,991				
Fractional ownership deferred revenues	**346**	573				
Accrued benefit liabilities	**1,084**	992				
Derivative financial instruments	**429**	1,194				
Assets not allocated to segments:						
Cash and cash equivalents	**3,372**	3,470				
Invested collateral	**682**	777				
Deferred income taxes	**1,166**	1,216				
Total consolidated assets	**$ 21,273**	$ 21,306				

(1) Refer to Note 1 for impact of new accounting policies.
(2) Excluding interest and income taxes payable amounting to $56 million and $97 million respectively as at January 31, 2010 ($61 million and $70 million as at January 31, 2009), which were not allocated to segments.

SEGMENTED INFORMATION

GEOGRAPHIC INFORMATION	**Revenues** [1]		**Property, plant and equipment, intangible assets and goodwill** [2]	
	2010	2009	**2010**	2009
United States	**$ 4,370**	$ 5,451	**$ 523**	$ 413
Germany	**1,977**	1,429	**1,421**	1,351
France	**1,607**	1,421	**54**	44
United Kingdom	**1,552**	2,264	**812**	658
China	**1,343**	615	**42**	34
Canada	**1,036**	807	**1,562**	1,477
Sweden	**651**	416	**444**	374
Australia	**570**	388	**9**	7
Italy	**541**	497	**144**	133
Spain	**541**	567	**9**	8
Russia	**537**	104	**-**	-
Switzerland	**491**	774	**335**	301
India	**353**	234	**12**	21
Netherlands	**350**	540	**1**	-
Other – Europe	**1,639**	2,043	**124**	124
Other – Asia	**945**	974	**52**	1
Other – Americas	**403**	665	**32**	22
Other – Africa	**402**	518	**10**	9
Other – Oceania	**58**	14	**-**	-
	$ 19,366	$ 19,721	**$ 5,586**	$ 4,977

(1) Revenues are attributed to countries based on the location of the customer.
(2) Property, plant and equipment 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.

BOMBARDIER INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions of U.S. dollars, except number of shares)

	Notes	**July 31, 2010**	January 31, 2010
Assets			
Cash and cash equivalents	6	**$ 2,776**	$ 3,372
Invested collateral	6	**650**	682
Receivables		**1,861**	1,897
Aircraft financing		**570**	473
Inventories	4	**5,544**	5,268
PP&E		**1,682**	1,643
Intangible assets		**1,988**	1,696
Fractional ownership deferred costs		**196**	271
Deferred income taxes		**1,153**	1,166
Accrued benefit assets		**1,112**	1,070
Derivative financial instruments	3	**659**	482
Goodwill		**2,230**	2,247
Other assets	5	**1,128**	1,006
		$ 21,549	$ 21,273
Liabilities			
Accounts payable and accrued liabilities	7	**$ 7,290**	$ 7,427
Advances and progress billings in excess of related long-term contract costs		**1,867**	1,899
Advances on aerospace programs		**1,855**	2,092
Fractional ownership deferred revenues		**257**	346
Deferred income taxes		**65**	65
Long-term debt	8	**4,633**	4,162
Accrued benefit liabilities		**1,102**	1,084
Derivative financial instruments	3	**596**	429
		17,665	17,504
Equity			
Preferred shares			
Issued and outstanding:			
Series 2: 9,464,920		**159**	159
Series 3: 2,535,080		**40**	40
Series 4: 9,400,000		**148**	148
Common shares			
Issued and outstanding:			
Class A: 316,109,537 (316,231,937 as at January 31, 2010)		**29**	29
Class B: 1,436,504,144 (1,438,517,706 as at January 31, 2010)		**1,430**	1,430
Purchased and held in trust under the PSU plan:			
26,672,674 Class B (25,098,637 as at January 31, 2010)		**(134)**	(135)
Contributed surplus		**106**	132
Retained earnings		**2,272**	2,087
AOCI	10	**(231)**	(189)
Equity attributable to shareholders of Bombardier Inc.		**3,819**	3,701
Equity attributable to non-controlling interests		**65**	68
Equity		**3,884**	3,769
		$ 21,549	$ 21,273
Commitments and contingencies	16		

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(In millions of U.S. dollars)

	Notes	Three-month periods ended July 31 2010	Three-month periods ended July 31 2009	Six-month periods ended July 31 2010	Six-month periods ended July 31 2009
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF BOMBARDIER INC.					
Preferred shares		**$ 347**	$ 347	**$ 347**	$ 347
Common shares					
Balance at beginning of period		**1,322**	1,327	**1,324**	1,327
Issuance of Class B Shares		**2**	-	**3**	-
Repurchase of Class B Shares	9	**-**	-	**(3)**	-
Class B Shares - held in trust under the PSU plan					
Purchased		**(46)**	(21)	**(46)**	(21)
Distributed		**47**	16	**47**	16
Balance at end of period		**1,325**	1,322	**1,325**	1,322
Contributed surplus					
Balance at beginning of period		**144**	115	**132**	104
Stock-based compensation	9	**9**	11	**21**	22
Options exercised and shares distributed under the PSU plan		**(47)**	(16)	**(47)**	(16)
Balance at end of period		**106**	110	**106**	110
Retained earnings					
Balance at beginning of period		**2,177**	1,682	**2,087**	1,567
Net income attributable to shareholders of Bombardier Inc.		**144**	198	**296**	354
Dividends:					
Common shares		**(43)**	(39)	**(87)**	(75)
Preferred shares, net of tax		**(6)**	(5)	**(11)**	(10)
Excess of price paid over carrying value of repurchased Class B Shares	9	**-**	-	**(13)**	-
Balance at end of period		**2,272**	1,836	**2,272**	1,836
AOCI	10				
Balance at beginning of period		**(192)**	(652)	**(189)**	(801)
OCI attributable to shareholders of Bombardier Inc.		**(39)**	454	**(42)**	603
Balance at end of period		**(231)**	(198)	**(231)**	(198)
		3,819	3,417	**3,819**	3,417
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS					
Balance at beginning of period		**71**	67	**68**	66
Foreign exchange re-evaluation		**(1)**	6	**(3)**	8
Net income attributable to non-controlling interests		**4**	4	**5**	6
OCI attributable to non-controlling interests		**(4)**	(1)	**-**	(4)
Capital distribution		**(8)**	-	**(8)**	-
Capital injection		**3**	-	**3**	-
Balance at end of period		**65**	76	**65**	76
EQUITY		**$ 3,884**	$ 3,493	**$ 3,884**	$ 3,493

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

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

	Notes	Three-month periods ended July 31 **2010**	2009	Six-month periods ended July 31 **2010**	2009
Revenues					
Manufacturing		**$ 2,838**	$ 3,742	**$ 5,957**	$ 7,252
Services		**699**	708	**1,395**	1,372
Other		**542**	496	**973**	793
		4,079	4,946	**8,325**	9,417
Cost of sales	4	**3,410**	4,155	**6,933**	7,888
SG&A		**327**	362	**680**	708
R&D		**45**	29	**90**	49
Other income	11	**(34)**	(36)	**(40)**	(19)
Amortization		**100**	123	**207**	243
		3,848	4,633	**7,870**	8,869
Income before the following:		**231**	313	**455**	548
Financing income	12	**(16)**	(23)	**(53)**	(58)
Financing expense	12	**60**	72	**125**	140
Income before income taxes		**187**	264	**383**	466
Income taxes		**39**	62	**82**	106
Net income		**$ 148**	$ 202	**$ 301**	$ 360
Attributable to:					
Shareholders of Bombardier Inc.		**$ 144**	$ 198	**$ 296**	$ 354
Non-controlling interests		**$ 4**	$ 4	**$ 5**	$ 6
EPS (in dollars)	13				
Basic and diluted		**$ 0.08**	$ 0.11	**$ 0.16**	$ 0.20

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In millions of U.S. dollars)

		Three-month periods ended July 31		Six-month periods ended July 31	
		2010	2009	**2010**	2009
	Notes				
Net income		**$ 148**	$ 202	**$ 301**	$ 360
OCI	10				
Net unrealized gain on financial assets AFS, net of tax		**4**	3	**6**	8
Net change in cash flow hedges:					
Foreign exchange re-evaluation		**-**	-	**5**	2
Net gain (loss) on derivative financial instruments designated as cash flow hedges[(1)]		**(165)**	349	**(118)**	470
Reclassification to income or to the related non financial asset		**43**	45	**51**	126
Income tax recovery (expense)		**24**	(124)	**6**	(178)
		(98)	270	**(56)**	420
CTA					
Net investments in self-sustaining foreign operations[(2)]		**(16)**	386	**(154)**	444
Net gain (loss) on related hedging items		**67**	(206)	**162**	(273)
		51	180	**8**	171
Total OCI		**(43)**	453	**(42)**	599
Total comprehensive income		**$ 105**	$ 655	**$ 259**	$ 959
Attributable to:					
Shareholders of Bombardier Inc.		**$ 105**	$ 652	**$ 254**	$ 957
Non-controlling interests		**$ -**	$ 3	**$ 5**	$ 2

(1) Includes a loss of $1 million attributable to non-controlling interests for the three- and six-month periods ended July 31, 2009.
(2) Includes a loss of $4 million and nil attributable to non-controlling interests for the three- and six-month periods ended July 31, 2010 (nil and a loss of $3 million for the three- and six-month periods ended July 31, 2009).

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions of U.S. dollars)

		Three-month periods ended July 31		Six-month periods ended July 31	
		2010	2009	**2010**	2009
	Notes				
Operating activities					
Net income		**$ 148**	$ 202	**$ 301**	$ 360
Non-cash items:					
Amortization		**100**	123	**207**	243
Deferred income taxes		**(13)**	35	**4**	58
Gain on disposals of PP&E	11	**(1)**	(1)	**(10)**	(11)
Stock-based compensation	9	**9**	11	**21**	22
Gains on repurchase of long-term debts	12	**-**	-	**(15)**	-
Net change in non-cash balances related to operations	14	**(471)**	(197)	**(716)**	(1,162)
Cash flows from operating activities		**(228)**	173	**(208)**	(490)
Investing activities					
Additions to PP&E and intangible assets		**(284)**	(162)	**(533)**	(331)
Disposals of PP&E and intangible assets		**4**	7	**16**	22
Invested collateral		**-**	81	**-**	81
Other		**(57)**	(85)	**(62)**	(87)
Cash flows from investing activities		**(337)**	(159)	**(579)**	(315)
Financing activities					
Proceeds from issuance of long-term debt	8	**7**	4	**1,483**	4
Repayments of long-term debt	8	**(3)**	(2)	**(1,056)**	(4)
Purchase of Class B Shares - held in trust under the PSU plan		**(46)**	(21)	**(46)**	(21)
Repurchase of Class B Shares	9	**-**	-	**(16)**	-
Dividends paid		**(93)**	(80)	**(98)**	(85)
Other		**(18)**	-	**(21)**	-
Cash flows from financing activities		**(153)**	(99)	**246**	(106)
Effect of exchange rate changes on cash and cash equivalents		**(37)**	202	**(55)**	245
Net increase (decrease) in cash and cash equivalents		**(755)**	117	**(596)**	(666)
Cash and cash equivalents at beginning of period		**3,531**	2,687	**3,372**	3,470
Cash and cash equivalents at end of period		**$ 2,776**	$ 2,804	**$ 2,776**	$ 2,804
Supplemental information					
Cash paid for:					
Interest		**$ 134**	$ 109	**$ 177**	$ 145
Income taxes		**$ 36**	$ 28	**$ 58**	$ 42

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended July 31, 2010

(Unaudited)

(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 interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with Canadian GAAP applicable to interim consolidated financial statements, and follow the same accounting policies and methods in their application as the most recent annual Consolidated Financial Statements. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim consolidated financial statements. Such adjustments are of a normal and recurring nature. The interim consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Corporation’s Annual Report for fiscal year 2010.

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

Bombardier Inc. 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. 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 transactions or events occur during the one-month lag period, the Corporation’s interim consolidated financial statements are adjusted accordingly.

2. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS

In February 2008, the AcSB confirmed that Canadian GAAP for 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. For more details on the Corporation IFRS conversion, refer to the IFRS section of the Corporation’s fiscal year 2010 Annual Report.

3. FINANCIAL INSTRUMENTS

The classification of financial instruments as HFT, AFS, L&R and other than HFT and their fair values were as follows as at:

July 31, 2010

	HFT Required	HFT Designated	AFS	Amortized cost [(1)]	DDHR [(2)]	Total carrying value	Fair value
Financial assets							
Cash and cash equivalents	$ 2,776	$ -	$ -	$ -	$ -	$ 2,776	$ 2,776
Invested collateral	-	650	-	-	-	650	650
Receivables	-	-	-	1,748 [(3)]	-	1,748	1,748
Aircraft financing	-	335 [(4)]	-	95 [(5)]	-	430	432
Derivative financial instruments	103 [(6)]	-	-	-	556	659	659
Other assets	-	235 [(7)]	393 [(8)]	122 [(9)]	-	750	750
	$ 2,879	$ 1,220	$ 393	$ 1,965	$ 556	$ 7,013	$ 7,015
Financial liabilities							
Accounts payable and accrued liabilities	$ -	$ 172 [(10)]	n/a	$ 3,442 [(11)]	$ -	$ 3,614	$ 3,614
Long-term debt	-	-	n/a	4,633	-	4,633	4,558
Derivative financial instruments	76 [(6)]	-	n/a	-	520	596	596
	$ 76	$ 172	n/a	$ 8,075	$ 520	$ 8,843	$ 8,768

January 31, 2010

	HFT Required	HFT Designated	AFS	Amortized cost [(1)]	DDHR [(2)]	Total carrying value	Fair Value
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 fees.
(8) Represents investment in securities.
(9) Includes restricted cash.
(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

The net gain on HFT financial instruments recognized in income was as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Financial instruments measured at fair value				
Designated as HFT[1]	**$ 25**	$ 2	**$ 22**	$ 23
Required to be classified as HFT[2][3]	**$ 6**	$ 21	**$ 18**	$ 34

(1) Excludes the interest income portion related to the invested collateral of $2 million and $5 million for the three- and six-month periods ended July 31, 2010 ($4 million and $7 million for the three- and six-month periods ended July 31, 2009).
(2) Excludes the interest income portion related to cash and cash equivalents of $6 million and $9 million for the three- and six-month periods ended July 31, 2010 ($7 million and $18 million for the three- and six-month periods ended July 31, 2009).
(3) Includes net gains of $1 million and $8 million incurred in connection with economic hedges not designated in hedging relationships for the three- and six-month periods ended July 31, 2010 (net gains of $36 million and $56 million for the three- and six-month periods ended July 31, 2009).

For the amounts of unrealized gains or losses on AFS financial assets recognized directly in OCI and the amounts removed from OCI and recognized in net income during the three- and six-month periods ended July 31, 2010 and 2009, if any, see the consolidated statements of comprehensive income.

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:

	July 31, 2010		January 31, 2010	
	Assets	**Liabilities**	Assets	Liabilities
Derivative financial instruments designated as fair value hedges				
Cross-currency interest-rate swap	**$ -**	**$ 63**	$ -	$ 35
Interest-rate swaps	**195**	**-**	140	-
	195	**63**	140	35
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts[1] [2]	**361**	**440**	244	279
Derivative financial instruments designated as hedges of net investment				
Cross-currency interest-rate swap	**-**	**17**	-	38
Derivative financial instruments classified as HFT [3]				
Forward foreign exchange contracts	**26**	**51**	31	53
Cross-currency interest-rate swap	**24**	**-**	21	-
Interest-rate swaps	**-**	**9**	-	7
Embedded derivative financial instruments:				
Foreign exchange	**16**	**8**	26	8
Call options on long-term debt	**37**	**-**	20	-
Financing rate commitments	**-**	**8**	-	9
	103	**76**	98	77
Total derivative financial instruments	**$ 659**	**$ 596**	$ 482	$ 429
Non-derivative financial instruments designated as hedges of net investment				
Long-term debt	**$ -**	**$ 187**	$ -	$ 399

(1) For the three- and six-month periods ended July 31, 2010, the component of the hedging item's gain or loss excluded from the assessment of effectiveness amounted to net losses of $10 million and $13 million (a net loss of $2 million and a net gain of $10 million for the three- and six-month periods ended July 31, 2009).
(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 34 months as at July 31, 2010.
(3) Held as economic hedges, except for certain embedded derivative financial instruments.

4. INVENTORIES

Inventories were as follows as at:

	July 31, 2010	January 31, 2010
Long-term contracts		
Costs incurred and recorded margins	**$ 5,399**	$ 5,793
Less: advances and progress billings	**(3,607)**	(4,155)
	1,792	1,638
Aerospace programs	**2,679**	2,576
Finished products [1]	**1,073**	1,054
	$ 5,544	$ 5,268

[1] Finished products include 11 new aircraft not associated with a firm order and 15 pre-owned aircraft, totalling $271 million as at July 31, 2010 (7 new aircraft and 19 pre-owned aircraft, totalling $274 million as at January 31, 2010).

The amount of inventories recognized as cost of sales totalled $3,145 million and $6,432 million for the three- and six-month periods ended July 31, 2010 ($3,900 million and $7,363 million for the three- and six-month periods ended July 31, 2009). These amounts include $14 million and $23 million of write-down for the three- and six-month periods ended July 31, 2010 ($20 million and $53 million for the three- and six-month periods ended July 31, 2009).

5. OTHER ASSETS

Other assets were as follows as at:

	July 31, 2010	January 31, 2010
Investment in securities[1]	**$ 393**	$ 328
Prepaid expenses	**229**	179
Investment in VIEs	**185**	180
Deferred financing charges	**86**	99
Restricted cash	**54**	40
Servicing fees	**50**	48
Investment in companies subject to significant influence[2]	**46**	33
Other	**85**	99
	$ 1,128	$ 1,006

[1] Includes an amount of $153 million held in an aircraft financing structure to support certain of the Corporation's financial obligations as at July 31, 2010 ($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 July 31, 2010 ($26 million as at January 31, 2010). Investment in companies subject to significant influence includes $10 million of loans as at July 31, 2010 ($9 million as at January 31, 2010), mostly related to BT.

6. 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)
July 31, 2010							
BT facility	**$**	**4,966** (1)	**$**	**3,865**	**$**	**1,101**	**2014** (2)
BA facility		**600**		**321**		**279**	**2012**
PSG facility		**900**		**234**		**666**	**2012** (3)
	$	**6,466**	**$**	**4,420**	**$**	**2,046**	
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 July 31, 2010 (€3,750 million as at January 31, 2010).
(2) In December 2011, if the facility is not extended, 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 above table, letters of credit of $669 million were outstanding under various bilateral agreements as at July 31, 2010 ($453 million as at January 31, 2010).

The Corporation also uses numerous bilateral bonding facilities with insurance companies to support BT's operations. An insured amount of $1.7 billion was outstanding under such unfunded facilities as at July 31, 2010 ($1.5 billion as at January 31, 2010).

Revolving credit facility
The $500 million revolving credit facility was unused as at July 31, 2010 and January 31, 2010.

Financial covenants
Under the BA and BT letter of credit facilities and its revolving credit facility, the Corporation must maintain various financial covenants, including a requirement to maintain a minimum BT liquidity of €600 million ($784 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 ($528 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at July 31, 2010 and January 31, 2010.

Other 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. Trade receivables of €186 million ($243 million) were outstanding under such facilities as at July 31, 2010 (€140 million ($194 million) as at January 31, 2010). Trade receivables of €132 million ($166 million) and €252 million ($329 million), respectively, were sold to these facilities during the three- and six-month periods ended July 31, 2010 (€136 million ($195 million) and €148 million ($210 million) for the three- and six-month period ended July 31, 2009).

In addition, BA has set up off-balance sheet sale and leaseback facilities under which it can sell pre-owned business aircraft. An amount of $234 million was outstanding under such facilities as at July 31, 2010 ($180 million as at January 31, 2010). Aircraft worth $115 million and $166 million were sold and leased-back to these facilities during the three- and six-month periods ended July 31, 2010 ($53 million for the three- and six-month periods ended July 31, 2009).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at:

	July 31, 2010	January 31, 2010
Trade accounts payable	**$ 2,128**	$ 2,311
Accrued liabilities	**1,185**	1,239
Product warranties	**1,044**	1,040
Sales incentives[(1)]	**936**	968
Payroll-related liabilities	**522**	486
Income and other taxes	**160**	206
Interest payable	**79**	56
Severance and other involuntary termination costs	**53**	82
Other	**1,183**	1,039
	$ 7,290	$ 7,427

(1) Comprised of provision for credit and residual value guarantees and trade-in commitments, as well as other related provisions and liabilities in connection with the sale of aircraft (see Note 16 – Commitments and contingencies).

8. LONG-TERM DEBT

On March 29, 2010, the Corporation issued the following unsecured Senior Notes:

- $650 million, bearing interest at 7.5%, payable semi-annually, due in March 2018; and
- $850 million, bearing interest at 7.75%, payable semi-annually, due in March 2020.

On March 30 and April 13, 2010, the Corporation repurchased, for an aggregate cash consideration of $1,050 million, a portion of the following Notes:

- $399 million of the $550 million Notes, bearing interest at 6.75%, due in May 2012;
- $338 million of the $500 million Notes, bearing interest at 6.30%, due in May 2014; and
- €197 million ($263 million) of the €679 million ($903 million) Notes, bearing floating interest rate, due in November 2013.

Concurrently, the Corporation entered into interest-rate swap agreements to convert the effective interest rate on the newly issued unsecured Senior Notes from fixed to variable. The interest rate after the effect of these fair value hedges is 3-month Libor + 4.185 for the $650 million unsecured Senior Notes and 3-month Libor + 4.142 for the $850 million unsecured Senior Notes.

9. SHARE-BASED PLANS

Share option plans

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

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Balance at beginning of period	**37,131,000**	39,679,321	**39,001,075**	44,305,821
Granted	**3,775,000**	2,614,000	**3,820,000**	2,624,000
Exercised	**(482,463)**	-	**(864,038)**	-
Cancelled	**(743,086)**	(587,500)	**(785,586)**	(1,087,750)
Expired	**(2,549,512)**	(10,000)	**(4,040,512)**	(4,146,250)
Balance at end of period	**37,130,939**	41,695,821	**37,130,939**	41,695,821

The weighted-average grant date fair value was $1.62 for the three- and six-month periods ended July 31, 2010 ($1.15 for the three- and six-month periods ended July 31, 2009). The fair value of each option granted was determined using an option pricing model and the following weighted-average assumptions:

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2010	2009	**2010**	2009
Risk-free interest rate	**2.65%**	2.82%	**2.65%**	2.82%
Expected life	**5 years**	5 years	**5 years**	5 years
Expected volatility in market price of shares	**48.06%**	50.79%	**48.06%**	50.79%
Expected dividend yield	**2.09%**	2.10%	**2.09%**	2.10%

Compensation expense of $2 million and $4 million were recorded in the three- and six-month periods ended July 31, 2010 with respect to share option plans ($2 million and $5 million in the three- and six-month periods ended July 31, 2009).

PSU and DSU plans

The number of PSUs and DSUs issued and outstanding has varied as follows:

	Three-month period ended July 31, 2010		Three-month period ended July 31, 2009	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**15,920,905**	**1,156,000**	14,918,149	-
Granted	**8,003,500**	**1,810,000**	5,039,700	-
Performance adjustment	**2,725,988**	**-**	1,874,374	-
Exercised	**(8,177,963)**	**-**	(5,623,122)	-
Cancelled	**(202,044)**	**-**	(108,606)	-
Balance at end of period	**18,270,386**	**2,966,000**	16,100,495	-

	Six-month period ended July 31, 2010		Six-month period ended July 31, 2009	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**15,888,267**	**1,156,000**	15,006,293	-
Granted	**8,100,500**	**1,810,000**	5,049,700	-
Performance adjustment	**2,725,988**	**-**	1,874,374	-
Exercised	**(8,177,963)**	**-**	(5,623,122)	-
Cancelled	**(266,406)**	**-**	(206,750)	-
Balance at end of period	**18,270,386**	**2,966,000**	16,100,495	**-**

DSUs and PSUs granted in the three- and six-month periods ended July 31, 2010 vest essentially on June 8, 2013, if a financial performance threshold is met.

A new DSU plan was approved by the Board of Directors on March 31, 2010, and by shareholders on June 2, 2010. This plan is substantially identical to the current DSU plan except that the new plan allows for settlement of awards in Class B Shares (Subordinate Voting) issued from treasury.

In connection with this new 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 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.

Compensation expense of $7 million and $17 million were recorded in the three- and six-month periods ended July 31, 2010 with respect to the PSU and DSU plans ($9 million and $17 million in the three- and six-month periods ended July 31, 2009).

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in AOCI were as follows for the three- and six-month periods ended July 31, 2010:

	AFS financial assets	Cash flow hedges	CTA	Total
Balance as at January 31, 2010	**$ 3**	**$ (75)**	**$ (117)**	**$ (189)**
Change during the period	**2**	**42**	**(47)** (1)	**(3)**
Balance as at April 30, 2010	**5**	**(33)**	**(164)**	**(192)**
Change during the period	**4**	**(98)**	**55** (1)	**(39)**
Balance as at July 31, 2010	**$ 9**	**$ (131)**	**$ (109)**	**$ (231)**

(1) Excludes a loss of $4 million and nil attributable to non-controlling interest for the three- and six-month periods ended July 31, 2010.

Changes in AOCI were as follows for the three- and six-month periods ended July 31, 2009:

	AFS financial assets	Cash flow hedges	CTA	Total
Balance as at January 31, 2009	$ (17)	$ (455)	$ (329)	$ (801)
Change during the period	5	150 (1)	(6) (2)	149
Balance as at April 30, 2009	(12)	(305)	(335)	(652)
Change during the period	3	271 (1)	180 (2)	454
Balance as at July 31, 2009	$ (9)	$ (34)	$ (155)	$ (198)

(1) Excludes a loss of $1 million attributable to non-controlling interest for the three- and six-month periods ended July 31, 2009.
(2) Excludes nil and a loss of $3 million attributable to non-controlling interest for the three- and six-month periods ended July 31, 2009.

11. OTHER INCOME

Other income was as follows:

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2010	2009	**2010**	2009
Net gain on financial instruments[1]	**$ (29)**	$ (35)	**$ (21)**	$ (54)
Foreign exchange losses (gains)	**(4)**	(1)	**(16)**	11
Gain on disposal of PP&E	**(1)**	(1)	**(10)**	(11)
Severance and other involuntary termination costs (including changes in estimates and capacity adjustments)	**(7)**	1	**(10)**	35
Other	**7**	-	**17**	-
	$ (34)	$ (36)	**$ (40)**	$ (19)

(1) Certain financial instruments classified as HFT, including foreign exchange embedded derivatives and financing rate commitments.

12. FINANCING INCOME AND FINANCING EXPENSE

Financing income and financing expense were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Financing income				
Gains on long-term debt repayments	**$ -**	$ -	**$ (15)**	$ -
Loans and lease receivables – after effect of hedges	**(7)**	(8)	**(15)**	(16)
Cash and cash equivalents	**(6)**	(7)	**(9)**	(18)
Net gain on financial instruments[1]	**-**	-	**(7)**	(11)
Invested collateral	**(2)**	(4)	**(5)**	(7)
Other	**(1)**	(4)	**(2)**	(6)
	$ (16) [2]	$ (23) [2]	**$ (53)** [2]	$ (58) [2]
Financing expense				
Interest on long-term debt – after effect of hedges	**$ 51**	$ 58	**$ 110**	$ 113
Accretion expense on certain sales incentives	**7**	9	**15**	19
Net loss on financial instruments[1]	**2**	-	**-**	-
Other	**-**	5	**-**	8
	$ 60 [3]	$ 72 [3]	**$ 125** [3]	$ 140 [3]

[1] Certain financial instruments required to be classified as HFT, including certain call options on long-term debt.
[2] Of which $2 million and $7 million represent the interest income calculated using the effective interest method for financial assets classified as L&R for the three- and six-month periods ended July 31, 2010 ($7 million and $10 million for the three- and six-month periods ended July 31, 2009).
[3] Of which $51 million and $110 million represent the interest expense calculated using the effective interest method for financial liabilities classified as other than HFT for the three- and six-month periods ended July 31, 2010 ($63 million and $121 million for the three- and six-month periods ended July 31, 2009).

13. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
(Number of shares, stock options, PSUs and DSUs, in thousands)	**2010**	2009	**2010**	2009
Net income attributable to shareholders of Bombardier Inc.	**$ 144**	$ 198	**$ 296**	$ 354
Preferred share dividends, net of tax	**(6)**	(5)	**(11)**	(10)
Net income attributable to common shareholders of Bombardier Inc.	**$ 138**	$ 193	**$ 285**	$ 344
Weighted-average basic number of common shares outstanding	**1,727,975**	1,730,069	**1,728,700**	1,730,196
Net effect of stock options, PSUs and DSUs	**15,253**	23,833	**16,533**	22,311
Weighted-average diluted number of common shares outstanding	**1,743,228**	1,753,902	**1,745,233**	1,752,507
EPS (in dollars):				
Basic and diluted	**$ 0.08**	$ 0.11	**$ 0.16**	$ 0.20

The effect of the exercise of stock options was included in the calculation of diluted EPS in the above table, except for 21,713,425 and 22,303,107 stock options for the three- and six-month periods ended July 31, 2010 (31,888,650 and 34,289,325 for the three- and six-month periods ended July 31, 2009), 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.

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

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

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Receivables	**$ 205**	$ 335	**$ 53**	$ 206
Aircraft financing	**(77)**	(5)	**(102)**	(16)
Inventories	**(73)**	(1)	**(258)**	(368)
Fractional ownership deferred costs and revenues, net	**(15)**	(18)	**(20)**	(25)
Derivative financial instruments, net	**(24)**	(9)	**32**	(70)
Accounts payable and accrued liabilities	**(400)**	(71)	**(97)**	(10)
Advances and progress billings in excess of related long-term contract costs	**(48)**	(222)	**(67)**	(418)
Advances on aerospace programs	**(21)**	(159)	**(236)**	(403)
Accrued benefit liabilities, net	**(2)**	(5)	**13**	(1)
Other	**(16)**	(42)	**(34)**	(57)
	$ (471)	$ (197)	**$ (716)**	$ (1,162)

15. EMPLOYEE FUTURE BENEFITS

The components of the benefit cost were as follows:

	Three-month period ended July 31, 2010		Three-month period ended July 31, 2009	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 47**	**$ 5**	$ 43	$ 4
Interest cost	**98**	**6**	91	4
Expected return on plan assets	**(94)**	**-**	(91)	-
Amortization of actuarial losses	**20**	**1**	15	-
Amortization of past service costs (credits)	**3**	**(1)**	1	(1)
Other	**(1)**	**-**	2	(3)
	$ 73	**$ 11**	$ 61	$ 4

	Six-month period ended July 31, 2010		Six-month period ended July 31, 2009	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 95**	**$ 11**	$ 83	$ 9
Interest cost	**198**	**11**	174	9
Expected return on plan assets	**(190)**	**-**	(174)	-
Amortization of actuarial losses	**41**	**1**	26	-
Amortization of past service costs (credits)	**5**	**(2)**	3	(2)
Other	**-**	**-**	2	(3)
	$ 149	**$ 21**	$ 114	$ 13

16. COMMITMENTS AND CONTINGENCIES

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

	July 31, 2010		January 31, 2010	
Aircraft sales				
Credit	**$**	**1,488**	$	1,524
Residual value		**2,353**		2,425
Mutually exclusive exposure[(1)]		**(867)**		(894)
Total credit and residual value exposure	**$**	**2,974**	$	3,055
Trade-in commitments	**$**	**641**	$	761
Conditional repurchase obligations	**$**	**571**	$	599
Other				
Credit and residual value	**$**	**159**	$	157
Performance guarantees	**$**	**40**	$	44

(1) Some of the RVGs 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.

Provisions for anticipated losses on credit guarantees and RVGs related to the sale of aircraft amounted to $546 million as at July 31, 2010 ($536 million as at January 31, 2010). In addition, related liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $172 million as at July 31, 2010 ($196 million as at January 31, 2010).

Litigations
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 July 31, 2010, 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.

Other
The Corporation receives government financial support from various levels of government related to the development of aircraft. Certain of these financial support programs require the Corporation to pay 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 the minimum agreed-upon level is not reached, no amount 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 with the *CSeries* family of aircraft program, $29 million and $53 million of contingently repayable investments were received for the three- and six-month periods ended July 31, 2010 ($52 million and $84 million for the three- and six-month periods ended July 31, 2009). Of these amounts, $24 million and $45 million were recorded against intangible asset for the three- and six-month periods ended July 31, 2010 ($40 million and $47 million for the three- and six-month periods ended July 31, 2009), with the remaining $5 million and $8 million recorded against PP&E for the three- and six-month periods ended July 31, 2010 ($12 million and $37 million were recorded as a reduction of R&D expense for the three- and six-month periods ended July 31, 2009).

The total estimated remaining undiscounted maximum amount repayable under these support programs, mostly based on future deliveries of aircraft, amounted to $410 million as at July 31, 2010 ($404 million as at January 31, 2010).

17. 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.

BA	BT
BA is a world leader in the design and manufacture of innovative aviation products and is a provider of related services. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets 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 and manufacture of rail equipment and system manufacturing and a provider of related services, 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 the Corporation’s Annual Report for the fiscal year ended January 31, 2010. Management assesses segment performance based on income before financing income, financing expense and income taxes. 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 programs, fractional ownership deferred revenues, accrued benefit liabilities and derivative financial instruments.

The tables containing the detailed segmented data are shown hereafter.

18. RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

CSeries is a trademark of Bombardier Inc. or its subsidiaries.

SEGMENTED INFORMATION

INDUSTRY SEGMENTS	Bombardier Inc. consolidated		BA		BT	
For the three-month periods ended July 31	**2010**	2009	**2010**	2009	**2010**	2009
Revenues						
Manufacturing	**$ 2,838**	$ 3,742	**$ 1,367**	$ 1,891	**$ 1,471**	$ 1,851
Services	**699**	708	**399**	344	**300**	364
Other	**542**	496	**196**	164	**346**	332
	4,079	4,946	**1,962**	2,399	**2,117**	2,547
Cost of sales	**3,410**	4,155	**1,679**	2,045	**1,731**	2,110
SG&A	**327**	362	**138**	147	**189**	215
R&D	**45**	29	**13**	(4)	**32**	33
Other income	**(34)**	(36)	**(29)**	(36)	**(5)**	-
Amortization	**100**	123	**70**	93	**30**	30
	3,848	4,633	**1,871**	2,245	**1,977**	2,388
EBIT	**$ 231**	$ 313	**$ 91**	$ 154	**$ 140**	$ 159
Additions to PP&E and intangible assets	**$ 284**	$ 162	**$ 264**	$ 118	**$ 20**	$ 44

SEGMENTED INFORMATION

INDUSTRY SEGMENTS	Bombardier Inc. consolidated		BA		BT	
For the six-month periods ended July 31	**2010**	2009	**2010**	2009	**2010**	2009
Revenues						
Manufacturing	**$ 5,957**	$ 7,252	**$ 2,815**	$ 3,754	**$ 3,142**	$ 3,498
Services	**1,395**	1,372	**767**	673	**628**	699
Other	**973**	793	**315**	191	**658**	602
	8,325	9,417	**3,897**	4,618	**4,428**	4,799
Cost of sales	**6,933**	7,888	**3,292**	3,908	**3,641**	3,980
SG&A	**680**	708	**293**	301	**387**	407
R&D	**90**	49	**25**	(14)	**65**	63
Other expense (income)	**(40)**	(19)	**(38)**	(28)	**(2)**	9
Amortization	**207**	243	**145**	187	**62**	56
	7,870	8,869	**3,717**	4,354	**4,153**	4,515
EBIT	**$ 455**	$ 548	**$ 180**	$ 264	**$ 275**	$ 284
Additions to PP&E and intangible assets	**$ 533**	$ 331	**$ 496**	$ 256	**$ 37**	$ 75
As at	**July 31 2010**	January 31 2010	**July 31 2010**	January 31 2010	**July 31 2010**	January 31 2010
Net segmented assets	**$ 4,177**	$ 2,929	**$ 3,648**	$ 2,758	**$ 529**	$ 171
Liabilities allocated to segments:						
Accounts payable and accrued liabilities [(1)]	**7,116**	7,274				
Advances and progress billings in excess of related long-term contract costs	**1,867**	1,899				
Advances on aerospace programs	**1,855**	2,092				
Fractional ownership deferred revenues	**257**	346				
Accrued benefit liabilities	**1,102**	1,084				
Derivative financial instruments	**596**	429				
Assets not allocated to segments:						
Cash and cash equivalents	**2,776**	3,372				
Invested collateral	**650**	682				
Deferred income taxes	**1,153**	1,166				
Total consolidated assets	**$ 21,549**	$ 21,273				

(1) Excluding interest and income taxes payable amounting to $79 million and $95 million respectively as at July 31, 2010 ($56 million and $97 million as at January 31, 2010), which were not allocated to segments.

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6⅛% Senior Notes due 2021

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